

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION TO
CONSIDER THE APPLICATION OF:

CASE NO. 10398
ORDER NO. R-9617

THE NEW MEXICO OIL CONSERVATION DIVISION
TO AMEND RULES 403 AND 1110 OF THE GENERAL
RULES AND REGULATIONS OF THE DIVISION TO
PROVIDE FOR ALTERNATE METHODS OF MEASURING
AND REPORTING GAS PRODUCTION FROM LOW
CAPACITY WELLS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on October 10, 1991, at Santa Fe, New Mexico before the Oil Conservation Commission of the State of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 23rd day of December, 1991, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and further considering comments submitted pursuant to request of the Commission, and being fully advised in the premises,

FINDS THAT:

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

(2) The New Mexico Oil Conservation Division has filed this application to amend rules 403 and 1110 of the General Rules and Regulations of the Division to provide for alternate methods of measuring and reporting under Rule 403 gas produced from low volume capacity gas wells, and that a new Rule 1110 be adopted to provide for request and approval of such alternate methods on proposed form C-110.

(3) At the time of the hearing the Division advised the Commission that there had previously been in use a form C-110 used as a completion report under an old Rule 1110. Because many well files still have the old form C-110 and the adoption of a new C-110 might lead to confusion, the Division requested that the application for a change to rule 1110 be amended and be a request for the adoption of a new rule 1136 providing for a new form C-136.

(4) Witnesses from the Division, the U.S. Department of the Interior, Bureau of Land Management, pipelines and producer segments of the industry all commented in favor of the proposed rules with some minor corrections. No one appeared in opposition to the proposals.

(5) The proposed changes are recommended because there are several thousand gas wells in the state which produce less than 100 MCF per day ("MCFD") which have significant reserves behind them. These wells can continue to produce for several years if the costs of operation can be reduced.

(6) The costs of maintaining orifice meters for each well are substantial in relation to the volume and value of the gas which is produced, and continuing to require such meters on small volume wells could result in premature abandonment.

(7) There are alternative measurement methods which can be used and which will provide adequate accuracy of measurement of the volume of gas produced by such wells. Some methods are based upon establishing a reasonable periodic, hourly or daily, flow rates for such wells and applying such rates to the period of time the wells are flowing. Another alternative is to permit the surface commingling of gas which is produced from wells on common leases.

(8) The District Supervisor should be able to permit commingling of production from gas wells with a producing capacity of less than 100 MCFD to a central delivery point if those wells are on a single lease with entirely common ownership.

(9) If a well is not capable of producing in excess of 15 MCFD, the operator and transporter should be permitted to establish by annual test the periodic producing rate for such well under normal operating conditions and apply that rate to the time a well is producing. If such well is capable of producing more than 5 MCFD, a device should be attached to the line which will determine the actual period of time the well is flowing. Such measurement method should be approved by the District Supervisor prior to implementation.

(10) Production from wells measured in accordance with the alternate methods provided for in this order should be reported to the Division on forms C-111 and C-115 pursuant to the approval, including the method of allocation in the case of commingling.

(11) If there is any significant change in operating conditions such as line pressure, either party should be able to request a retest, the cost of which should be borne by the party requesting the test unless otherwise agreed between them.

(12) A new Rule 1136 authorizing form C-136 should be adopted for the purpose of obtaining District Supervisor approval of alternate measurement methods authorized by this order.

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IT IS THEREFORE ORDERED THAT:

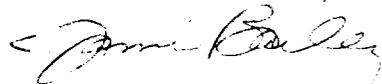
(1) Rule 403 of the Rules and Regulations of the Oil Conservation Division is amended to provide for alternate methods of measuring gas from low capacity wells, and the entire rule as amended is shown in Exhibit A attached hereto and is adopted as new Rule 403.

(2) Rule 1136, as contained in Exhibit B hereto, is hereby adopted as a rule of the Division and shall become part of the Rules and Regulations of the Oil Conservation Division.

(3) Jurisdiction of this cause is retained for entry of such further orders as the Commission may deem necessary.

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

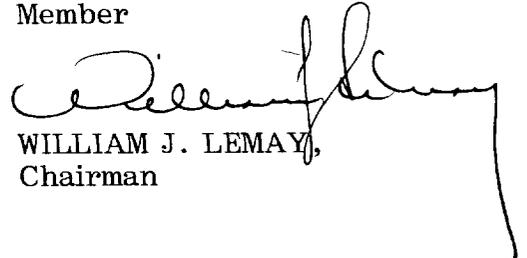
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



JAMI BAILEY,
Member



WILLIAM W. WEISS,
Member



WILLIAM J. LEMAY,
Chairman

S E A L

RULE 403. - NATURAL GAS FROM GAS WELLS TO BE MEASURED

A. All natural gas produced shall be accounted for by metering or other method approved by the Division and reported to the Division by the transporter of the gas. Gas produced from a gas well and delivered to a gas transportation facility shall be reported by the owner or operator of the gas transportation facility. Gas produced from a gas well and required to be reported under this rule, which is not delivered to and reported by a gas transportation facility shall be reported by the operator of the well.

B. An operator may apply to the OCD District Supervisor, using form C-136, for approval of one of the following procedures for measuring gas:

(1) In the event a well is not capable of producing more than 15 MCFD, a measurement method agreed upon by the operator and transporter whereby the parties establish by annual test the producing rate of said well under normal operating conditions and apply that rate to the period of time the well is in a producing status. If such well is capable of producing greater than 5 MCFD, a device shall be attached to the line which will determine the actual time period that the well is flowing.

(2) Any well which has a producing capacity of 100 MCFD or less and which is on a multi-well lease may be produced without being separately metered when the gas is measured using a lease meter at a Central Point Delivery (CPD). The ownership of the lease must be common throughout including working interest, royalty and overriding royalty ownership.

(3) If normal operating conditions change, either party may request a new well test, the cost of which will be borne by the party so requesting unless otherwise agreed upon.

C. Operators and transporters shall report the well volumes on Forms C-115 and C-111 based upon the approved method of measurement and, in the case of a CPD, upon the method of allocation of production to individual wells approved by the District Supervisor.

Exhibit "A"
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**Rule 1136 - APPLICATION FOR APPROVAL TO USE AN ALTERNATE
GAS MEASUREMENT METHOD (FORM C-136)**

- A. Form C-136 shall be used to request and approve use of an alternate procedure for measuring gas production from a well which is not capable of producing more than 15 MCFD (Rule 403.B.(1)) or for any well which has a producing capacity of 100 MCFD or less and is on a multi-well lease (Rule 403.B.(2)).**
- B. All applicable information required on Form C-136 shall be filled out with the required supplemental information attached, and shall be submitted in QUADRUPLICATE to the appropriate district office of the Division.**

**Exhibit "B"
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