

Entered February 8, 1980  
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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 FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 6786  
Order No. R-6013-A

IN THE MATTER OF THE HEARING CALLED BY  
THE OIL CONSERVATION DIVISION ON ITS OWN  
MOTION TO CONSIDER THE AMENDMENT OF ITS  
ADMINISTRATIVE PROCEDURE FOR THE APPROVAL  
OF INFILL DRILLING ON EXISTING GAS PRORATION  
UNITS AS PROMULGATED BY ORDER NO. R-6013 TO  
PERMIT THE APPROVAL OF INFILL WELLS AS NEW  
ONSHORE PRODUCTION WELLS PURSUANT TO THE  
NATURAL GAS POLICY ACT OF 1978 WITHOUT NOTICE  
AND HEARING EVEN THOUGH SUCH WELLS HAVE BEEN  
SPUDDED PRIOR TO RECEIVING SUCH APPROVAL.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on January 3, 1980, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 8th day of February, 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, P.L. 95-621, 92 Stat. 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, hereinafter referred to as "FERC", has promulgated regulations establishing gas pricing categories and filing requirements.

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(5) That said regulations also established the Oil Conservation Division as the jurisdictional agency with respect to wells located on state and fee lands within the State of New Mexico.

(6) That an infill well drilled on an existing proration unit would not qualify under the higher "New Onshore Production Well" category (Section 103) of said FERC regulations but would command a lower category determination unless such well should qualify under certain exception provisions set out therein.

(7) That said exceptions were originally contained in Sections 271.304 and 271.305 of the FERC regulations and required that the jurisdictional agency find, prior to the commencement of drilling of an infill well, that the 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.

(8) That in order to make such findings without the necessity of a public hearing in each case, and yet to be in accordance with the FERC regulations and in accordance with State law, the Oil Conservation Division adopted special rules for Natural Gas Policy Act infill findings to be followed in the application for and promulgation of such findings administratively by its Order No. R-6013 entered June 7, 1979.

(9) That by its Order No. 43-A issued November 16, 1979, the FERC amended said Sections 271.304 and 271.305 to permit the jurisdictional agency to make the findings described in Finding No. (7) above after completion of an infill well.

(10) That the best evidence that an infill well will more efficiently and effectively drain a portion of the reservoir covered by the appropriate proration unit will most often be obtained during and following completion of such well.

(11) That the Division's administrative procedure for making the aforesaid findings should rely on the best evidence available of enhanced drainage and recovery.

(12) That the Division's "Special Rules and Regulations, Natural Gas Policy Act Infill Findings, Administrative Procedure" should be amended to provide for the granting of infill findings only after completion of an infill well.

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(13) That the amendment of said special rules to read in their entirety as shown on Exhibit A attached hereto will provide for granting of "findings" in accordance with Finding No. (12) above and will not cause waste nor violate correlative rights.

IT IS THEREFORE ORDERED:

(1) That the amended "Special Rules and Regulations, Natural Gas Policy Act Infill Findings, Administrative Procedure" attached hereto as Exhibit A are hereby adopted effective immediately.

(2) 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 hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



JOE D. RAMEY  
Director

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SPECIAL RULES AND REGULATIONS  
NATURAL GAS POLICY ACT INFILL FINDINGS  
ADMINISTRATIVE PROCEDURE  
(Amended February 8, 1980)

A. DEFINITIONS

- RULE 1. For purposes of this administrative procedure only, the following definitions are adopted:
- a. Infill well: An additional well which has been drilled for production on an established proration unit.

B. APPLICABILITY

- RULE 2. These special rules and regulations shall apply to effective and efficient drainage findings for completed infill wells pursuant to Section 271.305 of the final Rules and Regulations of the Federal Energy Regulatory Commission relating to Section 103 of the Natural Gas Policy Act of 1978. (These special rules and regulations do not apply to infill wells drilled in the Blanco Mesaverde or Basin-Dakota Pools. Infill wells in these two pools are covered by Rule 15 B of the "Special Rules for Applications for Wellhead Price Ceiling Category Determinations" promulgated by Division Order No. R-5878 as amended by Order No. R-5878-A.)

C. JUSTIFICATION FOR FINDINGS

- RULE 3. The Division Director or a Division Examiner may find that an infill well is necessary:
- a. upon a showing by the operator that an additional well is needed to effectively and efficiently drain a portion of the reservoir covered by the proration unit which cannot be so drained by any existing well within that unit, and
  - b. upon receipt of waivers from all offset operators, or if no offset operator has entered an objection to the infill finding within 20 days after receipt of the application by the Director.
- RULE 4. The Director may set any application for hearing at his discretion or at the request of an applicant.

Exhibit A  
Order R-6013-A

D. FILING REQUIREMENTS

- RULE 5. Each applicant shall submit a copy of the approved Form C-101 for the infill well and Form C-102 showing the proration unit dedicated.
- RULE 6. Applicant shall give the name of the pool in which the infill well has been drilled and the standard spacing unit size therefor.
- RULE 7. If applicable, the applicant shall give the number of the Division order approving the non-standard proration unit dedicated to the well.
- RULE 8. The applicant shall submit a description of all wells drilled on the proration unit (including the completed infill well) which are or have been completed in the same pool or reservoir as the proposed infill well showing:
- a. lease name and well location;
  - b. spud date;
  - c. completion date;
  - d. a description of any mechanical problems experienced along with a summary of remedial action(s) taken and the results obtained;
  - e. the current rate of production; and
  - f. date of plug and abandonment, if any;
  - g. a clear and concise statement indicating why the existing well(s) on the proration cannot effectively and efficiently drain the portion of the reservoir covered by the proration unit.
- RULE 9. The applicant shall submit geological and engineering information sufficient to support a finding as to the necessity for an infill well including:
- a. formation structure map
  - b. the volume of increased ultimate recovery expected to be obtained and a narrative describing how the increase was determined

Exhibit A  
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c. any other supporting data which the applicant deems to be relevant which may include:

- (1) porosity and permeability factors
- (2) production/pressure decline curves
- (3) effects of secondary recovery or pressure maintenance operations

RULE 10. Applications for infill findings shall be filed in duplicate with the Santa Fe office of the Division.

RULE 11. All operators of proration or spacing units offsetting the unit for which an infill finding is sought shall be notified of the application by certified or registered mail, and the application shall state that such notification has been given.