

EL PASO NATURAL GAS COMPANY

January 13, 1970

TO ALL OPERATORS - SAN JUAN BASIN AREA:

BEFORE EXAMINER
OIL CONSERVATION COM.
EXHIBIT NO. _____
CASE NO. _____

There is attached a copy of El Paso's application for the suspension of the balancing provisions of the field rules for the prorated gas pools of the San Juan Basin area for the year 1970, and for a change in the field rules pertaining to the manner of assignment of marginal well allowables. We understand that this application will be set for hearing on February 4, 1970.

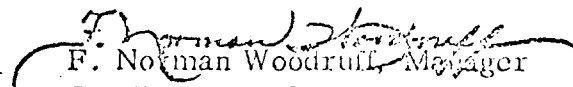
There is also attached a draft of a memorandum which we would propose the Commission send to all Operators if our application is granted. This memorandum explains the details relating to the care of marginal wells as we visualize they would be handled under the provisions of Rule 9 (B and Rule 9 (C) 3 proposed in our application.

We believe that the letter of application is self-explanatory as to the reasons suspension of the rules are again necessary. The proposal to change the manner of calculation of marginal allowables will minimize the assignment of allowable to wells that are incapable of producing it. This has been a major cause of the indicated severity of over and under-production.

For those interested in discussing this matter before the hearing, we are calling a pre-hearing meeting in Santa Fe, New Mexico beginning at 1:00 P.M. on February 3, 1970 in the Commission Conference Room on the second floor of the Land Office Building.

In the meantime, if you have any questions or suggestions, please contact the undersigned or David H. Rainey, Assistant Manager of Gas Proration Operations, El Paso Natural Gas Company.

Yours very truly,


F. Norman Woodruff, Manager
Gas Proration Operations

FNW:mgs
attach.

Telephone Numbers: (Area Code 915)
F. Norman Woodruff - 543-4996
David H. Rainey - 543-5046

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
El Paso EXHIBIT NO. <u>2</u>
CASE NO. <u>4436</u>

El Paso Natural Gas Company

El Paso, Texas 79929

January 13, 1970

New Mexico Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. A. L. Porter, Jr.

Re: Suspension of Balancing Provisions of Rule 14 (A) -
(Underproduction), Rule 15 (A) - (Overproduction),
and Rule 15 (B) - (Overproduced Six Times Current
Month's Allowable) of Order R-1670

Gentlemen:

El Paso Natural Gas Company hereby requests a hearing to consider suspension for a period of one year from February 1, 1970 of the balancing provisions of Rule 14 (A) - (Underproduction), Rule 15 (A) - (Overproduction), and Rule 15 (B) - (Overproduced Six Times Current Month's Allowable) of Order No. R-1670, as amended. Because of the past high market demand from this area and the assignment of the allowables in some months to wells that were incapable of producing it, El Paso has had to overproduce capable wells to the extent that a number of wells representing substantial deliverability may be shut-in for unbalanced overproduction effective February 1, 1970. It appears that sufficient deliverability will be shut-in to create a hardship on El Paso in meeting its market demand for gas from the San Juan Basin area during certain periods of the year 1970.

El Paso further requests that Rule 9 (B) of the General Rules and Regulations for Northwestern New Mexico be amended to provide: "The allowable to be assigned to each marginal well shall be equal to the number of days in the month times the average daily production of the preceding three months as determined in Rule 9 (C) 3 below, except as provided in the Special Pool Rules." (The Tapacito Special Pool Rules should be amended to comply with this change.)

El Paso further requests that an additional paragraph numbered Rule 9 (C) 3 be added to the General Rules and Regulations of Northwestern New Mexico as follows: "No well shall be assigned an allowable in excess of its actual producing ability as determined from its average daily producing ability for the latest preceding three months available to the Commission.

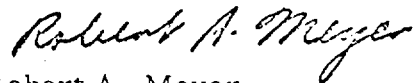
Such information concerning the average daily producing ability for the preceding

New Mexico Oil Conservation Commission
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three months shall be furnished to the Commission monthly by pipeline gatherer or first taker of gas for each individual well. In case of a new or reworked well not having the three months production history, state deliverability tests will be used until the three months production is available."

As these rules and this order pertain to wells in the prorated gas pools of Northwest New Mexico in San Juan, Rio Arriba and Sandoval Counties, we, therefore, request a February, 1970 hearing date so that this matter can be heard prior to the time normal cancellation and redistribution of prorated pools in the San Juan Basin takes place in order to avoid the burden of reinstating underages and releasing for production wells that have been ordered shut-in for overproduction.

Very truly yours,



Robert A. Meyer
Office of General Counsel

RAM:rps

MEMORANDUM PERTAINING TO CALCULATIONS OF ALLOWABLES
SAN JUAN BASIN
SAN JUAN, RIO ARriba & SANDOVAL COUNTIES, NEW MEXICO
(Subject to Administrative change by Secretary-Director)

1. A non-marginal well is a well which is capable of producing its calculated allowable as determined by the field allocation formula.
2. A marginal well is a well which is incapable of producing its calculated allowable as determined by the field allocation formula.

Evidence of capability in 1 and 2 above is to be determined in accordance with Rule 9 (C) 3 of Order R-1670, as amended.

- a. A well incapable of producing its calculated allowable shall be assigned allowable at the rate the well is capable of producing as determined from its average daily producing ability for the latest preceding three months available to the Commission as determined by Rule 9 (C) 3.
- b. A marginal well shall not be allowed to accumulate underproduction and shall be charged with overproduction only if it produces in excess of its non-marginal calculated allowable.
- c. If a marginal well's current monthly production plus its latest cumulative overproduction is less than its calculated formula allowable, it will be assigned its production plus its latest cumulative overproduction. A well will never receive an allowable greater than the formula allowable. Therefore; if a marginal well's current monthly production plus its latest cumulative overproduction is more than its calculated formula allowable, it will be assigned its calculated formula allowable.
- d. If any underage is accrued prior to its marginal classification, such underage will be carried forward during the balancing period and is subject to the balancing provisions of underproduction, provided, however, this underage will not be included when determining pool status for allowable calculations. If any overage that was accrued while the well was classified non-marginal still remains after adjustments are made under Provision C above, it will be carried forward during the balancing period and is subject to the balancing rules for overproduction.