

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION ON
ITS OWN MOTION TO CONSIDER AMENDMENTS
TO ITS "SPECIAL RULES FOR APPLICATIONS
FOR WELLHEAD PRICE CEILING CATEGORY
DETERMINATIONS," PURSUANT TO THE NATURAL
GAS POLICY ACT OF 1978 (NGPA), AS
PROMULGATED BY DIVISION ORDER NO.
R-5878-B, AS AMENDED.

CASE NO. 8903
ORDER NO. R-5878-B-3

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 28, 1986 and on June 25, 1986, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 25th day of September, 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) By its Order No. R-5878-B, effective July 15, 1980, the New Mexico Oil Conservation Division promulgated "Special Rules for Application for Wellhead Price Ceiling Category Determinations" pursuant to the Natural Gas Policy Act of 1978 and the "Final Regulations Implementing Filing Requirements of the Natural Gas Policy Act of 1978," as promulgated by Federal Energy Regulatory Commission (FERC) Order No. 65 effective February 4, 1980.

(3) Said special rules and the Division forms adopted pursuant thereto have from time to time been amended to conform with the FERC regulations as they have been amended.

(4) The provisions for Section 107 High-Cost Natural Gas for "Occluded Natural Gas Produced from Coal Seams", as promulgated by said FERC Order No. 65 were not included in said Division Order No. R-5878-B because there was no such gas being produced at that time.

(5) Subsequent to the effective date of Order No. R-5878-B, several applications for this category have been approved after hearing.

(6) To implement procedures for qualifying wells administratively which produce occluded natural gas from coal seams, it is necessary that the Division's "Special Rules for Applications for Wellhead Price Ceiling Category Determinations" as promulgated by Order No. R-5878-B as amended, ("Special Rules"), be further amended by adding a new Section 5 to Rule 17 outlining the material required to be filed with the Division (in accordance to FERC Rule 274.205(c)) in order to obtain an "Occluded Natural Gas Produced from Coal Seams" pricing category for a well.

(7) The "Oil and Gas Act," Section 70-2-12.B.(19) (being Laws 1978, Chapter 71, Section 1) gives authorization for the Division to adopt filing fees (not to exceed \$25.00) for NGPA Price Ceiling Category determinations.

(8) Said Division Order No. R-5878-B, as amended, should further be amended to include a provision authorizing a non-refundable filing fee of \$25.00 for each category sought per application received by the Division.

(9) To recognize the United States Bureau of Land Management as the successor agency of the United States Geological Survey, all references to the "United States Geological Survey (USGS)", throughout the "Special Rules", should be changed to the "United States Bureau of Land Management (USBLM)."

(10) In organizing the "Special Rules" to accommodate the additions as described in Finding Paragraph No. (8) above, existing Rule 2, which reads, "The applications shall be signed by the applicant or his authorized representative or agent", should be incorporated into Rule 1. A new Rule 2 should then be adopted to include the requirement for filing fees.

(11) To eliminate unnecessary paperwork, that portion of Rule 4 requiring a copy of the Form C-132 or C-132-A to be sent to the appropriate Division District Office should be deleted.

(12) Experience has shown that existing Rule Nos. 14.1.c. and 14.2.c. for NGPA Section 102, New Natural Gas applications, are inadequate and do not provide the Division with sufficient information to determine whether or not a well qualifies for this category, and therefore;

- A. Rule 14.1.c., under the filing requirements for Section 102 "New Natural Gas", should be amended to read in its entirety as follows:

"A location plat which locates and identifies the well for which the determination is sought and all other wells within a 2.5 mile radius of the subject well with sufficient information on those wells to determine whether or not they are considered to be marker wells.", and;

- B. Rule 14.2.c., under the filing requirements for Section 102 "New Natural Gas", should be amended to read in its entirety as follows:

"A location plat which locates and identifies the well for which the determination is sought and all wells within the 2.5 mile radius drawn from the well for which a determination is sought, with sufficient information on those wells to determine whether or not they are considered to be marker wells."

(13) Division Form C-132, "Application for Wellhead Price Ceiling Category Determination," and Division Form C-132-A, "Application for Continued Stripper Classification," should be revised in conformance with these rule changes, as shown on Exhibits A and B respectively, attached hereto.

(14) This order should be made effective October 1, 1986.

IT IS THEREFORE ORDERED THAT:

(1) The New Mexico Oil Conservation Division's Special Rules for Applications for Wellhead Price Ceiling Category Determination as promulgated by Division Order No. R-5878-B, as amended, pursuant to the Natural Gas Policy Act of 1978, are hereby further amended as follows:

- A. Under "DEFINITIONS", the term "USGS": United States Geological Survey" shall be deleted and the term "USBLM": United States Bureau of Land Management" shall be added;
- B. Rule 1 shall read in its entirety as follows:

"An application for Wellhead Price Ceiling

Category Determination shall include affidavits of mailing or delivery of the Form C-132 or C-132-A and FERC Form No. 121 to all working interest owners and to all parties to the gas purchase contract, if any. The application shall be signed by the applicant or his authorized representative or agent.";

C. Rule 2 shall read in its entirety as follows:

"A non-refundable filing fee in the amount of \$25.00 for each category sought per application must accompany each application when submitted to the New Mexico Oil Conservation Division. Payment must be by check or money order payable to the Oil Conservation Division. Cash cannot be accepted.";

D. Rule 3 shall read in its entirety as follows:

"If a well is located on a State or fee lease, the application shall be filed with the Division. If a well is located on a Federal or Indian lease, the application shall be filed with the USBLM. If the well is located on a communitized lease, the application shall be filed with the agency having jurisdiction over the lands on which the well is situated.";

E. Rule 4 shall read in its entirety as follows:

"Two complete copies of the application shall be filed with the Division's Santa Fe Office.";

F. Rule 14.1.c., under the filing requirements for Section 102 "New Natural Gas", shall read in its entirety as follows:

"A location plat which locates and identifies the well for which the determination is sought and all wells within the 2.5 mile radius with sufficient information on those wells to determine whether or not they are considered to be marker wells.";

G. Rule 14.2.c., under the filing requirements for Section 102 "New Natural Gas", shall read in its entirety as follows:

"A location plat which locates and identifies the well for which the determination is sought and all wells within the 2.5 mile radius thereof, with sufficient information on those wells to determine whether or not they are considered to be marker wells."

(2) Said "Special Rules" are further amended by the addition of a new Rule 17.5. under Section 107 "Deep, High-Cost Natural Gas and Tight Formation Gas", reading in its entirety as follows:

"5. Occluded Natural Gas Produced from Coal Seams

- a. FERC Form No. 121;
- b. Division Form C-132 and the required attachments;
- c. Geological information sufficient to support a determination that the gas being produced is naturally occurring gas released from entrapment from the fractures, pores, and bedding planes of coal seams. Such information shall include the following, to the extent that it is reasonably available to the applicant at the time the application is filed:
 - (1) well logs;
 - (2) a subsurface cross-section chart;
 - (3) gas analysis;
 - (4) all well completion reports for the well for which a determination is sought; and,
 - (5) a copy of the Division Order resulting from a hearing to establish a "Coal Seam Pool" if such a hearing was held by the Division;
- d. A detailed description of the production process if the gas is not produced through a well bore;
- e. A statement by the applicant, under oath, that the gas was produced from a coal seam

and that the applicant has no knowledge of any information not described in the application which is inconsistent with his conclusion."

(3) Division Form C-132, "Application for Wellhead Price Ceiling Category Determination", is hereby revised to conform to Exhibit A attached hereto and, by reference, made a part hereof.

(4) Division Form C-132-A, "Application for Continued Stripper Classification" is hereby revised to conform to Exhibit B attached hereto and, by reference, made a part hereof.

(5) The effective date of this order and all of the additions, amendments, and revisions approved herein shall be October 1, 1986.

(6) 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

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

R. L. STAMETS
Director

State of New Mexico
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
P. O. BOX 2088

Form 10-100
Revised 10/1/86

FOR DIVISION USE ONLY: APPLICATION FOR WELLHEAD PRICE CEILING CATEGORY DETERMINATION		5A. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/> 6. State Oil & Gas Lease No. _____ 7. Unit Agreement Name _____ 8. Farm or Lease Name _____
APPROPRIATE FILING FEE(S) ENCLOSED? YES _____ NO _____ DATE COMPLETE APPLICATION FILED _____ DATE DETERMINATION MADE _____ WAS APPLICATION CONTESTED? YES _____ NO _____ NAME(S) OF INTERVENOR(S), IF ANY: _____	- FILING FEE(S) - Effective October 1, 1986, a non-refundable filing fee of \$25.00 per category for each application is mandatory. (Rule 2, Order No. R-5878-B-3)	
2. Name of Operator _____		9. Well No. _____
3. Address of Operator _____		10. Field and Pool, or Wildcat _____
4. Location of Well UNIT LETTER _____ LOCATED _____ FEET FROM THE _____ LINE AND _____ FEET FROM THE _____ LINE OF SEC. _____ TWP. _____ RGE. _____ NMPM		12. County _____
11. Name and Address of Purchaser(s) _____		

Check appropriate box for category sought and information submitted. Enter required information on lines 1 and 2, below.

1. Category(ies) sought (By NGPA Section No.) _____
2. Filing Fee(s) Amount enclosed: \$ _____
3. All applications must contain:
 - ☐ a. C-101 APPLICATION FOR PERMIT TO DRILL, DEEPEN OR PLUG BACK
 - ☐ b. C-105 WELL COMPLETION OR RECOMPLETION REPORT
 - ☐ c. DIRECTIONAL DRILLING SURVEY, IF REQUIRED UNDER RULE 111
 - ☐ d. AFFIDAVITS OF MAILING OR DELIVERY
4. In addition to the above, all applications must contain the items required by the applicable rule of the Division's "Special Rules for Applications for Wellhead Price Ceiling Category Determinations" as follows:
 - A. NEW NATURAL GAS UNDER SEC. 102(c)(1)(B) (using 2.5 Mile or 1000 Feet Deeper Test)
 - ☐ All items required by Rule 14(1) and/or Rule 14(2)
 - B. NEW NATURAL GAS UNDER SEC. 102(c)(1)(C) (new onshore reservoir)
 - ☐ All items required by Rule 15
 - C. NEW ONSHORE PRODUCTION WELL UNDER SEC. 103
 - ☐ All items required by Rule 16A or Rule 16B
 - D. SEC. 107 HIGH-COST NATURAL GAS (TIGHT FORMATION, DEEP, COAL SEAM, AND PRODUCTION ENHANCEMENT)
 - ☐ All items required by Rule 17(1), Rule 17(2), Rule 17(4), or Rule 17(5)
 - E. STRIPPER WELL NATURAL GAS UNDER SEC. 108
 - ☐ All items required by Rule 18

I HEREBY CERTIFY THAT THE INFORMATION CONTAINED HEREIN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE AND BELIEF.

NAME OF APPLICANT (Type or Print) _____
 SIGNATURE OF APPLICANT _____
 Title _____
 Date _____

FOR DIVISION USE ONLY	
<input type="checkbox"/> Approved <input type="checkbox"/> Disapproved	The information contained herein includes all of the information required to be filed by the applicant under Subpart 8 of Part 274 of the FERC regulations.
EXAMINER _____	

EXHIBIT "A"
 CASE NO. 8903
 ORDER NO. R-5878-B-3

State of New Mexico
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
P O BOX 2088

Form O-122-A
Revised 10/1/86

FOR DIVISION USE ONLY: APPLICATION FOR CONTINUED STRIPPER CLASSIFICATION		5A. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/> 5. State Oil & Gas Lease No. _____ <div style="background-color: #cccccc; height: 20px; margin: 5px 0;"></div> 7. Unit Agreement Name _____ 8. Farm or Lease Name _____ 9. Well No. _____ 10. Field and Pool, or Wildcat _____ 12. County _____
APPROPRIATE FILING FEE(S) ENCLOSED? YES _____ NO _____ DATE COMPLETE APPLICATION FILED _____ DATE DETERMINATION MADE _____ WAS APPLICATION CONTESTED? YES _____ NO _____ NAME(S) OF INTERVENOR(S), IF ANY: _____	- FILING FEE(S) - Effective October 1, 1986, a non-refundable filing fee of \$25.00 per category for each application is mandatory. (Rule 2, Order No. R-5878-B-3)	
2. Name of Operator _____ 3. Address of Operator _____ 4. Location of Well UNIT LETTER _____ LOCATED _____ FEET FROM THE _____ LINE AND _____ FEET FROM THE _____ LINE OF SEC. _____ TWP. _____ RGE. _____ NMPM _____ 11. Name and Address of Purchaser(s) _____		

CLASSIFICATION

1. Check appropriate box for category sought and information submitted. Enter required information on lines 2 and 3.c., below.
2. Filing fee(s), Amount enclosed: \$ _____
3. All applications must contain the items required by the applicable rule of the Division's "Special Rules for Applications for Wellhead Price Ceiling Category Determinations" as follows:
 - A. Increased production resulting from recognized enhanced recovery techniques
☐ All Items required by Rule 19
 - B. Well is seasonally affected
☐ All items required by Rule 20
 - C. Increased production resulting from temporary pressure buildup for the 90-day period ending _____
☐ All items required by Rule 21

I HEREBY CERTIFY THAT THE INFORMATION CONTAINED HEREIN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE AND BELIEF.

NAME OF APPLICANT (Type or Print)

SIGNATURE OF APPLICANT
 Title _____
 Date _____

FOR DIVISION USE ONLY	
<input type="checkbox"/> Approved <input type="checkbox"/> Disapproved	The information contained herein includes all of the information required to be filed by the applicant under Subpart 3 of Part 274 of the FERC regulations. EXAMINER _____

EXHIBIT "B"
CASE NO. 8903
ORDER NO. R-5878-B-3