

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
OF THE STATE OF NEW MEXICO FOR THE
PURPOSE OF CONSIDERING:

CASE NO. 10933
ORDER NO. R-10085

**GAS ALLOWABLES FOR THE PRORATED GAS POOLS IN NEW MEXICO FOR
APRIL 1994 THROUGH SEPTEMBER 1994.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on March 10, 1994 at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW on this 28th day of March, 1994, the Commission, a quorum being present and having considered the testimony, 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, 1994 gas allowables for the prorated gas pools in New Mexico. Thirteen 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 the Commission Order No. R-8170-H in December, 1990 provide for the allowables to be established for six month allocation periods beginning in April and October of each year.
- (4) Average monthly allowables for April through September, 1994 for each pool should be based on the monthly average individual pool sales for April through September, 1993, with administrative adjustments where appropriate.

(5) Oil Conservation Division (OCD) personnel prepared Market Demand and Allowable Determination Schedules for the prorated gas pools in New Mexico. These schedules contained production information from the period April through September, 1993 and preliminary allowable estimates for April through September, 1994 without adjustments. Producers, purchasers, and transporters of gas were asked to review these preliminary allowables and to participate in the March 10, 1994 hearing by providing information which would assist the Commission in arriving at the final allowable assignments.

(6) An adjustment of 29,813 MCF per month is required for the Blanco P.C. South Pool because of the minimum allowable of 100 MCF per day which was approved by OCD Order No. R-8170-L-1. Minimum allowables approved by OCD Order Nos. R-8170-J-1 and R-8170-M also require adjustments of 22,156 MCF per month in the Jalmat Pool and 51,631 MCF per month in the Justis Glorieta Pool. F1 factors are assigned for the purpose of monitoring producing rates in four Southeast pools which currently have no non-marginal gas proration units.

(7) Phillips Petroleum presented evidence and testimony at the hearing to support an allowable increase for the Basin Dakota Pool. An adjustment of 98,958 MCF per month was requested. This would increase the F1 factor to 10,764 and the F2 factor to 13.54. The increased allowable would provide incentive and economic justification for continuation of Phillips' infill drilling program which is currently in progress. Meridian and Amoco indicated they have no objection to this proposed increase. Both companies also indicated that the allowables proposed by OCD for the Northwest Pools are satisfactory.

(8) Chevron USA and Conoco Inc. presented evidence in support of an increased allowable for the Eumont Pool. Witnesses for both companies testified that planned drilling and workover projects would have to be canceled if the increase is not approved. Testimony also showed that recent drilling and recompletion work has increased non-marginal production from the pool since the April-September, 1993 period which was used for OCD's allowable estimate. An increase of 246,214 MCF per month was requested to increase the F1 factor to 28,928 MCF per month. Texaco, Arco, Exxon, Oryx, and Marathon supported the requested allowable increase.

(9) Chevron USA and Oryx Energy Company presented evidence and testimony in support of a higher allowable for the Indian Basin Upper Pennsylvanian Pool. Both companies requested that the F1 factor be increased to 197,000 MCF per month; this approximates the allowables assigned for the past two allocation periods. Testimony showed that plant down time during the April-September, 1993 period had the effect of suppressing OCD's preliminary allowable estimates. Also recent compressor installations and workovers have increased the producing capacity of several non-marginal wells. Additional similar work is planned. Marathon and MW Petroleum supported the requested increase.

(10) An Exxon Corporation witness requested sufficient allowable adjustment for the Tubb Pool to increase the F1 factor to 13,500 MCF per month which is approximately the same as that assigned in April-September, 1993. Exxon has 11 wells capable of producing more than the allowable which would be assigned using the F1 factor determined by OCD's preliminary estimate.

(11) Based on testimony presented at the hearing, there is sufficient demand for New Mexico gas to accommodate the requested increases and sufficient pipeline capacity to transport the extra gas.

(12) OCD presented data to show that total natural gas production from New Mexico wells has increased from 1.019 TCF in 1991 to 1.396 TCF in 1993. Projected total production for 1994 is 1.461 TCF. Data was also presented to show that production from prorated gas pools has increased over recent years and that the proration system has allowed prorated pools to participate in supplying the increasing demand for New Mexico gas.

(13) Higher allowables and producing rates from the prorated pools have greatly decreased the number of non-marginal gas proration unit (GPUs). Based on OCD's allowable determination schedules, 3.6% of the GPUs in prorated pools had non-marginal status and produced 11.7% of the gas from the prorated pools in April-September, 1993.

(14) No working interest owner or other interested party appeared at the hearing in opposition to the allowable increases set out above.

(15) The allowable increases requested in Finding Paragraph Nos. (6) through (10) are reasonable and should be approved.

IT IS THEREFORE ORDERED THAT:

(1) Exhibits "A" and "B" attached to and incorporated herein, including the increased allowables requested in Finding Paragraph Nos. (6) through (10), are adopted for the purpose of making allowable assignments for the prorated gas pools in New Mexico for the months April through September, 1994.

(2) The Oil Conservation Division is hereby directed to use the F1 and F2 factors set out in Exhibits "A" and "B" to prepare proration schedules for the April through September, 1994 allocation period in accordance with this order and other Division Rules, Regulations and Orders. Copies of this order shall be included in each proration schedule.

(3) Jurisdiction of this cause is 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.

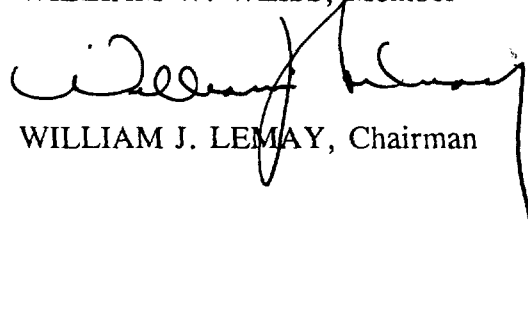
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



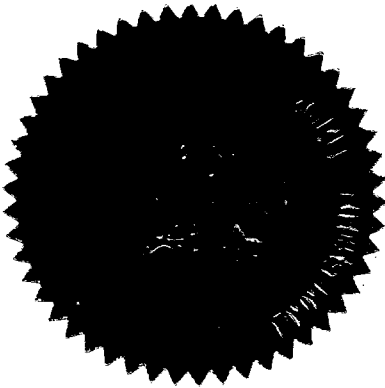
GARY CARLSON, Member



WILLIAM W. WEISS, Member



WILLIAM J. LEMAY, Chairman



SEAL

OIL CONSERVATION DIVISION
MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE
PRORATED GAS POOLS OF NORTHWEST NEW MEXICO
FOR APRIL 1994 THROUGH SEPTEMBER 1994
ONGARD

| Pool Name | Avg Monthly Pool Sales Apr93-Sep93 | Pool Adjustments | Monthly Pool Allowable Apr94-Sep94 | Monthly Marginal Pool Allowable Apr94-Sep94 | Monthly Non- Marginal Pool Allowable Apr94-Sep94 | Number of Non- Marginal Acrr. Factors | Monthly Acreage Alloc. Factor |
|----------------------------|---------------------------------------|------------------|--|---|---|--|-------------------------------------|
| Atoka Penn | 106,172 | 0 | 106,172 | 59,102 | 47,070 | 2.00 | 23,535 |
| Blaine Oil and Gas | 564,643 | 0 | 564,643 | 450,873 | 113,700 | 3.00 | 37,923 |
| Buffalo Valley Penn | 293,780 | 0 | 293,780 | 260,968 | 32,812 | 1.00 | 32,812 |
| Burton Flat Strawn | 77,479 | 0 | 77,479 | 77,479 | 0 | 0.00 | 10,000 |
| Carlsbad Morrow, South | 239,683 | 0 | 239,683 | 239,683 | 0 | 0.00 | 25,000 |
| Catclaw Draw Morrow | 435,390 | 0 | 435,390 | 435,390 | 0 | 0.00 | 90,000 |
| Eumont Yates 7 Rivers Qn | 2,563,744 | 246,214 | 2,809,958 | 2,156,185 | 653,773 | 22.60 | 28,928 |
| Indian Basin Morrow | 62,700 | 0 | 62,700 | 47,231 | 15,469 | 1.00 | 15,469 |
| Indian Basin Upper Penn | 3,722,866 | 168,592 | 3,891,458 | 2,934,038 | 957,420 | 4.86 | 197,000 |
| Jalmat Tansill YT 7 Rivers | 1,029,426 | 22,196 | 1,051,622 | 973,847 | 77,775 | 4.25 | 18,300 |
| Justis Glorieta | 48,401 | 51,631 | 100,032 | 26,832 | 73,200 | 4.00 | 18,300 |
| Monument McKee Ellen | 12,660 | 0 | 12,660 | 12,660 | 0 | 0.00 | 25,000 |
| Tubb Oil and Gas | 293,367 | 28,378 | 321,745 | 203,620 | 118,125 | 8.75 | 13,500 |

****All Gas Volumes Shown in MCF**

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Order No. R-10085

Exhibit "A"

**OIL CONSERVATION DIVISION
MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE
PRORATED GAS POOLS OF NORTHWEST NEW MEXICO
FOR APRIL 1994 THROUGH SEPTEMBER 1994
ONGARD**

| Pool Name | Avg Monthly Pool Sales Apr93-Sep93 | Pool Adjustments | Monthly Pool Allowable Apr94-Sep94 | Monthly Marginal Pool Allowable Apr94-Sep94 | Monthly Non- Marginal Pool Allowable Apr94-Sep94 | Number of Non- Marginal Acr. Factors | Number of Non-Marginal Acr. = Div. | Monthly Acreage Alloc. Factor | Monthly Acr. = Div. Factor |
|--------------------------|---------------------------------------|---------------------|---------------------------------------|---|---|--|--|-------------------------------------|----------------------------------|
| Basin Dakota | 9,548,540 | 98,958 | 9,647,498 | 9,377,498 | 270,000 | 15.05 | 7,978 | 10,764 | 13.54 |
| Blanco Mesaverde | 16,495,592 | 0 | 16,495,592 | 14,049,750 | 2,445,842 | 129.16 | 85,529 | 4,734 | 21.45 |
| Blanco P.C. South | 1,216,638 | 29,813 | 1,246,451 | 1,106,658 | 139,793 | 84.80 | 3,974 | 412 | 26.38 |
| Tapacito Pictured Cliffs | 326,656 | 0 | 326,656 | 314,232 | 12,424 | 8.00 | 566 | 388 | 16.46 |

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Exhibit "B"