

**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. 10555 (Reopened)
Order No. R-8170-M-1**

**IN THE MATTER OF CASE NO. 10555
BEING REOPENED PURSUANT TO THE
PROVISIONS OF DIVISION ORDER NO.
R-8170-M, WHICH ORDER ESTABLISHED
A MINIMUM GAS ALLOWABLE IN THE
JUSTIS (GLORIETA) 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 March 21, 1996, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 7th day of May, 1996, 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 Division Order No. R-8170-M, issued in Case No. 10555 on November 16, 1992, the Division, upon application of Meridian Oil Inc., amended the General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Justis (Glorieta) Gas Pool, as promulgated by Division Order No. R-8170, as amended, by the addition of Rule No. (8) which provides for a minimum gas allowable for the Justis (Glorieta) Gas Pool for a three year period of time equal to 600 MCF of gas per day for an acreage factor of 1.0 (non-standard 160-acre gas proration unit) or 1,200 MCF of gas per day for an acreage factor of 2.0 (standard 320-acre gas proration unit).

(3) Pursuant to the provisions of Order No. R-8170-M, this case is being reopened in order to allow the operators in the Justis (Glorieta) Gas Pool the opportunity to appear and show cause why the minimum gas allowable for the pool should remain in effect.

(4) The Division's Southeast Gas Proration Schedule for the period from October, 1995, through March, 1996, indicates that there are twelve wells in the Justis (Glorieta) Gas Pool operated by six different operators.

(5) Neither Meridian Oil Inc., nor any other operator in the pool appeared and presented evidence and testimony in support of continuing the minimum gas allowable for the Justis (Glorieta) Gas Pool.

(6) Subsequent to the hearing, the Division received a recommendation from the Hobbs District Office that the current minimum gas allowable for the Justis (Glorieta) Gas Pool be maintained for an indefinite period of time.

(7) The recommendation was put forth for the following reasons:

- a) if the minimum gas allowable is not maintained, the gas allowable for the Justis (Glorieta) Gas Pool would revert back to an amount of less than 300 MCF of gas per day per acreage factor of 1.0; and,
- b) a low gas allowable for the field may serve to economically discourage workovers of existing wells and the drilling of additional wells within the pool to recover remaining gas reserves.

(8) It does not appear that maintaining a minimum gas allowable in the Justis (Glorieta) Gas Pool will violate the correlative rights of any operator in the pool nor cause the waste of hydrocarbons.

(9) Maintaining a minimum gas allowable in the Justis (Glorieta) Gas Pool reflects current Division inclination to deregulate prorated gas pools where such allowable control is unnecessary to prevent waste and protect correlative rights.

(10) There appears to be sufficient cause to maintain a minimum gas allowable in the Justis (Glorieta) Gas Pool.

(11) Any operator in the Justis (Glorieta) Gas Pool should be allowed to reopen this case at any time upon a demonstration that maintaining a minimum gas allowable would serve to cause the waste of hydrocarbons or violate its correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The provisions of Division Order No. R-8170-M, dated November 16, 1992, issued in Case No. 10555, which incorporated the following rule to the Special Rules and Regulations for the Justis (Glorieta) Gas Pool, in Lea County, New Mexico, shall hereinafter be made permanent:

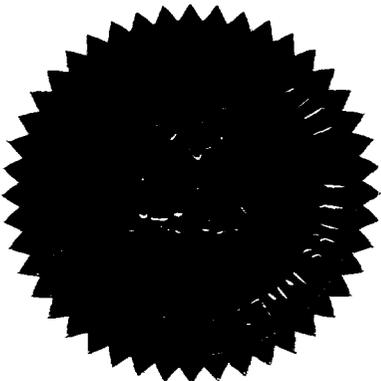
"RULE 8. MINIMUM ALLOWABLES: Notwithstanding the provisions of Rule Nos. 3 and 5 of the General Rules and Regulations for the Prorated Gas Pools of New Mexico, the Division shall assign a minimum gas allowable of 600 MCF of gas per day per Acreage Factor of 1.0"

PROVIDED HOWEVER, should it become evident that correlative rights are being violated or waste is occurring by any actions allowed under this order, the Division Director shall retain the authority to adjust downward or eliminate said minimum gas allowable within the Justis (Glorieta) Gas Pool. Should such action by the Division become necessary, an order after notice and hearing shall be required.

(2) Any operator in the Justis (Glorieta) Gas Pool shall be allowed to reopen this case at any time upon a demonstration that maintaining a minimum gas allowable would serve to cause the waste of hydrocarbons or violate its correlative rights.

(3) Jurisdiction is hereby 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
WILLIAM J. LEMAY
Director
by MES