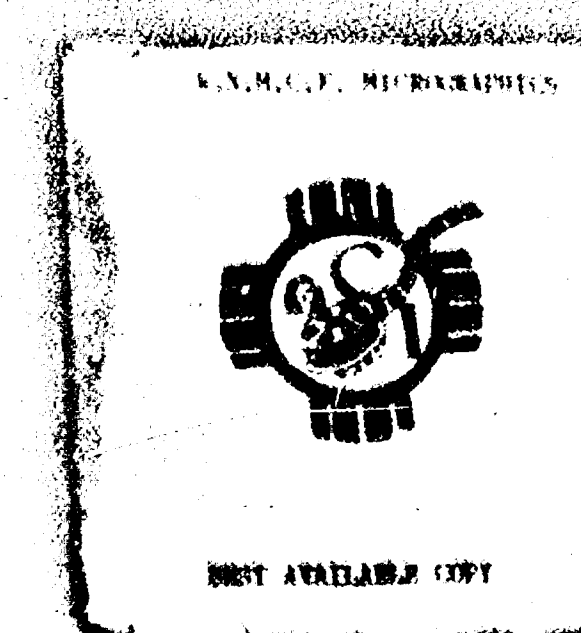


Case No.
6851

Large Exhibits



- Rule 5. If written objection to the application is filed with the Division's Santa Fe office by any interested party within 15 days after the complete application is filed, no hearing is required by the Director. The application shall be put for hearing in accordance with Rules 1201 through 1223 of the Division's general statewide rules and regulations.
- Rule 6. If no written objection is received within the time period set out in Rule 5, and no hearing is required, the application may be approved administratively by a Division command or the Director.
- Rule 7. If a hearing is required, a determination shall not become final until the applicant or other interested party has exhausted his administrative remedies before the Division. If a hearing is not required, a determination shall be final on the date the application is either approved or disapproved.
- Rule 8. Within 10 days after making a final determination, notice shall be sent to the applicant, the transporter and, if a hearing was held, to each party who has entered his appearance of record at the hearing.
- Rule 9. Within 15 days after making a final determination, notice shall be sent to the PERC.
- Rule 10. An examiner or the Director may require the filing of additional information ~~on a case-by-case basis~~ other than that required to be submitted by PERC or Division regulations.
- Rule 11. The Director may set any application for hearing at his discretion or at the request of an applicant.

102's
Rule 12. The date of application shall be the date on which a complete application is filed with the Division's Santa Fe office. Uncomplete applications shall not be returned to the applicant or not docketed for processing.

Rule 13. A proration unit for a given pool shall automatically expire upon the plugging and abandonment or the re-completion in another pool of the last well on the proration unit dedicated to said unit in that pool and the filing with and approval by the Division of Division Form C-103 evidencing such plugging and abandonment or re-completion.

FILING REQUIREMENTS

Section 102 New Natural Gas

Rule 14. An application for a new onshore well (NPGA Section 102 (c) (1) (b)) shall include either subpart (1) or (2) or both:

1. 2.5 mile test:
 - a. PERC Form No. 121
 - b. Division Form C-132 and the required attachments
 - c. a location plat which locates and identifies the well for which the determination is sought and any other well which produced natural gas after January 1, 1970, and before April 20, 1977, and is within the 2.5 mile radius drawn from the well for which a determination is sought;



d. a statement by the applicant under oath:

- (1) that he has made, or has caused to be made, pursuant to his instructions, a diligent search of all records (including but not limited to production, severance tax, and royalty payment records) which are reasonably available and contain information relevant to the determination of eligibility;
- (2) describing the search made, the records reviewed, the location of such records and a description of any records which he believes may contain information relevant to the determination but which he has determined are not reasonably available to him;
- (3) that on the basis of the results of this search and examination, he has concluded that to the best of his information, knowledge and belief, there is no marker well within 2.5 miles of the well for which he seeks a determination; and
- (4) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusion; and

2. 1,000 feet deeper test

a. FDC Form No. 121

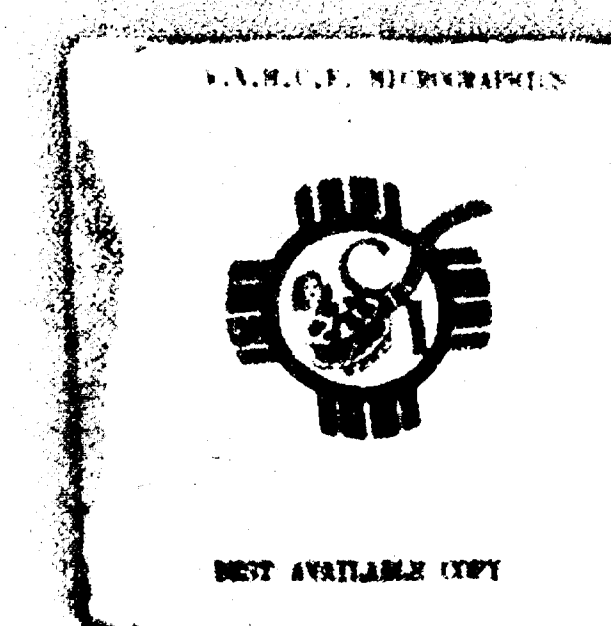
b. Division Form C-132 and the required attachments

c. a location plat which locates and identifies the well for which the determination is sought and all wells which produce gas or oil within 2.5 miles of the well for which a determination is sought;

d. a list of the deepest completion locations for all marker wells identified on the location plat; and

e. a statement by the applicant, under oath:

- (1) that he has made, or has caused to be made pursuant to his instructions, a diligent search of all records (including but not limited to production, state severance tax, and royalty payment records) which are reasonably available and contain information relevant to the determination of eligibility;



(2) describing the search made, the records reviewed, the location of such records, and a description of any records which he believes may contain information relevant to the determination but which he has determined are not reasonably available to him;

(3) that on the basis of the results of this search and examination, he has concluded that to the best of his information, knowledge and belief, there is no marker well within 2.5 miles of the well for which he seeks a determination which has a completion location less than 1,000 feet above the completion location of the new well; and

(4) that he has no knowledge of any other information which is inconsistent with his conclusion.

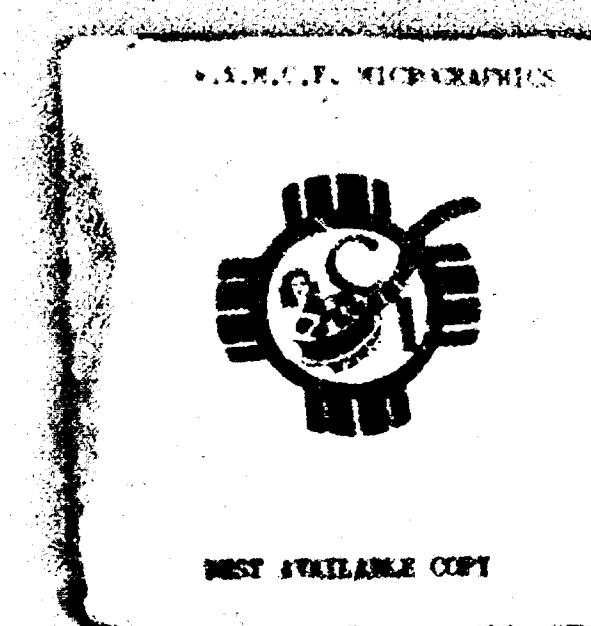
Rule 15. An application for a new onshore reservoir (NGPA Section 202(c)(3)(C)) shall include:

1. FERC Form No. 121
2. Division Form C-132 and the required attachments
3. geological information sufficient to support a determination that the reservoir is a new onshore reservoir. Such information shall include to the extent reasonably available to the applicant, at the time the application is filed:
 - (a) well logs;
 - (b) bottom hole or surface pressure surveys;
 - (c) well potential tests;
 - (d) formation structure maps;
 - (e) a subsurface cross-section chart; and
 - (f) a gas analysis.

(3) a copy of the Division order and hearing transcript resulting from the hearing to establish a new onshore reservoir if such a hearing was held by the Division; also a copy of any exhibits presented at the hearing which were not attachments to the original application.

4. a statement by the applicant, under oath:

- (a) that he has made, or has caused to be made pursuant to his instructions, a diligent search of all records (including but not limited to production, state severance tax, and royalty payment records) which are reasonably available and contain information relevant to the determination of eligibility;
- (b) describing the search made; the records reviewed; the location of such records, and a description of any records which



are described in (1) for which he believes any otherwise certain information relevant to the determination but which he has determined are not reasonably available to him.

(c) that on the basis of the results of this search and examination, he has concluded that to the best of his information, knowledge and belief the gas to be produced and for which he seeks a determination is from a new onshore reservoir; and

(d) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusion.

5. The applicant in his statement under oath shall also answer, to the best of his information, knowledge and belief and on the basis of the results of his search and examination, the following questions:

a. Was natural gas produced in commercial quantities from the reservoir prior to April 20, 1977?

b. If the question in Subparagraph (a) is answered in the negative, was the reservoir penetrated before April 20, 1977, by an old well, from which natural gas or crude oil was produced in commercial quantities from any reservoir?

c. If the question in Subparagraph (a) is answered in the affirmative, could natural gas have been produced in commercial quantities from the reservoir before April 20, 1977, from any old well described in Subparagraph (b)?

d. If the question in Subparagraph (c) is answered in the negative, were any sales and deliveries of natural gas made from any other reservoir, through any old well described in Subparagraph (b) prior to April 20, 1977, were any sales and deliveries of natural gas made from the subject reservoir of natural gas made from such old well on or after April 20, 1977, and before November 9, 1982?

e. If the natural gas to be produced through an old well, were suitable facilities for the production and delivery to a pipeline of such natural gas in existence on April 20, 1977?

f. If the question in Subparagraph (c) is answered in the affirmative, were such suitable facilities installed to carry out sales and deliveries of natural gas under section 6 of the Emergency Natural Gas Act of 1977 or under the emergency sale authority pursuant to Opinion 699-2 issued by the Federal Power Commission?

6. If the applicant is unable to answer both questions in Subparagraph (d) above in the negative, he must demonstrate that the Behind-the-Pipe Exclusion in Section 102(c)(1)(C)(ii) of the NGA does not apply by submitting the following:

a. Proof that a final eligibility determination has been made that the subject reservoir is a new onshore reservoir by identifying a prior determination made by the Division together with the FERC docket number and the API well number(s), if available, or:

b. Evidence clearly demonstrating that the sale of production from the subject reservoir (net of royalty) through any well described in Subparagraph 5.b at the market price reasonably available as of April 20, 1977 could not have generated as of April 20, 1977 the minimum incremental costs properly allocable to such production of installing cost- (1) 1.6 times the minimum incremental costs properly allocable to such production reasonably expenses production, plus (2) the minimum incremental expenses properly allocable to such production reasonably required to operate such facilities. (All costs, required to operate such facilities shall be determined as of April 20, 1977. The applicant shall also provide an explanation of the basis of all estimates accompanied by substantiating worksheets and such other evidence necessary to substantiate fully the conclusion that the Behind-the-Pipe Exclusion does not apply.)

