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Memo No. 28-56

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION
P. O. Box 871
Santa Fe, New Mexico

TO: All Gas Well Operators and Purchasers
FROM: A. L. Porter, Jr., Secretary-Director
SUBJECT: Revision of Gas Proration Schedule

The present method of publishing the gas proration schedule is not as desirable as it should be for the following reasons:

1. The current allowable (market demand) for the month for which the schedule is published is adjusted by the second preceding month's under or over production as well as any error in nominations which may have occurred for the first preceding month. It is believed that the current allowable (market demand) should reflect more accurately the market demand for the month for which the schedule is published.

2. The net allowable for the second month preceding the month for which the schedule is published does not include that month's production and therefore does not show a true net allowable for that month. Because of this time lag it is not a desirable figure to use in balancing the wells at the end of the proration period. Also the over and under status of the well is not correct for the reason stated above.

The Commission staff is suggesting that the method of calculating and publishing the schedule be changed as explained below. (See figure 1).

1. Column A will list the operator, lease name, well number and location as on all previous schedules.

2. Column B will list the acreage factor as on all previous schedules.

3. Column C will list the cumulative overage or underage for the third month preceding the month for which the schedule is published including any supplements that were issued.

4. Column D will list the corrected current allowable for the second month preceding the month for which the schedule is published. These allowables are obtained by correcting the preliminary allowables previously listed in Column I for that month. These corrections are made by reallocating the actual production for that month among all the wells producing from the pool during the same month.

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5. Column E will list the actual production for each well for the second month preceding the month for which the schedule is being published, including supplements. The total of this Column, plus any over production or minus any under production accrued by supplements prior to the second month preceding the month for which the schedule is being published, is the pool allowable.

6. Column F will list the cumulative overage or underage for each well after the second preceding month's production is re-allocated to all wells in the pool. The data shown in this Column is actually the data shown in Column C adjusted for the difference (+ or -) between Column D and E. Another way of explaining would be to say $Column\ C + D - E = F$. This gives a correct net status as of the end of the second preceding month for the gas produced during that month.

7. Column G will list the classification of each well M for marginal N for non-marginal and P.M. for production marginal wells. A production marginal well is a well which has shown by its production history that it is not capable of producing a normal allowable and its incapability has not been caused by discrimination.

8. Column H will show the deliverability of each well where the deliverability is a factor in the proration formula.

9. Column I will list a preliminary allowable for each well. This preliminary allowable will be calculated by allocating to the wells in the pool, the total of all the purchaser's supplementary nominations for the month for which the schedule is published.

You will note that the Commission staff does not propose to show the preliminary allowable or net status for the first preceding month. This data will not be a true figure until the actual production for the month is reallocated and therefore would be more confusing than helpful. In order to leave these columns out, it will be necessary to revise the 2nd paragraph of Rule 3 of Order R-128-D, the 2nd paragraph of Rule 8 of Orders R-565-C, R-566-D, R-520 and R-846, the 3rd paragraph of Rule 8 of R-586 and the 3rd paragraph of Rule 12 of R-610. These rules require that the Commission include in its proration schedules certain data mentioned above. It is believed that the rules are too restrictive and should be changed to allow the Commission more flexibility in publishing the gas proration schedules. The staff proposes that a hearing be called for the purpose of considering such a revision.

An industry committee composed of the following gas producers and purchasers has been appointed by the Commission:

Continental Oil Company	✓		
Amerada Petroleum Corporation		<i>Rev.</i>	<i>For</i>
Gulf Oil Corporation		<i>absent</i>	✓
Stanolind Oil and Gas Company	✓	<i>as is</i>	<i>For</i>
Phillips Petroleum Company	✓	<i>Rev.</i>	<i>For</i>
Western Development Company	✓	<i>as is</i>	<i>For</i>
El Paso Natural Gas Company	✓	<i>as is</i>	<i>For</i>
Permian Basin Pipeline Company	✓		<i>absent</i>
Southern Union Gas Company	✓	<i>as is</i>	<i>For</i>
Pacific Northwest Pipeline Company	✓	<i>Rev.</i>	<i>For</i>

This committee has been instructed by the Commission to study the procedure as proposed by the Commission staff to determine whether or not it is more feasible and practical than the procedure now being followed, and to suggest any other changes which in the opinion of the committee would improve the gas proration schedule.

The Committee has been further instructed to report its findings and recommendations to the Commission at the regular hearing on October 17, 1956.

The first meeting of the committee will be held at 9:00 A.M. September 12, 1956, in the Commission office at Santa Fe, New Mexico.

September 4, 1956

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FIGURE I

A	B	C	D	E	F	G	H	I
	Acre Factor	May Cumulative Over/Under	June Current Allowable	June Current Production	June Cumulative Over/Under	M N	Deliverability	August Preliminary Allowable
S. Blanco P. C. E. P. N. G. Connections Company - Lease	100	400 Ex.	$\frac{5342}{5342}$	$\frac{5000}{5000}$	58 Ex.	N	$\frac{6001}{6001}$	6677
<u>Bell Oil and Gas Company</u>								
Jernigan 11 242709 Total								
<u>Trinity Gas Corporation</u>								
Marron 1 M 242708 2 H 242708 3 D 242708 Total								
	4.00	0	20000	20000	0		22000	25002
POOL TOTAL								

Allowable Calculations

20,000 = June Production (Current Allowable)

: 25% 5000 = Acreage Allocation

75% 15000 = Deliverability Allocation

Non-Marginal Units = 4.00

Non-Marginal Del. = 22000

: $\frac{5000}{4.00} = 1250.00 =$ Acreage Allocation Factor

$\frac{15000}{22000} = 0.681818 =$ A. D. Allocation Factor

25000 = Nominations for August (Preliminary Allowable)

25% 6,250

75% 18,750

$\frac{6250}{4.00} = 1563.00 =$ Acreage Alloc. Factor

$\frac{18750}{22000} = 0.852273 =$ A. D. Alloc. Factor