STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

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OIL CONSERVATION DIVISION

APPLICATION OF
WILLIAM C. RUSSELL,
FOR AN EXCEPTION TO
ORDER R-8170 TO PERMIT THE
APPLICATION OF A FULL
DELIVERABILITY FACTOR IN THE
FORMULA UTILIZED IN DETERMINING
THE ALLOWABLE FOR CERTAIN UNITS,
BLANCO MESAVERDE POOL,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 9099

A P P L I C A T I O N

COMES NOW, William C. Russell, by and through its attorneys, Kellahin, Kellahin & Aubrey, and apply to the New Mexico Oil Conservation Division for an exception to the General Rules for Prorated Gas Pools in Northwest New Mexico as promulgated by Division Order R-8170 to permit the application of a full deliverability factor in the formula utilized in determining allowables for the Hammond #41A well, Unit O-25, T27N, R8W, and for the Hammond #41R well, Unit G-25, T27N, R8W, both in the Blanco Mesaverde Gas Pool, San Juan County, New Mexico, and in support thereof the applicant would show:

1. William C. Russell is the operator of the Hammond #41A well, Unit O-25, T27N, R8W, and for the Hammond #41R well, Unit G-25, T27N, R8W, both in the Blanco Mesaverde Gas Pool, San Juan County, New Mexico.

2. The current method for calculating allowables for the Blanco Mesaverde Gas Pool, as set forth in Division Order R-1870 causes two wells on a 320 acre unit to receive a higher allowable than if those same two wells were each on a non-standard 160 acre spacing unit.

3. That the existing formula does not protect correlative rights.

4. That the existing formula should not apply the acreage factor in the deliverability portion of the formula.

5. That in order for non-standard proration and spacing units to receive the fair share of the allowable assigned to the pool as required by Section 70-2-17 NMSA (1978), the following allowable formulas should be modified as shown on EX. "A" attached hereto.

6. That the proposed amended formula should be utilized for the subject wells so that they will receive their just and fair share of the pool allowables.

7. The offset operators to whom notice has been sent in accordance with Division Rules is as shown on Exhibit B attached hereto.

WHEREFORE, applicant requests that this application be set this matter for hearing and that after notice and hearing, the application be approved as requested.

Respectfully submitted,

WILLIAM C. RUSSELL

By: _____

W. Thomas Kellahin
KELLAHIN, KELLAHIN & AUBREY
Post Office Box 2265
Santa Fe, New Mexico 87501

Attorneys for Applicant

ALLOWABLE CALCULATION POLICY

- Each month the purchasers' nominations are totaled for the pool allowable. Adjustments may be made to compensate for over or under production of the pool.

- MARGINAL ALLOCATION: The volume equal to the last reported month's production from marginal wells is removed to be assigned as marginal well allowables.

- NON-MARGINAL ALLOCATION: The remaining volume is divided according to the pool rule percentages for acreage and deliverability.

- AF: The Acreage Factor of each well is determined by dividing the acreage dedicated to the well by the acreage of a standard unit in the pool.

- AXD: The Acreage Times Deliverability Factor for each well is determined by multiplying the Acreage Factor times the Deliverability of the well. Where infill drilling has been approved, the sum of the deliverabilities of the wells are multiplied by the Acreage Factor as $[AX(D_1 + D_2)]$. (The AXD factor is rounded to the nearest whole number.)

- F1: The portion for acreage is divided by the sum of the Acreage Factors of the non-marginal wells to determine the pool's Acreage Allocation Factor, F1.

- F2: The portion to be allocated based on deliverability is divided by the sum of AXD Factors of the non-marginal wells to determine the AXD Allocation Factor, F2.

- The proration unit allowable is calculated as follows:

$$\text{Allowable} = (AF \times F1) + (AXD \times F2) \qquad \text{(For single well units)}$$

and

$$\text{Allowable} = (AF \times F1) + [AX(D_1 + D_2) \times F2] \qquad \text{(For multi-well units)}$$

EXHIBIT A

Arco Oil & Gas Company
1816 Mojave
Farmington, New Mexico 87401

Meridian Oil, Inc.
Box 4289
Farmington, New Mexico 87499

Western Oil & Minerals, Ltd.
Post Office Box 1228
Farmington, New Mexico 87499

R. C. Wynn
3545 Renaissance Towers
Dallas, Texas 75270

EXHIBIT B