

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:

REOPENED
Case No. 10521
Order No. R-8170-L-1

**APPLICATION OF UNION OIL COMPANY OF CALIFORNIA D/B/A UNOCAL FOR
TERMINATION OF GAS PRORATIONING IN THE SOUTH BLANCO-PICTURED
CLIFFS POOL, RIO ARRIBA, SANDOVAL, AND SAN JUAN COUNTIES, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on February 17, 1994, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 15th day of March, 1994, 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-L, dated November 12, 1992, issued in Case No. 10521 and made effective December 1, 1992, the following provisions affecting the South Blanco-Pictured Cliffs Pool, encompassing portions of Townships 23 through 29 North, Ranges 1 through 9 West, NMPM, Rio Arriba, Sandoval, and San Juan Counties, New Mexico were instituted:

- (a) the original application of Union Oil Company of California d/b/a UNOCAL for an order terminating gas prorationing in said Pool was denied;

(b) instead, a special "Rule 8" was established for the pool which assigned a minimum gas allowable of 100 MCF of gas per day for an Acreage Factor of 1.0; and,

(c) said Rule 8 was made effective for a period of one year.

(3) Case 10521 is being reopened at this time pursuant to said Order No. R-8170-L so that the original applicant and operators in the South Blanco-Pictured Cliffs Pool can provide additional evidence and testimony supporting continuation of this minimum gas allowable.

(4) The original applicant in this case, UNOCAL, accompanied by Amoco Production Company ("Amoco") appeared at the reopened hearing and presented evidence and testimony in support of this matter. Appearances were also made on behalf of ARCO Oil and Gas Company and Gas Company of New Mexico.

(5) Summation of the evidence presented at the hearing indicates:

(a) average production from a South Blanco-Pictured Cliffs gas well is 30 MCFPD and any production limitation less than the 100 MCFPD minimum allowable would only serve to discourage further development and attempted workovers within the pool;

(b) there continues to be a market for all the gas from the pool;

(c) there appears to be support from operators within the pool for continuation of the assigned minimum allowable;

(d) no objections were received;

(e) there is no indication that correlative rights have been violated during this period nor is there any indication that correlative rights will be violated with continuation of this rule; and,

(f) no extenuating circumstances have occurred within the pool to support the suspension of an assigned minimum gas allowable.

(6) *At the time of the hearing Amoco requested the Division grant an exception to deliverability tests, as required by RULE 9(a) of Division Order No. R-8170, as amended, for all wells producing less than the assigned 100 MCFPD minimum allowable.*

FINDING: Such request is beyond the scope of this particular matter and for this motion to be considered a separate application would be required and testimony and evidence would need to be presented that shows such deliverability tests were either no longer practical or that deliverability was no longer a consideration in the South Blanco-Pictured Cliffs Pool.

(7) The provisions of said Order No. R-8170-L, which included "RULE 8. MINIMUM ALLOWABLES:" to the "Special Rules and Regulations for the South Blanco-Pictured Cliffs Pool," should be made permanent by issuance of this order.

(8) 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 should retain the authority to adjust downward or eliminate said minimum gas allowable within the South Blanco-Pictured Cliffs Pool. Should such action by the Division be necessary, an order after notice and hearing should be required.

IT IS THEREFORE ORDERED THAT:

(1) The provisions of Division Order No. R-8170-L, dated November 12, 1992, issued in Case No. 10521 and made effective December 1, 1992, which incorporated the following rule to the "Special Rules and Regulations for the South Blanco-Pictured Cliffs Pool", in Rio Arriba, Sandoval, and San Juan Counties, New Mexico, shall hereinafter be made permanent:

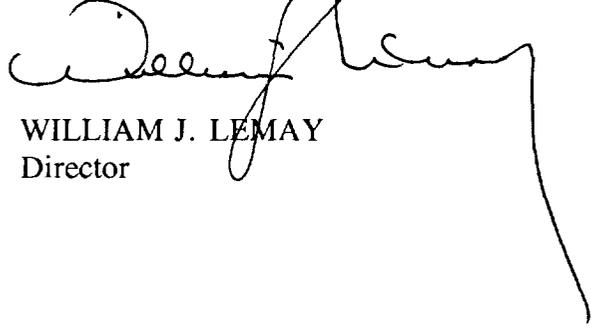
"RULE 8. MINIMUM ALLOWABLES: Notwithstanding the provisions of Rule Nos. 3 and 5 of the General Rules and Regulations for the Prorated Gas Pools of New Mexico, the Division shall assign a minimum gas allowable of 100 MCF of gas per day per Acreage Factor of 1.0."

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 South Blanco-Pictured Cliffs Pool. Should such action by the Division be necessary, an order after notice and hearing shall be required.

(2) Jurisdiction of this cause is 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

A handwritten signature in black ink, appearing to read 'William J. Lemay', is written over the printed name and extends downwards with a long, thin vertical stroke.

WILLIAM J. LEMAY
Director

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