

CASE 5400: Appli. of TWINLAKES OIL  
COMPANY for amendment of special pool  
rules, Chaves County

CASE No.

5400

Application,

Transcripts,

Small Exhibits

ETC.

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
January 8, 1975

EXAMINER HEARING

IN THE MATTER OF:

Application of Twinlakes Oil Company  
for amendment of special pool rules,  
Chavez County, New Mexico.

Case No.  
5400

BEFORE: Richard L. Stamets, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil  
Conservation Commission:

William Carr, Esq.  
Legal Counsel for the  
Commission  
State Land Office Bldg.  
Santa Fe, New Mexico

For the Applicant:

Donald G. Stevens, Esq.  
214 Old Santa Fe Trail  
Santa Fe, New Mexico

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Applicant's Exhibit No. 1

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MR. STAMETS: We'll call the next case, Case 5400.

MR. CARR: Case 5400. Application of Twinlakes Oil Company for amendment of special pool rules, Chavez County, New Mexico.

MR. STEVENS: Mr. Examiner, I'm Don Stevens of Santa Fe, New Mexico, representing the Applicant, and I have one witness to be sworn, the owner of Applicant, Don G. Stevens.

(Witness sworn.)

DON G. STEVENS

called as a witness, having been first duly sworn, was examined and testified as follows:

MR. STEVENS: First of all I would like to point out that the Applicant in this case, from the time of filing this case, has been dissolved, Twinlakes Oil Company, and its successor is Stevens Oil Company. The ownership of the corporation and the sole proprietorship is the same but it is a different Applicant at this point.

As Witness my name is Donald G. Stevens, Santa Fe, New Mexico, and I am the owner of Stevens Oil Company. I have previously testified as an expert witness before the Commission and I would tender my qualifications to

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the Commission.

MR. STANETS: The Witness' qualifications are acceptable.

MR. STEVENS: Briefly, the Applicant seeks here an amendment to Order No. R-4102, which sets up field rules for the Twin Lake San Andres Field wherein the field is an associated gas reservoir and 160-acre units are set up for gas wells and 40-acre oil units are set up. The rules allow additional oil wells to be drilled on oil prorationing units, keeping the same allowable, and additional gas wells to be drilled on gas proration units with no increase in allowables. The field does not, however, allow oil wells to be drilled on gas proration units, per se. The field has one gas well on a communitized nonstandard 160-acre unit and the unit has an oil productive area in addition to its gas productive area.

To recover this oil we seek permission to drill an oil well on the gas well proration unit or permission to drill oil wells on gas proration units by amending the rules thereof. I tender tentatively Exhibit No. 1 by the Applicant, which is an area plat and a structure map of the Twin Lake San Andres Pool. It encompasses basically Sections 36 of Township 8 South, Range 28 East,

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and Section 1 of Township 9 South, Range 28 East in Chavez County. Shown thereon is a datum of the P 1 zone of the San Andres, which is the top of the porosity in the field itself. This, as shown on Exhibit 1, indicates a sharp nosing anticline over the producing portion of the field, probably caused by a deep-seated Devonian anticline which is closed down in the Southwest quarter of Section 1. The displacement between the Devonian and the San Andres is some half section, or thereabouts. The contour map can be drawn to close the field as an anticline rather than have the sharp nosing but is usually shown as a sharp nosing. As you can see in Section 36 of the Northwest quarter of the Southwest quarter there is one gas well producing in the field. The rest of the wells are all San Andres oil wells. Basically it is an oil rim to a gas cap; we only have one gas cap in the field; we don't know the extent of the gas cap. The yellow line shows what is called a gas-oil transition zone. There are about two to three porosity zones in this P 1 zone, and they probably have differential gas-oil contacts. The gas oil ratios vary within the field, not necessarily related to structure, but the highest oil producing well is No. 2 Citgo State in the Southeast, Southwest quarter

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of Section 36. It has a gas-oil ratio of about 2700 to 1. It is a diagonal offset to the gas well in the field which makes practically no oil and previously made substantial amounts of gas and makes very little now. Between those two datums of plus 1411 for the 2 Citgo and 1420 for the C.H. State, it is considered to be the transition zone from the oil rim to the gas cap. As you will see on, by looking therein, in the West half of the Northwest quarter you have a gas area, an oil and gas transition zone, and in the East half of the West half, Northwest quarter, most of that would be considered oil productive.

The red outline on the Exhibit shows the non-standard 160-acre proration unit, and the red location mark No. 2 is a proposed drill site pending approval of this Application.

Basically, the purpose of this Application is to allow drilling in the West half of the Northwest quarter for oil, obtain an oil allowable and allow the oil to be produced in an area which ordinarily would not be drained by existing wells. The field, as all P 1 zone in the slaughter zone of the San Andres, is relatively tight. There is considered to be very little drainage between wells. As an example, a well drilled last wpring, the Citgo State

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B No. 1, Southwest quarter of the Southeast quarter of Section 36, had a virgin bottomhole pressure of approximately 700 pounds, upon completion, after the offset wells, west offset and south offset, which had been in production some 6 years at the time and had produced some 50 to 60 thousand barrels of oil at the time, so on that basis there isn't very much pressure drainage between wells.

Thus, we considered that the Wells Nos. 4 and 5 would not drain the oil in the West half, Northwest quarter. It is also, we consider, that the lessees, mineral owners, royalty owners in that West half, Northwest corner, would have no method of extracting the oil out from under their leases without granting of this Application. By the Commission's statutory dictates I feel this would prevent waste in that oil would be recovered which otherwise would not be recovered in that otherwise an oil well could not be drilled in this area. We also feel it would protect the correlative rights of the royalty owners in that West half, Northwest corner, and conceivably other areas of the field. We're concerned with this one at this point.

We feel as to the proration that the oil allowable should be limited to the standard 40-acre oil allowable but we also feel that the gas allowable probably should be

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the same as the entire 160 acre ordinarily has. However, if there are mechanical or computer problems with allocating a gas allowable, casing a gas allowable to an oil well in the same proration unit as a gas well, then we would have no objection to allow each 40-acre tract within the proration unit to "stand upon its own two feet" as it were, so far as oil and gas production, that is for example, a 40-acre tract might be limited to the usual 2000 to 1 gas-oil ratio times the allowable assigned to a 40-acre oil tract.

I would also like to point out that Rule 4 of the Commission provides that wells, if drilled in a known gas-productive area, should be drilled within 150 feet of the center of 40 as shown on this Exhibit, and I would like to establish that. The 330 location shown there would be drilled in an oil productive area, at least presumptively, and it is conceivable also that another well might be drilled at a 330 location in the Northwest quarter of the Northwest quarter. We're not asking this; I would just like to have it on the record that the reading of the rules, drilling a well on a 330 location would be permissible since it is not in a gas productive area.

Exhibit 1 was prepared by me and I wish to

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introduce it into evidence, and I have no further testimony.

MR. STAMETS: Exhibit 1 will be admitted.

(Whereupon, Applicant's Exhibit

1 was admitted into evidence.)

MR. STAMETS: Mr. Stevens, is all of the West half of the West half of Section 36 the same lease with the same working interest and royalty interest?

MR. STEVENS: No, it isn't. There are different State leases there. There are three different State leases there and they may go to different State bonds, but they are all State leases.

MR. STAMETS: If you would drill Well No. 2 and get an oil well, is it possible that you could do one of the two following things: Request a nonstandard unit consisting of the East half of the Northwest of the Northwest and the East half of the Southwest of the Northwest and form a nonstandard 40-acre oil proration unit and reduce the size of your nonstandard gas proration unit by that same amount, or to drill another oil well in the Northwest quarter of the Northwest quarter and then reduce your communitization to an 80 acres in the West half of the Southwest?

MR. STEVENS: The second alternative would seem

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the more feasible to me, presuming another well were drilled, in that (1) the gas well isn't that good a gas well, and (2) you would be able, using your second proposal, to drain the oil in all of the West half. The first proposal I would have a preliminary objection to anyhow in the sense that I don't believe the well No. 2, as shown on Exhibit 1, would drain the East half of the Northwest of the Northwest. I think 40-acre spacing may be even too high. There has been evidence in the slaughter zone that perhaps something should have been drilled on 20 -- I'm not stating that, there has been that contention made in some fields especially in Texas -- therefore, my only objection to that would be that I feel you wouldn't recover oil that might be available there if you didn't split it up as under your first proposal. The second proposal I should think would be quite in order.

I might point out this shows up to be of course in an oil zone in the gas proration unit, but this yellow land here, we don't know where it stops, where the oil stops and the gas begins, and it probably doesn't, per se. It is probably an interfingering porosity zone with slightly different gas oil contacts. On that basis,

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your first proposal would perhaps leave undrained even more oil than the second proposal. I have no objection to it at all; it would be very feasible to do so.

We have one problem, and I would like to reserve judgment in the sense that the entire area is communitized for oil and gas, and to reduce the size of the proration unit might require obtaining new communitization agreements. I see no problem in so doing, but there could be some.

MR. STAMETS: If you were forced to break out this 40 acres from you communitized 160, that being the Southwest of the Northwest, would that cause you to loose the Northwest to the Northwest?

MR. STEVENS: An off-the-cuff opinion, yes, it would, in that the Northwest Northwest would not be continuous, and I don't believe the Commission rules allow nonstandard units that aren't in some way continuous.

MR. STAMETS: So what you really are looking for is a simultaneous dedication to provide the time necessary to evaluate these two 40-acre tracts to see what you need to do with it?

MR. STEVENS: Basically I should think that would be it. I stated that I would hate to be tied to a procedure that might be impossible for fulfillment, so far as the

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mineral owner is concerned and so far as the lease owners of the other leases under the West half, Northwest quarter are concerned.

MR. STAMETS: If the Well No. 2 were completed as an oil well, would that 40 acres dedicated to it only, would the working interest and royalty interest share differently from that production then they would if we said this production is attributable to the whole 160?

MR. STEVENS: No, sir. It is all communitized for oil and gas, so regardless of where we drill or how we make it, all owners under the entire 160 communitized acreage would share in all production regardless of how we mechanically set up allowables as to oil and gas.

MR. STAMETS: So basically then there would be no difference in the allocation regardless of how we went in this area?

MR. STEVENS: None. To try to state it another way, the rules are very explicit as to allowing oil wells on oil well proration units and gas wells on gas proration units. What we are seeking is merely allowing oil wells on gas proration units to recover the oil that might not otherwise be recovered. We don't seek any additional allowable as a consequence of it or any additional

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gas to be produced as a consequence of it, and certainly it is a gas proration unit, but we will be producing gas in association with the oil whether it is with a high gas-oil ratio or a low gas-oil ratio. I would think it would probably be a fairly high gas-oil ratio but the production probably will not be sufficient to incur the penalty.

MR. STAMETS: If your Application should be denied, would would the result be?

MR. STEVENS: Well, we couldn't drill the well. If there are any other alternatives, I frankly haven't considered them. It is conceivable we could go to the mineral owners and the other lease owners to reduce the unit perhaps. Whether this would be feasible or not I don't know.

MR. STAMETS: Then if you did drill the well and you did get gas --

MR. STEVENS: (Interrupting) Then we'd have to put it back together, and of course there is the possibility we may get gas here. This is an interpretation; we think it is a fair one, but we could be wrong. There's a bunch of unanswered questions about that.

MR. STAMETS: If the mechanics of dividing out

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the production, allocating the production in this 160-acre unit, would require getting away from the gas proration formula now set out in the special pool rules and going to a system such as we are currently using to allocate casing-head gas to oil wells, wherein the allowable is set out monthly in the Stat Book, and under production is lost and over production is chargeable against future allowables, would you be agreeable to this change, and pool rules?

MR. STEVENS: Definitely.

MR. STAMETS: Such an arrangement would require that the gas well in this case, assuming you do get an oil well, be assigned an acreage factor of 3 in the Twin Lakes Pool.

MR. STEVENS: That would be perfectly agreeable.

MR. STAMETS: Any other questions of this Witness? He may be excused. Anything further in this Case? We will take the Case under advisement.

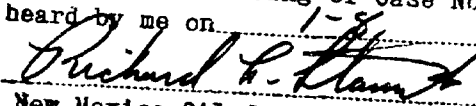
If there is nothing further, the Hearing will be adjourned.



STATE OF NEW MEXICO )  
COUNTY OF SANTA FE ) ss.

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

  
RICHARD L. NYE, Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5400 heard by me on 1-8-75 1975  
, Examiner  
New Mexico Oil Conservation Commission

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# OIL CONSERVATION COMMISSION

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

I. R. TRUJILLO  
CHAIRMAN

LAND COMMISSIONER  
PHIL R. LUCERO  
MEMBER

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

**January 28, 1975**

Mr. Donald G. Stevens  
Attorney at Law  
Post Office Box 1797  
Santa Fe, New Mexico

Re: CASE NO. 5400  
ORDER NO. R-4956

Applicant:  
**Twinlakes Oil Company**

Dear Sir:

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

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Copy of order also sent to:

|             |                             |
|-------------|-----------------------------|
| Hobbs OCC   | <u>      <b>x</b>      </u> |
| Artesia OCC | <u>      <b>x</b>      </u> |
| Aztec OCC   |                             |

Other \_\_\_\_\_

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE NO. 5400  
Order No. R-4956

APPLICATION OF TWINLAKES OIL COMPANY  
FOR AMENDMENT OF SPECIAL POOL RULES,  
CHAVES COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 8, 1975, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 28th day of January, 1975, 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, Twinlakes Oil Company and its successor Stevens Oil Company, seeks amendment to the special rules and regulations for the Twin Lakes-San Andres Pool, Chaves County, New Mexico, to permit the drilling of oil wells on gas proration units and the simultaneous dedication of acreage to oil and gas wells.

(3) That there is a single gas well completed in said pool being applicant's State CH Well No. 1 in Unit L of Section 36, Township 8 South, Range 28 East, NMPM.

(4) That a non-standard gas spacing and proration unit consisting of the W/2 W/2 of said Section 36 is dedicated to said well.

(5) That the evidence presented indicates that at least a portion of the existing gas unit is potentially productive of oil.

(6) That the evidence presented indicates that the oil which may underlay the gas proration unit cannot be efficiently and economically drained by existing wells in the pool.

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CASE NO. 5400  
Order No. R-4956

(7) That the evidence presented indicates that the W/2 W/2 of said Section has been communitized for the production of both gas and oil.

(8) That the applicant wishes to dedicate the entire W/2 W/2 of said Section 36 to the existing gas well and to a proposed oil well to be drilled in the SW/4 NW/4 of said Section 36.

(9) That the applicant proposes to limit the production from the oil well, should it be productive, to an amount equal to the top unit allowable and casinghead gas allowable for an oil well on a 40-acre tract in the Twin Lakes-San Andres Pool.

(10) That the operator proposes to limit the gas allowable to the existing gas well on said 160-acre tract, should an oil well be completed as in Finding (9) above, by applying an acreage factor of 0.750 for allowable purposes.

(11) That no interest owner appeared and objected to the proposed simultaneous dedication or allowable procedures.

(12) That approval of the application will not cause waste nor violate corrlative rights.

(13) That the application for simultaneous dedication and allowable limitations should be approved.

(14) That additional oil wells should be permitted to be drilled by the operator to test for oil under other quarter-quarter sections in said gas proration unit.

(15) That such wells should be permitted and, should they be completed, be allowed to produce in accordance with Finding (9) above provided that for each such 40-acre tract found to be productive of oil, the acreage factor of the producing gas well should be reduced by subtracting 0.250 from said acreage factor.

(16) That there is only one gas proration unit in the Twin Lakes-San Andres Pool.

(17) That the Special Rules and Regulations for the Twin Lakes-San Andres Pool do not require amendment to grant the applicant the relief sought.

(18) That the application for amendment of said Special Rules and Regulations should be denied.

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CASE NO. 5400  
Order No. R-4956

IT IS THEREFORE ORDERED:

(1) That the applicant, Twinlakes Oil Company, is hereby authorized to drill and complete oil wells on an existing gas proration unit consisting of the W/2 W/2 of Section 36, Township 8 South, Range 28 East, NMPM, Twin Lakes-San Andres Pool, Chaves County, New Mexico.

PROVIDED HOWEVER, that the allowable for a 40-acre tract in the W/2 W/2 of said Section 36 on which an oil well is completed shall be no more than the top unit allowable and casinghead gas allowable for an oil well in the Twin Lakes-San Andres Pool.

PROVIDED FURTHER, that with the assignment of an oil allowable to any well drilled and completed in accordance with Order (1) of this order, the gas allowable to the existing gas well on said proration unit shall be reduced by reducing said well's acreage factor by subtracting therefrom the figure 0.250.

PROVIDED FURTHER, that no oil well shall be drilled on the same 40-acre tract with the existing gas well.

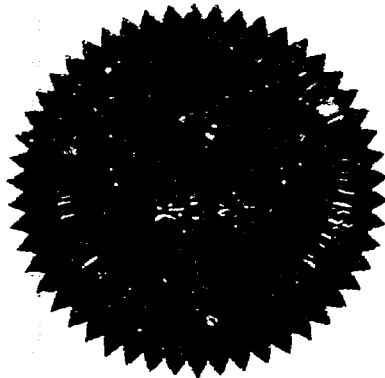
IT IS FURTHER ORDERED:

(1) That the application for amendment of the Special Rules and Regulations for the Twin Lakes-San Andres Pool is hereby denied.

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

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



I. R. TRUJILLO, Chairman

*Phil R. Lucero*

PHIL R. LUCERO, Member

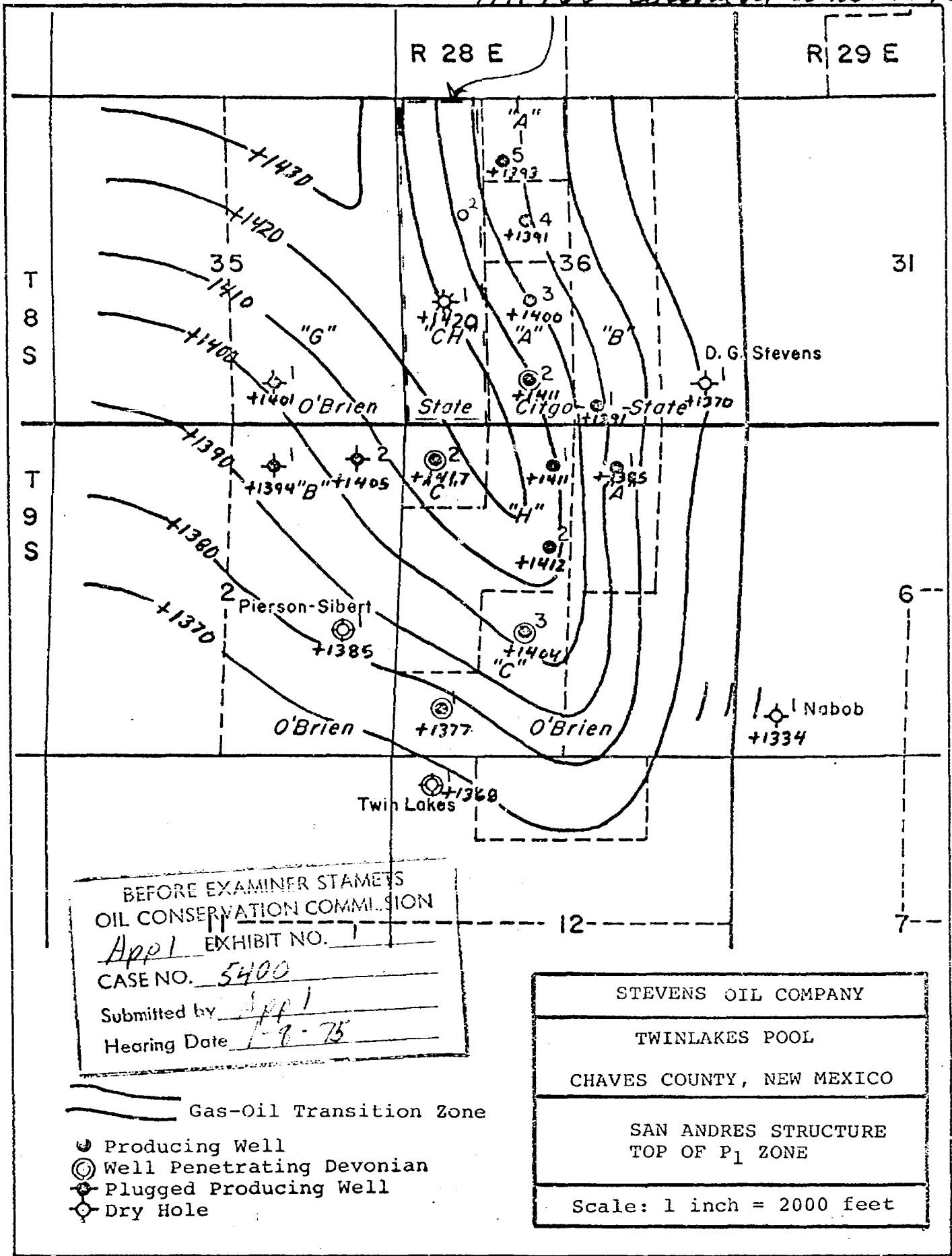
*A. L. Porter, Jr.*

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

s e a l

jr/

All 160 common School land



PROPOSED  
SPECIAL RULES AND REGULATIONS  
FOR THE  
TWINLAKES SAN ANDRES POOL

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

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

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

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

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a governmental quarter section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the quarter section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified

by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

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

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

RULE 6. The gas-liquid ratio limitation shall be 4,000 cubic feet of gas per barrel of liquid hydrocarbons.

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

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

RULE 8. The operator of each newly completed well shall cause a gas-liquid ratio test to be taken on the well upon recovery of all load oil from the well, provided however, that in no event shall the test be commenced later than 30 days from the date of first production unless the well is connected to a gas-gathering facility and is producing under a temporary gas allowable assigned



in accordance with Rule 11. Any well which is shut in shall be exempted from the gas-liquid ratio test requirement so long as it remains shut in. The initial gas-liquid ratio test shall be taken in the manner prescribed by Rule 9. If the gas-liquid ratio is 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more, the operator shall not produce the well until beneficial use can be made of the gas.

No gas shall be flared or vented from any well classified as an oil well more than 60 days after the commencement of gas sales from the field or 60 days after the effective date of these rules, whichever is later. Any operator that desires to obtain an exception to the foregoing provisions for a well classified as an oil well shall submit to the Secretary-Director of the Commission an application for such exception with a statement setting forth the facts and circumstances justifying it. The Secretary-Director is hereby authorized to grant such an exception if he determines that the granting of it is reasonably necessary. If the Secretary-Director declines to grant administrative approval of the requested exception, the matter shall be set for hearing if the operator so requests.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IT IS FURTHER ORDERED:

(1) That all operators shall, prior to April 1, 1971 file with the Commission Form C-102 for each well showing the acreage dedicated to the well.

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

(3) That this case shall be reopened at an examiner hearing in Feb. 1972 , at which time the operators in the subject pool shall show cause why the gas-liquid ratio limitation of 4,000 cubic feet of gas per barrel of liquid hydrocarbons should not be reduced and why the special rules and regulations promulgated by this order should not be discontinued.

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

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

Bruce King , Chairman

Alex J. Armijillo , Member

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

S E A L

esr/

- CASE 5396: Application of Continental Oil Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to convert its Lynn A Well No. 5, located in Unit A of Section 28, Township 23 South, Range 37 East, Jalmat and Langlie-Mattix Pools, Lea County, New Mexico, to dispose of produced salt water into the Seven Rivers formation through perforations in the overall interval from 3470 to 3679 feet.
- CASE 5397: Application of Cities Service Oil Company for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new gas pool for Wolfcamp production for its Government T Well No. 1 located in Unit C of Section 14, Township 20 South, Range 28 East, Eddy County, New Mexico, and the promulgation of temporary special pool rules therefor, including a provision for 320-acre spacing and proration units.
- CASE 5398: Application of Pennzoil United, Inc., for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Atoka and Morrow production in the wellbore of its Mobil 12 Federal Well No. 1, located in Unit B of Section 12, Township 23 South, Range 26 East, South Carlsbad Field, Eddy County, New Mexico.
- CASE 5399: Application of Coastline Petroleum Company, Inc., for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of undesignated Gallup and Basin-Dakota gas production in the wellbore of its Schalk 94 Well No. 1, located in Unit A of Section 26, Township 32 North, Range 8 West, San Juan County, New Mexico.
- CASE 5400: Application of Twinlakes Oil Company for amendment of special pool rules, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks amendment of the special rules and regulations for the Twin Lakes-San Andres Pool, Chaves County, New Mexico, to permit the drilling of oil wells on gas proration units, the simultaneous dedication of acreage to oil and gas wells, and to limit production from such wells.
- CASE 5379: Southeastern New Mexico nomenclature case calling for the creation and extension of certain pools in Lea and Eddy Counties, New Mexico:
- (a) Create a new pool in Lea County, New Mexico, classified as an oil pool for Paddock production and designated as the Spencer-Paddock Pool. The discovery well is the Aztec Oil & Gas Company State DS Well No. 3 located in Unit J of Section 24, Township 17 South, Range 36 East, NMPM. Said pool would comprise:

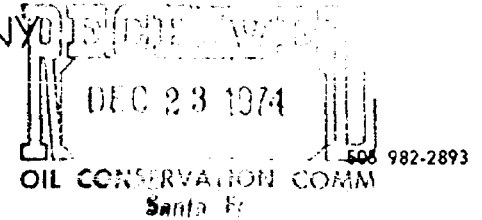
TOWNSHIP 17 SOUTH, RANGE 36 EAST, NMPM  
Section 24: SE/4

TWINLAKES OIL COMPANY

P. O. BOX 1797

SANTA FE, NEW MEXICO 87501

Donald G. Stevens  
President



December 23, 1974

New Mexico Oil Conservation Commission  
State Land Office Building  
Santa Fe, New Mexico 87501

Gentlemen:

Twinlakes Oil Company hereby applies to the New Mexico Oil Conservation Commission to amend the Special Pool Rules for the Twin Lakes San Andres Associated Pool as set out in Order No. R-4102 and amendments thereto.

This application of Twinlakes Oil Company is to permit the drilling of oil wells on gas proration units; the simultaneous dedication of acreage to oil and gas wells; and limitations upon production from such wells.

Applicant requests that this matter be set for hearing before the Commission, or before the Commission's duly appointed examiner, on Wednesday, January 8, 1975, and that after notice of hearing as required by law, the Commission enter its order approving the application as set out above.

Yours very truly,

Twinlakes Oil Company

*Donald G. Stevens*  
Donald G. Stevens

DGS/wl

DOCK HAWES  
Date 12-26-74

Case 5401

57c  
1-10-11

Application of the United Oil Company for amend-  
ment of Special Pool rules, Charles Canyon, New  
Mexico.

Applicant in the above captioned case, seeks  
amendment of the special rules and regulations  
for the Twin Lake-San Andres pool, Charles  
Canyon, New Mexico, to permit the drilling of oil  
wells on gas production lands, the simultaneous dedi-  
cation of acreage to oil and gas wells, and ~~to~~  
to limit ~~to~~ production from such wells.

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:

APPLICATION OF TWINLAKES OIL  
COMPANY FOR AMENDMENT OF SPECIAL  
POOL RULES, CHAVES COUNTY, NEW MEXICO.

CASE NO. 5400

Order No. R-7956

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 8, 1975  
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this \_\_\_\_\_ day of January, 1975, 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, Twinlakes Oil Company and its  
successor Stevens Oil Company, seeks amendment to the special  
rules and regulations for the Twin Lakes-San Andres Pool,  
Chaves County, New Mexico, to permit the drilling of oil wells  
on gas proration units and the simultaneous dedication of  
acreage to oil and gas wells.



(3) That there is a single gas well completed in said pool being applicant's State CH Well No. 1 in Unit L of Section 36, Township 8 South, Range 28 East, NMPM.

(4) That a non-standard gas spacing and proration unit consisting of the W/2 W/2 of said Section 36 is dedicated to said well.

(5) That the evidence presented indicates that at least a portion of the existing gas unit is potentially productive of oil.

(6) That the evidence presented indicates that the oil which may underlay the gas proration unit cannot be efficiently and economically drained by existing wells in the pool.

(7) That the evidence presented indicates that the W/2 W/2 of said Section has been communitized <sup>for</sup> ~~as to~~ the production of both gas and oil.

(8) That the applicant wishes to dedicate the entire W/2 W/2 of said Section 36 to the existing gas well and to a proposed oil well to be drilled in the SW/4 NW/4 of said Section 36.

(9) That the applicant proposes to limit the production from the oil well, should it be productive, to an amount equal to the top unit allowable and casinghead gas allowable for an oil well on a 40-acre tract in the Twin Lakes-San Andres Pool.

(10) That the operator proposes to limit the gas allowable to the existing gas well on said 160-acre tract, should an oil well be completed as in Finding (9) above, by applying an acreage factor of 0.750 for allowable purposes.

(11) That no interest owner appeared and objected to the proposed simultaneous dedication or allowable procedures.

(12) That approval of the application will not cause waste nor violate correlative rights.

(13) That the application for simultaneous dedication and allowable limitations should be approved.

(14) That additional oil wells <sup>should be permitted to</sup> ~~may~~ be drilled by the operator to test for oil under other quarter-quarter sections in said gas proration unit.

(15) That such wells should be permitted and, should they be completed, be allowed to produce in accordance with Finding (9) above provided that for each such 40-acre tract found to be productive of oil, the acreage factor of the producing gas well should be reduced by subtracting 0.250 from <sup>said</sup> ~~the~~ acreage factor.

(16) That there is only one gas proration unit in the Twin Lakes-San Andres Pool.

(17) That the Special Rules and Regulations for the Twin Lakes-San Andres Pool do not require amendment to grant the applicant the relief sought.

(18) That the application for amendment of said Special Rules and Regulations should be denied.

IT IS THEREFORE ORDERED:

(1) That the applicant, Twinlakes Oil Company, is hereby authorized to drill and complete oil wells on an existing gas proration unit consisting of the W/2 W/2 of Section 36, Township 8 South, Range 28 East, NMPM, Twin Lakes-San Andres Pool, <sup>Chaves County, New Mexico.</sup>  
<sup>PROVIDED HOWEVER, that the allowable for a 40-acre tract</sup>  
<sup>in the W/2 W/2 of said Section 36 on</sup>  
which an oil well is completed shall be no more than the top unit allowable and casinghead gas allowable for an oil well in the Twin Lakes-San Andres Pool.

-4-  
Case No. 5400  
Order No. R-

PROVIDED FURTHER, that with the assignment of <sup>an</sup> ~~oil~~ oil allowable to any well drilled and completed in accordance with Order (1) of this order, the gas allowable to the existing gas well on said proration unit shall be reduced by reducing said well's acreage factor by subtracting, therefrom, the figure 0.250.

PROVIDED FURTHER, that no oil well shall be drilled on the same 40-acre tract with the existing gas well.

IT IS FURTHER ORDERED:

(1) That the application for amendment of the Special Rules and Regulations for the Twin Lakes-San Andres Pool is hereby denied.

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

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.