

Phillips Petroleum Company
Farmington Area
5525 Hwy. 64 NBU 3004
Farmington, NM 87401

In the matter of the hearing
called by the Oil Conservation
Division of New Mexico for the
purpose of considering:

Case 9018 (reopened)
Order No. R-8170-F

STATEMENT OF POSITION

In the matter of Case 9018 (reopened) pursuant to the provisions of Division Order R-8170-F which temporarily amended Rule 11(b) by providing for a 12 times overproduction limit for gas wells in Northwestern New Mexico, Phillips Petroleum Company supports maintaining the current practice of providing for a 12 times overproduction limit. If other operators can present evidence to the Oil Conservation Division to substantiate further increasing the overproduction limit to more than 12 times overproduced without imperiling operators' correlative rights, Phillips would also support raising the overproduction limit to any reasonable level.

The gas market supplied by the prorated gas pools in Northwestern New Mexico is in a period of transition at this time. In order to manage gas supply and to follow their various chosen production and marketing strategies, producers in these pools need the flexibility afforded by the 12 times overproduction limit. In the light of other considerable instability in the dramatically changing gas market, Phillips Petroleum asks that the Oil Conservation Division continue to allow the operational leniency provided by Rule 11(b) as amended.

There is no evidence, to the best of our knowledge, that the 12 times overproduction limit has resulted in waste nor impaired the correlative rights of any operator during the period in which it has been in effect. While the 12 times overproduction limit has been in effect a number of operators in the Northwest New Mexico gas pools have used the increased overproduction limit to better meet seasonal gas market demands. Although Phillips Petroleum does not normally follow this type of production and marketing strategy, we recognize that it is one of several viable business strategies that an operator may elect to pursue, and we contend that such election is a business decision that should be arrived at by each individual operator, not imposed by strict prorationing limitations.

Phillips Petroleum currently has 15 wells in an overproduced state such that they would need to be shut-in immediately, should the overproduction limit be returned to 6 times overproduced. Overproduction is exacerbated by the overall low monthly pool production in the prorated gas pools in the Northwest brought on by generally low gas prices in the marketplace at the current time, seasonal production strategies being practiced by some operators, and the build up of pool underproduction that tends to reduce the new allowable assigned each proration period.

In summary, we would recommend that the practice promulgated by the Oil Conservation Division of allowing a 12 times overproduction limit in the amendments to Rule 11(b) made in Orders R-8170-A, -D and -F be continued and made permanent, unless other evidence has been presented at hearing before the Division that would conclusively demonstrate that such continuation of Rule 11(b) as amended would result in waste or violate correlative rights. Further, if other operators can present evidence to the Oil Conservation Division to substantiate further increasing the overproduction limit to more than 12 times overproduced without imperiling operators' correlative rights, Phillips would also support raising the overproduction limit to any reasonable level.

Robert G. Flesher

Robert G. Flesher
Farmington Area Manager
Phillips Petroleum Company

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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:

CASE NO. 9018 (Reopened)

IN THE MATTER OF THE REOPENING
PURSUANT TO ORDER R-8170-A TO
CONSIDER THE TWELVE (12) TIMES
OVERPRODUCTION RULE FOR PRORATED
GAS POOLS IN THE SAN JUAN BASIN,
NEW MEXICO

RECEIVED

MAR 10 1992

OIL CONSERVATION DIV.
SANTA FE

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by MERIDIAN
OIL, INC. as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

ATTORNEY

N/A

N/A

OTHER PARTY

ATTORNEY

Meridian Oil Inc.
ATTN: Louis Jones
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Farmington, NM 87499
(505) 326-9802

W. Thomas Kellahin
KELLAHIN, KELLAHIN & AUBREY
P.O. Box 2265
Santa Fe, NM 87504
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PROPOSED EVIDENCE

APPLICANT

WITNESSES	EST. TIME	EXHIBITS
N/A		

OTHER PARTY

WITNESSES	EST. TIME	EXHIBITS
Louis Jones Petroleum Engineer	30 Minutes	Unknown at this time

PROCEDURAL MATTERS

None applicable at this time.

KELLAHIN, KELLAHIN & AUBREY

By: 

W. Thomas Kellahin

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ATTORNEYS FOR OTHER PARTY-

MERIDIAN OIL, INC.

STATEMENT OF CASE

APPLICANT

N/A

OTHER PARTY

Meridian Oil, Inc. supports the continuation for an additional two year period of the 12 times overproduction limitation for the prorated gas pools of the San Juan Basin as provided for in Rule 11(b) as amended by Order R-8170-A.

Meridian Oil, Inc. has concluded that:

(1) The continuation of the Rule 11(b) provides needed flexibility to the proration system in the San Juan Basin;

(2) There will be substantial disruption in the marketing of the San Juan Basin Prorated Gas without the 12 times overproduction rule;

(3) New Mexico will lose United States domestic market share to Canadian gas imports if Rule 11(b) is terminated;

(4) It is premature to alter Rule 11(b) until both the Transwestern and El Paso Natural Gas Company pipeline extensions are in place and fully operational;

(5) Rule 11(b) has not been demonstrated to cause waste or to impair correlative rights; and

(6) There have been no adverse effects attributed to this Rule since the last hearing.

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APPEARANCE OF PARTIES

APPLICANT

ATTORNEY

N/A

N/A

OTHER PARTY

ATTORNEY

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STATEMENT OF CASE

APPLICANT

N/A

OTHER PARTY

Meridian Oil, Inc. supports the continuation for an additional two year period of the 12 times overproduction limitation for the prorated gas pools of the San Juan Basin as provided for in Rule 11(b) as amended by Order R-8170-A.

Meridian Oil, Inc. has concluded that:

(1) The continuation of the Rule 11(b) provides needed flexibility to the proration system in the San Juan Basin;

(2) There will be substantial disruption in the marketing of the San Juan Basin Prorated Gas without the 12 times overproduction rule;

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PROPOSED EVIDENCE

APPLICANT

WITNESSES	EST. TIME	EXHIBITS
N/A		

OTHER PARTY

WITNESSES	EST. TIME	EXHIBITS
Louis Jones Petroleum Engineer	30 Minutes	Unknown at this time

PROCEDURAL MATTERS

None applicable at this time.

KELLAHIN, KELLAHIN & AUBREY

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ATTORNEYS FOR OTHER PARTY-
MERIDIAN OIL, INC.

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SANTA FE

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APPEARANCE OF PARTIES

APPLICANT

ATTORNEY

N/A

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STATEMENT OF CASE

APPLICANT

N/A

OTHER PARTY

Meridian Oil, Inc. supports the continuation for an additional two year period of the 12 times overproduction limitation for the prorated gas pools of the San Juan Basin as provided for in Rule 11(b) as amended by Order R-8170-A.

Meridian Oil, Inc. has concluded that:

(1) The continuation of the Rule 11(b) provides needed flexibility to the proration system in the San Juan Basin;

(2) There will be substantial disruption in the marketing of the San Juan Basin Prorated Gas without the 12 times overproduction rule;

(3) New Mexico will lose United States domestic market share to Canadian gas imports if Rule 11(b) is terminated;

(4) It is premature to alter Rule 11(b) until both the Transwestern and El Paso Natural Gas Company pipeline extensions are in place and fully operational;

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WITNESSES	EST. TIME	EXHIBITS
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OTHER PARTY

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PROCEDURAL MATTERS

None applicable at this time.

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