

January 23, 1985

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. R. L. Stamets, Director
State of New Mexico
Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

*no action
Bill*

Gentlemen:

Subject: APPLICATION FOR REHEARING
Case Nos. 8182 and 8183
Order Nos. R-7594-A and R-7595-A

Mesa Petroleum Co. ("Mesa"), P. O. Box 2009, Amarillo, Texas 79189-2009 hereby applies for a rehearing of the two above-referenced New Mexico Oil Conservation Commission ("NMOCC") Orders denying Mesa's applications for the recognition of Mesa's use of enhanced recovery techniques in the State Com AI #33 and State Com AJ #34 stripper wells located in San Juan County, New Mexico.

The applications were heard in Case Nos. 8182 and 8183 and were submitted by Mesa. Evidence was presented by Mesa in those cases on June 6, 1984 and December 12, 1984 at Santa Fe, New Mexico. Order Nos. R-7594-A and R-7595-A affirm and adopt Order Nos. R-7594 and R-7595 entered July 20, 1984 in these same cases by the NMOCC.

Order Nos. R-7594-A and R-7595-A are arbitrary, capricious and unreasonable. The denial of Mesa's applications will have an adverse effect on the economics of producing these two wells and will, therefore, ultimately result in the loss and waste of potential production from these wells. The said two Orders are not supported by substantial evidence nor are they supported by the applicable law.

Paragraph (7) of Order Nos. R-7594 and R-7595 correctly find, "That during the ninety-day period," the particular well in question "was alternately shut in and produced by the applicant for a various number of days each calendar month. The shut-ins and commencements of production were accomplished by the applicant's personnel manually controlling the surface valves that allow the gas from this well to

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produce into the gas purchaser's pipeline. The shut-in and production times, when so manually regulated, increase the rate of flow from the well and cause it to produce on any given production day in excess of 60 Mcf per day." Paragraph (8) of each said Order states, "That the alternate shutting-in and production of a well is not an enhanced recovery technique as commonly understood in the oil and gas industry." The NMOCC apparently denied Mesa's applications on the basis of this latter statement and ignored the former evidentiary finding.

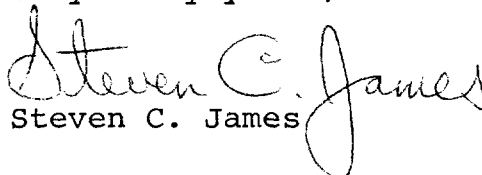
Paragraph (7) of Order Nos. R-7595 and R-7594 encapsulates the relevant and substantial evidence upon which the NMOCC should have based its orders granting Mesa's applications. Having made the finding set forth in paragraph (7) of the said Orders, however, the NMOCC erroneously chose to go forward with the Orders based solely on the application of an improper standard to the relevant evidence. The improper standard is that set forth in paragraph (8) of the said Orders. It is not relevant nor is it a statement supported by the record. Thus, one can only conclude that there is no evidentiary or legal basis whatsoever for the NMOCC's Orders.

The proper standard for determining whether or not a technique qualifies as a recognized enhanced recovery technique is not the common understanding of the oil and gas industry. Rather, the proper standard was established by Congress in the Natural Gas Policy Act of 1978 and the Federal Energy Regulatory Commission regulations implementing that Act. The Federal Energy Regulatory Commission has stated that any technique shall qualify as a recognized enhanced recovery technique if it increases the rate of production from a well. The finding of the NMOCC as stated in the said paragraph (7) and this proper standard should have resulted in orders in these cases in Mesa's favor.

Mesa hereby respectfully requests a rehearing of this matter and a finding that the technique applied by Mesa to the State Com AJ #34 and the State Com AI #33 wells in San Juan County, New Mexico does qualify as a recognized enhanced recovery technique under Section 108 (b) (2) of the Natural Gas Policy Act of 1978.

A copy of this application for rehearing has been served by certified mail on Northwest Pipeline Corporation and El Paso Natural Gas Company. If there are any questions in connection with this application, please feel free to contact me at your convenience.

Very truly yours,


Steven C. James

dkm

c.c. Northwest Pipeline Corporation
El Paso Natural Gas Company