

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

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO FOR THE
PURPOSE OF CONSIDERING:

CASE NO. 10799
ORDER NO. R-9960

**APPLICATION OF THE OIL CONSERVATION DIVISION ON ITS OWN MOTION
TO ACCEPT NOMINATIONS AND OTHER EVIDENCE AND INFORMATION TO
ASSIST IN DETERMINING OCTOBER 1993 THROUGH MARCH 1994 GAS
ALLOWABLES FOR THE PRORATED GAS POOLS IN NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on August 19, 1993, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW on this 12th day of October, 1993, the Commission, a quorum being present and having considered the testimony, the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) This hearing was called for the purpose of accepting nominations and other evidence and information to assist in determining October, 1993 through March, 1994 gas allowables for the prorated gas pools in New Mexico. Thirteen of the prorated gas pools are in Lea, Eddy, and Chaves Counties in Southeast New Mexico, and the other four prorated gas pools are in San Juan, Rio Arriba, and Sandoval Counties in Northwest New Mexico.
- (3) Amendments to the Gas Proration Rules approved by the Commission Order No. R-8170-H in December, 1990 provide for the allowables to be established for six month allocation periods beginning in April and October of each year. The October, 1993 through March, 1994 allocation period will be the sixth under the amended rules.

(4) Average monthly allowables for October, 1993 through March, 1994 for each pool should be based on the monthly average individual pool sales for October, 1992 through March, 1993, with administrative adjustments where appropriate.

(5) Oil Conservation Division (OCD) personnel prepared Market Demand and Allowable Determination Schedules for the prorated gas pools in New Mexico. These schedules contained production information from the period October, 1992 through March, 1993 without adjustments. Producers, purchasers, and transporters of gas were asked to review these preliminary allowables and to participate in the August 19, 1993 hearing by providing information which would assist in arriving at the final allowable assignments.

(6) *Meridian Oil Inc., Phillips Petroleum and Amoco Production Company requested adjustments be made to the Market Demand and Allowable Determination Schedules as prepared by the OCD personnel for the Northwest prorated gas pools. They presented testimony and evidence that the market demand for natural gas would be higher for the October 1993 through March 1994 allocation period than it was for the same period in 1992 through 1993. They also presented evidence that the increased pipeline capacity to transport gas out of the San Juan Basin had caused lower gathering system pressures and, therefore, an increase in production from the conventional gas wells in the Basin. Their recommendations for adjustments to the proposed pool allowables are as follows:*

<i>Company</i>	<i>Adjustment</i>	<i>New Pool Allowable</i>
<i>Basin Dakota Pool</i>		
<i>Amoco Production Co.</i>	<i>0 MCF/mo.</i>	<i>9,597,344 MCF/mo.</i>
<i>Meridian Oil Inc.</i>	<i>0 MCF/mo.</i>	<i>9,597,344 MCF/mo.</i>
<i>Phillips Petroleum</i>	<i>67,593 MCF/mo.</i>	<i>9,664,937 MCF/mo.</i>
<i>Blanco Mesaverde Pool</i>		
<i>Amoco Production Co.</i>	<i>500,000 MCF/mo.</i>	<i>17,217,816 MCF/mo.</i>
<i>Meridian Oil Inc.</i>	<i>500,000 MCF/mo.</i>	<i>17,217,816 MCF/mo.</i>
<i>Phillips Petroleum</i>	<i>436,799 MCF/mo.</i>	<i>17,154,614 MCF/mo.</i>
<i>South Blanco Pictured Cliffs Pool</i>		
<i>No recommendations</i>		
<i>Tapacito Pictured Cliffs Pool</i>		
<i>No recommendations</i>		

FINDING: The allowables for the Northwest prorated gas pools should be adjusted as follows:

Pool	Adjustment	Monthly Allowable
Basin Dakota	0 MCF/mo.	9,597,344 MCF/mo.
Blanco Mesaverde	500,000 MCF/mo.	17,217,815 MCF/mo.
So. Blanco Pictured Cliffs	19,844 MCF/mo.*	1,418,733 MCF/mo.
Tapacito Pictured Cliffs	0 MCF/mo.	319,752 MCF/mo.

* The South Blanco Pictured Cliffs Pool has a minimum allowable of 100 MCF/Day. This adjustment is needed to meet the minimum allowable.

(7) Marathon Oil Company presented evidence and testimony that they agreed with the allowable for the Blinebry as presented in the schedule prepared by the Oil Conservation Division. No adjustment for the Blinebry Pool allowable is recommended.

(8) Chevron USA Inc. requested a higher allowable for the Eumont Pool. They presented evidence and testimony that the same F1 factor that is being used for the April 93 - Sept. 93 allocation period should be used. Chevron stated that the higher allowable had allowed them to perform remedial work and to drill new wells both of which would recover gas that would not have been produced otherwise. The current F1 factor of 28,928 should be continued into the subject allocation period.

(9) *Kerr - McGee Corporation presented evidence and testimony in support of an increased allowable for the Indian Basin Morrow Pool. They requested that the pool allowable be increased from 98,393 MCF/mo. to 227,802 MCF/mo. This would permit them to drill a second producing well on an existing Gas Proration Unit which would then have an allowable of 60,000 MCF/mo. for the new well alone. The evidence presented did not prove that correlative rights would not be violated by allowing the higher allowable, and the allowable hearing is not the proper format to consider what amounts to infill drilling provisions.*

FINDING: Rules for the impact of drilling infill wells and the manner of assigning allowables to such GPU's can be more properly addressed at an examiner hearing where the issues of correlative rights, drainage, waste and the drilling of unnecessary wells can be evaluated based upon geologic and engineering testimony. Therefore, no adjustment is recommended at this time.

(10) Chevron USA Inc., Marathon Oil Company, and Oryx Energy Company presented evidence and testimony in support of a higher allowable for the Indian Basin Upper Pennsylvanian Pool. All three companies requested that the F1 factor assigned for the past two allocation periods be extended through this allocation period. The Indian Basin Upper Pennsylvanian Pool allowable should be adjusted upward by 119,011 MCF/mo to correspond to the allowables assigned for the past two allocation periods.

IT IS THEREFORE ORDERED THAT:

(1) Exhibits "A" and "B" attached to and incorporated herein are adopted for the purpose of making allowable assignments for the prorated gas pools in New Mexico for the months October 1993 through March 1994.

(2) The Oil Conservation Division is hereby directed to prepare proration schedules for the October 1993 through March 1994 allocation period in accordance with this order and other Division Rules, Regulations and Orders. Copies of this order shall be included in each proration schedule.

(3) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico on the day and year hereinabove designated.

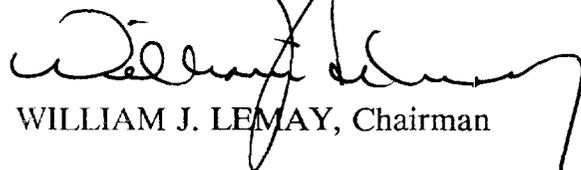
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



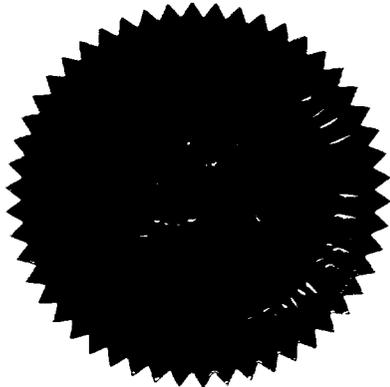
JAMI BAILEY, Member



WILLIAM W. WEISS, Member



WILLIAM J. LEMAY, Chairman



S E A L

ONGARD
 OIL CONSERVATION DIVISION
 MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE
 PRORATED GASPOOLS OF SOUTHEAST FOR OCT93 THRU MAR94
 DATE: 09/24/93
 TIME: 17:26:05

POOL NAME	AVG MONTHLY POOL SALES OCT92-MAR93	POOL ADJUST- MENTS	MONTHLY POOL ALLOWABLE OCT93-MAR94	MONTHLY MARG POOL ALLOWABLE OCT92-MAR93	MONTHLY NON MARG POOL ALLOWABLE OCT92-MAR93	NUMBER OF NON-MARG ACREAGE FACTORS	MONTHLY ACREAGE ALLOC FAC OCT93-MAR94
ATOKA PENN. (PRORATED GAS)	101,953	0	101,953	53,653	48,300	2.00	24,150
BLINEBRY OIL AND GAS	469,184	0	469,184	332,225	136,959	3.00	45,653
BUFFALO VALLEY PENN. (PRORATED GAS)	315,296	0	315,296	281,159	34,137	1.00	34,137
BURTON FLAT STRAWN (PRORATED GAS)	49,026	0	49,026	49,026	0	0.00	0
CARLSBAD MORROW, SO. (PRORATED GAS)	223,545	0	223,545	223,545	0	0.00	0
CATCLAW DRAW MORROW (PRORATED GAS)	393,934	0	393,934	393,934	0	0.00	0
EUMONT YATES 7 RVRS ON (PRO GAS)	2,695,638	173,874	2,869,512	2,218,542	650,970	22.50	28,932
INDIAN BASIN MORROW (PRORATED GAS)	82,505	0	82,505	65,558	16,947	1.00	16,947
INDIAN BASIN UPPER PENN. (PRO GAS)	3,720,907	119,011	3,839,918	2,882,407	957,511	4.86	197,019
JALMAT TANSILL YT 7 RVRS (PRO GAS)	1,059,439	0	1,059,439	998,947	60,492	3.25	18,613
JUSTIS GLORIETA (PRORATED GAS)	53,756	0	53,756	27,997	25,759	4.00	6,440
MONUMENT MCKEE ELLEN (PRORATED GAS)	12,636	0	12,636	12,636	0	0.00	0
TUBB OIL AND GAS	265,016	0	265,016	169,065	95,951	8.75	10,966

***** END OF REPORT *****

CASE NO. 10799
 ORDER NO. R-9960
 EXHIBIT "A"

ONGARD
 OIL CONSERVATION DIVISION
 MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE
 PRORATED GASPOOLS OF NORTHWEST FOR OCT93 THRU MAR94

DATE: 09/24/93
 TIME: 17:27:04

POOL NAME	AVG MONTHLY POOL SALES OCT92-MAR93	POOL ADJUST- MENTS	MONTHLY POOL ALLOWABLE OCT93-MAR94	MONTHLY MARG POOL ALLOWABLE OCT92-MAR93	MONTHLY NON MARG POOL ALLOWABLE OCT92-MAR93	NUMBER OF NON MARG ACR FACTORS	NUMBER OF NON MARG ACR * DIV	MONTHLY ACREAGE ALLOE FACTOR	MONTHLY ACR. * DIV FAC
EASIN DAKOTA	9,597,344	0	9,597,344	9,434,103	163,241	13.05	7,439	7,505	8.78
BLANCO MESAVARDE	16,717,815	500,000	17,217,815	14,148,513	3,069,302	128.16	87,859	5,987	26.20
BLANCO P. C. SOUTH	1,398,889	19,844	1,418,733	1,260,562	158,171	85.80	4,293	461	27.63
TAPACITO PICTURED CL	319,752	0	319,752	304,454	15,298	8.00	566	478	20.27

***** END OF REPORT *****

CASE NO. 10799
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 EXHIBIT "B"