

El Paso Natural Gas Company

El Paso, Texas 79999

September 22, 1970

SEP 24 1970

Case 4436

Mr. A. L. Porter, Jr., Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Porter:

In behalf of El Paso Natural Gas Company, we wish to hereby request a Hearing at the time of your scheduled Statewide Hearing on Wednesday, October 14, 1970 for the purpose of changing Order R-1670 - General Rules and Regulations as they are applicable to Northwestern New Mexico. Attached, hereto, are specific changes in rules which we consider are required to accomplish the objectives set forth herein.

This Hearing is the culmination of the several meetings with operators and discussions with Commission staff that have been held during this year in order to determine the form of relief needed to deal with the particular problems encountered in complying with the proration rules applicable to the pools of Northwestern New Mexico.

Basically, we believe our proposal sets forth:

1. A preferable way for determining when wells should be classified as marginal, and,
2. A preferable means of determining that portion of the market demand which should be attributed to marginal wells.

These amendments will aid in accomplishing the over-all objectives of minimizing the assignment of allowables to marginal wells in volumes exceeding their producing capacity. This in turn will reduce the overproduction required of prorated wells in order to offset any excess apportionment of current market demand to marginal wells as allowable.

We believe the attached amendments to the rules to be self-explanatory and we further believe these amendments will accomplish the above objectives.

We would like to explain our reasons for excluding a portion of existing Rule 15 (B). This rule authorizes the Commission to permit a well to produce each month in order to avoid undue hardship. As we recall, this was specifically requested in order to

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avoid the question of loss of lease where production is judged to be necessary each month. We propose the deletion of the last clause which, as we interpret it, would require the Commission to shut-in a well ignoring the need for production to hold the lease in an instance where production during any month exceeded the specially authorized allowable. We believe the other portions of this rule clearly give the Commission the authority to control the production from the wells under the circumstances without the necessity of this clause.

In the event the Commission desires to give consideration to applying the rules we propose to the prorated pools of Southeastern New Mexico, the changes in the General Rules and Regulations applicable to Southeastern New Mexico would be as follows:

Section C, Rule 10 (A), same as Rule 9 (B) in our proposal,
Section D, Rule 15 (A), second paragraph, same as Rule 15 (B) in our proposal,
Section E, Rule 16 (A), same as Rule 16 (A) in our proposal,
Rule 16 (B), same as Rule 16 (B) in our proposal and renumber
Rule 16 (B) to 16 (C)

Yours very truly,

FNW:mgs
attachments


F. Norman Woodruff, Manager
Gas Proration Operations

CC: Mr. Emory Arnold
Mr. Richard S. Morris

PROPOSED CHANGES TO ORDER R-1670 - GENERAL RULES
AND REGULATIONS FOR PRORATED GAS POOLS - NEW MEXICO

NORTHWEST NEW MEXICO

C. ALLOCATION AND GRANTING OF ALLOWABLES

Rule 9(B). The allowable to be assigned to each marginal well shall be the actual average monthly producing ability of said well as determined from said well's average daily producing ability as set out in Section E, Rules 16(A) and 16(B).

D. BALANCING OF PRODUCTION

Rule 15(B). If, at any time, a well is overproduced in an amount equaling six times its average monthly allowable for the last six months, it shall be shut-in during that month and each succeeding month until it is overproduced less than six times its average monthly allowable; provided, however, that special authority to produce up to 500 MCF per month may be assigned any such shut-in well upon proper showing to the Secretary-Director of the Commission that such authority is necessary to avoid undue hardship.

E. CLASSIFICATION OF WELLS

Rule 16(A). The Commission may classify as a marginal well any well which had an underproduced status at the beginning of the preceeding gas proration period and which at the end of said period, is not capable of producing its average monthly allowable. This capability shall be determined by comparing the average monthly allowable for the preceeding gas proration period with the average monthly producing ability for the most recent three months available (see 16(B) below). A well will not be classified marginal if, prior to the end of a gas proration period, the operator or other interested party presents satisfactory evidence to the Commission showing that the well should not be so classified.

Rule 16(B). Each gas purchaser shall furnish to the Commission, prior to the 10th day of the month following the last month of each proration period, the actual average daily producing ability for the most recent three months available of each prorated gas well to which it is connected. Upon receipt of this information from the gas purchaser, the Commission will calculate the average monthly producing ability by multiplying the daily average producing ability by 30.4, which is the average number of days in a month for the entire year.

Rule 16(C). [Old Rule 16(B)]. The Secretary-Director may reclassify a marginal or non-marginal well at any time the well's production data, deliverability data, or other evidence as to the well's producing ability justifies such reclassification.

Rule 18. If, at the end of a proration period, the most recent average monthly producing ability of a marginal well is greater than the average monthly allowable for said proration period (See Rule 16(A) and 16(B) above), the marginal well shall be reclassified as a non-marginal well and its allowable and net status adjusted accordingly.

Tapacito-PC - Special Pool Rules - Order R-1670, delete Rule 15(B) and Rule 16(A).

Basin Dakota - Order R-1670-C, delete Rule 16(A).