

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 10111
Order No. R-8170-J

APPLICATION OF DOYLE HARTMAN FOR
AMENDMENT OF DIVISION ORDER NO.
R-8170, AS AMENDED, TO ESTABLISH
MINIMUM GAS ALLOWABLES IN THE
JALMAT GAS POOL, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 14, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 8th day of January, 1991, 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) The applicant, Doyle Hartman, seeks to amend the "General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Jalmat Gas Pool" as promulgated by Division Order No. R-8170, as amended, dated March 28, 1986, to provide for a minimum natural gas allowable for the Jalmat Gas Pool for a three year period of time equal to 600 MCF of gas per day for an acreage factor of 1.0 (non-standard 160-acre gas proration unit) or 2,400 MCF of gas per day for an acreage factor of 4.0 (standard 640-acre gas proration unit).

CASE NO. 10111
Order No. R-8170-J
Page -2-

(3) The Jalmat Gas Pool, a consolidation of the Jalco and Langmat Gas Pools, was created and defined by Division Order No. R-520, dated August 12, 1954, and currently comprises all or parts of the following described area in Lea County, New Mexico:

TOWNSHIP 21 SOUTH, RANGES 35-36 EAST
TOWNSHIP 22 SOUTH, RANGES 35-37 EAST
TOWNSHIP 23 SOUTH, RANGES 35-37 EAST
TOWNSHIP 24 SOUTH, RANGES 36-37 EAST
TOWNSHIP 25 SOUTH, RANGES 36-37 EAST
TOWNSHIP 26 SOUTH, RANGES 36-37 EAST

(4) For the purpose of prevention of waste and protection of correlative rights, gas prorationing was instituted within the Jalco and Langmat Pools on September 28, 1953 by Division Order Nos. R-368 and R-369, both as amended, and was continued in the Jalmat Gas Pool by said Order No. R-520, all as consolidated and revised by Division Order Nos. R-1670 and R-8170, as amended.

(5) According to applicant's evidence and testimony, there currently exists a market for natural gas from the Jalmat Gas Pool in excess of the gas allowable being assigned to the pool under the gas proration system.

(6) Further evidence and testimony indicates that the production limitations imposed by the gas proration system may have discouraged and may continue to discourage further developmental drilling and attempted workovers of existing wells.

(7) Evidence, testimony and information obtained from the December, 1990, Oil Conservation Division's Southeast Gas Proration Schedule indicates that within the Jalmat Gas Pool:

- a) there are approximately 279 producing wells with some 49 different operators;
- b) there are nine pipeline transporters;
- c) there is a total of 350.70 acreage factors of which 22.50 are non-marginal and 328.20 are marginal;
- d) there are seven wells overproduced and there is one well overproduced in excess of six times.

CASE NO. 10111
Order No. R-8170-J
Page -3-

(8) In addition, according to Division records, the average gas allowable for an acreage factor of 1.0 in the Jalmat Gas Pool during the period from December, 1989 through November, 1990, was approximately 341 MCF of gas per day.

(9) By Order No. R-8170-G, dated November 8, 1990, the Division, upon application of Texaco Inc., approved a minimum gas allowable of 600 MCF per day per acreage factor of 1.0 in the Eumont Gas Pool for a period of three years.

(10) Although the Jalmat and Eumont Gas Pools are classified by the Division as separate sources of supply, both pools produce from the Yates and Upper Seven Rivers formations, and the northern boundary of the Jalmat Gas Pool is contiguous with the southern boundary of the Eumont Gas Pool.

(11) The applicant presented engineering data which indicates that the remaining gas reserves within the Eumont and Jalmat Gas Pools are approximately 739 BCF. Further data indicates that approximately 300 BCF will be recovered by existing wells and that approximately 439 BCF may be recovered by the drilling of additional infill wells.

(12) Further evidence and testimony indicates that the applicant has drilled numerous infill wells in the Jalmat Gas Pool and as a result has substantially increased the recoverable gas reserves on each of said drilled leases or proration units.

(13) Testimony by the applicant indicates that the institution of a minimum gas allowable in the Jalmat Gas Pool as proposed should provide the incentive necessary to promote field-wide infill drilling and workovers of existing wells, which will in turn increase the ultimate gas recovery from the pool, thereby preventing waste.

(14) The applicant has notified all operators in the Jalmat Gas Pool of its application for establishment of a minimum gas allowable and has received support responses from eighteen operators who represent an ownership in the Jalmat Gas Pool of 50.22%.

(15) The applicant received no objection to the proposal from any of the remaining operators in the pool.

(16) No other operator and/or interest owner appeared at the hearing in opposition to the application.

CASE NO. 10111
Order No. R-8170-J
Page -4-

(17) The applicant further presented letters from three of the gas transporters in the Jalmat Gas Pool, which letter indicated that each has the capacity to gather, treat and/or process the additional gas which may be produced from the subject pool if the application is approved.

(18) The gas gathering line pressures in the Jalmat Gas Pool are and should remain, if the application is approved, sufficiently low to allow marginal gas wells to continue to produce.

(19) According to evidence and testimony, there are gas marketing entities available to all operators in the Jalmat Gas Pool such that no operator in the pool should be denied the opportunity to market and sell its gas.

(20) Even with the institution of a minimum gas allowable, the Jalmat Gas Pool will remain prorated inasmuch as there are numerous wells in the pool capable of producing in excess of 600 MCF of gas per day, and gas allowables are based upon proration unit size.

(21) The evidence at this time indicates that the institution of a minimum gas allowable in the Jalmat Gas Pool would be in the best interest of conservation, prevention of waste and protection of correlative rights.

(22) 600 MCF of gas per day per acreage factor of 1.0 or 2,400 MCF of gas per day for an acreage factor of 4.0 should be utilized as the minimum gas allowable. Said minimum gas allowable should remain in effect for a period of three years, provided however, the Division may reopen this case at any time during the three year period to consider additional evidence and testimony should it become apparent that continuation of the minimum gas allowable will not serve to prevent waste and protect correlative rights.

(23) This case should be reopened in December, 1993, at which time the applicant and/or the operators in the subject pool should be prepared to appear and present evidence and testimony relevant to the continuation of a minimum gas allowable in the Jalmat Gas Pool.

(24) This order should be effective January 1, 1991.

CASE NO. 10111
Order No. R-8170-J
Page -5-

IT IS THEREFORE ORDERED THAT:

(1) The "Special Rules and Regulations for the Jalmat Gas Pool" as promulgated by Division Order No. R-8170, as amended are hereby amended by the addition of Rule No. 8 as follows:

RULE 8. MINIMUM ALLOWABLES:

Notwithstanding the provisions of Rule Nos. 3 and 5 of the General Rules and Regulations for the Prorated Gas Pools of New Mexico, the Division shall assign a minimum gas allowable of 600 MCF of gas per day per Acreage Factor of 1.0.

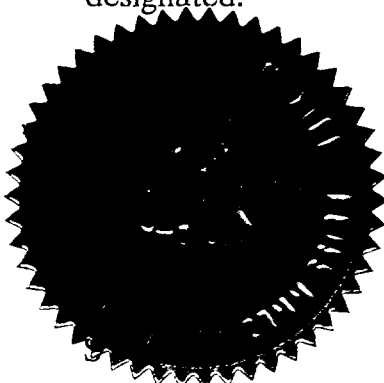
(2) Rule No. 8 shall remain in effect for a period of three years, provided however, the Division may reopen this case at any time during the three year period to consider additional evidence and testimony should it become apparent that continuation of the minimum gas allowable will not serve to prevent waste and protect correlative rights.

(3) Unless reopened pursuant to Paragraph (2) above, this case shall be reopened in December, 1993, at which time the applicant and/or the operators in the subject pool should be prepared to appear and present evidence and testimony relevant to the continuation of a minimum gas allowable in the Jalmat Gas Pool.

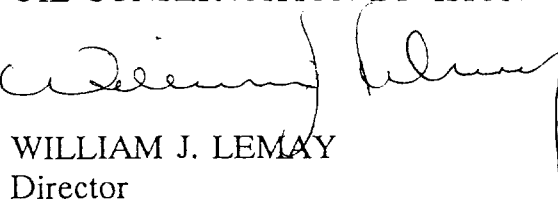
(4) This order shall be effective January 1, 1991.

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

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director