

50 YEARS



TONEY ANAYA
GOVERNOR

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

April 29, 1986



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MAY 01 1986
OIL CONSERVATION
DIST. 3

Mr. W. J. Murray, Jr.
1906 Scenic Drive
Austin, Texas 78703

Re: M. J. Brannon Federal 20 #1-R,
Sec. 20, T-25-N, R-9-W, San Juan County, N.M.

Dear Bill:

Your letter of April 21 has been reviewed and discussed among Division staff. I would like to point out you may have misconstrued the supplement which was attached to your letter. The 65 million cubic feet is not the penalty assessed for late filing, but is the overproduced status, an amount over 8 times the March allowable. The penalty is assessed under our rules when tests are filed late in that allowable is assigned not more than 90 days prior to receipt of the test.

Operators usually ask for rescheduling of aborted tests immediately and we understand El Paso readily accommodates such requests. Those who delay making requests do so at risk of losing allowable. The supplement appears to be in accordance with our rules and procedures.

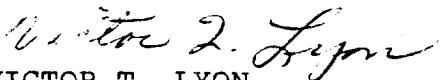
Another point of possible misinterpretation is indicated where you state the well #1-E had to be tested because it was in the same section as #1-R. Actually, well #1-R is in the same proration unit (E/2 Sec. 20) as #1-E and is an infill well. Our rules require a test on both wells when an infill well is drilled. Again this is a part of our system in this part of the state which has a deliverability factor in the proration formula.

Our Aztec office does not believe there has been any undue penalty in this case and that Mr. Brannon has been treated in the same manner as other operators filing a late test. Your letter does not request a hearing which is the only way any relief from your clients unfortunate position may be granted. If you would like to bring the matter to

hearing we will be happy to place it on the next docket or other docket you may choose. Our next hearing date is May 28 and other examiner hearings are tentatively set at two-week intervals thereafter.

Please advise if we can be of further service to you in this matter.

Cordially yours,


VICTOR T. LYON
Chief Petroleum Engineer

VTL/dr

cc: Aztec District Office
El Paso Natural Gas Co. - Farmington