

CASE 6851: OGD ON ITS OWN MOTION TO
CONSIDER AMENDMENTS TO SPECIAL RULES FOR
APPLICATIONS FOR DETERMINATIONS

CASE NO.

6851

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

APPLICATION FOR WELHEAD
PRICE CEILING CATEGORY DETERMINATION

Form C-132
Revised 7-15-80

1. FOR DIVISION USE ONLY: DATE COMPLETE APPLICATION FILED _____ DATE DETERMINATION MADE _____ WAS APPLICATION CONTESTED? YES _____ NO _____ NAME(S) OF INTERVENOR(S), IF ANY: _____		5A. Indicate Type of Lease STATE <input type="checkbox"/> PER <input type="checkbox"/>
2. Name of Operator _____		5. State Oil & Gas Lease No. _____
3. Address of Operator _____		7. Unit Agreement Name _____
4. Location of Well UNIT LETTER _____ LOCATED _____ FEET FROM THE _____ LINE AND _____ FEET FROM THE _____ LINE OF SEC. _____ TWP. _____ RGE. _____ NMPM		8. Firm or Lease Name _____
11. Name and Address of Purchaser(s) _____		9. Well No. _____
		10. Field and Pool, or Wildcat _____
		12. County _____

WELL CATEGORY INFORMATION

Check appropriate box for category sought and information submitted.

1. Category(ies) Sought (By NGPA Section No.) _____
2. All Applications must contain:
 - ☐ a. C-101 APPLICATION FOR PERMIT TO DRILL, DEEPEN OR PLUG BACK
 - ☐ b. C-105 WELL COMPLETION OR RECOMPLETION REPORT
 - ☐ c. DIRECTIONAL DRILLING SURVEY, IF REQUIRED UNDER RULE 111
 - ☐ d. AFFIDAVITS OF MAILING OR DELIVERY
3. In addition to the above, all applications must contain the items required by the applicable rule of the Division's "Special Rules for Applications For Wellhead Price Ceiling Category Determinations" as follows:
 - A. NEW NATURAL GAS UNDER SEC. 102(c)(1)(B) (using 2.5 Mile or 1000 Feet Deeper Test)
 - ☐ All items required by Rule 14(1) and/or Rule 14(2)
 - B. NEW NATURAL GAS UNDER SEC. 102(c)(1)(C) (new onshore reservoir)
 - ☐ All items required by Rule 15
 - C. NEW ONSHORE PRODUCTION WELL
 - ☐ All items required by Rule 16A or Rule 15B
 - D. DEEP, HIGH-COST NATURAL GAS and TIGHT FORMATION NATURAL GAS
 - ☐ All items required by Rule 17(1) or Rule 17(2)
 - E. STRIPPER WELL NATURAL GAS
 - ☐ All items required by Rule 18

I HEREBY CERTIFY THAT THE INFORMATION CONTAINED
HEREIN IS TRUE AND COMPLETE TO THE BEST OF MY
KNOWLEDGE AND BELIEF.

NAME OF APPLICANT (Type or Print) _____

SIGNATURE OF APPLICANT _____

Title _____

Date _____

FOR DIVISION USE ONLY

- ☐ Approved
☐ Disapproved

The information contained herein includes all
of the information required to be filed by the
applicant under Subpart B of Part 274 of the
FERC regulations.

EXAMINER _____

Exhibit B Order No. R-5878-B

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

APPLICATION FOR CONTINUED
STRIPPER CLASSIFICATION

Form C-132-A
Revised 7-15-80

1. FOR DIVISION USE ONLY: DATE COMPLETE APPLICATION FILED _____ DATE DETERMINATION MADE _____ WAS APPLICATION CONTESTED? YES _____ NO _____ NAME(S) OF INTERVENOR(S), IF ANY: _____		5A. Indicate Type of Lease STATE <input type="checkbox"/> PER <input type="checkbox"/>
2. Name of Operator _____		5. State Oil & Gas Lease No. _____
3. Address of Operator _____		7. Unit Agreement Name _____
4. Location of Well UNIT LETTER _____ LOCATED _____ FEET FROM THE _____ LINE AND _____ FEET FROM THE _____ LINE OF SEC. _____ TWP. _____ REC. _____ RMPM _____		8. Farm or Lease Name _____
11. Name and Address of Purchaser(s) _____		9. Well No. _____
		10. Field and Pool, or Wildcat _____
		12. County _____

CLASSIFICATION

1. Check appropriate box for category sought and information submitted.
2. All applications must contain the items required by the applicable rule of the Division's "Special Rules For Applications For Wellhead Price Ceiling Category Determinations" as follows:
 - A. Increased production resulting from recognized enhanced recovery techniques
☐ All items required by Rule 19
 - B. Well is Seasonally affected
☐ All items required by Rule 20

I HEREBY CERTIFY THAT THE INFORMATION CONTAINED
HEREIN IS TRUE AND COMPLETE TO THE BEST OF MY
KNOWLEDGE AND BELIEF.

NAME OF APPLICANT (Type or Print) _____
SIGNATURE OF APPLICANT _____
Title _____
Date _____

FOR DIVISION USE ONLY	
<input type="checkbox"/> Approved	The information contained herein includes all of the information required to be filed by the applicant under Subpart B of Part 274 of the FERC regulations.
<input type="checkbox"/> Disapproved	
EXAMINER _____	

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

CASE NO. 6851
Order No. R-5878-B

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION ON ITS OWN MOTION TO
CONSIDER AMENDMENTS TO ITS
"SPECIAL RULES FOR APPLICATIONS
FOR WELLHEAD PRICE CEILING CATEGORY
DETERMINATIONS" AS PROMULGATED BY
ORDERS NOS. R-5878 AND R-5878-A

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 9, 1980,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 7th day of July, 1980, 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 the 95th Congress of the United States passed the
Natural Gas Policy Act of 1978 (NGPA), P.L. 95-621, 92 Stat. L
3350.
- (3) That said Act was enacted on November 9, 1978, and
went into effect on December 1, 1978.
- (4) That pursuant to said Act, the Federal Energy Regulatory
Commission (FERC) promulgated interim regulations establishing
minimum filing requirements for applications for wellhead price
ceiling determinations under Sections 102, 103, 107, and 108 of
the Act.
- (5) That said regulations also established the Oil Conser-
vation Division as the jurisdictional agency for such determina-
tions with respect to wells located on state and fee lands
within the State of New Mexico.

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(6) That pursuant to the aforesaid Natural Gas Policy Act of 1978 and FERC interim regulations, the Division has heretofore adopted "Special Rules For Applications For Wellhead Price Ceiling Category Determinations" as promulgated by Division Order No. R-5878, dated December 14, 1978, and as amended by Division Order No. R-5878-A on February 8, 1980, and Forms C-132 and C-132-A, for use in filing for such determinations.

(7) That effective February 4, 1980, the FERC, by its Order No. 65, issued its "Final Regulations Implementing Filing Requirements of the Natural Gas Policy Act of 1978."

(8) That this case was called to consider the amendment of the Division's rules and forms governing the filing of applications for wellhead price ceiling category determinations in order to update them and to make them compatible with the aforesaid FERC final regulations.

(9) That said rules should be amended to be in the form and content prescribed in Exhibit A, attached hereto and made a part hereof.

(10) That Division Form C-132, "Application For Wellhead Price Ceiling Category Determination," should be revised to be in the form and content prescribed in Exhibit B, attached hereto and made a part hereof.

(11) That Division Form C-132-A, "Application For Continued Stripper Classification," should be revised to be in the form and content prescribed in Exhibit C, attached hereto and made a part hereof.

(12) That Division Orders Nos. R-5878 and R-5878-A should be superseded.

(13) That this order should be made effective July 15, 1980.

(14) That an order embodying the above findings is in the public interest, will promote conservation, will not cause but will prevent waste, will not impair but will protect correlative rights, and should be approved.

IT IS THEREFORE ORDERED:

(1) That the "Special Rules For Applications For Wellhead Price Ceiling Category Determinations," as prescribed by Exhibit A attached hereto and made a part hereof, are hereby adopted and made applicable.

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(2) That Division Form C-132, "Application For Wellhead Price Ceiling Category Determination," is hereby revised to conform to Exhibit B attached hereto and made a part hereof.

(3) That Division Form C-132-A, "Application For Continued Stripper Classification," is hereby revised to conform to Exhibit C attached hereto and made a part hereof.

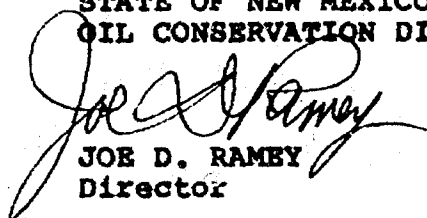
(4) That Division Orders Nos. R-5878 and R-5878-A are hereby superseded.

(5) That the effective date of this order shall be July 15, 1980.

(6) 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



SEAL

fd/

**SPECIAL RULES FOR APPLICATIONS
FOR WELLHEAD PRICE CEILING
CATEGORY DETERMINATIONS**

Adopted July 15, 1980

DEFINITIONS

FERC: The Federal Energy Regulatory Commission.

Division: The Oil Conservation Division of the Energy and Minerals Department.

USGS: United States Geological Survey.

Applicant: The person making the application for a wellhead price ceiling determination. This person shall usually be the operator of the well but under some circumstances could be a non-operating working interest owner.

Director: The Director of the Oil Conservation Division.

NGPA: The Natural Gas Policy Act of 1978.

MCF: Thousand cubic feet of gas reported at a pressure base of 14.73 psia.

GENERAL

- Rule 1.** An application for Wellhead Price Ceiling Category Determination shall include affidavits of mailing or delivery of the Form C-132 or C-132-A and FERC Form No. 121 to all working interest owners and to all parties to the gas purchase contract, if any.
- Rule 2.** The application shall be signed by the applicant or his authorized representative or agent.
- Rule 3.** If a well is located on a State or fee lease, the application shall be filed with the Division. If a well is located on a federal or Indian lease, the application shall be filed with the USGS. If the well is located on a communitized lease, the application shall be filed with the agency having jurisdiction over the lands on which the well is situated.

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- Rule 4. Two complete copies of the application shall be filed with the Division's Santa Fe office, and a copy of the C-132 or C-132-A with the appropriate district office.
- Rule 5. If written objection to the application is filed with the Division's Santa Fe office by any interested party within 15 days after the complete application is filed, or if a hearing is required by the Director, the application shall be set for hearing in accordance with Rules 1201 through 1223 of the Division's general statewide rules and regulations.
- Rule 6. If no written objection is received within the time period set out in Rule 5, and no hearing is required, the application may be approved administratively by a Division examiner or the Director.
- Rule 7. If a hearing is required, a determination shall not become final until the applicant or other interested party has exhausted his administrative remedies before the Division. If a hearing is not required, a determination shall be final on the date the application is either approved or disapproved.
- Rule 8. Within 10 days after making a final determination, notice shall be sent to the applicant, the transporter and, if a hearing was held, to each party who has entered his appearance of record at the hearing.
- Rule 9. Within 15 days after making a final determination, notice shall be sent to the FERC.
- Rule 10. An examiner or the Director, on a case-by-case basis, may require the filing of additional information other than that required to be submitted by FERC or Division regulations.
- Rule 11. The Director may set any application for hearing at his discretion or at the request of an applicant.
- Rule 12. The date of application shall be the date on which a complete application is filed with the Division's Santa Fe office. Incomplete applications shall either be returned to the applicant or held, but not docketed for processing.

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

FILING REQUIREMENTS

Section 102 New Natural Gas

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

1. 2.5 mile test

a. FERC Form No. 121

b. Division Form C-132 and the required attachments

c. a location plat which locates and identifies the well for which the determination is sought and any other well which produced natural gas after January 1, 1970, and before April 20, 1977, and is within the 2.5 mile radius drawn from the well for which a determination is sought;

d. a statement by the applicant under oath:

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

(2) describing the search made, the records reviewed, the location of such records, and a description of any records which

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he believes may contain information relevant to the determination but which he has determined are not reasonably available to him;

- (3) that on the basis of the results of this search and examination, he has concluded that to the best of his information, knowledge and belief, there is no marker well within 2.5 miles of the well for which he seeks a determination; and
- (4) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusion;

2. 1,000 feet deeper test

- a. FERC Form No. 121
- b. Division Form C-132 and the required attachments
- c. a location plat which locates and identifies the well for which the determination is sought and all wells which produced natural gas after January 1, 1970, and before April 20, 1977, within the 2.5 mile radius drawn from the well for which a determination is sought; including specific identification of all marker wells within the 2.5 mile radius drawn from the well for which a determination is sought;
- d. a list of the deepest completion locations for all marker wells identified on the location plat; and
- e. a statement by the applicant, under oath:
 - (1) that he has made, or has caused to be made pursuant to his instructions, a diligent search of all records (including

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but not limited to production, State severance tax, and royalty payment records) which are reasonably available and contain information relevant to the determination of eligibility;

- (2) describing the search made, the records reviewed, the location of such records, and a description of any records which he believes may contain information relevant to the determination but which he has determined are not reasonably available to him;
- (3) that on the basis of the results of this search and examination, he has concluded that to the best of his information, knowledge and belief, there is no marker well within 2.5 miles of the well for which he seeks a determination which has a completion location less than 1,000 feet above the completion location of the new well; and
- (4) that he has no knowledge of any other information which is inconsistent with his conclusion.

Rule 15. An application for a new onshore reservoir [NGPA Section 102(c)(1)(C)] shall include:

1. FERC Form No. 121
2. Division Form C-132 and the required attachments
3. geological information sufficient to support a determination that the reservoir is a new onshore reservoir. Such information shall include to the extent reasonably available to the applicant at the time the application is filed:
 - (a) well logs;

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- (b) bottom hole or surface pressure surveys;
- (c) well potential tests;
- (d) formation structure maps;
- (e) a subsurface cross-section chart;
- (f) a gas analysis; and
- (g) a copy of the Division order and hearing transcript resulting from the hearing to establish a new onshore reservoir if such a hearing was held by the Division; also a copy of any exhibits presented at the hearing which were not attachments to the original application.

4. a statement by the applicant, under oath:

- (a) that he has made, or has caused to be made pursuant to his instructions, a diligent search of all records (including but not limited to production, State severance tax, and royalty payment records) which are reasonably available and contain information relevant to the determination of eligibility;
- (b) describing the search made; the records reviewed; the location of such records, and a description of any records which are described in (a) (or which he believes may otherwise contain information relevant to the determination) but which he has determined are not reasonably available to him;
- (c) that on the basis of the results of this search and examination, he has concluded that to the best of his information, knowledge and belief the gas to be produced and for which he seeks a determination is from a new onshore reservoir; and

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

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

- a. Was natural gas produced in commercial quantities from the reservoir prior to April 20, 1977?
- b. If the question in Subparagraph (a) is answered in the negative, was the reservoir penetrated before April 20, 1977, by an old well from which natural gas or crude oil was produced in commercial quantities from any reservoir?
- c. If the question in Subparagraph (b) is answered in the affirmative, could natural gas have been produced in commercial quantities from the reservoir before April 20, 1977, from any such old well described in Subparagraph (b)?
- d. If the question in Subparagraph (c) is answered in the negative, were any sales and deliveries of natural gas made from any other reservoir through any such old well described in Subparagraph (b) prior to April 20, 1977, and were any sales and deliveries of natural gas made from the subject reservoir through such old well on or after April 20, 1977, and before November 9, 1978?
- e. If the natural gas is to be produced through such old well, were suitable facilities for the production and delivery to a pipeline of such natural gas in existence on April 20, 1977?

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- f. If the question in Subparagraph (c) is answered in the affirmative, were such suitable facilities installed to carry out sales and deliveries of natural gas under section 6 of the Emergency Natural Gas Act of 1977 or under the emergency sale authority pursuant to Opinion 699-B issued by the Federal Power Commission?
6. If the applicant is unable to answer both questions in Subparagraph (d) above in the negative, he must demonstrate that the Behind-the-Pipe Exclusion in Section 102(c)(1)(C)(ii) of the NGPA does not apply by submitting the following:
- a. Proof that a final eligibility determination has been made that the subject reservoir is a new onshore reservoir by identifying a prior determination made by the Division together with the FERC Docket number and the API well number(s), if available, or,
 - b. Evidence clearly demonstrating that the sale of production from the subject reservoir (net of royalty) through any well described in Subparagraph 5 b at the market price reasonably available as of April 20, 1977 could not have generated revenues sufficient to equal or exceed the sum of
(1) 1.6 times the minimum incremental costs properly allocable to such production of installing cost-efficient facilities not in existence as of April 20, 1977, reasonably required to market such production, plus
(2) the minimum incremental expenses properly allocable to such production reasonably required to operate such facilities. (All costs, expenses and revenues shall be determined as of April 20, 1977. The applicant shall also provide an explanation of the basis of all estimates accompanied by substantiating workpapers and such other evidence necessary to substantiate fully the conclusion that the Behind-the-Pipe Exclusion does not apply.)

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Section 103 New Onshore Production Well

Rule 16 A. An application for a new onshore production well [NGPA Section 103] shall include:

1. FERC Form No. 121
2. Division Form C-132 and the required attachments
3. Copy of Division order authorizing an infill well drilling program on a poolwide basis, if any, or authorizing the drilling of an infill well under Section 271.305 of the FERC NGPA Regulations. (For infill wells in the Blanco Mesaverde or Basin-Dakota Pools, see Rule 16 B.)
4. The C-102 attached to Form C-132 shall locate and identify the well for which a determination is sought and all other wells within the proration unit in which the well for which a determination is sought is located, giving for each well which has or is producing from the same pool or reservoir as the subject well the spud date, cumulative production, and date of plug and abandonment, if any.
5. A statement by the applicant, under oath:
 - (a) that the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;
 - (b) that the well satisfies any applicable federal or state well-spacing requirements; and that the well is not within a proration unit:
 - (1) which was in existence at the time the surface drilling of the well began;
 - (2) which was applicable to the reservoir from which such natural gas is produced; and

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- (3) which applied to any other well which either produced natural gas in commercial quantities or the surface drilling of which was begun before February 19, 1977, and was thereafter capable of producing natural gas in commercial quantities;
 - (c) that he has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well and the basis for such conclusion;
 - (d) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusions.
6. If the applicant is seeking a determination with respect to a new well drilled into an existing proration unit (except in the Blanco Mesaverde or Basin-Dakota Pools) pursuant to Sections 271.304 and 271.305 of the FERC NGPA regulations, the applicant must, in addition to the filing requirements listed in Sections 1 through 4 of Rule 16 A, file:
- (a) copies of those pages of any Division transcript or other documentation demonstrating by appropriate geological and engineering evidence that the new well is necessary to effectively and efficiently drain a portion of the reservoir covered by the proration unit which cannot be effectively and efficiently drained by any existing well within the proration unit, and
 - (b) a statement by the applicant under oath:
 - (1) that the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;

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- (2) That the Division has altered or granted a waiver of any applicable well-spacing requirements;
- (3) That he has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well and the basis for such conclusion;
- (4) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusions.

Rule 16 B. An application for a new onshore production well [NGPA Section 103] for an infill well in the Blanco Mesaverde Pool or the Basin-Dakota Pool, San Juan, Rio Arriba, and Sandoval Counties, drilled pursuant to Division Order No. R-1670-T or R-1670-V, respectively, shall include:

1. FERC Form No. 121
2. Division Form C-132 and the required attachments
3. The Form C-102 attached to Form C-132 shall locate and identify the proration unit dedicated to the well in accordance with the appropriate Division rules and shall also give the location and identification of all wells within such proration unit and the name of the pool from which each well produces.
4. A statement by the applicant, under oath:
 - a. That the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;

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- b. that the well satisfies any applicable Federal or State well spacing requirements;
 - c. that the applicant has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well; and
 - d. that the applicant has no knowledge of any other information not described in the application which is inconsistent with his conclusion.
5. A statement referencing the New Mexico Oil Conservation Division order under which the infill well was drilled: Order No. R-1670-T if the well is located in the Blanco Mesaverde Pool, or Order No. R-1670-V if the well is located in the Basin-Dakota Pool.

Section 107 Deep, High-Cost Natural Gas and Tight Formation Gas

Rule 17. Applications for deep, high-cost natural gas and new tight formation gas [NGPA Section 107] shall include:

1. Deep, High-cost Natural Gas

- a. PERC Form No. 121
- b. Division Form C-132 and the required attachments
- c. all well completion reports for the well for which a determination is sought;
- d. well logs or well servicing company reports or such other information which will corroborate the depth of the completion location reported in the well completion report;
- e. directional drilling surveys if available; and
- f. a statement by the applicant, under oath, that the surface drilling of the well for which he

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seeks a determination began on or after February 19, 1977, and that the well completion location is below a true vertical depth of 15,000 feet; and that he has no knowledge of any information which is inconsistent with his conclusions.

2. New Tight Formation Gas
(Submit either (a) or (b) below)

- a. If the gas is produced from a well which qualifies as a new, onshore, production well, an applicant shall submit:
 - (1) all information required under Rules 16 A or 16 B, except that, with respect to oath statements, subparagraphs 5(a), or 6(b) (1) of Rule 16 A, or subparagraph 4(a) of Rule 16 B, shall be omitted.
- b. If the gas qualifies as new natural gas under NGPA Section 102, an applicant shall submit:
 - (1) all information required under Rule 14 (1) or (2) or Rule 15, whichever is applicable.
- c. The heading and pertinent portions of the well log or a drilling report identifying the designated tight formation.
- d. A reference identifying the Division and FERC orders which recommended and designated, respectively, the tight formation in which the well is completed.
- e. A statement under oath, that:
 - (1) the surface drilling of the well for which a determination is sought was begun on or after July 16, 1979;
 - (2) the gas is being produced from a designated tight formation; and
 - (3) the applicant has no knowledge of any other information not described in the

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application which is inconsistent with his conclusion.

Section 108 Stripper Well Natural Gas

Rule 18.

1. Initial Determinations

a. An application for an initial determination that a well qualifies as a stripper gas well shall include:

- (1) FERC Form No. 121
- (2) Division Form C-132 and the required attachments.
- (3) A copy of Division Form C-116 (Gas-Oil Ratio test form). If unavailable, indicate reason.
- (4) A summary or tabulation of production records which indicates the following:
 - (a) the total crude oil (if any) and natural gas production for the 90-day period upon which the application is based, together with the average daily production of crude oil and natural gas for the 90-day period.
 - (b) the total amount of gas production for a 12-month production period ending concurrently with the 90-day production period, together with the daily average production for the 12-month period.
 - (c) the number of days natural gas was not produced during the 90-day production period.
 - (d) the number of days natural gas was produced during the 90-day production period.

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- (5) If necessary, a statement or description of the state law or conservation practice, or other explanation, stating the reason why the well did not produce during any day(s) applicable to the 90-day production period.
- (6) Results of any tests which establish maximum efficient rate of flow under Section 271.807(a) of the FERC rules and regulations applicable to NGPA may be submitted in lieu of 12 months of production data to establish maximum efficient rate of flow for a well. (However, the Division shall accept this alternate information only where unusual circumstances are exhibited and 12 months of production are unavailable.)
- (7) Copies of production records, tax records, or verified copies of billing statements may be submitted in support of an application.
- (8) A statement under oath:
 - (a) that the applicant has made, or has caused to be made pursuant to his instructions, a diligent search of all records which are reasonably available and contain information relevant to the determination describing the search made, the records reviewed, and the results of this search and examination upon which he has concluded that to the best of his information, knowledge and belief, the well qualifies as a stripper; and
 - (b) that the summary or tabulation of production or other records relied upon in the application are correct; and
 - (c) that the applicant has no knowledge of any other information which is inconsistent with his conclusion that the

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well qualifies as a stripper well.

2. Deferred Determinations

- a. The same information required for Section 108 initial determination applications shall be filed for deferred determinations except to the extent that prior production data to establish a maximum efficient rate of flow is not available or is insufficient, or deferral is necessary pursuant to Section 271.807(b)(1)(ii) of the FERC rules and regulations applicable to NGPA (12 month production data submitted did not exceed an average of 70 mcf per day).
- b. Production data to complete twelve months of production shall be submitted to the Division within 90 days after the end of the 12-month period designated by the Division.

Rule 19. An application for determination of increased production resulting from the use of enhanced recovery techniques shall include:

1. Division Form C-132-A and an approved copy of Form C-132
2. A copy of the purchaser's notice, if any, that the average daily production for any 90-day production period has exceeded 60 Mcf.
3. Copy of Form C-105, "Well Completion or Recompletion Report and Log."
4. A description of all processes used or equipment installed together with all dates of use or installation which constitute enhanced recovery techniques.
5. An inventory of the lease and production equipment used such as compression facilities, pumps, chokes, and intermitters for the well for the past 24 months or, if less, the period the well has been in production prior to the institution of an enhanced recovery technique.

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6. A statement, under oath, that to the best of the applicant's information, knowledge and belief, the information supplied and the conclusions drawn are true; that the operator has no knowledge of any information not described in the application which is inconsistent with any of his conclusions; and that the notice has been served on the appropriate entities specified in Section 271.804 of the FERC NGPA regulations.

Rule 20. An application for a designation that a well is seasonally affected shall include:

1. Division Form C-132-A and an approved copy of Form C-132, if an initial stripper well determination has been made under Rule 18.
2. FERC Form No. 121 and Division Form C-132 if an initial stripper determination has not previously been made under Rule 18.
3. A copy of the purchaser's notice, if any, that the average daily production for any 90-day production period has exceeded 60 Mcf, or that the well which has been designated a seasonally affected well produces at an average rate in excess of 60 Mcf per day for a 12-month production period.
4. A summary or tabulation of production records for a period of 24 months, including the 90-day or 12-month production period which is the subject of the notice by the operator or the purchaser;
5. A 24-month production curve;
6. A description of the nature of the seasonal fluctuations as inferred from the data supplied; and

Exhibit A
Order No. R-5878-E

7. A statement, under oath, that the summary or tabulation of production records is correct; that the operator has no knowledge of any information contrary to any conclusions drawn by him; and that the notice has been served on the appropriate entities specified in Section 271.805 of the FERC NGPA regulations.

Exhibit A
Order No. R-5878-B

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

CASE NO. 6851

Order No. R-5878-B

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION ON ITS OWN MOTION TO
CONSIDER AMENDMENTS TO ITS
"SPECIAL RULES FOR APPLICATIONS
FOR WELLHEAD PRICE CEILING CATEGORY
DETERMINATIONS" AS PROMULGATED
BY ORDER NO. R-5878 AND R-5878-A

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 9,
19 80, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of June, 19 80, 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 the 95th Congress of the United States passed the
Natural Gas Policy Act of 1978 (NGPA), P.L. 95-621, 92 Stat. L 3350.

(3) That said Act was enacted on November 9, 1980, and
went into effect on December 1, 1978.

(4) That pursuant to said Act, the Federal Energy Regulatory
Commission (FERC) promulgated interim regulations establishing
minimum filing requirements for applications for wellhead price
ceiling determinations under Section 102, 103, 107, and 108 of
the Act.

(5) That said regulations also established the Oil Conservation
Division as the jurisdictional agency for such determinations

Case No. 6851
Order No. R-5878-B

with respect to wells located on state and fee lands within the State of New Mexico.

(6) That pursuant to the aforesaid Natural Gas Policy Act of 1978 and FERC interim regulations, the Division has heretofore adopted "Special Rules For Applications For Wellhead Price Ceiling Category Determinations" as promulgated by Division Order No. R-5878, dated December 14, 1978, and as amended by Division Order No. R-5878-A on February 8, 1980, and Forms C-132 and C-132-A, for use in filing for such determinations.

(7) That effective February 4, 1980, the FERC, by its Order No. 65, issued its "Final Regulations Implementing Filing Requirements of the Natural Gas Policy Act of 1978."

(8) That this case was called to consider the amendment of the Division's rules and forms governing the filing of applications for wellhead price ceiling category determinations in order to update them and to make them compatible with the aforesaid FERC final regulations.

(9) That said rules should be ^{amended} ~~revised~~ to be in the form and content prescribed in Exhibit A, attached hereto and made a part hereof.

(10) That Division Form C-132, "Application For Wellhead Price Ceiling Category Determination," should be revised to be in the form and content prescribed in Exhibit B, attached hereto and made a part hereof.

(11) That Division Form C-132-A, "Application For Continued Stripper Classification," should be revised to be in the form and content prescribed in Exhibit C, attached hereto and made a part hereof.

(12) That Division Orders Nos. R-5878 and R-5878-A should be superseded.

(13) That this order should be made effective ~~immediately~~
~~upon entry~~ July 15, 1980.)

(14) That an order embodying the above findings is in the public interest, will promote conservation, will not cause but will prevent waste, will not impair but will protect correlative rights, and should be approved.

IT IS THEREFORE ORDERED:

(1) That the "Special Rules For Wellhead Price Ceiling Category Determinations," as prescribed by Exhibit A attached hereto and made a part hereof, are hereby adopted and made applicable.

(2) That Division Form C-132, "Application For Wellhead Price Ceiling Category Determination," is hereby ^{revised} ~~amended~~ to conform to Exhibit B Attached hereto and made a part hereof.

(3) That Division Form C-132-A, "Application For Continued Stripper Classification," is hereby ^{revised} ~~amended~~ to conform to Exhibit C attached hereto and made a part hereof.

(4) That Division Orders Nos. R-5878 and R-5878-A are hereby ~~superseded~~.

(5) That the effective date of this order shall be July 15, 1980.

(6) 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.

Adopted July 15, 1980

DEFINITIONS

FERC: The Federal Energy Regulatory Commission

Division: The Oil Conservation Division of the Energy and Minerals Department.

USGS: United States Geological Survey.

Applicant: The person making the application for a wellhead price ceiling determination. This person shall usually be the operator of the well but under some circumstances could be a ~~any non-operating~~ working interest owner

Director: The Director of the Oil Conservation Division.

NGPA: The Natural Gas Policy Act of 1978.

MCF: Thousand cubic feet of gas reported at a pressure base of 14.73 psia.

GENERAL

Rule 1. ^{For Wellhead Price Ceiling Category Determination}
~~The~~ application shall include affidavits of mailing or delivery of the Form C-132 or C-132-A and FERC Form No. 121 to all working interest owners and to all parties to the gas purchase contract, if any.

Rule 2. The application shall be signed by the applicant or his authorized representative or agent.

Rule 3. If a well is located on a State or fee lease, the application shall be filed with the Division. If a well is located on a federal or Indian lease, the application shall be filed with the USGS. If the well is located on a communitized lease, the application shall be filed with the agency having jurisdiction over the lands on which the well is situated.

Rule 4. Two complete copies of the application shall be filed with the Division's Santa Fe office, and a copy of the C-132 or C-132-A with the appropriate district office.

~~EXHIBIT A~~

Exhibit A
Order No. R-5878-B

Section 103 New Onshore Production Well

Rule 16A. An application for a new onshore production well [NGPA Section 103] shall include:

1. FERC Form No. 121
2. Division Form C-132 and the required attachments
3. Copy of Division order authorizing an infill well drilling program on a poolwide basis, if any, or authorizing the drilling of an infill well under Section 271.305 of the FERC NGPA Regulations. (For infill wells in the Blanco Mesaverde or Basin-Dakota Pools, see Rule 16 B.)
4. The C-102 attached to Form C-132 shall locate and identify the well for which a determination is sought and all other wells within the proration unit in which the well for which a determination is sought is located, giving for each well which has or is producing from the same pool or reservoir as the subject well the spud date, cumulative production, and date of plug and abandonment, if any.
5. A statement by the applicant, under oath:
 - (a) that the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;
 - (b) that the well satisfies any applicable federal or state well-spacing requirements; and that the well is not within a proration unit:
 - (1) which was in existence at the time the surface drilling of the well began;
 - (2) which was applicable to the reservoir from which such natural gas is produced; and
 - (3) which applied to any other well which either produced natural gas in commercial quantities or the surface drilling of which was begun before February 19, 1977, and was thereafter capable of producing natural gas in commercial quantities;
 - (c) that he has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well and the basis for such conclusion;
 - (d) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusions.
6. If the applicant is seeking a determination with respect to a new well drilled into an existing proration unit (except in the Blanco Mesaverde or Basin-Dakota Pools) pursuant to Sections 271.304 and 271.305 of the FERC NGPA regulations, the applicant must, in addition to the filing requirements listed in Sections 1 through 4 of Rule 16 A, file:
 - (a) *and engineering* copies of those pages of any Division transcript or other documentation demonstrating by appropriate geological evidence that the new well is necessary to effectively and efficiently drain a portion of the reservoir covered by the proration unit which cannot be effectively and efficiently drained by any existing well within the proration unit, and
 - (b) a statement by the applicant under oath:

- (1) that the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;
- (2) that the Division has altered or granted a waiver of any applicable well-spacing requirements prior to the commencement of surface drilling of the well for which a determination is sought;
- (3) that he has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well and the basis for such conclusion;
- (4) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusions.

RULE 16 B. An application for a new onshore production well (NGPA Section 103) for an infill well in the Blanco Mesaverde Pool or the Basin-Dakota Pool, San Juan, Rio Arriba, and Sandoval Counties, drilled pursuant to Division Order No. R-1670-T or R-1670-V, respectively, shall include:

1. FERC Form No. 121
2. Division Form C-132 and the required attachments.
3. The Form C-102 attached to Form C-132 shall locate and identify the proration unit dedicated to the well in accordance with the appropriate Division rules and shall also give the location and identification of all wells within such proration unit and the name of the pool from which each well produces.
4. A statement by the applicant, under oath:
 - a. That the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;
 - b. that the well satisfies any applicable Federal or State well spacing requirements;
 - c. that the applicant has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well; and
 - d. that the applicant has no knowledge of any other information not described in the application which is inconsistent with his conclusion.
5. A statement referencing the New Mexico Oil Conservation Division order under which the infill well was drilled: Order No. R-1670-T if the well is located in the Blanco Mesaverde Pool, or Order No. R-1670-V if the well is located in the Basin-Dakota Pool.

Section 107 Deep, High-Cost Natural Gas and Tight Formation Gas.

Rule 17. Applications for deep, high-cost natural gas and new tight formation gas (NGPA Section 107) shall include:

1. Deep, High-cost Natural Gas

- a. FERC Form No. 121
- b. Division Form C-132 and the required attachments
- c. all well completion reports for the well for which a determination is sought;
- d. well logs or well servicing company reports or such other information which will corroborate the depth of the completion location reported in the well completion report;
- e. directional drilling surveys if available; and
- f. a statement by the applicant, under oath, that the surface drilling of the well for which he seeks a determination began on or after February 19, 1977, and that the well completion location is below a true vertical depth of 15,000 feet; and that he has no knowledge of any information which is inconsistent with his conclusions.

2. New Tight Formation Gas
(Submit either (a) or (b) below)

- a. If the gas is produced from a well which qualifies as a new, onshore, production well, an applicant shall submit:
 - (1) all information required under Rules 16A or 16B, except that, with respect to oath statements, subparagraphs 3(a), or 6(b)(1) of Rule 16A, or subparagraph 4(a) of Rule 16B, shall be omitted.
- b. If the gas qualifies as new natural gas under NGPA Section 102, an applicant shall submit:
 - (1) all information required under Rule 13(1), (2), or (3), whichever is appropriate.
- c. The heading and pertinent portions of the well log or a drilling report identifying the designated tight formation.
- d. A reference identifying the Division and FERC orders which recommended and designated, respectively, the tight formation in which the well is completed.
- e. A statement under oath, that:
 - (1) the surface drilling of the well for which a determination is sought was begun on or after July 16, 1979;
 - (2) the gas is being produced from a designated tight formation; and
 - (3) the applicant has no knowledge or any other information not described in the application which is inconsistent with his conclusion.

Section 108 Stripper Well Natural Gas

Rule 18.

1. Initial Determinations

- a. An application for an initial determination that a well qualifies as a stripper gas well shall include:
 - (1) FERC Form No. 121
 - (2) Division Form C-132 and the required attachments.
 - (3) A copy of Division Form C-116 (Gas-Oil Ratio test form). If unavailable, indicate reason.
 - (4) A summary or tabulation of production records which indicates the following:
 - (a) the total crude oil (if any) and natural gas production for the 90-day period upon which the application is based, together with the average daily production of crude oil and natural gas for the 90-day period.
 - (b) the total amount of gas production for a 12-month production period ending concurrently with the 90-day production period, together with the daily average production for the 12-month period.
 - (c) the number of days natural gas was not produced during the 90-day production period.
 - (d) the number of days natural gas was produced during the 90-day production period.
 - (5) If necessary, a statement or description of the state law or conservation practice, or other explanation, stating the reason why the well did not produce during any day(s) applicable to the 90-day production period.
 - (6) Results of any tests which establish maximum efficient rate of flow under Section 271.807(a) of the FERC rules and regulations applicable

to NGPA may be submitted in lieu of 12 months of production data to establish maximum efficient rate of flow for a well. (However, the Division shall accept this alternate information only where unusual circumstances are exhibited and 12 months of production are unavailable.

- (7) Copies of production records, tax records, or verified copies of billing statements may be submitted in support of an application.
- (8) A statement under oath:
 - (a) that the applicant has made, or has caused to be made pursuant to his instructions, a diligent search of all records which are reasonably available and contain information relevant to the determination describing the search made, the records reviewed, and the results of this search and examination upon which he has concluded that to the best of his information, knowledge and belief, the well qualifies as a stripper; and
 - (b) that the summary or tabulation of production or other records relied upon in the application are correct; and
 - (c) that the applicant has no knowledge of any other information which is inconsistent with his conclusion that the well qualifies as a stripper well.

2. Deferred Determinations

- a. The same information required for Section 108 initial determination applications shall be filed for deferred determinations except to the extent that prior production data to establish a maximum efficient rate of flow is not available or is insufficient, or deferral is necessary pursuant to Section 271.807 (b)(1)(ii) of the FERC rules and regulations applicable to NGPA (12 month production data submitted did not exceed an average of 70 mcf per day).
- b. Production data to complete twelve months of production shall be submitted to the Division within 90 days after the end of the 12-month period designated by the Division.

Rule 19. An application for determination of increased production resulting from the use of enhanced recovery techniques shall include:

~~1. FERC Form No. 121~~

an approved copy

2. Division Form C-132-A and the ~~required~~ attachments of Form C-132.

3. A copy of the purchaser's notice, if any, that the average daily production for any 90-day production period has exceeded 60 Mcf, ~~or that the well which has been designated a seasonably affected well produces at a rate in excess of 60 Mcf per day for a 12-month production period.~~

A description of all processes used or equipment installed together with all dates of use or installation ~~which constitute enhanced recovery techniques.~~

6. *An inventory of the lease and production equipment used such as compression facilities, pumps, chokes, and intermitters for the well for the past 24 months or, if less, the period the well has been in production prior to the institution of an enhanced recovery technique.*

7. A statement, under oath, that to the best of the applicant's information, knowledge and belief, the information supplied and the conclusions drawn are true; that the operator has no knowledge of any information not described in the application which is inconsistent with any of his conclusions; and that the notice has been served on the appropriate entities specified in Section 271.805 of the FERC NGPA regulations.

Rule 20. An application for a designation that a well is seasonably affected shall include:

1. FERC Form No. 121

chgd 2. ~~Division Form C-132 if an initial determination has not been made under Rule 17; or Form C-132-A, if an initial determination has been made.~~

3. A copy of the purchaser's notice, if any, that the average daily production for any 90-day production period has exceeded 60 Mcf, or that the well which has been designated a seasonably affected well produces at an average rate in excess of 60 Mcf per day for a 12-month production period.

** Copy of Form C-105, Well Completion Or Recompletion Report and Log*

4. A summary or tabulation of production records for a period of 24 months, including the 90-day period or 12-month production period which is the subject of the notice by the operator or the purchaser;
5. A 24-month production curve
6. A description of the nature of the seasonal fluctuations as inferred from the data supplied; and

7. A statement, under oath, that the summary or tabulation of production records is correct; that the operator has no knowledge of any information contrary to any conclusions drawn by him; and that the notice has been served on the appropriate entities specified in Section 271.805 of the FERC NGPA regulations.

well qualifies as a stripper well.

2. Deferred Determinations

- a. The same information required for Section 108 initial determination applications shall be filed for deferred determinations except to the extent that prior production data to establish a maximum efficient rate of flow is not available or is insufficient, or deferral is necessary pursuant to Section 271.807(b)(1)(ii) of the FERC rules and regulations applicable to NGPA (12 month production data submitted did not exceed an average of 70 mcf per day).
- b. Production data to complete twelve months of production shall be submitted to the Division within 90 days after the end of the 12-month period designated by the Division.

Rule 19. An application for determination of increased production resulting from the use of enhanced recovery techniques shall include:

- ~~1. FERC Form No. 121~~
1. ~~2. Division Form C-132-A and the required attachments of Form C-132~~ *and an approved copy*
2. ~~3. A copy of the purchaser's notice, if any, that the average daily production for any 90-day production period has exceeded 60 Mcf, or that the well which has been designated a seasonably affected well produces at a rate in excess of 60 Mcf per day for a 12-month production period.~~
3. ~~4. Copy of Form C-105, "Well Completion or Completion Report and Log."~~
4. ~~5. A description of all processes used or equipment installed together with all dates of use or installation which constitute enhanced recovery techniques.~~

Exhibit A
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5. ~~6.~~ An inventory of the lease and production equipment used such as compression facilities, pumps, chokes, and intermitters for the well for the past 24 months or, if less, the period the well has been in production prior to the institution of an enhanced recovery technique.
6. ~~7.~~ A statement, under oath, that to the best of the applicant's information, knowledge and belief, the information supplied and the conclusions drawn are true; that the operator has no knowledge of any information not described in the application which is inconsistent with any of his conclusions; and that the notice has been served on the appropriate entities specified in Section 271.804 of the FERC NGPA regulations.

Rule 20. An application for a designation that a well is seasonally affected shall include:

1. Division Form C-132-A and an approved copy of Form C-132, if an initial stripper well determination has been made ~~but not~~ under Rule 18.
FERC Form No. 121 and
2. Division Form C-132 if ~~not~~ an initial stripper [^]determination has not previously been made under Rule 18.
3. A copy of the purchaser's notice, if any, that the average daily production for any 90-day production period has exceeded 60 Mcf, or that the well which has been designated a seasonally affected well produces at an average rate in excess of 60 Mcf per day for a 12-month production period.
4. A summary or tabulation of production records for a period of 24 months, including the 90-day or 12-month production period which is the subject of the notice by the operator or the purchaser;
5. A 24-month production curve;
6. A description of the nature of the seasonal fluctuations as inferred from the data supplied; and

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7. A statement, under oath, that the summary or tabulation of production records is correct; that the operator has no knowledge of any information contrary to any conclusions drawn by him; and that the notice has been served on the appropriate entities specified in Section 271.805 of the FERC NGPA regulations.

Exhibit A
Order No. R-5878-B

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT


OIL CONSERVATION DIVISION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

APPLICATION FOR WELLHEAD
PRICE CEILING CATEGORY DETERMINATION

Form C-132
Revised 7-16-80

FOR DIVISION USE ONLY:		5A. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>
DATE COMPLETE APPLICATION FILED _____		5. State Oil & Gas Lease No. _____
DATE DETERMINATION MADE _____		
WAS APPLICATION CONTESTED? YES _____ NO _____		
NAME(S) OF INTERVENOR(S), IF ANY: _____		7. Unit Agreement Name _____
2. Name of Operator _____		8. Farm or Lease Name _____
3. Address of Operator _____		9. Well No. _____
4. Location of Well UNIT LETTER _____ LOCATED _____ FEET FROM THE _____ LINE		10. Field and Pool, or Wildcat _____
AND _____ FEET FROM THE _____ LINE OF SEC. _____ TWP. _____ RGE. _____ NMPM _____		12. County _____
11. Name and Address of Purchaser(s) _____		

WELL CATEGORY INFORMATION

Check appropriate box for category sought and information submitted.

1. Category(ies) Sought (By NGPA Section No.) _____
2. All Applications must contain:
 - ☐ a. C-101 APPLICATION FOR PERMIT TO DRILL, DEEPEN OR PLUG BACK
 - ☐ b. C-105 WELL COMPLETION OR RECOMPLETION REPORT
 - ☐ c. DIRECTIONAL DRILLING SURVEY, IF REQUIRED UNDER RULE 111
 - ☐ d. AFFIDAVITS OF MAILING OR DELIVERY
3. In addition to the above, all applications must contain the items required by the applicable rule of the Division's "Special Rules for Applications For Wellhead Price Ceiling Category Determinations" as follows:
 - A. NEW NATURAL GAS UNDER SEC. 102(c)(1)(B) (using 2.5 Mile or 1000 Feet Deeper Test)
 - ☐ All items required by Rule 14(1) and/or Rule 14(2)
 - B. NEW NATURAL GAS UNDER SEC. 102(c)(1)(C) (new onshore reservoir)
 - ☐ All items required by Rule 15
 - C. NEW ONSHORE PRODUCTION WELL
 - ☐ All items required by Rule 16A or Rule 16B
 - D. DEEP, HIGH-COST NATURAL GAS and TIGHT FORMATION NATURAL GAS
 - ☐ All items required by Rule 17(1) or Rule 17(2)
 - E. STRIPPER WELL NATURAL GAS
 - ☐ All items required by Rule 18

I HEREBY CERTIFY THAT THE INFORMATION CONTAINED
HEREIN IS TRUE AND COMPLETE TO THE BEST OF MY
KNOWLEDGE AND BELIEF.

NAME OF APPLICANT (Type or Print)

SIGNATURE OF APPLICANT

Title _____

Date _____

FOR DIVISION USE ONLY	
<input type="checkbox"/> Approved	The information contained herein includes all of the information required to be filed by the applicant under Subpart B of Part 274 of the FERC regulations.
<input type="checkbox"/> Disapproved	
EXAMINER _____	

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-136-A
Revised 7-15-80

APPLICATION FOR CONTINUED
STRIPPER CLASSIFICATION

1. FOR DIVISION USE ONLY: DATE COMPLETE APPLICATION FILED _____ DATE DETERMINATION MADE _____ WAS APPLICATION CONTESTED? YES _____ NO _____ NAME(S) OF INTERVENOR(S), IF ANY: _____		5A. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator _____		5. State Oil & Gas Lease No. _____
3. Address of Operator _____		<div style="background-color: #cccccc; height: 20px;"></div>
4. Location of Well UNIT LETTER _____ LOCATED _____ FEET FROM THE _____ LINE AND _____ FEET FROM THE _____ LINE OF SEC. _____ TWP. _____ RGE. _____ NMPM		7. Unit Agreement Name _____
11. Name and Address of Purchaser(s) _____		8. Farm or Lease Name _____
		9. Well No. _____
		10. Field and Pool, or Wildcat _____
		12. County _____

CLASSIFICATION

1. Check appropriate box for category sought and information submitted.
2. All applications must contain the items required by the applicable rule of the Division's "Special Rules For Applications For Wellhead Price Ceiling Category Determinations" as follows:
 - A. Increased production resulting from recognized enhanced recovery techniques
☐ All items required by Rule 19
 - B. Well is Seasonally affected
☐ All items required by Rule 20

I HEREBY CERTIFY THAT THE INFORMATION CONTAINED
HEREIN IS TRUE AND COMPLETE TO THE BEST OF MY
KNOWLEDGE AND BELIEF.

NAME OF APPLICANT (Type or Print)

SIGNATURE OF APPLICANT
Title _____
Date _____

FOR DIVISION USE ONLY	
<input type="checkbox"/> Approved	The information contained herein includes all of the information required to be filed by the applicant under Subpart B of Part 274 of the FERC regulations.
<input type="checkbox"/> Disapproved	
EXAMINER _____	

SPECIAL RULES FOR APPLICATIONS
FOR WELLHEAD PRICE CEILING
CATEGORY DETERMINATIONS

DEFINITIONS

FERC. The Federal Energy Regulatory Commission

Division. The Oil Conservation Division of the Energy and Minerals Department.

USGS. United States Geological Survey.

Applicant. The operator of the well for which the determination is sought.

Director. The Director of the Oil Conservation Division.

NGPA. The Natural Gas Policy Act of 1972.

MCF. Thousand cubic feet of gas reported at a pressure base of 14.73 psia.

GENERAL

applicant
Rule 1. The application shall include affidavits of mailing or delivery of the Form C-132 or C-132-A and FERC Form No. 121 to all working interest owners and to all parties to the gas purchase contract, if any.

Rule 2. An application shall be signed by the operator or his authorized representative or agent.

Rule 2. The application shall be signed as follows:

~~If the person filing an application is an individual, the filing shall be signed and attested to by such individual, or in the case of a minor or other legally disabled person, his duly qualified legal representative. If the person filing is a corporation, partnership, or trust, the filing shall be signed and attested to by a responsible official of the corporation, a general partner of the partnership, or the trustee of the trust. In the case of any other legal entity, the operator of the well may sign the application. An operator under a joint operating agreement may sign an application for a well covered by the operating agreement if notice of the application is given by the operator to all other parties to the joint operating agreement and that fact is certified in the application.~~

Rule 3. If a well is located on a State or fee lease, the application shall be filed with the Division. If a well is located on a federal or Indian lease, the application shall be filed with the USGS. If the well is located on a communitized lease, the application shall be filed with the agency having jurisdiction over the lands on which the well is situated.

Rule 4. Two complete copies of the application shall be filed with the Division's Santa Fe office, and a copy of the C-132 or C-132-A with the appropriate district office.

*even WI not
the operator file*

BEFORE EXAMINER NUTTER	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	1
CASE NO.	6851

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

Rule 13. A proration unit shall automatically expire upon the plugging and abandoning of a well dedicated to a proration unit and the filing with and approval by the Division of Division Form C-103 evidencing such plugging and abandoning.

the last well

*How about
recomple
in another
zone*

produced natural gas after January 1, 1970,
and before April 20, 1977,

Rule 5. If written objection to the application is filed with the Division's Santa Fe office by any interested party within 15 days after the complete application is filed, or if a hearing is required by the Director, the application shall be set for hearing in accordance with Rules 1201 through 1223 of the Division's general statewide rules and regulations.

Rule 6. If no written objection is received within the time period set out in Rule 5, and no hearing is required, the application may be approved administratively by a Division examiner or the Director.

Rule 7. If a hearing is required, a determination shall not become final until the applicant or other interested party has exhausted his administrative remedies before the Division. If a hearing is not required, a determination shall be final on the date the application is either approved or disapproved.

Rule 8. Within 10 days after making a final determination, notice shall be sent to the applicant, the transporter and, if a hearing was held, to each party who has entered his appearance of record at the hearing.

Rule 9. Within 15 days after making a final determination, notice shall be sent to the FERC.

Rule 10. An examiner or the Director may require the filing of additional information on a case-by-case basis other than that required to be submitted by FERC or Division regulations.

Rule 11. The Director may set any application for hearing at his discretion or at the request of an applicant.

Rule 12. ~~In the case of remand by the FEPC of any final determination made by the Division, the case shall be set for hearing in accordance with Rules 1201 through 1223 of the Division's general statewide rules and regulations.~~

FILING REQUIREMENTS

Section 102 New Natural Gas

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

1. 2.5 mile test

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

produced natural gas after January 1, 1970,
and before April 20, 1977,

d. a statement by the applicant under oath:

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

2. 1,000 feet deeper test

- a. FERC Form No. 121
- b. Division Form C-132 and the required attachments
- c. a location plat which locates and identifies the well for which the determination is sought and all wells which are producing, or produced after January 1, 1970, natural gas within the 2.5 mile radius drawn from the well for which a determination is sought; including specific identification of all marker wells within the 2.5 mile radius drawn from the well for which a determination is sought;
- d. a list of the deepest completion locations for all marker wells identified on the location plat; and
- e. a statement by the applicant, under oath:
 - (1) that he has made, or has caused to be made pursuant to his instructions, a diligent search of all records (including but not limited to production, State severance tax, and royalty payment records) which are reasonably available and contain information relevant to the determination of eligibility;

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

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

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

Rule 14. An application for a new onshore reservoir [NGPA Section 15. 102(c)(1)(C)] shall include:

1. FERC Form No. 121
2. Division Form C-132 and the required attachments

3. geological information sufficient to support a determination that the reservoir is a new onshore reservoir. Such information shall include to the extent reasonably available, to the applicant at the time the application is filed:

- (a) well logs;
- (b) bottom hole or surface pressure surveys;
- (c) well potential tests;
- (d) formation structure maps;
- (e) a subsurface cross-section chart; and
- (f) a gas analysis.

4. a statement by the applicant, under oath:

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

(g) a copy of the Division order and hearing transcript resulting from a hearing to establish a new onshore reservoir if such a hearing was held before the Division.

SEE NEXT TWO PAGES FOR REVISION OF
PARAGRAPHS 5 AND 6.

are described in (1) (or which he believes may otherwise contain information relevant to the determination) but which he has determined are not reasonably available to him;

- (c) that on the basis of the results of this search and examination, he has concluded that to the best of his information, knowledge and belief the gas to be produced and for which he seeks a determination is from a new onshore reservoir; and
- (d) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusion.

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

- (a) Was natural gas produced in commercial quantities from the reservoir prior to April 20, 1977?
- (b) Was the reservoir penetrated before April 20, 1977, by an old well from which natural gas or crude oil was produced in commercial quantities from any reservoir?
- (c) If the question in Subparagraph (b) is answered in the affirmative, could natural gas have been produced in commercial quantities from the reservoir before April 20, 1977, from any old well described in (b)?
- (d) If the natural gas is to be produced through an old well, were suitable facilities for the production and delivery to a pipeline of such natural gas in existence on April 20, 1977?

6. If the applicant is unable to answer the four questions set out above in the negative, the applicant shall provide the information upon which he bases his conclusion that the natural gas for which he seeks a determination is to be produced from a new onshore reservoir.

- a. Was natural gas produced in commercial quantities from the reservoir prior to April 20, 1977?
 - b. If the question in Subparagraph (a) is answered in the negative, was the reservoir penetrated before April 20, 1977, by an old well from which natural gas or crude oil was produced in commercial quantities from any reservoir?
 - c. If the question in Subparagraph (b) is answered in the affirmative, could natural gas have been produced in commercial quantities from the reservoir before April 20, 1977, from any old well described in Subparagraph (b)?
 - d. If the question in Subparagraph (c) is answered in the negative, were any sales and deliveries of natural gas made from any other reservoir through any old well described in Subparagraph (b) prior to April 20, 1977, ^{and} were any sales and deliveries of natural gas made from the subject reservoir through such old well on or after April 20, 1977, and before November 9, 1978?
 - e. If the natural gas to be produced through ^{such} an old well, were suitable facilities for the production and delivery to a pipeline of such natural gas in existence on April 20, 1977?
 - f. If the question in Subparagraph (c) is answered in the affirmative, were such suitable facilities installed to carry out sales and deliveries of natural gas under section 6 of the Emergency Natural Gas Act of 1977 or under the emergency sale authority pursuant to Opinion 699-B issued by the Federal Power Commission?
6. If the applicant is unable to answer both questions in Subparagraph (d) above in the negative, he must demonstrate that the Behind-the-Pipe Exclusion in Section 102(c)(1)(C)(ii) of the NGPA does not apply by submitting the following:
- a. Proof that a final eligibility determination has been made that the subject reservoir is a new onshore reservoir by identifying a prior determination made by the Division together with the FERC Docket number and the API well number(s), if available, or,

ORRT
interests
incl in
royalty

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

Rule 17. An application for a new onshore production well (NGPA Section 103) shall include:

16A.

3. Copy of Division order authorizing an infill well drilling program on a poolwide basis, if any, or authorizing the drilling of an infill well under Section 271.305 of the FERC NGPA regulations. (For infill wells in the Blanco Mesaverde or Basin-Dakota Pools, see Rule 16B.)

1. FERC Form No. 131

2. Division Form C-132 and the required attachments

3. ~~Copy of Division order authorizing an infill well drilling program on a poolwide basis, if any, or authorizing the drilling of an infill well under Section 271.305 of the FERC NGPA regulations.~~

4. The C-102 attached to Form C-132 shall locate and identify the well for which a determination is sought and all other wells within the proration unit in which the well for which a determination is sought is located, giving for each well which has or is producing from the same pool or reservoir as the subject well the spud date, cumulative production, and date of plug and abandonment, if any.

5. A statement by the applicant, under oath:

(a) that the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;

(b) that the well satisfies any applicable federal or state well-spacing requirements; and that the well is not within a proration unit:

(1) which was in existence at the time the surface drilling of the well began;

(2) which was applicable to the reservoir from which such natural gas is produced; and

(3) which applied to any other well which either produced natural gas in commercial quantities or the surface drilling of which was begun before February 19, 1977, and was thereafter capable of producing natural gas in commercial quantities;

(c) that he has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well and the basis for such conclusion;

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

6. ~~If the applicant is seeking a determination with respect to a new well drilled into an existing proration unit pursuant to Sections 271.304 and 271.305 of the FERC NGPA regulations, the applicant must, in addition to the filing requirements listed in Paragraphs (1) through (4) of Rule 15, file:~~

(a) copies of those pages of any Division transcript or other documentation demonstrating by appropriate geological evidence that the new well is necessary to effectively and efficiently drain a portion of the reservoir covered by the proration unit which cannot be effectively and efficiently drained by any existing well within the proration unit, and

(b) a statement by the applicant under oath:

6. If the applicant is seeking a determination with respect to a new well drilled into an existing proration unit (except in the Blanco Mesaverde or Basin-Dakota Pools) pursuant to Sections 271.304 and 271.305 of the FERC NGPA regulations, the applicant must, in addition to the filing requirements listed in Section 1 through 4 of Rule 16A, file:

(a) Insert "and engineering" after geological and before evidence.

- (1) that the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;
- (2) that the Division has altered or granted a waiver of any applicable well-spacing requirements prior to the commencement of surface drilling of the well for which a determination is sought;
- (3) that he has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well and the basis for such conclusion;
- (4) that he has no knowledge of any other information not described in the application which is inconsistent with his conclusions.

Rule 16B. An application for a new onshore production well (NGPA Section 103) for an infill well in the Blanco Mesaverde Pool or the Basin-Dakota Pool, San Juan, Rio Arriba, and Sandoval Counties, drilled pursuant to Division Order No. R-1670-T or R-1670-V, respectively, shall include:

1. FERC Form No. 121
2. Division Form C-132 and the required attachments.
3. The Form C-102 attached to Form C-132 shall locate and identify the proration unit dedicated to the well in accordance with the appropriate Division rules and shall also give the location and identification of all wells within such proration unit and the name of the pool from which each well produces.
4. A statement by the applicant, under oath:
 - a. That the surface drilling of the well for which he seeks a determination was begun on or after February 19, 1977;
 - b. that the well satisfies any applicable Federal or State well spacing requirements;
 - c. that the applicant has concluded that to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new, onshore production well; and
 - d. that the applicant has no knowledge of any other information not described in the application which is inconsistent with his conclusion.
5. A statement referencing the New Mexico Oil Conservation Division order under which the infill well was drilled: Order No. R-1670-T if the well is located in the Blanco Mesaverde Pool, or Order No. R-1670-V if the well is located in the Basin-Dakota Pool.

SEE SECTION 107
REVISIONS AND ADDITIONS
BEGINNING ON NEXT PAGE.

Section 107 High-Cost Natural Gas

Rule 16. An application for high-cost natural gas [NGPA Section 107] shall include:

1. FIRM Form No. 121
2. Division Form C-132 and the required attachments
3. all well completion reports for the well for which a determination is sought;
4. well logs or well servicing company reports or such other information which will corroborate the depth of the completion location reported in the well completion report;
5. directional drilling surveys if available; and
6. a statement by the applicant, under oath, that the surface drilling of the well for which he seeks a determination began on or after February 19, 1977, and that the well completion location is below a true vertical depth of 15,000 feet; and that he has no knowledge of any information which is inconsistent with his conclusions.

Section 107 Deep, High-Cost Natural Gas and Tight Formation Gas.

Rule 17. Applications for deep, high-cost natural gas and new tight formation gas (NGPA Section 107) shall include:

1. Deep, High-cost Natural Gas

- a. FERC Form No. 121
- b. Division Form C-132 and the required attachments
- c. all well completion reports for the well for which a determination is sought;
- d. well logs or well servicing company reports or such other information which will corroborate the depth of the completion location reported in the well completion report;
- e. directional drilling surveys if available; and
- f. a statement by the applicant, under oath, that the surface drilling of the well for which he seeks a determination began on or after February 19, 1977, and that the well completion location is below a true vertical depth of 15,000 feet; and that he has no knowledge of any information which is inconsistent with his conclusions.

2. New Tight Formation Gas
(Submit either (a) or (b) below)

- a. If the gas is produced from a well which qualifies as a new, onshore, production well, an applicant shall submit:
 - (1) all information required under Rules 16A or 16B, except that, with respect to oath statements, subparagraphs 5(a), or 6(b)(1) of Rule 16A, or subparagraph 4(a) of Rule 16B, shall be omitted.
- b. If the gas qualifies as new natural gas under NGPA Section 102, an applicant shall submit:
 - (1) all information required under Rule 13(1), (2), or (3), whichever is appropriate.

- c. The heading and pertinent portions of the well log or a drilling report identifying the designated tight formation.
- d. A reference identifying the Division and FERC orders which recommended and designated, respectively, the tight formation in which the well is completed.
- e. A statement under oath, that:
 - (1) the surface drilling of the well for which a determination is sought was begun on or after July 16, 1979;
 - (2) the gas is being produced from a designated tight formation; and
 - (3) the applicant has no knowledge or any other information not described in the application which is inconsistent with his conclusion.

SEE SECTION 108 REVISIONS
BEGINNING ON NEXT PAGE.

Rule 17. An application for an initial determination that a well qualifies as a stripper gas well [NGPA Section 108] shall include:

1. FERC Form No. 121
2. Division Form C-132 and the required attachments
3. If a C-116 is unavailable, indicate so on the C-132 and state why it is unavailable.
4. a production decline curve, if available, and if not, tax records, if available, or verified copies of billing statements upon which the average production for the 90-day production period is based;
5. a copy of the results of any tests which measure the production capability of the well; and, if such test results are not available and the maximum efficient rate of flow has not been previously established:
 - (a) a production decline curve for the 12-month period ending concurrently with the 90-day production period under Paragraph (4), if available.
 - (b) If unavailable, submit either (1) or (2), infra:
 - (1) If the well, for which a determination is sought, has produced non-associated natural gas at an average rate not in excess of 60 Mcf per production day for a 90-day production period within 120 days of the date of filing, but such an average rate of production has not been experienced for a 12-month period, the applicant shall file, as soon as practicable but in no event later than 16 months after the date the application is filed with the jurisdictional agency, either production records, if available, and if not, tax records, if available, or verified copies of billing statements for the 12-month period, including any of the 90-day production period upon which the application is based, which demonstrate that such well produced non-associated natural gas at a rate which did not exceed an average of 60 Mcf per production day during such period; or
 - (2) flow tests, or other evidence upon which the Division can make a determination as to whether the well produced at its maximum efficient rate of flow.
6. The number of days natural gas was not produced during the 90-day production period and a description of the state law or conservation practice recognized or approved by the state agency having regulatory jurisdiction over the production of natural gas which prohibited production.
7. The number of days not included in the 90-day production period and a statement of the reasons why each day was excluded except to the extent they are covered under Paragraph 6.
8. The production records for crude oil produced from the well for the 90-day production period upon which the application is based. State if no liquids were produced.

Section 108 Stripper Well Natural Gas

Rule 18.

1. Initial Determinations

- a. An application for an initial determination that a well qualifies as a stripper gas well shall include:
- (1) FERC Form No. 121
 - (2) Division Form C-132 and the required attachments.
 - (3) A copy of Division Form C-116 (Gas-Oil Ratio test form). If unavailable, indicate reason.
 - (4) A summary or tabulation of production records which indicates the following:
 - (a) the total crude oil (if any) and natural gas production for the 90-day period upon which the application is based, together with the average daily production of crude oil and natural gas for the 90-day period.
 - (b) the total amount of gas production for a 12-month production period ending concurrently with the 90-day production period, together with the daily average production for the 12-month period.
 - (c) the number of days natural gas was not produced during the 90-day production period.
 - (d) the number of days natural gas was produced during the 90-day production period.
 - (5) If necessary, a statement or discription of the state law or conservation practice, or other explanation, stating the reason why the well did not produce during any day(s) applicable to the 90-day production period.
 - (6) Results of any tests which establish maximum efficient rate of flow under Section 271.807(a) of the FERC rules and regulations applicable

to NGPA may be submitted in lieu of 12 months of production data to establish maximum efficient rate of flow for a well. (However, the Division shall accept this alternate information only where unusual circumstances are exhibited and 12 months of production are unavailable.

- (7) Copies of production records, tax records, or verified copies of billing statements may be submitted in support of an application.
- (8) A statement under oath:
 - (a) that the applicant has made, or has caused to be made pursuant to his instructions, a diligent search of all records which are reasonably available and contain information relevant to the determination describing the search made, the records reviewed, and the results of this search and examination upon which he has concluded that to the best of his information, knowledge and belief, the well qualifies as a stripper; and
 - (b) that the summary or tabulation of production or other records relied upon in the application are correct; and
 - (c) that the applicant has no knowledge of any other information which is inconsistent with his conclusion that the well qualifies as a stripper well.

2. Deferred Determinations

- a. The same information required for Section 108 initial determination applications shall be filed for deferred determinations except to the extent that prior production data to establish a maximum efficient rate of flow is not available or is insufficient, or deferral is necessary pursuant to Section 271.807 (b)(1)(ii) of the FERC rules and regulations applicable to NGPA (12 month production data submitted did not exceed an average of 70 mcf per day, .
- b. Production data to complete twelve months of production shall be submitted to the Division within 90 days after the end of the 12-month period designated by the Division.

9. An inventory of the lease and production equipment used for the well for the past 24 months or for such lesser period as the well has been in production prior to date of filing, as well as the identification of any equipment or processes used in connection with recognized enhanced recovery techniques during the completion of the well or during production subsequent to the completion of the well but prior to the filing for a determination; and

10. A statement by the person signing the application, under oath, that he has made, or has caused to be made pursuant to his instructions, a diligent search of all records which are reasonably available and certain information relevant to the determination; a description of the search made, the records reviewed, the results of this search and examination he has concluded that to the best of his information, knowledge and belief, the well qualifies as a stripper well; and that he further attests that he has no knowledge of any other information which is inconsistent with his conclusion.

4. Insert "which constitutes enhanced recovery techniques" at the end of Paragraph 4.

Rule 18. An application for determination of increased production resulting from the use of enhanced recovery techniques shall include:

1. FERC Form No. 121
2. Division Form C-132-A and the required attachments
3. A copy of the purchaser's notice, if any, that the average daily production for any 90-day production period has exceeded 60 Mcf, or that the well which has been designated a seasonably affected well produces at a rate in excess of 60 Mcf per day for a 12-month production period.

5. An inventory of the lease and production equipment used such as compression facilities, pumps, chokes, and intermitters for the well for the past 24 months or, if less, the period the well has been in production prior to the institution of an enhanced recovery technique.

4. A description of all processes used or equipment installed together with all dates of use or installation;

5. A statement, under oath, that to the best of the applicant's information, knowledge and belief, the information supplied and the conclusions drawn are true; that the operator has no knowledge of any information not described in the application which is inconsistent with any of his conclusions; and that the notice has been served on the appropriate entities specified in Section 271.205 of the FERC NGPA regulations.

20.

Rule 18. An application for a designation that a well is seasonably affected shall include:

1. FERC Form No. 121
2. Division Form C-132 if an initial determination has not been made under Rule 17; or Form C-132-A, if an initial determination has been made.

4. A summary or tabulation of production records for a period of 24 months, including the 90-day or 12-month production period which is the subject of the notice by the operator or the purchaser;
6. A statement, under oath, that the summary or tabulation of production records is correct; that the operator has no knowledge of any information contrary to any conclusions drawn by him; and that the notice has been served on the appropriate entities specified in Section 271.805 of the FERC NGPA regulations.
3. A copy of the purchaser's notice, if any, that the average daily production for any 90-day production period has exceeded 60 Mcf, or that the well which has been designated a seasonably affected well produces at an average rate in excess of 60 Mcf per day for a 12-month production period.
4. Production records, tax records or billing statements for a period of 24 months including the 90-day or 12-month production period which is the subject of the notice by the operator or the purchaser;
5. A description of the nature of the seasonal fluctuations as inferred from the data supplied; and
6. A statement, under oath, that the production records, tax records or billing statements are correct; that the operator has no knowledge of any information contrary to any conclusions drawn by him; and that the notice has been served on the appropriate entities specified in Section 271.805 of the FERC NGPA regulations.

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date APRIL 9, 1980 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
W. J. Henry	GRACE Petr Corp	Midland TX
M. P. Anderson	El Paso Natural Gas Co	El Paso, TX
E. R. Manning	"	"
D. R. Balmer	"	"
N. T. Kellahin	Kellahin & Kellahin	Santa Fe
Lyndon L. Lundy	Consolidated Oil & Gas	Denver, Co.
Arthur Brown	H. C. Brown Jr.	Hobbs
Susan Reno	Southern Union Exploration	Dallas
David D. Fied	Hillco Gas Frac	Midland
Bob Huber	Observer	Santa Fe
William J. Farn	Campbell & Clark	Santa Fe
Robert E. Boling	Hobbs Energy	Alameda
Joel Carson	Lozier, Carson & Dickson	Altoona
GARY L. WATKINS	TENNECO	San Antonio
DAVID HOLLOCK	"	"
Robert A. Strand	IDANMI	Roswell
George W. W.	"	Roswell
James E. GREVE	BASS Enterprises Prod Co	Ft Worth TX
Steve Rowland	"	Midland TX

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICOHearing Date APRIL 9, 1980 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
JOHN D. ROGERS	BASS ENTERPRISES PROD. CO.	MIDLAND, TX
DAVID T. BAYLESS	El Paso NATURAL GAS CO.	EL PASO, TX
John E. Scherer	Flag-Redfern Oil	Midland Tex
Jarvis Nelson	Zie Energy, Inc	Hobbs
Hugh Ingram	Conoco	Hobbs
Dave LeJacker	Conoco	Hobbs
Hershal Wolfe	Conoco	Hobbs
R L Bayless	Merrion & Bayless	Farmington
Jack A Cole		Farmington
L.O. Van Rynn	Southland Royalty Co	Farmington
Ron MARQUEZ	ARCO	midland
Royce Lubke	ARCO	midland
Richard Tully	Attorney at Law	Farmington
Euell McWhorter	Walt K. Engstrom	Farmington
GARY STEPHENS	US. Geological Survey	Albuquerque
WM. P. AYCOCK	Radtke, Aycock &	Midland
James E. Eakin Jr.	ASOG, INC.	Midland, TX
Herman W. Jerry	Getty Oil Co.	Hobbs, N.M.
Jim Cushing	Bass Enterprises	Midland, TX

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
9 April 1980

EXAMINER HEARING

IN THE MATTER OF:

The hearing called by the Oil Conser-
vation Division on its own motion to
consider amendments to its Special
Rules for Applications for Wellhead
Price Ceiling Category Determinations
as promulgated by Division Order No.
R-5878 and amended by R-5878-A.
The proposed amendments would make
said Special Rules conform to FERC
Order No. 65, which promulgated
final regulations implementing
filing requirements of the Natural
Gas Policy Act of 1978.

CASE
6851

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

*Hearing Requester
is in
this transcript*

I N D E X

STATEMENT BY MR. PADILLA

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MR. NUTTER: We'll call next Case 6851, which is in the matter of the hearing called by the Oil Conservation Division on its own motion to consider amendments to its Special Rules for Applications for Wellhead Price Ceiling Category Determinations, as promulgated by Orders Nos. R-5878 and amended by Order No. R-5878-A.

Call for appearances here.

MR. PADILLA: Ernest L. Padilla on behalf of the Oil Conservation Division, Mr. Examiner.

I will be the witness in this case.

MR. NUTTER: Are there any other appearances in Case 6851?

Would you proceed, Mr. Padilla?

MR. PADILLA: Mr. Examiner, this case involves consideration of certain amendments or additions to the Division's Special Rules for Applications for Wellhead Price Ceiling Category Determinations. These amendments or additions are necessitated in light of the final filing requirements that have been promulgated through Order 65 of the FERC.

Possibly the best way to go is to go step by step and to indicate all the revisions that we are proposing.

MR. NUTTER: First of all, Mr. Padilla,

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1 MR. NUTTER: We'll call next Case 6851,
2 which is in the matter of the hearing called by the Oil Con-
3 servation Division on its own motion to consider amendments
4 to its Special Rules for Applications for Wellhead Price
5 Ceiling Category Determinations, as promulgated by Orders
6 Nos. R-5878 and amended by Order No. R-5878-A.

7 Call for appearances here.

8 MR. PADILLA: Ernest L. Padilla on behalf
9 of the Oil Conservation Division, Mr. Examiner.

10 I will be the witness in this case.

11 MR. NUTTER: Are there any other appear-
12 ances in Case 6851?

13 Would you proceed, Mr. Padilla?

14 MR. PADILLA: Mr. Examiner, this case
15 involves consideration of certain amendments or additions
16 to the Division's Special Rules for Applications for Well-
17 head Price Ceiling Category Determinations. These amend-
18 ments or additions are necessitated in light of the final
19 filing requirements that have been promulgated through
20 Order 65 of the FERC.

21 Possibly the best way to go is to go
22 step by step and to indicate all the revisions that we are
23 proposing.

24 MR. NUTTER: First of all, Mr. Padilla,
25

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1 before you get into that, what was the basis for these
2 Special Rules for Applications for Wellhead Price Ceiling
3 Category Determinations as they were promulgated by Order
4 No. R-5878?

5 MR. PADILLA: Mr. Examiner, they were as
6 a result of the Natural Gas Policy Act of 1978 and the in-
7 terim rules that were issued pursuant to the NGPA.

8 MR. NUTTER: And the FERC issued interim
9 rules and as a result the Division promulgated these rules?

10 MR. PADILLA: That's correct.

11 MR. NUTTER: And then later amended them
12 by 5878-A.

13 MR. PADILLA: Correct.

14 MR. NUTTER: Now has the FERC adopted
15 rules other than those interim rules?

16 MR. PADILLA: That's correct. It has
17 issued final rules pursuant to the NGPA.

18 MR. NUTTER: And this is an attempt to
19 update our rules based on the FERC's final rules.

20 MR. PADILLA: That's correct.

21 MR. NUTTER: Proceed, please.

22 MR. PADILLA: Okay. Beginning with,
23 under the General section, Rule 2, we've rewritten the
24 rule to allow, or to make the rule a lot simpler. The
25 final rules of the FERC indicated that essentially any re-

So it behooves an operator to file with

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1 the Division a complete application in all circumstances.

2 Now this is not to say if there's some-
3 thing wrong with an oath statement and we in processing an
4 application discover that it is inadequate, we will not --
5 we will at that point ask for another oath statement, as
6 for example, and it will be considered a complete applica-
7 tion. But where it initially comes incomplete, then we will
8 not docket it for processing or return it to the Applicant.

9 MR. NUTTER: And notify him that it's
10 incomplete.

11 MR. PADILLA: That's correct.

12 A new Rule 13, we have rewritten that
13 to -- or we have added a new Rule 13 to designate, or to
14 define, when a proration unit terminates, and we've said
15 that it terminates upon the approval of Form C-132 by the --
16 Form C-103 by the Division.

17 This is especially crucial in Section 103
18 applications, and there's been some many questions as to
19 when a proration unit terminates, so we've finally made a
20 rule of general application as far as NGPA is concerned.

21 Going now to Section 102, we've -- the
22 original Rule 13 is now Rule 14, and we've corrected and
23 we've added some language that is underlined in section --
24 or subparagraph 1.c, and what we intend to do is just fol-
25 low the Federal rule and insert this language in the margin

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1 in that rule.

2 The same applies in page three. We're
3 simply adding the FERC language here, in the 1000 foot
4 deeper test.

5 Going now to page four, we've -- Rule 14
6 becomes Rule 15 and we've added a subsection, or subparagraph
7 g, where we have had a hearing to -- for a new onshore
8 reservoir under Section 103, we are requesting as part of
9 the filing a copy of the Division order, together with a
10 transcript of that hearing. It just seems to help FERC a
11 whole lot when we have a copy of the Division order as well
12 as a copy of the transcript. Otherwise we are asked for a
13 lengthy explanatory statement to indicate the reasons why
14 we approved a new onshore reservoir.

15 MR. NUTTER: Now this doesn't preclude
16 some of these being approved without a hearing, however,
17 does it?

18 MR. PADILLA: That's correct, but --

19 MR. NUTTER: If it's obvious and the
20 data that's submitted administratively would show that it's
21 a new onshore reservoir, it could be handled without a
22 hearing and so designated.

23 MR. PADILLA: That's true.

24 MR. NUTTER: But if there is a hearing

25 this would have to come in.

1 MR. PADILLA: Yes, sir.

2 On page five, I have my page six missing
3 in this exhibit. I'm not sure whether any of you may have
4 page six missing. I don't think that it -- but beginning
5 on page five, anyway, what we've done there, we've elimin-
6 ated the statement concerning the behind the pipe exclusion
7 for new onshore reservoirs, and we've incorporated the latest
8 FERC language there, which includes the economic test for
9 wells that may have penetrated the reservoir.

10 But essentially this language is identi-
11 cal from the FERC Rules and Regulations.

12 Now going to page eight, dealing with
13 Section 103 new onshore applications, we designated that
14 Rule 16A, and the rule, the following rule, 16B.

15 16A deals with regular Section 103 ap-
16 plications and 16B deals with Basin Dakota or Blanco Mesa-
17 verde infill wells where the Division has allowed infill
18 drilling and has been approved as an alternate filing method
19 by the FERC.

20 MR. NUTTER: Now what you're doing here,
21 you're incorporating a previously adopted Order No. 5878-A,
22 which amended R-5878, and you're including it now into a
23 new overall rule that wouldn't have any amendments attached
24 to it.

25 MR. PADILLA: That's correct.

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1 So 16A and 16B, both deal with 103 wells.

2 As far as Section 107, deep, high-cost
3 gas and tight formation gas, Rule 17 and -- well, Rule 17
4 deals with that.

5 Deep high-cost gas is -- has not been
6 changed. Basically the filing information is the same.

7 As for tight formation gas, the FERC --
8 essentially we've adopted the FERC language, indicating that
9 if the well qualifies either as a -- ordinarily or otherwise
10 qualifies as a Section 103 well, or 102 well, then that in-
11 formation either required for 103 or 102 would also be sup-
12 plied in addition to the additional language for tight gas
13 formation.

14 On page thirteen I have added something
15 that -- subsection d, which is not in the FERC rules, and
16 that is merely a reference identifying the Division and
17 FERC orders which recommended and designated that formation
18 as a tight sand formation.

19 Possibly I should elaborate a little bit
20 more on this new tight gas formation, since it's also the
21 subject matter of the next case, but the way the FERC rules
22 are written, I'm not sure that in all cases a well would
23 qualify as a 103 -- I can't see a well qualifying as a 102
24 or an applicant trying to qualify a well as a 102 because
25 of the new spud date, which is July 16th, 1979. I mean I

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1 can't, unless someone here can -- can show me the light, I
2 can't see how you could actually show a well to be qualifying
3 as a 103. It's just much simpler to qualify it as a 103,
4 and apparently the reason for that is for purposes of deregu-
5 lation in 1985. But if you go, for example, in a 1000 foot
6 deeper test, the well would have had to be spudded after
7 July 16th, 1979 in order to even qualify it as a 102. So
8 I think in most cases probably operators would want to --
9 ought to show it as a 103 and just say that the well satis-
10 fies all spacing requirements of the State and Federal
11 governments.

12 Moving on now to what was originally on
13 page fourteen originally, the rules relating to stripper
14 wells, we have essentially rewritten all of Rule 17, and we
15 are now asking for a summary or tabulation of production
16 records. What we would like to see is twelve months of
17 production with the daily average and also indicating what
18 the three month period is. On that tabulation or summary
19 we would also like to see what the crude oil production is,
20 if any crude oil is produced.

21 But essentially we're going with the
22 relaxation of the rules, of the FERC rules allowing a sum-
23 mary or tabulation of the production records.

24 Deferred determinations, we've added a
25

1 separate category, which was in the Rule 17 before. We're
2 just saying that if you don't have the twelve months of
3 production, we would then defer the application, or if you
4 have twelve months of production that are between -- that
5 average between 60 Mcf and 70 Mcf, in other words, if both --
6 it would automatically be deferred and the Division would
7 then designate the 12-month period which we would like to
8 see as far as production records.

9 Probably I should show or point out Rule
10 Section -- or paragraph 6, which deals with -- on page --
11 beginning on the bottom of page fifteen. That deals with
12 flow rates and an alternate method of establishing the
13 maximum efficient rate of flow for a well. You'll notice
14 at the bottom, in parentheses at the bottom of that para-
15 graph on page sixteen, the Division would accept this alter-
16 nate information only in unusual circumstances where you
17 don't have twelve months of production and some how or other
18 an applicant is not willing to have the application deferred.

19 We simply just do not know what tests
20 to use for showing a maximum efficient rate of flow, and
21 we think that twelve months of production is much easier
22 to deal with.

23 On page seventeen with respect to enhanced
24 recovery techniques, about the only thing new there is that
25

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1 we've added a paragraph 5, which provides for an inventory
2 of the well equipment. That has been deleted from the ini-
3 tial determinations portion of the Section 108.

4 And that is also in line with the FERC
5 rules.

6 As far as Rule 20 is concerned, the new
7 Rule 20 is concerned, we're again asking for summary or
8 tabulation on seasonally affected wells, and the changes
9 there just essentially are -- relate to the summary. The
10 oath statement is corrected to -- or the requirement for
11 the oath statement reflects the summary/tabulation change.

12 Now on Exhibit Two, which is the C-132A,
13 the form for enhanced recovery techniques for seasonally
14 affected wells, we're making a couple of changes on the
15 name and address of the transporter. We've changed that
16 transporter to purchasers, or purchaser or purchasers, and
17 in addition the FERC rules now require a well completion
18 report, and we've made that as part of the attachment to the
19 C-132A.

20 And I would stand for questions at this
21 time, Mr. Examiner. I have nothing --

22
23 QUESTIONS BY MR. NUTTER:

24 Q. Was the addition of C-105 that box number
25 C there on Form C-132A, did it take the place of anything

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1 or was there an item C there previously?

2 MR. PADILLA: No. There was no item C
3 before. This is a new --

4 MR. NUTTER: There was must A and B,
5 then.

6 MR. PADILLA: This is a new addition.
7 It's a requirement of the new -- of the FERC Rules and
8 Regulations.

9 MR. NUTTER: Okay. Are there any ques-
10 tions of Mr. Padilla?

11 Ms. Teschendorf?

12
13 QUESTIONS BY MS. TESCHENDORF:

14 Q Lynn Teschendorf of Consolidated Oil and
15 Gas.

16 On page thirteen, new rules for the
17 tight formation gas, on paragraph d there, I note that that
18 requirement is not in the FERC regulations. Wouldn't the
19 case usually be that there is no order recommending and
20 designating the tight formation at the time that you're
21 applying, so the addition of "if any" would be appropriate
22 here?

23 MR. PADILLA: I think it would or "if
24 available", something like that.

25 MS. TESCHENDORF: That's all.

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QUESTIONS BY MR. NUTTER:

MR. NUTTER: Well, Mr. Padilla, I'm not getting into the next case, but tight formation wells will be two categories of tight formation wells, won't they? They will either be in a formation that has been designated as a tight formation or they may be an individual well in a formation which has not been designated as a tight formation, isn't that correct?

MR. PADILLA: Not necessarily. I think tight -- well, first of all, these are just the filing requirements for wells that are drilled in a formation that has been designated --

MR. NUTTER: Oh, it has been designated?

MR. PADILLA: -- as a tight formation.

MR. NUTTER: Which has been designated and accepted by the Division and by the FERC.

MR. PADILLA: Correct.

MR. NUTTER: Then you would simply make a reference to the Division order and the FERC order.

MR. PADILLA: Correct.

MR. NUTTER: And if you had a well that wasn't in the formation that was designated as a tight formation, then you wouldn't have that. You couldn't --

MR. PADILLA: You couldn't qualify it.

1 MR. NUTTER: -- call it that.

2 MR. PADILLA: You couldn't qualify that
3 as a 107 tight formation well.

4 MR. NUTTER: Are there any other questions
5 of Mr. Padilla? Yes, sir.

6 MR. COOPER: Ron Cooper with Conoco.

7
8 QUESTIONS BY MR. COOPER:

9 MR. COOPER: On Rule 13 there on page
10 two you made a reference to, shouldn't that be the last
11 well in a proration unit instead of "a well"?

12 MR. PADILLA: I think -- I think that's
13 probably correct, if two wells are already on that proration
14 unit.

15 MR. COOPER: Right.

16 I'm sure that was the intent.

17 MR. PADILLA: Right.

18 MR. COOPER: Also a question on page
19 four. You mentioned there reference to the FERC requiring
20 the Division order and hearing transcript. Could that not
21 be just a reference to that so this wouldn't have to be
22 submitted with every application?

23 MR. PADILLA: No, because -- let me ex-
24 plain this reason.

25 It seems like the FERC or the people that

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1 work for the FERC are unable to understand what goes on in
2 a hearing or what -- what takes place as far as making a
3 determination for a new onshore reservoir. We've had a lot
4 of them kicked back even with a Division order. They don't
5 seem to understand the reasons or the underlying, you know,
6 the proof that went into the pudding, as it -- or showing
7 that an applicant has a new type -- or a new onshore reser-
8 voir.

9 MR. COOPER: This just seems like a tre-
10 mendous amount of information, second information called --

11 MR. PADILLA: It does, but that's the
12 only way that we can see where we could eliminate some of
13 our problems with the FERC. It's just like we're adopting
14 a policy of requiring public hearings for new onshore re-
15 servoirs simply because to do it administratively we gener-
16 ally just get a lot of information that we don't know in
17 what -- what order, or what -- you know, how to look at it,
18 and it's a lot easier to do it in a public hearing, have
19 it laid out on the wall, and you show your exhibits and
20 indicate exactly where and how you are viewing your -- your
21 data as far as a new onshore reservoir is concerned.

22 MR. COOPER: I understand what you're
23 saying. It just seems like the burden of proof is for the
24 jurisdictional agency to review that new onshore reservoir
25 designation and once they have reviewed it, to stand on that

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1 order, then FERC shouldn't have to have the same data and
2 review it again. And that is my only point.

3 MR. NUTTER: Well, FERC shouldn't have
4 to but they want it.

5 MR. COOPER: Well, I realize that. I
6 just --

7 MR. NUTTER: They have required -- they
8 have required the Division to write a complete summary of
9 the whole action that was taken, and that's more difficult
10 for the Division to do than it is for you to send in a
11 Xeroxed copy of the transcript.

12 MR. PADILLA: I think it's really a mat-
13 ter of time. If we have to write a lengthy statement as to
14 what -- highlighting your new onshore information, it may
15 be six months before we get it and this way it's done in
16 a matter of two weeks, maybe.

17 MR. COOPER: I guess it's more a matter
18 between, you know, trying to satisfy FERC. I just don't
19 feel it should be necessary but if it's required, I guess
20 everybody here would like to cut down on the amount of paper
21 work.

22 MR. PADILLA: Well, this thing has worked
23 with FERC.

24 MR. COOPER: That's all I have.

25 MR. NUTTER: Yes, sir.

1 MR. BALMER: Don Balmer with El Paso
2 Natural Gas Company.

3
4 QUESTIONS BY MR. BALMER:

5 MR. BALMER: Mr. Padilla, on Rule 13,
6 where the proration unit expiring on plugging the last well,
7 is that to say if the last well on a proration unit is
8 plugged and a subsequent well is drilled on that same
9 acreage, that that well will qualify as a 103 well?

10 MR. PADILLA: Yes. In other words, what
11 I'm trying to say in this rule, and I have no pride in
12 authorship here, if someone has a better way of saying it
13 I'll be happy to write it, but what I'm saying is that a
14 proration unit automatically terminates upon the plugging
15 and abandonment of that well.

16 MR. BALMER: Uh-huh.

17 MR. PADILLA: And then once you get your
18 new --

19 MR. BALMER: Application.

20 MR. PADILLA: -- application, then you
21 start with a new proration unit, or you establish a new
22 proration unit.

23 MR. BALMER: The new application that
24 you get would have nothing to do with NGPA requirement, or
25 anything, it would just be a normal application to drill a

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1 well on some acreage, and then that well would subsequently
2 qualify for a 103 without a showing that it was necessary
3 to effectively and efficiently drain?

4 MR. PADILLA: Right.

5
6 QUESTIONS BY MR. NUTTER:

7 MR. NUTTER: Mr. Padilla, does that also
8 apply to a well that's on a proration unit, producing from
9 a given gas pool, and then the well is abandoned in that
10 pool and recompleted in another pool? Is that proration
11 unit then abandoned?

12 MR. PADILLA: It seems to me that as to
13 the abandoned pool, then it would terminate. Possibly I
14 should add that, something to that effect, in here.

15 MR. NUTTER: But if it's temporarily
16 abandoned it doesn't.

17 MR. PADILLA: No.

18 MR. NUTTER: And disconnected. It's
19 still a live proration unit as far as FERC Regs are con-
20 cerned.

21 MR. PADILLA: I think so, yes.

22 MR. NUTTER: Yes, sir, Mr. Manning.

23 MR. MANNING: Mr. Examiner, Bob Manning
24 with El Paso Natural Gas.
25

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1
2 QUESTIONS BY MR. MANNING:

3 MR. MANNING: This Rule 13, this has been
4 the actual practice, it just hasn't -- more or less, you
5 know, within limits. It just hasn't been written down, is
6 that correct?

7 MR. NUTTER: Yeah, we never had had a
8 rule on this, Mr. Manning.

9 MR. MANNING: But we have been practicing
10 this.

11 MR. NUTTER: Well, for different purposes.
12 We used to consider a proration unit was terminated when --
13 when the pipeline was disconnected from it, for proration
14 purposes, but FERC won't accept that. They have to have
15 some more definitive date for a termination, and a plugging
16 of a well is a definitive date in their minds.

17 Now I don't know about this recompletion
18 in another zone. Maybe that terminates a unit, too. But
19 a temporary abandonment or a disconnection from a pipeline
20 definitely does not terminate the proration unit in their
21 minds.

22 Yes, sir, your turn now.

23 MR. TULLY: Richard Tully, representing
24 Dave M. Thomas, Junior.
25

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QUESTIONS BY MR. TULLY:

MR. TULLY: Referring again to this Rule 13 and also back over here to Rule No. 3, before relaying that determination of a proration unit to the NMOCD, what affect, if any, will this have on wells located on Federal and Indian leases, and also for the application with that jurisdictional agency?

MR. PADILLA: Well, generally the USGS, or Federal people have been following the State proration policy and practices. Unless they change, I don't see that that would affect the rule, unless they go off and say, well, we're not going to follow the State's spacing -- or proration unit requirements any more.

MR. TULLY: Have you had any communication with the USGS on this particular termination of a proration unit?

MR. PADILLA: No, we have not. There are some representatives of the USGS here, I believe. I don't know whether I should put them on the spot or not.

QUESTIONS BY MR. STEVENS:

MR. STEVENS: Gary Stevens with the USGS. It was decided that a separate hearing would not be held for Federal and Indian cases; that there would just be the one

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1 State hearing and then the USGS would go along with it, un-
2 less there were some extraneous circumstances.

3 MR. NUTTER: That's on what type of deter-
4 mination?

5 MR. STEVENS: That would be the 107.

6 MR. NUTTER: 107.

7 MR. TULLY: What about the Section 103
8 as far as this termination of proration unit is concerned?

9 MR. STEVENS: That I couldn't comment on.

10 MR. NUTTER: Any other questions of Mr.
11 Padilla? Yes, sir.

12 MR. ANDERSON: Don Anderson, El Paso
13 Natural Gas.

14
15 QUESTIONS BY MR. ANDERSON:

16 MR. ANDERSON: Rule 2, Mr. Padilla, what
17 do you anticipate the authorization to consist of, if an
18 operator refuses to file for a classification and another
19 working interest owner wishes to?

20 MR. PADILLA: Well, I think under defini-
21 tions, the applicant is going to have to be the operator,
22 so we're -- so we're accepting only applications from the
23 operator. In other words, the working interest owner still
24 has an option to come in and protest that application.

25 MR. ANDERSON: I'm thinking of the in-

1 stance where an operator does not choose to file, but a
2 working interest owner wishes to.

3 MR. PADILLA: It seems to me there in
4 that case we'd have no choice but to accept the working in-
5 terest owners, at least for purposes of NGPA; allow the
6 working interest owner to come in and file the application.

7 MR. ANDERSON: You don't consider that
8 this rule would preclude the working interest owner to do
9 that?

10 MR. PADILLA: No, and possibly he could --
11 he could wind up being the authorized representative or
12 agent of the operator in that case.

13 I can't -- I can't visualize -- well, I
14 don't know, I can't -- I can't see a situation where a
15 working interest owner, or the operator, would oppose trying
16 to get a higher price.

17 MR. ANDERSON: If it doesn't mean anything
18 to him, he might not want to. We have experienced this in
19 certain instances.

20 MR. NUTTER: I think the same question
21 came up when we were writing R-5878-A in 1978. He may be
22 filing as an agent, maybe possibly not an authorized agent,
23 if another working interest owner files.

24 MR. ANDERSON: Would a statement by the
25 person filing the application suffice, or -- I imagine that

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1 the operator may well give him a letter authorizing him to
2 do so, but if he chooses not to do that, would a statement
3 made by the working interest owner to the affect of the
4 circumstances satisfy this rule?

5 MR. PADILLA: Well, I think -- I think
6 we'd have to accept something like that, because I don't
7 think we could leave the -- take the position and say that
8 a working interest owner might not be able to take advantage
9 of a higher price or be able to be precluded from filing an
10 application where the operator is unwilling to do so.

11 MR. NUTTER: I think Rule 5 may take care
12 of it, anyway, if a written application -- if a written ob-
13 jection to the application is filed by any interested party,
14 now, if a non-operator but an owner of the well files and
15 the operator doesn't want to see that category determination
16 made, he could object, and then it would be set for hearing,
17 and they can come in and fight it out as to who ought to be
18 filing and why one person wants it and the other one doesn't.

19 We could proceed from there, I believe.

20 Any other questions? Yes, sir.

21
22 QUESTIONS BY MR. COOPER:

23 MR. COOPER: Again on that same matter,
24 if you have definitions as applicant being the operator and
25 then you have Rule 2, that an application be signed by the

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1 operator, it seems to preclude the fact that a working in-
2 terest owner can sign, or can file one if the operator chooses
3 not to file.

4 I think this is -- and we've experienced
5 numerous situations like this.

6 MR. PADILLA: Well, it may be necessary
7 to amend the definition of applicant to indicate that where
8 the operator is unwilling to make a determination then the
9 working interest owner may do so.

10 MR. NUTTER: Are there any other questions
11 of Mr. Padilla? Yes, sir.

12 MR. BALMER: Don Balmer again with El Paso
13 Natural.

14
15 QUESTIONS BY MR. BALMER:

16 MR. BALMER: On page eight of your new
17 rules here, 16A-3, you say a copy of Division order author-
18 izing, on an individual well basis, drilling of infill well
19 under Section 271.305 of the FERC Regs, I understand from
20 the new Regs that you issued about two or three weeks ago
21 that an order or a finding will not be issued prior to the
22 drilling of a well, and that you would prefer it to be a
23 request for a finding after the well is completed.

24 And how would that work with this Rule
25 3 here, or 16A-3? I can't see the sequence of events hap-

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1 pening. You drill the well and complete it. Then you make
2 an application for a finding with the OCD. You in turn get
3 an affirmative finding, and then submit that document along
4 with the NGPA application for determination.

5 MR. PADILLA: Right.

6 MR. BALMER: This seems to me, of course
7 I'm assuming the matter, that the well might not be turned
8 on as fast as you might want it to be, waiting on the re-
9 sults of the finding.

10 MR. PADILLA: Well, I think -- I think
11 you're correct there in that it just wouldn't be done as
12 quick if you don't get the determination prior to the
13 drilling of the well.

14 MR. BALMER: Yeah, you don't get the
15 finding prior to the drilling of the well on an individual
16 well basis, so --

17 MR. PADILLA: Of course, you have to keep
18 in mind that this -- that these rules that we did promulgate
19 more like, I think they were a month and a half ago.

20 MR. BALMER: Yes. Yes.

21 MR. PADILLA: Are related to administra-
22 tive approval.

23 MR. BALMER: Yes.

24 MR. PADILLA: Of infill wells.

25 MR. BALMER: I took from that -- from that

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1 ruling that you only wanted application after the well was --
2 for administrative approval, after the well was completed.

3 MR. PADILLA: Right.

4 MR. BALMER: And so by that chain of
5 events you would wait until you get a finding from the OCD
6 and then make your application for determination with a copy
7 of that finding included in the application.

8 MR. PADILLA: That's right.

9 MR. NUTTER: Anyone else?

10 MR. BURLESON: David Burleson of El Paso
11 Natural Gas Company.

12
13 QUESTIONS BY MR. BURLESON:

14 MR. BURLESON: Mr. Padilla, on page six
15 the new 5-d, is the word "and" omitted in that sentence,
16 possibly, in the fifth line?

17 MR. PADILLA: Yes, it is, because that's
18 two questions, I believe. Section 6 addresses that, it
19 says "both questions", so it would be "and".

20 The reference on paragraph 6 refers to
21 subparagraph d here, so it would be "and", following "1977"
22 and before "were".

23 MR. BURLESON: And with respect to e,
24 which immediately follows that, where it refers to an old
25 well, I suppose that means an old well as described in para-

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1 graph b above?

2 MR. PADILLA: That's correct.

3 MR. BURLESON: So you could say through
4 any old well as described in subparagraph b.

5 MR. PADILLA: Actually, I believe that's
6 supposed to indicate that in there. Maybe I didn't read
7 that, but --

8 MR. BURLESON: I note that the previous --
9 that c does, in c you do include that whole sequence.

10 MR. NUTTER: Well, in d, though, he just
11 says "such old Well." Why can't we just put "such" in down
12 here and both those sections refer to that old well as de-
13 scribed up above, I think, does it not?

14 MR. BURLESON: It should be sufficient,
15 yes.

16 MR. PADILLA: At any rate, there's no
17 intention to vary from the FERC rules.

18 MR. BURLESON: I have just one last
19 question.

20
21 With respect to 6-b, where
22 it excludes from the sale of production from the subject
23 reservoir (net of royalty) -- my question is, is that in-
24 tended -- is the word "royalty" intended to include over-
25 riding royalties, or merely the basic royalty?

1 MR. PADILLA: Well, I think it would in-
2 clude overriding royalties because I think as far as demon-
3 strating whether or not -- for purposes -- this is an econ-
4 omic test as to whether or not that well could have produced
5 in paying quantities based on these guidelines, and I think
6 that you would have to take into account overriding royalties
7 as far as trying to determine whether that well would pay
8 out or not.

9 MR. BURLESON: Thank you.

10 MR. COOPER: Back on -- Ron Cooper with
11 Conoco again.

12
13 QUESTIONS BY MR. COOPER:

14 MR. COOPER: Back on this Rule 2, I
15 think if you're going to go ahead and revise the definition
16 of applicant there to exclude the operator if the operator
17 refuses to file the application, then the word "operator"
18 should probably be changed to "applicant" in Rule 2 to make
19 things consistent.

20 MR. PADILLA: Yes.

21 MR. NUTTER: One more? The witness may
22 be excused.

23 Does anyone have any comments or obser-
24 vations to make in this case? We'll take Case Number 6851
25 under advisement.

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REPORTER'S CERTIFICATE

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion 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.

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6851
heard by me on 4/9 1980.

[Signature], Examiner
Oil Conservation Division

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
9 April 1980

EXAMINER HEARING

IN THE MATTER OF:

The hearing called by the Oil Conser-
vation Division on its own motion to
consider amendments to its Special
Rules for Applications for Wellhead
Price Ceiling Category Determinations
as promulgated by Division Order No.
R-5878 and amended by R-5878-A.

The proposed amendments would make
said Special Rules conform to FERC
Order No. 65, which promulgated
final regulations implementing
filing requirements of the Natural
Gas Policy Act of 1978.

CASE
6851

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

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I N D E X

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1 MR. NUTTER: We'll call next Case 6851,
2 which is in the matter of the hearing called by the Oil Con-
3 servation Division on its own motion to consider amendments
4 to its Special Rules for Applications for Wellhead Price
5 Ceiling Category Determinations, as promulgated by Orders
6 Nos. R-5878 and amended by Order No. R-5878-A.

7 Call for appearances here.

8 MR. PADILLA: Ernest L. Padilla on behalf
9 of the Oil Conservation Division, Mr. Examiner.

10 I will be the witness in this case.

11 MR. NUTTER: Are there any other appear-
12 ances in Case 6851?

13 Would you proceed, Mr. Padilla?

14 MR. PADILLA: Mr. Examiner, this case
15 involves consideration of certain amendments or additions
16 to the Division's Special Rules for Applications for Well-
17 head Price Ceiling Category Determinations. These amend-
18 ments or additions are necessitated in light of the final
19 filing requirements that have been promulgated through
20 Order 65 of the FERC.

21 Possibly the best way to go is to go
22 step by step and to indicate all the revisions that we are
23 proposing.

24 MR. NUTTER: First of all, Mr. Padilla,
25

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1 before you get into that, what was the basis for these
2 Special Rules for Applications for Wellhead Price Ceiling
3 Category Determinations as they were promulgated by Order
4 No. R-5878?

5 MR. PADILLA: Mr. Examiner, they were as
6 a result of the Natural Gas Policy Act of 1978 and the in-
7 terim rules that were issued pursuant to the NGPA.

8 MR. NUTTER: And the FERC issued interim
9 rules and as a result the Division promulgated these rules?

10 MR. PADILLA: That's correct.

11 MR. NUTTER: And then later amended them
12 by 5878-A.

13 MR. PADILLA: Correct.

14 MR. NUTTER: Now has the FERC adopted
15 rules other than those interim rules?

16 MR. PADILLA: That's correct. It has
17 issued final rules pursuant to the NGPA.

18 MR. NUTTER: And this is an attempt to
19 update our rules based on the FERC's final rules.

20 MR. PADILLA: That's correct.

21 MR. NUTTER: Proceed, please.

22 MR. PADILLA: Okay. Beginning with,
23 under the General section, Rule 2, we've rewritten the
24 rule to allow, or to make the rule a lot simpler. The
25 final rules of the FERC indicated that essentially any re-

1 presentative of an operator could -- or anyone the juris-
2 dictional agency, which the Division is -- whoever the
3 jurisdictional agency designated, could sign an application,
4 may do so. So we've simply revised the original rule and
5 made it a much simpler rule, and to say that the application
6 can be signed by the operator or his authorized representa-
7 tive or agent.

8 Going now to the next page, which is page
9 two, we have eliminated Rule 12 simply because we never
10 used the rule as written before. Originally it was antici-
11 pated that upon remand of an application by the FERC we
12 would automatically set it for public hearing. That hasn't
13 worked out. We simply ask for supplemental data.

14 And in addition Rule 11, under Rule 11
15 the Director has authority to set any application for
16 hearing, and I believe that the scope of that rule would
17 include an application that has been remanded by the FERC.

18 A new Rule 12 has been written as a re-
19 sult of many incomplete applications which the Division has
20 received, and needless to say, a lot of paperwork is involved
21 in trying to complete the applications. So we've written
22 a rule indicating that unless a complete application is
23 filed -- well, incomplete applications will not be accepted
24 or will not be docketed for -- for processing.

25 So it behooves an operator to file with
26

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1 the Division a complete application in all circumstances.

2 Now this is not to say if there's some-
3 thing wrong with an oath statement and we in processing an
4 application discover that it is inadequate, we will not --
5 we will at that point ask for another oath statement, as
6 for example, and it will be considered a complete applica-
7 tion. But where it initially comes incomplete, then we will
8 not docket it for processing or return it to the Applicant.

9 MR. NUTTER: And notify him that it's
10 incomplete.

11 MR. PADILLA: That's correct.

12 A new Rule 13, we have rewritten that
13 to -- or we have added a new Rule 13 to designate, or to
14 define, when a proration unit terminates, and we've said
15 that it terminates upon the approval of Form C-132 by the --
16 Form C-103 by the Division.

17 This is especially crucial in Section 103
18 applications, and there's been some many questions as to
19 when a proration unit terminates, so we've finally made a
20 rule of general application as far as NGPA is concerned.

21 Going now to Section 102, we've -- the
22 original Rule 13 is now Rule 14, and we've corrected and
23 we've added some language that is underlined in section --
24 or subparagraph 1.c, and what we intend to do is just fol-
25 low the Federal rule and insert this language in the margin

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1 in that rule.

2 The same applies in page three. We're
3 simply adding the FERC language here, in the 1000 foot
4 deeper test.

5 Going now to page four, we've -- Rule 14
6 becomes Rule 15 and we've added a subsection, or subparagraph
7 g, where we have had a hearing to -- for a new onshore
8 reservoir under Section 103, we are requesting as part of
9 the filing a copy of the Division order, together with a
10 transcript of that hearing. It just seems to help FERC a
11 whole lot when we have a copy of the Division order as well
12 as a copy of the transcript. Otherwise we are asked for a
13 lengthy explanatory statement to indicate the reasons why
14 we approved a new onshore reservoir.

15 MR. NUTTER: Now this doesn't preclude
16 some of these being approved without a hearing, however,
17 does it?

18 MR. PADILLA: That's correct, but --

19 MR. NUTTER: If it's obvious and the
20 data that's submitted administratively would show that it's
21 a new onshore reservoir, it could be handled without a
22 hearing and so designated.

23 MR. PADILLA: That's true.

24 MR. NUTTER: But if there is a hearing
25 this would have to come in.

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1 MR. PADILLA: Yes, sir.

2 On page five, I have my page six missing
3 in this exhibit. I'm not sure whether any of you may have
4 page six missing. I don't think that it -- but beginning
5 on page five, anyway, what we've done there, we've elimin-
6 ated the statement concerning the behind the pipe exclusion
7 for new onshore reservoirs, and we've incorporated the latest
8 FERC language there, which includes the economic test for
9 wells that may have penetrated the reservoir.

10 But essentially this language is identi-
11 cal from the FERC Rules and Regulations.

12 Now going to page eight, dealing with
13 Section 103 new onshore applications, we designated that
14 Rule 16A, and the rule, the following rule, 16B.

15 16A deals with regular Section 103 ap-
16 plications and 16B deals with Basin Dakota or Blanco Mesa-
17 verde infill wells where the Division has allowed infill
18 drilling and has been approved as an alternate filing method
19 by the FERC.

20 MR. NUTTER: Now what you're doing here,
21 you're incorporating a previously adopted Order No. 5878-A,
22 which amended R-5878, and you're including it now into a
23 new overall rule that wouldn't have any amendments attached
24 to it.

25 MR. PADILLA: That's correct.

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1 So 16A and 16B, both deal with 103 wells.

2 As far as Section 107, deep, high-cost
3 gas and tight formation gas, Rule 17 and -- well, Rule 17
4 deals with that.

5 Deep high-cost gas is -- has not been
6 changed. Basically the filing information is the same.

7 As for tight formation gas, the FERC --
8 essentially we've adopted the FERC language, indicating that
9 if the well qualifies either as a -- ordinarily or otherwise
10 qualifies as a Section 103 well, or 102 well, then that in-
11 formation either required for 103 or 102 would also be sup-
12 plied in addition to the additional language for tight gas
13 formation.

14 On page thirteen I have added something
15 that -- subsection d, which is not in the FERC rules, and
16 that is merely a reference identifying the Division and
17 FERC orders which recommended and designated that formation
18 as a tight sand formation.

19 Possibly I should elaborate a little bit
20 more on this new tight gas formation, since it's also the
21 subject matter of the next case, but the way the FERC rules
22 are written, I'm not sure that in all cases a well would
23 qualify as a 103 -- I can't see a well qualifying as a 102
24 or an applicant trying to qualify a well as a 102 because
25 of the new spud date, which is July 16th, 1979. I mean I

1 can't, unless someone here can -- can show me the light, I
2 can't see how you could actually show a well to be qualifying
3 as a 103. It's just much simpler to qualify it as a 103,
4 and apparently the reason for that is for purposes of deregu-
5 lation in 1985. But if you go, for example, in a 1000 foot
6 deeper test, the well would have had to be spudded after
7 July 16th, 1979 in order to even qualify it as a 102. So
8 I think in most cases probably operators would want to --
9 ought to show it as a 103 and just say that the well satis-
10 fies all spacing requirements of the State and Federal
11 governments.

12 Moving on now to what was originally on
13 page fourteen originally, the rules relating to stripper
14 wells, we have essentially rewritten all of Rule 17, and we
15 are now asking for a summary or tabulation of production
16 records. What we would like to see is twelve months of
17 production with the daily average and also indicating what
18 the three month period is. On that tabulation or summary
19 we would also like to see what the crude oil production is,
20 if any crude oil is produced.

21 But essentially we're going with the
22 relaxation of the rules, of the FERC rules allowing a sum-
23 mary or tabulation of the production records.

24 Deferred determinations, we've added a
25
26

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1 separate category, which was in the Rule 17 before. We're
2 just saying that if you don't have the twelve months of
3 production, we would then defer the application, or if you
4 have twelve months of production that are between -- that
5 average between 60 Mcf and 70 Mcf, in other words, if both --
6 it would automatically be deferred and the Division would
7 then designate the 12-month period which we would like to
8 see as far as production records.

9 Probably I should show or point out Rule
10 Section -- or paragraph 6, which deals with -- on page --
11 beginning on the bottom of page fifteen. That deals with
12 flow rates and an alternate method of establishing the
13 maximum efficient rate of flow for a well. You'll notice
14 at the bottom, in parentheses at the bottom of that para-
15 graph on page sixteen, the Division would accept this alter-
16 nate information only in unusual circumstances where you
17 don't have twelve months of production and some how or other
18 an applicant is not willing to have the application deferred.

19 We simply just do not know what tests
20 to use for showing a maximum efficient rate of flow, and
21 we think that twelve months of production is much easier
22 to deal with.

23 On page seventeen with respect to enhanced
24 recovery techniques, about the only thing new there is that
25

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Page 12

1 we've added a paragraph 5, which provides for an inventory
2 of the well equipment. That has been deleted from the ini-
3 tial determinations portion of the Section 108.

4 And that is also in line with the FERC
5 rules.

6 As far as Rule 20 is concerned, the new
7 Rule 20 is concerned, we're again asking for summary or
8 tabulation on seasonally affected wells, and the changes
9 there just essentially are -- relate to the summary. The
10 oath statement is corrected to -- or the requirement for
11 the oath statement reflects the summary/tabulation change.

12 Now on Exhibit Two, which is the C-132A,
13 the form for enhanced recovery techniques for seasonally
14 affected wells, we're making a couple of changes on the
15 name and address of the transporter. We've changed that
16 transporter to purchasers, or purchaser or purchasers, and
17 in addition the FERC rules now require a well completion
18 report, and we've made that as part of the attachment to the
19 C-132A.

20 And I would stand for questions at this
21 time, Mr. Examiner. I have nothing --
22

23 QUESTIONS BY MR. NUTTER:

24 Q Was the addition of C-105 that box number
25 C there on Form C-132A, did it take the place of anything

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1 or was there an item C there previously?

2 MR. PADILLA: No. There was no item C
3 before. This is a new --

4 MR. NUTTER: There was must A and B,
5 then.

6 MR. PADILLA: This is a new addition.
7 It's a requirement of the new -- of the FERC Rules and
8 Regulations.

9 MR. NUTTER: Okay. Are there any ques-
10 tions of Mr. Padilla?

11 Ms. Teschendorf?

12
13 QUESTIONS BY MS. TESCHENDORF:

14 Q Lynn Teschendorf of Consolidated Oil and
15 Gas.

16 On page thirteen, new rules for the
17 tight formation gas, on paragraph d there, I note that that
18 requirement is not in the FERC regulations. Wouldn't the
19 case usually be that there is no order recommending and
20 designating the tight formation at the time that you're
21 applying, so the addition of "if any" would be appropriate
22 here?

23 MR. PADILLA: I think it would or "if
24 available", something like that.

25 MS. TESCHENDORF: That's all.

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1
2 QUESTIONS BY MR. NUTTER:

3 MR. NUTTER: Well, Mr. Padilla, I'm not
4 getting into the next case, but tight formation wells will
5 be two categories of tight formation wells, won't they?
6 They will either be in a formation that has been designated
7 as a tight formation or they may be an individual well in
8 a formation which has not been designated as a tight forma-
9 tion, isn't that correct?

10 MR. PADILLA: Not necessarily. I think
11 tight -- well, first of all, these are just the filing re-
12 quirements for wells that are drilled in a formation that
13 has been designated --

14 MR. NUTTER: Oh, it has been designated?

15 MR. PADILLA: -- as a tight formation.

16 MR. NUTTER: Which has been designated
17 and accepted by the Division and by the FERC.

18 MR. PADILLA: Correct.

19 MR. NUTTER: Then you would simply make
20 a reference to the Division order and the FERC order.

21 MR. PADILLA: Correct.

22 MR. NUTTER: And if you had a well that
23 wasn't in the formation that was designated as a tight
24 formation, then you wouldn't have that. You couldn't --

25 MR. PADILLA: You couldn't qualify it.

1 MR. NUTTER: -- call it that.

2 MR. PADILLA: You couldn't qualify that
3 as a 107 tight formation well.

4 MR. NUTTER: Are there any other questions
5 of Mr. Padilla? Yes, sir.

6 MR. COOPER: Ron Cooper with Conoco.

7
8 QUESTIONS BY MR. COOPER:

9 MR. COOPER: On Rule 13 there on page
10 two you made a reference to, shouldn't that be the last
11 well in a proration unit instead of "a well"?

12 MR. PADILLA: I think -- I think that's
13 probably correct, if two wells are already on that proration
14 unit.

15 MR. COOPER: Right.

16 I'm sure that was the intent.

17 MR. PADILLA: Right.

18 MR. COOPER: Also a question on page
19 four. You mentioned there reference to the FERC requiring
20 the Division order and hearing transcript. Could that not
21 be just a reference to that so this wouldn't have to be
22 submitted with every application?

23 MR. PADILLA: No, because -- let me ex-
24 plain this reason.

25 It seems like the FERC or the people that

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1 work for the FERC are unable to understand what goes on in
2 a hearing or what -- what takes place as far as making a
3 determination for a new onshore reservoir. We've had a lot
4 of them kicked back even with a Division order. They don't
5 seem to understand the reasons or the underlying, you know,
6 the proof that went into the pudding, as it -- or showing
7 that an applicant has a new type -- or a new onshore reser-
8 voir.

9 MR. COOPER: This just seems like a tre-
10 mendous amount of information, second information called --

11 MR. PADILLA: It does, but that's the
12 only way that we can see where we could eliminate some of
13 our problems with the FERC. It's just like we're adopting
14 a policy of requiring public hearings for new onshore re-
15 servoirs simply because to do it administratively we gener-
16 ally just get a lot of information that we don't know in
17 what -- what order, or what -- you know, how to look at it,
18 and it's a lot easier to do it in a public hearing, have
19 it laid out on the wall, and you show your exhibits and
20 indicate exactly where and how you are viewing your -- your
21 data as far as a new onshore reservoir is concerned.

22 MR. COOPER: I understand what you're
23 saying. It just seems like the burden of proof is for the
24 jurisdictional agency to review that new onshore reservoir
25 designation and once they have reviewed it, to stand on that

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1 order, then FERC shouldn't have to have the same data and
2 review it again. And that is my only point.

3 MR. NUTTER: Well, FERC shouldn't have
4 to but they want it.

5 MR. COOPER: Well, I realize that. I
6 just --

7 MR. NUTTER: They have required -- they
8 have required the Division to write a complete summary of
9 the whole action that was taken, and that's more difficult
10 for the Division to do than it is for you to send in a
11 Xeroxed copy of the transcript.

12 MR. PADILLA: I think it's really a mat-
13 ter of time. If we have to write a lengthy statement as to
14 what -- highlighting your new onshore information, it may
15 be six months before we get it and this way it's done in
16 a matter of two weeks, maybe.

17 MR. COOPER: I guess it's more a matter
18 between, you know, trying to satisfy FERC. I just don't
19 feel it should be necessary but if it's required, I guess
20 everybody here would like to cut down on the amount of paper-
21 work.

22 MR. PADILLA: Well, this thing has worked
23 with FERC.

24 MR. COOPER: That's all I have.

25 MR. NUTTER: Yes, sir.

1 MR. BALMER: Don Balmer with El Paso
2 Natural Gas Company.
3

4 QUESTIONS BY MR. BALMER:

5 MR. BALMER: Mr. Padilla, on Rule 13,
6 where the proration unit expiring on plugging the last well,
7 is that to say if the last well on a proration unit is
8 plugged and a subsequent well is drilled on that same
9 acreage, that that well will qualify as a 103 well?

10 MR. PADILLA: Yes. In other words, what
11 I'm trying to say in this rule, and I have no pride in
12 authorship here, if someone has a better way of saying it
13 I'll be happy to write it, but what I'm saying is that a
14 proration unit automatically terminates upon the plugging
15 and abandonment of that well.

16 MR. BALMER: Uh-huh.

17 MR. PADILLA: And then once you get your
18 new --

19 MR. BALMER: Application.

20 MR. PADILLA: -- application, then you
21 start with a new proration unit, or you establish a new
22 proration unit.

23 MR. BALMER: The new application that
24 you get would have nothing to do with NGPA requirement, or
25 anything, it would just be a normal application to drill a

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1 well on some acreage, and then that well would subsequently
2 qualify for a 103 without a showing that it was necessary
3 to effectively and efficiently drain?

4 MR. PADILLA: Right.

5
6 QUESTIONS BY MR. NUTTER:

7 MR. NUTTER: Mr. Padilla, does that also
8 apply to a well that's on a proration unit, producing from
9 a given gas pool, and then the well is abandoned in that
10 pool and recompleted in another pool? Is that proration
11 unit then abandoned?

12 MR. PADILLA: It seems to me that as to
13 the abandoned pool, then it would terminate. Possibly I
14 should add that, something to that effect, in here.

15 MR. NUTTER: But if it's temporarily
16 abandoned it doesn't.

17 MR. PADILLA: No.

18 MR. NUTTER: And disconnected. It's
19 still a live proration unit as far as FERC Regs are con-
20 cerned.

21 MR. PADILLA: I think so, yes.

22 MR. NUTTER: Yes, sir, Mr. Manning.

23 MR. MANNING: Mr. Examiner, Bob Manning
24 with El Paso Natural Gas.
25
26

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1
2 QUESTIONS BY MR. MANNING:

3
4 MR. MANNING: This Rule 13, this has been
5 the actual practice, it just hasn't -- more or less, you
6 know, within limits. It just hasn't been written down, is
7 that correct?

8 MR. NUTTER: Yeah, we never had had a
9 rule on this, Mr. Manning.

10 MR. MANNING: But we have been practicing
11 this.

12 MR. NUTTER: Well, for different purposes.
13 We used to consider a proration unit was terminated when
14 when the pipeline was disconnected from it, for proration
15 purposes, but FERC won't accept that. They have to have
16 some more definitive date for a termination, and a plugging
17 of a well is a definitive date in their minds.

18 Now I don't know about this recompletion
19 in another zone. Maybe that terminates a unit, too. But
20 a temporary abandonment or a disconnection from a pipeline
21 definitely does not terminate the proration unit in their
22 minds.

23 Yes, sir, your turn now.

24 MR. TULLY: Richard Tully, representing
25 Dave M. Thomas, Junior.
26

QUESTIONS BY MR. TULLY:

MR. TULLY: Referring again to this Rule 13 and also back over here to Rule No. 3, before relaying that determination of a proration unit to the NMOC, what affect, if any, will this have on wells located on Federal and Indian leases, and also for the application with that jurisdictional agency?

MR. PADILLA: Well, generally the USGS, or Federal people have been following the State proration policy and practices. Unless they change, I don't see that that would affect the rule, unless they go off and say, well, we're not going to follow the State's spacing -- or proration unit requirements any more.

MR. TULLY: Have you had any communication with the USGS on this particular termination of a proration unit?

MR. PADILLA: No, we have not. There are some representatives of the USGS here, I believe. I don't know whether I should put them on the spot or not.

QUESTIONS BY MR. STEVENS:

MR. STEVENS: Gary Stevens with the USGS. It was decided that a separate hearing would not be held for Federal and Indian cases; that there would just be the one

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1 State hearing and then the USGS would go along with it, un-
2 less there were some extraneous circumstances.

3 MR. NUTTER: That's on what type of deter-
4 mination?

5 MR. STEVENS: That would be the 107.

6 MR. NUTTER: 107.

7 MR. TULLY: What about the Section 103
8 as far as this termination of proration unit is concerned?

9 MR. STEVENS: That I couldn't comment on.

10 MR. NUTTER: Any other questions of Mr.
11 Padilla? Yes, sir.

12 MR. ANDERSON: Don Anderson, El Paso
13 Natural Gas.

14
15 QUESTIONS BY MR. ANDERSON:

16 MR. ANDERSON: Rule 2, Mr. Padilla, what
17 do you anticipate the authorization to consist of, if an
18 operator refuses to file for a classification and another
19 working interest owner wishes to?

20 MR. PADILLA: Well, I think under defini-
21 tions, the applicant is going to have to be the operator,
22 so we're -- so we're accepting only applications from the
23 operator. In other words, the working interest owner still
24 has an option to come in and protest that application.

25 MR. ANDERSON: I'm thinking of the in-

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1 stance where an operator does not choose to file, but a
2 working interest owner wishes to.

3
4 MR. PADILLA: It seems to me there in
5 that case we'd have no choice but to accept the working in-
6 terest owners, at least for purposes of NGPA; allow the
7 working interest owner to come in and file the application.

8 MR. ANDERSON: You don't consider that
9 this rule would preclude the working interest owner to do
10 that?

11 MR. PADILLA: No, and possibly he could --
12 he could wind up being the authorized representative or
13 agent of the operator in that case.

14 I can't -- I can't visualize -- well, I
15 don't know, I can't -- I can't see a situation where a
16 working interest owner, or the operator, would oppose trying
17 to get a higher price.

18 MR. ANDERSON: If it doesn't mean anything
19 to him, he might not want to. We have experienced this in
20 certain instances.

21 MR. NUTTER: I think the same question
22 came up when we were writing R-5878-A in 1978. He may be
23 filing as an agent, maybe possibly not an authorized agent,
24 if another working interest owner files.

25 MR. ANDERSON: Would a statement by the
person filing the application suffice, or -- I imagine that

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1 the operator may well give him a letter authorizing him to
2 do so, but if he chooses not to do that, would a statement
3 made by the working interest owner to the affect of the
4 circumstances satisfy this rule?

5 MR. PADILLA: Well, I think -- I think
6 we'd have to accept something like that, because I don't
7 think we could leave the -- take the position and say that
8 a working interest owner might not be able to take advantage
9 of a higher price or be able to be precluded from filing an
10 application where the operator is unwilling to do so.

11 MR. NUTTER: I think Rule 5 may take care
12 of it, anyway, if a written application -- if a written ob-
13 jection to the application is filed by any interested party,
14 now, if a non-operator but an owner of the well files and
15 the operator doesn't want to see that category determination
16 made, he could object, and then it would be set for hearing,
17 and they can come in and fight it out as to who ought to be
18 filing and why one person wants it and the other one doesn't.

19 We could proceed from there, I believe.

20 Any other questions? Yes, sir.

21
22 QUESTIONS BY MR. COOPER:

23 MR. COOPER: Again on that same matter,
24 if you have definitions as applicant being the operator and
25 then you have Rule 2, that an application be signed by the

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1 operator, it seems to preclude the fact that a working in-
2 terest owner can sign, or can file one if the operator chooses
3 not to file.

4 I think this is -- and we've experienced
5 numerous situations like this.

6 MR. PADILLA: Well, it may be necessary
7 to amend the definition of applicant to indicate that where
8 the operator is unwilling to make a determination then the
9 working interest owner may do so.

10 MR. NUTTER: Are there any other questions
11 of Mr. Padilla? Yes, sir.

12 MR. BALMER: Don Balmer again with El Paso
13 Natural.

14
15 QUESTIONS BY MR. BALMER:

16 MR. BALMER: On page eight of your new
17 rules here, 16A-3, you say a copy of Division order author-
18 izing, on an individual well basis, drilling of infill well
19 under Section 271.305 of the FERC Regs, I understand from
20 the new Regs that you issued about two or three weeks ago
21 that an order or a finding will not be issued prior to the
22 drilling of a well, and that you would prefer it to be a
23 request for a finding after the well is completed.

24 And how would that work with this Rule
25 3 here, or 16A-3? I can't see the sequence of events hap-

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1 pening. You drill the well and complete it. Then you make
2 an application for a finding with the OCD. You in turn get
3 an affirmative finding, and then submit that document along
4 with the NGPA application for determination.

5 MR. PADILLA: Right.

6 MR. BALMER: This seems to me, of course
7 I'm assuming the matter, that the well might not be turned
8 on as fast as you might want it to be, waiting on the re-
9 sults of the finding.

10 MR. PADILLA: Well, I think -- I think
11 you're correct there in that it just wouldn't be done as
12 quick if you don't get the determination prior to the
13 drilling of the well.

14 MR. BALMER: Yeah, you don't get the
15 finding prior to the drilling of the well on an individual
16 well basis, so --

17 MR. PADILLA: Of course, you have to keep
18 in mind that this -- that these rules that we did promulgate
19 more like, I think they were a month and a half ago.

20 MR. BALMER: Yes. Yes.

21 MR. PADILLA: Are related to administra-
22 tive approval.

23 MR. BALMER: Yes.

24 MR. PADILLA: Of infill wells.

25 MR. BALMER: I took from that -- from that

1 ruling that you only wanted application after the well was --
2 for administrative approval, after the well was completed.

3 MR. PADILLA: Right.

4 MR. BALMER: And so by that chain of
5 events you would wait until you get a finding from the OCD
6 and then make your application for determination with a copy
7 of that finding included in the application.

8 MR. PADILLA: That's right.

9 MR. NUTTER: Anyone else?

10 MR. BURLESON: David Burleson of El Paso
11 Natural Gas Company.

12
13 QUESTIONS BY MR. BURLESON:

14 MR. BURLESON: Mr. Padilla, on page six
15 the new 5-d, is the word "and" omitted in that sentence,
16 possibly, in the fifth line?

17 MR. PADILLA: Yes, it is, because that's
18 two questions, I believe. Section 6 addresses that, it
19 says "both questions", so it would be "and".

20 The reference on paragraph 6 refers to
21 subparagraph d here, so it would be "and", following "1977"
22 and before "were".

23 MR. BURLESON: And with respect to e,
24 which immediately follows that, where it refers to an old
25 well, I suppose that means an old well as described in para-

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1 graph b above?

2 MR. PADILLA: That's correct.

3 MR. BURLESON: So you could say through
4 any old well as described in subparagraph b.

5 MR. PADILLA: Actually, I believe that's
6 supposed to indicate that in there. Maybe I didn't read
7 that, but --

8 MR. BURLESON: I note that the previous --
9 that c does, in c you do include that whole sequence.

10 MR. NUTTER: Well, in d, though, he just
11 says "such old Well." Why can't we just put "such" in down
12 here and both those sections refer to that old well as de-
13 scribed up above, I think, does it not?

14 MR. BURLESON: It should be sufficient,
15 yes.

16 MR. PADILLA: At any rate, there's no
17 intention to vary from the FERC rules.

18 MR. BURLESON: I have just one last
19 question.

20
21 With respect to 6-b, where
22 it excludes from the sale of production from the subject
23 reservoir (net of royalty) -- my question is, is that in-
24 tended -- is the word "royalty" intended to include over-
25 riding royalties, or merely the basic royalty?

1 MR. PADILLA: Well, I think it would in-
2 clude overriding royalties because I think as far as demon-
3 strating whether or not -- for purposes -- this is an econ-
4 omic test as to whether or not that well could have produced
5 in paying quantities based on these guidelines, and I think
6 that you would have to take into account overriding royalties
7 as far as trying to determine whether that well would pay
8 out or not.

9 MR. BURLESON: Thank you.

10 MR. COOPER: Back on -- Ron Cooper with
11 Conoco again.

12
13 QUESTIONS BY MR. COOPER:

14 MR. COOPER: Back on this Rule 2, I
15 think if you're going to go ahead and revise the definition
16 of applicant there to exclude the operator if the operator
17 refuses to file the application, then the word "operator"
18 should probably be changed to "applicant" in Rule 2 to make
19 things consistent.

20 MR. PADILLA: Yes.

21 MR. NUTTER: One more? The witness may
22 be excused.

23
24 Does anyone have any comments or obser-
25 vations to make in this case? We'll take Case Number 6851
under advisement.

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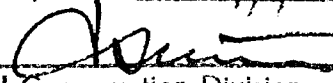
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REPORTER'S CERTIFICATE

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that
the foregoing Transcript of Hearing before the Oil Conserva-
tion 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.

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6851
heard by me on 4/9 1980.

 Examiner
Oil Conservation Division

NEW MEXICO OIL CONSERVATION DIVISION
P. O. Box 2080, Santa Fe, New Mexico 87501

APPLICATION FOR CONTINUED
STRIPPER CLASSIFICATION

1. FOR DIVISION USE ONLY

DATE OF: APPLICATION _____
DETERMINATION _____
CONTESTED _____
PARTICIPANTS _____

Kind of Lease State, Federal or Fee
3. State Oil & Gas Lease No.
7. Unit Agreement Name
8. Former Lease Name
9. Well No.
10. Field and Pool, or Wildcat
12. County

2. Name of Operator _____

3. Address of Operator _____

4. Location of Well _____

UNIT LETTER _____ FEET FROM THE _____ LINE AND _____ FEET FROM
THE _____ LINE, SECTION _____ TOWNSHIP _____ RANGE _____ NMPM.

Purchaser(s)
11. Name and Address of Transporter(s) _____

CLASSIFICATION

Check appropriate box for category sought and information submitted.

1. Increased production resulting from enhanced recovery techniques

- ☐ a. C-132, Initial determination
- ☐ b. Purchaser's notice of exceeding 60 MCF/day
- ☒ c. C-105 Well Completion or Recompletion Report.
2. Well is seasonably affected

- ☐ a. C-132, Initial determination
- ☐ b. Purchaser's notice of exceeding 60 MCF/day
- ☒ c. 24-month production curve

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
EXHIBIT NO. 2
CASE NO. 6857

I HEREBY CERTIFY THAT THE INFORMATION CONTAINED
HEREIN IS TRUE AND COMPLETE TO THE BEST OF MY
KNOWLEDGE AND BELIEF.

NAME OF APPLICANT (Type or Print) _____

Title _____

Date _____

Signed _____

DIVISION USE ONLY

- ☐ Approved
- ☐ Disapproved

The information contained herein includes
all of the information required to be
filed by the applicant under Subpart B
of Part 274.

EXAMINER

CASE 6843: (Continued from March 26, 1980, Examiner Hearing)

Application of Yates Petroleum Corporation for two compulsory poolings, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Yaso formation underlying two 40-acre proration units, the first being the SE/4 SE/4 and the second being the SW/4 SE/4 of Section 6, Township 19 South, Range 25 East, Penasco Draw Field, each unit to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.

CASE 6858: Application of H. L. Brown, Jr. for gas well commingling, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Bluit-Wolfcamp gas and condensate production from ten federal wells located as follows: Units K and P of Section 33 and L of 34, Township 7 South, Range 37 East; Units D and L of Section 3, C and J of 4, I of 5, C of 9 and G of 10; and one fee well in D of 10, all in Township 8 South, Range 37 East. Applicant would separate and meter the gas and condensate production from each well, then recombine the well's stream and commingle all wells into a small gasoline plant. Allocation of gas and condensate to each well would be on the basis of wellhead meter readings and allocation of gasoline plant production would be on the basis of gas production and BTU content at each well.

CASE 6859: Application of R & G Drilling Company for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 1890 feet from the North line and 1830 feet from the East line of Section 28, Township 28 North, Range 11 West, Kutz-Fruitland Pool, the NE/4 of said Section 28 to be dedicated to the well.

CASE 6860: Application of Flag-Redfern Oil Company for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221 to permit disposal of produced brine into an unlined surface pit located in Unit P of Section 3, Township 19 South, Range 31 East.

CASE 6861: Application of Zia Energy, Inc. for pool creation, special pool rules, and an NGPA determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new San Andres oil pool for its State "C" Well No. 1 located in Unit F of Section 17, Township 22 South, Range 37 East, and special rules therefor, including a provision for a limiting gas-oil ratio of 10,000 to 1. Applicant further seeks a new onshore reservoir determination for said State "C" Well No. 1.

CASE 6837: (Continued from March 26, 1980, Examiner Hearing)

Application of Curtis Little for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the W/2 of Section 7, Township 25 North, Range 3 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6862: Application of ARCO Oil and Gas Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its State 157 "D" Well No. 11 drilled 2123 feet from the South line and 1644 feet from the East line of Section 12, Township 22 South, Range 36 East, Drinkard Pool, the NW/4 SE/4 of said Section 12 to be dedicated to the well.

CASE 6863: Application of Bass Enterprises Production Co. for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Big Eddy Unit Well No. 72 located in Unit R of Section 3, Township 21 South, Range 28 East, to produce undesignated Atoka and Morrow gas thru parallel strings of tubing.

CASE 6864: Application of Grace Petroleum Corporation for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Smith Ranch Well No. 11, to be drilled 1980 feet from the North line and 660 feet from the West line of Section 11, Township 20 South, Range 33 East, Teas-Penn Gas Pool, the N/2 of said Section 11 to be dedicated to the well.

Dockets Nos. 12-80 and 13-80 are tentatively set for April 23 and May 7, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 9, 1980

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

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

- CASE 6850: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Jack F. Grimm, N. B. Hunt, George R. Brown, Am-Arctic, Ltd., The Travelers Indemnity Company, and all other interested parties to appear and show cause why the Mobil 32 Well No. 1 located in Unit D of Section 32, Township 25 South, Range 1 East, Dona Ana County, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6851: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider amendments to its SPECIAL RULES FOR APPLICATIONS FOR WELLHEAD PRICE CEILING CATEGORY DETERMINATIONS as promulgated by Division Order No. R-5878 and amended by R-5878-A. The proposed amendments would make said SPECIAL RULES conform to FERC Order No. 65 which promulgated final regulations implementing filing requirements of the Natural Gas Policy Act of 1978.
- CASE 6852: In the matter of the hearing called by the Oil Conservation Division on its own motion to consider special rules and procedures for the designation of "tight formations" or "tight sands" as outlined in the FERC interim rules and regulations issued February 20, 1980, relating to Section 107(b) of the Natural Gas Policy Act of 1978.
- CASE 6853: Application of Caribou Four Corners, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Cha Cha-Callup Pool underlying the N/2 NE/4 of Section 18, Township 29 North, Range 14 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6854: Application of Jack A. Cole for an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of his Apache Hills Well No. 6, 1326 feet from the North line and 1843 feet from the West line of Section 17, Township 23 North, Range 3 West, Ballard-Pictured Cliffs Pool, the NW/4 of said Section 17 to be dedicated to the well.
- CASE 6841: (Continued from March 26, 1980, Examiner Hearing)
- Application of CIG Exploration, Inc. for two non-standard gas proration units, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of two non-standard gas proration units in Township 16 South, Range 28 East, the first being 219.6 acres comprising Lots 1 thru 8 of Section 1 and the second being 219.92 acres comprising Lots 1 thru 8 of Section 2, for the Wolfcamp, Pennsylvanian, and Mississippian formations, each unit to be dedicated to a well to be drilled at a standard location thereon.
- CASE 6855: Application of Dome Petroleum Corporation for an unorthodox well location, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Santa Fe 3 Well No. 1 to be drilled 1220 feet from the North line and 900 feet from the West line of Section 3, Township 21 North, Range 10 West.
- CASE 6856: Application of Texaco Inc. for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blinbry, Tubb-Drinkard, and Fusselman production in the wellbore of its C. C. Fristoe "B" Federal NCT-2 Well No. 6 located in Unit 4 of Section 34, Township 24 South, Range 37 East, Justis Field.
- CASE 6857: Application of Holly Energy, Inc. for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its State 14 Well No. 1, a Morrow test to be drilled 660 feet from the South line and 990 feet from the East line of Section 14, Township 18 South, Range 28 East, the S/2 of said Section 14 to be dedicated to the well.

CASE 6846: (Amended)

In the matter of Case No. 6846 being amended to reflect that the location for the unorthodox location of the well on the second unit is 330 feet from the North line and 2310 feet from the East line of Section 13, Township 21 South, Range 36 East, Lea County.

CASE 6846: (Continued from March 26, 1980, Examiner Hearing)

Application of Doyle Hartman for two compulsory poolings, two non-standard gas proration units, and two unorthodox well locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Eumont Gas Pool underlying two 80-acre non-standard gas proration units, the first being the S/2 NE/4 of Section 13, Township 21 South, Range 36 East, to be dedicated to a well to be drilled at an unorthodox location 1650 feet from the North line and 2310 feet from the East line of said Section 13, and the second being the N/2 NE/4 of said Section 13 to be dedicated to a well to be drilled at an unorthodox location 330 feet from the North line and 2310 feet from the East line of said Section 13. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.

CASE 6865: Application of Getty Oil Company to reopen Case No. 6608, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to reopen Case No. 6608 for consideration of the establishment of maximum efficient rates of withdrawal from the Grama Ridge-Wolfcamp Gas Pool.

Docket No. 10-80

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 16, 1980

8:45 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:

- ALLOWABLE:**
- (1) Consideration of the allowable production of gas for May, 1980, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
 - (2) Consideration of the allowable production of gas for May, 1980, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

Docket No. 11-80

DOCKET: COMMISSION HEARING - WEDNESDAY - APRIL 16, 1980

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 6609: (DE NOVO) (Continued from March 11, 1980, Commission Hearing)

Application of Napeco Inc. for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Strawn oil pool for its Benson Deep Unit Well No. 1 located in Unit O of Section 33, Township 18 South, Range 30 East, and special rules therefor, including 160-acre spacing and standard well locations.

Upon application of Yates Petroleum Corporation and Napeco Inc. this case will be heard De Novo pursuant to the provisions of Rule 1220. Applicants allege this is not an "oil" pool but is a "volatile" oil pool.

Case 6851

In the matter of the hearing called
by the Oil Conservation Division on its
own motion to consider amendments
to its SPECIAL RULES FOR APPLICATIONS
FOR WELLHEAD PRICE CEILING
CATEGORY DETERMINATIONS to
conform with FERC Order No. 65
which promulgated final regulations
implementing filing requirements of
the Natural Gas Policy Act of 1978.