

## MINIMUM ALLOWABLE TESTIMONY

### Purpose:

To show the need for minimum allowables and the effect of various minimum allowables for South Blanco-Pictured Cliffs, West Kutz-Pictured Cliffs, Fulcher Kutz-Pictured Cliffs, Aztec-Pictured Cliffs, Ballard-Pictured Cliffs, and Blanco-Mesaverde.

### Need of Minimums:

1. The New Mexico Statutes 1953, 65-3-14 Paragraph (d) gives the Oil Commission the authority to establish minimums. Rule 11 of Order No. R-1670, the general gas proration order which was written several years ago recognizes the fact that minimum allowables may be advisable to prevent the premature abandonment of small wells which receive allowables based on the formulas which are too low to prevent premature abandonment. Wells which are plugged and abandoned because of extremely low allowables will certainly cause waste of gas which could be recovered.
2. To establish a producing level in the above-mentioned 6 prorate gas pools below which the wells in the pools would not be subject to the proration requirements of Order No. R-1670 so long as the wells do not produce above the established level. These requirements consist of deliverability testing and overproduction shut-in. Wells in this category would be classified as exempt marginal wells. The purchaser usually <sup>✓</sup>leaves this classification <sup>of well</sup> on the line continuously which in effect prorates them on 100% deliverability and eliminates the need of switching. This classification of wells will eliminate administrative expense for the Commission. Without a minimum, allowables must be calculated each month and reclassification accomplished periodically on many wells of questionable economic value. With a minimum these wells would remain constant in allowables and classification.