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Case 9430

Order No. R-8734

(12) Since McElvain secured approval of his unit and the well location as required by the rules, and has drilled and completed his well, the Commission is reluctant to redistribute equity in that producing gas proration unit; however, the Commission must address the well density issue in Section 22 by applying appropriate penalties to non-standard units and locations in order to protect the correlative rights of all parties.

(13) No party has requested proration be instituted in these pools.

(14) Phillips' reservoir engineer requested a 160-acre non-standard unit with a 50% penalty factor (160/320) assessed against ratable take determinations by the gas purchaser. This is not possible in today's gas marketing environment where there may be purchasers outside the jurisdiction of the Oil Conservation Division and there may not be a common purchaser to implement ratable take penalties.

(15) Under cross examination of the Phillips' reservoir engineer, it was suggested that penalty be assessed against deliverability. Since operators in non-prorated gas pools have the opportunity to sell maximum deliverability from their gas wells, a penalty assessed against deliverability will protect the correlative rights of all gas producers in the pool.

(16) There was no direct correlation between deliverability and data presented at the hearing. In the absence of such, deliverability must be defined as the maximum recorded flow rate.

(17) During 1986 and 1987 maximum flow rates for the wells on which data was presented at the hearing were approximately 6000 Mcf/day and this is hereby found to be the maximum flow rate for wells subject to being penalized by this order.

(18) Data presented at the hearing did not address declining deliverability but 10% per year decline is considered reasonable and represents average performance in this type of reservoir.

(19) The McElvain well location was not objected to and should not be penalized, however; the spacing unit is non-standard and should be allowed 240/320, or 75% of the maximum flow rate described in Finding No. (18) hereinabove.

(20) Mobil, if unable to negotiate for a standard unit should be permitted a non-standard unit comprised of the SE/4