

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

**APPLICATION OF OIL CONSERVATION
DIVISION FOR TERMINATION OF GAS
PRORATIONING IN THE JALMAT AND
EUMONT GAS POOLS AND TO AMEND
THE SPECIAL POOL RULES GOVERNING
BOTH POOLS, LEA COUNTY, NEW MEXICO**

OCD CASE NO. 12563

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Doyle Hartman, Oil Operator in accordance with Rule 1208.B., 19 NMAC 15.N.

APPEARANCES OF PARTIES

APPLICANTS

New Mexico Oil Conservation Division

ATTORNEYS

Marilyn S. Hebert
Special Assistant Attorney General
New Mexico Oil Conservation Division
2040 S. Pacheco Street
Santa Fe, NM 87505

PARTIES

Doyle Hartman, Oil Operator

J.E. Gallegos
Gallegos Law Firm
460 St. Michael's Drive, Bldg. 300
Santa Fe, NM 87505
505-983-6686

To Hartman's knowledge, no other party has entered an appearance or filed opposition in this matter.

HARTMAN'S STATEMENT OF THE CASE

Hartman contends that the evidence based upon the production history for the Jalmat Gas Pool and Eumont Gas Pool in southeastern New Mexico confirms that there

is presently no factual basis and no legal authority in the Commission to set an allowable and perform prorationing for those gas pools. See NMSA 1978, § 70-2-16 (1995 Repl.). Hartman adopts and incorporates by reference herein the Pre-Hearing Statement filed in Oil Conservation Commission Case No. 12347, copy attached as Exhibit A.

Hartman agrees that there is no longer any factual basis for any allocation factor for The Eumont and Jalmat gas pools. Hartman believes that the Special Pool Rules for both pools should be amended as specified in the Proposal for Special Pool Rules Governing the Jalmat and Eumont Gas Pools, attached hereto as Exhibit B.

PROPOSED EVIDENCE

HARTMAN

| WILL-CALL WITNESSES (Name and Expertise) | ESTIMATED TIME | EXHIBITS |
|---|-----------------------|-----------------|
| Craig VanKirk Petroleum Engineer | 30 min. | Pre-Filed* |
| Doyle Hartman Chemical Engineer | 30 min. | |

* Exhibits will be filed prior to the scheduled hearing, and may include exhibits Hartman tendered in Case No. 12347. Counter exhibits may be presented to rebut, explain or otherwise address testimony or exhibits of the Division or any other party who appears at the hearing.

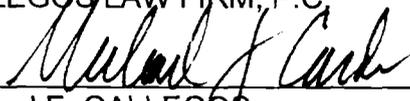
Additional rebuttal witnesses may be called, depending on the evidentiary presentation made by the Division or other parties appearing at the hearing.

PROCEDURAL MATTERS

None at this time.

Respectfully submitted,

GALLEGOS LAW FIRM, P.C.

By 

J.E. GALLEGOS

MICHAEL J. CONDON

460 St. Michael's Drive, Bldg. 300

Santa Fe, New Mexico 87505

(505) 983-6686

Attorneys for Doyle Hartman, Oil
Operator

CERTIFICATE OF SERVICE

I hereby certify that I have caused a true and correct copy of the foregoing to be
mailed on this 29th day of December, 2000 to the following:

Marilyn S. Hebert
Special Assistant Attorney General
New Mexico Oil Conservation Division
2040 S. Pacheco Street
Santa Fe, NM 87505


MICHAEL J. CONDON

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

APPLICATION OF OIL CONSERVATION
DIVISION TO CONSIDER PROPOSED
APRIL, 2000 – SEPTEMBER, 2000
GAS ALLOWABLES FOR PRORATED
GAS POOLS IN NEW MEXICO

OCD CASE NO. 12347

OIL CONSERVATION DIV.
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PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Doyle Hartman, Oil Operator in accordance with Rule 1208.B., 19 NMAC 15.N.

APPEARANCES OF PARTIES

APPLICANTS

New Mexico Oil Conservation Division

ATTORNEYS

Marilyn S. Hebert
Special Assistant Attorney General
New Mexico Oil Conservation Division
2040 S. Pacheco Street
Santa Fe, NM 87505

PARTIES

Doyle Hartman, Oil Operator

J.E. Gallegos
Michael J. Condon
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460 St. Michael's Drive, Bldg. 300
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505-983-6686

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HARTMAN'S STATEMENT OF THE CASE

In a Memorandum to producers dated February 4, 2000, the Commission indicates its intent to consider allowable factors concerning prorated gas pools in New

EXHIBIT "A"

Mexico for the period April, 2000 through September, 2000. The Commission stated its proposed procedure as follows:

At its August 12, 1999 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 six month allowable factors, will be used for allowable purposes for the period April, 2000 through September, 2000 unless there is evidence received at the February 25, 2000 Commission hearing indicating that these factors should be modified.

The evidence based upon the production history for the Jalmat Gas Pool and Eumont Gas Pool in southeastern New Mexico confirms that there is presently no factual basis and no legal authority in the Commission to set an allowable and perform prorationing for those gas pools. The Commission's authority to set allowables is established by NMSA 1978, § 70-2-16 (1995 Repl.), which provides:

- C. Whenever, to prevent waste, the total allowable natural gas production from gas wells producing from any pool in this state is fixed by the Oil Conservation Division in an amount **less than that which the pool could produce if no restrictions were imposed**, the Division shall allocate the allowable production among the gas wells in the pool . . . in allocating production pursuant to the provisions of this subsection, the Division shall fix proration periods of not less than six months. It shall, upon notice and hearing, determine reasonable market demand and make allocations of production during each proration period. (Emphasis added).

The Jalmat and Eumont Gas Pools have been producing gas pools in New Mexico for over forty-five years. The Jalmat Gas Pool consists of about 56,600 acres. The Eumont Gas Pool consists of about 68,442 acres. The formations comprising both the Jalmat and Eumont Gas Pools are approaching depletion, and have average bottomhole pressures of less than 10% of the original shut-in bottomhole pressures.

For the Jalmat Gas Pool, the NMOCD is currently, and has been for the last six years, assigning a monthly allocation factor of 18,300 Mcf, for each non-standard 160 acre gas proration unit ("GPU"), or 2,400 Mcf per day for a standard 640 acre GPU. For the Eumont Gas Pool, the NMOCD is currently, and has been for the last six years, assigning a monthly allocation factor of 38,000 Mcf, for each non-standard 160 acre GPU, or 4,900 Mcf per day for a standard 640 acre GPU. Since 1996, the NMOCD has ceased (1) issuing periodic proration orders, (2) publishing prorationing data essential for a producer's review and operations (3) calculating proration unit production, (4) calculating proration unit overage or underage, and (5) assigning and publishing proration unit allowables and proration unit status (marginal and non-marginal). Consequently, based on the NMOCD's semi-annual allowable memoranda, it must be concluded that the allowable for each pool is more than that which the pool can produce. The natural gas market does consume, and has for years consumed all the gas that the Jalmat and Eumont Pools can produce. and the Commission allowables permit full capacity production by the wells in the Jalmat and Eumont Gas Pools. Because of the sufficiently large pool allowables assigned by the NMOCD, there are not, and have not been, for years, any restrictions imposed on gas production in the Jalmat or Eumont Gas Pools by Commission allowables.

The Division and Commission, as administrative agencies, have only such power as is vested in them by the State Legislature. Continental Oil Company v. Oil Conservation Commission, 70 N.M. 310, 373 P.2d 809 (1962). The Legislature has not granted any authority to either the Division or the Commission to set allowables in excess of the amount, which the pool can produce, if no restrictions on production are imposed. The Commission must make specific findings in setting allowables in order to prevent waste and protect correlative rights. Id. There is no longer any factual basis for any allocation factor for The Eumont and Jalmat gas pools, which factors are today being utilized as an excuse for the drilling of unnecessary and unjustified Jalmat wells.

As a matter of law, the Commission must discontinue issuing any orders purporting to establish allowables and allocation periods or announcing prorationing of production among wells in the Jalmat Gas Pool and the Eumont Gas Pool. NMSA 1978, § 70-2-16(C).

PROPOSED EVIDENCE

HARTMAN

| WILL-CALL WITNESSES (Name and Expertise) | ESTIMATED TIME | EXHIBITS |
|---|-----------------------|-----------------|
| Craig VanKirk Petroleum Engineer | 20 min. | Pre-Filed* |

May-Call Witnesses

Doyle Hartman
Chemical Engineer

* Counter exhibits may be presented to rebut, explain or otherwise address testimony or exhibits of the Division or any other party who appears at the hearing.

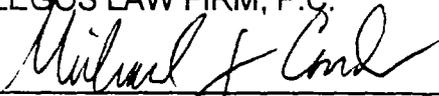
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PROCEDURAL MATTERS

None at this time.

Respectfully submitted,

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J.E. GALLEGOS

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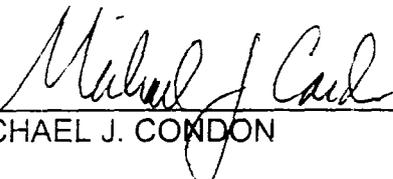
(505) 983-6686

Attorneys for Doyle Hartman, Oil
Operator

CERTIFICATE OF SERVICE

I hereby certify that I have caused a true and correct copy of the foregoing to be mailed on this 18th day of February, 2000 to the following:

Marilyn S. Hebert
Special Assistant Attorney General
New Mexico Oil Conservation Division
2040 S. Pacheco Street
Santa Fe, NM 87505


MICHAEL J. CONDON

B

PROPOSAL FOR SPECIAL POOL RULES GOVERNING THE JALMAT AND EUMONT GAS POOLS

1. That where there exists a spacing unit with equivalent well density availability of 160 acres or more and the location is orthodox, the well can be completed or recompleted solely on the basis of an APD and approval of that form.

Modern completions in the formations comprising the Eumont Pool ordinarily will efficiently and economically drain a 160 acre area.

Modern completions in the formations comprising the Jalmat Pool ordinarily will efficiently and economically drain a 160 acre area.

2. In the case where an operator seeks to complete or recomplete a well with a dedication of less than 160 acres to that one well, there must be an application filed, notice of the application to all offset operators and 20 days allowed for objection. If there is no objection, the application is entitled to administrative approval. If there is objection there must be a public hearing and proof by the applicant that the well is justified under the standards of Section 70-2-17 NMSA 1978.

There are leases of less than 160 acres, there are instances of inefficient well completions, there are geologic trends and many other reasons where the facts and science may justify a density of greater than one well per 160 acres and an operator should be entitled to make such a case when it can be substantiated.

3. The Jalmat and Eumont Gas Pools should be declared non-prorated gas pools.
4. The present pool rules concerning the standard well locations should be maintained with the addition of a prohibition against having more than one well in a quarter-quarter section.

Operators should not be permitted to infringe on the correlative rights of offset leases by concentrating wells in manner to exaggerate drainage from lands outside their spacing units.

5. All existing non-standard spacing units would be grandfathered.