

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:

CASE NO. 9838
ORDER NO. R-9130

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

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 2nd day of March, 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 the hearing comprising the following described area:

Township 24 South, Range 34 East, NMPM

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

Township 25 South, Range 34 East, NMPM

Section 3: NE/4 and W/2
Section 4: All
Section 5: N/2
Section 10: N/2

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(3) The pool is governed by Statewide Rules which provide for 320-acre gas spacing and proration units with designated well locations to be no closer than 660 feet to the nearest side boundary of the dedicated tract nor closer than 1980 feet to the nearest end boundary nor 330 feet to any quarter-quarter section or subdivision inner boundary (Rule 104.C.II.(a)).

(4) The applicant, Parker Drilling Company, seeks the limitation of gas production from the Pitchfork Ranch-Atoka Gas Pool to reasonable market demand and to the capacity of gas transportation facilities, and that Special Rules and Regulations be adopted for said pool including provisions for allocating the allowable production among the wells in the pool on a 100% surface acreage basis. (Applicant seeks the institution of natural gas prorationing in said pool.)

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

(6) Pursuant to the "Oil and Gas Act," Section 70-2-16(C) NMSA 1978, the Division may institute prorationing in a gas pool after it has been established that prorationing is necessary to prevent the waste of natural gas.

(7) At the time of the hearing, Enron Oil and Gas Company, as an operator and interest owner of wells in the pool, and Samedan Oil Corporation, an interest owner in the pool, both appeared through counsel and objected to the institution of prorationing in the Pitchfork Ranch-Atoka Gas Pool.

(8) In August, 1989, there were three operators with nine wells completed in the Pitchfork Ranch-Atoka Gas Pool and connected to gas transportation facilities.

(9) In August, 1989, eight of the wells were connected to Transwestern Pipeline Company gas gathering system and one of the wells was connected to the El Paso Natural Gas Company gas gathering system.

(10) All nine wells are located at standard gas well locations, pursuant to the General Rules, and each well has dedicated to it a standard 320-acre, more or less, gas spacing unit.

(11) Based on evidence and testimony presented at the hearing, all nine wells in the Pitchfork Ranch-Atoka Gas Pool are being operated in a prudent manner and, even with compression installed by Enron to increase gas production on their wells in this pool, all nine wells can be produced at capacity with no restrictions caused by market or transportation restraints.

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(12) The evidence also indicates that both transporters are taking gas from the wells in this pool, there is no discrimination in takes between transporters, and there is a market demand for all gas produced from all wells in the pool.

(13) The applicant presented evidence that the adoption of natural gas prorationing in the Pitchfork Ranch-Atoka Gas Pool would increase the ultimate recovery of gas reserves from the pool by approximately 355 million cubic feet or 4.4%. The witness presenting this evidence based his conclusions upon computer modeling which has a 5% margin of error.

(14) The reliability of computer modeling of reservoir performance depends on the assumptions made and the parameters used, and is most useful in conjunction with actual reservoir performance evidence to predict the results under varying conditions.

(15) Applicant did not provide adequate evidence identifying and supporting the parameters and assumptions and how they were derived. Applicant also did not identify the actual model format or adequately correlate the model results to actual reservoir performance to establish the validity of the conclusions drawn from the model.

(16) The evidence also 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 Oil and Gas Company Pitchfork "34" Federal Com Well No. 1 located in the W/2 of Section 34, Township 24 South, Range 34 East, NMPM, Lea County, New Mexico, would be classified as marginal and would therefore be allowed to produce without restriction. The balance of the market would be assigned to the one non-marginal well thereby violating correlative rights to the interest owners in this one well.

(17) The conditions which precipitate gas prorationing in the Pitchfork Ranch-Atoka Gas Pool do not exist and this application should therefore be denied.

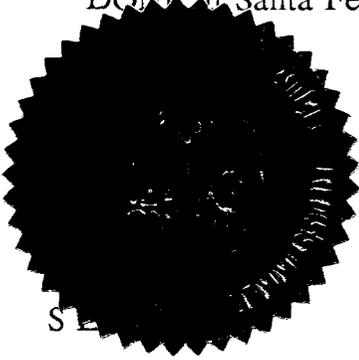
IT IS THEREFORE ORDERED THAT:

(1) The application of Parker Drilling Company seeking to limit gas production from the Pitchfork Ranch-Atoka Gas Pool to reasonable market demand and to the capacity of gas transportation facilities, and that Special Rules and Regulations be adopted for said pool including provisions for allocating allowable production among the wells in the pool on a 100% surface acreage basis, is hereby denied.

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

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director