



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
 OIL CONSERVATION DIVISION

TONEY ANAYA
 GOVERNOR

January 10, 1985

POST OFFICE BOX 2088
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 SANTA FE, NEW MEXICO 87501
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Mr. William F. Carr
 Campbell & Black
 Attorneys at Law
 Post Office Box 2208
 Santa Fe, New Mexico

Re: CASE NO. 8183
 ORDER NO. R-7595-A

Applicant:

Mesa Petroleum Co.

Dear Sir:

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

Sincerely,

R. L. STAMETS
 Director

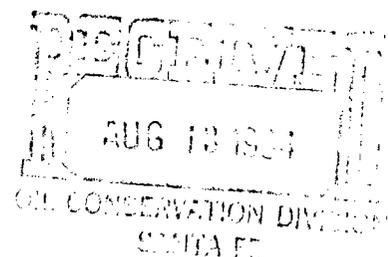
RLS/fd

Copy of order also sent to:

Hobbs OCD x
 Artesia OCD x
 Aztec OCD x

Other _____

Steven C. James
attorney



August 7, 1984

CERTIFIED MAIL

State of New Mexico
Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

Subject: Case No. 8183, Order No. R-7595
Case No. 8182, Order No. R-7594

Mesa Petroleum Co. was the applicant in Case Nos. 8182 and 8183 which came on for hearing at 8:00 a.m. on June 6, 1984 at Santa Fe, New Mexico, before Examiner Richard L. Stamets. Order No. R-7595 was entered in Case No. 8183 and Order No. R-7594 was entered in Case No. 8182 by the Division. Those Orders adversely affect Mesa Petroleum Co.

Pursuant to Rule 1220 of the Division's Rules and Regulations, Mesa Petroleum Co. hereby requests a hearing de novo before the full Commission in each of these two cases. A copy of this request is being sent by certified mail to Northwest Pipeline Corporation and El Paso Natural Gas Company.

Very truly yours,

Steven C. James
Steven C. James

dkm

c.c. Northwest Pipeline Corporation
El Paso Natural Gas Company



October 22, 1984

FEDERAL EXPRESS

Mr. Kenneth F. Plumb
Secretary
Federal Energy Regulatory Commission
825 N. Capitol St. N.E.
Washington, D.C. 20426

Dear Secretary Plumb:

Subject: PROTEST
JD Nos. 8450600 and 8450602

Mesa Petroleum Co. ("Mesa"), Box 2009, Amarillo, Texas 79189 hereby protests the determinations of the New Mexico Oil Conservation Division ("NMOCD") denying Mesa's applications for the recognition of Mesa's use of enhanced recovery techniques in the State Com AI #33 and State Com AJ #34 stripper wells located in San Juan County, New Mexico. The applications were heard in NMOCD Case Nos. 8183 and 8182 and were submitted by Mesa. Evidence was presented by Mesa in those cases on June 6, 1984 at Santa Fe, New Mexico before NMOCD Examiner Richard L. Stamets. By Order Nos. R-7595 and R-7594 (both of which are attached hereto) the NMOCD denied Mesa's applications. Mesa filed for a hearing de novo before the NMOCD in each of these two cases by letter dated August 7, 1984. The NMOCD has set these two cases for a de novo hearing on November 7, 1984.

The uncontroverted evidence before the NMOCD in these two cases shows that the denial of Mesa's applications will have an adverse effect on the economics of producing these two wells and will, therefore, ultimately result in the loss of potential production from these wells.

The said Orders by the NMOCD denying Mesa's applications are not supported by substantial evidence. Your attention is directed to paragraph (7) of each Order wherein it is correctly found, "That during the ninety-day period," the particular well in question "was alternately shut in and produced by the applicant for a various number of days each calendar month. The shut-ins and commencements of production were accomplished by the applicant's personnel manually controlling the surface valves that allow the gas from this well to produce into the gas purchaser's pipeline. The shut-in and production times, when so manually regulated, increase the rate of flow from the

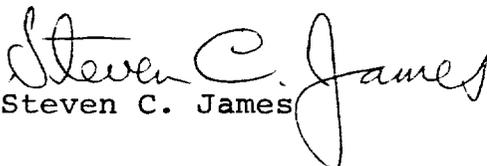
well and cause it to produce on any given production day in excess of 60 Mcf per day." In paragraph (8) of each Order the NMOCD states "That the alternate shutting in and production of a well is not an enhanced recovery technique as commonly understood in the oil and gas industry." The NMOCD apparently denied Mesa's applications on the basis of this latter statement and ignored the former evidentiary finding.

Paragraph (7) of the Orders encapsulates the relevant and substantial evidence upon which the NMOCD should have based its orders granting Mesa's applications. Having made the finding set forth in paragraph (7) of the Orders, however, the NMOCD erroneously chose to go forward with the Orders based solely on the application of an improper standard to the relevant evidence. The improper standard is that set forth in paragraph (8) of the Orders. It is not relevant nor is it a statement supported by the record. Thus, one can only conclude that there is no evidentiary basis whatsoever for the NMOCD's Orders. The proper standard for determining whether or not a technique qualifies as a recognized enhanced recovery technique is not the common understanding of the oil and gas industry. Rather, the proper standard is established by Congress in the Natural Gas Policy Act of 1978 and the Federal Energy Regulatory Commission regulations implementing that act. I have attached for your information a copy of Mesa's Memorandum of Law which was made a part of the record in the NMOCD cases referenced above. It reiterates that the Federal Energy Regulatory Commission has stated that any technique shall qualify as a recognized enhanced recovery technique if it increases the rate of production from a well.

Mesa hereby requests that the Federal Energy Regulatory Commission find that the technique applied by Mesa to the State Com AJ #34 and the State Com AI #33 wells in San Juan County, New Mexico does qualify as a recognized enhanced recovery technique under Section 108 (b) (2) of the Natural Gas Policy Act of 1978.

A copy of this protest together with all supporting documents has been served by certified mail on the New Mexico Oil Conservation Division, Northwest Pipeline Corporation and El Paso Natural Gas Company. If there are any questions in connection with this protest, please feel free to contact me at your convenience.

Very truly yours,


Steven C. James

dkm

c.c. New Mexico Oil Conservation Division ✓
Northwest Pipeline Corporation
El Paso Natural Gas Company

§108(b)(2) of the Natural Gas Policy Act of 1978 ("NGPA") states that the Federal Energy Regulatory Commission "shall, by rule, provide that, if nonassociated natural gas produced from a well which previously qualified as a stripper well under paragraph (1) exceeds an average of 60 Mcf per production day during any 90-day production period, such natural gas may continue to qualify as stripper well natural gas if the increase in nonassociated natural gas produced from such well was a result of the application of recognized enhanced recovery techniques." Congress, in the Joint Explanatory Statement of the Committee on Conference accompanying the issuance of the NGPA, stated, "The objective of this section is to insure that the producer does not have a built-in incentive to limit the production from a given well to an average of 60 Mcf per day."

In 18 CFR §271.803(a) the Federal Energy Regulatory Commission defined recognized enhanced recovery techniques as meaning "processes or equipment, or both, which when performed or installed by the producer, increase the rate of production of gas from a well. Processes qualifying as recognized enhanced recovery techniques include mechanical as well as chemical stimulation of the reservoir formation. Equipment may include items installed in the well bore or on the surface." When discussing this final regulation in 44 FR 49656 (August 24, 1979) the Federal Energy Regulatory Commission stated, "A number of comments asked that the Commission provide examples of processes or equipment that constitute recognized enhanced recovery techniques." They went on to say, "In this respect, we believe it is clear from our revised definition that any technique shall qualify if it increases the rate of production from the well." Emphasis added.

Case 8182 addresses a request by Mesa Petroleum Co. ("Mesa") for a further determination under 18 CFR §271.806 that the increase in the rate of production of gas from Mesa's State Com. AJ #34 well is due to the use by Mesa of a recognized enhanced recovery technique as defined in 18 CFR §271.803(a). This well is located on state lands in the W/2 of Section 36, Township 32 North, Range 12 West in San Juan County, New Mexico. It produces from the Dakota formation. Mesa operates the well and is the owner of 100% of the working interest in this well. On or about January 20, 1981, Mesa submitted a §108 application for this well which was approved on or about February 16, 1981 and became final on or about April 6, 1981. By letter dated March 10, 1983 Northwest Pipeline Corporation filed a Notice of Increased Production for the State Com. AJ #34 well in accordance with 18 CFR 271.805(a). By letter dated March 24, 1983 Mesa similarly filed its notice of increased production and its request for a further determination under 18 CFR §271.806 that the increase in the rate of production of gas from this well is due to the use by Mesa of a recognized enhanced recovery technique as defined in 18 CFR §271.803(a).

Case 8183 addresses a request by Mesa for a further determination under 18 CFR §271.806 that the increase in the rate of production of gas from Mesa's State Com. AI #33 well is due to the use by Mesa of a recognized enhanced recovery technique as defined in 18 CFR §271.803(a). This well is located on state lands in the W/2 of Section 32, Township 27 North, Range 9 West in San Juan County, New Mexico. It produces from the Dakota formation. Mesa Petroleum Co. is the operator of the well and the owner of 25% of the working interest in this well. Superior Oil Company owns 25% of the working interest, El Paso Natural Gas owns 12.5% of the working interest and Getty Oil Company (recently acquired by Texaco Inc.) owns the other 37.5% of the working interest.

On or about December 8, 1981 Mesa submitted a \$108 application for this well which was approved on or about January 12, 1981 and became final on or about March 29, 1981. By letter dated March 29, 1983 Northwest Pipeline Corporation submitted a Notice of Increased Production for the referenced well in accordance with 18 CFR Section 271.805(a). By letter dated July 8, 1983 Mesa also submitted its notice of increased production and its request for a further determination under 18 CFR Section 271.806 that the increase in the rate of production of gas from this well is due to the use by Mesa of a recognized enhanced recovery technique as defined in 18 CFR Section 271.803(a).

Beginning in mid to late 1982 both of these wells were alternately shut-in and produced by Mesa for a various number of days each month. The shut-ins and commencements of production are accomplished by Mesa personnel manually controlling the surface valves that allow the gas from these wells to produce into their respective pipelines. This process mechanically stimulates the reservoir by allowing a greater than normal reservoir pressure to build. The shut-in and production times when so manually regulated allow the wells to produce on any given production day in excess of 60 Mcf per day. Mesa's enhancement technique has also successfully increased the total volumes produced monthly from each well. The increase is due solely to the above-described method implemented by Mesa personnel. Had Mesa not employed this recovery technique, the monthly production rate would not have increased and the wells would have continued to produce at a rate below 60 Mcf per day. Mesa intends to continue to experiment with the regulated shut-in/production technique to determine the application of the technique that results in the highest increase in the rate of production of gas from these wells.

The Federal Energy Regulatory Commission has consistently stated its policy of encouraging increased production from stripper wells in accordance with the express intent of Congress in enacting the NGPA. Pennzoil Producing Company, 18 FERC ¶62,468 (1982), Dugan Production Corp. 14 FERC ¶61,269 (1981). The enhancement of recovery from the two wells involved here by Mesa is within the intent of Congress.

It is clear from the testimony given in Cases 8182 and 8183 that the State Com. AJ #34 and the State Com. AI #33 wells continue to qualify as stripper wells in accordance with the Natural Gas Policy Act of 1978. The effect of this continuing qualification as stripper wells will allow Mesa, as the operator of both wells, to continue to collect the \$108 NGPA price for these two wells.

Respectfully submitted,


Steven C. James
Attorney for Applicant,
Mesa Petroleum Co.

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