

CASE 5108: MOTION OF OCC TO
RECEIVE REPORT FROM BLINEBRY POOL
STUDY COMMITTEE.

CASE No.

5108

Application,
Transcripts,
Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
OIL CONSERVATION COMMISSION CONFERENCE ROOM
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
November 15, 1973

IN THE MATTER OF:

HEARING CALLED BY THE OIL
CONSERVATION COMMISSION ON
ITS OWN MOTION TO RECEIVE A
REPORT FROM THE BLINEBRY POOL
STUDY COMMITTEE

Case No. 5103

BEFORE: DANIEL S. NUTTER,
Examiner

TRANSCRIPT OF EXAMINER HEARING

1 MR. NUTTER: Call Case No. 5108.

2 MR. DERRYBERRY: Number 5108, hearing called by
3 the Oil Conservation Commission on its own motion to receive
4 a report from the Blinbry Pool Study Committee which was
5 appointed pursuant to the provisions of Order No. R-4536.

6 MR. NUTTER: Call for appearances in Case No.
7 5108, please.

8 MR. MCALLEN: Dan McAllen, Midland, Texas,
9 appearing through James E. Sperling of Albuquerque.
10 We'll have one witness.

11 MR. NUTTER: Are there any other appearances?

12 MR. WELSCH: I'm J. M. Welsch, Chairman of
13 the Transporter's Subcommittee.

14 MR. NUTTER: Thank you.

15 MR. KELLAHIN: Jason Kellahin of Kellahin and
16 Fox appearing for Continental Oil Company. I don't
17 believe we'll have a witness.

18 MR. NUTTER: Other appearances?

19 MR. CURRENS: Dan Currens, Amoco Production
20 Company, Houston, Texas and I would like to make a
21 statement

22 MR. OTTO: John Otto, appearing for Grace Oil and
23 I have no witnesses.
24
25

1 CHARLES F. KALTEYER,

2 called as a witness and being duly sworn, testified
3 on his oath as follows:

4 DIRECT EXAMINATION

5 BY MR. MCALLEN:

6 Q Mr. Kalteyer, by whom are you employed and in what
7 capacity are you employed?

8 A I'm employed by Gulf Oil Corporation as District Proration
9 Engineer in Midland.

10 Q Mr. Kalteyer, for approximately the past year, have you
11 served as Chairman of the Rules Subcommittee of the
12 Blinbry Pool Study Committee?

13 A Since the formation of the Committee in June, I have
14 served as a Chairman of the Rules Committee, Sub-Committee.

15 Q Were you directed by that Committee to present the
16 Committee's recommendations to the New Mexico Oil
17 Conservation Committee this day?

18 A Yes, sir, I was.

19 Q Will you begin, Mr. Kalteyer, by tracing some of the recent
20 history, perhaps commencing with the last hearing of
21 approximately one year ago, dealing with the Blinbry
22 Pool?

23 A The record will show that June 26th of '72, under Case
24 Number 4775, Continental Oil Company as applicant,
25 requested changed in the Field Rules in the Blinbry
Pool, gas pool and the Blinbry Oil Pool.

1 They had proposed an annual bottom hole pressure,
2 gas-oil ratio and liquid gravity surveys and also proposed
3 a rule providing for the designation of gas areas and
4 oil areas with the formula relating gas allowables to the
5 gas production of the oil areas.

6 Recommendation was also made to extend the
7 vertical limit of the Blinbry Pool to coincide with the
8 top of the Tubb Pool and to eliminate mandatory two stage
9 separation.

10 After the first day of the hearing, numerous
11 operators requested and received a continuance of the
12 hearing until August 23rd of 1972.

13 At that hearing, Gulf proposed that oil wells and
14 gas wells be assigned the same allowable on a per acre
15 basis, which on a 40 acre basis would be the top 107
16 barrels times 3,000/1 ratio or 321 MCF per day for both
17 oil wells and gas wells on the 40 acre basis.

18 Also proposed by Gulf was a change in gas wells
19 classification from the 32,000/1 and greater to 100,000/1
20 and greater with the "grandfather" clause.

21 Gulf further proposed the elimination of gas well
22 nominations and the elimination of gravity of 51 degrees
23 API or greater in the definition of a gas well.

24 In May of this year, the Commission, in its
25 order R-4536 dismissed Continental's application, but

1 ordered the appointment of Blinebry Pool study committee
2 of no less than 15 operators in the Blinebry Oil and Gas
3 Pools and no less than two major gas purchasers in said
4 pool.

5 The commission further directed the District
6 Supervisor of the Commission's Hobbs District office be
7 appointed Chairman of the Committee and the case be
8 called no later than November 20, 1973, to consider
9 the amendment of the Blinebry Pool Rules.

10 Mr. Ramey is unable to attend this meeting at
11 this time, but I was directed to present our recommendations
12 and then pursuant to the Commissions orders of May, 1973,
13 five separate meetings were held of the Blinebry Pool
14 operators and gas purchasers in Hobbs between June 22 and
15 September 12, with Mr. Ramey as Chairman.

16 Three sub-committees were formed during the course
17 of those meetings, statistical committee headed by
18 Victor T. Lyon with Continental Oil Company; Transporters
19 committee, sub-committee headed by James Welsch, Northern
20 Natural; and the Rules Committee headed by myself.

21 At the first meeting of the Blinebry Pool
22 Study Committee held on June 22, Mr. Ramey outlined four
23 major items which he believes should be studied for
24 revision.

25 First was the heavy administrative burden to the
operators and the Commission involved in the reclassification

1 of oil wells to gas wells and gas wells to oil wells
2 occasioned by the 32,000/1 or greater gas to liquid ratio
3 classification for gas wells.

4 Mr. Ramey advised us that to his knowledge one well
5 in the pool had changed back and forth from oil to gas and
6 gas to oil a total of nine times.

7 The second item was that a recommendation by the
8 Commission Gas Engineer that low pressure separator gas from
9 each gas well be charged against its allowable in line with
10 Rule 12 of the General Rules and Regulations for
11 Southeastern New Mexico adopted in Order R-1670.

12 The third item to be studied was the frequency
13 of gas liquid ratio, liquid gravity and bottomhole pressure
14 testing schedule.

15 The fourth item was possible revision of the pool
16 rules or other remedies to reduce inequities between
17 casinghead gas and gas well gas allowables.

18 Q Mr. Kalteyer, have you prepared certain production and
19 allowable exhibits covering the Blinbry oil and gas pools
20 based on data gathered by the statistical sub-committee
21 and by you, from records of the commission and --

22 A Yes, sir, I have.

23 Q Mr. Kalteyer, I show you exhibits marked 1 and 2 and ask
24 you if you will explain what those exhibits depict?

25 A Exhibit Number 1 is a graph of the well count over the life

1 of the Blinebry oil and gas pools.

2 Exhibit 2 is a tabulation of the data plotted
3 hereon. This gives a feel for the number of wells
4 involved in the pool.

5 The oil wells include the Blinebry oil pool plus
6 the Terry Blinebry pool count.

7 Note that as of the end of July, there were 182
8 gas wells, 377 oil wells for a total of 559 wells.

9 Q Okay, Mr. Kalteyer, I show you exhibits marked 3 and 4 and
10 ask you if you will explain to the Commission what these
11 exhibits show.

12 A Exhibit 3 is a graph of the daily gas production from the
13 Blinebry pool. Exhibit 4 is a tabulation of the data
14 plotted thereon.

15 Casinghead gas is indicated by the thin dashed
16 line and we see a maximum rate of 82 MCF produced in
17 1966 with a decline to the current average daily rate for
18 the first seven months of 1973 of 35 million cubic feet.

19 The abrupt decline in 1972 in this rate is probably
20 attributable to a large reclassification of oil wells to
21 gas wells together with the Commission order R-4150A in
22 August of '71, limiting casinghead gas production to the
23 gas -oil ratio times the top oil allowable.

24 The gas well gas is indicated by the thin solid
25 line and we see a maximum average rate in 1956 and also

1 in the first seven months of 1973 of 63 million feet a
2 day with the low of 31 million feet a day in 1967.

3 The total pool production is indicated by the
4 heavy solid dashed line. We see a maximum average rate of
5 129 million feet a day in 1965 with a general decline to
6 the present rate of 103 million feet a day in the first
7 seven months of 1973.

8 Q Okay, Mr. Kalteyer. I now show you exhibits marked numbers
9 5 and 6 and ask you to explain what those exhibits depict.

10 A Exhibit 5 is a graph of the producing gas to liquid ratio
11 for oil wells and gas wells in Blinbry pool and exhibit
12 6 is a tabulation of that data.

13 The casinghead gas to liquid ratio for oil wells
14 is indicated by the thin solid line indicating a
15 maximum of approximately 19,219 to 1 in 1971 and a low in
16 1957 of approximately 15,500 -- excuse me. That was for
17 total wells -- the high of 19,200 to 1 in 1971 for oil
18 wells and a current ratio of 13,500 to 1 for the first
19 seven months of this year.

20 The gas well gas to liquid ratio has climbed from
21 a low of 49,700 in 1954 to a high of approximately 172,000
22 in 1973.

23 The abrupt increase in 1973 is probably attrib-
24 utable to the reclassification of Terry Blinbry ratio oil
25 wells to gas wells after coming into the 32,000 Blinbry

1 rule in August of '72 as well as reclassification of gas
2 and the effects of Commission Order Number 4159A, as
3 mentioned before.

4 The liquid for oil and gas pools show a low of
5 approximately 15,500 in '57 to the current high of
6 approximately 34,600 in 1973.

7 Q Mr. Kalteyer, I now show you exhibits marked number 7 and
8 8 and ask you if you will explain to the commission what
9 those exhibits show?

10 A Exhibit 7 is a graph of the maximum gas allowable for oil
11 wells and for gas wells through the life of the pool and
12 Exhibit 8 is also a tabulation of that data.

13 We note that the maximum gas well gas allowable
14 average rate in MCF per day for 40 acres is indicated
15 by the dashed line and shows volumes ranging from a low
16 of 35 MCF per day for 40 acres to a current high of
17 205 MCF per day for 40 acres for the first seven months
18 in 1973.

19 Of course, the allowable for gas wells is limited
20 by the capacity of the transmission companies in their
21 nominations.

22 The maximum casinghead gas allowable average rate
23 in MCF per day for 40 acres is indicated by the solid
24 line. This allowable or gas limit which is tied directly
25 to the maximum oil allowable shows a relatively stable

1 range of between 270 MCF per day to 320 MCF per day
2 during the period 1955 through 1956, when oil allowables
3 were low and then we see a steady climb to 1972 as a
4 result of reaching the 100% market demand factor and at
5 this point, we have a maximum casinghead gas allowable of
6 642 MCF per day for the first seven months of 1973
7 compared to a figure of 205 MCF per day as the top
8 allowable for gas wells.

9 MR. NUTTER: What is the bracket allowable for
10 the --

11 A 107 barrels per day.

12 MR. NUTTER: And the ratio at the present is 6,000?

13 A Right.

14 MR. NUTTER: And the market demand factor is
15 100%?

16 A Yes, sir.

17 This graph dramatically points out the large
18 advantage that the in gas allowable that the oil wells have
19 over gas wells in the amount of some three to one.

20 Q Mr. Kalteyer, I now show you exhibits marked numbers 9
21 and 10 and ask you if you will explain to the commission
22 what is shown by those exhibits.

23 A Exhibit 9 is a graph of the daily gas production where
24 the prior exhibits was of allowable.

25 This shows the daily gas production in MCF per

1 day of a per acre basis and the exhibit 10 is a tabulation
2 of the data plotted hereon.

3 Casinghead gas is indicated by the thin dashed
4 line and we see that it ranges from a low production rate
5 of approximately 1 1/2 MCF per day per acre in 1953 and '54
6 to a high of 5.3 in 1966 and a generally steady decline
7 to a point of 2.7 MCF per day per acre in the first seven
8 months of 1973.

9 The gas well gas production is indicated by a
10 thin solid line and we see that it's ranged between a low
11 of 1.3 MCF per day per acre in 1966 and '67 to a high in
12 1956 and the first seven months of 1973 of 3.7 MCF per
13 day per acre.

14 The combined average for both casinghead gas and
15 gas well gas production is indicated by the heavy
16 dashed line which shows a rather stable overall withdrawal
17 rate ranging from a low of 2.5 in 1961 to a high of 3.9
18 MCF per day per acre in 1965.

19 The rate for the first seven months of 1973 is
20 3.3 MCF per acre. It can be noted that for 14 of the 20
21 old years that the field has produced in the period from
22 1953 through 1971, that the gas well gas withdrawals have
23 not kept up with the casinghead withdrawals on an MCF
24 per day per acre basis.

25 We see a reversal of this trend starting in 1972

1 in the first seven months of 1973, but these rates have
2 not approached the general average of withdrawal rates
3 for casinghead gas between 1953 and 1972.

4 Q Mr. Kalteyer, I now show you an exhibit marked number 11
5 entitled Fact Sheet I and ask you if you will explain
6 the data contained on that exhibit.

7 A Fact Sheet I is a tabulation of various data for the
8 Blinebry pools to compare the oil pool to the gas pool.

9 Again, you see the well count, 377 oil wells and
10 182 gas wells.

11 Under the actual schedule for July, 1973, you see
12 -- should be 307 marginal oil wells and one non-marginal
13 oil well for a total of 308 wells on schedule, oil wells
14 on schedule and 25 marginal wells and 131 non-marginal
15 gas wells for a total of 156 wells on schedule.

16 Average range for the oil pool is 12,320 and for
17 the gas pool, 13,390. Accumulative production as of
18 August 1, 1973 liquid production in the oil pool,
19 25,732,000. Liquid production from the gas pool, 6,480,000.

20 Gas production from the oil pool, 310,547,000 MCF
21 and gas from the gas pool, 342,737,000 MCF.

22 We have tabulated some production figures for
23 the liquid gas and gas liquid ratio for 1972. Of
24 significance there is the gas production average for 1972
25 on MCF per day basis under item 5, about 229,121 MCF per

1 day for casinghead gas, 59,675 MCF per day for gas well
2 gas.

3 The gas -- excuse me -- the liquid production
4 in barrels per day per well for the oil pool averages
5 only 9 barrels a day per well and for the gas pool
6 averages 3 barrels per day per well.

7 The production in '72, the gas production in '72
8 in MCF per day per acre basis was 3.0 MCF for oil wells
9 and 3.3 for gas wells.

10 We have also tabulated production for the period
11 January through July of '73 and at this point, you will
12 note that the average production of gas was approximately
13 35,000 MCF per day for casinghead gas and approximately
14 68,000 MCF per day for casinghead gas --

15 Q Excuse me --

16 A Excuse me, for gas well gas.

17 The average liquid production is 3 barrels per
18 day per well for oil wells and three barrels for gas wells.

19 The gas production MCF per day per acre basis
20 is indicated, be 2.7 MCF in the oil pool and 3.7 in
21 gas pool.

22 Q Okay, Mr. Kalteyer. I show you Exhibit 12 entitled
23 Fact Sheet II and ask you if you will, to explain the
24 data contained on that exhibit.

25 A Fact Sheet II compares top allowable for the oil pool to

1 those of the gas pool on a 40 acre basis as well as on a
2 per acre basis.

3 Here, we see our 197 top oil allowable barrels
4 per day for the periods that have been broken down for
5 January through December of 1972, January through July of
6 '73 and for July, 1973 and the casinghead gas allowable
7 at 6,000 to 1 times top oil allowable of 642 MCF per day.

8 The gas well, the top daily gas allowable on a 40
9 acre basis for gas wells in 1972 was 141 MCF per day.
10 The period January through July of '73 was increased to
11 205 and the allowable for July was 179.

12 MR. NUTTER: Mr. Kalteyer, on '72, in the first
13 seven months of '73, is that the average daily top
14 allowable for those gas wells or is that the top allowable,
15 the maximum, the best monthly allowable?

16 A Right.

17 MR. NUTTER: That's daily allowable for a given
18 month?

19 A Right.

20 MR. NUTTER: For the best month?

21 A No, this is -- took the top allowable for each month and
22 divided by the number of days in that seven month period
23 to get the average maximum.

24 MR. NUTTER: It's the average top allowable?

25 A Yes, sir. Then we have comparison of these figures on a

1 per acre basis.

2 It shows the casinghead gas allowable of 16MCF
3 per day per acre vs 3.5 MCF per day for gas wells in 1972
4 and 5.1 in the January, July, '73 period and 5 MCF per
5 day for July, '73.

6 This table points out that the oil wells enjoyed
7 a greater than 3 to 1 advantage in maximum casinghead
8 gas allowable over the maximum allowable of a gas
9 well.

10 MR. NUTTER: Per acre?

11 A On a per acre basis, yes.

12 Q Mr. Kalteyer, I now show you an exhibit marked number 13
13 and ask you whether these are the special pool rules for
14 Blinebry pool which have been proposed by the Blinebry
15 Pool Study Committee?

16 A Yes, sir, these are the rules adopted by the Committee.

17 MR. MCALLEN: Mr. Examiner, I had intended to
18 proceed by asking Mr. Kalteyer to highlight the
19 modifications in the nine rules they have proposed to
20 change.

21 If you prefer, I can have him read each rule
22 into the record.

23 MR. NUTTER: I don't think it's necessary to read
24 each rule into the record, as long as he says what
25 changes there have been.

1 Q Fine. If you will, Mr. Kalteyer, begin explaining the
2 changes you have made in the pool rules for the Blinebry
3 pool.

4 A The proposal by the Blinebry Pool Subcommittee is a
5 consolidation of the Blinebry gas pool and Blinebry oil
6 pool rules.

7 The only rules we have listed are those that
8 are being modified.

9 The general rules and regulations for gas pools
10 in southeastern New Mexico adopted in order R-1670 will
11 apply for the other rules.

12 The introductory to these rules is to clarify
13 the vertical limits of the Blinebry pool and to lower
14 the base of the Blinebry pool limits to the top of the
15 pool, the Tubb Pool and this is a revision of the Blinebry
16 Gas Pool Rule Number 25 and clarifies this limit.

17 It's the same as the order R-2701 of May 8, 1964,
18 which set out the vertical limits of the Terry Blinebry
19 and the Blinebry Oil Pools.

20 Rule 1 is similar to the general rules and
21 regulations Number 1, as to the -- including wells within
22 the Blinebry Pool within one mile of the boundaries.

23 Rule 2 sets out that each well drilled or
24 completed as an oil well shall be located no closer than
25 330 to the outer boundary of any governmental quarter

1 quarter section.

2 This is similar to statewide rule 104C. Also
3 Rule 2B, which is similar to general rules and regulations
4 number 2 sets out that a gas well shall be located no
5 closer than 660 to the outer boundary of the proration
6 unit or of the quarter section and not nearer than 330 to
7 any governmental quarter quarter section line or sub-
8 division.

9 Rule 2C is similar to general rule and the general
10 rule and regulation number 3 in allowing the secretary-
11 director to grant exceptions under certain conditions.

12 Rule 3 sets out 40 acre spacing for the Blinbry
13 Pool which is the same spacing as currently established.

14 Rule 3B is the same as our Blinbry Gas Pool Rule
15 Number 5A, which sets out 160 acres for gas wells and it
16 further stipulates the range of acreage of contiguous
17 surface acreage to be considered as a standard unit 158
18 to 162 acres.

19 And Rule 3C stipulates that the secretary-
20 director may grant certain exceptions as set out, which
21 is similar to general rules and regulations number 3C,
22 3B, D, E and F.

23 It does include under Rule 3C a provision which
24 allows the secretary-director to grant an exception to
25 the provision of rule 1 or provision one on contiguity

1 if a completion or re-completion or reclassification of a
2 Blinebry well results in dedication of acreage to an oil
3 well on a previously approved gas proration unit and
4 thereby severs acreage contained in said unit from the
5 gas well, which produced from the unit.

6 Rule 4 replaces Blinebry Gas Rule Number 27A
7 and I'll read it in its entirety:

8 "A gas well in the Blinebry Pool shall be a well
9 producing from within the vertical and horizontal at limits
10 of the Blinebry Pool which produces with a gas-liquid ratio
11 of 50,000 cubic feet of gas or more per barrel of liquid
12 hydrocarbons. Provided, however, that any well which on
13 the effective date hereof was classified as a gas well in
14 the Blinebry Gas Pool shall continue to be classified as a
15 gas well. For those wells classified as gas wells, but
16 with gas-liquid ratios of less than 50,000 cubic feet of
17 gas per barrel, the operator may, upon proper showing to
18 the District Supervisor, receive a reclassification of
19 said well to that of an oil well."

20 And under Rule 4B, this is now and provides a
21 District Supervisor with authority, "should remedial work
22 or other circumstances indicate classification as an oil
23 well to be proper, the District Supervisor may approve
24 the application to reclassify said well from a gas well
25 to an oil well."

1 Rule 4C is similar to Blinebry Gas Pool Rule
2 Number 27B and provides that, "a well producing from
3 within the horizontal and vertical limits of the Blinebry
4 Pool and not classified as a gas well, as defined in
5 Section (2) of this rule shall be classified as an oil
6 well."

7 Rule 4D provides that, "The district Supervisor,
8 on or before November 1st of each year, shall review
9 production data, gas-oil ratio tests and other pertinent
10 data and reclassify a well under Rule 4 if production
11 data, gas-oil ratio tests or other evidence reflects the
12 need for such reclassification. In such event the District
13 Supervisor will notify the operator of such reclassification
14 at least 30 days before the effective date thereof. Any
15 operator so notified may request that the District
16 Supervisor reconsider the reclassification if he has
17 reason and evidence justifying such reclassification and
18 such request is filed not later than 10 days after such
19 notification of reclassification. The District Supervisor
20 shall approve or disapprove the request within 10 days
21 after receipt thereof or in the alternative, with the
22 consent of applicant set the request for hearing."

23 Rule 4E provides that, "In the event an oil well
24 in the Blinebry Pool is reclassified as a gas well, the
25 operator of such well will be afforded the opportunity to

1 form a non-standard gas proration unit for the well;
2 provided, however, that, until such unit is formed, said
3 well shall be allocated a gas allowable commensurate with
4 the acreage contained in the unit formerly dedicated to
5 the oil well. In the event such reclassification should
6 cause the occurrence of two or more gas wells producing
7 from the Blinebry Pool within a single proration unit, the
8 sum total of the allowables allocated to the wells shall
9 be equivalent to the volume of gas allocated to a single
10 proration unit; provided, however, that the operator of
11 such wells shall have the option to determine the proration
12 of the assigned allowable to be produced by each individual
13 well."

14 Rule 5 provides, "oil wells within the Blinebry
15 Pool shall receive oil and casinghead gas allowables
16 with the limiting ratio of 4,000 cubic feet to 1." This
17 is a reduction from the present gas limits of 6,000 to 1.

18 Under Rule 3A, Allocation and Granting of
19 Allowables is similar to Blinebry Gas Pool Rule Number
20 3A and provides for preliminary and supplemental
21 nominations and adjustments that the commission may deem
22 advisable, that the allowable is allocated to the gas
23 wells in the pool remaining each month after deducting the
24 total allowable assigned to marginal wells, the remaining
25 gas be allocated to the non-marginal wells in proportion
to the wells acreage factor of each well bears to the total

1
2
3 acreage factors in the pool and the total acreage factor
4 for all non-marginal gas wells in the Pool.

5 Rule 3B, similar to Blinebry Gas Pool 83 and it
6 provides for allowables for newly completed gas wells to
7 commence on the date of connection to gas transportation
8 facility. The general rules and regulations for south-
9 eastern New Mexico in Order 1670 will stand for Rules
10 9 through 21 with the exception of Rule 9A, which should
11 refer to proposed Rule 3B instead of Rule 5A.

12 MR. NUTTER: What was that again?

13 A Rule 9A is --

14 MR. NUTTER: Is that in your exhibit?

15 A No, sir. Rule 9A of Order Number 1670 is idle except
16 that it refers back to its own Rule 5A and as we have
17 revised the Blinebry Pool Rules, it should refer to our
18 new rule 3B. This has to do with acreage factor equity.

19 MR. NUTTER: 3B?

20 A Yes, sir, our proposed 3B.

21 Rule 22 revises Blinebry Gas Pool Number 22 and
22 which eliminates the 90 day flowing after completion and
23 puts it into conformance with the statewide rule. No
24 dry gas or casinghead gas, otherwise wasted in the Blinebry
25 Pool except as provided in Rules 306 and 404 of the general
rules.

Q It reduces it from 90 days to 60 days?

1 A Right.

2 Q Go ahead.

3 A Rule 25 is similar to Blinebry Gas Pool Rule Number 30
4 and provides that acreage dedicated to a gas well in the
5 Blinebry Pool shall not be simultaneously dedicated to
6 an oil well in the Blinebry Pool, and the dual completion
7 of a well so as to produce separate gas and oil well
8 allowables from the Blinebry Pool is hereby prohibited.

9 Rule Number 26 is a revision of Blinebry Pool
10 Rule 34B and does eliminate the mandatory requirement
11 for both high pressure and low pressure separation
12 and provides for condensate from any gas well in the
13 Blinebry Pool to be, produced by any other gas well or
14 gas wells producing in the Blinebry Pool or the Tubb
15 Pool following the separation from the gas in a
16 separate or provided gas condensate test facilities are
17 available and required tests are made in accordance with
18 Statewide Rule 309 (E)(2).

19 A revision of 34B provides if two stage separation
20 is used the low pressure gas shall be directed into a
21 low pressure gas gathering system and said low pressure
22 gas need not be measured separately from the other low
23 pressure gas produced on the lease, provided that certain
24 test facilities are available and certain periodic tests
25 made.

1 This is provided in Rule 26 to follow, the testing.
2 In Rule 26B, similar to Blinebry Gas Pool Rule 34D
3 providing for the reporting monthly, operators report
4 for C115 of wells producing from the Blinebry gas zone in
5 which condensate is comingled and/or the low pressure
6 gas is comingled with other low pressure gas produced
7 on the lease, the operator shall estimate the volume
8 produced by each well in each pool by using the ratios
9 as reflected in the most recent test submitted.

10 Rule 27 revises the testing periods to an annual
11 testing from semi-annual testing as defined in Blinebry
12 Gas Rules 34C and Blinebry Oil Pool Rule 9, provides
13 that the gas-oil ratio tests be conducted annually
14 during the months of July, August and September on all
15 wells located in and producing from the Blinebry Pool
16 and the results of such tests be reported to the Commission
17 by the 10th of October of each calendar year.

18 Q Mr. Kalteyer, the rules changes as proposed by your
19 study committee, if adopted by the New Mexico Oil
20 Conservation Commission, effectuates approximately nine
21 major changes, is that correct?

22 A Yes, sir.

23 Q So that the record from the existing rules --

24 A Yes, sir.

25 Q -- so the record is perfectly clear, will you just list

1 what those nine fundamental changes are.

2 A Basically they clarify the bottom vertical limit of the
3 Blinebry Pool approximately 264 feet, they revise the
4 classification of a gas well to 50,000 cubic feet of gas
5 or more per barrel of liquid hydrocarbons from the present
6 32,000 to 1; they eliminate the 51 degree API or greater
7 gravity in the classification of the gas well; a
8 grandfather clause provides that any well classified as a
9 gas well, but with a gas liquid ratio of less than
10 50,000 to 1 may upon proper showing to the District
11 Supervisor receive an oil well classification; the
12 limiting gas-oil ratio is reduced to 4,000 to 1 from
13 6,000 to 1 to bring it more nearly in line with the
14 allowables provided for gas well gas.

15 It eliminates the requirement for both high
16 pressure and low pressure separators for each gas well.

17 It eliminates the exemption from charging
18 intermediate or low pressure gas against the well's
19 gas allowable as found in Rule 12 of the Blinebry Gas
20 Pool rules and puts it in line with the other fields
21 in the state to report all gas and charge it against
22 the allowable.

23 It further provides for annual gas-liquid ratio
24 tests on oil and gas wells during July, August and
25 September instead of semi-annually and eliminates the

1 requirement of bottom-hole pressures on certain wells in
2 the north end of the field in the area of the old Terry
3 Blinebry Pool.

4 Q Okay, Mr. Kalteyer, you have gone over the tables and
5 graphs setting out the history of the Blinebry Oil Pool
6 and Gas Pool as well as having gone over the proposed
7 Rule Amendment for the gas well.

8 I wonder whether you have made any -- or can make
9 any predictions regarding the effect of the revised
10 rules as you have proposed them before the Commission
11 this day and do you have an exhibit depicting those
12 changes?

13 A Yes, sir, I do. After the formation of the Study
14 Committee, the Commission made a computer run of gas
15 and oil production for the Blinebry Pool for the year
16 1972.

17 Monthly as well as annual gas-liquid ratios were
18 determined. This list indicated some 29 wells then
19 classified as oil wells had produced with an annual
20 gas-oil ratio in excess of 32,000 to 1 limit. The list
21 also indicated some 8 wells classified as gas wells
22 had produced with a gas-oil ratio less than 32,000 to 1.

23 A review was made of the July production report
24 of the New Mexico Oil and Gas Engineering Committee and
25 it was found that 23 of the 29 high ratio wells still

1 produced as gas wells.

2 As a matter of interest, effective 9-1-73, five of
3 the 23 high ratio oil wells with July ratios in excess
4 of 50,000 to 1 were reclassified to gas wells by the
5 District Supervisor.

6 Q Mr. Kalteyer, I show you an exhibit marked Number 14 and
7 ask you if you will explain what is depicted by that
8 exhibit?

9 A This is a gas production and allowable comparison for
10 the Blinebry Pool and have broken it into three cases.

11 Under Case I, we have tabulated certain data of
12 production and allowable as reported for July of 1973
13 and unadjusted for proper classification. This is as
14 reported.

15 In Case II, for the sake of this analysis, I have
16 adjusted these figures to reclassify 23 oil wells with
17 1972 annual gas-oil ratios in excess of 32,000 to 1 to
18 gas wells and shifted their production and allowables.

19 There were also six gas wells with 1972 annual gas-
20 liquid ratios below 32,000 to 1 which were reclassified
21 to oil wells and their production and allowables
22 shifted.

23 Under Case III, I have assumed the adoption of the
24 rules proposed by the Study Committee and adjusted the
25 July data to reclassify those oil wells with 1972 annual

1 gas-oil ratios in excess of 50,000 to 1 to gas wells and
2 shifted their production and allowables.

3 The same six gas wells with 1972 annual gas-liquid
4 ratios below 32,000 to 1 have for the sake of this
5 analysis, been reclassified to oil wells and their
6 production and allowables shifted.

7 Also under Case III analysis, only eight oil wells
8 were found which produced in excess of the 4,000 to 1
9 times 107 or 428 MCF per day proposed casinghead gas
10 limit.

11 The reduction in production by limiting on these
12 wells to 428 MCF per day amounted to a net of some
13 970 MCF/D and 43 barrels oil per day. The final column
14 on the right under Case III is an analysis of gas well
15 gas utilizing the full 98 MMCF per day transmission line
16 capacity predicted by the Transporter's Sub-Committee
17 for early 1974.

18 Under Pool Production in Table 14, we see the
19 casinghead gas production indicated to be 36,200 MCF
20 per day, gas well gas of 61,500 MCF per day.

21 Under Case II, if we properly classify these wells,
22 we would reduce the casinghead gas production to 32,300
23 MCF per day.

24 By reclassification to gas wells, gas well gas
25 production would be 65,500. If we reclassified the wells

1 under the proposed rules, the casinghead gas would be
2 34,900 as compared to the present 36,200 and the gas
3 well gas would be 61,900 compared to the 61,500 MCF per
4 day.

5 The average production is given under the three
6 cases of 2.9 MCF per day per acre under Case I for
7 casinghead gas compared to 3.3 MCF per day for gas well.

8 This would change slightly under Case II to 2.8
9 MCF per day for casinghead gas and 3.5 for gas well gas.

10 Under the proposed rules, casinghead gas production
11 would be 2.8 MCF per day and gas well gas of 3.4. At
12 the maximum capacity of the line of 98,000 MCF per day
13 pool production, we would have a 5.4 MCF per day for
14 gas well gas.

15 Compare this on a 40 acre basis. We have currently
16 indicated under Case I of casinghead gas production of
17 117 MCF per day for 40 acres compared to 134 for gas well
18 gas.

19 Under Case II, casinghead gas would be reduced to
20 111 MCF per day and the gas well gas would be increased
21 slightly to 140 MCF per day.

22 Under the proposed rules, casinghead gas would
23 be 113 MCF per day and gas well gas 137 and at maximum
24 line capacity production would be 217 MCF per day for
25 gas wells.

1 I have a comparison of what the top maximum
2 allowable per acre and per 40 acre basis. We see the
3 casinghead gas wells have a maximum of -- current high
4 of a maximum of 16 MCF per day per acre compared to
5 4.9 for gas wells.

6 Under Case II, we still see the same figures in top
7 allowable.

8 Under Case III, the top allowable per acre would
9 be reduced to approximately 10.7 MCF per day for casing-
10 head gas and the gas well gas under July production data
11 would be only 5.1 MCF per day and still just 50% of the
12 casinghead gas allowable.

13 And even under maximum line capacity, we see the
14 top allowable per acre of 6.2 MCF per day and we compare
15 that back to the casinghead gas allowable under the new
16 rules of 10.7, which is still some 70% higher than the
17 gas well gas top allowable.

18 Q Mr. Kalteyer, I'll ask you whether Exhibits 1 through 14
19 were prepared by you or prepared under your direction
20 and supervision?

21 A Yes, sir, they were.

22 MR. MCALLEN: Mr. Examiner, I move that Exhibits
23 1 through 14 be admitted into the record.

24 MR. NUTTER: Gulf's Exhibits 1 through 14 will be
25 admitted into the record.

1 MR. MCALLEN: That concludes my direct examination
2 of this witness.

3
4 CROSS EXAMINATION

5 BY MR. NUTTER:

6 Q Mr. Kalteyer, first of all, I would like to, on behalf
7 of the Commission, express my gratitude and the
8 Commission's gratitude and that of the staff also, of
9 the excellent job that the Committee has done. I want
10 to convey my appreciation to you.

11 I know you have worked hard and to all the other
12 members of the Committee, we think you have done an
13 excellent job on this pool.

14 Basically what we are trying to do with the
15 appointment of this Committee and I think what you have
16 done is come up with some recommended pool rules to
17 reduce the inequities of the takes between the gas wells
18 and oil wells, is that correct?

19 A Yes.

20 Q And it's an effort to increase the production from the
21 gas wells because the oil wells casinghead allowables have
22 been in excess of gas well allowables?

23 A Yes.

24 Q But, the gas well allowables have been depressed because
25 of limited transportation facilities out of the fields,

1 is that the primary reason?

2 A Yes, sir.

3 Q And now on Case III on your last exhibit, you show that
4 in July, I believe this would be July, that you had a
5 total gas well gas production of 61,900.

6 Now, 98,000 MCF would be maximum ability of the
7 transportation facilities to move gas well gas out of the
8 field?

9 A We have the Chairman of the Transporter's Sub-Committee
10 and he has a statement to make that this is what their
11 estimate is of the capacity that will be available after
12 the first of the year and after some modifications.

13 Q And that is not because of any limitation by the
14 Commission. That would be because of limitation because
15 of the actual pipeline facilities to carry the gas?

16 A By the gas that is being carried from that area of
17 New Mexico.

18 Q Now, I think I understand your proposed rules in all
19 respects except maybe a couple of points, Mr. Kalteyer.

20 Now, you do propose that in going from the 32,000
21 to 1, we're going to eliminate gravity as consideration
22 in the classification of wells?

23 A Yes, sir.

24 Q So, we'll only go on the 50,000 to 1, but you would
25 propose that a well which is producing at the present

1 time with -- has a ratio of 40,000 to 1 and is classified
2 as a gas well, would be grandfathered in as a gas well,
3 although the new ratio for classification would be 50?

4 A Yes, sir, any well that was currently classified as a
5 gas well would continue to be classified as a gas well
6 unless they brought the matter before the District
7 Supervisor for reclassification, automatically.

8 Q That's what I was wondering. Is it going to be an
9 automatic -- it will be an automatic grandfathering
10 unless the operator would want that well to be classified
11 as an oil well?

12 A That's correct.

13 Q And your rule says if, upon proper showing, he would
14 receive a classification of the well as an oil well --
15 what would proper showing be, Mr. Kalteyer?

16 A He would have to present data to the Commission to show
17 that for what his ratio is and if it were a proper
18 showing that he had an opportunity to change his gas
19 contract to that of an oil well, which would apply to
20 the basic rule, then the Commission could grant him
21 that authority to change the classification so long as
22 it was lower than the 50,000 to 1 ratio.

23 Q I suppose one thing that might enter in, if he only had
24 40 acres which he could dedicate to the well, he'd
25 probably get a higher casinghead allowable than he would

1 a gas head allowable?

2 A That's correct.

3 Q Now, there was someplace else I thought -- on Page 5,
4 I don't know what rule number it is. It's E of some
5 rule number.

6 Down in the middle of that E, "in the event that
7 such reclassification should cause the occurrence of two
8 or more gas wells in a single proration unit --", now,
9 I don't think it would be an existing proration unit,
10 would it, because you have prohibited simultaneous
11 dedication so you wouldn't have a gas unit dedicated
12 to a gas well and then have an oil well reclassified as
13 a gas well so I don't think under reclassification you
14 could possibly come up with more than one well on a
15 proration unit.

16 A Not --

17 Q Unless it would be the formation of a new unit is what
18 you're talking about?

19 A Yes.

20 Q For instance, if you had two oil wells and they were
21 both reclassified as gas wells and then you form a
22 non-standard 80 acre proration unit, it would have two
23 gas wells on it?

24 A Yes.

25 Q That would be the situation envisioned here, I presume?

1 A Yes, sir.

2 Q Then, in Rule 26, Mr. Kalteyer, the last sentence where
3 you're talking about the commingling of the low pressure
4 gas with other low pressure gas on the lease, it could
5 be reported, based on tests made of that, provided that
6 certain test facilities are available and certain
7 periodic tests made.

8 Is there objection to amending that sentence to
9 say provided that certain test facilities are available
10 and periodic tests made in accordance with Rule 27
11 below?

12 A No, sir.

13 Q Which is the rule that you're referring to.

14 A Be no objection to that at all.

15 MR. NUTTER: Does anyone else have any questions
16 of Mr. Kalteyer?

17 (No Response.)

18 MR. NUTTER: He may be excused. Again, Mr.
19 Kalteyer, we want to thank you for your excellent job.

20 (Witness Excused.)

21 MR. NUTTER: Mr. Welsch, did you want to make a
22 statement?

23 MR. WELSCH: I have a statement for the Blinebry
24 Pool Transporter's Sub-Committee of the Blinebry Pool
25 Study committee.

1 The Transporter's Sub-Committee agreed in July of
2 1973 that they had pipeline capacity for 98 million cubic
3 feet per day Blinebry Pool gas well gas and 24 million
4 cubic feet per day Blinebry Pool casinghead gas without
5 cutting back on the gas purchases from the other Lea
6 County gas pools.

7 This estimate was made on the assumption that there
8 would be no system input increases from other southeast
9 New Mexico areas.

10 However, since that time, gas production from the
11 Carlsbad area has increased to such an extent that it's
12 caused the original 98 million cubic feet of gas well
13 gas estimate to be decreased to 68 million cubic feet
14 per day Blinebry Pool gas well gas for November and
15 December, 1973.

16 The casinghead volumn was changed to 35 million
17 cubic feet of gas per day, which is the 1973 first
18 seven month's average.

19 There is now planned to construct additional
20 pipeline in the Carlsbad area to enable this Carlsbad
21 gas to bypass and take some pressure off the Lea County
22 system trucks of this new pipeline, awaiting FPC
23 approval.

24 It is estimated that it will take 45 days for
25 installation of this pipeline after receipt of FPC

1 approval. It is hoped this pipeline will be in operation
2 during January, 1974.

3 After this pipeline has become operational, then
4 it's anticipated it will be possible to again take 98
5 million cubic feet per day Blinebry Pool gas well gas
6 and approximately 35 million cubic feet per day Blinebry
7 Pool casinghead gas.

8 These are again based on the assumption that no
9 additional production from other Lea County sources will
10 be increased above the average volumns used in the
11 original projection.

12 MR. NUTTER: What was your original statement
13 of casinghead gas?

14 MR. WELSCH: 24.

15 MR. NUTTER: 98 million on the gas well gas?

16 MR. WELSCH: Yes, sir.

17 MR. NUTTER: You have increased casinghead estimate
18 to 35 million, but decreased gas well estimate to 68
19 million for November and December?

20 MR. WELSCH: Right, sir.

21 MR. NUTTER: And assuming the pipeline facilities
22 are approved and constructed, you could boost that back
23 up to 98 million in January for the gas well gas?

24 MR. WELSCH: Yes, sir.

25 MR. NUTTER: I see. Thank you, Mr. Welsch.

1 Does anyone else have anything to offer in Case
2 Number 5108? Any statements?

3 MR. CURRENS: Mr. Examiner, Amoco Production
4 Company, Houston, Texas and Amoco supports the realm
5 of the Sub-Committee for the rule changes and support
6 the rule changes they have recommended.

7 We particularly feel that in a pool of the nature
8 of this Blinbry Pool with both oil and gas wells,
9 considering its age and stage of depletion that Rule
10 3C6 which provides a method for handling acreage after
11 reclassification of wells which might sever some acreage
12 will be a particularly important feature.

13 MR. NUTTER: Thank you, Mr. Currens.

14 Mr. Lyon?

15 MR. LYON: V. T. Lyon with Continental Oil
16 Company. Continental Oil Company participated in the
17 Industry's Committee's deliberation and considered its
18 conclusions to be a meaningful and effective compromise
19 to achieve reasonable equity to all parties, provided
20 the entire package is adopted.

21 We strongly recommend that the Industry Committee's
22 recommendations be adopted in full.

23 MR. NUTTER: Thank you. Any other statements?
24 If not, we'll take the case under advisement.
25

C E R T I F I C A T E

I, DONNA KEITH, a Court Reporter, in and for the
 County of Bernalillo, State of New Mexico, do hereby certify
 that the foregoing and attached Transcript of Hearing before
 the New Mexico Oil Conservation Commission was reported by me;
 that the same is a true and correct record of the said
 proceedings to the best of my knowledge, skill and ability.

Donna Keith
 COURT REPORTER

I do hereby certify that the foregoing is
 a true and correct record of the hearing in
 the case of *Donna Keith* vs. *Donna Keith*
 heard on *11/15* 19 *73*.
Donna Keith
 Secretary, Oil Conservation Commission

I N D E XWITNESSPAGE

CHARLES F. KALTEYER

Direct Examination by Mr. McAllen

3

Cross Examination by Mr. Nutter

30

E X H I B I T SOFFEREDADMITTED

Gulf Oil Exhibits 1 through 14

29

29

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 ON ITS
OWN MOTION TO RECEIVE A REPORT
FROM THE BLINEBRY STUDY COMMITTEE,
BLINEBRY GAS POOL AND BLINEBRY OIL
POOL, LEA COUNTY, NEW MEXICO.

CASE NO. 5108
Order No. R-1670-N

Nomenclature

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 15, 1973, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 11th day of December, 1973, 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 on August 23, 1972, the Examiner heard Case No. 4775, which related to the Blinebry Gas Pool and Blinebry Oil Pool, and to the possible amendment of the Special Pool Rules governing said pools.

(2) That on May 22, 1973, the Commission entered Order No. R-4536, dismissing the aforesaid Case No. 4775 and calling for the appointment of a special Blinebry Pool Study Committee, and further requiring that a case be called no later than November 20, 1973, to receive a report and recommendations from said study committee, and to consider the possible amendment of the Blinebry Pool Rules.

(3) That pursuant to the provisions of Order No. R-4536, the Secretary-Director of the Commission, by memorandum dated May 23, 1973, appointed a Blinebry Study Committee, requesting said committee "...to make a study of the Blinebry Oil Pool and the Blinebry Gas Pool and to make recommendations to the Commission at a hearing to be called within the next six months."

(4) That pursuant to the provisions of Order No. R-4536, the instant case was called, and due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(5) That the Blinebry Gas Pool and the Blinebry Oil Pool are part of a complex reservoir system of interrelated gas-bearing and oil-bearing stringers.

(6) That method of completion is often the determining factor as to whether a well will be classified as a gas well in the Blinebry Gas Pool or as an oil well in the Blinebry Oil Pool.

(7) That the producing characteristics of a well completed in this complex Blinebry reservoir system will frequently fluctuate during the life of the well with the result that under the present pool rules, the well's classification will often change from oil to gas and vice versa.

(8) That Rule 27 (A) of the present Blinebry Pool Rules defines a gas well in the Blinebry Gas Pool as being a well producing from within the vertical and horizontal limits of the Blinebry Gas Pool and which (1) produces liquid hydrocarbons possessing a gravity of 51° API or greater, or (2) produces liquid hydrocarbons possessing a gravity of less than 51° API but with a producing gas-liquid ratio of 32,000 cubic feet of gas or more per barrel of liquid hydrocarbon.

(9) That Rule 27 (B) of the present rules defines a well producing from the pool and not classified as a gas well, as defined above, as an oil well in the Blinebry Oil Pool.

(10) That a more succinct definition of gas wells and oil wells is needed in order to minimize the fluctuation of classification of wells referred to in Finding No. (7) above, and the definition of a well as a gas well or an oil well should not be dependent upon the gravity of the liquids produced but should be dependent upon the gas-liquid ratio of the well as determined from a review of the well's production data, gas-liquid ratio tests, and other pertinent data.

(11) That the basic criterion upon which a well should be classified as a gas well should be a determination as to whether the well's true ratio, in view of its production data, gas-liquid ratio tests, and other pertinent data, is 50,000 cubic feet of gas or more per barrel of liquid hydrocarbons.

(12) That in order to more nearly equalize natural gas withdrawals from gas wells and casinghead gas withdrawals from oil wells on a per-dedicated-acre basis, and to more adequately prevent reservoir damage and underground waste and to protect correlative rights, a limiting gas-oil ratio of 4000 cubic feet of gas per barrel of oil should be established for oil wells in the Blinebry Oil and Gas Pool.

(13) That the vertical limits of the Blinebry Oil and Gas Pool should extend from a point 75 feet above the "Blinebry Marker" to a point 100 feet above the "Tubb Marker." The Blinebry Marker shall be that point encountered at a depth of 5,457 feet (elevation 3380', sub-sea datum -2079') and the Tubb Marker shall

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be that point encountered at a depth of 5921 feet (elevation 3380', sub-sea datum -2541') in the Exxon Corporation State "S" Well No. 20, located in the SW/4 NW/4 of Section 2, Township 22 South, Range 37 East, NMPN, Lea County, New Mexico.

(14) That in order to prevent waste and to protect correlative rights, the recommended pool rules for the Blinebry Oil and Gas Pool, as presented at the hearing by the Blinebry Pool Study Committee, should, with minor modification, be adopted and made applicable to the Blinebry Oil and Gas Pool as defined in Finding No. (13) above and on Exhibit "A" attached to this order.

IT IS THEREFORE ORDERED:

(1) That there is hereby created and defined as described in Rule 25 below and in Exhibit "A" attached hereto and made a part hereof, the Blinebry Oil and Gas Pool.

(2) That the aforesaid Blinebry Oil and Gas Pool shall be subject to the following special rules and regulations which are hereby adopted as an amendment to Order No. R-1670, "Rules and Regulations Governing Prorated Gas Pools in New Mexico."

II SPECIAL RULES AND REGULATIONS FOR THE BLINEBRY OIL AND GAS POOL

(The Blinebry Pool was created February 17, 1953, and prorationing was instituted January 1, 1954.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 1. Each well completed or recompleted in the Blinebry Oil and Gas Pool or in the Blinebry formation within one mile thereof and not nearer to nor within the boundaries of another pool producing from the Blinebry formation, shall be spaced, drilled, operated, and prorated in accordance with the rules for the Blinebry Oil and Gas Pool as set forth herein.

RULE 2 (a). After the effective date of this order, each well drilled or recompleted as an oil well, or as a gas well to which no more than 40 acres shall be dedicated, shall be located not closer than 330 feet to the outer boundary of any governmental quarter-quarter section or subdivision boundary line.

(b) After the effective date of this order, no well drilled as a gas well and to which is dedicated, or to which will be dedicated, more than 40 acres shall be located nearer than 660 feet to the outer boundary of its proration unit or of the quarter section and not nearer than 330 feet to any governmental quarter-quarter section line or subdivision line.

RULE 3. The Secretary-Director of the Commission may grant an exception to the footage requirements of Rule 2 (a) or 2 (b) without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed unorthodox location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Secretary-Director has received the application. If any written objection is received, or at the direction of the Secretary-Director, any such application may be set for hearing. An unorthodox location may be subject to an allowable adjustment if it is directly offsetting another producing well.

RULE 4. The provisions of Statewide Rule 104, Paragraph (k), shall not apply to the Blinebry Oil and Gas Pool.

RULE 5 (A). Each gas well within the Blinebry Oil and Gas Pool shall be located on a standard proration unit consisting of approximately 160 acres which shall comprise a governmental quarter section. For purposes of these rules, a unit consisting of between 158 and 162 contiguous surface acres shall be considered a standard unit.

RULE 5 (B). Each oil well within the Blinebry Oil and Gas Pool shall be located on a standard unit consisting of approximately 40 acres which shall comprise a governmental quarter-section or lot.

RULE 5 (C) 1. The District Supervisor of the Hobbs district office of the Commission shall have authority to approve a non-standard unit as an exception to Rule 5 (A) or 5 (B) without notice and hearing when the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys and the non-standard unit is not less than 75 percent nor more than 125 percent of a standard unit.

2. The District Supervisor may approve the non-standard unit by:

(a) accepting a plat showing the proposed non-standard unit and the acreage to be dedicated to the non-standard unit, and

(b) assigning an allowable to the non-standard unit.

3. The Secretary-Director may grant an exception to the requirements of Rule 5 (A) without notice and hearing where an application has been filed in due form and where the unorthodox size and shape of the tract is due to a variation in legal subdivisions of the United States Public Lands Survey or where the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of contiguous quarter-quarter sections or lots.
- (b) The non-standard unit consists of not more than 164 acres and lies wholly within a single governmental section.
- (c) The entire non-standard unit may reasonably be presumed to be productive of gas from the Blinebry Oil and Gas Pool.
- (d) 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 any part of the non-standard unit is situated and which acreage is not included in the non-standard unit.
- (e) 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 its intent to form such non-standard unit. The Secretary-Director may approve the application if, after a period of 20 days, no such operator has entered an objection to the formation of the non-standard unit.
- (f) The Secretary-Director may grant an exception to Provision (a) above if a completion, re-completion, or reclassification of a Blinebry well results in dedication of acreage to an oil well on a previously approved gas proration unit, and thereby severs acreage contained in said unit from the gas well which produces for the unit.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 8 (A). The total allowable to be allocated to gas wells in the pool regulated by this order each month shall be equal to the sum of the "Preliminary" or "Supplemental" Nominations (whichever is applicable) together with any adjustment which the Commission deems advisable. The allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal gas wells entitled to an allowable in the proportion that each well's acreage factor

bears to the total of the acreage factors for all non-marginal gas wells in the pool.

RULE 8 (B). Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, as determined from an affidavit furnished to the Commission (Box 1980, Hobbs, New Mexico 88240) by the purchaser, or the date of filing of Form C-104 and a plat (Form C-102), whichever date is the later.

G. GENERAL

RULE 22. No natural gas produced from a gas well in the Blinebry Oil and Gas Pool shall be flared or vented except as provided in Rule 401 of the Commission Rules and Regulations and no oil well casinghead gas shall be flared or vented except as provided in Rule 306.

H. MISCELLANEOUS SPECIAL POOL RULES

RULE 25. The vertical limits of the Blinebry Oil and Gas Pool shall extend from a point 75 feet above the "Blinebry Marker" to a point 100 feet above the "Tubb Marker." The Blinebry Marker shall be that point encountered at a depth of 5457 feet (elevation 3380, sub-sea datum -2077) and the Tubb Marker shall be that point encountered at a depth of 5921 feet (elevation 3380, sub-sea datum -2541) in the Exxon Corporation State "S" Well No. 20, SW/4 NW/4 Section 2, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

RULE 26 (a). A gas well in the Blinebry Oil and Gas Pool shall be a well producing from within the vertical and horizontal limits of the pool which produces with a gas-liquid ratio of 50,000 cubic feet of gas or more per barrel of liquid hydrocarbons. Provided, however, that any well which on January 1, 1974, was classified as a gas well in the Blinebry Gas Pool shall continue to be classified as a gas well. For those wells classified as gas wells, but with gas-liquid ratios of less than 50,000 cubic feet of gas per barrel, the operator may, upon application to the District Supervisor, receive a reclassification of said well to that of an oil well.

(b) A well producing from within the horizontal and vertical limits of the Blinebry Oil and Gas Pool and not classified as a gas well, as defined in Rule 26 (a) above, shall be classified as an oil well.

(c) Should remedial work, production data, or other circumstances at any time indicate classification of a well as an oil well or a gas well to be improper, the District Supervisor may reclassify said well to its proper category, subject to the same procedures outlined in Rule 26 (d) below.

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(d) The District Supervisor, on or before November 15 of each year, shall review production data, gas-oil ratio tests, and other pertinent data and reclassify a well under Rule 26 (a) if production data, gas-oil ratio tests, or other evidence reflects the need for such reclassification. In such event the District Supervisor will notify the operator of such reclassification at least 30 days before the effective date thereof. Any operator so notified may request that the District Supervisor reconsider the reclassification if he has reason and evidence to support such request and same is filed not later than 10 days after such notification of reclassification. The District Supervisor shall approve or disapprove the request within 10 days after receipt thereof or in the alternative, with the consent of applicant set the request for hearing.

(e) In the event an oil well in the Blinebry Oil and Gas Pool is reclassified as a gas well, the operator of such well will be afforded the opportunity to form a non-standard gas proration unit for the well; provided however, that, until such unit is formed, said well shall be allocated a gas allowable commensurate with the acreage contained in the unit formerly dedicated to the oil well. In the event of two or more gas wells producing from the Blinebry Oil and Gas Pool within a single proration unit, the allowable assigned to the unit may be produced from any well on the unit in any proportion.

RULE 27. Oil wells within the Blinebry Oil and Gas Pool shall receive oil and casinghead gas allowables as provided in Statewide Rules 503, 505, and 506. The limiting gas-oil ratio for the Blinebry Oil and Gas Pool shall be 4,000 cubic feet of gas per barrel of oil.

RULE 28. Acreage dedicated to a gas well in the Blinebry Oil and Gas Pool shall not be simultaneously dedicated to an oil well in the pool, and the dual completion of a well so as to produce separate gas and oil allowables from the Blinebry Oil and Gas Pool is hereby prohibited.

RULE 29 (a). Condensate from any gas well in the Blinebry Oil and Gas Pool may be commingled with other condensate produced by any other gas well or gas wells producing from the pool or the Tubb Gas Pool following its separation from the gas in a separator, provided approval therefor has been obtained in accordance with Commission Rule 303-B and/or Rule 309-B, whichever is applicable.

If two-stage separation is used, the low-pressure gas shall be directed into a low-pressure gas gathering system, and said low-pressure gas need not be measured separately from the other low-pressure gas produced on the lease, provided that certain test facilities are available and periodic tests made in accordance with Rule 30 below.

-8-

Case No. 5108
Order No. R-1670-N

(b) In submitting Form C-115 (Operator's Monthly Report) on wells producing from the Blinebry Oil and Gas Pool in which condensate is commingled and/or the low-pressure gas is commingled with other low-pressure gas produced on the lease, the operator shall estimate the volume produced by each well in each pool by using the ratios as reflected in the most recent test submitted.

RULE 30. Gas-liquid ratio tests shall be conducted annually during the months of July, August and September on all wells located in and producing from the Blinebry Oil and Gas Pool. Results of such tests shall be reported to the Commission on Form C-116 on or before the 10th day of October of each calendar year.

IT IS FURTHER ORDERED:

(1) That the Commission's Statewide Rules and Regulations, and each of the General Rules and Regulations for the Prorated Gas Pools of Southeastern New Mexico, as promulgated by Order No. R-1670, as amended, unless in conflict with one of the above special rules applicable to the Blinebry Oil and Gas Pool, shall also apply to the wells in the Blinebry Oil and Gas Pool.

(2) That the Special Rules and Regulations for the Blinebry Gas Pool, as promulgated by Order No. R-1670, are hereby superseded.

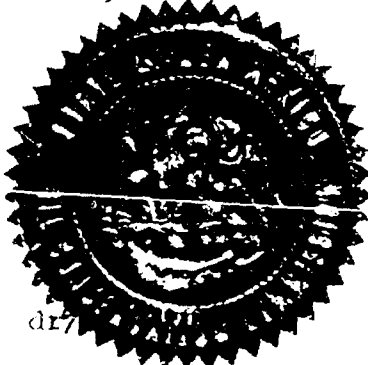
(3) That the vertical limits of the Blinebry Oil and Gas Pool shall be as defined in Rule (25) above and the horizontal limits shall be as described in Exhibit "A" attached hereto and made a part hereof.

(4) That the Blinebry Gas Pool and the Blinebry Oil Pool, as heretofore classified and defined by the Commission, are hereby abolished.

(5) That the effective date of this order shall be January 1, 1974.

(6) That jurisdiction of this cause is hereby 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 hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. TRUJILLO, Chairman

A. L. PORTER, JR., Member

A. L. PORTER, JR., Member & Secretary

EXHIBIT "A"

HORIZONTAL LIMITS OF THE BLINEBRY OIL AND GAS POOL
LEA COUNTY, NEW MEXICO

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM

Sec. 32: SE/4	Sec. 35: S/2
Sec. 33: NE/4 & S/2	Sec. 36: W/2
Sec. 34: NW/4 & S/2	

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM

Sec. 24: E/2	Sec. 36: N/2 & SW/4
Sec. 25: NE/4 & S/2	

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Sec. 1: Lots 4, 5, 9 through 16, and S/2	Sec. 18: SE/4	Secs. 19 through 30: All
Secs. 2 through 4: All	Sec. 31: N/2	
Sec. 8: NE/4	Sec. 32: E/2	
Secs. 9 through 17: All	Secs. 33 through 36: All	

TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM

Sec. 1: E/2	Sec. 12: NE/4
-------------	---------------

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM

Secs. 1 through 4: All	Sec. 16: N/2 & SE/4
Sec. 5: N/2	Secs. 22 through 25: All
Sec. 6: N/2	Sec. 26: NE/4 NE/4 and NE/4 SE/4
Sec. 8: N/2 & SE/4	
Secs. 9 through 15: All	Sec. 35: NE/4
	Sec. 36: N/2 & SE/4

TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMPM

Sec. 6: NW/4 & S/2	Sec. 20: NW/4 & S/2
Sec. 7: W/2	Secs. 29 through 32: All
Sec. 18: W/2	Sec. 33: NW/4
Sec. 19: All	

TOWNSHIP 23 SOUTH, RANGE 38 EAST, NMPM

Sec. 5: NW/4	Sec. 6: N/2
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OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

GOVERNOR
BRUCE KING
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

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

May 23, 1973

M E M O R A N D U M

TO: ALL OPERATORS AND PURCHASERS IN THE BLINEBRY
OIL POOL AND THE BLINEBRY GAS POOL

FROM: A. L. PORTER, Jr., SECRETARY-DIRECTOR

SUBJECT: ORDER NO. R-4536

In accordance with the provisions of Commission Order No. R-4536, I am hereby appointing the following operators and purchasers to make a study of the Blinebry Oil Pool and the Blinebry Gas Pool and to make recommendations to the Commission at a hearing to be called within the next six months:

Amoco Production Company	Box 68	Hobbs, New Mexico	88240
Atlantic Richfield Company	Box 1610	Midland, Texas	79701
Aztec Oil and Gas Company	Box 837	Hobbs, New Mexico	88240
Cities Service Oil Company	800 Vaughn Bldg	Midland, Texas	79701
J. R. Cone	Box 871	Lubbock, Texas	79408
Continental Oil Company	Box 460	Hobbs, New Mexico	88240
Hanson Oil Corporation	Box 1515	Roswell, New Mexico	88201
John H. Hendrix	316 Central Building	Midland, Texas	79701
Gulf Oil Corporation	Box 1150	Midland, Texas	79701
Moranco	Box 1860	Hobbs, New Mexico	88240
Phillips Petroleum Company	Phillips Bldg. 4th & Washington	Odessa, Texas	79760
Samedan Oil Corporation	2207 Wilco Bldg	Midland, Texas	79701
Skelly Oil Company	Box 1351	Midland, Texas	79701
Sohio Petroleum Company	Box 3167	Midland, Texas	79701
Union Texas Petroleum Corp.	1300 Wilco Bldg	Midland, Texas	79701
Northern Natural Gas Company	Box 3316	Midland, Texas	79701
Warren Petroleum Corporation	Box 1589	Tulsa, Oklahoma	74101

Memorandum
May 23, 1973

The chairman of the committee will be Mr. Joe D. Ramey, who is the Commission's district supervisor at Hobbs.

The first meeting will be at the Hobbs Office of the Oil Conservation Commission at 1000 West Broadway, June 21, 1973, at 10:00 o'clock a.m. All operators in the two pools will be welcome to attend the meetings and participate in all discussions.

A copy of Order No. R-4536 is attached.

Your usual cooperation will be appreciated.

ALP/ir
Attachment

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. 4775
Order No. R-4536

APPLICATION OF CONTINENTAL OIL
COMPANY FOR AMENDMENT OF THE
BLINEBRY POOL RULES, LEA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 23, 1972, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 22nd day of May, 1973, 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, Continental Oil Company, appeared at said hearing and offered, for consideration of the Commission, several amendments to the rules governing the Blinebry Gas Pool and the Blinebry Oil Pool, which amendments, if adopted, would result in sweeping changes in said pool rules.

(3) That Gulf Oil Corporation also appeared at said hearing and offered for consideration of the Commission, several equally broad and sweeping amendments to the Blinebry Pool Rules.

(4) That numerous other operators in the Blinebry Pool offered support to the proposals of either one or the other of the aforesaid companies, and further offered suggested amendments to the proposed amendments.

(5) That the Blinebry Gas Pool and the Blinebry Oil Pool have long been recognized as being a part of a complex system of interrelated gas-bearing and/or oil-bearing stringers, the administration of which both for the prevention of waste and the protection of correlative rights is unusually complicated.

-2-

Case No. 4775

Order No. R-4536

(6) That the complexity of protecting correlative rights in the subject pools is further aggravated by the differential between casinghead gas allowables assigned to the oil wells in the Blinebry Oil Pool and gas allowables assigned to the gas wells in the Blinebry Gas Pool.

(7) That after diligent examination of the record in the subject case, the Commission has determined that the notice of the hearing and the record of the hearing are both insufficient to the entry of an order which will adequately prevent waste and yet afford the greatest protection to the correlative rights of all operators.

(8) That Case No. 4775 should be dismissed, and the Secretary-Director of the Commission should appoint a committee of interested operators in the Blinebry Gas Pool and the Blinebry Oil Pool to make a study of the pools and to make recommendations to the Commission at a hearing which should be called by the Commission no later than six months after the entry of this order.

IT IS THEREFORE ORDERED:

(1) That Case No. 4775 is hereby dismissed.

(2) That the Secretary-Director of the Commission appoint a Blinebry Pool Study Committee, composed of no less than 15 operators in the Blinebry Gas Pool and the Blinebry Oil Pool, and no less than two major gas purchasers in said pools; that any operator not appointed to the Committee shall be permitted to attend the meetings of the Committee and be permitted full expression as though a member; that the District Supervisor of the Commission's Hobbs District Office shall be appointed Chairman of the Committee; and that the Chairman of the Committee shall issue notice to Committee members and to all other operators in the Blinebry Gas Pool and the Blinebry Oil Pool of the time of all meetings of the Committee, and the place of all such meetings, which shall be the Commission's District Office, 1000 West Broadway, Hobbs, New Mexico.

(3) That a case be called no later than November 20, 1973, to consider the amendment of the Blinebry Pool Rules.

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

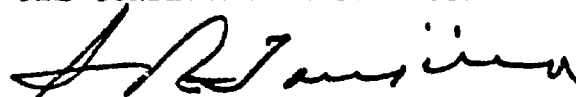
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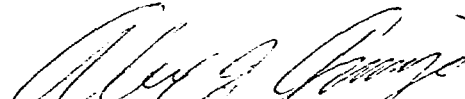
Case No. 4775

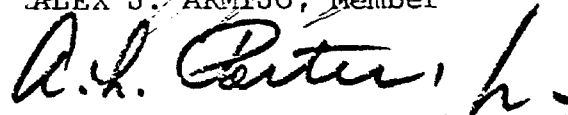
Order No. R-4536

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman


ALEX J. ARMIJO, Member


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

S E A L

dr/

DOCKET: EXAMINER HEARING - THURSDAY - NOVEMBER 15, 1973

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for December, 1973, from sixteen prorated pools in Lea, Eddy, Roosevelt and Chaves Counties, New Mexico;
- (2) Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for December, 1973.

CASE 5108: In the matter of the hearing called by the Oil Conservation Commission on its own motion to receive a report from the Blinebry Pool Study Committee which was appointed pursuant to the provisions of Order No. R-4536. It is expected that said committee will make recommendations and offer proposed pool rules for consideration by the Commission for the Blinebry Oil Pool and Blinebry Gas Pool, Lea County, New Mexico.

CASE 5109: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider extending the horizontal limits of the Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico, to include all of Section 35, Township 21 South, Range 25 East.

Also to be considered will be the institution of gas prorationing in said pool to provide for fixing the total allowable natural gas production from said pool to an amount equal to reasonable market demand and to the capacity of the gas transportation facilities. Also to be considered will be the adoption of special rules and regulations for said pool including a provision for allocating the allowable production among the wells in the pool.

CASE 5110: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider extending the horizontal limits of the Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico, to include the S/2 of Section 28, Township 25 South, Range 24 East.

Also to be considered will be the institution of gas prorationing in said pool to provide for fixing the total allowable natural gas production from said pool to an amount equal to reasonable market demand and to the capacity of the gas transportation facilities. Also to be considered will be the adoption of special rules and regulations for said pool including a provision for allocating the allowable production among the wells in the pool.

CASE 5111: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider extending the horizontal limits of the

(Case 5111 continued from Page 1)

Burton Flats-Morrow Gas Pool, Eddy County, New Mexico, to include the S/2 of Section 34, Township 20 South, Range 28 East, and the N/2 of Sections 8 and 9, and all of Section 10, Township 21 South, Range 27 East.

Also to be considered will be the institution of gas prorationing in said pool to provide for fixing the total allowable natural gas production from said pool to an amount equal to reasonable market demand and to the capacity of the gas transportation facilities. Also to be considered will be the adoption of special rules and regulations for said pool including a provision for allocating the allowable production among the wells in the pool.

CASE 5112: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider extending the horizontal limits of the Burton Flats-Strawn Gas Pool, Eddy County, New Mexico, to include all of Section 10, Township 21 South, Range 27 East.

Also to be considered will be the institution of gas prorationing in said pool to provide for fixing the total allowable natural gas production from said pool to an amount equal to reasonable market demand and to the capacity of the gas transportation facilities. Also to be considered will be the adoption of special rules and regulations for said pool including a provision for allocating the allowable production among the wells in the pool.

CASE 5113: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the institution of gas prorationing in the Burton Flats-Atoka Gas Pool, Eddy County, New Mexico, and to provide for fixing the total allowable natural gas production from said pool to an amount equal to reasonable market demand and to the capacity of the gas transportation facilities. Also to be considered will be the adoption of special rules and regulations for said pool including a provision for allocating the allowable production among the wells in the pool.

3 separate subgr. committees

June 22 report

3 sub-committees

Statistics Comm. Vic. Lyon

Transportation Comm. James Welsh Northern

Races Comm.

Kelley

Romey 4 pts to consider

1. heavy burden not as heavy because of 32000

2. Low pres. on gas to charge

3. frequency of rates, grow & RHP

4. revision of rates to eliminate

discrepancy between oil wells & gas wells.

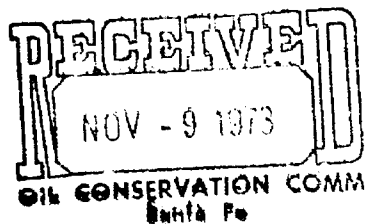
J. R. MODRALL
JAMES E. SPERLING
JOSEPH E. ROEHL
GEORGE T. HARRIS, JR.
DANIEL A. SISK
LELAND S. SEOBERRY, JR.
ALLEN C. DEWEY, JR.
FRANK H. ALLEN, JR.
JAMES P. SAUNDERS, JR.
JAMES A. PARKER
JOHN R. COONEY
KENNETH L. HARRIGAN
PETER J. ADANG
DALE W. EK
DENNIS J. FALK
ARTHUR D. MELENDRES
BRUCE D. BLACK
CHARLES J. NOYA

LAW OFFICES OF
MODRALL, SPERLING, ROEHL, HARRIS & SISK
PUBLIC SERVICE BUILDING
P. O. BOX 2168
ALBUQUERQUE, NEW MEXICO 87103

JOHN F. SIMMS (885-1954)
AUGUSTUS T. SEYMOUR
(907-1955)

TELEPHONE 243-4511
AREA CODE 505

November 8, 1973



Mr. A. L. Porter
Secretary-Director
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case Nos. 5108, 5111, 5112 and 5113
Docket: Thursday, November 15, 1973

Dear Mr. Porter:

Enclosed is an Entry of Appearance on behalf of Gulf Oil Corporation in each of the above-captioned cases which have been scheduled for examiner hearing on your docket of Thursday, November 15, 1973.

Very truly yours,

James E. Sperling
James E. Sperling

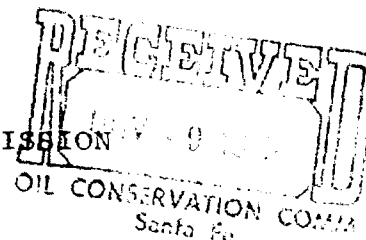
/jv

Enclosures

cc: Mr. J. L. Pike, w/encl.
Mr. Daniel McAllen, w/encl.
Gulf Oil Company - U.S.
P. O. Drawer 1150
Midland, Texas 79701

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO



Thursday, November 15, 1973

IN THE MATTER OF THE MOTION OF
THE OIL CONSERVATION COMMISSION
FOR A HEARING REGARDING THE
BLINEBRY POOL STUDY COMMITTEE
REPORT, BLINEBRY OIL POOL AND
GAS POOL, LEA COUNTY, NEW
MEXICO

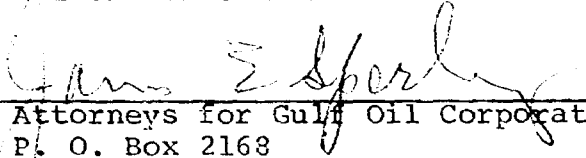
Case No. 5108

ENTRY OF APPEARANCE

The undersigned, Modrall, Sperling, Roehl, Harris & Sisk, of Albuquerque, New Mexico, hereby enter their appearance herein for Gulf Oil Corporation, with its house counsel of Midland, Texas.

MODRALL SPERLING ROEHL HARRIS & SISK

By:


Attorneys for Gulf Oil Corporation
P. O. Box 2163
Albuquerque, New Mexico 87103

11-12-73

THE BLINEBRY POOL TRANSPORTER'S SUB COMMITTEE
OF THE BLINEBRY POOL STUDY COMMITTEE STATEMENT

The Transporter's Sub-Committee agreed in July of 1973 that they had pipeline capacity for 98 MMCF/D Blinebry Pool gas well gas and 24 MMCF/D Blinebry Pool casinghead gas without cutting back on the gas purchases from other Lea County gas pools. This estimate was made on the assumption that there would be no system input increases from other Southeast New Mexico areas. However, since that time, gas production from the Carlsbad area has increased to such an extent that it has caused the original 98 MMCF/D gas well gas estimate to be decreased to 68 MMCF/D Blinebry Pool gas well gas for November and December, 1973. The casinghead volume was changed to 35 MMCF/D which is the 1973 first 7 months average.

There is now a plan to construct additional pipeline in the Carlsbad area to enable this Carlsbad gas to bypass and take some pressure off the Lea County systems. The construction of this new pipeline is awaiting FPC approval. It is estimated it will take 45 days for installation of this pipeline after receipt of FPC approval. It is hoped that this pipeline will be in operation during January, 1974. After this pipeline has become operational then it is anticipated that it will be possible to again take 98 MMCF/D Blinebry Pool gas well gas and approximately 35 MMCF/D Blinebry Pool casinghead gas. These Blinebry Pool volumes are again based on the assumption that no additional production from other Lea County sources will be increased above the average volumes used in our original projections.

WELL COUNT *
BLINEBRY POOL
LEA COUNTY, NEW MEXICO

<u>Year</u>	<u>Oil Wells **</u>	<u>Gas Wells</u>	<u>Total Wells</u>
1953	22	29	51
1954	38	71	109
1955	72	100	172
1956	103	120	223
1957	119	125	244
1958	130	138	268
1959	133	148	281
1960	150	150	300
1961	181	150	331
1962	220	153	373
1963	273	153	426
1964	346	147	493
1965	383	144	527
1966	387	145	532
1967	393	141	534
1968	400	140	540
1969	406	144	550
1970	405	151	556
1971	398	156	554
1972	381	181	562
1973***	377	182	559

* Includes SI and TA wells.

** Blinebry Oil Pool plus Terry Blinebry Pool

*** July, 1973

BEFORE EXAMINER SIGNATURES
OF COMMISSIONER OF MINES
Gulf Oil Corp. 2
SIC 8
SIGNED BY Gulf Oil Corp.
H. H. H. 11-15-73

EXHIBIT NO. 2
CASE NO. 5108
NOVEMBER 15, 1973

DAILY GAS PRODUCTION
(MMCF PER DAY)
BLINEBRY POOL
LEA COUNTY, NEW MEXICO

<u>Year</u>	<u>Casinghead Gas * (MMCFPD)</u>	<u>Gas Well Gas (MMCFPD)</u>	<u>Total Pool Gas (MMCFPD)</u>
1953	1	17	18
1954	2	32	34
1955	6	53	59
1956	8	68	76
1957	11	59	70
1958	25	60	85
1959	28	56	84
1960	28	60	88
1961	31	40	77
1962	40	50	90
1963	54	53	107
1964	63	53	116
1965	79	50	129
1966	82	33	115
1967	75	31	106
1968	73	50	123
1969	68	45	113
1970	62	55	117
1971	56	51	107
1972	39	60	99
1973**	35	68	103

* Blinebry Oil Pool plus Terry Blinebry Pool

** January through July

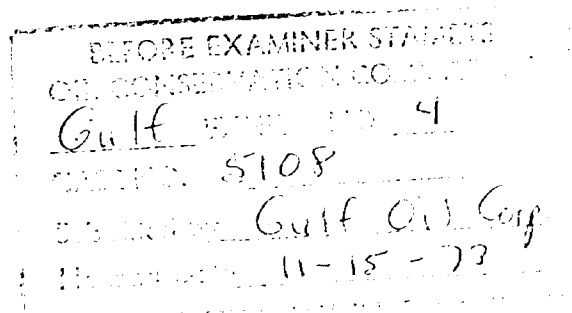


EXHIBIT NO. 4
CASE NO. 5108
NOVEMBER 15, 1973

**PRODUCING GAS LIQUID RATIO
BLINEBRY POOL
LEA COUNTY, NEW MEXICO**

<u>Year</u>	<u>Oil Wells *</u> <u>(Cu. Ft./Bbl.)</u>	<u>Gas Wells</u> <u>(Cu. Ft./Bbl.)</u>	<u>Total Pool</u> <u>(Cu. Ft./Bbl.)</u>
1953	2,763	53,502	22,443
1954	2,441	49,755	21,792
1955	2,745	55,396	18,893
1956	2,374	58,034	17,284
1957	3,140	59,397	15,515
1958	8,109	62,950	21,096
1959	10,067	61,377	22,922
1960	10,504	63,008	24,385
1961	10,278	63,838	20,693
1962	10,942	62,828	20,272
1963	10,987	73,102	19,042
1964	9,902	85,907	16,548
1965	11,082	89,051	16,712
1966	13,150	80,739	17,277
1967	15,258	78,403	19,999
1968	17,351	94,503	26,000
1969	19,006	108,892	28,210
1970	19,143	126,201	31,874
1971	19,219	143,282	32,875
1972	13,978	143,860	30,746
1973**	13,506	171,951	34,558

* Blinebry Oil Pool plus Terry Blinebry Pool
 ** January through July

BEFORE EXAMINER STATEMENTS
 OIL CONSERVATION COMMISSION
 Galt 5108
 Galt Oil Corp
 11-15-73

EXHIBIT NO. 6
 CASE NO. 5108
 NOVEMBER 15, 1973

MAXIMUM GAS ALLOWABLE
(MCF PER DAY PER 40 ACRES)
BLINEBRY POOL
LEA COUNTY, NEW MEXICO

<u>Year</u>	<u>Oil Well*</u> (MCFPD)	<u>Gas Well</u> (MCFPD)
1953	117	-
1954	<u>245</u>	94
1955	318	171
1956	316	184
1957	313	132
1958	275	143
1959	278	110
1960	273	121
1961	274	91
1962	282	100
1963	301	119
1964	303	142
1965	<u>306</u>	125
1966	365	89
1967	416	85
1968	462	134
1969	506	122
1970	572	158
1971	593	129
1972	642	141
1973**	642	205

*depth back 107 BOPD
at allow. 6000 to 1
ratio 100%
mkt fm factor*

* Blinebry Oil Pool plus Terry Blinebry Pool
** January through July, 1973

EXHIBIT NO. 8
CASE NO. 5108
NOVEMBER 15, 1973

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
Gulf Oil Corp. 8
CASE NO. 5108
Gulf Oil Corp.
11-15-73

DAILY GAS PRODUCTION
(MCF PER DAY PER ACRE)
BLINEBRY POOL
LEA COUNTY, NEW MEXICO

<u>Year</u>	<u>Casinghead Gas * (MCFPDPA)</u>	<u>Gas Well Gas (MCFPDPA)</u>	<u>Average Pool Gas (MCFPDPA)</u>
1953	1.5	-	-
1954	1.5	2.9	2.7
1955	2.1	3.4	3.2
1956	1.8	3.7	3.3
1957	2.3	3.1	3.0
1958	4.8	3.0	3.2
1959	5.2	2.5	3.0
1960	4.7	2.5	2.9
1961	4.2	2.0	2.5
1962	4.5	2.2	2.8
1963	4.9	2.5	3.3
1964	4.6	2.7	3.5
1965	5.2	2.8	3.9
1966	5.3	1.8	3.4
1967	4.8	1.8	3.2
1968	5.0	2.9	3.8
1969	4.5	2.9	3.6
1970	4.3	3.3	3.8
1971	4.1	3.0	3.5
1972	3.0	3.3	3.2
1973**	2.7	3.7	3.3

* Blinebry Oil Pool plus Terry Blinebry Pool

** January through July

BEFORE EXAMINER SIGNATURE
OIL CONSERVATION COMMISSION
Gulf EXHIBIT NO. 10
CASE NO. 5108
Submitted by Gulf Oil Corp
Hearing Date 11-15-73

EXHIBIT NO. 10
CASE NO. 5108
NOVEMBER 15, 1973

FACT SHEET I

BLINEBRY POOL
LEA COUNTY, NEW MEXICO

EXHIBIT NO. 11
CASE NO. 5108
NOVEMBER 15, 1973

I. WELL COUNT

II. WELLS ON SCHEDULE JULY 1973

Marginal
Non-Marginal
Total

Oil Pool	Gas Pool
377	182
1	25
307	131
308	156

III. ACREAGE ON SCHEDULE

IV. CUMULATIVE PRODUCTION 8-1-73

Liquid Production (bbls.)
Gas Production (MCF)

25,732,393	6,480,539
310,547,377	384,737,014

V. PRODUCTION - 1972

A-1 Liquids (bbls.)
A-2 Gas (MCF)
A-3 Gas-Liquid Ratio
B-1 Liquids (Bbls./Day)
B-2 Gas (MCF/Day)
C-1 Liquids (Bbls./Day/Well)
C-2 Gas (MCF/Day/Well)
D-1 Gas (MCF/Day/Acre)

1,024,137	151,823
14,315,533	21,841,339
13,978	143,860
2,798	415
39,113	59,675
9	3
121	390
3.0	3.3

VI. PRODUCTION - January-July, 1973

A-1 Liquids (Bbls.)
A-2 Gas (MCF)
A-3 Gas Liquid Ratio
B-1 Liquids (Bbls./Day)
B-2 Gas (MCF/Day)
C-1 Liquids (Bbls./Day/Well)
C-2 Gas (MCF/Day/Well)
D-1 Gas (MCF/Day/Acre)

549,178	84,148
7,416,973	14,469,398
13,506	171,951
2,590	397
34,986	68,252
8	3
109	438
2.7	3.7

BEFORE EXAMINER STAMPS
ON COMPLETION OF WORK
Gulf 5108
Gulf Oil Corp.
11-15-73

FACT SHEET II

BLINEBRY POOL
LEA COUNTY, NEW MEXICO

EXHIBIT NO. 12
CASE NO. 5108
NOVEMBER 15, 1973

	Jan.-Dec. 1972	Jan.-July 1973	July 1973
<u>Daily Top Allowable per 40 Acres</u>			
Oil (BPD)	107	107	107
Casinghead Gas @ 6000/1 (MCFPD)	642	642	642
Gas Well Gas (MCFPD) <i>(ave)</i>	141	205	198
<u>Daily Top Allowable per Acre</u>			
Oil (BPD)	2.7	2.7	2.7
Casinghead Gas (MCFPD)	16	16	16
Gas Well Gas (MCFPD)	3.5	5.1	5.0

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
Gulf OIL CO. NO. 12
CASE NO. 5108
Produced by Gulf Oil Corp
Hearing Date 11-15-73

SPECIAL POOL RULES FOR THE BLINEBRY POOL
LEA COUNTY, NEW MEXICO
PROPOSAL BY
BLINEBRY POOL STUDY COMMITTEE

R-1721
5108
11-15-77

The vertical limits of the Blinebry Pool shall extend from a point 75' above the "Blinebry Marker" to a point 100' above the "Tubb Marker". The Blinebry Marker shall be that point encountered at a depth of 5457' (elevation 3380, sub-sea datum -2077) and the Tubb Marker shall be that point encountered at a depth of 5921' (elevation 3380, sub-sea datum -2541) in the Exxon Corporation State "S" Well No. 20, SW/4 NW/4 Section 2, T-22-S, R-37-E, Lea County, New Mexico.

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 1

Any well drilled to the Blinebry formation within, or within one mile outside, the boundary of the Blinebry Pool, and not nearer to nor within the boundaries of another pool producing from the Blinebry formation, shall be spaced, drilled, operated, and prorated in accordance with the rules for the Blinebry Pool as set forth herein.

RULE 2

(a) After the effective date of this order, each well drilled or recompleted as an oil well shall be located not closer than 330' to the outer boundary of any governmental quarter-quarter section or subdivision boundary line.

(b) After the effective date of this order, no well drilled as a gas well shall be located nearer than 660' to the outer boundary of its proration unit

BEFORE EXAMINER STAMETS
OIL COMMISSION COMMITTEE
Gulf *11-15-77*
CASE NO. *5108*
Submitted by *Gulf Oil Corp*
Hearing Date *11-15-77*

EXHIBIT NO. 13
CASE NO. 5108
NOVEMBER 15, 1973

or of the quarter section and not nearer than 330' to any governmental quarter-quarter section line or subdivision line.

(c) The Secretary-Director of the Commission may grant an exception to the footage requirements of Rule 2 (a) or 2 (b) without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed unorthodox location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all offset operators or, if no offset operator has entered an objection to the unorthodox location, within 20 days after the Secretary-Director has received the application. If any written objection is received, or at the direction of the Secretary-Director any such application may be set for hearing. An unorthodox location may be subject to an allowable adjustment if it is directly offsetting another producing well.

RULE 3

(a) Each oil well within the Blinebry Pool shall be located on a standard unit consisting of approximately 40 acres which shall comprise a governmental quarter-quarter section or lot.

(b) Each gas well within the Blinebry Pool shall be located on a standard proration unit consisting of approximately 160 acres which shall comprise a governmental quarter section. For purposes of these rules, a unit consisting of between 158 and 162 contiguous surface acres shall be considered a standard unit.

(c) The Secretary-Director may grant an exception to the requirements of Rule 3 (b) without notice and hearing where an application has been filed in due form and where the unorthodox size and shape of the tract is due to a variation in legal sub-divisions of the United States Public Lands Survey or where the following facts exist and the following provisions are complied with:

- (1) The non-standard unit consists of contiguous quarter-quarter sections or lots.
- (2) The non-standard unit consists of not more than 164 acres and lies wholly within a single governmental section.
- (3) The entire non-standard unit may reasonably be presumed to be productive of gas from the Blinbry Pool.
- (4) 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 any part of the non-standard unit is situated and which acreage is not included in the non-standard unit.
- (5) In lieu of Paragraph 4 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 its intent to form such non-standard unit. The Secretary-Director may approve the application if, after a period of 20 days, no such operator has entered an objection to the formation of the non-standard unit.

- 1/10/1910*
Blaine
to
- (6) The Secretary-Director may grant an exception to Provision 1 above if a completion, re-completion, or reclassification of a Blinebry well results in dedication of acreage to an oil well on a previously approved gas proration unit, and thereby severs acreage contained in said unit from the gas well which produced from the unit.

RULE 4

(a) A gas well in the Blinebry Pool shall be a well producing from within the vertical and horizontal at limits of the Blinebry Pool which produces with a gas-liquid ratio of 50,000 cubic feet of gas or more per barrel of liquid hydrocarbons. Provided, however, that any well which on the effective date hereof was classified as a gas well in the Blinebry Gas Pool shall continue to be classified as a gas well. For those wells classified as gas wells, but with gas-liquid ratios of less than 50,000 cubic feet of gas per barrel, the operator, may, upon proper showing to the District Supervisor, receive a reclassification of said well to that of an oil well.

(b) Should remedial work or other circumstances indicate classification as an oil well to be proper, the District Supervisor may approve the application to reclassify said well from a gas well to an oil well.

(c) A well producing from within the horizontal and vertical limits of the Blinebry Pool and not classified as a gas well, as defined in Section (2) of this rule shall be classified as an oil well.

(d) The District Supervisor, on or before November 1st of each year, shall review production data, gas-oil ratio tests and other pertinent data and reclassify a well under Rule 4 if production data, gas-oil ratio tests or other evidence reflects the need for such reclassification. In such event the District Supervisor will notify the operator of such reclassification at least 30 days before the effective date thereof. Any operator so notified may request that the District Supervisor reconsider the reclassification if he has reason and evidence justifying such reclassification and such request is filed not later than 10 days after such notification of reclassification. The District Supervisor shall approve or disapprove the request within 10 days after receipt thereof or in the alternative, with the consent of applicant set the request for hearing.

(e) In the event an oil well in the Blinebry Pool is reclassified as a gas well, the operator of such well will be afforded the opportunity to form a non-standard gas proration unit for the well; provided, however, that, until such unit is formed, said well shall be allocated a gas allowable commensurate with the acreage contained in the unit formerly dedicated to the oil well. In the event such reclassification should cause the occurrence of two or more gas wells producing from the Blinebry Pool within a single proration unit, the sum total of the allowables allocated to the wells shall be equivalent to the volume of gas allocated to a single proration unit; provided, however, that the operator of such wells shall have the option to determine the proportion of the assigned allowable to be produced by each individual well.

RULE 5

(a) Oil wells within the Blinebry Pool shall receive oil and casinghead gas allowables as provided in Statewide Rules 503, 505 and 506. The limiting gas-oil ratio for the Blinebry Pool shall be 4,000 cubic feet of gas per barrel of oil.

(b) The provisions of Statewide Rule 104, Paragraph (k), shall not apply to the Blinebry Pool.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 8(A). The total allowable to be allocated to gas wells in the pool regulated by this order each month shall be equal to the sum of the "Preliminary" or "Supplemental Nominations" (whichever is applicable) together with any adjustment which the Commission deems advisable. The allowable allocated to gas wells in the pool remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal gas wells entitled to an allowable in the proportion that each well's acreage factor bears to the total of the acreage factors for all non-marginal gas wells in the pool.

RULE 8(E). Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, as determined from an affidavit furnished to the Commission (Box 1980, Hobbs, New Mexico 88240) by the purchaser, or the date of filing of Form C-104 and a plat (Form C-102), whichever date is the later.

(Also see Rule 4 above.)

G. GENERAL

RULE 22. No dry gas or casinghead gas shall be flared, vented or otherwise wasted in the Blinebry Pool except as provided in Rules 306 and 404 of the General Rules of Statewide Application.

RULE 25

Acme
at
Rule 20
MB
Acreage dedicated to a gas well in the Blinebry Pool shall not be simultaneously dedicated to an oil well in the Blinebry Pool, and the dual completion of a well so as to produce separate gas and oil allowables from the Blinebry Pool is hereby prohibited.

RULE 26

Reg
of
Rule 24
(a) Condensate from any gas well in the Blinebry Pool may be commingled with other condensate produced by any other gas well or gas wells producing from the Blinebry Pool or Tubb Gas Pool following its separation from the gas in a separator, provided gas-condensate test facilities are available and the required tests are made in accordance with Statewide Rule 309 (B) (2).

If two-stage separation is used, the low-pressure gas shall be directed into a low-pressure gas gathering system, and said low-pressure gas need not be measured separately from the other low-pressure gas produced on the lease, provided that certain test facilities are available and certain periodic tests made.

(b) In submitting Form C-115 (Operator's Monthly Report) on wells producing from the Blinebry zone in which condensate is commingled and/or the low-pressure gas is commingled with other low-pressure gas produced on the lease, the operator shall estimate the volume produced by each well in each pool by using the ratios as reflected in the most recent test submitted.

68,100,000 - 6.8 gms

GAS PRODUCTION AND ALLOWABLE COMPARISON
BLINEBRY POOL
LEA COUNTY, NEW MEXICO

	CASE I PRESENT RULES *		CASE II PRESENT RULES **		CASE III PROPOSED RULES		
	Casinghead Gas (MCF/D)	Gas Well Gas (MCF/D)	Casinghead Gas (MCF/D)	Gas Well Gas (MCF/D)	Casinghead Gas (MCF/D)	Gas Well Gas (MCF/D)	Gas Well Gas (MCF/D)
Pool Production	36,200	61,500	32,300	65,500	34,900	61,900 ✓	98,000 ✓
Avg. Production per Acre	2.9	3.3	2.8	3.5	2.8	3.4 ✓	5.4 ✓
Avg. Production per 40 Acres	117	134	111 ✓	140 ✓	113 ✓	137	217 ✓
Top Allowable per Acre	16	4.9 ✓	16	4.9	10.7 ✓	5.1	6.2
Top Allowable per 40 Acres	642	195	642	195	428	202	248

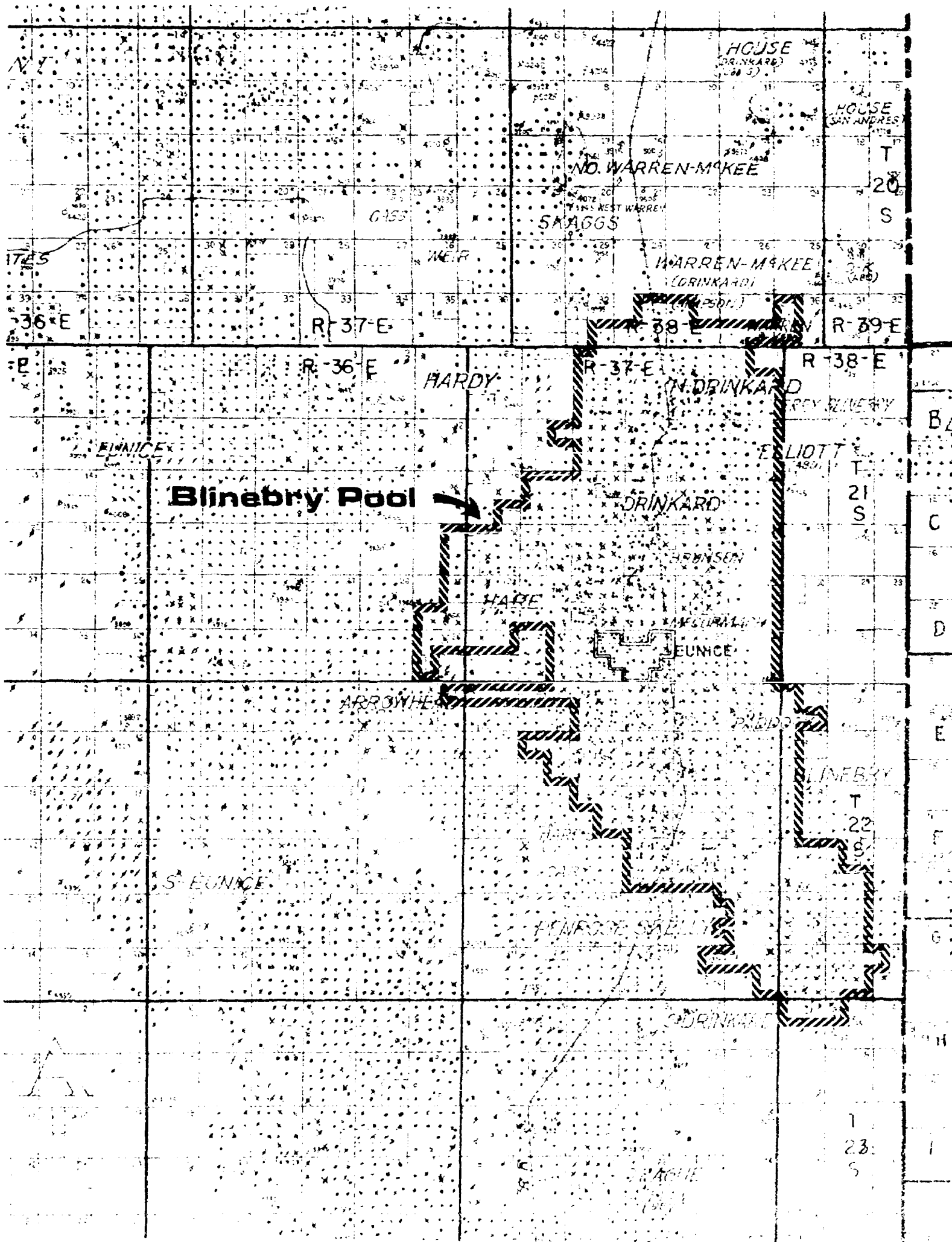
* Based on July 1973 Production Data Unadjusted for Proper Oil Well and Gas Well Classification

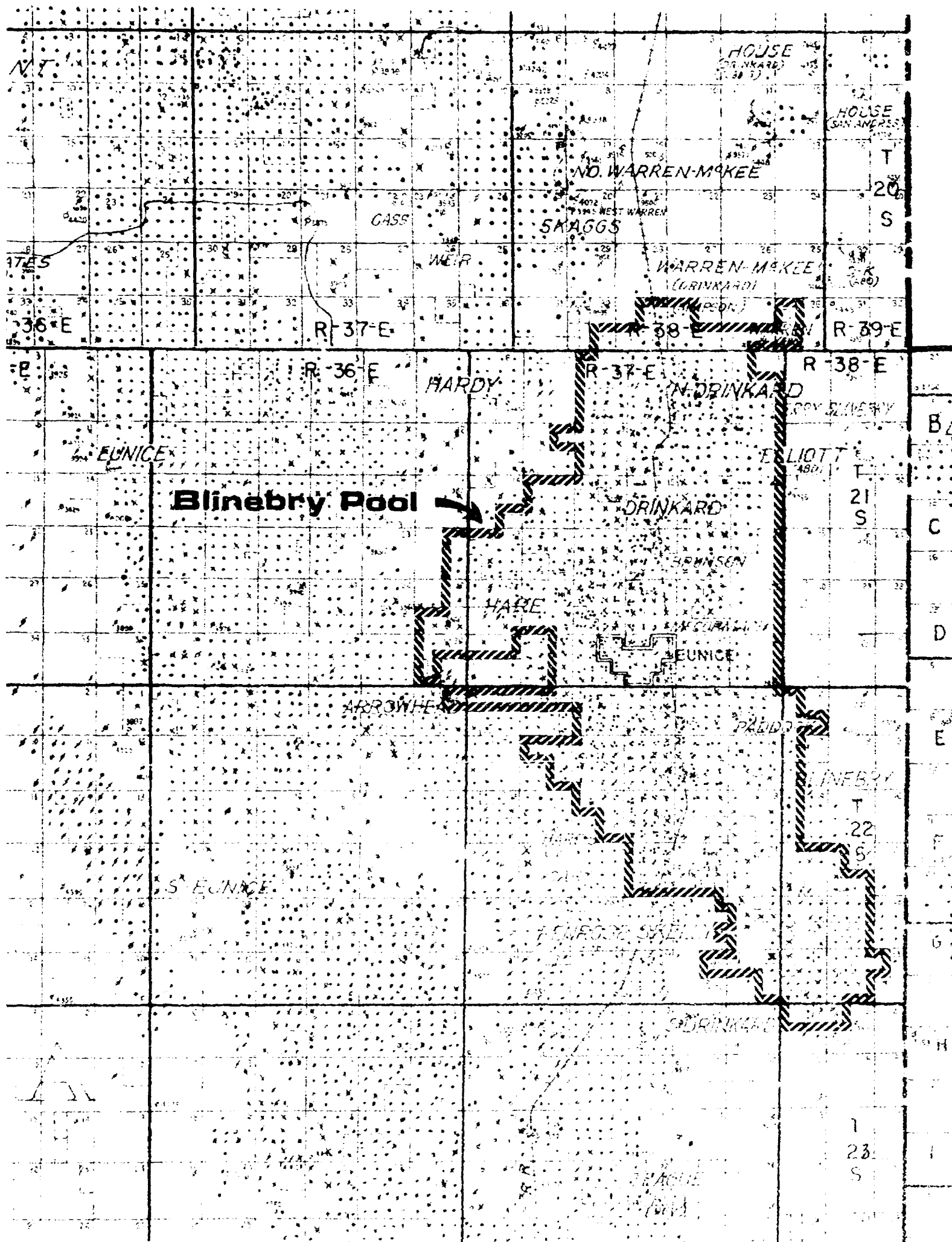
** Based on July 1973 Production Data Adjusted for Proper Oil Well and Gas Well Classification

BEFORE EXAMINER STAMPS
OIL CONSERVATION COMMISSION

Gulf Oil Corp. 14
CASE NO. *5108*
Submitted by *Gulf Oil Corp.*
Hearing Date *11-15-73*

EXHIBIT NO. 14
CASE NO. 5108
NOVEMBER 15, 1973





DRAFT

dr/ 

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~~
ON ITS OWN MOTION TO RECEIVE A
REPORT FROM THE BLINEBRY STUDY
COMMITTEE, BLINEBRY GAS POOL AND
BLINEBRY OIL POOL, LEA COUNTY,
NEW MEXICO.

CASE NO. 5108

Order No. R-1670-N

Nomenclature

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 15, 1973,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of December, 1973, 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.

(1) That on August 23, 1972, the Examiner heard Case No.
4775, which related to the Blinebry Gas Pool and Blinebry Oil
Pool, and to ^{the} possible amendment of the Special Pool Rules governing
said pools.

(2) That on May 22, 1973, the Commission entered Order No. R-4536, dismissing the aforesaid Case No. 4775 and calling for the appointment of a special Blinebry Pool Study Committee, and further requiring that a case be called no later than November 20, 1973, to receive a report and recommendations from said study committee, and to consider the ^{possible} amendment of the Blinebry Pool Rules.

(3) That pursuant to the provisions of Order No. R-4536, the Secretary-Director of the Commission, by memorandum dated May 23, 1973, appointed a Blinebry Study Committee, requesting said committee "...to make a study of the Blinebry Oil Pool and the Blinebry Gas Pool and to make recommendations to the Commission at a hearing to be called within the next six months."

(4) That pursuant to the provisions of Order No. R-4536, the instant case was called, and due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(5) That the Blinebry Gas Pool and the Blinebry Oil Pool are part of a complex reservoir system of interrelated gas-bearing and oil-bearing stringers.

(6) That method of completion is often the determining factor as to whether a well will be classified as a gas well in the Blinebry Gas Pool or as an oil well in the Blinebry Oil Pool.

(7) That the producing characteristics of a well completed in this complex Blinebry reservoir system will frequently fluctuate during the life of the well with the result that under the present pool rules, the well's classification will often change from oil to gas and vice versa.

(8) That Rule 27 (A) of the present Blinebry Pool Rules defines a gas well in the Blinebry Gas Pool as being a well producing from within the vertical and horizontal limits of the Blinebry ^{Gas} ~~Gas~~ Pool and which (1) produces liquid hydrocarbons possessing a gravity of 51° API or greater, or (2) produces liquid hydrocarbons possessing a gravity of less than 51° API but with a ^{gas-liquid} ~~net~~ producing ratio of 32,000 cubic feet of gas or more per

barrel of liquid hydrocarbon.

(9) That Rule 27 (B) of the present rules defines a well producing from the pool and not classified as a gas well, as defined above, as an oil well *in the Blinebry Oil Pool.*

(10) That a more succinct definition of gas wells and oil wells is needed in order to minimize the fluctuation of classification of wells referred to in Finding No. (7) above, and the definition of a well as a gas well or an oil well should not be dependent upon the gravity of the liquids produced but should be dependent upon the gas-liquid ratio of the well as determined from a review of the well's production data, gas-liquid ratio tests, and other pertinent data.

(11) That the basic criterion upon which a well should be classified as a gas well should be a determination as to whether the well's true ratio, in view of its production data, gas-liquid ratio tests, and other pertinent data, is 50,000 cubic feet of gas or more per barrel of liquid hydrocarbons.

(12) That in order to more nearly equalize ^{natural} gas withdrawals from gas wells and casinghead gas withdrawals from oil wells on a per-dedicated-acre basis, and to more adequately prevent reservoir damage and underground waste and to protect correlative rights, a limiting gas-oil ratio of 4000 cubic feet of gas per barrel of oil should be established for oil wells in the Blinebry *Oil and Gas* Pool.

(13) That the vertical limits of the Blinebry *Oil and Gas* Pool should extend from a point 75 feet above the "Blinebry Marker" to a point 100 feet above the "Tubb Marker." The Blinebry Marker shall be that point encountered at a depth of 5,457 feet (elevation 3380', ~~3380'~~ sub-sea datum -2079') and the Tubb Marker shall be that point encountered at a depth of 5921 feet (elevation 3380', sub-sea datum -2541') in the Exxon Corporation State "S" Well No. 20, located in the SW/4 NW/4 of Section 2, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

(11) That there is hereby created and defined, as described in Rule 25 below and in Exhibit attached hereto and made a part hereof, the Blinebry Oil and Gas Pool.

-4-

Case No. 5108

Order No. R-

(14) That in order to prevent waste and to protect correlative rights, the recommended pool rules for the Blinebry Pool, ^{Oil and Gas} as presented at the hearing by the Blinebry Pool Study Committee, ^{with minor modification,} should be adopted and made applicable to the Blinebry Pool as ^{Oil and Gas} defined in Finding No. (13) above and on ^{Exhibit "A" attached} Attachment "A" to this order.

IT IS THEREFORE ORDERED:

(2) That the ^{aforsaid Oil and Gas} Blinebry Pool, ~~as defined in Rule 25 below and in Attachment "A" hereto~~ shall be subject to the following special rules and regulations which are hereby adopted as an amendment to Order No. R-1670, "Rules and Regulations governing Prorated Gas Pools in New Mexico."

^{OIL AND GAS}
II SPECIAL RULES AND REGULATIONS FOR THE BLINEBRY POOL

(The Blinebry Pool was created February 17, 1953, and prorationing was instituted January 1, 1954.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

^{Each well completed or recompleted in the Blinebry}
RULE 1. ~~Any well drilled to the Blinebry formation within one mile thereof and not or within one mile outside, the boundary of the Blinebry Pool, and not~~ nearer to nor within the boundaries of another pool producing from the Blinebry formation, shall be spaced, drilled, operated, and prorated in accordance with the rules for the ^{Oil and Gas} Blinebry Pool as set forth herein.

RULE 2 (a). After the effective date of this order, each well drilled or recompleted as an oil well, or as a gas well to which no more than 40 acres shall be dedicated, shall be located not closer than 330 feet to the outer boundary of any governmental quarter-quarter section or subdivision boundary line.

(b) After the effective date of this order, no well drilled as a gas well and to which is dedicated, or to which will be dedicated, more than 40 acres shall be located nearer than 660 feet to the outer boundary of its proration unit or of the quarter section and not nearer than 330 feet to any governmental quarter-quarter section line or subdivision line.

RULE 3. The Secretary-Director of the Commission may grant an exception to the footage requirements of Rule 2 (a) or 2 (b) without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed unorthodox location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Secretary-Director has received the application. If any written objection is received, or at the direction of the Secretary-Director, any such application may be set for hearing. An unorthodox location may be subject to an allowable adjustment if it is directly offsetting another producing well.

RULE 4. The provisions of Statewide Rule 104, Paragraph (k), ^{*Oil and Gas*} shall not apply to the Blinebry Pool.

RULE 5 (A). Each gas well within the Blinebry Pool ^{*Oil and Gas*} shall be located on a standard proration unit consisting of approximately 160 acres which shall comprise a governmental quarter section. For purposes of these rules, a unit consisting of between 158 and 162 contiguous surface acres shall be considered a standard unit.

RULE 5 (B). Each oil well within the Blinebry Pool ^{*Oil and Gas*} shall be located on a standard unit consisting of approximately 40 acres which shall comprise a governmental quarter-quarter section or lot.

RULE 5 (C) 1. The District Supervisor of the Hobbs district office of the Commission shall have authority to approve a non-standard unit as an exception to Rule 5 (A) or 5 (B) without notice and hearing when the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys and the non-standard unit is not less than 75 percent nor more than 125 percent of a standard unit.

2. The District Supervisor may approve the non-standard unit by:

- (a) accepting a plat showing the proposed non-standard unit and the acreage to be dedicated to the non-standard unit, and
- (b) assigning an allowable to the non-standard unit.

3. The Secretary-Director may grant an exception to the requirements of Rule 5 (A) without notice and hearing where an application has been filed in due form and where the unorthodox size and shape of the tract is due to a variation in legal subdivisions of the United States Public Lands Survey or where the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of contiguous quarter-quarter sections or lots.
 - (b) The non-standard unit consists of not more than 164 acres and lies wholly within a single governmental section.
 - (c) The entire non-standard unit may reasonably be presumed to be productive of gas from the ^{Oil and Gas} Blinbry Pool.
 - (d) 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 any part of the non-standard unit is situated and which acreage is not included in the non-standard unit.
 - (e) In lieu of Paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the afore-said operators were notified by registered or certified mail of its intent to form such non-standard unit.
- The Secretary-Director may approve the application if, after a period of 20 days, no such operator has entered an objection to the formation of the non-standard unit.

- (f) The Secretary-Director may grant an exception to Provision ^(a) ~~a~~ above if a completion, re-completion, or reclassification of a Blinebry well results in dedication of acreage to an oil well on a previously approved gas proration unit, and thereby severs acreage contained in said unit from the gas well which produces ^{for} ~~from~~ the unit.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 8 (A). The total allowable to be allocated to gas wells in the pool regulated by this order each month shall be equal to the sum of the "Preliminary" or "Supplemental" Nominations (whichever is applicable) together with any adjustment which the Commission deems advisable. The allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal gas wells entitled to an allowable in the proportion that each well's acreage factor bears to the total of the acreage factors for all non-marginal gas wells in the pool.

RULE 8 (B). Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, as determined from an affidavit furnished to the Commission (Box 1980, Hobbs, New Mexico 88240) by the purchaser, or the date of filing of Form C-104 and a plat (Form C-102), whichever date is the later.

~~(Also see Rule 4 above.)~~

G. GENERAL

PULE 22. ^{natural gas produced from a gas well in the Blinebry} ~~No gas well~~ shall be flared or vented ^{in the} ~~in the~~ ^{Oil and Gas Pool} ~~Blinebry Pool~~ except as provided in Rule 401 of the ^{Commission Rules} ~~General Rules~~ ^{and Regulations} ~~of Statewide Application~~ and no oil well casinghead gas shall be flared or vented except as provided in Rule 306.

H. MISCELLANEOUS SPECIAL POOL RULES

Oil and Gas
RULE 25. The vertical limits of the Blinebry Pool shall extend from a point 75 feet above the "Blinebry Marker" to a point 100 feet above the "Tubb Marker." The Blinebry Marker shall be that point encountered at a depth of 5457 feet (elevation 3380, sub-sea datum -2077) and the Tubb Marker shall be that point encountered at a depth of 5921 feet (elevation 3380, sub-sea datum -2541) in the Exxon Corporation State "S" Well No. 20, SW/4 NW/4 Section 2, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

Oil and Gas
RULE 26 (a). A gas well in the Blinebry Pool shall be a well producing from within the vertical and horizontal ~~at~~ limits of the ~~Blinebry~~ *oil* pool which produces with a gas-liquid ratio of 50,000 cubic feet of gas or more per barrel of liquid hydrocarbons. Provided, however, that any well which on *January 1, 1974,* ~~the effective date~~ *hereof* was classified as a gas well in the Blinebry Gas Pool shall continue to be classified as a gas well. For those wells classified as gas wells, but with gas-liquid ratios of less than 50,000 cubic feet of gas per barrel, the operator may, upon *application* ~~proper showing~~ to the District Supervisor, receive a reclassification of said well to that of an oil well.

at any time
production data,
(d) Should remedial work, or other circumstances *of a well* ~~or a gas well to be improper,~~ indicate classification as an oil well to be proper, the District Supervisor may ~~upon proper showing,~~ *reclassify said well* ~~from a gas well to an oil well or~~ *said well to its proper category,* ~~subject to the same procedures outlined in Rule 26(d) below.~~

Oil and Gas
Rule 26(a) above,
(b) A well producing from within the horizontal and vertical limits of the Blinebry Pool and not classified as a gas well, as defined in ~~Section (a) of this rule~~, shall be classified as an oil well.

X

(d) The District Supervisor, on or before November 15^{24(a)} of each year, shall review production data, gas-oil ratio tests, and other pertinent data and reclassify a well under Rule ~~if~~ ^{to support} if production data, gas-oil ratio tests, or other evidence reflects the need for such reclassification. In such event the District Supervisor will notify the operator of such reclassification at least 30 days before the effective date thereof. Any operator so notified may request that the District Supervisor reconsider the reclassification if he has ~~sufficient~~ ^{and same} reason and evidence ~~justifying~~ such ~~reclassification and such~~ request is filed not later than 10 days after such notification of reclassification. The District Supervisor shall approve or disapprove the request within 10 days after receipt thereof or in the alternative, with the consent of applicant set the request for hearing.

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(e) In the event an oil well in the Blinebry ^{Oil and Gas} Pool is reclassified as a gas well, the operator of such well will be afforded the opportunity to form a non-standard gas proration unit for the well; provided however, that, until such unit is formed, said well shall be allocated a gas allowable commensurate with the acreage contained in the unit formerly dedicated to the oil well. In the event ~~such reclassification should cause the~~ ^{Oil and Gas} ~~occurrence~~ of two or more gas wells producing from the Blinebry ^{Oil and Gas} Pool within a single proration unit, ~~the sum total of the allowables allocated to the wells shall be equivalent to the volume of gas assigned to the~~ ^{may be produced from} ~~allocated to a single proration unit; provided however, that the~~ ^{any well on the proration unit in any proportion.} ~~operator of such wells shall have the option to determine the proportion of the assigned allowable to be produced by each individual well.~~

RULE 27. Oil wells within the Blinebry ^{Oil and Gas} Pool shall receive oil and casinghead gas allowables as provided in Statewide Rules 503, 505, and 506. The limiting gas-oil ratio for the Blinebry ^{Oil and Gas} Pool shall be 4,000 cubic feet of gas per barrel of oil.