

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 10672
Order No. R-9858

THE APPLICATION OF THE OIL CONSERVATION
DIVISION ON ITS OWN MOTION TO ACCEPT
NOMINATIONS AND OTHER EVIDENCE AND INFOR-
MATION TO ASSIST IN DETERMINING APRIL 1993
THROUGH SEPTEMBER, 1993 GAS ALLOWABLES FOR
THE PRORATED GAS POOLS IN NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on February 25, 1993, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 15th day of March, 1993, the Commission, a quorum being present and having considered the testimony, the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) This hearing was called for the purpose of accepting nominations and other evidence and information to assist in determining April, 1993 through September, 1993 gas allowables for the prorated gas pools in New Mexico. Thirteen of the prorated gas pools are in Lea, Eddy, and Chaves Counties in Southeast New Mexico, and the other four prorated gas pools are in San Juan, Rio Arriba, and Sandoval Counties in Northwest New Mexico.

(3) Amendments to the Gas Proration Rules approved by Commission Order No. R-8170-H in December, 1990 provide for the allowables to be established for six-month allocation periods beginning in April and October of each year.

(4) Average monthly allowables for April, 1993 through September, 1993 for each pool are calculated by taking the monthly average individual pool sales for April, 1992 through September, 1992 and adding positive or negative adjustments which are supported by substantial evidence presented at this hearing.

(5) Oil Conservation Division (OCD) personnel prepared Market Demand and Allowable Determination Schedules for the prorated gas pools in New Mexico. These schedules contained pool production information from the period April, 1992 through September, 1992 without adjustments and the calculations assigning the preliminary allowables to marginal and non-marginal wells, based upon their classification at the time the schedules were prepared. Producers, purchasers, and transporters of gas were asked to review these preliminary allowables and to submit evidence at this hearing which would support any recommended adjustments to the pool allowable.

(6) The Director of the Office of Interstate Natural Gas Markets submitted graphs showing the history of natural gas production in New Mexico. These graphs also showed the recent increases in production and a lessening in the seasonal effect on production. The production for 1993 was estimated to continue to increase but not as fast as it did in 1992.

(7) Three different Operators appeared and requested upward adjustments to the pools in Northwest New Mexico.

BASIN-DAKOTA POOL

(8) Meridian Oil, Inc., Phillips Petroleum and Amoco Production Co. requested the following adjustments to the pool allowable for the Basin-Dakota Pool:

COMPANY	ADJUSTMENT	RESULTING POOL ALLOWABLE
Meridian Oil, Inc.	2,000,000	10,171,546
Phillips Petroleum	2,600,000	10,771,546
Amoco Production Co.	1,500,000	9,671,546

Each company supported its recommendation with testimony that the gas market for the subject period would increase and would not be subject to the historic seasonal drop over the summer months. The Amoco witness testified that it felt the Meridian recommendation was not unreasonable, but the Phillips request was probably too high.

FINDING: A pool allowable adjustment of 2,000,000 MCF per month is a reasonable and substantial adjustment.

BLANCO-MESAVERDE POOL

(9) *The same three companies presented evidence and*

requested increases to the Blanco-Mesaverde Pool allowable as follows:

COMPANY	ADJUSTMENT	RESULTING POOL ALLOWABLE
Meridian Oil, Inc.	3,000,000	17,317,142
Phillips Petroleum	2,700,000	17,017,142
Amoco Production Co.	2,900,000	17,217,142

FINDING: A pool allowable adjustment of 2,900,000 MCF per month is appropriate and reasonable for this pool.

SOUTH BLANCO-PICTURED CLIFFS POOL

(10) Meridian Oil, Inc. and Amoco Production Co. requested pool allowable adjustments of 150,000 and 100,000 MCF per month, respectively, for the South Blanco-Pictured Cliffs Pool.

FINDING: The Division has, by Order No. R-8170-L, set a minimum allowable of 100 MCF per day for gas proration units with an acreage factor of 1 in this pool, and an adjustment of 177,619 MCF per month for a pool monthly allowable of 1,434,904 MCF per month is needed for this pool in order to reach the minimum allowable required by that order.

TAPACITO-PICTURED CLIFFS POOL

(11) Amoco Production Co. requested an adjustment of 75,000 for a pool monthly allowable of 309,942 for the Tapacito-Pictured Cliffs Pool, which is a reasonable adjustment.

(12) Five operators appeared and presented testimony which supported upward adjustments in the allowables for three different pools in Southeast New Mexico.

BLINEBRY GAS POOL

(13) Marathon Oil Company requested an adjustment of 34,814 MCF/mo. to the pool allowable as presented in the Market Demand and Allowable Determination Schedule prepared by the OCD personnel for the Blinebry Gas Pool. They presented evidence that there was a market for this production. They had also notified all operators in the Blinebry Gas Pool of their intent to request a higher allowable and had not received any objections.

FINDING: The pool allowable for the Blinebry Gas Pool should be adjusted by 34,814 MCF/mo. since

there exists a market for this production and no operator in the Blinebry Gas Pool objected to the increase.

INDIAN BASIN-UPPER PENNSYLVANIAN GAS POOL

(14) Marathon Oil Company and Oryx Energy Company requested an adjustment of 166,234 MCF/mo. to the pool allowable for the Indian Basin-Upper Pennsylvanian Gas Pool. Both companies indicated that they had performed remedial work on several of their wells and had significantly increased the wells' ability to produce. They also provided information that they had a market for this increased production. Marathon notified all the operators of wells in the pool of their intention to ask for this increase and had not received any objections.

Chevron USA, Inc. presented testimony that they had recently worked over several of their wells in the Indian Basin-Upper Pennsylvanian Gas Pool and that they had significantly increased the wells' producing capacity. Chevron also presented testimony that they could market the increased production due to these workovers. They did not object to Marathon's and Oryx's request for an increase in allowable and did not make any recommendation themselves.

FINDING: The Indian Basin-Upper Pennsylvanian Gas Pool allowable as presented in the Market Demand and Allowable Determination Schedule should be adjusted by 166,234 MCF/mo. There is a market for this increased production and none of the operators in the pool objected to the increase.

TUBB GAS POOL

(15) Exxon Corporation requested an adjustment in the pool allowable for the Tubb Gas Pool. The adjustment was 5,928 MCF/mo. and would increase the non-marginal proration unit by 20 MCF/Day.

FINDING: The Tubb Gas Pool allowable should be adjusted by 5,928 MCF/mo. There was no opposition to this request and it does not appear to be enough to infringe on any correlative rights of other operators in the pool.

(16) By Order No. R-8170-M, the Justis-Glorieta Gas Pool had a minimum gas allowable of 600 MCF/Day for an acreage factor of 1.0 established. To match this minimum allowable, an adjustment of 89,069 MCF/mo. should be made to the pool allowable.

IT IS THEREFORE ORDERED THAT:

(1) Exhibits "A" and "B" attached to and incorporated herein are adopted for the purpose of making allowable assignments for the prorated gas pools in New Mexico for the months April, 1993 through September, 1993.

(2) The Oil Conservation Division is hereby directed to allocate production to the individual gas proration units in each of the prorated gas pools for the April, 1993 through September, 1993 allocation period in accordance with this order and other Division Rules, Regulations and Orders.

(3) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico on
the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



GARY CARLSON, Member



WILLIAM W. WEISS, Member



WILLIAM J. LEMAY, Chairman

S E A L

ENG216T--ENG216-01
 RUN-TIME: 15:40:43

EXHIBIT "A" COMMISSION ORDER NO. R-9858
 MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE
 PRORATED GAS POOLS - SOUTHEAST NEW MEXICO
 FOR APR93 THRU SEP93

ENG216T--ENG216-01
 RUN-TIME: 15:40:43

ATOKA PENN 105,758 500,824 310,329 240,881 384,049 2,505,122 92,730 3,513,791 1,188,148 48,936 288,492

BLINEBRY 500,824 310,329 240,881 384,049 2,505,122 92,730 3,513,791 1,188,148 48,936 288,492

CARLSBAD MORROW 240,881 384,049 2,505,122 92,730 3,513,791 1,188,148 48,936 288,492

CATCLAM DRAM MORROW 384,049 2,505,122 92,730 3,513,791 1,188,148 48,936 288,492

EUMONT INDIAN BASIN MORROW SO 92,730 3,513,791 1,188,148 48,936 288,492

INDIAN BASIN UPPER PENN 3,513,791 1,188,148 48,936 288,492

JALMAT JUSTIS 6L 48,936 288,492

(1) AVERAGE MONTHLY POOL SALES APR92-SEP92 ALL VOLUME ARE IN MCF.

(2) TOTAL NOMINATIONS AVG MONTH VOL.

(3) ADJUSTMENTS. 34,814 166,234 89,069 5,928

(4) MONTHLY POOL ALLOWABLE APR93-SEP93 (LINE 1 + LINE 3.) 105,758 535,638 310,329 240,881 384,049 2,505,122 92,730 3,680,025 1,188,148 138,005 294,420

(5) MONTHLY MARGINAL POOL ALLOWABLE APR92-SEP92 82,459 298,138 239,520 233,949 301,060 1,933,788 36,175 2,320,245 1,081,617 7,805 165,489

(6) MONTHLY NON-MARGINAL POOL ALLOWABLES APR93-SEP93 LINE 4 - LINE 5 23,299 237,500 70,809 6,932 82,989 571,334 56,555 1,359,780 106,531 130,200 128,931

(7) NUMBER OF NON-MARGINAL ACREAGE FACTORS 1.00 6.25 2.00 19.75 2.08 6.92 4.25 7.00 9.50

(8) MONTHLY ACREAGE ALLOCATE FACTOR APR93-SEP93 (LN 6 / LN 7) 23,299 38,000 35,450 *25,000 *90,000 28,928 27,189 196,500 25,066 18,600 13,572

F1 FACTORS FOR OTHER POOLS *AS OF 9-30-92 THESE POOLS DO NOT HAVE ANY PRORATION UNITS
 BURTON FLAT STRAWN F1 = 10,000 IN THE NON-MARGINAL STATUS. THESE F1 FACTORS ARE ASSIGNED
 MONUMENT MCKEE ELLEN F1 = 25,000 TO MONITOR THE WELLS IN THESE POOLS.

ENGP216T--ENGP216-01
 RUN-TIME: 15:40:43

EXHIBIT "B" COMMISSION ORDER NO. R-9858
 MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE
 PRORATED GAS POOLS - NORTHWEST NEW MEXICO
 FOR APR93 THRU SEP93

RUN-DATE 02/08/93

BASIN BLANCO BLANCO TAPACITO
 DAKOTA MESA VERDE P.C. SOUTH

(1) AVERAGE MONTHLY 8,171,546 14,317,142 1,257,285 234,942
 POOL SALES

APR92-SEP92

ALL VOLUME ARE IN MCF.

(2) TOTAL
 NOMINATIONS
 AVG MONTH VOL.

(3) ADJUSTMENTS. 2,000,000 2,900,000 177,619 75,000

(4) MONTHLY POOL 10,171,546 17,217,142 1,434,904 309,942
 ALLOWABLE

APR93-SEP93

(LINE 1 + LINE 3.)

(5) MONTHLY MARGINAL 6,377,077 8,886,664 868,301 146,291
 POOL ALLOWABLE

APR92-SEP92

(6) MONTHLY 3,794,469 8,330,478 566,603 163,651
 NON-MARGINAL
 POOL ALLOWABLES

APR93-SEP93

LINE 4 - LINE 5

(7) NUMBER OF 259.84 471.26 332.22 79.10
 NON-MARGINAL
 ACREAGE FACTORS

APR92-SEP92

APR93-SEP93

(8) NUMBER OF 117,671 241,798 15,894 6,114
 NON-MARGINAL
 ACREAGE TIMES
 DELIVERABILITY
 FACTORS

APR92-SEP92

APR93-SEP93

(9) MONTHLY ACREAGE 8,762 4,419 426 517
 ALLOCATE FACTOR

APR92-SEP92

APR93-SEP93

(10) MONTHLY ACREAGE 12.90 25.84 26.74 20.07
 TIMES
 DELIVERABILITY
 ALLOCATE FACTOR

APR92-SEP92

APR93-SEP93