

BASIN DAKOTA GAS POOL

Conclusions

Produced volumes from the Winter 91-92 period are not representative of the pool's capacity to produce. Generally low prices and transportation capacity constraints yielded low production.

True productive capacity of the pool is at least 10 BCF/mo.

It appears that Basin Dakota operators are not overtly concerned about reservoir-related correlative rights or they would not voluntarily curtail due to price.

Demand for natural gas is evidenced by virtue of higher market prices and futures prices.

The Phillips-proposed adjusted non-marginal pool allowable does not remove prorationing. Wells producing more than the average non-marginal deliverability will still be curtailed.

Adjustments made by the NMOCD for the Summer 92 period resulted in increased drilling activity. This higher pool allowable level needs to be maintained to provide operators some assurance that if they drill now, they will be able to produce at economically viable levels.

Before the
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 10526 Exhibit No. 3
Submitted By: Phillips
Hearing Date: 8/27/92