(8) The deliverability of the subject gas proration unit, for purposes of calculating gas allowable, shall be determined by whichever of the two following methods results in a higher deliverability:

1) Utilize two times the deliverability ("D") of the proposed highly-deviated well provided said proration unit's allowable does not exceed the highest allowable for currently existing vertically drilled wells in a proration unit; or

2) Utilize the sum of the deliverabilities of the two existing vertical wellbores.

Aztec OCD comments to Cases 9764 and 9765

The attached plat shows five proration units, A through E and the locations of wells and their respective deliverabilities. We can calculate allowables for the proration units as follows:

Given: F1=1000, F2=5.0 AF=ACREAGE FACTOR
ALLOWABLE = (AF)F1+(AF)(D)F2

ALLOWABLE FOR PRORATION UNIT A
(AF)1000+(AF)(300)5.0= 1000 + 1500 = 2500 MCF

ALLOWABLE FOR PRORATION UNIT B
(AF)1000+(AF)(100)5.0= 1000 + 500 = 1500 MCF

ALLOWABLE FOR PRORATION UNIT C
(AF)1000+(AF)(400)5.0= 1000 + 2000 = 3000 MCF

ALLOWABLE FOR PRORATION UNIT D
(AF)1000+(AF)(300)5.0= 500 + 750 = 1250 MCF

ALLOWABLE FOR PRORATION UNIT E
(AF)1000+(AF)(100)5.0= 500 + 250 = 750 MCF

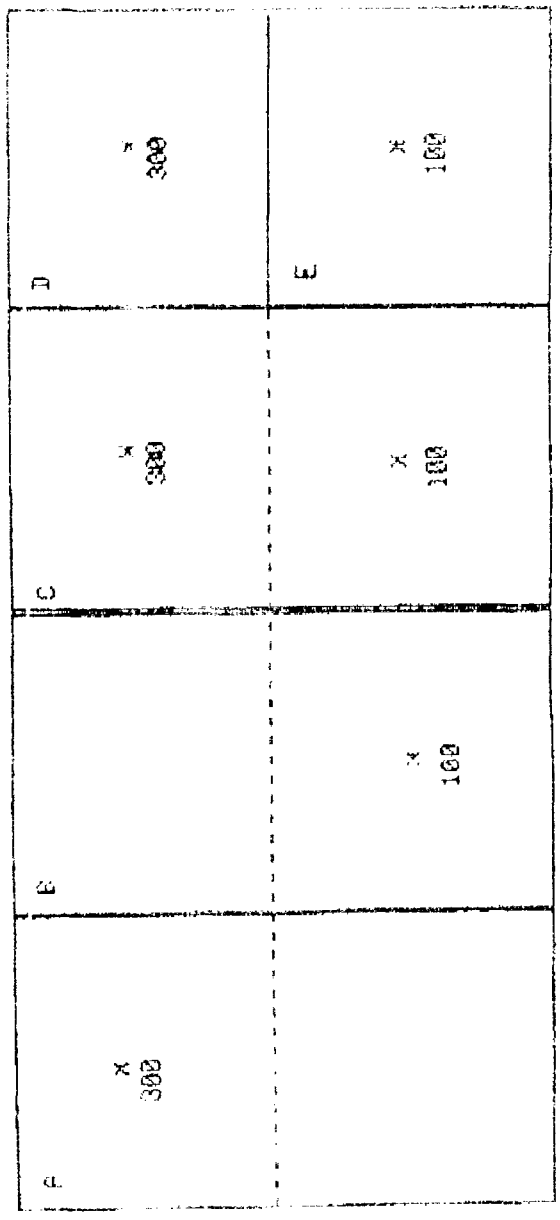
The addition of an infill well causes the following changes in the calculations of the allowable to a gas proration unit (GPU).

WITH 1 WELL
ALLOWABLE = (AF)F1+(AF)(D)F2
WITH INFILL WELL
ALLOWABLE = (AF)F1+[(AF)(D1)+(AF)(D2)]F2

In the infill case the entire AF is mutiplied by <u>each well's deliverability</u>. That means that each well theoretically drains the whole proration unit. The inequity caused by this formula is shown by comparing the allowables between example C and the sum of the allowables of examples D and E. This problem has been the subject of previous commission hearings and is currently under study by the deliverability test committee.

The applications by Meridian propose to add the deliverability of a well which would drain both halves of a GPU to the existing deliverabilities. This would further exagerate the problems that exist. The original orders provided a reasonable method to deal with this problem and should be upheld.

The rational that an operator should be rewarded for inovation and risk taking is commendable and the reward does exist in the form of a possible allowable increase. The risk the operator takes is that the deliverability of the new well may not exceed the current deliverability of the GPU. However, the OCD cannot reward an operator with gas that belongs to somebody else.


D
E
C
F
G
X
300
X
100