

EXEMPTION FROM THE NATURAL GAS PRICING ACT
PURSUANT TO SECTION 62-7-5, NMSA 1978, AND
DIVISION ORDER NO. R-5436

OPERATOR Amoco Production Company WELL NAME AND NO. Gallegos Canyon Unit No. 96E

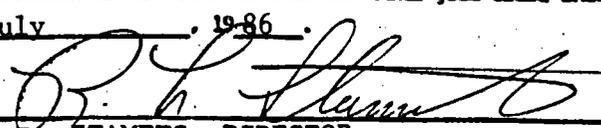
LOCATION: UNIT R SEC. 18 TWP. 29 North RANG. 12 West COUNTY San Juan

THE DIRECTOR OF THE DIVISION FINDS:

- (1) That Section 5 of the Natural Gas Pricing Act (being Secs. 62-7-1 to 62-7-10, NMSA 1978) provides that the Natural Gas Pricing Act shall not apply to the production and sale of natural gas in intrastate commerce from a well the drilling of or first intrastate sale of which commenced on or after January 1, 1975, provided however, that the Act shall apply to such a well if it is drilled within an established proration unit which was producing or capable of producing natural 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 to the Natural Gas Pricing Act.
- (2) That by Order No. R-5436, dated June 8, 1977, the Division established an administrative procedure whereby the Director of the Division is empowered to act for the Division and exempt gas wells from the provisions of Section 5 of the Natural Gas Pricing Act provided said wells were drilled on or after January 1, 1975, within established proration units which were producing or capable of producing natural gas from the same reservoir prior to January 1, 1975.
- (3) That to qualify for such exemption, under said Order No. R-5436, a gas well must be classified either as a replacement well or as an infill well.
- (4) That pursuant to Order No. R-5436, the Director of the Division may find that a replacement well is justified for reasons other than avoiding the pricing provisions of the Natural Gas Pricing Act upon a showing by the operator that:
 - (a) The well was necessary to replace a well lost due to economically irreparable down-hole mechanical failure or formation damage; or that
 - (b) the well was necessary to replace a well producing at non-commercial rates; or that
 - (c) the drilling of the well commenced prior to January 18, 1977.
- (5) That pursuant to Order No. R-5436, the Director of the Division may find that an infill well is justified for reasons other than avoiding the pricing provisions of the Natural Gas Pricing Act upon a showing by the operator that:
 - (a) the well was drilled in a pool where the Division, after notice and hearing, has issued an order finding that infill drilling in such pool will increase the recoverable reserves under the various proration units in such pool, will result in more efficient use of reservoir energy, and will tend to ensure greater ultimate recovery of gas from the pool; or that
 - (b) the well is necessary to protect the proration unit from uncompensated drainage or to protect correlative rights; or that
 - (c) the drilling of the well commenced prior to January 18, 1977.
- (6) That the applicant herein Amoco Production Company has requested exemption from the provisions of the Natural Gas Pricing Act pursuant to Section 62-7-5, NMSA 1978, and Division Order No. R-5436 for the above-named well.
- (7) That all the requirements of said Order No. R-5436 have been complied with, and that said well is justified for exemption from the provisions of the Natural Gas Pricing Act inasmuch as said well was not drilled for the purpose of avoiding the application of said act, but was in fact:
 - () A Replacement Well
 - () necessary to replace a well lost due to economically irreparable down-hole mechanical failure or formation damage.
 - () necessary to replace a well producing at non-commercial rates.
 - () a well the drilling of which commenced prior to January 18, 1977.
 - (x) An Infill Well
 - (x) drilled in a pool where the Division, after notice and hearing, has issued an order finding that infill drilling in such pool will increase the recoverable reserves under the various proration units in the pool, will result in more efficient use of reservoir energy, and will tend to ensure greater ultimate recovery of gas from the pool, said pool being the Basin Dakota Gas Pool and the order being Division Order No. R- 1670 V.
 - () necessary to protect the proration unit from uncompensated drainage or to protect correlative rights.
 - () a well the drilling of which commenced prior to January 18, 1977.

IT IS THEREFORE ORDERED:

- (1) That the above-named well is hereby exempted from Section 5 of the Natural Gas Pricing Act (Secs. 62-7-1 to 62-7-10, NMSA 1978). Retroactive to the date of first sale.
 - (2) That jurisdiction of this cause is hereby retained, and that this exemption is subject to rescission upon failure to comply with the provisions of Rule 6(d) or Rule 7(c) of Division Order No. R-5436 or for other good cause shown.
- DONE at Santa Fe, New Mexico on this 23 day of July, 1986.


R.E. STAMETS, DIRECTOR

EXEMPTION FROM THE NATURAL GAS PRICING ACT
PURSUANT TO SECTION 62-7-5, NMSA 1978, AND
DIVISION ORDER NO. R-5436.

OPERATOR Amoco Production Co WELL NAME AND NO. Grallagos Canyon Unit No 96E
LOCATION: UNIT B SEC. 18 TWP. 29 N RANG. 12 W COUNTY _____

THE DIRECTOR OF THE DIVISION FINDS:

- (1) That Section 5 of the Natural Gas Pricing Act (being Secs. 62-7-1 to 62-7-10, NMSA 1978) provides that the Natural Gas Pricing Act shall not apply to the production and sale of natural gas in intrastate commerce from a well the drilling of or first intrastate sale of which commenced on or after January 1, 1975, provided however, that the Act shall apply to such a well if it is drilled within an established proration unit which was producing or capable of producing natural 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 to the Natural Gas Pricing Act.
- (2) That by Order No. R-5436, dated June 8, 1977, the Division established an administrative procedure whereby the Director of the Division is empowered to act for the Division and exempt gas wells from the provisions of Section 5 of the Natural Gas Pricing Act provided said wells were drilled on or after January 1, 1975, within established proration units which were producing or capable of producing natural gas from the same reservoir prior to January 1, 1975.
- (3) That to qualify for such exemption, under said Order No. R-5436, a gas well must be classified either as a replacement well or as an infill well.
- (4) That pursuant to Order No. R-5436, the Director of the Division may find that a replacement well is justified for reasons other than avoiding the pricing provisions of the Natural Gas Pricing Act upon a showing by the operator that:
- The well was necessary to replace a well lost due to economically irreparable down-hole mechanical failure or formation damage; or that
 - the well was necessary to replace a well producing at non-commercial rates; or that
 - the drilling of the well commenced prior to January 18, 1977.
- (5) That pursuant to Order No. R-5436, the Director of the Division may find that an infill well is justified for reasons other than avoiding the pricing provisions of the Natural Gas Pricing Act upon a showing by the operator that:
- the well was drilled in a pool where the Division, after notice and hearing, has issued an order finding that infill drilling in such pool will increase the recoverable reserves under the various proration units in such pool, will result in more efficient use of reservoir energy, and will tend to ensure greater ultimate recovery of gas from the pool; or that
 - the well is necessary to protect the proration unit from uncompensated drainage or to protect correlative rights; or that
 - the drilling of the well commenced prior to January 18, 1977.
- (6) That the applicant herein Amoco Prod Co has requested exemption from the provisions of the Natural Gas Pricing Act pursuant to Section 62-7-5, NMSA 1978, and Division Order No. R-5436 for the above-named well.
- (7) That all the requirements of said Order No. R-5436 have been complied with, and that said well is justified for exemption from the provisions of the Natural Gas Pricing Act inasmuch as said well was not drilled for the purpose of avoiding the application of said act, but was in fact:
- A Replacement Well
 - necessary to replace a well lost due to economically irreparable down-hole mechanical failure or formation damage.
 - necessary to replace a well producing at non-commercial rates.
 - a well the drilling of which commenced prior to January 18, 1977.
 - An Infill Well
 - drilled in a pool where the Division, after notice and hearing, has issued an order finding that infill drilling in such pool will increase the recoverable reserves under the various proration units in the pool, will result in more efficient use of reservoir energy, and will tend to ensure greater ultimate recovery of gas from the pool, said pool being the Basin-Dakota Gas Pool and the order being Division Order No. R-1670-V.
 - necessary to protect the proration unit from uncompensated drainage or to protect correlative rights.
 - a well the drilling of which commenced prior to January 18, 1977.

IT IS THEREFORE ORDERED:

- That the above-named well is hereby exempted from Section 5 of the Natural Gas Pricing Act (Secs. 62-7-1 to 62-7-10, NMSA 1978). retro active to the date of first sale
 - That jurisdiction of this cause is hereby retained, and that this exemption is subject to rescission upon failure to comply with the provisions of Rule 6(d) or Rule 7(c) of Division Order No. R-5436 or for other good cause shown.
- DONE at Santa Fe, New Mexico on this _____ day of _____, 19 _____.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

AMOCO PRODUCTION COMPANY'S) Docket No. _____
APPLICATION TO HAVE THE)
FOLLOWING WELL EXEMPTED)
FROM THE NEW MEXICO NATURAL)
GAS PRICING ACT: WELL)
NAME: Gallegos Canyon Unit #96E)
(THE EXEMPTION SOUGHT IS:)
 PROSPECTIVE)
 RETROACTIVE)

FEB 29 1984

APPLICATION FOR EXEMPTION

RECEIVED

I. Introduction

In this application, Amoco Production Company ("Amoco") is requesting that the captioned well be exempted from the New Mexico Natural Gas Pricing Act ("the Act"), Sections 62-7-1 to 62-7-10, NMSA 1978. The application is made pursuant to Section 62-7-5 of that Act, and to the Oil Conservation Commission's Order No. R-5436.

II. Facts

1. Amoco is the operator of the captioned well.
2. The captioned well is an infill well, being the second well to be drilled on a proration unit comprising the E/2 of Section 18, Township 29N, Range 12W, in San Juan County, New Mexico. That proration unit and the location of the captioned well thereon is shown on the Form C-102 Plat attached hereto as Exhibit "A," submitted pursuant to Rule 5 of Order R-5436.
3. The first well to be drilled on the proration unit described in Paragraph 2 was the Gallegos Canyon Unit 96 well (the "First Well"); that well was producing or capable of producing natural gas prior to January 1, 1975.
4. The drilling of the captioned well was commenced on 10/16/81; that well is completed for production in the Basin Dakota Pool, as is indicated by the completion report attached hereto as Exhibit "B."

5. Pursuant to Rule 7(a) of Order R-5436, Amoco states that the drilling of the captioned well as an infill well in the Pool named in Paragraph 4 was permitted by Order No. R-1670-V of the Oil Conservation Commission (or of the Division). That infill order contains findings of the sort called for by Rule 7(a).

III. Certification

Pursuant to Rule 7(c) of Order R-5436 the undersigned, speaking on behalf of Amoco, certifies that the ability of the First Well to produce into the pipeline has not been and will not be restricted by Amoco in any manner for the purpose of avoiding the application of the Act to sales of natural gas from that well.

IV. Request

Amoco requests the Division to enter an order (i) finding that the captioned well was justified for reasons other than avoiding the application of the Act and (ii) exempting that well from the Act. Amoco further requests that the exemption have effect prospectively or retroactively, as is indicated immediately below:

prospectively, from the date this application is received by the Division;

retroactively, from the date of first production of natural gas from the captioned well up to and including the day before the date this application is received by the Division.

V. Conclusion

By its submission of this application Amoco in no way surrenders its right to argue (i) that promulgation of the infill order cited above in Paragraph II.5 was sufficient, under Section 62-7-5 of the Act, to exempt the captioned well from the Act; or (ii) that the Division's determination that the captioned well qualifies as a New Onshore Production Well under Section 103 of the Natural Gas Policy Act of 1978 (if, in fact, such a determination has been made) was sufficient,

under Section 62-7-5 of the Act, to exempt that well from the Act; or (iii) that Order R-5436 is unenforceable.

Respectfully submitted,
AMOCO PRODUCTION COMPANY

By A. P. Payne

Typed name A. P. Payne

Title Regional Gas Sales Manager

Date: 2/21/84

CERTIFICATE OF MAILING

I certify that on the 29th day February, 1984, a copy of the foregoing Application for Exemption was mailed to the following persons at the indicated addresses:

District Office
Oil Conservation Division

Purchaser: Amoco Gas Company
P. O. Box 3092
Houston, TX 77253

Working Interest Owners: See Attached Sheet

Signature: Stephen D. Ring

Typed name: Stephen D. Ring

Capacity: Attorney
(Acting for Amoco Production
Company)

SDR/mgb
011084
DATA863

WORKING INTEREST OWNERS

Union Texas Petroleum Company
P. O. Box 2120
Houston, TX 77252
Attn: James Ulbricht
Natural Gas Operations

Huve, Nichole, Trust
The First National Bank Trustee
Trust Department
P. O. Box 1331
Amarillo, TX 79180

Klinger, Maryan
242 E. Downs
Stockton, CA 95204

Arco Oil and Gas Company
P. O. Box 2819
Dallas, TX 75221
Attn: James W. Ciarroccki--22-094DAB

American Petrofina Co. of Texas
Attn: Manager of Outside Operations
P. O. Box 2159
Dallas, TX 75221

Southland Royalty Company
1000 Ft. Worth Club Tower
Fort Worth, TX 76102
Attn: Janet Wilkinson

Lear Petroleum Company
950 One Energy Square
4925 Greenville Ave.
Dallas, TX 75206

Sun Exploration and Production Company
ATTN: Regulations/Marketing
P. O. Box 2880
Dallas, TX 75221-2880

Mesa Petroleum Company
1660 Lincoln Street
Denver, Co 80203

Getty Oil Company
P. O. Box 1404
Houston, TX 77001
Attn: Natural Gas Sales and Purchasing

Texaco, Inc.
P. O. Box 2100
Denver, CO 80201
Attn: Karen Boesel

Featherstone Farms, LTD
A LTD Partnership
1717 West Second Street
Roswell, NM 88201

Wood Oil Company
320 South Boston, Suite 850
Tulsa, OK 74103

Texon Energy Corp.
A/W A. W. Dugan
1212 Main St., Suite 1400
Houston, TX 77002

Kalvestrand, Patricia
115 Conifer Lane
Walnut Creek, CA 94598

National Drilling Co., Inc.
4810 North Kenneth, Ave.
Chicago, IL 60630

Hodges, L. B.
P. O. Box 489
Roswell, NM 88201

Pegg, A. C.
P. O. Box 66067
Chicago, IL 60666

Rydin, E. I.
P. O. Box 66067
Chicago, IL 60666

PURCHASER FROM A WORKING INTEREST OTHER THAN AMOCO:

Northwest Pipeline Corp.
P. O. Box 1526
Salt Lake City, UT 84110

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

SUBMIT IN DUPLICATE*

(See other
instruction
reverse side)

Form approved,
Budget Bureau No. 42-12355.5.

5. LEASE DESIGNATION AND SERIAL NO.

SF-078370

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

Gallegos Canyon Unit

8. FARM OR LEASE NAME

9. WELL NO.

96E.

10. FIELD AND POOL, OR WILDCAT

Basin Dakota

11. SEC. T., R., M., OR BLOCK AND SURVEY OR AREA

NW/4, NE/4, Section 18,
T29N, R12W

12. COUNTY OR PARISH

San Juan

13. STATE

New Mexico

WELL COMPLETION OR RECOMPLETION REPORT AND LOG *

1a. TYPE OF WELL: OIL WELL GAS WELL DRY Other _____

b. TYPE OF COMPLETION: NEW WELL WORK OVER DEEP-EN PLUG BACK DIFF. RESVR. Other _____

2. NAME OF OPERATOR
Amoco Production Company

3. ADDRESS OF OPERATOR
501 Airport Drive, Farmington, NM 87401

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)*
At surface 940' FNL x 1590' FEL
At top prod. interval reported below Same
At total depth Same

14. PERMIT NO. _____ DATE ISSUED _____

15. DATE SPUDDED 10-16-81 16. DATE T.D. REACHED 10-26-81 17. DATE COMPL. (Ready to prod.) 11-19-81 18. ELEVATIONS (DF, RKB, RT, GR, ETC.)* 5601' G.L. 19. ELEV. CASINGHEAD

20. TOTAL DEPTH, MD & TVD 6340' 21. PLUG, BACK T.D., MD & TVD 6270' 22. IF MULTIPLE COMPL., HOW MANY* _____ 23. INTERVALS DRILLED BY _____ ROTARY TOOLS 0 - TD CABLE TOOLS

24. PRODUCING INTERVAL(S), OF THIS COMPLETION—TOP, BOTTOM, NAME (MD AND TVD)* 6068'-6074', 6092'-6093', 6136'-6140', 6144'-6170', 6183'-6186' 25. WAS DIRECTIONAL SURVEY MADE NO

26. TYPE ELECTRIC AND OTHER LOGS RUN Dual Induction - SFL-GR-SP; CNL-FDL-SP-Caliper 27. WAS WELL CORED NO

28. CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
8-5/8"	24#	295'	12-1/4"	320 SX	
4-1/2"	10.5#	6340'	7-7/8"	1640 SX	

29. LINER RECORD					30. TUBING RECORD		
SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT*	SCREEN (MD)	SIZE	DEPTH SET (MD)	PACKER SET (MD)
					2-3/8"	6203'	

31. PERFORATION RECORD (Interval, size and number)
6068'-6074', 6092'-6093', 6136'-6140',
6144'-6170', 6183'-6186'

32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.	
DEPTH INTERVAL (MD)	AMOUNT AND KIND OF MATERIAL USED
6068'-6186'	100,000 gallons of frac fluid and 299,000 pounds of 20-40 sand.

33. PRODUCTION
DATE FIRST PRODUCTION _____ PRODUCTION METHOD (Flowing, gas lift, pumping—size and type of pump) Flowing WELL STATUS (Producing or shut-in) Shut-In

DATE OF TEST	HOURS TESTED	CHOKER SIZE	PROD'N. FOR TEST PERIOD	OIL—BBL.	GAS—MCF.	WATER—BBL.	GAS-OIL RATIO
12-15-81	3 hours	.75"	→		432		
FLOW. TUBING PRESS.	CASING PRESSURE	CALCULATED 24-HOUR RATE	OIL—BBL.	GAS—MCF.	WATER—BBL.	OIL GRAVITY-API (CORR.)	
280 PSIG	722 PSIG	→		3456			

34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.) To be sold. TEST WITNESSED BY _____

35. LIST OF ATTACHMENTS

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records

SIGNED _____ TITLE Dist. Admin. Supvr. DATE DEC 31 1981

*(See Instructions and Spaces for Additional Data on Reverse Side)

All distances must be from the outer boundaries of the Section

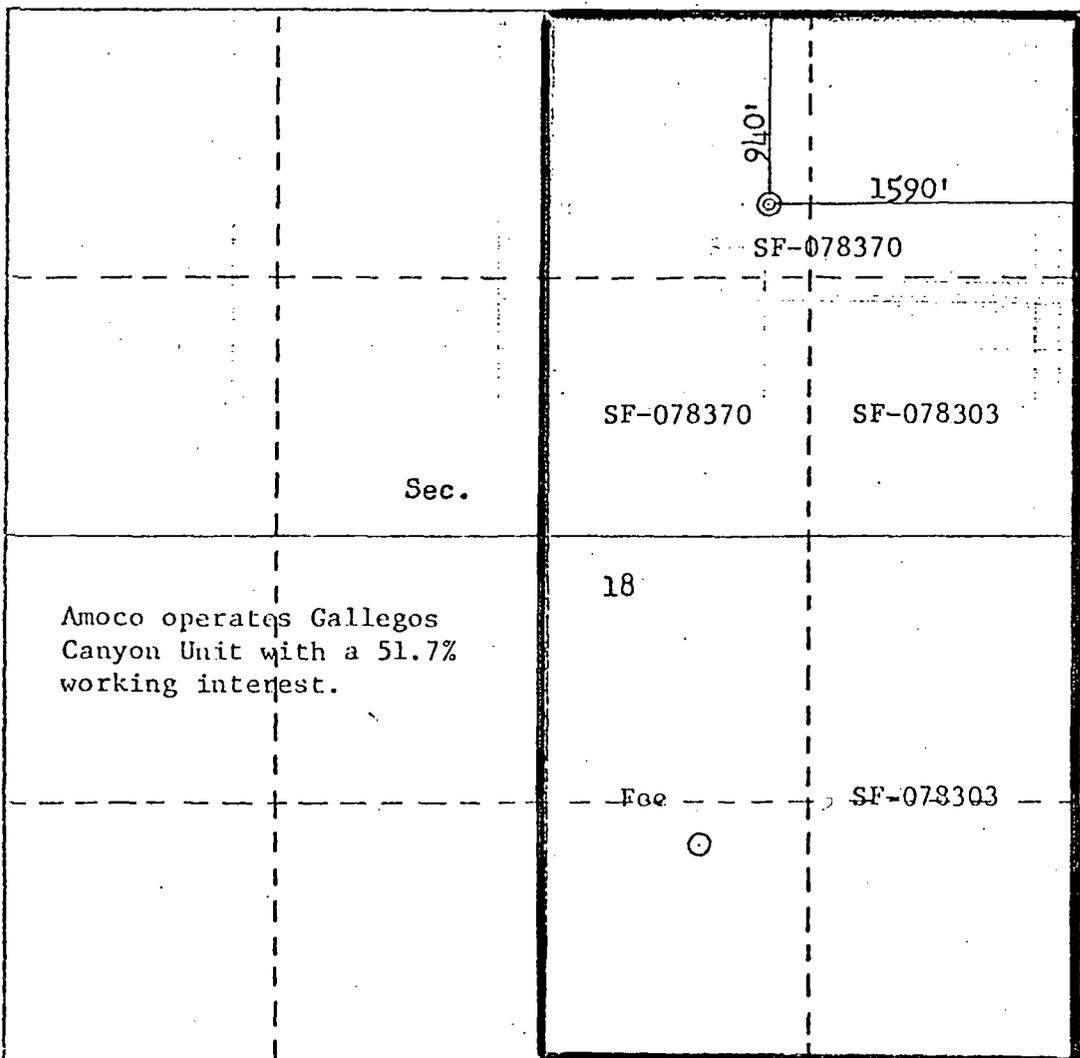
Operator AMOCO PRODUCTION COMPANY		Lease GALLEGOS CANYON UNIT		Well No. 96-E	
Unit Letter B	Section 18	Township 29N	Range 12W	County San Juan	
Actual Footage Location of Well: 940 feet from the North line and 1590 feet from the East line					
Ground Level Elev. 5601	Producing Formation Dakota	Pool Basin Dakota		Dedicated Acreage: 320 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation Unitization (Gallegos Canyon Unit)

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

B. E. Fackrell

Name
B. E. FACKRELL

Position
DISTRICT ENGINEER

Company
AMOCO PRODUCTION COMPANY

Date
JANUARY 22, 1980

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
January 22, 1980
 Registered Professional Engineer
 and/or - **Geodetic Engineer**
 Fred B. Kerr
 Certified Public Surveyor
 No. 3950
 B. KERR