

JUSTIS GLORIETA HEARING

JUSTIFICATION FOR F1 FACTOR INCREASE

1. Currently and for the remaining life of the Pool, the total deliverability of the wells in the Pool is not expected to exceed market demand for gas produced from the Pool. Prorating was originally instituted in 1954 because the capacity exceeded the demand.
2. Since the institution of prorating in the Pool, there have been substantial changes in Pool production, development, gas purchasing and marketing practices, and other factors affecting the oil and gas industry which make prorating of the Pool unnecessary.
3. Production limitations imposed by the prorated allowables has discouraged and will continue to discourage further developmental drilling, workovers, and compression projects.
4. Infill drilling alone is anticipated to add 14 BCFG of gas reserves which would otherwise not be recovered.
5. Increasing the prorated gas allowable will not impair correlative rights.
6. Meridian has contacted all seven operators in the pool concerning this matter and is not aware of any opposition to this Application.
7. Meridian has proposed that prorating for the Pool be terminated. A request has been made that this matter be set for hearing on the Examiners Docket now scheduled for October 15, 1992.
8. The current prorated gas allowable for this Pool is the lowest in Southeast New Mexico at 154 MCFPD/160 acres. The next highest prorated gas allowable is double this allowable.
9. The current prorated gas allowable for the overlying Jalmat Pool is 5 times higher at 817 MCFPD/160 acres and is 1500' shallower.
10. Sid Richardson has advised Meridian that the proposed increase in Pool production will not adversely effect any well in the Pool.

Before the
OIL AND GAS COMMISSION
Case No. 10526
MERIDIAN OIL - NM
8/27/92