STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



POST OFFICE BOX 2088 STATE LAND OFFICE BUILDING SANTA FE. NEW MEXICO 87504 (505) 827-5800

MEMORANDUM

TO:

ALL PRODUCERS, PURCHASERS AND TRANSPORTERS OF

GAS FROM ALL PRORATED GAS POOLS IN NEW MEXICO

FROM:

WILLIAM J. LEMAY, DIRECTOR, J

SUBJECT:

COMMISSION HEARING ON AUGUST 29, 1991, CONCERNING

PRORATED GAS ALLOWABLES FOR OCTOBER 1991 - MARCH 1992

DATE:

AUGUST 5, 1991

A Commission Hearing will be scheduled for August 29, 1991 for the purpose of receiving nominations and other testimony and information to assist the Commission in determining prorated gas allowables for the Oct. '91 through Mar. '92 allocation period. The assistance of all segments of the natural gas industry is needed in this process so you are urged to attend the hearing and participate.

The following information is being distributed along with this memo:

- PRELIMINARY ALLOWABLE ESTIMATES FOR EACH POOL.
- EXPLANATIONS FOR POOL ALLOWABLE ADJUSTMENTS
- COMPARISON OF MONTHLY AVERAGE POOL ALLOWABLES, SALES, F1
 AND F2 FACTORS.
- O COMPARISON OF APRIL AND MAY, 1991 SALES VOLUMES TO ALLOWABLES.
- REQUESTED FORMAT FOR NOMINATIONS FORM C-121-A.

Nominations may be submitted prior to or at the August 29 Hearing. Nominations and other information presented at the hearing will be used to revise the preliminary allowables and assign final allowables for the allocation period.

PRELIMINARY ALLOWABLE ESTIMATES MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE FOR OCT 91 THRU MAR 92 PRORATED GAS POOLS - SOUTHEAST NEW MEXICO

(8) WONTHLY ACREAGE ALLOCATION FACION OCT 91-MAR 92 F1 (LINE 6 DIVIDED BY LINE 7)	(7) MUMBER OF NON-MARGINAL ACREAGE FACTORS	(6) MONTHLY NOW-MARGINAL FOOL ALLOWABLE OCT 91-MAR 92 (LINE 4 MINUS LINE 5)	(5) MONTHLY HARIGINAL POOL ALLOWABLE FOR OCT 91-MAR 92	(4) MONTHLY POOL ALLOWABLE OCT 91-MAR 92 (LINE 1 + LINE 3)	(3) ADJUSTMENTS	(2) TOTAL MONTHATIONS AVERAGE MONTHLY VOLUMES	(1) AVERAGE MONTHLY POOL SALES OCT 90-MAR 91 ALL VOL.S ARE IN MCF	
. 32,099	3.42	109,780	30,622	140,402	27,000		113,402	ATOKA PEWN
7 29,983	2 10.75	322,321	160,459	482,780	73,000		409,780	RL INEBRY
42,219	2.00	84,437	118,747	203, 184			203, 184	BUFFALO BURTON VALLEY PENN MORRON
34,938	6.98	240,376	183,646	424,022			424,022	BURTON FLAT CARLSDAD MORRON MORRON
70,015	3.97	79,459	213,958	293,417	72,000		221,417	
29,106	2.00	58,211	92, 289	150,500	14,000		136,500	CATCLAN DRAW MORROW
18,30	56.72	1,037,976	1,373,502	2,411,478	%,753		2,315,225	EUNDNT
181,565	0.86	154,146	75,247	231,393	27,000		204,393	INDIAN BASIN MORROW
185,431	5.49	1,019,015	2,542,065	3,560,080	188,000		3,372,080	INDIAN BASIN INDIAN BASIN NORROW UPPER PENK
18,300	22.00	402, 6 00	842,890	1,245,490	340,391		905,099	I JALMAT
3,496	9. 00	31,372	14,065	45,437	6,000		39,437	JUSTIS GL
10,087	11.90	110,962	162,954	273,916	60,000		213,916	TUBB

OCT 91-MAR 92 F1 FACTORS FOR OTHER POOLS BURTON FLAT STRAWN F1=10,0000 MONUMENT MCKEE ELLEN F1=25,000

PRELIMINARY ALLOWABLE ESTIMATES
MARKET DENAMD AND ALLOWABLE DETERMINATION SCHEDULE
FOR DCT 91 THRU MAR 92
PRORATED GAS POOLS - NORTHWEST NEW NEXICO

	BASIN	BLANCO Nesaverde	BLANCO P.C. SOUTH	1APAC110
(1) AVERAGE NONTHLY POOL SALES OCT 90-MAR 91 ALL VOL.S ARE IN NCF	8,039,435	14, 122, 492	1,204,658	207,577
(2) TOTAL MONTMATIONS Average Hontaly Volumes		·		
(3) ADJUSTNENTS		44,000		
(4) MONTHLY POOL ALLOMANLE OCT 91-NAR 92 (LINE 1 + LINE 3)	6,039,435	14, 168, 492	1, 204, 658	207,577
(5) NOWTHLY MARGINAL POOL ALLOWABLE FOR OCT 91-MAR 92	4,228,404	4,487,524	515,461	82,453
(6) MONTHLY MON-MARGINAL POOL ALCUMARE OCT 91-MAR 92 (LINE 4 MINUS LINE 5)	3,811,031	7,480,948	725, 197	125, 124
(7) MUMBER OF NON-WARBINAL ACREAGE FACTORS	433.65	599.93	454.41	91.74
(8) NUMBER DF NON-WARGINAL Acherge I Deliverability Factors	205, 993	434, 101	27, 355	4,277
(9) MONTHLY ACREAGE ALLOCATION FACTOR FOR OCT 91-MAR 92, F1	5,273	3,117	165	341
(10) NONTHLY ACREAGE I BELLY ALLOCATION FACTOR FOR DCT 91-NAR 92, F2	7.40	12.92	9.61	10.12

EXPLANATION FOR POOL ALLOWABLE ADJUSTMENTS

Prorated Gas Pools - Oct '91-Mar '92

POOL	ADJUSTMENT MCF PER MONTH	REASON FOR ADJUSTMENT
Atoka Penn	27,000	Overproduction
Blinebry	73,000	я
Carlsbad Morrow	72,000	Overproduction and Recent Production Volumes
Catclaw Draw	14,000	Overproduction
Eumont	96,253	Minimum Allowable
Indian Basin Morrow	27,000	Overproduction
Indian Basin Upper Penn	188,000	Ħ
Jalmat	340,391	Minimum Allowable
Justis	8,000	Recent Production
Tubb	60,000	n n
Blanco Mesaverde	46,000	Overproduction

Monthly Marginal Pool Allowables for Oct '91-Mar '92 are estimated based on Apr and May, 1991 Pool Sales Volumes.

COMPARISON OF MONTHLY AVERAGE POUL ALLUMMBLES, FI AND FZ FACTURS

PERIOD			FIL INE. DR.	NEW PERM	MUNICIPAL FLEE	MUKKUM	THE PROPERTY OF THE PROPERTY O
DC1 89-MAR 90							
ui.	ICH PER MO	90,502	584,153	226,422	507,581	333,609	231,865
FUOL SALES, MCI P	PLK MI	88,4/3	4	207, 301	392,388	256,256	126,029
F.		10,193		35, 319	18,931	34,790	•
OCT 90-144R 91							
FUNL ALLUWABLE; MCF	NCF FEK MO	100,273	441,816	239.674	544,365	200,077	146.514
FOUL SALESIMOF PER MO	JER MO	113,402	409, 780		424,022		136,500
		17, 180			39,884		21,757
CCT 91 -MAR 92							
POOL ALLUMARILE, MCF	REF PER MU	140,402	482, 780	203, 184	424,022	293,417	150,500
PUBL SALESIMOF	PER MO					•	
		32,099	29,983	42,219	34,938	20,015	29, 106
		ELMONT	IND. BASIN	IND. BASIN	JALMAT	JUSTIS	1088
PENTUD OPT RO-MAR 90			MCF-KKUW	CHAPER FENN		GLUKIE IA	
FOOL ALLOWARILES MCF	CF FER MO	2,279,715	90,717	3, 187, 359	775,942	57,744	338,032
FOOL SALESINCE FER MO		1,779,169	78, 348			60,222	289,732
		13,965	47,191	132,760		3,575	8,383
DC1 90-MAR 91							
FOUL ALLOWABLE, MCF	CF FEK MU	2,234,375	209,172		473,904	46,147	236,501
POOL SALES, MCF PER	ER MO	2,315,225	204, 393	ทั		39,437	213,916
FI		166,01	129,687			4,541	10, 127
		•		1	1		
PUCK ALLUMABLE ME	AC FER MU	2,411,178	251, 393	080,040,0	1,245,490	40,457	273,416
	2	18,300	181,565	185,431	18,300	3,486	10,087
PERIOD		DAKOTA	MESAVERDE	BLANCO P.C. SDUTH	IN ACT 10		
w							
	ICF PER MO	12, 242, 569	16,894,172		449,567		
PUGL SALES, MCF PER	ER MO	10, 302, 401	14,990,087	1, 115,	318,270		
. C		8,528 8,18	2,629	375	488		
:							
OCT 90-MAR 91	3 303	G2 L 71 V G	000	000	000		
PUBLIC SOLESAMONES FOR MO		8,039,435	14, 122, 492	1,204,658	207,577		
		5.676	•		546		
. 7		7.83		23	17.07		
UC1 91-MAR 92							
AL LUWABLE	PMCF FER MO	8,039,435	14, 168, 492	1,704,658	207,577		
FLAM. SMIRSTONE FOR		5.273	3,117	762	7.41		
• (0 4 1		500 21	10.12		

COMPARISON OF APRIL AND MAY 1991 SALES VOLUMES AND ALLOWABLES; MCF PER MONTH

NEW MEXICO PRORATED GAS SALES

POOL	APR-SEP 1991 MONTHLY ALLOWABLE	AVG. MONTHLY SALES APRMAY, 1991
Atoka Penn	107,414	101,987
Blinebry	368,926	423,780
Buffalo Valley Penn	221,054	151,296
Burton Flat Morrow	481,903	303,122
Carlsbad Morrow	252,148	252,452
Catclaw Draw Morrow	161,064	102,195
Eumont	2,278,783	2,112,369
Indian Basin Morrow	144,974	167,651
Indian Basin Upper Penn	3,166,408	3,231,461
Jalmat	1,148,663	1,091,336
Justis Glorieta	43,021	44,499
Tubb	266,658	245,611
Basin Dakota	8,552,554	6,359,286
Blanco Mesaverde	13,548,300	13,862,223
Blanco P.C. South	1,242,564	991,596
Tapacito	234,518	177,580

State of New Mexico Energy, Minerals and Natural Resources Department

Form C-121-A Revised 4-1-91

OIL CONSERVATION DIVISION

P.O. Box 2088 Santa Fe, New Mexico 87504-2088

PURCHASER'S GAS NOMINATIONS

COMPANY Name of Purchaser or Transporter	Address of Purchaser or Transporter
In accordance with the Rules and Regulations of the O	ril Conservation Division of the State of New Mexico, the above
named company herewith submits its nominations for the pure	chase of gas from the Pool Name*
Pool for the month shown below: (insert in appropriate mon	ch)

MONTH	YEAR	NOMINATION, MCF
APRIL		·
MAY	·	
JUNE		
JULY		
AUGUST		
SEPTEMBER		
OCTOBER	1991	30,000
NOVEMBER	1991	30,000
DECEMBER	1991	40,000
JANUARY	1992	40,000
FEBRUARY	1992	30,000
MARCH	1992	30,000

NOTE: All Volumes are to be MCF at 15.025 psia and 60° F.

Signature	Printed Name & Title	Date	Telephone No.

<u>FILING INSTRUCTIONS</u>: One copy of this form must be filed with the Santa Fe Office of the Division by the first day of the month during which the nominations are to be considered at public hearing.

^{*}Please file a separate form for each pool for which a nomination is made.

STATE OF NEW MEXICO



ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

BRUCE KING GOVERNOR

POST OFFICE BOX 2088 STATE LAND OFFICE BUILDING SANTA FE, NEW MEXICO 87504 (505) 827-5800

September 6, 1991

CAMBELL & BLACK Attorneys at Law P. O. Box 2208 Santa Fe, New Mexico 87504

RE:

CASE NO. 10371

ORDER NO. R-9487-A

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Florene Davidson OC Staff Specialist

Storeno!

FD/sl

cc:

BLM Carlsbad Office

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

APPLICATION OF AMOCO PRODUCTION)	CASE NO.	10371
COMPANY TO AMEND DIVISION ORDER)		
NO. R-9487, EDDY COUNTY,)		
NEW MEXICO)		
	_)		

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING
BEFORE: JIM MORROW, Hearing Examiner
August 22, 1991

8:30 a.m.

This matter came for hearing before the Oil Conservation Division on August 22, 1991, at 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Linda L. Bumkens, Certified Court Reporter No. 3008, for the State of New Mexico.

FOR: OCD (ORIGINAL)

BY: LINDA BUMKENS CCR Certified Court Reporter CCR No. 3008

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14	
15	FOR THE DIVISION: ROBERT G. STOVALL, ESQ. General counsel
16	Oil Conservation Commission 310 Old Santa Fe Trail
17	Santa Fe, New Mexico 87501
18	
19	FOR APACHE CORPORATION: CAMPBELL, CARR, BERG &
20	SHERIDAN P.A. BY: MR. WILLIAM F. CARR, ESQ.
21	110 North Guadalupe Santa Fe, New Mexico
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MR. MORROW: Call case 10371.

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MR. STOVALL: Application of Amoco Production Company to amend Division Order Number R-9487, Eddy County, New Mexico.

MR. MORROW: Call for appearances.

MR. CARR: May it please the Examiner, my name is William F. Carr with the law firm Campbell, Carr, 8 Berg & Sheridan in Santa Fe. In this case I represent Apache Corporation who is succeeding Amoco as operator of the well.

As the Examiner may recall, this case was 12 the subject of a previous OCD proceeding where Amoco obtained approval to directionally drill a well. They encountered some problems and have had to come back with a proposal to drill a straight hole. They wre required to set the matter for hearing at this 17 time and give notice. There was some problem with the notice that we believe has been corrected.

I have an engineering witness who I would like to call for some very brief testimony just to explain the status of the case at this time and then we will request that it be taken under advisement.

23 MR. MORROW: Will the witness please stand and 24 be sworn.

(At which time the witness was sworn.)

EXAMINATION

- 2 BY MR. CARR:
- Q. Would you state your name for the record,
- 4 please?

- 5 A. My name is Ceci Leonard.
- 6 Q. By whom are you employed?
- 7 A. I am employed by Apache Corporation.
- Q. And in what capacity?
- 9 A. I'm a petroleum engineer -- reservoir
- 10 engineer.
- 11 Q. And where do you reside?
- 12 A. In Houston, Texas.
- 13 Q. Have you previously testified before this
- 14 division?
- 15 A. No, I have not.
- Q. Would you briefly summarize for Mr. Morrow
- 17 your educational background?
- 18 A. I graduated in 1977 from Texas A&M
- 19 University. I was employed by Amoco Production for
- 20 three years, then I went to work for Midcon
- 21 Exploration Company for five years. Midcon was
- 22 acquired by Apache in 1986 and I was retained by
- 23 Apache, and have been employed by Apache now for
- 24 five years.
- Q. And what was your degree in?

- A. In industrial engineering.
- Q. Does your geographic area of responsibility for Apache include the portion of southeastern New Mexico involved in this case?
 - A. Yes, it does.
- Q. Are you familiar with the application filed in this case by Amoco Production Company?
- 8 A. Yes, I am.
- 9 Q. Are you familiar with the efforts to 10 develop this particular spacing proration unit?
- 11 A. Yes.

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- Q. We tender Miss Leonard as an expert witness in petroleum engineering.
- MR. MORROW: Okay. Miss Leonard, is that right?
- 16 THE WITNESS: Yes.
- MR. MORROW: Okay. We accept her
- 18 qualifications.
- Q. (By Mr. Carr) Have you prepared certain exhibits for presentation here today?
- 21 A. Yes.
- Q. Could you refer to what has been marked for identification as Apache Exhibit Number 1? Identify this and then explain to Mr. Morrow exactly what has transpired in terms of the efforts to develop this

tract.

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Okay. Exhibit Number 1 is a well location Α. 3 plat, and on the plat you see the original Smith Federal Gas Com Number 1 well. You also see a 5 rectangle. That was the proposed site tract bottom 6 hole location window. The center of that window is 1900 from the north line, and 380 feet from the west 8 line.

Amoco -- well, Apache is currently 10 proposing a straight-hole location at 2,049 feet 11 from the north line, and 480 feet from the west 12 line. Amoco reentered the Smith Federal Gas Com 13 Number 1 in July of this year and found that they 14 had a casing leak at 1,100 feet. It was determined 15 at that time that that casing could not be 16 satisfactorily repaired. So that well has been 17 plugged.

Since then, Apache has checked into a straight-hole location that would be over that 20 rectangle that was the approved bottom-hole location rectangle by the OCD. It turns out because ov 22 topographic reasons that was not an acceptable location. The closest acceptable location is the one that we are proposing right now.

> And what is that proposed location? Q.

- A. Again, it's 2,049 feet from the north line and 480 feet from the west line.
- Q. When this was called to the attention of the division, were you required to provide additional notice to the parties who received notice of the original application?
- A. Yes, I was.

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- Q. And who are those parties?
- A. That was Musselman, Owen and King and Orik.
- 10 Q. And was notice sent to those individuals?
- A. They were sent notice. It just so happens
 that because of some temporary staff in place at
- 13 Amoco, Amoco was still acting as operator of the
- 14 well at the time, the notice was not sent out
- 15 certified mail.
- Q. Since you discovered this, what have you done to correct the notice problem?
- A. I requested waivers from both Orik and Musselman and King.
- Q. And are copies of those waivers what is attached as Apache Exhibits Number 2 and 3?
- 22 A. Yes.
- Q. Is the -- what penalty are you requesting be imposed on the new well?
- 25 A. It's the same penalty that Amoco had

- requested in May, and that penalty is 0.49.
- Q. That penalty was imposed by the Oil Conservation Division?
 - A. Yes, it was.

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- MR. CARR: Mr. Examiner, that was -- penalty was imposed by order Number R-9487.
- Q. (By Mr. Carr) Does the proposed

 8 straight-hole location -- is it closer or farther

 9 away from the offsetting operators to whom notice

 10 has been given?
- 11 A. It is further away.
- Q. When will Apache actually assume the physical operation of this property?
- 14 A. On or around September 1.
- Q. Do you have anything further to add to your testimony?
- 17 A. No, I don't.
- Q. Were Exhibits 1 through 3 prepared by you or compiled under your direction?
- 20 A. Yes, they were.
- MR. CARR: At this time Mr. Morrow, we would move the admission of Apache Exhibits 1 through 3.
- MR. MORROW: Exhibits 1 through 3 are accepted into the record.
- 25 MR. CARR: And I have nothing further of

1 Miss Leonard.

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EXAMINATION

3 BY MR. MORROW:

- Q. Miss Leonard, the original application, was that to drill -- directionally drill the Smith Federal Gas Com Number 1, which is under letter F,
- A. Yes, it was. They were going to pull the production string and then just reenter that old well and side track it.

7 to the location that has the rectangle around it?

- Q. And what was the reason that you couldn't drill it at that bottom-hole location?
- A. Well, we can't drill a straight hole at that bottom-hole location because there's an arroyo that runs through there, and there's not a flat surface.
- Q. What did you say the penalty -- what was the penalty?
- 19 A. The acreage penalty?
- 20 Q. Yes.
- 21 A. 0.49.
- Q. In other words, you'd get -- you would get
 23 49 percent of a full allowable, or 51 percent of a
- 24 full allowable?
- 25 A. 49 percent.

MR. MORROW: I don't have anymore questions. , 2 Bob, do you have anything??

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MR. STOVALL: Mr. Carr, is there anything in the original case file -- the geology or anything --I'm curious in the 5 that would justify the location? 6 640 acres why -- I assume you're familiar with the 7 original case file, and wonder if that should be incorporated.

MR. CARR: I don't have the original case 10 number with me, but I think it might be appropriate 11 to incorporate that. I do have the order number.

MR. STOVALL: Yeah, it's in the notice, so 13 we've got that, but I just -- I say, with 640 acres 14 to drill from I'm a little confused as to why 15 there's -- and Miss Leonard probably knows the 16 answer, but I don't want to go through the entire 17 case.

MR. CARR: The location was justified in the original application as well as the reason for directionally drilling to this point, and so it --21 we would request that the record in that case be incorporated into this proceeding.

MR. MORROW: Maybe Miss Leonard knows the answer to that.

THE WITNESS: What was the question?

MR. MORROW: Why is it not being drilled at a 1 2 regular location, I think, was essentially the question. 3 THE WITNESS: Because of structural reasons. 4 There is water -- it's what they called a 5 hydrodynamic system and there is water encroaching 7 on this pool, we think, from the northeast. 8 The reservoir does loose quality, as you 9 move to the south is also another thing that we 10 expect, so we tried to balance those two in picking a location, and that's my understanding from Amoco. MR. STOVALL: I think with the incorporation 12 13 of the record that would be probably -- I assume the 14 information is in there. 15 MR. MORROW: Thank you, Miss Leonard. You may 16 be excused. MR. CARR: We have nothing further in that 17 18 case. 19 MR. MORROW: Case 10371 will be taken under advisement 20 21 (The foregoing case was concluded at the approximate hour of 9:00 a.m.) 22 I do hereby certify that the foregoing is 23 Q. a complete record of the proceedings in the Examiner hearing of Case No. 1037/ 24 Lucust 27 25 _, Examiner Oil Conservation Division

STATE OF NEW MEXICO)
) ss.
COUNTY OF BERNALILLO)

REPORTER'S CERTIFICATE

the proceedings were taken by me, that I was then and there a Certified Shorthand Reporter and Notary Public in and for the County of Bernalillo, State of New Mexico, and by virtue thereof, authorized to administer an oath; that the witness before testifying was duly sworn to testify to the whole truth and nothing but the truth; that the questions propounded by counsel and the answers of the witness thereto were taken down by me, and that the foregoing pages of typewritten matter contain a true and accurate transcript as requested by counsel of the proceedings and testimony had and adduced upon the taking of said deposition, all to the best of my skill and ability.

I FURTHER CERTIFY that I am not related to nor employed by any of the parties hereto, and have no interest in the outcome hereof.

DATED at Bernalillo, New Mexico, this day
September 24, 1991.

My commission expires April 24, 1994

LINDA BUMKENS CCR No. 3008 Notary Public