



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

MEMORANDUM

**TO: All Producers, Purchasers and Transporters of Gas For All Prorated Gas Pools
in New Mexico**

**FROM: Lori Wrottenbery, ^{LW} Division Director
Oil Conservation Division**

**SUBJECT: Commission Hearing on February 11, 1999, Concerning Prorated Gas
Allowables for the April, 1999 Through September, 1999 Period**

DATE: January 22, 1999

Since 1991, allowables for the prorated gas pools in New Mexico have been established for six month allocation periods beginning in April and October of each year. Allowables have been determined using prior year allocation period production volumes with adjustments where appropriate based on evidence and recommendations from operators, purchasers, and transporters.

For the past several allocation periods, non-marginal allocation factors and well allowables have remained almost constant in most pools. Declining pool production and increased demand for New Mexico gas have resulted in a large reduction in the number of non-marginal wells and the assignment of marginal allowables to most wells in prorated pools.

At its September 10, 1998 proration hearing, the allowable factors used in the previous allocation period were recommended by the Division for the next proration period. There were no requests to modify those recommended allowables. The recommended allowables were adopted by order of the Commission.

The Commission will follow this procedure for the current and future allocation periods and until such time as it is determined that changes are needed. The enclosed allocation factors, being the previous 6 month allowable factors, will be used for allowable purposes for the period April, 1999 through September, 1999 unless there is evidence received at the February 11, 1999 Commission hearing indicating that these factors should be modified.

**Oil Conservation Division
Proposed Allowable Allocation Factors
New Mexico Prorated Pools
April, 1999 through September, 1999**

Southeast New Mexico

Pool	Monthly Allocation Factor (F.)
Atoka Penn	24,000
Blinebry Oil and Gas	70,200
Buffalo Valley Penn	33,000
Eumont Yates 7 Rivers Queen	38,000
Indian Basin Upper Penn	200,000
Jalmat Tansill Yates 7 Rivers	18,300
Justis Glorieta	18,300
Tubb Oil and Gas	18,425

Northwest New Mexico

Pool	Monthly Allocation Factor (F1)	Monthly Acreage x Deliverability Factor (F2)
Basin Dakota	11,163	14.04
Blanco Mesaverde	5,771	26.14
Blanco P. C. South	440	28.18
Tapacito Pictured Cliffs	467	19.79

DOCKET: COMMISSION HEARING - THURSDAY - FEBRUARY 11, 1999

9:00 A.M. - 2040 South Pacheco

Santa Fe, New Mexico

The Land Commissioner's designee for this hearing will be Jami Bailey or Gary Carlson

The minutes of the January 14, 1999, Commission hearing will be adopted.

CASE 12124: The Oil Conservation Division is calling a hearing to consider proposed April, 1999 – September, 1999 gas allowables for the prorated gas pools in New Mexico. Allowable assignment factors are being distributed with an OCD Memorandum dated January 22, 1999. If requests for changes are not received at the February 11, 1999 hearing, these factors will be used to assign allowables for the April – September period.

CASE 12117: Continued from January 14, 1999, Commission Hearing.

In the matter of the hearing called by the Oil Conservation Division to amend 19 NMAC 15.C. 107.J and K. of its Rules and Regulations pertaining to tubing and casing sizes and to giving the Districts authority to grant administrative exceptions. Copies of the proposed rule changes will be circulated with the docket for the February 11, 1999 hearing.

CASE 12118: Continued from January 14, 1999, Commission Hearing.

In the matter of the hearing called by the Oil Conservation Division to amend 19 NMAC 15.C. 112-A. A., B., C., D., E., and F. of its Rules and Regulations pertaining to multiple completions and to expand the Districts' authority to grant administrative exceptions. Copies of the proposed rule changes will be circulated with the docket for the February 11, 1999 hearing.

CASE 12086: De Novo - Continued from January 14, 1999, Commission Hearing.

Application of Yates Petroleum Corporation and Hanley Petroleum Inc. for allowable reduction, and the escrow of production process, Lea County, New Mexico. Applicants seek an order (1) reducing the depth bracket allowable for wells in the West Lovington Strawn Pool to a level that will only permit operators to avoid lease terminations for failure of wells to produce in paying quantities, (2) providing for termination of the depth bracket allowable for the pool when the West Lovington Strawn Unit is expanded to protect the correlative rights of each owner in the pool pursuant to a ratified statutory unitization order of the Oil Conservation Commission, and (3) requiring Gillespie-Crow, Inc. to escrow all payments received for production from the unit, less payments for royalties and taxes thereon, from the date of the order until the unit has been expanded pursuant to a ratified statutory unitization order of the Commission to include all lands affected by the pressure maintenance project being conducted in the pool. The unit is located approximately 4.5 miles west-northwest of Lovington, New Mexico.

CASE 11839: De Novo - Continued from December 18, 1998, Commission Hearing.

Application of Odessa Oil Investments, Inc. for salt water disposal, Eddy County, New Mexico. Applicant seeks authority to re-enter the existing Lakewood State Com Well No. 1 (formerly the Monsanto Company Lakewood State Com Well No. 1), located 1980 feet from the North and West lines (Unit F) of Section 30, Township 19 South, Range 26 East, and utilize the well to dispose of produced water into the Devonian formation through the open-hole interval from approximately 10,300 feet to 10,700 feet. Said well is located approximately 3 miles west of Lakewood, New Mexico. Upon application of Odessa Oil Investments, Inc., this case will be heard De Novo pursuant to the provisions of Rule 1220.

The Oil Conservation Commission may vote to close the open meeting to deliberate any De Novo cases heard at this hearing.

107.J. Well Tubing Requirements

- (1) All flowing oil wells equipped with casing larger in size than 2 7/8-inch OD shall be tubed.
- (2) All gas wells equipped with casing larger in size than 3 1/2 inch OD shall be tubed.
- (3) Tubing shall be set as near the bottom as practical and tubing perforations shall not be more than 250 feet above top of pay zone.
- (4) The supervisor of the appropriate Division district office, upon application, may grant exceptions to these requirements, provided waste will not be caused.
- (5) The supervisor, at its discretion, or an operator may request that an application be reviewed by the Director. The operator shall submit information and give notice as requested by the Director. Unprotested applications may be approved after 20 days of receipt of the application and supporting information. If the application is protested, or the Director so decides, the application shall be set for hearing.

107.K. REPEALED

112-A MULTIPLE COMPLETIONS

112-A.A. District Approval

- (1) The supervisor of the appropriate Division district office may authorize the multiple completion (conventional, tubingless, or combination) of any oil and/or gas well provided waste will not be caused. [2-1-82... - -99]
- (2) Operators shall file four copies of Form C-107 (Application for Multiple Completion) with the appropriate district office accompanied by:
 - (a) a complete wellbore diagram showing all casing strings, including diameters and setting depths; cement quantities used, cement class/quality with additives, and cement tops; perforated intervals; completion treatments; tubing strings, including diameters and setting depth; location of packers; and other pertinent information; and
 - (b) An electrical or other acceptable well log with producing zone tops and bottoms and perforation intervals indicated thereon. If such log is not available at the time the application is filed, it shall be submitted within 20 days of well completion. [2-1-82... - -99]

112-A.B. Director Approval

- (1) The district supervisor, at its discretion, or an operator may request that any application be reviewed by the Director. [2-1-82... - -99]
- (2) Operators shall file four copies of Form C-107 (two copies with the Division's Santa Fe office and two copies with the appropriate district office) accompanied by the information listed in 112-A.A.(2) above. [2-1-82... - -99]
- (3) Upon receipt of a complete application, the Director may approve the application or set it for hearing. [2-1-82... - -99]

112-A.C. Operation and Testing for All Multiple Completions
(Whether Approved by the District or Director or After Hearing)

- (1) Prior to multiple completion, the operator shall make adequate casing pressure tests to determine no leaks exist. Test

results shall be reported on Form C-103. [2-1-82... - -99]

(2) Wells shall be completed and produced so that no commingling of hydrocarbons from separate pools occurs. [2-1-82... - -99]

(3) The operator shall commence a segregation and/or packer leakage test within twenty (20) days after the multiple completion. Segregation tests and/or packer leakage tests shall also be made any time the packer is disturbed and at any time the Division requires. The operator shall also conduct any other tests and determinations required by the Division. The appropriate district office shall be notified 48 hours in advance of tests so the district office may schedule personnel to witness the tests. Offset operators may witness such tests at their election and shall advise the operator in writing if they desire to be notified of the tests. Test results shall be filed with the Division within fifteen (15) days of test completion. In the event a segregation and/or packer leakage test indicates communication between separate pools, the operator shall immediately notify the Division and commence corrective action on the well. [2-1-82... - -99]

(4) Wells shall be equipped so that (i) reservoir pressure may be determined for each of the separate pools, and (ii) meters may be installed so that the gas and/or oil produced from each of the separate pools may be accurately measured and the gas-oil or gas-liquid ratio determined. [2-1-82... - -99]

(5) Within 20 days after well completion, the operator shall furnish the Division with: (i) a diagram of the mechanical installation used in completing the well, (ii) a report of the gravity, gas-oil or gas-liquid ratio, and surface or bottomhole pressure, for each of the separate zones, and (iii) the well log, if not previously submitted. [2-1-82... - -99]

(6) No multiple completion shall produce in a manner unnecessarily wasting reservoir energy. [2-1-82... - -99]

(7) The Division may require the plugging of any abandoned zone of a multiple-completed well if the plugging appears necessary to prevent waste, protect correlative rights or protect groundwater, public health or the environment. [2-1-82... - -99]