

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

BRUCE KING
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

MEMORANDUM

**TO: GAS PRODUCERS (OPERATORS), PURCHASERS, AND
TRANSPORTERS OF GAS FROM PRORATED GAS POOLS**

FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*

SUBJECT: CENTRAL POINT DELIVERY (CPD) VOLUMES

DATE: AUGUST 12, 1991

We recently compared sales volumes from operators' production reports (Form C-115) to volumes reported by transporters on Form C-111. Several errors were found in situations where the transporters are metering gas from more than one gas well through a single meter (CPD). For example, we found that transporters sometimes erroneously reported that all the gas metered through the CPD meter was produced from only one of the wells. The operators who meter each well separately ahead of the CPD meter apparently report production and disposition correctly on Form C-115.

Since we currently obtain sales volumes from the Form C-111 for gas proration purposes, the reporting procedures described above are introducing errors and inequities into the system. To eliminate these errors, transporters and operators are instructed to begin immediately to use the following reporting procedures when gas from more than one gas well is metered into the pipeline through a single meter.

Transporter's Form C-111

When the transporter has or can obtain sufficient information to allocate the metered gas volume to the individual wells, the volume for each well must be reported separately on Form C-111.

If the transporter is unable to allocate the total volume to the individual wells, the volume must be reported on the C-111 report as "Gas From Other Sources" identifying the source on Sheet 2 as required.

Operator Requirements for Reporting on Form C-111.

Operators who deliver gas from more than one well to a transporter through a single meter are responsible for ensuring that the gas delivered from each well is properly reported on Form C-111. If the transporter is unable to properly allocate the

metered gas volume and report the volume delivered from each well on Form C-111, then the operator must file Form C-111 to report the individual well volumes.

Volumes reported on Forms C-111 and C-115 must agree. Operators delivering gas into a transporter's system through a CPD meter as described above, must contact the transporter and determine who will file the C-111 and advise the Gas Proration Section in Santa Fe. Accurate C-111 filings are essential for the proper assignment of allowables and the production of gas from prorated gas pools.

Please comply with the above instructions beginning with the reports you file next month. Your cooperation will be appreciated.

dr/



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MEMORANDUM

TO: ALL PRODUCERS, PURCHASERS AND TRANSPORTERS OF GAS
WELL GAS IN NEW MEXICO

FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*

SUBJECT: PROPOSAL OF LOW VOLUME GAS COMMITTEE FOR REVISION OF
OCD GENERAL RULE NO. 403.

DATE: AUGUST 23, 1991

A Committee organized by OCD has reviewed metering costs for low volume gas wells. The Committee includes representatives from Industry, BLM, SLO, and OCD. Information developed by the Committee indicates that current metering costs exceed revenues for wells producing at rates of 15 MCF per day, or less. Unless alternate measurement methods are approved, many low volume wells may be shut-in or plugged causing reserves and revenues to be lost.

Data submitted by the Committee shows that 2150 San Juan Basin gas wells produced at rates of 15 MCF per day or less in 1990. Total production for these wells was over 5 BCF in 1990 (see attached tabulation). El Paso Natural Gas has submitted a proposal for alternate measurement methods for low volume gas wells which has support from other members of the Committee. A change in OCD General Rule No. 403, (attached) based on the proposal is being circulated for review and comment. A Commission hearing will be scheduled for October 10, 1991 to consider adoption of the rule changes. Comments may be submitted prior to the hearing or in the form of testimony at the hearing.

Procedures for lease commingling are also being reviewed to determine if modification of those requirements could provide additional relief in this area.

dr/

Of the wells that produced in the San Juan Basin in 1990, 776 wells averaged 5 MCFD or less for the months produced for a total of 446,613 MCF.

1,374 wells produced from 5 to 15 MCFD for the months produced for a total of 4,725,853 MCF for the year.

The land type breakdown of these wells is as follows:

| | <5MCFD | | 5 to 15MCFD | |
|-----------|--------|-------------|-------------|---------------|
| State | 38 | 27,781 MCF | 83 | 29,149,MCF |
| Jicarilla | 131 | 90,251 MCF | 295 | 1,011,602 MCF |
| Navajo | 30 | 22,060 MCF | 23 | 72,380 MCF |
| Ute | 8 | 2,606 MCF | 1 | 4,121 MCF |
| Federal | 492 | 267,313 MCF | 853 | 2,931,203 MCF |
| Private | 77 | 36,602 MCF | 119 | 415,128 MCF |

OCD GENERAL RULE 403

Proposed changes are contained in 403 B and C.

RULE 403. - NATURAL GAS FROM GAS WELLS TO BE MEASURED

A. All natural gas produced shall be accounted for by metering or other method approved by the Division and reported to the Division by the transporter of the gas. Gas produced from a gas well and delivered to a gas transportation facility shall be reported by the owner or operator of the gas transportation facility. Gas produced from a gas well and required to be reported under this rule, which is not delivered to and reported by a gas transportation facility shall be reported by the operator of the well.

B. An operator may apply to the OCD District Supervisor, using form C-110, for approval of one of the following procedures for measuring gas:

(1) In the event a well is not capable of producing more than 15 MCFD, a measurement method agreed upon by the operator and pipeline whereby the parties establish by annual test the producing rate of said well under normal operating conditions and apply that rate to the period of time the well is in a producing status. In the event such well is capable of producing greater than 5 MCFD, a device shall be attached to the line which will determine the actual time period that the well is flowing.

(2) Any well which has a producing capacity of 100 MCFD or less and which is on a multi-well lease may be produced without being separately metered when the gas is measured using a lease meter at a Central Point Delivery. The ownership of the lease must be common throughout including working interest, royalty and overriding royalty ownership.

C. Operators and transporters shall report the well volumes on Forms C-115 and C-111 based upon the approved method of measurement and, in the case of a CPD, upon the method of allocation of production to individual wells approved by the District Supervisor.

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Road, Aztec, NM 87410

State of New Mexico
Energy, Minerals & Natural Resources
Department

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Form C-111
Originated 8/23/91

Submit four copies to the
appropriate district office.

DRAFT

APPLICATION FOR APPROVAL TO USE AN ALTERNATE GAS MEASUREMENT METHOD -
Rule 403(B)(1) or (2)

Operator Name: _____ County: _____

Address: _____ Pool: _____

City/State/Zip Code: _____

APPROVAL PROCEDURE: RULE 403.B.(1)

Please file separate applications for each well to the appropriate district office.

- 1) Location of well: Unit Letter _____, Section _____, Township _____, Range _____.
- 2) One year production history of the well - show annual and daily volumes; attach separate sheet.
- 3) Established or agreed-upon daily producing rate for the well for next year.
- 4) Will well be equipped with a flow device (required for wells capable of producing 5 MCF per day or more)?
- 6) Gas transporter(s) connected to the well.

APPROVAL PROCEDURE: RULE 403.B.(2)

Please attach separate sheet.

Working interest, royalty and overriding royalty ownership must be common throughout the lease.

- 1) Lease plat showing all wells to be produced through this CPD. Show Section, Township and Range on plat.
 - a) List wells producing over 100 mcf/d.
 - b) List wells producing less than 100 mcf/d.
- 2) Proposed method of allocating production from non-metered wells.
- 3) One year production history of wells producing less than 100 mcf/d. Show annual and daily volumes.
- 4) Gas transporter(s) connected to this lease.

Operators requesting approval to use a measurement method
other than the above should contact the district office for instructions.

OPERATOR

*I hereby certify that the rules and regulations of the Oil Conservation
Division have been complied with and that the information given above is
true and complete to the best of my knowledge and belief.*

Signature: _____

Printed Name & Title: _____

OIL CONSERVATION DIVISION APPROVAL

Approved Date: _____

By: _____

Title: _____

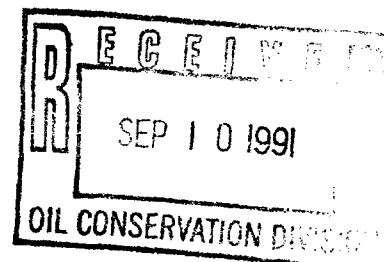
MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1988



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
MEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

September 10, 1991



William F. Carr
110 N. Guadalupe, Suite I
Sante Fe, New Mexico 87504-2208

Re: New Mexico Oil Conservation Case No. 10381
Yates Petroleum Corporation - Sept. 5, 1991 Hearing
Pressure Maintenance Project - Lea County, New Mexico

Dear Mr. Carr:

Michael Stogner requested cement tops on the following wells
at our hearing last week.

| <u>Well Name/Location</u> | <u>Cement Top</u> | |
|---|-------------------|-----------------|
| Swan VB State #3 L 21-14S-33E | 7072' | cement bond log |
| State E #1 M 21-14S-33E | 8785' | calculated |
| New Mexico AN State #9 C 22-14S-33E | 6914' | calculated |
| New Mexico AN State #10 E 22-14S-33E | 6832' | calculated |

If you need further information, please do not hesitate to
call.

Sincerely,

Theresa Padilla
Petroleum Engineer

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



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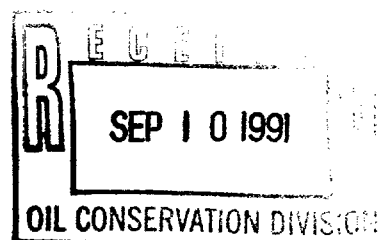
| <u>Well Name/Location</u> | <u>Cement Top</u> | |
|---|-------------------|-----------------|
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If you need further information, please do not hesitate to
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Sincerely,

Theresa Padilla

Theresa Padilla
Petroleum Engineer





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GOVERNOR

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SANTA FE, NEW MEXICO 87504
(505) 827-5800

September 13, 1991

CAMBELL & BLACK
Attorneys at Law
P. O. Box 2208
Santa Fe, New Mexico 87504

RE: CASE NO. 10381
ORDER NO. R-9582

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

A handwritten signature in cursive script that reads "Florene Davidson".

Florene Davidson
OC Staff Specialist

FD/sl

cc: BLM Carlsbad Office
T. Kellahin