

NEW MEXICO OIL CONSERVATION COMMISSION

P.O. BOX 2088

SANTA FE, NEW MEXICO 87501

ADMINISTRATIVE ORDER NGPA- 2

EXEMPTION FROM THE NATURAL GAS PRICING ACT
PURSUANT TO SECTION 6, CHAPTER 73,
LAWS OF 1977, AND COMMISSION ORDER NO. R-5436

OPERATOR Producing Royalties, Inc. WELL NAME AND No. Carroll-Cornell No. 5-R
LOCATION: UNIT A SEC. 13 TWP. 29 North RNG. 12 West COUNTY San Juan

THE SECRETARY-DIRECTOR OF THE COMMISSION FINDS:

(1) That Section 6 of the Natural Gas Pricing Act (being Laws of 1977, Chapter 73) provides that the Natural Gas Pricing Act shall not apply to the production and sale of natural gas in intrastate commerce from a well the drilling of or first intrastate sale of which commenced on or after January 1, 1975, provided however, that the Act shall apply to such a well if it is drilled within an established proration unit which was producing or capable of producing natural gas prior to January 1, 1975, from the same reservoir unless the Oil Conservation Commission exempts such well upon a finding that such new well was justified for reasons other than avoiding the application of the Natural Gas Pricing Act.

(2) That by Order No. R-5436, dated June 8, 1977, the Commission established an administrative procedure whereby the Secretary-Director of the Commission is empowered to act for the Commission and exempt gas wells from the provisions of Section 6 of the Natural Gas Pricing Act provided said wells were drilled on or after January 1, 1975, within established proration units which were producing or capable of producing natural gas from the same reservoir prior to January 1, 1975.

(3) That to qualify for such exemption, under said Order No. R-5436, a gas well must be classified either as a replacement well or as an infill well.

(4) That pursuant to Order No. R-5436, the Secretary-Director of the Commission may find that a replacement well is justified for reasons other than avoiding the pricing provisions of the Natural Gas Pricing Act upon a showing by the operator that:

- (a) The well was necessary to replace a well lost due to economically irreparable down-hole mechanical failure or formation damage; or that
- (b) the well was necessary to replace a well producing at non-commercial rates; or that
- (c) the drilling of the well commenced prior to January 18, 1977.

(5) That pursuant to Order No. R-5436, the Secretary-Director of the Commission may find that an infill well is justified for reasons other than avoiding the pricing provisions of the Natural Gas Pricing Act upon a showing by the operator that:

- (a) the well was drilled in a pool where the Commission, after notice and hearing, has issued an order finding that infill drilling in such pool will increase the recoverable reserves under the various proration units in such pool, will result in more efficient use of reservoir energy, and will tend to ensure greater ultimate recovery of gas from the pool; or that
- (b) the well is necessary to protect the proration unit from uncompensated drainage or to protect correlative rights; or that
- (c) the drilling of the well commenced prior to January 18, 1977.

(6) That the applicant herein Producing Royalties, Inc. has requested exemption from the provisions of the Natural Gas Pricing Act pursuant to Section 6, Chapter 73, Laws of 1977, and Commission Order No. R-5436 for the above-named well.

(7) That all the requirements of said Order No. R-5436 have been complied with, and that said well is justified for exemption from the provisions of the Natural Gas Pricing Act inasmuch as said well was not drilled for the purpose of avoiding the application of said act, but was in fact:

☒ A Replacement Well

- ☐ necessary to replace a well lost due to economically irreparable down-hole mechanical failure or formation damage.
- ☒ necessary to replace a well producing at non-commercial rates.
- ☒ a well the drilling of which commenced prior to January 18, 1977.

☐ An Infill Well

- ☐ drilled in a pool where the Commission, after notice and hearing, has issued an order finding that infill drilling in such pool will increase the recoverable reserves under the various proration units in the pool, will result in more efficient use of reservoir energy, and will tend to ensure greater ultimate recovery of gas from the pool, said pool being the

- ☐ Pool and the order being Commission Order No. R-_____.
- ☐ necessary to protect the proration unit from uncompensated drainage or to protect correlative rights.
- ☐ a well the drilling of which commenced prior to January 18, 1977.

IT IS THEREFORE ORDERED:

(1) That the above-named well is hereby exempted from Section 6 of the Natural Gas Pricing Act (Laws of 1977, Chapter 73).

(2) That jurisdiction of this cause is hereby retained, and that this exemption is subject to rescission upon failure to comply with the provisions of Rule 6(d) or Rule 7(c) of Commission Order No. R-5436 or for other good cause shown.

DONE at Santa Fe, New Mexico on this 15th day of November, 19 77.


JOE D. RAHAY
Secretary-Director

