

BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF AMOCO PRODUCTION COMPANY FOR
AMENDMENT OF THE DELIVERABILITY
TESTING RULES FOR THE PRORATED
GAS POOLS OF NORTHWEST NEW MEXICO,
RIO ARriba, SANDOVAL AND SAN JUAN
COUNTIES COUNTY, NEW MEXICO.

16 1993

OIL CONSERVATION DIVISION

CASE NO. 10849

APPLICATION

AMOCO PRODUCTION COMPANY, through its undersigned attorneys, makes application for an order amending the General Rules for the Prorated Gas Pools of New Mexico and the Rules of Procedure for Northwest New Mexico to eliminate the requirement for deliverability testing of certain wells capable of low producing rates in the prorated pools of Northwest New Mexico and in support of this application states:

1. Amoco is the operator of wells in each of the prorated gas pools in Northwest New Mexico (Blanco-Mesaverde Gas Pool, Basin-Dakota Gas Pool, Tapacito-Pictured Cliffs Gas Pool and South Blanco-Pictured Cliffs Gas Pool). In each of these pools there are wells which produce at rates less than the acreage portion of the monthly allowable assigned to them. However, under current rules these wells are subject to the Division's requirements for annual or biennial deliverability testing. These rules exempt from deliverability testing wells in Gas Proration Units not capable of producing 250 MCF per month in the Pictured Cliffs formation and 2000 MCF per month in deeper formations.

2. Amoco seeks amendment of Rule 9(d) of the General Rules for the Prorated Gas Pools of New Mexico promulgated by Order No. R-8170-H and of the Rules of

Procedure for Northwest New Mexico promulgated by Order No. R-333-I to exempt from deliverability testing those wells in marginal Gas Proration Units which produce at such low rates that they cannot produce the acreage portion of the monthly assigned allowable. The recommended amendments to these rules are set out in Exhibit "A" to this application.

3. The recommended exemptions from deliverability testing should only affect wells capable of lower producing rates in marginal Gas Proration Units which are not candidates for reclassification to non-marginal status.

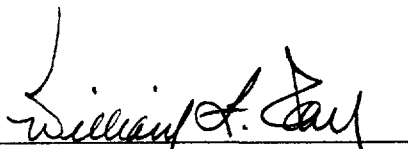
4. By raising the average monthly production volume required for exempt status to the Monthly Acreage Allocation Factor (F1) times the Gas Proration Units Acreage Factor (A), the numbers of wells requiring deliverability testing would be reduced and, at the same time, the exemption level will remain responsive to changes in allowables set by the Division.

5. Approval of this application will eliminate unnecessary deliverability testing and will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Amoco Production Company requests that this application be set before the Oil Conservation Commission on October 14, 1993, and that after notice and hearing as required by law, the Commission enter its Order granting this application and amending the General Rules for the Prorated Gas Pools of New Mexico and the Rules of Procedure for Northwest New Mexico to exempt them from deliverability testing wells in marginal Gas Proration Units which cannot produce the acreage portion of the monthly allowable assigned thereto.

Respectfully submitted,

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ATTORNEYS FOR AMOCO
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Exhibit "A"

Proposed Revision to Rule 9(d) Order No. R-8170-H

Rule 9(d) Wells Exempt from Testing - San Juan Basin:

A well automatically becomes exempt from testing if the GPU's average monthly production does not exceed or the GPU is not capable of producing an average volume equal to the larger of 1) the pool's current (April-September) Monthly Acreage Allocate Factor, F1, times the GPU Acreage Factor, A, or 2) 250 MCF per month for Pictured Cliffs formation wells and 2,000 MCF per month for deeper formations. (See "Gas Well Testing Rules and Procedures".)

Proposed Revisions to Order R-333-I
Rules and Procedures for Northwest New Mexico
Chapter 1, Sections 2.A.2

Section 2. Annual and Biennial Deliverability and Shut-in Pressure tests.

A.2 Wells classified as "exempt" shall not be subject to the requirements of annual or biennial deliverability tests.

Classification of wells into or out of the "exempt" status shall be done once each year immediately following the reporting of June production and shall be effective for the succeeding annual test period.

Gas wells completed in the Pictured Cliffs or any shallower formation shall be classified "exempt" if at least three months of production history is available and the well failed to produce, and is incapable of producing, an average volume equal to the larger of 1) the pool's current (April-September) Monthly Acreage Allocate Factor, F1, times the GPU Acreage Factor, A, or 2) an average of 250 MCF or more per month during the months produced within the preceding 12-month period, and the well is classified as marginal in the August Gas Proration Schedule.

Gas wells completed in any formation deeper than the Pictured Cliffs formation shall be classified "exempt" if at least three months of production history is available and the well failed to produce, and is incapable of producing, an average volume equal to the larger of 1) the pool's current (April-September) Monthly Acreage Allocate Factor, F1, times the GPU Acreage Factor, A, or 2) an average of 2000 MCF or more per month during the months produced within the preceding 12-month period, and the well is classified as marginal in the August Gas Proration Schedule.

Gas wells on multiple well Gas Proration Units will not be classified "exempt" unless the Gas Proration Unit is classified as marginal. Any or all wells on a marginal multiple well Gas Proration Unit may be classified as "exempt" provided each Gas Proration Unit so classified as "exempt" provided each Gas Proration Unit so classified meets the qualification for "exempt" status. Gas Proration Units for wells producing from formations deeper than the Pictured Cliffs formation shall be classified "exempt" if at least three months of production history is available and the Gas Proration Unit failed to produce, and is incapable of producing, an average volume equal to the larger of 1) the pool's current (April-September) Monthly Acreage Allocate Factor, F1, times the GPU Acreage Factor, A, or 2) an average of 2000 MCF or more per month during the months produced within the preceding 12-month period, and the well is classified as marginal in the August Gas Proration Schedule. Gas Proration Units are to be classified as "exempt" because of their low producing ability.

The District Supervisor of the Division's Aztec Office may classify a well or Gas Proration Unit as "exempt" at any time if the operator presents sufficient evidence to the District Supervisor indicating that the well or Gas Proration Unit is incapable of producing gas at a higher rate than that rate required for "exempt" classification for wells or Gas Proration Units in that pool.

Once a well or Gas Proration Unit has been declared "exempt" for the following test year, it shall remain classified "exempt" for that test year.