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El Paso
Gas Compa

NSMIT

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Natural Gas Company

P. O. BOX 1492
EL PASO, TEXAS 79978
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ILLEGIBLE

month allowable

[illegible], royalty owners, [illegible] the best of producing [illegible] wells. Perhaps the [illegible] importance of produc[illegible] constantly.

[illegible] cerely,

[illegible]

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GAS COMPANY OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION ON ITS OWN MOTION TO ACCEPT NOMINATIONS AND OTHER EVIDENCE AND INFORMATION TO ASSIST IN DETERMINING APRIL THROUGH SEPTEMBER, 1991 GAS ALLOWABLES FOR THE PRORATED GAS POOLS IN NEW MEXICO

RECEIVED
MAR 7 1991
OIL CONSERVATION DIVISION

GAS COMPANY OF NEW MEXICO
WRITTEN COMMENTS ON CASE NO. 10254
SUMMER ALLOCATION HEARING

INTRODUCTION

Gas Company of New Mexico ("GCNM") appeared at the February 28th hearing on setting summer allowables. In preparation for this hearing, GCNM conducted an extensive analysis of the preliminary allowables as proposed by the OCD. Using a methodology identified by Victor Lyon, GCNM validated the proposed allowables as to reasonableness.

Our analysis indicates that the Southeast New Mexico allowables as proposed are reasonable. In Northwest New Mexico, we concur with the proposed OCD allowable amounts for the Basin Dakota, Blanco Mesaverde and Tapacito Picture Cliffs fields and pools. In the Blanco Picture Cliffs South, the allowables appear to be high. Since the proposed allowables are generally reasonable, GCNM did not plan to present testimony at the hearing. Certain testimony, however, was given by Unocal, Conoco and Meridian that GCNM believes would result in allowables in excess of what is statutorily allowed. Consequently, GCNM submits the following comments on:

(1) the OCD proposal,

(2) Amoco's comments,

(3) the testimony of Unocal and Meridian and finally,

(4) GCNM's understanding as to what are the statutory requirements that must be considered in prorating pools.

I. The OCD Proposed Allowables

The following methodology was used to validate the OCD proposed allowables:

The wells that were non-marginal from the February 1991 OCD tape were identified.

The production for these GPUs from April 1990 through September 1990 was computed.

The allowable that these non-marginal GPUs had when they were shut-in during that time period was added.

Fifty percent of the pools' latest overproduction was added to arrive at the total allowable to be assigned to the non-marginal GPUs.

These gross allowables were multiplied by the pools' percentage acreage factor and its percentage acreage deliverability factor.

The gross F1 factor was divided by the appropriate field

and pool participating acreage factor. This number was then divided by the number of months in the allocation period.

The gross F2 factor was divided by the appropriate field and pool participating acreage deliverability factor. This number was then divided by the number of months in the allocation period.

Exhibit 1 is a comparison of the OCD's proposed F1 and F2 factors to GCNM's calculations.

These numbers show that the Basin Dakota, Blanco Picture Cliffs and Tapacito Picture Cliffs allowables are reasonable as proposed by the OCD.

GCNM believes that the pool allowable for South Blanco Picture Cliffs is too high. The F1 factor should be 281 not 350 and the F2 factor should be 13.71 not 17.11. The nominations for the four Northwest New Mexico prorated field and pools are close to the proposed allowables with the exception of the South Blanco Picture Cliffs which is only 49% of the proposed allowable. GCNM respectfully requests that the OCD consider lowering the allowable that is being considered for this field and pool.

II. Amoco's Comments

Amoco in its oral comments by Mr. Emmons stated:

> Amoco recommends that the Division set a prorated pool's market demand and allowable equal to the amount the pool produced during the same period last year without any upward administrative adjustment. This allowable should equal the amount of gas that can be actually sold from the prorated pool since it is based on production from a similar seasonal period. Although this may not reflect the true market demand, it does reflect the "imposed" market demand caused by competition and pipeline capacity constraints. Should the production in the first few months of this period exceed the like period last year, the Division has the ability to increase allowables during the period to accommodate the change in demand or capacity.

Gas Company of New Mexico supports Amoco's recommendation that the OCD pool allowables be set equal to the amount of gas that was produced from these pools during the corresponding period in the preceding year, for the following reasons:

Exhibit 2 clearly shows that while the total production from Northwest New Mexico is increasing, the total percentage of production from prorated fields and pools in Northwest New Mexico is shrinking.

For Exhibit 2, the total Northwest New Mexico production was estimated by increasing the total 1989 Northwest New Mexico production by 10.32%. Exhibit 3 is the 1990 New Mexico natural gas production as published by the OCD. This attachment shows that the State's total production increased by 10.32%.

Ron Merritt of the OCD stated that New Mexico production for 1991 should be similar to its production levels in 1990. Therefore,

one could predict that the production from prorated fields and pools in 1991 will remain constant with that of 1990.

III. The Unocal and Meridian Proposed Increases in Allowables

Unocal is requesting that the allowable for Basin Dakota be increased based on the overproduction status of twenty of their GPUs. Allowables for a pool with 2,868 GPUs should not be set to satisfy the demands of a few GPUs.

Of Unocal's 80 Basin Dakota GPUs (see Exhibit 4), only four are overproduced as of December 1990. None of these GPUs are close to being shut-in for overproduction. These overproduced GPUs will become less overproduced when the OCD changes the overproduction limit from twelve times a rolling average amount to twelve times January allowable. For these reasons GCNM believes that their request is unfounded.

Meridian used a seven year trend analysis as a basis for its request to increase the allowable for Basin Dakota. Meridian used calendar year production date rather than the corresponding six month allowable period. The New Mexico gas market has changed dramatically in the past few years, and Gas Company of New Mexico believes that past historical production is no longer a good indicator of future behavior.

GCNM conducted an eight year trend analysis (see Exhibit 5) for Basin Dakota for the April through September allocation period.

This analysis shows that the average monthly production over this period was 8,030,595 Mcf. Below is the total production by year for this time period:

April through September Total Production for Basin Dakota

YEAR	PRODUCTION MCF
1983	54,449,065
1984	60,709,179
1985	58,895,509
1986	34,790,134
1987	47,559,878
1988	42,094,610
1989	43,880,204
1990	43,090,006

TOTAL		NUMBER OF YEARS		NUMBER OF MONTHS		AVERAGE MONTHLY PRODUCTION
385,468,585	/	8	/	6	=	8,030,595

This historical trend clearly shows that the OCD allocation of 7,963,265 Mcfs is reasonable. If Meridian's requested increase of 1,000,000 Mcf per month is approved, the six month allowable would be 53,779,590 Mcf (7,963.265 + 1,000,000)(6 months). This amount is substantially larger than the last five years of production.

IV. Statutory Requirements for Setting Allowables

GCNM believes that Unocal's and Meridian's proposals are not only unreasonable, they exceed the statutory limitations. Prorationing of a specific pool without determining all the factors of "reasonable market demand" affecting the pool is unreasonable and statutorily impermissible.

The Supreme Court of New Mexico in the Case of Continental Oil Company v. Oil Conservation Commission, 373 P.2d 809 (NM 1962) stated:

> When subsection 65-3-13(c) [now 70-2-16(c)] and subsection 65-3-15(c) [now 70-2-19(E)] are read together, one salient fact is evident - even after a pool is prorated, the market demand must be determined, since, if the allowable production from the pool exceeds market demand, waste would result if the allowable is produced. [Bracketed portions added]

In the Northwest of New Mexico many factors affect (change) "market demand" for that gas, some of those factors are:

- Pipeline interconnection of different pools
- Changes in consumption demand
- Increases in production capability of interconnected pools (e.g., increase in coal seam gas)
- Differences in price for gas
- Depletion of reserves
- Take-away capacity of the pipelines.

Gas is a fungible good. If a pipeline can take from the Basin

Dakota pool or from another pool (including coal seam gas) with equal ease, then this must be taken into consideration in determining the demand for the Basin Dakota gas.

Although the OCD must set allowables on an individual pool basis, the factors affecting demand for a pool's gas are not just within the pool. The factors are statewide or areawide to the extent a purchaser can satisfy its demand on an areawide or statewide basis.

Counsel for Unocal, Conoco and Meridian stated that this Commission could not consider coal seam gas in setting the allowable for the prorated pools. Under 70-2-16 NMSA the OCD is required to take into consideration all pools in order to make sure each pool (prorated or non-prorated) gets its fair share. 70-2-16(D) NMSA states:

> In fixing the allowable of a pool under Subsection C of this section, the Oil Conservation Division shall consider nominations of purchasers but shall not be bound thereby and shall fix pool allowable to prevent unreasonable discrimination between pools served by the same gas transportation facility by a purchaser purchasing in more than one pool.

Respectfully, GCNM requests that if a historical basis of demand is used in setting allowables, the underlying factors for that demand in the past must be analyzed and corrected for changes that now exist. This Commission must fairly apportion allowables based on a clear determination of the "reasonable market demand" for the particular prorated pool's gas.

Conclusion

- GCNM believes that the OCD allowables are reasonable except for Blanco Picture Cliff South.
- GCNM concurs with Amoco that nominations are the best indication of actual demand.
- If the OCD is to set allowables based on historical takes and ignore the current nominated demand, the OCD should attempt to determine the current "reasonable market demand" as required by law. Such an analysis would necessarily include the changes in statewide productive capacity etc., in determining current demand for a given pool.

Sincerely,

Ann L. Bolton

Ann L. Bolton, Manager
Contract Compliance

AB:cam
attachment

xc: Jim Baca, OCD
Ward Camp, K & M
Melvin Christopher
Gene Gallegos, Gallegos Law Firm
Dan McFearin
William J. Lemay, OCD
Paul Mollo
Jim Morrow, OCD
Bob Stovall, OCD
Bill Weiss, PRRC

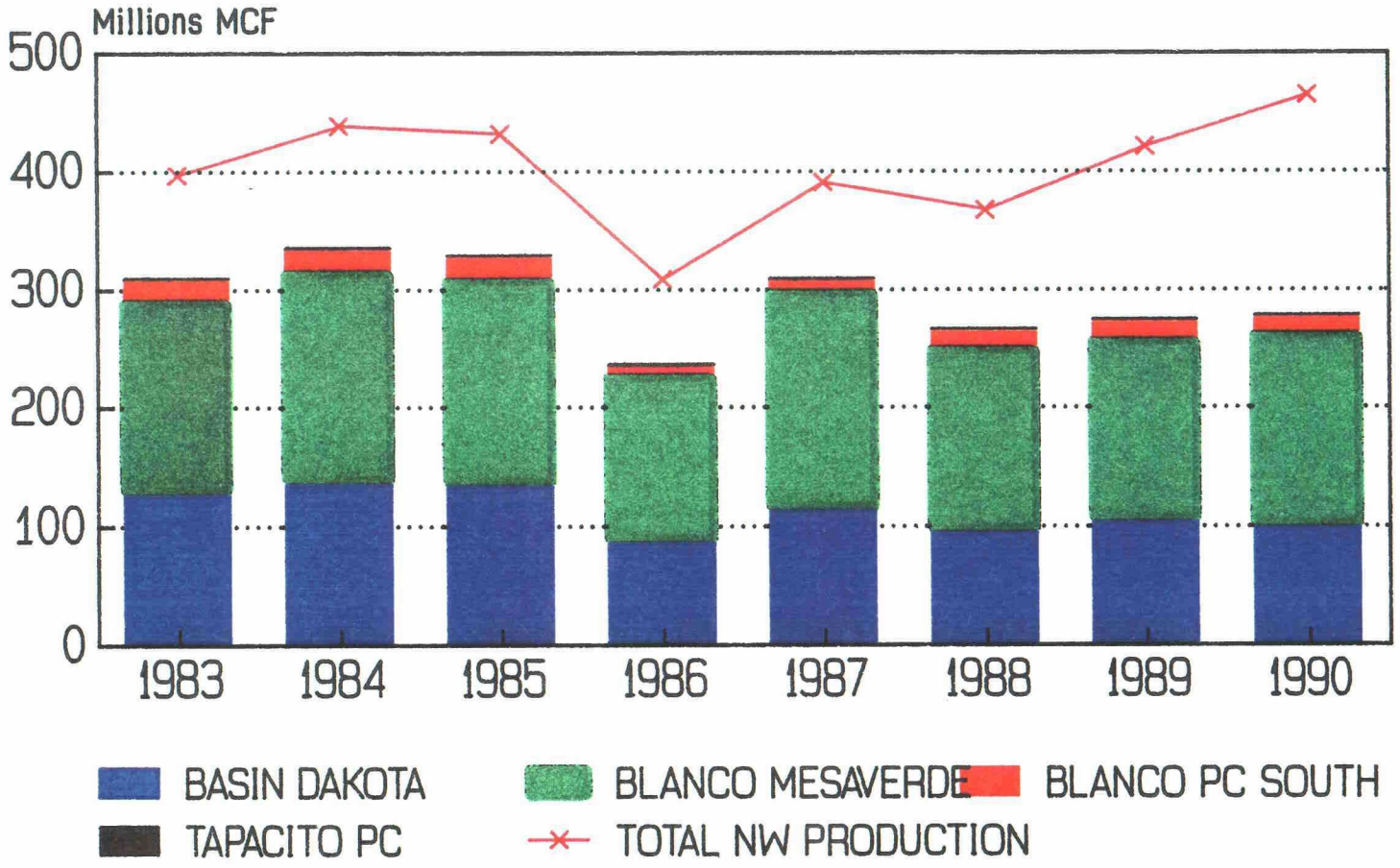
EXHIBIT #1

Pool Name	90 Allow	90 Prod	SI Allow	O/U Stat	Tot Alloc	F1	F2	NMGPU	NMDEL
Basin-Dak	22,722,450	14,703,096	1,280,081	1,343,747	17,326,924	3,811	5.264	454.65	219,461
Blanco-MV	48,339,597	36,212,679	1,586,805	2,709,756	40,509,240	2,611	11.451	634.36	442,214
SBlancoPC	3,615,323	2,676,436	124,388	289,849	3,090,673	281	13.705	458.61	28,190
Tapacito PC	758,862	839,557	8,812	82,545	930,914	375	11.625	103.33	10,010

Pool Name	OCD F1	ALT F1	OCD F2	ALT F2
Basin-Dak	3,635	3,811	5.02	5.26
Blanco-MV	2,787	2,506	11.99	11.45
SBlancoPC	350	281	17.11	13.71
Tapacito PC	380	375	11.76	11.62

EXHIBIT 2

COMPARISION OF TOTAL NW PROD TO PROD FROM PRORATED FIELDS AND POOLS



ESTIMATED TOTAL NW PROD FOR 1990

EXHIBIT 3

NEW MEXICO NATURAL GAS PRODUCTION

(BILLION CUBIC FEET)

MONTH	1988	YTD	1989/1	YTD	1990	YTD	% DIFF./2
JAN	84.39	84.39	77.64	77.64	85.78	85.78	10.49
FEB	72.12	156.52	73.17	150.81	78.38	164.16	8.86
MAR	72.84	229.36	73.11	223.92	80.08	244.25	9.08
APR	61.73	291.09	69.70	293.61	74.73	318.98	8.64
MAY	65.47	356.56	65.58	359.19	75.68	394.65	9.87
JUN	60.61	417.16	62.14	421.34	73.10	467.76	11.02
JUL	56.73	473.90	68.62	489.96	74.80	542.56	10.74
AUG	62.46	536.35	70.85	560.80	78.76	621.32	10.79
SEP	60.89	597.24	66.72	627.53	74.10	695.41	10.82
OCT	56.05	653.29	71.28	698.80	79.16	774.57	10.84
NOV	58.85	712.14	79.01	777.82	84.85	859.42	10.49
DEC	69.02	781.17	83.02	860.84	90.27	949.69	10.32
TOTAL	781.17		860.84		949.69		

/1 NMOCD revised data summary, (4-90)
/2 Percent differences of current year-to-date production from production for the same period of the previous year.

PRODUCTION OUTLOOK

Preliminary numbers from the Oil Conservation Division show New Mexico natural gas production for the 1990 totalled 949,689,380 Mcf, or 10.32 percent over 1989 production. This is the highest volume of production since 1984 when New Mexico produced slightly over 957 Bcf.

James Newcomb, Director and Coordinator of Natural Gas for Cambridge Energy Research Associates (*and a featured speaker for the Fourth Annual New Mexico Natural Gas Marketing Conference and Trade Fair in Santa Fe, NM, on April 15-16, 1991*), recently wrote that despite the crisis in the Middle East, a deepening recession, and renewed concerns about energy security, North America's natural gas industry still finds itself "pushing on a string" by bringing new supplies on stream ahead of the growth of new markets. The 20 percent decline since 1986 in the real price of natural gas at the wellhead reflects the consequences of a robust supply picture and slowly growing demand.

Newcomb predicts U.S. production in 1991 will be less than production in 1990, while the

EXHIBIT 4a

BASIN DAKOTA (PRORATED GAS) EPG

DESCRIPTION	STAT US	AF	DLC SALES	O/P LIM	DEC O/U	FEB ALLOC	DELIV -TEST
21D3125N 5W(MWU)			712				40
E 20L3125N 5W(MWU)			5117				180
P. U. SUMMARY	N	1.00	5829	83802	5214-	6817	220
22E 624N 5W	M	1.15	1666			1666	81
23P 524N 5W(MWU)			3274				390
E 23H 524N 5W(MWU)			2580				312
P. U. SUMMARY	M	1.08	5854			5854	702
24P 624N 5W	M	1.00	383			383	41
26A3125N 5W(MWU)							105
E 26J3125N 5W(MWU)			3191				222
P. U. SUMMARY	N	1.00	3191		14892	7590	327
JICARILLA C							
6J2725N 5W(MWU)			71				8
E 6M2725N 5W(MWU)							57
P. U. SUMMARY	M	1.00	71			71	65
27E3325N 5W(MWU)			49				18
E 27B3325N 5W(MWU)			715				89
P. U. SUMMARY	M	1.00	764			764	107
28B3425N 5W(MWU)							4
E 28E3425N 5W(MWU)			1500				93
P. U. SUMMARY	M	1.00	1500			1500	97
KEYS CJM							
1N3229N10W(MWU)			7044				568
E 1F3229N10W(MWU)			3000				281
P. U. SUMMARY	M	1.00	10044			10044	849
MEXICO FEDERAL M							
1K1231N13W	M	1.00	858			858	62
MEXICO FEDERAL O							
1P2324N 6W	M	1.00	927			927	66
NAVAJO ALLOTTEES M							
3D2325N11W	M	1.00	224			224	131
NAVAJO ALLOTTEES T							
2K1425N11W	M	1.00	1125			1125	146
NAVAJO TRIBE AA							
1P1927N11W	M	1.00	769			769	70
NEW MEXICO COM J							
113230N10W NC				44225	3366-		
NEW MEXICO COM M							
1A3631N12W	M	1.00	2740			2740	188
NEW MEXICO COM O							
1N3630N10W	M	1.00	1444			1444	171
NEW MEXICO COM P							
1A3630N10W	M	1.00	1172			1172	181
PAUL WILLIAMS							
3F3526N 6W(MWU)			1699				209
E 3A3526N 6W(MWU)							261
P. U. SUMMARY	N	1.00	1699	107414	1631-	8622	470
M L WRIGHT							
1B1330N12W	M	1.00	494			494	69
TURNER PRODUCTION CO.				**********			
FEDERAL 28							
1P2830N 9W	M	1.00	2330			2330	94
UNION OIL COMPANY OF CALIFORNIA				**********			
DAY D							
3A 727N 8W	M	1.00					14
4K 727N 8W	M	1.00	1005			1005	152
FILAN							
5M 527N 8W	M	1.00	2892			2892	152
6G 527N 8W	M	1.00	980			980	52
JOHNSTON A							
13G3627N 6W	M	1.00					
JOHNSTON A COM E							
12M3627N 6W	N	1.00	6332		4384	7135	264
JOHNSTON A COM G							
17A3626N 6W	M	1.00	3045			3045	178
LODEWICK							
8P1927N 9W(MWU)			1040				38
E 8B1927N 9W(MWU)			3479				182
P. U. SUMMARY	M	1.00	4519			4519	220
9C1927N 9W(MWU)			1364				59
E 9L1927N 9W(MWU)			4389				250
P. U. SUMMARY	M	1.00	5753			5753	309
10D3027N 9W(MWU)			1177				46
E 10K3027N 9W(MWU)			1888				92
P. U. SUMMARY	M	1.00	3065			3065	138
11D3027N 9W(MWU)			1401				44
E 11H3027N 9W(MWU)			1638				79
P. U. SUMMARY	M	1.00	3039			3039	123
MONCRIEF FEDERAL							170
1H2229N12W	M	1.00					
MONTOYA A 34							
1A3432N13W	M	1.00	462			462	
RINCON UNIT							
113027N 6W	N	1.00	3806		5041?	8341	431

BASIN DAKOTA (PRORATED GAS) EPG

DESCRIPTION	STAT US	AF	DEC SALES	O/P LIM	DEC O/U	FEB ALLOC	DELIV -TEST
11K 626N 6W	M	1.00	4027			4027	308
57A 126N 7W	M	1.00	3480			3480	189
108G1927N 6W	M	1.00	2951			2951	204
125N2627N 6W	M	1.00	3038			3038	178
126N2727N 6W	M	1.00	5628			5628	324
127A2827N 6W	M	1.00	3980			3980	235
128L2827N 6W	M	1.00	3919			3919	219
129K2927N 6W	M	1.00	2847	87956	4814-	7135	264
130A3227N 6W	N	1.00	12083		169	10919	788
131K3627N 7W	M	1.00	5826			5826	342
133K1427N 7W	N	.97	4836		4749	6321	178
134B1226N 7W	M	1.00	5261			5261	136
135B2927N 6W	M	1.00	3903			3903	360
136A2327N 7W	N	1.00	5994		5917	7322	290
137K2427N 7W	M	1.05	4733		25465	7259	233
138A2527N 7W	M	1.02	3734			3734	139
139K2527N 7W	M	1.03	4212			4212	148
146G2327N 6W	M	1.00	2692			2692	119
149N3027N 6W	N	1.00	7161	99480	7202-	8016	386
150A 626N 6W	M	1.00	2234			2234	195
151B1427N 7W	M	.94	2163			2163	62
155M1727N 6W	M	1.00	2559			2559	98
156M1627N 6W	M	1.00	5987			2287	161
157N1827N 6W	N	1.00	7041	93059	31741-	7525	318
159G1827N 6W	M	1.00	2602			2602	201
161H1727N 6W	M	1.00	191			191	139
164L 226N 7W	M	1.00	9136	94192	12732-	7611	330
165G2727N 6W	M	1.00	4577			4577	159
166K3227N 6W	M	1.00	1428			1428	99
167B1327N 7W	N	1.00	3191		25582	6766	213
168A3627N 7W	N	1.00	6523		17189	8449	446
169K2627N 7W	M	1.06	3341			3341	150
170M2027N 6W	M	1.00	3622			3622	178
171M2127N 6W	M	1.00	8021			8021	242
172B2627N 7W	N	1.06	2934		25584	7672	278
173M2327N 6W	N	1.00	5117		26012	7048	252
174N1927N 6W	N	1.00	3059		15763	6687	202
175G2027N 6W	M	1.00	2007			2007	145
176A3127N 6W	M	1.09	5673			5673	304
177L1327N 7W	M	1.05	3411			3411	214
178K2327N 7W	N	1.02	4625		20	6857	207
179G1627N 6W	M	1.00	2994			2994	162
180G2127N 6W	M	1.00	2735			2735	144
181G2227N 6W	M	1.00	1250			1250	183
182G2627N 6W	M	1.00	3358			3358	160
183K3127N 6W	M	1.05	3091			3091	374
184A1527N 7W	N	1.00	5177		12970	7416	303
185A2227N 7W	N	1.00	3969		18364	6405	163
187A3527N 7W	M	1.07					159
192K 126N 7W	M	1.00	2376			2376	103
193K3527N 7W	M	1.06	1772			1772	145
201G 226N 7W	M	1.00	2640			2640	170
202A2727N 7W	N	1.00	4972		1444	6506	177
203M2727N 7W	M	1.00					166
227J2827N 7W	M	1.00					36
229I3427N 7W	N	1.00	1772		20390	7019	248
231M1226N 7W	M	1.00	835			835	56
RINCON UNIT NP							
186O3327N 7W	M	1.00	172			172	7
SANCHEZ A							
2L2026N 6W	M	1.00	2565			2565	154
UNION TEXAS PETROLEUM CORPORATION				**********			
HELMS FEDERAL							
16N 928N13W	M	1.18					106
JICARILLA L							
2G1024N 5W(MWU)							119
E 2D1024N 5W(MWU)							42
P. U. SUMMARY	M	1.00					161
3E 324N 5W	M	1.17					81
JICARILLA N							
2N 324N 5W(MWU)							58
E 2P 324N 5W(MWU)							100
P. U. SUMMARY	M	1.00					158
NEW MEXICO A COM							
1H1629N12W(MWU)			389				104
E 1D1629N12W(MWU)			510				106
P. U. SUMMARY	M	1.00	899			899	210
NEW MEXICO B COM							
1L1029N11W(MWU)			1901				91
E 1D1629N11W(MWU)			6164				281
P. U. SUMMARY	M	1.00	8065			8065	372
NEWSOM A							
6J1526N 8W(MWU)			213				20
E 6G1526N 8W(MWU)							55
P. U. SUMMARY	N	1.00	213			213	75

EXHIBIT 4b

BASIN DAKOTA (PRORATED GAS)

DESCRIPTION	STAT US	AF	DEC SALES	D/P LIM	DEC D/P	FED ALLOC	DELIV TEST
P. U. SUMMARY	M	1.00					344
SCHALK 55							
1A 330N 5W	M	1.00					42
SCHALK 57							
1G1230N 5W(MWU)							261
E 1A1230N 5W(MWU)							333
P. U. SUMMARY	N	.84			21091	7995	594
SCHALK 62							
1P3332N 5W	M	1.00					52
SCHALK 63							
1M3432N 5W	M	1.00					
SCHALK 94							
1A2632N 8W	M	1.00	115			115	4
SOUTHLAND ROYALTY COMPANY				**********			
CARSON							
1L 130N 5W	M	.84	13			13	163
CAT-DRAW							
1M 430N 5W(MWU)			1396				98
E 1C 430N 5W(MWU)							107
P. U. SUMMARY	M	1.00	1396			1396	205
QUINTANA MESA							
1M2932N 5W	M	1.00	1554			1554	114
REESE MESA							
1H1232N 8W	N	1.00	2061		22149	5683	63
2L1232N 8W	M	.94	85			85	306
3H1332N 8W	M	1.00	2022			2022	30
4K1132N 8W	M	.92	1259			1259	67
5G1332N 8W	M	1.00					101
6J1032N 8W	M	.91					99
UNION OIL COMPANY OF CALIFORNIA				**********			
NAVAJO D 30							
9D3025N10W	M	1.00	632			632	27
NAVAJO E 18							
5E1825N10W	M	1.00	1189			1189	163
NAVAJO I 1							
1I 125N11W	M	1.00	651			651	120
NAVAJO K 19							
4L1925N10W	M	1.00	380			380	77
NAVAJO L 12							
6L1225N11W	N	1.00	12578		9736	10435	721
NAVAJO L 18							
8L1825N10W	M	1.00	4381			4381	718
NAVAJO O 12							
20122SN11W	M	1.00	3745			3745	221
UNIVERSAL RESOURCES CORP.				**********			
GRIGSBY FED							
2N 725N10W	M	1.00					54
PIPELINE TOTAL	468.16		1971800		365043-	1790689	132421

NORTHWEST PIPELINE AND GAS COMPANY OF N. M.

AMOCO PRODUCTION CO				**********			
HANSON							
1B 625N10W	M	1.00					186
3D 525N10W	M	1.00					41
PIPELINE TOTAL	2.00						227

NORTHWEST PIPELINE & COLUMBUS

COLUMBUS ENERGY CORP.				**********			
CHAMPLIN							
1M3527N 4W(MWU)			642				47
E 1J3527N 4W(MWU)			2411				135
P. U. SUMMARY	M	1.00	3053			3053	182
4F3527N 4W(MWU)			1648				45
E 4B3527N 4W(MWU)			1418				433
P. U. SUMMARY	N	1.00	3066	108168	2603-	8680	478
HOYT							
1H 526N 4W(MWU)			7273				222
E 1F 526N 4W(MWU)			5154				267
P. U. SUMMARY	N	1.02	16427	111414	97879-	8936	489
2L 526N 4W(MWU)			2570				111
P. U. SUMMARY	N	1.00	2570	86798	39511-	6030	111
JICARILLA							
E 3F 826N 5W(MWU)			1437				76
NORTHWEST							
4B 826N 4W(MWU)			1902				78

BASIN DAKOTA (PRORATED GAS)

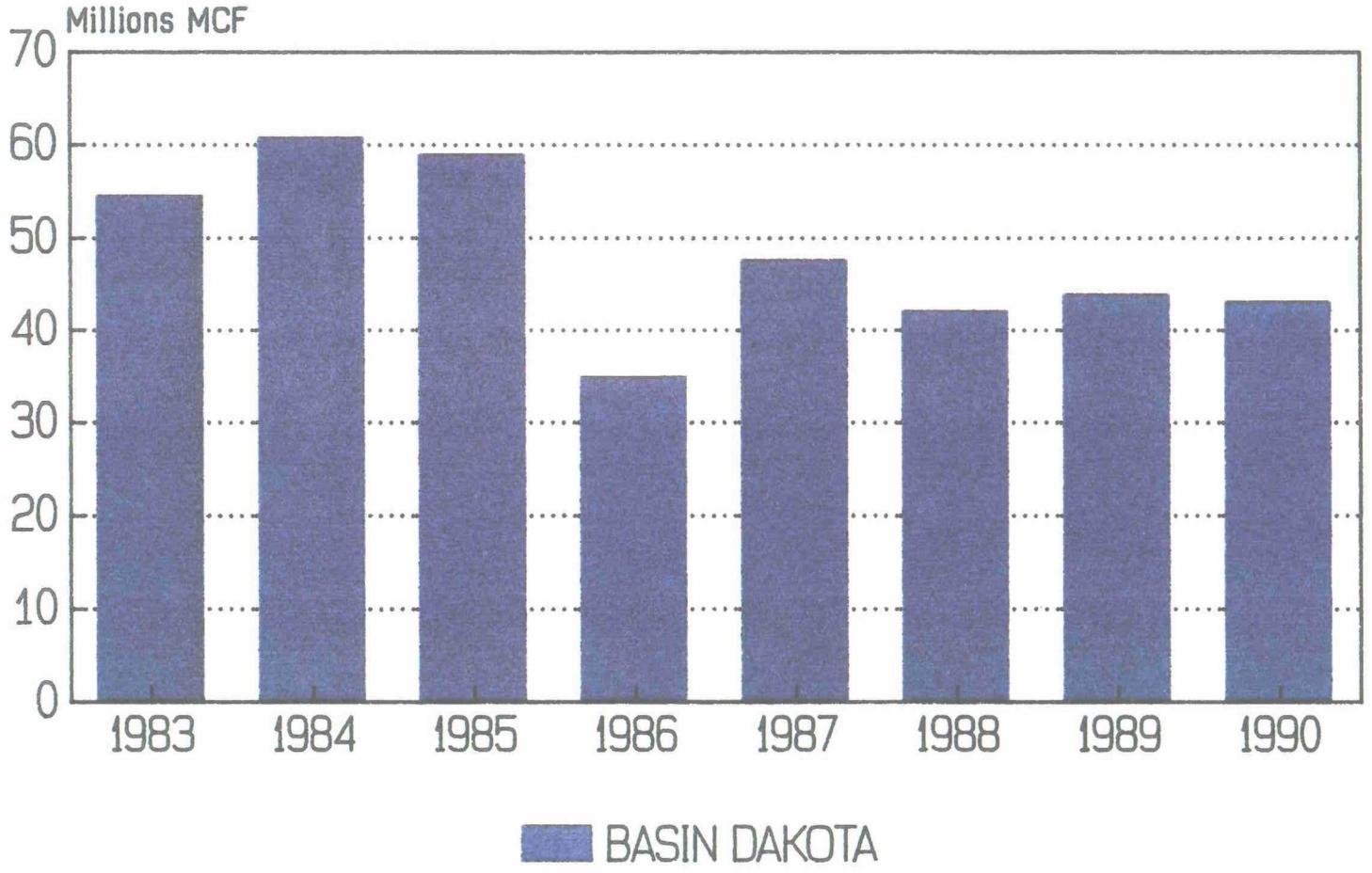
DESCRIPTION	STAT US	AF	DEC SALES	D/P LIM	DEC D/P	FED ALLOC	DELIV TEST
E 41 826N 4W(MWU)			2783				130
P. U. SUMMARY	M	1.00	4685			4685	208
TRIBAL C							
1M 626N 3W(MWU)			2613				90
E 1F 626N 3W(MWU)			2028				72
P. U. SUMMARY	N	1.00	4641		6524	6398	162
PIPELINE TOTAL	6.02		34442		133469-	37782	1630

SUNTERRA GAS GATHERING COMPANY

AMOCO PRODUCTION CO				**********			
AZTEC GAS COM							
1D 227N10W	M	1.00	1605			1605	164
COLE A							
1L3528N10W(MWU)			1859				238
E 1I3528N10W(MWU)			1767				68
P. U. SUMMARY	M	1.00	3626			3626	306
DAVIDSON GAS COM F							
1M2828N10W(MWU)			1827				440
E 1F2828N10W(MWU)			4444				252
P. U. SUMMARY	M	1.00	6271			6271	692
DAVIDSON GAS COM G							
1H2128N10W(MWU)			3087				546
A 1O2128N10W(MWU)			5221				676
P. U. SUMMARY	N	1.00	8308		60757	14052	1222
DAVIDSON GAS COM H							
1H2228N10W(MWU)			4478				512
E 1C2228N10W(MWU)			5506				518
P. U. SUMMARY	M	1.00	9984			9984	1030
DAY GAS COM							
1P 728N10W(MWU)			511				31
E 1M 728N10W(MWU)			139				56
P. U. SUMMARY	N	1.00	650			650	87
J F DAY D							
1B2028N10W(MWU)			196				68
1P2028N10W(MWU)							69
P. U. SUMMARY	M	1.00	196			196	137
J F DAY E							
1L1728N10W(MWU)			385				26
E 1E1728N10W(MWU)			2197				152
P. U. SUMMARY	M	1.00	2582			2582	178
FRED FEASEL G							
1K 227N10W(MWU)			2919				206
E 1O 227N10W(MWU)			2421				228
P. U. SUMMARY	M	1.00	5340			5340	434
FRED FEASEL H							
1H3328N10W(MWU)			2736				296
E 1O3328N10W(MWU)			5362				656
P. U. SUMMARY	N	1.00	8098		43169	12103	952
FRED FEASEL J							
1G3428N10W(MWU)			548				126
E 1O3428N10W(MWU)			4002				338
P. U. SUMMARY	M	1.00	4550			4550	464
FRED FEASEL L							
1H3228N10W(MWU)			3692				411
E 1I3228N10W(MWU)			5138				650
P. U. SUMMARY	N	1.00	8830		25950	12890	1061
FEDERAL A							
1K3228N10W	M	1.00	6047			6047	326
FEDERAL E							
1G1728N10W	M	1.00	74			74	209
FEDERAL F							
2H 427N10W	M	1.00	4299			4299	353
FEDERAL H							
1L 927N10W	M	1.00	1352			1352	208
FEDERAL GAS COM							
1A2828N10W	M	1.00	4365			4365	310
2M2728N10W	M	1.00	8916			8916	422
FEDERAL GAS COM L							
1F1430N11W	M	.99					444
FLORANCE							
6M2330N 9W	N	1.00			26576	5633	56
19H 330N 9W	M	1.00					74
39B3530N 8W	M	1.00					126
M N GALT H							
1L 127N10W(MWU)			390				52
E 1E 127N10W(MWU)			473				294
P. U. SUMMARY	M	1.00	863			863	346
M N GALT J							
2D 627N10W	M	1.04	2081			2081	72
R P HARGRAVE H							
1B 927N10W(MWU)			2469				291
E 1J 927N10W(MWU)			6183				646

EXHIBIT 5a

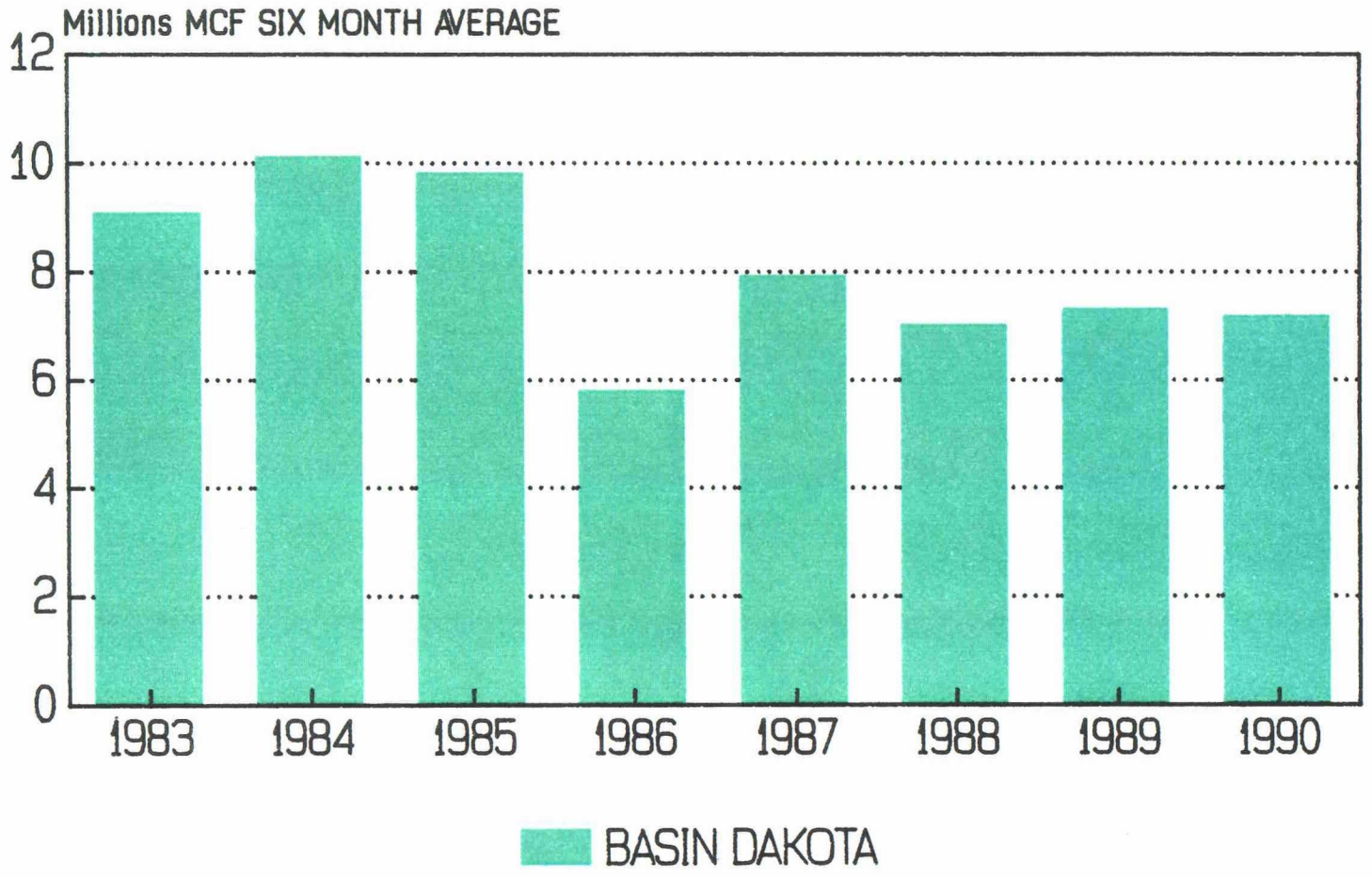
COMPARISION OF PRODUCTION FROM APRIL THROUGH SEPTEMBER FOR BASIN DAKOTA



FOR MARGINAL AND NON-MARGINAL GPUS

EXHIBIT 5b

COMPARISION OF PRODUCTION FROM APRIL THROUGH SEPTEMBER FOR BASIN DAKOTA



FOR MARGINAL AND NON-MARGINAL GPUS

Unocal North American
Oil & Gas Division
Unocal Corporation
3300 North Butler Avenue
Suite 200
Farmington, New Mexico 87401
Telephone (505) 326-7600
Fax: (505) 326-6145

UNOCAL 76

March 5, 1991

Paul T. West
District Production Manager
Farmington District

RECEIVED

MAR 7

OIL CONSERVATION DIVISION

William J. LeMay
Director
Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87504

RE: Comments on Northwest New Mexico Gas Allocation Levels, Case No. 10254

Dear Mr. LeMay:

We welcome the opportunity to make additional comments on the issue of gas allocations and offer the following information in support of my testimony on February 28, 1991.

My testimony suggested the same pool allocations be established for April through September, 1991, as was in place for the same time period during 1990. The only other industry testimony for the Northwest, suggested basing pool allocation on the last 7-years' average (April through September). The attached graphs illustrate the comparison between suggested allocations and the OCD's preliminary estimates.

Gas from the prorated pools has largely been marketed on spot sales since 1988. Allocations for this time period indicate the prorated pools have enjoyed a growth in the market place. The upward trend leads us to believe that establishing allocation at the 1990 level is a conservative approach. As I testified, Unocal's 1991 gas sales will decrease if less allocation is granted than we've suggested. **More importantly, we believe that any reduction from the 1990 levels will place producers at risk of losing their market share from prorated pools.**

Please consider this information in establishing allocations for this first 6-month period. We feel the establishment of semi-annual allocation periods will be a much improved system and we appreciate being able to participate in the effort through the hearing process.

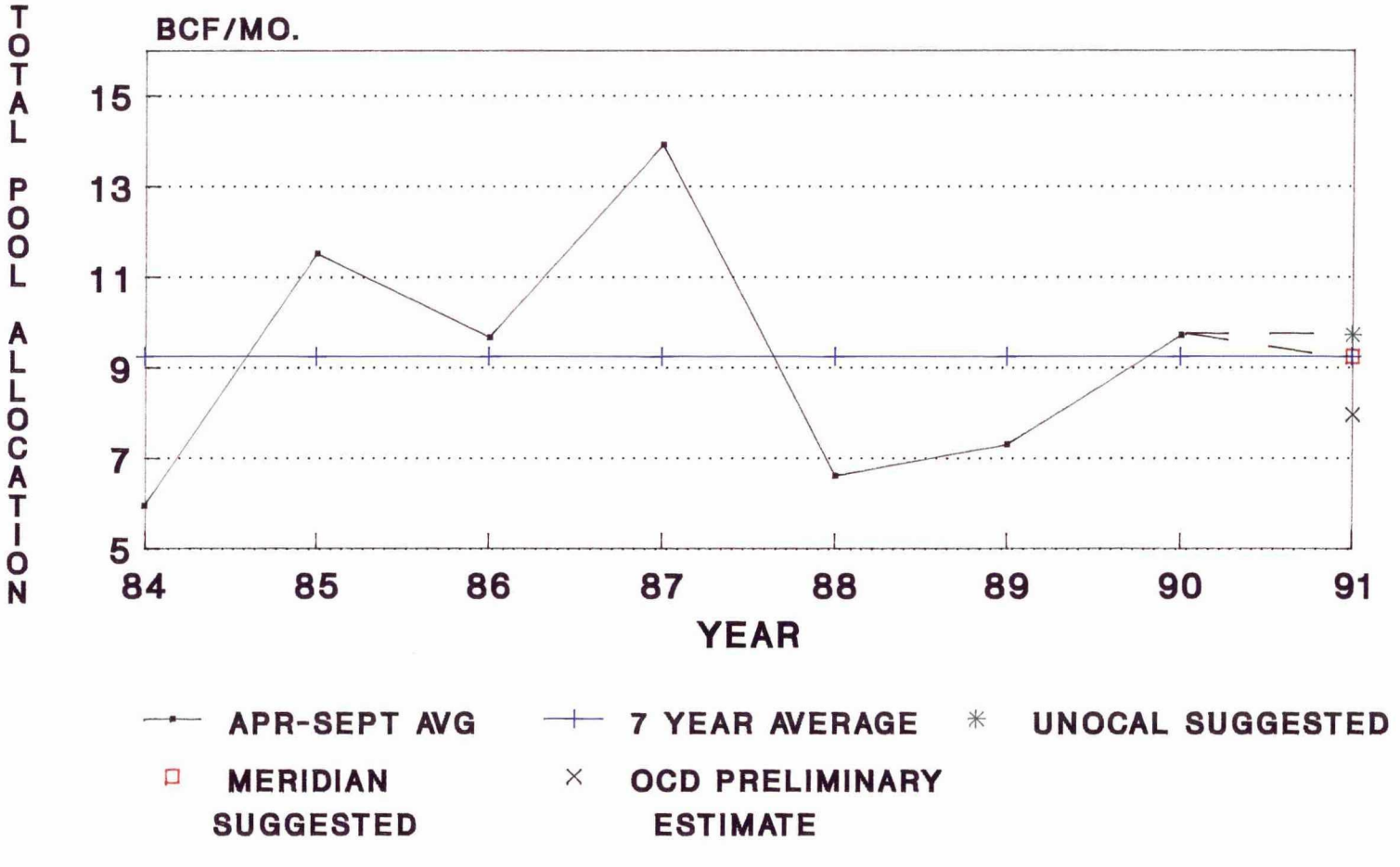
Sincerely,

bjt

cc Jim Morrow, OCD

Enclosure

SAN JUAN BASIN
BASIN DAKOTA



SAN JUAN BASIN
BLANCO MESA VERDE

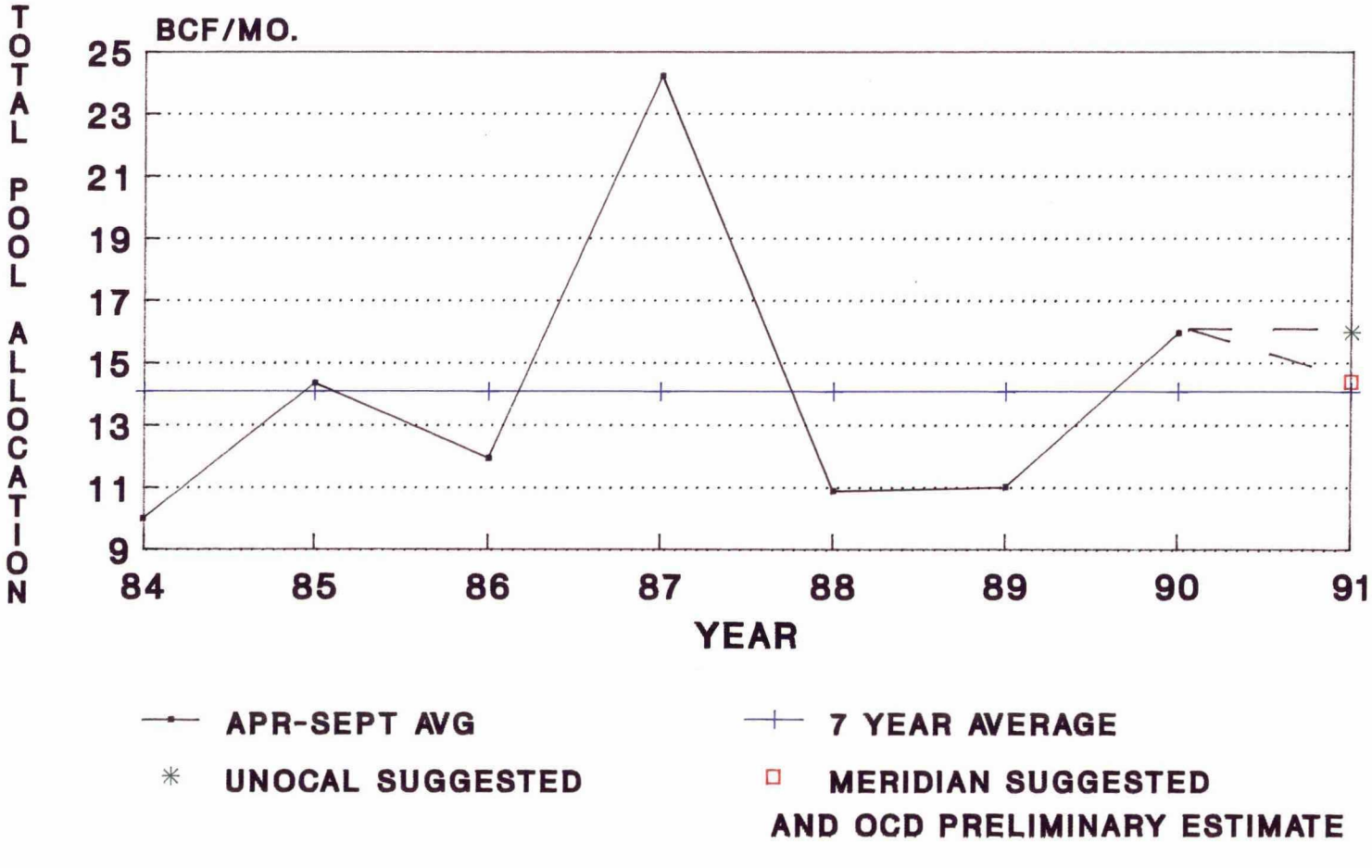


EXHIBIT 1
MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE
FOR APRIL THRU SEPTEMBER 1991
PRORATED GAS POOLS - SOUTHEAST NEW MEXICO

	ATOKA PENN	BLINEBRY	BUFFALO VALLEY PENN	BURTON FLAT MORROW	CARLSBAD MORROW	CATCLAW DRAW MORROW	EUMONT	INDIAN BASIN MORROW	INDIAN BASIN UPPER PENN	JALMAT	JUSTIS GL	TUBB
(1) AVERAGE MONTHLY POOL SALES APRIL - SEPTEMBER 1990. ALL VOL.S ARE IN MCF	69417	436444	208593	384109	199702	128126	1653258	88975	2885197	884426	36976	242230
(2) TOTAL NOMINATIONS AVERAGE MONTHLY VOLUMES	151849	236062	190773	149633	66035	81515	1228504	145000	3600000	103714	0	75571
(3) ADJUSTMENTS	21583		20000	55000	52000	4000	753924	56025	114803	339589	12000	
(4) MONTHLY POOL ALLOWABLE APRIL - SEPTEMBER 1991 (LINE 1 + LINE 3)	91000	436444	228593	439109	251702	132126	2407182	145000	3000000	1224015	48976	242230
(5) MONTHLY MARGINAL POOL ALLOWABLE FOR APRIL - SEPTEMBER 1991	38610	151649	145288	171259	151805	65995	1346331	66328	2260345	853440	17841	108708
(6) MONTHLY NON-MARGINAL POOL ALLOWABLE FOR APRIL - SEPTEMBER 1991 (LINE 4 MINUS LINE 5)	52390	284795	83305	267850	99897	66131	1060851	78762	739655	370575	31135	133522
(7) NUMBER OF NON-MARGINAL ACREAGE FACTORS	3.42	15.75	3.00	7.88	4.97	2.99	57.97	0.72	5.49	20.25	9.00	11.28
(8) MONTHLY ACREAGE ALLOCATION FACTOR APRIL - SEPTEMBER 1991 F1 (LINE 6 DIVIDED BY LINE 7)	15319	18082	27768	33991	20100	22117	18300	109267	134728	18300	3459	11837

APRIL-SEPTEMBER 1991 F1 FACTORS FOR OTHER POOLS:
BURTON FLAT STRAWN F1= 10,000
MONUMENT MCKEE ELLEN F1= 25,000

EXHIBIT 2

MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE

FOR APRIL THRU SEPTEMBER 1991

PRORATED GAS POOLS - NORTHWEST NEW MEXICO

	BASIN DAKOTA	BLANCO MESAVERDE	BLANCO P.C. SOUTH	TAPACITO
(1) AVERAGE MONTHLY POOL SALES APRIL - SEPTEMBER 1990. ALL VOL.S ARE IN MCF	7263265	12379262	1063350	231768
(2) TOTAL NOMINATIONS AVERAGE MONTHLY VOLUMES	6976715	11148719	607899	233805
(3) ADJUSTMENTS	1200000	2100000	177000	10000
(4) MONTHLY POOL ALLOWABLE APRIL - SEPTEMBER 1991 (LINE 1 + LINE 3)	8463265	14479262	1240350	241768
(5) MONTHLY MARGINAL POOL ALLOWABLE FOR APRIL - SEPTEMBER 1991	5208566	7308484	595425	84821
(6) MONTHLY NON-MARGINAL POOL ALLOWABLE FOR APRIL - SEPTEMBER 1991 (LINE 4 MINUS LINE 5)	3254699	7170778	644925	156974
(7) NUMBER OF NON-MARGINAL ACREAGE FACTORS	454.65	636.36	460.61	103.33
(8) NUMBER OF NON-MARGINAL ACREAGE X DELIVERABILITY FACTORS	220774	448080	28292	10010
(9) MONTHLY ACREAGE ALLOCATION FACTOR FOR APRIL-SEPT. 1991,F1	4295	2817	350	380
(10) MONTHLY ACREAGE X DELIV ALLOCATION FACTOR FOR APRIL - SEPTEMBER 1991,F2	5.90	12.00	17.10	11.76