

OIL CONSERVATION COMMISSION

SANTA FE, NEW MEXICO

~~TO: FILE~~
OIL CONSERVATION COMMISSION
Post Office Box 2088
Santa Fe, New Mexico
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PRORATION DEPT.
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M E M O R A N D U M

TO: ALL GAS PRODUCERS AND PURCHASERS

FROM: A. L. PORTER, Jr., SECRETARY-DIRECTOR

SUBJECT: MEETING ON PRORATION PROCEDURES - MARCH 18, 1970

Attached is a suggested revision of gas proration procedures for New Mexico which has been submitted by the Commission staff for consideration by the Commission, gas producers and gas purchasers.

This suggested procedure is being submitted for your study in advance of a meeting which will be held in Morgan Hall at the State Land Office Building in Santa Fe immediately following the regular hearing on March 18, 1970. The meeting should get underway by 10:00 a.m. All producers and purchasers are urged to attend and participate in the discussions. The results of the discussions will have a bearing upon further consideration by the Commission of a hearing to revise the appropriate orders.

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MARCH 2, 1970

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
<i>E1P</i> EXHIBIT NO. <u>5</u>
CASE NO. <u>4436</u>



A SUGGESTED REVISION OF GAS PRORATION PROCEDURES
FOR NEW MEXICO

1. At least 30 days prior to the beginning of each six-month proration period, the Commission would hold a hearing and receive gas nominations from all purchasers in each prorated gas pool.
2. Before the beginning of each six-month proration period, the Commission would issue a gas proration schedule allocating the nominations to each well in each pool for each month of the six-month proration period as follows:
 - (a) Marginal wells would be assigned a "tentative" allowable equal to their average monthly production for the preceding proration period.
 - (b) Non-marginal wells would be assigned a "tentative" allowable in accordance with the pool proration formula.
3. Before the establishment of the proposed six months proration program all wells would be classified on the basis of their production vs. calculated allowables during the proration period preceding the inauguration of the six months program in the following manner:
 - (a) A marginal well is a well which is incapable of producing its calculated non-marginal allowable.
 - (b) A non-marginal well is a well which is capable of producing its calculated non-marginal allowable.
 - (c) Capability of a well would be determined by the well's highest month's production for the previous proration period.
 - (d) Only non-marginal wells with underproduction at the beginning of the period and marginal wells would be considered for reclassification.
 - (e) A non-marginal well could be reclassified marginal when its highest month's production for the most recent proration period is less than its average monthly allowable.

Suggested revision of gas proration
procedures for New Mexico

only say is relative to the present
order and not absolute

- (f) A marginal well could be reclassified non-marginal when its highest month's production for the most recent proration period is in excess of its average calculated monthly non-marginal allowable.
4. When each month's production for the proration period is available, each pool's allowable shall be adjusted to equal the pool production. The allocation to the wells would be as follows:
- (a) Marginal wells would be assigned a final allowable equal to their production for the month.
 - (b) Non-marginal wells would be assigned a final allowable in accordance with the pool proration formula.
 - (c) These allowables would be final and used for all matters pertaining to proration.
5. A monthly schedule would be issued showing the pool adjustments and final pool allocation factors and each well's final allowable, production, cumulative status, and balance status.
6. The balancing of non-marginal wells during a six-month proration period would be accomplished as follows:
- (a) A well with underproduction at the beginning of a proration period would be credited with monthly overproduction. When the cumulative overproduction for the period is equal to or greater than the beginning underproduction, the well is in balance and will have no cancellation at the end of the proration period.
 - (b) A well with overproduction at the beginning of a proration period would be credited with monthly underproduction. When the cumulative underproduction is equal to or greater than the beginning overproduction, the well is in balance and will not be curtailed or shut in at the end of the proration period.
7. Non-marginal wells would continue to be subject to the present six-times overproduction provisions of Order R-1670.

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8. When production for the last month of each proration period is available, the following operations would be performed:

- (a) The wells would be analyzed for possible reclassification in accordance with the above paragraphs 3 (a) through (f). The allowables used at this time would be the final allowables assigned in accordance with paragraph 4 above.
- (b) The volume of underproduction which has not been balanced in accordance with paragraph 6 (a) would be cancelled and redistributed to the non-marginal wells.
- (c) After redistribution, the volume of overproduction which has not been balanced in accordance with paragraph 6 (b) would be determined for purposes of curtailment.
- (d) A six months cancellation and redistribution schedule would be issued showing the amount of cancellation, redistribution, and curtailment.

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March 2, 1970