

CASE 4991: Application of EL PASO
TO AMEND PRORATED GAS POOL RULES
PROMULGATED BY ORDER NO. 2-1670.

CASE No.

4991

Application,

Transcripts,

Small Exhibits

ETC.

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X Danale X Ruc 12
X NW Todd SA
X Jennings-Dela
X Penano Draw SA-Y
X Danale L Qu
X Mesa Qu
X N. Fren Y-7R
X N Paduca Dela
X Round Tank Q
X Twin Lakes SA
X Angels PK Sp
X Gagego Sp
X Escuto Sp
X Tapacito Sp

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
MORGAN HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

June 20, 1973

IN THE MATTER OF:

Application of El Paso
Natural Gas Company for the
amendment of the prorated gas
pool rules promulgated by
Order No. R-1670, as amended.

Case No. 4991

BEFORE: State Geologist, A. L. Porter, Jr.,
Secretary-Director

I. R. Trujillo,
Member

TRANSCRIPT OF HEARING

dearnley, meier & associates

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NEW MEXICO OIL CONSERVATION COMMISSION

REGULAR HEARING

SANTA FE, NEW MEXICO

Hearing Date JUNE 20, 1973 TIME: 9 A.M.

NAME	REPRESENTING	LOCATION
AB Gillit	El Paso Natural Gas	Jal
RL Medley	Natural Gas Pipeline Co	Midland Tex
HERMAN D. KAUFMAN	—	HOUSTON
E.H. Lowrey	Cities Service Oil Co	Midland
J.H. Seery	Mobil Oil Corp	Midland
Saul Cohen	Texas Oil Corp	Santa Fe
L.C. White	Texas Oil Corp	Santa Fe
AR Kendrick	OCC	Anytec
EC Curved	OCC	Anytec
Bob Large Large	Seathur Union	Farmington
Jose Kallahi	Kallahi & Fox	Santa Fe
Victor T. Lyon	Continental Oil Co	Hobbs
John Soderstrom	—	—
Richard S. Morrison	Montgomery, Fenwick et al	Santa Fe
J.C. Crisidine	EPNG Co.	El Paso
Frederick	"	" "
E.R. Manning	"	" "
Dorot L Smith	Northern Natural Gas Co.	Midland Tex

NEW MEXICO OIL CONSERVATION COMMISSION

REGULAR HEARING

SANTA FE, NEW MEXICO

Hearing Date JUNE 20, 1973

TIME: 9 A.M.

NAME	REPRESENTING	LOCATION
Walter J. Jaramila	Jaramila Oil	Held
Tom Smith	"	"
Shelby J. Jaramila	"	"
James B. Jaramila	Am. Investors Inc.	S.F.
J.B. Moyard	EL PASO NAT. GAS	EL PASO
J.H. Tillery	Transwestern Pipeline	Houston
James A. Jaramila	"	ALBUQUERQUE
PETER HANAGAN	Public Interest	SF
Chas E. Hall	Phelan	Phoenix
RW Sledge	Chas	El Paso
Chas. J. Jaramila	Conoco	Kasper, N.M.
Bart Giles	Amoco	Denver
Bob Butcher	Northern Natural	Midland
Joe Salmon	ARTEC OIL & GAS	F.M.N.

NEW MEXICO OIL CONSERVATION COMMISSION

REGULAR HEARING

SANTA FE, NEW MEXICO

Hearing Date JUNE 20, 1973

TIME: 9 A.M.

NAME	REPRESENTING	LOCATION
RON D. JOHNSON	GACF OIL CO.	CARLSBAD
KEN SMITH	" " "	"
<i>J. H. Ramey</i>	EPNG	Santa Fe
<i>W. H. Smith</i>	<i>McGinnis & Commercial</i>	Santa Fe
<i>Norman D. Smith</i>	<i>W. B. Ryan & Assoc., Inc.</i>	ST.
<i>William Foley</i>	<i>Plataau, Inc.</i>	Empton
<i>J. McCreary</i>	<i>S. V. Gas Co.</i>	Waller

Rule 13 A

X Todd Lower SA
X Blitt - S.A.

Rule 13

X Devils Fork Sp

Rule 18

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MR. PORTER: Case 4991.

MR. CARR: Case 4991: Application of El Paso Natural Gas Company for the amendment of the prorated gas pool rules promulgated by Order No. R-1670, as amended.

MR. PORTER: Appearances in this case?

MR. MORRIS: Richard Morris, of Montgomery, Federici, Andrews, Hannah and Morris, Santa Fe, appearing on behalf of the Applicant, El Paso Natural Gas Company.

MR. PORTER: Would anyone else like to make an appearance in Case 4991?

MR. PARKER: James Parker, of Modrall, Sperling, Roehl, Harris and Sisk, Albuquerque, appearing on behalf of Transwestern Pipeline Company.

MR. LYONS: Darrell Lyons, appearing on behalf of Mr. Michael Grace.

MR. WHITE: L. C. White, of White, Gilbert, Coch, and Kelly, Santa Fe, appearing on behalf of Texaco Inc. I would like to make a statement at the conclusion of the testimony.

MR. KELLAHIN: Jason Kellahin, of Kellahin and Fox, Santa Fe, appearing on behalf of Continental Oil Company, Chevron Oil Company, Caulkins Oil Company, and Marathon Oil Company. Continental will present one witness.

MR. PORTER: Continental, Chevron, Marathon, and Caulkins?

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1 MR. KELLAHIN: Right.

2 MR. PORTER: How many witnesses will you have?

3 MR. KELLAHIN: One witness.

4 MR. SEEREY: J. H. Seerey, appearing on behalf of
5 Mobil Oil Corporation.

6 MR. GILES: R. B. Giles, appearing on behalf of
7 Amoco. I will have a statement at the end of the case.

8 MR. MEDLEY: R. L. Medley, appearing on behalf
9 of Natural Gas Pipeline Company. We may want to make a
10 statement at the end of the case.

11 MR. TWEED: Jerry Tweed, with Atlantic Richfield.
12 We may want to make a statement.

13 MR. LOWREY: E. H. Lowrey, appearing on behalf
14 of Cities Service Oil Company. We might possibly want to
15 make a statement.

16 MR. BUDABAUGH: Don Budabaugh, of Northern Natural
17 Gas. We may have a statement.

18 MR. PORTER: Mr. Morris, how many witnesses will
19 you have?

20 MR. MORRIS: We anticipate having just one witness,
21 Mr. Manning.

22 MR. PORTER: Mr. Kellahin has one witness. Does
23 anybody else desire to present testimony?

24 MR. PARKER: Yes, I would like to present one
25 witness on behalf of Transwestern.

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1 MR. LYONS: We would like to present one witness
2 on behalf of Mr. Grace.

3 (Whereupon the witnesses in the case were sworn
4 en masse by Mr. Porter.)

5 MR. PORTER: Mr. Morris, you may proceed with your
6 testimony.

7 MR. MORRIS: If the Commission please, I neglected
8 to introduce my co-counsel, Mr. James Considine of El Paso
9 Natural Gas Company. Mr. Considine is a member of the
10 Texas Bar, and he will participate with me in the presentation
11 of this case.

12 MR. PORTER: Yes, sir.

13 MR. MORRIS: We call Mr. Manning.

14 MR. PORTER: Let the record show that Mr. Manning
15 has been sworn.

16 * * * *

17 E. R. MANNING,
18 was called as a witness, and having been already duly sworn
19 according to law, testified as follows:

20 MR. MORRIS: We would like to take a moment before
21 we start, Mr. Porter, to hand out some exhibits that we have
22 for anyone present that may want copies.

23 DIRECT EXAMINATION

24 BY MR. MORRIS:

25 Q Mr. Manning, please state your name, where you reside,

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1 by whom you are employed, and in what capacity.

2 A Eugene R. Manning, El Paso, Texas. I am employed by

3 El Paso Natural Gas Company as administrator in their

4 gas proration operations department.

5 Q And how long have you held that position, Mr. Manning?

6 A Approximately five years.

7 Q Mr. Manning, have you previously testified before this

8 Commission and had your qualifications established as

9 a matter of record and accepted by this Commission?

10 A Yes, I have.

11 Q We have presented to the Commission and to the interested

12 parties at this hearing three marked exhibits; one, two,

13 and three. Were these exhibits prepared by you or

14 under your direction?

15 A Yes, they were.

16 Q And do these exhibits contain and reflect the rule

17 changes that are proposed by El Paso Natural Gas Company

18 in this hearing?

19 A Yes, they do.

20 Q At the outset, Mr. Manning, would you briefly review

21 the overall objectives that are being sought by El

22 Paso's application in this case?

23 A El Paso's objective is to change certain state-wide

24 proration rules to provide for more accurate and more

25 effective methods of prorating which would be to the

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benefit of both the producer and the operator.

Our proposed rules seek to attain two goals; one, the assignment to each marginal well of an allowable which reflects it as closely as possible to those wells actually producing. Number two, a change in annual balancing rates from the middle of the heating season to a point in time of less demand.

Now, the specifics of these rules will be detailed subsequently in my testimony.

Q Specifically what rules are El Paso seeking to amend by the application in this case?

A El Paso is seeking to amend the following rules:

Rule 9-B as it pertains to the Northwest;

Rule 10-A as it pertains to the Southeast.

These rules related to methods of assigning monthly allowables to marginal wells.

We are also seeking to amend Rule 13, and it pertains to both the Northwest and Southeast. This rule establishes the balancing date as January 1st, and sets out the term of the gas proration period.

We also would like to have Rule 16-A pertaining to both the Northwest and Southeast amended, and this rule sets forth the procedure for changing the classification of a well from non-marginal to marginal.

Q Now, these rules that you have referred to, Mr. Manning,

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- 1 these are rules set forth in Order No. R-1670 as
- 2 amended?
- 3 A That's correct.
- 4 Q Now, in somewhat more detail, Mr. Manning, your first
- 5 proposed rule change relates to Rule 9-B for the
- 6 Northwest, as shown on your Exhibit Number One, and
- 7 Rule 10-A as it applies to the Southeast, which is
- 8 shown on Exhibit Number Two. As you have already stated,
- 9 these rules relate to the method of assigning monthly
- 10 allowables to marginal wells, is that correct?
- 11 A Yes, sir.
- 12 Q What is the present requirement of these rules?
- 13 A These rules presently require that the monthly allowable
- 14 to be assigned to each marginal well be equal to its
- 15 average monthly production during the preceding gas
- 16 proration period.
- 17 Q And how do your proposed amendments change this rule?
- 18 A Well, we propose that the monthly allowable assigned
- 19 to each marginal well be that well's latest available
- 20 monthly production rather than average allowable for
- 21 the preceding gas proration period.
- 22 Q Now, if the proposed rule changes are adopted by the
- 23 Commission, what would be the effect of this change?
- 24 A Well, the amended rules would result in assigning to
- 25 each marginal well an allowable which is as close to

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possible to its producing ability. This will result in a more accurate determination of that portion of permitted production set aside for production by marginal wells.

Consequently, it will be possible to make a more accurate determination of the amount of market demand remaining that must be prorated among the marginal wells with the end result being prorated wells will receive a more accurate allowable.

Q Now, the second rule change that you mentioned on both Exhibits One and Two relate to Rule 13. Would you describe what Rule 13 does in its present form as it presently exists, and then explain how your proposal would amend that rule?

A Yes, sir. Well, presently Rule 13 provides that seven a.m., January 1st of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period.

El Paso Natural Gas Company is asking the Commission to amend Rule 13 to change the balancing date to seven a.m., April 1st of each year, and April 1st of each year shall be known as the balancing date, and the twelve months following that date shall be known as the gas proration date. Rule 13 changes January 1st to April 1st.

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- 1 Q So the gas proration period would still be a twelve-
- 2 month period, but it would commence on April 1st of
- 3 each year instead of January 1st, as it does under the
- 4 present rule?
- 5 A Yes, that's correct.
- 6 Q Now, why is El Paso seeking this particular change?
- 7 A Well, as the rule is now in effect, it becomes necessary
- 8 for us to shut in wells to balance during the height
- 9 of the heating season, and if we would commence on
- 10 April 1st rather than January 1st, the curtailment of
- 11 production would occur during a period of the year
- 12 when demand for gas is less, and this would help the
- 13 operators balance their wells better.
- 14 Q How would you propose that particular change be implemented,
- 15 and when would it be implemented?
- 16 A El Paso would like to have the current proration period
- 17 due to terminate at seven a.m., on January 1st, 1974
- 18 be extended to seven a.m., April 1st, 1974.
- 19 Q So the current proration period would be extended from
- 20 the twelve-month period now in effect to a fifteen-
- 21 month period?
- 22 A Yes, that's correct.
- 23 Q Now, concerning the third rule change that you have
- 24 proposed, and which is reflected on both Exhibits One
- 25 and Two in relation to Rule 16-- First, Mr. Manning,

1 before we start discussing that, on Exhibit One, is
2 there any error under Rule 16 that should be noted?

3 A Unfortunately, there is.

4 Q Would you point that out, please?

5 A Yes. In the second line of that paragraph pertaining
6 to Rule 16, it says, "Commending on April 1st", and
7 this is very difficult. It should be changed to
8 "commencing on April 1st". I apologize for the
9 typographical error.

10 MR. PORTER: Did you type it, Bob?

11 THE WITNESS: I was responsible for proofreading it.

12 Q (By Mr. Morris) With respect to Rule 16-A, would you
13 explain how the rule operates at the present time in
14 its present form, and how it would be changed in
15 accordance with your proposal?

16 A Presently Rule 16-A provides that only once a year
17 would you determine if a well were to be classified
18 as marginal or non-marginal. Under our proposal, a
19 non-marginal well would be examined every three months
20 for possible clarification to marginal.

21 Now, we propose no change in the current procedure
22 which results in only the annual analysis of each
23 marginal well to determine whether it should be
24 classified to non-marginal.

25 Q How would you accomplish that procedure?

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1 A El Paso is asking that Rule 16-A be amended to provide
2 two things. First, that the gas proration periods
3 consist of four classification periods for purposes
4 of classifying wells as marginal. Now, each
5 classification period would be for a duration of three
6 months.

7 Second, we are asking that after the production
8 data is available for the last month of each classification
9 period that any well which had underproduced status
10 at the beginning of a gas proration period and had
11 not balanced, or has not balanced during a current
12 proration period be classified as a marginal well.

13 If its highest single month's production during
14 a classification period is less than its average
15 monthly allowable for such a classification period,
16 unless of course as is currently provided, within
17 fifteen days of receipt of notice of classification,
18 the operator of the well could come in and with good
19 cause show the Commission that his well should not be
20 so classified.

21 Q Now, here again just for clarification, when you are
22 talking in your testimony about the term proration
23 period, you are still talking about annual or a twelve-
24 month period, except for the initial one we are in now,
25 which would be extended to a fifteen-month period.

1 A That's right, sir.

2 Q And when you are talking about a classification period,
3 you are talking about a three-month period?

4 A Yes, that's correct.

5 Q Now, does the procedure you have just outlined for
6 determining the classification of marginal wells differ
7 from present practice and procedure by the Commission
8 under the present rule?

9 A Well, the procedure for classifications is the same,
10 only the frequency has been increased, and it's been
11 increased from one year to once every three months.
12 So the only change is in frequency of classification.

13 Q What will be the effect of the proposed changes in
14 Rule 16-A if the Commission adopts your proposal?

15 A Well, I believe a direct result will be more frequent
16 and more accurate determinations of a well's ability
17 to produce its allowable, and it would also result
18 in whether a well should be classified marginal or
19 non-marginal.

20 The present procedure can result in a well having
21 a twelve-month delay in determining whether it should
22 be classified marginal. During that twelve-month
23 period, that well could be assigned a portion of
24 market demand which it's incapable of producing. This
25 deprives the capable wells of part of their appropriate

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1 allowable, and this will result in improper showing
2 of overproduction.

3 El Paso proposes that wells be examined every
4 three months for probable re-classification as marginal.
5 This will avoid this long delay in classification, and
6 will result in production of wells more nearly in line
7 with their current allowable, and thereby maintaining
8 a better proration balance.

9 Q Generally, Mr. Manning, do you think this rule change
10 that you propose will generally help prorationing work
11 better?

12 A Yes, sir.

13 Q Now, when would you propose that this change in Rule
14 16-A be made effective?

15 A Well, we would request the first marginal classification
16 be effective October 1st, 1973, utilizing data from
17 the July-August, 1973-- utilizing production data of
18 July and August, 1973.

19 Q And September?

20 A And September. July, August and September, the three
21 months in that period.

22 Q Does El Paso propose that a cancellation and
23 redistribution schedule be issued at the end of each
24 three-month classification period?

25 A No, we do not. El Paso does not propose to have

1 classifications and redistribution schedules per se
2 at the end of each three-month classification period.

3 However, one of the classification period coincides
4 with the end of the annual proration period, and we
5 would expect continuation of procedures presently
6 followed at the end of the balancing and proration period.

7 Q Now, since El Paso does not propose that a cancellation
8 and redistribution schedule be made and issued at the
9 end of each three-month classification period, but only
10 at the end of the annual proration period, how will
11 the necessary adjustments to allowables be accomplished?

12 A Well, when a well is classified as marginal, its
13 accumulative underproduced status is made zero. This
14 has the effect of taking away underproduction from
15 the accumulative status of the pool and increasing the
16 allowed production from the non-marginal wells.

17 Now, this accurately distributes the cancelled
18 allowable to the prorated wells.

19 Q Mr. Manning, at the time El Paso filed its application
20 in this case, the application contained a request that
21 additional changes in the orders and rules of the
22 Commission be made as might be necessary to implement
23 the specific rule changes that you have testified to.

24 Are you aware of some of these additional changes that
25 may be required?

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1 A Yes, I am. Exhibit Three shows some word changing
2 that will be necessary in Order R-333F-1 as amended.

3 This exhibit was prepared along the same lines
4 as the first two exhibits.

5 Also I believe there is Rule 9-D that may have to
6 have a date change, and possibly some others, sir.

7 Q Mr. Manning, we might have pointed this out at the
8 beginning, but let's do so again now. What does the
9 underlining mean, and what do the strike-through lines
10 mean on each of the three exhibits?

11 A These exhibits were prepared in this manner. The rule
12 as it now exists was copied verbatim, and the words
13 that we would like changed in that were dashed through,
14 and the words that we would like added to that were
15 underscored. This is the procedure that was followed
16 in the preparation of all three exhibits. So strike-
17 through words we would like deleted, and underscored
18 words we would like to add.

19 Q Are there any other additional changes that should be
20 made in Order R-1670 that you are aware of?

21 A Well, as I said a while ago, Rule 9-D of the Northwest
22 will probably have to be amended to reflect April 1st.

23 Q Instead of January 1st?

24 A Yes. And as I previously testified, there are probably
25 some others that will need to be changed, the dates

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1 will need to be changed on them.

2 Q From your experience in prorating, Mr. Manning,
3 do the rule changes as proposed in this application
4 have the effect of violating correlative rights or
5 causing waste?

6 A No, I can see no violations of correlative rights, or
7 any waste being caused by the adoption of our proposed
8 changes.

9 MR. MORRIS: If the Commission please, this
10 concludes the direct examination of Mr. Manning. At this
11 time, I would move for the introduction of El Paso Exhibits
12 One, Two and Three into evidence.

13 MR. PORTER: Exhibits One, Two and Three will be
14 admitted in evidence without objection.

15 (Whereupon Applicant's Exhibits One, Two and Three,
16 respectively, were admitted in evidence.)

17 * * * *

18 CROSS EXAMINATION

19 BY MR. PORTER:

20 Q Mr. Manning, as a result of more frequent re-classifica-
21 tions from the twelve-month period to the three-month
22 period as you have proposed, would that result in
23 higher allowables to the non-marginal wells?

24 A Yes, it will.

25 Q Because of the cancellation of underage?

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1 A When the status on a marginal well is made zero, it
2 will, yes.
3 MR. PORTER: Are there any questions of the witness?
4 MR. KELLAHIN: Yes.
5 * * * * *
6 CROSS EXAMINATION
7 BY MR. KELLAHIN:
8 Q Mr. Manning, in connection with the proposed change in
9 Rule 9-B, you are proposing to assign an allowable to
10 a marginal well based on later available monthly
11 production. There are a good many factors that can
12 affect a well's production during any one month that
13 wouldn't be applicable to other months, are there not?
14 A Yes, sir.
15 Q So that a well that suffered for some reason during a
16 month might be classified marginal when in fact it was
17 not marginal, isn't that right?
18 A Nine-B, sir?
19 Q Yes.
20 A No, sir. Nine-B has nothing to do with classification.
21 Q I stand corrected. But in connection with 9-B, wouldn't
22 a period longer than one month more accurately reflect
23 the ability of that well to produce?
24 A Mr. Kellahin, it could, and it could not. But the
25 thing is this. Its production two months later becomes

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1 its allowable.

2 Q So the actual assigning of an allowable to that
3 individual well means less insofar as that well is
4 concerned?

5 A Assigning an allowable to that well, right, except that
6 it puts more of an allowable to the non-marginal wells.

7 Q It puts more of an allowable to non-marginal wells
8 which may or may not be available?

9 A Yes, sir. I think it is available.

10 Q It's available if the marginal well doesn't produce it.

11 A No, it has nothing to do with production from the marginal
12 well.

13 Q When you carry it forward into the next proration period,
14 it does, doesn't it?

15 A Two months later, a marginal well's production becomes
16 its allowable. I think the word that should be
17 deleted here is "allowable". This is not an allowable,
18 it's assigned to a marginal well because, by definition,
19 a marginal well could not have an allowable.

20 Q I would agree with you. Would you suggest that it be
21 removed?

22 A I think that's up to the discretion of the Commission.
23 If they would like to remove it, it would be fine with
24 El Paso, I think.

25 Q You are proposing a twelve-month proration period

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1 starting on April 1st in Rule 13, is that correct?

2 A Yes, that's correct.

3 Q So under your Rule 16-A, the four classification periods

4 would also start on April 1st, would they not?

5 A Yes, sir.

6 Q That would start the wells during a period of low demand?

7 A Yes, sir.

8 Q So if a well started on April 1st and it was underproduced

9 as of April 1st, that well would be subject to

10 re-classification at the end of the first three-month

11 proration period, assuming it didn't make up the allowable,

12 is that correct?

13 A That's true.

14 Q So it only has three months in order to make it up.

15 A No, that is not true.

16 Q Where would it make it up?

17 A As you recall in my testimony, we did not propose a

18 change in classification from marginal to non-marginal,

19 except once a year.

20 Q Well, that isn't what your Rule 16-A states, is it?

21 A That's the way it is being handled now, Mr. Kellahin.

22 We do not propose to change it in any way from the way

23 it is being handled now.

24 Q Would you still have twelve months to make up under-

25 production?

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- 1 A In effect, yes, the way we propose it.
- 2 Q Well, it says under your rule that the proration period
- 3 if it was underproduced at the beginning of the period
- 4 shall be classified marginal if its highest monthly
- 5 production is less than the average monthly allowable
- 6 for the three-month classification. When did the
- 7 three-month classification period start?
- 8 A April 1st if your well has not balanced during that
- 9 period.
- 10 Q So on July 1st, it would be marginal.
- 11 A It could possibly be classified as marginal.
- 12 Q Well, that's three months.
- 13 A Right.
- 14 Q So that well would only have had three months from the
- 15 beginning of the proration period to make up this?
- 16 A No, that's not true. At the end of the year, the well
- 17 is looked at, and if it produced a non-marginal allowable,
- 18 it would be classified as non-marginal. It would be
- 19 given a non-marginal allowable and the underage if it
- 20 produced it.
- 21 Q That is going back to any one of these three-month
- 22 periods when it was classified as marginal.
- 23 A I guess I don't understand where you are going.
- 24 Q I am afraid I don't understand the rule. You say
- 25 that at the end of three months, say July 1st, if a

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- 1 well hasn't made up its underage, it would be classified
- 2 as marginal.
- 3 A That's true.
- 4 Q And when classified as marginal, it loses any underage,
- 5 does it not, under the present rules?
- 6 A When it is classified as marginal, it can get the
- 7 underage that it is entitled to, provided it qualifies
- 8 to go back to non-marginal at the next balancing period.
- 9 Q Where in here would you find this, Mr. Manning? As I
- 10 understand our rules, if a well is classified as
- 11 marginal--
- 12 A Let me clarify something here.
- 13 Q Please.
- 14 A The way we are proposing this, Mr. Kellahin, is if a
- 15 well is re-classified from marginal to non-marginal
- 16 on the balancing date, April 1st, the well must have
- 17 produced a non-marginal allowable to be re-classified,
- 18 and then it will be given the underage that it is
- 19 entitled to, provided it can make it.
- 20 Q Is that in your rule here?
- 21 A Wasn't that in my testimony?
- 22 Q Pardon me?
- 23 A Wasn't something to that effect in my testimony?
- 24 Q I am talking about the rule you are proposing to the
- 25 Commission. It's not in your rule.

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1 MR. MORRIS: Mr. Kellahin, I think maybe we can
2 clear up some of the confusion here. I think Mr. Manning
3 testified that this was under the existing rule, and the
4 existing procedure of the Commission, and that El Paso did
5 not propose any changes in this procedure or rule of the
6 Commission. This is simply not covered by any proposed
7 rule change that we offer, but it is part of the existing
8 rules and practices of the Commission.

9 MR. KELLAHIN: I don't want to argue the point
10 unnecessarily, but I think it should be pointed out that
11 you are proposing that after a three-month period, a well
12 could be classified as marginal, and that is not in this
13 rule here. Do you agree with that, Mr. Manning?

14 A I agree with that, yes.

15 Q Now, another factor on this cancellation-- I mean
16 classification of wells. If a well entered the
17 underproduced status on April 1st, it would be
18 classified as marginal, assuming it met other requirements
19 at the end of the first three months, is that correct?

20 A Yes.

21 Q If it entered the second three-month period underproduced,
22 it would run to the following year before it was subject
23 to re-classification, is that correct?

24 A No, sir, it would be re-checked under the present rules
25 at the end of the balancing period, which would be

1 April 1st.

2 Q At the end of the balancing period. I am talking about
3 starting with July 1st. If it started on July 1st
4 being underproduced, at what stage would it be subject
5 to your proposed rule change?

6 A We are starting at the first balancing period. I believe
7 my testimony was that it has to be underproduced at the
8 start of the proration period to qualify.

9 Q Qualify for your rule?

10 A Yes, sir, whether it be April 1st, July 1st, October 1st,
11 or January 1st.

12 Q Thank you, Mr. Manning.

13 MR. KELLAHIN: I have no further questions.

14 MR. PORTER: Does anyone else have any questions?

15 MR. UTZ: Yes.

16 * * * *

17 CROSS EXAMINATION

18 BY MR. UTZ:

19 Q Mr. Manning, in regard to Mr. Kellahin's questioning,
20 the rule is silent in regard to marginal wells going
21 back up to non-marginal. Would you suggest that the
22 rule be changed to make that clear?

23 A Yes, I believe I would. I believe I would suggest
24 along these lines, Mr. Utz, that the well will be
25 examined at the end of the balancing period, and if it

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1 met the criteria of producing a non-marginal allowable
2 or in excess of a non-marginal allowable, it would be
3 re-classified to non-marginal.

4 Q I would like to reason with you a little bit with regard
5 to the last four lines of 16-A, wherein it says,
6 "Unless within fifteen days after receipt of notice
7 of classification of a well as marginal, the operator
8 of the well or other interested person presents
9 satisfactory evidence to the Commission showing that
10 the well is not of marginal character, and should not
11 be so classified."

12 As a practical matter, the production for the end
13 of a ninety-day period or three-month period is not
14 received by the Commission until the middle of the
15 following month.

16 A Yes, sir.

17 Q And that would be the time for the expiration of the
18 fifteen days, if I understand your rule correctly?

19 A I don't believe you can notify your operators at that
20 time. You are going to have to notify him it's marginal
21 after you analyze it, which will probably be the first
22 of the following month.

23 Q Would the wording, say, "Within fifteen days after he
24 is notified..."--

25 A Well, Mr. Utz, this is the wording as it exists now,

1 and we see no reason for changing it. It's been working
2 in the past--

3 Q That's just my point, it hasn't been working.

4 A Oh, it hasn't?

5 Q As a practical matter, the operator does not make the
6 request until after he is notified. I am suggesting
7 to you that maybe we should make it fifteen days after
8 notification of such classification.

9 A I agree with you, Mr. Utz.

10 MR. NUTTER: Let me read the entire sentence: And
11 to provide that after production data is available for the
12 last month of each such classification period, any well
13 which had an underproduced status at the beginning of the
14 gas proration period would be classified marginal if its
15 highest single month's production during the classification
16 period is less than its average monthly allowable for the
17 classification period, unless within fifteen days after
18 receipt of notice of classification of a well as marginal,
19 the operator of the well or other interested person presents
20 satisfactory evidence to the Commission showing that the
21 well is not of marginal character, and should not be
22 classified."

23 In other words, if an operator is notified that his
24 well has been re-classified on August 15th, he has another
25 fifteen days in order to contest it.

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1 MR. ARNOLD: Mr. Manning, I would like to get it
2 a little bit clearer as to what you have in mind as far as
3 reinstatement of underage. Suppose you have a non-marginal
4 well coming up to April 1st, which has underproduction, and
5 the fact that it has underproduction assigned makes it
6 eligible at the end of the next three-month classification--
7 I mean, that's one of the qualifications, is that right?

8 THE WITNESS: That's true.

9 MR. ARNOLD: So at the end of a three-month period,
10 it, by your definition, becomes a marginal well, and it stays
11 marginal through the next three-month period until you get
12 around to April 1st again. It stays marginal through the
13 year, and then when you look at it on April 1st, it becomes
14 a non-marginal well by definition.

15 THE WITNESS: Yes.

16 MR. ARNOLD: Now, do you go clear back to the
17 previous April 1st and pick up that underage you had?

18 THE WITNESS: Yes. Let me explain something to
19 you. If this well, without the three-month classification
20 period, if this well had entered that proration period
21 underproduced, doesn't it have that year to make that
22 underproduction up?

23 MR. ARNOLD: Well, the question I was asking was
24 to clarify what Mr. Kellahin was asking, and that is whether
25 or not that underage that you had, whether you go back a

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1 year and pick up that underage for a year.

2 THE WITNESS: You go back to the start of the
3 proration period, yes. I think the answer to your question
4 is yes, one year.

5 MR. ARNOLD: Well, if you did that, that would
6 take care of Mr. Kellahin's objection.

7 THE WITNESS: I think it would. I thought Mr.
8 Kellahin's objection was taken care of, but maybe I didn't
9 understand his questions.

10 MR. PORTER: We will assume it has been unless he
11 states otherwise.

12 Are there any further questions of Mr. Manning?

13 Mr. Lyons, do you have any questions?

14 MR. LYONS: I don't believe so.

15 MR. MEDLEY: I have a question or two.

16 * * * *

17 CROSS EXAMINATION

18 BY MR. MEDLEY:

19 Q Mr. Manning, do you mean to always go back to the
20 beginning of the proration period for underproduced
21 status?

22 A I don't understand your question.

23 Q Do you mean to always come back to the beginning of the
24 proration period to find your underproduced status?

25 A I think the answer to your question would be yes. You

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1 will look at the wells for that entire proration period
2 in an underproduced status.
3 Q For the proration period?
4 A Yes.
5 Q Is that always April 1st?
6 A If you are looking at July 1st, you go back to April 1st.
7 If you entered that proration period in an underproduced
8 status, that well becomes a candidate for re-classification.
9 MR. MEDLEY: Thank you.
10 MR. PORTER: Are there any other questions of the
11 witness?
12 (No response)
13 MR. PORTER: If not, the witness may be excused.
14 (Witness excused.)
15 * * * * *
16 VICTOR T. LYON,
17 was called as a witness, and having been already duly sworn
18 according to law, testified as follows:
19 DIRECT EXAMINATION
20 BY MR. KELLAHIN:
21 Q Would you state your name, please?
22 A V. T. Lyon, L-y-o-n.
23 Q By whom are you employed, and in what position, Mr. Lyon?
24 A I'm employed with Continental Oil Company as a
25 conservation coordinator in the Hobbs division office,

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1 Hobbs, New Mexico.

2 Q Have you previously testified before the Oil Conservation

3 Commission and made your qualifications a matter of

4 record?

5 A Yes, I have.

6 MR. KELLAHIN: Are the witness' qualifications

7 acceptable?

8 MR. PORTER: Yes, they are.

9 Q (By Mr. Kellahin) Have you studied the proposed rule

10 changes that have been presented here today by El Paso

11 Natural Gas Company affecting gas proration?

12 A Yes, I have. I am familiar with this case in that Mr.

13 Manning visited our office prior to the filing of the

14 application, and reviewed it with us. I was present

15 also when he reviewed it for our Casper office. And

16 I have reviewed the application which was mailed to us,

17 and have attempted to evaluate our wells as they would

18 be affected by these rules, as I understand them with

19 the background that I have.

20 Q Now, is Continental, as a producer, in agreement with

21 these rules?

22 A We are concerned that the rules if adopted and if the

23 Commission's attitude about balancing and so forth

24 isn't liberalized that they would cost us allowable

25 and revenue.

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1 Q Do you have any other points of contention with the
2 proposed rules?

3 A No, I think that's about the sum and substance of it.

4 Q Have you made a study of the effect these proposed
5 rules would have on your actual operations based on
6 your past production?

7 A Yes, we have. We evaluated all the non-marginal wells
8 which we operate in the Hobbs division, and I would
9 like to point out that as a gas producer, Continental
10 looks at this problem, and I should emphasize the word
11 producer, Continental looks at this problem from a
12 different viewpoint than does El Paso. Continental
13 is concerned about its individual property and wells,
14 and the effect that the proposed changes would have on
15 its operations of those properties and wells.

16 I would like to address myself particularly to
17 three points about which we are concerned in this
18 proposal. These points are, number one, the probable
19 effect on our individual wells, and we have prepared
20 some examples to show what this would be if the rule
21 had been in effect on January 1st, 1972. The second
22 point concerns some of the present practices of the
23 Commission in administering gas proration rules and
24 their effects on individual wells. The third point
25 is addressed to the philosophy which appears to exist

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1 in administering the gas proration rules by the
2 Commission and some instances where we feel we have
3 not been equitably treated, and our correlative rights
4 may have been violated.

5 As to the first point, as I say, we have made a
6 study of the non-marginal wells in the Hobbs division,
7 and in making this review, I would like to point out
8 that we have taken the severest interpretation of the
9 rules proposed by El Paso. Now, Mr. Manning explained
10 to us that it was their feeling that to go with the
11 adoption of these rule changes, there would be adequate
12 provisions for reinstatement of allowables which were
13 cancelled if a well were improperly classified from
14 non-marginal to marginal.

15 I did not see this in his application, I did not
16 see it in the rules. Consequently, this is the reason
17 I took the severe interpretation that I did in making
18 these comparisons.

19 Now, in summary, I would like to point out that
20 Continental operates 131 wells in the Blinbry, Eumont,
21 Jalmat and Tubb gas pools. Of these 131 wells,
22 sixty-five or approximately half, are non-marginal.
23 Of these non-marginal wells, twenty-two, or approximately
24 one-third, would have been re-classified from
25 non-marginal to marginal during the period of January

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1 1st, 1972 through March 31st, 1973. There would have
2 been a total of 1,132,964 MCF of gas allowable
3 cancelled as a result of these re-classifications.

4 I would further mention that we have categorized
5 the periods in which these wells would have been
6 re-classified. In making this study, we referred to
7 the first quarter, from April 1st to July 31st, and
8 the last quarter, from January 1st through March 31st.
9 In the first quarter, there would have been two wells
10 re-classified to marginal; five wells in the second
11 quarter; three in the third quarter; and twelve in
12 the fourth quarter.

13 It's obvious to me, again taking this severest
14 interpretation, that the balancing date of April 1st
15 would maximize the number of marginal wells. And
16 from Continental's viewpoint, we believe this is
17 undesirable.

18 I have prepared three exhibits which list three
19 wells which we think would have been unjustly treated
20 under these proposed rules.

21 Q Referring you to what has been marked as Continental
22 Exhibit One, would you identify that exhibit?

23 A Exhibit One is a tabulation which shows the allowable
24 production and the over or underproduced status and
25 average quarterly allowable for the Lockheart No.

1 27 Well in the Blinebry pool. This well is located
2 in Unit A, Section 27. It's a 120-acre proration unit.

3 The well entered the first quarter underproduced--
4 Excuse me. The well was overproduced at the beginning
5 of the year, which would be the fourth quarter if the
6 system were in effect, and therefore, it would not
7 be subject to cancellation at the end of that quarter.

8 Q You mean under the proposed rule?

9 A Yes.

10 Q It entered the beginning period overproduced? Is that
11 correct?

12 A Yes, that's true. It was overproduced on December 31st,
13 1971.

14 Q What was its status as of April 1st?

15 A As of April 1st, it was underproduced by 4,732 MCF.

16 Q Now, as I understand the proposed rule, that would render
17 that well subject to re-classification as a marginal
18 well.

19 A Yes, sir. The well in fact did not produce its overage
20 allowable during that first quarter, that proration
21 period, and consequently it would have been re-classified
22 to marginal under the proposed rule on July 1st. Then,
23 as I understand it, the accumulated underproduction
24 would be cancelled. Here we are not certain how much
25 of the underproduction that is cancelled would be

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1 restored, and under what circumstances. This is the
 2 reason we are skeptical of the thing, we don't know
 3 how it will be administered for sure.

4 I would point out to you that in the month of
 5 December, 1972, the well produced about two and a half
 6 million cubic feet of gas, so it's obviously not a
 7 marginal well.

8 Q That's per day?

9 A Per day, yes.

10 Q So it's not a marginal well in fact?

11 A Right.

12 Q But under the proposed rule, in your opinion, you would
 13 lose the underproduction that it went into the first
 14 of the year with?

15 A Yes.

16 Q Referring you to what has been marked as Exhibit Two,
 17 would you identify that exhibit?

18 A Exhibit Two is the same type of tabulation showing our
 19 Line B-25, which is a Jalmat well located in Unit M,
 20 Section 25, Township 23 South, Range 36 East. The
 21 well is on a 320-acre proration unit. You will note
 22 that the well remained in an overproduced status during
 23 the entire year of 1972. At the end of 1972, the
 24 underproduction which had been accumulated for eighteen
 25 months in the pool was cancelled and redistributed.

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1 The redistribution was made in February, but was made
2 retroactive to December. So that well was charged
3 with that allowable in December, which changed it from
4 31,000 MCF overproduced to 50,000. These are rounded
5 off production figures.

6 The well failed to make its overage allowable
7 for the fourth quarter, that was from January through
8 March, and consequently would be classified to a
9 marginal status on April 1st, 1973.

10 Q Referring you to what has been marked as Exhibit Three,
11 would you identify that exhibit?

12 A Exhibit Number Three is the same type of tabulation
13 on the Stevens A-35 Unit Well, which is on a 280-acre
14 proration unit, jointly allocated to Wells 1 and 2.

15 They are located in Unit J and Unit L of Section
16 25, Township 23 South, Range 36 East, Lea County. The
17 two wells together have just about enough producing
18 capacity to produce their non-marginal allowable.

19 You will note that they entered the period under
20 consideration in an underproduced state. In the first
21 quarter of 1972, the wells produced more than the
22 average allowable for the quarter, and also for the
23 first, second and third quarters of the balancing
24 period, and were actually overproduced by 49,000 MCF
25 of gas on the basis of the normal allowable before

1 redistribution. However, the wells received 71,607
2 MCF redistributed allowable, which changed its
3 classification to underproduced by 37,600 MCF.

4 So it entered the fourth quarter underproduced,
5 and during that quarter, it failed to produce its
6 average allowable for the quarter, and consequently
7 it would have been re-classified to a marginal well.

8 This would have been the second time this well
9 would have run into difficulty due to this circumstance,
10 which we think works to the serious disadvantage of
11 the proration unit.

12 Q Is this due to the manner in which the Oil Commission
13 handles the cancellation and redistribution of gas
14 allowables?

15 A Yes, sir. Since gas prorationing began in Southeastern
16 New Mexico on January 1st, 1954, the Commission has
17 engaged in practices of cancelling allowables, then
18 redistributing the allowables, as was done in this case,
19 during a period where the balancing periods were of
20 six-month durations.

21 This cancellation then redistribution would take
22 place in February and August, but the allowable would
23 be given to the wells retroactively to December and
24 June so that it was added to the December-June allowable
25 for balancing purposes.

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1 The rules provide that underproduction should be
2 made up in the following balancing period, or it should
3 be cancelled. The retroactive allowable was not given
4 until after one month had passed.

5 Several years ago, there was a proposal to grant
6 a tentative allowable, and then the firm final allowable
7 would be based on actual production and redistributed--
8 or distributed to the wells in the pool.

9 The basis of the proration formula legal opinion
10 was given by Jack Campbell before he was elected governor,
11 and it was to the effect that the Commission must grant
12 an allowable which is prospective and not retroactive.

13 The redistribution of an allowable in the February
14 proration schedule made effective December 31st, in
15 my opinion, is a retroactive allowable, and is in
16 conflict with this opinion.

17 Furthermore, it has always been my contention
18 that this redistribution is not necessary. In times
19 past, the overproduction was considered in adjusting
20 nominations in arriving at current allowables. The
21 practice is no longer used, though. The current
22 practice is to take the nominations and whatever
23 adjustments are deemed proper in the eyes of the staff
24 based on the experience or knowledge they have, and
25 the sum and effect is the current allowable.

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1 I see no advantage to this scheme of gas proration
2 of redistributing the cancelled allowable. In my
3 opinion, if an allowable is not produced within the
4 rules, it should be cancelled. The effect of
5 redistribution is kind of a Robin Hood scheme, where
6 you take the allowables from the weak and give them
7 to the strong. The wells which are overproduced
8 appreciate the bonus, but the wells that are barely
9 balanced, or which are underproduced, really have their
10 work cut out for them because of the additional
11 allowable which is given them.

12 Now El Paso directly tells us how good it is to
13 have a well classified as marginal, and we just can't
14 work up a great deal of enthusiasm about this
15 classification.

16 In the first place, if a well is classified
17 improperly, there is difficulty, if not impossibility,
18 in getting the allowable restored.

19 Secondly, a marginal well is constantly in
20 balance, and the operator is lulled into complacency
21 thinking that this is the best the well can do. If
22 a well is classified non-marginal and begins to
23 accumulate underproduction, there is notice to the
24 producer that the well is falling behind, and he needs
25 to give it attention.

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1 The fact that the well has accumulated
2 underproduction is often a stimulant to the operator
3 to go in and to do remedial work, or recomplete another
4 well to help produce the allowable.

5 This Commission has provided a discovery oil
6 allowable, but it seems reluctant to provide the
7 stimulus to do remedial work, which would increase gas
8 production in gas proration units.

9 Now, the third point I would like to discuss
10 concerning this Stevens A-35 proration unit, which was
11 shown on Exhibit Three-- I would like to call the
12 Commission's attention to Case 3817, in which Order
13 No. R-3491 was entered. I would like to review the
14 facts of that case briefly.

15 The Stevens A-35 leased two wells, both of which
16 were relatively strong wells, and because they were
17 strong, it was El Paso's practice, with our full
18 knowledge and consent, that they would pull the well
19 hard during the high demand period, and they would
20 pull it very lightly, or even shut it in for some
21 several months at the times of low demand.

22 Because of this fact, we did not realize that
23 well was in trouble until a high demand was on us, and
24 the well failed to produce as it had in the past.
25 Production was reported to us before we realized that

1 there was something wrong with the well, and it ended
2 the first balancing period, June 30th, 1967, in an
3 overproduced status by an amount of 1,854 MCF of gas
4 before redistribution.

5 The redistribution at that time was 7,235 MCF,
6 and the well's status became underproduced by 5,381
7 MCF. Application was filed to combine the two proration
8 units so that the No. 1 Well could help the No. 2 Well
9 produce the allowable. But we didn't get this
10 accomplished until well into the calendar year of 1968.

11 At the end of 1967, since the well had entered
12 that proration period underproduced, it did not produce
13 its allowable during the balancing period, and was
14 re-classified to marginal, and the allowable was
15 cancelled.

16 Now, a member of the Commission's staff told me
17 that if we would overproduce that well by a sufficient
18 amount, that they would restore that underproduction,
19 they would restore the allowable.

20 So we wrote to El Paso, and asked them to
21 overproduce the well, so the cancelled allowable could
22 be restored. El Paso replied by letter as follows:
23 "We are without authority to produce an allowable
24 which has been cancelled. In anticipation of
25 Commission approval for reinstatement, our market

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1 demand situation in the Jalmat pool during 1968 will
2 make it extremely difficult to produce in excess of
3 the current allowable."

4 I might say that El Paso had then, and they have
5 now, wells which were considerably more overproduced
6 than that. But in any event, we were caught between
7 the horns of a dilemma as the Commission wouldn't
8 restore the allowable, and El Paso wouldn't produce it
9 unless the Commission reinstated the allowable.

10 The net result was that the unit lost approximately
11 118,000 MCF of gas with a value of some \$18,000.

12 Now, Order R-3491 contains the following language
13 in paragraph eleven: "That the correlative rights of
14 the other operators in the Jalmat Gas Pool would be
15 violated if underproduction accumulated by the Stevens
16 A-35 Well were reinstated and allowed to be produced
17 by either or both of the Stevens wells."

18 As I understand it, the proration formula is
19 designed to permit each operator to produce his fair
20 and equitable share of reserves in place. Correlative
21 rights would be violated if the well were overproduced,
22 and the operator was not required to make up such
23 overproduction. It is difficult for me to understand
24 how a well could violate the rights of other operators
25 by producing less than its allowable. I believe you

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1 can readily understand why Continental considers
2 the classification of a well as marginal as something
3 to be avoided. I have been advising my management
4 for the past several years that there is only one way
5 to prevent a gas well from losing its allowable under
6 the proration rules, and that is to keep it overproduced.

7 I think the rules which are being proposed here
8 make it even more necessary for an operator to keep
9 his wells overproduced in order to avoid losing the
10 allowables.

11 We really don't have any argument with El Paso's
12 position of making allowables available to wells that
13 can produce them. I think this is completely logical,
14 and we do believe that the Secretary-Director and the
15 staff have adequate authority to adjust nominations
16 to provide the allocations of gas allowables to the
17 same extent as would be available in the rules proposed
18 today.

19 We would strongly urge the Commission to avoid
20 making changes which would impair the rights of the
21 operators to produce their share of the allowables.

22 Q Were Exhibits One, Two and Three prepared by you or
23 under your supervision?

24 A Yes, sir.

25 MR. KELLAHIN: At this time, I offer Continental

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1 Exhibits One, Two and Three.

2 MR. PORTER: Without objection, the exhibits will
3 be admitted.

4 (Whereupon Continental Exhibits One, Two and Three
5 were admitted in evidence.)

6 MR. KELLAHIN: That completes our testimony.

7 THE WITNESS: I would like to make a couple of
8 recommendations, if I may?

9 MR. PORTER: Yes, sir.

10 THE WITNESS: First, we recommend the rules not
11 be changed as proposed by El Paso unless there is adequate
12 provision for reinstating cancelled allowables. This is
13 our whole concern in this. Number two, that the practice
14 of redistributing allowables be discontinued, and that
15 allowables cancelled in wells classified as marginal be
16 restored up to one year following such re-classification
17 if the well demonstrates the ability to produce at a
18 non-marginal rate.

19 But we do believe that wells should be subject
20 to cancellation of allowables under the normal balancing
21 procedure.

22 That completes my recommendations.

23 MR. KELLAHIN: You would recommend no underage
24 be redistributed?

25 THE WITNESS: I would like to modify that just

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1 slightly. I would say no retroactive redistribution be made.

2 MR. PORTER: How do you distinguish? It's all
3 retroactive if it's cancelled for a particular proration
4 period, and your prorationing another period, then it would
5 be retroactive.

6 THE WITNESS: Well, without redistribution, an
7 operator can look at the proration schedule and he can look
8 at production when the reports come in, and say, "Okay, I
9 made my allowable, but if the balancing period"-- Say in
10 December, you can look at your December production, but you
11 don't know until you get the February proration schedule
12 what your allowable was.

13 MR. PORTER: So it actually would be all retroactive,
14 wouldn't it?

15 THE WITNESS: If you make that redistribution
16 effective December 31st. If you make it available February
17 1st, it isn't retroactive.

18 MR. PORTER: I don't believe I get the distinction.

19 THE WITNESS: The distinction is if you look at
20 the February schedule and see that there has been so much
21 gas redistributed in February, and added to your current
22 allowable, that you know you have that allowable to produce
23 in February during the month you are producing it.

24 MR. UTZ: Aren't you suggesting that rather than
25 redistributing underage that you allow it to the wells in

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1 the form of a current allowable?

2 THE WITNESS: Sir?

3 MR. UTZ: Aren't you suggesting that rather than
4 redistributing the allowable that you give this additional
5 allowable or cancellation in the form of a current allowable?

6 THE WITNESS: Yes, sir, that's precisely what I
7 am recommending.

8 MR. PORTER: Mr. Lyon, maybe I should ask your
9 attorney this, but is it your position that this change
10 could be made within the current call of this hearing?

11 MR. KELLAHIN: In my opinion, it could, because
12 I feel the call of the hearing is to consider a change, not
13 only the specific change by El Paso. I don't feel that
14 the call of the hearing would preclude any other operator
15 from coming in and proposing a different change affecting
16 the same circumstance.

17 MR. PORTER: As long as it refers to the same rules
18 that were advertised?

19 MR. KELLAHIN: That's right.

20 MR. PORTER: Are there any questions of the witness?

21 * * * *

22 CROSS EXAMINATION

23 BY MR. UTZ:

24 Q Mr. Lyon, in regard to your statement of allowables
25 being reinstated at the end of a proration period, would

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1 you recommend that that be done in the case of underage
2 also? In other words, if there was underage at the
3 beginning of a period, is it your opinion that you
4 should have the underage reinstated at the beginning
5 of the proration period?

6 A You are talking about a marginal well that had been
7 worked over?

8 Q Well, for that matter, a non-marginal well that had
9 been worked over.

10 A Well, in a non-marginal well that had been worked over,
11 it wouldn't have suffered cancellation as a result of
12 re-classification, so I don't feel it would apply there.

13 Q That's true.

14 A But I think any proration unit which within the past
15 year has been re-classified and its allowable cancelled
16 because of the re-classification should have that
17 allowable restored within twelve months of that
18 re-classification.

19 Q Even if the well had been worked over?

20 A If the well had been worked over, or a new well drilled,
21 or a well recompleted, I think it should be reinstated,
22 yes.

23 MR. UTZ: That's all I have.

24 MR. PORTER: Are there any further questions?

25 MR. MORRIS: Yes.

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CROSS EXAMINATION

BY MR. MORRIS:

Q Mr. Lyon, would you refer to your Exhibit Number One for a moment, please. I believe in your sample here, you were shown that this well would be re-classified to margin in June of 1972 under El Paso's proposed system, is that right?

A Yes, sir.

Q Now, under El Paso's proposed rule, the well would not be subject to re-classification to a marginal status unless, among other things, it met the criteria that it entered the proration period in an underproduced state, is that correct?

A Yes.

Q Now, you have shown on your exhibit here what the status of this well was when it entered the 1972 proration period, is that right?

A You have to do a little mental arithmetic to determine what the status was. If you look at the January allowable and production, it underproduced its allowable by about 8,000 MCF, sometimes it was only about 4,000 MCF underproduced at the end of January.

In that case, it had to be 4,000 MCF overproduced at the end of December.

Q So if it came into the year 1972 in an overproduced

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1 status, then it wouldn't be a candidate for
2 re-classification in June of that year under this
3 proposed rule.

4 A Under your proposed rule, the balancing period started
5 April 1st, so it was underproduced on April 1st.

6 Q I see, all right. You are not talking about the actual
7 proration period that existed.

8 A No. I might mention another thing, Mr. Morris. I think
9 the application wasn't specific as to how the
10 re-classification would take place in that the over or
11 underproduction status as of April 1st would be the
12 thing that determines, insofar as we knew when we were
13 making this comparison, it was the beginning of that--
14 what did you call it? Classification period?

15 Anyway, these things have been prepared on that
16 basis.

17 Q Now, Mr. Lyon, you said that, as I understood your
18 testimony at the beginning of your statement, that you
19 were concerned that the Commission practices with
20 respect to reinstatement of allowables might cost
21 Continental production if the proposed rules as
22 proposed by El Paso here were adopted. Am I correct
23 in interpreting your statement there? What you are
24 really saying by the statement you made is that you
25 really have no quarrel, particularly with the rules

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1 El Paso has proposed here, but your apprehensive that
2 the Commission might change its practices on the
3 reinstatement of allowables to wells that change their
4 classification, or show eligibility to change their
5 classification from marginal to non-marginal wells?
6 Is that your position?
7 A No, sir. I am apprehensive that they might not change
8 their practices.
9 Q Mr. Manning, I believe testified that it was the
10 practice under the present rules, not the rules we
11 are proposing to change, but under the prorationing
12 rules of the Commission, that when a well is re-classified
13 from the marginal to non-marginal category, it becomes
14 eligible to have its allowable reinstated for the
15 entire proration period just as if it had been in the
16 non-marginal category during that whole proration
17 period.
18 A Yes, sir.
19 Q I believe that's what his testimony was.
20 A Yes, sir.
21 Q Do I understand you to disagree with that?
22 A This isn't the practice that I have observed. We have
23 noted that this particular situation has come up in
24 the last couple of years, but we have filed several
25 applications for reinstatement of allowables when we

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1 thought the well should receive some consideration
2 for having that allowable restored, and I may be a
3 poor salesman, but my batting average is zero on that.

4 Q Well, let's approach this a little bit differently,
5 Mr. Lyon. If the Commission has a policy, or should
6 adopt a policy along the lines as testified to by Mr.
7 Manning as what he believes the present policy is,
8 I take it you would have no objection to the approval
9 of El Paso's application in that case?

10 A With one exception, if I understand what you and Mr.
11 Manning have said. You mentioned that the allowable
12 would be restored during that balancing period as if
13 it had been a non-marginal well. I think that if it
14 had an underproduced status at the beginning of that
15 balancing period which would have been carried forward
16 that amount, that that should not be cancelled under
17 the balancing provisions, and should also be reinstated.

18 Q I don't think we have any disagreement on that, Mr.
19 Lyon.

20 A As I say, I don't have any particular argument with
21 El Paso's proposed rule, but I am very concerned about
22 how they will be administered, and I think the two
23 have to be considered together.

24 MR. MORRIS: I have no further questions.

25 MR. UTZ: Mr. Lyon, do you have a suggestion as

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1 to what should be written in the rule to avoid your complaint?
2 THE WITNESS: Well, I can't give you specific
3 language, but I think it could be written without a great
4 deal of difficulty. I would like it spelled out in the
5 rules that this allowable would be reinstated, and then I
6 believe we would have no objection to the proposal of El Paso.

7 MR. PORTER: What kind of information would you
8 propose to show the Commission, Mr. Lyon, that the
9 underproduction should be reinstated?

10 THE WITNESS: I think that a deliverability test
11 showing the well's capacity to produce at a non-marginal
12 allowable rate, or its production from month to month for
13 a period long enough to evaluate it should be adequate.

14 MR. UTZ: I am still trying to understand in my
15 mind just what underage you are talking about. It's my
16 recollection that you made application on a few occasions
17 to have your underage reinstated that had been cancelled
18 prior to work-over. Am I correct on that?

19 THE WITNESS: No, I don't think this is so, Mr. Utz.
20 We have asked that wells not be classified as marginal in
21 contemplation of work-overs or some changes which we felt
22 would improve the wells producing capacity, and the Commission
23 has been very cooperative about not re-classifying the wells
24 to marginal. It's when it is re-classified as marginal,
25 and we ask it to be reinstated that we have our trouble.

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1 MR. UTZ: And you have that trouble because you
2 can't show at that time that the well is capable of producing
3 its non-marginal allowable.

4 THE WITNESS: Well, in one instance, we couldn't
5 show it because El Paso wouldn't overproduce it.

6 MR. UTZ: I would say that it looks to me like
7 under that condition, you would have been able to show us
8 in some manner that the well was capable of producing its
9 non-marginal allowable.

10 MR. PORTER: Mr. Lyon, at the time you are talking
11 about, was that well classified as marginal when you said
12 they wouldn't overproduce it?

13 THE WITNESS: Yes, sir.

14 MR. PORTER: I thought marginal wells were allowed
15 to produce all they could.

16 THE WITNESS: There was a repair problem, the well
17 had developed a hole in the casing, and it was full of water.
18 We repaired the hole in the casing, and the well may have
19 gone back to non-marginal, I believe that it probably did.

20 MR. PORTER: You went back to non-marginal, but
21 you still lost your underproduction?

22 THE WITNESS: Yes, sir.

23 MR. UTZ: That would be underage cancelled prior
24 to work-over?

25 THE WITNESS: Yes.

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1 MR. UTZ: And you are suggesting we discontinue
2 this practice. Even though a well had been worked over in
3 the middle of a period, the underage should be reinstated
4 to the first of the period?

5 THE WITNESS: Yes, I think it should.

6 MR. PORTER: Are there any further questions of
7 Mr. Lyon?

8 (No response)

9 MR. PORTER: The witness may be excused.
10 (Witness excused.)

11 MR. PORTER: Mr. Kellahin, does that conclude the
12 testimony from Continental?

13 MR. KELLAHIN: Yes, it does.

14 MR. PORTER: Do you have testimony from any of
15 your other clients?

16 MR. KELLAHIN: No, sir.

17 MR. PORTER: Mr. Lyons, do you have a witness?

18 MR. LYONS: I don't believe we will present testimony
19 at this time.

20 MR. PORTER: Is there anyone else that would like
21 to present testimony in this case?

22 MR. PARKER: I would like to present one witness
23 on behalf of Transwestern Pipeline.

24 MR. PORTER: Proceed.

25 * * * *

JAMES H. TILLERY,

was called as a witness, and having been already duly sworn according to law, testified as follows:

DIRECT EXAMINATION

BY MR. PARKER:

Q For the record, would you state your name and address?

A James H. Tillery, Jr., and I reside in Houston, Texas.

Q By whom are you employed?

A Transwestern Pipeline Company, as manager of the proration and allocation of gas supply department.

Q Would you state briefly your qualifications to comment on the rules being considered today?

A I am a graduate petroleum engineer from Louisiana State University. I worked for about three years for the Louisiana Conservation Department as a reservoir engineer. I was in the consulting business for a couple of years as a petroleum engineer. I worked for Texas Eastern Transmission Corporation as a reservoir engineer for nine years. Since 1960, I have been employed by Transwestern Pipeline Company as manager of their proration department.

Q Is Transwestern a purchaser of natural gas from the Southeastern New Mexico fields?

A Yes, we presently purchase from about twenty fields in Southeastern New Mexico, and we are actively engaged

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1 in trying to obtain additional supplies.

2 Q In that regard, are you a competitor of El Paso?

3 A Yes, we are.

4 Q You are appearing here today, however, in support of
5 the application made by El Paso in regard to the
6 proposed changes?

7 A Yes, we are.

8 Q Will you state for the Commission the position of
9 Transwestern with respect to these proposed amendments
10 to the rules?

11 A We believe the rule changes proposed in the application
12 to be reasonable, and if they are adopted, they will
13 enhance the operation of gas prorationing. We believe
14 the assignment of allowables to marginal wells equal
15 to available production would allow the wells to
16 produce their maximum capacity without detracting from
17 the total field allowable, and would be more in line
18 with their capacity to produce on a current basis.

19 We feel that the proposed change in Rule 13 is
20 very desirable, giving a balancing date of April 1st
21 which would allow us to go through most of the high
22 demand and high pipeline capacity producing season at
23 ~~the~~ maximum.

24 The proposed change in Rule 16 is most important
25 in that it provides for a closer check on the wells

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1 which no longer have the capacity to produce their
2 full allowable. By placing these wells on a marginal
3 status at the end of a three-month period would allow
4 these wells to produce their maximum capacity without
5 incurring underproduction, and the desired volumes
6 could be better obtained from non-marginal wells without
7 incurring great overproduction. These factors should
8 make it easier to keep the wells balanced within the
9 total field allowable.

10 MR. PARKER: I have no further questions.

11 MR. PORTER: Are there any questions of this witness?

12 (No response)

13 MR. PORTER: He may be excused.

14 (Witness excused.)

15 MR. PORTER: Does anyone else have any testimony
16 they want to put on?

17 (No response)

18 MR. PORTER: We will take statements at this time
19 from any interested party. Mr. Kellahin?

20 MR. KELLAHIN: If the Commission please, I think
21 one factor that has not been mentioned here must necessarily
22 be considered by the Commission in passing on the application.

23 We are dealing with more than one pipeline company.
24 We all know that El Paso has a fairly steady gas demand,
25 of course, it fluctuates, but not to the extent that demand

1 does for some of the other pipelines. This is a factor
2 that will have serious consequence under the proposed rule.

3 We have a serious problem already in connection
4 with the business of classifying wells as marginal, and
5 under the proposed rule, unless it is changed along the
6 lines Mr. Manning and I discussed, we would have four periods
7 of time during which any well could be classified as marginal
8 without any regard to the reason.

9 For example, if a well enters the period of April
10 1st, as I understand it, in an underproduced status, and
11 during the first proration period, carries a non-marginal
12 well status, but fails to make up its underproduction in
13 the second period and fails to produce its allowable, it
14 would then be classified as marginal, and this underproduction
15 would be cancelled.

16 Now, this could occur for any number of reasons,
17 well work-overs, low demand on the part of the pipeline,
18 particularly to the pipeline to which the gas well is
19 connected; any number of reasons.

20 Of course, I assume that the operator could come
21 to the Commission and point these factors out and get his
22 allowable reinstated, but to be faced with this four times
23 a year when it's bad enough to be faced with it once a year
24 seems to me to compound the problem considerably.

25 In any event, if a well is to be classified as

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1 marginal during any time of the proration period, there
2 should be and must be some provision for reinstating that
3 well and giving it a fair opportunity to produce its just
4 and equitable share of the gas in the pool.

5 Otherwise, we feel this rule will deny the operator
6 this opportunity.

7 Now, Chevron Oil Company is in a similar situation.
8 Continental and Chevron operate wells in the Indian Basin
9 Field, which the Commission records will show are non-marginal.
10 The problem here has been discussed in various hearings
11 before the Commission, and as the rules now presently apply,
12 they are able to accumulate underage during months of low
13 demand, and then produce the accumulated underage during
14 months of high demand, keeping the wells in balance and
15 maintaining the maximum production prescribed by the rules
16 during the course of the year.

17 If the proposed rules are adopted, some of
18 Chevron's wells could be erroneously classified as marginal,
19 and they would be unable to accumulate any underage over
20 that period of time. This inability would cause ultimate
21 loss of allowable and loss of production, and at this time
22 when there is a serious shortage of gas in this country,
23 our system must be adjusted to fit the period of demand.

24 We feel that the proposed rule of El Paso would
25 take away this flexibility. Sure, it would enable the

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1 non-marginal wells to produce a great deal of gas because
2 there's an awful lot of gas being produced from wells on
3 the verge of a marginal status that ought to be produced.

4 Now, Chevron and Marathon and Caulkin Oil Company
5 join with Continental Oil Company in stating, in the first
6 place, they are in opposition to the proposed rule changes,
7 but if they are adopted, we do urge the Commission to
8 adopt the proposals presented by Mr. Lyon.

9 MR. PORTER: Mr. Kellahin, I guess I am a little
10 confused. I got the impression that Mr. Lyon didn't oppose
11 the rules, but he may have opposed the way they are
12 administered. Now, I get the opinion that his attorney
13 opposes the rules.

14 MR. KELLAHIN: The reason for the opposition was
15 due in part to the way they would be administered.

16 MR. PORTER: I didn't get that "in part".

17 MR. KELLAHIN: Mr. Lyon said that he recommended
18 the rules not be changed, according to my notes.

19 MR. PORTER: It appears that the concern of
20 Continental would be that there would be no possibility
21 of making up underage.

22 MR. KELLAHIN: Yes, we are concerned about the
23 cancellation of underage.

24 MR. PORTER: Mr. Lyons?

25 MR. LYONS: I have a short statement. First of

1 all, concerning Rule 13, we would concur with the proposal
2 made by El Paso Natural Gas. We take issue with Mr. Kellahin,
3 and believe that the energy crisis we are presently involved
4 in would certainly justify the rule as promulgated by El
5 Paso.

6 MR. GILES: My name is R. B. Giles, and I am with
7 Amoco, and represent our Houston division as well as our
8 Denver division, which has separate authority within this
9 state. We wholeheartedly endorse all of El Paso's suggested
10 changes. I will be the first to admit that when El Paso
11 suggested these changes, we were a little apprehensive, such
12 as, "What is El Paso up to now?"

13 But we studied the cases, like Continental did,
14 of our individual wells with our Houston people, and we
15 think all of their suggestions make real good sense, because
16 they are timely, as the gentleman just pointed out, timely
17 in meeting the need for increased gas sales in order to
18 meet the energy crisis. Perhaps our situation is a little
19 bit different than some, because percentage-wise, we feel
20 we may have more non-marginal wells than the other operators.

21 But be that as it may, we do feel these rules
22 make sense. They are more in tune with what the wells are
23 capable of producing now, and not back then. Thank you.

24 MR. PORTER: Does anyone else have a statement?

25 MR. MORRIS: Mr. Porter, I do not intend to

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1 belabor the matter, but I feel the Commission has very
2 well in mind the problems that we are trying to meet by
3 these proposed changes. Also problems have been brought
4 to the Commission's attention by Mr. Lyon of Continental,
5 and as we indicated during Mr. Lyon's cross examination, we
6 have no objection to the Commission adopting whatever
7 procedures or rules it feels necessary to implement what
8 we understand to be the present policy of the Commission
9 with respect to reinstatement of allowables.

10 In summary, we believe that the proposals we made
11 here are timely, that they will keep prorationing working
12 in the State of New Mexico for as long as possible, and that
13 they will be in the best interest of conservation. From
14 that standpoint, El Paso has on many occasions here before
15 the Commission taken the position that we want to make
16 prorationing work for as long as possible, and we believe
17 that the adoption of our rules as we have proposed them
18 will be to that end. Thank you.

19 MR. PORTER: Anybody else?

20 MR. WHITE: Texaco Inc. recommends the amendment
21 to Rule 16-A be expanded to allow any well which has its
22 producing capacity restored or increased during a proration
23 period to produce any production cancelled because of
24 marginal classification. That would be in addition to the
25 proposal made by El Paso.

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1 MR. SEEREY: J. H. Seerey, of Mobil Oil Corporation.
2 Mobil Oil Corporation has no objection to the rule changes
3 proposed in Case 4991 by El Paso. We believe these changes
4 may improve the gas proration procedure in New Mexico.

5 Mobil does have a recommendation to the Commission,
6 that in lieu of continued future proposals of changing small
7 parts of rules regarding gas proration in New Mexico that
8 consideration be given to an overall study of the New Mexico
9 gas rules and gas prorationing procedures in light of
10 present day gas supply and demand.

11 MR. BUDABAUGH: Northern Natural wishes to express
12 their support of the three proposed changes to the general
13 rules and regulations presented by El Paso Natural Gas
14 Company in Case 4991.

15 MR. TWEED: Jerry Tweed, for Atlantic Richfield
16 in Midland. With reference to Rule 16 as proposed by El
17 Paso Natural Gas, this rule as currently written would
18 result in Atlantic Richfield having classifications from
19 non-marginal to marginal status of many wells that are
20 in fact non-marginal.

21 For this reason, we oppose the adoption of this
22 part of the recommended rule changes. We think that the
23 problem of assignment of larger allowables to marginal wells
24 could be handled under the current rules.

25 We think it is an accounting problem more than

1 anything else at the present time. I would like to state
 2 that in some cases that we reviewed, there would be cases
 3 of highly non-marginal wells with high productivity that
 4 might enter periods underproduced and remain shut in for
 5 the three-month period, and then opened up again. As I
 6 understand it, those wells would be classified as marginal
 7 if they went for a three-month period without producing.

8 MR. PORTER: Has Cities Service made an appearance?

9 MR. LOWREY: Yes. Cities Service has no statement.

10 MR. PORTER: We have a couple of written
 11 communications, I believe.

12 MR. CARR: There is a letter from Chevron Oil
 13 Company stating that if the proposed rules for prorated gas
 14 pools are adopted, some of our wells in Southeastern New
 15 Mexico could be erroneously reclassified to a marginal
 16 status. As marginal, these wells would be unable to
 17 accumulate underage. Chevron must take the position of
 18 being in opposition to the proposed rule changes.

19 We also have a letter from Southern Union Gas
 20 Company in support of the rule changes.

21 MR. PORTER: Is there anything further in this
 22 case?

23 (No response)

24 MR. PORTER: The Commission will take Case 4991
 25 under advisement and proceed with the docket.

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1 STATE OF NEW MEXICO)
2) ss
3 COUNTY OF BERNALILLO)

4 I, RICHARD E. McCORMICK, a Certified Shorthand
5 Reporter, in and for the County of Bernalillo, do hereby
6 certify that the foregoing and attached Transcript of Hearing
7 before the New Mexico Oil Conservation Commission was
8 reported by me; and that the same is a true and correct
9 record of the said proceedings to the best of my knowledge,
10 skill and ability.

11 *Richard E. McCormick*
12 CERTIFIED SHORTHAND REPORTER
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E. R. MANNING

Direct Examination by Mr. Morris

5

Cross Examination by Mr. Porter

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Cross Examination by Mr. Kellahin

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Cross Examination by Mr. Utz

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Cross Examination by Mr. Medley

28

VICTOR T. LYON

Direct Examination by Mr. Kellahin

29

Cross Examination by Mr. Utz

46

Cross Examination by Mr. Morris

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JAMES H. TILLERY

Direct Examination by Mr. Parker

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Applicant's #1

Rule changes

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Applicant's #2

Rule changes

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Applicant's #3

Rule changes

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Continental #1

Tabulation

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Continental #2

Tabulation

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Continental #3

Tabulation

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OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

July 3, 1973

GOVERNOR
BRUCE KING
CHAIRMAN
LAND COMMISSIONER
ALEX J. ARMJO
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

Mr. Richard S. Morris
Montgomery, Federici, Andrews,
Hannahs & Morris
Attorneys at Law
Post Office Box 2307
Santa Fe, New Mexico

Re: Case No. 4991
Order No. R-4583
Applicant:
El Paso Natural Gas Co.

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x
Artesia OCC x
Aztec OCC x

Other Mr. James Parker, Mr. Farrell L. Lines, , Mr. Charles White,
Jason Kellahin, E. H. Lowrey, Mr. Jerry Tweed, Mr. R. B. Giles,
Mr. R. L. Medley, Mr. John Seerey, Mr. Don Buterbaugh, Mr. Bob Large,
(correspondence - Mr. C. R. Platt, Chevron) -

El Paso Natural Gas
Co.
Commercial Bank & Trust
Co. Bldg. 2301 West Wall
Midland, Tex.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 4991
Order No. R-4583

APPLICATION OF EL PASO NATURAL GAS
COMPANY FOR THE AMENDMENT OF THE
PRORATED GAS POOL RULES PROMULGATED
BY ORDER NO. R-1670, AS AMENDED.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 20, 1973, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 29th day of June, 1973, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That the Commission, by Order No. R-1670, as amended, has heretofore promulgated rules and regulations governing the prorated gas pools of Northwest New Mexico and Southeast New Mexico.

(3) That Rule 13 of said rules provides that the gas proration period for wells in Northwest New Mexico and Southeast New Mexico shall be the 12-month period commencing at 7:00 a.m. January 1 of each year.

(4) That the applicant, El Paso Natural Gas Company, seeks the amendment of said Rule 13 to provide that the 12-month gas proration period for wells in Northwest New Mexico and Southeast New Mexico would commence at 7:00 a.m. April 1 of each year and end at 7:00 a.m. April 1 of the following year.

(5) That in order to provide a balancing date at the close of a proration period which will approximate the beginning of the lower demand season, thus enabling overproduced wells to

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more readily get in balance during the summer months, the balancing date should be moved to April 1 of each year, and Rule 13 of the General Rules for Prorated Gas Pools should be amended as proposed by the applicant, and that the effective date of such amendment should be August 1, 1973.

(6) That Rule 9(B) of the Northwest New Mexico Gas Proration Rules as promulgated by Order No. R-1670, as amended, and Rule 10(A) of the Southeast New Mexico Gas Proration Rules as promulgated by said order, each provides that the monthly allowable to be assigned to each marginal well shall be equal to its average monthly production during the preceding gas proration period.

(7) That the applicant seeks the amendment of said Rule 9(B) and Rule 10(A) to provide that the monthly allowable to be assigned to each marginal well would be equal to its latest available monthly production.

(8) That in order to provide a more current allowable assignment for marginal wells, particularly inasmuch as the proration period is now of 12-month duration, rather than six months as when the subject Rule 9(B) and Rule 10(A) were adopted, the said rules should be amended as proposed by the applicant, and the effective date of such amendment should be August 1, 1973.

(9) That Rule 16(A) of the Northwest New Mexico and Southeast New Mexico Gas Proration Rules provides for the classification of a gas well which entered a gas proration period with an underproduced status as marginal if, after production data is available for the last month of each proration period, the well's highest single month's production is less than its average monthly allowable during the proration period, unless within 15 days after the close of the proration period, the operator presents satisfactory evidence to the Commission that the well should not be classified as marginal.

(10) That the applicant seeks the amendment of said Rule 16(A) to divide the 12-month gas proration period into four classification periods of three months each and to provide for the classification of a gas well which entered a proration period with an underproduced status as marginal, if after production data is available for the last month of each classification period, the well's highest single month's production is less than its average monthly allowable during the 3-month classification period, unless within 15 days after the close of the classification period, the operator presents satisfactory evidence to the Commission that the well should not be classified as marginal.

(11) That in order to maintain a more current classification status of wells as marginal, and to facilitate the assignment of more realistic allowables in accordance with the ability of

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Case No. 4991

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wells to produce, Rule 16(A) of the General Rules for Prorated Gas Pools should be amended as proposed by the applicant, provided however, the operator of a well classified as marginal should be permitted 15 days after receipt of notice of such reclassification in which to present evidence to the Commission to show that a well is not of marginal character and should not be so classified; that the effective date of the aforesaid amendment of said Rule 16(A) should be January 1, 1974.

(12) That the current proration period for any prorated gas pool, due to terminate at 7:00 a.m. January 1, 1974, should be extended to 7:00 a.m. April 1, 1974, in order that the close of the current proration period will coincide with the beginning of the next succeeding proration period as described in Finding No. (5) above.

(13) That Rule (18) of the Northwest New Mexico Gas Proration Rules and Rule (18) of the Southeast New Mexico Gas Proration Rules, both as promulgated by Order No. K-1670, as amended, should be amended to provide that underproduction cancelled as the result of a well's reclassification as a marginal well should be reinstated upon reclassification of the well back to non-marginal, if the well is classified as marginal for one proration period only or less.

(14) That in order to establish concurrent one-year proration periods for pools not governed by the provisions of General Rule 13 of the Northwest New Mexico and Southeast New Mexico Prorated Gas Pool Rules and Regulations, Rule 12 of the Special Rules for the Double X-Delaware Pool, Northwest Todd-San Andres Pool, Jennings-Delaware Associated Pool, Penasco Draw San Andres-Yeso Pool, Double L-Queen Associated Pool, Mesa-Queen Pool, North Fren Yates-Seven Rivers Associated Pool, North Paduca-Delaware Pool, Round Tank-Queen Pool, Twin Lakes-San Andres Pool, Angels Peak-Gallup Pool, Gallegos-Gallup Pool, Escrito-Gallup Pool and Tapacito-Gallup Associated Pool, and Rule 13(A) of the Special Rules for the Todd-Lower San Andres Associated Pool and the Bluit-San Andres Associated Pool, Rule 13 of the Special Rules for the Devils Fork Gallup Pool, and Rule 18 of the Special Rules for Southeast Chaves Queen Gas Area should each be amended to provide that the gas proration periods be from April 1 of each year to April 1 of the following year.

(15) That in order to provide for the uniform classification of gas wells in the San Juan Basin to marginal status, Rule 9(B) of the Special Pool Rules for the Tapacito-Pictured Cliffs Pool should be deleted and Rule 9(B) of the General Rules and Regulations for the Prorated Gas Pools of Northwest New Mexico made applicable.

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(16) That Chapter I, Section 2, of the Gas Well Testing Rules and Procedures, San Juan Basin, New Mexico, as promulgated by Order No. R-333-F-1, should be amended to provide that the testing season for gas wells in Northwest New Mexico will coincide with the proration period as described in Finding No. (5) above.

(17) That Commission Order R-356, to whatever extent same may still be applicable, should be superseded.

(18) That the adoption of the above described rule changes is in the interest of conservation and will increase administrative efficiency and will not cause waste nor impair correlative rights.

IT IS THEREFORE ORDERED:

(1) That effective August 1, 1973, Rule 9(B) of the Northwest New Mexico Gas Proration Rules, as promulgated by Order No. R-1670, as amended, is hereby amended to read in its entirety as follows:

"RULE 9(B). The monthly allowable to be assigned to each marginal well shall be equal to its latest available monthly production."

(2) That effective August 1, 1973, Rule 10(A) of the Southeast New Mexico Gas Proration Rules, as promulgated by Order No. R-1670, as amended, is hereby amended to read in its entirety as follows:

"RULE 10(A). The monthly allowable to be assigned to each marginal well shall be equal to its latest available monthly production."

(3) That effective August 1, 1973, Rule 13 of the Northwest New Mexico Gas Proration Rules and Rule 13 of the Southeast New Mexico Gas Proration Rules, both as promulgated by Order No. R-1670, as amended, are each hereby amended to read in their entirety as follows:

"RULE 13. The date 7:00 a.m. April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period."

(4) That effective January 1, 1974, Rule 16(A) of the Southeast New Mexico Gas Proration Rules, both as promulgated by Order No. R-1670, as amended, are each hereby amended to read in their entirety as follows:

*Northwest New Mexico Gas
Proration Rules add Rule
16(A) of the*

*None pro
line
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"RULE 16(A). The proration period (as defined in Rule 13) shall be divided into four classification periods of three months each, commencing on April 1, July 1, October 1, and January 1. After the production data is available for the last month of each classification period, any well which had an underproduced status at the beginning of the proration period shall be classified marginal if its highest single month's production during the classification period is less than its average monthly allowable during said classification period; provided however, that the operator of any well so classified, or other interested party, shall have 15 days after receipt of notification of marginal classification in which to submit satisfactory evidence to the Commission that the well is not of marginal character and should not be so classified."

(5) That effective January 1, 1974, Rule 18 of the Northwest New Mexico Gas Proration Rules, as promulgated by Order No. R-1670, as amended, is hereby amended to read in its entirety as follows:

"RULE 18. If, at the end of a proration period, a marginal well has produced more than the total allowable for the period, assigned to a non-marginal unit of like deliverability and acreage, the marginal well shall be reclassified as a non-marginal well and its allowable and net status adjusted accordingly. (If the well has been classified as marginal for one proration period only, or a portion of one proration period only, any underproduction cancelled as the result of such classification shall be reinstated upon reclassification back to non-marginal status. All uncompensated-for overproduction accruing to the well while marginal shall be chargeable upon reclassification to non-marginal.)"

(6) That effective January 1, 1974, Rule 18 of the Southeast New Mexico Gas Proration Rules, as promulgated by Order No. R-1670, as amended, is hereby amended to read in its entirety as follows:

"RULE 18. If, at the end of a proration period, a marginal well has produced more than the total allowable for the period, assigned to a non-marginal unit of corresponding size, the marginal well shall be reclassified as a non-marginal well and its allowable and net status adjusted accordingly. (If the well has been classified as marginal for one proration period only, or a portion of one proration period only, any underproduction cancelled as the

result of such classification shall be reinstated upon reclassification back to non-marginal status. All uncompensated-for overproduction accruing to the well while marginal shall be chargeable upon reclassification to non-marginal.)"

(7) That effective August 1, 1973, Special Rule 13(A) of the Todd-Lower San Andres Associated Pool Rules as promulgated by Orders Nos. R-1670-G and R-3153, and Special Rule 13(A) of the Bluit San Andres Associated Pool Rules as promulgated by Order No. R-1670-I are hereby amended to read in their entirety as follows:

"RULE 13(A). The date 7:00 a.m. April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period."

(8) That effective August 1, 1973, Special Rule 12 of the Northwest Todd-San Andres Pool Rules as promulgated by Order No. R-4441 is hereby amended to read in its entirety as follows:

"RULE 12. That the initial gas proration period shall be from 7:00 a.m. December 1, 1972, to 7:00 a.m. April 1, 1974. Subsequently, the date 7:00 a.m. April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period."

(9) That effective August 1, 1973, Special Rule 13 of the Devils Fork Gallup Pool Rules as promulgated by Order No. R-1670-B is hereby deleted and General Rule 13 of the Northwest New Mexico Prorated Gas Pool Rules is made applicable. Special Rule 13(a) shall not be affected by this action.

(10) That effective August 1, 1973, Special Rule 12 of the Jennings-Delaware Associated Pool Rules as promulgated by Order No. R-4359, is hereby amended to read in its entirety as follows:

"RULE 12. That the initial gas proration period shall be from 7:00 a.m. August 1, 1972, to 7:00 a.m. April 1, 1974. Subsequently, the date 7:00 a.m. April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period."

(11) That effective August 1, 1973, Special Rule 12 of the Penasco Draw San Andres-Yeso Pool Rules as promulgated by Order No. R-4365, is hereby amended to read in its entirety as follows:

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"RULE 12. That the initial gas proration period shall be from 7:00 a.m. September 1, 1972, to 7:00 a.m. April 1, 1974. Subsequently, the date 7:00 a.m. April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period."

(12) That effective August 1, 1973, Special Rule 18 of the Southeast Chaves Queen Gas Area Rules as promulgated by Order No. R-4435 is hereby amended to read in its entirety as follows:

"RULE 18. The date 7:00 a.m. April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period."

(13) That effective August 1, 1973, Special Rule 12 of the North Fren Yates-Seven Rivers Associated Pool Rules as promulgated by Order No. R-4411 is hereby amended to read in its entirety as follows:

"RULE 12. That the initial gas proration period shall be from 7:00 a.m. November 1, 1972, to 7:00 a.m. April 1, 1974. Subsequently, the date 7:00 a.m. April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period."

(14) That effective August 1, 1973, Special Rule 12 of the Double X-Delaware Pool Rules as promulgated by Order No. R-2397, Special Rule 12 of the Double L-Queen Associated Pool Rules as promulgated by Order No. R-3981-A and as amended by Order No. R-4367, Special Rule 12 of the Mesa-Queen Pool Rules as promulgated by Order No. R-2935 and as amended by Order No. R-4367, Special Rule 12 of the North Paduca-Delaware Pool Rules as promulgated by Order No. R-3437 and as amended by Order No. R-4367, Special Rule 12 of the Round Tank-Queen Pool Rules as promulgated by Order No. R-1670-J as amended by Order No. R-4367, Special Rule 12 of the Twin Lakes-San Andres Pool Rules as promulgated by R-4102 and R-4102-D, Special Rule 12 of the Angels Peak-Gallup Pool Rules as promulgated by Order No. R-1410-C and as amended by Order No. R-4367, Special Rule 12 of the Gallegos-Gallup Pool Rules as promulgated by Order No. R-3707, and as amended by Order No. R-4367, Special Rule 12 of the Escrito-Gallup Pool Rules and promulgated by Order No. R-1793-A and as amended by Order No. R-4367, and Special Rule 12 of the Tapacito-Gallup Associated Pool Rules as promulgated by Order No. R-3211 and as amended by Order No. R-4367, is each hereby amended to read in its entirety as follows:

"RULE 12. The date 7:00 a.m. April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period."

(15) That effective August 1, 1973, Special Rule 9(B) of the Tapacito-Pictured Cliffs Pool as promulgated by Order No. R-1670, as amended, is hereby deleted and Rule 9(B) of the General Rules and Regulations for the Prorated Gas Pools of Northwest New Mexico made applicable.

(16) That effective August 1, 1973, Chapter I, Section 1, 2, and 3 of the Gas Well Testing Rules and Procedures, San Juan Basin, New Mexico, as promulgated by Order No. R-333-F-1, is hereby amended to read in its entirety as follows:

GAS WELL TESTING RULES AND PROCEDURES
SAN JUAN BASIN, NEW MEXICO

CHAPTER I TYPE OF TESTS REQUIRED

Section 1: Initial Deliverability and Shut-In Pressure Tests for Newly Completed Wells

- A. Immediately upon completion of each gas well in the San Juan Basin, a shut-in pressure test of at least seven days duration shall be made.
- B. Within 60 days after a well is connected to a gas transportation facility, the well shall have been tested in accordance with Section 1 of Chapter II of these rules, "Initial Deliverability and Shut-In Pressure Test Procedures," and the results of the test filed with the Commission's Aztec office and with the gas transportation facility to which the well is connected. Failure to file said test within the above-prescribed 60-day period will subject the well to the loss of one day's allowable for each day the test is late.
- C. The requirements for Initial Tests and Annual or Biennial Deliverability and Shut-In Pressure Tests and the notification requirements and scheduling of such tests which apply to newly completed wells shall also apply to reworked or recompleted wells.
- D. Any tests taken for informational purposes prior to pipeline connection shall not be recognized as official tests for the assignment of allowables.

"Section 2: Annual and Biennial Deliverability and Shut-In Pressure Tests

A. Biennial Deliverability and Shut-In Pressure Tests shall be made on all gas wells during the period from each March 1 through the last day of February of the following year except as follows:

1. A newly completed well or a reworked or recompleted well shall be tested on an annual basis until three annual tests have been taken, after which the well shall be tested biennially as is required for other wells in the pool in which the well is located.
2. An Annual Deliverability and Shut-In Pressure Test shall not be required during the current proration period for any well connected to a gas transportation facility after December 31. Such tests may be taken at the option of the operator of the well, however.
3. When the Initial Deliverability and Shut-In Pressure Test required by Section 1-B above has been taken in accordance with the annual and biennial testing procedure outlined in Section 2 of Chapter II of these rules, the initial test may be considered the first of the three required annual tests for the well. Provided however, if the operator intends to use such initial test as the first annual test, he must notify the Commission and the gas transportation facility to which the well is connected of his intent in writing prior to the conclusion of the 14-day conditioning period.
4. Wells classified as "exempt marginal" shall not be subject to the requirements of annual or biennial deliverability and shut-in pressure tests.

Classification of wells into or out of the exempt marginal status shall be done once each year effective April 1.

Gas wells completed in the Pictured Cliffs formation or in any shallower formation which were connected throughout the year but which failed to produce in excess of 12,000 MCF of gas during the preceding 12-month period shall be classified "exempt marginal."

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Case No. 4991
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Gas wells completed in any formation deeper than the Pictured Cliffs formation which were connected throughout the year but which failed to produce in excess of 24,000 MCF of gas during the preceding 12-month period shall be classified "exempt marginal."

A gas well connected for less than one year may be classified as "exempt marginal" if at least three months of production history is available at the annual classification time and if the average daily rate of production clearly indicates that the well would be eligible for exempt marginal status if 12 months of production history were available.

- B. All Annual and Biennial Deliverability and Shut-In Pressure Tests required by these rules must be filed with the Commission's Aztec office and with the appropriate gas transportation facility within 60 days following the completion of each test. Provided however, that any test completed between January 10 and the last day of February must be filed not later than March 10. Failure to file any test within the above-prescribed times will subject the well to the loss of one day's allowable for each day the test is late. No extension of time for filing tests beyond March 10 will be granted except after notice and hearing.

"Section 3: Scheduling of Tests

- A. By December 1 of each year, the District Supervisor of the Aztec District Office of the Commission shall by memorandum notify each gas transportation facility of the pools which are to be scheduled for biennial testing during the following testing season from March 1 through the last day of February of the following year.

B. Annual and Biennial Deliverability Tests

By February 1 of each year, each gas transportation facility shall, in cooperation with the operators involved, prepare and submit a schedule of the wells to which it is connected which are to be tested during the ensuing March and April. Said schedule shall be entitled, "Annual and Biennial Deliverability and Shut-In Pressure Test Schedule," and shall be submitted in triplicate to the Commission's Aztec office.

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Case No. 4991
Order No. R-4583

At least one copy shall also be furnished each operator concerned. The schedule shall indicate the date of tests, pool, operator, lease, well number, and location of each well. At least 30 days prior to the beginning of each succeeding 2-month testing interval, a similar schedule shall be prepared and filed in accordance with the above.

The gas transportation facility and the Aztec District Office of the Commission shall be notified immediately by any operator unable to conduct any test as scheduled. In the event a well is not tested in accordance with the test schedule, the well shall be re-scheduled by the gas transportation facility, and the Commission and the operator of the well so notified in writing. Notice to the Commission must be received prior to the conclusion of the 14-day conditioning period. Notice to the Commission of shut-in pressure tests which are scheduled at a time other than immediately following the flow test must be received prior to the time that the well is shut-in.

It shall be the responsibility of each operator to determine that all of its wells are properly scheduled for testing by the gas transportation facility to which they are connected, in order that all annual or biennial tests may be completed during the testing season.

C. Deliverability Re-Tests

An operator may, in cooperation with the gas transportation facility, schedule a well for a deliverability re-test upon notification to the Commission's Aztec office at least ten days before the test is to be commenced. Such re-test shall be for good and substantial reason and shall be subject to the approval of the Commission. Re-tests shall in all ways be conducted in conformance with the Annual and Biennial Deliverability Test Procedures of these rules. The Commission, at its discretion, may require the re-testing of any well by notification to the operator to schedule such re-test."

(17) That Commission Order R-356 is hereby superseded.

(18) That the current proration period for all prorated gas pools, which period is due to terminate at 7:00 a.m. January 1, 1974, is hereby extended to 7:00 a.m. April 1, 1974.

-12-

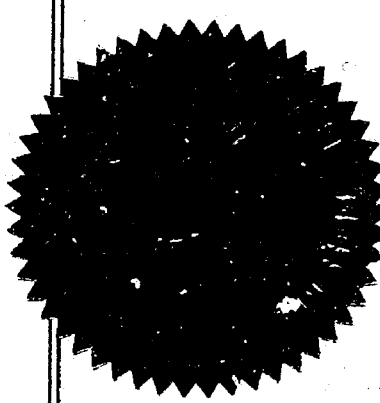
Case No. 4991

Order No. R-4583

(19) That jurisdiction of this cause is hereby 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 COMMISSION



I. R. Trujillo
I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member

A. L. Porter, Jr.
A. L. PORTER, Jr., Member & Secretary

S E A L

dr/



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

October 25, 1973

I. R. TRUJILLO
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

Re: CASE NO. 4991
ORDER NO. R-4583-B

Amoco Production Company
Post Office Box 3092
Houston, Texas 77001

Applicant:
El Paso Natural Gas Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC	<u>X</u>
Artesia OCC	<u>X</u>
Aztec OCC	<u>X</u>

Other _____

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 4991
Order No. R-4583-B

APPLICATION OF EL PASO NATURAL GAS
COMPANY FOR THE AMENDMENT OF THE
PRORATED GAS POOL RULES PROMULGATED
BY ORDER NO. R-1670, AS AMENDED.

NUNC PRO TUNC

BY THE COMMISSION:

It appearing to the Commission that due to clerical error
and inadvertence Order No. R-4583, dated June 29, 1973, does not
state the intended order of the Commission,

IT IS THEREFORE ORDERED:

(1) That Finding No. (14) on Page 3 of Order No. R-4583 be
and the same is hereby corrected to read in its entirety as
follows:

"(14) That in order to establish concurrent one-year
proration periods for pools not governed by the provisions
of General Rule 13 of the Northwest New Mexico and Southeast
New Mexico Prorated Gas Pool Rules and Regulations, Rule 12
of the Special Rules for the Double X-Delaware Pool, North-
west Todd-San Andres Pool, Jennings-Delaware Associated
Pool, Penasco Draw San Andres-Yaso Pool, Double L-Queen
Associated Pool, Mesa-Queen Pool, North Fren Yates-Seven
Rivers Associated Pool, North Paduca-Delaware Pool,
Round Tank-Queen Pool, Peterson-Pennsylvanian Associated
Pool, Twin Lakes-San Andres Pool, Angels Peak-Gallup Pool,
Gallegos-Gallup Pool, Escrito-Gallup Pool and Tapacito-
Gallup Associated Pool, and Rule 13(A) of the Special
Rules for the Todd-Lower San Andres Associated Pool and
the Bluit-San Andres Associated Pool, Rule 13 of the
Special Rules for the Devils Fork-Gallup Pool, and Rule 18
of the Special Rules for Southeast Chaves Queen Gas Area
should each be amended to provide that the gas proration
periods be from April 1 of each year to April 1 of the
following year."

(2) That Paragraph (13) on Page 7 of Order No. R-4583 be
and the same is hereby corrected to read in its entirety as
follows:

--2--

Case No. 4991
Order No. R-4583-B

"(13) That effective August 1, 1973, Special Rule 12 of the North Fren Yates-Seven Rivers Associated Pool Rules as promulgated by Order No. R-4411 is hereby amended to read in its entirety as follows:

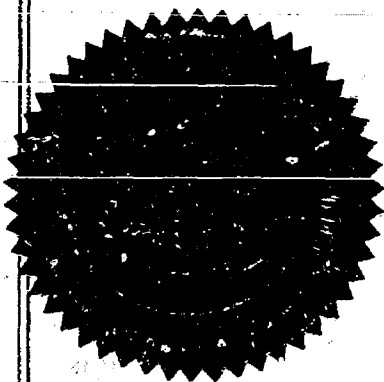
"RULE 12. That the initial gas proration period shall be from 7:00 a.m. November 1, 1972, to 7:00 a.m. April 1, 1974. Subsequently, the date 7:00 a.m. April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period."

"That effective August 1, 1973, Special Rule 12 of the Peterson-Pennsylvanian Associated Pool Rules as promulgated by Order No. R-4538 is hereby amended to read in its entirety as follows:

"RULE 12. That the initial balancing date shall be 7:00 a.m. April 1, 1974. Subsequently, the date 7:00 a.m. April 1 of each year shall be known as the balancing date and the twelve months following this date shall be known as the gas proration period."

(3) That this order shall be effective nunc pro tunc as of June 29, 1973.

DONE at Santa Fe, New Mexico, this 25th day of October, 1973.



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. Trujillo
I. R. TRUJILLO, Chairman

Alex J. Armijo
ALEX J. ARMILJO, Member

A. L. Porter, Jr.
A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 4991
Order No. R-4583-A

APPLICATION OF EL PASO NATURAL GAS
COMPANY FOR THE AMENDMENT OF THE
PRORATED GAS POOL RULES PROMULGATED
BY ORDER NO. R-1670, AS AMENDED.

NUNC PRO TUNC

BY THE COMMISSION:

It appearing to the Commission that due to clerical error and inadvertence Order No. R-4583, dated June 29, 1973, does not state the intended order of the Commission,

IT IS THEREFORE ORDERED:

(1) That Paragraph (4) on Page 4 of Order No. R-4583, be and the same is hereby corrected to read in its entirety as follows:

"(4) That effective January 1, 1974, Rule 16(A) of the Northwest New Mexico Gas Proration Rules and Rule 16(A) of the Southeast New Mexico Gas Proration Rules, both as promulgated by Order No. R-1670, as amended, are each hereby amended to read in their entirety as follows:

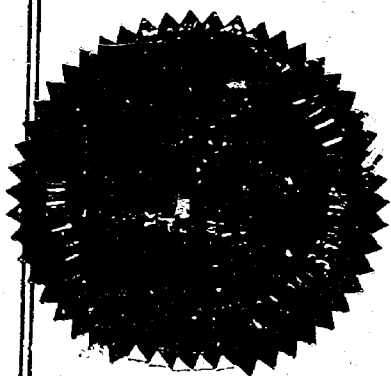
RULE 16(A). The proration period (as defined in Rule 13) shall be divided into four classification periods of three months each, commencing on April 1, July 1, October 1, and January 1. After the production data is available for the last month of each classification period, any well which had an underproduced status at the beginning of the proration period shall be classified marginal if its highest single month's production during the classification period is less than its average monthly allowable during said classification period; provided however, that the operator of any well so classified, or other interested party, shall have 15 days after receipt of notification of marginal classification in which to submit satisfactory evidence to the Commission that the well is not of marginal character and should not be so classified."

(2) That the correction set forth above be entered nunc pro tunc as of June 29, 1973.

-2-

Case No. 4991
Order No. R-4583-A

DONE at Santa Fe, New Mexico, on this 23rd day of
August, 1973.



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. Trujillo
I. R. TRUJILLO, Chairman

Alex J. Armijo
ALEX J. ARMIJO, Member

A. L. Porter Jr.
A. L. PORTER, Jr., Member & Secretary

S E A L

dr/



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

I. R. TRUJILLO
CHAIRMAN
LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

August 23, 1973

Re: CASE NO. 4991
ORDER NO. R-4583-A

Mr. Richard S. Morris
Montgomery, Federici, Andrews, Hannahs,
and Morris
Attorneys at Law
Post Office Box 2307
Santa Fe, New Mexico

El Paso Natural Gas Co.

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x
Artesia OCC x
Aztec OCC x

Other Mr. James Parker, Mr. Farrell L. Lines, Mr. Charles White,
Mr. Jason Kellahin, E. H. Lowrey, Mr. Jerry Tweed, Mr. R. B. Giles,
Mr. R. L. Medley, Mr. John Seerey, Mr. Don Butarbaugh, Mr. Bob Large,
(Correspondence - Mr. C. R. Platt, Chevron)

R-4583

Nunc Pro Tunc

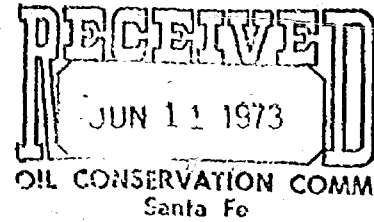
(4) That effective January 1, 1974, Rule 16(A) of the Northwest New Mexico Gas Production Rules and Rule 16(A) of the Southeast New Mexico Gas Production Rules, both as promulgated by Order No. R-1670, as amended, are each hereby amended to read in their entirety as follows:

"RULE 16(A)



Chevron Oil Company
Western Division
1700 Broadway, P.O. Box 599, Denver, CO 80201

June 7, 1973



Case 4991

Case No. 4991
Proposed Amendments of
General Rules and Regulations For
Prorated Gas Pools in New Mexico

El Paso Natural Gas Company
P. O. Box 1492
El Paso, Texas 79978

Attention Mr. E. R. Manning

Gentlemen:

We are in receipt of your letter dated May 25, 1973 and the attached application to amend certain rules of the General Rules and Regulations for the Prorated Gas Pools in the State of New Mexico. We have studied the proposed rule changes and the effect on Chevron Oil Company operations in Southeastern New Mexico, particularly in the Indian Basin Field.

As you know, Chevron's wells in the Indian Basin Field are non-marginal wells with a capacity to produce in excess of allowable. The problem of possible erroneous classification of these wells has been discussed in previous hearings on this same matter. As the rules now apply we are able to cumulate underage during months of low demand and then we are able to produce this cumulative underage during months of high demand thereby keeping our wells in balance and maintaining the maximum production and allowable as prescribed by the applicable rules.

If the proposed rules for prorated gas pools are adopted some of our wells in Southeastern New Mexico could be erroneously reclassified to marginal status. As marginal, these wells would be unable to cumulate underage and over a period of time this inability would cause an ultimate loss of allowable and also loss in production.

Chevron must take the position of being in opposition to the proposed rule changes as they would affect Southeastern New Mexico. If the proposed rules are adopted for Southeastern New Mexico, the provision for notification of the operator by the Commission prior to reclassification of a well from non-marginal to marginal status is a necessity. This would permit the operator, 15 days after notice by the Commission, to submit notice and proof of erroneous classification of a well to marginal status.

Lead into record

El Paso Natural Gas Company

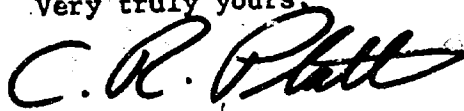
-2-

June 7, 1973

Chevron will make its position on this matter known to the Commission prior to the hearing by copy of this letter.

Should you have any questions concerning Chevron's position please feel free to call me at 303-292-1400 Denver, Colorado.

Very truly yours,



C. R. Platt
Staff Engineer - Proration

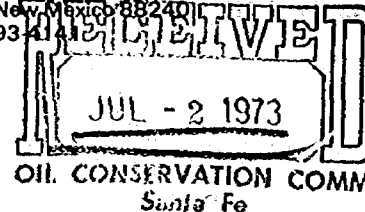
JDZ:j1
Attachment

cc: New Mexico Oil Conservation Commission
Attention Mr. A. L. Porter, Jr.



Production Department
Hobbs Division

Western Hemisphere Petroleum Division
Continental Oil Company
P.O. Box 460
1001 North Turner
Hobbs, New Mexico 88240
(505) 393-4111



*Copy
file*

June 29, 1973

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. A. L. Porter, Jr., Secretary-Director

Gentlemen:

Case No. 4991, June 20, 1973 Regular Hearing

During the hearing on the subject case the Commission inquired as to whether I had some suggested wording for the rules which would provide the relief to marginal wells I was requesting. After reviewing the present rules and those proposed by El Paso I would suggest the following addition to Rule 17. "A well which is reclassified non-marginal within one year following its classification as marginal, whether under the provisions of Rules 18, 19, or otherwise, shall have restored to it all unproduced allowable which the well carried immediately prior to its reclassification to marginal, less that amount which would have been cancelled due to the balancing procedures described in Rule 14a."

It would appear that the rules proposed by El Paso will result in large numbers of reclassifications from marginal to non-marginal and back or will require a considerable correspondence between operator and the Commission explaining why wells should not be reclassified to marginal, or both.

I have serious questions that the proposed rules will result in better proration of gas or any noticeable improvement in El Paso's ability to meet the market demand. I should point out, however, that this opinion is based on my experience in southeastern New Mexico and not to any experience in northwest New Mexico.

Yours very truly,

V. T. Lyon
V. T. Lyon
Conservation Coordinator

br
Copy to:

*200 ltr to be
considered.
A.P.*

New Mexico Oil Conservation Commission
Page 2
June 29, 1973

El Paso Natural Gas Company
P. O. Box 1492
El Paso, Texas 79978

Attention: Mr. Bob Manning

J. W. Kellahin
P. O. Box 1769
Santa Fe, New Mexico 87501

LPT:
R. L. Adams, G. A. Donaldson, Houston
W. C. Blackburn, Casper

Docket No. 16-73

DOCKET: REGULAR HEARING - WEDNESDAY - JUNE 20, 1973

OIL CONSERVATION COMMISSION - 9 A.M. - MORGAN HALL, STATE LAND OFFICE
BUILDING, SANTA FE, NEW MEXICO

CASE 4990: In the matter of the hearing called by the Oil Conservation Commission of New Mexico upon its own motion to consider the application of Thriftway Company, operator of a petroleum refinery in Bloomfield, New Mexico, for certification to the Commissioner of Public Lands as a small business enterprise within the state not having an adequate supply of charge stocks and eligible to be granted a preference, pursuant to Chapter 34, New Mexico Laws of 1967, for the purchase of state royalty oil. The Commission will consider the application and such pertinent evidence as may be submitted concerning the capacity of the refinery, the source and grade of all refinery charge stocks currently available to the applicant, the minimum amount and grade of additional refinery charge stocks needed to meet existing refinery commitments or existing refinery capacity, and the efforts made by applicant to purchase refinery charge stocks on the open market.

CASE 4991: Application of El Paso Natural Gas Company for the amendment of the prorated gas pool rules promulgated by Order No. R-1670, as amended.

Applicant, in the above-styled cause, seeks the amendment of the General Rules and Regulations for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Commission Order No. R-1670, as amended. Applicant proposes:

1. That Rule 9 (B) of the Northwest New Mexico Gas Proration Rules and 10 (A) of the Southeast New Mexico Gas Proration Rules each be amended to provide that the monthly allowable assigned to a marginal well would be equal to its latest available monthly production.
2. That Rule 13 of the Northwest New Mexico and Southeast New Mexico Gas Proration Rules be amended to provide that the proration period would be the 12-month period from 7:00 a.m. April 1 of each year to 7:00 a.m. April 1 of the following year. (The current proration period, due to terminate at 7:00 a.m. January 1, 1974, would be extended to 7:00 a.m. April 1, 1974).
3. That Rule 16 (A) of the Northwest New Mexico and Southeast New Mexico Gas Proration Rules be amended to provide that each proration period consist of four classification periods for the purpose of classifying wells marginal, each such classification period being of three months duration; and to provide that after production data is available for the last month of each such classification period, any well which had an underproduced status at the beginning of the gas proration period would be classified marginal

(Case 4991 continued from Page 1)

if its highest single month's production during the classification period is less than its average monthly allowable for the classification period; unless within 15 days after receipt of notice of classification of a well as marginal, the operator of the well or other interested person presents satisfactory evidence to the Commission showing that the well is not of marginal character and should not be so classified.

Applicant, in addition to the above-requested specific rule changes, further requests such additional word changes in other orders and/or Rules of the Commission (including but not limited to Order No. R-333-F-1) as may be necessary to effectuate the substantive rule changes proposed herein.

CASE 4992: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Corinne Grace and the Travelers Indemnity Company and all other interested parties to appear and show cause why the Ranger Lake Wells Nos. 1 and 3 located in Unit N of Section 11, Township 12 South, Range 34 East, Lea County, New Mexico should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 4993: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Corinne Grace and the Travelers Indemnity Company and all other interested parties to appear and show cause why the T. P. State Well No. 1 located in Unit A of Section 17, Township 10 South, Range 33 East, Lea County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 4994: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Glenn Petroleum Corporation and United States Fire Insurance Company and all other interested parties to appear and show cause why the Crosby Well No. 1 located in Unit O of Section 26, Township 7 South, Range 30 East, Chaves County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 4995: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Glenn Petroleum Corporation and United States Fire Insurance Company and all other interested parties to appear and show cause why the Sanders Well No. 1 located in Unit N of Section 25, Township 7 South, Range 30 East, Chaves County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

- CASE 4996: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit C. H. Brockett Inc. and the Indemnity Company and all other interested parties to appear and show cause why the Lazy J State "A" Well No. 1 located in Unit A of Section 3, Township 14 South, Range 33 East, Lea County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 4997: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Jal Fishing Tool Company and United States Fidelity & Guarantee Company and all other interested parties to appear and show cause why the H. Whitten Well No. 1 located in Unit C of Section 4, Township 24 South, Range 36 East, Lea County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 4998: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit E. P. Campbell and Aetna Casualty and Surety Company and all other interested parties to appear and show cause why the E. P. Campbell Christmas Well No. 1 located in Unit C of Section 6, Township 23 South, Range 36 East, Lea County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 4999: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Standard Production Company and Aetna Life & Casualty and all other interested parties to appear and show cause why the Brown Lease Wells Nos. 1, 2, 3, 4, 5, and 5-A, located in Units F, D, C, F, E, and E, respectively, of Section 25, Township 25 South, Range 36 East, Lea County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program, and why the location of Well No. 6 in Unit L and No. 7 in Unit M of said Section 25 should not be cleaned and levelled.
- CASE 5000: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Aztec Oil and Gas Company and United States Fidelity and Guaranty Company and all other interested parties to appear and show cause why the Aztec Totah Unit Wells Nos. 17 and 18, located in Unit E of Section 20, and Unit H of Section 19, respectively, Township 29 North, Range 13 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5001: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Tamanaco Oil Corporation and Continental Casualty Company and all other interested parties to appear and show cause why the El Poso Ranch "N" Well No. 11 located in Unit N of Section 11, Township 28 North, Range 1 East, Rio Arriba County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

- CASE 5002: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Tamanao Oil Corporation and Continental Casualty Company and all other interested parties to appear and show cause why the Pound Ranch "B" Well No. 27 located in Unit B of Section 27, Township 28 North, Range 1 East, Rio Arriba County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5003: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Dan M. Lockie and Hartford Fire Insurance Company Group and all other interested parties to appear and show cause why the Dan M. Lockie, Gersbach Com #1 located in Unit J of Section 3, Township 29 North, Range 16 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5004: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Pettus and Associates and United States Fidelity and Guaranty Company and all other interested parties to appear and show cause why the Pettus and Associates, Hunt Well No. 1 located in Unit K of Section 3, Township 29 North, Range 16 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5005: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Pettus and Associates and United States Fidelity and Guaranty Company and all other interested parties to appear and show cause why the Pettus and Associates, Don Stock Well No. 1 located in Unit E of Section 3, Township 29 North, Range 16 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5006: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Aztec Oil and Gas Company and United States Fidelity and Guaranty Company and all other interested parties to appear and show cause why the Southeast Cha Cha Unit Well No. 1 located in Unit M of Section 32, Township 29 North, Range 13 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

Regular Hearing - Wednesday - June 20, 1973

Docket No. 16-73

-5-

CASE 4989: (Continued from the June 6, 1973, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission upon its own motion to consider the amendment of the general rules governing prorated gas pools in Northwest and Southeast New Mexico as promulgated by Order No. R-1670, as amended. Rule 15 of the aforesaid general rules would be amended to provide that if a well is overproduced in an amount exceeding six times its average monthly allowable for the preceding twelve months (or, in the case of a newly connected well or a well in a newly prorated pool, six times its average monthly allowable for the months available), it shall be shut in during that month and each succeeding month until it is overproduced in an amount less than six times its average monthly allowable, as determined above.

Rule 15 would be further amended to permit the Secretary-Director of the Commission to grant a pool-wide moratorium of up to three months on the shutting in of gas wells during periods of high demand emergency if a significant number of the wells in the pool are subject to being shut in.


SOUTHERN UNION **GAS** COMPANY

FIDELITY UNION TOWER • DALLAS, TEXAS • 75201

June 19, 1973


New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. A. L. Porter, Secretary-Director

Dear Mr. Porter:

Southern Union Gas Company wishes to advise the Commission that they support
El Paso Natural Gas Company in their application (Case #4991) for the amendment
of the prorated gas pool rules promulgated by Order #R-1670, as amended.

Very truly yours,


R. J. McCrary, Manager
Purchases & Prorations Dept.

RJM:sbr

cc: Mr. Oran Haseltine

El Paso Natural Gas Company
Case No 4991
Exhibit No 1

RECEIVED THE
CH. COMM. L. & C. DIVISION
DATE: 6-1-72

Case No. 4991
Submitted by EPNG
Hearing Date 6-1-72

PROPOSED AMENDMENTS TO
RULES AND REGULATIONS - NORTHWESTERN NEW MEXICO

RULE 9 (B) (As amended by Order No. R-4085, January 1, 1971)

The monthly allowable to be assigned to each marginal well shall be equal to its average monthly production during the preceding gas proration period latest available monthly production.

RULE 13. (As amended by Order No. R-1670-K, May 11, 1972.)

The date 7:00 A.M. January April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period.

RULE 16 (A). (As amended by Order No. R-4085, January 1, 1971.)

The proration period (as defined in Rule 13) shall be divided into four classification periods of three months each, commencing on April 1. After the production data is available for the last month of each gas proration three months' classification period, any well which had an underproduced status at the beginning of said the proration period shall be classified marginal if its highest single month's production is less than its average monthly allowable for said three months' classification period, unless, within 15 days after the close of said period, the operator or other interested person presents satisfactory evidence to the Commission showing that the well is not of marginal character and should not be so classified.

OIL COMMISSION
Case No. 4991
Submitted by EPNG
Hearing Date 6-28-73

El Paso Natural Gas Company
Case No. 4991
Exhibit No. 2

PROPOSED AMENDMENTS TO

~~GENERAL RULES AND~~ REGULATIONS - SOUTHEASTERN NEW MEXICO

RULE 10 (A). (As amended by Order No. R-4085, January 1, 1971.)

The monthly allowable to be assigned to each marginal well shall be equal to its average monthly production during the preceding gas proration period latest available monthly production.

RULE 13. (As amended by Order No. R-1670-K, May 11, 1972.)

The date 7:00 A.M. January April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period.

RULE 16 (A). (As amended by Order No. R-4085, January 1, 1971.)

The proration period (as defined in Rule 13) shall be divided into four classification periods of three months each, commencing on April 1. After the production data is available for the last month of each gas proration three months' classification period, any well which had an underproduced status at the beginning of said the proration period shall be classified marginal if its highest single month's production is less than its average monthly allowable for said three months' classification period, unless, within 15 days after the close of said period, the operator or other interested person presents satisfactory evidence to the Commission showing that the well is not of marginal character and should not be so classified.

El Paso Natural Gas Company
Case No. 4991
Exhibit No. 3

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 4991 Exhibit No. 3

Submitted by EPNG

Hearing Date 6-20-78 PROMULGATED BY ORDER NUMBER R-333-F-1

Section 2: Annual and Biennial Deliverability and Shut-In Pressure Tests

A. Biennial Deliverability and Shut-In Pressure Tests shall be made on all gas wells during the period from December March through the following November-30 last day of February of the following year each year except as follows:

A.4. Classification of wells into or out of the exempt marginal status shall be done once each year effective January April 1.

B. All Annual and Biennial Deliverability and Shut-In Pressure Tests required by these rules must be filed with the Commission's Aztec office and with the appropriate gas transportation facility within 60 days following the completion of each test. Provided however, that any test completed between October January 10 and November 30 the last day of February must be filed not later than December March 10. Failure to file any test within the above prescribed times will subject the well to the loss of one day's allowable for each day the test is late. No extension of time for filing tests beyond December March 10 will be granted except after notice and hearing.

Section 3: Scheduling of Tests

A. By September December 1 of each year, the District Supervisor of the Aztec District Office of the Commission shall by memorandum notify each gas transportation facility of the pools which are to be scheduled for biennial

testing during the following testing season from ~~December~~ March 1 through ~~November 30~~ the last day of February of the following year.

B. Annual and Biennial Deliverability Tests

By ~~November~~ February 1 of each year, each gas transportation facility shall, in cooperation with the operators involved, prepare and submit a schedule of the wells to which it is connected which are to be tested during the ensuing ~~December~~ March and January April. Said schedule shall be entitled, "Annual and Biennial Deliverability and Shut-In Pressure Test Schedule," and shall be submitted in triplicate to the Commission's Aztec office. At least one copy shall also be furnished each operator concerned. The schedule shall indicate the date of tests, pool, operator, lease, well number, and location of each well. At least 30 days prior to the beginning of each succeeding two-month testing interval, a similar schedule shall be prepared and filed in accordance with the above.

Exhibits for Continental

LOCKHART A-27 NO. 5
UNIT "A" SEC. 27, T-21S, R-37E
LEA COUNTY
BLINEBRY POOL - 120 ACRE PRORATION UNIT

R-3491
✓ P#11

<u>1972</u>	<u>Allowable</u>	<u>Production</u>	<u>Status</u>	<u>Average Monthly Allowable by Quarters</u>
January	22546	13924	(3962)	
February	20592	28346	3792	
March	12198	3674	(4732)	18445
April	6988	0	(11720)	
May	11991	0	(23711)	
June (Classified to marginal under El Paso's Proposed system)	10939	0	(34650)	9973
July	6984	2802	(38832)	
August	3411	0	(47243)	
September	10817	3073	(54987)	8737
October	11719	32920	(33786)	
November	11695	57919	12438	
December	18981	76712	70169	14134
<u>1973 (Added allowable due to redistribution)</u> (525)				
January	22061	56763	104346	
February	24965	4221	83602	
March	30355	3731	56978	25794

LYNN B-25 NO. 2
UNIT "M" SEC. 25, T-23S, R-36E
LEA COUNTY
JALINT POOL - 320 ACRE PRORATION UNIT

<u>1972</u>	<u>Allowable</u>	<u>Production</u>	<u>Status</u>	<u>Average Monthly Allowable by Quarters</u>
January	42273	38179	22550	
February	52366	35164	5348	
March	41667	36738	419	45435
April	29045	47102	18476	
May	25565	52599	45510	
June	22757	33381	56134	25789
July	27656	0	25359	
August	34589	41747	32517	
September	37778	23710	18449	33341
October	30488	36828	24789	
November	30063	36028	30754	
December	38797	31317	23274	33116

1973 (Allowable added due to redistribution)
(81836)

January	40986	19115	(80433)	
February	40979	15809	(105603)	
March (Classified to marginal under El Paso's proposal)	46987	27189	(125401)	42984

STEVENS A-35 UNIT WELL NOS. 1 & 2
 UNITS "J" & "L", SEC. 35, T-23S, R-36E
 LEA COUNTY
 JALMAT POOL - 280 ACRE PRORATION UNIT

<u>1972</u>	<u>Allowable</u>	<u>Production</u>	<u>Status</u>	<u>Average Monthly Allowable by Quarters</u>
January	36989	45306	(21462)	
February	45820	41657	(25625)	
March	36458	39498	(22585)	39756
April	25415	39643	(8357)	
May	22369	38439	7713	
June	19912	37849	25648	22565
July	24199	37839	38288	
August	30266	35887	43909	
September	33055	23536	34390	29173
October	26677	34937	42650	
November	26305	33078	49423	
December	33948	33996	49471	38976

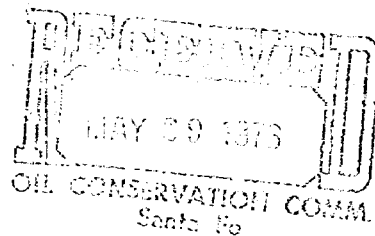
1973 (Allowable added due to redistribution)
 (71607)

January	35863	33042	(24957)	
February	35857	31639	(29175)	
March (Classified to marginal using El Paso's proposal)	41114	34587	(35702)	37611
April	24693	32341	(38054)	

El Paso Natural Gas Company

El Paso, Texas 79978

May 25, 1973



Mr. A. L. Porter, Jr.
Secretary-Director
New Mexico Oil Conservation
Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Porter:

Enclosed for your handling is the Application of El Paso Natural Gas Company, in triplicate, seeking certain changes in the General Rules and Regulations for the Prorated Gas Pools of Northwestern and Southeastern New Mexico.

Your assistance in the filing of this Application is greatly appreciated.

Very truly yours,

James C. Considine
James C. Considine
Counsel

Enclosure

DOCKET MAILED
6-7-73

1270
BEFORE THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
EL PASO NATURAL GAS COMPANY FOR AN
ORDER OF THIS COMMISSION AMENDING
ORDER R-1670, AS AMENDED, TO CHANGE
RULES 9(B), 13, AND 16(A) OF THE
GENERAL RULES AND REGULATIONS FOR
THE PRORATED GAS POOLS OF NORTH-
WESTERN NEW MEXICO AND RULES 10(A),
13 AND 16(A) OF THE GENERAL RULES
AND REGULATIONS FOR THE PRORATED
GAS POOLS OF SOUTHEASTERN NEW MEXICO.

CASE NO. 4991

ORDER NO. _____

APPLICATION

Comes now EL PASO NATURAL GAS COMPANY, Applicant herein, a Delaware corporation authorized to do business in the State of New Mexico, and requests that it be granted a hearing before the Commission or an appointed Examiner on June 20, 1973. Applicant respectfully requests the amendment of Order R-1670, as amended, to change the following Rules of the General Rules and Regulations for the Prorated Gas Pools of Northwestern and Southeastern New Mexico:

OK 1. Rule 9(B) of the General Rules and Regulations for the Prorated Gas Pools of Northwestern New Mexico and Rule 10(A) of the General Rules and Regulations for the Prorated Gas Pools of Southeastern New Mexico should be amended to provide that the monthly allowable to be assigned to each marginal well shall be equal to its latest available monthly production.

OK 2. Rule 13 of the General Rules and Regulations for the Prorated Gas Pools of both Northwestern and Southeastern New Mexico should be amended to provide that the date 7:00 a.m., April 1 of each year shall be known as the balancing date, and the 12 months following this date shall be known as the gas proration period.

DOCKET MAILED

Date 6-7-73

L. Dick Morris

3. Rule 16(A) of the General Rules and Regulations for the Prorated Gas Pools of both Northwestern and Southeastern New Mexico should be amended to provide:

(a) That a gas proration period shall consist of four (4) classification periods, each classification period being of 3 months duration; and providing further

(b) That after the production data is available for the last month of each classification period, any well which had an underproduced status at the beginning of the gas proration period shall be classified marginal if its highest single month's production during the said classification period is less than its average monthly allowable for such classification period, unless within 15 days from the receipt of notice of the classification of a well as marginal, the operator of such well or other interested person presents satisfactory evidence to the Commission showing that the well is not of marginal character and should not be so classified.

*quarterly
classification
into 4
periods*

*or
total
against
total
current;
high, mid
against
total*

*total
to
total
group.*

Applicant, in addition to the above-requested specific Rule changes, further requests such additional word changes in other Orders and/or Rules as may be necessary to effectuate the substantive Rule changes proposed herein.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing after due notice as prescribed by law, and after such notice and hearing, that the relief requested herein be granted.

EL PASO NATURAL GAS COMPANY

A. M. Derrick
A. M. Derrick
Vice President

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 4991
Order No. R-4583-A

APPLICATION OF EL PASO NATURAL GAS
COMPANY FOR THE AMENDMENT OF THE
PRORATED GAS POOL RULES PROMULGATED
BY ORDER NO. R-1670, AS AMENDED.

NUNC PRO TUNC

BY THE COMMISSION:

It appearing to the Commission that due to clerical error
and inadvertence Order No. R-4583, dated June 29, 1973, does not
state the intended order of the Commission,

IT IS THEREFORE ORDERED:

(1) That Paragraph (4) on Page 4 of Order No. R-4583,
be and the same is hereby corrected to read in its entirety as
follows:

"(4) That effective January 1, 1974, Rule 16(A) of the
Northwest New Mexico Gas Proration Rules and Rule 16(A) of the
Southeast New Mexico Gas Proration Rules, both as promulgated by
Order No. R-1670, as amended, are each hereby amended to read
in their entirety as follows:

RULE 16(A). The proration period (as defined in Rule 13)
shall be divided into four classification periods of
three months each, commencing on April 1, July 1,
October 1, and January 1. After the production data
is available for the last month of each classifica-
tion period, any well which had an underproduced
status at the beginning of the proration period shall
be classified marginal if its highest single month's
production during the classification period is less
than its average monthly allowable during said classi-
fication period; provided however, that the operator
of any well so classified, or other interested party,
shall have 15 days after receipt of notification of
marginal classification in which to submit satisfactory
evidence to the Commission that the well is not of
marginal character and should not be so classified."

(2) That the correction set forth above be entered nunc pro
tunc as of June 29, 1973.

DONE at Santa Fe, New Mexico, on this _____ day of August,
1973.

DRAFT

DSN/dr

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 4991
Order No. R-4583-B

APPLICATION OF EL PASO NATURAL GAS
COMPANY FOR THE AMENDMENT OF THE
PRORATED GAS POOL RULES PROMULGATED
BY ORDER NO. R-1670, AS AMENDED.

NUNC PRO TUNC

BY THE COMMISSION:

It appearing to the Commission that due to clerical error
and inadvertence Order No. R-4583, dated June 29, 1973, does not
state the intended order of the Commission,

IT IS THEREFORE ORDERED:

(1) That Finding No. (14) on Page 3 of Order No. R-4583 be
and the same is hereby corrected to read in its entirety as follows:

"(14) That in order to establish concurrent one-year pro-
ration periods for pools not governed by the provisions of
General Rule 13 of the Northwest New Mexico and Southeast
New Mexico Prorated Gas Pool Rules and Regulations, Rule 12
of the Special Rules for the Double X-Delaware Pool, North-
west Todd-San Andres Pool, Jennings-Delaware Associated
Pool, Penasco Draw San Andres-Yeso Pool, Double L-Queen
Associated Pool, Mesa-Queen Pool, North Fren Yates-Seven
Rivers Associated Pool, North Paduca-Delaware Pool,
Round Tank-Queen Pool, Peterson-Pennsylvanian Associated
Pool, Twin Lakes-San Andres Pool, Angels Peak-Gallup Pool,
Gallegos-Gallup Pool, Escrito-Gallup Pool and Tapacito-
Gallup Associated Pool, and Rule 13(A) of the Special-
Rules for the Todd-Lower San Andres Associated Pool and
the Bluit-San Andres Associated Pool, Rule 13 of the
Special Rules for the Devils Fork-Gallup Pool, and Rule 18
of the Special Rules for Southeast Chavez Queen Gas Area
should each be amended to provide that the gas proration
periods be from April 1 of each year to April 1 of the
following year."

(2) That Paragraph (13) on Page 7 of Order No. R-4583 be
and the same is hereby corrected to read in its entirety as
follows:

-2-

Case No. 4991

Order No. R-4583-B

Indent

"(13) That effective August 1, 1973, Special Rule 12 of the North Fren Yates-Seven Rivers Associated Pool Rules as promulgated by Order No. R-4411 is hereby amended to read in its entirety as follows:

"RULE 12. That the initial gas proration period shall be from 7:00 a.m. November 1, 1972, to 7:00 a.m. April 1, 1974. Subsequently, the date 7:00 a.m. April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period."

" That effective August 1, 1973, Special Rule 12 of the Peterson-Pennsylvanian Associated Pool Rules as promulgated by Order No. R-4538 is hereby amended to read in its entirety as follows:

"RULE 12. That the initial balancing date shall be ^{7:00 a.m.} April 1, 1974. Subsequently, the date 7:00 a.m. April 1 of each year shall be known as the balancing date and the twelve months following this date shall be known as the gas proration period!"

(3) That this order shall be effective nunc pro tunc as of June 29, 1973.

DONE at Santa Fe, New Mexico, this _____ day of October, 1973.

(1) That Finding No. (14) on Page 3 of Order No. R 4583 be and the same is hereby corrected to read ~~as~~ in its entirety as follows:

~~quote finding it down through
10th line change ^{lines} to read~~

~~Pool, Esq.~~

quote finding it exactly except
insert Peterson-Pennsylvanian
Associated Pool, right after
Round Tank Queen Pool in
line 9.

7

(2) That, Paragraph (13) on Page 7 of Order No. R-4583 be and the same is hereby corrected to read in its entirety as follows:

"(13) That effective (same as (13) now but add:

That effective August 1, 1973, Special Rule 12 of The Peterson-Pennsylvanian Associated Pool Rules as promulgated by Order No. R-4538 is hereby amended to read in its entirety as follows:

"Rule 12. That the initial balancing date shall be April 1, 1974. Subsequently, the date 7:00 am. April 1 of each year shall be known as the balancing date and the twelve months following this date shall be known as the gas proration period."

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 4991

Order No. R-4583-**B**

APPLICATION OF EL PASO NATURAL GAS
COMPANY FOR THE AMENDMENT OF THE
PRORATED GAS POOL RULES PROMULGATED
BY ORDER NO. R-1670, AS AMENDED.

NUNC PRO TUNC

BY THE COMMISSION:

It appearing to the Commission that due to clerical error
and inadvertence Order No. R-4583, dated June 29, 1973, does not
state the intended order of the Commission,

IT IS THEREFORE ORDERED:

~~(1) That Paragraph (4) on Page 4 of Order No. R-4583, be
and the same is hereby corrected to read in its entirety as
follows:~~

~~(4) That effective January 1, 1974, Rule 16(A) of the
Northwest New Mexico Gas Proration Rules and Rule 16(A) of the
Southeast New Mexico Gas Proration Rules, both as promulgated by
Order No. R-1670, as amended, are each hereby amended to read
in their entirety as follows:~~

~~RULE 16(A). The proration period (as defined in Rule 13)
shall be divided into four classification periods of
three months each, commencing on April 1, July 1,
October 1, and January 1. After the production data
is available for the last month of each classifica-
tion period, any well which had an underproduced
status at the beginning of the proration period shall
be classified marginal if its highest single month's
production during the classification period is less
than its average monthly allowable during said classi-
fication period; provided however, that the operator
of any well so classified, or other interested party,
shall have 15 days after receipt of notification of
marginal classification in which to submit satisfactory
evidence to the Commission that the well is not of
marginal character and should not be so classified."~~

~~(2) That the correction set forth above be entered nunc pro
tunc as of June 29, 1973.~~

draft

dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

APPLICATION OF EL PASO NATURAL GAS
COMPANY FOR THE AMENDMENT OF THE
PRORATED GAS POOL RULES PROMULGATED
BY ORDER NO. R-1670, AS AMENDED.

CASE NO. 4991
Order No. R-

4583

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 20, 1973,
at Santa Fe, New Mexico, before the Oil Conservation Commission of
New Mexico, hereinafter referred to as the "Commission."

NOW, on this _____ day of June, 1973, the Commission, a
quorum being present, having considered the testimony presented
and the exhibits received at said hearing, and being fully advised
in the premises,

FINDS:

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

(2) That the Commission, by Order No. R-1670, as amended,
has heretofore promulgated rules and regulations governing the
prorated gas pools of Northwest New Mexico and Southeast New
Mexico.

(3) That Rule 13 of said rules provides that the gas
proration period for wells in Northwest New Mexico and Southeast
New Mexico shall be the 12-month period commencing at 7:00 a.m.
January 1 of each year.

(4) That the applicant, El Paso Natural Gas Company, seeks
the amendment of said Rule 13 to provide that the 12-month gas
proration period for wells in Northwest New Mexico and Southeast
New Mexico would commence at 7:00 a.m. April 1 of each year and
end at 7:00 a.m. April of the following year.

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Case No. 4991
Order No. R-

(3)
(5) That in order to provide a balancing date at the close of a proration period which will approximate the beginning of the lower demand season, thus enabling overproduced wells to get ^{more readily} ~~back~~ in balance during the summer months, the balancing date should be moved to April 1 of each year, and Rule 13 of the General Rules for Prorated Gas Pools should be amended as proposed by the applicant, and that the effective date of such amendment should be August 1, 1973.

(6) That Rule 9(B) of the Northwest New Mexico Gas Proration Rules as promulgated by Order No. R-1670, as amended, and Rule 10(A) of the Southeast New Mexico Gas Proration Rules as promulgated by said order, each provides that the monthly allowable to be assigned to each marginal well shall be ~~equal~~ ^{equal} to its average ~~monthly allowable~~ ^{monthly production} during the preceding gas proration period.

(7) That the applicant seeks the amendment of said Rule 9(B) and Rule 10(A) to provide that the monthly allowable to be assigned to each marginal well would be equal to its latest available monthly production.

(1)
(2)
(8) That in order to provide a more current allowable assignment for marginal wells, particularly inasmuch as ^{the} proration period is now of 12-month duration, rather than ~~6~~ ^{six} months as when the subject Rule 9(B) and Rule 10(A) were adopted, the said rules should be amended as proposed by the applicant, and the effective date of such amendment should be August 1, 1973.

(9) That Rule 16(A) of the Northwest New Mexico and Southeast New Mexico Gas Proration Rules provides for the classification of a gas well which entered a gas proration period with an underproduced status as marginal if, after production data is available for the last month of each proration period, the well's highest single month's production is less than its average monthly allowable during the proration period, ~~unless~~ within 15 days after the close of the proration period, the operator presents satisfactory evidence to the Commission that the well should not be classified as marginal.

(10) That the applicant seeks the amendment of said Rule 16(A) to divide the ^{12-month gas} proration period into four classification periods of three months each and to provide for the classification of a gas well which entered a proration period with an underproduced status as marginal, if after production data is available for the last month of each classification period, the well's highest single month's production is less than its average monthly allowable during the 3-month classification period, unless within 15 days after the close of the classification period, the operator presents satisfactory evidence to the Commission that the well should not be classified as marginal.

(11) That in order to maintain a more current classification status of wells as marginal, and to facilitate the assignment of more realistic allowables in accordance with the ability of wells to produce, Rule 16(A) of the General Rules for Proated Gas Pools should be amended as proposed by the applicant, provided however, the operator of a well classified as marginal should be permitted 15 days after receipt of notice of such reclassification in which to present evidence to the Commission to show that a well is not of marginal character and should not be so classified; that the effective date of the aforesaid amendment of said Rule 16(A) should be January 1, 1974.

(12) That the current proration period ^{for any gas proated gas pool, due to terminate} ~~extending from~~ ^{at 7:00 a.m.} ~~7:00 a.m. January 1, 1973, to 7:00 a.m.~~ January 1, 1974, should be extended to 7:00 a.m., April 1, 1974, in order that the close of the current proration period will coincide with the beginning of the next succeeding proration period as described in Finding No. (5) above.

(5)
(47)
(13) That Rule (18) of the Northwest New Mexico Gas Proration Rules and Rule (18) of the Southeast New Mexico Gas Proration Rules, both as promulgated by Order No. R-1670, as amended, should be amended to provide that underproduction cancelled as the result of a well's reclassification as a marginal well should be reinstated upon reclassification of the well back to non-marginal, if the well is classified as marginal for one proration period only or less.

(14) That in order to establish concurrent one-year proration periods for pools not governed by the provisions of General Rule 13 of the Northwest New Mexico and Southeast New Mexico Prorated Gas Pool Rules and Regulations, Rule 12 of the Special Rules for the ~~Northwest Todd-San Andres Pool~~, ^{Double X-Delaware Pool,} Jennings-Delaware Associated Pool, ^X Penasco Draw San Andres-Yeso Pool, ^X Double L-Queen Associated Pool, ^X ~~Mesa-Queen Pool~~, ^{North Fren Yates-Seven Rivers Associated Pool,} North Paduca-Delaware Pool, Round Tank-Queen Pool, Twin Lakes-San Andres Pool, Angels Peak-Gallup Pool, Gallegos-Gallup Pool, Escrito-Gallup Pool and Tapacito-Gallup Associated Pool, and Rule 13(A) of the Special Rules for the ^X Todd-Lower San Andres Associated Pool and the Bluit-San Andres Associated Pool, ^X and Rule 13 of the Special Rules for the Devils Fork Gallup Pool, ^X ~~and Rule 18 of the Southeast Chaves Queen Gas Area~~ should each be amended to provide that the gas proration periods be from April 1 of each year to April 1 of the following year.

(15) That in order to provide for the uniform classification of gas wells in the San Juan Basin to marginal status, Rule 9(B) of the Special Pool Rules for the Tapacito-Pictured Cliffs Pool should be deleted and Rule 9(B) of the General Rules and Regulations for the Prorated Gas Pools of Northwest New Mexico made applicable.

(16) That Chapter I, Section 2, of the Gas Well Testing Rules and Procedures, San Juan Basin, New Mexico, as promulgated by Order No. R-333-F-1, should be amended to provide that the testing season for gas wells in Northwest New Mexico will coincide with the proration period as described in Finding No. (5) above.

(18) That the adoption of the above described rule changes is in the interest of conservation and will increase administrative efficiency and will not cause waste nor impair correlative rights.

(17) That Commission Order R-356, to whatever extent same may still be applicable, should be superseded.

~~(18) That the current proration period for all proved gas pools which is period is due to terminate at 7:00 a.m. January 1, 1974, is hereby extended to 7:00 a.m. April 1, 1974.~~

IT IS THEREFORE ORDERED:

(1) That effective August 1, 1973, Rule 9(B) of the Northwest New Mexico Gas Proration Rules, as promulgated by Order No. R-1670, as amended, is hereby amended to read in its entirety as follows:

"RULE 9(B). The monthly allowable to be assigned to each marginal well shall be equal to its latest available monthly production."

(2) That effective August 1, 1973, Rule 10(A) of the Southeast New Mexico Gas Proration Rules, as promulgated by Order No. R-1670, as amended, is hereby amended to read in its entirety as follows:

"RULE 10(A). The monthly allowable to be assigned to each marginal well shall be equal to its latest available monthly production."

(3) That effective August 1, 1973, Rule 13 of the Northwest New Mexico Gas Proration Rules and Rule 13 of the Southeast New Mexico Gas Proration Rules, both as promulgated by Order No. R-1670, as amended, are each hereby amended to read in their entirety as follows:

"RULE ~~13~~ 13. The date 7:00 a.m. April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the ^{gas} proration period."

(4) That effective January 1, 1974, Rule 16(A) of the Southeast New Mexico Gas Proration Rules, both as promulgated by Order No. R-1670, as amended, are each hereby amended to read in their entirety as follows:

"RULE 16(A). The proration period (as defined in Rule 13) shall be divided into four classification periods of three months each, commencing on April 1, July 1, October 1, and January 1. After the production data is available for the last month of each classification period, any well which had an underproduced status at the beginning of the proration period shall be classified marginal if its highest single month's production during the classification period is less than its average monthly allowable during said classification period; provided however, that the

operator of any well so classified, or other interested party, shall have 15 days after receipt of notification of marginal classification in which to submit satisfactory evidence to the Commission that the well is not of marginal character and should not be so classified."

(5) That effective January 1, 1974, Rule ~~18~~ of the Northwest New Mexico Gas Proration Rules, as promulgated by Order No. R-1570, as amended, is ~~and~~ hereby amended to read in its entirety as follows:

"RULE ~~18~~. If, at the end of a proration period, a marginal well has produced more than the total allowable for ^{the period, assigned to} a non-marginal unit of like deliverability and acreage, the marginal well shall be reclassified as a non-marginal well and its allowable and net status adjusted accordingly. (If the well has been classified as marginal for one proration period only, or a portion of one proration period only, any underproduction cancelled as the result of such classification shall be reinstated upon reclassification back to non-marginal status. All uncompensated-for overproduction accruing to the well while marginal shall be chargeable upon reclassification to non-marginal.)"

(6) That effective January 1, 1974, Rule ~~18~~ of the Southeast New Mexico Gas Proration Rules, as promulgated by Order No. R-1670, as amended, is hereby amended to read in its entirety as follows:

"RULE ~~18~~. If, at the end of a proration period, a marginal well has produced more than the ^{total} allowable for the period, assigned ^{to} a non-marginal unit of corresponding size, the marginal well shall be reclassified as a non-marginal well and its allowable and net status adjusted accordingly. (If the well has been classified as marginal for one proration period only, or a portion of one proration period only, any underproduction cancelled as the

result of such classification shall be reinstated upon reclassification back to non-marginal status. All uncompensated-for overproduction accruing to the well while marginal shall be chargeable upon reclassification to non-marginal.)"

(7) That effective August 1, 1973, Special Rule 13(A) of the Todd-Lower San Andres Associated Pool Rules as promulgated by Orders Nos. R-1670-G and R-3153, and Special Rule 13(A) of the Bluit San Andres Associated Pool Rules as promulgated by Order No. R-1670-I are hereby amended to read in their entirety as follows:

"RULE 13(A). The date 7:00 a.m. April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the *gas* proration period."

(8) That effective August 1, 1973, Special Rule 12 of the Northwest Todd-San Andres Pool Rules as promulgated by Order No. R-4441 is hereby amended to read in its entirety as follows:

"RULE 12. That the initial gas proration period shall be from 7:00 a.m. December 1, 1972, to 7:00 a.m. April 1, 1974. Subsequently, the date 7:00 a.m. April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period."

(9) That effective August 1, 1973, Special Rule 13 of the Devils Fork Gallup Pool Rules as promulgated by Order No. R-1670-B is hereby deleted and General Rule 13 of the Northwest New Mexico Prorated Gas Pool Rules is made applicable. Special Rule 13(a) shall not be affected by this action.

(10) That effective August 1, 1973, Special Rule 12 of the Jennings-Delaware Associated Pool Rules as promulgated by Order No. R-4359, is hereby amended to read in its entirety as follows:

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(14) That effective August 1, 1973, Special Rule 12 of the ~~Double X-De la Valle Pool Rules as promulgated by Order No. R-2397, Special Rule 12 of~~ Double L-Queen Associated Pool Rules as promulgated by Order No. R-3981-A and as amended by Order No. R-4367, Special Rule 12 of the Mesa-Queen Pool Rules as promulgated by Order No. R-2935 and as amended by Order No. R-4367, Special Rule 12 of the North Paduca-De la Valle Pool Rules as promulgated by Order No. R-3437 and as amended by Order No. R-4367, Special Rule 12 of the Round Tank-Queen Pool Rules as promulgated by Order No. R-1670-J as amended by Order No. R-4367, Special Rule 12 of the Twin Lakes-San Andres Pool Rules as promulgated by R-4102 and R-4102-D, Special Rule 12 of the Angels Peak-Gallup Pool Rules as promulgated by Order No. R-1410-C and as amended by Order No. R-4367, Special Rule 12 of the Gallegos-Gallup Pool Rules as promulgated by Order No. R-3707, and as amended by Order No. R-4367, Special Rule 12 of the Escrito-Gallup Pool Rules and promulgated by Order No. R-1793-A and as amended by Order No. R-4367, and Special Rule 12 of the Tapacito-Gallup Associated Pool Rules as promulgated by Order No. R-3211 and as amended by Order No. R-4367, is each hereby amended to read in its entirety as follows:

"RULE 12. The date 7:00 a.m. April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period."

(15) That effective August 1, 1973, Special Rule 9(B) of the Tapacito-Pictured Cliffs Pool as promulgated by Order No. R-1670, as amended, is hereby deleted and Rule 9(B) of the General Rules and Regulations for the Prorated Gas Pools of Northwest New Mexico made applicable.

(16) That effective August 1, 1973, Chapter I, Section ^{1,} 2, and 3, of the Gas Well Testing Rules and Procedures, San Juan Basin, New Mexico, as promulgated by Order No. R-333-F-1, is hereby amended to read in its entirety as follows:

~~Nos. R-333-G, R-333-H, and R-333-H-1, are hereby promulgated and adopted as an exception to Rules 401 and 402 of the general statewide rules and regulations of this Commission relating to gas well testing procedures.~~

" GAS WELL TESTING RULES AND PROCEDURES
SAN JUAN BASIN, NEW MEXICO

CHAPTER I TYPE OF TESTS REQUIRED

Section 1: Initial Deliverability and Shut-In Pressure Tests
for Newly Completed Wells

- A. Immediately upon completion of each gas well in the San Juan Basin, a shut-in pressure test of at least seven days duration shall be made.
- B. Within 60 days after a well is connected to a gas transportation facility, the well shall have been tested in accordance with Section 1 of Chapter II of these rules, "Initial Deliverability and Shut-In Pressure Test Procedures," and the results of the test filed with the Commission's Aztec office and with the gas transportation facility to which the well is connected. Failure to file said test within the above-prescribed 60-day period will subject the well to the loss of one day's allowable for each day the test is late.
- C. The requirements for Initial Tests and Annual or Biennial Deliverability and Shut-In Pressure Tests and the notification requirements and scheduling of such tests which apply to newly completed wells shall also apply to reworked or recompleted wells.
- D. Any tests taken for informational purposes prior to pipeline connection shall not be recognized as official tests for the assignment of allowables.

"Section 2: Annual and Biennial Deliverability and Shut-In
Pressure Tests

A. Biennial Deliverability and Shut-In Pressure Tests shall be made on all gas wells during the period from each March 1 through the last day of February of the following year except as follows:

1. A newly completed well or a reworked or recompleted well shall be tested on an annual basis until three annual tests have been taken, after which the well shall be tested biennially as is required for other wells in the pool in which the well is located.
2. An Annual Deliverability and Shut-In Pressure Test shall not be required during the current ~~proration period~~ ^{de} ~~year~~ for any well connected to a gas transportation facility after ~~September 30~~ ^{December 31}. Such tests may be taken at the option of the operator of the well, however.
3. When the Initial Deliverability and Shut-In Pressure Test required by Section 1-B above has been taken in accordance with the annual and biennial testing procedure outlined in Section 2 of Chapter II of these rules, the initial test may be considered the first of the three required annual tests for the well. Provided however, if the operator intends to use such initial test as the first annual test, he must notify the Commission and the gas transportation facility to which the well is connected of his intent in writing prior to the conclusion of the 14-day conditioning period.

4. Wells classified as "exempt marginal" shall not be subject to the requirements of annual or biennial deliverability and shut-in pressure tests.

Classification of wells into or out of the exempt marginal status shall be done once each year effective April 1.

Gas wells completed in the Pictured Cliffs formation or in any shallower formation which were connected throughout the year but which failed to produce in excess of 12,000 MCF of gas during the preceding 12-month period shall be classified "exempt marginal."

Gas wells completed in any formation deeper than the Pictured Cliffs formation which were connected throughout the year but which failed to produce in excess of 24,000 MCF of gas during the preceding 12-month period shall be classified "exempt marginal."

A gas well connected for less than one year may be classified as "exempt marginal" if at least three months of production history is available at the annual classification time and if the average daily rate of production clearly indicates that the well would be eligible for exempt marginal status if 12 months of production history were available.

- B. All Annual and Biennial Deliverability and Shut-In Pressure Tests required by these rules must be filed with the Commission's Aztec office and with the appropriate gas transportation facility within 60 days following the completion of each test. Provided however, that any test completed between January 10 and the last day of February must be filed not later than March 10. Failure to file any test within the above-prescribed times will subject the well to the loss of one day's allowable for each day the test is late. No extension of time for filing tests beyond March 10 will be granted except after notice and hearing.

"Section 3: Scheduling of Tests

- A. By December 1 of each year, the District Supervisor of the Aztec District Office of the Commission shall by memorandum notify each gas transportation facility of the pools which are to be scheduled for biennial testing during the following testing season ~~from~~ March 1 through the last day of February of the ~~following~~ year.

- B. Annual and Biennial Deliverability Test

By February 1 of each year, each gas transportation facility shall in cooperation with the operators involved, prepare and submit a schedule of the wells to which it is connected which are to be tested during the ensuing March and April. Said schedule shall be entitled, "Annual and Biennial Deliverability and Shut-In Pressure Test Schedule," and shall be submitted in triplicate to the Commission's Aztec office.

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At least one copy shall also be furnished each operator concerned. The schedule shall indicate the date of tests, pool, operator, lease, well number, and location of each well. At least 30 days prior to the beginning of each succeeding 2-month testing interval, a similar schedule shall be prepared and filed in accordance with the above.

The gas transportation facility and the Aztec District Office of the Commission shall be notified immediately by any operator unable to conduct any test as scheduled. In the event a well is not tested in accordance with the test schedule, the well shall be re-scheduled by the gas transportation facility, and the Commission and the operator of the well so notified in writing. Notice to the Commission must be received prior to the conclusion of the 14-day conditioning period. Notice to the Commission of shut-in pressure tests which are scheduled at a time other than immediately following the flow test must be received prior to the time that the well is shut-in.

It shall be the responsibility of each operator to determine that all of its wells are properly scheduled for testing by the gas transportation facility to which they are connected, in order that all annual or biennial tests may be completed during the testing season.

C. Deliverability Re-Tests

An operator may, in cooperation with the gas transportation facility, schedule a well for a deliverability re-test upon notification to the Commission's Aztec office at least ten days before the test is to be commenced. Such re-test shall be for good and substantial reason and shall be subject to the approval of the Commission. Re-tests shall in all ways be conducted in conformance with the Annual and Biennial Deliverability Test Procedures of these rules. The Commission, at its discretion, may require the re-testing of any well by notification to the operator to schedule such re-test."

~~(17)~~ (19) That jurisdiction...

DONE "at

X (17) That Commission Order R-356 is hereby superseded.

(18) That the current proration period for all prorated gas pools, which period is due to terminate ~~Jan~~ at 7:00 a.m. January 1, 1974, is hereby extended to ~~Jan~~ 7:00 a.m. April 1, 1974.

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"RULE 12. That the initial gas proration period shall be from 7:00^{a.m.} August 1, 1972, to 7:00 a.m. April 1, 1974. Subsequently, the date 7:00 a.m. April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period."

(11) That effective August 1, 1973, Special Rule 12 of the Penasco Draw San Andres-Yeso Pool Rules as promulgated by Order No. R-4365, is hereby amended to read in its entirety as follows:

"RULE 12. That the initial gas proration period shall be from 7:00 a.m. September 1, 1972, to 7:00 a.m. April 1, 1974. Subsequently, the date 7:00 a.m. April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period."

(12) That effective August 1, 1973, Special Rule 18 of the Southeast Chaves Queen Gas Area Rules as promulgated by Order No. R-4435 is hereby amended to read in its entirety as follows:

"RULE 18. The date 7:00 a.m. April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period."

(13) That effective August 1, 1973, Special Rule 12 of the North Fren Yates-Seven Rivers Associated Pool Rules as promulgated by Order No. R-4411 is hereby amended to read in its entirety as follows:

"RULE 12. That the initial gas proration period shall be from 7:00 a.m. November 1, 1972, to 7:00 a.m. April 1, 1974. Subsequently, the date 7:00 a.m. April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period."