

*Entered June 29, 1973*  
*A.L.P.*

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE NO. 4991  
Order No. R-4583

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

ORDER OF THE COMMISSION

BY THE COMMISSION:

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

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

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the Commission, by Order No. R-1670, as amended, has heretofore promulgated rules and regulations governing the prorated gas pools of Northwest New Mexico and Southeast New Mexico.
- (3) That Rule 13 of said rules provides that the gas proration period for wells in Northwest New Mexico and Southeast New Mexico shall be the 12-month period commencing at 7:00 a.m. January 1 of each year.
- (4) That the applicant, El Paso Natural Gas Company, seeks the amendment of said Rule 13 to provide that the 12-month gas proration period for wells in Northwest New Mexico and Southeast New Mexico would commence at 7:00 a.m. April 1 of each year and end at 7:00 a.m. April 1 of the following year.
- (5) That in order to provide a balancing date at the close of a proration period which will approximate the beginning of the lower demand season, thus enabling overproduced wells to

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IT IS THEREFORE ORDERED:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CHAPTER I TYPE OF TESTS REQUIRED

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

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



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

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

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

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

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

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

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

"Section 3: Scheduling of Tests

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

B. Annual and Biennial Deliverability Tests

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

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

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

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

C. Deliverability Re-Tests

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

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

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

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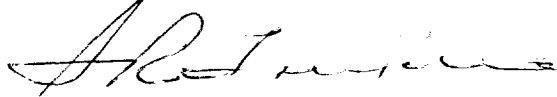
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(19) That jurisdiction of this cause is hereby retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member



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

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