

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION
FOR THE PURPOSE OF CONSIDERING:

CASE NO. 8922
Order No. R-8324

APPLICATION OF AMOCO PRODUCTION
COMPANY FOR THE REINSTATEMENT OF
CANCELLED UNDERPRODUCTION, EDDY
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 25, 1986, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 16th day of October, 1986, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) At the time of the hearing this case was consolidated with Division Case No. 8923 for the purpose of testimony.

(3) The applicant, Amoco Production Company, seeks an exception to the general rules for prorated gas pools in southeast New Mexico, as promulgated by Division Order No. R-8170, to permit the reinstatement of underproduction cancelled for the 1983-1984 and 1984-1985 proration periods for the 640-acre standard gas proration unit comprising all of Section 11, Township 22 South, Range 23 East, Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico, and dedicated to their Smith Federal Well No. 1 located 1650 feet from the North and West lines (Unit F) of said Section 11.

(4) Said well was completed on September 9, 1965 and first delivered gas into Southern Union Gas Company's (Gas Company of New Mexico) pipeline on September 29, 1965.

(5) The subject well was reclassified from non-marginal to marginal status effective August 1, 1984 by the Division and all underproduction accrued to that date was cancelled.

(6) The Division in response to a petition from the applicant reclassified the Smith Federal Well No. 1 from marginal to non-marginal status effective April 1, 1986 and reinstated this well's underproduction from the 1985-1986 proration period.

(7) The applicant has demonstrated that the subject well had been of non-marginal character throughout the 1983-1984, 1984-1985, and 1985-1986 proration periods and the marginal classification of said well was not a result of the well's inability to produce gas in non-marginal quantities, but rather a result of the gas purchaser's inability to accept gas due to the depressed gas market.

(8) The testimony and the exhibits received at the hearing of this case demonstrate that the subject well and unit is and has been since August 1, 1984, of truly non-marginal character, and the well and unit should not at any time after that date have been classified as marginal.

(9) Granting this application for reinstatement of unproduced non-marginal allowable for the 1983-1984 and 1984-1985 proration periods, which totals 1,307,993 MCF, will allow the applicant an opportunity to produce its just and equitable share of reserves from the pool, will not impair correlative rights, nor cause waste.

(10) Inasmuch as the accrued underproduction developed over a two year period, the applicant should be allowed a two year period to produce said underproduction. Any of this underproduction remaining at the end of this period shall be cancelled unless at such time the operator can show good cause why it should not.

(11) During the period reinstated underproduction is to be made up, the well should not be subject to reclassification from non-marginal to marginal status.

IT IS THEREFORE ORDERED THAT:

(1) The Amoco Production Company Smith Federal Well No. 1 located 1650 feet from the North and West lines (Unit F) of Section 11, Township 22 South, Range 23 East, Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico, having dedicated to it the standard 640-acre proration unit comprising all of said Section 11, is hereby ordered

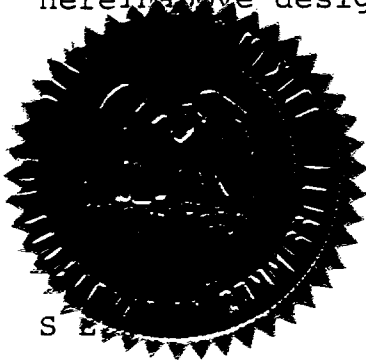
reclassified non-marginal as of August 1, 1984; and further, cancelled unproduced allowable accrued to August 1, 1984 is reinstated and unproduced non-marginal allowables from August 1, 1984 to March 1, 1986 are hereby granted as underproduction as of the date of this order.

(2) The applicant shall be granted a two-year period to produce said underproduction, which totals 1,307,993 MCF, said two-year period shall commence November 1, 1986. Any of this underproduction remaining October 31, 1988 shall be cancelled unless at that time the operator can show good cause why it should not.

(3) Prior to October 31, 1988, said Smith Federal Well No. 1 shall not be subject to reclassification from non-marginal to marginal status.

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

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



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A handwritten signature in dark ink, appearing to read 'R. L. Stamets', is written over the typed name.

R. L. STAMETS
Director