

MW PETROLEUM CORPORATION

August 24, 1992

Mr. William J. LeMay
Oil Conservation Commission
State Land Office Building
310 Old Santa Fe Trail, Room 206
Santa Fe, NM 87503

Prorated Gas Allowables (October 1992 - March 1993)
Indian Basin (Upper Penn) Gas Pool
Eddy County, New Mexico

MW Petroleum Corporation operates 4 producing gas wells and is a working interest owner in 14 additional active producers in the Indian Basin (Upper Penn) Gas Pool. Although we will be unable to attend the August 27, 1992, commission hearing, we would like to express our support for the NMOCD's preliminary proposal regarding gas allowables for the Indian Basin (Upper Penn) Gas Pool.

MW Petroleum Corporation supports an allowable of 173,328 MCF per month. We believe this will permit equitable sharing between the owners in this gas pool based on the present production capacity of the producers in the pool. MW Petroleum has invested significantly in equipment and in the drilling of two wells to maximize our production in the Indian Basin (Upper Penn) Gas Pool, and we do not have any one producer capable of more than 150,000 MCF per month. An allowable of 173,328 MCF per month represents a significant increase over the 1992 summer allowable and will benefit those operators who have made investments to attain production increases while maintaining parity in the field.

Sincerely yours,



Ceci Searls Leonard
MW Petroleum Corporation

cc: Chevron (Al Bohling)
Marathon (Ron Folse)
Oryx (Tom Adams)

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To	William J. LeMay	From	Ceci Leonard
Co.	NMOCD	Co.	MW Petroleum
Dept.		Phone #	(713) 296-6306
Fax #	(505) 827-5741	Fax #	

GAS COMPANY OF NEW MEXICO

August 26, 1992

Mr. Lawrence Van Ryan
Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87501-2088

Dear Mr. Van Ryan:

Attached are the Gas Nominations for the months of October, 1992, through March, 1993. Summarized below are the totals for each Field and Pool sorted by Company and District.

Gas Company of New Mexico - Southeast

<u>Field and Pool Name</u>	<u>Nomination, MCF</u>
Buffalo Valley Penn	44,000
Burton Flat Morrow	6,000
Catclaw Draw Morrow	645,000
Indian Basin Morrow	48,000
TOTAL	743,000

Gas Company of New Mexico - Northwest

Basin Dakota	3,799,000	
Blanco Mesa Verde	1,125,000	
South Blanco Pictured Cliffs	852,000	
Tapacito Pictured Cliffs	265,000	
	TOTAL	6,041,000

Sunterra Gas Gathering Company - Northwest

Basin Dakota	3,918,000
Blanco Mesa Verde	5,832,000
South Blanco Pictured Cliffs	23,000
TOTAL	9,773,000

GRAND TOTAL	16,557,000
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Sincerely,

Paul Smalley

Paul D. Mollo
Contract Compliance Administrator

OIL CONSERVATION DIVISION
P.O. BOX 2088
SANTA FE, NEW MEXICO 87501

PURCHASER'S GAS NOMINATIONS

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

Form C-127-A
Revised 4/1/86

COMPANY	ADDRESS
Gas Company of New Mexico	P.O. Box 26400, Albuquerque, N.M. 87125

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

MONTH	YEAR	NOMINATION, MCF	TOTAL
April			
May			
June			
July			
August			
September			
October	92	6,000	
November	92	8,000	
December	92	30,000	
January	93	-0-	
February	93	-0-	
March	93	-0-	

NOTE: All volumes are to be MCF at 15.025 psia and 60 degree F

Paul D. Mallo Contract Compliance Administrator 8-26-92
(Signature) (Title) (Date)

INSTRUCTIONS: This form must be filed with the Santa Fe offices of the Division by the first day of the month during which the nominations are to be considered as public hearing.

OIL CONSERVATION DIVISION
P.O. BOX 2088
SANTA FE, NEW MEXICO 87501

PURCHASER'S GAS NOMINATIONS

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

Form C-127-A
Revised 4/1/86

COMPANY	ADDRESS
Gas Company of New Mexico	P.O. Box 26400, Albuquerque, N.M. 87125

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

MONTH	YEAR	NOMINATION, MCF	TOTAL
April			
May			
June			
July			
August			
September			
October	92	1,000	
November	92	1,000	
December	92	1,000	
January	93	1,000	
February	93	1,000	
March	93	1,000	

NOTE: All volumes are to be MCF at 15.025 psia and 60 degree F

Paul J. Meltz Contract Compliance Administrator 8-26-92
(Signature) (Title) (Date)

INSTRUCTIONS: This form must be filed with the Santa Fe offices of the Division by the first day of the month during which the nominations are to be considered as public hearing.

OIL CONSERVATION DIVISION
P.O. BOX 2088
SANTA FE, NEW MEXICO 87501

PURCHASER'S GAS NOMINATIONS

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

Form C-127-A
Revised 4/1/86

COMPANY	ADDRESS
Gas Company of New Mexico	P.O. Box 26400, Albuquerque, N.M. 87125

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

MONTH	YEAR	NOMINATION, MCF	TOTAL
April			
May			
June			
July			
August			
September			
October	92	21,000	
November	92	110,000	
December	92	138,000	
January	93	143,000	
February	93	143,000	
March	93	90,000	

NOTE: All volumes are to be MCF at 15.025 psia and 60 degree F

Paul J. Malt Contract Compliance Administrator 8-26-92
(Signature) (Title) (Date)

INSTRUCTIONS: This form must be filed with the Santa Fe offices of the Division by the first day of the month during which the nominations are to be considered as public hearing.

OIL CONSERVATION DIVISION
P.O. BOX 2088
SANTA FE, NEW MEXICO 87501

PURCHASER'S GAS NOMINATIONS

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

Form C-127-A
Revised 4/1/86

COMPANY	ADDRESS
Gas Company of New Mexico	P.O. Box 26400, Albuquerque, N.M. 87125

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

MONTH	YEAR	NOMINATION, MCF	TOTAL
April			
May			
June			
July			
August			
September			
October	92	8,000	
November	92	8,000	
December	92	8,000	
January	93	6,000	
February	93	9,000	
March	93	9,000	

NOTE: All volumes are to be MCF at 15.025 psia and 60 degree F

Paul P. Madsen Contract Compliance Administrator 8-26-82
(Signature) (Title) (Date)

INSTRUCTIONS: This form must be filed with the Santa Fe offices of the Division by the first day of the month during which the nominations are to be considered as public hearing.

OIL CONSERVATION DIVISION
P.O. BOX 2088
SANTA FE, NEW MEXICO 87501

PURCHASER'S GAS NOMINATIONS

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

Form C-127-A
Revised 4/1/86

COMPANY	ADDRESS
Gas Company of New Mexico	P.O. Box 26400, Albuquerque, N.M. 87125

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

MONTH	YEAR	NOMINATION, MCF	TOTAL
April			
May			
June			
July			
August			
September			
October	92	390,000	
November	92	724,000	
December	92	731,000	
January	93	734,000	
February	93	630,000	
March	93	590,000	

NOTE: All volumes are to be MCF at 15.025 psia and 60 degree F

Paul J. Madsen Contract Compliance Administrator 8-26-92
(Signature) (Title) (Date)

INSTRUCTIONS: This form must be filed with the Santa Fe offices of the Division by the first day of the month during which the nominations are to be considered as public hearing.

OIL CONSERVATION DIVISION
P.O. BOX 2088
SANTA FE, NEW MEXICO 87501

PURCHASER'S GAS NOMINATIONS

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

Form C-127-A
Revised 4/1/86

COMPANY	ADDRESS
Gas Company of New Mexico	P.O. Box 26400, Albuquerque, N.M. 87125

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

MONTH	YEAR	NOMINATION, MCF	TOTAL
April			
May			
June			
July			
August			
September			
October	92	180,000	
November	92	239,000	
December	92	376,000	
January	93	248,000	
February	93	31,000	
March	93	51,000	

NOTE: All volumes are to be MCF at 15.025 psia and 60 degree F

Paul J. Maly Contract Compliance Administrator 8-26-92
(Signature) (Title) (Date)

INSTRUCTIONS: This form must be filed with the Santa Fe offices of the Division by the first day of the month during which the nominations are to be considered as public hearing.

OIL CONSERVATION DIVISION
P.O. BOX 2088
SANTA FE, NEW MEXICO 87501

PURCHASER'S GAS NOMINATIONS

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

Form C-127-A
Revised 4/1/86

COMPANY	ADDRESS
Gas Company of New Mexico	P.O. Box 26400, Albuquerque, N.M. 87125

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 South Blanco P.C. Pool for the month shown below: (insert in appropriate month)

MONTH	YEAR	NOMINATION, MCF	TOTAL
April			
May			
June			
July			
August			
September			
October	92	18,000	
November	92	126,000	
December	92	172,000	
January	93	226,000	
February	93	139,000	
March	93	171,000	

NOTE: All volumes are to be MCF at 15.025 psia and 60 degree F

Paul J. Malt Contract Compliance Administrator 8-26-92
(Signature) (Title) (Date)

INSTRUCTIONS: This form must be filed with the Santa Fe offices of the Division by the first day of the month during which the nominations are to be considered as public hearing.

OIL CONSERVATION DIVISION
P.O. BOX 2088
SANTA FE, NEW MEXICO 87501

PURCHASER'S GAS NOMINATIONS

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

Form C-127-A
Revised 4/1/86

COMPANY	ADDRESS
Gas Company of New Mexico	P.O. Box 26400, Albuquerque, N.M. 87125

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 Tapacito P.C. Pool for the month shown below: (insert in appropriate month)

MONTH	YEAR	NOMINATION, MCF	TOTAL
April			
May			
June			
July			
August			
September			
October	92	45,000	
November	92	50,000	
December	92	60,000	
January	93	39,000	
February	93	37,000	
March	93	34,000	

NOTE: All volumes are to be MCF at 15.025 psia and 60 degree F

Paul J. Miller Contract Compliance Administrator 8-26-92
(Signature) (Title) (Date)

INSTRUCTIONS: This form must be filed with the Santa Fe offices of the Division by the first day of the month during which the nominations are to be considered as public hearing.

OIL CONSERVATION DIVISION
P.O. BOX 2088
SANTA FE, NEW MEXICO 87501

PURCHASER'S GAS NOMINATIONS

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

Form C-127-A
Revised 4/1/86

COMPANY	ADDRESS
Sunterra Gas Gathering Company	P.O. Box 26400, Albuquerque, N.M. 87125

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

MONTH	YEAR	NOMINATION, MCF	TOTAL
April			
May			
June			
July			
August			
September			
October	92	248,000	
November	92	670,000	
December	92	664,000	
January	93	1,019,000	
February	93	564,000	
March	93	753,000	

NOTE: All volumes are to be MCF at 15.025 psia and 60 degree F

Randy J. Moch Contract Compliance Administrator 8-26-92
(Signature) (Title) (Date)

INSTRUCTIONS: This form must be filed with the Santa Fe offices of the Division by the first day of the month during which the nominations are to be considered as public hearing.

OIL CONSERVATION DIVISION
P.O. BOX 2088
SANTA FE, NEW MEXICO 87501

PURCHASER'S GAS NOMINATIONS

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

Form C-127-A
Revised 4/1/86

COMPANY	ADDRESS
Sunterra Gas Gathering Company	P.O. Box 26400, Albuquerque, N.M. 87125

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

MONTH	YEAR	NOMINATION, MCF	TOTAL
April			
May			
June			
July			
August			
September			
October	92	517,000	
November	92	743,000	
December	92	1,465,000	
January	93	1,307,000	
February	93	900,000	
March	93	900,000	

NOTE: All volumes are to be MCF at 15.025 psia and 60 degree F

Paul J. McWhorter Contract Compliance Administrator 8-26-92
(Signature) (Title) (Date)

INSTRUCTIONS: This form must be filed with the Santa Fe offices of the Division by the first day of the month during which the nominations are to be considered as public hearing.

OIL CONSERVATION DIVISION
P.O. BOX 2088
SANTA FE, NEW MEXICO 87501

PURCHASER'S GAS NOMINATIONS

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

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Revised 4/1/86

COMPANY	ADDRESS
Sunterra Gas Gathering Company	P.O. Box 26400, Albuquerque, N.M. 87125

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 South Blanco P.C. Pool for the month shown below: (insert in appropriate month)

MONTH	YEAR	NOMINATION, MCF	TOTAL
April			
May			
June			
July			
August			
September			
October	92	-0-	
November	92	4,000	
December	92	1,000	
January	93	6,000	
February	93	6,000	
March	93	6,000	

NOTE: All volumes are to be MCF at 15.025 psia and 60 degree F

Paul J. Maly Contract Compliance Administrator 8-26-92
(Signature) (Title) (Date)

INSTRUCTIONS: This form must be filed with the Santa Fe offices of the Division by the first day of the month during which the nominations are to be considered as public hearing.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

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OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION FOR THE
PURPOSE OF CONSIDERING THE APPLICATION BY THE
OIL CONSERVATION DIVISION TO AMEND COMMISSION
ORDER NO. R-7940 TO PROVIDE FOR THE EXPANSION OF
THE DESIGNATED VULNERABLE AREA OF THE SAN JUAN
BASIN, ELIMINATION OF DISCHARGES TO UNLINED PITS,
CREATION OF WELLHEAD PROTECTION AREAS, ESTABLISHMENT
OF DEADLINES FOR COMPLIANCE AND REGISTRATION OF CERTAIN
PITS.

CASE NO. 10436
Order No. R-7940-B

REPLY OF THE OIL CONSERVATION DIVISION
TO THE REQUEST FOR REHEARING

The Four Corners Gas Producers Association ("FCGPA") and the New Mexico Oil and Gas Association ("NMOGA"), referred to collectively as "The Producer Groups", have applied to the Commission for rehearing of this matter. The New Mexico Oil Conservation Division, Applicant in this matter, is filing this response to the Application for Rehearing.

Overall, the Division supports the order of the Commission and believes that it properly establishes regulations designed to carry out the purposes of the Oil and Gas Act, namely to prevent waste of the State's precious oil and natural gas hydrocarbons, and at the same time to prevent contamination of the State's precious water supplies. Rehearing on the entire order is unnecessary and inappropriate. The Commission has adopted a reasonable regulation which is supported by substantial evidence.

The Division does recognize that the order is going to impose substantial burdens upon the industry and believes that some of the matters brought forth in the request for rehearing by the producer groups merit reconsideration.

Prior to the last hearing session, the Division, after consultation with the producer groups and with the environmental groups concluded that the granting of extension of time of up to two years from a one-year, two-year, three-year timetable for elimination of discharges into unlined pits in the various portions of the vulnerable area is not unreasonable. The Division does not support the industries one-three-five year schedule plus extensions because that does not provide for the implementation of a compliance program on a rapid enough basis. The Division feels that if the one- two- three year implementation schedule is adopted then it will be able to evaluate a specific producer's plans and determine whether extensions of up to two years to eliminate the discharges should be granted.

By looking at individual requests for extension of time, the Division can insure that allowing the additional time in specific cases will not pose an unreasonable threat to fresh water supplies in a particular area. In any particular situation in which the Division felt that there was a significant threat of harm, it could require the operator to modify its schedule to insure that implementation were carried out first in those areas where the greatest threat to water supplies occurs. In other words, if a producer submits a plan for elimination of discharges to unlined pits, and that plan has an on-going implementation schedule which requires up to two years beyond the basic time period in the order, then granting that additional time may be reasonable.

Another matter raised by the producer groups to which the Division has no objection to rehearing is in the definition of a wellhead protection area. Originally, the Division had proposed a 1,000 foot radius wellhead protection area around every well. In review, the Division has concluded that for private wells in which the drawdown rates are lower, there is less likely to be a cone of depression and drawing of potential contaminants towards those wells. Community supply and municipal wells draw water at a much higher rate and are going to affect a larger area, thereby necessitating the larger radius to prevent any potential contamination. The smaller private wells are going to drain a lesser area, and the Division had revised its proposal at the last session of the hearing to suggest that two hundred foot wellhead protection area around private wells was reasonable and would afford adequate protection to those types of wells. Therefore the Division would not object to rehearing on the issue of the wellhead protection area and can support the establishment of a wellhead protection area of a two hundred foot radius around private water wells.

The third matter raised by the producer groups, and which the Division has no objection to rehearing for clarification purposes, is the question of granting variances. One concern raised by the producer groups is whether or not a variance can be sought for more than one particular site or facility. It is the interpretation of the Division that a variance could be sought for multiple sites which have common characteristics justifying the variance under the case by case language of the order. Those common characteristics could have to do with the nature of the facility and the quality of the discharge, the geologic conditions of area or other factors which might be common to more than one specific site. The Division would not object to revising

the language of the order to clarify that the Division could approve a variance for multiple sites in a single variance application and approval.

The producers group has also objected to the requirement that notice of a variance application be given to owners and occupants within a half mile of an affected site. While the Division believes that the half-mile notice provision is reasonable and is consistent with other environmental issue notice requirements established by the Division, if the issue of a variance is reopened the Division will not object to the presentation of evidence by the producer groups with respect to that notice provision which very strongly believes that the provision as contained in the order and recommended by the Division is reasonable.

In conclusion the Division does not object to rehearing in this matter but requests that presentation be limited to the following issues:

Time table for discharge elimination.

1. To reconsider allowing extensions of up to two years to the basic one year- two year- three year timetable for the elimination of discharges;

Radius of protection area.

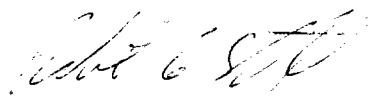
2. To reconsider the establishment of a ~~200 foot~~ ^{different} radius wellhead protection area around private water wells which are not part of a community or municipal water supply; and ^{and springs}

3. To reconsider the provisions of the order providing for variances specifically to clarify whether a variance can be granted for multiple

sites under a single request and to determine the appropriate notice requirements for a variance request.

The Division objects to hearing evidence or argument on any other issues.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Robert G. Stovall", written in a cursive style.

ROBERT G. STOVALL,
Attorney for the Division
ENERGY, MINERALS & NATURAL RESOURCES
DEPARTMENT, OIL CONSERVATION DIVISION
P. O. Box 2088
Santa Fe, New Mexico 87504
Telephone: (505) 827-5805