

Entered May 4, 1981  
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STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION ON  
ITS OWN MOTION TO CONSIDER AMENDMENTS  
TO ITS SPECIAL RULES FOR APPLICATIONS  
FOR WELLHEAD PRICE CEILING CATEGORY  
DETERMINATIONS AS PROMULGATED BY  
DIVISION ORDER NO. R-5878, AS AMENDED.

CASE NO. 7199  
Order No. R-5878-B-2

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 25, 1981, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 4th day of May, 1981, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) That by its Order No. R-5878-B, effective July 15, 1980, the New Mexico Oil Conservation Division promulgated its "Special Rules For Applications For Wellhead Price Ceiling Category Determinations" pursuant to the Natural Gas Policy Act of 1978 and to the Federal Energy Regulatory Commission (FERC) "Final Regulations Implementing Filing Requirements of the Natural Gas Policy Act of 1978," as promulgated by FERC Order No. 65 effective February 4, 1980.
- (3) That said special rules and the Division forms adopted for use pursuant thereto have from time to time been amended to keep their status up-to-date with the FERC regulations as they from time to time have been amended.
- (4) That the FERC on November 13, 1980, issued its Order No. 107, a FINAL RULE relating to "High Cost Gas: Production Enhancement Procedures," and on January 15, 1981, issued its "INTERIM RULE under Section 108 of the NGPA Concerning Temporary Pressure Buildup in Qualifying Stripper Wells."

(5) That the aforesaid FERC Order No. 107 created a new category of High-cost Natural Gas called "production enhancement gas," being gas produced from a well upon which certain qualified work has been done to establish, continue, or increase production from the well.

(6) That to implement procedures for qualifying wells for such production enhancement gas classification, it is necessary that the Division's "Special Rules For Applications For Wellhead Price Ceiling Category Determinations" as promulgated by Order No. R-5878-B, as amended, be further amended by adding a new Section 4 to Rule 17, outlining the material required to be filed with the Division (in accordance with 18 CFR 274.205(f) subparagraphs (1) through (8) inclusive) in order to obtain a production enhancement gas price category for a well.

(7) That the FERC INTERIM RULE referred to in Finding No. (4) above provides for continuing qualification of a stripper well as a stripper pursuant to Section 108 of the NGPA even though its average daily production exceeds the stripper production limit of 60 MCF because of a temporary reservoir pressure build-up resulting from temporary shut-in due, for example, to pipeline or wellhead maintenance or repair.

(8) That to implement such continued stripper well classification, it is necessary that the Division's "Special Rules For Wellhead Price Ceiling Category Determinations" as promulgated by Order No. R-5878-B, as amended, be further amended by adding a new Rule 21, outlining the material required to be filed with the Division (in accordance with 18 CFR 274.206(e) subparagraphs (1) through (7) inclusive) in order to obtain a determination of increased production resulting from temporary pressure build-up.

(9) That the revision of Division Forms C-132 and C-132-A to make said forms compatible with the above-described amendments to the Special Rules For Applications For Wellhead Price Ceiling Category Determinations is necessary, and said forms should be revised to conform to Exhibits A and B attached hereto and by reference made a part hereof.

(10) That the effective date of this order should be May 10, 1981.

IT IS THEREFORE ORDERED:

(1) That the Oil Conservation Division's "Special Rules For Applications For Wellhead Price Ceiling Category Determinations," as promulgated by Order No. R-5878-B, as amended, are

hereby further amended by the addition of a new Section 4, Production Enhancement Gas, to Rule 17, reading in its entirety as follows:

"4. PRODUCTION ENHANCEMENT GAS

- a. FERC Form No. 121;
- b. Division Form C-132 and the required attachments;
- c. A detailed statement describing the production enhancement work that has been performed on the well, including the dates such work was commenced and completed, or that will be performed on the well;
- d. An itemized statement of costs incurred in performing the production enhancement work described in 18 CFR §271.704(d), including copies of invoices and bills for such work or, if the work has not yet been completed, estimates of such cost;
- e. A statement estimating, for the five-year period beginning from the month in which the application is filed, the units of gas production (MMBtu's) that:
  - (1) would be produced from the well if the production enhancement work had been completed on the day that the application is filed; and
  - (2) would be produced from the well if the production enhancement work is not performed or had not been performed;
- f. The calculation, based on the estimates required by subparagraph (e) above, that is required by 18 CFR §271.704(c)(1)(v);
- g. The renegotiated price and a copy of that portion of the sales contract that authorizes collections of such price;
- h. A statement by the applicant, under oath, that:
  - (1) The production enhancement work is necessary, and can be reasonably expected, to enhance production;

- (2) The maximum lawful price that would be applicable but for qualification of the gas under 18 CFR §271.704, does not, or will not, provide adequate incentive for the performance of the production enhancement work;
  - (3) But for the availability of a price at least as high as the renegotiated price specified in subparagraph (g), the production enhancement work would not have been or will not be performed;
  - (4) The production enhancement work was not commenced before May 29, 1980;
  - (5) To the best of the applicant's knowledge and belief, the estimates required by subparagraph (e) above are reasonable; and
  - (6) The applicant has no knowledge of any other information not described in the application which is inconsistent with these statements and estimates;
- i. A statement by the purchaser, under oath, that to the best of the purchaser's knowledge or belief:
- (1) There is a reasonable basis for the statements and estimates made by the applicant; and
  - (2) The purchaser has no knowledge of any information not described in the application which is inconsistent with such statements and estimates."

(2) That the Division's "Special Rules For Application For Wellhead Price Ceiling Category Determinations," as promulgated by Order No. R-5878-B, as amended, are hereby further amended by the addition of a new Rule 21, reading in its entirety as follows:

- "Rule 21. An application for determination that increased production is the result of temporary pressure buildup shall include:
1. Division Form C-132-A and, if applicable, an approved copy of Form C-132 qualifying the well as a stripper well.

2. A copy of the purchaser's notice, if any, that the average daily production of the well for the relevant 90-day production period has exceeded 60 Mcf.
3. A summary or tabulation of production records for the 90-day production period during which the well's average daily production period exceeded 60 Mcf.
4. A statement of the total production for the period in question, and the average production per production day.
5. A statement of the number of days the well was shut-in and a description of the reason for the shut-in.
6. Engineering, geological and/or production data to support a finding that the increased rate of production was the result of a pressure buildup which occurred when the well was shut-in.
7. A statement, under oath, that to the best of his information, knowledge and belief,
  - a. the well would have produced at an average rate not exceeding 60 Mcf per production day during the relevant 90-day production period had the well been continuously open to the line during such period,
  - b. the information supplied is true, and
  - c. the petition for this determination has been served on the Division, the FERC, and any purchaser."

(3) That Division Form C-132, "Application For Wellhead Price Ceiling Category Determination," is hereby revised to conform to Exhibit A attached hereto and by reference made a part hereof.

(4) That Division Form C-132-A, "Application For Continued Stripper Classification," is hereby revised to conform to Exhibit B attached hereto and by reference made a part hereof.

-6-

Case No. 7199

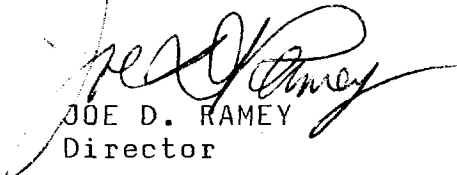
Order No. R-5878-B-2

(5) That the effective date of this order and of all of the additions, amendments, and revisions approved herein shall be May 10, 1981.

(6) That 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 herein-  
above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
JOE D. RAMEY  
Director

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OIL CONSERVATION DIVISION

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

Form C-132  
Revised 5-10-81

APPLICATION FOR WELLHEAD  
PRICE CEILING CATEGORY DETERMINATION

**1. FOR DIVISION USE ONLY:**  
 DATE COMPLETE APPLICATION FILED \_\_\_\_\_  
 DATE DETERMINATION MADE \_\_\_\_\_  
 WAS APPLICATION CONTESTED? YES \_\_\_\_\_ NO \_\_\_\_\_  
 NAME(S) OF INTERVENOR(S), IF ANY: \_\_\_\_\_

5A. Indicate Type of Lease  
 STATE  FEE   
 5. State Oil & Gas Lease No. \_\_\_\_\_  
 7. Unit Agreement Name \_\_\_\_\_  
 8. Farm or Lease Name \_\_\_\_\_  
 9. Well No. \_\_\_\_\_  
 10. Field and Pool, or Wildcat \_\_\_\_\_  
 12. County \_\_\_\_\_

2. Name of Operator \_\_\_\_\_  
 3. Address of Operator \_\_\_\_\_  
 4. Location of Well UNIT LETTER \_\_\_\_\_ LOCATED \_\_\_\_\_ FEET FROM THE \_\_\_\_\_ LINE  
 \_\_\_\_\_ FEET FROM THE \_\_\_\_\_ LINE OF SEC. \_\_\_\_\_ TWP. \_\_\_\_\_ RGE. \_\_\_\_\_ NMPM  
 5. Name and Address of Purchaser(s) \_\_\_\_\_

**WELL CATEGORY INFORMATION**

Check appropriate box for category sought and information submitted.

1. Category(ies) Sought (By NGPA Section No.) \_\_\_\_\_
2. All Applications must contain:
  - a. C-101 APPLICATION FOR PERMIT TO DRILL, DEEPEN OR PLUG BACK
  - b. C-105 WELL COMPLETION OR RECOMPLETION REPORT
  - c. DIRECTIONAL DRILLING SURVEY, IF REQUIRED UNDER RULE 111
  - d. AFFIDAVITS OF MAILING OR DELIVERY
3. In addition to the above, all applications must contain the items required by the applicable rule of the Division's "Special Rules for Applications For Wellhead Price Ceiling Category Determinations" as follows:
  - A. NEW NATURAL GAS UNDER SEC. 102(c)(1)(B) (using 2.5 Mile or 1000 Feet Deeper Test)
    - All items required by Rule 14(1) and/or Rule 14(2)
  - B. NEW NATURAL GAS UNDER SEC. 102(c)(1)(C) (new onshore reservoir)
    - All items required by Rule 15
  - C. NEW ONSHORE PRODUCTION WELL
    - All items required by Rule 16A or Rule 16B
  - D. DEEP, HIGH-COST NATURAL GAS, TIGHT FORMATION NATURAL GAS, AND PRODUCTION ENHANCEMENT NATURAL GAS
    - All items required by Rule 17(1), Rule 17(2) or Rule 17(3), or Rule 17(4)
  - E. STRIPPER WELL NATURAL GAS
    - All items required by Rule 18

I HEREBY CERTIFY THAT THE INFORMATION CONTAINED  
HEREIN IS TRUE AND COMPLETE TO THE BEST OF MY  
KNOWLEDGE AND BELIEF.

NAME OF APPLICANT (Type or Print) \_\_\_\_\_  
 SIGNATURE OF APPLICANT \_\_\_\_\_  
 Title \_\_\_\_\_  
 Date \_\_\_\_\_

**FOR DIVISION USE ONLY**

Approved  
 Disapproved

The information contained herein includes all  
of the information required to be filed by the  
applicant under Subpart B of Part 274 of the  
FERC regulations.

EXAMINER \_\_\_\_\_

OIL CONSERVATION DIVISION

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT

P. O. BOX 2088  
SANTA FE, NEW MEXICO 87501

Form C-132-A  
Revised 5-10-81

APPLICATION FOR CONTINUED  
STRIPPER CLASSIFICATION

5A. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>	
5. State Oil & Gas Lease No.	
7. Unit Agreement Name	
8. Farm or Lease Name	
9. Well No.	
10. Field and Pool, or Wildcat	
12. County	

**1. FOR DIVISION USE ONLY:**

DATE COMPLETE APPLICATION FILED \_\_\_\_\_

DATE DETERMINATION MADE \_\_\_\_\_

WAS APPLICATION CONTESTED? YES \_\_\_\_\_ NO \_\_\_\_\_

NAME(S) OF INTERVENOR(S), IF ANY: \_\_\_\_\_

2. Name of Operator \_\_\_\_\_

3. Address of Operator \_\_\_\_\_

4. Location of Well  
UNIT LETTER \_\_\_\_\_ LOCATED \_\_\_\_\_ FEET FROM THE \_\_\_\_\_ LINE  
FEET FROM THE \_\_\_\_\_ LINE OF SEC. \_\_\_\_\_ TWP. \_\_\_\_\_ RGE. \_\_\_\_\_ NMPM \_\_\_\_\_

5. Name and Address of Purchaser(s) \_\_\_\_\_

CLASSIFICATION

1. Check appropriate box for category sought and information submitted.
2. All applications must contain the items required by the applicable rule of the Division's "Special Rules For Applications For Wellhead Price Ceiling Category Determinations" as follows:
  - A. Increased production resulting from recognized enhanced recovery techniques  
 All items required by Rule 19
  - B. Well is seasonally affected  
 All items required by Rule 20
  - C. Increased production resulting from temporary pressure buildup  
 All items required by Rule 21

I HEREBY CERTIFY THAT THE INFORMATION CONTAINED HEREIN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE AND BELIEF.

\_\_\_\_\_  
NAME OF APPLICANT (Type or Print)

\_\_\_\_\_  
SIGNATURE OF APPLICANT

Title \_\_\_\_\_

Date \_\_\_\_\_

FOR DIVISION USE ONLY	
<input type="checkbox"/>	Approved
<input type="checkbox"/>	Disapproved
The information contained herein includes all of the information required to be filed by the applicant under Subpart B of Part 274 of the FERC regulations.	
_____ EXAMINER	