

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6394
Order No. R-5878

THE APPLICATION OF THE OIL CONSERVATION
DIVISION ON ITS OWN MOTION TO CONSIDER
THE ADOPTION OF AN ADMINISTRATIVE
PROCEDURE AND FORMS C-132 AND C-132-A

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on December 7, 1978, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 14th day of December, 1978, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the 95th Congress of the United States passed the Natural Gas Policy Act of 1978, P.L. 95-621, 92 Stat. 3350.

(3) That said Act was enacted on November 9, 1978, and went into effect on December 1, 1978.

(4) That pursuant to said Act, the Federal Energy Regulatory Commission has promulgated interim regulations establishing minimum filing requirements for applications for wellhead price ceiling category determinations under Sections 102, 103, 107 and 108 of the Act.

(5) That said regulations also established the Oil Conservation Division as the jurisdictional agency with respect to wells located on state and fee lands within the State of New Mexico.

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(6) That on December 1, 1978, Emergency Order No. E-33 was issued by the Director of the Division adopting Forms C-132 and C-132-A and Special Rules for Applications for Wellhead Price Ceiling Category Determinations.

(7) That said Order No. E-33 expires on December 16, 1978.

(8) That in order to make determinations in accordance with the Federal Energy Regulatory Commission (hereinafter referred to as the FERC) minimum filing requirements and in accordance with state law, the Oil Conservation Division should adopt Special Rules for Applications for Wellhead Price Ceiling Category Determinations.

(9) That said Special Rules should provide an administrative procedure by which the Division Director or the Division Examiners can make such Wellhead Price Ceiling Category Determinations.

(10) That said Special Rules should require, in addition to the minimum filing requirements adopted by the FERC, the filing of the following:

- (a) Division Form C-132 in the form attached hereto as Exhibit B and by reference incorporated herein.
- (b) Where applicable, Division Form C-132-A in the form attached hereto as Exhibit C and by reference incorporated herein.

(11) That said Special Rules should be of the general form and content presented at the hearing of this case, and in addition thereto, should also provide:

- (a) that for all "new onshore production well" determinations, the applicant must file:
 - (1) a Division Form C-102 locating and identifying the well for which a determination is sought and all other wells in the production unit, giving for each well which has produced or is producing from the same pool or reservoir as the subject well the spud date, cumulative production and date of plug and abandonment, if any;

- (2) a copy of the Division order authorizing an infill well drilling program on a pool-wide basis, if any, or authorizing the drilling of an infill well pursuant to the provisions of section 271.305 of the FERC NGPA regulations.
- (b) that if the applicant is seeking a determination with respect to a new well drilled into an existing proration unit pursuant to Sections 271.304 and 271.305 of the FERC NGPA regulations, he must file:
 - (1) copies of those pages of any Division transcript or other documentation demonstrating by appropriate geological evidence that the new well is necessary to effectively and efficiently drain a portion of the reservoir covered by the proration unit which cannot be effectively and efficiently drained by any existing well within the proration unit, and
 - (2) a statement by the applicant under oath:
 - (a) that the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;
 - (b) that the Division has altered or granted a waiver of any applicable well-spacing requirements prior to the commencement of surface drilling of the well for which a determination is sought;
 - (c) that he has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well and the basis for such conclusion;
 - (d) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusions.

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(12) That in order to prevent waste and promote the conservation of oil and gas, the Special Rules for Applications for Wellhead Price Ceiling Determinations as described above, and as embodied in Exhibit A attached hereto and by reference made a part hereof, should be adopted, and the Division should make wellhead price ceiling category determinations in accordance with said Special Rules.

IT IS THEREFORE ORDERED:

(1) That the Special Rules for Applications for Wellhead Price Ceiling Category Determinations attached hereto as Exhibit A are hereby adopted by the Oil Conservation Division of the Energy and Minerals Department.

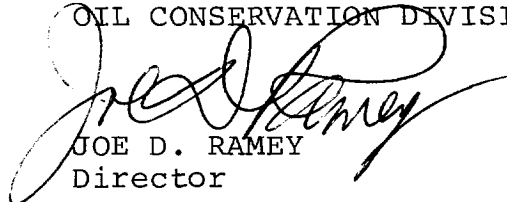
(2) That Forms C-132 and C-132-A attached hereto as Exhibits B and C, respectively, are hereby adopted by the Oil Conservation Division of the Energy and Minerals Department.

(3) That this order shall become effective at 12:01 a.m. Mountain Standard Time, December 16, 1978, and shall remain in effect until further order of the Division.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director

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SPECIAL RULES FOR APPLICATIONS
FOR WELLHEAD PRICE CEILING
CATEGORY DETERMINATIONS

DEFINITIONS

FERC. The Federal Energy Regulatory Commission

Division. The Oil Conservation Division of the Energy and Minerals Department.

USGS. United States Geological Survey.

Applicant. The operator of the well for which the determination is sought.

Director. The Director of the Oil Conservation Division.

NGPA. The Natural Gas Policy Act of 1978.

MCF. Thousand cubic feet of gas reported at a pressure base of 14.73 psia.

GENERAL

Rule 1. The application shall include affidavits of mailing or delivery of the Form C-132 or C-132-A and FERC Form No. 121 to all working interest owners and to all parties to the gas purchase contract, if any.

Rule 2. The application shall be signed as follows:

If the person filing an application is an individual, the filing shall be signed and attested to by such individual, or in the case of a minor or other legally disabled person, his duly qualified legal representative. If the person filing is a corporation, partnership, or trust, the filing shall be signed and attested to by a responsible official of the corporation, a general partner of the partnership, or the trustee of the trust. In the case of any other legal entity, the operator of the well may sign the application. An operator under a joint operating agreement may sign an application for a well covered by the operating agreement if notice of the application is given by the operator to all other parties to the joint operating agreement and that fact is certified in the application.

Rule 3. If a well is located on a State or fee lease, the application shall be filed with the Division. If a well is located on a federal or Indian lease, the application shall be filed with the USGS. If the well is located on a communitized lease, the application shall be filed with the agency having jurisdiction over the lands on which the well is situated.

Rule 4. Two complete copies of the application shall be filed with the Division's Santa Fe office, and a copy of the C-132 or C-132-A with the appropriate district office.

EXHIBIT A

- Rule 5. If written objection to the application is filed with the Division's Santa Fe office by any interested party within 15 days after the complete application is filed, or if a hearing is required by the Director, the application shall be set for hearing in accordance with Rules 1201 through 1223 of the Division's general statewide rules and regulations.
- Rule 6. If no written objection is received within the time period set out in Rule 5, and no hearing is required, the application may be approved administratively by a Division examiner or the Director.
- Rule 7. If a hearing is required, a determination shall not become final until the applicant or other interested party has exhausted his administrative remedies before the Division. If a hearing is not required, a determination shall be final on the date the application is either approved or disapproved.
- Rule 8. Within 10 days after making a final determination, notice shall be sent to the applicant, the transporter and, if a hearing was held, to each party who has entered his appearance of record at the hearing.
- Rule 9. Within 15 days after making a final determination, notice shall be sent to the FERC.
- Rule 10. An examiner or the Director may require the filing of additional information on a case-by-case basis other than that required to be submitted by FERC or Division regulations.
- Rule 11. The Director may set any application for hearing at his discretion or at the request of an applicant.
- Rule 12. In the case of remand by the FERC of any final determination made by the Division, the case shall be set for hearing in accordance with Rules 1201 through 1223 of the Division's general statewide rules and regulations.

FILING REQUIREMENTS

Section 102 New Natural Gas

- Rule 13. An application for a new onshore well [NGPA Section 102 (c)(1)(b)] shall include either subpart (1) or (2) or both:

1. 2.5 mile test

- a. FERC Form No. 121
- b. Division Form C-132 and the required attachments
- c. a location plat which locates and identifies the well for which the determination is sought and any other well which is producing, or produced after January 1, 1970, natural gas and is within the 2.5 mile radius drawn from the well for which a determination is sought;

d. a statement by the applicant under oath:

- (1) that he has made, or has caused to be made, pursuant to his instructions, a diligent search of all records (including but not limited to production, severance tax, and royalty payment records) which are reasonably available and contain information relevant to the determination of eligibility;
- (2) describing the search made, the records reviewed, the location of such records, and a description of any records which he believes may contain information relevant to the determination but which he has determined are not reasonably available to him;
- (3) that on the basis of the results of this search and examination, he has concluded that to the best of his information, knowledge and belief, there is no marker well within 2.5 miles of the well for which he seeks a determination; and
- (4) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusion; and

2. 1,000 feet deeper test

- a. FERC Form No. 121
- b. Division Form C-132 and the required attachments
- c. a location plat which locates and identifies the well for which the determination is sought and all wells which are producing, or produced after January 1, 1970, natural gas within the 2.5 mile radius drawn from the well for which a determination is sought; including specific identification of all marker wells within the 2.5 mile radius drawn from the well for which a determination is sought;
- d. a list of the deepest completion locations for all marker wells identified on the location plat; and
- e. a statement by the applicant, under oath:
 - (1) that he has made, or has caused to be made pursuant to his instructions, a diligent search of all records (including but not limited to production, State severance tax, and royalty payment records) which are reasonably available and contain information relevant to the determination of eligibility;

- (2) describing the search made, the records reviewed, the location of such records, and a description of any records which he believes may contain information relevant to the determination but which he has determined are not reasonably available to him;
- (3) that on the basis of the results of this search and examination, he has concluded that to the best of his information, knowledge and belief, there is no marker well within 2.5 miles of the well for which he seeks a determination which has a completion location less than 1,000 feet above the completion location of the new well; and
- (4) that he has no knowledge of any other information which is inconsistent with his conclusion.

Rule 14. An application for a new onshore reservoir [NGPA Section 102(c)(1)(C)] shall include:

1. FERC Form No. 121
2. Division Form C-132 and the required attachments
3. geological information sufficient to support a determination that the reservoir is a new onshore reservoir. Such information shall include to the extent reasonably available to the applicant at the time the application is filed:
 - (a) well logs;
 - (b) bottom hole or surface pressure surveys;
 - (c) well potential tests;
 - (d) formation structure maps,
 - (e) a subsurface cross-section chart; and
 - (f) a gas analysis.
4. a statement by the applicant, under oath:
 - (a) that he has made, or has caused to be made pursuant to his instructions, a diligent search of all records (including but not limited to production, State severance tax, and royalty payment records) which are reasonably available and contain information relevant to the determination of eligibility;
 - (b) describing the search made; the records reviewed; the location of such records, and a description of any records which

are described in (1) (or which he believes may otherwise contain information relevant to the determination) but which he has determined are not reasonably available to him;

- (c) that on the basis of the results of this search and examination, he has concluded that to the best of his information, knowledge and belief the gas to be produced and for which he seeks a determination is from a new onshore reservoir; and
 - (d) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusion.
5. The applicant in his statement under oath shall also answer, to the best of his information, knowledge and belief and on the basis of the results of his search and examination, the following questions:
- (a) Was natural gas produced in commercial quantities from the reservoir prior to April 20, 1977?
 - (b) Was the reservoir penetrated before April 20, 1977, by an old well from which natural gas or crude oil was produced in commercial quantities from any reservoir?
 - (c) If the question in Subparagraph (b) is answered in the affirmative, could natural gas have been produced in commercial quantities from the reservoir before April 20, 1977, from any old well described in (b)?
 - (d) If the natural gas is to be produced through an old well, were suitable facilities for the production and delivery to a pipeline of such natural gas in existence on April 20, 1977?
6. If the applicant is unable to answer the four questions set out above in the negative, the applicant shall provide the information upon which he bases his conclusion that the natural gas for which he seeks a determination is to be produced from a new onshore reservoir.

Section 103 New Onshore Production Well

Rule 15. An application for a new onshore production well [NGPA Section 103] shall include:

- 1. FERC Form No. 121
- 2. Division Form C-132 and the required attachments
- 3. Copy of Division order authorizing an infill well drilling program on a poolwide basis, if any, or authorizing the drilling of an infill well under Section 271.305 of the FERC NGPA Regulations.

4. The C-102 attached to Form C-132 shall locate and identify the well for which a determination is sought and all other wells within the proration unit in which the well for which a determination is sought is located, giving for each well which has or is producing from the same pool or reservoir as the subject well the spud date, cumulative production, and date of plug and abandonment, if any.
5. A statement by the applicant, under oath:
 - (a) that the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;
 - (b) that the well satisfies any applicable federal or state well-spacing requirements; and that the well is not within a proration unit:
 - (1) which was in existence at the time the surface drilling of the well began;
 - (2) which was applicable to the reservoir from which such natural gas is produced; and
 - (3) which applied to any other well which either produced natural gas in commercial quantities or the surface drilling of which was begun before February 19, 1977, and was thereafter capable of producing natural gas in commercial quantities;
 - (c) that he has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well and the basis for such conclusion;
 - (d) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusions.
6. If the applicant is seeking a determination with respect to a new well drilled into an existing proration unit pursuant to Sections 271.304 and 271.305 of the FERC NGPA regulations, the applicant must, in addition to the filing requirements listed in Paragraphs (1) through (4) of Rule 15, file:
 - (a) copies of those pages of any Division transcript or other documentation demonstrating by appropriate geological evidence that the new well is necessary to effectively and efficiently drain a portion of the reservoir covered by the proration unit which cannot be effectively and efficiently drained by any existing well within the proration unit, and
 - (b) a statement by the applicant under oath:

- (1) that the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;
- (2) that the Division has altered or granted a waiver of any applicable well-spacing requirements prior to the commencement of surface drilling of the well for which a determination is sought;
- (3) that he has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well and the basis for such conclusion;
- (4) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusions.

Section 107 High-Cost Natural Gas

Rule 16. An application for high-cost natural gas [NGPA Section 107] shall include:

1. FERC Form No. 121
2. Division Form C-132 and the required attachments
3. all well completion reports for the well for which a determination is sought;
4. well logs or well servicing company reports or such other information which will corroborate the depth of the completion location reported in the well completion report;
5. directional drilling surveys if available; and
6. a statement by the applicant, under oath, that the surface drilling of the well for which he seeks a determination began on or after February 19, 1977, and that the well completion location is below a true vertical depth of 15,000 feet; and that he has no knowledge of any information which is inconsistent with his conclusions.

Section 108 Stripper Well Natural Gas

Rule 17. An application for an initial determination that a well qualifies as a stripper gas well [NGPA Section 108] shall include:

1. FERC Form No. 121
2. Division Form C-132 and the required attachments
3. If a C-116 is unavailable, indicate so on the C-132 and state why it is unavailable.

4. a production decline curve, if available, and if not, tax records, if available, or verified copies of billing statements upon which the average production for the 90-day production period is based;
5. a copy of the results of any tests which measure the production capability of the well; and, if such test results are not available and the maximum efficient rate of flow has not been previously established:
 - (a) a production decline curve for the 12-month period ending concurrently with the 90-day production period under Paragraph (4), if available.
 - (b) If unavailable, submit either (1) or (2), infra:
 - (1) If the well, for which a determination is sought, has produced non-associated natural gas at an average rate not in excess of 60 Mcf per production day for a 90-day production period within 120 days of the date of filing, but such an average rate of production has not been experienced for a 12-month period, the applicant shall file, as soon as practicable but in no event later than 10 months after the date the application is filed with the jurisdictional agency, either production records, if available, and if not, tax records, if available, or verified copies of billing statements for the 12-month period, including any of the 90-day production period upon which the application is based, which demonstrates that such well produced non-associated natural gas at a rate which did not exceed an average of 60 Mcf per production day during such period; or
 - (2) flow tests, or other evidence upon which the Division can make a determination as to whether the well produced at its maximum efficient rate of flow.
6. The number of days natural gas was not produced during the 90-day production period and a description of the state law or conservation practice recognized or approved by the state agency having regulatory jurisdiction over the production of natural gas which prohibited production.
7. The number of days not included in the 90-day production period and a statement of the reasons why each day was excluded except to the extent they are covered under Paragraph 6.
8. The production records for crude oil produced from the well for the 90-day production period upon which the application is based. State if no liquids were produced.

9. An inventory of the lease and production equipment used for the well for the past 24 months or for such lesser period as the well has been in production prior to date of filing, as well as the identification of any equipment or processes used in connection with recognized enhanced recovery techniques during the completion of the well or during production subsequent to the completion of the well but prior to the filing for a determination; and
10. A statement by the person signing the application, under oath, that he has made, or has caused to be made pursuant to his instructions, a diligent search of all records which are reasonably available and certain information relevant to the determination; a description of the search made, the records reviewed, the results of this search and examination he has concluded that to the best of his information, knowledge and belief, the well qualifies as a stripper well; and that he further attests that he has no knowledge of any other information which is inconsistent with his conclusion.

Rule 18. An application for determination of increased production resulting from the use of enhanced recovery techniques shall include:

1. FERC Form No. 121
2. Division Form C-132-A and the required attachments
3. A copy of the purchaser's notice, if any, that the average daily production for any 90-day production period has exceeded 60 Mcf, or that the well which has been designated a seasonably affected well produces at a rate in excess of 60 Mcf per day for a 12-month production period.
4. A description of all processes used or equipment installed together with all dates of use or installation;
5. A statement, under oath, that to the best of the applicant's information, knowledge and belief, the information supplied and the conclusions drawn are true; that the operator has no knowledge of any information not described in the application which is inconsistent with any of his conclusions; and that the notice has been served on the appropriate entities specified in Section 271.805 of the FERC NGPA regulations.

Rule 19. An application for a designation that a well is seasonably affected shall include:

1. FERC Form No. 121
2. Division Form C-132 if an initial determination has not been made under Rule 17; or Form C-132-A, if an initial determination has been made.

3. A copy of the purchaser's notice, if any, that the average daily production for any 90-day production period has exceeded 60 Mcf, or that the well which has been designated a seasonably affected well produces at an average rate in excess of 60 Mcf per day for a 12-month production period.
4. Production records, tax records or billing statements for a period of 24 months, including the 90-day or 12-month production period which is the subject of the notice by the operator or the purchaser;
5. A description of the nature of the seasonal fluctuations as inferred from the data supplied; and
6. A statement, under oath, that the production records, tax records or billing statements are correct; that the operator has no knowledge of any information contrary to any conclusions drawn by him; and that the notice has been served on the appropriate entities specified in Section 271.805 of the FERC NGPA regulations.

APPLICATION FOR WELLHEAD
PRICE CEILING CATEGORY DETERMINATION

1. FOR DIVISION USE ONLY

DATE OF: APPLICATION _____
DETERMINATION _____
CONTESTED _____
PARTICIPANTS _____

Kind of Lease
State, Federal or Fee
5. State Oil & Gas Lease No.
7. Unit Agreement Name
8. Farm or Lease Name
9. Well No.
10. Field and Pool, or Wildcat
12. County

2. Name of Operator	
3. Address of Operator	
Location of Well	
UNIT LETTER _____, _____ FEET FROM THE _____ LINE AND _____ FEET FROM	
THE _____ LINE, SECTION _____ TOWNSHIP _____ RANGE _____ NMPM.	

11. Name and Address of Transporter(s) _____

WELL CATEGORY INFORMATION

Check appropriate box for category sought and information submitted.

- Category(ies) Sought (By NGPA Section No.) _____
- All Applications must contain:
 - ☐ a. C-101 APPLICATION FOR PERMIT TO DRILL, DEEPEN OR PLUG BACK
 - ☐ b. C-105 WELL COMPLETION OR RECOMPLETION REPORT
 - ☐ c. DIRECTIONAL DRILLING SURVEY, IF REQUIRED UNDER RULE 111
 - ☐ d. AFFIDAVITS OF MAILING OR DELIVERY
- NEW NATURAL GAS UNDER SEC. 102(c)(1)(B) (using 2.5 Mile or 1000 Feet Deeper Test)
 - ☐ a. Location Plat
- NEW NATURAL GAS UNDER SEC. 102(c)(1)(C) (new onshore reservoir)
 - ☐ a. C-122 Multipoint and one point back pressure test
- NEW ONSHORE PRODUCTION WELL
 - ☐ a. C-102 WELL LOCATION AND ACREAGE DEDICATION PLAT
 - ☐ b. No. of order authorizing infill program _____
- STRIPPER GAS
 - ☐ a. C-116 GAS-OIL RATIO TEST
 - ☐ b. PRODUCTION CURVE FOR 12-MONTH PERIOD
 - ☐ c. PRODUCTION CURVE FOR THE 90-DAY PERIOD ON WHICH THE APPLICATION IS BASED

I HEREBY CERTIFY THAT THE INFORMATION CONTAINED
HEREIN IS TRUE AND COMPLETE TO THE BEST OF MY
KNOWLEDGE AND BELIEF.

NAME OF APPLICANT (Type or Print) _____
Title _____
Date _____
Signed _____

DIVISION USE ONLY

- ☐ Approved
☐ Disapproved

The information contained herein includes
all of the information required to be
filed by the applicant under Subpart B
of Part 274.

EXAMINER _____

EXHIBIT B

NEW MEXICO OIL CONSERVATION DIVISION
P. O. Box 2088, Santa Fe, New Mexico 87501

APPLICATION FOR CONTINUED
STRIPPER CLASSIFICATION

1. FOR DIVISION USE ONLY

DATE OF: APPLICATION _____
DETERMINATION _____
CONTESTED _____
PARTICIPANTS _____

Kind of Lease
State, Federal or Fee
5. State Oil & Gas Lease No.
7. Unit Agreement Name
8. Farm or Lease Name
9. Well No.
10. Field and Pool, or Wildcat
12. County

2. Name of Operator _____

Address of Operator _____

Location of Well

UNIT LETTER _____ FEET FROM THE _____ LINE AND _____ FEET FROM
THE _____ LINE, SECTION _____ TOWNSHIP _____ RANGE _____ NMPM.

11. Name and Address of Transporter(s)

CLASSIFICATION

Check appropriate box for category sought and information submitted.

1. Increased production resulting from enhanced recovery techniques

- ☐ a. C-132, Initial determination
☐ b. Purchaser's notice of exceeding 60 MCF/day

2. Well is seasonably affected

- ☐ a. C-132, Initial determination
☐ b. Purchaser's notice of exceeding 60 MCF/day
☐ c. 24-month production curve

I HEREBY CERTIFY THAT THE INFORMATION CONTAINED
HEREIN IS TRUE AND COMPLETE TO THE BEST OF MY
KNOWLEDGE AND BELIEF.

NAME OF APPLICANT (Type or Print) _____

Title _____

Date _____

Signed _____

DIVISION USE ONLY

- ☐ Approved
☐ Disapproved

The information contained herein includes
all of the information required to be
filed by the applicant under Subpart B
of Part 274.

EXAMINER _____

EXHIBIT C