

Entered March 10, 1983  
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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. 7753  
Order No. R-7236

APPLICATION OF EL PASO NATURAL GAS  
COMPANY FOR THE RECLASSIFICATION OF  
MARGINAL GAS WELLS IN THE PRORATED  
GAS POOLS OF NORTHWEST NEW MEXICO  
AND THE SUSPENSION OF CERTAIN  
PRORATION RULES.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on February 1, 1983, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 10th day of March, 1983, 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 applicant, El Paso Natural Gas Company, is seeking substantial changes in the application of gas prorationing as carried out in Northwest New Mexico under the provisions of Division Order No. R-1670, as amended, by the following proposals or alternatives:

(a) that there not be any marginal wells (proration units or units) in the four prorated gas pools in San Juan, Rio Arriba and Sandoval Counties, during January, February, and March 1983, and to accomplish this, the reclassification of all marginal wells (units) in said pools as non-marginal wells (units) effective January 1, 1983, said wells (units) to become non-marginal wells (units) with a zero net over/under produced status as of January 1, but to be eligible for reclassification to marginal after March 31, if their production-allowable history from January 1 through March 31 so justifies;

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(b) that all non-marginal wells (units) in December, 1982, would continue to be classified as non-marginal at least until March 31, and would continue to accumulate their net over/under produced status;

(c) that no well (unit) would be reclassified as marginal until after the March, 1983, production has been reported, when all provisions of Rule 16-A of the Special Rules for prorated gas pools in Northwest New Mexico as promulgated by Order No. R-1670, as amended, would again be applicable;

(d) that Rule 15B of the prorated gas pool rules which pertains to the shutting-in of wells which are six times overproduced would be suspended for the period from January through June of 1983 to accomodate those wells which may be subject to shut-in as the result of assignment of lower than normal allowables during the first six months of 1983; and,

(e) that an average production of 1,000 Mcf per month or less be established as the level which will qualify wells in each of the prorated gas pools for classification as exempt marginal wells or the establishment of such other production level as may be appropriate based upon the evidence.

(3) That the demand for gas from the prorated gas pools in Northwest New Mexico (Blanco-Mesaverde, Basin-Dakota, South Blanco-Pictured Cliffs, and Tapacito-Pictured Cliffs) has substantially declined in the last year.

(4) That as a result of this decreased demand, it became necessary for gas pipelines to restrict production not only from the few non-marginal units in said pools but also from marginal units in order to balance production against demand.

(5) That gas prorationing rules and procedures should:

(a) define that body of units with sufficient productive capacity to meet current demand while retaining the ability to produce at greater rates (non-marginal units);

(b) define that body of units which contribute to meeting current demand but retain no excess producing capacity (marginal units); and,

(c) work to the end that there are a sufficient number of non-marginal units in a pool during low demand periods in order that demand may be met without restricting production from marginal units.

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(6) That there is now no automatic system within the gas proration rules which operates to reclassify marginal units in said pools to non-marginal under current market conditions.

(7) That the Division should reclassify substantial numbers of units in said pools from marginal to non-marginal to create that pool of non-marginal units called for in Finding (5) (c) above.

(8) That the evidence presented in this case demonstrated that it was not necessary to reclassify every unit in each of said pools to non-marginal in order to create such a pool of non-marginal units.

(9) That the evidence presented indicated that units with deliverability less than the existing cutoff volumes for determining "exempt marginal" wells in said pools should continue to be classified as marginal and all others should be reclassified as non-marginal.

(10) That such production level is 2,000 Mcf per month (67 Mcf per day) for wells in the Blanco-Mesaverde and Basin-Dakota Pools and 1,000 Mcf per month (33 Mcf per day) in the South Blanco-Pictured Cliffs and Tapacito-Pictured Cliffs Pools.

(11) That such reclassification should take place at the beginning of the gas proration period on April 1, 1983.

(12) That the overproduced or underproduced status of all non-marginal units ending the proration period March 31, 1983, should not be affected by the reclassification of marginal units described above.

(13) That for purposes of reclassification under Rule 16(A) of said Order No. R-1670, any unit reclassified non-marginal by this order shall be deemed to have entered the gas proration period with an underproduced status.

(14) That the proposed reclassification will greatly increase the number of non-marginal units in each of said pools.

(15) That major shifts in allocation of demand to the wells in said pools will result from reclassification of wells under the terms of this order.

(16) That to avoid potential overproduction and shut-in problems which may occur during the early part of the proration year as a result of these major shifts in allocation, Rule 15B of the prorated gas pool rules requiring shutting in of wells

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which are six times or more overproduced should be suspended until October 1, 1983.

(17) That the evidence presented in this case did not demonstrate the need to change the classification of exempt marginal wells in any of said pools, however, the Director of the Oil Conservation Division should be permitted to require any such well to be tested if it should appear necessary for the proper operation of gas prorationing.

(18) That making the effective date of the reclassification of units under this order April 1, 1983, negates the necessity for action on those portions of the subject application contained in Finding No. (2)(b) and No. (2)(c) above.

(19) That the Division should receive evidence as to the effectiveness of the reclassifications and rule suspension provided under the terms of the order at its regularly scheduled gas allowable hearings and, if need be, either on its own motion or on the motion of an interested party reopen this case for testimony related to the operation of gas prorationing under this order or the alleviation of any alleged harm resulting therefrom.

(20) That granting this application in accordance with the above findings will better serve to protect correlative rights, will not result in waste, and should be approved.

IT IS THEREFORE ORDERED:

(1) That all proration units in the Blanco-Mesaverde Pool and Basin-Dakota Pool with the capacity to produce 2,000 Mcf per month (67 Mcf per day) or more shall be classified as non-marginal beginning April 1, 1983.

(2) That all proration units in the South Blanco-Pictured Cliffs Pool and the Tapacito-Pictured Cliffs Pool with the capacity to produce 1,000 Mcf per month (33 Mcf per day) or more shall be classified as non-marginal beginning April 1, 1983.

(3) That the over or underproduced status of all non-marginal units ending the proration period March 31, 1983, shall not be affected by this order.

(4) That any unit reclassified from marginal to non-marginal under terms of this order shall be deemed to have entered the proration period in an underproduced status for

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purposes of Rule 16A of the gas proration rules contained in Division Order No. R-1670, as amended.

(5) That the six-times overproduced shut-in provisions of Rule 15 B of said gas proration rules are hereby suspended until October 1, 1983.

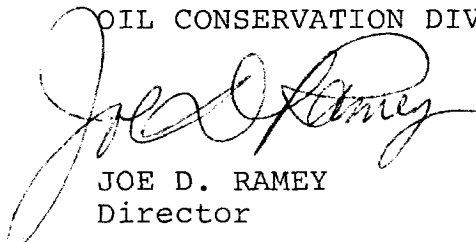
(6) That the application to amend the definition of "exempt marginal" wells in said pools is hereby denied, however, the Director of the Oil Conservation Division may require that any exempt marginal well be tested if it should appear necessary for the proper operation of gas prorationing.

(7) That the Division should receive evidence as to the effectiveness of the reclassifications and rule suspension provided under the terms of this order at its regularly scheduled gas allowable hearings and, if need be, either on its own motion or on the motion of an interested party reopen this case for testimony related to the operation of gas prorationing under this order or the alleviation of any alleged harm resulting therefrom.

(8) 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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