

CASE 4605: Application of ELK OIL  
COMPANY FOR SPECIAL POOL RULES &  
A NON-STANDARD GAS PRORATION UNIT.

Case Number  
4605

Application

Transcripts

Small Exhibits

ETC.



# OIL CONSERVATION COMMISSION

**STATE OF NEW MEXICO**  
**P. O. BOX 2088 - SANTA FE**

87501

November 4, 1971

GOVERNOR  
BRUCE KING  
CHAIRMAN

LAND COMMISSIONER  
ALEX J. ARMIJO  
MEMBER

**STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY - DIRECTOR**

Mr. James T. Jennings  
Jennings, Christy & Copple  
Attorneys at Law  
Post Office Box 1180  
Roswell, New Mexico 88201

Re: Case No. 4605  
Order No. R-1670-J  
Applicant:  
Elk Oil Company

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC   x    
Artesia OCC       x        
Aztec OCC                   

Other \_\_\_\_\_

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 4603  
Order No. R-1670-J

NOMENCLATURE

APPLICATION OF ELK OIL COMPANY  
FOR SPECIAL POOL RULES AND A  
NON-STANDARD GAS PRORATION UNIT,  
CHAVES COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 13, 1971,  
at Roswell, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 4th day of November, 1971, the Commission,  
a quorum being present, having considered the testimony, the  
record, and the recommendations of the Examiner, and being  
fully advised in the premises,

FINDS:

(1) That due public notice having been given as required  
by law, the Commission has jurisdiction of this cause and the  
subject matter thereof.

(2) That the applicant, Elk Oil Company, seeks the promul-  
gation of special rules and regulations for the Round Tank-Queen  
Pool, Chaves County, New Mexico, including provisions for the  
classification of oil and gas wells, 40-acre spacing for oil  
wells, 160-acre spacing for gas wells, and a limiting gas-oil  
ratio of 6,000 to 1.

(3) That while the Round Tank-Queen Pool is presently  
classified as an oil pool, the evidence adduced indicates that  
it is in fact an "associated" reservoir.

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(4) That the reservoir characteristics of the subject pool indicate that the gas area can be efficiently and economically drained and developed on 160-acre spacing, and that the oil area can be efficiently and economically drained and developed on 40-acre spacing.

(5) That the reservoir characteristics of the subject pool presently available justify the definition of a gas well as a well producing with a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons.

(6) That the reservoir characteristics of the subject pool presently available justify the establishment of a gas-liquid ratio limitation of 6,000 cubic feet of gas per barrel of liquid hydrocarbons.

(7) That special rules and regulations providing for 160-acre gas well spacing and 40-acre oil well spacing should be promulgated for the subject pool in order to prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, prevent reduced recovery which might result from the drilling of too few wells, and otherwise prevent waste and protect correlative rights.

(8) That the special rules and regulations should provide for the classification of a gas well as a well producing with a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons and should provide for a gas-liquid ratio of 6,000 cubic feet of gas per barrel of liquid hydrocarbons in order to afford to the owner of each property in the pool the opportunity to produce his just and equitable share of the oil or gas, or both, and for this purpose to use his just and equitable share of the reservoir energy.

(9) That the special rules and regulations should establish proration rules for gas wells in order to prevent waste and protect correlative rights.

(10) That the applicant further seeks approval of a 120-acre non-standard gas spacing unit in the Round Tank-Queen Pool comprising the W/2 SW/4 and SE/4 SW/4 of Section 30, Township 15 South, Range 29 East, NMPM, Chaves County, New Mexico, to be dedicated to its JW Well No. 2, located in Unit L of said Section 30.

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(11) That the proposed non-standard gas spacing unit should be approved.

IT IS THEREFORE ORDERED:

(1) That, effective November 1, 1971, the horizontal limits of the Round Tank-Queen Pool, Chaves County, New Mexico, are hereby established as follows:

ROUND TANK-QUEEN POOL  
CHAVES COUNTY, NEW MEXICO

TOWNSHIP 15 SOUTH, RANGE 28 EAST, NMPM  
Section 25: E/2

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM  
Section 30: W/2

(2) That, effective November 1, 1971, Special Rules and Regulations for the Round Tank-Queen Pool, Chaves County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS  
FOR THE  
ROUND TANK-QUEEN POOL

RULE 1. Each well completed or recompleted in the Round Tank-Queen Pool or in the Queen formation within one mile thereof, and not nearer to or within the limits of another designated Queen pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. (a) Each gas well shall be located on a standard unit containing 160 acres, more or less, substantially in the form of a square, which is a quarter section being a legal subdivision of the United States Public Land Surveys.

RULE 2. (b) Each oil well shall be located on a standard unit containing 40 acres, more or less, consisting of a governmental quarter-quarter section.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 (a) without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated

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by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a governmental quarter section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the quarter section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well, oil or gas, shall be located no nearer than 330 feet to any quarter-quarter section line, except that any well drilled in a known gas productive area shall be located within 150 feet of the center of a quarter-quarter section.

RULE 5. A well shall be classified as a gas well if it has a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons. A well shall be classified as an oil well if it has a gas-liquid ratio of less than 30,000 cubic feet of gas per barrel of liquid hydrocarbons. The simultaneous dedication of any acreage to an oil well and a gas well is prohibited.

RULE 6. That the limiting gas-oil ratio shall be 6,000 cubic feet of gas for each barrel of oil produced.

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RULE 7. An oil well which has 40 acres dedicated to it shall be permitted to produce an amount of gas determined by multiplying the top unit oil allowable for the pool by the limiting gas-liquid ratio for the pool. In the event there is more than one oil well on a 40-acre oil proration unit, the operator may produce the allowable assigned to the 40-acre unit from the wells on the unit in any proportion.

A gas well shall be permitted to produce that amount of gas obtained by multiplying the top unit oil allowable for the pool by the limiting gas-liquid ratio for the pool and by a fraction, the numerator of which is the number of acres dedicated to the particular gas well and the denominator of which is 40. In the event there is more than one gas well on a 160-acre gas proration unit, the operator may produce the amount of gas assigned to the unit from the wells on the unit in any proportion.

RULE 8. The operator of each newly completed well shall cause a gas-liquid ratio test to be taken on the well upon recovery of all load oil from the well, provided however, that in no event shall the test be commenced later than 30 days from the date of first production unless the well is connected to a gas-gathering facility and is producing under a temporary gas allowable assigned in accordance with Rule 11. Any well which is shut in shall be exempted from the gas-liquid ratio test requirement so long as it remains shut in. The initial gas-liquid ratio test shall be taken in the manner prescribed by Rule 9. If the gas-liquid ratio is 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more, the operator shall not produce the well until beneficial use can be made of the gas.

RULE 9. Gas-liquid ratio tests shall be taken on all wells during the months of January and July of each year. The initial gas-liquid ratio test shall suffice as the first semi-annual test. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of such tests shall be filed on Commission Form C-116 on or before the 10th day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the Artesia Office of the Commission a test schedule for its wells specifying the time each of its wells is to be



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tested. Copies of the test schedule shall also be furnished to all offset operators.

Special tests shall also be taken at the request of the Secretary-Director and may also be taken at the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Commission and offset operators.

RULE 10. An initial shut-in pressure test shall be taken on each gas well and shall be reported to the Commission on Form C-125.

RULE 11. Any well completed after the effective date of these rules shall receive an allowable only upon receipt by the Commission's Artesia Office of Commission Forms C-104 and C-116, properly executed. The District Supervisor of the Commission's Artesia Office is hereby authorized to assign a temporary gas allowable to wells connected to a gas transportation facility during the recovery of load oil, which allowable shall not exceed the number of cubic feet of gas obtained by multiplying the daily top unit allowable for the pool by the limiting gas-liquid ratio for the pool.

RULE 12. Balancing dates shall be 7 o'clock a.m. January the first and 7 o'clock a.m. July the first, and the periods of time bounded by these dates shall be gas proration periods.

RULE 13. Any gas well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

RULE 14. Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

RULE 15. Any well which has an overproduced status as of the end of a gas proration period shall carry such overproduction

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forward into the next gas proration period, provided that such overproduction shall be compensated for during such succeeding period. Any well which has not compensated for the overproduction carried into a gas proration period by the end of such proration period shall be shut in until such overproduction is compensated for. If, at any time, a well is overproduced an amount equalling three times its current monthly allowable, it shall be shut in during that month and each succeeding month until the well is overproduced less than three times its current monthly allowable.

RULE 16. The allowable assigned to a well during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been compensated for.

RULE 17. The Commission may allow overproduction to be compensated for at a lesser rate than would be the case if the well were completely shut in upon a showing after notice and hearing that complete shut in of the well would result in material damage to the well or reservoir.

RULE 18. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the produced gas.

RULE 19. Each purchaser or taker of gas shall submit a report to the Commission so as to reach the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken. Such report shall be filed on Form C-111 with the wells being listed in the same order as they are listed on the oil proration schedule.

RULE 20. Failure to comply with any provision of these rules shall result in the immediate cancellation of allowable assigned to the affected well. No further allowable shall be assigned until all rules and regulations have been complied with. The Secretary-Director shall notify the operator of the well and purchaser in writing of the date of allowable cancellation and the reason therefor.

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RULE 21. All transporters or users of gas shall file gas well-connection notices with the Commission as soon as possible after the date of connection.

RULE 22. Allowables to wells whose classification has changed from oil to gas or from gas to oil as the result of a gas-liquid ratio test shall commence on the first day of the month following the month in which such test was reported, provided that a plat (Form C-102) showing the acreage dedicated to the well and the location of all wells on the dedicated acreage has been filed.

IT IS FURTHER ORDERED:

(1) That a 120-acre non-standard gas spacing unit comprising the W/2 SW/4 and SE/4 SW/4 of Section 30, Township 15 South, Range 29 East, NMPM, Round Tank-Queen Pool, Chaves County, New Mexico, is hereby approved and dedicated to its JW Well No. 2 located in Unit L of said Section 30.

(2) That the locations of all wells presently drilling to or completed in the Round Tank-Queen Pool or in the Queen formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Artesia District Office of the Commission in writing of the name and location of the well on or before November 15, 1971.

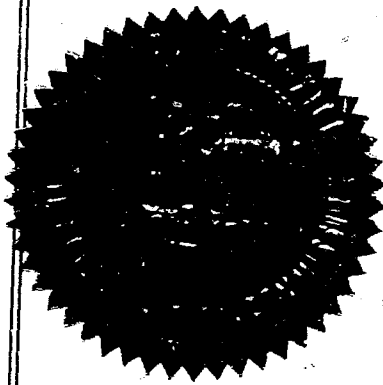
(3) That all operators shall, prior to November 15, 1971, file with the Commission Form C-102 for each well showing the acreage dedicated to the well.

(4) That all operators shall take new gas-oil ratio tests on all wells and file the results thereof with the Commission on Form C-116 prior to December 1, 1971; that the daily tolerance provision of Commission Rule 502-I is hereby waived for the purpose of testing wells at the allowable rate authorized by these rules.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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CASE NO. 4605  
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DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.



STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Bruce King*  
BRUCE KING, Chairman

*Alex J. Armijo*  
ALEX J. ARMIJO, Member

*A. L. Porter, Jr.*  
A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

Docket No. 22-71

DOCKET: REGULAR HEARING - WEDNESDAY - OCTOBER 13, 1971

OIL CONSERVATION COMMISSION - 9 A.M. - ROSWELL INN, 1815 NORTH MAIN,  
ROSWELL, NEW MEXICO

- ALLOWABLE: (1) Consideration of the oil allowable for November and December, 1971;
- (2) Consideration of the allowable production of gas for November, 1971, from fifteen prorated pools in Lea, Eddy, Roosevelt and Chaves Counties, New Mexico. Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba and Sandoval Counties, New Mexico, for November, 1971.

CASE 4575: (De Novo)

Application of Anadarko Production Company for the amendment of the special pool rules for an existing pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of the special rules and regulations governing the South Eunice-San Andres Pool to provide for the classification of oil and gas wells, spacing and well location requirements, and an allocation formula for withdrawals by oil and gas wells.

Upon application of Anadarko Production Company, this case will be heard De Novo under the provisions of Rule 1220.

CASE 4557: (De Novo)

Application of Continental Oil Company for transfer of allowable, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to transfer allowable across boundaries of the participating area and the leases outside said area, but within the Maljamar Co-operative Area, MCA Unit Area, Maljamar Grayburg-San Andres Pool, Lea County, New Mexico.

Upon application of Continental Oil Company, this case will be heard De Novo under the provisions of Rule 1220.

THE FOLLOWING CASES WILL BE HEARD BEFORE DANIEL S. NUTTER, EXAMINER, OR ELVIS A. UTZ, ALTERNATE EXAMINER, ALSO AT THE  
ROSWELL INN:

- CASE 4605: Application of Elk Oil Company for special pool rules and a non-standard gas proration unit, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Round Tank-Queen Pool,

Regular Hearing - October 13, 1971

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Docket No. 22-71

(Case 4605 continued)

including provisions for the classification of oil and gas wells, spacing and well location requirements for oil and gas wells, and a limiting gas-oil ratio of 6,000 to 1. Applicant further seeks approval of a 120-acre non-standard gas proration unit comprising the W/2 SW/4 and SE/4 SW/4 of Section 30, Township 15 South, Range 29 East, Chaves County, New Mexico, to be dedicated to its JW Well No. 2 located in Unit L of said Section 30.

CASE 4606: Application of Black River Corporation for an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location for its Cities-Federal Well No. 2 located 2310 feet from the South and East lines of Section 34, Township 25 South, Range 24 East, undesignated Morrow gas pool, Eddy County, New Mexico, with the E/2 of said Section 34 to be dedicated to the well.

CASE 4448: (Reopened)

In the matter of Case 4448 being reopened pursuant to the provisions of Order No. R-4060, which order established 160-acre spacing units and an 80-acre proportional factor of 4.00 for the West Mescalero-Pennsylvanian Pool, Lea County, New Mexico, for a period of one year. All interested persons may appear and show cause why said pool should not be developed on less than 160-acre spacing units and why the 80-acre proportional factor of 4.00 assigned to the pool should or should not be retained.

CASE 4607: Application of Penroc Oil Corporation for a waterflood expansion and amendment of Order No. R-3494, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to expand its Phillips Artesia Waterflood Project, Artesia Pool, by an additional injection well to be located 2645 feet from the South line and 1325 feet from the East line of Section 27, Township 17 South, Range 28 East, Eddy County, New Mexico. Applicant further seeks the amendment of Order No. R-3494 to permit administrative approval for additional

Regular Hearing - October 13, 1971

Docket No. 22-71

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(Case 4607 continued)

injection wells in said project without a showing of well response.

CASE 4608: Application of Jack L. McClellan for the creation of a new pool and special pool rules, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new pool for the production of oil from the Siluro-Devonian formation for his Bar-J Federal Well No. 1 located in Unit E of Section 15, Township 6 South, Range 27 East, Chaves County, New Mexico, and the assignment of approximately 32,300 barrels of discovery allowable to said well. Applicant further seeks the promulgation of special rules for said pool including a provision for 80-acre spacing and proration units.

CASE 4609: Application of Jack L. McClellan for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Sulimar-Queen Unit Area comprising 1520 acres, more or less, of Federal lands in Sections 13, 23, 24, 25, and 26 of Township 15 South, Range 29 East and Sections 18 and 19 of Township 15 South, Range 30 East, Chaves County, New Mexico.

CASE 4610: Application of Jack L. McClellan for a waterflood project, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the Sulimar-Queen Pool by the injection of water through various wells located in Sections 13, 23, 24, 25, and 26 of Township 15 South, Range 29 East and Sections 18 and 19 of Township 15 South, Range 30 East, Chaves County, New Mexico.

CASE 4611: Southeastern New Mexico nomenclature case calling for an order for the extension of certain pools in Lea, Chaves and Roosevelt Counties, New Mexico.

(a) Extend the Allison-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 36 EAST, NMPM  
SECTION 3: N/2 SE/4

(Case 4611 continued)

(b) Extend the Bluitt-San Andres Associated Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 38 EAST, NMPM  
SECTION 16: S/2

(c) Extend the Vest Ranch-Queen Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 30 EAST, NMPM  
SECTION 28: SE/4

(d) Extend the Wantz-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM  
SECTION 12: NE/4

CASE 4539: (Continued from the September 1, 1971 Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Doanbuy Lease & Company, Inc., and all other interested persons to appear and show cause why its following described wells in Section 27, Township 14 South, Range 33 East, Saunders Pool, Lea County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 4593: (Continued from the September 15, 1971 Examiner Hearing)

Application of Continental Oil Company for an exception to Order No. R-3221, as amended, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, to dispose of water produced by wells located on its W. R. Means lease comprising the S/2 and NW/4 of Section 28, and E/2 and E/2 W/2 of Section 29, Township 14 South, Range 30 East, Vest Ranch-Queen Pool, Chaves County, New Mexico, in unlined surface pits.



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SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS  
209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Roswell, New Mexico

October 13, 1971  
Examiner Hearing

IN THE MATTER OF:

Application of Elk Oil Company  
for special pool rules and a  
non-standard gas proration unit,  
Chaves County, New Mexico.

Case 4605

BEFORE: DANIEL S. NUTTER, EXAMINER

TRANSCRIPT OF HEARING

## NEW MEXICO OIL CONSERVATION COMMISSION

## EXAMINER HEARING

ROSWELL, NEW MEXICO

REGISTERHEARING DATE OCTOBER 13, 1971 TIME: 

NAME:	REPRESENTING:	LOCATION:
Nina S. Durham Joseph J. Lee	R. W. Bigam EKK	Santa Fe Roswell
Joe J. Johnson Jason W. Kullabi	James W. C. Chellus Kullabi & Fox	Wichita Falls Santa Fe
Dorothy Canon Mildred Caruso Margaret Robertson	U.S.G.S U.K.P. N.B.S.L.	Roswell Roswell "
James V. Curfuss	Atlantic Refining	"

1 MR. NUTTER: The hearing will come to order, please.  
2 The first case this morning will be Case Number 4605.

3 MR. HATCH: Case 4605, application of Elk Oil  
4 Company for special pool rules and a non-standard gas proration  
5 unit, Chaves County, New Mexico.

6 MR. JENNINGS: I am James T. Jennings of Jennings,  
7 Christy and Copple, appearing on behalf of Elk, and we have  
8 one witness, Mr. Joe Kelly, vice-president of Elk.

9 (Witness sworn)

10 JOSEPH J. KELLY

11 having been first duly sworn, according to law, upon his oath  
12 testified as follows:

13 DIRECT EXAMINATION

14 BY MR. JENNINGS:

15 Q: Would you state your name and occupation, please?

16 A: Joseph J. Kelly, vice-president, Elk Oil Company.

17 Q: Mr. Kelly, are you familiar with the application which  
18 has been filed by Elk in Case No. 4605?

19 A: I am.

20 Q: Is the Elk the operator of four wells in the Round Tank-  
21 Queen Pool in Chaves County?

22 A: They are.

23 Q: These are the J. W. No. 1 in Unit K, the J. W. No. 2 in  
24 Unit L and Mulice A in Unit D, all in Section 30, 15, 29,  
25 and the Bruner Federal in Unit 1 of Section 25, 15, 29?

1 A That's correct.

2 Q Now, what is the general nature of these wells? Are they  
3 good wells or --

4 A Well, the J. W. No. 1 is an oil well. We potentialed  
5 initially for 25 barrels of oil, 5 barrels of water.

6 As of Monday it was making 2 barrels of oil and a  
7 half a barrel of water a day.

8 The J. W. No. 2, Mulice State A No. 1, Bruner  
9 Federal No. 1, are all Queen gas wells. These are of  
10 high nitrogen content, and are good wells for the site  
11 which they are being sold.

12 Q Mr. Kelly, I hand you what has been marked as Exhibit No. 1  
13 and ask you to identify that, please.

14 A Exhibit No. 1 is a structure map of the Round Tank field,  
15 delineating the three gas wells and one oil well.

16 Q Are there any other wells in the pool other than the Elk  
17 wells?

18 A No. That is -- we are the only -- they are the only wells  
19 in the pool.

20 Q That pool is currently classified as an oil pool, is it  
21 not?

22 A That's correct.

23 Q Referring to Exhibit No. 1, Mr. Kelly, would you delineate  
24 the -- point out the location of the oil and gas well, and  
25 is that well on the same quarter-section as the oil well?

- 1 Is that on the same quarter-section as one of the gas  
2 wells?
- 3 A Yes, that's correct. The J. W. No. 1 is an oil well along  
4 with J. W. No. 2 A gas well, both are located in the  
5 southwest quarter of 30, 15, 29.
- 6 Q And you wish to dedicate the west half southwest quarter  
7 and the southeast quarter, southwest quarter of Section 30  
8 to the J. W. No. 2 well located in the northwest southwest  
9 of Section 30?
- 10 A That's correct.
- 11 Q For non-standard unit?
- 12 A That's correct.
- 13 Q Mr. Kelly, do you feel that each of these gas wells will  
14 efficiently and economically drain 160 acres?
- 15 A We do.
- 16 Q Have you prepared special pool rules which you have  
17 submitted to the Commission for approval?
- 18 A Yes, we have.
- 19 Q I hand you what has been marked as Exhibit No. 2. They  
20 have been approved?
- 21 A Yes, they are.
- 22 Q Are they similar to rules which the Commission has adopted  
23 in similar situations?
- 24 A That's correct.
- 25 Q I believe that is another pool in Chaves County, San Andres

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1 pool?

2 A Yes. It is called the Twin Lakes San Andres pool operated  
3 by Twin Lakes Oil Company.

4 Q Do you believe that under these rules you can efficiently  
5 and effectively and economically operate the wells in the  
6 Round Tank Round Tank-Queen Pool?

7 A Yes.

8 Q Did you prepare Exhibit No. 1?

9 A Yes, I did.

10 MR. JENNINGS: We move to offer Exhibit No. 1, and  
11 we would offer the rules which have been designated as Exhibit  
12 No. 2.

13 MR. NUTTER: Applicant's Exhibits 1 and 2 will be  
14 admitted in evidence.

15 CROSS-EXAMINATION

16 BY MR. NUTTER:

17 Q Mr. Kelly, referring to your Exhibit No. 1, I see a well  
18 up here in the northwest quarter of Section 24, northwest  
19 of the Round Tank pool.

20 What formation does that well produce from?

21 A This is the Queen.

22 Q It is also a Queen well?

23 A Yes.

24 Q Do you think it is in contact with the wells in Sections  
25 25 and 30?

1 A We do.

2 Q What are the horizontal limits at the present time for  
3 Round Tank-Queen pool as defined by the Commission?

4 A It is just the forty acre spacing for the oil well, if  
5 that is what you mean.

6 Q Well, what about the limits of the pool as the Commission  
7 has defined it? It is not limited to the forty acres, is  
8 it?

9 A You haven't defined it yet.

10 Q Is that right?

11 A That's right.

12 Q So are you proposing any pool delineation at this time to  
13 include these other wells?

14 MR. JENNINGS: I would say yes. I think that we  
15 should have it.

16 Q (Mr. Nutter continuing) And I presume that your proposal  
17 would include the well in Section 24, then, to be included  
18 in the pool?

19 A No, not a -- we don't own that well.

20 Q I see.

21 A The green you see on Exhibit 1 is the Elk Oil Company  
22 acreage.

23 Q I see. But you do believe it is a part of the common  
24 reservoir?

25 A Yes, sir.

dearnley-meier reporting service

1 Q Now, your pool rules, Mr. Kelly, the essential part of  
2 those would be 160 acre spacing for gas wells, forty acre  
3 for oil wells, correct?

4 A That's correct.

5 Q And the dividing line between an oil well and a gas well  
6 would be one that produces 30,000 cubic feet or more per  
7 barrel?

8 A Right.

9 Q The limiting ratio for oil wells would be 6,000 cubic feet  
10 of gas per barrel of oil and well spacing I presume would  
11 be 660 feet outer boundary or 330?

12 MR. JENNINGS: 330.

13 MR. NUTTER: For oil or gas wells?

14 MR. JENNINGS: Yes, sir.

15 MR. NUTTER: Yes. Does anyone else have any  
16 questions of Mr. Kelly? He may be excused.

17 (Witness excused)

18 MR. NUTTER: Do you have anything further, Mr.  
19 Jennings?

20 MR. JENNINGS: No, sir.

21 MR. NUTTER: Does anyone have anything they wish to  
22 offer in Case 4605? We'll take the case under advisement.

23

24

25



I N D E XWITNESSPAGE

JOSEPH J. KELLY

Direct Examination by Mr. Jennings

2

Cross-Examination by Mr. Nutter

5

E X H I B I T SOFFERED IN EVIDENCEPAGE

Applicant's Exhibits 1 and 2

5

dearnley-meier reporting service, inc.

1 STATE OF NEW MEXICO )  
 2 COUNTY OF BERNALILLO )

3 I, LINDA MALONE, Court Reporter, do hereby certify that  
 4 the foregoing and attached Transcript of Hearing before the  
 5 New Mexico Oil Conservation Commission was reported by me;  
 6 that the same is a true and correct record of the said  
 7 proceedings, to the best of my knowledge, skill and ability.

8  
 9  
 10  
 11 Linda Malone  
 12 Court Reporter

13  
 14  
 15  
 16  
 17  
 18  
 19  
 20  
 21  
 22 I do hereby certify that the foregoing is  
 23 a true and correct record of the proceedings in  
 the Bernalillo hearing of Case No. 4605  
 held by me on 10/13, 1971.

24 Adrian Reporter  
 25 New Mexico Oil Conservation Commission

EXHIBIT "Q"

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
<u>EIK</u>	EXHIBIT NO. <u>2</u>
CASE NO. <u>4605</u>	

SPECIAL RULES AND REGULATIONS  
FOR THE  
ROUND TANK - QUEEN POOL

RULE 1. Each well completed or recompleted in the Round Tank - Queen Pool or in the Queen formation within one mile thereof, and not nearer to or within the limits of another designated Queen pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. (a) Each gas well shall be located on a standard unit containing 160 acres, more or less, substantially in the form of a square, which is a quarter section being a legal subdivision of the United States Public Land Surveys.

RULE 2. (b) Each oil well shall be located on a standard unit containing 40 acres, more or less, consisting of a governmental quarter-quarter section.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 (a) without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a governmental quarter section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the quarter section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well, oil or gas, shall be located no nearer than 330 feet to any quarter-quarter section line, except that any well drilled in a known gas productive area shall be located within 150 feet of the center of a quarter-quarter section.

RULE 5. A well shall be classified as a gas well if it has a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons. A well shall be classified as an oil well if it has a gas-liquid ratio of less than 30,000 cubic feet of gas per barrel of liquid hydrocarbons. The simultaneous dedication of any acreage to an oil well and a gas well is prohibited.

RULE 6. That the limiting gas-oil ratio shall be 6000 cubic feet of gas for each barrel of oil produced.

RULE 7. An oil well which has 40 acres dedicated to it shall be permitted to produce an amount of gas determined by multiplying the top unit oil allowable for the pool by the limiting gas-liquid ratio for the pool. In the event there is more than one oil well on a 40-acre oil proration unit, the operator may produce the allowable assigned to the 40-acre unit from the wells on the unit in any proportion.

A gas well shall be permitted to produce that amount of gas obtained by multiplying the top unit oil allowable for the pool by the limiting gas-liquid ratio for the pool and by a fraction, the numerator of which is the number of acres dedicated to the particular gas well and the denominator of which is 40. In the event there is more than one gas well on a 160-acre gas proration unit, the operator may produce the amount of gas assigned to the unit from the wells on the unit in any proportion.

RULE 8. The operator of each newly completed well shall cause a gas-liquid ratio test to be taken on the well upon recovery of all load oil from the well, provided however, that in no event shall the test be commenced later than 30 days from the date of first production unless the well is connected to a gas-gathering facility and is producing under a temporary gas allowable assigned in accordance with Rule 11. Any well which is shut in shall be exempted from the gas-liquid ratio test requirement so long as it remains shut in. The initial gas-liquid ratio test shall be taken in the manner prescribed by Rule 9. If the gas-liquid ratio is 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more, the operator shall not produce the well until beneficial use can be made of the gas.

RULE 9. Gas-liquid ratio tests shall be taken on all wells during the months of January and July of each year. The initial gas-liquid ratio test shall suffice as the first semi-annual test. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour

period during which the well shall be produced at a constant normal rate of production. Results of such tests shall be filed on Commission Form C-116 on or before the 10th day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the Artesia Office of the Commission a test schedule for its wells specifying the time each of its wells is to be tested. Copies of the test schedule shall also be furnished to all offset operators.

Special tests shall also be taken at the request of the Secretary-Director and may also be taken at the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Commission and offset operators.

RULE 10. An initial shut-in pressure test shall be taken on each gas well and shall be reported to the Commission on Form C-125.

RULE 11. Any well completed after the effective date of these rules shall receive an allowable only upon receipt by the Commission's Artesia Office of Commission Forms C-104 and C-116, properly executed. The District Supervisor of the Commission's Artesia Office is hereby authorized to assign a temporary gas allowable to wells connected to a gas transportation facility during the recovery of load oil, which allowable shall not exceed the number of cubic feet of gas obtained by multiplying the daily top unit allowable for the pool by the limiting gas-liquid ratio for the pool.

RULE 12. Balancing dates shall be 7 o'clock a.m. January the first and 7 o'clock a.m. July the first, and the periods of time bounded by these dates shall be gas proration periods.

RULE 13. Any gas well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

RULE 14. Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

RULE 15. Any well which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period, provided that such overproduction shall be compensated for during such succeeding period. Any well which has not compensated for the overproduction

carried into a gas proration period by the end of such proration period shall be shut in until such overproduction is compensated for. If, at any time, a well is overproduced an amount equalling three times its current monthly allowable, it shall be shut in during that month and each succeeding month until the well is overproduced less than three times its current monthly allowable.

RULE 16. The allowable assigned to a well during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been compensated for.

RULE 17. The Commission may allow overproduction to be compensated for at a lesser rate than would be the case if the well were completely shut in upon a showing after notice and hearing that complete shut in of the well would result in material damage to the well or reservoir.

RULE 18. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the produced gas.

RULE 19. Each purchaser or taker of gas shall submit a report to the Commission so as to reach the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken. Such report shall be filed on Form C-111 with the wells being listed in the same order as they are listed on the oil proration schedule.

RULE 20. Failure to comply with any provision of these rules shall result in the immediate cancellation of allowable assigned to the affected well. No further allowable shall be assigned until all rules and regulations have been complied with. The Secretary-Director shall notify the operator of the well and purchaser in writing of the date of allowable cancellation and the reason therefor.

RULE 21. All transporters or users of gas shall file gas well-connection notices with the Commission as soon as possible after the date of connection.

RULE 22. Allowables to wells whose classification has changed from oil to gas or from gas to oil as the result of a gas-liquid ratio test shall commence on the first day of the month following the month in which such test was reported, provided that a plat (Form C-102) showing the acreage dedicated to the well and the location of all wells on the dedicated acreage has been filed.

**RECEIVED**

SEP 20 1971

JAMES T. JENNINGS  
SIM B. CHRISTY IV  
ROGER L. COPPLE  
BRIAN W. COPPLE

LAW OFFICES OF  
**JENNINGS, CHRISTY & COPPLE**  
1012 SECURITY NATIONAL BANK BUILDING  
P. O. BOX 1180  
ROSWELL, NEW MEXICO 86201

OIL CONSERVATION COMM.  
SANTA FE

TELEPHONE 622-8432  
AREA CODE 505

September 17, 1971

*Case 4605*

Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Attention: Mr. Porter

RE: ELK OIL COMPANY APPLICATION

Confirming our recent telephone conversation, I am enclosing herewith Elk's Application for Special Pool Rules in the Round Tank Queen Pool and for a Non-Standard Proration Unit.

It will be greatly appreciated if this can be scheduled in accordance with our arrangement for the hearing to be held in Roswell on October 13. If there are any questions or if you need any further information, please call me.

JAMES T. JENNINGS

JTJ/mb

Encl.

cc: Elk Oil Company

DOCKET MARKED

10-1-71

RECEIVED

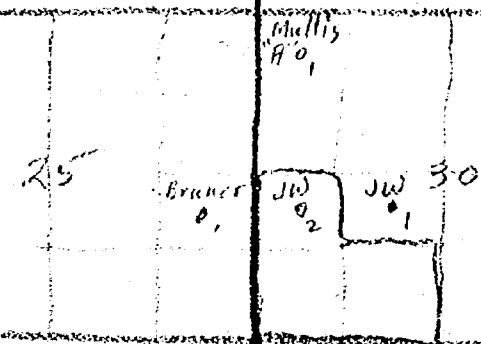
SEP 20 1971

OIL CONSERVATION COMMISSION

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF  
ELK OIL COMPANY FOR SPECIAL POOL  
RULES AND A NON-STANDARD PRORATION  
UNIT, ROUND TANK QUEEN POOL, CHAVES  
COUNTY, NEW MEXICO.



APPLICATION FOR SPECIAL POOL RULES  
AND A NON-STANDARD PRORATION UNIT

Case 4605

Comes now the Applicant, Elk Oil Company, and hereby  
makes application for special pool rules and for a non-standard  
proration unit in the Round Tank Queen Pool, Chaves County, New  
Mexico, and in support thereof states:

1. Applicant is the operator of the following wells,  
which are all of the currently producing wells located in the  
Round Tank Queen Pool, Chaves County, New Mexico.

Oil Wells Currently Producing 2130 1/2 BW	JW No. 1, Unit K	NE 1/4 SW 1/4 Section 30, T-15-S, R-29-E
	JW No. 2, Unit L	NW 1/4 SW 1/4 Section 30, T-15-S, R-29-E
Queen Gas Wells	Mullis "A" No. 1 Unit D	NW 1/4 NW 1/4 Section 30, T-15-S, R-29-E
	Bruner Federal No. 1 Unit I	NE 1/4 SE 1/4 Section 25, T-15-S, R-28-E

2. That the Applicant, Elk Oil Company, seeks the pro-  
mulgation of special rules and regulations for the Round Tank Queen  
Pool, Chaves County, New Mexico, including provisions for the  
classification of oil and gas wells, 40-acre spacing for oil wells,  
160-acre spacing for gas wells, and a limiting gas-oil ratio of  
6000 - 1.

3. That the Round Tank Queen Pool is presently classified  
as an oil pool; however, in fact it is capable of and is producing



gas and it is in fact an "associated" reservoir. That the gas area of the pool can be efficiently and economically drained and developed on a 160-acre spacing and the oil area can be efficiently and economically drained and developed on a 40-acre spacing.

4. That there should be established a gas-liquid ratio of 6000 cubic feet of gas per barrel of liquid hydrocarbon.

5. That Applicant feels temporary special rules and regulations providing for 160-acre gas well spacing and 40-acre oil well spacing will prevent waste and economic loss caused by the drilling of unnecessary wells and will result in the increased ultimate recovery of oil and gas.

6. That Applicant will submit proposed pool rules at the time of the hearing.

7. That Applicant further seeks approval of a 120 acre non-standard gas spacing unit in the Round Tank Queen Pool comprising the  $W\frac{1}{2}SW\frac{1}{4}$  and  $SE\frac{1}{4}SW\frac{1}{4}$  Section 30, Township 15 South, Range 29 East, N.M.P.M., Chaves County, New Mexico, to be dedicated to its JW No. 2 Well located in Unit L ( $NW\frac{1}{4}SW\frac{1}{4}$  Section 30).

WHEREFORE, Applicant requests the Commission to set this matter down for hearing before an examiner at an early date, publish notice as required by law and after hearing issue its Order:

1. Establishing special pool rules for the Round Tank Queen Pool in Chaves County, New Mexico.

2. Establishing a 120-acre non-standard gas spacing unit comprising the  $W\frac{1}{2}SW\frac{1}{4}$  and  $SE\frac{1}{4}SW\frac{1}{4}$  Section 30, Township 15 South, Range 29 East, N.M.P.M., Round Tank Queen Pool, Chaves County, New Mexico, dedicating to this unit the Applicant's JW No. 2 Well

located in Unit L of Section 30, Township 15 South, Range 29 East,  
N.M.P.M.

Respectfully submitted,

ELK OIL COMPANY

By 

James T. Jennings, for  
JENNINGS, CHRISTY & COPPLE  
Attorneys for Applicant  
P. O. Box 1180  
Roswell, New Mexico 88201

DRAFT

GMH/dr

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

*GMH*  
IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE No. 4605

Order No. R-~~337~~

APPLICATION OF ELK OIL COMPANY  
FOR SPECIAL POOL RULES AND A  
NON-STANDARD GAS PRORATION UNIT,  
CHAVES COUNTY, NEW MEXICO.

*nomenclature*  
*records center*  
*R-1670-J*

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 13, 19 71  
at ~~Santa Fe~~, New Mexico, before Examiner Daniel S. Nutter.  
Roswell

NOW, on this 13 day of October, 19 71, the Commission, a  
quorum being present, having considered the testimony, the record,  
and the recommendations of the Examiner, and being fully advised  
in the premises,

FINDS:

(1) That due public notice having been given as required by  
law, the Commission has jurisdiction of this cause and the subject  
matter thereof.

(2) That the applicant, Elk Oil Company, seeks the promulga-  
tion of special rules and regulations for the Round Tank-Queen  
Pool, Chaves County, New Mexico, including provisions for the  
classification of oil and gas wells, <sup>40</sup> ~~120~~-acre spacing for oil  
wells, <sup>160</sup> ~~120~~-acre spacing for gas wells, and a limiting gas-oil  
ratio of 6,000 to 1.

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CASE NO. 4605

Order No. R-

(3) That while the Round Tank-Queen Pool is presently classified as an oil pool, the evidence adduced indicates that it is in fact an "associated" reservoir.

(4) That the reservoir characteristics of the subject pool indicate that the gas area can be efficiently and economically drained and developed on <sup>40</sup>~~120~~-acre spacing, and that the oil area can be efficiently and economically drained and developed on 40-acre spacing.

(5) That the reservoir characteristics of the subject pool presently available justify the definition of a gas well as a well producing with a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons.

(6) That the reservoir characteristics of the subject pool presently available justify the establishment of a gas-liquid ratio limitation of 6,000 cubic feet of gas per barrel of liquid hydrocarbons.

(7) That ~~temporary~~ <sup>160</sup> special rules and regulations providing for ~~120~~-acre gas well spacing and 40-acre oil well spacing should be promulgated for the subject pool in order to prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, prevent reduced recovery which might result from the drilling of too few wells, and otherwise prevent waste and protect correlative rights.

(8) That the ~~temporary~~ special rules and regulations should provide for the classification of a gas well as a well producing with a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons and should provide for a gas-liquid ratio of 6,000 cubic feet of gas per barrel of liquid hydrocarbons until such time as the pool has gas gathering and transporta-

~~tion facilities, and thereafter a limiting gas oil ratio of 6,000~~  
~~and~~, in order to afford to the owner of each property in the pool  
the opportunity to produce his just and equitable share of the  
oil or gas, or both, and for this purpose to use his just and  
equitable share of the reservoir energy.

(9) That the ~~temporary~~ special rules and regulations should  
establish proration rules for gas wells in order to prevent waste  
and protect correlative rights.

(10) That this case should be reopened in October 1971  
at which time the operators in the subject pool should be required  
to establish that a gas-liquid ratio limitation of 6000  
cubic feet of gas per barrel of liquid hydrocarbons will effectively  
maintain the gas-oil contact in the subject pool, and that the  
special rules and regulations should be continued in effect.

(10) ~~(11)~~ That the applicant further seeks approval of a 120-acre  
non-standard gas spacing unit in the Round Tank-Queen Pool com-  
prising the W/2 SW/4 and SE/4 SW/4 of Section 30, Township 15  
South, Range 29 East, NMPM, Chaves County, New Mexico, to be dedi-  
cated to its JW Well No. 2, located in Unit L of said Section 30.

(11) ~~(12)~~ That the proposed non-standard gas spacing unit should  
be approved.

IT IS THEREFORE ORDERED:

(1) That, effective November 1, 1971, ~~the date of this order, temporary Special~~  
~~the horizontal limits of the~~  
~~Rules and Regulations for the Round Tank-Queen Pool, Chaves County,~~  
New Mexico, are hereby ~~promulgated~~ <sup>established</sup> as follows:

Round Tank - Queen Pool  
Chaves County, New Mexico  
Township 15 South, Range 28 East  
Section 25: E/2  
Township 15 South, Range 29 East  
Section 30: W/2

(2) That, effective November 1, 1971, ~~temporary~~  
Special Rules and Regulations for the Round Tank-Queen  
Pool, Chaves County, New Mexico, are hereby  
promulgated as follows:

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CASE NO. 4605  
Order No. R-

SPECIAL RULES AND REGULATIONS  
FOR THE  
ROUND TANK-QUEEN POOL

RULE 1. Each well completed or recompleted in the Round Tank-Queen Pool or in the Queen formation within one mile thereof, and not nearer to or within the limits of another designated Queen pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. (a) Each gas well shall be located on a standard unit containing 160 acres, more or less, substantially in the form of a square, which is a quarter section being a legal subdivision of the United States Public Land Surveys.

RULE 2. (b) Each oil well shall be located on a standard unit containing 40 acres, more or less, consisting of a governmental quarter-quarter section.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 (a) without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

(a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.

- (b) The non-standard unit lies wholly within a governmental quarter section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the quarter section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well, oil or gas, shall be located no nearer than 330 feet to any quarter-quarter section line, except that any well drilled in a known gas productive area shall be located within 150 feet of the center of a quarter-quarter section.

RULE 5. A well shall be classified as a gas well if it has a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons. A well shall be classified as an oil well if it has a gas-liquid ratio of less than 30,000 cubic feet of gas per barrel of liquid hydrocarbons. The simultaneous dedication of any acreage to an oil well and a gas well is prohibited.

RULE 6. That the limiting gas-oil ratio shall be 6000 cubic feet of gas for each barrel of oil produced.

RULE 7. An oil well which has 40 acres dedicated to it shall be permitted to produce an amount of gas determined by multiplying the top unit oil allowable for the pool by the limiting gas-liquid ratio for the pool. In the event there is more than one oil well on a 40-acre oil proration unit, the operator may produce the allowable assigned to the 40-acre unit from the wells on the unit in any proportion.

A gas well shall be permitted to produce that amount of gas obtained by multiplying the top unit oil allowable for the pool by the limiting gas-liquid ratio for the pool and by a fraction, the numerator of which is the number of acres dedicated to the particular gas well and the denominator of which is 40. In the event there is more than one gas well on a 160-acre gas proration unit, the operator may produce the amount of gas assigned to the unit from the wells on the unit in any proportion.



RULE 8. The operator of each newly completed well shall cause a gas-liquid ratio test to be taken on the well upon recovery of all load oil from the well, provided however, that in no event shall the test be commenced later than 30 days from the date of first production unless the well is connected to a gas-gathering facility and is producing under a temporary gas allowable assigned in accordance with Rule 11. Any well which is shut in shall be exempted from the gas-liquid ratio test requirement so long as it remains shut in. The initial gas-liquid ratio test shall be taken in the manner prescribed by Rule 9. If the gas-liquid ratio is 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more, the operator shall not produce the well until beneficial use can be made of the gas.

RULE 9. Gas-liquid ratio tests shall be taken on all wells during the months of January and July of each year. The initial gas-liquid ratio test shall suffice as the first semi-annual test. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of such tests shall be filed on Commission Form C-116 on or before the 10th day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the Artesia Office of the Commission a test schedule for its wells specifying the time each of its wells is to be tested. Copies of the test schedule shall also be furnished to all offset operators.

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CASE NO. 4605

Order No. R-

Special tests shall also be taken at the request of the Secretary-Director and may also be taken at the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Commission and offset operators.

RULE 10. An initial shut-in pressure test shall be taken on each gas well and shall be reported to the Commission on Form C-125.

RULE 11. Any well completed after the effective date of these rules shall receive an allowable only upon receipt by the Commission's Artesia Office of Commission Forms C-104 and C-116, properly executed. The District Supervisor of the Commission's Artesia Office is hereby authorized to assign a temporary gas allowable to wells connected to a gas transportation facility during the recovery of load oil, which allowable shall not exceed the number of cubic feet of gas obtained by multiplying the daily top unit allowable for the pool by the limiting gas-liquid ratio for the pool.

RULE 12. Balancing dates shall be 7 o'clock a.m. January the first and 7 o'clock a.m. July the first, and the periods of time bounded by these dates shall be gas proration periods.

RULE 13. Any gas well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period

and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

RULE 14. Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

RULE 15. Any well which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period, provided that such overproduction shall be compensated for during such succeeding period. Any well which has not compensated for the overproduction carried into a gas proration period by the end of such proration period shall be shut in until such overproduction is compensated for. If, at any time, a well is overproduced an amount equalling three times its current monthly allowable, it shall be shut in during that month and each succeeding month until the well is overproduced less than three times its current monthly allowable.

RULE 16. The allowable assigned to a well during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been compensated for.

RULE 17. The Commission may allow overproduction to be compensated for at a lesser rate than would be the case if the well were completely shut in upon a showing after notice and hearing that complete shut in of the well would result in material damage to the well or reservoir.

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CASE NO. 4605  
Order No. R-

RULE 18. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the produced gas.

RULE 19. Each purchaser or taker of gas shall submit a report to the Commission so as to reach the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken. Such report shall be filed on Form C-111 with the wells being listed in the same order as they are listed on the oil proration schedule.

RULE 20. Failure to comply with any provision of these rules shall result in the immediate cancellation of allowable assigned to the affected well. No further allowable shall be assigned until all rules and regulations have been complied with. The Secretary-Director shall notify the operator of the well and purchaser in writing of the date of allowable cancellation and the reason therefor.

RULE 21. All transporters or users of gas shall file gas well-connection notices with the Commission as soon as possible after the date of connection.

RULE 22. Allowables to wells whose classification has changed from oil to gas or from gas to oil as the result of a gas-liquid ratio test shall commence on the first day of the month following the month in which such test was reported, provided that a plat (Form C-102) showing the acreage dedicated to the well and the location of all wells on the dedicated acreage has been filed.

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IT IS FURTHER ORDERED:

(1) That a 120-acre non-standard gas spacing unit comprising the W/2 SW/4 and SE/4 SW/4 of Section 30, Township 15 South, Range 29 East, NMPM, Round Tank-Queen Pool, Chaves County, New Mexico, is hereby approved and dedicated to its JW Well No. 2 located in Unit L of said Section 30.

(2) That the locations of all wells presently drilling to or completed in the Round Tank-Queen Pool or in the Queen formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Artesia District Office of the Commission in writing of the name and location of the well on or before November 15, 1971.

(3) That all operators shall, prior to November 15, 1971 file with the Commission Form C-102 for each well showing the acreage dedicated to the well.

(4) That all operators shall take new gas-oil ratio tests on all wells and file the results thereof with the Commission on Form C-116 prior to December 1, 1971; that the daily tolerance provision of Commission Rule 502 I is hereby waived for the purpose of testing wells at the allowable rate authorized by these rules.

(5) That this case shall be reopened at an examiner hearing in October 1972, at which time the operators in the subject pool shall show cause why the gas-liquid ratio limitation of 6,000 cubic feet of gas per barrel of liquid hydrocarbons should not be reduced and why the special rules and regulations promulgated by this order should not be discontinued.

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(5) ~~6~~ That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.

STATE OF NEW MEXICO