

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

October 4, 1991

CAMBELL & BLACK
Attorneys at Law
P. O. Box 2208
Santa Fe, New Mexico 87504

RE: CASE NO. 10375
ORDER NO. R-9591

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

A handwritten signature in cursive script, appearing to read "Florene Davidson".

Florene Davidson
OC Staff Specialist

FD/sl

cc: BLM Farmington Office
Sarah Smith

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

May 7, 1990

Union Oil Company of California
3300 North Butler Avenue
Suite 200
Farmington, NM 87401

Case 10375

Attention: Paul T. West, District Production Manager

*Administrative Order DD-34(H)
(Highly Deviated Wellbore)
Basin-Fruitland Coal Gas Pool (R-8768)*

Dear Mr. West:

Under the provisions of Rule 9 of the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool as promulgated by Division Order R-8768, Union Oil Company of California made application to the New Mexico Oil Conservation Division on April 20, 1990, for a highly deviated directional drilling pilot project in the N/2 of Section 20, Township 27 North, Range 6 West, NMPM, Rio Arriba County, New Mexico, forming a standard 320-acre gas spacing and proration unit in said pool for its Rincon Unit Well No. 254.

The Division Director Finds That:

- (1) The application has been duly filed under the provisions of Rule 9(B) of R-8768 for administrative authorization to intentionally deviate a well in the Basin-Fruitland Coal Gas Pool for the purpose of penetrating the coal bed seams by means of a wellbore drilled horizontally;
- (2) Although the proposed wellbore will only have a maximum angle off vertical of 60 degrees. The purpose of said well is to increase the surface area across the productive interval of the coal seam, thereby increasing the likelihood of obtaining commercial production.

- (3) This technique essentially mirrors the reason and purpose of horizontal wellbores in this type of productive interval and should therefore be treated the same.
- (4) The applicant has provided satisfactory technical information in support of this filing.
- (5) The N/2 of said Section 20 is within the applicant's Rincon Unit and therefore has no offset operators other than themselves.
- (6) The applicant has satisfactorily met all requirement prescribed in said Rule 9 of Order No. R-8768.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Union Oil Company of California, is hereby authorized to initiate a highly deviated directional drilling pilot project in the N/2 of Section 20, Township 27 North, Range 6 West, forming a standard 320-acre gas spacing and proration unit in the Basin-Fruitland Coal Gas Pool by commencing its Rincon Unit Well No. 254 at a standard surface location 1419 feet from the North line and 794 feet from the East line (Unit H) of said Section 20 and drilling to a true vertical depth of approximately 2362 feet and then commencing a medium radius curve in a westerly direction, building to an angle of 60 degrees and continue drilling at said angle as so to encounter the top of the Basin-Fruitland Coal Gas Pool at a true vertical depth of approximately 3040 feet and then to a total depth at a true vertical depth of approximately 3200 feet with a terminus at an bottomhole location in the SW/4 NW/4 of Section 20; however, no portion of said wellbore shall be no closer than 790 feet from the North, South and East lines of the NW/4 nor closer than 130 feet to the West line of said NW/ of said Section 20.

PROVIDED HOWEVER THAT: Prior to directional drilling, the operator shall determine the subsurface location of the kick-off point; and

PROVIDED FURTHER THAT: Subsequent to the above-described directional drilling, a survey shall be made of the wellbore from total depth to kick-off point the operator shall forward a copy of the survey report directly to the Santa Fe Office and to the Aztec District Office of the Division.

(2) The operator shall notify the Division's Aztec District Office of the date and time said survey is to be commenced.

Administrative Order DD-34(H)
Union Oil Company of California
May 7, 1990
Page No. 3

(3) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth (TVD) in addition to measured depths (MVD).

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

William J. Lemay by *David Catanzano*
WILLIAM J. LEMAY
Director

S E A L

cc: Oil Conservation Division - Aztec
US Bureau of Land Management - Farmington
File: Case No. 9911
William F. Carr - Santa Fe


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING THE APPLICATION OF:
UNION OIL
COMPANY OF CALIFORNIA d/b/a UNOCAL

CASE NO. 10375

ENTRY OF APPEARANCE

Sarah D. Smith, Esq. does hereby enter her appearance on
behalf of Gas Company of New Mexico (GCNM) and Sunterra Gas
Gathering Company (SGGC) in the above-captioned matter.

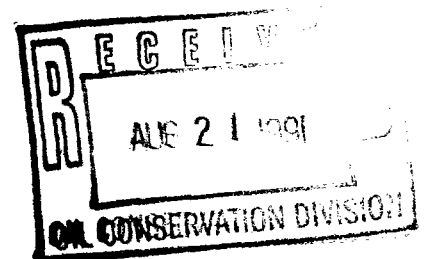


Sarah D. Smith, Esq.
Attorney for
GAS COMPANY OF NEW MEXICO and
SUNTERRA GAS GATHERING COMPANY
P. O. Box 26400
Albuquerque, NM 87125-6400
(505) 880-7937

I hereby certify that copies of the foregoing document were
served upon those persons designated on the official service list
in this proceeding this 19th day of August, 1991.



Sarah D. Smith, Esq.



CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY
PATRICIA A. MATTHEWS

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

August 16, 1991

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

RECEIVED

AUG 16 1991

OIL CONSERVATION DIV.
SANTA FE

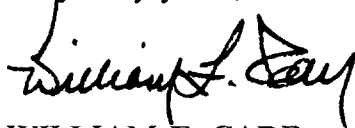
Re: Oil Conservation Case No. 10375:
Application of Union Oil Company of California d/b/a UNOCAL for High
Angle Directional Drilling Pilot Project, Special Operating Rules Therefor,
Unorthodox Gas Well Location and Simultaneous Dedication, Rio Arriba
County, New Mexico

Dear Mr. LeMay:

Union Oil Company of California hereby requests that the above-captioned case currently scheduled for hearing before a Division Examiner on August 22, 1991 be continued and included on the Examiner hearing docket for September 5, 1991.

Your attention to this request is appreciated.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

cc: Mr. Bill Hering
Union Oil Company of California
3300 North Butler, Suite 200
Farmington, New Mexico 87401

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY
PATRICIA A. MATTHEWS

MS.

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

September 3, 1991

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

RECEIVED

SEP 03 1991

OIL CONSERVATION DIVISION

Re: Oil Conservation Case No. 10375:
Application of Union Oil Company of California d/b/a UNOCAL for High
Angle Directional Drilling Pilot Project, Special Operating Rules Therefor,
Unorthodox Gas Well Location and Simultaneous Dedication, Rio Arriba
County, New Mexico

Dear Mr. LeMay:

Union Oil Company of California hereby requests that the above-captioned case currently
scheduled for hearing before a Division Examiner on September 5, 1991 be continued and
included on the Examiner hearing docket for September 19, 1991.

Your attention to this request is appreciated.

Very truly yours,

William F. Carr

WILLIAM F. CARR

WFC:mlh

cc: Mr. Bill Hering
Union Oil Company of California
3300 North Butler, Suite 200
Farmington, New Mexico 87401

GAS COMPANY OF NEW MEXICO

Sarah D. Smith

MANAGER
LEGAL AND REGULATORY AFFAIRS

August 19, 1991

Mr. Robert Stovall, Esq.
Oil Conservation Division
P. O. Box 2088
State Land Office Building
Santa Fe, New Mexico 87504-2088

RE: Unocal Case 10375

Dear Bob:

Enclosed please find for filing an original and three copies of my entry of appearance on behalf of Gas Company of New Mexico and Sunterra Gas Gathering Company. Please send me a conformed copy in the self-addressed, stamped envelope provided.

Thank you for your attention to this matter. Please do not hesitate to call if you have any questions or need additional information from us.

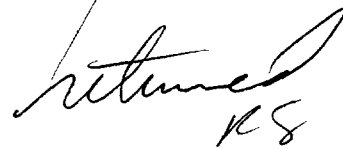
Yours very truly,



Sarah D. Smith

SDS:ls
Enclosures

cc: Bill Carr, Esq.



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

MEMORANDUM

**TO: ALL PRODUCERS, PURCHASERS AND TRANSPORTERS OF
GAS FROM ALL PRORATED GAS POOLS IN NEW MEXICO**

FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*

**SUBJECT: COMMISSION HEARING ON AUGUST 29, 1991, CONCERNING
PRORATED GAS ALLOWABLES FOR OCTOBER 1991 - MARCH 1992**

DATE: AUGUST 5, 1991

A Commission Hearing will be scheduled for August 29, 1991 for the purpose of receiving nominations and other testimony and information to assist the Commission in determining prorated gas allowables for the Oct. '91 through Mar. '92 allocation period. The assistance of all segments of the natural gas industry is needed in this process so you are urged to attend the hearing and participate.

The following information is being distributed along with this memo:

- o PRELIMINARY ALLOWABLE ESTIMATES FOR EACH POOL.
- o EXPLANATIONS FOR POOL ALLOWABLE ADJUSTMENTS
- o COMPARISON OF MONTHLY AVERAGE POOL ALLOWABLES, SALES, F1 AND F2 FACTORS.
- o COMPARISON OF APRIL AND MAY, 1991 SALES VOLUMES TO ALLOWABLES.
- o REQUESTED FORMAT FOR NOMINATIONS - FORM C-121-A.

Nominations may be submitted prior to or at the August 29 Hearing. Nominations and other information presented at the hearing will be used to revise the preliminary allowables and assign final allowables for the allocation period.

dr/

PRELIMINARY ALLOWABLE ESTIMATES
MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE
FOR OCT 91 THRU MAR 92
PRORATED GAS Pools - SOUTHEAST NEW MEXICO

	ALOKA PENN	BLINEBRY	BUFFALO	BURTON FLAT	CARLSBAD	CATCLAW	EUMONT	INDIAN BASIN	INDIAN BASIN	JALMAT	JUSTIS BL	TUBB
	VALLEY PENN	MORROW	MORROW	MORROW	MORROW	MORROW	MORROW	UPPER PENN				
(1) AVERAGE MONTHLY POOL SALES OCT 90-MAR 91 ALL VOL'S ARE IN MCF	113,402	409,780	203,184	424,022	221,417	136,500	2,315,225	204,393	3,372,080	905,099	39,437	213,916
(2) TOTAL NOMINATIONS AVERAGE MONTHLY VOLUMES												
(3) ADJUSTMENTS	27,000	73,000			72,000	14,000	96,253	27,000	188,000	340,391	6,000	60,000
(4) MONTHLY POOL ALLOWABLE OCT 91-MAR 92 (LINE 1 + LINE 3)	140,402	482,780	203,184	424,022	293,417	150,500	2,411,478	231,393	3,560,080	1,245,490	45,437	273,916
(5) MONTHLY MARGINAL POOL ALLOWABLE FOR OCT 91-MAR 92	30,622	160,459	118,747	183,646	213,958	92,289	1,373,502	73,247	2,542,065	842,890	14,065	162,954
(6) MONTHLY NON-MARGINAL POOL ALLOWABLE OCT 91-MAR 92 (LINE 4 MINUS LINE 5)	109,780	322,321	84,437	240,376	79,459	58,211	1,037,976	156,146	1,018,015	402,600	31,372	110,962
(7) NUMBER OF NON-MARGINAL ACREAGE FACTORS	3.42	10.75	2.00	6.88	3.97	2.00	56.72	0.86	5.49	22.00	9.00	11.00
(8) MONTHLY ACREAGE ALLOCATION FACTOR: OCT 91-MAR 92 F1 (LINE 6 DIVIDED BY LINE 7)	32,099	29,985	42,219	34,938	20,015	29,106	18,700	181,565	185,431	18,309	3,486	10,087

OCT 91-MAR 92 F1 FACTORS FOR OTHER POOLS
BURTON FLAT STRAWN F1=10,000
MONUMENT MCKEE ELLEN F1=25,000

PRELIMINARY ALLOWABLE ESTIMATES
MARKET DEMAND AND ALLOWABLE DETERMINATION SCHEDULE
FOR OCT 91 THRU MAR 92
PRORATED GAS POOLS - NORTHWEST NEW MEXICO

BASIN	BLANCO	BLANCO	TAPACITO
DALOTA	MESAVERDE	P.C. SOUTH	

8,039,435	14,122,492	1,204,658	207,577
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(1) AVERAGE MONTHLY POOL SALES
OCT 90-MAR 91
ALL VOL'S ARE IN MCF

(2) TOTAL MONTHLY VOLUMES
AVERAGE MONTHLY VOLUMES

(3) ADJUSTMENTS

46,000

(4) MONTHLY POOL ALLOWABLE
OCT 91-MAR 92
(LINE 1 + LINE 3)

8,039,435	14,168,492	1,204,658	207,577
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(5) MONTHLY MARGINAL
POOL ALLOWABLE FOR
OCT 91-MAR 92

4,228,404	6,687,524	515,461	82,453
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(6) MONTHLY NON-MARGINAL
POOL ALLOWABLE
OCT 91-MAR 92
(LINE 4 MINUS LINE 5)

3,811,031	7,480,968	725,197	125,124
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(7) NUMBER OF NON-MARGINAL
ACREAGE FACTORS

433.65	599.93	456.61	91.74
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(8) NUMBER OF NON-MARGINAL
ACREAGE & DELIVERABILITY
FACTORS

205,993	434,101	27,355	9,277
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(9) MONTHLY ACREAGE ALLOCATION
FACTOR FOR OCT 91-MAR 92, F1

5,273	3,117	397	341
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(10) MONTHLY ACREAGE & DELIV
ALLOCATION FACTOR FOR
OCT 91-MAR 92, F2

7.40	12.92	19.88	10.12
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EXPLANATION FOR POOL ALLOWABLE ADJUSTMENTS

Prorated Gas Pools - Oct '91-Mar '92

<u>POOL</u>	<u>ADJUSTMENT MCF PER MONTH</u>	<u>REASON FOR ADJUSTMENT</u>
Atoka Penn	27,000	Overproduction
Blinebry	73,000	"
Carlsbad Morrow	72,000	Overproduction and Recent Production Volumes
Catchlaw Draw	14,000	Overproduction
Eumont	96,253	Minimum Allowable
Indian Basin Morrow	27,000	Overproduction
Indian Basin Upper Penn	188,000	"
Jalmat	340,391	Minimum Allowable
Justis	6,000	Recent Production
Tubb	60,000	" "
Blanco Mesaverde	46,000	Overproduction

Monthly Marginal Pool Allowables for Oct '91-Mar '92 are estimated based on Apr and May, 1991 Pool Sales Volumes.

COMPARISON OF MONTHLY AVERAGE
FOUL ALLOWABLES, SALES, F1 AND F2 FACTORS

PERIOD	ALOKA PENN		ELINEBRY		BUFFALO		BURKTON FLAT		CARLSHAD		CATLAW DRAW	
	FOUL ALLOWABLE;MCF PER MO	FOUL SALES;MCF PER MO	FOUL ALLOWABLE;MCF PER MO	FOUL SALES;MCF PER MO	FOUL ALLOWABLE;MCF PER MO	FOUL SALES;MCF PER MO	FOUL ALLOWABLE;MCF PER MO	FOUL SALES;MCF PER MO	FOUL ALLOWABLE;MCF PER MO	FOUL SALES;MCF PER MO	FOUL ALLOWABLE;MCF PER MO	FOUL SALES;MCF PER MO
OCT 89-MAR 90												
F1	90,502	584,153	226,422	507,581	333,609	231,865						
F2	88,473	445,221	207,301	392,388	256,256	126,029						
F1	10,193	23,478	33,319	18,931	34,790	31,079						
OCT 90-MAR 91												
F1	100,273	441,816	229,674	544,365	200,077	146,514						
F2	113,402	409,780	203,184	424,022	221,417	136,500						
F1	17,180	21,879	33,489	39,884	10,517	21,757						
OCT 91-MAR 92												
F1	140,402	482,780	203,184	424,022	293,417	150,500						
F2	32,099	29,983	42,219	34,938	20,015	29,106						
OCT 89-MAR 90												
F1	2,279,715	90,717	3,187,359	775,942	57,744	338,032						
F2	1,779,169	78,348	3,052,361	855,488	60,222	289,732						
F1	13,965	47,191	132,760	7,184	3,575	8,383						
OCT 90-MAR 91												
F1	2,234,375	209,172	3,431,660	973,904	46,147	236,501						
F2	2,315,225	204,393	3,372,080	905,099	39,437	213,916						
F1	16,991	159,687	173,285	13,912	3,541	10,127						
OCT 91-MAR 92												
F1	2,411,178	231,393	3,560,080	1,245,490	45,437	273,916						
F2	18,300	181,565	185,431	18,300	3,486	10,087						
PERIOD												
OCT 89-MAR 90	BASIN	BLANCO	BLANCO	BLANCO	TAFACITO							
F1	DAKOTA	MESAVERDE	F.C. SOUTH									
F2												
OCT 90-MAR 91												
F1	12,242,569	16,894,172	1,797,464	449,567								
F2	10,302,401	14,990,087	1,115,864	318,270								
F1	4,528	2,629	375	488								
F2	8,114	13,44	17,16	19,14								
OCT 91-MAR 92												
F1	9,416,739	15,731,709	1,508,811	332,221								
F2	8,039,435	14,122,492	1,204,658	207,577								
F1	5,676	3,690	483	546								
F2	7,83	15,78	23,18	17,07								
OCT 91-MAR 92												
F1	8,039,435	14,168,492	1,204,658	207,577								
F2	5,273	3,117	397	341								
F1	7,40	12,92	19,88	10,12								

COMPARISON OF APRIL AND MAY 1991 SALES VOLUMES
AND ALLOWABLES; MCF PER MONTH

NEW MEXICO PRORATED GAS SALES

<u>POOL</u>	<u>APR-SEP 1991 MONTHLY ALLOWABLE</u>	<u>AVG. MONTHLY SALES APR.-MAY, 1991</u>
Atoka Penn	107,414	101,987
Blinebry	368,926	423,780
Buffalo Valley Penn	221,054	151,296
Burton Flat Morrow	481,903	303,122
Carlsbad Morrow	252,146	252,452
Catchlaw Draw Morrow	161,064	102,195
Eumont	2,278,783	2,112,369
Indian Basin Morrow	144,974	167,651
Indian Basin Upper Penn	3,166,406	3,231,461
Jalmat	1,148,663	1,091,336
Justis Glorieta	43,021	44,499
Tubb	266,658	245,611
Basin Dakota	8,552,554	6,359,286
Blanco Mesaverde	13,546,300	13,862,223
Blanco P.C. South	1,242,564	991,596
Tapacito	234,518	177,580

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-121-A
Revised 4-1-91

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

PURCHASER'S GAS NOMINATIONS

COMPANY Name of Purchaser or Transporter	ADDRESS Address of Purchaser or Transporter
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In accordance with the Rules and Regulations of the Oil Conservation Division of the State of New Mexico, the above named company herewith submits its nominations for the purchase of gas from the Pool Name*

Pool for the month shown below: (insert in appropriate month)

MONTH	YEAR	NOMINATION, MCF
APRIL		
MAY		
JUNE		
JULY		
AUGUST		
SEPTEMBER		
OCTOBER	1991	30,000
NOVEMBER	1991	30,000
DECEMBER	1991	40,000
JANUARY	1992	40,000
FEBRUARY	1992	30,000
MARCH	1992	30,000

NOTE: All Volumes are to be MCF at 15.025 psia and 60° F.

Signature	Printed Name & Title	Date	Telephone No.
-----------	----------------------	------	---------------

FILING INSTRUCTIONS: One copy of this form must be filed with the Santa Fe Office of the Division by the first day of the month during which the nominations are to be considered at public hearing.

*Please file a separate form for each pool for which a nomination is made.



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
505/827-5800

MEMORANDUM

**TO: GAS PRODUCERS (OPERATORS), PURCHASERS, AND
TRANSPORTERS OF GAS FROM PRORATED GAS POOLS**

FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*

SUBJECT: CENTRAL POINT DELIVERY (CPD) VOLUMES

DATE: AUGUST 12, 1991

We recently compared sales volumes from operators' production reports (Form C-115) to volumes reported by transporters on Form C-111. Several errors were found in situations where the transporters are metering gas from more than one gas well through a single meter (CPD). For example, we found that transporters sometimes erroneously reported that all the gas metered through the CPD meter was produced from only one of the wells. The operators who meter each well separately ahead of the CPD meter apparently report production and disposition correctly on Form C-115.

Since we currently obtain sales volumes from the Form C-111 for gas proration purposes, the reporting procedures described above are introducing errors and inequities into the system. To eliminate these errors, transporters and operators are instructed to begin immediately to use the following reporting procedures when gas from more than one gas well is metered into the pipeline through a single meter.

Transporter's Form C-111

When the transporter has or can obtain sufficient information to allocate the metered gas volume to the individual wells, the volume for each well must be reported separately on Form C-111.

If the transporter is unable to allocate the total volume to the individual wells, the volume must be reported on the C-111 report as "Gas From Other Sources" identifying the source on Sheet 2 as required.

Operator Requirements for Reporting on Form C-111.

Operators who deliver gas from more than one well to a transporter through a single meter are responsible for ensuring that the gas delivered from each well is properly reported on Form C-111. If the transporter is unable to properly allocate the

metered gas volume and report the volume delivered from each well on Form C-111, then the operator must file Form C-111 to report the individual well volumes.

Volumes reported on Forms C-111 and C-115 must agree. Operators delivering gas into a transporter's system through a CPD meter as described above, must contact the transporter and determine who will file the C-111 and advise the Gas Proration Section in Santa Fe. Accurate C-111 filings are essential for the proper assignment of allowables and the production of gas from prorated gas pools.

Please comply with the above instructions beginning with the reports you file next month. Your cooperation will be appreciated.

dr/



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE NEW MEXICO 87504
505/821-5800

MEMORANDUM

TO: ALL PRODUCERS, PURCHASERS AND TRANSPORTERS OF GAS
WELL GAS IN NEW MEXICO

FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*

SUBJECT: PROPOSAL OF LOW VOLUME GAS COMMITTEE FOR REVISION OF
OCD GENERAL RULE NO. 403.

DATE: AUGUST 23, 1991

A Committee organized by OCD has reviewed metering costs for low volume gas wells. The Committee includes representatives from Industry, BLM, SLO, and OCD. Information developed by the Committee indicates that current metering costs exceed revenues for wells producing at rates of 15 MCF per day, or less. Unless alternate measurement methods are approved, many low volume wells may be shut-in or plugged causing reserves and revenues to be lost.

Data submitted by the Committee shows that 2150 San Juan Basin gas wells produced at rates of 15 MCF per day or less in 1990. Total production for these wells was over 5 BCF in 1990 (see attached tabulation). El Paso Natural Gas has submitted a proposal for alternate measurement methods for low volume gas wells which has support from other members of the Committee. A change in OCD General Rule No. 403, (attached) based on the proposal is being circulated for review and comment. A Commission hearing will be scheduled for October 10, 1991 to consider adoption of the rule changes. Comments may be submitted prior to the hearing or in the form of testimony at the hearing.

Procedures for lease commingling are also being reviewed to determine if modification of those requirements could provide additional relief in this area.

dr/

Of the wells that produced in the San Juan Basin in 1990, 776 wells averaged 5 MCFD or less for the months produced for a total of 446,613 MCF.

1,374 wells produced from 5 to 15 MCFD for the months produced for a total of 4,725,853 MCF for the year.

The land type breakdown of these wells is as follows:

	<5MCFD		5 to 15MCFD	
State	38	27,781 MCF	83	29,149,MCF
Jicarilla	131	90,251 MCF	295	1,011,602 MCF
Navajo	30	22,060 MCF	23	72,380 MCF
Ute	8	2,606 MCF	1	4,121 MCF
Federal	492	267,313 MCF	853	2,931,203 MCF
Private	77	36,602 MCF	119	415,128 MCF

OCD GENERAL RULE 403

Proposed changes are contained in 403 B and C.

RULE 403. - NATURAL GAS FROM GAS WELLS TO BE MEASURED

A. All natural gas produced shall be accounted for by metering or other method approved by the Division and reported to the Division by the transporter of the gas. Gas produced from a gas well and delivered to a gas transportation facility shall be reported by the owner or operator of the gas transportation facility. Gas produced from a gas well and required to be reported under this rule, which is not delivered to and reported by a gas transportation facility shall be reported by the operator of the well.

B. An operator may apply to the OCD District Supervisor, using form C-110, for approval of one of the following procedures for measuring gas:

(1) In the event a well is not capable of producing more than 15 MCFD, a measurement method agreed upon by the operator and pipeline whereby the parties establish by annual test the producing rate of said well under normal operating conditions and apply that rate to the period of time the well is in a producing status. In the event such well is capable of producing greater than 5 MCFD, a device shall be attached to the line which will determine the actual time period that the well is flowing.

(2) Any well which has a producing capacity of 100 MCFD or less and which is on a multi-well lease may be produced without being separately metered when the gas is measured using a lease meter at a Central Point Delivery. The ownership of the lease must be common throughout including working interest, royalty and overriding royalty ownership.

C. Operators and transporters shall report the well volumes on Forms C-115 and C-111 based upon the approved method of measurement and, in the case of a CPD, upon the method of allocation of production to individual wells approved by the District Supervisor.

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Road, Aztec, NM 87410

State of New Mexico
Energy, Minerals & Natural Resources
Department

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Form C-11
Originated 8/23/91

Submit four copies to the
appropriate district office.

DRAFT

APPLICATION FOR APPROVAL TO USE AN ALTERNATE GAS MEASUREMENT METHOD -
Rule 403(B)(1) or (2)

Operator Name: _____ County: _____

Address: _____ Pool: _____

City/State/Zip Code: _____

APPROVAL PROCEDURE: RULE 403.B.(1)

Please file separate applications for each well to the appropriate district office.

- 1) Location of well: Unit Letter _____, Section _____, Township _____, Range _____
- 2) One year production history of the well - show annual and daily volumes; attach separate sheet.
- 3) Established or agreed-upon daily producing rate for the well for next year.
- 4) Will well be equipped with a flow device (required for wells capable of producing 5 MCF per day or more)?
- 6) Gas transporter(s) connected to the well.

APPROVAL PROCEDURE: RULE 403.B.(2)

Please attach separate sheet.

Working interest, royalty and overriding royalty ownership must be common throughout the lease.

- 1) Lease plat showing all wells to be produced through this CPD. Show Section, Township and Range on plat.
 - a) List wells producing over 100 mcf/d.
 - b) List wells producing less than 100 mcf/d.
- 2) Proposed method of allocating production from non-metered wells.
- 3) One year production history of wells producing less than 100 mcf/d. Show annual and daily volumes.
- 4) Gas transporter(s) connected to this lease.

Operators requesting approval to use a measurement method
other than the above should contact the district office for instructions.

OPERATOR

I hereby certify that the rules and regulations of the Oil Conservation
Division have been complied with and that the information given above is
true and complete to the best of my knowledge and belief.

Signature: _____

Printed Name & Title: _____

OIL CONSERVATION DIVISION APPROVAL

Approved Date: _____

By: _____

Title: _____