

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 FOR THE PURPOSE OF
CONSIDERING: Gas Allowables,
Prorated Gas Pools in New Mexico

CASE NO. 10450

APPLICATION OF
Oil Conservation Division

PRE-HEARING STATEMENT

This prehearing statement is submitted by Ernest L. Padilla, Esq. as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Oil Conservation Division
State Land Office
Santa Fe, New Mexico 87501

ATTORNEY

Robert G. Stovall, Esq.
P. O. Box 2208
Santa Fe, N. M. 87504

OPPOSITION OR OTHER PARTY

John H. Hendrix Corporation
Midland Tower Building
Suite 525
Midland, Texas 79701

ATTORNEY

Ernest L. Padilla
PADILLA & SNYDER
Post Office Box 2523
Santa Fe, N. M. 87504
(505)988-7577

Pre-hearing Statement
NMOCD Case No. 10450
Page 2

STATEMENT OF CASE

APPLICANT

(Concise statement of what is being sought with this application and the reasons therefore.)

Hearing to accept nominations and other evidence and information to assist in determining April 1992 through September 1992 gas allowables for the prorated gas pools in New Mexico.

OPPOSITION OR OTHER PARTY

(Concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

PROPOSED EVIDENCE

APPLICANT

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
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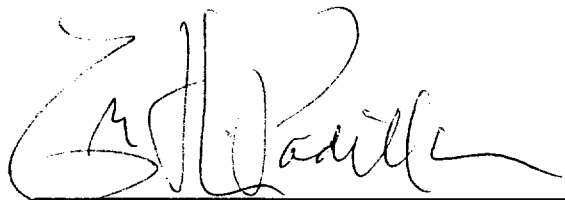
OPPOSITION

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
-----------------------------------	-----------	----------

Possible cross-examination of applicant's witnesses, and will read attached statement into the record.

PROCEDURAL MATTERS

(Identify any procedural matters which need to be resolved prior to the hearing.)



Ernest L. Padilla

Hearing Date: February 27, 1992
xc: Robert G. Stovall, Esq. (Via Fax)
William F. Carr, Esq. (Via Fax)
W. Perry Pearce, Esq. (Via Fax)
W. Thomas Kellahin, Esq. (Via Fax)

STATEMENT OF JOHN H. HENDRIX CORPORATION

The John H. Hendrix Corporation operates 66 wells covering 3440 acres in the Blinebry Pool. The Hendrix Corporation proposes a decrease in the monthly acreage allocation factor (F1) factor for Blinebry non-marginal wells from 24,906 MCF/month to 21,840 MCF/month which was the average pool allowable for 1990 and was sufficient to economically and efficiently produce from the pool. The 1988 allowable was 12,180 MCF/month and the 1989 allowable was 15,420 MCF/month.

Our principal reasons for proposing a decrease in the allowables are:

(1) An increase in allowables will further flood the gas market with gas, in great part due to Canadian imports and San Juan Coal seam gas,

(2) the price for gas is falling below its replacement cost.

In support of the foregoing, we call the Division's attention to Northern Natural Gas Company's most recent spot market pricing letter which sets March prices at \$0.90/mmbtu for gas well gas and \$0.80/mmbtu for casinghead gas. A copy of that letter is attached hereto as Exhibit A.

To continue to increase gas allowables and further flood the market with gas production can only result in one thing -- continued weaker gas prices. This is contrary to

the interest of the State of New Mexico as we will have to produce substantially more gas for the same or less economic return, resulting in waste. Waste has been statutorily defined as production from any gas well or from any gas pool in excess of the reasonable market demand. The simple result of any Commission action that would add gas to an already saturated marketplace would be a decrease in prices, leading to a premature abandonment of gas wells. This would result in waste and would violative of correlative rights of the producer, mineral owner, and State of New Mexico. By decreasing allowables, gas recovery will be maximized and waste of this precious natural resource will be prevented. Controlling the market by providing cheap gas is not in the best interest of the State of New Mexico.

NORTHERN NATURAL GAS CO
PO BOX 3330
OMAHA NE 68124

**WESTERN
UNION**

9205300019311 052819A
92052916700125 GNJ2007528 D10203

MICHAEL L. KLEIN
500 W. TEXAS SUITE 1230
MIDLAND TX 79701

*****PRIORITY LETTER PART 1 FOR THIS MESSAGE*****
February 21, 1992

TO: PRODUCERS AND SUPPLIERS OF NATURAL GAS TO
NORTHERN NATURAL GAS COMPANY

RE: MARKET SENSITIVE PRICING PROGRAM

This is Northern's monthly written notification of its revised payment levels. Effective March 1, 1992, the price per MMBtu (calculated on a saturated basis at 14.73 psia), including taxes and production-related costs, will be \$0.90 for gas well gas or \$0.80 for casinghead, special allowable and Rule 49(b) gas.

As you know, Northern has previously extended to you a number of invitations to participate in our market sensitive pricing ("MSP") program. We would like to once again offer you the opportunity to amend your contract so that you may become part of Northern's MSP program. Should you choose to participate in the program at this time, the amendment will be effective March 1, 1992, and Northern will pay the lesser of its then current market price or the price paid under the contract for the production month immediately preceding execution of the MSP contract amendment.

If you have any questions or would like to release your production, please contact Northern's Contract Management Department in Omaha, Nebraska at 402-398-7177. Thank you for your cooperation.

Yours truly,

Stephen W. Gilbert
Director, Contract Management

*****TOTAL PRIORITY LI_

EXHIBIT A

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. 10450

APPLICATION OF

THE CALLING OF THE
OIL CONSERVATION DIVISION OF
A HEARING ON ITS OWN MOTION
TO ACCEPT NOMINATIONS FOR
GAS ALLOWABLES, NEW MEXICO

PRE-HEARING STATEMENT

This prehearing statement is submitted by HALLWOOD PETROLEUM INC.
as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

ATTORNEY

name, address, phone and
contact person

OPPOSITION OR OTHER PARTY

ATTORNEY

Hallwood Petroleum Inc.
P. O. Box 378111
Denver, Colorado 80237
Attn: Kevin O'Connell
(303) 850-6303

W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico
(505) 982-4285

name, address, phone and
contact person

Pre-hearing Statement
NMOCD Case No. ____
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STATEMENT OF CASE

APPLICANT

(Please make a concise statement of what is being sought with this application and the reasons therefore.)

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

Hallwood desires to present data and information concerning the appropriate level of allowables for the Catclaw Draw Morrow Gas Pool

Pre-hearing Statement
NMOCD Case No. _____
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PROPOSED EVIDENCE

APPLICANT

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

OPPOSITION

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

Kevin E. O'Connell
Petroleum Engineer

@ 15 min.

5 exhibits

PROCEDURAL MATTERS

(Please identify any procedural matters which
need to be resolved prior to the hearing)


Signature

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:

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FEB 2 1992
OIL CONSERVATION DIVISION
CASE NO. 10450

APPLICATION OF THE CALLING OF THE OIL
CONSERVATION DIVISION OF A HEARING ON
ITS OWN MOTION TO ACCEPT NOMINATIONS
AND OTHER EVIDENCE AND INFORMATION TO
ASSIST IN DETERMINING APRIL 1992 THROUGH
SEPTEMBER 1992 GAS ALLOWABLES FOR THE
PRORATED GAS POOLS IN NEW MEXICO

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by MARATHON OIL
CO. as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

ATTORNEY

N/A

OTHER PARTY

ATTORNEY

Marathon Oil Co.
Thomas C. Lowry, Esq.
P.O. Box 552
Midland, TX 79702
(915) 687-8148

W. Thomas Kellahin
KELLAHIN, KELLAHIN & AUBREY
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

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OIL CONSERVATION DIVISION

Pre-Hearing Statement
Case No. 10450
Page 2

APPEARANCE OF PARTIES continued

Chevron USA, Inc.
c/o Alan Bohling
P.O. Box 1150
Midland, TX 79702
(915) 687-7246

William F. Carr
Campbell, Carr, Berge &
Sheridan
P.O. Box 2208
Santa Fe, NM 87504
(505) 988-4421

STATEMENT OF CASE

APPLICANT

N\A

OPPOSITION OR OTHER PARTY

Marathon Oil Company seeks a pool allowable for the Blinebry Gas Pool of an average of 560,956 MCF per month based upon market demand.

Marathon Oil Company seeks a pool allowable for the Indian Basin Upper Penn Pool of an average of 3,662,115 MCF per month based upon market demand.

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PROPOSED EVIDENCE

APPLICANT

WITNESSES	EST. TIME	EXHIBITS
N/A		

OTHER PARTY

WITNESSES	EST. TIME	EXHIBITS
William H. Hastings Gas Marketing	15-20 Min.	Approximately 6 Exhibits-
Ronald J. Folse Petroleum Engineer	30-40 Min.	Blinebry 15 Exhibits- Upper Penn

PROCEDURAL MATTERS

None applicable at this time.

KELLAHIN, KELLAHIN & AUBREY

By: 

W. Thomas Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

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 GAS ALLOWABLES FOR
THE PRORATED GAS POOLS OF NORTHWEST
AND SOUTHEAST NEW MEXICO FOR THE
PERIOD APRIL 1992 THROUGH
SEPTEMBER 1992, SAN JUAN, RIO ARRIBA,
SANDOVAL, LEA, EDDY AND CHAVES
COUNTIES, NEW MEXICO

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FEB 24 1992
OIL CONSERVATION DIVISION

Case No. 10450

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted on behalf of Phillips Petroleum Company as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

Opponent: Phillips Petroleum Company
Farmington Area Office
5525 Hyw. 64, NBU 3004
Farmington, New Mexico 87401

Contact
Person: Kirk Czirr

Attorney: W. Perry Pearce
Montgomery & Andrews, P.A.
Post Office Box 2307
Santa Fe, New Mexico 87504
(505) 982-3873

OPPONENT'S STATEMENT OF OPPOSITION

Phillips Petroleum Company appears in this matter to object to the preliminary allowable estimates for the Basin Dakota Gas Pool as published by the Division. Phillips believes that allowables for the Basin Dakota Pool should be increased above the preliminary allowable estimates.

OPPONENT'S PROPOSED EVIDENCE

Phillips Petroleum Company plans to present one witness, Mr. Kirk Czirr, who will present 10 or fewer exhibits and whose direct testimony is expected to last less than 30 minutes.

PROCEDURAL MATTERS

Phillips Petroleum Company is not aware of any procedural matters which must be resolved prior to the hearing of this matter.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.


By 

W. Perry Pearce
Post Office Box 2307
Santa Fe, New Mexico 87504-2307
(505) 982-3873

Attorneys for Phillips Petroleum
Company

CERTIFICATE OF SERVICE

I certify that I had delivered a copy of this Pre-Hearing Statement to William F. Carr, Esq., 110 N. Guadalupe, Santa Fe, New Mexico 87501 on February 24, 1992.


W. Perry Pearce

[WPP/180]

**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 FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 10450

THE OIL CONSERVATION DIVISION IS CALLING
A HEARING ON ITS OWN MOTION TO ACCEPT
NOMINATIONS AND OTHER EVIDENCE AND
INFORMATION TO ASSIST IN DETERMINING
APRIL 1992 THROUGH SEPTEMBER 1992
GAS ALLOWABLES FOR THE PRORATED
GAS POOLS IN NEW MEXICO.

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FEB 24 1992

OIL CONSERVATION DIV.
SANTA FE

PRE-HEARING STATEMENT

This prehearing statement is submitted by William F. Carr, as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

ATTORNEY

name, address, phone and
contact person

() _____

OPPOSITION OR OTHER PARTY

ATTORNEY

Chevron U.S.A. Inc. _____
c/o Alan Bohling _____
Post Office Box 1150 _____
Midland, Texas 79702 _____

William F. Carr _____
Campbell, Carr, Berge & Sheridan _____
Post Office Box 2208 _____
Santa Fe, New Mexico 87504 _____

(915) 687-7246 _____

(505) 988-4421 _____

name, address, phone and
contact person

STATEMENT OF CASE

APPLICANT

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

Chevron will present testimony in support of a reasonable increase in the allowables assigned to the Indian Basin Upper Pennsylvanian Gas Pool.

PROPOSED EVIDENCE

APPLICANT

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

OPPOSITION

WITNESSES
(Name and expertise)

EST. TIME

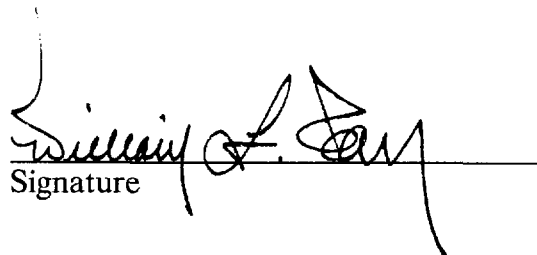
EXHIBITS

Mark Corley, Gas Engineer

20 Minutes

Approximately 5

PROCEDURAL MATTERS


Signature

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

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OIL CONSERVATION DIVISION

PRE-HEARING STATEMENT

This prehearing statement is submitted by William F. Carr, as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

ATTORNEY

name, address, phone and
contact person

() _____

OPPOSITION OR OTHER PARTY

ATTORNEY

Amoco Production Company_____
c/o Eric Nitcher_____
Post Office Box 800_____
Denver, Colorado 80201_____

William F. Carr_____
Campbell, Carr, Berge & Sheridan_____
Post Office Box 2208_____
Santa Fe, New Mexico 87504_____

(303) 830-4422_____

(505) 988-4421_____

name, address, phone and
contact person

STATEMENT OF CASE

APPLICANT

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

Amoco will present testimony in support of an increase in the allowables.

PROPOSED EVIDENCE

APPLICANT

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

OPPOSITION

WITNESSES
(Name and expertise)

EST. TIME

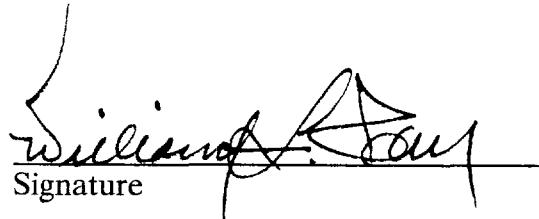
EXHIBITS

Bill Hawkins, Petroleum Engineer

15 Minutes

Approximately 2

PROCEDURAL MATTERS


Signature

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

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OIL CONSERVATION DIV.
SANTA FE

PRE-HEARING STATEMENT

This prehearing statement is submitted by William F. Carr, as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

ATTORNEY

name, address, phone and
contact person

() _____

OPPOSITION OR OTHER PARTY

ATTORNEY

Union Oil Company of California
d/b/a Unocal
3300 North Butler, Suite 200
Farmington, New Mexico 87401
Attn: Paul West

William F. Carr

Campbell, Carr, Berge & Sheridan
Post Office Box 2208
Santa Fe, New Mexico 87504

(505) 326-7600 _____

(505) 988-4421 _____

name, address, phone and
contact person

STATEMENT OF CASE

APPLICANT

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

Union Oil Company of California d/b/a Unocal will present testimony about the impact of current allowables on Unocal operated wells in the San Juan Basin and will review the need for substantial increases in the allowables for the Blanco Mesaverde and Basin Dakota Gas Pools.

PROPOSED EVIDENCE

APPLICANT

WITNESSES
(Name and expertise)

EST. TIME

EXHIBITS

OPPOSITION

WITNESSES
(Name and expertise)

EST. TIME

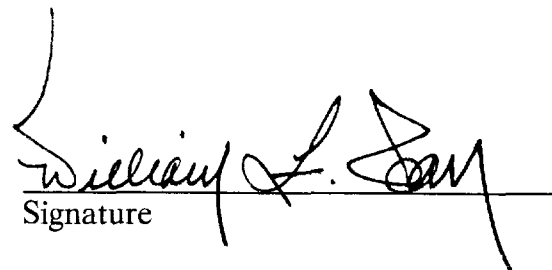
EXHIBITS

Paul West, Petroleum Engineer

20 Minutes

Approximately 7

PROCEDURAL MATTERS


Signature