

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

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

**CASE NO. 10849
Order No. R-8170-N
and R-333-J**

**APPLICATION OF AMOCO PRODUCTION COMPANY
FOR AMENDMENT OF THE DELIVERABILITY
TESTING RULES FOR THE PRORATED GAS POOLS
OF NORTHWEST NEW MEXICO, RIO ARRIBA,
SANDOVAL AND SAN JUAN COUNTIES, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on October 14, 1993, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 10th day of November, 1993, the Commission, a quorum being present and having considered the testimony, the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, Amoco Production Company, seeks amendment of Rule 9(d) of the General Rules for the Prorated Gas Pools of New Mexico promulgated by Order No. R-8170-H and Chapter 1, Section 2.A.2 of the Rules of Procedure for Northwest New Mexico promulgated By Order No. R-333-I to exempt from deliverability testing those wells in marginal Gas Proration Units which produce at such low rates that they cannot produce the acreage portion of the monthly assigned allowable.

(3) The four prorated pools in the San Juan Basin are the Blanco-Mesaverde Gas Pool, the Basin-Dakota Gas Pool, the Tapacito-Pictured Cliffs Gas Pool and the South Blanco-Pictured Cliffs Gas Pool.

(4) Order No. R-333, entered in April 1953, established the Gas Well Testing Rules and Procedure for the San Juan Basin Area and first provided for annual deliverability testing.

(5) Exemptions to the deliverability testing requirements were first approved by the Commission in 1973 by Order No. R-333-F-I.

(6) Currently wells are exempt from deliverability testing requirements if they produce less than 250 MCF per month in the Pictured Cliffs formation or less than 2000 MCF per month in deeper horizons.

(7) The current exemption levels for wells in the Prorated Gas Pools of Northwest New Mexico should be retained at a minimum exemption level.

(8) Exempting those wells which cannot produce the acreage portion of the monthly assigned allowables from deliverability testing in the Prorated Gas Pools in the San Juan Basin would substantially reduce the number of wells required to be tested without interfering with the ability of the wells in these pools to be responsive to the allowables set by the Oil Conservation Division.

(9) Exempting these wells from the Division's deliverability testing requirements will eliminate unnecessary testing and the costs associated therewith and will otherwise be in the best interest of conservation, the prevention of waste and the protection of correlative rights and should be approved effective for classification of wells into exempt status commencing with the 1994 annual test period.

IT IS THEREFORE ORDERED THAT:

(1) The application of Amoco Production Company for amendment of Rule 9(d) of the General Rules for the Prorated Gas Pools of New Mexico promulgated by Order No. R-8170-H and Chapter 1, Section 2.A.2 of the Rules of Procedure for Northwest New Mexico promulgated by Order No. R-333-I to exempt from deliverability testing those wells in marginal Gas Proration Units which produce at such low rates that they cannot produce the acreage portion of their monthly assigned allowable is hereby granted.

(2) Rule 9(d) of the General Rules for the Prorated Gas Pools of New Mexico contained in Order No. R-8170, as amended, is hereby amended to read in its entirety as follows:

"Rule 9(d) Wells Exempt from Testing - San Juan Basin:

A well automatically becomes exempt from testing if the GPU's average monthly production does not exceed or the GPU is not capable of producing an average volume equal to the larger of 1) the pool's current

(April-September) Monthly Acreage Allocate Factor, F1, times the GPU Acreage Factor, A, or 2) 250 MCF per month for Pictured Cliffs formation wells and 2000 MCF per month for deeper formations. (See "Gas Well Testing Rules and Procedures.")

(3) Chapter 1, Section 2.A.2 of the Rules of Procedure for Northwest New Mexico promulgated by Order No. R-333-I, is hereby amended to read in its entirety as follows:

"Section 2. Annual and Biennial Deliverability and Shut-in Pressure tests.

A.2. Wells classified as "exempt" shall not be subject to the requirements of annual or biennial deliverability tests.

Classification of wells into or out of the "exempt" status shall be done once each year immediately following the reporting of June production and shall be effective for the succeeding annual test period.

Gas wells completed in the Pictured Cliffs or any shallower formation shall be classified "exempt" if at least three months of production history is available and the well failed to produce, and is incapable of producing, an average volume equal to the larger of 1) the pool's current (April-September) Monthly Acreage Allocate Factor, F1, times the GPU Acreage Factor, A, or 2) an average of 250 MCF or more per month during the months produced within the preceding 12-month period, and the well is classified as marginal in the August Gas Proration Schedule.

Gas wells completed in any formation deeper than the Pictured Cliffs formation shall be classified "exempt" if at least three months of production history is available and the well failed to produce, and is incapable of producing, an average volume equal to the larger of 1) the pool's current (April-September) Monthly Acreage Allocate Factor, F1, times the GPU Acreage Factor, A, or 2) an average of 2000 MCF or more per month during the months produced within the preceding 12-month period, and the well is classified as marginal in the August Gas Proration Schedule.

Gas wells on multiple well Gas Proration Units will not be classified "exempt" unless the Gas Proration Unit is classified as marginal. Any or all wells on a marginal multiple well Gas Proration Unit may be classified as "exempt" provided each Gas Proration Unit so classified meets the qualification for "exempt" status. Gas Proration Units for wells producing from formations deeper than the Pictured Cliffs formation shall

be classified "exempt" if at least three months of production history is available and the Gas Proration Unit failed to produce, and is incapable of producing, an average volume equal to the larger of 1) the pool's current (April-September) Monthly Acreage Allocate Factor, F1, times the GPU Acreage Factor, A, or 2) an average of 2000 MCF or more per month during the months produced within the preceding 12-month period, and the well is classified as marginal in the August Gas Proration Schedule. Gas Proration Units are to be classified as "exempt" because of their low producing ability.

The District Supervisor of the Division's Aztec Office may classify a well or Gas Proration Unit as "exempt" at any time if the operator presents sufficient evidence to the District Supervisor indicating that the well or Gas Proration Unit is incapable of producing gas at a higher rate than that rate required for "exempt" classification for wells or Gas Proration Units in that pool.

Once a well or Gas Proration Unit has been declared "exempt" for the following test year, it shall remain classified "exempt" for that test year.

(4) This Order shall be effective for classification of wells into exempt status commencing with the 1994 annual test period.

(5) Jurisdiction of this cause is hereby retained for the entry of such further orders as the Commission may deem necessary.

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

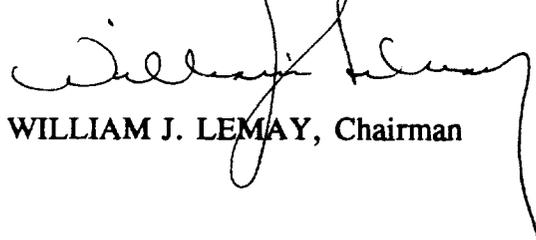
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



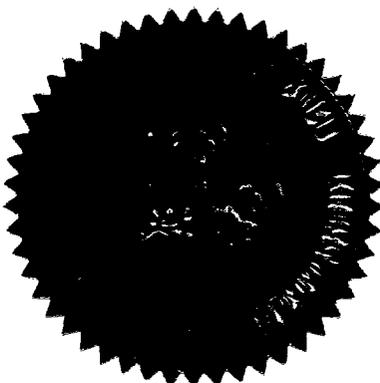
JAMI BAILEY, Member



WILLIAM W. WEISS, Member



WILLIAM J. LEMAY, Chairman



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