

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW
MEXICO FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 529
Order No. R-333-A
(Supersedes R-333)

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION UPON ITS OWN MOTION FOR AN
ORDER REVISING, AMENDING OR DELETING
CERTAIN PORTIONS OF ORDER R-333 PERTAIN-
ING TO GAS-WELL TESTING PROCEDURE
APPLICABLE TO GAS WELLS COMPLETED IN
SAN JUAN, RIO ARRIBA AND MCKINLEY COUNTIES,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause having come on for hearing at 9 o'clock a. m. on
April 15, 1954, at Santa Fe, New Mexico, before the Oil Conservation Com-
mission of New Mexico, hereinafter referred to as the "Commission",

NOW, on this 10th day of June, 1954, the Commission, a
quorum being present, having considered the records and testimony adduced
and being fully advised in the premises,

FINDS:

- (1) That due notice of the time and place of hearing and the
purpose thereof having been given as required by law, the Commission has
jurisdiction of this case and the subject matter thereof.
- (2) That there is need for a number of additions to and revisions
of Order R-333, heretofore entered by the Commission, said order outlining
a gas testing procedure for gas wells completed in San Juan, McKinley and
Rio Arriba Counties, New Mexico.
- (3) That the following rules and regulations should be adopted,
and that said rules and regulations are in the interests of conservation.

IT IS THEREFORE ORDERED:

That the following Special Rules and Regulations governing gas
well testing in the San Juan Basin (Counties of San Juan, Rio Arriba and
McKinley, New Mexico) superseding the rules and regulations contained in
Order No. R-333, be and the same hereby are promulgated and adopted as
an exception to the general statewide rules and regulations of this Com-
mission relating to gas well testing procedures, (Rules 401 et seq.):

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GAS WELL TESTING RULES AND PROCEDURES FOR SAN JUAN
BASIN AREA

SECTION A. TYPE OF GAS WELL TESTS REQUIRED:

(1) THE INITIAL POTENTIAL TESTS: An "open flow" test and a "shut-in pressure" test shall be made immediately upon completion of each gas well.

(2) ANNUAL DELIVERABILITY AND SHUT-IN PRESSURE TESTS:

Annual deliverability and shut-in pressure tests of all producing gas wells are required to be made during the period from April 1 through October 31 of each year. The results of these annual tests shall be filed with the Commission on Form C-122-A within the month next after completion of such tests.

All wells connected to a pipeline system between November 1 and December 31, of any calendar year shall be tested during the following annual testing period. All wells connected to a pipeline system between January 1 and April 1 of any calendar year shall be tested during the testing period of that calendar year.

(3) SCHEDULE OF TESTS:

Within thirty (30) days after the effective date of this order, and on or before February 15 of each succeeding year thereafter, the pipeline companies receiving gas from wells to be tested shall, in cooperation with respective operators, submit a testing schedule for the annual deliverability and shut-in pressure tests for all wells connected to their respective pipeline systems as of February 1 of the year for which the schedule is applicable; such test schedules shall be filed promptly with the Commission for approval, and if approved, the Commission shall furnish each operator, as identified by lists of names and addresses furnished by the respective pipeline companies, with a copy of such schedule as approved by the Commission, or a part thereof pertinent to such operator's wells, immediately, in the first instance and thereafter, on or before March 15, of each succeeding year.

Such schedules shall be filed with the Commission for each Gas Pool as designated by the New Mexico Oil Conservation Commission listing under the heading of each pool the operator, lease, well number and location of each well. Should the pipeline company elect to file schedules by areas then the above listed information shall be listed under the heading of each area.

All wells connected to a pipeline system during the period of February 1 to October 31, both inclusive, of any year shall be scheduled for testing during the testing period for that particular year. Then and in that event the pipeline in cooperation with the operator shall notify the Commission in writing at least (5) five days before the commencement of the conditioning period for any tests.

In event changes for substantial reasons are necessary in the annual test schedule, the Commission shall be notified fifteen (15) days before tests are scheduled to commence.

1. The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that this is crucial for ensuring the integrity and reliability of the financial data.

2. The second part of the document outlines the various methods used to collect and analyze data. It includes a detailed description of the sampling process and the statistical techniques employed to interpret the results.

3. The third part of the document provides a comprehensive overview of the findings. It highlights the key trends and patterns observed in the data, along with a discussion of the potential implications for future research.

4. The fourth part of the document discusses the limitations of the study. It acknowledges the potential sources of error and the constraints of the data used, providing a clear understanding of the scope and applicability of the findings.

5. The fifth part of the document concludes with a summary of the main points and a final statement on the significance of the research. It reiterates the importance of the findings and offers suggestions for further exploration in this field.

6. The sixth part of the document includes a list of references and a list of figures. The references provide a list of sources used in the research, while the figures offer a visual representation of the data presented in the text.

7. The final part of the document is a list of appendices, which contain additional information and data that are not included in the main body of the report.

8. The eighth part of the document discusses the ethical considerations of the research. It outlines the steps taken to ensure that the study was conducted in a responsible and transparent manner, and that the rights of all participants were protected.

9. The ninth part of the document provides a detailed description of the data collection process. It includes information on the sources of the data, the methods used to collect it, and the steps taken to ensure its accuracy and reliability.

10. The tenth part of the document discusses the results of the data analysis. It presents a detailed breakdown of the findings, including a discussion of the statistical significance of the results and the implications for the field.

11. The eleventh part of the document provides a comprehensive overview of the conclusions drawn from the research. It summarizes the key findings and offers a final statement on the significance of the study.

12. The twelfth part of the document includes a list of references and a list of figures. The references provide a list of sources used in the research, while the figures offer a visual representation of the data presented in the text.

13. The thirteenth part of the document is a list of appendices, which contain additional information and data that are not included in the main body of the report.

14. The final part of the document is a list of appendices, which contain additional information and data that are not included in the main body of the report.

(4) WHO MAY WITNESS TESTS: Any Initial Potential Test or Annual Deliverability and shut-in pressure test may be witnessed by any or all of the following: an agent of the Commission, an offset operator, a representative of the pipeline company taking gas from an offset operator, or a representative of a pipeline company taking gas from the well under test.

Deliverability tests required hereinabove in Paragraph 2 of this section shall determine the calculated deliverability of each gas well, which shall be reported to the Commission by converting actual deliverability against existing line pressures to the calculated deliverability at a pressure equal to fifty (50) percent of the shut-in pressure of each well in the manner hereinafter specified below. Such calculated deliverability so determined, and hereinafter so referred to, shall not be considered as the actual deliverability of any well into a gas transportation facility, but shall be used by the Commission as an index to determine the well's ability to produce at assumed wellhead working pressures, as compared to other wells in the pool under like conditions.

SECTION B. PROCEDURES FOR TESTS:

The several known gas producing formations of the San Juan Basin represent a variety of testing situations, and each is treated separately.

I. MESAVERDE FORMATION:

(1) INITIAL POTENTIAL TEST: The initial potential test in the Mesaverde formation shall be made after a minimum shut-in time of seven (7) days. The shut-in pressure will be measured by the use of a dead-weight gauge. The open flow shall be determined by a pitot tube measurement after unrestricted flowing of the gas to the air for a period of three (3) hours; the flow nipple shall be at least eight (8) diameters long. The pitot tube shall be constructed of one-eighth (1/8) inch pipe (nominal diameter). Standard tables (Reid's) will be provided by the Commission, on request.

This test shall be reported on regular Commission Form C-122-B.

The following data is required to be reported immediately to the Commission:

- (a) The open flow in MCF per day, calculated by the use of Reid's Tables.
- (b) The shut-in wellhead casing and tubing pressure, psig.
- (c) The actual length of time well is shut-in before test.

(2) THE ANNUAL DELIVERABILITY AND SHUT-IN PRESSURE TESTS:

(a) These tests shall be taken by unrestrictedly producing the well into the pipeline through either the casing or tubing, but not both. The daily flowing rate shall be determined from an average of seven (7) consecutive producing days, following a minimum conditioning period of fourteen (14) consecutive days production. The first seven (7) days of said conditioning period shall have not more than one (1) interruption, which interruption shall be no longer than 36 hours continuous duration. The eighth to fourteenth days inclusive, of said conditioning period shall have no interruptions whatsoever.

All such production during the fourteen (14) day conditioning period plus the seven (7) day deliverability test period shall be at working wellhead pressures not in excess of seventy-five (75) per cent of the previous annual seven (7) day shut-in pressure of such well if such previous annual shut-in pressure information is available; otherwise, the seven (7) day initial potential shut-in pressure of such well shall be used.

The static wellhead working pressure (P_w) of any well under test shall be determined to be the seven (7) day average tubing pressure if the well is flowing through the casing; or the seven (7) day average casing pressure if the well is flowing through the tubing.

To obtain the shut-in pressure of a well under test the well shall be shut-in immediately after the seven (7) day deliverability test for the full period of seven (7) consecutive days. Such shut-in pressure shall be measured within the next succeeding twenty-four (24) hours following the seven (7) day shut-in period aforesaid.

All wellhead pressures as well as the flowing meter pressure tests which are to be taken during the seven (7) day deliverability test period, as required hereinabove, shall be taken with a dead-weight gauge.

Orifice meter charts shall be used to obtain the average differential and flowing meter pressures, which pressures are to be used for calculating the average seven (7) day deliverability volume of flow by using the Basic Orifice Meter Formula $Q_h = C' \sqrt{h_w p_f}$. Orifice meter charts

shall be changed, and so arranged as to reflect upon a single chart the flow data of gas from each well for the full seven day deliverability test period. Corrections shall be made for pressure base, measured flowing temperature, specific gravity and supercompressibility (superexpansibility), provided however, that if the specific gravity of gas from any well under test is not available, then and in that event an estimated specific gravity may be assumed therefor, based upon that of gas from nearby wells, the specific gravity of which has been actually determined by measurement.

The basic orifice flow factor (flow coefficient), pressure base factor, flowing temperature factor, and specific gravity factor shall be determined by the use of the respective tables published in "Gas Measurement Committee Report No. 2" (Revised 1948) of the American Gas Association, New York 17, New York. The tables for the aforementioned factors and the method of computation of gas volumes through orifice flow meters contained in the aforesaid Report No. 2 are hereby approved.

Correction shall be made for supercompressibility (deviation from Boyle's law) for flowing meter pressures in excess of 100 psig. by the use of Simplified Supercompressibility Tables, compiled from C.N.G.A. Bulletins TS-402 and TS-461, published by John P. Squiers Company, Dallas, Texas; or California Natural Gasoline Association, Los Angeles, California, Bulletin TS-402 for flowing meter pressures from 100 to 500 psig. and bulletin TS-461, *ibid.*, for flowing meter pressures in excess of 500 psig.

When supercompressibility (superexpansibility) correction is made for a gas containing either nitrogen, carbon dioxide or hydrogen sulfide in excess of 2 per cent, the pseudocritical pressure and temperature properties of such gas shall be corrected by the use of Table V of the above mentioned TS-402 for pressure 100-500 psig and TS-461 for pressures in excess of 500

1. The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be supported by a valid receipt or invoice to ensure transparency and accountability.

2. The second section outlines the procedures for handling discrepancies between the recorded amounts and the actual cash flow. It suggests a systematic approach to identify the source of the error and correct it promptly.

3. The third part of the document addresses the need for regular audits to verify the accuracy of the financial statements. It recommends that these audits be conducted by an independent party to provide an objective assessment of the company's financial health.

4. The fourth section discusses the role of technology in streamlining financial reporting processes. It highlights how modern accounting software can reduce the risk of human error and improve the efficiency of data collection and analysis.

5. The fifth part of the document focuses on the importance of clear communication between different departments. It stresses that all employees should understand their role in maintaining accurate financial records and how their actions can impact the overall financial performance of the organization.

6. The sixth section provides a detailed overview of the various financial statements that must be prepared, including the balance sheet, income statement, and cash flow statement. It explains the key components of each statement and how they relate to the company's overall financial position.

7. The seventh part of the document discusses the legal requirements for financial reporting, including the need to comply with relevant accounting standards and regulations. It emphasizes the importance of staying up-to-date on these requirements to avoid potential legal consequences.

8. The eighth section of the document provides a summary of the key points discussed and offers some final thoughts on the importance of maintaining accurate financial records. It concludes by stating that a strong financial reporting system is essential for the long-term success and sustainability of any business.

9. The final part of the document includes a list of references and resources for further reading. It also provides contact information for the author and a disclaimer regarding the accuracy of the information provided.

Deliverability pressure, as used herein for Mesaverde production, is an arbitrary pressure applied to each well and used in the process of comparing the abilities of wells in this formation to produce against a back pressure equal to fifty (50) per cent, of the seven (7) day shut-in pressure of the respective individual wells, but in no case to exceed a maximum of 500 psia.

The "deliverability" of gas at the "deliverability pressure" of any well under test shall be calculated from the test data derived from the tests hereinabove required by use of the back-pressure formula:

$$Q = C \left(P_c^2 - P_w^2 \right)^n$$

Using point seventy-five (.75) for the exponent "n" by the following formula:

$$D = Q \left[\frac{P_c^2 - P_d^2}{P_c^2 - P_w^2} \right]^n$$

WHERE:

- D = Deliverability at the deliverability pressure, (P_d) MCF/da. (at Standard Condition of 15.025 psia and 60°F)
- Q = Daily flow rate in MCF/da. at wellhead pressure (P_w)
- P_c = Shut-in casing (or tubing) wellhead pressure, psia.
- P_d = Deliverability pressure; half of the individual well 7-day shut-in pressure, P_c , psia, not to exceed 500 psia.
- P_w = Average wellhead working pressure, as determined from 7-day flow period, psia (casing pressure if flowing through the tubing, or tubing pressure if flowing through the casing).
- n = Average pool slope of back pressure curve (0.75 for Mesaverde wells).

(b) The method of determining the static wellhead working pressure (P_w) for wells which P_w cannot be gauged with accuracy shall be determined and adopted by the Commission at a later date after comprehensive study of methods of determining loss of pressure due to friction of flowing gas and any other related matters pertaining to the determination of an accurate and equitable static wellhead working pressure (P_w).

(c) Any test hereinabove provided for, except initial potential test, will be considered unacceptable if the average flow rate for the final 7 day deliverability test is 25 per cent in excess of any consecutive 7-day average of the preceding three weeks. A "deliverability test" not meeting this requirement shall be retested.

(d) The annual deliverability and shut-in pressure tests as required hereinabove shall be reported upon Commission Form C-122-A and filed with the Commission as provided hereinabove. Form C-122-A shall be signed by the operator or agent designated by the operator.

The first part of the document discusses the importance of maintaining accurate records of all transactions. It is essential to ensure that every entry is properly documented and verified.

Furthermore, the document emphasizes the need for transparency and accountability in all financial dealings. This involves providing clear explanations for every entry and allowing for regular audits.

In addition, it is noted that the accuracy of the records is directly related to the reliability of the financial statements. Any discrepancies or errors can lead to significant consequences.

The document also highlights the role of technology in modern accounting practices. Utilizing software can streamline processes and reduce the risk of human error.

Moreover, it is stressed that regular training and updates are necessary for accounting professionals to stay current with industry standards and regulations.

Finally, the document concludes by stating that a strong foundation in accounting principles is crucial for anyone involved in financial management.

The following section provides a detailed breakdown of the various components that make up the total revenue for the organization.

It is important to note that the data presented here is preliminary and subject to change as more information becomes available.

The document is intended to provide a comprehensive overview of the current financial status and to identify areas for improvement.

(e) All charts relative to annual deliverability tests shall be identified by the words "Test Chart No. 1" (2, 3, 4, etc.), and any or all charts or photostats thereof shall be made available to the Commission upon its request.

II. PICTURED CLIFFS FORMATION:

(1) INITIAL POTENTIAL TEST: Same as prescribed for Mesa-verde formation; see Section B, subsection I, Mesaverde formation hereinabove. Paragraph 1.

(2) ANNUAL DELIVERABILITY AND SHUT-IN PRESSURE TESTS:

In all respects the deliverability and shut-in pressure tests of wells in the Pictured Cliffs formation shall be made in conformity with the procedures set out in Section B, Subsection I, part 2, sub-parts (a) (b) (c) (d) (e) of the Mesaverde formation procedures, except that in paragraph (a) thereof, the back pressure formula, the exponent "n" shall have the value of point eighty-five (.85) and the deliverability pressure (P_d) shall be one half ($1/2$) of the individual wellhead shut-in pressure - P_c , psia, but not in excess of 250 psia.

III. FRUITLAND FORMATION:

(1) All initial potential, annual deliverability and shut-in pressure tests of gas wells producing from the Fruitland formation shall be identical in all respects to those requirements and procedures hereinabove set out and required for the Pictured Cliffs formation (Section B, Subsection II, parts 1 and 2).

IV. THE DAKOTA FORMATION: All tests of Dakota wells shall be in conformity with requirements and procedures provided hereinabove for the Mesaverde formation, except as follows:

(1) BARKER DOME - DAKOTA: (Storage Area)

(a) INITIAL POTENTIAL TEST: An average "pool slope", based upon bottom-hole conditions, shall be established by the Commission after consideration of data to be provided by the operators; these data shall be based upon tests taken in conformity with the conventional back pressure method, indicated in Commission Rule 401. This "slope" shall be applied to each well in the Barker-Dome-Dakota Area, arbitrarily, as if such slope were the actual performance back pressure slope of each such well, in the following manner:

This back pressure slope so established shall be plotted through a point predetermined by one stabilized flow rate at a working well head pressure not in excess of seventy-five (75) per cent of the seven (7) day shut-in pressure of such well.

The flowing volumes (Q) shall be corrected for pressure base, measured flowing temperature, specific gravity and supercompressibility, by the use of methods of calculation and tables hereinabove referred to and approved in Section B, Subsection (2), paragraph (a) Mesaverde procedures.

A seven (7) day shut-in pressure test shall be made for each well in the Barker Dome-Dakota Area, provided however, that where the shut-in period exceeds seven days such fact shall be reported to the Commission.

The values of the seven (7) day shut-in pressure (P_s) and the working wellhead pressure (P_w) shall be corrected to bottom hole conditions.

A schedule of tests shall be prepared by the transporter and approved by the Commission, and reports of such tests shall be signed by the operator or his designated agent and duly filed with the Commission, on Form C-122, the regular statewide form.

(b) ANNUAL POTENTIAL TEST: This test shall be made of all wells producing from the Barker Dome-Dakota storage area by obtaining seven (7) day shut-in pressures of all Dakota wells, converting the same to bottom hole pressures (P_f) computing the squares of such bottom hole pressures, (P_f^2) and applying the same to the original average "pool slope" to obtain an adjusted open flow. If so desired as an alternate method an adjusted open flow may be computed from the following equation:

$$O_{f_2} = O_{f_1} \left[\frac{(P_{f_2})^2}{(P_{f_1})^2} \right]^n$$

WHERE:

- O_{f_2} = Adjusted absolute open flow.
- O_{f_1} = Original absolute open flow.
- P_{f_2} = New bottom hole shut-in (psia.)
- P_{f_1} = Old bottom hole shut-in (psia.)
- n = Slope of back pressure curve.

Tests of all wells in the Barker Dome-Dakota storage area shall be made during the period of April 1 through October 31 of each year and reports made to the Commission within the next succeeding month after test is made.

V. PENNSYLVANIAN FORMATION:

All tests of wells producing from the Pennsylvanian formation of the San Juan Basin Area shall be as follows:

(1) INITIAL POTENTIAL TEST: Immediately after completion of each new well an absolute open flow shall be determined by the conventional back-pressure method indicated by Rule 401 of the Commission's Rules and Regulations.

Seven day shut-in pressures will be used in all cases, and, if for any reason the shut-in period exceeds seven days, then, the actual shut-in time shall be reported.

(2) ANNUAL POTENTIAL TEST: This test shall be made of all wells producing from the Pennsylvanian formation of the San Juan Basin area, and such tests shall conform in all respects with the procedure set out next above under initial potential test or in the alternative, by obtaining a seven day shut-in pressure of each well and converting the same to bottom hole pressure (P_f). The square of the bottom hole pressure (P_f^2) will be computed and applied to the original back pressure curve and an adjusted absolute open flow will be obtained.

If shut-in pressure time is in excess of seven (7) days, then the actual shut-in time shall be reported.

There is no objection to the use of an adjusted absolute open flow calculated from the equation as set out hereinabove under Dakota formation, Section B, Subsection IV, paragraph 1 - subparagraph b.

All tests hereunder shall be made during the period from April 1 through October 31 of each year, and reported to the Commission upon regular Form C-122 during the month succeeding the month in which the tests are made.

IT IS FURTHER ORDERED:

(1) That Form C-122-A entitled "Gas Well Test Data Sheet, San Juan Basin", a copy of which is attached hereto and made a part hereof, be, and the same hereby is approved in open form subject to minor modifications as experience may indicate and the same shall be used only for the area heretofore indicated, excepting therefrom only the Barker Dome-Dakota storage area, and the Pennsylvanian formation, all within the said San Juan Basin.

(2) That this order shall modify Rule 1121 of the Rules and Regulations of the Commission only to the extent of requiring reports upon Form C-122, a copy of which is attached hereto and made a part hereof.

(3) Form C-122-B, a copy of which is attached hereto and made a part hereof, be and the same is hereby adopted.

(4) All forms heretofore mentioned, are hereby adopted for use in the San Juan Basin area, with exceptions noted.

IT IS FURTHER ORDERED:

That other formations in the San Juan Basin Area which may in the future be found to be productive will be provided with testing programs on the basis of formation characteristics.

DONE at Santa Fe, New Mexico, the day and year hereinabove mentioned.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



EDWIN L. MECHEM, Chairman



E. S. WALKER, Member



R. R. SPURRIER, Secretary and Member

(S E A L)

1950

The first part of the report deals with the general situation in the country. It is noted that the economy is still in a state of depression, and that the government has taken various measures to stabilize the situation. The report also mentions the need for further reforms and the importance of maintaining law and order.

In the second part of the report, the author discusses the social conditions of the population. It is stated that the majority of the people are poor and that there is a high level of unemployment. The report also mentions the need for social reforms and the importance of providing education and healthcare to the masses.

The third part of the report deals with the political situation. It is noted that the government is facing various challenges and that there is a need for political reforms. The report also mentions the importance of strengthening the institutions of the state and the need for a more democratic system.

In the fourth part of the report, the author discusses the international situation. It is stated that the country is facing various international challenges and that there is a need for a more active role in international affairs. The report also mentions the importance of maintaining good relations with neighboring countries and the need for a more balanced foreign policy.

The fifth part of the report deals with the conclusion. It is stated that the country is facing a difficult situation and that there is a need for comprehensive reforms. The report also mentions the importance of maintaining law and order and the need for a more democratic system.

The report concludes by stating that the country is facing a difficult situation and that there is a need for comprehensive reforms. It also mentions the importance of maintaining law and order and the need for a more democratic system.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 529
ORDER No. R-333

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON ITS
OWN MOTION FOR AN ORDER REVISING
RULE 401, RULE 402 AND RULE 1121 OF
THE COMMISSION'S RULES AND REGULATIONS
TO PROVIDE FOR GAS WELL TESTING PROCEDURE
APPLICABLE TO GAS WELLS COMPLETED
IN SAN JUAN, RIO ARRIBA AND MCKINLEY COUNTIES,
NEW MEXICO; AND PROVIDING FOR A FORM C-122-A
TO BE USED IN REPORTING THE RESULTS OF SUCH
TESTS, WITH CERTAIN EXCEPTIONS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. April 16, 1953, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 17th day of *June*, 1953, the Commission, a quorum being present, having considered the testimony adduced and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That by reason of the unusual character of the gas-producing formations in the San Juan Basin area of San Juan, Rio Arriba and McKinley Counties, New Mexico, the existing statewide rules and regulations of the Commission in the matter of gas well testing procedure are inapplicable in said San Juan Basin area, and, there is need for the promulgation of special rules governing such testing procedure in the area aforesaid for the prevention of waste and the protection of correlative rights.

(3) That it is essential in view of the necessity for special procedural rules that an appropriate form for reporting such required tests be devised and adopted.

IT IS THEREFORE ORDERED:

That the following Special Rules and Regulations governing gas well testing in the said San Juan Basin (counties of San Juan, Rio Arriba and McKinley, New Mexico) be, and the same hereby are promulgated and adopted as an exception to the general statewide rules and regulations of this Commission relating to gas well testing procedures (Rules 401, et seq.):

GAS WELL TESTING RULES AND PROCEDURES
FOR SAN JUAN BASIN AREA.



SECTION A. TYPE OF GAS WELL TESTS REQUIRED:

(1) THE INITIAL POTENTIAL TESTS: An "open flow" test and a "shut-in pressure" test shall be made immediately upon completion of each gas well.

(2) ORIGINAL DELIVERABILITY, AND SHUT-IN PRESSURE TESTS:

A deliverability (flow) and a shut-in pressure test shall be made and completed on each gas well within ninety (90) days after the first delivery of gas therefrom into a pipeline, and following a minimum of twenty (20) days continuous production. Report of such tests shall be made to the Commission upon official Form C-122-A, marked "Original", within the month next after such tests are completed.

(3) ANNUAL DELIVERABILITY, AND SHUT-IN PRESSURE TESTS:

Annual deliverability tests and shut-in pressure tests are required to be made during the period from April 1 through October 31 of each year of all producing wells; provided, however, that for new wells the original deliverability and shut-in pressure tests thereof are in lieu of the annual tests for the year in which such well or wells are completed; results of these annual tests are required to be filed with the Commission on Form C-122-A, marked "Annual", within the month next after completion of such tests.

(4) SCHEDULE OF TESTS:

Within thirty (30) days after the effective date of this order and, on or before February 15th of each succeeding year thereafter, the pipeline companies receiving gas from wells to be tested shall, in cooperation with their respective operators, submit a testing schedule for the annual deliverability and shut-in pressure tests for all wells connected to their respective pipeline systems; such test schedules shall be promptly filed with the Commission for approval, and, if approved, the Commission shall furnish each operator, as identified by lists of names and addresses furnished by the respective pipe line companies, with a copy of such schedule as approved by the Commission, or a part thereof pertinent to such operator's wells, immediately, in the first instance and thereafter, on or before March 15th, of each succeeding year. In any case where Original deliverability and shut-in pressure tests for new wells are to serve as the first annual tests, then and in that event the operator shall notify the Commission in writing at least five (5) days before the commencement of the tests.

In event changes for substantial reasons are necessary in the annual test schedule, the Commission shall be notified fifteen (15) days before tests are scheduled to commence.

(5) WHO MAY WITNESS TESTS: Any Initial Potential Test, original or Annual Deliverability, and shut-in pressure test may be witnessed by any or all of the following: a competent representative of the Commission, an offset operator, a representative of the pipe line company taking gas from an offset operator, or a representative of a pipe line company taking gas from the well under test.

Deliverability tests required hereinabove in Paragraphs (2) and (3) of this section shall determine the calculated deliverability of each gas well, which shall be reported to the Commission by converting actual deliverability against existing line pressures to the calculated deliverability at a pressure equal to fifty (50) percent of the shut-in pressure of each well in the manner hereinafter specified below. Such calculated deliverability so determined,

and hereinafter so referred to, shall not be considered as the actual deliverability of any well into a gas transportation facility, but shall be used by the Commission as an index to determine the well's ability to produce at assumed line pressures, as compared to other wells in the pool under like conditions.

SECTION B. PROCEDURES FOR TESTS:

The several known gas producing formations of the San Juan Basin represent a variety of testing situations, and each is treated separately.

I. MESAVERDE FORMATION:

(1) INITIAL POTENTIAL TEST: The initial potential test in the Mesaverde Formation shall be made after a minimum shut-in time of seven (7) days. The shut-in pressure will be measured by the use of a dead-weight gauge. The open flow shall be determined by a pitot tube measurement after unrestricted flowing of the gas to the air for a period of three (3) hours; the flow nipple shall be at least eight (8) diameters long. The pitot tube shall be constructed of either one-fourth (1/4) inch or one-eighth (1/8) inch pipe (nominal diameter). Standard tables (Reid's) will be provided by the Commission, on request.

This test shall be reported on regular Commission Form C-104, or U.S.G.S. Form 9-330, dependent on the land ownership status upon which the well is located.

The following data is required to be reported immediately to the Commission:

- (a) The open flow in MCF per day, calculated by the use of Reid's Tables.
- (b) The shut-in well head casing and tubing pressure, psig.
- (c) The actual length of time well is shut-in before test.

(2) ORIGINAL DELIVERABILITY AND SHUT-IN PRESSURE TESTS:

The procedure and method for the original deliverability and shut-in pressure tests is hereinbelow described under annual deliverability tests, etc.

(3) THE ANNUAL DELIVERABILITY AND SHUT-IN PRESSURE TESTS:

(a) These tests shall be taken by unrestrictedly producing the well into the pipe line. The daily flowing rate shall be determined from an average of seven (7) consecutive producing days, following a minimum of twenty (20) consecutive days continuous production. All such production during the twenty (20) day conditioning period plus the seven (7) day deliverability test period shall be at working well head pressures not in excess of seventy-five (75) per cent of the previous annual seven (7) day shut-in pressure of such well if such previous annual shut-in pressure information is available; otherwise, the seven (7) day initial potential shut-in pressure of such well shall be used.

The working well head pressure (P_w) of any well under test shall be determined to be the seven (7) day average tubing pressure if the well is flowing through the casing; or the seven (7) day average casing pressure if the well is flowing through the tubing.



To obtain the shut-in pressure of a well under test the well shall be shut-in immediately after the seven (7) day deliverability test for the full period of seven (7) consecutive days. Such shut-in pressure shall be measured within the next succeeding twenty-four (24) hours following the seven (7) day shut-in period aforesaid.

All well-head pressures as well as the flowing meter pressure tests which are to be taken at the end of the seven (7) day deliverability test period, as required hereinabove shall be taken with a dead-weight gauge.

Orifice meter charts shall be used to obtain the average differential and flowing meter pressures, which pressures are to be used for calculating the average seven (7) day deliverability volume of flow by using the Basic Orifice Meter Formula $Q_h = C \sqrt{h_w p_f}$. Orifice meter charts shall be changed, and so arranged as to reflect upon a single chart the flow data of gas from each well for the full seven day deliverability test period. Corrections shall be made for pressure base, measured flowing temperature, specific gravity and supercompressibility (superexpansibility); provided however, that if the specific gravity of gas from any well under test is not available, then and in that event an estimated specific gravity may be assumed therefor, based upon that of gas from nearby wells, the specific gravity of which has been actually determined by measurement.

The basic orifice flow factor (flow coefficient), pressure base factor, flowing temperature factor, and specific gravity factor shall be determined by the use of the respective tables published in "Gas Measurement Committee Report No. 2" (revised, 1948) of the American Gas Association, New York 17, New York. The tables for the aforementioned factors and the method of computation of gas volumes through orifice flow meters contained in the aforesaid Report No. 2, are hereby approved.

Correction shall be made for supercompressibility (deviation from Boyle's law) for flowing meter pressures in excess of 100 psig. by the use of Simplified Supercompressibility Tables, compiled from C. N. G. A. Bulletins TS-402 and TS-461, published by John P. Squiers Company, Dallas, Texas; or California Natural Gasoline Association, Los Angeles, California, Bulletin TS-402 for flowing meter pressures from 100 to 500 psig. and Bulletin TS-461, *ibid.*, for flowing meter pressures in excess of 500 psig.

When supercompressibility (superexpansibility) correction is made for a gas containing either nitrogen, carbon dioxide or hydrogen sulfide in excess of 2 per cent. The pseudocritical pressure and temperature properties of such gas shall be corrected by the use of Table V of the above mentioned TS-402 for pressures 100-500 psig and TS-461 for pressures in excess of 500 psig.

Deliverability pressure, as used herein for Mesaverde production, is an arbitrary pressure applied to each well and used in the process of comparing the abilities of wells in this formation to produce against a back pressure equal to fifty (50) per cent, of the seven (7) day shut-in pressure of the respective individual wells, but in no case to exceed a maximum of 500 psia.

The "deliverability" of gas at the "deliverability pressure" of any well under test shall be calculated from the test data derived from the tests hereinabove required by use of the back-pressure formula:

Using point seventy-five (.75) for the exponent "n" by the following formula:

$$D = Q \frac{(P_c^2 - P_d^2)^n}{(P_c^2 - P_w^2)}$$

WHERE:

- D = Deliverability at the deliverability pressure, (Pd) MCF/da. (at Standard Condition of 15.025 psia and 60°F)
- Q = Daily flow rate in MCF/da. at wellhead pressure (P_w)
- P_c = Shut-in casing (or tubing) wellhead pressure, psia.
- P_d = Deliverability pressure; half of the individual well 7-day shut-in pressure, P_c, psia, not to exceed 500 psia.
- P_w = Average wellhead working pressure, as determined from 7-day flow period, psia (casing pressure if flowing through the tubing, or tubing pressure if flowing through the casing).
- n = Average pool slope of back pressure curve (0.75 for Mesa-verde wells).

(b) In the event it is impossible to measure accurately the pressure of the static column of gas due to packer or bridges in the well bore, then the working wellhead pressure, P_w, shall be determined by adding the calculated pressure drop due to friction in the flowing column of gas to the actual flowing wellhead pressure. The method of determining the loss of pressure due to friction shall be specified on the test data sheet, C-122-A.

(c) Any test hereinabove provided for, except initial potential test, will be considered unacceptable if the average flow rate for the final 7 day deliverability test is 25 per cent in excess of any consecutive 7-day average of the preceding three weeks. A "deliverability test" not meeting this requirement shall be retested.

(d) The original and annual deliverability and shut-in pressure tests as required hereinabove shall be reported upon Commission Form C-122-A and filed with the Commission as provided hereinabove.

(e) All charts relative to original or annual deliverability tests shall be identified by the words "test chart No. 1" (2, 3, 4, etc.), and any or all charts or photostats thereof shall be made available to the Commission upon its request.

II. PICTURED CLIFFS FORMATION:

1. INITIAL POTENTIAL TEST: Same as prescribed for Mesaverde formation; see Section B, subsection I, Mesaverde formation hereinabove. Paragraph 1.
2. ORIGINAL DELIVERABILITY AND SHUT-IN PRESSURE TEST: The same as provided in paragraph 3, next below.
3. ANNUAL DELIVERABILITY AND SHUT-IN PRESSURE TEST:

In all respects the deliverability and shut-in pressure tests of wells in the Pictured Cliffs formation shall be made in conformity with the procedures set out in Section B, Subsection I, paragraph 3, (a) (b) (c)

1. The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be supported by a valid receipt or invoice to ensure transparency and accountability.

2. The second part outlines the procedures for handling discrepancies between the recorded amounts and the actual cash received. It states that any such variance must be investigated immediately and reported to the appropriate authority.

3. The third part details the requirements for the physical custody of the cash. It specifies that the funds must be stored in a secure, fireproof safe and that access is restricted to authorized personnel only.

4. The fourth part describes the process for reconciling the cash book with the bank statements. It requires that this reconciliation be performed at the end of each month to identify any errors or unauthorized withdrawals.

5. The fifth part discusses the periodic audits conducted by an independent party to verify the accuracy of the financial records and the proper handling of the cash.

6. The sixth part covers the reporting obligations, including the submission of a detailed summary of the cash transactions to the relevant regulatory bodies.

7. The seventh part provides information on the consequences of non-compliance with these procedures, which may include disciplinary action or legal proceedings.

8. The eighth part offers advice on how to prevent fraud and other forms of misappropriation of funds through strict internal controls and regular monitoring.

9. The ninth part concludes with a statement of commitment to the highest standards of financial integrity and ethical conduct.

10. The tenth part provides contact information for the responsible officer and a list of frequently asked questions.

(d) (e) of the Mesaverde formation procedures, except that in paragraph (a) thereof, the back pressure formula, the exponent "n" shall have the value of point eighty-five (.85), and the deliverability pressure (P_d) shall be one half ($1/2$) of the individual well pressure - " P_c ", psia, but not in excess of 250 psia.

III. FRUITLAND FORMATION:

(1) All initial potential, original and annual deliverability and shut-in pressure tests of gas wells producing from the Fruitland formation shall be identical in all respects to those requirements and procedures hereinabove set out and required for the Pictured Cliffs formation (Section B Subsection II, paragraphs 1-2 and 3).

IV. THE DAKOTA FORMATION: All tests of Dakota wells shall be in conformity with requirements and procedures provided hereinabove for the Mesaverde formation, except as follows:

(1) BARKER DOME - DAKOTA: (Storage Area)

(a) INITIAL POTENTIAL TEST: An average "pool slope", based upon bottom hole conditions, shall be established by the Commission after consideration of data to be provided by the operators; these data shall be based upon tests taken in conformity with the conventional back pressure method, indicated in Commission Rule 401. This "slope" shall be applied to each well in the Barker Dome-Dakota Area, arbitrarily, as if such slope were the actual performance back pressure slope of each such well, in the following manner:

This back pressure slope so established shall be plotted through a point predetermined by one stabilized flow rate at a working well head pressure not in excess of seventy-five (75) per cent of the seven (7) day shut-in pressure of such well.

The flowing volumes (Q) shall be corrected for pressure base, measured flowing temperature, specific gravity and supercompressibility, by the use of methods of calculation and tables hereinabove referred to and approved in Section B, Subsection 3, paragraph (a) (Mesaverde procedures).

A seven (7) day shut-in pressure test shall be made for each well in the Barker Dome-Dakota Area, provided however, that where the shut-in period exceeds seven days such fact shall be reported to the Commission.

The values of the seven (7) day shut-in pressure (P_c) and the working well head pressure (P_w) shall be corrected to bottom hole conditions.

A schedule of tests shall be prepared by the transporter and approved by the Commission, and reports of such tests duly filed with the Commission, on form C-122, being the regular statewide form.

(b) ANNUAL POTENTIAL TEST: This test shall be made of all wells producing from the Barker Dome-Dakota storage area by obtaining seven (7) day shut-in pressures of all Dakota wells, converting the same to bottom hole pressures (P_f), computing the squares of such

bottom hole pressures, (P_f^2) , and applying the same to the original average "pool slope" to obtain an adjusted open flow. If so desired as an alternate method an adjusted open flow may be computed from the following equation:

$$O_{f_2} = O_{f_1} \frac{(P_{f_2})^{2N}}{(P_{f_1})^2}$$

WHERE:

- O_{f_2} = Adjusted absolute open flow.
- O_{f_1} = Original absolute open flow.
- P_{f_2} = New bottom hole shut-in (psia).
- P_{f_1} = Old bottom hole shut-in (psia).
- n = Slope of back pressure curve.

Tests of all wells in the Barker Dome-Dakota storage area shall be made during the period of April 1 through October 31 of each year and reports made to the Commission within the next succeeding month after test is made.

V. PENNSYLVANIAN FORMATION:

All tests of wells producing from the Pennsylvanian formation of the San Juan Basin Area shall be as follows:

1. INITIAL POTENTIAL TEST: Immediately after completion of each new well an absolute open flow shall be determined by the conventional back-pressure method indicated by Rule 401 of the Commission's Rules and Regulations.

Seven day shut-in pressures will be used in all cases, and, if for any reason the shut-in period exceeds seven days, then, the actual shut-in time shall be reported.

2. ANNUAL POTENTIAL TEST: This test shall be made of all wells producing from the Pennsylvanian formation of the San Juan Basin area, and such tests shall conform in all respects with the procedure set out next above under initial potential test or in the alternative, by obtaining a seven day shut-in pressure of each well and converting the same to bottom hole pressure (P_f) . The square of the bottom hole pressure (P_f^2) will be computed and applied to the original back pressure curve and an adjusted absolute open flow will be obtained.

If shut-in pressure time is in excess of seven (7) days, then the actual shut-in time shall be reported.

There is no objection to the use of an adjusted absolute open flow calculated from the equation as set out hereinabove under Dakota formation, Section B, Subsection IV, paragraph 1 - subparagraph b.

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All tests hereunder shall be made during the period from April 1 through October 31 of each year, and reported to the Commission upon regular Form C-122 during the month succeeding the month in which the tests are made.

IT IS FURTHER ORDERED:

1. That Form C-122-A entitled "Gas Well Test Data Sheet, San Juan Basin", a copy of which is attached hereto for reference, be, and the same hereby is approved in open form subject to minor modifications as experience may indicate and without notice and hearing, and the same shall be used only for the area indicated, excepting therefrom only the Barker Dome-Dakota storage area, and the Pennsylvanian formation, all within the said San Juan Basin. This order modifies Rule 1121 of the Rules and Regulations of the Commission only to the extent of requiring reports upon Form C-122. These forms are hereby adopted for use in the San Juan Basin Area, with exceptions noted.

IT IS FURTHER ORDERED:

That other formations in the San Juan Basin Area which may in the future be found to be productive will be provided with testing programs on the basis of formation characteristics.

DONE at Santa Fe the day and year hereinabove mentioned.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



EDWIN L. MECHEM, Chairman



E. S. WALKER, Member



R. R. SPURR, Secretary

S E A L

1. The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that proper record-keeping is essential for the integrity of the financial system and for the ability to detect and prevent fraud. The text notes that without reliable records, it would be difficult to verify the accuracy of financial statements and to identify any irregularities.

2. The second part of the document focuses on the role of internal controls in ensuring the reliability of financial information. It describes how internal controls are designed to prevent errors and to detect any misstatements before they are reported. The text highlights that a strong internal control system is a key component of an organization's risk management strategy and is critical for maintaining the trust of investors and other stakeholders.

3. The third part of the document addresses the challenges of implementing and maintaining an effective internal control system. It notes that internal controls can be complex and costly to implement, and that they may not always be perfect. However, the text argues that the benefits of a well-designed internal control system far outweigh the costs, and that organizations should strive to continuously improve their internal controls to meet the changing needs of the business environment.

4. The fourth part of the document discusses the importance of transparency and disclosure in financial reporting. It explains that providing clear and concise information about an organization's financial performance and position is essential for making informed investment decisions. The text notes that transparency is also a key factor in building trust and credibility with investors and other stakeholders, and that organizations should be open and honest about their financial activities.

5. The fifth part of the document focuses on the role of external audits in ensuring the accuracy and reliability of financial statements. It describes how external audits are conducted by independent auditors who provide an objective assessment of an organization's financial records. The text highlights that external audits are a critical component of the financial reporting process and are essential for maintaining the integrity of the financial system.

6. The sixth part of the document discusses the importance of ethical behavior in financial reporting. It notes that financial reporting is not just a technical exercise, but also a moral one. Organizations have a responsibility to provide accurate and honest information about their financial performance, and to avoid any actions that could be considered fraudulent or misleading. The text emphasizes that ethical behavior is essential for maintaining the trust and confidence of investors and other stakeholders.

7. The seventh part of the document discusses the importance of staying up-to-date on the latest developments in financial reporting and internal controls. It notes that the financial reporting environment is constantly evolving, and that organizations must stay current on the latest regulations and best practices. The text suggests that organizations should invest in ongoing training and education for their financial reporting staff, and should regularly review and update their internal control systems to ensure they are effective and compliant.

8. The eighth part of the document concludes by emphasizing the importance of a strong financial reporting and internal control system for the success of any organization. It notes that a well-designed and implemented system can help organizations to manage risk, improve efficiency, and build trust and credibility with investors and other stakeholders. The text encourages organizations to take a proactive approach to financial reporting and internal controls, and to strive for continuous improvement in these areas.