NEW MEXICO OIL CONSERVATION DIVISION

COMMISSION HEARING

SANTA FE, NEW MEXICO

Hearing Date APRIL 9, 1998 Time 9:00 A.M.

NAME	REPRESENTING	LOCATION
W. Kellahin	Kellahin & Kellahin	Santa Fe
DAVE BONEAU	YATES PETROLEUM	ARTESIA, NEW MEXICO
William F. Carr	Campbell, Carr, Berge & Sheridan	Santa Fe
Ned Kendrick	Montgomery & Andrews	Santa Fe
James Bruce		Santa Fe

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION FOR THE PURPOSE OF CONSIDERING:	CASE NO. 11,705
APPLICATION OF THE OIL CONSERVATION DIVISION TO AMEND ORDER R-8170, AS AMENDED, "GENERAL RULES FOR THE PRORATED POOLS OF NEW MEXICO"	ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSION HEARING

BEFORE: LORI WROTENBERY, CHAIRMAN
WILLIAM J. LEMAY, COMMISSIONER
JAMI BAILEY, COMMISSIONER

April 9th, 1998

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Commission, LORI WROTENBERY, Chairman, on Thursday, April 9th, 1998, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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I N D E X

April 9th, 1998
Commission Hearing
CASE NO. 11,705

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1a	8	17
Exhibit 1b	8, 12	17
Exhibit 2a	8, 14	17
Exhibit 2b	8, 14	17
Exhibit 3a	8, 14	17
Exhibit 3b	8, 14	17
Exhibit 4	8, 15	17

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A P P E A R A N C E S

FOR THE COMMISSION:

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Santa Fe, New Mexico 87505

FOR THE OIL CONSERVATION DIVISION:

RAND L. CARROLL
Attorney at Law
Legal Counsel to the Division
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Santa Fe, New Mexico 87505

* * *

WHEREUPON, the following proceedings were had at 9:03 a.m.:

CHAIRMAN WROTENBERY: We'll call this meeting of the Oil Conservation Commission to order here.

I'm Lori Wrotenbery, I'm the Director of the Oil Conservation Division. To my left is Bill LeMay, Commissioner, and to my right is Jami Bailey, Commissioner. We also have Florene Davidson, Commission Secretary, and then Lyn Hebert, the Commission's counsel, and Steve Brenner, our court reporter here today.

Welcome, everybody, good morning.

We had a fairly lengthy agenda to start out with, but during the past week it's dwindled considerably. It's much lighter than it was. We have two main cases on the agenda this morning.

But before we get to those, we have a few business items to take care of, the first being the minutes of the last meeting of the Oil Conservation Commission, which was held on February 26th. I guess I'll ask the other Commissioners if they have any corrections or comments on the minutes.

MR. LEMAY: Madame Chair, I move approval of the minutes as presented.

COMMISSIONER BAILEY: I second.

CHAIRMAN WROTENBERY: Okay. Any discussion then?

All in favor of approving the minutes say aye.

MR. LEMAY: Aye.

COMMISSIONER BAILEY: Aye.

CHAIRMAN WROTENBERY: Aye.

Any opposed?

Okay, then I'll go ahead and sign the minutes on behalf of the Commission.

Florene, they're all yours.

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CHAIRMAN WROTENBERY: Let's see, and then the second item of business is the election of a Chairman for the Oil Conservation Commission.

We had some discussion on this issue at the last meeting.

MR. LEMAY: Madame Chair, I nominate you to be Chairman of the Commission.

COMMISSIONER BAILEY: I second that nomination.

CHAIRMAN WROTENBERY: All in favor say aye.

MR. LEMAY: Aye.

COMMISSIONER BAILEY: Aye.

CHAIRMAN WROTENBERY: Aye.

Any opposed?

Okay, I am very happy to serve in that role as your Chairman. Thank you very much for the support.

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CHAIRMAN WROTENBERY: Moving to the next tab in our notebook, we included here for your information the letters documenting our action on certain cases that were dismissed at the last Commission hearing. I don't think we need any further action on these, but we included them in the notebook for your information.

Any questions or comments on that?

Okay, I believe that's all for the business portion of the meeting, unless -- Florene, is there anything else we need to take care of?

MS. DAVIDSON: No.

CHAIRMAN WROTENBERY: Anything anybody needs to add?

Okay, then we can go on and consider the cases that were scheduled for today.

There were a number of cases initially on the docket, and as I said earlier, we're down to two that will be handled this morning. At the end of the meeting I'll go through the others and report on the status of those, but I think we can go ahead and take up the two that are ready for presentation.

The first one -- I should make a note before I go forward.

The Division had planned to present an update on actions taken by the Division regarding the Commission's

April 10th, 1997, directive to the Division to present a rule change to the Commission to bring all Section 70-2-12.B (22) facilities under the jurisdiction of the Commission.

Roger Anderson was going to make this presentation today, but he was called away to a meeting in the southeast part of the State, and so he asks that we defer this item until the next meeting. He'll give us a report at that time.

But we are ready to hear from the Staff, and from anybody else who would like to make an appearance in this case, in Case 11,705. This is the Application of the Oil Conservation Division to simplify the testing and proration rules as applied to the prorated pools of northwest New Mexico.

And I guess -- At this time I believe the Division would like to make an appearance?

MR. CARROLL: Yes, Rand Carroll, appearing on behalf of the Division. I have one witness to be sworn in.

CHAIRMAN WROTENBERY: Is there anybody else that would like to make an appearance in this case this morning?

Okay, Rand, would you like to go ahead?

MR. CARROLL: Thank you. Do you prefer "chairman" or "chairperson"?

CHAIRMAN WROTENBERY: "Chairman" is fine.

MR. CARROLL: Okay.

CHAIRMAN WROTENBERY: Either way.

MR. CARROLL: All right, Chairman Wrotenbery, Commission, what you have before you are a series of exhibits I've stapled together and then separated with indicated Post-Its.

Exhibit 1a and 1b, 1a is the supposedly clean version of proposed Rule 605. Some further changes have been made that were spotted after this version was put on the Internet.

Exhibit 1b, then, is the red-lined version, so you can see the changes that were made to the prior general proration rules.

Exhibit 2a is the clean version of the new special pool rules for the prorated gas pools in northwest New Mexico.

2b is the red-lined version of that.

3a is the clean version of the new proposed Rule 606 regarding tests and test procedures for prorated pools in northwest New Mexico.

3b is then the red-lined version of that.

And then Exhibit 4 is just a copy of the notice that appeared in the *New Mexico Register* on March 14th informing the public of this hearing.

Have you been sworn in yet, Frank?

MR. CHAVEZ: I was sworn in previously. Is it still the same case?

CHAIRMAN WROTENBERY: Lyn, would you like to swear Frank in just to be sure?

MS. HEBERT: Does Florene ordinarily do that?

CHAIRMAN WROTENBERY: Oh, does Florene --

MR. CARROLL: Steve.

(Thereupon, the witness was sworn.)

FRANK T. CHAVEZ,

the witness herein, after having been first duly sworn upon his oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. CARROLL:

Q. Frank, will you please state your name and place of residence for the record?

A. My name is Frank Chavez and I reside in Aztec, New Mexico.

Q. And who is your employer, and what is your position with that employer?

A. I'm employed by the Oil Conservation Division as District Supervisor of District 3.

Q. And what are your duties as supervisor of District 3?

A. Duties are to -- I'm in charge of the inspection enforcement program in the Aztec district, I'm in charge of

the operations of the office there and of the proration work that is done out of that office.

Q. And how long have you been in your position?

A. Twenty years.

Q. Frank, have you testified before this Commission before and had your qualifications accepted?

A. Yes.

Q. And have you reviewed the proposed General Rules 605 and 606 and the special pool rules that are the subject matter of today's hearing?

A. Yes, I have.

MR. CARROLL: All right, Chairman Wrotenbery, are the witness's qualifications acceptable?

CHAIRMAN WROTENBERY: Yes, they are.

Q. (By Mr. Carroll) Frank, why are we here today? Why are the current rules governing prorationing in northwest New Mexico in need of change?

A. In the past few years we've noticed a considerable amount of deliverability testing that has been going on, that has not had very much effect, or very little effect, on proration. In northwest New Mexico, deliverability is one of the elements of prorating wells. Consequently, the cost and expense and time and effort from the OCD and of the operators to conduct these tests is not serving a good purpose.

Also, there are fewer and fewer nonmarginal wells that actually require any restrictions in the northwest, and at this time I think there are, I think, six wells that are nonmarginal in the entire northwest.

Q. Six out of how many?

A. Six -- When I say wells, I mean six GPUs out of over 4000 proration GPUs.

Q. So Frank, did you come up with this proposal on your own, or did industry approach you?

A. I was concerned about the amount of work, and over time industry has commented on the amount of testing that was being done that didn't -- from which there was very little benefit derived.

So over the last couple of years I've been -- talked to the industry, and we've formed a -- I've formed a committed, including representatives from the industry, to review the rules and see what actually would be more beneficial to meet our purposes.

I asked some representatives -- asked for representatives from different operators, and I had three people who did help me, from Williams Field Services, Amoco Production Company and Burlington. We met several times and exchanged quite a bit of correspondence about the rules changes and what's presented here as the results of those meetings.

Q. You had no other interest from other operators?

A. Only those that I talked to informally about the need for these types of changes, and I didn't have any operator that was opposed to them. They all thought there would be benefit by reduced testing requirements.

Q. And who were the people from Williams, Burlington and Amoco that worked with you on drafting these proposed rules?

A. Pam Staley from Amoco, Rob Stanfield from Burlington and I think it's Paul Jones from Williams Field Services.

Q. And what did your committee decide as to the changes that were needed or desired to the proration rules?

A. The basic changes were to reduce deliverability testing to only nonmarginal wells and to have the wells by default be classified as marginal in the prorated pools unless there was substantial evidence, after notice and hearing, to reclassify a well to nonmarginal.

Q. Frank, if you could refer to what has been marked Exhibit 1b, maybe we could briefly go through this exhibit and you can point out to the Commission what changes were made -- the major changes, not the typos.

A. Okay. Let's see. The major changes would be only for those pools that were affected by deliverability testing, so I'll just give you -- One of the major changes,

actually, is to include these rules under the general rules and regulations, under the 600 series rules. Initially, the prorated rules were under Order R-8170, and now one of the major changes will be to include these under the general rules, under the 600 series of rules.

Q. And that is because they are, in effect, statewide rules, since they apply to all prorated gas pools in New Mexico?

A. That is correct.

Under -- In Exhibit 1b, Rule -- new Rule Number 5, that was changed significantly to eliminate the issues concerning allowable assignments to new wells in pools where deliverability was a requirement.

Q. That's 605.D (5), correct?

A. Yes. Nearly all of that portion dealing with deliverability testing and allowable assignments because of that were deleted.

The next rule under that series, Rule 9, was revised so that it would take into account when a well would be tested after it was reclassified to nonmarginal, and it also exempted wells on marginal GPUs from testing.

Q. Now, Frank, deliverability tests only apply to wells in the northwest; is that correct?

A. That is correct.

Q. Proration factors for the southeast are based

strictly on acreage, so deliverability doesn't apply?

A. That's right, we didn't -- None of the changes that we made will affect proration in the southeast at this time. The Rules 9(b) and 9(c) and 9(d) were struck in their entirety because they dealt with deliverability testing and exemptions.

Q. Now, Frank, the changes made to the special pool rules for the individual prorated gas pools in northwest New Mexico are contained in Exhibit 2. The changes there also relate to the deliverability testing; is that correct?

A. That is one of the major changes, yes.

Q. What are the other changes?

A. The other major change is in the last paragraph of those rules, which require that the well be classified as marginal except after notice and hearing.

Q. So this new rule, in effect, would make every GPU in the northwest marginal except after notice and hearing?

A. That's correct.

Q. Frank, if you would please turn your attention to what has been marked Exhibit Number 3a and -b, this is proposed new Rule 606, which will take the place of what was formerly the rules contained in Order R-333; is that correct?

A. Yes, that is correct.

Q. What changes were made to the rules that were

contained in R-333?

A. We eliminated all those references to required annual tests and initial deliverability and shut-in pressure testing, except for nonmarginal wells.

We also eliminated -- Let's see. Oh, under scheduling of tests, we revised that to be in conformance with the type of classification that would be done after notice and hearing, once a well was classified as nonmarginal, or if a GPU was classified as nonmarginal.

We also eliminated the requirements for periodic testing of nonmarginal wells, which was a shut-in -- I'm sorry, for wells conducted -- for tests required and wells completed in nonprorated pools, which were initial tests and shut-in pressure tests.

Q. And this rule is being proposed as a general rule because it applies to all prorated gas pools in northwest New Mexico? It's more in the nature of a general rule than a specific pool rule?

A. That is correct.

Q. Frank, if you would turn your attention to what has been marked Exhibit Number 4, that is a copy of the notice that appeared in the *New Mexico Register* on March 14th.

Frank, you're also aware that the notice of this hearing has been published on the Commission docket for the

last few months?

A. Yes.

Q. And that copies of these proposed new rules have been available over the Internet or would be sent to anybody requesting a copy?

A. That is correct.

Q. Have you received comments from anybody in industry, other than Amoco, Burlington and Williams?

A. No, I haven't.

Q. Frank, is there any downside to eliminating these testing requirements?

A. We discussed that in our meetings. In the San Juan Basin we've had a long history of testing where we've gathered a large amount of data from shut-in pressure tests and volume testing, and I myself brought that up as what I thought was a downside, by eliminating this required testing we wouldn't have that data anymore. And each of the operators that was there, each of the representatives, said that that's not going to be an issue, because given the technology and the type of testing that can be done nowadays, they felt very confident that they had enough information and could otherwise gather it through other means, enough information to make the decisions they needed to make.

So that was the only downside that I saw.

Q. Frank, in your opinion, will the adoption of these Rules 605 and 606 and the amendment of the special pool rules for prorated gas pools in the northwest be in the best interests of conservation, the protection of correlative rights and the prevention of waste?

A. Yes, I do.

Q. Do you have anything else to add at this point?

A. Not at this time.

MR. CARROLL: Chairman Wrotenbery, that's all I have.

I would move that Exhibits marked 1a, 1b, 2a, 2b, 3a, 3b and 4 be entered into the record as evidence.

CHAIRMAN WROTENBERY: They will be entered into the record.

Do we have any questions of the witness?

MR. LEMAY: A couple.

EXAMINATION

BY MR. LEMAY:

Q. Frank, I just want to refer to that part where it states that gas proration units in the San Juan Basin Gas Pool should be classified as marginal except that -- the notice and hearing -- that language?

A. Yes.

Q. Do you visualize a notice and hearing being the procedure for all wells that are classified marginal, the

nonmarginal and -- In other words, would you have to go through that process if the operator acknowledged it was nonmarginal and it wasn't an offset that would be a -- complaining, could you take that basis alone and classify it as nonmarginal?

A. Under Rule 12, which already exists, which may be -- I had a question whether there might be an issue, but it may not be an issue. The Director has authority to reclassify a well. Now, that does not specifically set out procedure how that would be done.

But other than that, the process under the rules is for notice and hearing, and the other operators didn't think that would be an issue for them.

Q. When I read that, I said, Well, I know what it means, but if someone else reads "except after notice and hearing", one, it implies you have to have a notice and hearing in order to get a reclassification and, two, the notice and hearing is the big thing, not the decision of the Division.

I've got some suggested language for your consideration on that. You could say that a GPU in the Basin-Dakota -- now, this would apply to all the other fields because the language is similar --

A. Uh-huh.

Q. A GPU in the Basin-Dakota Gas Pool shall be

classified as marginal except in cases where the Division issues an order certifying a well is nonmarginal. It's the order that changed it, not the fact that you have a commission hearing.

A. I see the point.

Q. And if an order was issued without a hearing, you could still get the same thing, which is what you're trying to do. If there's no objection, you wouldn't clog up the system with a lot of cases coming before Examiners classifying wells as nonmarginal if, in fact, everyone agreed it should be nonmarginal.

A. I don't see that that wording would be in conflict with what the committee was discussing at all. I think that would work with what --

Q. See what I'm getting at?

A. Yes.

Q. The fact of the notice and hearing isn't the big thing. The fact the Division issues an order is the thing that ultimately classifies a well as nonmarginal, and the procedure you use to get to that point could be a hearing, but you wouldn't necessarily want to mandate a hearing if, in fact, all parties agree that it should be nonmarginal.

A. I see your point, and I don't think that would go against the intent of what we're trying to do at all. I think that would work with it.

MR. LEMAY: Thank you, that's all I have, Madame Chair.

MR. CARROLL: Commissioner LeMay, and we do have that expedited, you know, hearing docket procedure where we add the words "in the absence of objection, this case will be taken under advisement."

So it could also just be placed on the docket for notice purposes. And then there actually wouldn't be a hearing; it would just be an opportunity for anybody to object. But

MR. LEMAY: I was looking at a fast track for it --

MR. CARROLL: Right.

MR. LEMAY: -- that was all. Not requiring a hearing if it wasn't necessary, or even the advertisement.

As I visualize this, you're looking at the offsets to kind of blow the whistle; is that the idea? If you have a superstar out there, it's classified as marginal. But the offset, hey, you know, he's probably draining me, therefore.

Otherwise, there wouldn't be any indication of it being nonmarginal unless the operator came forth himself and said, Hey, I've got a well that exceeds the marginal category.

THE WITNESS: That's right, we looked at it as

the offset operators.

And also the operator of the well in a specific case where they felt there might be pipeline discrimination may want to accumulate some underage that they could -- from the pool, total, so that they could produce that at a later date if they felt they discriminated against.

So that option is available for the operator too.

MR. LEMAY: Just a suggestion.

CHAIRMAN WROTENBERY: Yeah, I think it's a good suggestion. I do have a question.

MR. LEMAY: Yes.

CHAIRMAN WROTENBERY: Would notice be given?

MR. LEMAY: Well, I kept the other -- any other operator in the Basin-Dakota Pool may request a hearing to reclassify while in that pool to nonmarginal -- I put "status" after that.

The fact that they're requesting a hearing would automatically trigger the notice of hearing.

But you were saying in the event that there was no notice of hearing, whether there would be notification given --

CHAIRMAN WROTENBERY: Uh-huh.

MR. LEMAY: -- I would leave -- My own personal view on that would be, I'd leave that up to the discretion of the Division. If they, in fact, felt it necessary to

advertise, they could do so.

But it doesn't tie you in the rule to do so, whatever -- whatever you felt would apply to the rules.

THE WITNESS: So you -- Then I wouldn't be opposed at all to the sentence stating, A GPU in the Basin-Dakota Gas Pool shall be classified as marginal except after order of the Division.

MR. LEMAY: All right, that would be even simpler, except that after -- as to order of the Division, would you say what the order had to state, or just say after order of the Division? That would imply -- It's confirmation of the nonmarginal status.

THE WITNESS: Yeah.

MR. LEMAY: That would be even shorter.

CHAIRMAN WROTENBERY: I might want to think about that one a little bit. I'm still worried a little bit about the notice, and maybe you could fashion it something along the lines of -- Read that again, Frank?

THE WITNESS: Okay, a GPU in the Basin-Dakota Gas Pool shall be classified as marginal except after order of the Division.

CHAIRMAN WROTENBERY: Perhaps you could say something to the effect of, Except upon order of the Commission issued after notice and opportunity for hearing.

MR. LEMAY: Wouldn't want to put the Commission;

I think Division would be easier.

CHAIRMAN WROTENBERY: Division, uh-huh.

MR. LEMAY: Just trying to make the job easier for you, Lori.

CHAIRMAN WROTENBERY: Oh, I understand, I understand. I appreciate that.

But I'm thinking if you were to notice an opportunity for hearing, you make it clear that you're going to give due notice of the application or the complaint, whatever -- whatever it is that is presented to the agency.

But at the same time, if nobody protests or requests a hearing on the matter, then you could act at the Division level.

EXAMINATION

BY COMMISSIONER BAILEY:

Q. I question the mechanics of how offset operators will know the results of deliverability tests of the well that should not be considered marginal. Are these tests available elsewhere, other than just well files in Aztec? Are they --

A. They're part of the ONGARD system. We have all the recent deliverability tests since 19-, I think, -93.

Q. But does industry have access to ONGARD in Aztec?

A. No, but we always supply them, if they ask for a

copy of a test. We've always done that, and they are on file.

So we do have all the deliverability test data. It has always been available.

Q. But there's no alert that a new well coming on has production potential higher than what a nonmarginal well should, or a marginal well should have?

A. No. Actually, that was one of the problems we generally had with deliverability testing, is that a well, of course, produces -- in general, produces at its highest capacity in the first few months of its production, so its initial deliverability test would give it a very high deliverability, against which the well would be prorated for as long as two years, against that deliverability.

It's the operator's responsibility -- And maybe this is where we're going with your question. We're putting the burden on an operator to determine whether they have wells on their own that should be reclassified to nonmarginal, or whether they can determine that they are being affected by offset production, which needs to be regulated by the well being classified -- well, the GPU being classified as nonmarginal.

So the burden is put back on the operator to make these determinations. And the information is available to them, all the production information and any test

information that we have already.

Q. I wonder if smaller independents in the northwest are aware of this shift of burden from the Division watching production impacts on wells to their responsibility for watching impacts of offset wells?

A. The last time that I looked, of the nonmarginal wells, I think all but two of the nonmarginal wells are within units.

And the other two nonmarginal wells -- and this is -- I'm running my memory again; it's been a while since I looked -- they where operated by the major operators, I think.

With that few nonmarginal wells that are in the system already, we haven't had any independent who has come to me complaining that a well which is marginal that offsets them is violating their rights.

COMMISSIONER BAILEY: Thank you.

CHAIRMAN WROTENBERY: Any other questions?

I think what we're going to do here is take this rule under advisement for another month and plan to take final action on the rule at the next Commission meeting, which is going to be May 7th, May 7th.

In the meantime, we'll leave the record open for comment, if anyone else has comments that they would like to submit on the rulemaking.

Also, I'd ask the staff in the meantime to consider this issue about the hearings process and when it's invoked, and come back with a proposal to address that issue at the next Commission meeting. Does that sound okay?

MR. LEMAY: -- can take the case under advisement? To actually sign an order would be great, next time, Madame Chair.

CHAIRMAN WROTENBERY: That sounds good. We'll plan on -- yeah, taking final action and signing an order at the next Commission hearing.

So Rand, if you would prepare a draft order for that purpose as well.

MR. CARROLL: Yes, and I'll prepare a staff proposal for how to handle the change from marginal to nonmarginal.

CHAIRMAN WROTENBERY: Sounds good.

MR. CARROLL: Thank you.

CHAIRMAN WROTENBERY: Thank you very much.

I might just add, Frank, before you leave, that I'd like to commend your initiative and your efforts in this matter here.

I think that's something that we need to all be doing, is reviewing our existing rules and making sure that they make sense in today's environment, and make

adjustments to try to eliminate unnecessary requirements and reflect current conditions.

So --

THE WITNESS: Thank you very much.

CHAIRMAN WROTENBERY: -- thank you very much.

THE WITNESS: Thank you.

(Thereupon, these proceedings were concluded at 9:36 a.m.)

* * *

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Commission was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL April 10th, 1998.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998

GAS

605 PRORATION RULES ~~FOR NEW MEXICO~~

605.A DEFINITIONS

(1) ACREAGE FACTOR: A GPU's acreage factor shall be determined to the nearest hundredth of a unit by dividing the acreage assigned to the GPU by a number equal to the number of acres in a standard GPU for such pool. However, the acreage tolerance provided in ~~Rule 2(a)2~~ shall apply. [5-15-98]

605.B(2)

(2) AD FACTOR: An acreage times deliverability factor is calculated in pools where acreage and deliverability are proration factors. The product obtained by multiplying the acreage factor by the calculated deliverability (expressed as MCF per day) for that GPU shall be known as the AD factor for that GPU. The AD Factor shall be computed to the nearest whole unit. [5-15-98]

(3) ALLOCATION HEARING: A hearing held by the Division twice each year to determine pool allocations for the ensuing allocation period. [5-15-98]

(4) ALLOCATION PERIOD: A six-month period beginning at 7:00 A.M. April 1 and October 1 of each year ~~shall be the allocation period~~. [5-15-98]

(5) BALANCING DATE: 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. [5-15-98]

(6) BROKER: A third party who negotiates contracts for purchase and resale. [5-15-98]

(7) CLASSIFICATION PERIOD: A three month period beginning at 7:00 a.m. April 1, July 1, October 1, and January 1 of each year ~~shall be the classification period~~. [5-15-98]

(8) GAS POOL: Any pool which has been designated as a gas pool by the Division after notice and hearing. [5-15-98]

(9) GAS PRORATION UNIT (GPU): The acreage allocated to a well, or in the case of an infill well or wells to a group of wells, for purposes of spacing and proration shall be known as the gas proration unit (GPU). GPU's may be either of a standard or nonstandard size as provided in these rules. (GPU's means plural GPU). [5-15-98]

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 11705 Exhibit No. 1a
Submitted by OCD
Hearing Date 4/9/98

(10) GAS TRANSPORTER: ~~The term Gas Transporter as used in these rules shall mean~~ Any taker of gas, the party servicing the well meter, or the party responsible for measurement of gas sold from the well or beneficially used off-lease. This could be at the wellhead, at any other point on the lease, or at any other point authorized by the Division where connection is made for gas transportation or utilization (other than is necessary for maintaining the producing ability of the well). The Gas Transporter can be the gatherer, transporter, producer, or a delegate of one of those parties. The Gas Transporter shall be identified on Form C-104 and will be responsible for filing Form C-111 as required under the provisions of Rule 1111. [5-15-98]

(11) GAS PURCHASER: ~~The term Gas Purchaser as used in these rules shall mean~~ The purchaser (where ownership of the gas is first exchanged by the producer to the purchaser for an agreed value) of the gas from a gas well or GPU. [5-15-98]

(12) HARDSHIP GAS WELL: A gas well wherein underground waste will occur if the well ~~should be~~ shut-in or curtailed below its minimum sustainable flow rate. No well shall be classified as a hardship gas well except after notice and hearing or upon appropriate administrative action of the Division. [5-15-98]

(13) INFILL WELL: An additional producing well on a GPU which serves as a companion well to an existing well on the GPU. [5-15-98]

(14) MARGINAL GPU: A proration unit which is incapable of producing or has not produced the non-marginal allowable based on pool allocation factors. Marginal GPU's do not accrue over or underproduction. [5-15-98]

(15) NON-MARGINAL GPU: A proration unit receiving an allowable based upon pool allocation factors. Non-marginal proration units accrue over or underproduction. [5-15-98]

(16) OVERPRODUCTION: The volume of gas produced on a GPU in any month greater than the assigned non-marginal allowable (does not include gas used in maintaining the producing ability of the well(s) of the GPU). Overproduction accumulates month to month during the proration period. [5-15-98]

(17) PRORATED GAS POOL: A prorated gas pool is a gas pool in which, after notice and hearing, the production is allocated by the Division according to these General Rules and any applicable special pool rules. [5-15-98]

(18) PRORATION PERIOD: The twelve-month period beginning April 1 of each year shall be the gas proration period. [5-15-98]

(19) SHADOW ALLOWABLE: The gas volume calculated for a marginal GPU that is equal to the allowable assigned to a non-marginal GPU in the same pool of the same A (acreage) or A and AD (acreage deliverability) factors as the marginal GPU. [5-15-98]

(20) UNDERPRODUCTION: The volume of assigned non-marginal allowable not produced on a GPU. Underproduction accumulates month to month during the proration period. [5-15-98]

605.B. WELL ACREAGE AND LOCATION REQUIREMENTS

(1) STANDARD GAS PRORATION UNIT SIZE AND WELL SPACING:

(a) Unless otherwise provided for in applicable special pool rules, gas wells in prorated gas pools shall be drilled according to the well spacing and acreage requirements contained in the Rules and Regulations of the Oil Conservation Division, provided that wells drilled in pools with 640 acre spacing, a government section, shall comprise the proration unit.

(b) Any GPU drilled according to paragraph (a) which contains acreage within the tolerances below shall be considered a standard GPU for calculating allowables:

STANDARD PRORATION UNIT	ACREAGE TOLERANCE
160 acres	158-162 acres
320 acres	316-324 acres
640 acres	632-648 acres

[5-15-98]

(2) NON-STANDARD GAS PRORATION UNITS:

(a) The District Supervisor of the appropriate district office of the Division has the authority to approve a nonstandard GPU without notice and hearing when the unorthodox size and shape of the GPU is necessitated by a variation in the legal subdivision of the U.S. Public Land Surveys and the nonstandard GPU is not less that 75% nor more than 125% of a standard GPU by accepting a Form C-102 land plat showing the proposed nonstandard GPU with the number of acres contained therein, and shall assign an allowable to the nonstandard GPU based upon the acreage factor for that acreage. [5-15-98]

(b) Nonstandard proration units and unorthodox locations may be approved by the Division according to applicable special pool rules or Rules and Regulations of the Division. [5-15-98]

606.5. C. NOMINATIONS

(1) GAS PURCHASERS OR GAS TRANSPORTERS SHALL NOMINATE: Each gas purchaser or each gas transporter as herein provided shall file with the Division its nomination for the amount of gas which it in good faith desires to purchase and/or expects to transport during the ensuing allocation period from each gas pool regulated by this order. The purchaser may delegate the nomination responsibility to the transporter, operator, or broker by notifying the Division's Santa Fe office. One copy of such nomination for each pool shall be submitted to the Division's Santa Fe office on Form C-121-A by the first day of the month during which the Division will consider at its allocation hearing the nominations for the succeeding allocation period. The Division shall consider at its allocation hearing the nominations received, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste during the ensuing allocation period. [5-15-98]

The Division Director may, at his discretion, suspend this rule whenever it appears that the nominations are of little or no value. [5-15-98]

(2) SCHEDULE: The Division shall issue a gas proration schedule for each allocation period showing the monthly allowable for each GPU that may be produced during each month of the ensuing allocation period, the current classification of each GPU, and such other information as is necessary to show the allowable production status of each GPU on the schedule. The Division may issue supplemental proration schedules during an allocation period as necessary to show changes in GPU classification, adjustments to allowables due to changes in market conditions, or to reflect any other changes as the Division deems necessary. [5-15-98]

(3) PRORATION OF ALL GAS WELLS WITHIN A POOL: The Division shall include in the proration schedule the gas wells in the gas pools regulated by this order delivering to a gas transporter, and shall include in the proration schedule any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility, which is reasonably capable of handling the type of gas produced by such a well. [5-15-98]

605.D. ALLOCATION AND GRANTING OF ALLOWABLES

(1) FILING OF FORM C-102 AND FORM C-104 REQUIRED: No GPU shall be assigned an allowable before receipt of Form C-102 (well location and acreage dedication plat) and the approval date of Form C-104 (Request for Allowable and Authorization to Transport Oil and Natural Gas). [5-15-98]

(2) HOW ALLOWABLES ARE CALCULATED: The total allowable to be allocated to each gas pool regulated by this order for each allocation period shall be equal to the estimated market demand as determined by the Division, plus any adjustments the Director deems necessary to equate the total pool allowable to the estimated market demand. The Director may make such adjustments as he deems necessary to compensate for overproduction, underproduction, and other circumstances which may necessitate such adjustment to equate pool allowable to the anticipated market demand. The estimated market demand for each pool shall be established from any information the Director requires and can consist of nominations from purchasers, transporters or other parties having knowledge of market demand for gas from such pools, actual past production figures, seasonal trends, or any other factors deemed necessary to establish estimated market demand. The Director shall not be bound to use all the information requested and can establish market demand by any method so approved. A monthly allowable shall be assigned to each GPU entitled to an allowable for the ensuing allocation period by allocating the pool allowable among all such GPU's in that pool according to the procedure set forth in the following paragraphs of this order. Should market conditions indicate a change is necessary, the Director may adjust allowables up or down during the 6-month allocation period using a maximum of 10% as a guideline. [5-15-98]

(3) MARGINAL GPU ALLOWABLE: The monthly allowable to be assigned to each marginal GPU shall be equal to its average monthly production from its latest classification period. [5-15-98]

(4) NON-MARGINAL GPU ALLOWABLE: Non-marginal GPU allowables shall be determined in conformance with the applicable special pool rules. [5-15-98]

(a) In pools where acreage is the only proration factor, the total non-marginal allowable shall be allocated to each GPU in the proportion that each GPU acreage factor bears to the total acreage factor for all non-marginal GPU's. [5-15-98]

(b) In pools where acreage and deliverability are proration factors:

(i) A percentage as set forth in special pool rules, of the non-marginal allowable shall be allocated to each GPU in the proportion that each GPU's AD factor bears to the total AD factor for all non-marginal GPU's in the pool; and [5-15-98]

(ii) The remaining non-marginal allowable shall be allocated to non-marginal GPU's among each GPU in the proportion that each GPU's acreage factor bears to the total acreage factor for all non-marginal GPU's in the pool. [5-15-98]

(5) NEW CONNECTS ASSIGNMENT OF ALLOWABLES: Allowables to newly completed gas wells shall commence, in pools where acreage is the only proration factor, on the date of first delivery of gas to a gas transporter as demonstrated by an affidavit furnished by the transporter to the appropriate Division district office or the approval date of Form C-102 and Form C-104, whichever is later. [5-15-98]

(6) GAS CHARGED AGAINST GPU'S ALLOWABLE: Except as provided in the Special Pool Rules, the volume of produced gas sold or beneficially used other than lease fuel from each GPU shall be charged against the GPU's allowable; however, the gas used in maintaining the producing ability of the well shall not be charged against the allowable. [5-15-98]

(7) CHANGE IN ACREAGE: If the acreage assigned to a GPU is changed, the operator shall notify the appropriate Division district office in writing of such change by filing a revised Plat (Form C-102). The revised allowable, as determined by the Division, assigned to the GPU shall be effective on the first day of the month following receipt of the notification. [5-15-98]

(8) MINIMUM ALLOWABLES: After notice and hearing, the Division may assign minimum allowables for prorated gas pools to avoid waste, encourage efficient operations, and to prevent the premature abandonment of wells. (See Special Pool Rules for minimum allowable amount.) In determining the volume of minimum allowable for a well with a standard proration unit, the Division shall take into account economic and engineering factors such as drilling and operating costs, anticipated revenues, taxes, and any similar data that will establish that the ultimate recovery of hydrocarbons will be increased from the pool because of the adoption of a minimum allowable for the pool. Once adopted, the minimum allowable for wells with nonstandard proration units shall be proportionally adjusted. [5-15-98]

(9) DELIVERABILITY TESTS: In pools where acreage and deliverability are proration factors, wells on non-marginal GPUs will be tested in accordance with Division rules and the test results shall be used in calculating deliverabilities for the succeeding proration period. Wells on GPUs reclassified to non-marginal shall be tested within 90 days of the order and thereafter in accordance with the appropriate testing schedule for the pool. Wells on marginal GPUs are exempt from deliverability testing. [5-15-98]

605.E. BALANCING OF PRODUCTION

(1) UNDERPRODUCTION: Any non-marginal GPU which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward in the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any underproduction carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be canceled. [5-15-98]

(2) BALANCING UNDERPRODUCTION: Production during any one month of a gas proration period greater than the allowable assigned to a GPU for such a month shall be applied against the underproduction carried into such a period in determining the amount of allowable, if any, to be canceled. [5-15-98]

(3) OVERPRODUCTION: Any GPU which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period. Said overproduction shall be made up by underproduction during the succeeding gas proration period. Any GPU which has not made up the overproduction carried into a gas proration period by the end of said period shall be shut in until such overproduction is made up. [5-15-98]

(a) TWELVE-TIMES OVERPRODUCED, NORTHWEST: For the prorated gas pools of Northwest New Mexico, if it is determined that GPU is overproduced in an amount exceeding twelve times its current year January allowable (or, in the case of a newly connected well, a marginal well, or a well recently reclassified as non-marginal, twelve times the January allowable assigned to a non-marginal GPU of similar acreage and deliverability factors), it shall be shut in until its overproduction is less than twelve times its January allowable, as determined hereinabove. [5-15-98]

(b) SIX-TIMES OVERPRODUCED, SOUTHEAST: For the prorated gas pools of southeast New Mexico, if it is determined that a GPU is overproduced in an amount exceeding six times its current year January allowable (or, in the case of a newly connected well, a marginal well, or a well recently reclassified as non-marginal, six times the January allowable assigned to a non-marginal GPU of a similar acreage factor), it shall be shut in until its overproduction is less than six times its January allowable, as determined hereinabove. [5-15-98]

(3)(a) or (b)

(4) EXCEPTION TO SHUT IN FOR OVERPRODUCTION: The Director of the Oil conservation Division shall have authority to permit a GPU which is subject to shut-in, pursuant to ~~(1) or (2) or~~ above to produce up to 250 MCF of gas per month upon proper showing to the Director that complete shut-in would cause undue hardship, provided however, such permission may be rescinded for any GPU produced greater than the monthly rate authorized by the Director. [5-15-98]

X

(5) BALANCING OVERPRODUCTION: Allowable assigned to a GPU during any one month of a gas proration period greater than the production for the same month shall be applied against the overproduction chargeable to such GPU in determining the overproduction which must be made up pursuant to the provisions of ~~(1) or (2) or~~ above. [5-15-98]

(3)(a) or (b)

X

(6) EXCEPTION TO BALANCING OVERPRODUCTION: The Director may allow overproduction to be made up at a lesser rate than permitted under ~~Rules 1, 2 or 7~~ above upon a showing at public hearing that the same is necessary to avoid material damage to the well. [5-15-98]

(7) HARDSHIP GAS WELLS: If a GPU containing a hardship gas well is overproduced, the operator must take the necessary steps to reduce production in order to reduce the overproduction. Any overproduction existing at the time of designation of a well as a hardship gas well or accruing to the GPU thereafter shall be carried forward until it is made up by underproduction. No GPU containing a hardship gas well, which GPU is overproduced, shall be permitted to produced at a rate higher than the minimum producing rate authorized by the Division. [5-15-98]

(8) MORATORIUM ON SHUT-INS: The Director shall have authority to grant a pool-wide moratorium of up to three months as to the shutting in of gas wells in a pool during periods of high demand emergency upon proper showing that such emergency exists, and that a significant number of the wells in the pool are subject to shut-in pursuant to the provisions of Rules ~~(1), (2), or (7)~~ above. No moratorium beyond the aforementioned three months shall be granted except after notice and hearing. [5-15-98]

(9) The Director may reinstate allowable to wells which suffered cancellation of allowable under ~~Rules F~~(1) or F(4), or loss of allowable due to reclassification of a well under ~~Rule~~ F(3). If such cancellation or loss of allowable was caused by non-access or limited access to the average market demand in the pool rather than inability of the well to produce. Upon petition, with a showing of circumstances which prevented production of the non-marginal allowable, and evidence that the well was capable of producing at allowable rates during the period for which reinstatement is requested, the allowable may be reinstated in such amounts needed to avoid curtailment or shut-in of the well for excessive overproduction. Such petition shall be approved administratively or docketed for hearing within 30 days after receipt in the Division's Santa Fe office. [5-15-98]

605.F. CLASSIFICATION OF GPU's

(1) CLASSIFICATION PERIOD: The proration period shall be divided into four classification periods of three months each, commencing April 1, July 1, October 1 and January 1. [5-15-98]

(2) RECLASSIFICATION BY THE DIRECTOR: The Director ~~of the Oil Conservation Division~~ may reclassify a marginal or non-marginal GPU anytime the GPU's producing ability justifies such reclassification. The director may suspend the reclassification of GPU's on his own initiative or upon proper showing by an interested party, should it appear that such suspension is necessary to permit underproduced GPU's which would otherwise be reclassified, a proper opportunity to make up such underproduction. [5-15-98]

(3) RECLASSIFICATION TO MARGINAL: A non-marginal well may be reclassified as marginal in either of the following ways:

(a) After the production data is available for the last month of each classification period, any GPU which had an underproduced status at the beginning of the allocation period shall be reclassified to marginal if its highest single month's production during the classification period is less than its average monthly allowable during ~~such~~ period; however, the operator of any GPU so classified, or other interested party, shall have 30 days after receipt of notification of marginal classification in which to submit satisfactory evidence to the Division that the GPU is not of marginal character and should not be so classified; or

(b) A GPU which is underproduced more than the overproduction limit as described in E(3)(a) or (b) above, ~~or 11(b)(2),~~ whichever is applicable, shall be reclassified as marginal. [5-15-98]

(4) CANCELLATION OF UNDERPRODUCTION FOR MARGINAL GPU: A GPU which is classified as marginal shall not be permitted to accumulate underproduction, and any underproduction accrued to a GPU before its classification as marginal shall be canceled. [5-15-98]

(5) RECLASSIFICATION TO NON-MARGINAL: If, at the end of any classification period, a marginal GPU has produced more gas during the proration period to that time than its shadow allowable for that same period, the GPU shall be reclassified as a non-marginal GPU. [5-15-98]

(6) REINSTATEMENT OF STATUS: A GPU reclassified to non-marginal under the provisions of Rule (5) above shall have reinstated to it all underproduction which accrued or would have accrued as a non-marginal GPU from the current proration period, underproduction from the prior proration period may be reinstated after notice and hearing. All uncompensated-for overproduction accruing to the GPU while marginal shall be chargeable upon reclassification to non-marginal. [5-15-98]

605.G. REPORTING OF PRODUCTION - FILING C-111 AND C-115 REPORTS: Transporters and operators shall file gas transportation and production reports pursuant to Rules 1111 and 1115 of the Rules and Regulations of the Division provided that upon approval by the Director ~~of the Oil Conservation Division~~ as to the specific program to be used, any producer or transporter of gas may be permitted to report metered production of gas on a chart-period basis; provided the following provisions shall be applicable to each gas well:

(1) Reports for a month shall include not less that 24 nor more than 32 reported days.

(2) Reported days may include as many as the last seven days of the previous month but no days of the succeeding month.

(3) The total of the monthly reports for a year shall include not less than 360 nor more than 368 reported days.

(4) For purposes of these rules, the term "month" shall mean "calendar month" for those reporting on a calendar month basis, and shall mean "Reporting Month" for those reporting on a chart-period basis according to the exception provided in this rule. [5-15-98]

GAS

605 PRORATION RULES ~~FOR NEW MEXICO~~
~~FROM R-8170 AS AMENDED~~

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
~~Case~~ No. 11705 Exhibit No. 16
~~Submitted~~ by OCD
~~Hearing~~ Date 4/9/96

~~RULE 1~~ 605.A DEFINITIONS

(1) ACREAGE FACTOR: A GPU's acreage factor shall be determined to the nearest hundredth of a unit by dividing the acreage assigned to the GPU by a number equal to the number of acres in a standard GPU for such pool. However, the acreage tolerance provided in ~~Rule 2(a)2~~ shall apply. [5-15-98]

605.B(2)

(2) AD FACTOR: An acreage times deliverability factor is calculated in pools where acreage and deliverability are proration factors. The product obtained by multiplying the acreage factor by the calculated deliverability (expressed as MCF per day) for that GPU shall be known as the AD factor for that GPU. The AD Factor shall be computed to the nearest whole unit. [5-15-98]

(3) ALLOCATION HEARING: A hearing held by the Division twice each year to determine pool allocations for the ensuing allocation period. [5-15-98]

(4) ALLOCATION PERIOD: A six-month period beginning at 7:00 A.M. April 1 and October 1 of each year~~, shall be the allocation period~~. [5-15-98]

(5) BALANCING DATE: 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. [5-15-98]

(6) BROKER: A third party who negotiates contracts for purchase and resale. [5-15-98]

(7) CLASSIFICATION PERIOD: A three month period beginning at 7:00 a.m. April 1, July 1, October 1, and January 1 of each year~~, shall be the classification period.~~ [5-15-98]

(8) GAS POOL: Any pool which has been designated as a gas pool by the Division after notice and hearing. [5-15-98]

(9) GAS PRORATION UNIT (GPU): The acreage allocated to a well, or in the case of an infill well or wells to a group of wells, for purposes of spacing and proration shall be known as the gas proration unit (GPU). GPU's may be either of a standard or nonstandard size as provided in these rules. (GPU's means plural GPU). [5-15-98]

(10) GAS TRANSPORTER: ~~The term Gas Transporter as used in these rules shall mean~~ Any taker of gas, the party servicing the well meter, or the party responsible for measurement of gas sold from the well or beneficially used off-lease. This could be at the wellhead, at any other point on the lease, or at any other point authorized by the Division where connection is made for gas transportation or utilization (other than is necessary for maintaining the producing ability of the well). The Gas Transporter can be the gatherer, transporter,

producer, or a delegate of one of those parties. The Gas Transporter shall be identified on Form C-104 and will be responsible for filing Form C-111 as required under the provisions of Rule 1111. [5-15-98]

(11) GAS PURCHASER: ~~The term Gas Purchaser as used in these rules shall mean~~ the purchaser (where ownership of the gas is first exchanged by the producer to the purchaser for an agreed value) of the gas from a gas well or GPU. [5-15-98]

(12) HARDSHIP GAS WELL: A gas well wherein underground waste will occur if the well is ~~should be~~ shut-in or curtailed below its minimum sustainable flow rate. No well shall be classified as a hardship gas well except after notice and hearing or upon appropriate administrative action of the Division. [5-15-98]

(13) INFILL WELL: An additional producing well on a GPU which serves as a companion well to an existing well on the GPU. [5-15-98]

(14) MARGINAL GPU: A proration unit which is incapable of producing or has not produced the non-marginal allowable based on pool allocation factors. Marginal GPU's do not accrue over or underproduction. [5-15-98]

(15) NON-MARGINAL GPU: A proration unit receiving an allowable based upon pool allocation factors. Non-marginal proration units accrue over or underproduction. [5-15-98]

(16) OVERPRODUCTION: The volume of gas produced on a GPU in any month greater than the assigned non-marginal allowable (does not include gas used in maintaining the producing ability of the well(s) of the GPU). Overproduction accumulates month to month during the proration period. [5-15-98]

(17) PRORATED GAS POOL: A prorated gas pool is a gas pool in which, after notice and hearing, the production is allocated by the Division according to these General Rules and any applicable special pool rules. [5-15-98]

(18) PRORATION PERIOD: The twelve-month period beginning April 1 of each year shall be the gas proration period. [5-15-98]

(19) SHADOW ALLOWABLE: The gas volume calculated for a marginal GPU that is equal to the allowable assigned to a non-marginal GPU in the same pool of the same A (acreage) or A and AD (acreage deliverability) factors as the marginal GPU. [5-15-98]

(20) UNDERPRODUCTION: The volume of assigned non-marginal allowable not produced on a GPU. Underproduction accumulates month to month during the proration period. [5-15-98]

605.B. ~~A.~~ WELL ACREAGE AND LOCATION REQUIREMENTS

~~RULE 2~~ (1) STANDARD GAS PRORATION UNIT SIZE AND WELL SPACING

(a) Unless otherwise provided for in applicable special pool rules, gas wells in prorated gas pools shall be drilled according to the well spacing and acreage requirements contained in the Rules and Regulations of the Oil Conservation Division, provided that wells drilled in pools with 640 acre spacing, a government section, shall comprise the proration unit.

(b) Any GPU drilled according to paragraph (a) which contains acreage within the tolerances below shall be considered a standard GPU for calculating allowables:

STANDARD PRORATION UNIT	ACREAGE TOLERANCE
160 acres	158-162 acres
320 acres	316-324 acres
640 acres	632-648 acres [5-15-98]

(2) NON-STANDARD GAS PRORATION UNITS:

(a) The District Supervisor of the appropriate district office of the Division has the authority to approve a nonstandard GPU without notice and hearing when the unorthodox size and shape of the GPU is necessitated by a variation in the legal subdivision of the U.S. Public Land Surveys and the nonstandard GPU is not less that 75% nor more than 125% of a standard GPU by accepting a Form C-102 land plat showing the proposed nonstandard GPU with the number of acres contained therein, and shall assign an allowable to the nonstandard GPU based upon the acreage factor for that acreage. [5-15-98]

(b) Nonstandard proration units and unorthodox locations may be approved by the Division according to applicable special pool rules or Rules and Regulations of the Division. [5-15-98]

606.5. C. NOMINATIONS

(1) ~~RULE 3(a)~~ GAS PURCHASERS OR GAS TRANSPORTERS SHALL NOMINATE: Each gas purchaser or each gas transporter as herein provided shall file with the Division its nomination for the amount of gas which it in good faith desires to purchase and/or expects to transport during the ensuing allocation period from each gas pool regulated by this order. The purchaser may delegate the nomination responsibility to the transporter, operator, or broker by notifying the Division's Santa Fe office. One copy of such nomination for each pool shall be submitted to the Division's Santa Fe office on Form C-121-A by the first day of the month during which the Division will consider at its allocation hearing the nominations for the succeeding allocation period. The

Division shall consider at its allocation hearing the nominations received, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste during the ensuing allocation period. [5-15-98]

The Division Director may, at his discretion, suspend this rule whenever it appears that the nominations are of little or no value. [5-15-98]

(2) ~~RULE 3(b)1~~ SCHEDULE: The Division shall issue a gas proration schedule for each allocation period showing the monthly allowable for each GPU that may be produced during each month of the ensuing allocation period, the current classification of each GPU, and such other information as is necessary to show the allowable production status of each GPU on the schedule. The Division may issue supplemental proration schedules during an allocation period as necessary to show changes in GPU classification, adjustments to allowables due to changes in market conditions, or to reflect any other changes as the Division deems necessary. [5-15-98]

(3) ~~RULE 3(b)2~~ PRORATION OF ALL GAS WELLS WITHIN A POOL: The Division shall include in the proration schedule the gas wells in the gas pools regulated by this order delivering to a gas transporter, and shall include in the proration schedule any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility, which is reasonably capable of handling the type of gas produced by such a well. [5-15-98]

605.D. ~~C.~~ ALLOCATION AND GRANTING OF ALLOWABLES

(1) ~~RULE 4~~ FILING OF FORM C-102 AND FORM C-104 REQUIRED: No GPU shall be assigned an allowable before receipt of Form C-102 (well location and acreage dedication plat) and the approval date of Form C-104 (Request for Allowable and Authorization to Transport Oil and Natural Gas). [5-15-98]

(2) ~~RULE 5~~ HOW ALLOWABLES ARE CALCULATED: The total allowable to be allocated to each gas pool regulated by this order for each allocation period shall be equal to the estimated market demand as determined by the Division, plus any adjustments the Director deems necessary to equate the total pool allowable to the estimated market demand. The Director may make such adjustments as he deems necessary to compensate for overproduction, underproduction, and other circumstances which may necessitate such adjustment to equate pool allowable to the anticipated market demand. The estimated market demand for each pool shall be established from any information the Director requires and can consist of nominations from purchasers, transporters or other parties having knowledge of market demand for gas from such pools, actual past production figures, seasonal trends, or any other factors deemed necessary to establish estimated market demand. The Director shall not be bound to use all the information requested and can establish market demand by any method so approved. A monthly allowable shall be assigned to each GPU entitled to an allowable for the ensuing allocation period by allocating the pool allowable among all such GPU's in that pool according to the procedure set forth in the following paragraphs of this order. Should market conditions indicate a change is necessary, the Director may adjust allowables up or down during the 6-month allocation period using a maximum of 10% as a guideline. [5-15-98]

(3) ~~RULE 5(a)1~~ MARGINAL GPU ALLOWABLE: The monthly allowable to be assigned to each marginal GPU shall be equal to its average monthly production from its latest classification period. [5-15-98]

(4) ~~RULE 5(a)2~~ NON-MARGINAL GPU ALLOWABLE: Non-marginal GPU allowables shall be determined in conformance with the applicable special pool rules. [5-15-98]

(a) ~~(1)~~ In pools where acreage is the only proration factor, the total non-marginal allowable shall be allocated to each GPU in the proportion that each GPU acreage factor bears to the total acreage factor for all non-marginal GPU's. [5-15-98]

(b) ~~(2)~~ In pools where acreage and deliverability are proration factors:

(i)~~(a)~~ A percentage as set forth in special pool rules, of the non-marginal allowable shall be allocated to each GPU in the proportion that each GPU's AD factor bears to the total AD factor for all non-marginal GPU's in the pool; and [5-15-98]

(ii)~~(b)~~ The remaining non-marginal allowable shall be allocated to non-marginal GPU's among each GPU in the proportion that each GPU's acreage factor bears to the total acreage factor for all non-marginal GPU's in the pool. [5-15-98]

(5) ~~RULE 5(b)1~~ NEW CONNECTS ASSIGNMENT OF ALLOWABLES: Allowables to newly completed gas wells shall commence, ~~(A)~~ in pools where acreage is the only proration factor, on the date of first delivery of gas to a gas transporter as demonstrated by an affidavit furnished by the transporter to the appropriate Division district office or the approval date of Form C-102 and Form C-104, whichever is later.~~; or,~~ [5-15-98]

~~(B) In pools where acreage and deliverability are proration factors:~~

~~(1) An acreage factor allowable will be assigned the later of:~~

~~a) The date of first delivery of gas to a gas transporter as demonstrated by an affidavit furnished by the transporter to the appropriate Division district office.~~

~~b) The approval date of Form C-102 and Form C-104.~~

~~(2) A deliverability factor allowable will be assigned the later of:~~

~~a) The date of first delivery.~~

~~b) 90 days before the date of receipt of the deliverability test report at the appropriate Division district office.~~

~~(3) Allowables assigned to new connects completed within an allocation period shall be equal to the allowable assigned to a non-marginal GPU of similar acreage or acreage and deliverability factors as adjusted to the effective date of the allowable as herein provided.~~

~~RULE 5(b)2 NEW CONNECT MAXIMUM PRODUCING PERIOD: No well in a pool where deliverability is an allowable factor shall be permitted to produce more than 120 days after the date of first delivery without a deliverability test. Any well shut in for failure to file a deliverability test may be assigned producing authorization by the Division district office for purposes of conducting such a test. Except as provided in Rule 9, all production following connection including the volume of test production shall be charged against the GPU's regular allowable when assigned. Any resulting allowable assigned shall be effective on the day that the delinquent deliverability test is received in the appropriate Division district office.~~

(6) ~~RULE 6~~ GAS CHARGED AGAINST GPU'S ALLOWABLE: Except as provided in the Special Pool Rules, the volume of produced gas sold or beneficially used other than lease fuel from each GPU shall be charged against the GPU's allowable; however, the gas used in maintaining the producing ability of the well shall not be charged against the allowable. [5-15-98]

(7) ~~RULE 7~~ CHANGE IN ACREAGE: If the acreage assigned to a GPU is changed, the operator shall notify the appropriate Division district office in writing of such change by filing a revised Plat (Form C-102). The revised allowable, as determined by the Division, assigned to the GPU shall be effective on the first day of the month following receipt of the notification. [5-15-98]

(8) ~~RULE 8~~ MINIMUM ALLOWABLES: After notice and hearing, the Division may assign minimum allowables for prorated gas pools to avoid waste, encourage efficient operations, and to prevent the premature abandonment of wells. (See Special Pool Rules for minimum allowable amount.) In determining the volume of minimum allowable for a well with a standard proration unit, the Division shall take into account economic and engineering factors such as drilling and operating costs, anticipated revenues, taxes, and any similar data that will establish that the ultimate recovery of hydrocarbons will be increased from the pool because of the adoption of a minimum allowable for the pool. Once adopted, the minimum allowable for wells with nonstandard proration units shall be proportionally adjusted. [5-15-98]

(9) ~~RULE 9(a)~~ DELIVERABILITY TESTS: In pools where acreage and deliverability are proration factors, wells on non-marginal GPUs will be tested in accordance with Division rules and the test results shall be used in calculating deliverabilities for the succeeding proration period. Wells on GPUs reclassified to non-marginal shall be tested within 90 days of the order and thereafter in accordance with the appropriate testing schedule for the pool. Wells on marginal GPUs are exempt from deliverability testing. [5-15-98] ~~In pools where both acreage and deliverability are proration factors, deliverability tests taken in accordance with Division Rules shall be used in calculating allowables for the succeeding proration period. Deliverability shall be determined in accordance with the provisions of the appropriate test manual (see Gas Well Testing Manual for Northwest New Mexico).~~

~~RULE 9(b) DELIVERABILITY RETEST: A change in a well's deliverability following a retest after any activity, other than routine maintenance, shall become effective the later of:~~

~~1) The date of redelivery after such activity, such date to be indicated on the sundry notice (if a sundry notice is required) and on the remarks portion of the Form C-122-A; or~~

~~2) 90 days prior to the date of receipt of the appropriate deliverability test report at the appropriate Division district office, or~~

~~3) A change in a well's deliverability due to any other reason shall become effective on the first day of the month following the month during which the retest is approved in the appropriate Division district office.~~

~~RULE 9(c) EXCEPTIONS TO DELIVERABILITY TESTS: The Director of the Oil Conservation Division shall have authority to allow exceptions to the deliverability test requirement for wells on marginal GPU's where the deliverability of a well is of such volume as to have no significance in the determination of the GPU's allowable. Application for such exception may be submitted by the operator of the well and if granted may be revoked by the Director anytime by requesting the well to be scheduled and tested according to the current "Gas Well Testing Rules and Procedures."~~

~~RULE 9(d) WELLS EXEMPT FROM TESTING - SAN JUAN BASIN: A well automatically becomes exempt from testing if the GPU's average monthly production does not exceed or the GPU cannot produce an average volume equal to the larger of~~

~~1) the pool's current (April-September) Monthly Acreage Allocate Factor, F1, times the GPU Acreage Factor, A, or~~

~~2) 250 MCF per month for Pictured Cliffs formation wells and 2000 MCF per month for deeper formations. (See "Gas Well Testing Rules and Procedures.")~~

~~RULE 9(d) WELLS EXEMPT FROM TESTING - SAN JUAN BASIN: A well automatically becomes exempt from testing if the GPU's average monthly production does not exceed or the GPU is not capable of producing an average volume equal to the larger of 1) the pool's current (April-September) Monthly Acreage Allocate Factor, F1, times the GPU Acreage Factor, A, or 2) 250 MCF per month for Pictured Cliffs formation wells and 2000 MCF per month for deeper formations. (See "Gas Well Testing Rules and Procedures.)"~~

605.E. ~~D.~~ BALANCING OF PRODUCTION

(1) ~~RULE 10(a)~~ UNDERPRODUCTION: Any non-marginal GPU which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward in the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any underproduction carried forward into a gas proration

period and remaining unproduced at the end of such gas proration period shall be canceled. [5-15-98]

(2) ~~RULE 10(b)~~ BALANCING UNDERPRODUCTION: Production during any one month of a gas proration period greater than the allowable assigned to a GPU for such a month shall be applied against the underproduction carried into such a period in determining the amount of allowable, if any, to be canceled. [5-15-98]

(3) ~~RULE 11(a)~~ OVERPRODUCTION: Any GPU which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period. Said overproduction shall be made up by underproduction during the succeeding gas proration period. Any GPU which has not made up the overproduction carried into a gas proration period by the end of said period shall be shut in until such overproduction is made up. [5-15-98]

(a) ~~RULE 11(b)(1)~~ TWELVE-TIMES OVERPRODUCED, NORTHWEST: For the prorated gas pools of Northwest New Mexico, if it is determined that GPU is overproduced in an amount exceeding twelve times its current year January allowable (or, in the case of a newly connected well, a marginal well, or a well recently reclassified as non-marginal, twelve times the January allowable assigned to a non-marginal GPU of similar acreage and deliverability factors), it shall be shut in until its overproduction is less than twelve times its January allowable, as determined hereinabove. [5-15-98]

(b) ~~RULE 11(b)(2)~~ SIX-TIMES OVERPRODUCED, SOUTHEAST: For the prorated gas pools of southeast New Mexico, if it is determined that a GPU is overproduced in an amount exceeding six times its current year January allowable (or, in the case of a newly connected well, a marginal well, or a well recently reclassified as non-marginal, six times the January allowable assigned to a non-marginal GPU of a similar acreage factor), it shall be shut in until its overproduction is less than six times its January allowable, as determined hereinabove. [5-15-98]

(3)(a) or (b)

(4) ~~RULE 11(c)~~ EXCEPTION TO SHUT IN FOR OVERPRODUCTION: The Director of the Oil conservation Division shall have authority to permit a GPU which is subject to shut-in, pursuant to ~~(1) or (2) Rules 11(a) or 11(b)~~ above to produce up to 250 MCF of gas per month upon proper showing to the Director that complete shut-in would cause undue hardship, provided however, such permission may be rescinded for any GPU produced greater than the monthly rate authorized by the Director. [5-15-98]

(5) ~~RULE 11(d)~~ BALANCING OVERPRODUCTION: Allowable assigned to a GPU during any one month of a gas proration period greater than the production for the same month shall be applied against the overproduction chargeable to such GPU in determining the overproduction which must be made up pursuant to the provisions of ~~(1) or (2) Rules 11(a) or 11(b)~~ above. [5-15-98]

(3)(a) or (b)

(3)(a) or (b) or (5)

(6) ~~RULE 11(e)~~ EXCEPTION TO BALANCING OVERPRODUCTION: The Director may allow overproduction to be made up at a lesser rate than permitted under ~~Rules 1, 2 or 7 11(a), 11(b), or 11(d)~~ above upon a showing at public hearing that the same is necessary to avoid material damage to the well. [5-15-98]

(7) ~~RULE 11(f)~~ HARDSHIP GAS WELLS: If a GPU containing a hardship gas well is overproduced, the operator must take the necessary steps to reduce production in order to reduce the overproduction. Any overproduction existing at the time of designation of a well as a hardship gas well or accruing to the GPU thereafter shall be carried forward until it is made up by underproduction. No GPU containing a hardship gas well, which GPU is overproduced, shall be permitted to produced at a rate higher than the minimum producing rate authorized by the Division. [5-15-98]

(8) ~~RULE 11(g)~~ MORATORIUM ON SHUT-INS: The Director shall have authority to grant a pool-wide moratorium of up to three months as to the shutting in of gas wells in a pool during periods of high demand emergency upon proper showing that such emergency exists, and that a significant number of the wells in the pool are subject to shut-in pursuant to the provisions of ~~Rules (1), (2) or (7) 11(a), 11(b) or 11(f)~~ above. No moratorium beyond the aforementioned three months shall be granted except after notice and hearing. [5-15-98]

(9) ~~RULE 11(h)~~ The Director may reinstate allowable to wells which suffered cancellation of allowable under ~~Rules E~~(1) ~~10(a)~~ or F(4) ~~13(b)~~, or loss of allowable due to reclassification of a well under ~~Rule~~ F(3) ~~13(a)~~. If such cancellation or loss of allowable was caused by non-access or limited access to the average market demand in the pool rather than inability of the well to produce. Upon petition, with a showing of circumstances which prevented production of the non-marginal allowable, and evidence that the well was capable of producing at allowable rates during the period for which reinstatement is requested, the allowable may be reinstated in such amounts needed to avoid curtailment or shut-in of the well for excessive overproduction. Such petition shall be approved administratively or docketed for hearing within 30 days after receipt in the Division's Santa Fe office. [5-15-98]

605.F ~~E.~~ CLASSIFICATION OF GPU's

(1) ~~RULE 12(a)~~ CLASSIFICATION PERIOD: The proration period shall be divided into four classification periods of three months each, commencing April 1, July 1, October 1 and January 1. [5-15-98]

(2) ~~RULE 12(b)~~ RECLASSIFICATION BY THE DIRECTOR: The Director ~~of the Oil Conservation Division~~ may reclassify a marginal or non-marginal GPU anytime the GPU's producing ability justifies such reclassification. The director may suspend the reclassification of GPU's on his own initiative or upon proper showing by an interested party, should it appear that such suspension is necessary to permit underproduced GPU's which would otherwise be reclassified, a proper opportunity to make up such underproduction. [5-15-98]

(3) ~~RULE 13(a)~~ RECLASSIFICATION TO MARGINAL: A non-marginal well may be reclassified as marginal in either of the following ways:

(a) After the production data is available for the last month of each classification period, any GPU which had an underproduced status at the beginning of the allocation period shall be reclassified to marginal if its highest single month's

production during the classification period is less than its average monthly allowable during such period; however, the operator of any GPU so classified, or other interested party, shall have 30 days after receipt of notification of marginal classification in which to submit satisfactory evidence to the Division that the GPU is not of marginal character and should not be so classified; or

(b) A GPU which is underproduced more than the overproduction limit as described in E(3)(a) or (b) above, ~~11(b)(1) or 11(b)(2)~~, whichever is applicable, shall be reclassified as marginal. [5-15-98]

(4) ~~RULE 13(b)~~ CANCELLATION OF UNDERPRODUCTION FOR MARGINAL GPU: A GPU which is classified as marginal shall not be permitted to accumulate underproduction, and any underproduction accrued to a GPU before its classification as marginal shall be canceled. [5-15-98]

(5) ~~RULE 14(a)~~ RECLASSIFICATION TO NON-MARGINAL: If, at the end of any classification period, a marginal GPU has produced more gas during the proration period to that time than its shadow allowable for that same period, the GPU shall be reclassified as a non-marginal GPU. [5-15-98]

(6) ~~RULE 14(b)~~ REINSTATEMENT OF STATUS: A GPU reclassified to non-marginal under the provisions of ~~Rule~~ (5) above ~~14(a)~~ shall have reinstated to it all underproduction which accrued or would have accrued as a non-marginal GPU from the current proration period, underproduction from the prior proration period may be reinstated after notice and hearing. All uncompensated-for overproduction accruing to the GPU while marginal shall be chargeable upon reclassification to non-marginal. [5-15-98]

605.G. ~~F.~~ REPORTING OF PRODUCTION - ~~RULE 15~~ FILING C-111 AND C-115 REPORTS: Transporters and operators shall file gas transportation and production reports pursuant to Rules 1111 and 1115 of the Rules and Regulations of the Division provided that upon approval by the Director ~~of the Oil Conservation Division~~ as to the specific program to be used, any producer or transporter of gas may be permitted to report metered production of gas on a chart-period basis; provided the following provisions shall be applicable to each gas well:

(1) Reports for a month shall include not less that 24 nor more than 32 reported days.

(2) Reported days may include as many as the last seven days of the previous month but no days of the succeeding month.

(3) The total of the monthly reports for a year shall include not less than 360 nor more than 368 reported days.

(4) For purposes of these rules, the term "month" shall mean "calendar month" for those reporting on a calendar month basis, and shall mean "Reporting Month" for those reporting on a chart-period basis according to the exception provided in this rule. [5-15-98]

SPECIAL RULES FOR INDIVIDUAL PRORATED GAS POOLS

SPECIAL RULES AND REGULATIONS FOR THE
BASIN-DAKOTA GAS POOL

2a

The vertical limits for the Basin-Dakota Gas Pool shall be from the base of the Greenhorn Limestone to a point 400 feet below the base of the said formation and consisting of the Graneros formation, the Dakota formation and the productive upper portion of the Morrison formation.

The Basin-Dakota Gas Pool was created February 1, 1961, and gas proration became effective February 1, 1961.

WELL ACREAGE AND LOCATION REQUIREMENTS

STANDARD GPU (Gas Proration Unit) in the Basin-Dakota Gas Pool shall be 320 acres.

WELL LOCATION:

1) THE INITIAL WELL drilled on a GPU shall be located not closer than 790 feet to any outer boundary of the quarter section on which the well is located and not closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

2) THE INFILL WELL drilled on a GPU shall be located in the quarter section of the GPU not containing a Dakota well, and shall be located with respect to the GPU boundaries as described in the preceding paragraph.

No Dakota infill well shall be drilled nearer than 920 feet to an existing Dakota well on the same GPU.

The plat (Form C-102) accompanying the Application for Permit to Drill (OCD Form C-101 or the Federal form) for the subsequent well on a GPU shall have outlined thereon the boundaries of the GPU and shall show the location of all existing Dakota wells on the GPU plus the proposed new well.

In the event an infill well is drilled on any GPU, both wells shall be produced for so long as it is economically feasible to do so.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 11705 Exhibit No. 2a
Submitted by OCD
Hearing Date 4/9/98

ALLOCATION AND GRANTING OF ALLOWABLES

NON-MARGINAL GPU ALLOWABLE: The pool allowable remaining each month after deducting the total allowable assigned to marginal GPU's shall be allocated among the non-marginal GPU's entitled to an allowable in the following manner:

GPU's shall be allocated among such GPU's in the proportion that each GPU's AD Factor bears to the total AD Factor for all non-marginal GPU's in the pool.

When calculating the allowable for a GPU containing an infill well, the deliverability of both wells shall be added in calculating the AD Factor and the allowable may be produced from both wells.

Sixty percent (60%) of the pool allowable remaining to be allocated to non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's acreage factor bears to the total acreage factor for all non-marginal GPU's in the pool.

MINIMUM ALLOWABLES: A minimum allowable of 250 MCF per month per GPU will be assigned to prevent the premature abandonment of wells.

A GPU in the BASIN DAKOTA GAS POOL shall be classified as marginal except after notice and hearing. Any operator in the BASIN DAKOTA GAS POOL may request a hearing to reclassify a GPU in that pool to non-marginal.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

SPECIAL RULES AND REGULATIONS FOR THE BLANCO-MESAVERDE GAS POOL

The VERTICAL LIMITS for the Blanco-Mesaverde Gas Pool shall be as follows:

North and east of a line generally running from the northwest corner of Township 31 North, Range 13 West, San Juan County, New Mexico, to the southwest corner of Township 24 North, Range 1 East, NMPM, Rio Arriba County, New Mexico, (as fully described on Exhibit "A" of Order R-5459, August 1, 1977, as amended, and in Rule 25 of this order), the vertical limits shall be from the Huerfanito Bentonite marker to a point 500 feet below the top of the Point Lookout Sandstone.

South and west of the line described in (A) above, the vertical limits shall be from a point 750 feet below said Huerfanito Bentonite marker to a point 500 feet below the top of the Point Lookout Sandstone.

The Blanco-Mesaverde Gas Pool was created February 25, 1949 and gas proration became effective March 1, 1955.

WELL ACREAGE AND LOCATION REQUIREMENTS

STANDARD GPU (GAS PRORATION UNIT) in the Blanco-Mesaverde Gas Pool shall be 320 acres.

WELL LOCATION:

1. THE INITIAL WELL drilled on a GPU shall be located not closer than 790 feet to any outer boundary of the quarter section on which the well is located and not closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

2. THE INFILL WELL drilled on a GPU shall be located in the quarter section of the GPU not containing a Mesaverde well, and shall be located with respect to the GPU boundaries as described in the preceding paragraph.

The plat (Form C-102) accompanying the Application for Permit to Drill (OCD Form C-101 or the Federal form) for the subsequent well on a GPU shall have outlined thereon the boundaries of the GPU and shall show the location of all existing Mesaverde wells on the GPU plus the proposed new well.

In the event an infill well is drilled on any GPU, both wells shall be produced for so long as it is economically feasible to do so.

ALLOCATION AND GRANTING OF ALLOWABLES

NON-MARGINAL GPU ALLOWABLE: The pool allowable remaining each month after deducting the total allowable assigned to marginal GPU's shall be allocated among the non-marginal GPU's entitled to an allowable in the following manner:

A) Seventy-five percent (75%) of the pool allowable remaining to be allocated to the non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's AD Factor bears to the total AD Factor for all non-marginal GPU's in the pool.

When calculating the allowable for a GPU containing an infill well, the deliverability of both wells shall be added in calculating the AD Factor and the allowable may be produced from both wells.

B) Twenty-five percent (25%) of the pool allowable remaining to be allocated to non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's acreage factor bears to the total acreage factor for all non-marginal GPU's in the pool.

MINIMUM ALLOWABLES: A minimum allowable of 250 MCF per month per GPU will be assigned to prevent the premature abandonment of wells.

A GPU in the BLANCO MESAVERDE GAS POOL shall be classified as marginal except after notice and hearing. Any operator in the BLANCO MESAVERDE GAS POOL may request a hearing to reclassify a GPU in that pool to non-marginal.

MISCELLANEOUS SPECIAL POOL RULES

VERTICAL LIMIT BOUNDARY: Exhibit "A" of Order R-5459 which defines a dividing line across the Blanco-Mesaverde Pool reads as follows:

EXHIBIT "A"

This Exhibit defines the Northwest-Southeast trending line established by Order R-5459, as amended, that divides the Blanco-Mesaverde pool for defining the vertical limits of the pool. Said line traverses the South side or West side of the sections listed below:

TOWNSHIP 24 NORTH, RANGE 01 EAST, NMPM
Section 31: West

TOWNSHIP 24 NORTH, RANGE 01 WEST, NMPM
Section 03: West

Section 10: West and South
Section 14: West and South
Section 24: West
Section 25: West and South

TOWNSHIP 25 NORTH, RANGE 01 WEST, NMPM
Section 07: West
Section 18: West and South
Section 20: West and South
Section 28: West
Section 33: West and South

TOWNSHIP 25 NORTH, RANGE 02 WEST, NMPM
Section 01: West and South

TOWNSHIP 26 NORTH, RANGE 02 WEST, NMPM
Sections 07 and 08: South
Section 16: West and South
Section 22: West and South
Section 26: West
Section 35: West and South

TOWNSHIP 26 NORTH, RANGE 03 WEST
Sections 02 and 03: South
Section 04: West and South
Section 12: West and South

TOWNSHIP 27 NORTH, RANGE 03 WEST, NMPM
Section 31 and 32: South

TOWNSHIP 27 NORTH, RANGE 04 WEST, NMPM
Sections 31 through 36: South

TOWNSHIP 27 NORTH, RANGE 05 WEST, NMPM
Section 31: West and South
Sections 32 through 36: South

TOWNSHIP 27 NORTH, RANGE 6 WEST, NMPM
Section 06: West
Section 07: West and South
Sections 08 and 09: South
Section 14: South

Section 15: West and South
Section 24: West
Section 25: West and South

TOWNSHIP 28 NORTH, RANGE 06 WEST, NMPM
Sections 07, 18, 19, 30, and 31: West

TOWNSHIP 29 NORTH, RANGE 7 WEST, NMPM
Section 31: West and South
Sections 32 through 36: South

TOWNSHIP 29 NORTH, RANGE 08 WEST, NMPM
Section 17: South
Section 18: West and South
Section 21: West and South
Section 22: South
Section 25: South
Section 26: West and South

TOWNSHIP 29 NORTH, RANGE 09 WEST, NMPM
Section 03: South
Section 04: West and South
Section 11: West and South
Section 12: South

TOWNSHIP 30 NORTH, RANGE 09 WEST, NMPM
Section 31: West and South
Section 32: South

TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM
Section 18: South
Section 20: West and South
Section 21 and 22: South
Section 25: South
South 26: West and South

TOWNSHIP 30 NORTH, RANGE 11 WEST, NMPM
Section 06: West and South
Section 08: West and South
Sections 09, 10, 11: South
Section 13: West and South

TOWNSHIP 31 NORTH, RANGE 12 WEST, NMPM

Section 19: South
Sections 27 and 28: South
Section 29: West and South
Section 35: West and South
Section 36: South

TOWNSHIP 31 NORTH, RANGE 13 WEST, NMPM
Sections 07 and 08: South
Sections 14 and 15: South
Section 16: West and South
Section 24: West and South

TOWNSHIP 31 NORTH, RANGE 14 WEST, NMPM
Section 12: South

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

SOUTH BLANCO-PICTURED CLIFFS GAS POOL

THE VERTICAL LIMITS of the South Blanco-Pictured Cliffs Gas Pool shall be the Pictured Cliffs formation.

The South Blanco-Pictured Cliffs Gas Pool, Rio Arriba, San Juan, and Sandoval Counties, New Mexico, was created May 20, 1952 and gas proration became effective March 1, 1955.

WELL ACREAGE AND LOCATION REQUIREMENTS

STANDARD GPU (GAS PRORATION UNIT) in the South Blanco-Pictured Cliffs Gas Pool shall be 160 acres.

ALLOCATION AND GRANTING OF ALLOWABLES

NON-MARGINAL GPU ALLOWABLE: The pool allowable remaining each month after deducting the total allowable assigned to marginal GPU's shall be allocated among the non-marginal GPU's entitled to an allowable in the following manner:

A) Seventy-five percent (75%) of the pool allowable remaining to be allocated to the non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's AD Factor bears to the total AD Factor for all non-marginal GPU's in the pool.

B) Twenty-five percent (25%) of the pool allowable remaining to be allocated to non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's acreage factor bears to the total acreage factor for all non-marginal GPU's in the pool.

MINIMUM ALLOWABLES: A minimum allowable of 250 MCF per month per GPU will be assigned to prevent premature abandonment of wells.

All GPU's in the SOUTH BLANCO PICTURED CLIFFS GAS POOL shall be classified as marginal ~~except after notice and hearing.~~ Any operator in the SOUTH BLANCO PICTURED CLIFFS GAS POOL may request ~~a hearing to reclassify a GPU in that pool~~ unless reclassified by the Director

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

SPECIAL RULES AND REGULATIONS FOR THE TAPACITO-PICTURED CLIFFS GAS POOL

THE VERTICAL LIMITS of the Tapacito-Pictured Cliffs Gas Pool shall be the Pictured Cliffs formation.

The Tapacito-Pictured Cliffs Gas Pool, Rio Arriba County, New Mexico, was created April 18, 1956 and gas proration in this pool became effective August 1, 1958.

WELL ACREAGE AND LOCATION REQUIREMENTS

STANDARD GPU (GAS PRORATION UNIT) in the Tapacito-Pictured Cliffs Gas Pool shall be 160 acres.

ALLOCATION AND GRANTING OF ALLOWABLES

NON-MARGINAL GPU ALLOWABLE: The pool allowable remaining each month after deducting the total allowable assigned to marginal GPU's shall be allocated among the non-marginal GPU's entitled to an allowable in the following manner:

A) Seventy-five percent (75%) of the pool allowable remaining to be allocated to the non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's "AD Factor" bears to the total "AD Factor" for all non-marginal GPU's in the pool.

B) Twenty-five percent (25%) of the pool allowable remaining to be allocated to non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's acreage factor bears to the total acreage factor for all non-marginal GPU's in the pool.

MINIMUM ALLOWABLES: A minimum allowable of 250 MCF per month per GPU will be assigned to prevent premature abandonment of wells.

A GPU in the TAPACITO PICTURED CLIFFS GAS POOL shall be classified as marginal ~~except after notice and hearing.~~ unless reclassified by the Director pursuant to Rule 605.F(2). Any operator in the TAPACITO PICTURED CLIFFS GAS POOL may request ~~a hearing to~~ reclassify a GPU in that pool ~~to non-marginal.~~ by application of

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

SPECIAL RULES FOR INDIVIDUAL PRORATED GAS POOLS

SPECIAL RULES AND REGULATIONS FOR THE
BASIN-DAKOTA GAS POOL

The vertical limits for the Basin-Dakota Gas Pool shall be from the base of the Greenhorn Limestone to a point 400 feet below the base of the said formation and consisting of the Graneros formation, the Dakota formation and the productive upper portion of the Morrison formation.

The Basin-Dakota Gas Pool was created February 1, 1961, and gas proration became effective February 1, 1961.

~~A.~~ WELL ACREAGE AND LOCATION REQUIREMENTS

~~RULE 2(a)~~ STANDARD GPU (Gas Proration Unit) in the Basin-Dakota Gas Pool shall be 320 acres.

~~RULE 2(b)~~ WELL LOCATION:

1) THE INITIAL WELL drilled on a GPU shall be located not closer than 790 feet to any outer boundary of the quarter section on which the well is located and not closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

2) THE INFILL WELL drilled on a GPU shall be located in the quarter section of the GPU not containing a Dakota well, and shall be located with respect to the GPU boundaries as described in the preceding paragraph.

No Dakota infill well shall be drilled nearer than 920 feet to an existing Dakota well on the same GPU.

The plat (Form C-102) accompanying the Application for Permit to Drill (OCD Form C-101 or the Federal form) for the subsequent well on a GPU shall have outlined thereon the boundaries of the GPU and shall show the location of all existing Dakota wells on the GPU plus the proposed new well.

In the event an infill well is drilled on any GPU, both wells shall be produced for so long as it is economically feasible to do so.

~~C.~~ ALLOCATION AND GRANTING OF ALLOWABLES

~~RULE 5(a)2~~ NON-MARGINAL GPU ALLOWABLE: The pool allowable remaining each month after deducting the total allowable assigned to marginal GPU's shall be allocated among the non-marginal GPU's entitled to an allowable in the following manner:

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 11705 Exhibit No. 26
Submitted by OCD
Hearing Date 4/6/02

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GPU's shall be allocated among such GPU's in the proportion that each GPU's AD Factor bears to the total AD Factor for all non-marginal GPU's in the pool.

When calculating the allowable for a GPU containing an infill well, the deliverability of both wells shall be added in calculating the AD Factor and the allowable may be produced from both wells.

~~B)~~ Sixty percent (60%) of the pool allowable remaining to be allocated to non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's acreage factor bears to the total acreage factor for all non-marginal GPU's in the pool.

~~RULE 8~~ MINIMUM ALLOWABLES: A minimum allowable of 250 MCF per month per GPU will be assigned to prevent the premature abandonment of wells.

~~RULE 9(a) DELIVERABILITY TESTS: The calculated deliverability at the "deliverability pressure" shall be determined according to the provisions of the current "Gas Well Testing Manual for San Juan Basin."~~

~~Within 90 days after a well first delivers gas to a gas transportation facility, the well shall have been tested as required in the preceding paragraph, and the results of the test filed on the appropriate form in triplicate with the Division's Aztec office and one copy filed with the gas transportation facility to which the well is connected. Failure to file said test within the above specified 90 day period will subject the well to the loss of one day's allowable for each day the test is late.~~

~~1. If the newly first delivered well is an infill well on a GPU, the old well on the GPU is not required to be tested concurrently with the new well provided it has a valid test on file for the current proration period. Testing of the old well shall continue to follow the regularly assigned test schedule for the pool in which the well is located. The new well is required to be tested annually until at least three annual tests are on file. Then the well is to be tested biennially with other wells in the pool.~~

~~2. If the old well on the GPU is "Exempt," the old well is to be tested along with the new well for the Initial and Annual Deliverability and Shut In Pressure Test. The old well will lose its "Exempt" classification and must be tested biennially along with other wells in the pool.~~

~~RULE 14~~ A GPU in the BASIN DAKOTA GAS POOL shall be classified as marginal except after notice and hearing. Any operator in the BASIN DAKOTA GAS POOL may request a hearing to reclassify a GPU in that pool to non-marginal.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

SPECIAL RULES AND REGULATIONS FOR THE
BLANCO-MESAVERDE GAS POOL

The VERTICAL LIMITS for the Blanco-Mesaverde Gas Pool shall be as follows:

North and east of a line generally running from the northwest corner of Township 31 North, Range 13 West, San Juan County, New Mexico, to the southwest corner of Township 24 North, Range 1 East, NMPM, Rio Arriba County, New Mexico, (as fully described on Exhibit "A" of Order R-5459, August 1, 1977, as amended, and in Rule 25 of this order), the vertical limits shall be from the Huerfanito Bentonite marker to a point 500 feet below the top of the Point Lookout Sandstone.

South and west of the line described in (A) above, the vertical limits shall be from a point 750 feet below said Huerfanito Bentonite marker to a point 500 feet below the top of the Point Lookout Sandstone.

The Blanco-Mesaverde Gas Pool was created February 25, 1949 and gas proration became effective March 1, 1955.

~~A.~~ WELL ACREAGE AND LOCATION REQUIREMENTS

~~RULE 2(a)~~ STANDARD GPU (GAS PRORATION UNIT) in the Blanco-Mesaverde Gas Pool shall be 320 acres.

~~RULE 2(b)~~ WELL LOCATION:

1. THE INITIAL WELL drilled on a GPU shall be located not closer than 790 feet to any outer boundary of the quarter section on which the well is located and not closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

2. THE INFILL WELL drilled on a GPU shall be located in the quarter section of the GPU not containing a Mesaverde well, and shall be located with respect to the GPU boundaries as described in the preceding paragraph.

The plat (Form C-102) accompanying the Application for Permit to Drill (OCD Form C-101 or the Federal form) for the subsequent well on a GPU shall have outlined thereon the boundaries of the GPU and shall show the location of all existing Mesaverde wells on the GPU plus the proposed new well.

In the event an infill well is drilled on any GPU, both wells shall be produced for so long as it is economically feasible to do so.

C. ALLOCATION AND GRANTING OF ALLOWABLES

NON-MARGINAL GPU ALLOWABLE: The pool allowable remaining each month after deducting the total allowable assigned to marginal GPU's shall be allocated among the non-marginal GPU's entitled to an allowable in the following manner:

A) Seventy-five percent (75%) of the pool allowable remaining to be allocated to the non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's AD Factor bears to the total AD Factor for all non-marginal GPU's in the pool.

When calculating the allowable for a GPU containing an infill well, the deliverability of both wells shall be added in calculating the AD Factor and the allowable may be produced from both wells.

B) Twenty-five percent (25%) of the pool allowable remaining to be allocated to non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's acreage factor bears to the total acreage factor for all non-marginal GPU's in the pool.

~~RULE 8~~ MINIMUM ALLOWABLES: A minimum allowable of 250 MCF per month per GPU will be assigned to prevent the premature abandonment of wells.

~~RULE 9(a) DELIVERABILITY TESTS: The calculated deliverability at the "deliverability pressure" shall be determined according to the provisions of the current "Gas Well Testing Manual for San Juan Basin."~~

~~Within 90 days after a well first delivers gas to a gas transportation facility, the well shall have been tested as required in the preceding paragraph, and the results of the test filed on the appropriate form in triplicate with the Division's Aztec office and one copy filed with the gas transportation facility to which the well is connected. Failure to file said test within the above specified 90 day period will subject the well to the loss of one day's allowable for each day the test is late.~~

~~1. If the newly first delivered well is an infill well on a GPU, the old well on the GPU is not required to be tested concurrently with the new well provided it has a valid test on file for the current proration period. Testing of the old well shall continue to follow the regularly assigned test schedule for the pool in which the well is located. The new well is required to be tested annually until at least three annual tests are on file. Then the well is to be tested biennially with other wells in the pool.~~

~~2. If the old well on the GPU is "Exempt," the old well is to be tested along with the new well for the Initial and Annual Deliverability and Shut In Pressure Test. The old well will lose its "Exempt" classification and must be tested biennially along with other wells in the pool.~~

~~RULE 14~~ A GPU in the BLANCO MESAVERDE GAS POOL shall be classified as marginal except after notice and hearing. Any operator in the BLANCO MESAVERDE GAS POOL may request a hearing to reclassify a GPU in that pool to non-marginal.

~~H.~~ MISCELLANEOUS SPECIAL POOL RULES

~~RULE 25~~ VERTICAL LIMIT BOUNDARY: Exhibit "A" of Order R-5459 which defines a dividing line across the Blanco-Mesaverde Pool reads as follows:

EXHIBIT "A"

This Exhibit defines the Northwest-Southeast trending line established by Order R-5459, as amended, that divides the Blanco-Mesaverde pool for defining the vertical limits of the pool. Said line traverses the South side or West side of the sections listed below:

TOWNSHIP 24 NORTH, RANGE 01 EAST, NMPM
Section 31: West

TOWNSHIP 24 NORTH, RANGE 01 WEST, NMPM
Section 03: West
Section 10: West and South
Section 14: West and South
Section 24: West
Section 25: West and South

TOWNSHIP 25 NORTH, RANGE 01 WEST, NMPM
Section 07: West
Section 18: West and South
Section 20: West and South
Section 28: West
Section 33: West and South

TOWNSHIP 25 NORTH, RANGE 02 WEST, NMPM
Section 01: West and South

TOWNSHIP 26 NORTH, RANGE 02 WEST, NMPM
Sections 07 and 08: South
Section 16: West and South
Section 22: West and South
Section 26: West
Section 35: West and South

TOWNSHIP 26 NORTH, RANGE 03 WEST
Sections 02 and 03: South
Section 04: West and South
Section 12: West and South

TOWNSHIP 27 NORTH, RANGE 03 WEST, NMPM
Section 31 and 32: South

TOWNSHIP 27 NORTH, RANGE 04 WEST, NMPM
Sections 31 through 36: South

TOWNSHIP 27 NORTH, RANGE 05 WEST, NMPM
Section 31: West and South
Sections 32 through 36: South

TOWNSHIP 27 NORTH, RANGE 6 WEST, NMPM
Section 06: West
Section 07: West and South
Sections 08 and 09: South
Section 14: South
Section 15: West and South
Section 24: West
Section 25: West and South

TOWNSHIP 28 NORTH, RANGE 06 WEST, NMPM
Sections 07, 18, 19, 30, and 31: West

TOWNSHIP 29 NORTH, RANGE 7 WEST, NMPM
Section 31: West and South
Sections 32 through 36: South

TOWNSHIP 29 NORTH, RANGE 08 WEST, NMPM
Section 17: South
Section 18: West and South
Section 21: West and South
Section 22: South
Section 25: South
Section 26: West and South

TOWNSHIP 29 NORTH, RANGE 09 WEST, NMPM
Section 03: South
Section 04: West and South
Section 11: West and South
Section 12: South

TOWNSHIP 30 NORTH, RANGE 09 WEST, NMPM
Section 31: West and South
Section 32: South

TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM
Section 18: South
Section 20: West and South

Section 21 and 22: South
Section 25: South
South 26: West and South

TOWNSHIP 30 NORTH, RANGE 11 WEST, NMPM
Section 06: West and South
Section 08: West and South
Sections 09, 10, 11: South
Section 13: West and South

TOWNSHIP 31 NORTH, RANGE 12 WEST, NMPM
Section 19: South
Sections 27 and 28: South
Section 29: West and South
Section 35: West and South
Section 36: South

TOWNSHIP 31 NORTH, RANGE 13 WEST, NMPM
Sections 07 and 08: South
Sections 14 and 15: South
Section 16: West and South
Section 24: West and South

TOWNSHIP 31 NORTH, RANGE 14 WEST, NMPM
Section 12: South

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

SOUTH BLANCO-PICTURED CLIFFS GAS POOL

THE VERTICAL LIMITS of the South Blanco-Pictured Cliffs Gas Pool shall be the Pictured Cliffs formation.

The South Blanco-Pictured Cliffs Gas Pool, Rio Arriba, San Juan, and Sandoval Counties, New Mexico, was created May 20, 1952 and gas proration became effective March 1, 1955.

~~B.~~ WELL ACREAGE AND LOCATION REQUIREMENTS

~~RULE 2(a)~~ STANDARD GPU (GAS PRORATION UNIT) in the South Blanco-Pictured Cliffs Gas Pool shall be 160 acres.

~~D.~~ ALLOCATION AND GRANTING OF ALLOWABLES

~~RULE 5(a)2~~ NON-MARGINAL GPU ALLOWABLE: The pool allowable remaining each month after deducting the total allowable assigned to marginal GPU's shall be allocated among the non-marginal GPU's entitled to an allowable in the following manner:

A) Seventy-five percent (75%) of the pool allowable remaining to be allocated to the non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's AD Factor bears to the total AD Factor for all non-marginal GPU's in the pool.

B) Twenty-five percent (25%) of the pool allowable remaining to be allocated to non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's acreage factor bears to the total acreage factor for all non-marginal GPU's in the pool.

~~RULE 8~~ MINIMUM ALLOWABLES: A minimum allowable of 250 MCF per month per GPU will be assigned to prevent premature abandonment of wells.

~~RULE 9(a) DELIVERABILITY TESTS: The calculated deliverability at the "deliverability pressure" shall be determined according to the provisions of the current "Gas Well Testing Manual for San Juan Basin."~~

~~RULE 14~~ A GPU in the SOUTH BLANCO PICTURED CLIFFS GAS POOL shall be classified as marginal except after notice and hearing. Any operator in the SOUTH BLANCO PICTURED CLIFFS GAS POOL may request a hearing to reclassify a GPU in that pool to non-marginal.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

SPECIAL RULES AND REGULATIONS FOR THE
TAPACITO-PICTURED CLIFFS GAS POOL

THE VERTICAL LIMITS of the Tapacito-Pictured Cliffs Gas Pool shall be the Pictured Cliffs formation.

The Tapacito-Pictured Cliffs Gas Pool, Rio Arriba County, New Mexico, was created April 18, 1956 and gas proration in this pool became effective August 1, 1958.

~~B.~~ WELL ACREAGE AND LOCATION REQUIREMENTS

~~RULE 2(A)~~ STANDARD GPU (GAS PRORATION UNIT) in the Tapacito-Pictured Cliffs Gas Pool shall be 160 acres.

~~D.~~ ALLOCATION AND GRANTING OF ALLOWABLES

~~RULE 5(a)2~~ NON-MARGINAL GPU ALLOWABLE: The pool allowable remaining each month after deducting the total allowable assigned to marginal GPU's shall be allocated among the non-marginal GPU's entitled to an allowable in the following manner:

A) Seventy-five percent (75%) of the pool allowable remaining to be allocated to the non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's "AD Factor" bears to the total "AD Factor" for all non-marginal GPU's in the pool.

B) Twenty-five percent (25%) of the pool allowable remaining to be allocated to non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's acreage factor bears to the total acreage factor for all non-marginal GPU's in the pool.

~~RULE 8~~ MINIMUM ALLOWABLES: A minimum allowable of 250 MCF per month per GPU will be assigned to prevent premature abandonment of wells.

~~RULE 9(a) DELIVERABILITY TESTS: The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of the current "Gas Well Testing Manual for San Juan Basin."~~

~~RULE 14~~ A GPU in the TAPACITO PICTURED CLIFFS GAS POOL shall be classified as marginal except after notice and hearing. Any operator in the TAPACITO PICTURED CLIFFS GAS POOL may request a hearing to reclassify a GPU in that pool to non-marginal.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

606 TESTS AND TEST PROCEDURES FOR PRORATED POOLS IN NORTHWEST NEW MEXICO

606.A. TYPE OF TESTS REQUIRED FOR WELLS COMPLETED IN PRORATED GAS POOLS

(1) Reclassified GPUs: Operators of wells on a Gas Proration Unit (GPU) which has been reclassified as non-marginal will conduct Deliverability tests on those wells within 90 days of the order reclassifying it, unless there are current tests on file with the Oil Conservation Division (Division) or the order requires a new test. A current test is a test which was conducted during the last test period for that pool or later. [5-15-98]

(2) Non-marginal GPUs: Operators will conduct deliverability tests on wells on non-marginal GPUs every five years. If the Division determines that a well's test data and production data warrant more frequent testing of a well, the Division may set up special testing schedules for that well. [5-15-98]

(3) Scheduling of Tests

(a) Notification of Pools to be Tested: By September 1 of each year the Aztec District Office of the Division will notify operators of non-marginal GPUs if their wells will be tested during the following test period. [5-15-98]

(b) All Deliverability Tests required by these rules must be filed with the Division's Aztec office within 90 days following the completion of each test. Provided however, that any test completed between December 31 of the test year and March 10 of the following year are due no later than January 31. No extension of time for filing tests beyond March 10 will be granted except after notice and hearing. [5-15-98]

(c) Failure to file any test within the above-prescribed times will subject the GPU to the loss of one day's allowable for each day the test is late. [5-15-98]

(d) Any well scheduled for testing during its test year may have the conditioning period, test flow period, and part of the seven-day shut-in period conducted in December of the previous year provided that, if the seven-day shut-in period immediately follows the test flow period, the seven-day shut-in pressure would be measured in January of the test year. The earliest date that a well could be scheduled for

a Deliverability Test would be such that the Test Flow Period would end on December 25 of the previous year. [5-15-98]

(e) Downhole commingled wells are to be scheduled for tests on dates for the pool of the lowermost prorated completion of the well. [5-15-98]

(f) In the event a well is shut-in by the Division for overproduction, the operator may produce the well for a period of time to secure a test after written notification to the Division. All gas produced during this testing period will be used in determining the over/under produced status of the well. [5-15-98]

(g) An operator may schedule a well for a deliverability retest upon notification to the Division's Aztec office at least ten days before the test is to be commenced. Such retest will be for substantial reason and will be subject to the approval of the Division. A retest will be conducted in conformance with the Deliverability Test Procedures of these rules. The Division, at its discretion, may require the retesting of any well by notification to the operator to schedule such retest. These tests as filed on Form C-122A should be identified as "RETEST" in the remarks column. [5-15-98]

(4) Witnessing of Tests: Any Deliverability Test may be witnessed by any or all of the following: an agent of the Division, an offset operator, a representative of the gas transportation facility connected to the well under test, or a representative of the gas transportation facility taking gas from an offset operator. [5-15-98]

606.B. PROCEDURE FOR TESTING

(1) The test shall begin by producing a well in the normal operating manner into the pipeline through either the casing or tubing, but not both, for a period of fourteen consecutive days. This shall be known as the conditioning period. The production valve and choke settings shall not be changed during either the conditioning or flow periods, except during the first ten (10) days of the conditioning period when maximum production would over-range the meter chart or location production equipment. The first ten (10) days of said conditioning period shall not have more than forty-eight (48) hours of cumulative interruptions of flow. The eleventh to fourteenth days, inclusive of said conditioning period, shall have no interruptions of flow whatsoever. Any interruption of flow that occurs as normal operation of the well as stop-cock flow, intermittent flow, or well blow down will not be counted as shut-in time in either the conditioning or flow period. [5-15-98]

(2) The daily flowing rate shall be determined from an average of seven or eight consecutive producing days, following a minimum conditioning period of 14 consecutive days of production. This shall be known as the flow period. [5-15-98]

(3) Instantaneous pressure shall be measured by a deadweight gauge or other method approved by the Division during the seven-day or eight-day flow period at the casinghead, tubinghead, and orifice meter, and shall be recorded along with instantaneous meter-chart static pressure reading. [5-15-98]

(4) If a well is producing through a compressor that is located between the wellhead and the meter run, the meter run pressure and the wellhead casing pressure and the wellhead tubing pressure are to be reported on Form C-122A. (Neither the suction pressure nor the discharge pressure of the compressor is considered wellhead pressure.) A note shall be entered in the remarks portion on Form C-122A stating "This well produced through a compressor". [5-15-98]

(5) When it is necessary to restrict the flow of gas between the wellhead and the orifice meter, the ratio of the downstream pressure, psia, to the upstream pressure, psia, shall be determined. When this ratio is 0.57, or less, critical flow conditions shall be considered to exist across the restriction. [5-15-98]

(6) When more than one restriction between the wellhead and the orifice meter causes the pressures to reflect critical flow between the wellhead and the orifice meter, the pressures across each of these restrictions shall be measured to determine whether critical flow exists at any restriction. When critical flow does not exist at any restriction, the pressures taken to disprove the critical flow shall be reported to the Division on Form C-122A in item (n) of the form. When critical flow conditions exist, the instantaneous flowing pressures required hereinabove shall be measured during the last 48 hours of the seven-day or eight-day flow period. [5-15-98]

(7) When critical flow exists between the wellhead and the orifice meter, the measured wellhead flowing pressure of the string through which the well flowed during the test shall be used as P_t when calculating the static wellhead working pressure (P_w) using the method established below. [5-15-98]

(8) When critical flow does not exist at any restriction, P_t shall be the corrected average static pressure from the meter chart plus friction loss from the wellhead to the orifice meter. [5-15-98]

(9) The static wellhead working pressure (P_w) of any well under test shall be the calculated seven-day or eight-day average static tubing pressure if the well is flowing through the casing; it shall be the calculated seven-day or eight-day average static casing pressure if the well is flowing through the tubing. The static wellhead working pressure (P_w) shall be calculated by applying the tables and procedures set out in this manual. [5-15-98]

(10) To obtain the shut-in pressure of a well under test, the well shall be shut-in some time during the current testing season for a period of seven to fourteen consecutive days, which have been preceded by a minimum of seven days of uninterrupted production. Such shut-in pressure shall be measured with a deadweight gauge or other method approved by the Division on the seventh to fourteenth day of shut-in of the well. The seven-day shut-in pressure shall be measured on both the tubing and the casing when communication exists between the two strings. The higher of such pressures shall be used as P_c in the deliverability calculation. When any such shut-in pressure is determined by the Division to be abnormally low or the well can not be shut-in due to "HARDSHIP" classification, the shut-in pressure to be used as P_c shall be determined by one of the following methods:

(a) A Division-designated value.

(b) An average shut-in pressure of all offset wells completed in the same zone. Offset wells include the four side and four corner wells, if available.

(c) A calculated surface pressure based on a calculated bottom-hole pressure. Such calculations shall be made in accordance with the examples in this manual. [5-15-98]

(11) All wellhead pressures, as well as the flowing meter pressure tests which are to be taken during the seven-day or eight-day deliverability test period as required hereinabove, shall be taken with a deadweight gauge or other method approved by the Division. The pressure readings and the date and time according to the chart shall be recorded and maintained in the operator's records with the test information. [5-15-98]

(12) Orifice meter charts shall be changed and arranged so as to reflect upon a single chart the flow data for the gas from each well for the full seven-day or eight-day deliverability test period; however, no tests shall be voided if satisfactory explanation is made as to the necessity for using test volumes through two chart periods. Corrections shall be made for pressure base, measured flowing temperature, specific gravity, and supercompressibility; provided however, if the specific gravity of the gas from any well under test is not available, an estimated specific gravity may be assumed therefore, based upon that of gas from near-by wells, the specific gravity of which has been actually determined by measurement. [5-15-98]

(13) The average flowing meter pressure for the seven-day or eight-day flow period and the corrected integrated volume shall be determined by the purchasing company that integrates the flow charts and furnished to the operator or testing agency. [5-15-98]

(14) The seven-day or eight-day flow period volume shall be calculated from the integrated readings as determined from the flow period orifice meter chart. The volume so calculated shall be divided by the number of testing days on the chart to determine the average daily rate of flow during said flow period. The flow period shall have a minimum of seven and a maximum of eight legibly recorded flowing days to be acceptable for test purposes. The volume used in this calculation shall be corrected to New Mexico Oil Conservation Division standard conditions of 15.025 psia pressure base, 60° F. temperature base and 0.60 specific gravity base. [5-15-98]

(15) The daily volume of flow, as determined from the flow period chart readings, shall be calculated by applying the Basic Orifice Meter Formula or other acceptable industry standard practices.

$$Q = C' (h_w P_f)^{.5}$$

Where:

Q = Metered volume of flow Mcf/d @ 15.025 psia, 60° F., and 0.60 specific gravity.

C' = The 24-hour basic orifice meter flow factor corrected for flowing temperature, gravity, and supercompressibility.

h_w = Daily average differential meter pressure from flow period chart.

P_f = Daily average flowing meter pressure from flow period chart. [5-15-98]

(16) The basic orifice meter flow factors, flowing temperature factor, and specific gravity factor shall be determined from the tables in this manual. [5-15-98]

(17) The daily flow period average corrected flowing meter pressure, psig, shall be used to determine the supercompressibility factor. Supercompressibility Tables may be obtained from the New Mexico Oil Conservation Division. [5-15-98]

(18) When supercompressibility correction is made for a gas containing either nitrogen or carbon dioxide in excess of two percent, the supercompressibility factors of such gas shall be determined by the use of Table V of the C.N.G.A. Bulletin TS-402 for pressures 100-500 psig, or Table II, TS-461 for pressures in excess of 500 psig. [5-15-98]

(19) The use of tables for calculating rates of flow from integrator readings which do not specifically conform to the New Mexico Oil Conservation Division "Back Pressure Test Manual", or this manual, may be approved for determining the daily flow period rates of flow upon a showing that such tables are appropriate and necessary. [5-15-98]

(20) The daily average integrated rate of flow for the seven-day or eight-day flow period shall be corrected for meter error by multiplication by a correction factor. Said correction factor shall be determined by dividing the square root of the deadweight flowing meter pressure, psia, by the square root of the chart flowing meter pressure, psia. [5-15-98]

(21) Deliverability pressure, as used herein, is a defined pressure applied to each well and used in the process of comparing the abilities of wells in a pool to produce at static wellhead working pressures equal to a percentage of the seven-day shut-in pressure of the respective individual wells. Such percentage shall be determined and announced periodically by the Division based on the relationship of the average static wellhead working pressures (P_w) divided by the average seven-day shut-in pressure (Pc) of the pool. [5-15-98]

(22) The deliverability of gas at the "deliverability pressure" of any well under test shall be calculated from the test data derived from the tests hereinabove required by use of the following deliverability formula:

$$D = Q\left[\frac{(P_c^2 - P_d^2)}{(P_c^2 - P_w^2)}\right]^n$$

Where:

D = Deliverability Mcf/d at the deliverability pressure, (P_d), (at Standard Conditions of 15.025 psia, 60°F. and 0.60 sp. gr.).

Q = Daily flow rate in Mcf/d, at wellhead pressure (P_w).

P_c = Seven-day shut-in wellhead pressure, psia, determined in accordance with Section 2 of Chapter II.

P_d = Deliverability pressure, psia, as defined above.

P_w = Average static wellhead working pressure, as determined from seven-day or eight-day flow period, psia, and calculated from tables in this manual entitled "Pressure Loss Due to Friction" Tables for northwest New Mexico.

n = Average pool slope of back pressure curves as follows:

For Pictured Cliffs and shallower formations, 0.85

For formations deeper than Pictured Cliffs, 0.75

(Note: Special rules for any specific pool or formation may supersede the above values. Check special rules if in doubt.) [5-15-98]

(23) The value of the multiplier in the above formula (ratio factor after the application of the pool slope) by which Q is multiplied shall not exceed a limiting value to be determined and announced periodically by the Division. Such determination shall be made after a study of the test data of the pool obtained during the previous testing season. [5-15-98]

(24) Downhole commingled wells are to be tested in the test year for the pool of the lowermost prorated completion of the well and shall use pool slope (n), and deliverability pressure of the lowermost pool. The total flow rate from the downhole commingled well will be used to calculate a value of deliverability. For each prorated gas zone of a downhole commingled well, a Form C-122A is required to be filed. Also, in the Summary portion of that form all zones will indicate the same data for line h, P_c, Q, P_w, and P_d. The value shown for Deliverability (D) will be that percentage of the total deliverability of the well that is applicable to this zone. A note shall be placed in the remarks column that indicates the percentage of deliverability to be allocated to this zone of the well. [5-15-98]

(25) Any test prescribed herein will be considered acceptable if the average flow rate for the final seven-day or eight-day deliverability test is not more than ten percent in excess of any consecutive seven-day or eight-day average of the preceding two weeks. A deliverability test not meeting this requirement may be declared invalid, requiring the well to be re-tested. [5-15-98]

(26) All charts relative to ~~initial, annual, or biennial~~ deliverability tests or copies thereof shall be made available to the Division upon its request. [5-15-98]

(27) All testing agencies, whether individuals, companies, pipeline companies, or operators, shall maintain a log of all tests accomplished by them including all field test data. The operator shall maintain the above data for a period of not less than two (2) years plus the current test year. [5-15-98]

(28) All forms heretofore mentioned are hereby adopted for use in the northwest New Mexico area in open form subject to such mnodification as experience may indicate desirable or necessary. [5-15-98]

(29) Deliverability Tests for gas wells in all formations shall be conducted and reported in accordance with these rules and procedures. Provided, however, these rules shall be subject to any specific modification or change contained in Special Pool Rules adopted for any pool after notice and hearing. [5-15-98]

606.C. INFORMATIONAL TESTS

(1) One-Point Back Pressure Test: A one-point back pressure test may be taken on newly completed wells before their connection or reconnection to a gas transportation facility. This test shall not be a required official test, but may be taken for informational purposes at the option of the operator. When taken, this test must be taken and reported as prescribed below.

(2) Test Procedure

(a) This test shall be accomplished after a minimum shut-in of seven days. The shut-in pressure shall be measured with a deadweight gauge or other method approved by the Division. [5-15-98]

(b) The flow rate shall be that rate in Mcf/d measured at the end of a three hour test flow period. The flow from the well shall be for three hours through a positive choke, which has a 3/4 inch orifice. [5-15-98]

(c) A 2-inch nipple which provides a mechanical means of accurately measuring the pressure and temperature of the flowing gas shall be installed immediately upstream from the positive choke. [5-15-98]

(d) The absolute open flow shall be calculated using the conventional back pressure formula as shown in this manual or the New Mexico Oil Conservation Division "Back Pressure Test Manual." [5-15-98]

(e) The observed data and flow calculations shall be reported in duplicate on Form C-122, "Multi-Point Back Pressure Test for Gas Wells." [5-15-98]

(f) Non-critical flow shall be considered to exist when the choke pressure is 13 psig or less. When this condition exists the flow rate shall be measured with a pitot tube and nipple as specified in this manual or in the Division's Manual of "Tables and Procedure for Pitot Tests." The pitot test nipple shall be installed immediately downstream from the 3/4-inch positive choke. [5-15-98]

(g) Any well completed with 2-inch nominal size tubing (1.995-inch ID) or larger shall be tested through the tubing. [5-15-98]

(3) Other tests for informational purposes may be conducted prior to obtaining a pipeline connection for a newly completed well upon receiving specific approval therefore from the Division's Aztec office. Approval of these tests shall be based primarily upon the volume of gas to be vented. [5-15-98]

606 TESTS AND TEST ~~RULES OF~~ PROCEDURES FOR PRORATED POOLS IN NORTHWEST NEW MEXICO ~~From R-333 as amended~~

606.A. ~~CHAPTER I~~ TYPE OF TESTS REQUIRED FOR WELLS COMPLETED IN PRORATED GAS POOLS

~~SECTION 1.~~(1) Reclassified GPUs: Operators of wells on a Gas Proration Unit (GPU) which has been reclassified as non-marginal will conduct Deliverability tests on those wells within 90 days of the order reclassifying it, unless there are current tests on file with the Oil Conservation Division (Division) or the order requires a new test. A current test is a test which was conducted during the last test period for that pool or later. [5-15-97] ~~Initial Deliverability and Shut-In Pressure Tests for Newly Completed Well~~

~~A. Immediately upon completion of each gas well in northwest New Mexico, a shut-in pressure test of at least seven days duration shall be made. This initial shut-in pressure shall be filed with the Division's Aztec Office on either Form C-122 or C-104.~~

~~B. Within 90 days after a well first delivers gas 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 in triplicate with the Division's Aztec office and one copy filed with the gas transportation facility to which the well is connected. This test is to be filed on Form C-122A. Failure to file said test within the above-prescribed 90-day period will subject the well to the loss of one day's allowable for each day the test is late.~~

~~1. If the newly first delivered well is an infill well on a proration unit, the old well on the unit is not required to be tested provided it has a valid test on file for the current proration year. Testing of the old well follows the regularly assigned test year for the pool in which the wells are located. The new well is required to be tested annually until at least three annual tests are on file and then the well is to be tested biennially with other wells in that pool.~~

~~2. If the newly first delivered well is an infill well on a proration unit and the old well on the unit is "exempt," the old well is to be tested along with the new well for the Initial and Annual Deliverability and Shut-In Pressure Test. The old well will lose its "exempt" classification pool. The new infill well is required to be tested annually until at least three annual tests are on file and then the well is to be tested biennially with other wells in that pool.~~

~~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 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.~~

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 11705 Exhibit No. 3b
Submitted by OCD
Hearing Date 1/16/02

3b

~~SECTION 2.~~(2) Non-marginal GPUs: Operators will conduct deliverability tests on wells on non-marginal GPUs every five years. If the Division determines that a well's test data and production data warrant more frequent testing of a well, the Division may set up special testing schedules for that well. [5-15-98] ~~Annual and Biennial Deliverability and Shut-In Pressure Tests~~

~~. Annual or Biennial Deliverability and Shut-In Pressure Tests shall be made on all gas wells during the period from January 1 through December 31 of that year except as follows:~~

~~1. A newly completed well or a recompleted well shall be tested on an annual basis until a minimum of 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. Wells classified as "exempt" shall not be subject to the requirements of annual or biennial deliverability tests.~~

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

~~Gas wells completed in the Pictured Cliffs or any shallower formation shall be classified "exempt" if at least three months of production history is available and the well failed to produce, and is incapable of producing, an average volume equal to the larger of 1) the pool's current (April-September) Monthly Acreage Allocate Factor, F1, times the GPU Acreage Factor, A, or 2) an average of 250 MCF or more per month during the months produced within the preceding 12-month period, and the well is classified as marginal in the August Gas Proration Schedule.~~

~~Gas wells completed in any formation deeper than the Pictured Cliffs formation shall be classified "exempt" if at least three months of production history is available and the well failed to produce, and is incapable of producing, an average volume equal to the larger of 1) the pools' current (April-September) Monthly Acreage Allocate Factor, F1, times the GPU Acreage Factor, A, or 2) an average of 2000 MCF or more per month during the months produced within the preceding 12-month period, and the well is classified as marginal in the August Gas Proration Schedule.~~

~~Gas wells on multiple well Gas Proration Units will not be classified "exempt" unless the Gas Proration Unit is classified as marginal. Any or all wells on a marginal multiple well Gas Proration Unit may be classified as "exempt" provided each Gas Proration Unit so classified meets the qualification for "exempt" status. Gas Proration Units for wells producing from formations deeper than the Pictured Cliffs formation shall be classified "exempt" if at least three months of production history is available and the Gas Proration Unit failed to produce, and is incapable of producing, an average volume equal to the larger of 1) the pool's current (April-September) Monthly Acreage Allocate Factor, F1, times the GPU Acreage Factor, A, or 2) an average of 2000 MCF or more per month during the months produced~~

~~within the preceding 12-month period, and the well is classified as marginal in the August Gas Proration Schedule. Gas Proration Units are to be classified as "exempt" because of their low producing ability.~~

~~The District Supervisor of the Division's Aztec Office may classify a well or Gas Proration Unit as "exempt" at any time if the operator presents sufficient evidence to the District Supervisor indicating that the well or Gas Proration Unit is incapable of producing gas at a higher rate than that rate required for "exempt" classification for wells or Gas Proration Units in that pool.~~

~~Once a well or Gas Proration Unit has been declared "exempt" for the following test year, it shall remain classified "exempt" for that test year.~~

~~3. If a test is filed on any well on a gas proration unit, the test requirement for the gas proration unit has been met. The deliverability of the unit is taken only as the resulting sum of all wells tested.~~

~~4. A shut-in pressure must be filed on Form C-122A even if no gas is measured during the production phase of the test. The filing of shut-in pressures for "exempt" wells is not required.~~

~~B. All Annual and Biennial Deliverability and Shut-In Pressure Tests required by these rules must be filed with the Division's Aztec office and with the appropriate gas transportation facility within 90 days following the completion of each test. Provided however, that any test completed between October 31 of the test year and January 31 of the following year are due no later than January 31. No extension of time for filing tests beyond January 31 will be granted except after notice and hearing.~~

~~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. A well classified as marginal shall be shut in one day for each day the test is late.~~

~~SECTION 3:~~ (3) Scheduling of Tests

~~A.~~(a) Notification of Pools to be Tested: By September 1 of each year the Aztec District Office of the Division will notify operators of non-marginal GPUs if their wells will be tested during the following test period. [5-15-98]

(b) All Deliverability Tests required by these rules must be filed with the Division's Aztec office within 90 days following the completion of each test. Provided however, that any test completed between December 31 of the test year and March 10 of the following year are due no later than January 31. No extension of time for filing tests beyond March 10 will be granted except after notice and hearing. [5-15-98]

(c) Failure to file any test within the above-prescribed times will subject the GPU to the loss of one day's allowable for each day the test is late. [5-15-98]

(d) Any well scheduled for testing during its test year may have the conditioning period, test flow period, and part of the seven-day shut-in period conducted in December of the previous year provided that, if the seven-day shut-in period immediately follows the test flow period, the seven-day shut-in pressure would be measured in January of the test year. The earliest date that a well could be scheduled for a Deliverability Test would be such that the Test Flow Period would end on December 25 of the previous year. [5-15-98]

(e) Downhole commingled wells are to be scheduled for tests on dates for the pool of the lowermost prorated completion of the well. [5-15-98]

(f) In the event a well is shut-in by the Division for overproduction, the operator may produce the well for a period of time to secure a test after written notification to the Division. All gas produced during this testing period will be used in determining the over/under produced status of the well. [5-15-98]

(g) An operator may schedule a well for a deliverability retest upon notification to the Division's Aztec office at least ten days before the test is to be commenced. Such retest will be for substantial reason and will be subject to the approval of the Division. A retest will be conducted in conformance with the Deliverability Test Procedures of these rules. The Division, at its discretion, may require the retesting of any well by notification to the operator to schedule such retest. These tests as filed on Form C-122A should be identified as "RETEST" in the remarks column. [5-15-98]

~~By September 1 of each year, the District Supervisor of the Aztec District Office of the Division shall by memorandum notify each gas transportation facility and each operator of the pools which are to be scheduled for biennial testing during the following testing period from January 1 through the last day of December of that test year. The District Supervisor will also provide a list of "exempt" wells and a list of wells that do not have a minimum of three Annual Deliverability and Shut In Pressure Tests on file.~~

~~Any well scheduled for testing during its test year may have the conditioning period, test flow period, and part of the seven-day shut-in period conducted in December of the previous year if the seven-day shut-in period immediately follows the test flow period the four seven-day shut-in pressure would be measured in January of the test year. The earliest date that a well could be scheduled for Annual or Biennial Deliverability and Shut In Pressure Test would be such that the Test Flow Period would end on December 25 of the previous year. Downhole commingled wells are to be scheduled for tests on dates for the pool of the lowermost prorated completion of the well.~~

~~B. Annual and Biennial Deliverability Tests~~

~~By November 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 begin testing in December and January. Said schedule shall be entitled, "Annual and Biennial Deliverability and Shut-In Pressure Test Schedule", and one copy shall be submitted to the Division's Aztec office and to 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 Division 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 existing test schedule, the well shall be rescheduled by the gas transportation facility, and the Division and the operator of the well so notified in writing. Every effort should be made to notify the Division of the new schedule prior to the conclusion of the newly assigned 14-day conditioning period.~~

~~Notice to the Division 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 and biennial tests may be completed during the testing season. In the event a well is shut-in by the State for over production, the operator may produce the well for a period of time to secure a test after notification to the Division. All gas produced during this testing period will be used in determining the over/under produced status of the well.~~

~~C. Deliverability Retests~~

~~An operator may, in cooperation with the gas transportation facility, schedule a well for a deliverability retest upon notification to the Division's Aztec office at least ten days before the test is to be commenced. Such retest shall be for good and substantial reason and shall be subject to the approval of the Division. Retests shall in all ways be conducted in conformance with the Annual and Biennial Deliverability Test Procedures of these rules. The Division, at its discretion, may require the retesting of any well by notification to the operator to schedule such retest. These tests as filed on Form C-122A should be identified as "RETEST" in the remarks column.~~

~~SECTION 4:~~(4) Witnessing of Tests: Any ~~Initial Annual or Biennial Deliverability and Shut-In Pressure~~ Deliverability Test may be witnessed by any or all of the following: an agent of the Division, an offset operator, a representative of the gas transportation facility connected to the well under test, or a representative of the gas transportation facility taking gas from an offset operator. [5-15-98]

~~CHAPTER II~~606.B. PROCEDURE FOR TESTING

~~SECTION 1: Initial Deliverability and Shut-In Pressure Test Procedure~~

~~A. Within 90 days after a newly completed well is first delivered to a gas transportation facility, the operator shall complete a deliverability and shut-in pressure test of the well in conformance with the "Annual and Biennial Deliverability and Shut-In Pressure Test Procedures", prescribed in Section 2 of this chapter. Results of the test shall be filed as required by Section 1 of Chapter I of these rules.~~

~~B. In the event it is impractical to test a newly completed well in conformance with Paragraph A above, the operator may conduct the deliverability and shut-in pressure test in the following manner (provided, however, that any test so conducted will not be accepted as the first annual deliverability and shut-in pressure test as described in Paragraph A-1 of Section 2, Chapter I):~~

~~1. A seven-day or eight-day production chart may be used as the basis for determining the well's deliverability, providing the chart so used is preceded by at least 14-day continuous deliverability, providing the chart so used is preceded by at least 14 days continuous production. The well shall produce through either the casing or tubing, but not both, into a pipeline during these periods. The production valve and the choke settings shall not be changed during either the conditioning or flow period with the exception of the first ten (10) days of the conditioning period when maximum production would over range the meter chart or location production equipment.~~

~~2. A shut-in pressure of at least seven day's duration shall be taken. This shall be the shut-in test required in Paragraph A, Section 1 of Chapter I of these rules.~~

~~3. The average daily static meter pressure shall be determined in accordance with Section 2 or Chapter II of these rules. This pressure shall be used as P_t in calculating P_w for the Deliverability Calculation.~~

~~4. The daily average rate of flow shall be determined in accordance with Section 2 of Chapter II.~~

~~5. The static wellhead working pressure (P_w) shall be determined in accordance with Section 2 of Chapter II.~~

~~6. The deliverability of the well shall be determined by using the data determined in Paragraphs 1 through 5 above in the deliverability formula in accordance with Section 2 of Chapter II.~~

~~7. The data and calculations for Paragraphs 1 through 6 above shall be reported as required in Section 1 of Chapter I of these rules, upon the blue colored Form C-122A~~

~~or on white Form C-122A and identified as "INITIAL TEST ONLY" in remarks.~~

~~SECTION 2: Annual and Biennial Deliverability and Shut-In Pressure Test Procedure~~

(1) The test shall begin by producing a well in the normal operating manner into the pipeline through either the casing or tubing, but not both, for a period of fourteen consecutive days. This shall be known as the conditioning period. The production valve and choke settings shall not be changed during either the conditioning or flow periods, except during the first ten (10) days of the conditioning period when maximum production would over-range the meter chart or location production equipment. The first ten (10) days of said conditioning period shall not have more than forty-eight (48) hours of cumulative interruptions of flow. The eleventh to fourteenth days, inclusive of said conditioning period, shall have no interruptions of flow whatsoever. Any interruption of flow that occurs as normal operation of the well as stop-cock flow, intermittent flow, or well blow down will not be counted as shut-in time in either the conditioning or flow period. [5-15-98]

(2) The daily flowing rate shall be determined from an average of seven or eight consecutive producing days, following a minimum conditioning period of 14 consecutive days of production. This shall be known as the flow period. [5-15-98]

(3) Instantaneous pressure shall be measured by a deadweight gauge or other method approved by the Division during the seven-day or eight-day flow period at the casinghead, tubinghead, and orifice meter, and shall be recorded along with instantaneous meter-chart static pressure reading. [5-15-98]

(4) If a well is producing through a compressor that is located between the wellhead and the meter run, the meter run pressure and the wellhead casing pressure and the wellhead tubing pressure are to be reported on Form C-122A. (Neither the suction pressure nor the discharge pressure of the compressor is considered wellhead pressure.) A note shall be entered in the remarks portion on Form C-122A stating "This well produced through a compressor". [5-15-98]

(5) When it is necessary to restrict the flow of gas between the wellhead and the orifice meter, the ratio of the downstream pressure, psia, to the upstream pressure, psia, shall be determined. When this ratio is 0.57, or less, critical flow conditions shall be considered to exist across the restriction. [5-15-98]

(6) When more than one restriction between the wellhead and the orifice meter causes the pressures to reflect critical flow between the wellhead and the orifice meter, the pressures across each of these restrictions shall be measured to determine whether critical flow exists at any restriction. When critical flow does not exist at any restriction, the pressures taken to disprove the critical flow shall be reported to the Division on Form C-122A in item (n) of the form. When critical flow conditions exist, the instantaneous flowing pressures required hereinabove shall be measured during the last 48 hours of the seven-day or eight-day flow period. [5-15-98]

(7) When critical flow exists between the wellhead and the orifice meter, the measured wellhead flowing pressure of the string through which the well flowed during the test shall be used as P_t when calculating the static wellhead working pressure (P_w) using the method established below. [5-15-98]

(8) When critical flow does not exist at any restriction, P_t shall be the corrected average static pressure from the meter chart plus friction loss from the wellhead to the orifice meter. [5-15-98]

(9) The static wellhead working pressure (P_w) of any well under test shall be the calculated seven-day or eight-day average static tubing pressure if the well is flowing through the casing; it shall be the calculated seven-day or eight-day average static casing pressure if the well is flowing through the tubing. The static wellhead working pressure (P_w) shall be calculated by applying the tables and procedures set out in this manual. [5-15-98]

(10) To obtain the shut-in pressure of a well under test, the well shall be shut-in some time during the current testing season for a period of seven to fourteen consecutive days, which have been preceded by a minimum of seven days of uninterrupted production. Such shut-in pressure shall be measured with a deadweight gauge or other method approved by the Division on the seventh to fourteenth day of shut-in of the well. The seven-day shut-in pressure shall be measured on both the tubing and the casing when communication exists between the two strings. The higher of such pressures shall be used as P_c in the deliverability calculation. When any such shut-in pressure is determined by the Division to be abnormally low or the well can not be shut-in due to "HARDSHIP" classification, the shut-in pressure to be used as P_c shall be determined by one of the following methods: [5-15-98]

~~1.~~ (a) A Division-designated value.

~~2.~~ (b) An average shut-in pressure of all offset wells completed in the same zone. Offset wells include the four side and four corner wells, if available.

~~3.~~ (c) A calculated surface pressure based on a calculated bottom-hole pressure. Such calculations shall be made in accordance with the examples in this manual. [5-15-98]

(11) All wellhead pressures, as well as the flowing meter pressure tests which are to be taken during the seven-day or eight-day deliverability test period as required hereinabove, shall be taken with a deadweight gauge or other method approved by the Division. The pressure readings and the date and time according to the chart shall be recorded and maintained in the operator's records with the test information. [5-15-98]

(12) Orifice meter charts shall be changed and arranged so as to reflect upon a single chart the flow data for the gas from each well for the full seven-day or eight-day deliverability test period; however, no tests shall be voided if satisfactory explanation is made as to the necessity for using test volumes through two chart periods. Corrections shall be made for pressure base, measured flowing temperature, specific gravity, and supercompressibility; provided however, if the specific gravity of the gas from any well under test is not available, an estimated specific gravity may be assumed therefore, based upon that of gas from near-by wells, the specific gravity of which has been actually determined by measurement. [5-15-98]

(13) The average flowing meter pressure for the seven-day or eight-day flow period and the corrected integrated volume shall be determined by the purchasing company that integrates the flow charts and furnished to the operator or testing agency. [5-15-98]

(14) The seven-day or eight-day flow period volume shall be calculated from the integrated readings as determined from the flow period orifice meter chart. The volume so calculated shall be divided by the number of testing days on the chart to determine the average daily rate of flow during said flow period. The flow period shall have a minimum of seven and a maximum of eight legibly recorded flowing days to be acceptable for test purposes. The volume used in this calculation shall be corrected to New Mexico Oil Conservation Division standard conditions of 15.025 psia pressure base, 60° F. temperature base and 0.60 specific gravity base. [5-15-98]

(15) The daily volume of flow, as determined from the flow period chart readings, shall be calculated by applying the Basic Orifice Meter Formula or other acceptable industry standard practices.

$Q = C' (h_w P_f).^5$

Where:

Q = Metered volume of flow Mcf/d @ 15.025 psia, 60° F., and 0.60 specific gravity.

C' = The 24-hour basic orifice meter flow factor corrected for flowing temperature, gravity, and supercompressibility.

h_w = Daily average differential meter pressure from flow period chart.

P_f = Daily average flowing meter pressure from flow period chart. [5-15-98]

(16) The basic orifice meter flow factors, flowing temperature factor, and specific gravity factor shall be determined from the tables in this manual. [5-15-98]

(17) The daily flow period average corrected flowing meter pressure, psig, shall be used to determine the supercompressibility factor. Supercompressibility Tables may be obtained from the New Mexico Oil Conservation Division. [5-15-98]

(18) When supercompressibility correction is made for a gas containing either nitrogen or carbon dioxide in excess of two percent, the supercompressibility factors of such gas shall be determined by the use of Table V of the C.N.G.A. Bulletin TS-402 for pressures 100-500 psig, or Table II, TS-461 for pressures in excess of 500 psig. [5-15-98]

(19) The use of tables for calculating rates of flow from integrator readings which do not specifically conform to the New Mexico Oil Conservation Division "Back Pressure Test Manual", or this manual, may be approved for determining the daily flow period rates of flow upon a showing that such tables are appropriate and necessary. [5-15-98]

(20) The daily average integrated rate of flow for the seven-day or eight-day flow period shall be corrected for meter error by multiplication by a correction factor. Said correction factor shall be determined by dividing the square root of the deadweight flowing meter pressure, psia, by the square root of the chart flowing meter pressure, psia [5-15-98]

(21) Deliverability pressure, as used herein, is a defined pressure applied to each well and used in the process of comparing the abilities of wells in a pool to produce at static wellhead working pressures equal to a percentage of the seven-day shut-in pressure of the respective individual wells. Such percentage shall be determined and announced periodically by the Division based on the relationship of the average static wellhead working pressures (P_w) divided by the average seven-day shut-in pressure (Pc) of the pool. [5-15-98]

(22) The deliverability of gas at the "deliverability pressure" of any well under test shall be calculated from the test data derived from the tests hereinabove required by use of the following deliverability formula:

$$D = Q\left[\frac{(P_c^2 - P_d^2)}{(P_c^2 - P_w^2)}\right]^n$$

Where:

D = Deliverability Mcf/d at the deliverability pressure, (P_d), (at Standard Conditions of 15.025 psia, 60°F. and 0.60 sp. gr.).

Q = Daily flow rate in Mcf/d, at wellhead pressure (P_w).

P_c = Seven-day shut-in wellhead pressure, psia, determined in accordance with Section 2 of Chapter II.

P_d = Deliverability pressure, psia, as defined above.

P_w = Average static wellhead working pressure, as determined from seven-day or eight-day flow period, psia, and calculated from tables in this manual entitled "Pressure Loss Due to Friction" Tables for northwest New Mexico.

n = Average pool slope of back pressure curves as follows:

For Pictured Cliffs and shallower formations, 0.85

For formations deeper than Pictured Cliffs, 0.75

(Note: Special rules for any specific pool or formation may supersede the above values. Check special rules if in doubt.) [5-15-98]

(23) The value of the multiplier in the above formula (ratio factor after the application of the pool slope) by which Q is multiplied shall not exceed a limiting value to be determined and announced periodically by the Division. Such determination shall be made after a study of the test data of the pool obtained during the previous testing season. [5-15-98]

(24) Downhole commingled wells are to be tested in the test year for the pool of the lowermost prorated completion of the well and shall use pool slope (n), and deliverability pressure of the lowermost pool. The total flow rate from the downhole commingled well will be used to calculate a value of deliverability. For each prorated gas zone of a downhole commingled well, a Form C-122A is required to be filed. Also, in the Summary portion of that form all zones will indicate the same data for line h, P_c, Q, P_w, and P_d. The value shown for Deliverability (D) will be that percentage of the total deliverability of the well that is applicable to this zone. A note shall be placed in the remarks column that indicates the percentage of deliverability to be allocated to this zone of the well. [5-15-98]

(25) Any test prescribed herein will be considered acceptable if the average flow rate for the final seven-day or eight-day deliverability test is not more than ten percent in excess of any consecutive seven-day or eight-day average of the preceding two weeks. A deliverability test not meeting this requirement may be declared invalid, requiring the well to be re-tested. [5-15-98]

(26) All charts relative to ~~initial, annual, or biennial~~ deliverability tests or copies thereof shall be made available to the Division upon its request. [5-15-98]

(27) All testing agencies, whether individuals, companies, pipeline companies, or operators, shall maintain a log of all tests accomplished by them including all field test data. The operator shall maintain the above data for a period of not less than two (2) years plus the current test year. [5-15-98]

(28) All forms heretofore mentioned are hereby adopted for use in the northwest New Mexico area in open form subject to such mnodification as experience may indicate desirable or necessary. [5-15-98]

(29) ~~Initial and annual or Biennial~~ Deliverability ~~and Shut-In Pressure~~ Tests for gas wells in all formations shall be conducted and reported in accordance with these rules and procedures. Provided, however, these rules shall be subject to any specific modification or change contained in Special Pool Rules adopted for any pool after notice and hearing. [5-15-98]

~~CHAPTER III~~ 606.C. INFORMATIONAL TESTS

(1) ONE-POINT BACK PRESSURE TEST: ~~A.~~ A one-point back pressure test may be taken on newly completed wells before their connection or reconnection to a gas transportation facility. This test shall not be a required official test, but may be taken for informational purposes at the option of the operator. When taken, this test must be taken and reported as prescribed below.

(2) TEST PROCEDURE

(a) This test shall be accomplished after a minimum shut-in of seven days. The shut-in pressure shall be measured with a deadweight gauge or other method approved by the Division. [-5-15-98]

~~2.~~(b) The flow rate shall be that rate in Mcf/d measured at the end of a three hour test flow period. The flow from the well shall be for three hours through a positive choke, which has a 3/4 inch orifice. [5-15-98]

~~3.~~ (c) A 2-inch nipple which provides a mechanical means of accurately measuring the pressure and temperature of the flowing gas shall be installed immediately upstream from the positive choke. [5-15-98]

~~4.~~(d) The absolute open flow shall be calculated using the conventional back pressure formula as shown in this manual or the New Mexico Oil Conservation Division "Back Pressure Test Manual." [5-15-98]

~~5.~~ (e) he observed data and flow calculations shall be reported in duplicate on Form C-122, "Multi-Point Back Pressure Test for Gas Wells." [5-15-98]

~~6.~~ (f) Non-critical flow shall be considered to exist when the choke pressure is 13 psig or less. When this condition exists the flow rate shall be measured with a pitot tube and nipple as specified in this manual or in the Division's Manual of "Tables and Procedure for Pitot Tests." The pitot test nipple shall be installed immediately downstream from the 3/4-inch positive choke. [5-15-98]

~~7.~~ (g) Any well completed with 2-inch nominal size tubing (1.995-inch ID) or larger shall be tested through the tubing. [5-15-98]

~~B.~~ (3) Other tests for informational purposes may be conducted prior to obtaining a pipeline connection for a newly completed well upon receiving specific approval therefore from the Division's Aztec office. Approval of these tests shall be based primarily upon the volume of gas to be vented. [5-15-98]

~~CHAPTER IV TYPE OF TESTS REQUIRED FOR WELLS COMPLETED IN NON-PRORATED POOLS~~

~~SECTION 1: Initial Shut-In Pressure Tests for Newly Completed Wells~~

~~A. (Same as Chapter I, Section 1, A)~~

~~SECTION 2: Biennial Shut-In Pressure Tests~~

~~A. Non-prorated wells will be tested biennially as required by the District Office except as follows:~~

~~1. Wells which meet the "exempt" qualification as shown in Chapter I, Section 2, paragraph A-2 of these rules shall also be exempt from shut-in test requirements.~~

~~2. Wells classified as "hardship" wells during the test year shall also be exempt from shut-in test requirments.~~

~~B. All shut-in tests required by these rules must be filed with the Division's Aztec office by January 31 of the following year. Failure to file the test will subject the well to being shut-in one day for each day the test is late.~~

~~SECTION 3: Scheduling Tests~~

~~A. By September 1 of each year, the District Supervisor of the Aztec District Office of the Division shall, by memorandum, notify each gas transportation facility and each operator of the pools which are to be scheduled for biennial shut-in pressure testing during the following testing period from January 1 through the last day of December of that test year. The District Supervisor will also provide a list of "exempt" wells.~~

~~Any well scheduled for testing during its test year may have the test flow period, and some of the seven-day shut-in period conducted in December of the previous year. The earliest date that a well could be scheduled for a Biennial Shut-In Pressure Test would be such that the Test Flow Period would end on December 25 of the previous year.~~

~~Downhold commingled wells are to be scheduled for tests on dates for the pool of the lowermost completion of well.~~

SECTION 4: Test Procedure

A. To obtain the shut-in pressure of a well under test, the well shall be shut-in some time during the current testing season for a period of seven to fourteen consecutive days, which have been preceded by a minimum of seven days of uninterrupted production. Such shut-in pressure shall be measured by deadweight gauge or other method approved by the Division on the seventh to fourteenth day of shut-in of the well. The shut-in pressure shall be measured on both the tubing and the casing when communication exists between the two strings. The higher of such pressures shall be reported as the shut-in pressure of the well.

SECTION 5: Filing of Shut-In Pressure Data

The result of this test shall be reported in the last column of Division Form C-125 showing the pressure in psig and shall be filed in triplicate with the Aztec District Office of the Division.

NOTICES OF RULE MAKING AND PROPOSED RULES

NEW MEXICO CHILDREN, YOUTH AND FAMILIES DEPARTMENT

PROTECTIVE SERVICES DIVISION
P.O. DRAWER 5160
SANTA FE, NM 87502

NOTICE OF PUBLIC HEARING

The Protective Services Division will hold a public hearing on April 14, 1998 from 9:00 a.m. to 12:00 p.m. in the Public Employees Retirement Association (PERA) Building, PSD Conference Room, 2nd floor, Santa Fe, New Mexico, to consider an amendment to the Adoption Act Regulations, specifically, the time frame for the initial home visit during post-placement services. The public hearing is handicapped accessible. If assistance is required, please contact the division at the number listed below.

The proposed amendment may be viewed during regular business hours at the Director's Office, Room 254, in the PERA Building, the corner of Old Santa Fe Trail and Paseo de Peralta. Copies may be obtained by contacting Maryellen Strawniak, P.O. Drawer 5160, Santa Fe, New Mexico 87502-5160, telephone (505)827-8400.

NEW MEXICO STATE BOARD OF EDUCATION

NOTICE OF PROPOSED RULEMAKING

The New Mexico State Board of Education ("Board") will convene on Friday, March 20, 1998, at 8:30 a.m. in Mabry Hall of the State Department of Education Building located at 300 Don Gaspar, Santa Fe, New Mexico, for the purpose of conducting a regularly scheduled meeting.

The New Mexico State Department of Public Education will recommend that the Board take action on the following:

Agenda Item:	Agenda Item Number
Regulation: Revisions to SBE Regulation 93-20 (Instructional Materials)	16b.
New Mexico Activities Association Referenda (Revised Restitution Rule)	17
Regulation: Revisions to SBE Regulation 78-6, Amendment 1 (Governing, Suspension, or Revocation of a License Held by a School Instructor or Administrator)	19
Regulation: Revisions to SBE Regulation 87-16 (Governing Denial of Applications for Licenses for School Personnel in New Mexico)	20

Copies of the Agenda have been disseminated in accordance with the Board's Open Meetings Policy.

Individuals with disabilities who require this information in an alternative format or need any form of auxiliary aid to attend or participate in this meeting, please contact the State Board of Education Office at 827-6571 by Monday, March 16, 1998. Upon request, public documents will be provided in the accessible form necessary to the individual so requesting. Written comments will be accepted until Tuesday, March 17, 1998, at 5:00 p.m. and may be submitted to the Office of General Counsel, State Department of Education, Education Building, 300 Don Gaspar, Santa Fe, New Mexico 87501-2786. However, the submission of written comments as soon as possible is encouraged.

The Board attempts to follow the order and date of items as listed on the Agenda; however, the order and date of specific items are tentative and may vary from the printed Agenda.

Comments, questions, or requests for copies of the Agenda should be directed to Yvette Tapia, Office of General Counsel, State Department of Education, Education Building, 300 Don Gaspar, Santa Fe, New Mexico 87501-2786, or (505) 827-6641.

NEW MEXICO ENERGY, MINERALS AND NATU... RESOURCES DEPARTMENT

MINING AND MINERALS DIVISION

NOTICE OF HEARING OF APPEAL AND PUBLIC MEETING OF THE NEW MEXICO COAL SURFACE MINING COMMISSION

A Public Meeting of the New Mexico Coal Surface Mining Commission (CSMC) will be held in Santa Fe, New Mexico. April 2, 1998 beginning at 9:00 a.m., in Room 321 of the State Capitol Bu... [illegible] g to co... [illegible] ation exi... [illegible] by Mc... [illegible] the pe... [illegible] t to Se... [illegible] part 12... [illegible] MC ma... [illegible]

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BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 11705 Exhibit No. 4
Submitted by OCD
Hearing Date 4/9/98

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NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

NOTICE OF HEARING AND PROPOSED RUL.ES

The Oil Conservation Commission proposes to adopt rules incorporating prior orders of the Commission and the Oil Conservation Division (Orders R-8170 and R-333, as amended), regarding prorated oil and gas pools in New Mexico and the testing

required of wells in such pools. Changes from the existing orders include: (i) classifying all Gas Proration Units in Northwest New Mexico as marginal unless the operator presents evidence that a Gas Proration Unit should be classified as non-marginal, and (ii) reducing the deliverability testing required on wells on such Gas Proration Units.

A hearing on the proposed regulations will be held on Thursday, April 9, 1998, 9:00 a.m. at the Oil Conservation Division hearing room (which is an accessible facility), 2nd Floor, 2040 South Pacheco, Santa Fe, New Mexico, 87505.

If special accommodations or auxiliary aids are needed to facilitate equal opportunity and access to members of the public, please contact Sally Martinez at (505) 827-7133 by Monday, April 6, 1998.

Copies of the proposed rules may be obtained, and comments on such proposed rules may be submitted, by contacting Sally Martinez at the Oil Conservation Division, 2040 South Pacheco, Santa Fe, New Mexico, 87505, Phone number (505) 827-7133.

NEW MEXICO DEPARTMENT OF FINANCE AND ADMINISTRATION

NOTICE OF PUBLIC HEARING

The Department of Finance and Administration (DFA) will hold a public hearing on April 16, 1998 at 10 a.m. in the State Education Building, Mabry Hall, Don Gaspar Avenue, Santa Fe, New Mexico, 87503. DFA proposes to amend 2 NMAC 40.2, The Rule Governing the Approval of Contracts for Purchase of Professional Services, to delete Section 13, Retroactive Contract and or Amendment to Retroactive Contract and delete Section 7.12, the definition of *retroactive contract or amendment to retroactive contract*, in their entirety so that the DFA Secretary will no longer review and approve retroactive contracts and amendments to retroactive contracts. The deletion of Section 7.12 and Section 13 will result in the renumbering of Sections 7.13, 7.14 and 7.15 as Section 7.12, 7.13 and 7.14 and the renumbering of Sections 14, 15, 16 and 17 as Section 13, 14, 15 and 16. Section 8.2 and Section 10.1 will also delete the words *retroactive* contracts and retroactive contract amendments. Copies of the proposed regulation as revised may be obtained from DFA, Office of the Secretary, Room 180 Bataan Memorial Building, Santa Fe 87503. Interested individuals may testify at the public hearing or submit written comments no later than 5:00 p.m., April 2, 1998 to DFA at the above address. All written and oral testimony will be considered prior to the issuance of the final regulation.

If you are an individual with a disability who needs auxiliary aid or service in order to attend or participate in the hearing, please notify D.F.A. by phoning (505) 827-4985 or writing to the above address. DFA requests at least 10 days advance notice to provide requested alternative formats and special accommodations.

NEW MEXICO STATE HIGHWAY AND TRANSPORTATION DEPARTMENT

NOTICE OF PUBLIC HEARING

The New Mexico State Highway and Transportation Department (NMSHTD) will hold a public hearing for the purpose of receiving oral and written public comment on a proposed amendment to 18 NMAC 31.2, New Mexico Scenic and Historic Byways Program.

The hearing is scheduled for May 5, 1998, at 1:00 p.m. at the New Mexico State Highway and Transportation Department General Office, Training Rooms 1 and 2, located at 1120 Cerrillos Road, in Santa Fe, New Mexico.

The hearing will be held before a hearing officer appointed by the Secretary of the NMSHTD. Interested persons may also present their views by written statements submitted on or before May 5, 1998, to Kathy Arellanes, New Mexico State Highway and Transportation Department, P.O. Box 1149, Santa Fe, New Mexico 87504-1149, (505) 827-5516.

Any individual with a disability who is in need of an auxiliary aid or service to attend or participate in the hearings, or who needs copies of the proposed rule in an accessible form may contact Ms. Arellanes at least ten days before the hearing.

NEW MEXICO STATE HIGHWAY AND TRANSPORTATION DEPARTMENT

NOTICE OF PUBLIC HEARING

The New Mexico State Highway and Transportation Department (NMSHTD) will hold a public hearing for the purpose of receiving oral and written public comment on a proposed amendment to 18 NMAC 21.3, Regulations for Gas, Food, Lodging, Camping and Attraction, Traveler Information Signs, formerly SHTD Rule 88-2(L), Regulations for Gas, Food, Lodging and Camping Motorist Information Signs on Interchanges of the Interstate Highway System and Full Access Controlled Primary Highway System.

The hearing is scheduled for April 1, 1998, at 5:00 p.m. at the New Mexico State Highway and Transportation Department General Office, Training Rooms 1 and 2, located at 1120 Cerrillos Road, in Santa Fe, New Mexico.

The hearing will be held before a hearing officer appointed by the Secretary of the NMSHTD. Interested persons may also present their views by written statements submitted on or before April 1, 1998, to Jack Bermudiz or John Nitzel, New Mexico State Highway and Transportation Department, P.O. Box 1149, Room 208, Santa Fe, New Mexico 87504-1149, (505) 827-5473.

Any individual with a disability who is in need of an auxiliary aid or service to attend or participate in the hearings, or who needs copies of the proposed rule in an accessible form may contact Mr. Bermudiz at least ten days before the hearing.

NEW MEXICO STATE PERSONNEL BOARD

NOTICE OF RULE MAKING AND PUBLIC HEARING

The State Personnel Board will hold a public hearing at the regular meeting on May 15, 1998, at 9:00 a.m., at the State Capitol Building – Old Santa Fe Trail, Room 321, Santa Fe, NM, to consider proposed revisions to State Personnel Board Rules ***1 NMAC 7.4.14.7.2, Salary Upon Grade Change,*** pursuant to ***1 NMAC 7.13.***

This meeting is being called in accordance with the Open Meetings Act and the State Personnel Board Open Meetings Resolution dated January 12, 1996.

All interested parties may attend and present their views or submit written comments. Written comments should be received no later than 5:00 p.m. April 24, 1998, and should be directed to: Office of the Director, State Personnel Office, P.O. Box 26127, 2600 Cerrillos Road, Santa Fe, New Mexico 87505-0127, Phone Number 476-7805.

If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing or meeting, please contact the Office of the Director, State Personnel Office at 476-7805 or 476-7761 at least one week prior to the meeting or as soon as possible. Public documents, including agenda and minutes, can be provided in various accessible formats. Please contact the Office of the Director if a summary of other type of accessible format is needed.

Rex D. Robberson