

Entered July 9, 1963
A.L.P.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 2504
Order No. R-2259-B

APPLICATION OF CONSOLIDATED OIL & GAS, INC.,
FOR AN AMENDMENT OF ORDER NO. R-1670-C,
CHANGING THE ALLOCATION FORMULA FOR THE
BASIN-DAKOTA GAS POOL, SAN JUAN, RIO ARriba
AND SANDOVAL COUNTIES, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for rehearing at 9 o'clock a.m. on February 14, 1963, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 3rd day of July, 1963, 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:

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

(2) That Order No. R-1670-C, entered by the Commission on November 4, 1960, established Special Rules and Regulations for the Basin-Dakota Gas Pool and adopted, by reference, Rule 9(C) of the General Rules applicable to prorated gas pools in Northwest New Mexico, as set forth in Order No. R-1670.

(3) That Rule 9(C) of the General Rules applicable to prorated gas pools in Northwest New Mexico, as set forth in Order No. R-1670, allocates production on the basis of 25 percent acreage plus 75 percent acreage times deliverability, hereinafter referred to as the 25-75 formula.

(4) That the applicant, Consolidated Oil & Gas, Inc., seeks amendment of the Special Rules and Regulations for the Basin-Dakota Gas Pool to allocate production on the basis of 60 percent acreage plus 40 percent acreage times deliverability.

(5) That the initial recoverable gas reserves in the Basin-Dakota Gas Pool, insofar as can be determined, total approximately 2.255 trillion cubic feet, of which approximately 96 billion cubic feet is attributed to marginal wells, which are permitted to produce at capacity.

(6) That the initial recoverable gas reserves underlying each non-marginal tract in the Basin-Dakota Gas Pool are as shown in Column C, Tract Reserves, of Exhibit A attached hereto and made a part hereof.

(7) That the percent of the total pool reserves attributable to each non-marginal tract in the Basin-Dakota Gas Pool is as shown in Column D, Percent of Pool Reserves, of Exhibit A.

(8) That it is impracticable to allocate production solely on the basis of the percentage of pool reserves due to the continuous fluctuation in reserve computations resulting from new completions in the pool and re-evaluation of reserves of existing wells.

(9) That the tract acreage factor for each non-marginal well in the Basin-Dakota Gas Pool is as shown in Column A of Exhibit A; that the deliverability for each non-marginal well, insofar as can be determined, is as shown in Column B of Exhibit A.

(10) That in the Basin-Dakota Gas Pool there is no direct correlation between deliverability and reserves, or acreage and reserves, and that, therefore, neither should be used as the sole criterion for distributing the total pool allowable among the tracts.

(11) That the most reasonable basis for allocating production in the Basin-Dakota Gas Pool is to determine, for each proposed formula, the percentage of total pool allowable apportioned to each non-marginal tract as compared to its percentage of total pool reserves, said relationship hereinafter referred to as the tract's A/R Factor, and to select the allocation formula that will allow the maximum number of wells in the pool to produce with an ideal tract A/R Factor of 1.0, or with a tract A/R Factor of from 0.7 to 1.3, which, due to inherent variance in interpreting and computing reserves, is within a reasonable tolerance.

(12) That the percentage of deliverability and the percentage of acreage included in the allocation formula affect the percentage of the total pool allowable assigned to each non-marginal well in the pool, thereby affecting the number of wells in the pool producing with a tract A/R Factor of from 0.7 to 1.3.

(13) That under the present 25-75 formula, correlative rights are not being adequately protected; that the protection of correlative rights is a necessary adjunct to the prevention of waste, and that waste will result unless the Commission acts to protect correlative rights.

(14) That, based upon the December 1962 pool allowable, a comparison of the number of non-marginal wells producing with a tract A/R Factor of from 0.7 to 1.3 under each formula as identified by an asterisk in Columns G and J of Exhibit A, and of the total volume of gas allocated to the wells in the 0.7 to 1.3 range under each formula, establishes that the proposed formula of 60 percent acreage plus 40 percent acreage times deliverability will more adequately protect correlative rights and prevent waste by permitting more wells to receive their just and equitable share of the gas in the pool, insofar as can be determined.

(15) That numerous wells in the Basin-Dakota Gas Pool are capable of draining more than their just and equitable share of the gas in the pool, and that an allocation formula of 60 percent acreage plus 40 percent acreage times deliverability will, insofar as is practicable, prevent drainage between producing tracts which is not equalized by counter drainage.

(16) That an allocation formula of 60 percent acreage plus 40 percent acreage times deliverability will, insofar as it is practicable to do so, afford to the owner of each property in the pool the opportunity to use his just and equitable share of the reservoir energy.

(17) That Order No. R-1670-C should be amended to provide an allocation formula for the Basin-Dakota Gas Pool in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, based 60 percent on acreage and 40 percent on acreage times deliverability.

(18) That, due to the time required to administer a new allocation formula for a prorated gas pool, this order should not be effective until August 1, 1963, the beginning of the next six-month proration period for the Basin-Dakota Gas Pool.

IT IS THEREFORE ORDERED:

(1) That the Special Rules and Regulations for the Basin-Dakota Gas Pool, as promulgated by Order No. R-1670-C, are hereby amended by adoption of the following:

RULE 9(C): The pool allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in the following manner:

1. Forty percent (40%) of the pool allowable remaining to be allocated to non-marginal wells shall be allocated among such wells in the proportion that each well's "AD Factor" bears to the total "AD Factor" for all non-marginal wells in the pool.

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2. Sixty percent (60%) of the pool allowable remaining to be allocated to non-marginal wells shall be allocated among such wells in the proportion that each well's acreage factor bears to the total acreage factor for all non-marginal wells in the pool.

(2) That Order No. R-2259 is hereby superseded.

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

(4) That this order shall be effective August 1, 1963, the beginning of the next six-month proration period for the Basin-Dakota Gas Pool.

DONE at Santa Fe, New Mexico, on the day and year herein-above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



JACK M. CAMPBELL, Chairman



E. S. WALKER, Member



A. L. PORTER, Jr., Member & Secretary

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