

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 FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 10254
Order No. R-9463

GAS ALLOWABLES FOR THE PRORATED GAS
POOLS IN NEW MEXICO FOR APRIL THROUGH
SEPTEMBER, 1991.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on February 28, 1991, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 22nd day of March, 1991, the Commission, a quorum being present, having considered the testimony presented and 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 April through September, (Apr-Sep) 1991 gas allowables for the prorated gas pools in New Mexico. Fourteen 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 Commission Order No. R-8170-H in December 1990 provide for allowables to be established for 6-month allocation periods beginning in April and October of each year. The Apr-Sep 1991 allocation period will be the first under the amended rules.
- (4) Average monthly allowables for Apr-Sep, 1991 for each pool should be based on monthly average individual pool sales for Apr-Sep 1990, with administrative adjustments where appropriate.

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(5) Oil Conservation Division personnel prepared Market Demand and Allowable Determination Schedules for prorated gas pools in New Mexico. These contained preliminary allowable estimates for the Apr-Sep 1991 period. Producers, purchasers, and transporters of gas were asked to review these preliminary allowables and to participate in the February 28, 1991 hearing by providing information which would assist in arriving at final allowable assignments.

(6) The preliminary allowable estimates were submitted at the hearing as OCD Exhibits 1 and 2. These exhibits also contained transporter nominations which had been received through February 27, 1991. Additional nominations were received at the hearing. The nominations were somewhat less than the preliminary allowable estimates in all but three Southeast New Mexico Pools. Nominations received at the February 28 hearing are included on Exhibits 1 and 2, attached.

(7) OCD Exhibit No. 4 and testimony presented by the Director of Natural Gas Programs shows that total gas production from New Mexico has increased during the last three years from 781.17 BCF in 1988 to 860.84 BCF in 1989 to 949.69 BCF in 1990. Total production in December 1990 exceeded 90 BCF. This was the best producing month in the past three years.

(8) A Conoco witness testified in support of OCD's allowable determination procedure and presented exhibits to show that Conoco's 9 non-marginal wells in the Eumont Pool will continue to produce at the 600 MCF per day minimum allowable rate approved for the Eumont Pool.

(9) A witness for Unocal testified concerning Unocal's review of OCD's allowable estimates and requested that additional non-marginal allowable be assigned to three San Juan Basin Pools as follows:

<u>Pool</u>	<u>Additional Non-Marginal Allowable Requested</u>	<u>Total Non-Marginal Allowable Requested</u>
Basin Dakota	980,000	3,735,000
Blanco Mesaverde	882,000	7,953,000
Blanco, South P.C.	8,000	651,000

All volumes are average monthly amounts in MCF.

A Unocal exhibit was submitted to show that 65% of Unocal's wells in the Basin Dakota Pool would overproduce the OCD preliminary allowable for Apr-Sep 1991.

(10) A Meridian witness also presented testimony concerning the OCD preliminary allowable estimates and requested that 1,000,000 MCF per month be added to the Basin Dakota Pool allowable. Meridian reviewed seven years of allowable and production history and determined that OCD's preliminary allowable estimate for the Basin Dakota pool is 16%

below the historical average. The Meridian witness supported OCD's preliminary estimates for the other San Juan Basin Pools and testified that the OCD estimate for the Blanco Mesaverde Pool is within 2% of the historical average.

(11) An Amoco representative appeared at the hearing and suggested that Apr-Sep 1990 pool sales be used as Apr-Sep 1991 pool allowables without adjustment. He pointed out that OCD rules provide for allowable adjustments during the allocation period if such adjustments are needed.

(12) Based on data submitted by Unocal and Meridian, monthly pool allowable for the Basin Dakota Pool should be increased by 500,000 MCF above the preliminary OCD estimate.

(13) Recent production trends were reviewed in three Southeast New Mexico pools following receipt of nominations which exceeded the OCD preliminary allowable estimates. The review shows the following:

Pool	Avg. Pool Sales Oct. 89- Jan. 90	Avg. Pool Sales Oct. 90- Jan 91	Preliminary Allowable Apr-Sep 91	Noms. Apr-Sep 91	Allowable Which Should Be Assigned Apr-Sep 91
Atoka-Penn	82,718	108,401	79,417	151,849	91,000
Indian Basin					
Morrow	87,528	243,309	103,975	145,000	145,000
Indian Basin					
Upper Penn	3,114,201	3,489,854	2,925,197	3,600,000	3,000,000

All volumes are average monthly amounts in MCF.

The above data indicates that allowables should be increased to the amounts shown in the last column. The higher allowables are based on increasing pool sales, nominations, and recent producing rates for non-marginal wells.

(14) The Burton Flat Strawn and Monument McKee Ellenburger Pools were not included in the preliminary allowable estimates because all wells in these pools were classified as marginal throughout most of 1990. Currently only one well in each pool appears to be capable of producing significant volumes. Acreage allocation factors somewhat above indicated producing rates should be established as shown below to provide a method for monitoring production from the pools:

Burton Flat Strawn: F1 = 10,000 MCF per month
Monument McKee Ellenburger: F1 = 25,000 MCF per month

(15) The numbers of participating non-marginal acreage factors have increased in three pools since the preliminary allowable estimates were

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developed. Monthly allowable adjustments as shown below should be added to these pools to provide F1 and F2 factors approximately equal to the preliminary estimates:

Jalmat	36,600 MCF
Blanco Mesaverde	100,000 MCF
Blanco P.C. South	2,000 MCF

(16) For the months of Apr-Sep 1991, the monthly allowable production to be assigned to prorated gas pools in New Mexico should be determined by assigning to marginal wells in each pool the average monthly amount of gas produced by such wells during the period Oct-Dec 1990, and by assigning to non-marginal wells the monthly volumes set out in Exhibit 1 (Market Demand and Allowable Determination Schedule for April through September 1991, Prorated Gas Pools - Southeast New Mexico) and Exhibit 2 (Market Demand and Allowable Determination Schedule for April through September 1991, Prorated Gas Pools - Northwest New Mexico). Exhibits 1 and 2 include the preliminary allowable estimates developed by OCD as modified by Findings (12), (13), (14) and (15) of this order.

(17) Under the provisions of Order No. R-8170-E, the Burton Flat-Morrow Pool is unprorated until June, 1991 and the allowables and cumulative status to be shown in the Apr-Sep 1991 proration schedule will be for record purposes only and should not be considered as a limitation on the production and sale of gas from any well in said pool. In order to evaluate the effect of that order under the new rules and to avoid having the pool return to proration at the middle of an allocation period, the pool should remain unprorated until October, 1991.

IT IS THEREFORE ORDERED THAT:

(1) For the months of Apr-Sep 1991, the monthly allowable production to be assigned to prorated gas pools in New Mexico shall be determined by assigning to marginal wells in each pool the average monthly amount of gas produced by such wells during the period Oct-Dec 1990, and by assigning to non-marginal wells the monthly volumes set out in Exhibit 1 (Market Demand and Allowable Determination Schedule for April through September 1991, Prorated Gas Pools - Southeast New Mexico) and Exhibit 2 (Market Demand and Allowable Determination Schedule for April through September 1991, Prorated Gas Pools - Northwest New Mexico). Exhibits 1 and 2 include the preliminary allowable estimates developed by OCD as modified by Findings (12), (13), (14) and (15) of this order.

(2) The Oil Conservation Division is hereby directed to prepare proration schedules for the Apr-Sep 1991 allocation period in accordance with this order.

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The proration schedules shall allocate production among the gas wells in the prorated gas pools for the period stated, in accordance with the Division Rules, Regulations and Orders. Copies of this order shall be included in each schedule.

(3) Decretory Paragraph (5) of Order No. R-8170-E is hereby superseded and Case 9872 should be reopened at the first Examiner Hearing in September, 1991, for the purposes stated in said Order. The allowables shown for the Burton Flat-Morrow Pool in the proration schedule shall be for record purposes only and shall not be considered as a limitation of production and sale of gas in any respect from the wells in said pool during this allocation period.

(4) Jurisdiction in this case is hereby 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

Bill Weiss

WILLIAM W. WEISS, Member

Gary Carlson

GARY CARLSON, Member

William J. Lemay

WILLIAM J. LEMAY, Chairman

S E A L

dr/

EXHIBIT 1
 MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE
 FOR APRIL THRU SEPTEMBER 1991
 PRORATED GAS POOLS - SOUTHEAST NEW MEXICO

	ATOKA PENN	BLINERY	BUFFALO VALLEY PENN	BURTON FLAT MORROW	CARLSBAD MORROW	CATCLAW DRAW MORROW	ELMONT	INDIAN BASIN MORROW	INDIAN BASIN UPPER PENN	JALPAT	JUSTIS GL	TURB
(1) AVERAGE MONTHLY POOL SALES APRIL - SEPTEMBER 1990. ALL VOL.S ARE IN MCF	69417	436444	208593	384109	199702	128126	1653258	88975	2885197	884426	36976	242230
(2) TOTAL NOMINATIONS AVERAGE MONTHLY VOLUMES	151849	236062	190773	149633	66035	81515	1228504	145000	3600000	103714	0	75571
(3) ADJUSTMENTS	21583		20000	55000	52000	4000	753924	56025	114803	339589	12000	
(4) MONTHLY POOL ALLOWABLE APRIL - SEPTEMBER 1991 (LINE 1 + LINE 3)	91000	436444	228593	439109	251702	132126	2407182	145000	3000000	1224015	48976	242230
(5) MONTHLY MARGINAL POOL ALLOWABLE FOR APRIL - SEPTEMBER 1991	38610	151649	145288	171259	151805	65995	1346331	66328	2260345	853440	17841	108708
(6) MONTHLY NON-MARGINAL POOL ALLOWABLE FOR APRIL - SEPTEMBER 1991 (LINE 4 MINUS LINE 5)	52390	284795	83305	267850	99897	66131	1060851	78762	739655	370575	31135	133522
(7) NUMBER OF NON-MARGINAL ACREAGE FACTORS	3.42	15.75	3.00	7.88	4.97	2.99	57.97	0.72	5.49	20.25	9.00	11.28
(8) MONTHLY ACREAGE ALLOCATION FACTOR APRIL - SEPTEMBER 1991 F1 (LINE 6 DIVIDED BY LINE 7)	15319	18082	27768	33991	20100	22117	18300	109267	134728	18300	3459	11837

APRIL-SEPTEMBER 1991 F1 FACTORS FOR OTHER POOLS:
 BURTON FLAT STRAWN F1= 10,000
 MONUMENT MCKEE ELLEN F1= 25,000

EXHIBIT 2
 MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE
 FOR APRIL THRU SEPTEMBER 1991
 PRORATED GAS POOLS - NORTHWEST NEW MEXICO

	BASIN DAKOTA	BLANCO MESAVERT	BLANCO P.C. SOUTH	TAPACITO
(1) AVERAGE MONTHLY POOL SALES APRIL - SEPTEMBER 1990. ALL VOL.'S ARE IN MCF	7263265	12379262	1063350	231768
(2) TOTAL NOMINATIONS AVERAGE MONTHLY VOLUMES	6976715	11148719	607899	233805
(3) ADJUSTMENTS	1200000	2100000	177000	10000
(4) MONTHLY POOL ALLOWABLE APRIL - SEPTEMBER 1991 (LINE 1 + LINE 3)	8463265	14479262	1240350	241768
(5) MONTHLY MARGINAL POOL ALLOWABLE FOR APRIL - SEPTEMBER 1991	5208566	7308484	595425	84821
(6) MONTHLY NON-MARGINAL POOL ALLOWABLE FOR APRIL - SEPTEMBER 1991 (LINE 4 MINUS LINE 5)	3254699	7170778	644925	156974
(7) NUMBER OF NON-MARGINAL ACREAGE FACTORS	454.65	636.36	460.61	103.33
(8) NUMBER OF NON-MARGINAL ACREAGE X DELIVERABILITY FACTORS	220774	448080	28292	10010
(9) MONTHLY ACREAGE ALLOCATION FACTOR FOR APRIL-SEPT. 1991,F1	4295	2817	350	380
(10) MONTHLY ACREAGE X DELIV ALLOCATION FACTOR FOR APRIL - SEPTEMBER 1991,F2	5.90	12.00	17.10	11.76