

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

BRUCE KING  
GOVERNOR

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

**MEMORANDUM**

**TO: ALL PRODUCERS, PURCHASERS AND TRANSPORTERS OF  
GAS FROM ALL PRORATED GAS POOLS IN NEW MEXICO**

**FROM: WILLIAM J. LEMAY, DIRECTOR** *WJL*

**SUBJECT: COMMISSION HEARING ON AUGUST 29, 1991, CONCERNING  
PRORATED GAS ALLOWABLES FOR OCTOBER 1991 - MARCH 1992**

**DATE: AUGUST 5, 1991**

A Commission Hearing will be scheduled for August 29, 1991 for the purpose of receiving nominations and other testimony and information to assist the Commission in determining prorated gas allowables for the Oct. '91 through Mar. '92 allocation period. The assistance of all segments of the natural gas industry is needed in this process so you are urged to attend the hearing and participate.

The following information is being distributed along with this memo:

- PRELIMINARY ALLOWABLE ESTIMATES FOR EACH POOL.
- EXPLANATIONS FOR POOL ALLOWABLE ADJUSTMENTS
- COMPARISON OF MONTHLY AVERAGE POOL ALLOWABLES, SALES, F1 AND F2 FACTORS.
- COMPARISON OF APRIL AND MAY, 1991 SALES VOLUMES TO ALLOWABLES.
- REQUESTED FORMAT FOR NOMINATIONS - FORM C-121-A.

Nominations may be submitted prior to or at the August 29 Hearing. Nominations and other information presented at the hearing will be used to revise the preliminary allowables and assign final allowables for the allocation period.

dr/

PRELIMINARY ALLOWABLE ESTIMATES  
MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE  
FOR OCT 91 THRU MAR 92  
PRORATED GAS POOLS - SOUTHEAST NEW MEXICO

	ADORA PENN	BLINEBRY	BUFFALO	BURTON FLAT	CARLSBAD	CATCLAW	EUMONT	INDIAN BASIN	INDIAN BASIN	JALMAT	JUSTIS GL	TUBB
	VALLEY PENN	MORROW	MORROW	MORROW	DRUM	MORROW	MORROW	UPPER PENN				
(1) AVERAGE MONTHLY POOL SALES OCT 90-MAR 91 ALL VOL.'S ARE IN MCF	113,402	409,780	203,184	424,022	221,417	136,500	2,315,225	204,393	3,372,080	905,099	39,437	213,916
(2) TOTAL NOMINATIONS AVERAGE MONTHLY VOLUMES												
(3) ADJUSTMENTS	27,000	73,000		72,000	14,000	96,253	27,000	188,000	340,391	6,000		60,000
(4) MONTHLY POOL ALLOWABLE OCT 91-MAR 92 (LINE 1 + LINE 3)	140,402	482,780	203,184	424,022	293,417	150,500	2,411,478	231,393	3,560,080	1,245,490	45,437	273,916
(5) MONTHLY MARGINAL POOL ALLOWABLE FOR OCT 91-MAR 92	30,622	160,459	118,747	183,646	213,958	92,289	1,373,502	75,247	2,342,065	842,890	14,065	162,954
(6) MONTHLY NON-MARGINAL POOL ALLOWABLE OCT 91-MAR 92 (LINE 4 MINUS LINE 5)	109,780	322,321	84,437	240,376	79,459	58,211	1,037,976	156,146	1,018,015	402,600	31,372	110,962
(7) NUMBER OF NON-MARGINAL ACREAGE FACTORS	3.42	10.75	2.00	6.88	3.97	2.00	56.72	0.86	5.49	22.00	9.00	11.00
(8) MONTHLY ACREAGE ALLOCATION FACTOR: OCT 91-MAR 92 F1 (LINE 6 DIVIDED BY LINE 7)	32,099	29,983	42,219	34,938	20,015	29,106	18,700	181,565	185,431	18,309	3,486	10,087

OCT 91-MAR 92 F1 FACTORS FOR OTHER POOLS  
BURTON FLAT STRAIN F1-10,000  
MONUMENT MCKEE ELLEN F1-25,000

PRELIMINARY ALLOWABLE ESTIMATES  
MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE  
FOR OCT 91 THRU MAR 92  
PRORATED GAS POOLS - NORTHWEST NEW MEXICO

BASIN	BLANCO	BLANCO	TAPACITO
DAKOTA	RESERVE	P.C. SOUTH	

8,039,435	14,122,492	1,204,658	207,577
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(1) AVERAGE MONTHLY POOL SALES  
OCT 90-MAR 91  
ALL VOL'S ARE IN MCF

(2) TOTAL MONTHLY VOLUMES  
AVERAGE MONTHLY VOLUMES

(3) ADJUSTMENTS

46,000

(4) MONTHLY POOL ALLOWABLE  
OCT 91-MAR 92  
(LINE 1 + LINE 3)

8,039,435	14,168,492	1,204,658	207,577
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(5) MONTHLY MARGINAL  
POOL ALLOWABLE FOR  
OCT 91-MAR 92

4,228,404	6,687,524	515,461	82,453
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(6) MONTHLY NON-MARGINAL  
POOL ALLOWABLE  
OCT 91-MAR 92  
(LINE 4 MINUS LINE 5)

3,811,031	7,480,968	725,197	125,124
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(7) NUMBER OF NON-MARGINAL  
ACREAGE FACTORS

433.65	599.93	456.61	91.74
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(8) NUMBER OF NON-MARGINAL  
ACREAGE & DELIVERABILITY  
FACTORS

205,993	434,101	27,355	9,277
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(9) MONTHLY ACREAGE ALLOCATION  
FACTOR FOR OCT 91-MAR 92, F1

5,273	3,117	397	341
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(10) MONTHLY ACREAGE & DELIV  
ALLOCATION FACTOR FOR  
OCT 91-MAR 92, F2

7.40	12.92	19.88	10.12
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## EXPLANATION FOR POOL ALLOWABLE ADJUSTMENTS

Prorated Gas Pools - Oct '91-Mar '92

<u>POOL</u>	<u>ADJUSTMENT MCF PER MONTH</u>	<u>REASON FOR ADJUSTMENT</u>
Atoka Penn	27,000	Overproduction
Blinebry	73,000	"
Carlsbad Morrow	72,000	Overproduction and Recent Production Volumes
Catchlaw Draw	14,000	Overproduction
Eumont	98,253	Minimum Allowable
Indian Basin Morrow	27,000	Overproduction
Indian Basin Upper Penn	188,000	"
Jalmat	340,391	Minimum Allowable
Justis	8,000	Recent Production
Tubb	60,000	" "
Blanco Mesaverde	48,000	Overproduction

Monthly Marginal Pool Allowables for Oct '91-Mar '92 are estimated based on Apr and May, 1991 Pool Sales Volumes.

COMPARISON OF MONTHLY AVERAGE  
FOOD ALLOWABLES, SALES, F1 AND F2 FACTORS

PERIOD	FOOD ALLOWABLE;MCF PER MU	FOOD SALES;MCF PER MU	ALLOWABLES									
			ALOKA PENN	ELINEBRY	BUFFALO VALLEY PENN	BURTON FLAT MICHIGAN	CARLISBRO MICHIGAN	CATLAW DRUM				
OCT 89-MAR 90												
F1	90,502	88,473	584,153	445,221	226,422	507,581	333,609	231,865				
F2	10,193	10,193	23,478	33,319	18,931	39,238	256,256	126,029				
OCT 90-MAR 91												
F1	100,273	113,402	441,816	409,780	239,674	544,365	200,077	146,514				
F2	17,180	17,180	21,879	33,489	203,184	424,022	221,417	156,500				
OCT 91-MAR 92												
F1	140,402	140,402	482,780	203,184	424,022	293,417	150,500	29,106				
F2	32,099	32,099	29,983	42,219	34,938	20,015						
PERIOD												
OCT 89-MAR 90												
F1	2,279,715	1,779,169	90,717	3,187,359	775,942	57,744	338,032					
F2	13,965	13,965	47,191	3,052,361	855,488	60,222	289,732	8,383				
OCT 90-MAR 91												
F1	2,234,375	2,315,225	209,172	3,431,660	973,904	46,147	236,501					
F2	16,991	16,991	159,687	3,372,080	905,099	39,437	213,916	10,127				
OCT 91-MAR 92												
F1	2,411,178	2,411,178	231,393	3,560,080	1,245,490	45,437	273,916					
F2	18,300	18,300	181,565	185,431	18,300	3,486	10,087					
PERIOD												
OCT 89-MAR 90												
F1	12,242,569	10,302,401	16,894,172	1,797,464	449,567							
F2	4,528	4,528	2,629	1,115,864	318,270							
OCT 90-MAR 91												
F1	9,416,739	8,039,435	15,731,709	1,508,811	332,221							
F2	5,676	5,676	3,690	1,204,658	207,577							
OCT 91-MAR 92												
F1	8,039,435	8,039,435	14,122,492	1,204,658	207,577							
F2	7,83	7,83	15,78	23,18	17,07							
PERIOD												
OCT 89-MAR 90												
F1	5,273	5,273	5,117	397	341							
F2	7,40	7,40	12,92	17,88	10,12							

**COMPARISON OF APRIL AND MAY 1991 SALES VOLUMES  
AND ALLOWABLES; MCF PER MONTH**

**NEW MEXICO PRORATED GAS SALES**

<u>POOL</u>	<u>APR-SEP 1991 MONTHLY ALLOWABLE</u>	<u>AVG. MONTHLY SALES APR. -MAY, 1991</u>
Atoka Penn	107,414	101,987
Blinebry	368,926	423,780
Buffalo Valley Penn	221,054	151,296
Burton Flat Morrow	481,903	303,122
Carlsbad Morrow	252,146	252,452
Catchlaw Draw Morrow	161,064	102,195
Eumont	2,278,783	2,112,369
Indian Basin Morrow	144,974	167,651
Indian Basin Upper Penn	3,166,406	3,231,461
Jalmat	1,148,663	1,091,336
Justis Glorieta	43,021	44,499
Tubb	266,658	245,611
Basin Dakota	8,552,554	6,359,286
Blanco Mesaverde	13,546,300	13,862,223
Blanco P.C. South	1,242,564	991,596
Tapacito	234,518	177,580

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-121-A  
Revised 4-1-91

**OIL CONSERVATION DIVISION**

P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

**PURCHASER'S GAS NOMINATIONS**

COMPANY	ADDRESS
Name of Purchaser or Transporter	Address of Purchaser or Transporter

In accordance with the Rules and Regulations of the Oil Conservation Division of the State of New Mexico, the above named company herewith submits its nominations for the purchase of gas from the Pool Name\*

Pool for the month shown below: (insert in appropriate month)

MONTH	YEAR	NOMINATION, MCF
APRIL		
MAY		
JUNE		
JULY		
AUGUST		
SEPTEMBER		
OCTOBER	1991	30,000
NOVEMBER	1991	30,000
DECEMBER	1991	40,000
JANUARY	1992	40,000
FEBRUARY	1992	30,000
MARCH	1992	30,000

NOTE: All Volumes are to be MCF at 15.025 psia and 60° F.

Signature	Printed Name & Title	Date	Telephone No.
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**FILING INSTRUCTIONS:** One copy of this form must be filed with the Santa Fe Office of the Division by the first day of the month during which the nominations are to be considered at public hearing.

\*Please file a separate form for each pool for which a nomination is made.

OIL CONSERVATION DIVISION  
KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN  
KAREN AUBREY

JASON KELLAHIN  
OF COUNSEL

September 4, 1991

Mr. William Weiss  
New Mexico Petroleum Recovery  
Research Center  
New Mexico Tech Campus  
Socorro, NM 87801

RE: Oil Conservation Division Case for  
Nominations of Allowables for Winter  
Proration Period, NM OCD Case No. 10377

Dear Mr. Weiss:

At the Commission hearing held on August 29, 1991 I presented to the Commission Hallwood Petroleum Inc.'s request for allowable increase for the Catclaw Draw Morrow Gas Pool. At the end of that presentation you asked me to advise you whether any of the Catclaw Draw production from the pool was subject to unitization agreements.

I have been advised by Hallwood that individual spacing and proration units consists of 640 acres with an optional infill provision for a second well. Within each spacing and proration unit, the working interest owners share production and that each spacing and proration unit varies in percentage and identity of working interest owner. There is no unitization consolidating the working interest ownership.

However, there still exists a royalty unit in which state, fee and federal royalties are shared regardless of which spacing unit produces within an area of the pool identified as follows:

T21S, R25E

Section 13: S/2  
14: S/2  
23: All  
24: All  
25: All  
26: All  
35: All  
36: All



Mr. William Weiss  
September 4, 1991  
Page Two

I hope that answers your question. If you desire further information, please let me know.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a large, stylized initial 'W'.

W. Thomas Kellahin

WTK/jcl

cc: William J. LeMay - Oil Conservation Division  
Jim Morrow - Oil Conservation Division  
Gary Carlson - State Land Office  
Bruce Bowman - Hallwood Petroleum Inc.

ltrt904.629

## 6 MONTH ALLOWABLE HEARING OCT - MAR 1992

	OCT 90	NOV 90	DEC 90	JAN 91	FEB 91	MAR 91	TOTALS & AVERAGES
BASIN DAKOTA							
NON-MAR	2,270,107	3,752,856	3,592,763	3,513,643	2,476,722	2,476,722	18,082,813
#NON-MAR	472	446	459	459	470	470	463
MAR	4,752,799	5,290,505	5,477,914	5,514,799	3,772,886	3,772,886	28,581,789
#MAR	2,396	2,422	2,409	2,409	2,397	2,397	2,405
TOTAL	7,059,517	9,094,790	9,118,586	9,075,463	6,285,470	6,285,470	46,919,296
BLANCO MESAVERDE							
NON-MAR	5,081,451	6,933,144	7,852,017	7,997,505	6,969,774	6,969,774	41,803,665
#NON-MAR	591	559	658	660	673	673	636
MAR	7,004,570	7,813,342	6,987,627	7,001,354	5,316,705	5,316,705	39,440,303
#MAR	1,980	2,012	1,913	1,911	1,899	1,899	1,936
TOTAL	12,110,984	14,807,781	14,902,296	15,036,545	12,303,049	12,303,049	81,463,704
BLANCO PC							
NON-MAR	510,471	602,424	629,370	644,058	481,869	481,869	3,350,061
#NON-MAR	494	451	460	462	464	464	466
MAR	448,379	560,528	739,163	812,508	539,429	539,429	3,639,436
#MAR	1,199	1,243	1,243	1,234	1,232	1,232	1,231
TOTAL	959,006	1,163,142	1,368,746	1,457,361	1,021,460	1,021,460	6,991,175
TAPACITO PC							
NON-MAR	146,526	114,349	145,937	140,080	96,750	96,750	740,392
#NON-MAR	120	90	103	103	104	104	104
MAR	66,561	75,741	107,109	139,319	58,363	58,363	505,456
#MAR	214	244	231	231	231	231	230
TOTAL	213,087	190,090	253,195	282,192	155,113	155,113	1,248,790

# **GAS COMPANY OF NEW MEXICO**

Sarah D. Smith

MANAGER  
LEGAL AND REGULATORY AFFAIRS

August 19, 1991

Mr. Robert Stovall, Esq.  
Oil Conservation Division  
P. O. Box 2088  
State Land Office Building  
Santa Fe, New Mexico 87504-2088

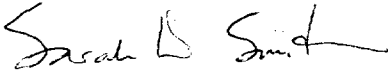
RE: October 1991 - March 1992 Allowables, Case #10377

Dear Bob:

Enclosed please find for filing an original and three copies of my entry of appearance on behalf of Gas Company of New Mexico and Sunterra Gas Gathering Company. Please send me a conformed copy in the self-addressed, stamped envelope provided.

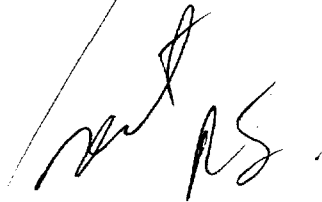
Thank you for your attention to this matter. Please do not hesitate to call if you have any questions or need additional information from us.

Yours very truly,



Sarah D. Smith

SDS:ls  
Enclosures




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 THE OCTOBER 1991  
- 1992 GAS ALLOWABLES


CASE NO. 10377

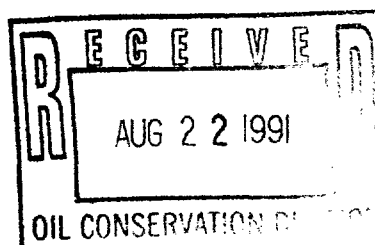
ENTRY OF APPEARANCE

Sarah D. Smith, Esq. does hereby enter her appearance on  
behalf of Gas Company of New Mexico (GCNM) and Sunterra Gas  
Gathering Company (SGGC) in the above-captioned matter.

  
\_\_\_\_\_  
Sarah D. Smith, Esq.  
Attorney for  
GAS COMPANY OF NEW MEXICO and  
SUNTERRA GAS GATHERING COMPANY  
P. O. Box 26400  
Albuquerque, NM 87125-6400  
(505) 880-7937

I hereby certify that copies of the foregoing document were  
served upon those persons designated on the official service list  
in this proceeding this 19<sup>th</sup> day of August, 1991.

  
\_\_\_\_\_  
Sarah D. Smith, Esq.



Oil Conservation Division  
*Hallwood Energy Companies*

4582 South Ulster Street Parkview, Stamford Place #10,377 Post Office Box 378111  
Denver, Colorado 80237 (303) 850-7373

FEDERAL EXPRESS

August 15, 1991

State of New Mexico  
Oil Conservation Division  
Attn: Jim Morrow  
P. O. Box 2088  
Land Office Building  
Santa Fe, NM 87504-2088

Re: Catclaw Draw Morrow Field  
Purchaser Gas Nominations  
Form C-121-A  
October 1991 - March 1992

Dear Sir:

Attached for your use and records is Hallwood Petroleum's Purchaser Gas Nomination Form (C-121-A) for the upcoming 6-month proration period for Catclaw Draw Morrow Field. This information should be valuable in calculating the field allowables and represents an accurate volume of gas that Hallwood can produce from our thirteen (13) currently producing wells in the Catclaw Draw Morrow Field over the 6-month period of October 1991 through March 1992.

It is important to point out, as we discussed in our August 12, 1991 meeting, that these volumes are significantly higher than past historical production volumes for the field, primarily due to the following:

1. Catclaw Draw Unit #9 Recompletion -- This well was successfully recompleted in May 1991 to the Morrow "A" and "B" zones, and the former producing zone (Morrow "C") is temporarily abandoned. The well has demonstrated sustained production capability of 5500-7000 MCFD, with an AOF of 17,658 MCFD. Production from this well represents 52% of our total monthly volume.
2. Catclaw Draw Unit Com #17 -- This well was recompleted to the Morrow "A" zone in July 1991 with a resulting production increase from 50 MCFD to 940 MCFD! Production from this well represents 7% of our total monthly volume.

OIL CONSERVATION DIVISION  
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State of NM Oil Conservation Division  
August 15, 1991  
Page 2

3. Catclaw Draw Unit Com #16 -- This well is planned for a Morrow "A" zone recompletion in September 1991 and is analogous to the Catclaw Draw #17 well. We anticipate a production increase to 900 MCFD (27,360 MCF per month), again 7% of our total projected monthly volume.

It should also be mentioned that Hallwood is the first purchaser on nine (9) of the thirteen (13) currently producing wells we operate in Catclaw Draw Morrow Field, and Gas Company of New Mexico is first purchaser on four (4) wells, being:

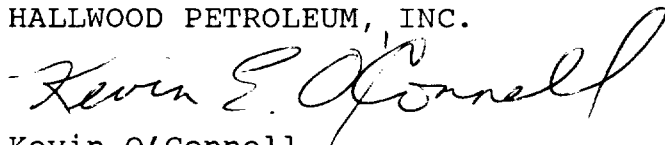
1. Catclaw Draw Unit #7
2. Catclaw Draw Unit Com #16
3. Catclaw Draw Unit Com #17
4. Nan-Bet Com #1

Hallwood is nominating gas for all thirteen (13) wells for this period and has discussed this with Gas Company of New Mexico to avoid duplicate reporting by two parties (see Attachment #2).

We hope this information is useful in determining pool allowables that will enable Hallwood and other operators in the field to produce their non-marginal wells at reasonable rates relative to the wells' capacity while still allowing the marginal wells to produce at their full capacity. We look forward to the August 29, 1991 hearing. Should you have any questions please call Kevin O'Connell at (303) 850-6303 or 1-800-388-4833.

Sincerely,

HALLWOOD PETROLEUM, INC.



Kevin O'Connell  
Drilling & Production Supervisor  
Western District

Enclosures

cc: Bruce Bowman	Victor T. Lyon
Mike Gregory	Tom Kellahin
Eva Kardas	
Gas Company of New Mexico - P. O. Box 26400	
	Albuquerque, NM 87125
	Attn: Paul Mollo

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State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-121-A  
Revised 4-1-91

OIL CONSERVATION DIVISION

P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

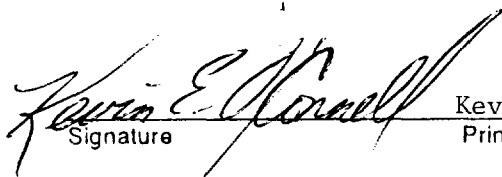
PURCHASER'S GAS NOMINATIONS

COMPANY HALLWOOD PETROLEUM, INC.	ADDRESS P. O. Box 378111, Denver, CO 80237
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In accordance with the Rules and Regulations of the Oil Conservation Division of the State of New Mexico, the above named company herewith submits its nominations for the purchase of gas from the Catclaw Draw Morrow (Prorated Gas) Pool for the month shown below: (insert in appropriate month)

MONTH	YEAR	NOMINATION, MCF
APRIL		
MAY		
JUNE		
JULY		
AUGUST		
SEPTEMBER		
OCTOBER	1991	410,000
NOVEMBER	1991	410,000
DECEMBER	1991	410,000
JANUARY	1992	408,000
FEBRUARY	1992	400,000
MARCH	1992	405,000

NOTE: All Volumes are to be MCF at 15.025 psia and 60° F.

  
Signature

Drilling & Production  
Kevin E. O'Connell Supervisor  
Printed Name & Title  
Date 8/15/91  
Telephone No. (303)850-6303

**FILING INSTRUCTIONS:** One copy of this form must be filed with the Santa Fe Office of the Division by the first day of the month during which the nominations are to be considered at public hearing.

ATTACHMENT #2

Nominations from four (4) wells connected to Gas Company of New Mexico. These volumes are included in C-121-A nomination by Hallwood.

<u>Well Name</u>	<u>Daily Rate (MCFD)</u>	<u>Monthly Volume (MCF)</u>
Catclaw Draw Unit #7	359	10,914
Catclaw Draw Unit Com #6	900	27,360
Catclaw Draw Unit Com #17	940	28,576
Nan-Bet Com #1	620	<u>18,848</u>
	TOTAL	85,698 MCF



KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN  
KAREN AUBREY

JASON KELLAHIN  
OF COUNSEL

TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

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OCT 18 1991

October 18, 1991

OIL CONSERVATION DIVISION

Mr. William J. LeMay  
Oil Conservation Division  
310 Old Santa Fe Trail, Room 206  
Santa Fe, New Mexico 87501

HAND DELIVERED

Mr. Gary Carlson  
Office of the State Land Commissioner  
State Land Office Building  
310 Old Santa Fe Trail  
Santa Fe, New Mexico 87501

HAND DELIVERED

Mr. William Weiss  
New Mexico Petroleum Recovery  
Research Center  
New Mexico Tech Campus  
Socorro, New Mexico 87801

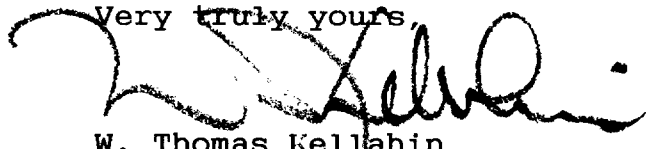
FEDERAL EXPRESS

RE: Hallwood Petroleum Inc. Application for  
Rehearing of Case No. 10377  
Commission Order R-9586

Gentlemen:

On behalf of Hallwood Petroleum Inc., please find enclosed our Application of Rehearing of the referenced case. This case was heard by the Commission on August 29, 1991 and was decided by Order No. R-9586 entered October 3, 1991.

Very truly yours,



W. Thomas Kellahin

WTK/jcl

Enclosure

cc: Robert Stovall, Esq.

William F. Carr, Esq.

Bruce Bowman, Hallwood Petroleum Inc.

lttrt1018.629

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

BRUCE KING  
GOVERNOR

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
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**MEMORANDUM**

**TO: ALL PRODUCERS, PURCHASERS AND TRANSPORTERS OF  
GAS FROM ALL PRORATED GAS POOLS IN NEW MEXICO**

**FROM: WILLIAM J. LEMAY, DIRECTOR** *WJL*

**SUBJECT: COMMISSION HEARING ON AUGUST 29, 1991, CONCERNING  
PRORATED GAS ALLOWABLES FOR OCTOBER 1991 - MARCH 1992**

**DATE: AUGUST 5, 1991**

A Commission Hearing will be scheduled for August 29, 1991 for the purpose of receiving nominations and other testimony and information to assist the Commission in determining prorated gas allowables for the Oct. '91 through Mar. '92 allocation period. The assistance of all segments of the natural gas industry is needed in this process so you are urged to attend the hearing and participate.

The following information is being distributed along with this memo:

- o PRELIMINARY ALLOWABLE ESTIMATES FOR EACH POOL.
- o EXPLANATIONS FOR POOL ALLOWABLE ADJUSTMENTS
- o COMPARISON OF MONTHLY AVERAGE POOL ALLOWABLES, SALES, F1 AND F2 FACTORS.
- o COMPARISON OF APRIL AND MAY, 1991 SALES VOLUMES TO ALLOWABLES.
- o REQUESTED FORMAT FOR NOMINATIONS - FORM C-121-A.

Nominations may be submitted prior to or at the August 29 Hearing. Nominations and other information presented at the hearing will be used to revise the preliminary allowables and assign final allowables for the allocation period.

dr/

ALTOA PENN	PLINEBRY	BUFFALO	BORTON FLAT	CARLSBAD	CATCLAW	EUMONT	INDIAN BASIN	INDIAN BASIN	JALMAY	JUSTIS GL	TUBB
VALLEY PENN	MORROW	MORROW	MORROW	MORROW	MORROW	MORROW	UPPER PENN				

(7) TOTAL NOMINATIONS  
AVERAGE MONTHLY VOLUMES

OCT 91-MAR 92 FI FACTORS FOR OTHER PROLS  
BURTON FLAT STRAWN FI=10.0000  
MOUNDMENT MCKEE ELLIEN FI=75.0000

PRELIMINARY ALLOWABLE ESTIMATES  
MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE  
FOR OCT 91 THRU MAR 92  
PRORATED GAS POOLS - NORTHWEST NEW MEXICO

BASIN      BLANCO      BLANCO      TAPACHO  
DALOTA      MESAVIESTE      P. C. SOUTH

8,039,435      14,122,492      1,204,658      207,577

(1) AVERAGE MONTHLY POOL SALES  
OCT 90-MAR 91  
ALL VOLUMES ARE IN MCF

(2) TOTAL MONTHLY VOLUMES  
AVERAGE MONTHLY VOLUMES

(3) ADJUSTMENTS      46,000

(4) MONTHLY POOL ALLOWABLE  
OCT 91-MAR 92  
(LINE 1 + LINE 3)

8,039,435      14,168,492      1,204,658      207,577

(5) MONTHLY MARGINAL  
POOL ALLOWABLE FOR  
OCT 91-MAR 92

4,228,404      6,687,524      515,461      82,453

(6) MONTHLY NON-MARGINAL  
POOL ALLOWABLE  
OCT 91-MAR 92  
(LINE 4 MINUS LINE 5)

3,811,031      7,480,968      725,197      125,124

(7) NUMBER OF NON-MARGINAL  
ACREAGE FACTORS

433.65      599.93      454.61      91.74

(8) NUMBER OF NON-MARGINAL  
ACREAGE & DELIVERABILITY  
FACTORS

205,993      434,101      27,355      9,277

(9) MONTHLY ACREAGE ALLOCATION  
FACTOR FOR OCT 91-MAR 92, F1

5,275      3,117      397      341

(10) MONTHLY ACREAGE & DELIV  
ALLOCATION FACTOR FOR  
OCT 91-MAR 92, F2

7.40      12.92      19.88      10.12

## EXPLANATION FOR POOL ALLOWABLE ADJUSTMENTS

Prorated Gas Pools - Oct '91-Mar '92

<u>POOL</u>	<u>ADJUSTMENT MCF PER MONTH</u>	<u>REASON FOR ADJUSTMENT</u>
Atoka Penn	27,000	Overproduction
Blinebry	73,000	"
Carlsbad Morrow	72,000	Overproduction and Recent Production Volumes
Catchlaw Draw	14,000	Overproduction
Eumont	98,253	Minimum Allowable
Indian Basin Morrow	27,000	Overproduction
Indian Basin Upper Penn	188,000	"
Jalmat	340,391	Minimum Allowable
Justis	8,000	Recent Production
Tubb	60,000	" "
Blanco Mesaverde	46,000	Overproduction

Monthly Marginal Pool Allowables for Oct '91-Mar '92 are estimated based on Apr and May, 1991 Pool Sales Volumes.

COMPARISON OF MONTHLY AVERAGE  
FOUL ALLOWABLES, SALES, F1 AND F2 FACTORS

PERIOD	ADOKA PENN	ELINEBRY	BUFFALO VALLEY PENN	ROXTON FLAT MICHIGAN	CARLSBAD MICHIGAN	CATLAW DRUM
OCT 89-MAR 90						
FOUL ALLOWABLE:MCF PER MD	90,502	584,153	226,422	507,581	333,609	231,865
F1	88,473	445,221	207,301	392,388	256,256	126,029
FOUL SALES:MCF PER MD	10,193	23,478	33,319	18,931	34,790	31,079
OCT 90-MAR 91						
FOUL ALLOWABLE:MCF PER MD	100,273	441,816	239,674	544,365	200,077	146,514
F1	113,402	409,780	203,184	424,022	221,417	156,500
FOUL SALES:MCF PER MD	17,180	21,879	33,489	39,884	10,517	21,757
OCT 91-MAR 92						
FOUL ALLOWABLE:MCF PER MD	140,402	482,780	203,184	424,022	293,417	150,500
F1	32,099	29,983	42,219	34,938	20,015	29,106

PERIOD	ELEMENT	IND. MICHIGAN	BASIN	IND. LUTHER PENN	JALMAY	JUSTIS	TURB
OCT 89-MAR 90							
FOUL ALLOWABLE:MCF PER MD	2,279,715	90,717	3,187,359	775,942	57,744	338,032	
F1	1,779,169	78,348	3,052,361	855,488	60,222	289,732	
FOUL SALES:MCF PER MD	13,965	47,191	132,760	7,184	3,575	8,383	
OCT 90-MAR 91							
FOUL ALLOWABLE:MCF PER MD	2,234,375	209,172	3,431,660	973,904	46,147	236,501	
F1	2,315,225	204,393	3,372,080	905,099	39,437	213,916	
FOUL SALES:MCF PER MD	16,991	159,687	173,285	13,912	3,541	10,127	
OCT 91-MAR 92							
FOUL ALLOWABLE:MCF PER MD	2,411,178	231,393	3,560,080	1,245,490	45,437	273,916	
F1	18,300	181,565	185,431	18,300	3,486	10,087	

PERIOD	BASIN DAKOTA	BLANCO MESAVARDE	BLANCO P.C. SOUTH	TAPACITO
OCT 89-MAR 90				
FOUL ALLOWABLE:MCF PER MD	12,242,569	16,894,172	1,797,464	449,567
F1	10,302,401	14,990,087	1,115,864	318,270
FOUL SALES:MCF PER MD	4,528	2,629	375	488
F2	8,114	13,44	17,16	19,14
OCT 90-MAR 91				
FOUL ALLOWABLE:MCF PER MD	9,416,739	15,731,709	1,508,811	332,221
F1	8,039,435	14,122,492	1,204,658	207,577
FOUL SALES:MCF PER MD	5,676	3,690	483	546
F2	7,83	15,78	23,18	17,07
OCT 91-MAR 92				
FOUL ALLOWABLE:MCF PER MD	8,039,435	14,168,492	1,204,658	207,577
F1	5,273	3,117	397	341
FOUL SALES:MCF PER MD	7,40	12,92	19,88	10,12
F2				

**COMPARISON OF APRIL AND MAY 1991 SALES VOLUMES  
AND ALLOWABLES; MCF PER MONTH**

**NEW MEXICO PRORATED GAS SALES**

<u>POOL</u>	<u>APR-SEP 1991 MONTHLY ALLOWABLE</u>	<u>AVG. MONTHLY SALES APR.-MAY, 1991</u>
Atoka Penn	107,414	101,987
Blinebry	368,928	423,780
Buffalo Valley Penn	221,054	151,296
Burton Flat Morrow	481,903	303,122
Carlsbad Morrow	252,146	252,452
Catclaw Draw Morrow	161,064	102,195
Eumont	2,278,783	2,112,369
Indian Basin Morrow	144,974	167,651
Indian Basin Upper Penn	3,166,408	3,231,461
Jalmat	1,148,663	1,091,336
Justis Glorieta	43,021	44,499
Tubb	266,658	245,611
Basin Dakota	8,552,554	6,359,286
Blanco Mesaverde	13,546,300	13,862,223
Blanco P.C. South	1,242,584	991,596
Tapacito	234,518	177,580

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-121-  
Revised 4-1-9

**OIL CONSERVATION DIVISION**

P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

**PURCHASER'S GAS NOMINATIONS**

COMPANY	ADDRESS
Name of Purchaser or Transporter	Address of Purchaser or Transporter

In accordance with the Rules and Regulations of the Oil Conservation Division of the State of New Mexico, the above named company herewith submits its nominations for the purchase of gas from the Pool Name\*

Pool for the month shown below: (insert in appropriate month)

MONTH	YEAR	NOMINATION, MCF
APRIL		
MAY		
JUNE		
JULY		
AUGUST		
SEPTEMBER		
OCTOBER	1991	30,000
NOVEMBER	1991	30,000
DECEMBER	1991	40,000
JANUARY	1992	40,000
FEBRUARY	1992	30,000
MARCH	1992	30,000

NOTE: All Volumes are to be MCF at 15.025 psia and 60° F.

Signature

Printed Name & Title

Date

Telephone No.

**FILING INSTRUCTIONS:** One copy of this form must be filed with the Santa Fe Office of the Division by the first day of the month during which the nominations are to be considered at public hearing.

\*Please file a separate form for each pool for which a nomination is made.



**EXHIBIT "B"**  
**Case No. 10009 - Order No. R-8170-H**

**RULE 1      DEFINITIONS**

**ACREAGE FACTOR:** A GPU's acreage factor shall be determined to the nearest hundredth of a unit by dividing the acreage assigned to the GPU by a number equal to the number of acres in a standard GPU for such pool. However, the acreage tolerance provided in Rule 2(a)2 shall apply.

**AD FACTOR:** Acreage times deliverability factor is calculated in pools where acreage and deliverability are proration factors. The product obtained by multiplying the acreage factor by the calculated deliverability (expressed as MCF per day) for that GPU shall be known as the AD factor for that GPU. The Ad Factor shall be computed to the nearest whole unit.

**ALLOCATION HEARING:** A hearing held by the Division twice each year to determine pool allocations for the ensuing allocation period.

**ALLOCATION PERIOD:** Six month period beginning at 7:00 a.m. April 1 and October 1 of each year shall be the allocation period.

**BALANCING DATE:** The date 7:00 a.m. April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period.

**BROKER:** A third party who negotiates contracts for purchase and resale.

**CLASSIFICATION PERIOD:** A three month period beginning at 7:00 a.m. April 1, July 1, October 1, and January 1 of each year shall be the classification period.

**GAS POOL:** Any pool which has been designated as a gas pool by the Division after notice and hearing.

**GAS PRORATION UNIT (GPU):** The acreage allocated to a well, or in the case of an infill well or wells to a group of wells, for purposes of spacing and proration shall be known as the gas proration unit (GPU). GPUs may be either of a standard or non-standard size as provided in these rules. (GPUs means plural GPU).

**GAS TRANSPORTER:** The term Gas Transporter as used in these rules shall mean any taker of gas, The party servicing the well meter, or the party responsible for measurement of gas sold from the well or beneficially used off-lease. This could be at the wellhead, at any other point on the lease, or at any other point authorized by the Division where connection is made for gas transportation or utilization (other than is

necessary for maintaining the producing ability of the well). The Gas Transporter can be the gatherer, transporter, producer, or a delegate of one of those parties. The Gas Transporter shall be identified on Form C-104 and will be responsible for filing Form C-111 as required under the provisions of Rule 1111.

**GAS PURCHASER:** The term Gas Purchaser as used in these rules shall mean the purchaser (where ownership of the gas is first exchanged by the producer to the purchaser for an agreed value) of the gas from a gas well or GPU.

**HARDSHIP GAS WELL:** A gas well wherein underground waste will occur if the well should be shut-in or curtailed below its minimum sustainable flow rate. No well shall be classified as a hardship gas well except after notice and hearing or upon appropriate administrative action of the Division.

**INFILL WELL:** An additional producing well on a GPU which serves as a companion well to an existing well on the GPU.

**MARGINAL GPU:** A proration unit which is incapable of producing or has not produced the non-marginal allowable based on pool allocation factors. Marginal GPUs do not accrue over- or under-production.

**NON-MARGINAL GPU:** A proration unit receiving an allowable based upon pool allocation factors. Non-marginal proration units accrue over- or under-production.

**OVERPRODUCTION:** The volume of gas produced on a GPU in any month in excess of the assigned non-marginal allowable (does not include gas used in maintaining the producing ability of the well(s) of the GPU). Overproduction accumulates month to month during the proration period.

**PRORATED GAS POOL:** A prorated gas pool is a gas pool in which, after notice and hearing, the production is allocated by the Division in accordance with these General Rules and any applicable special pool rules.

**PRORATION PERIOD:** The twelve-month period beginning April 1 of each year shall be the gas proration period.

**SHADOW ALLOWABLE:** The gas volume calculated for a marginal GPU that is equal to the allowable assigned to a non-marginal GPU in the same pool of the same A (acreage) or A and AD (acreage deliverability) factors as the marginal GPU.

**UNDERPRODUCTION:** The volume of assigned non-marginal

allowable not produced on a GPU. Underproduction accumulates month to month during the proration period.

#### A. WELL ACREAGE AND LOCATION REQUIREMENTS

##### RULE 2 STANDARD GAS PRORATION UNIT SIZE AND WELL SPACING

(a) Unless otherwise provided for in applicable special pool rules gas wells in prorated gas pools shall be drilled in accordance with the well spacing and acreage requirements contained in the Rules and Regulations of the Oil Conservation Division, provided that wells drilled in pools with 640 acre spacing, a government section shall comprise the proration unit.

(b) Any GPU drilled in accordance with paragraph (a) and which contains acreage within the tolerances below shall be considered a standard GPU for the purpose of calculating allowables:

<u>STANDARD PRORATION UNIT</u>	<u>ACREAGE TOLERANCE</u>
160 acres	158-162 acres
320 acres	316-324 acres
640 acres	632-648 acres

(c) The District Supervisor of the appropriate district office of the Division has the authority to approve a non-standard GPU without notice and hearing when the unorthodox size and shape of the GPU is necessitated by a variation in the legal subdivision of the U.S. Public Land Surveys and the non-standard GPU is not less than 75 % nor more than 125% of a standard GPU by accepting a form C-102 land plat showing the proposed non-standard GPU with the number of acres contained therein, and shall assign an allowable to the non-standard GPU based upon the acreage factor for that acreage.

(d) Non-standard proration units and unorthodox locations may be approved by the Division in accordance with applicable special pool rules or Rules and Regulations of the Division.

RULE 3(a) GAS PURCHASERS OR GAS TRANSPORTERS SHALL NOMINATE: Each gas purchaser or each gas transporter as herein provided shall file with the Division its nomination for the amount of gas which it in good faith desires to purchase and/or expects to transport

during the ensuing allocation period from each gas pool regulated by this order. The purchaser may delegate the nomination responsibility to the transporter, operator, or broker by notifying the Division's Santa Fe office. One copy of such nomination for each pool shall be submitted to the Division's Santa Fe office on Form C-121-A by the first day of the month during which the Division will consider at its allocation hearing, the nominations for the succeeding allocation period. The Division shall consider at its allocation hearing the nominations received, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste during the ensuing allocation period.

The Division Director may, at his discretion, suspend this rule at such time as it appears that the nominations are of little or no value.

**RULE 3(b)1 SCHEDULE:** The Division shall issue a gas proration schedule for each allocation period showing the monthly allowable for each GPU that may be produced during each month of the ensuing allocation period, the current classification of each GPU, and such other information as is necessary to show the allowable-production status of each GPU on the schedule. The Division may issue supplemental proration schedules during an allocation period as necessary to show changes in GPU classification, adjustments to allowables due to changes in market conditions or to reflect any other changes as the Division deems necessary.

**RULE 3(b)2 PRORATION OF ALL GAS WELLS WITHIN A POOL:** The Division shall include in the proration schedule the gas wells in the gas pools regulated by this order delivering to a gas transporter, and shall include in the proration schedule any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility, which is reasonably capable of handling the type of gas produced by such well.

### **C. ALLOCATION AND GRANTING OF ALLOWABLES**

**RULE 4 FILING OF FORM C-102 AND FORM C-104 REQUIRED:** No GPU shall be assigned an allowable prior to receipt of Form C-102 (well location and acreage dedication plat) and the approval date of Form C-104 (Request for Allowable and Authorization to Transport Oil and Natural Gas).

**RULE 5 HOW ALLOWABLES ARE CALCULATED:** The total allowable to be allocated to each gas pool regulated by this order for each allocation period shall be equal to the estimated market demand as determined by the Division, plus any adjustments the Director deems

necessary to equate the total pool allowable to the estimated market demand, the Director may make such adjustments as he deems necessary to compensate for overproduction, underproduction, and other circumstances which may necessitate such adjustment so as to equate pool allowable to the anticipated market demand. The estimated market demand for each pool shall be established from any information the Director requires and can consist of nominations from purchasers, transporters or other parties having knowledge of market demand for gas from such pools, actual past production figures, seasonal trends, or any other factors deemed necessary to establish estimated market demand. The Director shall not be bound to use all the information requested and can establish market demand by any method so approved. A monthly allowable shall be assigned to each GPU entitled to an allowable for the ensuing allocation period by allocating the pool allowable among all such GPUs in that pool in accordance with the procedure set forth in the following paragraphs of this order. Should market conditions indicate a change is necessary, the Director may adjust allowables up or down during the 6-month allocation period using a maximum of 10% as a guideline.

RULE 5(a)1 MARGINAL GPU ALLOWABLE: The monthly allowable to be assigned to each marginal GPU shall be equal to its average monthly production from its latest classification period.

RULE 5(a)2 NON-MARGINAL GPU ALLOWABLE: Non-marginal GPU allowables shall be determined in conformance with the applicable special pool rules.

(1) In pools where acreage is the only proration factor, the total non-marginal allowable shall be allocated to each GPU in the proportion that each GPU acreage factor bears to the total acreage factor for all non-marginal GPUs.

(2) In pools where acreage and deliverability are proration factors:

- (a) A percentage as set forth in special pool rules, of the non-marginal allowable shall be allocated to each GPU in the proportion that each GPU's AD factor bears to the total AD factor for all non-marginal GPUs in the pool; and
- (b) The remaining non-marginal allowable shall be allocated to non-marginal GPUs among each GPU in the proportion that each GPU's acreage factor bears to the total acreage factor for all non-marginal GPUs in the pool.

**RULE 5(b)1 NEW CONNECTS ASSIGNMENT OF ALLOWABLES:**  
**Allowables to newly completed gas wells shall commence:**

(A) In pools where acreage is the only proration factor, on the date of first delivery of gas to a gas transporter as demonstrated by an affidavit furnished by the transporter to the appropriate Division district office or the approval date of Form C-102 and Form C-104 whichever is later; or,

(B) In pools where acreage and deliverability are proration factors:

- 1) An acreage factor allowable will be assigned the later of:
  - a) The date of first delivery of gas to a gas transporter as demonstrated by an affidavit furnished by the transporter to the appropriate Division district office.
  - b) The approval date of Form C-103 and Form C-104.
- 2) A deliverability factor allowable will be assigned the later of:
  - a) The date of first delivery.
  - b) 90 days prior to the date of receipt of the deliverability test report at the appropriate Division district office.
  - c. Allowables assigned to new connects completed within an allocation period shall be equal to the allowable assigned to a non-marginal GPU of similar acreage or acreage and deliverability factors as adjusted to the effective date of the allowable as herein provided.

**RULE 5(b)2 NEW CONNECT MAXIMUM PRODUCING PERIOD:** No well located in a pool where deliverability is an allowable factor shall be permitted to produce more than 120 days after the date of first delivery without a deliverability test. Any well shut in for failure to file a deliverability test may be assigned producing authorization by the Division district office for purposes of conducting such test. Except as provided in Rule 9, all production following connection including the

volume of test production shall be charged against the GPU's regular allowable when assigned. Any resulting allowable assigned shall be effective on the day that the delinquent deliverability test is received in the appropriate Division district office.

**RULE 6 GAS CHARGED AGAINST GPU'S ALLOWABLE:** Except as provided in the Special Pool Rules, the volume of produced gas sold or beneficially used other than lease fuel from each GPU shall be charged against the GPU's allowable; however, the gas used in maintaining the producing ability of the well shall not be charged against the allowable.

**RULE 7 CHANGE IN ACREAGE:** If the acreage assigned to a GPU is changed, the operator shall notify the appropriate Division district office in writing of such change by filing a revised Plat (Form C-102). The revised allowable, as determined by the Division, assigned to the GPU shall be effective on the first day of the month following receipt of the notification.

**RULE 8 MINIMUM ALLOWABLES:** After notice and hearing, the Division may assign minimum allowables for prorated gas pools to avoid waste, encourage efficient operations, and to prevent the premature abandonment of wells. (See Special Pool Rules for minimum allowable amount.) In determining the volume of minimum allowable for a well with a standard proration unit, the Division shall take into account economic and engineering factors such as drilling and operating costs, anticipated revenues, taxes, and any other such data that will establish that the ultimate recovery of hydrocarbons will be increased from the pool as a result of the adoption of a minimum allowable for the pool. Once adopted, the minimum allowable for wells with non-standard proration units shall be proportionally adjusted.

**RULE 9(a) DELIVERABILITY TESTS:** In pools where both acreage and deliverability are proration factors, deliverability tests taken in accordance with Division Rules shall be used in calculating allowables for the succeeding proration period. Deliverability shall be determined in accordance with the provisions of the appropriate test manual (See Gas Well Testing Manual For Northwest New Mexico).

**RULE 9(b) DELIVERABILITY RETEST:** A change in a well's deliverability following a retest after any activity, other than routine maintenance, shall become effective the later of:

- 1) The date of redelivery after such activity, such date to be indicated on the sundry notice (if a sundry notice is required) and on the remarks portion of the Form C-122-A; or,

- 2) 90 days prior to the date of receipt of the appropriate deliverability test report from at the appropriate Division district office, or
- 3) A change in a well's deliverability due to any other reason shall become effective on the first day of the month following the month during which the retest is approved in the appropriate Division district office.

RULE 9(c) EXCEPTIONS TO DELIVERABILITY TESTS: The Director of the Oil Conservation Division shall have authority to allow exceptions to the deliverability test requirement for wells on marginal GPUs where the deliverability of a well is of such volume as to have no significance in the determination of the GPU's allowable. Application for such exception may be submitted by the operator of the well and if granted may be revoked by the Director at any time by requesting the well to be scheduled and tested in accordance with the current "Gas Well Testing Rules and Procedures".

RULE 9(d) WELLS EXEMPT FROM TESTING - SAN JUAN BASIN: A well automatically becomes exempt from testing if the GPU's average monthly production does not exceed or the GPU is not capable of producing 250 MCF per month for Pictured Cliffs formation wells and 2,000 MCF per month for deeper formations. (See "Gas Well Testing Rules and Procedures".)

#### D. BALANCING OF PRODUCTION

RULE 10(a) UNDERPRODUCTION: Any non-marginal GPU which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward in the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any underproduction carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

RULE 10(b) BALANCING UNDERPRODUCTION: Production during any one month of a gas proration period in excess of the allowable assigned to a GPU for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

RULE 11(a) OVERPRODUCTION: Any GPU which has an overproduced status as of the end of a gas proration period shall carry



such overproduction forward into the next gas proration period. Said overproduction shall be made up by underproduction during the succeeding gas proration period. Any GPU which has not made up the overproduction carried into a gas proration period by the end of said period shall be shut in until such overproduction is made up.

**RULE 11(b)(1) TWELVE-TIMES OVERPRODUCED, NORTHWEST:** For the prorated gas pools of Northwest New Mexico, if it is determined that GPU is overproduced in an amount exceeding twelve times its current year January allowable (or, in the case of a newly connected well, a marginal well. or a well recently reclassified as non-marginal, twelve times the January allowable assigned to a non-marginal GPU of similar acreage and deliverability factors), it shall be shut in until its overproduction is less than twelve times its January allowable, as determined hereinabove.

**RULE 11(b)(2) SIX-TIMES OVERPRODUCED, SOUTHEAST:** For the prorated gas pools of southeast New Mexico, if it is determined that a GPU is overproduced in an amount exceeding six times its current year January allowable (or, in the case of a newly connected well, a marginal well, or a well recently reclassified as non-marginal, six times the January allowable assigned to a non-marginal GPU of a similar acreage factor), it shall be shut in until its overproduction is less than six times its January allowable, as determined hereinabove.

**RULE 11(c) EXCEPTION TO SHUT IN FOR OVERPRODUCTION:** The Director of the Oil Conservation Division shall have authority to permit a GPU which is subject to shut-in, pursuant to Rules 11(a) or 11(b) above to produce up to 250 MCF of gas per month upon proper showing to the Director that complete shut-in would cause undue hardship, provided however, such permission may be rescinded for any GPU produced in excess of the monthly rate authorized by the Director.

**RULE 11(d) BALANCING OVERPRODUCTION:** Allowable assigned to a GPU during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction chargeable to such GPU in determining the amount of overproduction which must be made up pursuant to the provision of Rules 11(a) or 11(b) above.

**RULE 11(e) EXCEPTION TO BALANCING OVERPRODUCTION:** The Director may allow overproduction to be made up at a lesser Rate than permitted under Rules 11(a), 11(b), or 11(d) above upon a showing at public hearing that the same is necessary to avoid material damage to the well.

**RULE 11(f) HARDSHIP GAS WELLS:** If a GPU containing a

hardship gas well is overproduced, the operator must take the necessary steps to reduce production in order to reduce the overproduction.

Any overproduction existing at the time of designation of a well as a hardship gas well or accruing to the GPU thereafter shall be carried forward until such time as it is made up by underproduction.

No GPU containing a hardship gas well, which GPU is overproduced, shall be permitted to produce at a rate higher than the minimum producing rate authorized by the Division.

**RULE 11(g) MORATORIUM ON SHUT-INS:** The Director shall have authority to grant a pool-wide moratorium of up to three months as to the shutting in of gas wells in a pool during periods of high demand emergency upon proper showing that such emergency exists, and that a significant number of the wells in the pool are subject to shut-in pursuant to the provisions of Rules 11(a), 11(b) or 11(f) above. No moratorium beyond the aforementioned three months shall be granted except after notice and hearing.

**RULE 11(h)** The Director may reinstate allowable to wells which suffered cancellation of allowable under Rules 10(a) or 13(b), or loss of allowable due to reclassification of a well under Rule 13(a). If such cancellation or loss of allowable was caused by non-access or limited access to the average market demand in the pool rather than inability of the well to produce. Upon petition, together with a showing of circumstances which prevented production of the non-marginal allowable, and evidence that the well was capable of producing at allowable rates during the period for which reinstatement is requested. The allowable may be reinstated in such amounts needed to avoid curtailment or shut-in of the well for excessive overproduction. Such petition shall be approved administratively or docketed for hearing within 30 days after receipt in the Division's Santa Fe office.

#### **E. CLASSIFICATION OF GPUs**

**RULE 12(a) CLASSIFICATION PERIOD:** The proration period shall be divided into four classification periods of three months each, commencing April 1, July 1, October 1, and January 1.

**RULE 12(b) RECLASSIFICATION BY THE DIRECTOR:** The Director of the Oil Conservation Division may reclassify a marginal or non-marginal GPU at any time the GPU's producing ability justifies such reclassification.

The Director may suspend the reclassification of GPUs on his own

initiative or upon proper showing by an interested party, should it appear that such suspension is necessary to permit underproduced GPUs which would otherwise be reclassified, a proper opportunity to make up such underproduction.

**RULE 13(a) RECLASSIFICATION TO MARGINAL:** A non-marginal well may be reclassified as marginal in either of the following ways:

- 1) After the production data is available for the last month of each classification period, any GPU which had an underproduced status at the beginning of the allocation period shall be reclassified to marginal if its highest single month's production during the classification period is less than its average monthly allowable during such period; however, the operator of any GPU so classified, or other interested party, shall have 30 days after receipt of notification of marginal classification in which to submit satisfactory evidence to the Division that the GPU is not of marginal character and should not be so classified; or
- 2) A GPU which is underproduced more than the overproduction limit as described in 11(b)(1) or 11(b)(2), whichever is applicable, shall be reclassified as marginal.

**RULE 13(b) CANCELLATION OF UNDERPRODUCTION FOR MARGINAL GPU:** A GPU which is classified as marginal shall not be permitted to accumulate underproduction, and any underproduction accrued to a GPU prior to its classification as marginal shall be cancelled.

**RULE 14(a) RECLASSIFICATION TO NON-MARGINAL:** If, at the end of any classification period, a marginal GPU has produced more gas during the proration period to that time than its shadow allowable for that same period, the GPU shall be reclassified as a non-marginal GPU.

**RULE 14(b) REINSTATEMENT OF STATUS:** a GPU reclassified to non-marginal under the provisions of Rule 14(a) shall have reinstated to it all underproduction which accrued or would have accrued as a non-marginal GPU from the current production period, underproduction from the prior proration period may be reinstated after notice and hearing. All uncompensated-for overproduction accruing to the GPU while marginal shall be chargeable upon reclassification to non-marginal.

## F. REPORTING OF PRODUCTION

**RULE 15 FILING C-111 AND C-115 REPORTS:** Transporters and

operators shall file gas transportation and production reports pursuant to Rules 1111 and 1115 of the Rules and Regulations of the Division provided that upon approval by the Director of the Oil Conservation Division as to the specific program to be used, any producer or transporter of gas may be permitted to report metered production of gas on a chart-period basis; provided the following provisions shall be applicable to each gas well:

- 1) Reports for a month shall include not less than 24 nor more than 32 reported days.
- 2) Reported days may include as many as the last 7 days of the previous month but no days of the succeeding month.
- 3) The total of the monthly reports for a year shall include not less than 360 nor more than 368 reported days.
- 4) For purposes of these rules, the term "month" shall mean "calendar month" for those reporting on a calendar month basis, and shall mean "Reporting Month" for those reporting on a chart-period basis in accordance with the exception provided in this rule.

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING  
GOVERNOR

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

MEMORANDUM

TO: All Operators

FROM: William J. LeMay, Director *WJL*

SUBJECT: Southeast and Northwest Gas Proration Schedules,  
October 1991/March 1992.

DATE: October 8, 1991

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Due to circumstances resulting from the changes to the gas prorationing process which were promulgated by Division Order No. R-8170-H, this schedule again does not include those operator name changes, new wells, acreage factor changes and transporter changes since April, 1991.

All efforts are being made to update these records.

At such time as these amendments and/or additions are made, the corrected data will be incorporated in the monthly Production Schedule for New Mexico Prorated Gas Pools and will be available for review at each District Office of the Division.

Thank you for your comments and patience in this matter.

WJL/MES/ag

# **GAS COMPANY OF NEW MEXICO**

November 8, 1991

OIL CONSERVATION DIVISION  
RECEIVED

'91 NOV 12 AM 9 00

Mr. Michael Stegner  
Oil Conservation Commission  
P.O. Box 2088  
Land Office Building  
Santa Fe, New Mexico 87501

*Case 10377*

**RE:** November 6, 1991 OCD Meeting on Electronically Available Proration Data

Dear Mr. Stegner:

On November 6, 1991, Mike Neff and I attended an OCD Hearing in Santa Fe on Electronically Available Proration Data. The following is my recollection of what was decided during this meeting:

The OCD will start sending GCNM monthly tapes containing proration information in GCNM original format layout.

During December, the OCD will start sending out Monthly Proration Books containing information on the non-marginal wells.

Monthly shut-in notices will be sent out.

Supplemental allowables will be mailed monthly.

A minor problem with the proration book layout mentioned by Babe Kendrick of El Paso Natural Gas will be corrected before the April 1992 through September 1992 books are published.

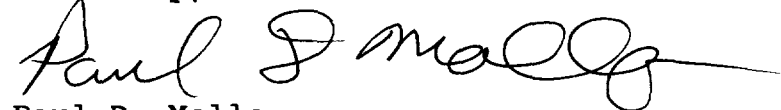
The F1 and F2 factors used to calculate the allowables for the six-month period will be published in the next six-month allowable book.

If this is not your understanding of what was decided, please contact me at (505) 880-7189.

A second follow-up meeting will be scheduled in January of 1992.

Thank you for your cooperation in this matter.

Sincerely,



Paul D. Mollo  
Compliance Administrator

cc: Vic Lyon  
Charles Englekey - OCD  
Jim Pleva - OCD  
Babe Kendrick - EPNG  
File

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN  
KAREN AUBREY

JASON KELLAHIN  
OF COUNSEL

OIL CONSERVATION DIVISION  
RECEIVED

SEP 11 1991 8 48 AM  
TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

September 4, 1991

Mr. William Weiss  
New Mexico Petroleum Recovery  
Research Center  
New Mexico Tech Campus  
Socorro, NM 87801

RE: Oil Conservation Division Case for  
Nominations of Allowables for Winter  
Proration Period, NM OCD Case No. 10377

Dear Mr. Weiss:

At the Commission hearing held on August 29, 1991 I presented to the Commission Hallwood Petroleum Inc.'s request for allowable increase for the Catclaw Draw Morrow Gas Pool. At the end of that presentation you asked me to advise you whether any of the Catclaw Draw production from the pool was subject to unitization agreements.

I have been advised by Hallwood that individual spacing and proration units consists of 640 acres with an optional infill provision for a second well. Within each spacing and proration unit, the working interest owners share production and that each spacing and proration unit varies in percentage and identity of working interest owner. There is no unitization consolidating the working interest ownership.

However, there still exists a royalty unit in which state, fee and federal royalties are shared regardless of which spacing unit produces within an area of the pool identified as follows:

T21S, R25E

Section 13: S/2  
14: S/2  
23: All  
24: All  
25: All  
26: All  
35: All  
36: All

Mr. William Weiss  
September 4, 1991  
Page Two

I hope that answers your question. If you desire further information, please let me know.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a long, sweeping underline that extends below the printed name.

W. Thomas Kellahin

WTK/jcl

cc: William J. LeMay - Oil Conservation Division  
Jim Morrow - Oil Conservation Division  
Gary Carlson - State Land Office  
Bruce Bowman - Hallwood Petroleum Inc.

ltrt904.629



OIL CONSERVATION DIVISION  
RECEIVED

**MATADOR PETROLEUM CORPORATION**

SUITE 158, PECAN CREEK  
8340 MEADOW ROAD  
DALLAS, TEXAS 75231  
(214) 373-8792

'91 SEP 9 AM 9 16

Case File  
No 10377

Joe A. Young  
VICE PRESIDENT  
214-373-8795

September 4, 1991

Mr. Jim Morrow  
State of New Mexico  
New Mexico Oil Conservation Division  
P. O. Box 2088  
Santa Fe, NM 87504

Re: Allowable for Oct 91-Mar 92  
Atoka Penn (Prorated Gas) Pool  
Case No: 10377

Dear Mr. Morrow:

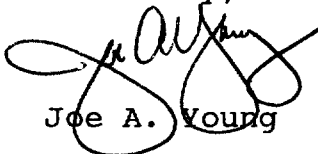
Exhibit No. 1, submitted by the Oil Conservation Division at the August 29, 1991 hearing, has a Monthly Pool Allowable Oct 91-Mar 92 (line 4) of 140,401 Mcf for the subject pool. This exhibit also indicates the Monthly Marginal Pool Allowable Oct 91-Mar 92 (line 5) to be 32,121.

Matador Petroleum Corporation would like for the Oil Conservation Division to give consideration to raising the Monthly Pool Allowable to 183,273 Mcf. Based upon reported production figures, Matador believes the average Monthly Marginal Pool Production for Oct 90-Mar 91 was 58,273 Mcf (see attached table). The request for 183,273 Mcf is calculated utilizing this 58,273 Mcf figure for the Marginal Wells rather than the 32,121 Mcf in Oil Conservation Division Exhibit No. 1. Additionally, well productivity on the Non-Marginal wells is such that the proposed Allowable of 140,401 will prevent gas sales for which a market exists.

As can be observed on the attached table, it is unclear if some of the Marginal wells may need to be moved to the Non-Marginal category. If such a change were to occur, comparison of historical production for future allowable purpose may need to be done on an individual well basis rather than a category basis.

Thank you for your consideration of this matter and please call if you have any questions.

Sincerely,

  
Joe A. Young

JAY:tc

JY74  
Encl.

9-11-91  
Talked to Joe Young. Told him we got this too late. He will come to Burton Flat hearing 9-19-91 may try de-proration in Atoka JMM

183,273  
- 58,273  
-----  
125,000  
3.42  
-----  
= 36,550

presented their  
request, I would  
have been inclined  
to recommend  
an increase.

  
TOO LATE! Bin

---

9-9-91

Bill Lemay  
Here is a late  
request from Matador  
to increase the  
Non-M allowable by  
5MM/well/mo. in  
the Atoka Penn.  
If they had come  
to the meeting +

---

**MONTHLY GAS PRODUCTION  
ATOKA PENN (PRORATED GAS) POOL**

		Oct-90	Nov-90	Dec-90	Jan-91	Feb-91	Mar-91	Oct-Dec	Oct-Mar
		MCF	MCF	MCF	MCF	MCF	MCF	1990 AVG	1990 AVG
		=====	=====	=====	=====	=====	=====	=====	=====
Non-Marginal	Aaron Com	2,106	1,213	9,916	16,123	12,758	12,669	4,412	9,131
Non-Marginal	Atoka Com	9,479	5,161	45,956	53,693	44,995	34,746	20,199	32,338
Non-Marginal	Leavitt Com	8,345	14,646	18,120	17,055	15,734	14,316	13,704	14,703
Non-Marginal	Terry Com	1,956	1,806	2,653	2,794	2,794	2,791	2,138	2,466
Marginal	A Q Rogers Com	P & A						0	0
Marginal	Andrew Arnquist Est	6,531	6,025	6,556	6,023	5,821	6,354	6,371	6,218
Marginal	Brainard Gas Com 1 & 2	4,003	3,511	4,464	7,614	2,664	2,765	3,993	4,170
Marginal	C R Martin	1,973	767					1,370	1,370
Marginal	Dayton Com	2,275	205	2,398	2,283	2,245	2,213	1,626	1,937
Marginal	Dayton Townsite Gas Com	SWD						0	0
Marginal	Ethel V Noel	4,333	10,194	9,424	15,492	14,028	234	7,984	8,951
Marginal	Felmon Atoka Com	1,028	637	940	956	912	734	868	868
Marginal	Guy W Nickson A	201	447	255		243	142	301	258
Marginal	Higgins Trust Inc	14,833	16,229	15,727	14,540	13,499	17,546	15,596	15,396
Marginal	Higgins-Cahoon	12,583	11,937	10,165	11,366	11,117	11,435	11,562	11,434
Marginal	Hondo LFE	308	357	522	284	488	665	396	437
Marginal	Irene Brainard Gas Com	12,235	1,113	1,227	1,258	1,351	1,488	4,858	3,112
Marginal	Jerry Nelson Com	524	471	530	377	523	722	508	525
Marginal	Paul Terry ET AL		919					919	919
Marginal	Ralph Nix	RECOMPLETED						0	0
Marginal	Rogers 10 Com	5,775	5,006	3,930	4,202	3,576	3,919	4,904	4,401
Marginal	Spencer Com								
Pool Total		88,488	80,644	132,783	154,060	132,748	112,739	101,708	116,910
Marginal Total		66,602	57,818	56,138	64,395	56,467	48,217	61,255	58,273
Non-Marginal Total		21,886	22,826	76,645	89,665	76,281	64,522	40,452	58,638

1990 Production is taken from 1990 New Mexico Annual Report.

1991 Production is taken from New Mexico Monthly Statistical Report.

ENGP216T--ENGP216-01  
RUN-TIME: 15:33:47

REVISED PRELIMINARY ALLOWABLE ESTIMATES  
MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE  
PRORATED GAS POOLS - SOUTHEAST NEW MEXICO  
FOR OCT 91 THRU MAR 92

RUN-DATE 08/16/91

	ATOKA PENN	BLINEBRY	BUFFALO VALLEY PENN	BURTON FLAT MORROW	CARLSBAD MARROW	CATCLAW DRAW MORROW	EUMONT INDIAN BASIN MORROW	INDIAN BASIN UPPER PENN	JALMAT	JUSTIS GL	TUBB
( 1 ) AVERAGE MONTHLY POOL SALES OCT90-MAR91 ALL VOLUME ARE IN MCF.	113,401	414,669	214,667	436,754	237,631	146,818	2,218,783	3,229,032	884,356	39,436	231,773
( 2 ) TOTAL NOMINATIONS AVG MONTH VOL.	27,000	73,000			56,000	14,000	204,616	4,000	328,000	319,475	6,000
( 4 ) MONTHLY POOL ALLOWABLE OCT91-MAR92 (LINE 1 + LINE 3.)	140,401	487,669	214,667	436,754	293,631	160,818	2,423,399	200,828	3,557,032	1,203,831	45,436
( 5 ) MONTHLY MARGINAL POOL ALLOWABLE OCT91-MAR92	32,121	157,145	118,757	183,645	213,958	92,288	1,385,423	75,247	2,542,064	801,231	14,064
( 6 ) MONTHLY NON-MARGINAL POOL ALLOWABLES OCT91-MAR92 LINE 4 - LINE 5	<del>108,280</del> 125,000	330,524	95,910	253,109	79,673	68,530	1,037,976	125,581	1,014,968	402,600	31,372
( 7 ) NUMBER OF NON-MARGINAL ACREAGE FACTORS	3.42	10.75	2.00	6.88	3.97	2.00	56.72	.86	5.49	22.00	9.00
( 8 ) MONTHLY ACREAGE ALLOCATE FACTOR OCT91-MAR92 (LN 6 / LN 7)	<del>31,860</del> 36,550	30,746	47,955	36,789	20,068	34,265	18,300	146,024	184,875	18,300	3,485

F1 FACTORS FOR OTHER POOLS  
BURTON FLAT STRAWN F1 = 10,000  
MONUMENT MCKEE ELLEN F1 = 25,000