



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



BRUCE KING
GOVERNOR

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CABINET SECRETARY

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SANTA FE, NEW MEXICO 87504
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November 16, 1992

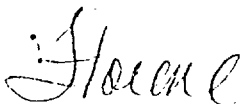
KELLAHIN, KELLAHIN & AUBREY
Attorneys at Law
P. O. Drawer 2265
Santa Fe, New Mexico 87504

RE: CASE NO. 10555
ORDER NO. R-8170-M

Dear Sir:

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

Sincerely,


Florene Davidson
OC Staff Specialist

FD/sl

cc: BLM - Carlsbad

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. 10555
ORDER NO. R-8170-__

APPLICATION OF MERIDIAN OIL INC.
FOR AMENDMENT OF DIVISION ORDER NO.
R-8170, AS AMENDED, TO ESTABLISH
MINIMUM GAS ALLOWABLES IN THE
JUSTIS (GLORIETA) GAS POOL, LEA
COUNTY, NEW MEXICO

MERIDIAN OIL INC.'S PROPOSED
ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on
November 5, 1992 at Santa Fe, New Mexico, before
Examiner David R. Catanach.

NOW, on this ____ day of November, 1992, the
Division Director, having considered the testimony, the
record and the recommendations of the Examiner, and
being fully advised in the premises,

FINDS THAT:

(1) Due public Notice having been given as
required by law, the Division has jurisdiction of this
cause and the subject matter thereof.

(2) The applicant, Meridian Oil Inc., ("Meridian")
seeks to amend the "General Rules for the Prorated Gas
Pools of New Mexico/Special Rules and Regulations for
the Justis (Glorieta) Gas Pool" as promulgated by
Division Order No. R-8170, as amended, dated March 28,
1986, to provide for a minimum natural gas allowable
for the Justis (Glorieta) Gas Pool for a three year

NMOCD CASE NO. 10555
Order No. R-8170-____
Page 2

period of time equal to 600 MCF of gas per day for an acreage factor of 1.0 (standard 320-acre gas proration unit).

(3) The Justis Gas Pool ("the Pool") was created by Division Order 850 issued January 1, 1950 with gas prorationing for this pool made effective January 1, 1954. See Orders R-375, R-375-A, R-586-A, R-586-C, R-586-E, R-586-F, R-967.

(4) On October 3, 1957, the Division Order R-586-C changed the standard proration unit size from 160 acres to 320 acres with an acreage factor of 2.

(5) As of July 1, 1992, the Pool encompassed the following area:

Township 24 South, Range 37 East, NMPM

Section 26: SE/4
Section 35: E/2, E/2NW/4

Township 25 South, Range 37 East, NMPM

Section 1: SW/4
Section 2: E/2
Section 11: E/2
Section 12: W/2
Section 13: All
Section 14: E/2
Section 23: E/2
Section 24: All
Section 25: All
Section 26: NE/4
Section 36: N/2

(6) According to applicant's evidence and testimony, there currently exists a market for natural gas from the Justis Gas Pool in excess of the gas allowable being assigned to the pool under the gas proration system.

(7) Further evidence and testimony indicates that the production limitations imposed by the gas proration system may have discouraged and may continue to discourage further developmental drilling and attempted workovers of existing wells.

(8) Evidence, testimony and information obtained from August, 1992 Oil Conservation Division's Southeast Gas Proration Schedule indicates that within the Justis Gas Pool:

- a) There are approximately 12 producing wells with some 7 different operators;
- b) There are two pipeline transporters;
- c) There is a total of 21 acreage factors of which 6 are non-marginal and 16 are marginal;
- d) There is one well overproduced and there are no wells overproduced in excess of six times.

(9) In addition, according to Division records, the average gas allowable for an acreage factor of 1.0 in the Justis Gas Pool during the period from April through September, 1992 was the lowest in Southeast New Mexico at approximately 130 MCF of gas per day/160 acres.

(10) The applicant presented engineering data which indicates that the remaining gas reserves within the Justis Gas Pool are approximately 20.6 BCF. Further data indicates that approximately 6.6 BCF will be recovered by existing wells and that approximately 14 BCF may be recovered by the drilling of additional infill wells.

(11) Further evidence and testimony showed that one infill well has been drilled in the Pool and as a result has substantially increased the recoverable gas reserves on that proration unit.

(12) Testimony by the applicant indicates that the institution of a minimum gas allowable in the Pool as proposed should provide the incentive necessary to promote field-wide infill drilling and workovers of existing wells, which will in turn increase the ultimate gas recovery from the pool, thereby preventing waste.

(13) The applicant has notified all operators in the Pool of its application for the establishment of a minimum gas allowable.

(14) The applicant received no objection to the proposal from any of the remaining operators in the Pool.

(15) No other operator and/or interest owner appeared at the hearing in opposition to the application.

(16) The applicant further presented a letter from a gas transporter in the Pool, which letter indicates that the Texaco Eunice Plant and the Sid Richardson Jal Plant both have the capacity to gather, treat and/or process the additional gas which may be produced from the subject pool if the application is approved.

(17) The gas gathering line pressures in the Pool are and should remain, if the application is approved, sufficiently low to allow marginal gas wells to continue to produce.

(18) According to evidence and testimony, there are gas marketing entities available to all operators in the Pool such that no operator in the Pool should be denied the opportunity to market and sell its gas.

(19) Even with the institution of a minimum gas allowable, the Justis Gas Pool will remain prorated inasmuch as there are wells in the pool capable of producing in excess of 600 MCF of gas per day, and gas allowables are based upon proration unit size.

(20) The evidence at this time indicates that the institution of a minimum gas allowable in the Justis Gas Pool would be in the best interest of conservation, prevention of waste and protection of correlative rights.

(21) 600 MCF of gas per day per acreage factor of 1.0 should be utilized as the minimum gas allowable. Said minimum gas allowable should remain in effect for a period of three years, provided however, the Division may reopen this case at any time during the three year period to consider additional evidence and testimony should it become apparent that continuation of the minimum gas allowable will not serve to prevent waste and protect correlative rights.

(22) The case should be reopened in December 1995, at which time the applicant and/or the operators in the subject pool should be prepared to appear and present evidence and testimony relevant to the continuation of a minimum gas allowable in the Justis Gas Pool.

(23) This order should be effective December 1, 1992.

IT IS THEREFORE ORDERED THAT:

(1) The "Special Rules and Regulations for the Justis Gas Pool" as promulgated by Division Order No. R-8170, as amended are hereby amended by the addition of Rule No. 26 as follows:

RULE 26. MINIMUM ALLOWABLES:

Notwithstanding the provisions of Rule Nos. 3 and 5 of the General Rules and Regulations for the Prorated Gas Pools of New Mexico, the Division shall assign a minimum gas allowable of 600 MCF of gas per day Acreage Factor of 1.0.

(2) Rule No. 26 shall remain in effect for a period of three years, provided however, the Division may reopen this case at any time during the three year period to consider additional evidence and testimony should it become apparent that continuation of the minimum gas allowable will not serve to prevent waste and protect correlative rights.

(3) Unless reopened pursuant to Paragraph (2) above, this case shall be reopened in December, 1995, at which time the applicant and/or the operators in the subject pool should be prepared to appear and present evidence and testimony relevant to the continuation of a minimum gas allowable in the Justis Gas Pool.

(4) This order shall be effective December 1, 1992.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

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OIL CONSERVATION DIVISION
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KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

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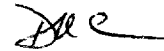
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W. THOMAS KELLAHIN*

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TELEFAX (505) 982-2047

JASON KELLAHIN (RETIRED 1991)



September 23, 1992

William J. LeMay
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

VIA FACSIMILE
(505) 827-5741

RE: NMOCD Case No. 10555
Application of Meridian Oil, Inc.
for the establishment of minimum
gas allowables for the Justis
Gas Pool, Lea County, New Mexico

105

Dear Mr. LeMay:

On behalf of Meridian Oil, Inc. we respectfully
request that the above-referenced case be continued to
the Hearing Examiner's docket now scheduled for
November 5, 1992.

Very truly yours,



W. Thomas Kellahin

WTK/jcl
xc: Tom Olle - Meridian Oil, Inc.

lrr923.014

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JASON KELLAHIN (RETIRED 1991)

FACSIMILE COVER SHEETDATE: September 23, 1992NUMBER OF PAGES: 2

(including cover sheet)

TIME: _____

TO: William J. LeMayFROM: W. Thomas KellahinOF: Oil Conservation Division

SPECIAL INSTRUCTIONS:

FAX NO.: 827-5741☐ URGENTRE: NMOCD Case No. 10555☐ FOR YOUR INFORMATION☐ FOR YOUR REVIEW☐ PLEASE REPLY☐ FOR YOUR APPROVAL☐ PER YOUR REQUESTMESSAGE: A letter dated today to you follows.A HARD COPY XXXX WILL _____ WILL NOT FOLLOW BY U.S. MAIL.