

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

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

CASE NO. 8111
Order No. R-7631-B

APPLICATION OF SOUTHLAND ROYALTY
COMPANY FOR EXEMPTION FROM THE
NEW MEXICO NATURAL GAS PRICING
ACT (NMPA).

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on March 7, July 17, and September 12, 1984 at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 5th day of February, 1985, the Commission, a quorum being present, having considered the testimony presented, the record of each hearing, the exhibits received at said hearings, 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) Southland Royalty Company seeks an order exempting each of the following wells completed in the Basin Dakota Pool located in Rio Arriba and San Juan Counties, New Mexico, from the New Mexico Natural Gas Pricing Act, hereinafter referred to as the Act:

<u>LEASE</u> <u>NAME</u>	<u>WELL</u> <u>NO.</u>	<u>LOCATION</u> <u>UNIT - SECTION</u> <u>TOWNSHIP - RANGE</u>
Cain	15M	J-31-29N- 9W
Cain Com	12E	O-16-28N-10W
Cocper	3E	I- 6-29N-11W
Frontier C	1E	K-16-27N-11W
Grenier B	3E	J- 5-29N-10W
Hanks	13E	C-12-27N-10W
Hanks	14E	O-12-27N-10W

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Hanks	16E	F- 6-27N- 9W
Hubbell A	1E	F-29-28N-10W
Hughes	2E	A-23-28N-11W
Newman A	8E	P-19-28N-10W
Newman B	6E	N-19-28N-10W
Newman C	1E	E-30-28N-10W
Reid	21E	I-19-28N- 9W
Sammons	2E	I-32-30N-12W
Sategna	2E	J-21-29N-11W

(3) This case came on for hearing before the Commission on March 7, 1984 at which time Southland Royalty Company appeared and presented evidence on each well set out in paragraph (2) above.

(4) Following the March 7, 1984, hearing, the Commission granted a motion of the New Mexico Public Service Commission to continue and reopen the case for additional testimony as to the above sixteen wells.

(5) On July 17, 1984, the Commission heard testimony in this case relative to seventeen additional wells for which an exemption was sought.

(6) On August 23, 1984, the Commission entered Order No. R-7631 granting exemptions to said seventeen wells.

(7) On September 12, 1984, the case was reopened relative to the sixteen wells upon which testimony was heard on March 7, 1984, and following that hearing, the Commission entered Order No. R-7631-A which affirmed the prior order of the Commission which granted exemptions to the seventeen wells being the subject of Finding No. (5) and No. (6) but not the 16 wells set out in paragraph (2) above which were the subject of the September 12, 1984 hearing.

(8) Order No. R-7631-A dated October 30, 1984, is not responsive to the issues presented to the Commission at the September 12, 1984 hearing, does not correctly state the intended order of the Commission and should be rescinded and withdrawn.

(9) The applicant, Southland Royalty Company, is the owner and operator of each of the wells set out in paragraph (2) above, which are subject to the Act unless exempted therefrom.

(10) The drilling of each of the wells under consideration commenced on the date indicated:

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<u>WELL</u>	<u>SPUD DATE</u>
Cain No. 15M	03/11/82
Cain Com No. 12E	04/01/80
Cooper No. 3E	11/17/81
Frontier C No. 1E	04/21/82
Grenier B No. 3E	04/07/81
Hanks No. 13E	12/30/83
Hanks No. 14E	11/20/80
Hanks No. 16E	06/08/82
Hubbell A No. 1E	10/10/80
Hughes No. 2E	10/01/80
Newman A No. 8E	01/17/80
Newman B No. 6E	01/07/80
Newman C No. 1E	10/22/80
Reid No. 21E	01/01/82
Sammons No. 2E	05/01/82
Sategna No. 2E	05/19/82

(11) Each of the wells under consideration was drilled as an additional producing well (infill well) on an established gas proration unit which was producing gas or capable of producing gas prior to January 1, 1975 from the Basin Dakota Pool.

(12) None of the existing Basin Dakota wells on each of the subject gas proration units have had their ability to produce into the pipeline restricted in any manner by the applicant other than in response to the order of an appropriate governmental entity after the date on which the infill well commenced producing from the gas proration unit.

(13) The Act is not applicable to wells the drilling or first intrastate sale of gas of which commenced on or after January 1, 1975, provided however, that said Act shall apply to any well if it is drilled on an established proration unit which was producing gas or capable of producing gas prior to January 1, 1975, from the same reservoir unless the Oil Conservation Division exempts such well upon a finding that such new well was justified for reasons other than avoiding the application of the Act.

(14) The Oil Conservation Commission, after notice and hearing, issued Order No. R-1670-V finding that infill drilling in the Basin Dakota Pool will substantially increase the recoverable reserves under the various proration units in these pools, will result in more efficient use of reservoir energy, and will tend to ensure greater ultimate recovery of gas from these pools.

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(15) Each of the wells listed in Finding No. (2) above qualifies for such exemption since each is an infill well in the Basin Dakota Pool drilled pursuant to the Dakota infill drilling order, and the uncontroverted evidence presented at the hearing established that each of said wells was drilled to increase the recoverable reserves under the proration unit upon which it is located and, therefore, was drilled for reasons other than avoiding the pricing provisions of the Act.

(16) The applicant is entitled to exemption from the Act for the subject wells.

(17) Granting this application will not impair correlative rights nor cause waste.

(18) The application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) Commission Order No. R-7631-A is hereby rescinded and withdrawn.

(2) Effective February 21, 1984, the following wells, operated by Southland Royalty Company are hereby exempted from the provisions of the New Mexico Natural Gas Pricing Act, such wells being in addition to those granted exemptions under the terms of Order No. R-7631:

<u>LEASE</u> <u>NAME</u>	<u>WELL</u> <u>NO.</u>	<u>LOCATION</u> <u>UNIT - SECTION</u> <u>TOWNSHIP - RANGE</u>
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Sammons	2E	1-32-30N-12W
Sategna	2E	J-31-29N-11W

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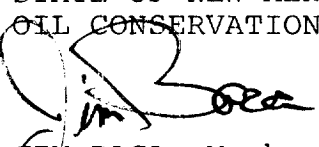
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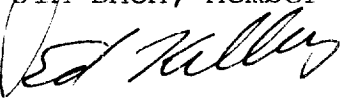
(2) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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


STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



JIM BACA, Member



ED KELLEY, Member



R. L. STAMETS, Chairman and
Secretary

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