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November 29, 2001

Ms. Lori Wrotenbery, Director
NM Oil Conservation Division
1220 South St. Francis
Santa Fe, NM 87505

Re: Proposed Revision of Rule 402

Dear Lori:

NMOGA respectfully recommends that Rule 402 be deleted to eliminate the need to shut-in and measure the surface pressure for gas wells. For reference, a complete printout of Rule 402 is attached to this request.

Rule 402 requires operators to shut-in gas wells annually for 24 hours to obtain surface pressure measurements. Data is reported on Form C-125, which is usually pre-printed and sent out by the OCD. The District Office grants exceptions to these requirements on a per-well basis if a Sundry Notice and supporting information is submitted. Our understanding is that gas wells in San Juan Basin are already exempt from this requirement. In the Southeast, deep gas completions such as Morrow, Atoka & Strawn are normally granted exceptions. These exceptions are routinely requested because shutting in gas wells that produce small amounts of liquids can cause waste by increasing the liquid saturation near the wellbore, which reduces the gas permeability. This becomes more problematic as the reservoir pressure depletes. If the OCD determines that the information does not support the need for an exception, it is denied. This has been the case for gas wells in the Eumont & Jalmat pools. These pressure tests may be required by field rules, and in those situations pressure tests would still be required if Rule 402 was deleted.

As far as we can determine the value of this information for regulatory purposes is doubtful, and may easily exceed the cost of acquiring it. Moreover, for wells that have been producing for many years, the benefit of adding incrementally to this historical data every year is small. At a minimum, the annual exercise of filing Sundry Notices and supporting documentation represents an unnecessary expense of time and effort, and can be eliminated by changing the Rule 402 to reflect what it truly needed and justified by legitimate conservation concerns.

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Serving our members since 1929.

If complete elimination of this requirement is not feasible, then the OCD should investigate what this data is used for, who is using it and identify possible alternatives to legitimate regulatory needs for this data. If there appears to be some legitimate conservation purpose for acquiring this data, then some alternatives should be evaluated, such as:

- Requiring operators to submit copies of any pressure build-up tests when such tests are run;
- Requiring operators to submit shut-in pressure measurements and date observed only if a well was shut-in for other reasons,
- Changing the frequency of these tests to once every 3 years.

Thank you for considering this request. If you have any questions, please call the chairman of our Regulatory Practices Committee, Mr. Rick Foppiano, at 281-552-1303.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bob Gallagher', with a stylized flourish above the name.

Bob Gallagher
President

Attached Reference as noted

REFERENCE

402 METHOD AND TIME OF SHUT-IN PRESSURE TESTS

402.A. **Shut-in pressure tests shall be taken on all natural gas wells annually.** Such tests shall be taken by the operator of the well during the months of July, August, or September unless otherwise specified by special pool rules or special directive. Tests shall be reported as prescribed by the Division on Form C-125 not later than October 15 of the same year. [7-15-63...2-1-96]

402.B. Shut-in pressures shall be taken with a dead-weight gauge after a minimum shut-in period of 24 hours. When the shut-in period exceeds 24 hours, the length of time the well was shut in shall be reported to the Division. [7-15-63...2-1-96]

402.C. The Division Director may prescribe special shut-in pressure test periods and procedures for pools when he deems the same necessary in order to obtain more accurate pressure data. [7-15-63...2-1-96]