

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

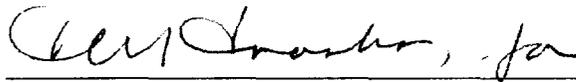
APPLICATION OF PARKER DRILLING
COMPANY FOR THE INSTITUTION OF
PRORATIONING.

No. 9838

ENTRY OF APPEARANCE

Exxon Corporation hereby enters its appearance in the above
matter by and through its undersigned attorneys.

HINKLE, COX, EATON,
COFFIELD & HENSLEY



James Bruce
500 Marquette, N. W.
Suite 740
Albuquerque, New Mexico 87102
(505) 768-1500

Attorneys for Exxon Corporation

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was
hand delivered to the following attorneys this ____ day of
December, 1989:

W. Perry Pearce
Montgomery & Andrews, P.A.
325 Paseo de Peralta
Santa Fe, New Mexico 87501

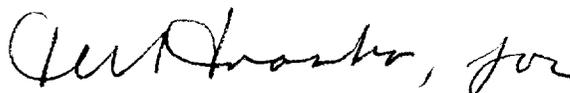
William F. Carr
Campbell & Black, P.A.
North Guadalupe
Santa Fe, New Mexico 87501

W. Thomas Kellahin
Kellahin, Kellahin & Aubrey
117 North Guadalupe
Santa Fe, New Mexico 87501

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DEC 26 1989

OIL CONSERVATION DIVISION



James Bruce

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

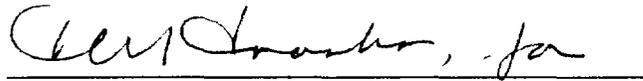
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DEC 28 1989

CONSERVATION DIVISION



James Bruce

OIL CONSERVATION DIVISION
RECEIVED

KELLAHIN, KELLAHIN and AUBREY

Attorneys at Law

El Patio - 117 North Guadalupe
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Telephone 982-2285
Area Code 505

Fax: 505/982-2047

W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel

December 12, 1989

Mr. William J. LeMay
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Application of Parker Drilling Company
for adoption of Prorating for the
Pitchfork Ranch-Atoka Gas Pool,
Lea County, New Mexico
NMOCD Case No. 9838

Dear Mr. LeMay:

This letter will serve as my entry of appearance on behalf of Samedan Oil Corporation in opposition to the referenced case.

It is my understanding that the applicant has again requested that this case be continued and it will be placed on the December 27, 1989 Examiner's hearing schedule.

Very truly yours,



W. Thomas Kellahin

WTK/tic

cc: Perry W. Pearce, Esq.
Montgomery & Andrews
P.O. Box 2307
Santa Fe, New Mexico 87504
(Attorney for Applicant)

William F. Carr, Esq.
Campbell & Black, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504

Mr. William Murray
Samedan Oil Corporation
10 Desta Drive, Suite 240
Midland, Texas 79705

KELLAHIN, KELLAHIN and AUBREY

Attorneys at Law

El Patio - 117 North Guadalupe
Post Office Box 2265

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W. Thomas Kellahin
Karen AubreyJason Kellahin
Of Counsel

December 12, 1989

Mr. William J. LeMay
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Application of Parker Drilling Company
for adoption of Prorating for the
Pitchfork Ranch-Atoka Gas Pool,
Lea County, New Mexico
NMOCD Case No. 9838

Dear Mr. LeMay:

This letter will serve as my entry of appearance on behalf of Samedan Oil Corporation in opposition to the referenced case.

It is my understanding that the applicant has again requested that this case be continued and it will be placed on the December 27, 1989 Examiner's hearing schedule.

Very truly yours,

Official signed by
W. THOMAS KELLAHIN

W. Thomas Kellahin

WTK/tic

cc: Perry W. Pearce, Esq.
Montgomery & Andrews
P.O. Box 2307
Santa Fe, New Mexico 87504
(Attorney for Applicant)

William F. Carr, Esq.
Campbell & Black, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504

Mr. William Murray
Samedan Oil Corporation
10 Desta Drive, Suite 240
Midland, Texas 79705



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

MEMORANDUM

TO: ALL GAS PRODUCERS AND PURCHASERS
FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*
SUBJECT: MORATORIUM FROM SHUT-IN, OVERPRODUCED WELLS IN
ALL PRORATED GAS POOLS IN NEW MEXICO
DATE: December 15, 1989

In accordance with the showing that a high-demand emergency currently exists, and under the authority granted the Division Director, pursuant to Rule 11 (G) of the General Rules and Regulations for Prorated Gas Pools (Order No. R-8170), a pool-wide moratorium from shut-in for wells for reasons of overproduction is hereby placed in effect.

This moratorium shall apply to all prorated pools in Southeast and Northwest New Mexico. The moratorium shall be effective immediately and continue through March 15, 1990. The moratorium will not be extended beyond the stated period. Please note this measure is being taken for the emergency demand situations that have been documented to exist in the marketplace. During this period every underproduced well should be produced to the maximum of its ability under existing conditions and excessively overproduced wells are to be produced only during and to the extent necessary to meet the emergency demand. Previous moratoriums have been abused by some operators who have produced excessive amounts of gas during the moratorium from overproduced wells, thus violating the spirit of the moratorium and the correlative rights of offset operators.

Excessively overproduced wells will be curtailed or shut-in after March 31, 1990 to help bring prorated pools into balance but gas production should be managed so that no well will be in excess of 24 times overproduced at the end of March 1990.



STATE OF NEW MEXICO
 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
 OIL CONSERVATION DIVISION

March 2, 1990

GARREY CARRUTHERS
 GOVERNOR

POST OFFICE BOX 2088
 STATE LAND OFFICE BUILDING
 SANTA FE, NEW MEXICO 87504
 (505) 827-5800

Mr. W. Perry Pearce
 Montgomery and Andrews
 Attorneys at Law
 Post Office Box 2307
 Santa Fe, New Mexico

Re: CASE NO. 9339
 ORDER NO. R-9130

Applicant:

Barker Drilling Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced
 Division order recently entered in the subject case.

Sincerely,

Florene Davidson

FLORENE DAVIDSON
 OC Staff Specialist

Copy of order also sent to:

Hobbs OCD x
 Artesia OCD x
 Aztec OCD

Other William F. Carr, Candace Callahan

MONTGOMERY & ANDREWS

PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

OF COUNSEL
William R. Federici

J. O. Seth (1883-1963)
A. K. Montgomery (1903-1987)
Frank Andrews (1914-1981)

SANTA FE OFFICE
325 Paseo de Peralta
Post Office Box 2307
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Telephone (505) 982-3873
Telecopy (505) 982-4289

January 12, 1990

HAND DELIVERED

ALBUQUERQUE OFFICE
707 Broadway, N.E.
Suite 500
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Albuquerque, New Mexico 87125-6927

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Robert J. Mroz	Scott K. Atkinson
Richard L. Puglisi	Catherine E. Pope
Galen M. Bulier	

Michael E. Stogner, Hearing Examiner
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico 87501

Re: Application of Parker Drilling Company for Proration
of the Pitchfork Ranch - Atoka Gas Pool;
OCD Cause No. ~~9839~~

Dear Mike:

9838

Enclosed please find the Order proposed by Parker Drilling Company granting the request of Parker to prorate the Pitchfork Ranch - Atoka Gas Pool. Attached to this proposed Order is a Certificate of Service showing that copies of this proposed Order were mailed to Bill Carr and Tom Kellahin.

If I can be of any assistance with this matter, please let me know.

Sincerely,



W. Perry Pearce

WPP/rmm/188

Enclosure

cc: William F. Carr (w/enclosure)
Thomas W. Kellahin (w/enclosure)
Robert W. Stovall (w/enclosure)

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING

THE APPLICATION OF PARKER
DRILLING COMPANY FOR PRORATION
AND SPECIAL POOL RULES FOR THE
PITCHFORK RANCH - ATOKA GAS
POOL, LEA COUNTY, NEW MEXICO.

Case No. 9839

PARKER DRILLING COMPANY'S
PROPOSED ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 27,
1989, at Santa Fe, New Mexico, before examiner Michael E.
Stogner.

NOW, on this _____ day of January, 1990, the Division
Director, having considered the testimony, the record, and the
recommendations of the examiner, and being fully advised in the
premises,

FINDS THAT:

(1) Due notice having been given as required by law, the
Division has jurisdiction of this cause and the subject matter
thereof.

(2) Division Order R-7334, as amended, created, and expanded, the Pitchfork Ranch - Atoka Gas Pool located in portions of Township 24 South and 25 South, Range 34 East, N.M.P.M., Lea County, New Mexico.

(3) The applicant, Parker Drilling Company, is an interest owner in developed properties within the present boundaries of the Pitchfork Ranch - Atoka Gas Pool, but is not an interest in all of such lands.

(4) Applicant, Parker Drilling Company, seeks the adoption of special pool rules for the Pitchfork Ranch - Atoka Gas Pool to include rules instituting natural gas prorationing in that pool.

(5) At the hearing of this matter, applicant presented evidence that the adoption of prorationing for the Pitchfork Ranch - Atoka Gas Pool would increase the ultimate recovery of gas reserves from the pool, thereby preventing waste of natural resources and would increase the protection of correlative rights of applicant and other interest owners within the Pitchfork Ranch - Atoka Gas Pool.

(6) At the hearing of this matter, Enron Oil and Gas Company and Samedan Gas Company appeared through counsel and objected to the institution of prorationing in the Pitchfork Ranch - Atoka Gas Pool.

(7) The applicant seeks to have prorationing instituted in this pool effective January 1, 1990 with the basis of the distribution of allowable being the number of surface acres

dedicated to a well in the pool which is the system of allocating allowables utilized in all other prorated gas pools in Southeast New Mexico.

(8) Applicant seeks to have the provisions of Division Order R-8170 as amended made applicable to the Pitchfork Ranch - Atoka Gas Pool as that order and its amendment provide for the surface acreage basis prorationing of other natural gas pools in Southeast New Mexico.

(9) Granting this application will operate to prevent waste of natural resources and to protect the correlative rights of interest owners in the pool.

IT IS THEREFORE ORDERED THAT:

(1) The Pitchfork Ranch - Atoka Gas Pool is hereby prorated effective January 1, 1990 by the adoption for that pool of the pertinent provisions of Order R-8170 as amended.

(2) Each well producing in the Pitchfork Ranch - Atoka Gas Pool shall begin the initial proration period with a zero status and all future production and classification of wells within the Pitchfork Ranch - Atoka Gas Pool shall be accomplished based upon the provisions of Order R-8170.

(3) Except as provided herein, all other rules presently applicable to the Pitchfork Ranch - Atoka Gas Pool shall continue in full force and effect.

(4) Attached to this Order as Exhibit No. 1 is a copy of Special Pool Rules and Regulations for the Pitchfork Ranch - Atoka Gas Pool. These Special Pool Rule and Regulation

CASE NO. 9839

Order No.

Page -4-

Provisions are hereby adopted to accomplish the proration and orderly operation of this gas pool.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

By

WILLIAM J. LEMAY
Director

SEAL

**SPECIAL RULES AND REGULATIONS
FOR THE PITCHFORK RANCH - ATOKA GAS POOL**

The Pitchfork Ranch - Atoka Gas Pool, Lea County, New Mexico, was created _____, and gas proration in this pool became effective _____.

A. DEFINITIONS

THE VERTICAL LIMITS of the Pitchfork Ranch - Atoka Gas Pool shall be the Atoka formation.

B. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2(a). A standard GPU in the Pitchfork Ranch - Atoka Gas Pool shall be 320 acres.

RULE 2(b). Each well completed or recompleted in the Pitchfork Ranch - Atoka Gas Pool shall be located no closer than 1980 feet to the end boundary nor closer than 660 feet to the side boundary of the proration unit nor closer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5. Acreage is the only proration factor in the Pitchfork Ranch - Atoka Gas Pool.

[WPP:97]

CERTIFICATE OF SERVICE

I hereby certify that I have caused a true and correct copy of the foregoing Parker Drilling Company's Proposed Order of the Division to be mailed first class, postage prepaid, to William F. Carr, Esquire, Campbell & Black, P.A., Post Office Box 2208, Santa Fe, New Mexico 87504-2208 and Thomas W. Kellahin, Esquire, Kellahin, Kellahin & Aubrey, Post Office Box 2265, Santa Fe, New Mexico 87504-2265 on this 12th day of January, 1990.



W. Perry Pearce

WPP/170

MONTGOMERY & ANDREWS
PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

OF COUNSEL
William R. Federico

J. O. Seth (1883-1963)
A. K. Montgomery (1903-1987)
Frank Andrews (1914-1981)

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January 12, 1990

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Michael E. Stogner, Hearing Examiner
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico 87501

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OCD Cause No. ~~9839~~

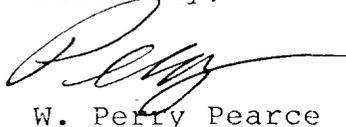
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If I can be of any assistance with this matter, please let me know.

Sincerely,



W. Perry Pearce

WPP/rmm/188

Enclosure

cc: William F. Carr (w/enclosure)
Thomas W. Kellahin (w/enclosure)
Robert W. Stovall (w/enclosure)

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING

THE APPLICATION OF PARKER
DRILLING COMPANY FOR PRORATION
AND SPECIAL POOL RULES FOR THE
PITCHFORK RANCH - ATOKA GAS
POOL, LEA COUNTY, NEW MEXICO.

Case No. ~~9839~~

9838

PARKER DRILLING COMPANY'S
PROPOSED ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 27,
1989, at Santa Fe, New Mexico, before examiner Michael E.
Stogner.

NOW, on this _____ day of January, 1990, the Division
Director, having considered the testimony, the record, and the
recommendations of the examiner, and being fully advised in the
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(4) Attached to this Order as Exhibit No. 1 is a copy of Special Pool Rules and Regulations for the Pitchfork Ranch - Atoka Gas Pool. These Special Pool Rule and Regulation

CASE NO. 9839

Order No.

Page -4-

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DONE at Santa Fe, New Mexico on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

By

WILLIAM J. LEMAY
Director

SEAL

SPECIAL RULES AND REGULATIONS
FOR THE PITCHFORK RANCH - ATOKA GAS POOL

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[WPP:97]

CERTIFICATE OF SERVICE

I hereby certify that I have caused a true and correct copy of the foregoing Parker Drilling Company's Proposed Order of the Division to be mailed first class, postage prepaid, to William F. Carr, Esquire, Campbell & Black, P.A., Post Office Box 2208, Santa Fe, New Mexico 87504-2208 and Thomas W. Kellahin, Esquire, Kellahin, Kellahin & Aubrey, Post Office Box 2265, Santa Fe, New Mexico 87504-2265 on this 12th day of January, 1990.



W. Perry Pearce

WPP/170

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY
PATRIC A. A. MATTHEWS

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

January 12, 1990

HAND-DELIVERED

Mr. Michael E. Stogner
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87501

RECEIVED

JAN 11 1990

SAINTA FE

Re:

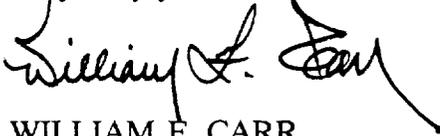
[REDACTED]
Application of Parker Drilling Company for the Institution of Gas
Prorationing and the Adoption of Special Pool Rules for the Pitchfork
Ranch-Atoka Gas Pool, Lea County, New Mexico

Dear Mr. Stogner:

Pursuant to your request of December 27, 1989, I enclose herewith Enron Oil & Gas
Company's proposed Order of the Division.

If you need anything further from Enron to proceed with your consideration of this matter,
please advise.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosure

cc w/enclosure: W. Perry Pearce, Esq.

Mr. Gary L. Thomas
Vice President and General Manager
Enron Oil & Gas Company
508 W. Wall Street
Empire Plaza Bldg.
Midland, Texas 79702

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

RECEIVED

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

JAN 11 1990

OIL CONSERVATION DIVISION
SANTA FE

CASE NO. 9838

ORDER NO. R-_____

APPLICATION OF PARKER DRILLING
COMPANY FOR THE INSTITUTION OF
GAS PRORATIONING AND THE ADOPTION
OF SPECIAL POOL RULES FOR THE
PITCHFORK RANCH-ATOKA GAS POOL,
LEA COUNTY, NEW MEXICO.

ENRON OIL & GAS COMPANY'S
PROPOSED ORDER OF THE DIVISION

This cause came on for hearing at 8:15 a.m. on December 27, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this ____ day of January, 1990, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) By Order No. R-7334 dated September 1, 1983, the Division created the Pitchfork Ranch-Atoka Gas Pool, which has been extended from time to time with horizontal limits at the time of hearing comprising the following described area:

Township 24 South, Range 34 East, N.M.P.M.

Section 28: S/2
Section 32: S/2
Section 33: All
Section 34: W/2

Township 25 South, Range 34 East, N.M.P.M.

Section 3: NE/4, W/2

Section 4: All

Section 5: N/2

Section 10: N/2

(Parker Exhibit No. 1).

(3) The pool is developed under statewide rules with all wells in this pool at orthodox locations on standard spacing units.

(4) The applicant, Parker Drilling Company ("Parker"), is a working interest owner in certain wells in the Pitchfork Ranch-Atoka Gas Pool (testimony of Mr. Thomas) and seeks an Order promulgating Special Rules which would institute gas prorationing on a straight acreage basis in the Pitchfork Ranch-Atoka Gas Pool.

(5) Parker acquired its interest in six Atoka wells in this pool by an assignment from Enron Oil & Gas Company ("Enron") of 85% of Enron's working interest in certain tracts pursuant to the provisions of a drilling contract (Enron Exhibit No. 1) whereby Parker charged the Payout Account premium rates for the drilling rigs, materials, services and other charges paid by Parker in drilling these wells and an interest premium on the balance of the Payout Account. The Parker Payout Account is paid out of production from the wells. On payout, of the entire Agreement which includes several wells outside of the Pitchfork Ranch-Atoka Gas Pool, Parker's working interest is to be reassigned to Enron (testimony of Mr. Thomas; Enron Exhibit No. 1).

(6) The Division can institute prorationing in a gas pool only after it has been established that prorationing is necessary to prevent the waste of natural gas. (N.M.Stat. Ann. § 70-2-16(C) (1978)).

(7) Parker failed to prove that prorationing would prevent waste for its evidence that recovery from the pool would increase by 4.4% with prorationing was based on a computer model that contained a 5% range of error (testimony of Mr. Ausburn). This model failed to use the correct current information pertaining to each Atoka well and assigned production to wells that are incapable of producing such volumes and the application of Parker must therefore be **denied**.

(8) The evidence established, however, that Enron is operating the wells in the pool in a prudent fashion (testimony of Mr. Ausburn), that the wells are being produced at capacity (testimony of Mr. Helms, Enron Exhibit No. 8), and that compression has been installed by Enron on the wells in this pool to increase gas production (testimony of Mr. Helms).

(9) The evidence showed that implementation of prorationing would not allocate the gas market to the wells in the pool as it is intended to do, for all wells in the pool except for the Enron Pitchfork 34 Fed. Com. Well #1 would be classified as marginal wells and, therefore allowed to produce without restriction. The balance of the market would be assigned to the one non-marginal well. This results in an allocation of the market demand for gas from this pool in the same fashion the market is allocated between the wells in the pool without gas prorationing (testimony of Mr. Stamets).

(10) Implementation of prorationing will initially result in artificially low allowables for certain wells in the pool which would reduce production from the pool (testimony of Mr. Stamets).

(11) The temporary arbitrary reduction of allowables that would result from the implementation of prorationing will deny the interest owners in the wells with reduced allowables the opportunity to produce their just and equitable share of the reserves from the pool, thereby impairing their correlative rights.

(12) Although two transporters are taking gas from the wells in this pool, there is no discrimination in takes between transporters for there is market demand for all gas produced from all wells in the pool (testimony of Mr. Helms and Mr. Hoyle).

(13) The market demand for gas from the pool is expected to continue to exceed the total pool's deliverability (testimony of Mr. Hoyle) and prorationing is therefore inappropriate for this pool.

(14) If this pool was to be prorated, the Division could utilize straight acreage as a basis for the allocation of production among the wells in the pool only if the use of other, more equitable, allocation methods was impracticable. (See, Grace v. Oil Conservation Commission, 87 N.M. 205, 531 P.2d 939 (1975); Continental Oil Company v. Oil Conservation Commission, 70 N.M. 310, 373 P.2d 809 (1962)).

Case No. 9838

Order No. R- _____

Page 4

(15) Since Parker's engineering witness testified that on the data available on the Pitchfork Ranch-Atoka Gas Pool, it is practicable to base prorationing on deliverability, or other definable reservoir parameters (testimony of Mr. Ausburn), straight acreage prorationing may not be utilized by the Division and Parker's application must be **denied** as a matter of law.

IT IS THEREFORE ORDERED:

(1) That the application of Parker Drilling Company for the institution of gas prorationing and the adoption of Special Rules for the Pitchfork Ranch-Atoka Gas Pool is hereby denied.

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

DONE at Santa Fe, New Mexico on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LeMAY
Director

S E A L

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January 12, 1990

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JAN 11 1990

SANTA FE DIV.

HAND-DELIVERED

Mr. Michael E. Stogner
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87501

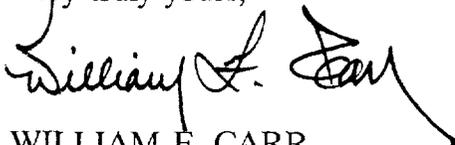
Re: Oil Conservation Division Case No. 9838:
Application of Parker Drilling Company for the Institution of Gas
Prorationing and the Adoption of Special Pool Rules for the Pitchfork
Ranch-Atoka Gas Pool, Lea County, New Mexico

Dear Mr. Stogner:

Pursuant to your request of December 27, 1989, I enclose herewith Enron Oil & Gas
Company's proposed Order of the Division.

If you need anything further from Enron to proceed with your consideration of this matter,
please advise.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosure

cc w/enclosure: W. Perry Pearce, Esq.

Mr. Gary L. Thomas
Vice President and General Manager
Enron Oil & Gas Company
508 W. Wall Street
Empire Plaza Bldg.
Midland, Texas 79702

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

RECEIVED

JAN 11 1990

OIL CONSERVATION DIVISION
SANTA FE

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 9838
ORDER NO. R-_____

APPLICATION OF PARKER DRILLING
COMPANY FOR THE INSTITUTION OF
GAS PRORATIONING AND THE ADOPTION
OF SPECIAL POOL RULES FOR THE
PITCHFORK RANCH-ATOKA GAS POOL,
LEA COUNTY, NEW MEXICO.

ENRON OIL & GAS COMPANY'S
PROPOSED ORDER OF THE DIVISION

This cause came on for hearing at 8:15 a.m. on December 27, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of January, 1990, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) By Order No. R-7334 dated September 1, 1983, the Division created the Pitchfork Ranch-Atoka Gas Pool, which has been extended from time to time with horizontal limits at the time of hearing comprising the following described area:

Township 24 South, Range 34 East, N.M.P.M.

Section 28: S/2

Section 32: S/2

Section 33: All

Section 34: W/2

Township 25 South, Range 34 East, N.M.P.M.

Section 3: NE/4, W/2

Section 4: All

Section 5: N/2

Section 10: N/2

(Parker Exhibit No. 1).

(3) The pool is developed under statewide rules with all wells in this pool at orthodox locations on standard spacing units.

(4) The applicant, Parker Drilling Company ("Parker"), is a working interest owner in certain wells in the Pitchfork Ranch-Atoka Gas Pool (testimony of Mr. Thomas) and seeks an Order promulgating Special Rules which would institute gas prorationing on a straight acreage basis in the Pitchfork Ranch-Atoka Gas Pool.

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(15) Since Parker's engineering witness testified that on the data available on the Pitchfork Ranch-Atoka Gas Pool, it is practicable to base prorationing on deliverability, or other definable reservoir parameters (testimony of Mr. Ausburn), straight acreage prorationing may not be utilized by the Division and Parker's application must be **denied** as a matter of law.

IT IS THEREFORE ORDERED:

(1) That the application of Parker Drilling Company for the institution of gas prorationing and the adoption of Special Rules for the Pitchfork Ranch-Atoka Gas Pool is hereby denied.

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

DONE at Santa Fe, New Mexico on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LeMAY
Director

S E A L