

Entered July 7, 1980  
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STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

CASE NO. 6851  
Order No. R-5878-B

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  
ORDERS NOS. R-5878 AND R-5878-A

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 9, 1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 7th day of July, 1980, 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 the 95th Congress of the United States passed the Natural Gas Policy Act of 1978 (NGPA), P.L. 95-621, 92 Stat. L 3350.
- (3) That said Act was enacted on November 9, 1978, and went into effect on December 1, 1978.
- (4) That pursuant to said Act, the Federal Energy Regulatory Commission (FERC) promulgated interim regulations establishing minimum filing requirements for applications for wellhead price ceiling determinations under Sections 102, 103, 107, and 108 of the Act.
- (5) That said regulations also established the Oil Conservation Division as the jurisdictional agency for such determinations with respect to wells located on state and fee lands within the State of New Mexico.

(6) That pursuant to the aforesaid Natural Gas Policy Act of 1978 and FERC interim regulations, the Division has heretofore adopted "Special Rules For Applications For Wellhead Price Ceiling Category Determinations" as promulgated by Division Order No. R-5878, dated December 14, 1978, and as amended by Division Order No. R-5878-A on February 8, 1980, and Forms C-132 and C-132-A, for use in filing for such determinations.

(7) That effective February 4, 1980, the FERC, by its Order No. 65, issued its "Final Regulations Implementing Filing Requirements of the Natural Gas Policy Act of 1978."

(8) That this case was called to consider the amendment of the Division's rules and forms governing the filing of applications for wellhead price ceiling category determinations in order to update them and to make them compatible with the aforesaid FERC final regulations.

(9) That said rules should be amended to be in the form and content prescribed in Exhibit A, attached hereto and made a part hereof.

(10) That Division Form C-132, "Application For Wellhead Price Ceiling Category Determination," should be revised to be in the form and content prescribed in Exhibit B, attached hereto and made a part hereof.

(11) That Division Form C-132-A, "Application For Continued Stripper Classification," should be revised to be in the form and content prescribed in Exhibit C, attached hereto and made a part hereof.

(12) That Division Orders Nos. R-5878 and R-5878-A should be superseded.

(13) That this order should be made effective July 15, 1980.

(14) That an order embodying the above findings is in the public interest, will promote conservation, will not cause but will prevent waste, will not impair but will protect correlative rights, and should be approved.

IT IS THEREFORE ORDERED:

(1) That the "Special Rules For Applications For Wellhead Price Ceiling Category Determinations," as prescribed by Exhibit A attached hereto and made a part hereof, are hereby adopted and made applicable.

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

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

(4) That Division Orders Nos. R-5878 and R-5878-A are hereby superseded.

(5) That the effective date of this order shall be July 15, 1980.

(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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SPECIAL RULES FOR APPLICATIONS  
FOR WELLHEAD PRICE CEILING  
CATEGORY DETERMINATIONS

Adopted July 15, 1980

DEFINITIONS

- FERC: The Federal Energy Regulatory Commission.
- Division: The Oil Conservation Division of the Energy and Minerals Department.
- USGS: United States Geological Survey.
- Applicant: The person making the application for a wellhead price ceiling determination. This person shall usually be the operator of the well but under some circumstances could be a non-operating working interest owner.
- Director: The Director of the Oil Conservation Division.
- NGPA: The Natural Gas Policy Act of 1978.
- MCF: Thousand cubic feet of gas reported at a pressure base of 14.73 psia.

GENERAL

- Rule 1. An application for Wellhead Price Ceiling Category Determination shall include affidavits of mailing or delivery of the Form C-132 or C-132-A and FERC Form No. 121 to all working interest owners and to all parties to the gas purchase contract, if any.
- Rule 2. The application shall be signed by the applicant or his authorized representative or agent.
- Rule 3. If a well is located on a State or fee lease, the application shall be filed with the Division. If a well is located on a federal or Indian lease, the application shall be filed with the USGS. If the well is located on a communitized lease, the application shall be filed with the agency having jurisdiction over the lands on which the well is situated.

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- Rule 4. Two complete copies of the application shall be filed with the Division's Santa Fe office, and a copy of the C-132 or C-132-A with the appropriate district office.
- Rule 5. If written objection to the application is filed with the Division's Santa Fe office by any interested party within 15 days after the complete application is filed, or if a hearing is required by the Director, the application shall be set for hearing in accordance with Rules 1201 through 1223 of the Division's general statewide rules and regulations.
- Rule 6. If no written objection is received within the time period set out in Rule 5, and no hearing is required, the application may be approved administratively by a Division examiner or the Director.
- Rule 7. If a hearing is required, a determination shall not become final until the applicant or other interested party has exhausted his administrative remedies before the Division. If a hearing is not required, a determination shall be final on the date the application is either approved or disapproved.
- Rule 8. Within 10 days after making a final determination, notice shall be sent to the applicant, the transporter and, if a hearing was held, to each party who has entered his appearance of record at the hearing.
- Rule 9. Within 15 days after making a final determination, notice shall be sent to the FERC.
- Rule 10. An examiner or the Director, on a case-by-case basis, may require the filing of additional information other than that required to be submitted by FERC or Division regulations.
- Rule 11. The Director may set any application for hearing at his discretion or at the request of an applicant.
- Rule 12. The date of application shall be the date on which a complete application is filed with the Division's Santa Fe office. Incomplete applications shall either be returned to the applicant or held, but not docketed for processing.

Rule 13. A proration unit for a given pool shall automatically expire upon the plugging and abandonment or the recom-  
pletion in another pool of the last well on the  
proration unit dedicated to said unit in that pool  
and the filing with and approval by the Division of  
Division Form C-103 evidencing such plugging and  
abandonment or recompletion.

FILING REQUIREMENTS

Section 102 New Natural Gas

Rule 14. An application for a new onshore well [NGPA Section  
102(c)(1)(b)] shall include either subpart (1) or (2)  
or both:

1. 2.5 mile test

- a. FERC Form No. 121
- b. Division Form C-132 and the required attach-  
ments
- c. a location plat which locates and identifies  
the well for which the determination is  
sought and any other well which produced  
natural gas after January 1, 1970, and  
before April 20, 1977, and is within the  
2.5 mile radius drawn from the well for  
which a determination is sought;
- d. a statement by the applicant under oath:
  - (1) that he has made, or has caused to  
be made, pursuant to his instructions,  
a diligent search of all records  
(including but not limited to produc-  
tion, severance tax, and royalty  
payment records) which are reasonably  
available and contain information  
relevant to the determination of  
eligibility;
  - (2) describing the search made, the records  
reviewed, the location of such records,  
and a description of any records which

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he believes may contain information relevant to the determination but which he has determined are not reasonably available to him;

- (3) that on the basis of the results of this search and examination, he has concluded that to the best of his information, knowledge and belief, there is no marker well within 2.5 miles of the well for which he seeks a determination; and
- (4) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusion.

2. 1,000 feet deeper test

- a. FERC Form No. 121
- b. Division Form C-132 and the required attachments
- c. a location plat which locates and identifies the well for which the determination is sought and all wells which produced natural gas after January 1, 1970, and before April 20, 1977, within the 2.5 mile radius drawn from the well for which a determination is sought; including specific identification of all marker wells within the 2.5 mile radius drawn from the well for which a determination is sought;
- d. a list of the deepest completion locations for all marker wells identified on the location plat; and
- e. a statement by the applicant, under oath:
  - (1) that he has made, or has caused to be made pursuant to his instructions, a diligent search of all records (including

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but not limited to production, State severance tax, and royalty payment records) which are reasonably available and contain information relevant to the determination of eligibility;

- (2) describing the search made, the records reviewed, the location of such records, and a description of any records which he believes may contain information relevant to the determination but which he has determined are not reasonably available to him;
- (3) that on the basis of the results of this search and examination, he has concluded that to the best of his information, knowledge and belief, there is no marker well within 2.5 miles of the well for which he seeks a determination which has a completion location less than 1,000 feet above the completion location of the new well; and
- (4) that he has no knowledge of any other information which is inconsistent with his conclusion.

Rule 15. An application for a new onshore reservoir [NGPA Section 102(c)(1)(C)] shall include:

1. FERC Form No. 121
2. Division Form C-132 and the required attachments
3. geological information sufficient to support a determination that the reservoir is a new onshore reservoir. Such information shall include to the extent reasonably available to the applicant at the time the application is filed:
  - (a) well logs;

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- (b) bottom hole or surface pressure surveys;
- (c) well potential tests;
- (d) formation structure maps;
- (e) a subsurface cross-section chart;
- (f) a gas analysis; and
- (g) a copy of the Division order and hearing transcript resulting from the hearing to establish a new onshore reservoir if such a hearing was held by the Division; also a copy of any exhibits presented at the hearing which were not attachments to the original application.

4. a statement by the applicant, under oath:

- (a) that he has made, or has caused to be made pursuant to his instructions, a diligent search of all records (including but not limited to production, State severance tax, and royalty payment records) which are reasonably available and contain information relevant to the determination of eligibility;
- (b) describing the search made; the records reviewed; the location of such records, and a description of any records which are described in (a) (or which he believes may otherwise contain information relevant to the determination) but which he has determined are not reasonably available to him;
- (c) that on the basis of the results of this search and examination, he has concluded that to the best of his information, knowledge and belief the gas to be produced and for which he seeks a determination is from a new onshore reservoir; and

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(d) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusion.

5. The applicant in his statement under oath shall also answer, to the best of his information, knowledge and belief and on the basis of the results of his search and examination, the following questions:
- a. Was natural gas produced in commercial quantities from the reservoir prior to April 20, 1977?
  - b. If the question in Subparagraph (a) is answered in the negative, was the reservoir penetrated before April 20, 1977, by an old well from which natural gas or crude oil was produced in commercial quantities from any reservoir?
  - c. If the question in Subparagraph (b) is answered in the affirmative, could natural gas have been produced in commercial quantities from the reservoir before April 20, 1977, from any such old well described in Subparagraph (b)?
  - d. If the question in Subparagraph (c) is answered in the negative, were any sales and deliveries of natural gas made from any other reservoir through any such old well described in Subparagraph (b) prior to April 20, 1977, and were any sales and deliveries of natural gas made from the subject reservoir through such old well on or after April 20, 1977, and before November 9, 1978?
  - e. If the natural gas is to be produced through such old well, were suitable facilities for the production and delivery to a pipeline of such natural gas in existence on April 20, 1977?

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- f. If the question in Subparagraph (c) is answered in the affirmative, were such suitable facilities installed to carry out sales and deliveries of natural gas under section 6 of the Emergency Natural Gas Act of 1977 or under the emergency sale authority pursuant to Opinion 699-B issued by the Federal Power Commission?
6. If the applicant is unable to answer both questions in Subparagraph (d) above in the negative, he must demonstrate that the Behind-the-Pipe Exclusion in Section 102(c)(1)(C)(ii) of the NGPA does not apply by submitting the following:
    - a. Proof that a final eligibility determination has been made that the subject reservoir is a new onshore reservoir by identifying a prior determination made by the Division together with the FERC Docket number and the API well number(s), if available, or,
    - b. Evidence clearly demonstrating that the sale of production from the subject reservoir (net of royalty) through any well described in Subparagraph 5 b at the market price reasonably available as of April 20, 1977 could not have generated revenues sufficient to equal or exceed the sum of (1) 1.6 times the minimum incremental costs properly allocable to such production of installing cost-efficient facilities not in existence as of April 20, 1977, reasonably required to market such production, plus (2) the minimum incremental expenses properly allocable to such production reasonably required to operate such facilities. (All costs, expenses and revenues shall be determined as of April 20, 1977. The applicant shall also provide an explanation of the basis of all estimates accompanied by substantiating workpapers and such other evidence necessary to substantiate fully the conclusion that the Behind-the-Pipe Exclusion does not apply.)

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Section 103 New Onshore Production Well

Rule 16 A. An application for a new onshore production well [NGPA Section 103] shall include:

1. FERC Form No. 121
2. Division Form C-132 and the required attachments
3. Copy of Division order authorizing an infill well drilling program on a poolwide basis, if any, or authorizing the drilling of an infill well under Section 271.305 of the FERC NGPA Regulations. (For infill wells in the Blanco Mesaverde or Basin-Dakota Pools, see Rule 16 B.)
4. The C-102 attached to Form C-132 shall locate and identify the well for which a determination is sought and all other wells within the proration unit in which the well for which a determination is sought is located, giving for each well which has or is producing from the same pool or reservoir as the subject well the spud date, cumulative production, and date of plug and abandonment, if any.
5. A statement by the applicant, under oath:
  - (a) that the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;
  - (b) that the well satisfies any applicable federal or state well-spacing requirements; and that the well is not within a proration unit:
    - (1) which was in existence at the time the surface drilling of the well began;
    - (2) which was applicable to the reservoir from which such natural gas is produced; and

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- (3) which applied to any other well which either produced natural gas in commercial quantities or the surface drilling of which was begun before February 19, 1977, and was thereafter capable of producing natural gas in commercial quantities;
  - (c) that he has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well and the basis for such conclusion;
  - (d) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusions.
6. If the applicant is seeking a determination with respect to a new well drilled into an existing proration unit (except in the Blanco Mesaverde or Basin-Dakota Pools) pursuant to Sections 271.304 and 271.305 of the FERC NGPA regulations, the applicant must, in addition to the filing requirements listed in Sections 1 through 4 of Rule 16 A, file:
- (a) copies of those pages of any Division transcript or other documentation demonstrating by appropriate geological and engineering evidence that the new well is necessary to effectively and efficiently drain a portion of the reservoir covered by the proration unit which cannot be effectively and efficiently drained by any existing well within the proration unit, and
  - (b) a statement by the applicant under oath:
    - (1) that the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;

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- (2) That the Division has altered or granted a waiver of any applicable well-spacing requirements;
- (3) That he has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well and the basis for such conclusion;
- (4) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusions.

Rule 16 B. An application for a new onshore production well [NGPA Section 103] for an infill well in the Blanco Mesaverde Pool or the Basin-Dakota Pool, San Juan, Rio Arriba, and Sandoval Counties, drilled pursuant to Division Order No. R-1670-T or R-1670-V, respectively, shall include:

1. FERC Form No. 121
2. Division Form C-132 and the required attachments
3. The Form C-102 attached to Form C-132 shall locate and identify the proration unit dedicated to the well in accordance with the appropriate Division rules and shall also give the location and identification of all wells within such proration unit and the name of the pool from which each well produces.
4. A statement by the applicant, under oath:
  - a. That the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;

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- b. that the well satisfies any applicable Federal or State well spacing requirements;
  - c. that the applicant has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well; and
  - d. that the applicant has no knowledge of any other information not described in the application which is inconsistent with his conclusion.
5. A statement referencing the New Mexico Oil Conservation Division order under which the infill well was drilled: Order No. R-1670-T if the well is located in the Blanco Mesaverde Pool, or Order No. R-1670-V if the well is located in the Basin-Dakota Pool.

Section 107 Deep, High-Cost Natural Gas and Tight Formation Gas

Rule 17. Applications for deep, high-cost natural gas and new tight formation gas [NGPA Section 107] shall include:

- 1. Deep, High-cost Natural Gas
  - a. FERC Form No. 121
  - b. Division Form C-132 and the required attachments
  - c. all well completion reports for the well for which a determination is sought;
  - d. well logs or well servicing company reports or such other information which will corroborate the depth of the completion location reported in the well completion report;
  - e. directional drilling surveys if available; and
  - f. a statement by the applicant, under oath, that the surface drilling of the well for which he

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seeks a determination began on or after February 19, 1977, and that the well completion location is below a true vertical depth of 15,000 feet; and that he has no knowledge of any information which is inconsistent with his conclusions.

2. New Tight Formation Gas

(Submit either (a) or (b) below)

- a. If the gas is produced from a well which qualifies as a new, onshore, production well, an applicant shall submit:
  - (1) all information required under Rules 16 A or 16 B, except that, with respect to oath statements, subparagraphs 5(a), or 6(b)(1) of Rule 16 A, or subparagraph 4(a) of Rule 16 B, shall be omitted.
- b. If the gas qualifies as new natural gas under NGPA Section 102, an applicant shall submit:
  - (1) all information required under Rule 14(1) or (2) or Rule 15, whichever is applicable.
- c. The heading and pertinent portions of the well log or a drilling report identifying the designated tight formation.
- d. A reference identifying the Division and FERC orders which recommended and designated, respectively, the tight formation in which the well is completed.
- e. A statement under oath, that:
  - (1) the surface drilling of the well for which a determination is sought was begun on or after July 16, 1979;
  - (2) the gas is being produced from a designated tight formation; and
  - (3) the applicant has no knowledge of any other information not described in the

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application which is inconsistent with his conclusion.

Section 108 Stripper Well Natural Gas

Rule 18.

1. Initial Determinations

- a. An application for an initial determination that a well qualifies as a stripper gas well shall include:
  - (1) FERC Form No. 121
  - (2) Division Form C-132 and the required attachments.
  - (3) A copy of Division Form C-116 (Gas-Oil Ratio test form). If unavailable, indicate reason.
  - (4) A summary or tabulation of production records which indicates the following:
    - (a) the total crude oil (if any) and natural gas production for the 90-day period upon which the application is based, together with the average daily production of crude oil and natural gas for the 90-day period.
    - (b) the total amount of gas production for a 12-month production period ending concurrently with the 90-day production period, together with the daily average production for the 12-month period.
    - (c) the number of days natural gas was not produced during the 90-day production period.
    - (d) the number of days natural gas was produced during the 90-day production period.

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- (5) If necessary, a statement or description of the state law or conservation practice, or other explanation, stating the reason why the well did not produce during any day(s) applicable to the 90-day production period.
- (6) Results of any tests which establish maximum efficient rate of flow under Section 271.807(a) of the FERC rules and regulations applicable to NGPA may be submitted in lieu of 12 months of production data to establish maximum efficient rate of flow for a well. (However, the Division shall accept this alternate information only where unusual circumstances are exhibited and 12 months of production are unavailable.)
- (7) Copies of production records, tax records, or verified copies of billing statements may be submitted in support of an application.
- (8) A statement under oath:
  - (a) that the applicant has made, or has caused to be made pursuant to his instructions, a diligent search of all records which are reasonably available and contain information relevant to the determination describing the search made, the records reviewed, and the results of this search and examination upon which he has concluded that to the best of his information, knowledge and belief, the well qualifies as a stripper; and
  - (b) that the summary or tabulation of production or other records relied upon in the application are correct; and
  - (c) that the applicant has no knowledge of any other information which is inconsistent with his conclusion that the

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well qualifies as a stripper well.

2. Deferred Determinations

- a. The same information required for Section 108 initial determination applications shall be filed for deferred determinations except to the extent that prior production data to establish a maximum efficient rate of flow is not available or is insufficient, or deferral is necessary pursuant to Section 271.807(b)(1)(ii) of the FERC rules and regulations applicable to NGPA (12 month production data submitted did not exceed an average of 70 mcf per day).
- b. Production data to complete twelve months of production shall be submitted to the Division within 90 days after the end of the 12-month period designated by the Division.

Rule 19. An application for determination of increased production resulting from the use of enhanced recovery techniques shall include:

1. Division Form C-132-A and an approved copy of Form C-132
2. A copy of the purchaser's notice, if any, that the average daily production for any 90-day production period has exceeded 60 Mcf.
3. Copy of Form C-105, "Well Completion or Recompletion Report and Log."
4. A description of all processes used or equipment installed together with all dates of use or installation which constitute enhanced recovery techniques.
5. An inventory of the lease and production equipment used such as compression facilities, pumps, chokes, and intermitters for the well for the past 24 months or, if less, the period the well has been in production prior to the institution of an enhanced recovery technique.

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6. A statement, under oath, that to the best of the applicant's information, knowledge and belief, the information supplied and the conclusions drawn are true; that the operator has no knowledge of any information not described in the application which is inconsistent with any of his conclusions; and that the notice has been served on the appropriate entities specified in Section 271.804 of the FERC NGPA regulations.

Rule 20. An application for a designation that a well is seasonally affected shall include:

1. Division Form C-132-A and an approved copy of Form C-132, if an initial stripper well determination has been made under Rule 18.
2. FERC Form No. 121 and Division Form C-132 if an initial stripper determination has not previously been made under Rule 18.
3. A copy of the purchaser's notice, if any, that the average daily production for any 90-day production period has exceeded 60 Mcf, or that the well which has been designated a seasonally affected well produces at an average rate in excess of 60 Mcf per day for a 12-month production period.
4. A summary or tabulation of production records for a period of 24 months, including the 90-day or 12-month production period which is the subject of the notice by the operator or the purchaser;
5. A 24-month production curve;
6. A description of the nature of the seasonal fluctuations as inferred from the data supplied; and

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7. A statement, under oath, that the summary or tabulation of production records is correct; that the operator has no knowledge of any information contrary to any conclusions drawn by him; and that the notice has been served on the appropriate entities specified in Section 271.805 of the FERC NGPA regulations.