

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-  
TIES, NEW MEXICO.

*2 Orders Entered in this case  
R-333-F-2-A  
R-1670-W*

CASE NO.

6692

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APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,  
ETC.

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
Oil Conservation Division  
State Land Office Bldg.  
Santa Fe, New Mexico  
2 October 1979

EXAMINER HEARING

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 6692

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division:	Ernest L. Padilla, Esq. Legal Counsel for the Division State Land Office Bldg. Santa Fe, New Mexico 87503
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Santa Fe, New Mexico 87501

I N D E X

FRANK CHAVEZ

Direct Examination by Mr. Padilla 3

Cross Examination by Mr. Stamets 5

E X H I B I T S

Division Exhibit A, Amendment 4

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

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  
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 allowable

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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 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.

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

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

6 A. No, it does not. It just indicates that  
7 only 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 A. The fifth paragraph is where we clarify  
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-  
25 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.

Anything further in this case?

The case will be taken under advisement.

(Hearing concluded.)

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## 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 No. 19, heard by me on \_\_\_\_\_.

Oil Conservation Division, Examiner

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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 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 30th 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)

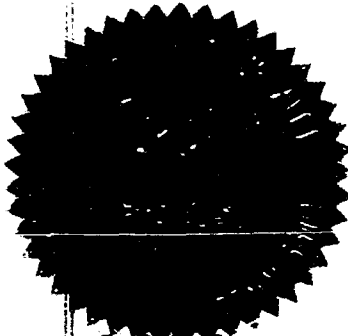
The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of the current "Gas Well Testing Rules and Procedures - San Juan Basin, New Mexico."

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 herein-  
above designated.



S E A L

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*Joe D. Ramey*  
JOE D. RAMEY  
Director

fd/

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 30th 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-

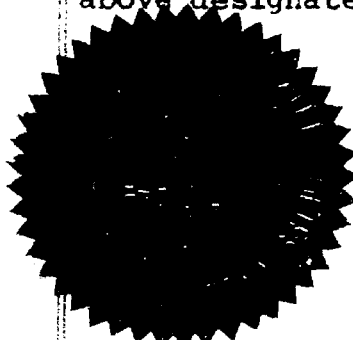
Case No. 6692  
Order No. R-333-F-2A

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.



S E A L

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
JOE D. RAMEY  
Director

fa/



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
Oil Conservation Division  
State Land Office Bldg.  
Santa Fe, New Mexico  
2 October 1979

EXAMINER HEARING

IN THE MATTER OF:

The hearing called by the Oil Conser-  
vation Division on its own motion to  
consider the amendment of Order No.  
R-333-F-2.

CASE  
6692

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

Ernest L. Padilla, Esq.  
Legal Counsel for the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87503

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I N D E X

FRANK CHAVEZ

Direct Examination by Mr. Padilla 3

Cross Examination by Mr. Stamets 5

E X H I B I T S

Division Exhibit A, Amendment 4

SALLY WALTON BOYD  
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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 Q Mr. Chavez, what is the purpose of this  
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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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 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?

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  
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 allowable

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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 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.

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

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

6 A. No, it does not. It just indicates that  
7 only 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 A. The fifth paragraph is where we clarify  
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-  
25 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.

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.  
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 No. 6692  
heard by me on 10-2 1979.  
Richard R. Hunt, Examiner  
Oil Conservation Division

SALLY WALTON BOYD  
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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 days in advance of hearing date.

DOCKET: EXAMINER HEARING - TUESDAY - OCTOBER 2, 1979

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 Division-approved plugging program.

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

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.

CASE 6687: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit 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.

CASE 6688: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit 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.

CASE 6689: 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 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 Division-approved plugging program.

CASE 6691: In the matter of the hearing called by the Oil 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, San 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.



BRUCE KING  
GOVERNOR  
LARRY KEHOE  
SECRETARY

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

June 15, 1979

Mr. Ernest Padilla  
Oil Conservation 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

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.

EXHIBIT "A"

*Also Amend  
Rule 10C of  
Order R-1670-T  
R-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.

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"

BEFORE EXAMINER STAMETS	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	A
CASE NO.	6692
Submitted by	3. Chuey
Hearing Date	10-2-79

Clarify 3 months  
no months  
required

No change

12 months  
production  
not required

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.

EXHIBIT "A"

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION
EXHIBIT NO. <u>A</u>
CASE NO. <u>6697</u>
Submitted by <u>S. Chas</u>
Hearing Date <u>10-2-79</u>

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.

EXHIBIT "A"

BEFORE EXAMINER STAMETS	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	A
CASE NO.	6692
Submitted by	J. Cherry
Hearing Date	10-2-79

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.

EXHIBIT "A"

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION	
EXHIBIT NO.	A
CASE NO.	6692
Submitted by	S. Chaz
Hearing Date	10-2-79

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 is within the preceding 12-month period is less than 2000 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 ~~unit~~ are eligible for such reclassification.



ROUGH

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

CASE NO. 6692

Order No. R-1670-W

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

Also see R-333-F-2A

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on October 2,  
19 79, at Santa Fe, New Mexico, before Examiner Richard L. Stenets

NOW, on this \_\_\_\_\_ day of October, 19 79, 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 ~~with~~ 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 Mesaverte Pool and the Basin-Dakota Pool, respect-  
ively, 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-FZA

(6) That Rule 10(c) of the Special Rules ~~and Regulations~~ 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 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 <sup>Division</sup> 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.

(2) Jurisdiction

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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 meet the qualification for "exempt marginal" status."

*the proration unit upon which it is located is a marginal proration unit 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 above*

ROUGH

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.

~~SERVATION~~  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

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 Oct 2  
19 77, at Santa Fe, New Mexico, before Examiner RLS

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 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 ~~may~~ <sup>should</sup> be  
clarified by amending Chapter I, Section 2,  
subsection A, part 4 ~~to read in its en~~  
Division Order No. R-333-F-2 ~~to read in its~~  
entirety as follows:

RULE CHANGES PROPOSED BY THE OIL CONSERVATION DIVISION TO ORDER R-833-F-27  
GAS WELL TESTING RULES AND PROCEDURES - SAN JUAN BASIN, NEW MEXICO

Chapter 1, Section 2, Subsection A, Part A

- "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. ')

EXHIBIT "A"

BEFORE EXAMINER STAMETS	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	A
CASE NO.	6697
Submitted by	B. Chy
Hearing Date	10-2-79

N

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 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 STARTS

(2) Jurisdiction

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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."

*the proration unit is marginal and*

(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

JOE D. RAMEY  
Director

S E A L

fd/

-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 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

*the proration unit is marginal and*