

Entered February 10, 1981  
JMR

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

CASE NO. 7029  
Order No. R-6388-A

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION ON ITS  
OWN MOTION TO CONSIDER AMENDMENTS TO ITS  
SPECIAL RULES AND PROCEDURES FOR THE  
DESIGNATION OF "TIGHT FORMATION,"  
PROMULGATED BY DIVISION ORDER NO. R-6388  
TO COMPLY WITH FERC ORDER NO. 99, ISSUED  
AUGUST 15, 1980, PROMULGATING FINAL REGULATIONS  
WITH RESPECT TO SECTION 107 OF THE NGPA.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on October 1, 1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 10th day of February, 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-6388, dated June 30, 1980, the New Mexico Oil Conservation Division promulgated its "Special Rules and Procedures for Tight Formation Designation Under Section 107 of the Natural Gas Policy Act of 1978."
- (3) That the rules and procedures adopted by said order were predicated upon the interim regulations issued February 20, 1980, by the Federal Energy Regulatory Commission (FERC) and were intended to be amended should the final regulations promulgated by the FERC differ substantially from the afore-said interim regulations.
- (4) That by its Order No. 99, issued August 15, 1980, the FERC promulgated its final rules on high-cost natural gas produced from tight formations, said rules to become effective September 22, 1980.

(5) That said final rules differ in certain respects from the interim regulations, and certain amendments to the Division's rules and procedures as promulgated by Order No. R-6388 are therefore necessary, to wit:

(6) That Section B, Definitions, should be amended by the addition of the following definition:

6. "Infill drilling" means any drilling in a substantially developed formation (or a portion thereof) subject to requirements respecting well-spacing or proration units which were amended by the Division or the Oil Conservation Commission after the formation (or portion thereof) was substantially developed and which were adopted for the purpose of more effective and efficient drainage of the reservoirs in such formation. Such amendment may provide for the establishment of smaller drilling or production units or may permit the drilling of additional wells on the original units.

(7) That subparagraph c of subsection 1, Section D, Evidence, should be amended to read in its entirety as follows:

- "c. a map or list which clearly locates or describes wells which are currently producing oil or gas, or both, from the formation within the geographical area of the formation, and"

(8) That subparagraph d of subsection 1, Section D, Evidence, should be amended to read in its entirety as follows:

- "d. a report of the extent to which an applicant believes existing State and Federal regulations will assure that development of the formation will not adversely affect or impair any fresh water aquifers (during both hydraulic fracturing and waste disposal operations) that are being used or are expected to be used in the foreseeable future for domestic or agricultural water supplies; and"

(9) That old subparagraph e of subsection 1, Section D, Evidence, reading "any other information. . . ." should be renumbered "f" and read in its entirety as follows:

"f. any other information which the Division may require."

(10) That a new subparagraph e of subsection 1, Section D, Evidence, should be added, reading in its entirety as follows:

"e. if the formation has been authorized to be developed by infill drilling prior to the date of recommendation, information and data demonstrating that the formation cannot be developed without the incentive price established in 18 CFR §271.703(a)."

(11) That subparagraph c of subsection 2, Section D, Evidence, should be amended to read in its entirety as follows:

"c. No well drilled into the recommended tight formation is expected to produce, without stimulation, more than five barrels of crude oil per day."

(12) That a new subparagraph e should be added to subsection 2, Section D, Evidence, reading in its entirety as follows:

"e. If the formation or any portion thereof was authorized to be developed by infill drilling prior to the date of recommendation and the Division has information which in its judgment indicates that such formation or portion subject to infill drilling can be developed absent the incentive price established in 18 CFR §271.703(a), then the Division shall not include such formation or portion thereof in its recommendation."

(13) That the "Special Rules and Procedures for Tight Formation Designations Under Section 107 of the Natural Gas Policy Act of 1978," promulgated June 30, 1980, by Order No. R-6388, and amended as described above, should be re-promulgated reading in their entirety as depicted on Exhibit A, attached hereto and made a part hereof.

IT IS THEREFORE ORDERED:

(1) That the "Special Rules and Procedures For Tight Formation Designations Under Section 107 of the Natural Gas Policy Act of 1978," as depicted by Exhibit A attached hereto and made a part hereof, are hereby adopted by the New Mexico Oil Conservation Division, effective immediately.

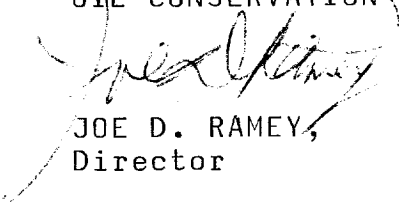
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(2) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year herein-above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



JOE D. RAMEY,  
Director

S E A L

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