

**BEFORE THE**

**OIL CONSERVATION DIVISION**

**NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
RECEIVED**

**IN THE MATTER OF THE APPLICATION OF  
DOYLE HARTMAN FOR AMENDMENT OF  
DIVISION ORDER NO. R-8170, AS  
AMENDED, TO ESTABLISH MINIMUM GAS  
ALLOWABLES IN THE JALMAT GAS POOL,  
LEA COUNTY, NEW MEXICO.**

**AUG 28 1990**

**OIL CONSERVATION DIVISION**

**CASE NO. 10111**

**APPLICATION**

DOYLE HARTMAN, OIL OPERATOR ("Hartman") by his undersigned attorneys, hereby makes application to the New Mexico Oil Conservation Division ("OCD") for amendment of Division Order No. R-8170, as amended, and in support of his application states:

1. Hartman is an operator and working interest owner in the Jalmat Gas Pool and the Eumont Gas Pool located in Lea County, New Mexico.
2. Division Order No. R-8170 dated March 28, 1986, as amended, prorates natural gas production from these pools on a straight acreage basis.
3. A significant number of the wells in the Jalmat and Eumont Gas Pools were drilled prior to the establishment of pool rules and designation of the pools as prorated gas pools. Due to this fact, a significant number of proration units are non-standard and are multi-well proration units.
4. At the time prorationing was instituted for the Jalmat and Eumont Gas Pools, the total delivery capacity of the Jalmat and Eumont Gas Pools exceeded the pipelines' estimated market demand for the gas produced from these pools. However, since the institution of prorationing in the pool there has been a substantial change in gas

purchasing and marketing practices and other factors affecting the oil and gas industry which makes the application of a minimum allowable necessary to insure equal access of Eumont and Jalmat gas to the market place. At present, there is sufficient market demand for the gas from these pools to justify a minimum allowable. The OCD has authority to adjust allowables to meet market demand. N.M.S.A. Section 70-2-16(C) and (D).

5. Rule 8 of the General Rules for the Prorated Gas Pools of New Mexico provides authority for the NMOCD to set minimum allowables for each well within the pool.

6. Recent allowables assigned to wells in the Jalmat Gas Pool have fluctuated substantially and have been extremely low compared to the producing capacity of wells within the pool.

7. Fluctuations in allowables and their low level and the resulting uncertainty in authorized production rates from wells in the Jalmat Gas Pool have discouraged and will continue to discourage additional development of and attempted workovers in the Jalmat Gas Pool and accordingly will result in a reduction in the total natural gas ultimately produced from this pool, thereby causing waste.

8. Establishment of minimum allowables will increase the ultimate recovery of hydrocarbons from the pool, by increased infill drilling and workovers, thereby preventing waste. By New Mexico statute, the underlying authority to prorate is the prevention of waste. (N.M.S.A. 1978, Section 70-2-16(C)).

9. The total deliverability of the wells in the Jalmat Gas Pool is not expected to exceed market demand for gas produced from the pool, and a market exists for all gas which could be produced under a minimum allowable for the Jalmat Gas Pool. Therefore, approval of this application will not impair the correlative rights of any interest owner in the pool.

10. The fluctuations and low allowables impair Hartman's correlative rights in denying him the opportunity to produce his fair share of gas in the Jalmat Gas Pool, as provided by N.M.S.A. 1978, Section 70-2-17(A).

11. The fluctuations and low allowables in the Jalmat Gas Pool unreasonably discriminate against Jalmat producers compared to other producers in the state of New Mexico, particularly producers in non-prorated pools accessing common gathering and transporting facilities and the San Juan Basin of New Mexico, and the allowables do not bear a reasonable relationship to the prevention of waste or protection of correlative rights, and, therefore are contrary to the Due Process and Equal Protection Clauses of the United States Constitution and Article II, §18 of the New Mexico Constitution.

12. The fluctuations and low allowables of the Jalmat Gas Pool, coupled with current low gas prices, unjustly restricts further development of the Jalmat Gas Pool and places an undue economic burden upon the operators. Additionally, the low and fluctuating allowables in the Jalmat Gas Pool deprive Jalmat producers of the opportunity to obtain a predictable cash flow or reasonable return on their investments and therefore constitutes a "taking without just compensation" contrary to the Fifth and Fourteenth

Amendments to the United States Constitution and Article II, §18 of the New Mexico Constitution.

13. Hartman seeks the establishment of a minimum gas allowable for the Jalmat Gas Pool equal to 600 mcf of gas per day (18,000 mcf of gas per month) for a standard 160-acre spacing unit for a minimum three year period of time.

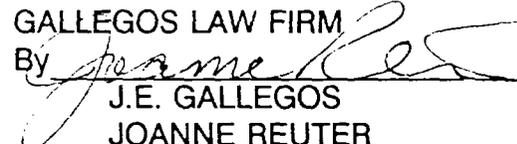
14. As more fully set forth in Hartman's Motion for Consolidation and Request for postponement filed contemporaneously with this Application, Texaco, Inc. has pending before the OCD an application for minimum allowables in the Eumont Gas Pool, OCD Case No. 10036. The Eumont Gas Pool and the Jalmat Gas Pool are geologically similar pools but separated merely due to historical happenstance and by an arbitrary boundary line. However, due to the fact that the Eumont and Jalmat Gas Pools are essentially the same geologic reservoir with a common source of supply, and due to the fact that the Eumont and Jalmat Gas Pools are highly permeable with excellent pressure communication between the wells in the pools, an increase in allowable of the Eumont Gas Pool, exclusive of the Jalmat Gas Pool, may, in fact, impair the correlative rights of the mineral owners, including Hartman, within the Jalmat Gas Pool. Because of common transportation and gathering facilities servicing both the Jalmat and Eumont Gas Pool, the setting of a minimum allowable in the Eumont Gas Pool but not the Jalmat Gas Pool may artificially repress Jalmat production and exclude Jalmat producers from market access. Establishment of minimum allowables for both pools, however, would not impair correlative rights because all producers will have an opportunity to produce their fair share

of gas in the pools consistent with N.M.S.A. 1978, Section 70-2-17(A). The Eumont and Jalmat applications, therefore should be consolidated and heard simultaneously.

WHEREFORE, Hartman requests that:

- (1) this application be consolidated with Texaco, Inc.'s application for minimum allowables in the Eumont Gas Pool, OCD Case No. 10036, and that both be set for hearing before a duly appointed Examiner of the Oil Conservation Division on October 17, 1990; or, alternatively, if consolidation is not granted, that this Application be set for hearing on October 17, 1990 and the OCD delay ruling on Case No. 10036 until after October 17, 1990; and
- (2) that after notice and hearing as required by law, the Division amend Division Order No. R-8170, as amended, to provide for a minimum natural gas allowable, for a minimum three year period of time, of 600 mcf of gas per day (18,000 mcf of gas per month) for a standard 160-acre spacing unit in the Jalmat Gas Pool, Lea County, New Mexico.

Respectfully Submitted,

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