

State of New Mexico  
**ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT**  
Santa Fe, New Mexico 87505



**BRUCE KING**  
GOVERNOR



**ANITA LOCKWOOD**  
CABINET SECRETARY

January 19, 1993

KELLAHIN, KELLAHIN & AUBREY  
Attorneys at Law  
P. O. Drawer 2265  
Santa Fe, New Mexico 87504

RE: CASE NO. 10657  
ORDER NO. R-9831

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

*Sally E. Leichtle*  
Sally E. Leichtle  
Administrative Secretary

cc: BLM - Carlsbad

**VILLAGRA BUILDING - 408 Gallsteo**

Forestry and Resources Conservation Division  
P.O. Box 1948 87504-1948  
827-5830

Park and Recreation Division  
P.O. Box 1147 87504-1147  
827-7465

**2040 South Pacheco**

Office of the Secretary  
827-5950

Administrative Services  
827-5925

Energy Conservation & Management  
827-5900

Mining and Minerals  
827-5970

**LAND-OFFICE BUILDING - 310 Old Santa Fe Trail**

Oil Conservation Division  
P.O. Box 2088 87504-2088  
827-5800

*Case # 10007*



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

November 30, 1992



BRUCE KING  
GOVERNOR

ANITA LOCKWOOD  
CABINET SECRETARY

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

Mr. Robert F. Unger  
Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79702-0552

Re: Request for Reinstatement of Underproduction

Dear Bob:

We have reviewed your letter of November 24, 1992, to Larry Van Ryan requesting reinstatement of underproduction for your Indian Basin D No. 1 Well. Specifically you are requesting underproduction credit of 167,977 MCF which the well carried at the time of its classification to marginal on January 1, 1990 be restored.

After reviewing your letter and Order R-8170-H, it appears that the restoration of underproduction cannot be done under Rule 11(h) but must be done under Rule 14(b). Rule 11(h) provides for underproduction due to lack of access to the market while Rule 14(b) is a general restoration of underproduction. You have not indicated that that well was underproduced because the gas could not be sold.

Because the application will be considered to be under 14(b), it will be necessary to schedule a hearing to restore that underproduction. We will docket that hearing for the first hearing in January which will be January 7, 1993.

It is your responsibility to ensure that proper notice is given to parties entitled to notice under Rule 1207 of the Division Rules. At the very least I believe that would include all offset operators, and if this is a unit well, all unit working interest owners. To insure that I get the advertisement correct, please advise me of the location of the well in question and the complete proper identification of the well for notice purposes.

Sincerely,

ROBERT G. STOVALL,  
Division Counsel

RGS/dr

cc: Tom Kellahin



Mid-Continent Region  
Production United States  
OIL CONSERVATION DIVISION  
RECEIVED  
'92 NOV 25 AM 11:09  
Box 552  
Midland, TX 79702-0552  
Telephone 915/682-1626

November 24, 1992

Larry Van Ryan, Chief Engineer  
New Mexico Oil Conservation Commission  
Energy, Minerals and Natural Resources Department  
Post Office Box 2088  
Santa Fe, New Mexico 87504

Re: Gas Proration Schedule  
April 1992 - September 1992  
October 1992 - March 1993

Dear Mr. Van Ryan:

As per our discussions of Monday, November 23, Marathon asks the Commission's consideration toward reducing imminent production curtailments that Marathon faces in the Indian Basin Field if the current gas proration schedule is left without revision.

Period April 1992 - September 1992

The Well 234 (Indian Basin D1) is in an overproduced status of 634,263 MCF for production prior to and during this period. Overproduction of 358,875 MCF occurred during the April 1991 - March 1992 balancing period. However, as we discussed, that well carried with it a prior underproduction of 167,977 MCF, as a result of reclassification from a non-marginal well to a marginal well effective 1/1/90. Marathon requests an underproduction credit of 167,977 MCF under Rule 11 (h) of Exhibit B, Order No. R-8170-H.

Also, the April 1992 - September 1992 gas proration schedule (similar schedule attached as Exhibit A) indicates that the total pool allowable for the period should be 3,292,012 MCF. The schedule also indicates that the total pool allowable is divided between the marginal pool allowable of 2,250,351 MCF and the non-marginal pool allowable of 1,041,661, as set out by the NMOCD. The acreage factor that is used for non-marginal wells is 6.49. Marathon provided information at the allowables hearing in February 1992 and again in August 1992 that indicated a well was being carried in the non-marginal well classification when in-fact it should be reclassified to marginal well status. That well is the MOK well in Section 1 of T-22-S and R-23-E which has only produced 557 MCF in 1992. Marathon requests the Oil Conservation Division to reclassify the MOK well under Rule 12(b) effective April 1, 1992. The well is clearly not a non-marginal well, and its inclusion in the total acreage factor for the non-marginal pool allowables greatly distorts the non-marginal well allowables. The revised F1

Larry Van Ryan  
Gas Proration Schedule  
April 1992 - September 1992  
October 1992 - March 1993  
Page No. 2

factor for the period would be 168,113 MCF. A recalculation of the well's production status during this period, using this revised F1 factor, results in an overproduction of 229,722 MCF.

With the above two considerations, the well would only be in an overproduced status of 420,620 MCF through this period, of which Marathon would be required to balance 190,898 MCF by April 1, 1993 as stipulated under Rule 11 (a).

Period October 1992 - March 1993

For the production period under the present allowable, a maximum overproduction of 438,174 MCF is projected (April 1992 - March 1993, inclusive). However, as suggested at our meeting, it appears that we did not properly communicate the nature of the two fires at the Plant in December 1991 and January 1992. These fires affected production for the period October 1991 - March 1992, and hence, improperly influenced the allowables for October 1992 - March 1993. Both incidents were a result of identifiable equipment failures, neither of which had occurred for over 10 years prior and have not occurred since. We do not consider these to be reoccurring events. Our testimony at the August Allowables Hearing and a subsequent submittal to the NMOCC (Exhibit B attached) provided an adjustment to the current period allowable of 105,559 MCF to account for the production impact of these fires.

This adjustment, coupled with the above described correction for the MOK well (acreage factor), results in a total revised monthly acreage allocate factor of 217,952 MCF as indicated in the far right column of Exhibit C (attached). Applying these two corrections to the existing Indian Basin allowable will reduce the projected overproduction to 110,168 MCF.

We respectfully request that the Division consider these adjustments to the present allowables; as provided under Rule 5 of the NMOCD gas allowables rules. Marathon would propose making up the 110,168 MCF during the shutdown requested by NGPL during the spring/summer months of 1993.

Very truly yours,

*J. N. Unger for RFU*

Robert F. Unger  
Production Manager  
Midland Operations

Attachment

xc: W. T. Kellahin - Kellahin, Kellahin and Aubrey  
T. C. Lowry - Marathon

# UPPER PENN GAS POOL ALLOWABLES

APRIL, 1992 – SEPTEMBER, 1992

## EXHIBIT A

|                                                                        | REVISED FROM OCD | PROPOSED BY MOC |
|------------------------------------------------------------------------|------------------|-----------------|
| AVERAGE MONTHLY POOL SALES<br>APRIL, 1991 – SEPTEMBER, 1991            | 3,292,012        | 3,292,012       |
| ADJUSTMENTS                                                            | 0                | 0               |
| MONTHLY POOL ALLOWABLE<br>APRIL, 1992 – SEPTEMBER, 1992                | 3,292,012        | 3,292,012       |
| MONTHLY MARGINAL POOL ALLOWABLE<br>APRIL, 1992 – SEPTEMBER, 1992       | 2,250,351        | 2,296,782       |
| MONTHLY NON – MARGINAL POOL ALLOWABLE<br>APRIL, 1992 – SEPTEMBER, 1992 | 1,041,661        | 995,230         |
| NUMBER OF NON – MARGINAL ACREAGE FACTORS                               | 6.49             | 5.92            |
| MONTHLY ACREAGE ALLOCATE FACTOR<br>APRIL, 1992 – SEPTEMBER, 1992       | 160,502          | 168,113         |

Submitted 11/24/92 By Marathon Oil Company

EXHIBIT SHOWS THE EFFECT OF A REDUCED ACREAGE FACTOR ON THE MONTHLY ACREAGE ALLOCATE FACTOR OR F1 FACTOR

# UPPER PENN GAS POOL ALLOWABLES

OCTOBER, 1992 – MARCH, 1993

## EXHIBIT B

|                                                                      | REVISED FROM OCD | PROPOSED BY MOC |
|----------------------------------------------------------------------|------------------|-----------------|
| AVERAGE MONTHLY POOL SALES<br>OCTOBER, 1991 – MARCH, 1992            | 3,027,791        | 3,027,791       |
| ADJUSTMENTS                                                          | 0                | 105,559         |
| MONTHLY POOL ALLOWABLE<br>OCTOBER, 1992 – MARCH, 1993                | 3,027,791        | 3,133,350       |
| MONTHLY MARGINAL POOL ALLOWABLE<br>OCTOBER, 1992 – MARCH, 1993       | 2,048,526        | 2,048,526       |
| MONTHLY NON – MARGINAL POOL ALLOWABLE<br>OCTOBER, 1992 – MARCH, 1993 | 979,265          | 1,084,824       |
| NUMBER OF NON – MARGINAL ACREAGE FACTORS                             | 5.49             | 5.49            |
| MONTHLY ACREAGE ALLOCATE FACTOR<br>OCTOBER, 1992 – MARCH, 1993       | 178,372          | 197,600         |

Submitted 9/8/92 By Marathon Oil Company  
as requested at hearing on 8/27/92  
CASE NO. 10526

# UPPER PENN GAS POOL ALLOWABLES

OCTOBER, 1992 – MARCH, 1993

## EXHIBIT C

|                                                                      | REVISED<br>FROM<br>OCD | PROPOSED<br>BY<br>MOC |
|----------------------------------------------------------------------|------------------------|-----------------------|
| AVERAGE MONTHLY POOL SALES<br>OCTOBER, 1991 – MARCH, 1992            | 3,027,791              | 3,027,791             |
| ADJUSTMENTS                                                          | 0                      | 105,559               |
| MONTHLY POOL ALLOWABLE<br>OCTOBER, 1992 – MARCH, 1993                | 3,027,791              | 3,133,350             |
| MONTHLY MARGINAL POOL ALLOWABLE<br>OCTOBER, 1992 – MARCH, 1993       | 2,048,526              | 2,061,024             |
| MONTHLY NON – MARGINAL POOL ALLOWABLE<br>OCTOBER, 1992 – MARCH, 1993 | 979,265                | 1,072,326             |
| NUMBER OF NON – MARGINAL ACREAGE FACTORS                             | 5.49                   | 4.92                  |
| MONTHLY ACREAGE ALLOCATE FACTOR<br>OCTOBER, 1992 – MARCH, 1993       | 178,372                | 217,952               |

Submitted 11/24/92 By Marathon Oil Company

EXHIBIT SHOWS THE EFFECT OF A REDUCED ACREAGE FACTOR ON THE MONTHLY ACREAGE ALLOCATE FACTOR OR F1 FACTOR