

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 8971
Order No. R-8316

APPLICATION OF CINCO, LTD. FOR
A NON-STANDARD GAS PRORATION
UNIT AND SPECIAL GAS ALLOWABLE
CALCULATION IN THE BLANCO-
MESAVERDE POOL, RIO ARRIBA
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 20 and September 3 and 17, 1986, at Santa Fe, New Mexico, before Examiners David R. Catanach and Michael E. Stogner.

NOW, on this 8th day of October, 1986, 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) Division Case Nos. 8971 and 8972 were consolidated at the time of the hearing for the purpose of testimony.
- (3) The applicant, Cinco, Ltd., seeks approval of a 160-acre non-standard gas proration unit consisting of the NW/4 of Section 32, Township 30 North, Range 7 West, NMPM, Blanco-Mesaverde Pool, Rio Arriba County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon.
- (4) The subject of Division Case No. 8972, also heard on this day, is the application of the Estate of Edward Gerber and Iris Gerber Damson for a 160-acre non-standard gas proration unit consisting of the SW/4 of said Section 32, to be dedicated to its existing Ired State Well No. 1, Blanco-Mesaverde Pool.

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(5) The entire non-standard proration unit in the subject case may reasonably be presumed productive of gas from the Blanco-Mesaverde Pool and the entire non-standard gas proration unit can be efficiently and economically drained and developed by the aforesaid well.

(6) The applicants in the immediate case and in said Case No. 8972 both further seek a variance to the method of calculating the gas allowable for the Blanco-Mesaverde Pool as promulgated by Division Order No. R-8170, in order to give the two proposed 160-acre non-standard units located in the W/2 of Section 32 approximately the same total gas allowable which would normally be assigned to a standard 320-acre unit containing two wells with like deliverabilities.

(7) In utilizing the current formula for calculating gas allocations in the Blanco-Mesaverde Pool as contained in Division Order No. R-8170, there exists an inequity in the gas allowable assigned to a standard 320-acre proration unit containing two wells, as compared to the total gas allowable assigned to two 160-acre non-standard proration units which, in effect, gives an allowable advantage to the standard 320-acre unit.

(8) In order to arrive at a more equitable gas allocation to be assigned to the proposed 160-acre non-standard gas proration unit, the gas allocation formula for this particular unit should be modified to assign the full deliverability as the (AD) factor for allowable calculations.

(9) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas from the Blanco-Mesaverde Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Cinco, Ltd., is hereby authorized a 160-acre non-standard gas proration unit in the Blanco-Mesaverde Pool comprising the NW/4 of Section 32, Township 30 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon.

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(2) For purposes of calculating the gas allowable to be assigned to this non-standard unit the acreage factor shall be equal to .50, and the acreage times deliverability factor shall be equal to the deliverability of the well multiplied by 1.0.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



R. L. STAMETS
Director

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