April 9, 1992 NMOGA Exhibit 1
OCC Case 10436

ACTUAL COSTS, AVERAGED, FOR 17 PIT CLOSURES

OFFSITE DISPOSAL, NO GROUNDWATER CONTAMINATION
INSTALLATION OF TANKS
(Soil testing and site remediation costs estimated)

AVERAGE DEPTH OF CONTAMINATED SOIL (Averaging 205 yards of soil per pit)	11 FEET
AVERAGE CLOSURE COST (a)	$12,237
TANK COST PER PIT	$3,500
TOTAL COST PER PIT	$15,737
TOTAL COST TO INDUSTRY TO CLOSE 7,000 PITS (b)	$110,156,550

(a) 17 pits averaged 11 feet depth of contaminated soil, 205 yards to be removed per pit.

Removal of soil and transportation to offsite disposal facility (Average 205 yards @ $42.13)	*$8,637*
Testing of soil before and after removal	*$600*
Site Remediation (Backfill, reseeding)	*$3,000*
	$12,237

(b) OCD expanded vulnerable area listing includes 7,262 wells. Since the wells are listed by unit, not all lay within the expanded vulnerable area. Therefore, it is estimated the new Order 7940 would require closure of at least 7,000 pits.

April 9, 1992 NMOGA Exhibit 2
OCC Case 10436

ESTIMATED COSTS

CLOSURE AND CONFORMANCE OF PITS,
OFFSITE DISPOSAL, NO GROUNDWATER CONTAMINATION

	REPLACING WITH TANK	REPLACING WITH FIBERGLASS PIT LINER
ESTIMATED DEPTH OF CONTAMINATED SOIL (16' x 16' pit dimensions, removing 20' x 20' of soil, 300 yards per pit)	20 FEET	20 FEET
CLOSURE COST PER PIT (a)	$12,750	$12,750
REPLACEMENT COST	$3,500	*$5,000*
TOTAL COST PER PIT	*$16,250*	$17,750
TOTAL COST TO INDUSTRY TO CLOSE 7,000 PITS (b)	*$113,750,000*	$124,250,000

(a) Estimating 20 feet depth of contaminated soil, 300 yards to be removed per pit.

Removal of soil (300 yards @ $18)	*$5,400*
Transportation to offsite disposal facility to offsite disposal facility (15 loads @ $250)	*$3,750*
Testing of soil before and after removal	*$600*
Site Remediation (Backfill, reseeding)	*$3,000*
	$12,750

(b) OCD expanded vulnerable area listing includes 7,262 wells. Since the wells are listed by unit, not all lay within the expanded vulnerable area. Therefore, it is estimated the new Order 7940 would require closure of at least 7,000 pits.

SAN JUAN BASIN MARGINAL AND STRIPPER WELLS
PRODUCTION/TAXES/ROYALTIES

April 9, 1992 NMOGA Exhibit 3
OCC Case 10436

	GAS	OIL
San Juan Basin Total Wells (a)	16,022	3,048
San Juan Basin "Marginal" Gas or "Stripper" Oil Wells (b)	2,150	2,068
Total Annual "Marginal" or "Stripper" Production in the San Juan Basin	5,172,466 mcfs	2,680,548 bbls.
Value @ $1.30/mcf or $17/bbl. (c)	$6,724,206	$45,569,316
State Direct Taxes on "Marginal" or "Stripper" Production - San Juan Basin	$605,179	$4,101,238
Other State Revenues from "Marginal" or "Stripper" Production - San Juan Basin	$1,008,631	$6,835,397
Total Direct Taxes & Revenues on "Marginal" or "Stripper" Production	$1,613,809	$10,936,636

Total Annual Oil & Gas Taxes and Revenues **$12,550,445**
San Juan Basin "Marginal" and "Stripper" Production

NOTE: The OCD's records do not show total "Marginal" or "Stripper" wells in the proposed expanded vulnerable area, nor is the data readily available. Therefore, state tax and revenue losses due to the loss of production from these wells in the area cannot be developed with any degree of accuracy at this time.

(a) Per OCD records 3-31-92

(b) A marginal gas well is defined as producing 15 MCFD or less. Totals for the San Juan Basin are listed in 8-23-91 OCD Memo (from William J. LeMay to Producers, et al).
A stripper oil well is a well nearing depletion and producing very little oil. According to OCD records for 1990 (latest available data), the average production of a stripper well was 2.56 BPD.

Continued production of Marginal or Stripper Wells is dependent on the economics of operation, and would include the costs of pit closure and continued disposal of produced water.

Pit Closure and Conformance	*$ 15,737 to $ 17,750*
Soil Testing	*$ 600*
Site Remediation	*$ 3,000*
Cost to haul water (aa)	*$ 2.00/bbl*
Water Disposal Costs	$ 1.00/bbl
5 barrels/day x 30 days/month	
150 barrels/month	
x 12 months	
1,800 barrels/year per well	

$3,600 per well per year
$72,000 per well over 20 years
$144,000 per well over 40 years
(aa) $42.50/hr. - 80 bbl. truck, Average 2 hour time charge

NOTE: Installation costs of equipment to recover produced water are not included in the above figures.

(c) Based on $1.30/mcf and $17/bbl oil (per N.M. Department of Finance and Administration, revised estimates for 1993 are expected to fall within this rane, and are lower than previous estimates the DFA has released.)

LOSS OF ESTIMATED RESERVES
LOSS OF STATE REVENUES AND TAXES

April 9, 1992 NMOGA Exhibit No. 4
OCC Case 10436

Based on a random sampling of independents operating in the San Juan Basin proposed expanded vulnerable area. (Seven companies sampled)

	Current Production		Lost Reserves	
# Wells Lost (a)	Oil (BOPD)	Gas (MCFD)	Oil (BBLS)	Gas (MCF)
186	252.4	3,131.9	159,631.0	2,882,915.0
Total Production Lost Annually	92,126 bbls.	1,143,144 mcf		
Value of Lost Production (b)	$1,566,142	$1,486,087		
State Taxes on that Lost Production (@ 9%)	$140,953	$133,748		
Other Revenues (State, Indian & Federal Royalties, Rentals) (15%)	$234,921	$222,913		
Total Lost State Taxes & other Revenues	$375,874 on lost oil Production	$356,661 on lost gas Production		

TOTAL OIL AND GAS REVENUES AND STATE TAXES LOST IN ONE YEAR DUE TO CLOSURE OF MARGINAL WELLS BY ONLY 7 INDEPENDENTS — $ 732,535

(a) Economic decision to close a "Marginal Well" is based on costs and revenues as they compare to the cost of pit closure and replacement. If the well can still be operated economically after the expense of closure, the well continues producing.

Estimated Closure Costs (includes Pit or Tank Installation @ $ 3,500 to $ 5,000)	*$15,737 to $17,750*
Soil Testing	*$ 600*
Site Remediation	*$ 3,000*
Cost to haul water (aa)	*$ 2.00/bbl*
Water Disposal Costs	*$ 1.00/bbl*

5 barrels/day x 30 days/month = 150 barrels/month
x 12 months
1,800 barrels/year per well

NOTE: Installation costs of equipment to recover produced water not included in the above figures.

(aa) $ 42.50/hr. - 80 bbl. truck Average 2 hour time charge

$3,600 per well per year
$72,000 per well over 20 years
$144,000 per well over 40 years

(b) Based on $1.30/mcf gas and $17/bbl oil (per N.M. Department of Finance & Administration, revised estimates for 1993 are expected to fall within this range, and are lower than previous estimates the DFA has released.)

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

MEMORANDUM

TO: ALL PRODUCERS, PURCHASERS AND TRANSPORTERS OF GAS WELL GAS IN NEW MEXICO

FROM: WILLIAM J. LEMAY, DIRECTOR WJL

SUBJECT: PROPOSAL OF LOW VOLUME GAS COMMITTEE FOR REVISION OF OCD GENERAL RULE NO. 403.

DATE: AUGUST 23, 1991

A Committee organized by OCD has reviewed metering costs for low volume gas wells. The Committee includes representatives from Industry, BLM, SLO, and OCD. Information developed by the Committee indicates that current metering costs exceed revenues for wells producing at rates of 15 MCF per day, or less. Unless alternate measurement methods are approved, many low volume wells may be shut-in or plugged causing reserves and revenues to be lost.

Data submitted by the Committee shows that 2150 San Juan Basin gas wells produced at rates of 15 MCF per day or less in 1990. Total production for these wells was over 5 BCF in 1990 (see attached tabulation). El Paso Natural Gas has submitted a proposal for alternate measurement methods for low volume gas wells which has support from other members of the Committee. A change in OCD General Rule No. 403, (attached) based on the proposal is being circulated for review and comment. A Commission hearing will be scheduled for October 10, 1991 to consider adoption of the rule changes. Comments may be submitted prior to the hearing or in the form of testimony at the hearing.

Procedures for lease commingling are also being reviewed to determine if modification of those requirements could provide additional relief in this area.

dr/

April 9, 1992 NMOGA Exhibit 5
OCC Case 10436

Of the wells that produced in the San Juan Basin in 1990, 776 wells averaged 5 MCFD or less for the months produced for a total of 446,613 MCF.

1,374 wells produced from 5 to 15 MCFD for the months produced for a total of 4,725,853 MCF for the year.

The land type breakdown of these wells is as follows:

	<5MCFD		5 to 15MCFD	
State	38	27,781 MCF	83	29,149,MCF
Jicarilla	131	90,251 MCF	295	1,011,602 MCF
Navajo	30	22,060 MCF	23	72,380 MCF
Ute	8	2,606 MCF	1	4,121 MCF
Federal	492	267,313 MCF	853	2,931,203 MCF
Private	77	36,602 MCF	119	415,128 MCF