

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF AMOCO PRODUCTION COMPANY FOR
QUALIFICATION OF A WELL WORKOVER
PROJECT AND CERTIFICATION OF APPROVAL,
SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 11560

APPLICATION

AMOCO PRODUCTION COMPANY ("Amoco"), through its undersigned attorneys, hereby seek an order from the Division pursuant to the Rules and Procedures for Qualification of a Well Workover Project and Certification for the Well Workover Incentive Tax Rate promulgated by Division Order No. R-10505, entered in Case 11273 on November 1, 1995, and in support hereof states:

1. Amoco is the operator of the L. C. Kelly No. 4E, Unit D, 1160 feet from the North Line and 920 feet from the West line, Section 3, Township 30 North, Range 12 West, located in San Juan County, New Mexico, upon which it has undertaken procedures that have been approved by the Division which are intended to increase the production therefrom.
2. The workover procedure on the subject well commenced after June 16, 1995.
3. Amoco filed an Application for Qualification of Well Workover Project and Certification of Approval For the subject well on April 25, 1996, to which it attached a straight line estimate of the production rate of the well and table showing monthly gas project

production from the well based on at least twelve months of established production which shows the future rate of production based on well performance prior to performing the workover.

4. The use of a straight line estimate of the future production rate for the well prior to performing the workover should be another acceptable method of projecting the future production rate for workover projects for:

- A. it will be easy for operators to prepare;
- B. it will be easy for the Division and the Department of Taxation and Revenue to read and confirm the accuracy of the data contained therein;
and
- C. it does not violate the intent of the "Natural Gas and Crude Oil production Incentive Act" for it will result in an estimate of future production that will limit the amount of oil or gas which will qualify for the Incentive Tax Rate authorized therein.

5. The application filed for the subject well was complete, accurate and properly verified as required by Division rules.

6. The Division's Aztec District Office declined to approve this application within thirty days of the date it was filed and advised Amoco that, if it desired to utilize a straight line estimate of production prior to performing the workover, it would have to request that the application be set for hearing before a Division hearing Examiner in accordance with the

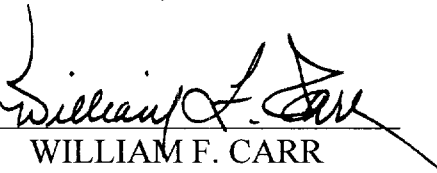
rules of the Division.

7. Approval of this application and the use of straight line estimates of production prior to performing the workovers on the subject well will be consistent with law, the prevention of waste and the protection of correlative rights.

WHEREFORE, Amoco Production Company requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation on June 27, 1996 and that, after notice and hearing as required by law, the Division enter its Order (1) granting this application, (2) qualifying the subject well as a Well Workover Project and (3) certifying the production projection for the project.

Respectfully submitted,

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