

Entered June 7, 1979

JLR

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. 6526
Order No. R-6013

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION ON ITS OWN
MOTION TO CONSIDER A PROCEDURE FOR THE ADOPTION
OF FINDINGS, WHEN APPLICABLE AND PURSUANT TO THE
FEDERAL NATURAL GAS POLICY ACT, THAT ANOTHER WELL
IS NECESSARY TO EFFECTIVELY AND EFFICIENTLY DRAIN
THAT PORTION OF ITS PRORATION UNIT WHICH CANNOT BE
SO DRAINED BY ANY EXISTING WELL, AND THAT EXISTING
WELL SPACING REQUIREMENTS ARE WAIVED.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 25, 1979,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 7th day of June, 1979, 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 Regula-
tory Commission, hereinafter referred to as "FERC", has
promulgated interim regulations establishing gas pricing cate-
gories and filing requirements.

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(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.

(6) That an infill well drilled on an existing proration unit would not qualify under the higher "New Onshore Production Well" category (Section 103) of said interim FERC regulations but would command a lower category determination unless such well should qualify under certain exception provisions set out therein.

(7) That said exceptions are contained in Sections 271.304 and 271.305 of the FERC regulations and require that the jurisdictional agency must find, prior to the commencement of drilling of an infill well, that the 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.

(8) That in order to make such findings without the necessity of a public hearing in each case, and yet to be in accordance with the FERC regulations and in accordance with State law, the Oil Conservation Division should adopt special rules for Natural Gas Policy Act infill findings to be followed in the application for and promulgation of such findings administratively.

(9) That said special rules should require the filing of geological and reservoir information sufficient to support a finding as to the necessity for the drilling of the infill well.

(10) That said special rules should be in the form and content prescribed on Exhibit A, attached hereto and made a part hereof.

IT IS THEREFORE ORDERED:

(1) That the "Special Rules and Regulations, Natural Gas Policy Act Infill Findings, Administrative Procedure" attached hereto as Exhibit A are hereby adopted effective immediately.

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

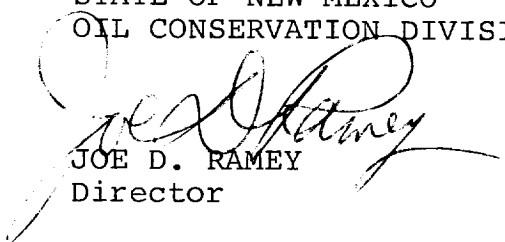
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DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



JOE D. RAMEY
Director

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SPECIAL RULES AND REGULATIONS
NATURAL GAS POLICY ACT INFILL FINDINGS
ADMINISTRATIVE PROCEDURE

A. DEFINITIONS

RULE 1. For purposes of this administrative procedure only, the following definitions are adopted:

- a. Infill well: An additional well to be drilled for production on an established proration unit.

B. APPLICABILITY

RULE 2. These Special Rules and Regulations shall only apply to wells for which a drilling permit had not been approved prior to January 1, 1979, and which have not yet been spudded.

C. JUSTIFICATION FOR FINDINGS

RULE 3. The Division Director or a Division Examiner may find that an infill well is necessary:

- a. upon a showing by the operator that an additional well is needed to effectively and efficiently drain a portion of the reservoir covered by the proration unit which cannot be so drained by any existing well within that unit, and
- b. upon receipt of waivers from all offset operators, or if no offset operator has entered an objection to the infill finding within 20 days after receipt of the application by the Director.

RULE 4. The Director may set any application for hearing at his discretion or at the request of an applicant.

D. FILING REQUIREMENTS

RULE 5. Each applicant shall submit a copy of Form C-101 showing date of approval, if any, and Form C-102 showing the proration unit dedicated.

RULE 6. Applicant shall give the name of the pool in which completion will be attempted and the standard spacing unit size therefor.

RULE 7. If applicable, the applicant shall give the number of the Division Order approving the non-standard proration unit.

EXHIBIT A

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Exhibit A

- RULE 8. The applicant shall state whether the well has been spudded, and the spud date, if any.
- RULE 9. The applicant shall submit a description of all wells drilled on the proration unit which are or have been completed in the same pool or reservoir as the proposed infill well showing:
- a. lease name and well location;
 - b. spud date;
 - c. completion date;
 - d. a description of any mechanical problems experienced along with a summary of remedial action(s) taken and the results obtained;
 - e. the current rate of production; and
 - f. date of plug and abandonment, if any.
- RULE 10. The applicant shall submit geological and reservoir information sufficient to support a finding as to the necessity for an infill well including:
- a. formation structure map
 - b. the volume of increased ultimate recovery expected to be obtained and a narrative describing how the increase was determined
 - c. any other supporting data which the applicant deems to be relevant which may include:
 - (1) porosity and permeability factors
 - (2) production/pressure decline curves
 - (3) effects of secondary recovery or pressure maintenance operations
- RULE 11. Applications for infill findings shall be filed in duplicate with the Santa Fe office of the Division. All operators of proration or spacing units offsetting the unit for which an infill finding is sought shall be notified of the application by certified or registered mail, and the application shall state that such notification has been given.

EXHIBIT A