

BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

RECEIVED

IN THE MATTER OF THE APPLICATION OF
TEXACO, INC. FOR AMENDMENT OF
DIVISION ORDER NO. R-8170,
AS AMENDED, TO ESTABLISH MINIMUM
GAS ALLOWABLES IN THE EUMONT GAS
POOL, LEA COUNTY, NEW MEXICO.

MAR 17 1990

OIL CONSERVATION DIV.
SANTA FE

CASE NO. 10036

APPLICATION

TEXACO, INC. ("Texaco"), by its undersigned attorneys, hereby makes application to the New Mexico Oil Conservation Division for amendment of Division Order No. R-8170, as amended, and in support of its application states:

1. Texaco is an operator in the Eumont Gas Pool located in Lea County, New Mexico.
2. Division Order No. R-8170, as amended, prorates natural gas production from this pool on a straight acreage basis.
3. Recent allowables assigned to wells in the Eumont Gas Pool have fluctuated substantially from month to month.
4. Fluctuations in allowables and the resulting uncertainty in authorized production rates from wells in the Eumont Gas Pool has discouraged additional development of the pool and accordingly will result in a reduction in the total natural gas ultimately produced from this pool, thereby causing waste.

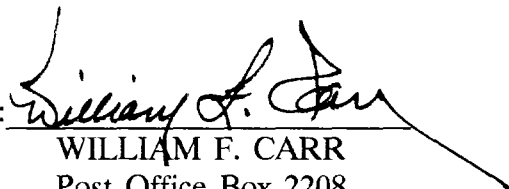
5. Texaco seeks the establishment of a minimum gas allowable for the Eumont Gas Pool for a three year period of time equal to 600 mcf of gas per day (18,000 mcf of gas per month) for a standard 160-acre spacing unit.

6. A market exists for all gas produced from the Eumont Gas Pool and, therefore, approval of this application will not impair the correlative rights of any interest owner in the pool.

WHEREFORE, Texaco, Inc. requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on August 8, 1990, and that, after notice and hearing as required by law the Division amend Division Order No. R-8170, as amended, to provide for a minimum natural gas allowable for a three year period of time of 600 mcf of gas per day (18,000 mcf of gas per month) for a standard 160-acre spacing unit in the Eumont Gas Pool, Lea County, New Mexico.

Respectfully submitted,

CAMPBELL & BLACK, P.A.

By: 
WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR TEXACO, INC.

**CASE 10036
DIVISION ORDER NO. R-8170**

EUMONT YATES 7 RIVERS QUEEN POOL

**APPLICATION FOR 600 MCFPD
MINIMUM ALLOWABLE**

SEPTEMBER 19,1990

CONOCO,INC.

KEY ASPECTS OF EUMONT GAS PROCESSING, TRANSPORTATION AND MARKETING

1. ADDITIONAL PROCESSING CAPACITY EXISTS

- Phillips 66, Warren, Texaco, Northern Natural, and Sid Richardson (previously El Paso) have the capability to process additional Eumont production (See Exhibits 13–17).
- Favorable processing agreements are being offered to producers.

2. NONRATABLE TAKES ARE NO LONGER A KEY ISSUE

- Nearly all Eumont production is now permanently released via contract cancellations or deregulation.
- El Paso, for instance, only purchases 400 MCFPD as system supply from the Eumont pool.

3. DEMAND EXISTS FOR ADDITIONAL GAS

- Several new pipelines and expansions are planned to provide additional capacity to California proving additional demand is present.
- El Paso and Transwestern's mainlines operate near 100% of capacity virtually all year.
- When Eumont gas is shut-in due to allowable constraints, Texas and Oklahoma gas supplies the market thereby displacing Eumont production.

KEY ASPECTS OF EUMONT GAS PROCESSING, TRANSPORTATION AND MARKETING

4. MARKETING OF EUMONT PRODUCTION IS NOT A PROBLEM

- Larger operators such as Chevron and Conoco market smaller working interest owner's entitlements.
- Most independants already have an established Gas Department.
- Brokers are being used to market Eumont production.
- A company in Hobbs exists to help producers market Southeastern New Mexico (including Eumont) production.
- Low allowables force non-marginal wells to be shut-in periodically. This situation makes it very difficult to sell gas on a term (6 months or longer) basis.

5. THE LOWERING OF GATHERING SYSTEM PRESSURES HAS INCREASED PRODUCTION

- Sid Richardson is continuing to lower the pressure of the old El Paso 100# system.
- The installation of new low pressure gathering systems has allowed many Eumont wells to double their production.

TRANSPORTERS OF EUMONT GAS

**EL PASO NATURAL GAS COMPANY
(SID RICHARDSON)**

NORTHERN NATURAL

PHILLIPS 66 NATURAL GAS COMPANY

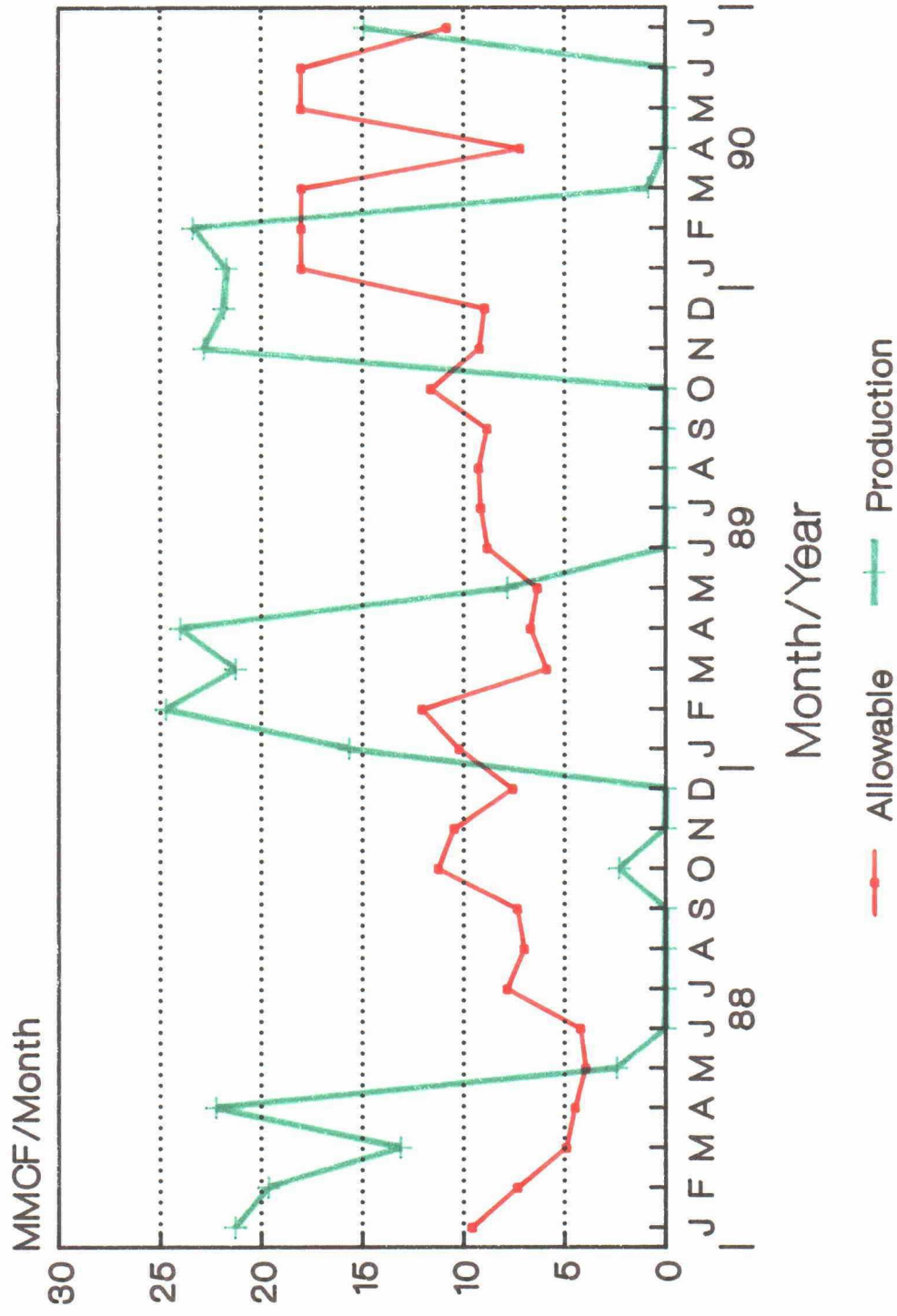
TEXACO PRODUCING,INC

WARREN PETROLEUM CORPORATION

ZIA ENERGY

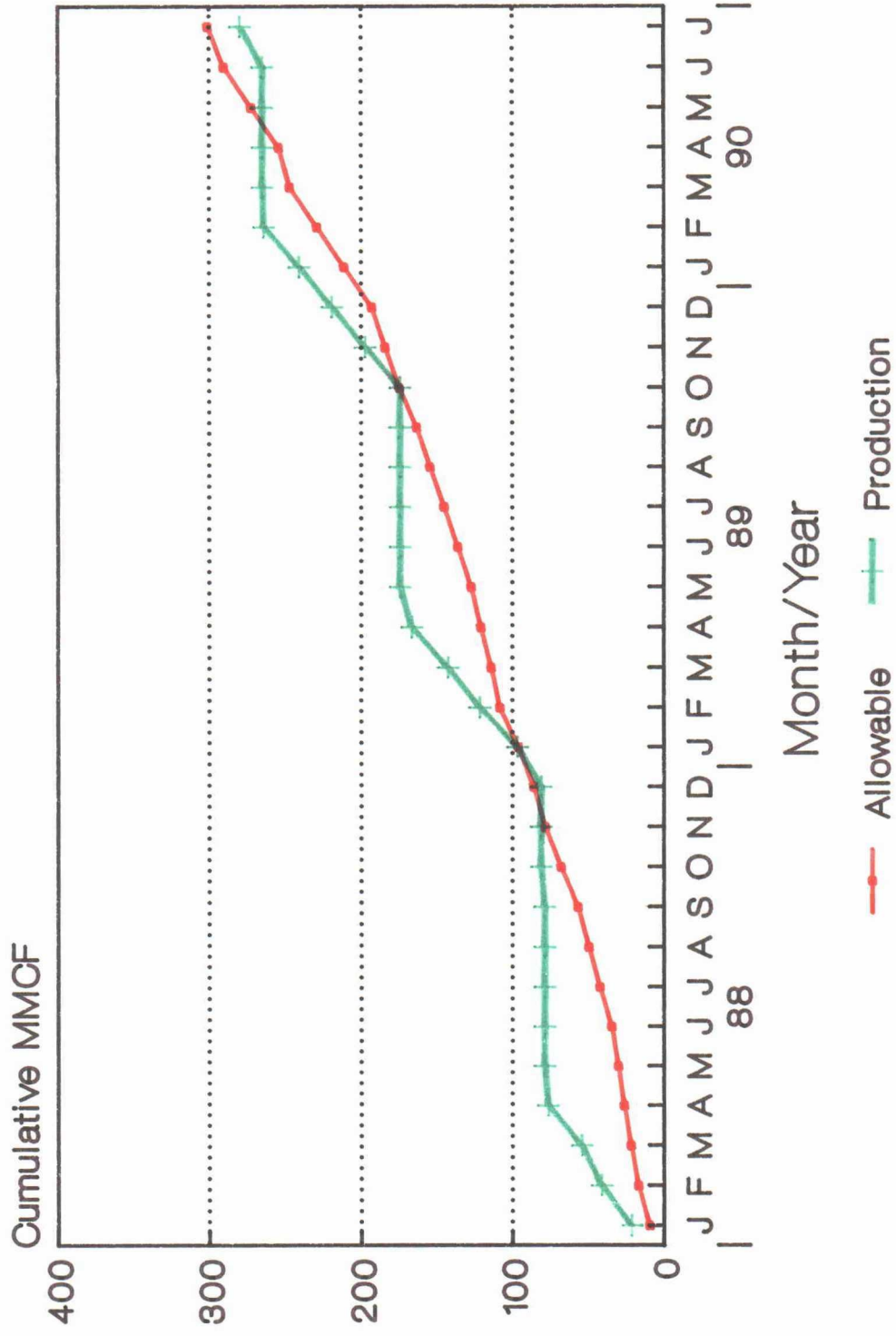
MEYER A-1 NO. 18

Allowable vs. Production



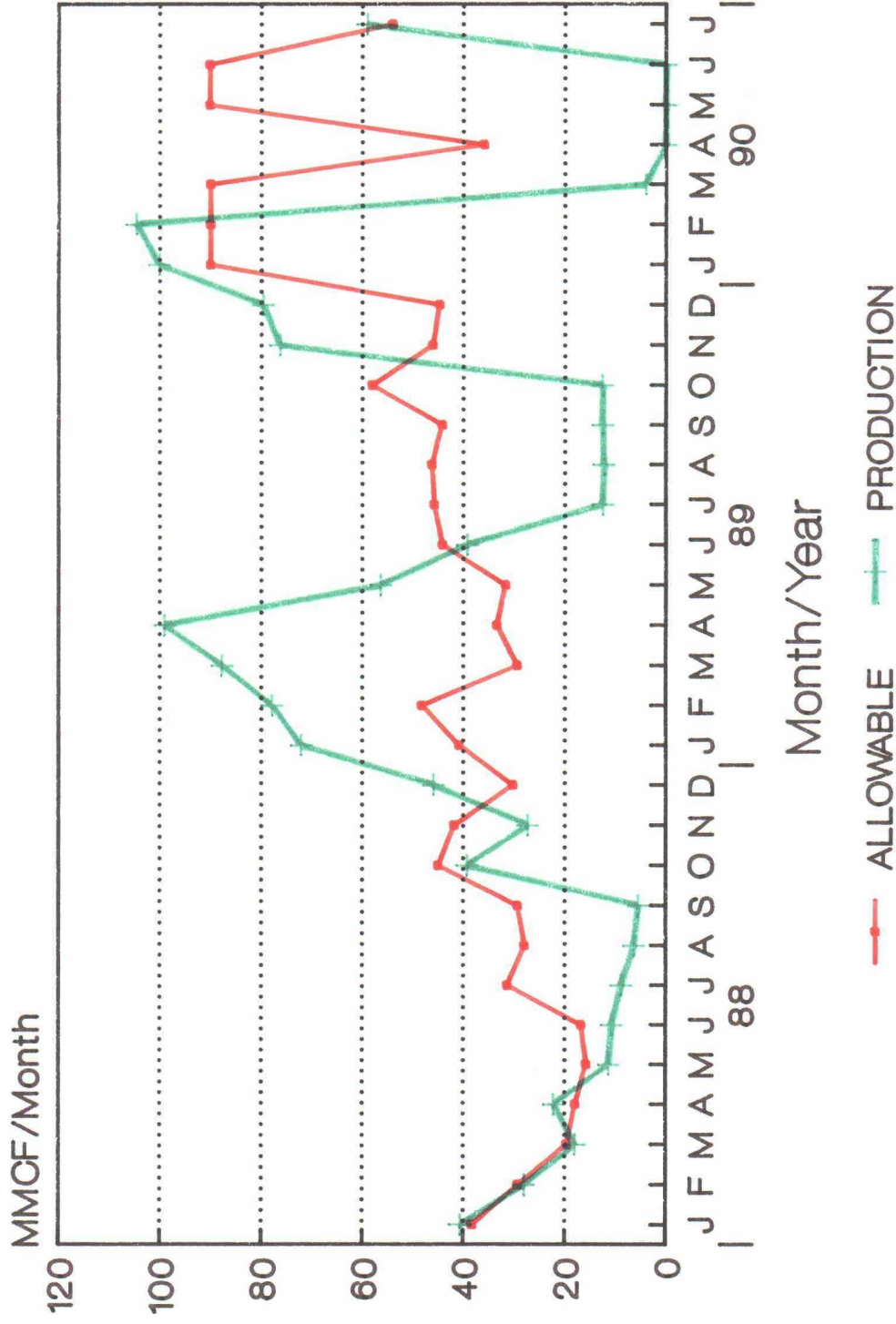
MEYER A-1 NO. 18

Cumulative Allowable vs. Production



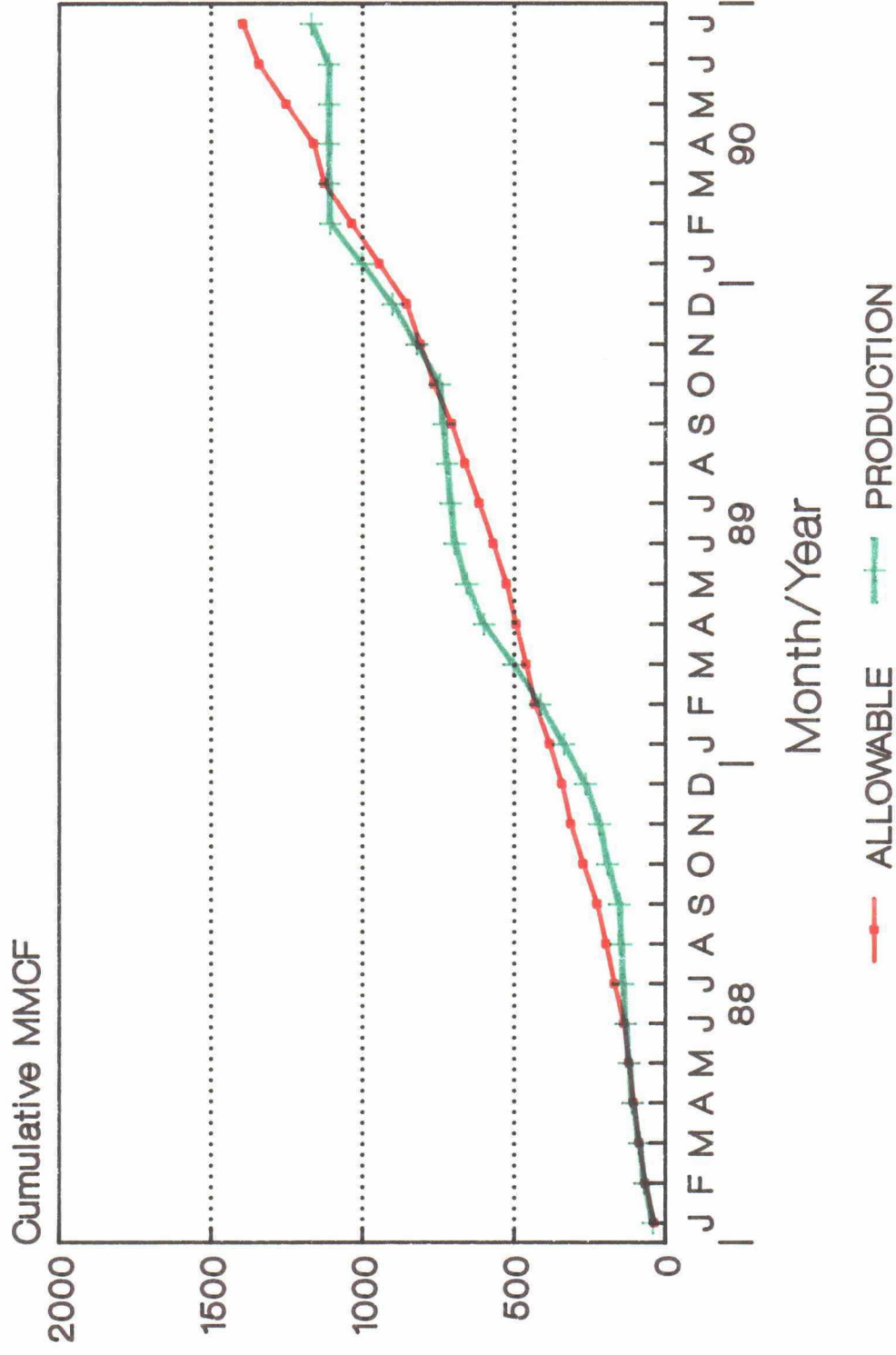
5 NON-MARGINAL WELLS

Allowable vs. Production



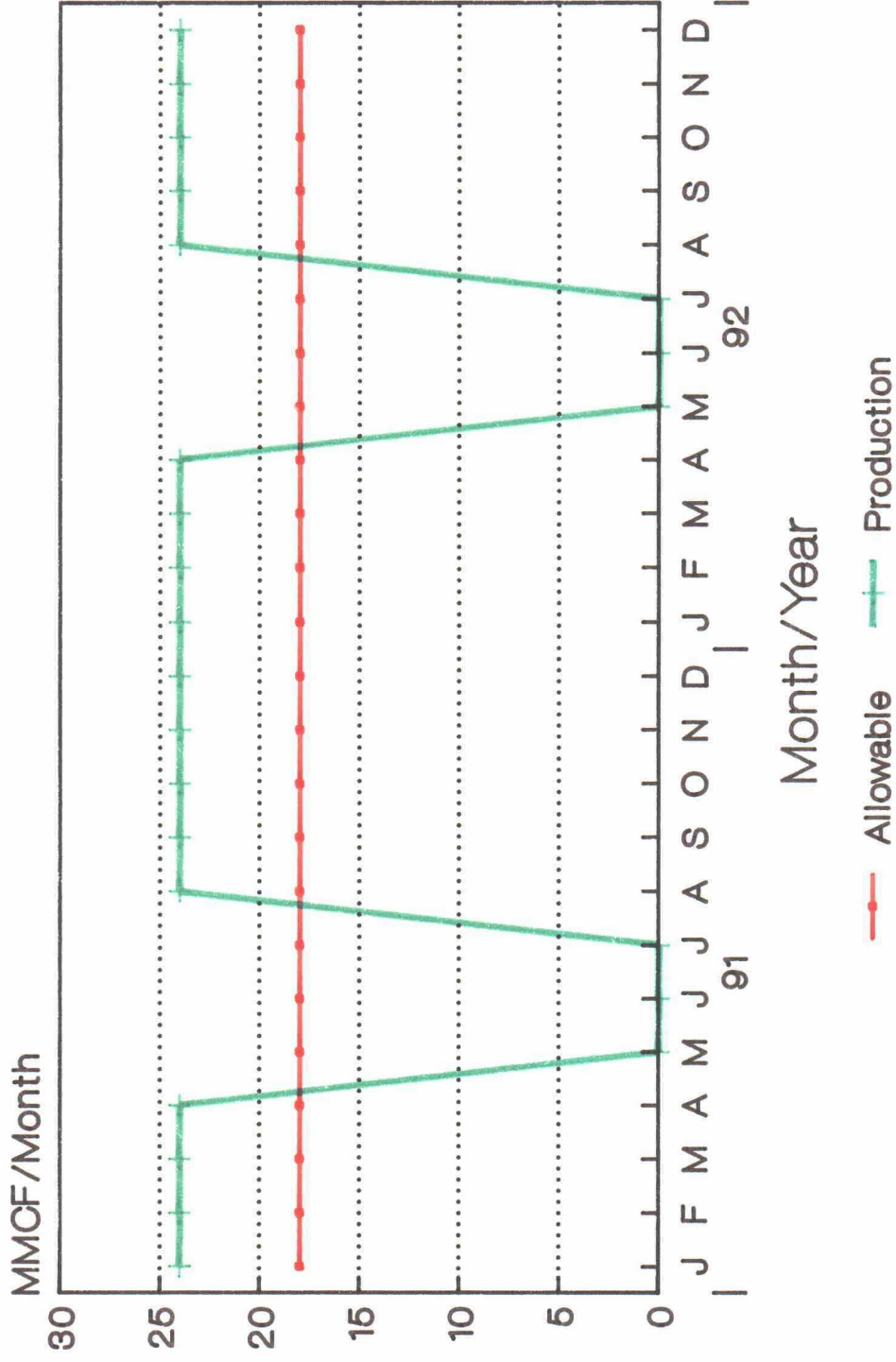
5 NON-MARGINAL WELLS

Allowable vs. Production



800 MCFPD EUMONT WELL

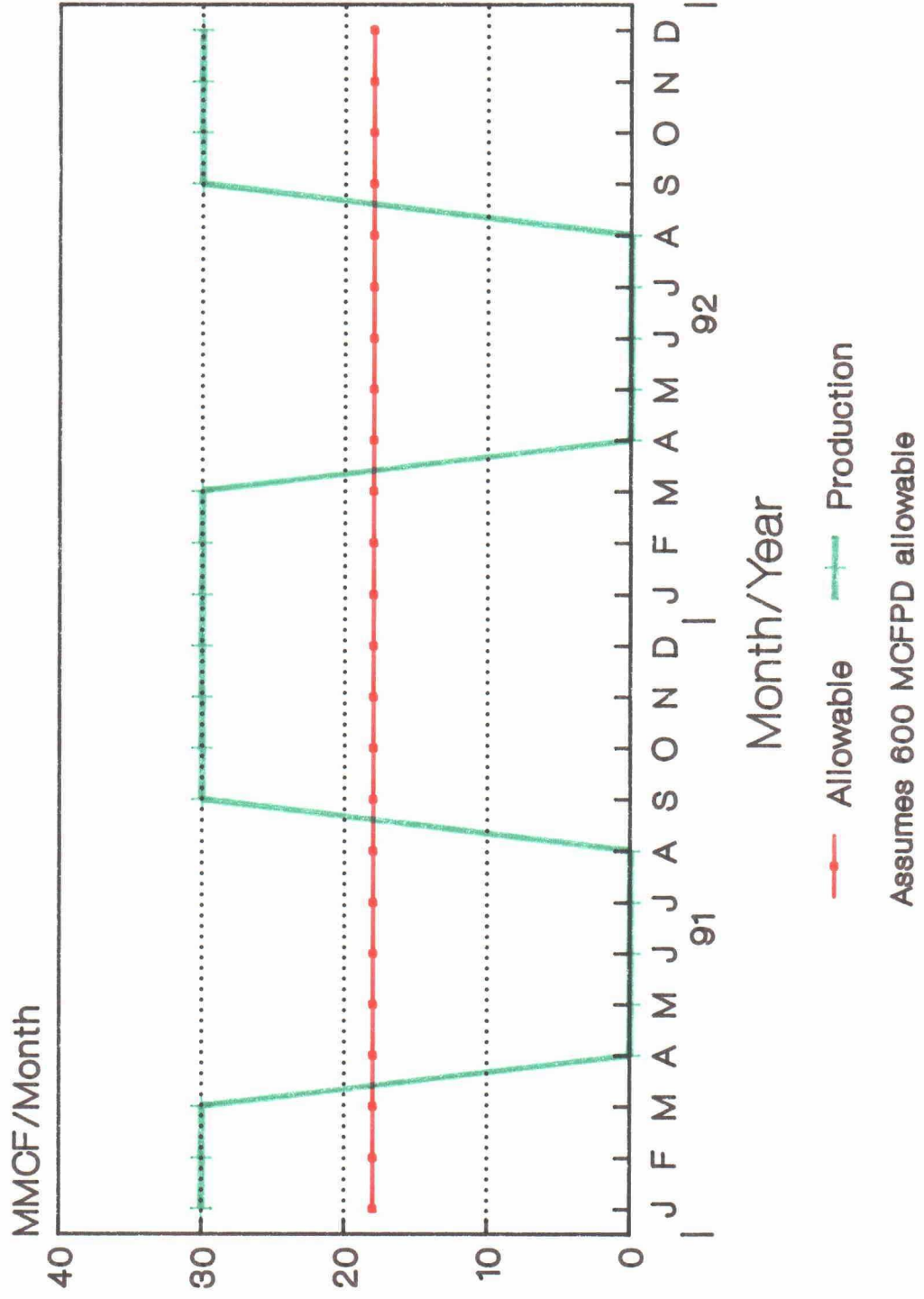
Allowable vs. Production



Assumes 600 MCFPD allowable

1000 MCFPD EUMONT WELL

Allowable vs. Production



ECONOMIC SUMMARY

EUMONT DRILLING PROJECT

Economic Parameters

\$300,000 Total Investment

6,000/Year in Operating Costs

\$1.25/MCF Wellhead Netback

Unrisked Economic Results

400 MCFPD Allowable
3.7 Year Discounted Payback

600 MCFPD Allowable
2.2 Year Discounted Payback

SUMMARY OF THE MAJOR POINTS

- Additional processing and pipeline capacity exists as does demand.**
- Eumont gas is being displaced by Texas and Oklahoma gas.**
- Low Eumont allowables are restricting the the number of drilling, recompletion, and even remedial projects.**
- If the low allowables continue, Eumont wells will not be drilled thus creating waste.**
- Correlative rights will still be protected via the proration unit (spacing) requirements and the overproduced limit.**



PHILLIPS 66 NATURAL GAS COMPANY

A SUBSIDIARY OF PHILLIPS PETROLEUM COMPANY

ODESSA, TEXAS 79762
4001 PENBROOK, PHONE: 915 367-1266

September 11, 1990

Increase in Allowable Eumont Field

Conoco, Inc.
10 Desta Drive, West
Midland, Texas 79705

Attn: Michael Zimmerman

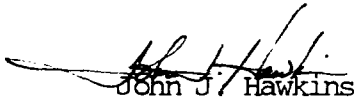
Dear Mr. Zimmerman:

The following information is submitted regarding increasing the allowable in the Eumont Field:

1. Phillips 66 Natural Gas Company (P66NGC) currently processes gas from the Eumont field in the Eunice/Lee Superplant Complex. Currently, there is no gas well gas or casinghead gas curtailed in the system. At the present time, the proposed increase will have no known effect with regard to additional curtailment or future curtailment.
2. P66NGC is greatly interested in gathering and processing any additional reserves from the Eumont Field.
3. P66NGC has capacity in the gathering system and plant to gather, treat and process additional gas reserves from the Eumont Field.

If further information is required, please contact me at (915) 368-1352 in Odessa, Texas.

Phillips 66 Natural Gas Company


John J. Hawkins
Agent

JJH:jjh - RC



Warren Petroleum Company

A Division of Chevron U.S.A. Inc.
P.O. Box 1150, Midland, TX 79702

Manufacturing Department

September 13, 1990

Re: Eumont Yates Seven Rivers Queen
Prorated Pool Unit
Lea County, New Mexico

State of New Mexico
Energy Mineral & Natural Resources Dept.
Oil Conservation Division
State Land Office Building
P. O. Box 2088
Santa Fe, NM 87504

Attn: Mr. William LeMay

Gentlemen:

Warren is currently processing Eumont gas at the Eunice and Monument gas facilities in Lea County, New Mexico. We have additional processing capabilities at each of our above gas plants to handle increased Eumont production.

For additional information, please contact me at 915/687-7301 or you may write to me at:

Warren Petroleum Company
P. O. Box 1150
Midland, TX 79702

Thank you for your assistance.

Sincerely,

WARREN PETROLEUM COMPANY

B. J. Blakemore
Gas Supply Representative

:CS

cc: M. A. Thomas - Tulsa
K. A. Peterson - Monument
F. C. Noah - Eunice



D A Duke
Gas Sales Manager
Gas Department
Gas Sales and
Purchases Division

Texaco USA

PO Box 4700
Houston TX 77210 4700
713 752 7760

September 13, 1990

Mr. William J. LeMay
State of New Mexico Energy Resources Department
Oil Conservation Division
P. O. Box 2088
State Land Office Building
Sante Fe, New Mexico 87504

**SUBJECT: Eumont Field
Eumont Yates Seven Rivers Queen
Formation**

Gentlemen:

Texaco Producing Inc., as a processor, purchaser and marketer of gas, supports an increase in the allowable from 300/MCFD to 600/MCFD (per 160 acre proration unit) of gas well gas produced from the subject formation/field.

Texaco is processing and marketing its Eumont Field gas at its Eunice Gas Plant, located in Lea County, New Mexico. The Eunice Gas Plant is currently processing 70/MMCFD with a total plant capacity of 110/MMCFD. The excess capacity will allow Texaco to process and market the requested increase in allowable from the Eumont Field and deliver residue into El Paso Natural Gas Company and Northern Natural Gas Company pipelines. Texaco is confident that there are markets available which will purchase this incremental volume of gas.

Yours very truly,

TEXACO PRODUCING INC.


D. A. DUKE
Gas Sales Manager

DAD:cjb
13/1

ENRON**Gas Pipeline Operating Company**

WESTERN REGION - HOBBS DISTRICT

2826 West Marland • Hobbs, New Mexico 88240 • (505) 397-6000

September 13, 1990

State of New Mexico
Energy Mineral & Natural Resources Dept.
Oil Conservation Division
State Land Office Building
P. O. Box 2088
Santa Fe, NM 87504

RE: Eumont Field

Attention: Mr. William LeMay

Enron Gas Pipeline Operating Company has the capabilities to process additional Eumont gas at our Hobbs, New Mexico plant.

We are looking forward to the additional volume. We feel that there is a market for this valued gas from this area.

For additional information, contact me at 505/397-6000.



Robert L. Anderson
District Manager - Hobbs, New Mexico

RLA/cj

SID RICHARDSON CARBON & GASOLINE CO.

FIRST CITY BANK TOWER
201 MAIN STREET
FORT WORTH, TEXAS 76102
817/390-8600

September 14, 1990

File: 1-Wi-267-90
LC-1.5.1

Mr. William J. LeMay
State of New Mexico Energy Resources Department
Oil Conservation Division
P. O. Box 2088
State Land Office Building
Santa Fe, New Mexico 87504

Re: Eumont Field
Eumont Yates Seven Rivers Queen Formation

Gentlemen:

Sid Richardson Carbon & Gasoline Co. (SRC&G Co.), as a gatherer, processor, purchaser and marketer of gas, supports an increase in the allowable of gas well gas produced from the subject formation/field.

SRC&G Co. is gathering and processing Eumont Field gas at its Jal Gas Plant, located in Lea County, New Mexico. The plant has available capacity to handle any requested increase in allowable volumes from the Eumont Field and to deliver residue gas into the El Paso Natural Gas Company and Transwestern Pipeline Company pipelines. SRC&G Co. is certain that there are markets available which will purchase this incremental volume of gas.

Yours very truly,



Bruce M. Williams
Manager of Gas Contracts

BMW/ag