CASE 6692: OCD ON ITS OWN MOTION TO CON-SIDER AMENDMENT OF ORDER NO. R-333-F-2, SAN JUAN, RIO ARRIBA, AND SANDOVAL COUN-

2 Oroson Eulered in this core R. 1670-W R. 1670-W

# CASE NO.

6692

APPliCation, Transcripts, Small Exhibits,

ETC.

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	2 ENERGY AND OJ.J. Conse State La Santa 2 Oc 4 EXAMI	OF NEW MEXICO HINERALS DEPARTMENT ervation Division and Office Bldg. Fe, New Mexico stober 1979 UNER HEARING	
	6	. Det das tas bei for das alt se das das tas das das das alt and das per das das das das any any	
	6 IN THE MATTER OF: 7	)	
	8 The hearing calle vation Division of	ed by the Oil Conser- ) on its own motion to ) adment of Order No. ) )	CASE 6692
VALTON BOYD	10 11 BEFORE: Richard L. Stamets 12	3	
LLY W The State St	13 TRANSC	CRIPT OF HEARING	
	14		
	Letter the second se	EARANCES	
	<ul> <li>16 For the Oil Conservation</li> <li>17</li> <li>18</li> </ul>	Ernest L. Padilla, Legal Counsel for t State Land Office B Santa Fe, New Mexic	heDivi <mark>sio</mark> 1dg.
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MR. STANDES: We'll call next Case 6692, in the matter of the hearing called by the Oil Conservation Division on its own motion to consider the amendment of Order Number R-333-F-2.

MR. PADILLA: Ernest L. Padilla on behalf of the Oil Conservation Division. I have one witness, Mr. Chavez, who's been previously sworn and I'd like the record to reflect he is still under oath and qualified.

MR. STAMETS: The record will so show.

# FRANK CHAVEZ

being called as a witness and being previously sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. PADILLA:

Q.

Q Mr. Chavez, what is the purpose of this case?

A The purpose of this case is to revise the gas well testing rules and procedures, San Juan Basin, New Mexico, to allow for the classification -- to clarify the classification of exempt marginal wells and to establish a procedure for classification of exempt marginal wells on multiple well provation units.

Mr. Chavez, as part of your duties -- do

SALLY WALTON BOYD SERTIFIED SHORTHAND REPORTER 030 Place Branda (651) 471 3462 Sante Po, Now Moridoo 87501 1

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	1	part of your duties include making recommendations to on
	2	rule changes to the Oil Conservation Division?
	3	A. Yes, they do include that.
	4	3 Do you now have a recommendation with re-
	5	gard to rule changes on Order Number R-333-F-2?
J.	6	A. Yes, I do. I recommend that the Exhibit
	7	A be admitted as or be adopted as an amendment to $R-333-F-2$ ,
	8	the gas well testing rules and procedures.
	9	0. Would you explain your proposed amendment?
Santa Fe, New Mexico 57501	10	A. Okay. The testing order as it reads now
	11	is rather unclear, and we get many calls from people wondering
	12	how a well is classified as exempt marginal, and the this
	13	proposed amendment clarifies not only how the wells are
<b>ð</b>	14	classified, but also uses a procedure that we are using
	15	right now, which is not clarified in the present order.
	16	Secondly, gas wells on multiple well units
	17	presently can be classified as, perhaps, having one marginal
	18	well and one exempt well, and in this situation if an exempted
	19	well has an old test many times it will not be representative
	20	at all of the producing capabilities of the proration unit,
	21 -	and every three months when wells are reclassified this old
	22	deliverability would be used.
	23	Now, with this amendment both wells on the
	24	proration unit would have to meet these qualifications, and
	25	this way we could get more reasonable assignment of allcwable

SALLY WALTON BOYD CERTIFIED SHORTHAND REPORTER 2020 Pazz Badde, (661) 011-3462 Sadie Fo, New Mexico 67501

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	1	and be more reasonable in our classification of exempt wells.						
	2	Q Do you have any further testimony with						
	3	regard to the amendment?						
	4	A No, I don't.						
	5	MR. PADILLA: I have nothing further and						
	6	we offer Exhibit A.						
	7	MR. STAMETS: Mr. Chavez, I wish you'd go						
	8	through this Exhibit A and just tell us what the effect of						
	9	each one of these paragraphs is.						
	10	A. Okay.						
	11	The first paragraph of this exhibit is						
	12	word for word to the first paragraph of the present order.						
	13	MR. STAMETS: There's no change.						
	14	A. That's correct, and so is the second one.						
	15	The third paragraph delineates the						
	16	shallower wells of Pictured Cliffs formations or shallower						
	17	formations, and how they will be classified as to average						
	18	production of gas.						
	19	Presently the order is unclear as to how						
	20	many months of production a well needs to have before it						
	21	can be classified as exempt marginal. A new well that would						
	22 23	come on line in May of the year could be classified because						
·	23 24	it would have three months of production history, and also						
	24 25	we're saying here that the average production has to be in						
	25	the months produced within the preceding 12-months period.						

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SALLY WALTON BOYD CERTIFIED SHORTHAND REPORTER 1010 Plaza Blanca (505) 171-5462 Santa Po, New Mexico 57501

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This would allow for better classification of wells which are shut in for overproduction for some period of months.

MR. STAMETS: Does this indicate that you have to have twelve months production?

A No, it does not. It just indicates that only the months within the 12-month preceding classification period will be --- that produced would be used.

MR. STAMETS: Okay. Go ahead.

A. Okay. The fourth paragraph is quite like the third except that we're talking about formations deeper than the Pictured Cliffs formation and we are raising the average production to 2000 Mcf per month during the months produced.

# MR. STAMETS: Okay.

A. The fifth paragraph is where we clarify how wells will be classified as exempt in a multiple well unit. For example, if one well on a multiple well proration unit averaged -- say this is in Mesaverde, for example -would have averaged 500 Mcr per month for the twelve month during the months produced during the twelve months preceding the classification time, and the other well on the proration unit produced more than 2000 Mcf, the first well would not be classified as exempt because the second well on the proration unit would still have a higher producing capability.

SALLY WALTON EJOYC CERTIFIED SHORTHAND REPORTE 3010 Plance (605) 4/11-546 Santa Fe, New Mexico 57501 2

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MR. STAMETS: Okay.

Are there any questions of the witness?

lie may be excused.

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SALLY WALTON BOYD CERTIFIED SHORTHAND REPORTER 1019 Plaze Blauce (905) 411-3462 Santa Po, New Moxico 87101 Anything further in this case?

The case will be taken under advisement.

(Hearing concluded.)

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SALLY WALTON EIOYC CERTFIED SHORTHAND REPORTE

010Plaza Blanca (505) Santa Fo, New Mexic 8

I, SALLY W. DOYD, a court reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability from my notes taken at the time of the hearing.

Sally W. Boyd, C.S.R.

I do here y contry that the foregoing is a complete record of the proceedings in the Examiner hearing of Case . to. heard by me on , Examiner Oil Conservation Division

#### STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION ON ITS OWN MOTION TO CONSIDER THE AMENDMENT OF RULE 10(C) OF ORDERS NOS. R-1670-T AND R-1670-V

> CASE NO. 6692 Order No. R-1670-W

Also See R-333-F-2A

#### ORDER OF THE DIVISION

#### BY THE DIVISION:

This cause came on for hearing at 9 a.m. on October 2, 1979, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this <u>30th</u> day of October, 1979, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

#### FINDS:

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

(2) That Division Order No. R-333-F-2A entered in this case on this date amends Chapter I, Section 2, subsection A, Part 4 of the Division's "Gas Well Testing Rules and Procedures - San Juan Basin, New Mexico" to require that for wells to be classified as "exempt marginal," they must have at least three months of production history, and that their average monthly production for the months produced within the preceding 12-month period must fall below a certain specified amount, according to depth.

(3) That the aforesaid Order No. R-333-F-2A also provides that gas wells on multiple well proration units will not be classified "exempt marginal" unless all wells on the proration unit meet the qualification for "exempt marginal" status.

(4) That the Division, by its Order No. R-1670-T, dated November 14, 1974, and by its Order No. R-1670-V, dated May 22, 1979, effective July 1, 1979, amended the Special Rules for the Blanco Mesaverde Pool and the Basin-Dakota Pool, respectively, -2-Case No. 6692 Order No. R-1670-W

to permit the infill drilling of a second well on each of the proration units in said pools.

(5) That said special rules for the Blanco Mesaverde and Basin-Dakota Pools should be amended to incorporate the changes adopted in Order No. R-333-F-2A.

(6) That Rule 10(C) of the Special Rules for the Blanco Mesaverde Pool as promulgated by Order No. R-1670-T, as amended, and Rule 10(C) of the Special Rules for the Basin-Dakota Pool as promulgated by Order No. R-1670-V should each be amended to read in its entirety as follows:

"RULE 10(C)

The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of the current "Gas Well Testing Rules and Procedures - San Juan Basin, New Mexico."

No well shall be eligible for reclassification to "Exempt Marginal" status unless the proration unit upon which it is located is a marginal proration unit and unless all wells on the proration unit meet the qualification for "exempt marginal" status."

#### IT IS THEREFORE ORDERED:

(1) That Rule 10(C) of the Special Rules for the Blanco Mesaverde Pool as promulgated by Division Order No. R-1670-T, as amended, and Rule 10(C) of the Special Rules for the Basin-Dakota Pool as promulgated by Division Order No. R-1670-V is each hereby amended to read in its entirety as follows:

\*RULE 10(C)

The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of the current "Gas Well Testing Rules and Procedures - San Juan Basin, New Mexico."

No well shall be eligible for reclassification to "Exempt Marginal" status unless the proration unit upon which it is located is a marginal proration unit and unless all wells on the proration unit meet the qualification for "exempt marginal" status." -3-Case No. 6692 Order No. R-1670-W

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



STATE OF NEW MEXICO OIL CONSERVATION DIVISION ina l ŧ RAMEY JOE D. RI Director

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#### STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION ON ITS OWN MOTION TO CONSIDER THE AMENDMENT OF ORDER NO. R-333-F-2.

> CASE NO. 6692 Order No. R-333-F-2A

Also See R-1670-W

#### ORDER OF THE DIVISION

### BY THE DIVISION:

This cause came on for hearing at 9 a.m. on October 2, 1979, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this <u>30th</u> day of October, 1979, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

#### FINDS:

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

(2) That there is a need to clarify the method by which gas wells in the San Juan Basin of New Mexico are to be classified as "exempt marginal" for test purposes.

(3) That said classification method should be clarified by amending Chapter I, Section 2, subsection A, part 4 of Division Order No. R-333-F-2 to read in its entirety as follows:

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

Classification of wells into or out of the "exempt marginal" status shall be done once each year immediately following the reporting of September production and shall be effective for the succeeding annual test period. -2-Case No. 6692 Order No. R-333-F-2A

> Gas wells completed in the Pictured Cliffs or any shallower formation shall be classified "exempt marginal" if at least three months production history is available and the well failed to produce an average of 1000 MCF or more per month during the months produced within the preceding 12-month period.

Gas wells completed in any formation deeper than the Pictured Cliffs formation shall be classified "exempt marginal" if at least three months production history is available and the well failed to produce an average of 2000 MCF or more per month during the months produced within the preceding 12-month period.

Gas wells on multiple well proration units will not be classified "exempt marginal" unless the proration unit is marginal and all wells on the proration unit meet the qualification for "exempt marginal" status."

#### IT IS THEREFORE ORDERED:

(1) That Chapter 1, Section 2, subsection A, part 4 of Division Order No. R-333-F-2 is hereby amended to read in its entirety as follows:

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

Classification of wells into or out of the "exempt marginal" status shall be done once each year immediately following the reporting of September production and shall be effective for the succeeding annual test period.

Gas wells completed in the Pictured Cliffs or any shallower formation shall be classified "exempt marginal" if at least three months production history is available and the well failed to produce an average of 1000 MCF or more per month during the months produced within the preceding 12-month period.

Gas wells completed in any formation deeper than the Pictured Cliffs formation shall be classified "exempt marginal" if at least three months production history is available and the well failed to -3-Case No. 6692 Order No. R-333-F-2A

> produce an average of 2000 MCF or more per month during the months produced within the preceding 12-month period.

Gas wells on multiple well proration units will not be classified "exempt marginal" unless the proration unit is marginal and all wells on the proration unit meet the qualification for "exempt marginal" status."

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



STATE OF NEW MEXICO OIL CONSERVATION DIVISION HALL JOE D. RAMEY Director

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		1 2 3 4	ENERGY AND MI Oil Conserv State Land Santa Fe 2 Octo	Page1 NEW MEXICO NERALS DEPARTMENT ation Division Office Bldg. , New Mexico ber 1979 R HEARING	
		5 6 7 8 9	IN THE MATTER OF: The hearing called vation Division on consider the amendm R-333-F-2.		
$\bigcirc$	SALLY WALTON BOYD CERTFIED SHOATHAND REPORTEI 3030Plaza Blanca (606) 211-346 Santa Fe, New Mexico 87501	10 11 12 13 14	BEFORE: Richard L. Stamets TRANSCRI	PT OF HEARING	
		15 16 17 18 19 20 21 21 22	APPE For the Oil Conservation Division:	A R A N C E S Ernest L. Padilla, Esg. Legal Counsel for theDivi State Land Office Bldg. Santa Fe, New Mexico 8750	
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1 MR. STAMETS: We'll call next Case 6692, 2 in the matter of the hearing called by the Oil Conservation 3 Division on its own motion to consider the amendment of 4 Order Number R-333-F-2. 5 MR. PADILLA: Ernest L. Padilla on behalf 6 of the Oil Conservation Division. I have one witness, Mr. 7 Chavez, who's been previously sworn and I'd like the record 8 to reflect he is still under oath and qualified. 9 MR. STAMETS: The record will so show. 10 11 FRANK CHAVEZ 12 being called as a witness and being previously sworn upon 13 his oath, testified as follows, to-wit: 14 15 DIRECT EXAMINATION 16 BY MR. PADILLA: 17 Mr. Chavez, what is the purpose of this Q. 18 case? 19 A. The purpose of this case is to revise the 20 gas well testing rules and procedures, San Juan Basin, New 21 Mexico, to allow for the classification -- to clarify the 22 classification of exempt marginal wells and to establish a 23 procedure for classification of exempt marginal wells on 24 multiple well proration units. 25 Q. Mr. Chavez, as part of your duties -- do

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LLY WALTON BOYD FIED SHORTHAND REPORTER Plaza Blanca (805) 471-2462 Ate Fo, New Mexico 37501

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	1	part of your duties include making recommendations to on
	2	rule changes to the Oil Conservation Division?
and the second	3	A. Yes, they do include that.
	4	Q. Do you now have a recommendation with re-
	5	gard to rule changes on Order Number R-333-F-2?
-	6	A. Yes, I do. I recommend that the Exhibit
	7	A be admitted as or be adopted as an amendment to R-333-F-2,
	8	the gas well testing rules and procedures.
	9	Q. Would you explain your proposed amendment?
BOYD REPORTER 471-2462 0 87301	10	A. Okay. The testing order as it reads now
ON 80 ND REP 055 47	17	is rather unclear, and we get many calls from people wondering
VALT Hortha New M	12	how a well is classified as exempt marginal, and the this
SALLY WALTON E CERTIFIED SHORTHAND RE 0050 Flaza Blanca (605) 4 Santa Fe, New Mexico	13	proposed amendment clarifies not only how the wells are
	14	classified, but also uses a procedure that we are using
	15	right now, which is not clarified in the present order.
	16	Secondly, gas wells on multiple well units
	17	presently can be classified as, perhaps, having one marginal
	18	well and one exempt well, and in this situation if an exempted
	19	well has an old test many times it will not be representative
	20	at all of the producing capabilities of the proration unit,
- ,	21	and every three months when wells are reclassified this old
,	22	deliverability would be used.
4 -	23	Now, with this amendment both wells on the
	24	proration unit would have to meet these qualifications, and
	25	this way we could get more reasonable assignment of allowable
	1	

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	1	and be more reasonable in our classification of exempt wells.
	2	Q. Do you have any further testimony with
	3	regard to the amendment?
	4	A. No, I don't.
	5	MR, PADILLA: I have nothing further and
	6	we offer Exhibit A.
	7	MR. STAMETS: Mr. Chavez, I wish you'd go
	8	through this Exhibit A and just tell us what the effect of
	9	each one of these paragraphs is.
1.01	10	A. Okay.
lextco (	11	The first paragraph of this exhibit is
New	12	word for word to the first paragraph of the present order.
Santa Fe, New	13	MR. STAMETS: There's no change.
2	14	A. That's correct, and so is the second one.
	15	The third paragraph delineates the
	16	shallower wells of Pictured Cliffs formations or shallower
	17	formations, and how they will be classified as to average
	18	production of gas.
	19	Presently the order is unclear as to how
	20	many months of production a well needs to have before it
- -	21	can be classified as exempt marginal. A new well that would
	22	come on line in May of the year could be classified because
	23	it would have three months of production history, and also
	24	we're saying here that the average production has to be in
	25	the months produced within the preceding 12-months period.

SALLY WALTON BOYD CERTFIED SHORTHAND REFORTER 3020 Plaza Blauca (605) 471-2462 Santa Po, Now Mexico 07801

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This would allow for better classification of wells which are shut in for overproduction for some period 2 of months. 3 MR. STAMETS: Does this indicate that you 5 have to have twelve months production? 6 No, it does not. It just indicates that A. 7 cnly the months within the 12-month preceding classification 8 period will be -- that produced would be used. 9 MR. STAMETS: Okay. Go ahead. 10 A. Okay. The fourth paragraph is quite like 11 the third except that we're talking about formations deeper 12 than the Pictured Cliffs formation and we are raising the 13 average production to 2000 Mcf per month during the months 14 produced. 15 MR. STAMETS: Okay. 16 The fifth paragraph is where we clarify A. 17 how wells will be classified as exempt in a multiple well 18 unit. For example, if one well on a multiple well proration 19 unit averaged -- say this is in Mesaverde, for example --20 would have averaged 500 Mcf per month for the twelve month --21 during the months produced during the twelve months preceding 22 the classification time, and the other well on the proration 23 unit produced more than 2000 Mcf, the first well would not 24 be classified as exempt because the second well on the pro-

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ration unit would still have a higher producing capability.

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MR. STAMETS: Okay.

Are there any questions of the witness?

He may be excused.

SALLY WALTON BOY

Anything further in this case?

The case will be taken under advisement.

(Hearing concluded.)

REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a court reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability from my notes taken at the time of the hearing.

Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case Mo. 6693 heard by me on 19 79. rac Oil Conservation Division S Examiner

SALLY WALTON BOYD CERTFIED SHORTHAND REPORTER 1030Plazz Bhinge (666) 471-3462 Sadie P6, New Modico 57501 1

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Dockets Nos. 40-79 and 41-79 are tentatively set for October 17 and 31, 1979. Applications for hearing must be filed at least 22 Mays in advance of hearing date.

#### EXAMINER HEARING - TUESDAY - OCTOBER 2, 1979 DOCKET:

#### 9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM, STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 6656: (Continued from September 19, 1979, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Energy Oil & Gas Corp., The Travelers Indemnity Co., and all other interested parties to appear and show cause why the Sadler Well No. 1 located in Unit I of Section 3, Township 24 North, Range 29 East, Union County, New Mexico, should not be plugged and abandoned in accordance with a Divisionapproved plugging program.

(Continued from September 5, 1979, Examiner Hearing) CASE 6640:

> In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Miles Production Company, National Surety Corporation, and all other interested parties to appear and show cause why the Thomas Drought Well No. 1 located in Unit A of Section 4, Township 15 North, Range 6 West, McKinley County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit CASE 6687: McCoy and Phillips and all other interested parties to appear and show cause why the Martin Well No. 1 located in Unit N of Section 34, Township 30 North, Range 11 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit CASE 6688: Phillips and Spence and all other interested parties to appear and show cause why the Martin Well No. 2 located in Unit N of Section 34, Township 30 North, Range 11 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit one "Goodrum" and all other interested parties to appear and show cause why the E. C. Brawley Well CASE 6689: No. 1 located in Unit O of Section 34, Township 30 North, Range 11 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6690: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Elvis L. Roberts, The Travelers Indemnity Co., and all other interested parties to appear and show cause why the Bergin Well No. 1 located in Unit F of Section 21, Township 29 North, Range 11 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Divisionapproved plugging program.

In the matter of the hearing called by the 0il Conservation Division on its own motion to consider the addition of a Rule 10(D) to Order No. R-1670-T, Blanco Mesaverde Infill Drilling Order, Sau CASE 6691: Juan and Rio Arriba Counties, New Mexico, to require that both wells on a proration unit be tested when an infill well has been completed. Said Rule 10(D) would be identical to Rule 10(D) of Order No. R-1670-V for the Basin-Dakota Pool.

CASE 6692: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the amendment of Order No. R-333-F-2 to require that gas wells in the Pictured Cliffs or shallower formations be classified "exempt marginal" if at least three months of production history is available and their average production for the months produced within the preceding 12-month period is less than 1000 MCF per month. The same amendment is sought for wells completed below the Pictured Cliffs formation except that minimum production would have to average less than 2000 MCF per month. Also to be considered would be the requirement in Order No. R-333-F-2 and in Rule 10(C) of Orders Nos. R-1670-T and R-1670-V that no well on a multiple well proration unit could be classified exempt marginal unless all wells on the unit are eligible for such reclassification.

CASE 6674:

Application of Tenneco Oil Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Fruitland and Blanco-Pictured Cliffs production in the wellbore of its Florence Well No. 115 located in Unit M of Section 10, Township 30 North, Range 9 West.



# STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION AZTEC DISTRICT OFFICE

> 1000 RIO BRAZOS ROAD AZTEC, NEW MEXICO 87410 (505) 334-8178

LARRY KEHOE SECRETARY

June 15, 1979

Mr. Ernest Padilla OilConservation Division P. O. Box 2088 Santa Fe, New Mexico 87501

Case 6692

Re: Amendment to Order R-333-F-2

Dear Ernie:

Please docket a case for the following: "An Amendment to Order R-333-F-2". Our proposal will amend Chapter 1, Section 2, Subsection A, part 4 to read as shown on the attached "Exhibit A". This amendment will provide for the assignment of more equitable allowables on multiple well proration units and it clarifies the language describing the basis for "exempt marginal" classification.

Yours truly, Frank T. Chavez Deputy Inspector

FTC:no

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RULE CHANGES PROPOSED BY THE OIL CONSERVATION DIVISION TO ORDER R-333-F-2, "GAS WILL TESTING RULES AND PROCEDURES - SAN JUAN BASIN, NEW MEXICO"

Chapter 1, Section 2, subsection A, part 4

Wells classified as "exempt marginal" sall not be subject to the requirements of annual or biennial deliverability tests.

Classification of wells into or out of the "exempt marginal" status shall be done once each year immediately following the reporting of September production and shall be effective for the succeeding annual test period.

Gas wells completed in the Pictured Cliffs or any shallower formation shall be classified "exempt marginal" if at least three months production history is available and the well failed to produce an average of 1000 MCF or more per month during the months produced within the preceding 12-month period.

Gas wells completed in any formation deeper than the Pictured Cliffs formation shall be classified "exempt marginal" if at least three months production history is available and the well failed to produce an average of 2000 MCF or more per month during the months produced within the preceding 12-month period.

Gas wells on multiple well proration units will not be classified "exempt marginal" unless all wells on the proration unit meet the qualification for "exempt marginal" status.

EXHIBIT "A"

also amend Ruce 10 c 8-1670-T Onder D-1670-V

RULE CHANGES PROPOSED BY THE OIL CONSERVATION DIVISION TO ORDER R-333-F-2, "GAS WELL TESTING RULES AND PROCEDURES - SAN JUAN BASIN, NEW MEXICO"

Chapter 1, Section 2, subsection A, part 4

Wells classified as "exempt marginal" shall not be subject to the requirements of annual or biennial deliverability tests.  $\nabla$ 

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Gas wells on multiple well proration units will not be classified "exempt marginal" unless all wells on the proration unit meet the qualification for "exempt marginal" status.

EXHIBIT

	BEFORE EXAMINER STAMETS
	OIL CONSERVATION DIVISION
	EXHEN NO. A
Í	CASE NO. 6692
''A''	Submitted by 3. Church
l	Hearing Date 10-2-79
1-	and an

RULE CHANGES PROPOSED BY THE OIL CONSERVATION DIVISION TO ORDER R-333-F-2, "GAS WILL TESTING RULES AND PROCEDURES - SAN JUAN BASIN, NEW MEXICO"

# Chapter 1, Section 2, subsection A, part 4

Wells classified as "exempt marginal" shall not be subject to the requirements of annual or biennial deliverability tests.

Classification of wells into or out of the "exempt marginal" status shall be done once each year immediately following the reporting of September production and shall be effective for the succeeding annual test period.

Gas wells completed in the Pictured Cliffs or any shallower formation shall be classified "exempt marginal" if at least three months production history is available and the well failed to produce an average of 1000 MCF or more per month during the months produced within the preceding 12-month period.

Gas wells completed in any formation deeper than the Pictured Cliffs formation shall be classified "exempt marginal" if at least three months production history is available and the well failed to produce an average of 2000 MCF or more per month during the months produced within the preceding 12-month period.

Gas wells on multiple well proration units will not be classified "exempt marginal" unless all wells on the proration unit meet the qualification for "exempt marginal" status.

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO.
CASE NO. 6697
Submitted by 5. Charg
Hearing Date 10-2-79

EXHIBIT "A"

RULE CHANGES PROPOSED BY THE OIL CONSERVATION DIVISION TO ORDER R-333-F-2, "GAS WELL TESTING RULES AND PROCEDURES - SAN JUAN BASIN, NEW MEXICO"

# Chapter 1, Section 2, subsection A, part 4

Wells classified as "exempt marginal" shall not be subject to the requirements of annual or biennial deliverability tests.

Classification of wells into or out of the "exempt marginal" status shall be done once each year immediately following the reporting of September production and shall be effective for the succeeding annual test period.

Gas wells completed in the Pictured Cliffs or any shallower formation shall be classified "exempt marginal" if at least three months production history is available and the well failed to produce an average of 1000 MCF or more per month during the months produced within the preceding 12-month period.

Gas wells completed in any formation deeper than the Pictured Cliffs formation shall be classified "exempt marginal" if at least three months production history is available and the well failed to produce an average of 2000 MCF or more per month during the months produced within the preceding 12-month period.

Gas wells on multiple well proration units will not be classified "exempt marginal" unless all wells on the proration unit meet the qualification for "exempt marginal" status.

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION EXHIBIT NO. CASE NO. Submilied by Hearing Date 10.

EXHIBIT "A"

RULE CHANGES PROPOSED BY THE OIL CONSERVATION DIVISION TO ORDER R-333-F-2, "GAS WELL TESTING RULES AND PROCEDURES - SAN JUAN BASIN, NEW MEXICO"

# Chapter 1, Section 2, subsection A, part 4

Wells classified as "exempt marginal" shall not be subject to the requirements of annual or biennial deliverability tests.

Classification of wells into or out of the "exempt marginal" status shall be done once each year immediately following the reporting of September production and shall be effective for the succeeding annual test period.

Gas wells completed in the Pictured Cliffs or any shallower formation shall be classified "exempt marginal" if at least three months production history is available and the well failed to produce an average of 1000 MCF or more per month during the months produced within the preceding 12-month period.

Gas wells completed in any formation deeper than the Pictured Cliffs formation shall be classified "exempt marginal" if at least three months production history is available and the well failed to produce an average of 2000 MCF or more per month during the months produced within the preceding 12-month period.

Gas wells on multiple well proration units will not be classified "exempt marginal" unless all wells on the proration unit meet the qualification for "exempt marginal" status.

BEFORE EXA	MINER STAMETS
OIL CONSERV	ATION DIVISION
EXH	SIT NO. A
CASE NO.	697
Submitted by	3. Charg
Hearing Duie	X

EXHIBIT "A"

Case 6692

In the matter of the bearing called by the Oil Conservation Division on its own motion to consider he amendment of Order Tro. R-333-F-2 to require that gas wells in the Pictured Cliffs of shallower formations be chasified exempt marginal "if at least three months of protuction history is available and their average production for the months produced is within the preceding 12-month period is lass them 1000 MCF per month. The same amendment is sought for week completed Glow the Pictured Chiffs formation except that minimum production would have the to average loss than 2000 ner per month. also to la considered would be the requirement in Order DO R-333-F-2 and in Rueal 10(c) of Orders nos R-1670-T and R.1670-V that no week on a multiple week provation with could be classified exempt marginal unless are users on the unit are eligible for such reclassification

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#### STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

CASE NO. 6692 Order No. R-1670-W A150 See R-333-F-2A IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION on its own motion to consider THE AMENDMENT OF RULE 10(c) of ORDERS NOS. R-1670-T AND R-1670-V ORDER OF THE DIVISION

# BY THE DIVISION:

This cause came on for hearing at 9 a.m. on <u>October 2</u> 19<u>71</u>, at Santa Fe, New Mexico, before Examiner <u>Richard L. Stamets</u> NOW, on this <u>day of <u>October</u>, 19<u>79</u>, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,</u>

FINDS:

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

(2) That Division Order No. R-333-F-2A entered in this case on this date amends Chapter I, Section 2, Subsection A, Part 4 of the Division's "Gas Well Testing Rules and Procedures. San Juan Basin, New Mexico" to require that with for wells to be classified as "exempt marginal," they must have at least three months production history, and that their average monthly production for the months produced within the preceding 12-month period must fall below a certain specified amount, according to depth. (3) That the aforesaid Order No. R-333-F-2A also provides that gas wells on multiple well provation units will not be classified "exempt marginal" unless all wells on the provation unit meet the qualification for "exempt marginal status.

(4) That the Division, by its Order No. R-1670-T, dated November 14, 1974, and by its Order No. R-1670-V, dated May 22, 1979, effective July 1, 1979, amended the Special Rules for the Blanco Mesaverde Pool and the Basin-Dakota Pool, respect Add, to permit the infill drilling of a "second well on each of the provetion units in said pools: No. R-1670-W

	(5) That said special pulse for the Blanco Mesar and Basin - Datcaha Pools should be amended to incorporate the changes adopted in Order No. R. 333-F-ZA
	incorporate the changes adopted in Order No.
	R. 333-F-ZA
f 1 2	(6) That Rule 10(c) of the special Rules and
s	<del>Desulation for the Blanco Mesaverde Pool as</del>
	promulgated by Order No. R-1670-T, as amende and Rule 10(c) of the Special Rules for the Basin
	and Rule 10 (c) of the Special Rules for the Basin
	Datrota Poolas promulgated by Order No. R-1670-V
	should each be amended to read in its entirety
<u>.</u>	as follows:
	an a
	"RULE 10(C)
•	The calculated deliverability at the "deliverability pressure" shall be
	determined in accordance with the pro-
	visions of the current "Gas Well Testing Rules and Procedures - San Juan Basin,
	New Mexico."
	No well shall be eligible for reclassi- fication to "Exempt Marginal" status
الا الاركامية الاركامية المركز والمركز المركز ال	unless all wells on the provertion unit
	meet the qualification for "exempt marginal" status."
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	IT 15 THEREFORE ORDERED:
	(1) That Rule 10(2) of the Special Rules for the Blanco
	Mesaverle Pool es promulgated by Order No. R-1670-T, as
	amended, and Rule 10(c) of the Special Rules for the Basin
-	Dakota Pool as promutgated by Division Order No. R-1671
	is each hereby amended to read in its entirety as
	follows:
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	"RULE 10 (C)
	"RULE 10(C) The calculated deliverability at the
	"RULE 10(C) The calculated deliverability at the "deliverability pressure" shall be
	"RULE 10(C) The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the pro- visions of the current "Gas Well Testing
	"RULE 10(C) The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the pro-
	"RULE 10(C) The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the pro- visions of the current "Gas Well Testing Rules and Procedures - San Juan Basin, New Mexico."
	<pre>''RULE 10(C) The calculated deliverability at the    "deliverability pressure" shall be    determined in accordance with the pro-    visions of the current "Gas Well Testing    Rules and Procedures - San Juan Basin,    New Mexico." No well shall be eligible for reclassi-    fication to "Exempt Marginal" status</pre>
	"RULE 10(C) The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of the current "Gas Well Testing Rules and Procedures - San Juan Basin, New Mexico." No well shall be eligible for reclassification to "Exempt Marginal" status unless all wells on the provision with the provision of the current with the provision of the current "Gas Well Testing Rules and Procedures - San Juan Basin, New Mexico."
	<pre>''RULE 10(C) The calculated deliverability at the    "deliverability pressure" shall be    determined in accordance with the pro-    visions of the current "Gas Well Testing    Rules and Procedures - San Juan Basin,    New Mexico." No well shall be eligible for reclassi-    fication to "Exempt Marginal" status</pre>

-2-Case No. 6692 Order No. R-1670-W

to permit the infill drilling of a second well on each of the proration units in said pools.

(5) That said special rules for the Blanco Mesaverde and Basin-Dakota Pools should be amended to incorporate the changes adopted in Order No. R-333-F-2A.

(6) That Rule 10(C) of the Special Rules for the Blanco Mesaverde Pool as promulgated by Order No. R-1670-T, as amended, and Rule 10(C) of the Special Rules for the Basin-Dakota Pool as promulgated by Order No. R-1670-V should each be amended to read in its entirety as follows:

"RULE 10(C)

The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of the current "Gas Well Testing Rules and Procedures - San Juan Basin, New Mexico.

No well shall be eligible for reclassification to "Exempt Marginal" status unless all wells on the proration unit upon which it is meet the qualification for "exempt marginal" status." Interpret or provide the provided is a morginal provident units and unless

#### IT IS THEREFORE ORDERED:

(1) That Rule 10(C) of the Special Rules for the Blanco Mesaverde Pool as promulgated by Division Order No. R-1670-T, as amended, and Rule 10(C) of the Special Rules for the Basin-Dakota Pool as promulgated by Division Order No. R-1670-V is each hereby amended to read in its entirety as follows:

"RULE 10(C)

The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of the current "Gas Well Testing Rules and Procedures - San Juan Basin, New Mexico."

No well shall be eligible for reclassification to "Exempt Marginal" status unless all wells on the proration unit meet the qualification for "exempt marginal" status."

Same as about\_

#### STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

In the matter of the hearing called by the Oil Conservation Division on its own motion to consider the amendment of Order No. R-333-F-230 DIVISION DIVISION ON Its own motion to consider DIVISION FOR THE PURPOSE OF CONSIDERING:

CASE NO. 6692 Order No. <u>R-333-F-24</u> Also see R-1670-W

ORDER OF THE DIVISION

# BY THE DIVISION:

ROUGII

This cause came on for hearing at 9 a.m. on  $\underline{pct 2}$ 19<u>7</u>, at Santa Fe, New Mexico, before Examiner <u>RLS</u>

NOW, on this \_\_\_\_\_\_day of \_\_\_\_\_, 19\_\_\_\_, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

# FINDS:

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

(2) that there is a need to cloriby the method by which gus wells in the Sam Juan Basin of New Marica are to be classified as "exampt Marginal" for test purposes, (3) That said classification method should be clarified by amending Chapter I, Section<sup>2</sup>, subsection P, part 4 to read is its of Division Order No R-333-F-2 to read in its enting as follows! RULE CHANGES PROPOSED BY THE OIL CONSERVATION DIVISION TO ORDER R-833-F-27 CAS WELL TESTING RULES AND PROCEDURES (SAN JUAN DASIN, NEW MEXICO"

# Chefter 10 Section 2, Subsection R, Care 4,

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

Classification of wells into or out of the "exempt marginal" status shall be done once each year immediately following the reporting of September production and shall be effective for the succeeding annual test period.

Gas wells completed in the Pictured Cliffs or any shallower formation shall be classified "exempt marginal" if at least three months production history is available and the well failed to produce an average of 1000 MCF or more per month during the months produced within the preceding 12-month period.

Gas wells completed in any formation deeper than the Pictured Cliffs formation shall be classified "exempt marginal" if at least three months production history is available and the well failed to produce an average of 2000 MCF or more per month during the months produced within the preceding 12-month period.

Gas wells on multiple well proration units will not be classified "exempt marginal" unless all wells on the proration unit meet the qualification for "exempt marginal" status.

BEFORE EXAMINER STAMETS DIL-CONSESVATION DIVISION CHIBIT NO. CASHNO 669 Submitted Ly HIMT Hearing Ex

IT IS THEREFORE OR DERED: (1) Thut Chopter 1, Section 2, subsection R, part 4 of Division Order No R-333-F-2 is hereby amended to read in its entirety as follows:

7. Wells classified as "exempt marginal" shall not be subject to the requirements of annual or biennial deliverability tests.

N.

Classification of wells into or out of the "exempt marginal" status shall be done once each year immediately following the reporting of September production and shall be effective for the succeeding annual test period.

Gas wells completed in the Pictured Cliffs or any shallower formation shall be classified "exempt marginal" if at least three months production history is available and the well failed to produce an average of 1000 MCF or more per month during the months produced within the preceding 12-month period.

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Gas wells on multiple well proration units will not be classified "exempt marginal" unless all wells on the proration unit meet the qualification for

"exempt marginal" status.	0	
Let vite Let in the addition	21	
(2) Juris diction		

-3-Case No. 6692 Order No. R-333-F-2A

> produce an average of 2000 MCF or more per month during the months produced within the preceding 12-month period.

Gas wells on multiple well proration units will not be classified "exempt marginal" unless all wells on the proration unit meet the qualification for "exempt marginal" status."

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

> STATE OF NEW MEXICO OIL CONSERVATION DIVISION

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JOE D. RAMEY Director

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-2-Case No. 6692 Order No. R-333-F-2A

> Gas wells completed in the Pictured Cliffs or any shallower formation shall be classified "exempt marginal" if at least three months production history is available and the well failed to produce an average of 1000 MCF or more per month during the months produced within the preceding 12-month period.

> Gas wells completed in any formation deeper than the Pictured Cliffs formation shall be classified "exempt marginal" if at least three months production history is available and the well failed to produce an average of 2000 MCF or more per month during the months produced within the preceding 12-month period.

Gas wells on multiple well proration units will not be classified "exempt marginal" unlessall wells on the proration unit meet the qualification for "exempt marginal" status."

#### IT IS THEREFORE ORDERED:

(1) That Chapter 1, Section 2, subsection A, part 4 of Division Order No. R-333-F-2 is hereby amended to read in its entirety as follows:

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

Classification of wells into or out of the "exempt marginal" status shall be done once each year immediately following the reporting of September production and shall be effective for the succeeding annual test period.

Gas wells completed in the Pictured Cliffs or any shallower formation shall be classified "exempt marginal" if at least three months production history is available and the well failed to produce an average of 1000 MCF or more per month during the months produced within the preceding 12-month period.

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