

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426



In Reply Refer To:  
OPPR/N830-A

William R. Smith, Director  
Colorado Oil and Gas Conservation Commission  
1580 Logan Street, Room 380  
Denver, Colorado 80203

FEB 25 1987

Re: Determination of Maximum  
Lawful Price under NGPA  
Section 102(c)(1)(B)(i)  
Energy Minerals Corporation  
Adcock #1 Well  
JA Filing No. 85-968  
FERC No. JD87-05712

*NE NW  
7-7N-58W*

Shepperd #3 Well  
JA Filing No. 85-678  
FERC No. JD87-05713

Dear Mr. Smith:

*SW NW  
8-7N-58W*

We have reviewed your notices of determination filed on January 12, 1987, that the referenced wells qualify as new onshore wells pursuant to Section 102(c)(1)(B)(i) of the NGPA, and have concluded that the notices are incomplete.

In order to qualify under Section 102(c)(1)(B)(i) (2.5 mile rule) of the NGPA, a well must be located more than 2.5 miles from the nearest marker well. In order to qualify under Section 102(c)(1)(B)(ii) (1,000 foot deeper test), the completion location of a well must be located at a depth at least 1,000 feet below the deepest completion of each marker well within 2.5 miles.

Our review of the list of wells included in both of the notices of determination indicate that two wells, the Baney Seigfried #1 well and the J. Dixon Lauer #2 well, are located within 2.5 miles of the subject wells, and are possible marker wells. The applicant stated that the Baney Seigfried #1 well and the J. Dixon Lauer #2 well had "no commercial gas sales from "D" formation" which is the reservoir from which the subject wells are producing. However, since a marker well is any well from which natural gas was produced in commercial quantities at any time after January 1, 1970, and before April 20, 1977, regardless of the reservoir that produced, the Baney Seigfried #1 well and the J. Dixon Lauer #2 well may be marker wells due to production from a formation other than the "D" formation. If so, the subject wells could not qualify under Section 102(c)(1)(B)(i) of the NGPA.

Our review also indicates that within 2.5 miles of the Shepperd #3 well there are two other wells which appear to be marker wells; the Hamon Oil State 1-16 well and the Hamon Oil State 3-16 well, which the applicant stated produced from the "J" formation, but not the "D" formation. The completion report indicates that the "J" formation is only 100 feet deeper than the "D" formation; therefore, it appears that the Shepperd #3 well also could not qualify under the 1000 foot deeper rule.

In light of the above, please provide an explanatory statement sufficient for us to ascertain the basis of your affirmative determinations. Your statement should include production history information concerning the possible marker wells. Pursuant to Section 275.202(b) of our regulations, the 45-day period for Commission review of your notices of determination shall not begin until we receive that statement.

Very truly yours,

*Howard Kilchrist*  
Howard Kilchrist, Director  
Division of Producer Audits and Pricing

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