

**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
ORDER NO. R-8170-M**

**APPLICATION OF MERIDIAN OIL INC.
FOR AMENDMENT OF DIVISION ORDER NO.
R-8170, AS AMENDED, TO ESTABLISH 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 November 5, 1992 at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 16th day of November, 1992, 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) The applicant, Meridian Oil Inc. (Meridian), seeks to amend 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, dated March 28, 1986, to provide for a minimum natural 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) The Justis (Glorieta) Gas Pool, which was created by Division Order 850 issued January 1, 1950, and which has subsequently expanded numerous times, currently comprises the following described area in Lea County, New Mexico:

Township 24 South, Range 37 East, NMPM

Section 26: SE/4

Section 35: E/2, E/2 NW/4

Township 25 South, Range 37 East, NMPM

Section 1: SW/4

Section 2: E/2

Section 11: E/2

Section 12: W/2

Section 13: All

Section 14: E/2

Section 23: E/2

Section 24: All

Section 25: All

Section 26: NE/4

Section 36: N/2

(4) For the purpose of prevention of waste and protection of correlative rights, gas prorationing was instituted within the Justis (Glorieta) Gas Pool on November 10, 1953 by Division Order No. R-375-A, as subsequently amended by numerous orders including R-1670 and R-8170, as amended.

(5) According to applicant's evidence and testimony, there currently exists a market for natural gas from the Justis (Glorieta) Gas Pool in excess of the gas allowable being assigned to the pool under the gas proration system.

(6) Further evidence and testimony indicates that the production limitations imposed by the gas proration system may have discouraged and may continue to discourage further developmental drilling and attempted workovers of existing wells.

(7) Evidence, testimony and information obtained from the April-September, 1992 Oil Conservation Division Southeast Gas Proration Schedule indicates that within the Justis (Glorieta) Gas Pool:

- a) There are approximately 14 producing wells with some 7 different operators;
- b) There are three pipeline transporters;
- c) There is a total of 23 acreage factors of which 6 are non-marginal and 17 are marginal;
- d) There is one well overproduced and there are no wells overproduced in excess of six times.

(8) In addition, according to Division records, the average gas allowable for an acreage factor of 1.0 in the Justis (Glorieta) Gas Pool during the period from April-September, 1992 was the lowest in Southeast New Mexico at approximately 130 MCF of gas per day/160 acres.

(9) The applicant presented engineering data which indicates that the remaining gas reserves within the Justis (Glorieta) Gas Pool are approximately 20.6 BCF. Further data indicates that approximately 6.6 BCF will be recovered by existing wells and that approximately 14 BCF may be recovered by the drilling of additional infill wells.

(10) Further evidence and testimony showed that one infill well has been drilled in the pool and as a result has substantially increased the recoverable gas reserves on that proration unit.

(11) Testimony by the applicant indicates that the institution of a minimum gas allowable in the pool as proposed should provide the incentive necessary to promote field-wide infill drilling and workovers of existing wells, which will in turn increase the ultimate gas recovery from the pool, thereby preventing waste.

(12) The applicant has notified all operators in the pool of its application for the establishment of a minimum gas allowable.

(13) The applicant received no objection to the proposal from any of the remaining operators in the pool.

(14) No other operator and/or interest owner appeared at the hearing in opposition to the application.

(15) The applicant further presented a letter from a gas transporter in the pool, which letter indicates that the Texaco Eunice Plant and the Sid Richardson Jal Plant both have the capacity to gather, treat and/or process the additional gas which may be produced from the subject pool if the application is approved.

(16) The gas gathering line pressures in the pool are and should remain, if the application is approved, sufficiently low to allow marginal gas wells to continue to produce.

(17) According to evidence and testimony, there are gas marketing options available to all operators in the pool such that no operator in the pool should be denied the opportunity to market and sell its gas.

(18) Even with the institution of a minimum gas allowable, the Justis (Glorieta) Gas Pool will remain prorated inasmuch as there are wells in the pool capable of producing in excess of 600 MCF of gas per day, and gas allowables are based upon proration unit size.

(19) The evidence at this time indicates that the institution of a minimum gas allowable in the Justis (Glorieta) Gas Pool would be in the best interest of conservation, prevention of waste and protection of correlative rights.

(20) 600 MCF of gas per day per acreage factor of 1.0 should be utilized as the minimum gas allowable. Said minimum gas allowable should remain in effect for a period of three years, provided however, the Division may reopen this case at any time during the three year period to consider additional evidence and testimony should it become apparent that continuation of the minimum gas allowable will not serve to prevent waste and protect correlative rights.

(21) The applicant appeared and presented evidence and testimony in support of a higher gas allowable for the Justis (Glorieta) Gas Pool at the gas allowable hearing before the Oil Conservation Commission on August 27, 1992, and as a result, the Commission, by Order No. R-9734, increased the gas allowable in the pool to approximately 600 MCFG per day per 160-acre unit during the period from October, 1992 through March, 1993.

(22) The effective date of the institution of the minimum gas allowable established herein should be April 1, 1993.

(23) The case should be reopened in March 1996, at which time the applicant and/or the operators in the subject pool should be prepared to appear and present evidence and testimony relevant to the continuation of a minimum gas allowable in the Justis (Glorieta) Gas Pool.

IT IS THEREFORE ORDERED THAT:

(1) The "Special Rules and Regulations for the Justis (Glorieta) Gas Pool" as promulgated by Division Order No. R-8170, as amended are hereby amended by the addition of Rule No. 8 as follows:

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 Acreage Factor of 1.0.

(2) Rule No. 8 shall remain in effect for a period of three years, provided however, the Division may reopen this case at any time during the three year period to consider additional evidence and testimony should it become apparent that continuation of the minimum gas allowable will not serve to prevent waste and protect correlative rights.

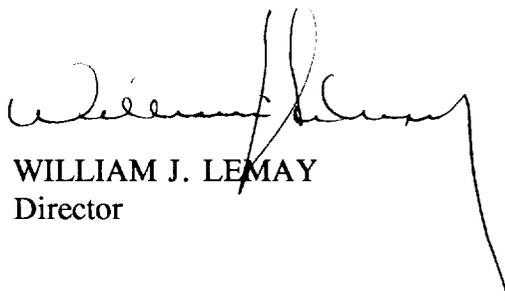
(3) Unless reopened pursuant to Paragraph (2) above, this case shall be reopened in March, 1996, at which time the applicant and/or the operators in the subject pool shall be prepared to appear and present evidence and testimony relevant to the continuation of a minimum gas allowable in the Justis (Glorieta) Gas Pool.

(4) The effective date of the institution of the minimum gas allowable established herein shall be April 1, 1993.

(5) 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



WILLIAM J. LEMAY
Director

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