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June 4, 1996

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

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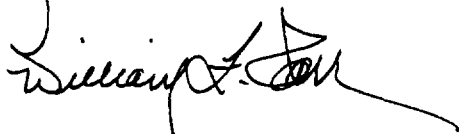
Oil Conservation Division

Re: Application of Amoco Production Company for Qualification of Six Well
Workover Projects and Certification of Approvals, San Juan County, New
Mexico

Dear Mr. LeMay:

Enclosed in triplicate is an Application of Amoco Production Company in the above-
referenced case. Also enclosed is a draft of a legal advertisement for this case. Amoco
Production Company requests that this case be set for hearing before a Division Examiner
on June 27, 1996.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosures

cc: Ms Pam Staley (w/enclosures)
Amoco Production Company

Mr. Frank Chavez, District Supervisor (w/enclosures)
Oil Conservation Division, District III

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF AMOCO PRODUCTION COMPANY FOR
QUALIFICATION OF SIX WELL WORKOVER
PROJECTS AND CERTIFICATION OF APPROVALS,
SAN JUAN COUNTY, NEW MEXICO.

RECEIVED
JUN 1 1995
Oil Conservation Division

CASE NO. 11559

APPLICATION

AMOCO PRODUCTION COMPANY ("Amoco"), through its undersigned attorneys, hereby seek an order from the Division pursuant to the Rules and Procedures for Qualification of Well Workover Projects and Certification for the Well Workover Incentive Tax Rate promulgated by Division Order No. R-10505, entered in Case 11273 on November 1, 1995, and in support hereof states:

1. Amoco is the operator of the following six wells ("the subject wells") located in San Juan County, New Mexico, upon which it has undertaken procedures that have been approved by the Division which are intended to increase the production therefrom:

- A. Gallegos No. 8, Unit M, 933 feet from the South line and 880 feet from the West line, Section 34, Township 26 North, Range 11 West;
- B. Armenta Gas Com C No. 1E, Unit C, 435 feet from the North line and 1590 feet from the West line, Section 27, Township 29 North, Range 10 West;

- C. Canyon No. 5, Unit O, 800 feet from the South line and 1840 feet from the East line, Section 3, Township 25 North, Range 11 West;
- D. Florance No. 67, Unit O, 1135 feet from the South line and 1850 feet from the East line, Section 19, Township 27 North, Range 8 West;
- E. Lackey B LS 13M, Unit C, 1025 feet from the North line and 1655 feet from the West Line, Section 20, Township 28 North, Range 20 West;
and
- F. L. C. Kelly No. 4E, Unit D, 1160 feet from the North Line and 920 feet from the West line, Section 3, Township 30 North, Range 12 West.

2. The workover procedure on each of the subject wells commenced after June 16, 1995.

3. Amoco filed an Application for Qualification of Well Workover Project and Certification of Approval For each of the subject wells on April 25, 1996, to which it attached a straight line estimate of the production rate of the well and table showing monthly gas project production from each well based on at least twelve months of established production which shows the future rate of production based on well performance prior to performing the workover.

4. The use of a straight line estimate of the future production rate for wells prior to performing the workover should be another acceptable method of projecting the future production rate for workover projects for:

- A. it will be easy for operators to prepare;
- B. it will be easy for the Division and the Department of Taxation and Revenue to read and confirm the accuracy of the data contained therein;
and
- C. it does not violate the intent of the " Natural Gas and Crude Oil production Incentive Act" for it will result in an estimate of future production that will limit the amount of oil or gas which will qualify for the Incentive Tax Rate authorized therein.

5. The applications filed for each of the subject wells was complete, accurate and properly verified as required by Division rules.

6. The Division's Aztec District Office declined to approve these applications within thirty days of the date they were filed and advised Amoco that, if it desired to utilize a straight line estimate of production prior to performing the workover, it would have to request that the applications be set for hearing before a Division hearing Examiner in accordance with the rules of the Division.

7. Approval of these applications and the use of straight line estimates of production prior to performing the workovers on the subject wells will be consistent with law, the prevention of waste and the protection of correlative rights.

WHEREFORE, Amoco Production Company requests that these applications for hearing before a duly appointed Examiner of the Oil Conservation on June 27, 1996 and that,

after notice and hearing as required by law, the Division enter its Order (1) granting these applications, (2) qualifying each of the subject wells as a Well Workover Project and (3) certifying the production projection for each project.

Respectfully submitted,

CAMPBELL, CARR, BERGE &
SHERIDAN, P.A.

By:



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ATTORNEYS FOR AMOCO PRODUCTION
COMPANY