



PHILLIPS PETROLEUM COMPANY

FARMINGTON, NEW MEXICO 87401
5525 HWY. 64 NBU 3004

February 22, 1995

OIL CONSERVATION DIVISION
RECEIVED
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William J. Lemay
New Mexico Oil Conservation Dept.
2040 S. Pacheco
Santa Fe, New Mexico 87505

Re: April-Sept. 1995 Allowables
Blanco Mesaverde Pool
Basin Dakota Pool

Dear Mr. Lemay,

Phillips Petroleum Company requests adjustments to the New Mexico Oil Conservation Division's proposed allowable schedule dated February 3, 1995 for the Basin Dakota and Blanco Mesaverde Pools for the period April 1995 -September 1995. These adjustments are requested to maintain Gas Proration Unit allowables equal to those in effect for the current proration period.

The proposed pool F1 and F2 factors are identical to those received during the April 1994 - September 1994 allowable period. However, they result in GPU allowables which are only 97% of the current Basin Dakota allowables and only 83% of the current Blanco Mesaverde allowables. Adjustments to the non-marginal pool allowables of 10,000 MCF/mo. for the Basin Dakota and 504,000 MCF/mo. for the Blanco Mesaverde pools would result in GPU allowables identical to the current allowable period. Maintaining GPU allowables at their current levels will encourage continued development of reserves.

One of Phillips' principle objectives in the future will be to secure adequate allowables to encourage development of compression projects for low pressure Blanco Mesaverde wells. Phillips installed a central compression site in the San Juan 29-6 Unit during January 1995 to allow low bottom hole pressure wells to maintain production and maximize ultimate gas recovery. The site serves 100 wells, including 70 Mesaverde wells in the San Juan 29-5, 29-6 and 30-5 units. Prior to the compressor installation, all of the Mesaverde wells were classified as marginal. However, with reduced backpressure, many of these wells will fall into the non-marginal category. Calculated deliverabilities in the pool are penalized if the flowing tubing pressure is less than 70 % of the shut in surface pressure. In fact, our estimates indicate that actual deliverability would have to increase at least 30% just to maintain the pre-compression calculated deliverability. As a result, GPU allowables will not increase substantially without additional adjustments to the non-marginal pool allowable.

As results from the Mesaverde compression project become available, Phillips looks forward to working with the NMOCD to insure that sufficient GPU allowables are established which will encourage the maximum economical recovery of Mesaverde reserves through similar compression projects.

Sincerely,

PHILLIPS PETROLEUM COMPANY

A handwritten signature in cursive script, appearing to read "Kirk L. Czirr".

Kirk L. Czirr
Field Development Supt.