

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 10036
Order No. R-8170-G

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

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 19, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 8th day of November, 1990, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Texaco Inc., seeks to amend the "General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Eumont Gas Pool" as promulgated by Division Order No. R-8170, as amended, dated March 28, 1986, to provide for a minimum natural gas allowable for the Eumont Gas Pool for a three year period of time equal to 600 MCF of gas per day for an acreage factor of 1.0 (non-standard 160-acre gas proration unit) or 2,400 MCF of gas per day for an acreage factor of 4.0 (standard 640-acre gas proration unit).

(3) The Eumont Gas Pool, which was created and defined by Division Order No. R-264, dated February 17, 1953, and which has subsequently expanded numerous times, currently comprises all or parts of the following described area in Lea County, New Mexico:

TOWNSHIP 18 SOUTH, RANGES 36-37 EAST
TOWNSHIP 19 SOUTH, RANGES 36-37 EAST
TOWNSHIP 20 SOUTH, RANGES 35-38 EAST
TOWNSHIP 21 SOUTH, RANGES 35-37 EAST
TOWNSHIP 22 SOUTH, RANGES 36-37 EAST

(4) For the purpose of prevention of waste and protection of correlative rights, gas prorationing was instituted within the Eumont Gas Pool on September 28, 1953 by Division Order No. R-370, as amended, and as consolidated and revised by Division Order Nos. R-1670 and R-8170, as amended.

(5) According to applicant's evidence and testimony, there currently exists a market for natural gas from the Eumont Gas Pool in excess of the gas allowable being assigned to the pool under the gas proration system.

(6) Further evidence and testimony indicates that the production limitations imposed by the gas proration system may have discouraged and may continue to discourage further developmental drilling and attempted workovers of existing wells.

(7) Evidence, testimony and information obtained from the September, 1990, Oil Conservation Division's Southeast Gas Proration Schedule indicates that within the Eumont Gas Pool:

- a) there are approximately 400 producing wells with some 41 different operators;
- b) there are six pipeline transporters;
- c) there are a total of 405.67 acreage factors of which 49.02 are non-marginal and 356.65 are marginal;

- d) there are twenty-one wells overproduced and there are two wells overproduced in excess of six times.

(8) In addition, according to Division records, the average gas allowable for an acreage factor of 1.0 in the Eumont Gas Pool during the period from October, 1989 through September, 1990, was approximately 452 MCF of gas per day.

(9) The applicant appeared at the Gas Allowable hearing held by the Division on December 13, 1989 and presented evidence and testimony in support of a request to administratively raise the Eumont Gas Pool's gas allowable to 600 MCF of gas per day per acreage factor of 1.0 for a period of one year.

(10) Based upon that evidence, which is similar to the evidence presented by the applicant in the immediate case, the Division administratively increased the gas allowable assigned to the Eumont Gas Pool to 600 MCF of gas per day per acreage factor of 1.0 during January, February, March, May and June, 1990.

(11) Due to the lack of a significant increase in production from the pool in response to the higher gas allowables, the Division reverted back to the standard method of assigning gas allowables in July, 1990.

(12) The applicant contends that the lack of a significant increase in production in response to the higher gas allowables was due to a lack of operator confidence that the higher allowables would be sustained for a significant time period, and, many operators did not want to enter the peak demand/peak price period in an overproduced well status.

(13) The applicant did testify however that it has drilled several wells and conducted numerous workovers of existing wells in response to the short term gas allowable increase.

(14) The applicant has conducted a survey of all operators in the Eumont Gas Pool, which survey requested certain information concerning the institution of a minimum gas allowable in the subject pool. The applicant has received survey responses from ten operators who represent an ownership in the Eumont Gas Pool of approximately 64 percent.

(15) Survey responses, presented as evidence in this case, indicate the following:

- a) All respondents have wells which are capable of producing more than the average non-marginal gas allowable;
- b) All respondents feel that there is a market for gas produced from the Eumont Gas Pool in excess of current gas allowables;
- c) Virtually all respondents feel that New Mexico gas is being displaced by out of state sources as a result of low gas allowables;
- d) Virtually all respondents indicated that a minimum gas allowable in the Eumont Gas Pool would justify additional drilling and workovers of existing wells, which would result in the recovery of a greater amount of gas, thereby preventing waste.

(16) In addition, the applicant presented written statements from 34 operators who represent an ownership in the Eumont Gas Pool of 93.83 percent, which statements indicate support for the establishment of the proposed minimum gas allowable for a period of three years.

(17) The applicant received no objection to the proposal from any of the remaining operators in the pool.

(18) No other operator and/or interest owner appeared at the hearing in opposition to the application.

(19) The applicant further presented letters from five of the six gas transporters in the Eumont Gas Pool, which letter indicated that each has the capacity to gather, treat and/or process the additional gas which may be produced from the subject pool if the application is approved.

(20) The gas gathering line pressures in the Eumont Gas Pool are and should remain, if the application is approved, sufficiently low to allow marginal gas wells to continue to produce.

(21) According to evidence and testimony, there are gas marketing entities available to all operators in the Eumont Gas Pool such that no operator in the pool should be denied the opportunity to market and sell its gas.

(22) Even with the institution of a minimum gas allowable, the Eumont Gas Pool will remain prorated inasmuch as there are numerous wells in the pool capable of producing in excess of 600 MCF of gas per day, and gas allowables are based upon proration unit size.

(23) The evidence at this time indicates that the institution of a minimum gas allowable in the Eumont Gas Pool would be in the best interest of conservation, prevention of waste and protection of correlative rights.

(24) 600 MCF of gas per day per acreage factor of 1.0 or 2,400 MCF of gas per day for an acreage factor of 4.0 should be utilized as the minimum gas allowable. Said minimum gas allowable should remain in effect for a period of three years, provided however, the Division may reopen this case at any time during the three year period to consider additional evidence and testimony should it become apparent that continuation of the minimum gas allowable will not serve to prevent waste and protect correlative rights.

(25) This case should be reopened in November, 1993, at which time the applicant and/or the operators in the subject pool should be prepared to appear and present evidence and testimony relevant to the continuation of a minimum gas allowable in the Eumont Gas Pool.

(26) This order should be effective December 1, 1990.

IT IS THEREFORE ORDERED THAT:

(1) The "Special Rules and Regulations for the Eumont Gas Pool" as promulgated by Division Order No. R-8170, as amended are hereby amended by the addition of Rule No. 8 as follows:

RULE 8. MINIMUM ALLOWABLES: Notwithstanding the provisions of Rule Nos. 3 and 5 of the General Rules and Regulations for the Prorated Gas Pools of New Mexico, the Division shall assign a minimum gas allowable of 600 MCF of gas per day per Acreage Factor of 1.0.

(2) Rule No. 8 shall remain in effect for a period of three years, provided however, the Division may reopen this case at any time during the three year period to consider additional evidence and testimony should it become apparent that continuation of the minimum gas allowable will not serve to prevent waste and protect correlative rights.

(3) Unless reopened pursuant to Paragraph (2) above, this case shall be reopened in November, 1993, at which time the applicant and/or the operators in the subject pool should be prepared to appear and present evidence and testimony relevant to the continuation of a minimum gas allowable in the Eumont Gas Pool.

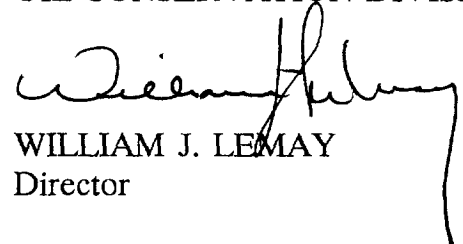
(4) This order shall be effective December 1, 1990.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

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