

(9) The applicant presented testimony and evidence which indicates that the market demand now exceeds the pool deliverability.

(10) Since early 1988 and continuing to the present, the allowable assigned to the Pool and to wells in the Pool does not appear to accurately reflect the market demand for gas production from the pool.

(11) The production limitations imposed by the proration system appears to have discouraged and may continue to discourage further developmental drilling, attempted workovers of existing wells or the installation of compression equipment.

(12) At this time there are no wells in the pool which are underproduced because of lack of market for the gas from a well.

(13) Geologic and engineering calculations establish that the higher capacity non-marginal wells in the pool are draining less than 320 acres and therefore the termination of prorationing for the pool should not cause the larger non-marginal wells to impair the correlative rights of marginal wells by producing at higher rates.

(14) The applicant testified that termination of prorationing should result in increased ultimate recovery of production from the pool, thereby preventing waste.

(15) It presently appears that the production of the non-marginal wells is being restricted by the proration system assignment of allowables for those wells and not by lack of market for that production.

(16) The applicant testified that the current Division practice of multiplying the production from the second month previous times a seasonal adjustment factor to determine the current month demand has not properly reflected market demand for gas in this pool because:

- (a) the better wells in the Pool reach the six times overproduced level in two months or less and are therefore curtailed before the allowable is increased to reflect the actual demand;
- (b) the curtailment of the better wells in the Pool reduces the actual production from the Pool by dampening production increases or even reducing pool allowable; and

Case No. 9872  
Order No. R-8170-E  
Page No. 4

- (c) several non-marginal wells are allocated a portion of the Pool's non-marginal allowable, even though they are incapable of producing that allowable. Evidence showed that 61 percent of the non-marginal wells are underproduced and two of those which have produced at capacity since early 1988 reflect 84 percent of the net underproduction in the Pool. The underproduction accrued by these wells further impedes the ability of the system to increase Pool allowable to reflect actual market demand.

(17) At the hearing held by the Division on October 3, 1989, in the case to consider the setting of the allowables for the prorated gas pools of New Mexico, Oxy appeared and presented evidence in support of a request to raise the pool's allowable because market demand was in excess of the allowable being assigned to the Pool and that production was restricted to less than market demand. Based upon that evidence, the Division administratively increased the allowable assigned to the Pool by 380,000 MCF in October 1989 and by 340,000 MCF in November 1989.

(18) Subsequent to the administrative increase, pool production increased significantly, which provides further evidence that the demand for gas from the Pool is greater than the Pool's allowable.

(19) The increase in allowable has enabled operators to perform some workover and drilling activity, but the month by month establishment of allowables does not provide operators with the assurance that the allowables will remain at a level which will permit payout of major investments within a reasonable time period.

(20) Because there are only six wells in the pool with non-standard proration units, none of which has an acreage factor of less than 0.86 and all but one is marginal, it would appear that there exists no basis for continuing proration for the pool based upon the advantage non-standard spacing units might theoretically have over standard sized spacing units.

(21) There are no spacing units that currently have more than one pool well and therefore having multiple wells on a single spacing unit is not a basis for continuing prorationing for the pool.

(22) The applicant presented signed waivers of objection to the termination of prorationing in the subject pool from 17 of the 19 operators and no objections from the other two operators or from any other interested party.