Case No.

582

Application, Transcript,
Small Exhibits, Etc.

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

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

Case No. 582

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON ITS
OWN MOTION FOR ALL OPERATORS
AND INTERESTED PARTIES IN THE
JALCO GAS POOL TO SHOW CAUSE
WHY THE RULES AND REGULATIONS
AS SET OUT IN ORDER R-356, WITH
ANY ESSENTIAL AMENDMENTS, SHOULD
NOT BE PUT INTO EFFECT.

MOTION FOR DOCUMENTS

Comes now the applicant, Texas Pacific Coal and Oil Company, and respectfully requests the Commission to make available to the applicant at the re-hearing the following documents from the Commission's files:

1. Rules and regulations of the Commission with amendments thereto.

2. Transcripts, including all original exhibits, covering the following hearings covering Case No. 245, December 22, 1950; March 20, 1951; April 24, 1951; May 23, 1951 and July 24, 1951.

3. Docket of March 17, 1953.

4. Transcript of hearing, including all original exhibits, on March 17, 1953, in Case No. 521.

5. Docket of April 16, 1953.

6. Docket of May 19, 1953.

7. Docket of June 16, 1953.

8. Docket of July 16, 1953.

9. Letter of transmittal dates July 16, 1953, from A. L. Hill, Chairman of the Advisory Committee, to R. R.

9A - Committee report

Spurrier.

10. Transcript of hearing, including all original exhibits, on July 16, 1953.

11. Docket of August 20, 1953.

12. Transcript of hearing, including all original exhibits, on Case No. 521-245 on August 20, 1953.

13. Order No. R-356 in Case No. 521 dated August 28, 1953, with correction thereto dated September 21, 1953.

14. Docket of September 17, 1953.

15. Transcript of hearing, including all original exhibits, on September 17, 1953.

16. Order No. R-368 in Case No. 582 dated September 28, 1953.

17. Docket of October 15, 1953.

18. Transcript of hearing, including all original exhibits, of October 26, 1953 in Case No. 582.

18(a) - Copy of Statement

19. Commission directive dated October 30, 1953, directed to the operators in the nine pools, requesting them to submit nominations on preliminary forms available at the Hobbs district office.

20. Memorandum of W. B. Macey to the Commission in Cases Nos. 582 through 590, dated October 30, 1953.

21. Order No. R-368-A in Case No. 582.

22. Application for re-hearing in Case No. 582.

23. Order No. R-368-B granting re-hearing in Case No. 582.

23(a) Motion

23(b) Motion

24. Order No. R-264-A consolidating Cases Nos. 245 and 521.

25. Transcript of hearing, including all original exhibits, in Case No. 583 covering the Langmat pool.

26. Orders No. R-369 and R-369-A in Case No. 583.

27. Docket of November 19, 1953.

28. Transcript of hearing, including all original exhibits, of November 19, 1953, for the purpose of setting the allowable production of gas and the preliminary nominations for gas for the first six months of 1954.

29. Docket of December 17, 1953.

30. Transcript of hearing, including all original exhibits, of December 17, 1953, covering the supplemental nominations for January, 1954.

31. Copy of the allowable order of December, 1953, containing the allowable for the first six months of 1954, and the January allowable for 1954.

Applicant further requests that the above enumerated documents be authenticated or prepared in such other manner which will be accepted by the Commission when the said documents are introduced into evidence.

WHEREFORE, applicant requests the above enumerated documents to be prepared in the manner requested and made available to the applicant at the re-hearing.

John F. Russell

Attorney for Applicant,
Texas Pacific Coal and Oil Company,
P. O. Box 513
Roswell, New Mexico

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DOCKET: REGULAR HEARING OCTOBER 15, 1953

New Mexico Oil Conservation Commission 9 a.m. Mabry Hall, Santa Fe, New Mexico

FIRST: Consideration of the allowable for the month of November 1953.

CONTINUED CASES

CASE 565: Gulf's application to deviate its Lillie No. 2 Well, drilling at a surface location 750' S of N line and 560' E of W line, 23-24S-37E; this directional drilling contemplated because of geologic trends established in obtaining production from its Lillie No. 1 Well 241' to the NW, and to result, if effected, in the well's being bottomed at a point equivalent to a surface location 662.3' S of N line and 329.5' E of W line of Section 23.

CASE 579: Application of the Oil Conservation Commission for an order creating the Falby-Yates Pool and deleting certain areas from the Cooper-Jal and Langlie-Mattix Pools in Lea County. (This case was continued from the September 17 hearing to await results of bottom-hole pressure surveys then in progress.)

NEW CASES

CASE 556: (Re-hearing) Phillips' request for permission to effect an oil-oil dual completion of its Fort No. 1 Well, NE NE 34-14S-37E. Originally heard on July 16, this case was set up for re-hearing upon proper petition from Phillips Petroleum Company and by issuance of Oil Conservation Commission Order R-350-A.

CASE 557: (Re-hearing) Phillips' request for permission to effect an oil-oil dual completion of its Fonzo No. 1 Well, NW NW 35-14S-37E. This case also was first heard on July 16, and is being re-heard on Phillips' petition (Oil Conservation Commission Order R-351-A).

CASE 593: Stanolind's application for dual completion of its State 'E', Tract 17, Well No. 1, SW SE 1-17S-36E. (Oil from Paddock and gas from Queen formation.)

CASE 594: Atlantic Pipe Line Company's application for permission to operate a temporary portable treating plant on its Leach Tank Farm (Hobbs) for processing, treating and reclaiming of approximately 25,000 barrels of basic sediment and water accumulated in tanks thereon, in accordance with Rule 312.

CASE 595: El Paso Natural's application for compulsory unitization of the E/2 of Section 32, Township 31 North, Range 10 West, San Juan County; or, in the alternative, for approval of an unorthodox drilling unit of 240 acres in E/2 of said section.

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CASE 596: El Paso Natural's application for compulsory unitization of the E/2 of Section 32, Township 30 North, Range 8 West, San Juan County; or, in the alternative, for approval of an unorthodox drilling unit of 280 acres in E/2 of said section.

CASE 597: El Paso Natural's application for permission to drill an LPG storage well in NE NE 16-15N-17W, McKinley County, after washing out a storage cavity to an approximate depth of 800 feet in the Chinle formation.

CASE 598: Application of Oil Conservation Commission for revision of Rule 104 (b) pertaining in part to well-spacing in San Juan, Rio Arriba, Sandoval and McKinley Counties, and for a revision of Orders R-59, R-46 and R-110 pertaining to spacing of gas wells to be drilled to the Pictured Cliffs and Mesaverde formations.

CASE 599: Southeastern New Mexico nomenclature case, concerned with creation of new pools and extension of existing pools, all in Lea County:

(a) Creation of the East Hobbs-Seven Rivers Oil Pool for Seven Rivers production, described as:

Township 18 S, Range 38 E, NMPM
All Section 25

(b) Extension of Crossroads Pool to include S/2 22-9S-36E.

(c) Extension of Denton-Wolfcamp Pool to include N/2 Sect. 26 and all Sect. 36, Township 14 S, Range 37 E; and E/2 10-15S-37E.

(d) Extension of Lovington-Paddock Pool to include S/2 25-16S-36E.

(e) Extension of Lynch Pool to include E/2 35-20S-34E.

CASE 600: Northwestern New Mexico nomenclature case, providing for extensions of existing pools in San Juan and Rio Arriba Counties:

(a) Extension of Blanco-Mesaverde Pool to include:

Township 29 N, Range 6 W, NMPM
Sections 19 - 36, incl., all

Township 30 N, Range 6 W, NMPM
Sections 23 and 24, all

Township 28 N, Range 6 W, NMPM
Partial Sections 7 - 12, incl., all;
Sections 13 - 18, incl., all

Township 29 N, Range 7 W, NMPM
Sections 20 - 29, incl., all;
Sections 32 - 36, incl., all

(b) Extension of Aztec-Pictured Cliffs Pool to include 3-29N-10W.

(c) Extension of West Kutz-Pictured Cliffs Pool to include N/2 24-28N-13W.

NOTICE

All interested operators are asked to note that by Commission order special gas pool hearings have been scheduled as follows all at 9 a.m., Mabry Hall, Santa Fe:

October 26, 1953	October 27, 1953	October 28, 1953
Jalco	Langmat	Eumont
Tubb	Justis	Arrow
Amanda	Byers-Queen	Blinebry

C O P Y

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 582

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION FOR ALL
OPERATORS AND INTERESTED PARTIES IN THE
JALCO GAS POOL TO SHOW CAUSE WHY THE RULES
AND REGULATIONS AS SET OUT IN ORDER R-356,
WITH ANY ESSENTIAL AMENDMENTS, SHOULD
NOT BE PUT INTO EFFECT.

APPLICATION FOR REHEARING

COMES NOW Applicant Texas Pacific Coal & Oil Company and states:

1. Applicant is the owner of gas wells within the exterior limits of the Jalco Gas Pool and will therefore be affected by Order No. R-368-A.

2. Orders Nos. R-368 and R-368-A are illegal and erroneous in the following respects, to wit:

(a) The Commission is without authority to issue orders to show cause as its has done in Order No. R- 368 inasmuch as all persons are, under the provisions of Sec. 69-221, N.M. Statutes 1941 Annotated as amended, entitled to a hearing before any rule, regulation or order shall be made.

(b) The Commission is without authority to prorate gas for the sole purpose of protecting correlative rights.

(c) There is no evidence in the record to indicate abuse of correlative rights or that proration of gas from gas wells will protect correlative rights.

(d) There is no evidence in the record to establish that there is waste of gas from gas wells in the Jalco Gas Pool and no evidence that waste will be prevented by the proration of production of gas from said gas wells, the only evidence relating to conservation or the prevention of waste in the record being that there is no waste of gas from gas wells.

(e) There is no evidence in the record to establish that gas production from gas wells producing from the Jalco Gas Pool exceeds the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of the gas transportation facilities for such type of natural gas.

(f) Finding of Fact. No. 1 in Order No. R-368 is erroneous, such records as referred to not being in evidence in the case.

(g) Finding of Fact No. 3 in Order No. R-368 is erroneous in that at the time of making such finding the Commission had no evidence upon which to base it.

(h) Finding of Fact No. 5 in Order No. R-368-A is a finding that the Commission has not, prior to undertaking proration of gas, evaluated and delineated the actual productive limits of the Jalco Gas Pool which is a prerequisite of such order.

(i) Orders Nos. R-368 and R-368-A are unreasonable, arbitrary and capricious and are not based upon substantial evidence before the Commission.

DOCKET: REGULAR HEARING DECEMBER 17, 1953

New Mexico Oil Conservation Commission 9 a.m. Mabry Hall, Santa Fe, New Mexico

FIRST: Consideration of the oil allowable for the month of January 1954.

Consideration of the allowable production of gas from nine designated pools in Lea County for the month of January 1954.

NEW CASES

CASE 607: Application of Commission on its own motion for order leading to allocation of oil and the classification of previously designated pools in San Juan, Rio Arriba, McKinley and Sandoval Counties, New Mexico.

CASE 608: Application of Commission on its own motion for order revising Rule 505, Paragraph (b), of the Rules and Regulations (pertaining to proportional factors used in allocating oil allowables).

CASE 609: Stanolind's application for approval of the Welch Unit Agreement covering an area of 18,694.16 acres in Township 25 South, Range 27 East, and Township 26 South, Ranges 26 & 27 East, Eddy County, New Mexico.

CASE 610: Amon G. Carter's application for dual completion of Amon G. Carter, Hill No.4-M, NE NE 34-23S-37E (gas from Upper Devonian, oil from McKee formation of the Teague Pool).

CASE 611: El Paso Natural Gas Company's application for unorthodox spacing of wells in irregular township: Township 28 N, Range 8 West, San Juan County.

CASE 612: Carroll and Cornell's application for approval of an unorthodox location for their Carroll-Cornell Well No. 13 to be located 1090' from W line and 990' from S line of Section 12, Township 29 North, Range 12 West, San Juan County.

CASE 613: Skelly Oil Company's application for approval of unorthodox gas proration Unit: 80 acres, NE/4 NW/4 and NW/4 NE/4 6-25S-37E, Jalco Gas Pool.

CASE 614: Skelly Oil Company's application for approval of unorthodox gas proration unit: 160 acres, S/2 SE/4 and S/2 SW/4 2-23S-36E, Langmat Gas Pool.

CASE 615: Skelly Oil Company's application for approval of unorthodox gas proration unit: 240 acres, SE/4 and E/2 SW/4 31-24S-37E, Jalco Gas Pool.

CASE 616: Texas Pacific Coal & Oil Company's application for approval of unorthodox gas proration unit: 480 acres, NW/4 and S/2 of 5-22S-36E, Jalco Gas Pool, and for a triple allowable for said unit.

CASE 617: Texas Pacific Coal & Oil Company's application for approval of unorthodox gas proration unit of 160 acres in S/2 NE/4 Section 20 and S/2 NW/4 Section 21 in Township 23 S, Range 36 E; for extension of Jalco Pool to include S/2 NE/4 20-23S-36E; and for approval of present location of applicant's N. M. State 'A' a/c-1 Wells No. 3 and No. 6 in SW NW and SE NW, respectively, of 21-23S-36E.

CASE 618: Texas Pacific Coal & Oil Company's application for approval of unorthodox gas proration unit of 160 acres in N/2 NE/4 Section 20 and N/2 NW/4 Section 21 in Township 23 South, Range 36 East; for extension of Jalco Gas Pool to include N/2 NE/4 20-23S-36E; and for approval of present location of applicant's N. M. State 'A' a/c-1 well No. 4, NE NW 21-23S-36E.

CASE 619: Aztec Oil & Gas Company's application for approval of unorthodox gas proration unit: 120 acres, E/2 SW/4 and NW/4 SE/4 27-19S-37E, Eumont Gas Pool.

CASE 620: Aztec Oil & Gas Company's application for approval of unorthodox gas proration unit: 120 acres, SW/4 NW/4 Section 27 and E/2 NE/4 Section 28 in Township 19 South, Range 37 East, Eumont Gas Pool.

CASE 621: Aztec Oil & Gas Company's application for approval of unorthodox gas proration unit: 160 acres, W/2 SW/4 of Section 27 and E/2 SE/4 Section 28 in Township 19 South, Range 37 East, Eumont Gas Pool.

CASE 622: Aztec Oil & Gas Company's application for approval of unorthodox gas proration unit: 40 acres, NE/4 NE/4 10-21S-37E, Blinebry Gas Pool.

CASE 623: Southern Union Gas Company's application for approval of unorthodox gas proration unit: 120 acres, W/2 NE/4 and SE/4 NE/4 33-19S-37E, Eumont Gas Pool.

CASE 624: Southern Union Gas Company's application for approval of unorthodox gas proration unit: 120 acres, E/2 SE/4 and NW/4 SE/4 33-19S-37E, Eumont Gas Pool.

CASE 625: Clark and Christie application for approval of unorthodox gas proration unit: 160 acres, W/2 NE/4 and E/2 NW/4 3-20S-37E, Eumont Gas Pool.

CASE 626: Bert Fields' application for approval of unorthodox gas proration unit of 160 acres: W/2 NE/4 and E/2 NW/4 32-20S-37E, Eumont Gas Pool.

CASE 627: Continental Oil Company's application for approval of unorthodox location for its Sophia Meyer B-26 Well No. 1 in Section 26, Township 20 North, Range 37 East, in correction of original survey.

CASE 628: Northwestern New Mexico nomenclature case, providing for extensions as follows:

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

ORDER NO.AG-1

GAS PRORATION ORDER
FOR PERIOD JANUARY 1, 1954 THROUGH JUNE 30, 1954

The Commission held public hearing at Santa Fe, New Mexico on November 19, 1953 at 9 o'clock a. m., pursuant to legal notice for the purpose of setting the allowable production of gas from the following nine (9) gas pools in Lea County, New Mexico for the six month period, January 1, 1954 through June 30, 1954:

Amanda, Arrow, Blinebry, Byers-Queen,
Eumont, Jalco, Justis, Langmat and Tubb.

NOW, on this day the Commission, a quorum being present, having considered the nominations of purchasers, the capacity of producing wells, and being otherwise fully advised in the premises,

FINDS:

(1) The total nominations of purchasers of gas produced from the above listed nine (9) gas pools for the period January 1, 1954 through June 30, 1954 is 49,163,888 MCF. The individual pool nominations, which total 49,163,888 MCF are as follows:

AMANDA	181,000
ARROW	654,962
BLINEBRY	3,832,813
BYERS-QUEEN	193,370
EUMONT	14,154,009
JALCO	9,808,806
JUSTIS	378,593
LANGMAT	17,038,720
TUBB	2,921,615

(2) The potential producing capacity of all gas wells in the nine (9) gas pools listed above is in excess of the nominations of purchasers of gas and in order to prevent waste and protect correlative rights, the production of gas from the above listed nine (9) gas pools should be limited and allocated and distributed during the six month proration period commencing January 1, 1954.

(3) That all the producing gas wells, together with the expected completed or recompleted wells in the nine (9) gas pools listed above can produce a total of 49,163,888 MCF without causing waste within the six month proration period commencing January 1, 1954, and an allocation based upon such production would be reasonable and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) For the six month proration period commencing January 1, 1954 the total allowable production to be assigned the nine (9) allocated gas pools in Lea County be and the same hereby are as follows:

AMANDA	181,000 MCF
ARROW	654,962 MCF
BLINEBRY	3,832,813 MCF
BYERS-QUEEN	193,370 MCF
EUMONT	14,154,009 MCF
JALCO	9,808,806 MCF
JUSTIS	378,593 MCF
LANGMAT	17,038,720 MCF
TUBB	2,921,615 MCF

(2) The allocation hereby set for said six month proration period in the nine (9) allocated pools in Lea County, New Mexico shall be in accordance with Orders Nos. 368-A through 376-A inclusive, and the Commission's Rules and Regulations.

(3) The total allowable production for each pool as set forth shall be allocated on a monthly basis in accordance with Schedule "A", attached hereto and said schedule shall be adjusted monthly to meet changes in market conditions as reflected by purchasers supplemental nominations and actual gas production, in accordance with Orders Nos. 368-A through 376-A inclusive.

The foregoing order shall remain effective until further order of the Commission.

DONE at Santa Fe, New Mexico, this 24th day of November, 1953.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Member and Secretary

SEAL

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
AMANDA	31,000	28,000	31,000	30,000	31,000	30,000	181,000
ARROW	121,449	93,233	142,821	107,722	94,997	94,740	654,962
BLINEBRY	820,320	677,076	922,163	571,889	414,369	426,996	3,832,813
BYERS-QUEEN	33,760	30,160	33,260	31,990	32,710	31,490	193,370
EUMONT	2,734,570	2,494,793	2,633,282	2,249,856	2,065,222	1,976,286	14,154,009
JALCO	2,030,192	1,555,596	2,909,317	1,505,725	858,871	949,105	9,808.806
JUSTIS	83,682	66,702	100,669	55,490	34,411	37,639	378,593
LANGMAT	3,528,708	2,754,662	4,929,995	2,621,570	1,534,222	1,669,563	17,038,720
TUBB	605,480	517,823	596,384	439,286	381,176	381,466	2,921,615
						TOTAL	49,163,888

All figures in MCF @ 60° F & 15.025 P.S.I.A.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

ORDER NO. AG-1-A

SUPPLEMENTARY GAS PRORATION ORDER FOR MONTH OF JANUARY, 1954

The Commission held public hearing at Santa Fe, New Mexico on December 17, 1953 at 9 o'clock a.m., pursuant to legal notice, for the purpose of setting the allowable production of gas from the following nine gas pools in Lea County, New Mexico, for the month of January, 1954:

Amanda, Arrow, Blinebry, Byers-Queen, Eumont, Jalco, Justis, Langmat and Tubb

NOW, on this day the Commission, a quorum being present, having considered the supplementary nominations of purchasers, the capacity of producing wells, and being otherwise fully advised in the premises,

FINDS:

(1) The total nominations of purchasers of gas produced from the above listed nine gas pools for the month of January, 1954 is 12,299,763 MCF. The individual pool nominations, which total 12,299,763 MCF, are as follows:

Amanda	31,000
Arrow	135,391
Blinebry	973,425
Byers-Queen	8,760
Eumont	3,040,253
Jalco	2,629,478
Justis	130,109
Langmat	4,655,871
Tubb	695,476

(2) The potential producing capacity of all gas wells in the nine gas pools listed above is in excess of the nominations of purchasers of gas and in order to prevent waste and protect correlative rights, the production of gas from the above listed nine gas pools should be limited, allocated and distributed during the month of January, 1954.

(3) That all the producing gas wells, together with the expected completed or recompleted wells in the nine gas pools listed above, can produce a total of 12,299,763 MCF without causing waste during the month of January 1954, and an allocation based upon such production would be reasonable and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) For the month of January, 1954 the total allowable production to be assigned the nine allocated gas pools in Lea County, New Mexico, be and the same hereby is as follows:

29

Case 582
Rehearing

Item No. 29
Docket December 17, 1953

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Case 582
Rehearing

Item No. 31
(Gas allowable orders
AG-1 and AG-1-A)

(a) Extension of Blanco-Mesaverde Pool to include Sections 22, 27, 31, 32, 33 and 34 in Township 27 North, Range 5 West.

(b) Extension of Fulcher-Kutz - Pictured Cliffs Pool to include Sections 5 and 6 in Township 27 North, Range 8 West.

(c) Extension of South Blanco-Pictured Cliffs Pool to include Sections 1, 11 and 12 in Township 26 North, Range 7 West, and Section 36 in Township 27 North, Range 7 West.

(d) Extension of the Aztec-Pictured Cliffs Pool to include S/2 Section 3 in Township 30 North, Range 11 West.

CASE 629: Southeastern New Mexico nomenclature case, involving creations of new pools, extensions to or deletions from existing pools, as follows:

(a) Creation of the Big Eddy-Brushy Canyon (Delaware) Pool for oil production in Eddy County, New Mexico, described as:

Township 20 South, Range 29 East
Sections 27, 28, 33 and 34, all

(b) Creation of the Big Eddy-Lower Delaware Pool for oil production in Eddy County, New Mexico, described as:

Township 20 South, Range 31 East
Sections 22, 23, 26 and 27

(c) Extension of the Dollarhide-Drinkard Pool boundary in Lea County, New Mexico, to include following:

Township 24 South, Range 38 East,
S/2 Section 19;
W/2 Section 31

(d) Extension of the Dollarhide-Fusselman Pool boundary in Lea County, New Mexico, to include therein:

Township 25 South, Range 38 East
NW/4 Section 5

(e) Extension of the Gladiola-Wolfcamp Pool boundary in Lea County, New Mexico, to include therein:

Township 12 South, Range 38 East
SW/4 Section 19;
W/2 Section 30

(f) Extension of the Lazy 'J' Pool boundary in Lea County, New Mexico, to include therein:

Township 13 South, Range 33 East
SE/4 Section 21

(g) Extension of the Teague-Ellenburger Pool boundary in Lea County, New Mexico, to include therein:

Township 23 South, Range 37 East
NW/4 Section 35

(h) Extension of the Teas Pool boundary in Lea County, New Mexico, to include therein:

Township 20 South, Range 33 East
SE/4 Section 14; W/2 Section 14;
E/2 Section 15

(i) Extension of the Empire Pool boundary in Lea County, New Mexico, to include therein:

Township 17 South, Range 28 East
N/2 Section 31

(j) Extension of the Artesia Pool boundary in Eddy County, New Mexico, to include therein:

Township 18 South, Range 28 East
N/2 N/2 Section 13

(k) Deletion from the Nichols Pool boundary in Eddy County, New Mexico, of the following area:

Township 18 South, Range 28 East
N/2 N/2 Section 13

DOCKET: REGULAR HEARING SEPTEMBER 17, 1953

New Mexico Oil Conservation Commission 9 a.m. Mabry Hall, Santa Fe, N.M.

FIRST: Consideration of the allowable for the month of October, 1953.

CONTINUED CASES

CASE 330: This case is concerned with Stanolind's application for proration of natural gas in the Blanco-Mesaverde Pool, San Juan County, New Mexico, and has been successively continued to permit the compilation of production data.

CASE 377: Under terms of Order R-172 the Oil Conservation Commission requested that Benson & Montin appear to show cause why a 160-acre spacing pattern should not be instituted for Pictured Cliffs wells in the Gallegos Unit Area, San Juan County, to supersede the temporary 320-acre spacing earlier granted.

CASE 565: Gulf's application for permission to deviate its Lillie No. 2 well, drilling at a surface location 750' S of N line and 560' E of W line, 23-24S-37E; this directional drilling contemplated because of geologic trends established in obtaining production from its Lillie No. 1 well 241' to the northwest, and to result, if effected, in the well's being bottomed at a point equivalent to a surface location 662.3' S of N line and 329.5' E of W line of Section 24.

NEW CASES

CASE 574: R. J. Palmer's application for order prohibiting Greenbrier Oil Company from removing, taking or interfering with tubing, casing and other equipment in Palmer No. 1 Well, NE/4 SW/4 SE/4 1-24N-2W, NMPM.

CASE 575: Tide Water's application for dual completion of its A. B. Coates C-1 Well, SE/4 NW/4 24-25S-37E, to permit production of gas from Paddock and gas from Seven Rivers.

CASE 576: Stanolind's application for approval of Buffalo Unit Area embracing 6,127.07 acres of land in Townships 18 and 19 S, Range 33 E, Lea County, New Mexico.

CASE 577: Application of Oil Conservation Commission for order changing the designated producing zone in the Hobbs Pool from the San Andres zone to the Grayburg - San Andres zone.

CASE 578: Application of Oil Conservation Commission for order revising Rule 1105 of Section 'M' (Reports) of the Rules and Regulations.

CASE 579: Application of the Oil Conservation Commission for an order creating the Falby-Yates Pool and deleting certain areas from the Cooper-Jal and Langlie-Mattix Pools in Lea County, and setting forth such changes as follows:

(a) Creating the Falby-Yates Pool for oil production from the Yates, including:

Township 24 S, Range 36 E, NMPM
E/2 SE/4 Section 23;
NE/4 NW/4, NE/4 NE/4, S/2 N/2, S/2 Section 24;
N/2 Section 25; E/2 NE/4 Section 26

Township 24 S, Range 37 E, NMPM
W/2 Section 19 and NW/4 Section 30

(b) Deleting the following area from the Cooper-Jal Pool:

Township 24 S, Range 36 E, NMPM
E/2 SE/4 Section 23;
NE/4 NW/4, S/2 NW/4, SW/4 Section 24;
NW/4 Section 25; E/2 NE/4 Section 26

(c) Deleting the following area from the Langlie-Mattix Pool:

Township 24 S, Range 36 E, NMPM
NE/4 NE/4, S/2 NE/4, SE/4 Section 24;
NE/4 Section 25

Township 24 S, Range 37 E, NMPM
NE/4 NW/4, S/2 NW/4, SW/4 Section 19;
NW/4 Section 30

CASE 580: General nomenclature case for southeastern New Mexico, providing for creation and extension of pools as follows:

(a) Creation of the Anderson Ranch-Wolfcamp Oil Pool in Lea County to include:

Township 16 S, Range 32 E, NMPM
SW/4 Section 1; S/2 Section 2;
All Section 11; W/2 Section 12;
W/2 NW/4 Section 13; N/2 Section 14

(b) Creation of Littman-San Andres Oil Pool in Lea County to include:

Township 21 S, Range 38 E, NMPM
All Section 16 lying within New Mexico

(c) Creation of Drickey-Queen Oil Pool in Chaves County to include:

Township 14 S, Range 31 E, NMPM
All Section 15

(d) Creation of the Lone-Wolfcamp Oil Pool in Chaves County to include:

Township 7 S, Range 31 E, NMPM
All Section 7

(e) Extension of Dollarhide-Queen Pool in Lea County to include:

Township 24 S, Range 38 E, NMPM
W/2 Section 31; S/2 Section 29

(f) Extension of Drinkard Pool boundary in Lea County to include:

Township 22 S, Range 38 E, NMPM
E/2 Section 18

(g) Extension of Gladiola Pool boundary in Lea County to include:

Township 12 S, Range 37 E, NMPM
S/2 Section 24

(h) Extension of Moore-Devonian Pool boundary in Lea County to include:

Township 11 S, Range 32 E, NMPM
S/2 Section 13

CASE 581: General nomenclature case for northwestern New Mexico, providing for the following extensions and deletions:

(a) Extension of Blanco-Mesaverde Pool boundary in San Juan County to include:

Township 31 N, Range 10 W, NMPM
All Sections 1 - 12, incl.

Township 31 N, Range 9 W, NMPM
All Sections 14 - 17, incl.

Township 32 N, Range 10 W, NMPM
All Sections 8, 17, 20, 34 and 35

Township 32 N, Range 11 W, NMPM
All Sections 19, 20, 21, 28 and 29

(b) Extension of Fulcher Kutz-Pictured Cliffs Pool boundary in San Juan County to include:

Township 27 N, Range 8 W, NMPM
All Section 7

(c) Deletion from the Fulcher Kutz-Pictured Cliffs Pool boundary of the following area:

Township 28 N, Range 11 W, NMPM
All Section 26

* * *

The following Cases 582-590, inclusive, are all brought up by the Oil Conservation Commission on its own motion for establishment of individual pool rules for each pool named, the rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521:

CASE 582: Affecting the Jalco Gas Pool, Lea County, as set forth in note above.

CASE 583: Affecting the Langmat Gas Pool, Lea County, as set forth in note above.

CASE 584: Affecting the Eumont Gas Pool, Lea County, as set forth in note above.

CASE 585: Affecting the Arrow Gas Pool, Lea County, as set forth in note above.

CASE 586: Affecting the Blinebry Gas Pool, Lea County, as set forth above.

CASE 587: Affecting the Tubb Gas Pool, Lea County, as set forth above.

CASE 588: Affecting the Amanda Gas Pool, Lea County, as set forth above.

CASE 589: Affecting the Justis Gas Pool, Lea County, as set forth above.

CASE 590: Affecting the Byers-Queen Gas Pool, Lea County, as set forth above.

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. 521
Order No. R-356

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION UPON ITS OWN MOTION FOR AN
ORDER ESTABLISHING MEANS AND METHODS
FOR THE PRORATION OF NATURAL GAS IN LEA,
EDDY, CHAVES AND ROOSEVELT COUNTIES,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m., on March 17, 1953, April 16, 1953, May 19, 1953, June 16, 1953, July 16, 1953, and August 20, 1953, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 28th day of August, 1953, the Commission, a quorum being present, having considered the testimony adduced and the exhibits received in the hearings, 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 the cause and the subject matter thereof.

(2) That for the prevention of waste and protection of correlative rights proper special Rules and Regulations relating to the proration of gas-well gas produced in the gas pools of Lea, Eddy, Chaves and Roosevelt Counties, New Mexico, should be promulgated.

IT IS THEREFORE ORDERED:

SECTION A. That the following rules pertaining to gas well spacing in defined gas pools and acreage requirements for drilling tracts within the defined limits of gas pools in Eddy, Lea, Chaves and Roosevelt Counties, be and the same hereby are adopted effective immediately.

I. WELL SPACING; ACREAGE REQUIREMENTS FOR DRILLING TRACTS.

RULE 1. The Secretary of the Commission shall have authority to grant an exception to the requirements of Statewide Rule 104, Sections (a), (b), (c), and (d),

without notice and hearing where application has been filed in due form, and,

(a) When the necessity for the unorthodox location is based on topographical conditions, or is occasioned by the recompletion of a well previously drilled to another horizon, and

(b) When either one of the following is applicable:

1. When the ownership of all oil and gas leases within a radius of 1320 feet of the proposed location is common with the ownership of the oil and gas leases under the proposed location.

2. When all owners of oil and gas leases within such radius consent in writing to the proposed location.

(The above provisions of Rule 1 supersede Rule 104 (f).)

RULE 2. The provisions of Statewide Rule 104 Paragraph (k), shall not apply to gas pools located in Lea, Eddy, Chaves and Roosevelt Counties, New Mexico.

SECTION B. That the following rules shall apply to defined gas pools in Eddy, Lea, Chaves and Roosevelt Counties only after hearings are held and an order issued on each individual pool. These rules shall be considered as "standby rules" and shall be used as a guide in establishing pool rules.

II. GAS PRORATION.

RULE 3. At such time as the Commission determines that allocation of gas production from gas wells producing from any pool in this four-county area is necessary to prevent waste or to protect correlative rights, the Commission, after notice and hearing, shall consider the nominations of gas purchasers from such gas pool and other relevant data, and shall fix the allowable production of such pool, and shall allocate production among the gas wells in such pool upon a reasonable basis with due regard to correlative rights. Unless special pool rules are adopted as provided in Rule 4 below, the general provisions of this rule shall apply to each gas pool allocated under this rule.

RULE 4. After notice and hearing, the Commission, in order to protect correlative rights, or prevent waste, or both, may promulgate special rules, regulations or orders pertaining to any gas pool.

(The above provisions of Rules 3 and 4 supersede Statewide Rule 602)

III. PRORATION UNITS.

RULE 5. For the purpose of gas allocation in the absence of special pool rules a standard proration unit shall consist of between 158 and 162 contiguous surface acres

substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys; provided, however, that a gas proration unit other than a legal quarter section may be formed after notice and hearing by the Commission, or after the Commission has been furnished waivers from all offsetting operators, if all acreage is contiguous and does not contain more than four legal quarter-quarter sections and/or lots. Any allocation unit containing less than 158 acres or more than 162 acres shall be a non-standard unit and its allowable shall be decreased or increased to that proportion of the standard unit allowable that the number of acres contained therein bears to 160 acres. Any standard proration unit consisting of between 158 and 162 contiguous surface acres shall be considered as containing 160 acres for the purpose of gas allocation.

IV. GAS ALLOCATION.

RULE 6. At least 30 days prior to the beginning of each gas proration period the Commission shall hold a hearing after due notice has been given. The Commission shall cause to be submitted by each gas purchaser its "Preliminary Nominations" of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period, by months, from each gas pool from which it purchases gas. The Commission shall consider the "Preliminary Nominations" of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period. "Preliminary Nominations" shall be submitted on a form prescribed by the Commission.

RULE 7. Each month, the Commission shall cause to be submitted by each gas purchaser its "Supplemental Nominations" of the amount of gas which each in good faith actually desires to purchase within the ensuing proration month from each gas pool from which it purchases gas. The Commission shall hold a public hearing between the 15th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month, and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month. Included in the monthly proration schedule shall be a tabulation of allowable and production for the second preceding month together with an adjusted allowable computation for the second preceding month. Said adjusted allowable shall be computed by comparing the actual allowable assigned with the actual production. In the event the allowable assigned is greater than the actual production, the allowables assigned the top allowable units shall be reduced proportionately, and in the event the allowable assigned is less than the production then the allowables assigned the top allowable units shall be increased proportionately. "Supplemental Nominations" shall be submitted on a form prescribed by the Commission.

The Commission shall include in the proration schedule the gas wells in the pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of such pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility, which is reasonably capable of handling the type of gas produced by such well.

The total allowable to be allocated to the pool each month shall be equal to the sum of the supplemental nominations together with any adjustment which the Commission deems advisable.

RULE 8. The allocation to a pool remaining after subtracting the capacities of marginal units shall be divided and allocated ratably among the non-marginal units in the proportion that the acreage contained in each unit bears to the total acreage allotted to such non-marginal units; provided that for this purpose standard units shall be as defined in Rule 5 above. More than one proration unit or fractional parts thereof may be assigned to a gas well and the allowables assigned said well may be increased proportionately, provided that:

a. No more than 640 acres shall be assigned to any one well.

b. All acreage in such units may reasonably be presumed to be productive of gas.

c. The multiple unit so formed shall not have an overall length or width exceeding 5,280 feet.

d. Where not more than two proration units are assigned to a well, the well shall not be located closer than 660 feet to the longest boundary of the pooled units nor less than 1320 feet from the shortest boundary of the pooled units. Where three or more units are pooled the well shall not be located closer than 1320 feet to the outer boundary of the pooled unit.

e. Exceptions to the provisions of this rule may be granted by the Commission after notice and hearing or after the Commission has been furnished waivers by all offsetting operators.

(The above provisions of Rules 6, 7 and 8 supersede Statewide Rule 602)

V. BALANCING OF PRODUCTION.

RULE 9. Underproduction: The dates 7:00 A.M. January 1 and 7:00 A.M. July 1 shall be known as balancing dates and the periods of time bounded by these dates shall be known as gas proration periods. The amount of current gas allowable remaining unproduced at the end of each proration period shall be carried forward to and may be produced during the next succeeding proration period in addition to the normal gas allowable for such succeeding period; but whatever amount thereof is not made up within the first succeeding proration period shall be cancelled. If, at the end of the first succeeding proration period, a greater amount of allowable remains unproduced than was carried forward as underproduction, the amount carried forward to the second succeeding period shall be the total underproduction less the amount carried forward to the first succeeding period.

If it appears that such continued underproduction has resulted from inability of the well to produce its allowable, it may be classified as a marginal well and its allowable reduced to the well's ability to produce.

RULE 10. Overproduction: A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If, at the end of the first succeeding proration period, the well is still overproduced, it shall be shut in and its current monthly allowable charged against said over production until the well is in balance. If, at any time, a well is overproduced an amount equaling six times its current monthly allowable, it shall be shut in until it is in balance.

The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut in upon a showing at public hearing after due notice that complete shut in of the well would result in material damage to the well.

(The above provisions of Rules 9 and 10 supersede Statewide Rule 604)

VI. GRANTING OF ALLOWABLES.

RULE 11. No gas well shall be given an allowable until Form C-104 and Form C-110 have been filed together with a plat showing acreage attributed to said well and the locations of all wells on the lease.

RULE 12. Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility or the date of filing of Form C-104 and Form C-110 and the plat described above, whichever date is the later.

VII. REPORTING OF PRODUCTION.

RULE 13. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be submitted to the Commission so as to reach the Commission on or before the twentieth 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 gas produced. The full production of gas from each well shall be charged against the well's allowable regardless of what disposition has been made of the gas; provided, however, that gas used on the lease for consumption in lease houses, treaters, combustion engines and other similar lease equipment shall not be charged against the well's allowable.

VIII. DEFINITIONS.

RULE 14. A gas well shall mean a well producing gas or natural gas from a common source of gas supply from a gas pool determined by the Commission.

(The above Rule supersedes Statewide Definition A-24)

RULE 15. The term "gas purchaser" as used in these rules, shall mean any "taker" of gas either at the wellhead or at any point on the lease where connection is made for gas transportation or utilization. It shall be the responsibility of said "taker" to submit a nomination.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Secretary

S E A L

13

Case 582
Rehearing

Item No. 12
Order R-356

11

Case 582
Rehearing

Item No. 11
Docket Aug. 20, 1953

SUPPLEMENT TO DOCKET FOR REGULAR HEARING SEPTEMBER 17, 1953, NEW MEXICO OIL CONSERVATION COMMISSION:

CASE 591: In the matter of the application of W. P. Carr for approval of an unorthodox drilling unit in exception to Rule 104, Paragraph 'd', of the Commission's Rules and Regulations, this being a unit of less than 160 acres in SW/4 Section 9, Township 30 North, Range 11 West, NMPM, San Juan County, New Mexico

Case 582
Rehearing

Item No. 14

Docket Sept. 17, 1953

DOCKET: REGULAR HEARING AUGUST 20, 1953

New Mexico Oil Conservation Commission 9 a. m., Mabry Hall, Santa Fe, N.M.

FIRST: Consideration of the allowable for the month of September, 1953.

CONTINUATIONS:

CASE 330: Concerned with Stanolind's application relating to proration of natural gas in the Blanco-Mesaverde Pool, San Juan County, N. M., this case was postponed when operator appeared at the December 16, 1952 hearing and asked for more time to compile production data.

CASE 377: Under terms of Order R-172 the OCC requested that Benson & Montin appear to show cause why a 160-acre spacing pattern should not be instituted for Pictured Cliffs wells in the Gallegos Unit Area, San Juan County, N. M., to supersede the 320-acre spacing granted for one year after original hearing.

CASE 391: Under terms of Order R-195 the OCC requested Stanolind to appear at this time to show cause why the Fowler Pool should not be placed on a 40-acre spacing pattern with allowable adjustment to supersede the 80-acre spacing granted by the order for a period of one year.

CASE 521: (Consolidated with Case 245) These two cases concerning the denomination of gas pools in SE New Mexico and proration of natural gas in the area have been under study of an industry advisory committee.

A PRE-HEARING MEETING IN THE ABOVE CASE 521 IS SET FOR 2 P.M., AUGUST 19 AT MABRY HALL.

CASE 529: (Readvertised) CCC application for revision of Rule 1121 of the Rules and Regulations to provide for a Form C-122-B, Initial Potential Test (Pitot Tube) to be used in reporting results of such tests; and for amendment to Order R-333 to provide for testing procedure.

NEW CASES:

CASE 562: John M. Kelly application for approval of unit of 160 acres, SE/4 Section 8, Twp. 19 S. Rge. 37 E, Lea County, down to and including depth of 3835' which includes the Queen gas zone.

CASE 563: Continental Oil Company application for approval of Bell Lake Unit embracing 37,177.86 acres of land in Lea County, in Townships 22, 23 and 24 South, Ranges 33 and 34 East.

CASE 564: Application of Los Nietos Company for permission to drill directionally its Gross No. 2, SW NE 2-12S-32E, the well to be plugged back from TD 11,260 and whipstocked in effort to reach Devonian pay of East Caprock-Devonian Pool at point approximating surface location of 2208.11' from N line and 1811.54' from E line of said Section 2.

CASE 565: Gulf's application for permission to deviate its Lillie No. 2 Well, now drilling at surface location 750' S of N line and 560' E of W line, 23-24S-37E; this directional drilling contemplated because of geologic trends established in obtaining production from Gulf's Lillie No. 1 well 241' to the northwest, and to result, if effected, in the well's being bottomed at a point equivalent to a surface location 662.3' S of N line and 329.5' E of W line, 23-24S-37E.

CASE 566: Blackwood & Nichols' application for order permitting pooling of certain tracts into individual drilling and proration units as specified by the Commission in Order R-110 (for the Blanco Mesaverde Pool); E/2 Section 19, E/2 Section 18, W/2 Section 17, and W/2 Section 20, all being in Twp. 30 N, Rge. 7 W, San Juan and Rio Arriba Counties, N.M.

CASE 567: Amerada's application for permission to drill its Hamilton A-2 Well, NE SE 34-16S-38E, Lea County, N.M., as exception to Knowles Pool Spacing Order R-40.

CASE 568: Amerada's application for permission to effect dual completion of its State WE 'A' No. 1 Well, SE NW 12-21S-35E, to permit production of oil from Queen formation (Eunice-Monument Pool) and gas from Seven Rivers.

CASE 569: Buffalo Oil Co.'s application for approval of secondary-recovery project (by water injection) in the Baish Pool, Secs. 21 and 22, Twp. 17 S, Rge. 32 E, Lea County, N. M.

CASE 570: Trebol Oil Co.'s application for approval of unorthodox location for its Fed. Danciger Well No. 1-Y as a gas well to Yates formation 890' from N line and 330' from E line of NW Sec. 5, Twp. 23 S, Rge. 36 E, NMPM, Lea County, N.M.

CASE 571: Southeastern New Mexico nomenclature case, providing for extensions and deletions as follows:

(a) Extend Gladiola-Wolfcamp Pool to include E/2 Sec. 25, Twp. 12 S, Rge. 37 E, NMPM.

(b) Extend Lazy 'J' Pool to include W/2 Sec. 34, Twp. 13 S, Rge. 33 E, NMPM.

(c) Extend Lovington-Abo Pool to include NE/4 Sec. 2, Twp. 17 S, Rge 36 E, NMPM.

(d) Extend the Lovington-Paddock Pool to include SW/4 Sec. 30, Twp. 16 S, Rge 37 E, NMPM.

CASE 565: Gulf's application for permission to deviate its Lillie No. 2 Well, now drilling at surface location 750' S of N line and 560' E of W line, 23-24S-37E; this directional drilling contemplated because of geologic trends established in obtaining production from Gulf's Lillie No. 1 well 241' to the northwest, and to result, if effected, in the well's being bottomed at a point equivalent to a surface location 662.3' S of N line and 329.5' E of W line, 23-24S-37E.

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(c) Extend Lovington-Abo Pool to include NE/4 Sec. 2, Twp. 17 S, Rge 36 E, NMPM.

(d) Extend the Lovington-Paddock Pool to include SW/4 Sec. 30, Twp. 16 S, Rge 37 E, NMPM.

DOCKET: REGULAR HEARING AUGUST 20, 1953

New Mexico Oil Conservation Commission 9 a. m., Mabry Hall, Santa Fe, N. M.

FIRST: Consideration of the allowable for the month of September, 1953.

CONTINUATIONS:

CASE 330: Concerned with Stanolind's application relating to proration of natural gas in the Blanco-Mesaverde Pool, San Juan County, N. M., this case was postponed when operator appeared at the December 16, 1952 hearing and asked for more time to compile production data.

CASE 377: Under terms of Order R-172 the OCC requested that Benson & Montin appear to show cause why a 160-acre spacing pattern should not be instituted for Pictured Cliffs wells in the Gallegos Unit Area, San Juan County, N. M., to supersede the 320-acre spacing granted for one year after original hearing.

CASE 391: Under terms of Order R-195 the OCC requested Stanolind to appear at this time to show cause why the Fowler Pool should not be placed on a 40-acre spacing pattern with allowable adjustment to supersede the 80-acre spacing granted by the order for a period of one year.

CASE 521: (Consolidated with Case 245) These two cases concerning the denomination of gas pools in SE New Mexico and proration of natural gas in the area have been under study of an industry advisory committee.

A PRE-HEARING MEETING IN THE ABOVE CASE 521 IS SET FOR 2 P.M., AUGUST 19 AT MABRY HALL.

CASE 529: (Readvertised) OCC application for revision of Rule 1121 of the Rules and Regulations to provide for a Form C-122-B, Initial Potential Test (Pitot Tube) to be used in reporting results of such tests; and for amendment to Order R-333 to provide for testing procedure.

NEW CASES:

CASE 562: John M. Kelly application for approval of unit of 160 acres, SE/4 Section 8, Twp. 19 S. Rge. 37 E, Lea County, down to and including depth of 3835' which includes the Queen gas zone.

CASE 563: Continental Oil Company application for approval of Bell Lake Unit embracing 37,177.86 acres of land in Lea County, in Townships 22, 23 and 24 South, Ranges 33 and 34 East.

CASE 564: Application of Los Nietos Company for permission to drill directionally its Gross No. 2, SW NE 2-12S-32E, the well to be plugged back from TD 11,260 and whipstocked in effort to reach Devonian pay of East Caprock-Devonian Pool at point approximating surface location of 2208.11' from N line and 1811.54' from E line of said Section 2.

(e) Extend the Square Lake Pool (Eddy County) to include S/2 NW/4 and NE/4 Sec. 12, Twp. 17S, Rge 30E, NMPM.

(f) Delete W/2 E/2 of Sec. 19, Twp. 25 S, Rge. 37 E, NMPM, from previous description of the Langlie-Mattix Pool and extend the Cooper-Jal Pool boundary to include same.

CASE 572: Northwestern New Mexico nomenclature case, providing for the following extensions:

(a) Extend the Blanco-Mesaverde Pool to include:

Twp. 31 N, Rge. 9 W, NMPM
All Sec. 6; all Secs. 20 - 23 incl.

Twp. 32 N, Rge. 9 W, NMPM
All Secs. 30 and 31

Twp. 32 N, Rge. 10 W, NMPM
All Secs. 28, 33 and 36

Twp. 32 N, Rge. 11 W, NMPM
All Secs. 15, 16, 21, 28 and 29

(b) Extend West Kutz-Pictured Cliffs Pool to include:

All Sec. 9, Twp. 26 N, Rge 10 W

S/2 Sec. 14 and E/2 Sec. 15 in 28 N, 13 W

(c) Extend the Aztec-Pictured Cliffs Pool to include:

All Sec. 3, Twp. 29 N, Rge. 11 W

All Secs. 27, 28, 29 and 34 in 30 N, 11 W

(d) Extend the South Blanco-Pictured Cliffs Pool to include:

All Sec. 31 and W/2 Sec. 32, Twp. 27 N, Rge 6 W

(e) Extend the South Blanco-Tocito Pool to include:

SW/4 Sec. 4, Twp. 26 N, Rge. 6 W, NMPM.

Case 582
Rehearing

Item No. 30
(Gas allowable
Transcript - Dec. 17 hearing)

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
at
Santa Fe, New Mexico
December 17, 1953

In the Matter of:

Consideration of the allowable production of gas from nine designated pools in Lea County for the month of January, 1954.

ELVIS A. UTZ

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. GRAHAM:

Q Will you state your name and position, please?

A Elvis Utz, engineer, Oil Conservation Commission.

Q For the information of the Commission will you please state in your own words your recommendations and suggestions as to the supplementary gas allocation recommended?

A I will give the supplemental gas nominations for January. For Blinebry Pool, the total supplementary nominations for the month of January are 973,425, which is up 135,105 MCF. For Arrow it is 135,391, or up 13,942. For Amanda, the same; for Byers, it is the same; for Eumont, supplementals are 3,040,251, which is up 305,683 MCF. For Jalco, supplementals are 2,629,478 MCF, which is up 599,286. Justice, 130,109, which is up 46,427 MCF. For Langmatt, total supplementals are 4,655,871, which are down 1,127,163 MCF. Tubbs, total supplemental 695,476 MCF, which is up 89,896. This is a total

January nominations of 12,324,763, which is an increase of 2,235,602, which gives us a total for the six month period of 51,197,025 nominations.

Q For clarification, Mr. Utz, you meant when you used the words "the same" - -

A The same as the previous preliminary nominations, same as the preliminary nominations. That is all I have.

MR. GRAHAM: Do you have any further comments?

A No further comments.

MR. SPURRIER: Is there any question of the witness? If not the witness may be excused. Does anyone else have anything to offer in this case? If not we will take the case under advisement and move on to Case 611.

(Witness excused)

STATE OF NEW MEXICO)
)
COUNTY OF BERNALILLO)

I HEREBY CERTIFY that the foregoing and attached transcript of hearing on the case of consideration of allowable production of gas from nine designated pools for the month of January, 1954, before the Oil Conservation Commission, State of New Mexico, at Santa Fe, on December 17, 1952, is a true and correct record of the same to the best of my knowledge, skill and ability.

DATED at Albuquerque, New Mexico, this 31st day of December, 1953.

Ada Dearnley
COURT REPORTER

ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 105-106, EL CORTEZ BLDG.
PHONES 7-9645 AND 5-9546
ALBUQUERQUE, NEW MEXICO

Case 582 28
Rehearing

Item No. 28

(Gas Allowable
Transcript Nov 19, 1953)

before the
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

November 19, 1953

IN THE MATTER OF:

The purpose of setting the allowable production of gas from the following nine gas pools in the State of New Mexico for the six-month proration period commencing January 1, 1954: Eumont, Arrow, Blinebry, Langmat, Justis, Byers-Queen, Jalco, Tubb, and Amanda Gas Pools.

TRANSCRIPT OF PROCEEDINGS

November 19, 1953.

ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 105-106, EL CORTEZ BLDG.
PHONES 7-9645 AND 5-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

November 19, 1953

IN THE MATTER OF:

The purpose of setting the allowable production of gas from the following nine gas pools in the State of New Mexico for the six-month proration period commencing January 1, 1954: Eumont, Arrow, Blinebry, Langmat, Justis, Byers-Queen, Jalco, Tubb, and Amanda Gas Pools.

BEFORE:

Edwin L. Mechem, Governor
E. S. Walker, Land Commissioner
R. R. Spurrier, Secretary, Oil Conservation Commission

TRANSCRIPT OF PROCEEDINGS

MR. SPURRIER: The meeting will come to order, please. The next case on the docket will be the consideration of the allowable from Lea County for the six months period beginning January 1st, 1954.

(Notice of publication read by Mr. Graham.)

E L V I S A. U T Z

the witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. GRAHAM:

Q Will you state your name and position, please?

A Elvis A. Utz, Engineer with the Oil Conservation Commission.

Q In your capacity as engineer of the Oil Commission, are

you generally familiar with the studies of the Commission and their various hearings which resulted in the designated classification of the gas pools in Lea County?

A Generally familiar, yes.

Q Have you, in your capacity as Engineer of the Commission had occasion to study the probable market demand for gas in the pools for the ensuing six months pro ration period commencing January 1st, 1954?

A I have made a hasty survey of recent production statistics of the general pools and gathered some general market demand information to the effect that the demand for gas is continuously increased over the past several years and is limited mostly by transmission facilities which are federally regulated. It is reasonable to assume that this national demand would apply to southeastern New Mexico. The new purchasers recently entered the area and the operators have, in anticipation of the active demand, have engaged in numerous gas or oil-gas dual completions, these general ties, coupled with preliminary nominations, indicate an active demand.

Q Have you received and compiled the preliminary nomination of the gas purchasers from these respective designated gas pools?

A Yes, I have. They are as follows: Blinebry Gas pool, total nominations for the six months proration period that have been received, incidentally, all of these nominations are undoubtedly incomplete, but this is the totals received up to now, except those, of course, received i.. the last ten minutes. Blinebry gas pool, 3,836,813 MCF; Arrow Gas pool, 6,654,892.

MR. SPURRIER: MCF?

A MCF. All these figures quoted will be MCF. Amanda, 189,000 MCF; Byers-Queen, 193,370 MCF; Eumont, 13,422,009, Jalco, 9,860,091; Justis, 378,593; Langmat, 16,871,740; Tubbs, 2,921,615. We also have the nominations for wells in an unassigned area for 595,400--595,300, rather. This gives us a total for the nine pools of 48,861,423, up to the present time.

Q Based upon your studies, what in your opinion would be the reasonable market demand for dry gas produced from these designated pools? Each of these designated?

A In my opinion, the reasonable market demand for each pool would be the same as the total pool nominations just read, plus any further nominations which may be received between now and November 24th.

Q Have you, in the course of your study, compiled any past history data in regard to the production of gas in these various pools? Will you relate this information?

A I have production figures available for the period of April 1st to October 1st. The total production from these nine designated pools is 33,201,911 MCF. In comparing this figure with the total nominations, it must be considered that these are for a low demand period, of the summer months which would indicate the nominations and allowable should be considerable in excess of this amount. I have no way of knowing just how much in excess at this time.

Q In order to prevent waste and to protect correlative rights, in your opinion is it necessary for the gas pools in Lea County to

be limited in their production.

A In my opinion, and based on the facts and figures available to me, I believe that the nine designated gas pools of Lea County should be prorated at this time in accordance with the Oil Conservation Commission orders 368 and to 376 inclusive.

Q In your opinion is the total producing capacity of the gas wells within each pool greater than the allowable reached for such pools?

A Based on the nominations received at this time, I believe producing capacity is greater. The complete answer to your question would depend on future nominations.

Q In your opinion, will such a pool allowable afford each respective owner in the pool the opportunity to produce his just and equitable share of the gas in the pools without waste and in substantial proportions to that found recoverable? To the total gas recoverable in the pool?

A Due to the limited time and study and experience, I believe the method outlined by orders 368A to 376A inclusive will provide the most equitable means of prorating at this time. However, I believe considerable study of toher methods is advisable during the course of the first six months proration period.

Q Do you have any other comments to make, with reference to this matter?

A No other comment, only that I would suggest that the Commission continue this case until all the nominations are in.

MR. SPURRIER: Are there any further questions of the witness?

MR. KEELY: Who made the nominations that you referred to?

What companies nominated, up to date?

A Permian Basin, Southern Union, Humble, El Paso, Gulf, Continential, Amerada, Phillips, Sunray, Stanolind and Skelly. There are some nominations in, but I didn't have time to record them. I believe they were from--I don't recall at this time.

MR. KELLY: Do you expect that the additional nominations will increase these figures that you read off to a great extent?

A I don't expect that they will increase them too much, but how much I can't say.

MR. KELLY: Do you feel that you have got most of the nominations in?

A I believe we have, yes.

MR. SPURRIER: Anyone else? Mr. Davis?

MR. QUILMAN DAVIS: Quilman Davis, Southern Union Gas Company. The 48 million figure total that you read, does that include the 595,000 unassigned, the unassigned pool?

A Yes, it does.

MR. DAVIS: That is all.

MR. SPURRIER: Anyone else? Mr. Christie.

MR. CHRISTIE: I wasn't quite clear if this was a total for the six months or monthly average.

A It is a total for the six months period, Mr. Christie.

MR. SPURRIER: Anyone else? If there are no further questions, the witness may be excused.

(Witness excused)

MR. SPURRIER: Does anyone else have a comment in the case? . . . . Mr. Adair?

MR. ADAIR: I would like to ask the El Paso representative

some questions about their nominations in the Jalco pool.

MR. SPURRIER: Does El Paso submit? Please come forward.

F. N O R M A N W O O D R U F F

the witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. ADAIR:

Q Your name is N$_o$rman Woodruff and you are employed by El Paso Gas Company? I believe you are qualified, Mr. Woodruff, as an experienced witness in the Jalco pool at the last hearing, in Case 582, is that correct?

A That is correct.

Q Mr. Woodruff, you testified at your last hearing, in connection with the Jalco pool, that your company was connected to some 103 wells in that pool, is that correct?

A I believe that figure is correct, I don't recall exactly. I could check that figure, but I believe that you are correct.

Q You also testified that your connections to these 103 gas wells were by reason of gas purchase contracts that you had recently negotiated with the owners of such wells, which provided for minimum takes.

A That is correct.

Q What is El Paso's nomination per 160 acre units for the first six months of 1954?

A I haven't that--

Q (Interrupting) I$_n$ the Jalco pool?

A I haven't that figure available to me here. If the Commission please, I will get the information, and I am sorry that I failed to bring it with me, and later in the proceedings

here would be happy to give the answer to Mr. Adair.

MR. SPURRIER: You mean later today?

A Yes, sir. They are in the hotel rather than here.

MR. ADAIR: If the Commission please, it is very important. Could I continue the Jalco portion of this case until such time as Mr. Woodruff gets this information? We would also like to have Mr. Woodruff get the information as to your takings from the same wells for the first six months of this year.

A I do not have that information available.

Q Can you get it?

A It is available from the records of the Commission. The production from each and every well is shown.

Q I don't mean by wells. I would like to have the average per unit. I think it is very important to this first period of gas pro ration to compare your takes from these 103 units in the Jalco pool for the first six months of this year, with your nominations for the first six months of next year.

A I am sure that information could be determined. I might state, Mr. Adair, that our demand for gas varies considerable month by month and year by year. We have considerable increased demand this year over last year, due to additional contracts for supply that we have made with the various California companies. We have also got many new sources of supply since last year. So I hardly think that the information that you request would be something that you could depend on as being correlative one year to the next.

Q You can get that information, though, while the Commission is in session at this hearing?

A No, I can't.

Q Do you know whether or not your nominations for 1954 are considerably less than your takes from the same wells in the Jalco gas pools for the first six months of 1953.

A I do not know.

Q Do you know whether or not your nominations for 1954 are less than the minimum takes that you contracted to take?

A During some months I believe them to be.

Q To that extent then, these contracts would be impaired?

A I don't believe that they would.

Q To the extent that you took less than you agreed to take under the contract?

A I believe, and I could be wrong, but my opinion is that if we averaged that volume over the years time that have likely, there would be no question concerning meeting minimum takes.

MR. SETH: If the Commission please, I would like, on behalf of El Paso, to object to this line of questioning. This is not within the scope of the hearing. The hearing is on the proration of gas in the nine fields in Lea County. It is in relation to market demand. Any relation to particular contract rights is not relevant to this particular hearing. If Mr. Adair has--desires to develop a situation there that he believes is a breach of contract, I believe that is either a subject for the Courts or a subject of special hearing. I don't believe it pertains to this particular call on the proration of gas in the Lea County generally. We object to any further questioning.

MR. ADAIR: If the Commission please, in my question I was trying to be guided by Rule 6, Case 582, which says, "The

Commission after notice and hearing, shall consider the nominations of gas purchasers from the Jalco Gas Pool and other relevant data and shall fix the allowable production of the Jalco Gas Pool, and shall allocate production among the gas wells in the Jalco Gas Pool upon a reasonable basis with due regard to correlative rights." What I have to ask Mr. Woodruff has a direct bearing on correlative rights required by virtue of the existing contracts.

MR. SETH: If the Court please, I don't believe correlative rights are determined by contract rights. I believe the correlative rights are--it is something that the Commission has to consider, but I don't believe the Commission is required to consider the contract rights pertaining to the individual contracts and the variations in ownership. You can't do it in connection with oil or you don't do it in connection with oil. There is no reason why the peculiar contraat conditions should have a bearing on this particular subject itself.

MR. SPURRIER: The Commission will sustain the objection, Mr. Adair.

MR. ADAIR: May I ask the Commission please, does that ruling go to his furnishing the information that he said he would furnish to the Commission as to their nominations?

MR. SPURRIER: I don't think so. I think we would like to have the information.

Q Will you do that, Mr. Woodruff?

A Yes, sir.

MR. SPURRIER: If you can. Do what you can.

A If the Commission please, after considering my last statement to Mr. Adair's question, I said it was in my opinion--I

believe it probably was concerning a legal matter and I am qualified only as an engineer. I would request that that portion of my testimony be stricken from the record.

MR. SPURRIER: The request is granted. Anything further?

MR. ADAIR: That is all I have, Mr. Woodruff.

MR. SPURRIER: The witness may be excused.

(Witness excused)

MR. SPURRIER: Does anyone else have a comment in the case? Mr. Stahl.

MR. STAHL: Mr. Stahl of Permian Basin Pipeline Company. I would like to ask a question, if I might.

MR. SPURRIER: Of whom?

MR. STAHL: Of the Commission. Items number seven, under the Commission's findings states that an adequate gas well testing procedure shall be adopted. This is a point of information. Has the Commission at this time--are they prepared to tell us when that testing procedure will be started so that we can start making some plans? I believe it is Item Number 7 in each one of the findings, on page two. There is no time stated. I was wondering if you all had determined yet some of the timing with respect to those testing procedures.

MR. SPURRIER: Well, the answer is, Mr. Stahl, as soon as possible. Anyone else? If there is nothing further in the case, we will take it under advisement and move on to Case 602.

MR. WOODRUFF: The figure requested by Mr. Adair which would indicate the average per well demand expressed by El Paso on a per well basis daily for the first six months over 1954 is 531 MCF per well per day at 15.025 pressure basis. This is for a full

160-acre unit.

MR. SPURRIER: Let the record show that the case insofar as the nominations on a monthly basis is concerned that the case is continued to the regular scheduled monthly hearings of the Commission from December through May of 1954.

* * * * * * * * * * * * *

C E R T I F I C A T E

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing transcript of proceedings was taken by me on Thursday, November 19, 1953; that the same is a true and correct record to the best of my knowledge, skill, and ability.

DATED at Albuquerque, New Mexico, this 24th day of November, 1953.

/s/ Ada Dearnley
COURT REPORTER

Case 5-82

Item No. 27

Docket November 19, 1953

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DOCKET: REGULAR HEARING NOVEMBER 19, 1953

New Mexico Oil Conservation Commission -- 9 a.m., Mabry Hall, Santa Fe, N.M.

FIRST: Consideration of the allowable production of oil for the month of ~~November~~ December, 1953.

Consideration of the allowable production of gas from nine designated Lea County gas pools for the 6-month period beginning January 1, 1954.

NEW CASES

CASE 602: Haynes & V. T. Drilling Company application for exception to Rule 104, Paragraph 'd', to permit establishment of drilling unit of less than 160 acres in NW/4 21-29N-11W, San Juan County.

CASE 603: Southeastern New Mexico nomenclature case, calling for extensions and creations of pools as follows:

(a) Creation of the Fowler-Fusselman Oil Pool for Fusselman production, described as:

Township 24 South, Range 37 East
W/2 Section 23; E/2 Section 22

(b) Creation of the Shoe Bar-Devonian Oil Pool for Devonian production, described as:

Township 16 South, Range 35 East
All Section 26; E/2 Section 27;
E/2 Section 34; all Section 35;
W/2 Section 36

(c) Creation of the Carter-San Andres Oil Pool for San Andres production, described as:

Township 18 South, Range 39 East
All Section 5

(d) Extension of the Eidson-Pennsylvanian Pool to include SW/4 Section 7, Township 16 South, Range 35 East.

(e) Extension of the Monument-Paddock Pool to include all of Section 5, Township 20 South, Range 37 East.

(f) Extension of the Vacuum Pool to include S/2 Section 1, Township 17 South, Range 34 East.

(g) Extensions of the Drinkard Pool to include all Section 13, Township 21 South, Range 37 East.

CASE 604: Northwestern New Mexico nomenclature case, calling for extensions of pools as follows:

(a) Extension of the Blanco-Mesaverde Pool to include the following:

Township 27 North, Range 4 West
Sects. 1 - 12, incl., all

Township 27 North, Range 5 West
Sects. 1 - 12, incl., all;
Sects. 15 - 21, incl. all;
Sects. 28, 29 and 30

Township 27 North, Range 6 West
Sects. 1 - 6, incl., all

Township 28 North, Range 3 West
Sects. 4 - 9, incl., all;
Sects. 15 - 22, incl., all;
Sects. 27 - 34, incl., all

Township 28 North, Range 4 West
Partial Sections 7 - 12, incl., all;
Sects. 13 - 36, all

Township 28 North, Range 5 West
Partial Sects. 7 - 12, incl., all;
Sects. 13 - 36, incl., all

Township 28 North, Range 6 West
Sects. 19 - 36, incl., all

Township 29 North, Range 3 West
Sects. 19, 20 and 21, all;
Sects. 28 - 33, incl., all

Township 29 North, Range 4 West
Sects. 19 - 36, incl., all

Township 29 North, Range 5 West
Sects. 1 - 16, incl., all;
Sects. 19 - 33, incl., all

Township 29 North, Range 6 West
Sects. 1 and 12, all

Township 30 North, Range 5 West
Sects. 7 - 10, incl., all;
Sects. 13 - 36, incl., all

Township 31 North, Range 6 West
Partial Sects. 4, 5, 6;
Sects. 7, 8, 9, all;
Sects. 16 - 36, incl., all

Township 30 North, Range 6 West
Sects. 1 - 5, incl., all;
Sects. 10 - 15, incl., all

Township 31 North, Range 7 West
Partial Sects. 1 - 6, all;
Sects. 7 - 36, incl., all

Township 32 North, Range 6 West
Sects. 7 and 8, all;
Sects. 17 - 20, incl., all;
Sects. 29 thru 32, incl., all

Township 32 North, Range 7 West
Sects. 9 - 16, incl., all;
Sects. 21 - 28, incl., all;
Sects. 33 - 36, incl., all

Township 32 North, Range 9 West
Sects. 29 and 32, all

Township 31 North, Range 9 West
Section 5, all;
Sects. 8 - 11, all

Township 32 North, Range 10 West
Section 27, all

Township 32 North, Range 11 West
Partial Sects. 7 - 12, all;
Sects. 17 and 18, all

(b) Extension of the South Blanco - Tocito Pool to include:

Township 26 North, Range 6 West
N/2 Section 8

(c) Extension of the South Blanco - Dakota Pool to include:

Township 26 North, Range 6 West
SW/4 Sect. 4; SE/4 Sect. 5;
NE/4 Sect. 8; NW/4 Sect. 9

(d) Extension of the South Blanco - Pictured Cliffs Pool to include:

Township 26 North, Range 5 West
SW/4 Sect. 19

Township 26 North, Range 6 West
SE/4 Sect. 20; S/2 Sect. 21

CASE 605: Wilson Oil Company's application for permission to drill a well at an unorthodox location 25 feet from W line of Section 18, and 50 feet S of N line of Lot 2, Section 18, Township 21 South, Range 35 East (Wilson Pool), Lea County, New Mexico.

CASE 606: El Paso Natural Gas Company's application for order permitting the communitizing of short or narrow quarter sections on a north-south basis as they may lie along the west side of Township 31 North, Range 8 West, San Juan County, for the purpose of creating drilling units and allowables approximately corresponding to the spacing and allowable requirements of Order R-110 relating to the Blanco-Mesaverde Pool.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

26a

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

CASE NO. 583
Order No. R-369-A

THE APPLICATION OF THE OIL CONSERVATION COMMISSION ON ITS OWN MOTION FOR ALL OPERATORS AND INTERESTED PARTIES IN THE LANGMAT GAS POOL TO SHOW CAUSE WHY THE RULES AND REGULATIONS AS SET OUT IN ORDER R-356, WITH ANY ESSENTIAL AMENDMENTS, SHOULD NOT BE PUT INTO EFFECT.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a.m., on October 27, 1953, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 10 day of November, 1953, the Commission, a quorum being present, having considered the testimony adduced, the exhibits received, the statements of interested parties, the official records of this Commission and other pertinent data, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given, the Commission has jurisdiction of this cause.

(2) That the Commission, for the purpose of preventing waste and drainage and for the protection of correlative rights, entered Order R-356, establishing certain general or "stand-by" rules and regulations relating to the proration of gas well gas, proration units, well spacing, and other related matters in the gas pools of Eddy, Lea, Chaves and Roosevelt Counties, New Mexico, applicable in all cases only after special rules for each gas pool shall have been promulgated.

(3) That thereafter, after due notice and hearing, Order R-369 was duly entered by the Commission. Order R-369 adopted the general or "Stand-by" rules promulgated by Order R-356 as the Special Rules and Regulations of the Langmat Gas Pool, heretofore established. R-369 was entered pending a further order in the premises, said order to be entered only after all interested parties were afforded the opportunity to be heard in the matter.

(4) That as a result of such hearing and in consideration of the testimony adduced Special Pool rules should be promulgated for the Langmat Gas Pool, heretofore established, described and classified as a gas pool. That the Special pool rules should approximate the general rules and regulations promulgated by Order R-356 insofar as

the same are applicable to the Langmat Gas Pool, and should conform, generally with the provisional special rules of Order R-369.

(5) That in order for the Commission to evaluate and delineate the actual productive limits of the Langmat Gas Pool all operators of oil and gas wells within the defined limits of the Langmat Gas Pool should supply certain Geological and Reservoir data to the Commission.

(6) That pending further study and orders, the allocation of gas in the Langmat Gas Pool should be calculated on the basis of 100 per cent acreage, based upon the standard 160 acre proration unit, which unit is limited to a regular quarter section subdivision of the U. S. Public Land Surveys and consisting of not less than 158 nor more than 162 acres, substantially in the form of a square, with provision for deviation therefrom particularly in cases of wells heretofore completed where the impracticability of unitization is apparent.

(7) That an adequate gas well testing procedure should be adopted as soon as possible so that operators, purchasers and the Commission can determine the fairness and feasibility of an allocation factor for the pool which employs the factors of deliverability, pressure, or any other factor relating to gas well productivity.

IT IS THEREFORE ORDERED:

That Special Pool Rules applicable to the Langmat Gas Pool, be and the same hereby are promulgated and are as follows:

SPECIAL RULES AND REGULATIONS
FOR THE LANGMAT GAS POOL
LEA COUNTY, NEW MEXICO

WELL SPACING AND ACREAGE REQUIREMENTS FOR DRILLING TRACTS.

RULE 1. Any well drilled a distance of one mile or more from the outer boundary of the Langmat Gas Pool shall be classified as a wildcat well. Any well drilled less than one mile from the outer boundary of the Langmat Gas Pool shall be spaced, drilled, operated and prorated in accordance with the Regulations in effect in the Langmat Gas Pool.

RULE 2. Each well drilled or recompleted within the Langmat Gas Pool shall be located on a tract consisting of not less than a quarter section of approximately 160 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys.

RULE 3. Each well drilled within the Langmat Gas Pool shall not be drilled closer than 660 feet to any outer boundary line of the tract nor closer than 330 feet to a quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to a well drilling to or capable of producing from the same pool.

RULE 4. The Secretary of the Commission shall have authority to grant exception to the requirements of Rule 3 without Notice and Hearing where application

has been filed in due form and the necessity for the unorthodox location is based on topographical conditions or is occasioned by the recompletion of a well previously drilled to another horizon.

Applicants shall furnish all operators within a 1320 foot radius of the subject well a copy of the application to the Commission, and applicant shall include with his application a written stipulation that all operators within such radius have been properly notified. The Secretary of the Commission shall wait at least 10 days before approving any such unorthodox location, and shall approve such unorthodox location only in the absence of objection of any offset operators. In the event an operator objects to the unorthodox location the Commission shall consider the matter only after proper notice and hearing.

RULE 5. The provision of Statewide Rule 104 Paragraph (k), shall not apply to the Langmat Gas Pool located in Lea County, New Mexico.

GAS PRORATION

RULE 6. The Commission after notice and hearing, shall consider the nominations of gas purchasers from the Langmat Gas Pool and other relevant data and shall fix the allowable production of the Langmat Gas Pool, and shall allocate production among the gas wells in the Langmat Gas Pool upon a reasonable basis with due regard to correlative rights.

PRORATION UNITS

RULE 7. (a) For the purpose of gas allocation in the Langmat Gas Pool, a standard proration unit shall consist of between 158 and 162 contiguous surface acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys; provided, however, that a gas proration unit other than a legal quarter section may be formed after notice and hearing by the Commission, or as outlined in Paragraph (b). Any allocation unit containing less than 158 acres or more than 162 acres shall be a non-standard unit and its allowable shall be decreased or increased to that proportion of the standard unit allowable that the number of acres contained therein bears to 160 acres. Any standard proration unit consisting of between 158 and 162 contiguous surface acres shall be considered as containing 160 acres for the purpose of gas allocation.

(b) The Secretary of the Commission shall have authority to grant an exception to Rule 7 (a) without Notice and Hearing where application has been filed in due form and where the following facts exist and the following provisions are complied with;

1. The non-standard unit consists of less acreage than a standard proration unit.

2. The acreage assigned to the non-standard unit lies wholly within a legal quarter section and contains a well capable of producing gas into a gas transportation facility on the date of this order.

3. The operator receives written consent in the form of waivers from all operators in the adjoining 160 acre proration units.

GAS ALLOCATION

RULE 8. At least 30 days prior to the beginning of each gas proration period the Commission shall hold a hearing after due notice has been given. The Commission shall cause to be submitted by each gas purchaser its "Preliminary Nominations" of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period, by months, from the Langmat Gas Pool. The Commission shall consider the "Preliminary Nominations" of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period. "Preliminary Nominations" shall be submitted on a form prescribed by the Commission.

RULE 9. Each month, the Commission shall cause to be submitted by each gas purchaser its "Supplemental Nominations" of the amount of gas which each in good faith actually desires to purchase within the ensuing proration month from the Langmat Gas Pool. The Commission shall hold a public hearing between the 15th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month, and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month. Included in the monthly proration schedule shall be a tabulation of allowable and production for the second preceding month together with an adjusted allowable computation for the second preceding month. Said adjusted allowable shall be computed by comparing the actual allowable assigned with the actual production. In the event the allowable assigned is greater than the actual production, the allowables assigned the top allowable units shall be reduced proportionately, and in the event the allowable assigned is less than the production then the allowables assigned the top allowable units shall be increased proportionately. "Supplemental Nominations" shall be submitted on a form prescribed by the Commission.

The Commission shall include in the proration schedule the gas wells in the Langmat Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Langmat Gas Pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility, which is reasonably capable of handling the type of gas produced by such well. The total allowable to be allocated to the pool each month shall be equal to the sum of the supplemental nominations together with any adjustment which the Commission deems advisable. The allocation to a pool remaining after subtracting the capacities of marginal units shall be divided and allocated ratably among the non-marginal units in the proportion that the acreage contained in each unit bears to the total acreage allotted to such non-marginal units.

BALANCING OF PRODUCTION

RULE 10. Underproduction: The dates 7:00 A.M., January 1 and 7:00 A.M., July 1, shall be known as balancing dates and the periods of time bounded by these dates shall be known as gas proration periods. The amount of current gas allowable remaining unproduced at the end of each proration period shall be carried forward to

be produced during the next succeeding proration period in addition to the normal gas allowable for such succeeding period; but whatever amount thereof is not made up within the first succeeding proration period shall be cancelled. If, at the end of the first succeeding proration period, a greater amount of allowable remains unproduced than was carried forward as underproduction, the amount carried forward to the second succeeding period shall be the total underproduction less the amount carried forward to the first succeeding period.

If it appears that such continued underproduction has resulted from inability of the well to produce its allowable, it may be classified as a marginal well and its allowable reduced to the well's ability to produce.

RULE 11. Overproduction: A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If, at the end of the first succeeding proration period, the well is still overproduced, it shall be shut in and its current monthly allowable charged against said overproduction until the well is in balance. If, at any time, a well is overproduced an amount equaling six times its current monthly allowable, it shall be shut in until it is in balance.

The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut in upon a showing at public hearing after due notice that complete shut in of the well would result in material damage to the well.

GRANTING OF ALLOWABLES

RULE 12. No gas well shall be given an allowable until Form C-104 and Form C-110 have been filed together with a plat showing acreage attributed to said well and the locations of all wells on the lease.

RULE 13. 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 2045, Hobbs, New Mexico) by the purchaser, or the date of filing of Form C-104 and Form C-110 and the plat described above, whichever date is the later.

REPORTING OF PRODUCTION

RULE 14. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be submitted to the Commission on Form C-115 so as to reach the Commission on or before the twentieth 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 gas produced. The full production of gas from each well shall be charged against the well's allowable regardless of what disposition has been made of the gas; provided, however that gas used on the lease for consumption in lease houses, treaters, combustion engines and other similar lease equipment shall not be charged against the well's allowable.

DEFINITIONS

RULE 15. A gas well shall mean a well producing gas or natural gas from a common source of gas supply from a gas pool determined by the Commission.

RULE 16. The term " gas purchaser" as used in these rules, shall mean any "taker" of gas either at the wellhead or at any point on the lease where connection is made for gas transportation or utilization. It shall be the responsibility of said "taker" to submit a nomination.

PROVIDED FURTHER that those wells located within the defined limits of the Langmat Gas Pool which produce oil and receive an oil allowable on the oil proration schedule shall be prorated as oil wells pending further study and that "preliminary" and "supplemental" nominations, as outlined in Rules 8 and 9 above, shall pertain only to gas wells which are not assigned an oil allowable.

PROVIDED FURTHER that all operators of oil or gas wells shall submit to the Hobbs office of the Commission (Box 2045) on or before January 1, 1954 a copy of either an electric log or sample log of each well (if available), whether oil or gas, that they operate within the defined limits of the Langmat Gas Pool. Attached to each log shall be a detailed report showing well elevation, total depth, plug back depth, depth of production string, interval of perforations and open hole and estimation of formation tops of Yates, Seven Rivers and Queen as indicated by the log. Any operator of any well hereafter completed or recompleted within the defined limits of the Langmat Gas Pool shall also submit to the Hobbs office of the Commission, the logs and information detailed above, within 30 days following such completion or recompletion.

In the event that the Commission deems it advisable to obtain additional information from wells producing outside the defined limits of the Langmat Gas Pool the Secretary of the Commission is hereby authorized to issue a directive to operators in order to obtain the desired information.

PROVIDED FURTHER that as soon as possible a testing procedure for all gas wells shall be adopted by the Commission. Said procedure shall contain adequate tests in order to determine the feasibility of employing any well potential, deliverability or pressure factors in allocating gas.

PROVIDED FURTHER that those operators who desire approval of the Commission of gas-oil dual completions under the provisions of Statewide Rule 112-A should also comply with the provisions of Rules 2, 3 and 4 of this order before approval will be granted.

PROVIDED FURTHER that in order to inaugurate gas prorationing and allocation in the Langmat Gas Pool on January 1, 1954 the Commission shall consider the nominations of purchasers for the proration period beginning January 1, 1954 at the regular hearing of the Commission on November 19, 1953 and shall require each purchaser of gas from the Langmat Gas Pool to submit with each "supplemental" nomination a list of the wells and their location from which gas is to be purchased

commencing January 1, 1954. In this instance the list of wells shall pertain solely to those wells which are gas wells and are not on the oil proration schedule.

PROVIDED FURTHER that in the event an operator has a producing well on acreage which does not conform to the provisions of Rule 2 or Rule 7 and an exception to Rule 7 is to be requested of this Commission, the necessary information requested under Rule 12 should be complied with pending Commission action. In this instance the Proration Manager is directed to assign to the well only that acreage attributable to the well lying within the quarter section upon which the well is located. In the event the unorthodox unit is approved after notice and hearing and an increase in total acreage is permitted then the total allowable assigned the well shall be adjusted and made retroactive to the 1st day of the proration period or the 1st day the well produced into a gas transportation facility if the well was not productive prior to January 1, 1954.

PROVIDED FURTHER that copies of Form C-115, Monthly Production Report, submitted in compliance with Rule 14 shall be distributed by the operator as follows: Original to Oil Conservation Commission, Box 871, Santa Fe; two copies to Oil Conservation Commission, Box 2045, Hobbs, New Mexico.

IT IS FURTHER ORDERED that nothing in this Order, or Order No. R-369, heretofore issued by the Commission, shall be construed as re-classifying any well now prorated on the oil proration schedule as a gas well, and any such reclassification hereafter made shall only be made after due notice and hearing.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Member and Secretary

S E A L

Case 582
Rehearing

Item No. 26

Orders R-369 and
R-369-A

special rules and regulations of the Langmat Gas Pool pending further order of the Commission after notice and hearing.

IT IS FURTHER ORDERED:

That all parties interested in said Langmat Pool and the rules therefor be, and they and each of them are hereby ordered to show cause at 9 o'clock a.m. on October 27, 1953, at Santa Fe, New Mexico, why the rules and regulations referred to hereinabove, with any essential amendments, shall not be put into effect as of November 1, 1953.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Member & Secretary

SEAL

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. 583
Order No. R-369-A

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION FOR ALL
OPERATORS AND INTERESTED PARTIES IN
THE LANGMAT GAS POOL TO SHOW CAUSE WHY
THE RULES AND REGULATIONS AS SET OUT IN
ORDER R-356, WITH ANY ESSENTIAL AMEND-
MENTS, SHOULD NOT BE PUT INTO EFFECT.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a.m., on October 27, 1953, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 4th day of November, 1953, the Commission, a quorum being present, having considered the testimony adduced, the exhibits received, the statements of interested parties, the official records of this Commission and other pertinent data, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given, the Commission has jurisdiction of this cause.

(2) That the Commission, for the purpose of preventing waste and drainage and for the protection of correlative rights, entered Order R-356, establishing certain general or "stand-by" rules and regulations relating to the proration of gas well gas, proration units, well spacing, and other related matters in the gas pools of Eddy, Lea, Chaves and Roosevelt Counties, New Mexico, applicable in all cases only after special rules for each gas pool shall have been promulgated.

(3) That thereafter, after due notice and hearing, Order R-369 was duly entered by the Commission. Order R-369 adopted the general or "Stand-by" rules promulgated by Order R-356 as the Special Rules and Regulations of the Langmat Gas Pool, heretofore established. R-369 was entered pending a further order in the premises, said order to be entered only after all interested parties were afforded the opportunity to be heard in the matter.

(4) That as a result of such hearing and in consideration of the testimony adduced Special Pool rules should be promulgated for the Langmat Gas Pool, heretofore established, described and classified as a gas pool. That the Special pool rules should approximate the general rules and regulations promulgated by Order R-356 insofar as

the same are applicable to the Langmat Gas Pool, and should conform, generally with the provisional special rules of Order R-369.

(5) That in order for the Commission to evaluate and delineate the actual productive limits of the Langmat Gas Pool all operators of oil and gas wells within the defined limits of the Langmat Gas Pool should supply certain Geological and Reservoir data to the Commission.

(6) That pending further study and orders, the allocation of gas in the Langmat Gas Pool should be calculated on the basis of 100 per cent acreage, based upon the standard 160 acre proration unit, which unit is limited to a regular quarter section subdivision of the U. S. Public Land Surveys and consisting of not less than 158 nor more than 162 acres, substantially in the form of a square, with provision for deviation therefrom particularly in cases of wells heretofore completed where the impracticability of unitization is apparent.

(7) That an adequate gas well testing procedure should be adopted as soon as possible so that operators, purchasers and the Commission can determine the fairness and feasibility of an allocation factor for the pool which employs the factors of deliverability, pressure, or any other factor relating to gas well productivity.

IT IS THEREFORE ORDERED:

That Special Pool Rules applicable to the Langmat Gas Pool, be and the same hereby are promulgated and are as follows:

SPECIAL RULES AND REGULATIONS
FOR THE LANGMAT GAS POOL
LEA COUNTY, NEW MEXICO

WELL SPACING AND ACREAGE REQUIREMENTS FOR DRILLING TRACTS.

RULE 1. Any well drilled a distance of one mile or more from the outer boundary of the Langmat Gas Pool shall be classified as a wildcat well. Any well drilled less than one mile from the outer boundary of the Langmat Gas Pool shall be spaced, drilled, operated and prorated in accordance with the Regulations in effect in the Langmat Gas Pool.

RULE 2. Each well drilled or recompleted within the Langmat Gas Pool shall be located on a tract consisting of not less than a quarter section of approximately 160 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys.

RULE 3. Each well drilled within the Langmat Gas Pool shall not be drilled closer than 660 feet to any outer boundary line of the tract nor closer than 330 feet to a quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to a well drilling to or capable of producing from the same pool.

RULE 4. The Secretary of the Commission shall have authority to grant exception to the requirements of Rule 3 without Notice and Hearing where application

has been filed in due form and the necessity for the unorthodox location is based on topographical conditions or is occasioned by the recompletion of a well previously drilled to another horizon.

Applicants shall furnish all operators within a 1320 foot radius of the subject well a copy of the application to the Commission, and applicant shall include with his application a written stipulation that all operators within such radius have been properly notified. The Secretary of the Commission shall wait at least 10 days before approving any such unorthodox location, and shall approve such unorthodox location only in the absence of objection of any offset operators. In the event an operator objects to the unorthodox location the Commission shall consider the matter only after proper notice and hearing.

RULE 5. The provision of Statewide Rule 104 Paragraph (k), shall not apply to the Langmat Gas Pool located in Lea County, New Mexico.

GAS PRORATION

RULE 6. The Commission after notice and hearing, shall consider the nominations of gas purchasers from the Langmat Gas Pool and other relevant data and shall fix the allowable production of the Langmat Gas Pool, and shall allocate production among the gas wells in the Langmat Gas Pool upon a reasonable basis with due regard to correlative rights.

PRORATION UNITS

RULE 7. (a) For the purpose of gas allocation in the Langmat Gas Pool, a standard proration unit shall consist of between 158 and 162 contiguous surface acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys; provided, however, that a gas proration unit other than a legal quarter section may be formed after notice and hearing by the Commission, or as outlined in Paragraph (b). Any allocation unit containing less than 158 acres or more than 162 acres shall be a non-standard unit and its allowable shall be decreased or increased to that proportion of the standard unit allowable that the number of acres contained therein bears to 160 acres. Any standard proration unit consisting of between 158 and 162 contiguous surface acres shall be considered as containing 160 acres for the purpose of gas allocation.

(b) The Secretary of the Commission shall have authority to grant an exception to Rule 7 (a) without Notice and Hearing where application has been filed in due form and where the following facts exist and the following provisions are complied with;

1. The non-standard unit consists of less acreage than a standard proration unit.

2. The acreage assigned to the non-standard unit lies wholly within a legal quarter section and contains a well capable of producing gas into a gas transportation facility on the date of this order.

3. The operator receives written consent in the form of waivers from all operators in the adjoining 160 acre proration units.

GAS ALLOCATION

RULE 8. At least 30 days prior to the beginning of each gas proration period the Commission shall hold a hearing after due notice has been given. The Commission shall cause to be submitted by each gas purchaser its "Preliminary Nominations" of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period, by months, from the Langmat Gas Pool. The Commission shall consider the "Preliminary Nominations" of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period. "Preliminary Nominations" shall be submitted on a form prescribed by the Commission.

RULE 9. Each month, the Commission shall cause to be submitted by each gas purchaser its "Supplemental Nominations" of the amount of gas which each in good faith actually desires to purchase within the ensuing proration month from the Langmat Gas Pool. The Commission shall hold a public hearing between the 15th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month, and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month. Included in the monthly proration schedule shall be a tabulation of allowable and production for the second preceding month together with an adjusted allowable computation for the second preceding month. Said adjusted allowable shall be computed by comparing the actual allowable assigned with the actual production. In the event the allowable assigned is greater than the actual production, the allowables assigned the top allowable units shall be reduced proportionately, and in the event the allowable assigned is less than the production then the allowables assigned the top allowable units shall be increased proportionately. "Supplemental Nominations" shall be submitted on a form prescribed by the Commission.

The Commission shall include in the proration schedule the gas wells in the Langmat Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Langmat Gas Pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility, which is reasonably capable of handling the type of gas produced by such well. The total allowable to be allocated to the pool each month shall be equal to the sum of the supplemental nominations together with any adjustment which the Commission deems advisable. The allocation to a pool remaining after subtracting the capacities of marginal units shall be divided and allocated ratably among the non-marginal units in the proportion that the acreage contained in each unit bears to the total acreage allotted to such non-marginal units.

BALANCING OF PRODUCTION

RULE 10. Underproduction: The dates 7:00 A.M., January 1 and 7:00 A.M., July 1, shall be known as balancing dates and the periods of time bounded by these dates shall be known as gas proration periods. The amount of current gas allowable remaining unproduced at the end of each proration period shall be carried forward to

be produced during the next succeeding proration period in addition to the normal gas allowable for such succeeding period; but whatever amount thereof is not made up within the first succeeding proration period shall be cancelled. If, at the end of the first succeeding proration period, a greater amount of allowable remains unproduced than was carried forward as underproduction, the amount carried forward to the second succeeding period shall be the total underproduction less the amount carried forward to the first succeeding period.

If it appears that such continued underproduction has resulted from inability of the well to produce its allowable, it may be classified as a marginal well and its allowable reduced to the well's ability to produce.

RULE 11. Overproduction: A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If, at the end of the first succeeding proration period, the well is still overproduced, it shall be shut in and its current monthly allowable charged against said overproduction until the well is in balance. If, at any time, a well is overproduced an amount equaling six times its current monthly allowable, it shall be shut in until it is in balance.

The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut in upon a showing at public hearing after due notice that complete shut in of the well would result in material damage to the well.

GRANTING OF ALLOWABLES

RULE 12. No gas well shall be given an allowable until Form C-104 and Form C-110 have been filed together with a plat showing acreage attributed to said well and the locations of all wells on the lease.

RULE 13. 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 2045, Hobbs, New Mexico) by the purchaser, or the date of filing of Form C-104 and Form C-110 and the plat described above, whichever date is the later.

REPORTING OF PRODUCTION

RULE 14. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be submitted to the Commission on Form C-115 so as to reach the Commission on or before the twentieth 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 gas produced. The full production of gas from each well shall be charged against the well's allowable regardless of what disposition has been made of the gas; provided, however that gas used on the lease for consumption in lease houses, treaters, combustion engines and other similar lease equipment shall not be charged against the well's allowable.

DEFINITIONS

RULE 15. A gas well shall mean a well producing gas or natural gas from a common source of gas supply from a gas pool determined by the Commission.

RULE 16. The term " gas purchaser" as used in these rules, shall mean any "taker" of gas either at the wellhead or at any point on the lease where connection is made for gas transportation or utilization. It shall be the responsibility of said "taker" to submit a nomination.

PROVIDED FURTHER that those wells located within the defined limits of the Langmat Gas Pool which produce oil and receive an oil allowable on the oil proration schedule shall be prorated as oil wells pending further study and that "preliminary" and "supplemental" nominations, as outlined in Rules 8 and 9 above, shall pertain only to gas wells which are not assigned an oil allowable.

PROVIDED FURTHER that all operators of oil or gas wells shall submit to the Hobbs office of the Commission (Box 2045) on or before January 1, 1954 a copy of either an electric log or sample log of each well (if available), whether oil or gas, that they operate within the defined limits of the Langmat Gas Pool. Attached to each log shall be a detailed report showing well elevation, total depth, plug back depth, depth of production string, interval of perforations and open hole and estimation of formation tops of Yates, Seven Rivers and Queen as indicated by the log. Any operator of any well hereafter completed or recompleted within the defined limits of the Langmat Gas Pool shall also submit to the Hobbs office of the Commission, the logs and information detailed above, within 30 days following such completion or recompletion.

In the event that the Commission deems it advisable to obtain additional information from wells producing outside the defined limits of the Langmat Gas Pool the Secretary of the Commission is hereby authorized to issue a directive to operators in order to obtain the desired information.

PROVIDED FURTHER that as soon as possible a testing procedure for all gas wells shall be adopted by the Commission. Said procedure shall contain adequate tests in order to determine the feasibility of employing any well potential, deliverability or pressure factors in allocating gas.

PROVIDED FURTHER that those operators who desire approval of the Commission of gas-oil dual completions under the provisions of Statewide Rule 112-A should also comply with the provisions of Rules 2, 3 and 4 of this order before approval will be granted.

PROVIDED FURTHER that in order to inaugurate gas prorationing and allocation in the Langmat Gas Pool on January 1, 1954 the Commission shall consider the nominations of purchasers for the proration period beginning January 1, 1954 at the regular hearing of the Commission on November 19, 1953 and shall require each purchaser of gas from the Langmat Gas Pool to submit with each "supplemental" nomination a list of the wells and their location from which gas is to be purchased

commencing January 1, 1954. In this instance the list of wells shall pertain solely to those wells which are gas wells and are not on the oil proration schedule.

PROVIDED FURTHER that in the event an operator has a producing well on acreage which does not conform to the provisions of Rule 2 or Rule 7 and an exception to Rule 7 is to be requested of this Commission, the necessary information requested under Rule 12 should be complied with pending Commission action. In this instance the Proration Manager is directed to assign to the well only that acreage attributable to the well lying within the quarter section upon which the well is located. In the event the unorthodox unit is approved after notice and hearing and an increase in total acreage is permitted then the total allowable assigned the well shall be adjusted and made retroactive to the 1st day of the proration period or the 1st day the well produced into a gas transportation facility if the well was not productive prior to January 1, 1954.

PROVIDED FURTHER that copies of Form C-115, Monthly Production Report, submitted in compliance with Rule 14 shall be distributed by the operator as follows: Original to Oil Conservation Commission, Box 871, Santa Fe; two copies to Oil Conservation Commission, Box 2045, Hobbs, New Mexico.

IT IS FURTHER ORDERED that nothing in this Order, or Order No. R-369, heretofore issued by the Commission, shall be construed as re-classifying any well now prorated on the oil proration schedule as a gas well, and any such reclassification hereafter made shall only be made after due notice and hearing.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Member and Secretary

S E A L

Case 582
Rehearing

24

Item No. 24

Order R-264-A

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:

CONSOLIDATION OF
CASES 245 AND 521
ORDER No. R-264-A

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION UPON
ITS OWN MOTION FOR AN ORDER
DESIGNATING, NAMING, DEFINING
AND EXTENDING THE GAS POOLS OF
LEA, EDDY AND CHAVES COUNTIES,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 16, 1953, May 19, 1953, June 16, 1953, July 16, 1953, and August 20, 1953, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 10th day of November, 1953, the Commission, a quorum being present, having considered the testimony adduced and the exhibits received in the hearings, and being fully advised in the premises,

FINDS:

(1) That due notice having been given as required by law, the Commission has jurisdiction of this case.

(2) That by virtue of Order No. R-264 entered February 17, 1953, in Case No. 245, the Commission defined and classified certain gas pools in Lea, Eddy and Chaves Counties, New Mexico, and ordered further testimony taken at the April 16, 1953, Commission hearing in the premises,

(3) That at the April 16, 1953, Commission hearing it was ordered that Cases 245 and 521 be, and they were at that time consolidated for purposes of the record.

(4) That successive hearings were had May 19, June 16, July 16, and August 20, 1953, on the case as consolidated, resulting in Order R-356, being the special "stand-by" rules and regulations in the matter of proration of gas-well gas producible from the gas pools of Lea, Eddy, Chaves and Roosevelt Counties, New Mexico, and as classified and defined in Order R-264.

(5) That by reason of interim development, the areal boundary of the Jalco Gas Pool as fixed by Order R-264 should be extended in accordance with testimony

adduced at the hearings.

(6) That the vertical productive limits of the Eumont Gas Pool as fixed by Order R-264 should be changed to include therein all the Queen formation.

(7) That the vertical productive limits of the Blinebry Gas Pool as fixed by Order R-264 should be more specifically defined.

(8) That the areal and vertical productive limits of the Justis Gas Pool heretofore defined and classified as a gas pool by Order No. 850 should be redefined areally and vertically.

IT IS THEREFORE ORDERED:

(1) That Order R-264, as hereinafter amended, and Order R-356 be and they hereby are declared to be supplementary orders.

(2) That the areal boundary of the Jalco Gas Pool, as described in Order R-264, be, and the same hereby is extended to include therein, as a part of said pool, the following described area:

Township 26 South, Range 37 East, NMPM
All of Sections 15, 16, 17, 20, 21, 22, 27 and 28;
E/2 Section 29;
E/2 Section 32;
all of Sections 33 and 34

(3) That Section III (2) of Order R-264 be, and the same hereby is amended to read as follows:

"III (2) That the producing formation of the Eumont Gas Pool shall extend from the top of the Yates formation to the top of the Grayburg formation, thereby including all of the Yates, Seven Rivers and Queen formations."

(4) That Section VI (2) of Order R-264 be, and the same hereby is amended to read as follows:

"VI (2) That the producing formation of the Blinebry Gas Pool shall be that part of the Yeso formation included from the base of the Upper Yeso sandy section, which occurs at an average depth of 450 feet below the Glorieta formation, to the top of the Tubb sand."

(5) That that part of Appendix 'A' of Order No. 850 relating to the Justis Gas Pool pursuant to Rule 5 of said order be, and the same hereby is amended to read as follows:

"Appendix A - The producing formation of the Justis Gas Pool shall be the 200 feet immediately below the top of the Glorieta formation; that the said pool, classified as a gas pool, is described as follows:

Township 25 South, Range 37 East, NMPM
SW/4 Section 1; SE/4 Section 2;
E/2 Section 11; W/2 Section 12;
W/2 Section 13; E/2 Section 14;
E/2 Section 23; W/2 Section 24

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Member and Secretary

S E A L

23a

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 582

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON ITS
OWN MOTION FOR ALL OPERATORS
AND INTERESTED PARTIES IN THE
JALCO GAS POOL TO SHOW CAUSE
WHY THE RULES AND REGULATIONS
AS SET OUT IN ORDER R-356, WITH
ANY ESSENTIAL AMENDMENTS, SHOULD
NOT BE PUT INTO EFFECT.

M O T I O N

Comes now the applicant, Texas Pacific Coal & Oil Company, and respectfully requests the Commission that it be permitted to amend paragraph 2 (f) of the application for rehearing heretofore filed with the Commission. Said paragraph 2 (f) should recite Finding of Fact No. 2 instead of Finding of Fact No. 1.

Applicant further states that due to a typographical error, paragraph 2 (f) of the original application for rehearing referred to Finding of Fact No. 1 instead of Finding of Fact No. 2.

WHEREFORE, applicant prays that paragraph 2 (f) of the application for rehearing be amended to read Finding of Fact No. 2 instead of Finding of Fact No. 1.

Dated this 8th day of January, 1954.

TEXAS PACIFIC COAL & OIL COMPANY
By John F. Russell
Roswell, New Mexico
Attorney for Applicant

23a

23h

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:

THE APPLICATION OF THE OIL CONSERVATION COMMISSION ON ITS OWN MOTION FOR ALL OPERATORS AND INTERESTED PARTIES IN THE JALCO GAS POOL TO SHOW CAUSE WHY THE RULES AND REGULATIONS AS SET OUT IN ORDER NO. R-356, WITH ANY ESSENTIAL AMENDMENTS, SHOULD NOT BE PUT INTO EFFECT.

CASE NO.582
ORDER NO. R-368-B

M O T I O N

Comes now the Applicant, Texas Pacific Coal and Oil Company, and respectfully states unto the Commission:

1. That the Applicant excepts to that portion of Order No. R-368-B, entered in Case No. 582, insofar as said order provides that Orders R-368 and R-368-A (relating to the Jalco Gas Pool) shall remain in full force and effect until further order of the Commission.

2. Applicant requests the Commission to enter a proper order staying and suspending Order No. 368-A, pending an order on re-hearing.

John F. Russell, Attorney for
Applicant, Texas Pacific Coal and
Oil Company

23h

N. M. Oil & Gas Engineering Committee
January 14, 1954
Hobbs, New Mexico

Case 582
Rehearing

Item No. 22

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. 582

ORDER NO. R-368-B

THE APPLICATION OF THE OIL CONSERVATION COMMISSION ON ITS OWN MOTION FOR ALL OPERATORS AND INTERESTED PARTIES IN THE JALCO GAS POOL TO SHOW CAUSE WHY THE RULES AND REGULATIONS AS SET OUT IN ORDER NO. R-396, WITH ANY ESSENTIAL AMENDMENTS, SHOULD NOT BE PUT INTO EFFECT.

ORDER OF THE COMMISSION FOR RE-HEARING

This case came on for consideration upon petition of Texas Pacific Coal and Oil Company for re-hearing on Orders R-368 and R-368-A heretofore entered by the Commission.

NOW, on this 7th day of December, 1953, the Commission, a quorum being present, having fully considered said application for re-hearing,

IT IS HEREBY ORDERED:

That the above-entitled matter be reopened and a re-hearing in said

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. 582

ORDER NO. R-368-B

THE APPLICATION OF THE OIL CONSERVATION COMMISSION ON ITS OWN MOTION FOR ALL OPERATORS AND INTERESTED PARTIES IN THE JALCO GAS POOL TO SHOW CAUSE WHY THE RULES AND REGULATIONS AS SET OUT IN ORDER NO. R-396, WITH ANY ESSENTIAL AMENDMENTS, SHOULD NOT BE PUT INTO EFFECT.

ORDER OF THE COMMISSION FOR RE-HEARING

This cause came on for consideration upon petition of Texas Pacific Coal and Oil Company for re-hearing on Orders R-368 and R-368-A heretofore entered by the Commission.

NOW, on this 7th day of December, 1953, the Commission, a quorum being present, having fully considered said application for re-hearing,

IT IS HEREBY ORDERED:

That the above-entitled matter be reopened and a re-hearing in said cause be held January 21, 1954, at 9 o'clock a.m. on said day at Santa Fe, New Mexico, or at such time as the Commission may designate after due notice, at which time and place all interested parties may appear,

IT IS FURTHER ORDERED: That Orders R-368 and R-368-A (relating to the Jalco Gas Pool) shall remain in full force and effect until further order of the Commission.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Edwin L. Mechem, Chairman

E. S. Walker, Member

S E A L

R. R. Spurrier, Member and Secretary

Case 582
Rehearing

22

Item No. 22

COPY

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 582

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION FOR ALL
OPERATORS AND INTERESTED PARTIES IN THE
JALCO GAS POOL TO SHOW CAUSE WHY THE RULES
AND REGULATIONS AS SET OUT IN ORDER R-356,
WITH ANY ESSENTIAL AMENDMENTS, SHOULD
NOT BE PUT INTO EFFECT.

APPLICATION FOR REHEARING

COMES NOW Applicant Texas Pacific Coal & Oil Company and states:

1. Applicant is the owner of gas wells within the exterior limits of the Jalco Gas Pool and will therefore be affected by Order No. R-368-A.

2. Orders Nos. R-368 and R-368-A are illegal and erroneuous in the following respects, to wit:

(a) The Commission is without authority to issue orders to show cause as its has done in Order No. R- 368 inasmuch as all persons are, under the provisions of Sec. 69-221, N.M. Statutes 1941 Annotated as amended, entitled to a hearing before any rule, regulation or order shall be made.

(b) The Commission is without authority to prorate gas for the sole purpose of protecting correlative rights.

(c) There is no evidence in the record to indicate abuse of correlative rights or that proration of gas from gas wells will protect correlative rights.

(d) There is no evidence in the record to establish that there is waste of gas from gas wells in the Jalco Gas Pool and no evidence that waste will be prevented by the proration of production of gas from said gas wells, the only evidence relating to conservation or the prevention of waste in the record being that there is no waste of gas from gas wells.

(e) There is no evidence in the record to establish that gas production from gas wells producing from the Jalco Gas Pool exceeds the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of the gas transportation facilities for such type of natural gas.

(See attached Carbon Tissue)

(f) Finding of Fact. No. 1 in Order No. R-368 is erroneous, such records as referred to not being in evidence in the case.

(g) Finding of Fact No. 3 in Order No. R-368 is erroneous in that at the time of making such finding the Commission had no evidence upon which to base it.

(h) Finding of Fact No. 5 in Order No. R-368-A is a finding that the Commission has not, prior to undertaking proration of gas, evaluated and delineated the actual productive limits of the Jalco Gas Pool which is a prerequisite of such order.

(i) Orders Nos. R-368 and R-368-A are unreasonable, arbitrary and capricious and are not based upon substantial evidence before the Commission.

(j) Orders Nos. R-368 and R-368-A require the drilling of unnecessary wells.

(k) Orders Nos. R-368 and R-368-A impair the obligation of contracts of the type now of record in this case between producers and purchasers of gas inasmuch as under said orders minimum take and ratable take provisions of said contracts can or will be abrogated.

WHEREFORE, Applicant prays for a rehearing in Case No. 582 before the Oil Conservation Commission of the State of New Mexico.

DATED this 25th day of November, 1953.

TEXAS PACIFIC COAL & OIL COMPANY

By _____
John F. Russell, Roswell, New Mexico

_____
Eugene Adair, Fort Worth, Texas

Attorneys for Applicant

Case 582
Rehearing

21

Item No. 21

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO
SANTA FE, NEW MEXICO

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

CASE NO. 582
ORDER NO. R-368-A

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON ITS
OWN MOTION FOR ALL OPERATORS
AND INTERESTED PARTIES IN THE
JALCO GAS POOL TO SHOW CAUSE
WHY THE RULES AND REGULATIONS
AS SET OUT IN ORDER R-356, WITH
ANY ESSENTIAL AMENDMENTS,
SHOULD NOT BE PUT INTO EFFECT.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a. m., on October 26, 1953, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 10th day of November, 1953, the Commission, a quorum being present, having considered the testimony adduced, the exhibits received, the statements of interested parties, the official records of this Commission and other pertinent data, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given, the Commission has jurisdiction of this cause.

(2) That the Commission, for the purpose of preventing waste and drainage, and for the protection of correlative rights, entered Order R-356, establishing certain general or "stand-by" rules and regulations relating to the proration of gas well gas, proration units, well spacing, and other related matters in the gas pools of Eddy, Lea, Chaves and Roosevelt Counties, New Mexico, applicable in all cases only after special rules for each gas pool shall have been promulgated.

(3) That thereafter, after due notice and hearing, Order R-368 was duly entered by the Commission. Order R-368 adopted the general or "Stand-by" rules promulgated by Order R-356 as the Special Rules and Regulations of the Jalco Gas Pool, heretofore established. R-368 was entered pending a further order in the premises, said order to be entered only after all interested parties were afforded the opportunity to be heard in the matter.

(4) That as a result of such hearing and in consideration of the testimony adduced Special Pool rules should be promulgated for the Jalco Gas Pool, heretofore established, described and classified as a gas pool.

That the Special pool rules should approximate the general rules and regulations promulgated by Order R-356 insofar as the same are applicable to the Jalco Pool, and should conform, generally with the provisional special rules of Order R-368.

(5) That in order for the Commission to evaluate and delineate the actual productive limits of the Jalco Gas Pool all operators of oil and gas wells within the defined limits of the Jalco Gas Pool should supply certain Geological and Reservoir data to the Commission.

(6) That pending further study and orders, the allocation of gas in the Jalco gas pool should be calculated on the basis of 100 per cent acreage, based upon the standard 160 acre proration unit, which unit is limited to a regular quarter section subdivision of the U. S. Public Land Surveys and consisting of not less than 158 nor more than 162 acres, substantially in the form of a square, with provision for deviation therefrom particularly in cases of wells heretofore completed where the impracticability of unitization is apparent.

(7) That an adequate gas well testing procedure should be adopted as soon as possible so that operators, purchasers and the Commission can determine the fairness and feasibility of an allocation factor for the pool which employs the factors of deliverability, pressure, or any other factor relating to gas well productivity.

(8) That the area within the exterior boundaries of the Jalco Gas Pool known and described as the "Rhodes Storage Area" should be exempt from the Special Rules and Regulations applicable to the Jalco Gas pool provided acceptable reports of operations in said storage area are regularly filed.

IT IS THEREFORE ORDERED:

That Special Pool Rules applicable to the Jalco Gas Pool, be and the same hereby are promulgated and are as follows:

SPECIAL RULES AND REGULATIONS
FOR THE JALCO GAS POOL
LEA COUNTY, NEW MEXICO

WELL SPACING AND ACREAGE REQUIREMENTS FOR DRILLING TRACTS.

RULE 1. Any well drilled a distance of one mile or more from the outer boundary of the Jalco Gas Pool shall be classified as a wildcat well. Any well drilled less than one mile from the outer boundary of the Jalco Gas Pool shall be spaced, drilled, operated and prorated in accordance with the Regulations in effect in the Jalco Gas Pool.

RULE 2. Each well drilled or recompleted within the Jalco Gas Pool shall be located on a tract consisting of not less than a quarter section of approximately 160 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys.

RULE 3. Each well drilled within the Jalco Gas Pool shall not be drilled closer than 660 feet to any outer boundary line of the tract nor closer than 330 feet to a quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to a well drilling to or capable of producing from the same pool.

RULE 4. The Secretary of the Commission shall have authority to grant exception to the requirements of Rule 3 without Notice and Hearing where application has been filed in due form and the necessity for the unorthodox location is based on topographical conditions or is occasioned by the recompletion of a well previously drilled to another horizon.

Applicants shall furnish all operators within a 1320 foot radius of the subject well a copy of the application to the Commission, and applicant shall include with his application a written stipulation that all operators within such radius have been properly notified. The Secretary of the Commission shall wait at least 10 days before approving any such unorthodox location, and shall approve such unorthodox location only in the absence of objection of any offset operators. In the event an operator objects to the unorthodox location the Commission shall consider the matter only after proper notice and hearing.

RULE 5. The provision of Statewide Rule 104 Paragraph (k), shall not apply to the Jalco Gas Pool located in Lea County, New Mexico.

GAS PRORATION

RULE 6. The Commission after notice and hearing, shall consider the nominations of gas purchasers from the Jalco Gas Pool and other relevant data and shall fix the allowable production of the Jalco Gas Pool, and shall allocate production among the gas wells in the Jalco Gas Pool upon a reasonable basis with due regard to correlative rights.

PRORATION UNITS

RULE 7. (a) For the purpose of gas allocation in the Jalco Gas Pool, a standard proration unit shall consist of between 158 and 162 contiguous surface acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys; provided, however, that a gas proration unit other than a legal quarter section may be formed after notice and hearing by the Commission, except as outlined in Paragraph (b). Any allocation unit containing less than 158 acres or more than 162 acres shall be a non-standard unit and its allowable shall be decreased or increased to that proportion of the standard unit allowable that the number of acres contained therein bears to 160 acres. Any standard proration unit consisting of between 158 and 162 contiguous surface acres shall be considered as containing 160 acres for the purpose of gas allocation.

(b) The Secretary of the Commission shall have authority to grant an exception to Rule 7 (a) without Notice and Hearing where application has been filed in due form and where the following facts exist and the following provisions are complied with;

1. The non-standard unit consists of less acreage than a standard proration unit.

2. The acreage assigned to the non-standard unit lies wholly within a legal quarter section and contains a well capable of producing gas into a gas transportation facility on the date of this order.

3. The operator receives written consent in the form of waivers from all operators in the adjoining 160 acre proration units.

GAS ALLOCATION

RULE 8. At least 30 days prior to the beginning of each gas proration

period the Commission shall hold a hearing after due notice has been given. The Commission shall cause to be submitted by each gas purchaser its "Preliminary Nominations" of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period, by months, from the Jalco Gas Pool. The Commission shall consider the "Preliminary Nominations" of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period. "Preliminary Nominations" shall be submitted on a form prescribed by the Commission.

RULE 9. Each month, the Commission shall cause to be submitted by each gas purchaser its "Supplemental Nominations" of the amount of gas which each in good faith actually desires to purchase within the ensuing proration month from the Jalco Gas Pool. The Commission shall hold a public hearing between the 15th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month, and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month. Included in the monthly proration schedule shall be a tabulation of allowable and production for the second preceding month together with an adjusted allowable computation for the second preceding month. Said adjusted allowable shall be computed by comparing the actual allowable assigned with the actual production. In the event the allowable assigned is greater than the actual production, the allowables assigned the top allowable units shall be reduced proportionately, and in the event the allowable assigned is less than the production then the allowables assigned the top allowable units shall be increased proportionately. "Supplemental Nominations" shall be submitted on a form prescribed by the Commission.

The Commission shall include in the proration schedule the gas wells in the Jalco Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Jalco Gas Pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility, which is reasonably capable of handling the type of gas produced by such well. The total allowable to be allocated to the pool each month shall be equal to the sum of the supplemental nominations together with any adjustment which the Commission deems advisable. The allocation to a pool remaining after subtracting the capacities of marginal units shall be divided and allocated ratably among the non-marginal units in the proportion that the acreage contained in each unit bears to the total acreage alloted to such non-marginal units.

BALANCING OF PRODUCTION

RULE 10. Underproduction: The dates 7:00 A. M., January 1 and 7:00 A. M., July 1, shall be known as balancing dates and the periods of time bounded by these dates shall be known as gas proration periods. The amount of current gas allowable remaining unproduced at the end of each proration period shall be carried forward to and may be produced during the next succeeding proration period in addition to the normal gas allowable for such succeeding period; but whatever amount thereof is not made up within the first succeeding proration period shall be cancelled. If, at the end of the first succeeding proration period, a greater amount of allowable remains unproduced than was carried forward as underproduction, the amount carried forward to the second succeeding period shall be the total underproduction less the amount carried forward to the first succeeding period.

If it appears that such continued underproduction has resulted from inability of the well to produce its allowable, it may be classified as a marginal well and its allowable reduced to the well's ability to produce.

RULE 11. Overproduction: A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If, at the end of the first succeeding proration period, the well is still overproduced, it shall be shut in and its current monthly allowable charged against said overproduction until the well is in balance. If, at any time, a well is overproduced an amount equaling six times its current monthly allowable, it shall be shut in until it is in balance.

The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut in upon a showing at public hearing after due notice that complete shut in of the well would result in material damage to the well.

GRANTING OF ALLOWABLES

RULE 12. No gas well shall be given an allowable until Form C-104 and Form C-110 have been filed together with a plat showing acreage attributed to said well and the locations of all wells on the lease.

RULE 13. Allowables to newly completed gas wells shall commence on the date of connection to a gas transporation facility, as determined from an affidavit furnished to the Commission (Box 2045 Hobbs, New Mexico) by the purchaser, or the date of filing of Form C-104 and Form C-110 and the plat described above, whichever date is the later.

REPORTING OF PRODUCTION

RULE 14. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be submitted to the Commission so as to reach the Commission on or before the twentieth 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 gas produced. The full production of gas from each well shall be charged against the well's allowable regardless of what disposition has been made of the gas; provided, however that gas used on the lease for consumption in lease houses, treaters, combustion engines and other similar lease equipment shall not be charged against the well's allowable.

DEFINITIONS

RULE 15. A gas well shall mean a well producing gas or natural gas from a common source of gas supply from a gas pool determined by the Commission.

RULE 16. The term "gas purchaser" as used in these rules, shall mean any "taker" of gas either at the wellhead or at any point on the lease where connection is made for gas transportation or utilization. It shall be the responsibility of said "taker" to submit a nomination.

PROVIDED FURTHER that those wells located within the defined limits of the Jalco Gas Pool which produce oil and receive an oil allowable on the oil proration schedule shall be prorated as oil wells pending further study and that "preliminary" and "supplemental" nominations, as outlined in Rules 8 and 9 above, shall pertain only to gas wells which are not assigned an oil allowable.

PROVIDED FURTHER that all operators of oil or gas wells shall submit to the Hobbs office of this Commission (Box 2045) on or before January

1, 1954 a copy of either an electric log or sample log of each well (if available), whether oil or gas, that they operate within the defined limits of the Jalco Gas Pool. Attached to each log shall be a detailed report showing well elevation, total depth, plug back depth, depth of production string, interval of perforations and open hole and estimation of formation tops of Yates, Seven Rivers and Queen as indicated by the log. Any operator of any well hereafter completed or recompleted within the defined limits of the Jalco Pool shall also submit to the Hobbs office of the Commission, the logs and information detailed above within 30 days following such completion or recompletion.

In the event that the Commission deems it advisable to obtain additional information from wells producing outside the defined limits of the Jalco Gas Pool the Secretary of the Commission is hereby authorized to issue a directive to operators in order to obtain the desired information.

PROVIDED FURTHER that the provisions of these rules contained herein shall not apply to those wells involved in the Rhodes Storage Area. Provided, however, that operators in the Rhodes Storage Area shall submit semi-annual reports, corresponding with the Jalco Gas Pool proration period, said reports shall contain statistical information showing the amount of gas injected and withdrawn from storage during each period and the cumulative amount of gas injected and withdrawn at the end of the proration period.

PROVIDED FURTHER that as soon as possible a testing procedure for all gas wells shall be adopted by the Commission. Said procedure shall contain adequate tests in order to determine the feasibility of employing any well potential, deliverability or pressure factors in allocating gas.

PROVIDED FURTHER that those operators who desire approval of the Commission of gas-oil dual completions under the provisions of Statewide Rule 112-A should also comply with the provisions of Rule 2, 3 and 4 of this order before approval will be granted.

PROVIDED FURTHER that in order to inaugurate gas prorationing and allocation in the Jalco Gas Pool on January 1, 1954 the Commission shall consider the nominations of purchasers for the proration period beginning January 1, 1954 at the regular hearing of the Commission on November 19, 1953 and shall require each purchaser of gas from the Jalco Gas Pool to submit with each "supplemental" nomination a list of the wells and their location from which gas is to be purchased commencing January 1, 1954. In this instance the list of wells shall pertain solely to those wells which are gas wells and are not on the oil proration schedule.

PROVIDED FURTHER that in the event an operator has a producing well on acreage which does not conform to the provisions of Rule 2 or Rule 7 and an exception to Rule 7 is to be requested of this Commission, the necessary information requested under Rule 12 should be complied with pending Commission action. In this instance the Proration Manager is directed to assign to the well only that acreage attributable to the well lying within the quarter section upon which the well is located. In the event the unorthodox unit is approved after notice and hearing and an increase in total acreage is permitted then the total allowable assigned the well shall be adjusted and made retroactive to the 1st day of the proration period or the first day the well produced into a gas transportation facility if the well was not productive prior to January 1, 1954.

PROVIDED FURTHER that copies of Form C-115, Monthly Production Report, submitted in compliance with Rule 14 shall be distributed by the operator as follows: Original to Oil Conservation Commission, Box 871, Santa Fe; two copies to Oil Conservation Commission, Box 2045, Hobbs, New Mexico,

IT IS FURTHER ORDERED that nothing in this Order, or Order No. R-368, heretofore issued by the Commission, shall be construed as re-classifying any well now prorated on the oil proration schedule as a gas well, and any such reclassification hereafter made shall only be made after due notice and hearing.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

E. L. Mechem

EDWIN L. MECHEM, Chairman

E. S. Walker

E. S. WALKER, Member

R. R. Spurrier

R. R. SPURRIER, Member and Secretary

SEAL

Case 582
Re-Hearing

20

Item No. 20

MEMORANDUM

To: The Oil Conservation Commission

From: W. B. Macey

Subject: Cases 582 through 590: General rules for the prorationing of gas in the Jalco, Langmat, Eumont, Arrow, Amanda, Blinebry, Tubb, Justis and Byers-Queen Gas Pools.

In accordance with Mr. Spurrier's request, following are my recommendations pertaining to the above listed Cases held in Santa Fe, on October 26 through 28. In order to evaluate the basic recommendations the following history of these cases should be observed.

1. The Commission originated hearings on a general four county area (Lea, Eddy, Chaves and Roosevelt Counties) on March 17, 1953 under Case 521. The purpose of this hearing was to establish means and methods of prorating gas in this four county area. In April, 1953 this Case was consolidated with Case 245 in accordance with Order No. 264 issued in Case 245. (Case 245 and subsequent Order R-264 established the defined limits and producing intervals of gas pools in Southeast New Mexico.) As a result of the March 17th hearing, the Commission appointed a Committee to propose suggested rules in Case 521 and suggested revisions in Case 245. The final report of the committee, containing recommendations in both Case 245 and Case 521 was made on August 20, 1953 and on August 28, 1953 the Commission issued Order R-356 in Case 321 outlining "Stand-by" rules for the four-county area. (No additional order has been issued in Case 245 as yet). The Commission then advertised nine gas pool cases

for hearing on September 17, 1953, the Commission's advertisement requesting an order establishing pool rules and other related matters insofar as they were set forth in Order R-356. Some testimony was received at this time and as a result of these hearings, Orders were issued in each Case requesting operators and other interested parties to show cause why the rules as outlined in Order R-356 should not be put in effect on November 1, 1953. The hearings were conducted on October 26, 27 and 28 with extensive testimony being given in each case. The testimony and evidence given in these hearings is the basis for the following recommendations. Since the Rules as outlined in Order R-356 are numerical in sequence the following comments and recommendations will be made in the same numerical order.

Rule 1: The recommended provisions of Rule 1 should be changed since they apply solely to a defined gas pool. The rule provides an exception to some of the provisions of statewide Rule 104. The exception however, should only apply to paragraph (a) and paragraph (d) of Rule 104 since they are solely concerned with gas pools in particular. Also a further provision should be included as sub-paragraph (c) of the Rule to provide as follows:

(c) When the well is located upon a tract of not less than a quarter section of approximately 160 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Survey.

Rule 2: The provisions of this rule should be placed in effect in all nine pools.

Rule 3: An appropriate revision of Rule 3, pertinent to each pool name should be inserted in each set of pool rules.

Rule 4: This provision should be set forth in each set of pool rules.

Rule 5: This Rule and a portion of Rule 8 pertaining to Proration units and the formation of unorthodox gas units should be amended in such a manner to limit the standard proration unit to a legal quarter section of approximately 160 acres and allowing exceptions thereto only after notice and hearing. Exceptions should be limited to only extreme cases where Communitization is impractical because of the presence of a well which has been producing for considerable length of time, or where acreage is so situated that well locations can be adequately placed so as to insure adequate unit drainage in spite of the unorthodox unit and the correlative rights of everyone are protected. Furthermore, a policy of not approving unorthodox units where another unorthodox unit is formed thereby (thus starting a chain reaction) should be strictly adhered to. It is recognized that this policy which in effect promotes the formation of communitization or pooling agreements will cause some more work on the part of everyone concerned but the inequities which could arise from a large number of unorthodox units far out-weighs the work involved.

Since it is contemplated that the proration period in each pool will start January 1, 1954, it is entirely possible that a great number of Communitization Agreements will be delayed in execution until after the start of the proration period or after the completion of the well. Therefore,

it is recommended that each pool order contain a provision outlining a policy which would allow the total acreage formed by the agreement, and thus dedicated to a well, be made retroactive to the first day of the proration period or the first day the well produces, whichever date is the later, provided, that the executed Communitization Agreement is in force and effect on the last day of the proration period.

Rules 6 and 7: The provisions of these rules should be placed into effect in each pool as outlined.

Rule 8: The first sentence of Rule 8 should be included as the last paragraph and the remaining provisions of the rule deleted from all pool rules. This will require the re-numbering of Rules 9 through 15. The reason for the deletion of that portion of Rule 8 is outlined in my remarks under Rule 5.

Rules 9 through 15: The provisions of these rules should be incorporated in each set of pool rules without any changes.

Further Recommendations:

It is further recommended that the Commission place in the hands of all operators, "preliminary" nomination forms so that the Commission may consider the nominations for each of the 9 pools for the first six month period of 1954 at the regular November hearing on November 19th. Instructions should be sent out with the forms stating that the nominations should apply to only those wells which are considered gas wells and which are not on the oil proration schedule.

Initially each purchaser or taker of gas should also include

with his nominations the well or wells from which he desires to purchase gas January 1, 1954. This would allow the Commission staff an opportunity to check to see that each well to be listed on the schedule is known beforehand and that the well is not also listed on the oil proration schedule.

In this connection I believe it also advisable to point out that a provision should be inserted in each pool order stating that the Commission will continue to prorate those oil wells which lie within the productive limits of defined gas pools as oil wells pending a complete study and redesignation of some of the oil wells and possibly a re-definition of both oil pools and gas pools. In order to facilitate this study, all operators in all of the producing pools should be required to submit to the Commission an electric log or sample log, if available, on each well producing from the same zone within the defined limits of each gas pool.

It is also recommended that an Order be entered immediately in Case 245 outlining the recommended changes in pool nomenclature as made by the sub-committee in this case at previous hearings. It is also suggested that as soon as this Order is entered, the Hobbs office send out Form C-123 requesting pool extensions which have not yet been made so that a hearing can be held in December to consider these pool extensions.

Due to the fact that considerable testimony was entered by the Pipeline Companies in the 9 pool cases requesting some form of a deliverability formula it is recommended that the Commission, through its staff, take immediate steps to outline an adequate gas well testing program to

govern all gas wells in southeastern New Mexico. In connection with this, the Commission should supply adequate tables and forms in order that any deliverability formula can be properly evaluated after the necessary well tests are performed. In this connection each pool order should contain a provision that well tests in that particular pool should be made in accordance with testing procedure approved by the Commission.

It is also recommended that the Commission carefully consider the advisability of refusing to approve any subsequent dual completions (gas-oil or gas-gas) where the recompletion information shows that the well is not located upon a standard 160 acre proration unit. It should also be noted that some operators might construe approval of a dual to mean also approval of an unorthodox gas unit.

With reference to the Rhodes storage area of the Jalco Pool, a provision should be inserted in the order pertaining to the Jalco Pool which states that those storage wells in the Rhodes Unit Area should not be governed by the pool rules. Provided, however that the operator of the storage area submits periodic reports of storage and withdrawal of gas from the unit area.

With particular reference to the Blinebry Pool a study should be made immediately on the withdrawals of gas and oil from this reservoir and a determination made after proper notice and hearing of some volumetric withdrawal formula.

October 30, 1953

20

MEMORANDUM

To: The Oil Conservation Commission

From: W. B. Macey

Subject: Cases 582 through 590: General rules for the prorationing of gas in the Jalco, Langmat, Eumont, Arrow, Amanda, Blinebry, Tubb, Justis and Byers-Queen Gas Pools.

In accordance with Mr. Spurrier's request, following are my recommendations pertaining to the above listed Cases held in Santa Fe, on October 26 through 28. In order to evaluate the basic recommendations the following history of these cases should be observed.

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Rule 1: The recommended provisions of Rule 1 should be changed since they apply solely to a defined gas pool. The rule provides an exception to some of the provisions of statewide Rule 104. The exception however, should only apply to paragraph (a) and paragraph (d) of the Rule 104 since they are solely concerned with gas pools in particular. Also a further provision should be included as sub-paragraph (c) of the Rule to provide as follows:

(c) When the well is located upon a tract of not less than a quarter section of approximately 160 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Survey.

Rule 2: The provisions of this rule should be placed in effect in all nine pools.

Rule 3: An appropriate revision of Rule 3, pertinent to each pool name should be inserted in each set of pool rules.

Rule 4: This provision should be set forth in each set of pool rules.

Rule 5: This Rule and a portion of Rule 8 pertaining to Proration units and the formation of unorthodox gas units should be amended in such a manner to limit the standard proration unit to a legal quarter section of approximately 160 acres and allowing exceptions thereto only after notice and hearing. Exceptions should be limited to only extreme cases where Communitization is impractical because of the prescence of a well which has been producing for considerable length of time, or where acreage is so situated that well locations can be adequately placed so as to insure adequate unit drainage in spite of the unorthodox unit and the correlative rights of everyone are protected. Furthermore, a policy of not approving unorthodox units where another unorthodox unit is formed thereby (thus starting a chain reaction) should be strictly adhered to. It is recognized that this policy which in effect promotes the formation of communitization or pooling agreements will cause some more work on the part of everyone concerned but the inequities which could arise from a large number of unorthodox units far out-weighs the work involved.

Since it is contemplated that the proration period in each pool will start January 1, 1954, it is entirely possible that a great number of Communitization Agreements will be delayed in execution until after the start of the proration period or after the completion of the well. Therefore, it is recommended that each pool order contain a provision outlining a policy which would allow the total acreage formed by the agreement, and thus dedicated to a well, be made retroactive to the first day of the proration period or the first day the well produces, whichever date is the later, provided, that the executed Communitization Agreement is in force and effect on the last day of the proration period.

Rules 6 and 7: The provisions of these rules should be placed into effect in each pool as outlined.

Rule 8: The first sentence of Rule 8 should be included as the last paragraph and the remaining provisions of the rule deleted from all pool rules. This will require the re-numbering of Rules 9 through 15. The reason for the deletion of that portion of Rule 8 is outlined in my remarks under Rule 5.

Rules 9 through 15: The provisions of these rules should be incorporated in each set of pool rules without any changes.

Further Recommendations:

It is further recommended that the Commission place in the hands of all operators, "preliminary" nomination forms so that the Commission may consider the nominations for each of the 9 pools for the first six month period of 1954 at the regular November hearing on November 19th. Instructions should be sent out with the forms stating that the nominations should apply to only those wells which are considered gas wells and which are not on the oil proration schedule.

Initially each purchaser or taker of gas should also include with his nominations the well or wells from which he desires to purchase gas January 1, 1954. This would allow the Commission staff an opportunity to check to see that each well to be listed on the schedule is known beforehand and that the well is not also listed on the oil proration schedule.

In this connection I believe it also advisable to point out that a provision should be inserted in each pool order stating that the Commission will continue to prorate those oil wells which lie within the productive limits of defined gas pools as oil wells pending a complete study and redesignation of some of the oil wells and possibly a re-definition of both oil pools and gas pools. In order to facilitate this study, all operators in all of the producing pools should be required to submit to the Commission an electric log or sample log, if available, on each well producing from the same zone within the defined limits of each gas pool.

It is also recommended that an Order be entered immediately in Case 245 outlining the recommended changes in pool nomenclature as made by the sub-committee in this case at previous hearings. It is also suggested that as soon as this Order is entered, the Hobbs office sent out Form C-123 requesting pool extensions which have not yet been made so that a hearing can be held in December to consider these pool extensions.

Due to the fact that considerable testimony was entered by the Pipeline Companies in the 9 pool cases requesting some form of a deliverability formula it is recommended that the Commission, through its staff, take immediate steps to outline an adequate gas well testing program to govern all gas wells in southeastern New Mexico. In connection with this, the Commission should supply adequate tables and forms in order that any deliverability formula can be properly evaluated after the necessary well tests are performed. In this connection each pool order should contain a provision that well tests in that particular pool should be made in accordance with testing procedure approved by the Commission.

It is also recommended that the Commission carefully consider the advisability of refusing to approve any subsequent dual completions (gas-oil or gas-gas) where the recompletion information shows that the well is not located upon a standard 160 acre proration unit. It should also be noted that some operators might construe approval of a dual to mean also approval of an unorthodox gas unit.

With reference to the Rhodes storage area of the Jalco Pool, a provision should be inserted in the order pertaining to the Jalco Pool which states that those storage wells in the Rhodes Unit Area should not be governed by the pool rules. Provided, however, that the operator of the storage area submits periodic reports of storage and withdrawal of gas from the unit area.

With particular reference to the Blinebry Pool a study should be made immediately on the withdrawals of gas and oil from this reservoir and a determination made after proper notice and hearing of some volumetric withdrawal formula.

October 30, 1953

Case 582
Rehearing

19

Item No. 19

Oct. 30, 1953, Memo.

NEW MEXICO

OIL CONSERVATION COMMISSION

Box 871

Santa Fe, New Mexico

Directive: To all operators in the Eumont, Jalco, Langmat, Blinebry, Tubb, Justis, Arrow, Amanda and Byers-Queen Pools.

Pending issuance of final orders in Cases 582 through 590 pertaining to pool rules for the above listed gas pools all operators should take immediate steps to perform the following, if applicable:

1. All purchasers or takers of gas in the above listed 9 pools should submit nominations on "Preliminary" Nomination Forms. These forms are available at our Hobbs district office (Box 2045, Hobbs, New Mexico). These forms should be mailed to the Santa Fe office (Box 871) of the Commission together with a list of all wells (showing well location) which the nominations cover. It should be noted that only those gas wells which are not on the oil proration schedule should be included in the list and the list should include any wells to which connection is to be made by January 1, 1954.

2. All operators of gas wells in any of the above pools should comply with Rule 11 of Order R-356. In connection with the submission of plats only those plats which contain acreage of 160 acres (a quarter section) will be approved. If an operator contemplates that he will be able to execute a Communitization Agreement by January 1, 1954 then the plat should so state.

3. If an operator contemplates a request for an unorthodox gas unit then immediate steps should be taken to apply to the Commission for such approval so that it can be considered at the regular hearing of this Commission on December 17.

It should be noted that the final orders in these cases can not be issued until the hearing transcripts are received. Therefore, any of the provisions of this directive may be changed. Upon receipt of orders each operator should check to see that they have complied with each provision of the order.

This directive is designed solely to help operators comply with the rules.

October 30, 1953

Case 582
Rehearing

17

Item No. 17

Docket Oct. 15, 1953

DOCKET: REGULAR HEARING OCTOBER 15, 1953

New Mexico Oil Conservation Commission 9 a.m. Mabry Hall, Santa Fe, New Mexico

FIRST: Consideration of the allowable for the month of November 1953.

CONTINUED CASES

CASE 565: Gulf's application to deviate its Lillie No. 2 Well, drilling at a surface location 750' S of N line and 560' E of W line, 23-24S-37E; this directional drilling contemplated because of geologic trends established in obtaining production from its Lillie No. 1 Well 241' to the NW, and to result, if effected, in the well's being bottomed at a point equivalent to a surface location 662.3' S of N line and 329.5' E of W line of Section 23.

CASE 579: Application of the Oil Conservation Commission for an order creating the Falby-Yates Pool and deleting certain areas from the Cooper-Jal and Langlie-Mattix Pools in Lea County. (This case was continued from the September 17 hearing to await results of bottom-hole pressure surveys then in progress.)

NEW CASES

CASE 556: (Re-hearing) Phillips' request for permission to effect an oil-oil dual completion of its Fort No. 1 Well, NE NE 34-14S-37E. Originally heard on July 16, this case was set up for re-hearing upon proper petition from Phillips Petroleum Company and by issuance of Oil Conservation Commission Order R-350-A.

CASE 557: (Re-hearing) Phillips' request for permission to effect an oil-oil dual completion of its Fonzo No. 1 Well, NW NW 35-14S-37E. This case also was first heard on July 16, and is being re-heard on Phillips' petition (Oil Conservation Commission Order R-351-A).

CASE 593: Stanolind's application for dual completion of its State 'E', Tract 17, Well No. 1, SW SE 1-17S-36E. (Oil from Paddock and gas from Queen formation.)

CASE 594: Atlantic Pipe Line Company's application for permission to operate a temporary portable treating plant on its Leach Tank Farm (Hobbs) for processing, treating and reclaiming of approximately 25,000 barrels of basic sediment and water accumulated in tanks thereon, in accordance with Rule 312.

CASE 595: El Paso Natural's application for compulsory unitization of the E/2 of Section 32, Township 31 North, Range 10 West, San Juan County; or, in the alternative, for approval of an unorthodox drilling unit of 240 acres in E/2 of said section.

CASE 596: El Paso Natural's application for compulsory unitization of the E/2 of Section 32, Township 30 North, Range 8 West, San Juan County; or, in the alternative, for approval of an unorthodox drilling unit of 280 acres in E/2 of said section.

CASE 597: El Paso Natural's application for permission to drill an LPG storage well in NE NE 16-15N-17W, McKinley County, after washing out a storage cavity to an approximate depth of 800 feet in the Chinle formation.

CASE 598: Application of Oil Conservation Commission for revision of Rule 104 (b) pertaining in part to well-spacing in San Juan, Rio Arriba, Sandoval and McKinley Counties, and for a revision of Orders R-59, R-46 and R-110 pertaining to spacing of gas wells to be drilled to the Pictured Cliffs and Mesaverde formations.

CASE 599: Southeastern New Mexico nomenclature case, concerned with creation of new pools and extension of existing pools, all in Lea County:

(a) Creation of the East Hobbs-Seven Rivers Oil Pool for Seven Rivers production, described as:

Township 18 S, Range 38 E, NMPM
All Section 25

(b) Extension of Crossroads Pool to include S/2 22-9S-36E.

(c) Extension of Denton-Wolfcamp Pool to include N/2 Sect. 26 and all Sect. 36, Township 14 S, Range 37 E; and E/2 10-15S-37E.

(d) Extension of Lovington-Paddock Pool to include S/2 25-16S-36E.

(e) Extension of Lynch Pool to include E/2 35-20S-34E.

CASE 600: Northwestern New Mexico nomenclature case, providing for extensions of existing pools in San Juan and Rio Arriba Counties:

(a) Extension of Blanco-Mesaverde Pool to include:

Township 29 N, Range 6 W, NMPM
Sections 19 - 36, incl., all

Township 30 N, Range 6 W, NMPM
Sections 23 and 24, all

Township 28 N, Range 6 W, NMPM
Partial Sections 7 - 12, incl., all;
Sections 13 - 18, incl., all

Township 29 N, Range 7 W, NMPM
Sections 20 - 29, incl., all;
Sections 32 - 36, incl., all

(b) Extension of Aztec-Pictured Cliffs Pool to include 3-29N-10W.

(c) Extension of West Kutz-Pictured Cliffs Pool to include N/2 24-28N-13W.

NOTICE

All interested operators are asked to note that by Commission order special gas pool hearings have been scheduled as follows all at 9 a.m., Mabry Hall, Santa Fe:

October 26, 1953	October 27, 1953	October 28, 1953
Jalco	Langmat	Eumont
Tubb	Justis	Arrow
Amanda	Byers-Queen	Blinebry

16

Case 582
Rehearing

Item 16

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 582
Order No. R-368

THE APPLICATION OF THE OIL CONSERVATION COMMISSION ON ITS OWN MOTION FOR AN ORDER ESTABLISHING POOL RULES FOR THE JALCO GAS POOL, LEA COUNTY, NEW MEXICO, SAID RULES BEING CONCERNED WITH WELL SPACING, GAS PRORATION AND ALLOCATION, PRORATION UNITS, POOL DELINEATION AND OTHER RELATED MATTERS INSOFAR AS THEY PERTAIN TO THE GENERAL RULES FOR GAS PRORATION AS SET FORTH IN ORDER NO. R-356 IN CASE 521.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a. m. on September 17, 1953, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 28th day of September, 1953, the Commission, a quorum being present, having considered the statements of interested persons, and the official records of the office and other pertinent data, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given, the Commission has jurisdiction of this cause.

(2) That production records of gas wells producing within the Jalco Gas Pool as heretofore designated, classified and defined, indicate the necessity for proration of gas-well gas for the prevention of waste and the protection of correlative rights.

(3) That Order No. 356, heretofore issued by the Commission, and containing appropriate general rules relative to gas-well spacing, gas proration and gas allocation, appearing to be satisfactorily applicable to the Jalco Gas Pool, should be considered as the special rules and regulations for said pool pending further order of the Commission.

IT IS THEREFORE ORDERED:

That the rules and regulations relating to gas-well spacing, gas proration and gas allocation, as set out in Order R-356, be, and the same hereby are made the special rules and regulations of the Jalco Gas Pool pending further order of the Commission after notice and hearing.

Case No. 582
Order No. R-368

IT IS FURTHER ORDERED:

That all parties interested in said Jalco Pool and the rules therefor be, and they and each of them are hereby ordered to show cause at 9 o'clock a.m. on October 26, 1953, at Santa Fe, New Mexico, why the rules and regulations referred to hereinabove, with any essential amendments, shall not be put into effect as of November 1, 1953.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

E. L. Mechem

EDWIN L. MECHEM, Chairman

E. S. Walker

E. S. WALKER, Member

R. R. Spurrier

R. R. SPURRIER, Member & Secretary

SEAL

4a

EL PASO NATURAL GAS COMPANY
Tenth Floor Bassett Tower
El Paso, Texas

July 6, 1953

Advisory Committee on Gas Proration
New Mexico Oil Conservation Commission Case 521

Gentlemen:

Attached are two (2) copies of the final recommendations on rules for gas proration and gas pool designations as approved at our meeting of June 25, 1953. It is my intention to formally present the recommendations to the New Mexico Oil Conservation Commission at its meeting in Santa Fe on July 16. If the recommendations as written do not correctly reflect the action taken by the Committee on any points, please so advise me not later than July 10 in order that such revisions that are necessary can be made prior to submittal to the Commission.

In an informal discussion between Mr. R. R. Spurrier and Mr. Ben Howell, Mr. Spurrier indicated that if the recommendations are submitted to the Commission at the July meeting, a full discussion of them will be deferred until the August meeting.

As was stated several times at our various meetings, it is understood that although these recommendations are those of the Committee as a whole, the individual member companies are free to take whatever position they choose in any hearings on the subject before the Commission.

As your Chairman, I would like to take this opportunity to thank each member of the Committee for your cooperation, and to particularly thank Messrs. Staley and Stanley for the work which they did in providing a meeting place and taking care of the minutes of the meetings.

Very truly yours,

A. L. HILL

9(a)

GENERAL RULES FOR GAS PRORATION FOR USE IN DEFINED GAS FIELDS LOCATED IN THE FOUR-COUNTY AREA COMPRISED OF LEA, EDDY, CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO RECOMMENDED BY THE ADVISORY COMMITTEE TO THE OIL CONSERVATION COMMISSION OF NEW MEXICO ON CASE 521

I. DEFINITION OF A GAS WELL (Supersedes Statewide Definition 24)
GAS WELL shall mean a well producing gas or natural gas from a common source of gas supply from a gas pool determined by the Commission.

II. WELL SPACING; ACREAGE REQUIREMENTS FOR DRILLING TRACTS

A. (Supersedes Statewide Rule 104 (f))
The Secretary of the Commission shall have authority to grant an exception to the requirements of Statewide Rule 104, Sections (a), (b), (c), and (d), without notice and hearing where application has been filed in due form, and,

1. The necessity for the unorthodox location is based on topographical conditions, or is occasioned by the recompletion of a well previously drilled to another horizon, and,

2. (a) The ownership of all oil and gas leases within a radius of 660 feet of the proposed location is common with the ownership of the oil and gas leases under the proposed location, or,

(b) All owners of oil and gas leases within such radius consent in writing to the proposed location.

B. (Supersedes Statewide Rule 104 (k)
The provisions of Statewide Rule 104, Paragraph (k), shall not apply to gas pools located in Lea, Eddy, Chaves and Roosevelt Counties, New Mexico.

III. OIL PRODUCTION FROM DEFINED GAS POOLS
In a gas pool, as defined by the Oil Conservation Commission, each proration unit containing a well producing in excess of five barrels of crude oil per day shall be permitted to produce an oil allowable calculated by dividing the gas allowable as assigned to a gas well on the same unit size as said well by the gas-oil ration of said well. The maximum oil allowable which may be assigned said well shall be the top unit oil allowable as determined by Statewide Rule 505 unless, after hearing, the Commission shall amend this rule as it applies to a particular pool in order to prevent waste.

IV. GAS PRORATION (Supersedes Statewide Rule 602)

A. At such time as the Commission determines that allocation of gas production from gas wells producing from any pool in this four-county area is necessary to prevent waste or to protect correlative rights, the Commission, after notice and hearing, shall consider the nominations of gas

purchasers from such gas pool and other relevant data, and shall fix the allowable production of such pool, and shall allocate production of such pool, and shall allocate production among the gas wells in such pool upon a reasonable basis with due regard for correlative rights. Unless special pool rules are adopted as provided in B. below, the general rules of this section shall apply to each gas pool allocated under these rules.

B. After notice and hearing, the Commission, in order to protect correlative rights, or prevent waste, or both, may promulgate special rules, regulations or orders pertaining to any gas pool.

C. The term "gas purchaser" as used in these rules, shall mean any "taker" of gas at the wellhead and it shall be the responsibility of said "taker" to submit a nomination.

V. PRORATION UNITS

For the purpose of gas allocation in the absence of special pool rules, a standard proration unit shall consist of between 158 and 162 contiguous surface acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys, provided, however, that a gas proration unit other than a legal quarter section may be formed after notice and hearing by the Commission, or after the Commission has been furnished waivers from all offsetting operators, if all acreage is contiguous and does not contain more than four legal quarter-quarter sections and/or lots. Any allocation unit containing less than 158 acres or more than 162 acres shall be a non-standard unit and its allowable shall be decreased or increased to that proportion of the standard unit allowable that the number of acres contained therein bears to 160 acres.

VI. GAS ALLOCATION (Supersedes Statewide Rule 602)

A. At least 30 days prior to the beginning of each gas proration period the Commission shall hold a hearing after due notice has been issued. The Commission shall cause to be submitted by each gas purchaser its nominations of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period by months from each gas pool from which it purchases gas. The Commission shall consider nominations of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period.

B. The Commission shall cause to be submitted each month supplemental nominations from purchasers of gas in like manner as the nominations described above, setting out changes, if any, which should be made due to fluctuations of market demand. The Commission shall hold a public hearing between the 15th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month. The Commission shall include in the

proration schedule the gas wells in the pool delivering to a gas transportation facility, and shall include in the proration schedule of such pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well. The total allowable to be allocated to the pool shall be determined by the Commission in the following manner: The total allowable for a month shall be equal to the total market demand for that month plus the amount of any overproduction, or less the amount of any underproduction during the second preceding month.

C. The allocation to a pool remaining after subtracting the capacities of marginal units shall be divided and allocated ratably among the non-marginal units in the amount that the acreage contained in each unit bears to the total acreage alloted to such non-marginal units; provided that for this purpose standard units shall be as defined in Rule V above. More than one proration unit or fractional parts thereof may be assigned to a gas well and the allowables assigned said well may be increased proportionately provided that:

1. No more than 640 acres shall be assigned to any one well,

2. All acreage in such units may reasonably be presumed to be productive of gas,

3. The multiple unit so formed shall not have an overall length or width exceeding 5,280 feet.

4. The well to which such additional units are assigned shall be located not closer to any boundary of such pooled units that the distance represented by 25% of the length of the longer of the two boundaries of said pooled unit which are adjacent to said first-mentioned boundary; provided further, that where three proration units are pooled the well shall not be located more than 1,320 feet from the nearest boundary of any unit so pooled, and,

5. Exceptions to the provisions of this rule may be granted by the Commission after notice and hearing or after the Commission has been furnished waivers by all offsetting operators.

VII. BALANCING OF PRODUCTION (Supersedes Statewide Rule 604)

A. Underproduction

The dates 7:00 A.M. January 1 and 7:00 A.M. July 1 shall be known as balancing dates and the periods of time bounded by these dates shall be known as gas proration periods. The amount of current gas allowable remaining unproduced at the end of each proration period shall be carried forward to and may be produced during the next succeeding proration period in addition to the normal gas allowable for such succeeding period; but whatever amount thereof is not made up within the first succeeding proration period shall be cancelled. If, at the end of the first succeeding proration period, a greater amount of allowable remains unproduced than was carried forward as underproduction, the amount carried forward to

the second succeeding period shall be the total underproduction less the amount carried forward to the first succeeding period.

If it appears that such continued underproduction has resulted from inability of the well to produce its allowable, it may be classified as a marginal well and its allowable reduced to the well's ability to produce.

B. OVERPRODUCTION

A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If, at the end of the first succeeding proration period, the well is still overproduced, it shall be shut in and its current monthly allowable charged against said overproduction until the well is in balance. If, at any time, a well is overproduced an amount equaling six times its current monthly allowable, it shall be shut in until it is in balance.

The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut in upon a showing at public hearing after due notice that complete shut-in of the well would result in material damage to the well.

VIII. GRANTING OF ALLOWABLES

A. No gas well shall be given an allowable until Form C-104 has been filed together with a plat showing.

1. Acreage attributed to said well,

2. The locations of all wells on the lease and the immediately surrounding leases producing from the same reservoir, and,

3. The lease ownership of said leases.

B. Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility or the date of filing of Form C-104 and plat described above, whichever date is the later.

IX. REPORTING OF PRODUCTION

The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be submitted to the Commission so as to reach the Commission on or before the twenty-fifty 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 gas produced. The full production of gas from each well shall be charged against the well's allowable regardless of what disposition has been made of the gas.

New Mexico Oil & Gas Engineering Committee
July 9, 1953
Hobbs, New Mexico

REVISIONS AND ADDITIONS TO ORDER NUMBER R-264 IN CASE 245 DESIGNATING, NAMING, DEFINING AND EXTENDING THE GAS POOLS OF LEA, EDDY AND CHAVES COUNTIES NEW MEXICO RECOMMENDED BY THE ADVISORY COMMITTEE TO THE OIL CONSERVATION COMMISSION OF NEW MEXICO ON CASE 521

1. It is recommended that the Jalco Gas Pool be extended to include all of sections 15, 16, 17, 20, 21, 22, 27, 28; the E/2 of Section 29; E/2 of Section 32; and all of Sections 33 and 34; all in Township 26 South, Range 37 East.
It is pointed out that the El Paso Natural Gas Company's Rhodes Unit (Storage) Area is located within the boundaries of the Jalco Gas Pool and production of gas from that area should not be restricted or affected by Jalco Gas Pool rules so long as the cumulative total input gas exceeds cumulative total withdrawals and, in addition, that during such period, Jalco Gas Pool rules apply to the storage area only subject to the Unit Agreements and Rule No. 405.

2. It is recommended that the vertical limits designated in III (2) of Order No. R-264, "That the producing formation in the Eumont Gas Pool shall extend from the top of the Yates formation to a point 200 feet below the top of the Queen formation thereby including all of the Seven Rivers formation", be amended to read as follows: That the producing formation in the Eumont Gas Pool shall extend from the top of the Yates formation to the top of the Grayburg formation thereby including all of the Yates, Seven-Rivers, and Queen formations.

3. It is recommended that, whereas geologic evidence establishes that the present Terry-Blinebry Pool and the Blinebry Gas Pool are a common reservoir, the Blinebry Gas Pool be extended to include productive acreage presently included in the Terry-Blinebry Pool and other acreage indicated productive by development to wit: All of Sections 1, 2, 3; E/2 of Section 4; E/2 of Section 9; N/2 of Section 10; N/2 of Section 11; all of Section 12, 13, 24, and 25; all in Township 21 South, Range 37 East, and that the designation Terry-Blinebry Pool be discontinued.

4. It is recommended that, inasmuch as the Blinebry Gas Pool, as recommended in 5 above, contains low ratio oil wells as well as condensate and gas wells, special rules for allocation be adopted.

5. It is recommended that the producing formation in the Blinebry Gas Pool shall be defined as that part of the Yeso formation included from the base of the upper Yeso sandy section which occurs at an average depth of 450 ft. below the Glorieta formation and which is the stratigraphic equivalent of the Clear Fork formation of West Texas to the top of the Drinkard sandy member or Tubb Sand.

6. It is recommended that the Justis Gas Pool for production from the Glorieta formation be designated as recommended by Gulf Oil Corporation in the Gas Pool Delineation Study of Southeastern Lea County, New Mexico.
The vertical limit is suggested as the 200 feet immediately below the Glorieta datum. The horizontal limits include the SE/4 of Section 1; SE/4 of Section 2; E/2 of Section 11; W/2 of Section 12; W/2 of Section 13; E/2 of Section 14; E/2 of Section 23; W/2 of Section 24; all in Township 25 South, Range 37 East.

7. It is recommended that for wells presently or subsequently completed as gas producers outside the boundaries of defined gas pools the burden for having same included in gas pools should be placed on the Operator as outlined in Rule 1122.

Note:

In reviewing designated gas pools, the subcommittee recognized the fact that within the area of designated gas pools and adjacent areas, there are a number of gas wells which are producing from the gas caps of oil reservoirs and subject to the oil proration rules pertaining thereto; and, therefore, that these wells will not be subject to the rules pertaining to gas pools.

New Mexico Oil & Gas Engineering Committee
July 9, 1953
Hobbs, New Mexico

Case 582

8

Item No. 8

Docket July 16, 1953

DOCKET: REGULAR HEARING JULY 16, 1953

New Mexico Oil Conservation Commission — 9 a.m. Mabry Hall, Santa Fe, N. M.

FIRST: Consideration of the statewide allowable for the month of August 1953.

CONTINUATIONS

CASE 521: (Consolidated with Case 245) These two cases concerning the denomination of gas pools in southeastern New Mexico and the proration of natural gas in the area have been under study of an industry advisory committee and have been successively continued awaiting completion of reports.

CASE 532: (Readvertised) This case has been enlarged in scope to permit consideration not only of Rule 502 pertaining to rate of producing wells and establishment of daily and monthly tolerances, but also of Rule 503 pertaining to production authorization, the matter of back allowables, etc. An industry committee has been appointed to make a study of principles involved in the case, with Wilson Oil Company as chairman.

NEW CASES

CASE 555: Application of Lowry et al Operating Account for approval of a pilot pressure maintenance program by water injection in one or both of two wells, said injection wells located in SW SW 3-26N-6W and NE NW 10-26N-6W, in the South Blanco-Tocito Pool, Rio Arriba County.

CASE 556: Phillips Petroleum Company's application for dual completion of its Fort Well No. 1, NE NE 34-14S-37E (Denton Pool) to permit production of oil from the Devonian formation (presently producing) and oil from the Wolfcamp formation after further perforation.

CASE 557: Phillips Petroleum Company's application for dual completion of its Fonzo Well No. 1, NW NW 35-14S-37E (Denton Pool) to permit production of oil from the Devonian formation (presently producing), and oil from the Wolfcamp formation after further perforation.

CASE 558: Phillips Petroleum Company's application for dual completion of its Denton Well No. 12, SW NW 11-15S-37E (Denton Pool) to permit production of oil from the Devonian formation (presently producing), and oil from the Wolfca np formation after further perforation.

CASE 559: Phillips Petroleum Company's application for dual completion of its Denton Well No. 13, NW NW 11-15S-37E (Denton Pool) to permit production of oil from the Devonian formation (presently producing), and oil from the Wolfcamp formation after further perforation.

CASE 560: Northwestern New Mexico nomenclature case, involving creations of new pools and extensions of existing pools, as described:

(a) Creation of Huerfano-Dakota Pool in San Juan County, to include S/2 Section 13, SE/4 Section 14, E/2 Section 23 and all Section 24 in Township 26 N, Range 10 W.

(b) Creation of Companero-Dakota Pool in Rio Arriba County, to include W/2 Section 3, all Section 4, N/2 Section 9 and NW/4 Section 10 in Township 27 N, Range 5 W.

(c) Creation of Blanco-Dakota Pool in San Juan County, to include all Section 27, E/2 Section 28, NE/4 Section 33 and N/2 Section 34 in Township 31 N, Range 10 W.

(d) Creation of West Kutz-Dakota Pool in San Juan County, to include E/2 Section 21, all Section 22, N/2 Section 27 and NE/4 Section 28 in Township 28 N, Range 12 W.

(e) Creation of South Blanco-Dakota Pool in Rio Arriba County, to include S/2 Section 9, SW/4 Section 10, W/2 Section 15 and all Section 16 in Township 26 N, Range 6 W.

(f) Extension of Fulcher-Kutz - Pictured Cliffs Pool in San Juan County to include W/2 Section 18, Township 27 N, Range 8 W.

(g) Extension of West Kutz-Pictured Cliffs Pool in San Juan County to include E/2 Section 32, Township 27 N, Range 10 W.

(h) Extension of the Angels Peak Pool in San Juan County to include E/2 Section 9, NW/4 and S/2 Section 10, all Section 15, E/2 Section 16, all Section 22, W/2 Section 23, NW/4 Section 26 and N/2 Section 27 in Township 27 N, Range 10 W.

CASE 561: Southeastern New Mexico nomenclature case, involving extensions of Lea and Eddy County Pools, as described:

(a) Extension of East Caprock-Devonian Pool in Lea County to include N/2 Section 2, Township 12 S, Range 32 E.

(b) Extension of Crossroads-Pennsylvanian Pool in Lea County to include E/2 Section 19, Township 9 S, Range 36 E.

(c) Extension of Dollarhide-Drinkard Pool in Lea County to include that portion of the N/2 of Section 4 that lies within New Mexico, as well as N/2 Section 5 in Township 25 S, Range 38 E.

(d) Extension of Dollarhide-Queen Pool in Lea County to include S/2 Section 30, Township 24 S, Range 38 E.

(e) Extension of Eidson-Pennsylvanian Pool in Lea County to include SE/4 Section 7, SW/4 Section 8, NW/4 Section 17 in Township 16 S, Range 35 E.

(f) Extension of East Hobbs-San Andres Pool in Lea County to include all Section 30, Township 18 S, Range 39 E.

(g) Extension of Monument-Blinebry Pool in Lea County to include NE/4 Section 7, NW/4 Section 8 in Township 20 S, Range 37 E.

(h) Extension of Empire Pool in Eddy County to include SE/4 Section 19, E/2 Section 30 in Township 17 S, Range 28 E.

7

Case 582
Rehearing

Item No. 7

Docket June 16, 1953

DOCKET: REGULAR HEARING JUNE 16, 1953

New Mexico Oil Conservation Commission - 9 a.m., Mabry Hall, Santa Fe, N. M.

RECEIVED
JUN 10 3 PM 1953
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

FIRST: Consideration of allowable testimony for the month of July 1953.

CONTINUATIONS

CASE 377: Under terms of Order R-172 the Commission requested that Benson & Montin appear at this hearing to show cause why a 160-acre spacing pattern should not be instituted for Pictured Cliffs wells in the Gallegos Unit Area, San Juan County, New Mexico, to supersede the 320-acre spacing granted for a one-year period after original hearing.

CASE 407: The Commission's motion for extension of Section 'G' (Oil Proration and Allocation) to provide for addition of Rule 508, Establishment of Temporary 80-acre Proration Units.

CASE 497: (Readvertised) Skelly Oil Company's application for approval to drill directionally its Mexico 'T' Well No. 1, SE SE NE 2-12S-32E, for geologic reasons, the well-bore to be deviated to the northwest to an approximate position equivalent to a surface location of 550' from S and W lines of SE/4 NE/4 of Section 2.

CASE 521: (Consolidated with Case 245) These two cases concerning the denomination of gas pools in southeastern New Mexico and the proration of natural gas in the area have been under study of an industry advisory committee and have been continued awaiting completion of reports.

CASE 532: Application of Commission on its own motion for an order revising Rule 502 of the Rules and Regulations pertaining to the rate of producing wells and establishment of a daily and monthly tolerance.

NEW CASES

CASE 542: Application of W. P. Carr for approval of two unorthodox drilling units in NW/4 10-30N-11W and NE/4 9-30N-11W in exception to Rule 104 (d) of the Rules and Regulations, both units being less than 160 acres in extent.

CASE 545: Sinclair Oil & Gas Company's application for exception to Rule 309 to permit use of common tank storage for oil produced from certain portions of State Leases B-10209, B-10137 and E-6931, all in Township 13 S., Range 33 E, Lea County.

CASE 546: Sinclair's application for exception to Rule 309 to permit use of common tank storage for oil produced from certain portions of State Leases B-10209 and B-10137, as advertised, both in Township 13 S, Range 33 E., Lea County,

CASE 547: Application of F. B. Umbarger for exception to Rule 104 (d) relating to acreage requirements for drilling tract in SE/4 Section 16, Township 29 N,

Range 11 W, NMPM, San Juan County, New Mexico.

CASE 548: Nomenclature case for southeastern New Mexico, providing for extensions as follows:

(a) Denton-Wolfcamp Pool to include S/2 Sect. 26 and N/2 Sect. 35, Township 14 S, Range 37 E.

(b) Gladiola-Wolfcamp Pool to include SW/4 Sect. 18, Township 12 S, Range 38 E.

(c) Hare Pool to include Lots 9, 10, 15 and 16 of Sect. 2, Township 21 S, Range 37 E.

(d) South Leonard Pool to include SE/4 Sect. 14, Township 26 S, R. 37 E.

(e) Lovington-Paddock Pool to include all Sect. 32, W/2 Sect. 33, Township 16 S, Range 37 E.

(f) Skaggs Pool to include E/2 Sect. 11 and E/2 Sect. 14, Township 20 S, Range 37 E.

(g) North Warren-McKee Pool to include W/2 Sect. 7, Township 20 S, Range 38 E.

CASE 549: Nomenclature case for northwestern New Mexico, providing for extensions and consolidations as follows:

(a) Extension of Blanco-Mesaverde Pool to include:

All Sects. 17 and 18, Township 29 N, Range 5 W;
all Sects. 9, 10, 11, 13, 14, 15 and 16, Township 29 N, Range 6 W;
all Sects. 8, 9 and 16, Township 30 N, Range 6 W;
all Sects. 21, 22, 23 and 24, Township 31 N, Range 8 W;
all Sect. 7, Township 31 N, Range 9 W

(b) Extension of Aztec-Pictured Cliffs Pool to include:

All Sect. 20, Township 30 N, Range 11 W.

(c) Consolidation of Dogie Canyon-Pictured Cliffs Pool with South-Blanco-Pictured Cliffs Pool, the resulting combination to be termed the South Blanco-Pictured Cliffs Pool, and extension of same to include the following areas:

S/2 Sect. 9, S/2 Sect. 10, N/2 Sect. 16,
N/2 Sect. 17 in Township 26 N., Range 7 W;

S/2 Sect. 21, S/2 Sect. 22, N/2 Sect. 27,
N/2 Sect. 28 in Township 27 N, Range 8 W.

CASE 550: Application of F. B. Umbarger for exception to Rule 104 (d) relating to acreage requirements for drilling tract in NE/4 Sect. 26, Township 30 North, Range 12 West, NMPM, San Juan County, New Mexico.

Case 582:

Item No. 6

(Docket May 19, 1953)

File - June Allowable

DOCKET: REGULAR HEARING MAY 19, 1953

New Mexico Oil Conservation Commission 9 a.m., Mabry Hall, Santa Fe, N.M.

FIRST: A consideration of the allowable for the month of June 1953.

CONTINUATIONS

CASE 245: (Consolidated) These two cases concerning the denomination of gas pools
CASE 521 in southeastern New Mexico and the proration of natural gas in the area were consolidated for hearing purposes on April 16, then continued to May 19 in order that reports might be completed by the advisory committee which was appointed to make recommendations to the Commission.

CASE 249: Application of the Commission on its own motion for an order directed to Bagley-Siluro-Devonian Pool operators to show cause why pool shall not be placed on a 40-acre spacing pattern with allowable adjustment. When the case was postponed last month, Order R-69-B (interlocutory) was issued to cover the interim period until regular order can be written.

NEW CASES

CASE 532: Application of Commission on its own motion for order revising Rule 502 of the Commission's Rules and Regulations pertaining to the rate of producing wells and establishment of a daily and monthly tolerance.

CASE 533: Application of Commission on its own motion for an order revising Rule 302 of the Rules and Regulations, and providing for the adoption of Form C-124 and Rule 1123 pertaining to the filing of results of bottom-hole pressure tests.

CASE 534: Application of the Commission on its own motion for an order revising Rule 402 of the Rules and Regulations, and providing for the adoption of Form C-125 and Rule 1124 pertaining to the filing of results of shut-in pressure tests on gas wells.

CASE 535: Dalport Oil Corporation's application for dual completion of its E. C. Winters C-1 Well, 1980' from the south and east lines of Section 7, Township 25 S, Range 37 E, NMPM, Lea County, to permit production of oil from Queen formation (Langlie-Mattix Pool) and gas from Yates formation (Jalco Gas Pool).

CASE 536: Application of Hondo Drilling Company and T. J. Sivley for an order permitting the drilling of three unorthodox locations, the proposed wells being:

(1) Miller No. 2, NW/4 SW/4 Section 23;
(2) Miller No. 3, SW/4 SE/4 Section 22; and
(3) Aid No. 2, SE/4 SE/4 Section 22

all of which are in Township 19 South, Range 33 East, Lea County (Tonto Pool).

CASE 537: Application of Lowry et al Operating Account for order establishing pool rules for the Pettigrew-Tocito Pool, Rio Arriba County, New Mexico, with attention to spacing regulations, the fixing of gas-oil ratios, establishment of a casing program, and related matters.

CASE 538: Northwestern New Mexico nomenclature case, calling for extensions as follows:

(a) Blanco-Mesaverde Pool boundary to include all Sects. 17, 25, 26, 35 and 36 in Township 30 N, Range 6 W, (Rio Arriba County).

(b) Fulcher-Kutz Pool boundary to include all Section 5 in Township 29 N, Range 11 W, (San Juan County).

(c) West Kutz-Pictured Cliffs Pool to include all partial Section 11, N/2 Section 4 in Township 28 N, Range 13 W, (San Juan County.)

(d) Aztec-Pictured Cliffs Pool to include W/2 Section 21 in Township 30 N, Range 11 W, (San Juan County).

CASE 539: Southeastern New Mexico nomenclature case, providing for the following:

(a) Creation of Anderson Ranch-Devonian Pool in Lea County, described as:

Township 16 S, Range 32 E, NMPM
Section 1: SW/4
Section 2: S/2
Section 11: All
Section 12: W/2
Section 13: W/2 NW/4
Section 14: N/2

(b) Creation of Bronco-Siluro-Devonian Pool in Lea County, described as:

Township 13 S, Range 38 E, NMPM
All Sects. 11 and 14

(c) Creation of White Ranch-Siluro-Devonian Pool in Chaves County, described as:

Township 11 S, Range 29 E, NMPM
All Sects. 27, 28, 33 and 34

(d) Extension of West Dollarhide-Drinkard Pool boundary to include all Section 30 in Township 24 S, Range 38 E, (Lea County).

(e) Extension of West Dollarhide-Queen Pool boundary to include N/2 Section 32 in Township 24 S, Range 38 E, (Lea County).

(f) Extension of East Lovington-Pennsylvanian Pool boundary to include all Section 19 in Township 16 S, Range 37 E, (Lea County).

(g) Extension of Moore-Devonian Pool boundary to include S/2 Sect. 14 in Township 11 S, Range 32 E, (Lea County).

(h) Extension of Saunders Pool boundary to include SW/4 Section 4 in Township 15 S, Range 33 E, (Lea County).

(i) Changing of following pool names:

West Dollarhide to Dollarhide-Ellenburger;
West Dollarhide-Devonian to Dollarhide-Devonian;
West Dollarhide-Drinkard to Dollarhide-Drinkard;
West Dollarhide-Fusselman to Dollarhide-Fusselman;
West Dollarhide-Queen to Dollarhide-Queen.

CASE 540: Application of El Paso Natural Gas Company for approval of San Juan 27-5 Unit Agreement embracing 23,043.99 acres of land, more or less, in Rio Arriba County, as described:

NEW MEXICO PRINCIPAL MERIDIAN

Township 27 North, Range 5 West
Sects. 1-36, incl.: All

Case 582
Rehearing

Item No. 5

Docket April 16, 1953

DOCKET: REGULAR HEARING APRIL 16, 1953

New Mexico Oil Conservation Commission - - - 9 a.m., Mabry Hall, Santa Fe, N.M.

FIRST: Consideration of the allowable for the month of May 1953.

CONTINUATIONS

CASE 245: Under terms of Order R-264 which denominated gas pools in Southeastern New Mexico, further testimony will be received for the extension of existing pools or the creation of new pools.

CASE 249: Application of Commission upon its own motion for an order directed to the operators in the Bagley-Siluro-Devonian Pool to show cause why pool shall not be placed on a 40-acre spacing pattern with allowable adjustment (in conformance with provisions of Order R-69-A).

CASE 407: The Commission's motion for extension of Section G (Oil Proration and Allocation) to provide for addition of Rule 508, Establishment of Temporary 80-Acre Proration Units.

CASE 497: Skelly's application for permission to drill directionally its Mexico T-1 Well, SE SE 2-12S-32E, NMPM, said well-bore to be deviated to the west to a position equivalent to a surface location of 550' from S and E lines of Section 2 through methods of controlled directional drilling.

CASE 521: Application of the Commission on its own motion for order establishing means and methods for the proration of natural gas in Lea, Eddy, Chaves and Roosevelt Counties. This case was continued in expectation of report of advisory committee which was appointed at March 17 hearing.

CASE 522: Application of Commission on its own motion for order amending Rule 112 to provide for approval of dual completion by the Secretary when it is a gas-oil dual; for revision of Definition 34 pertaining to Multiple Completions; and for a separate rule covering completion of Bradenhead gas wells (this being a revision of Section C, Rule 112). This case was amended and readvertised after its introduction in March 17 hearing.

NEW CASES

CASE 526: Western Natural Gas Company's application for permission to dually complete its Combest 1-X Well, SE NE 35-23S-36E, to permit production of oil from Seven Rivers-Queen formation (Cooper-Jal Pool), and gas from Yates formation (Langmat Gas Pool).

CASE 527: Continental Oil Company's application for permission to dually complete its Lockhart A-27 No. 5 Well NE NE 27-21S-37E, to permit production of oil from Drinkard formation (Drinkard Pool) and gas from Blinebry formation (Blinebry Gas Pool).

CASE 528: Continental Oil Company's application for permission to dually complete its Lockhart A-27 No. 7 Well, NW NW 27-21S-37E, to permit production of oil from Drinkard formation (Drinkard Pool) and gas from Blinebry formation (Blinebry Gas Pool).

CASE 529: Application of Commission on its own motion for order revising Rules 401, 402 and 1121 to provide for gas well testing procedure for gas wells completed in San Juan, Rio Arriba and McKinley Counties, New Mexico, and providing for a Form C-122-A for reporting results of such tests.

CASE 530: Nomenclature case, Northwestern New Mexico:

(a) Changing name of Dogie Canyon-Pictured Cliffs Pool to Erkan-Pictured Cliffs Pool, and extending same to include N/2 Section 26, Township 26 N, Range 6 W.

(b) Changing name of Pettigrew-Tocito Pool to Erkan-Tocito Pool.

(c) Extending Aztec-Pictured Cliffs Pool to include:
All Section 2, N/2 Section 11, T. 29 N, R. 11 W;
E/2 Section 21, T. 30 N, R. 11 W.

(d) Extending Blanco-Mesaverde Pool to include all Sections 2, 3, and 4, T. 29 N, R. 6 W.

CASE 531: Nomenclature case, Southeastern New Mexico:

(a) Creating a new pool in Lea County, classified as an oil pool for Wolfcamp production, designated East Caprock-Wolfcamp Pool, and described as:

Township 12 S, Range 32 E, NMPM
All Sections 1, 2, 11, 12, 13, 14, 23 & 24

(b) Creating a new pool in Lea County, classified as an oil pool for Pennsylvanian production, designated as West Lovington-Pennsylvanian Pool, and described as:

Township 16 S, Range 36 E, NMPM
All Sections 19, 20, 29 and 30

(c) Extending Denton-Wolfcamp Pool boundary to include S/2 Section 27, all Section 34, T. 14 S, R. 37 E.

(d) Extending Lazy 'J' Pool boundary to include E/2 Section 28, T. 13 S, R. 33 E.

(e) Extending Terry-Blinebry Pool boundary to include Lots 5, 6, 11 and 12 of Section 1; Lots 6, 7, 8, 9, 10, 15 and 16 of Section 2, in T. 21 S, R. 37 E.

Case 582
Rehearing

Item No. 3

Docket - March 17, 1953

D O C K E T

Resume of cases to be heard before the New Mexico Oil Conservation Commission at the regular hearing scheduled for 9 a. m. March 17, 1953, at Mabry Hall, State Capitol, Santa Fe, New Mexico.

FIRST: A consideration of the allowable for the month of April 1953.

CASE 494: Application of Cities Production Corporation authorizing the commingling in a common tank battery of oil produced from its State "AE" and "AH" Leases, Lovington-Abo Pool, Lea County, New Mexico, this being done as an exception to Rule 309 of the Oil Conservation Commission's Rules and Regulations.

CASE 495: Application of Cities Service Oil Company authorizing the commingling in a common tank battery of oil produced from its State "AC" and "AG" Leases in the Saunders Pool, Lea County, this being done as an exception to Rule 309 of the Commission's Rules and Regulations.

CASE 496: Application of J. Glenn Turner for an exception to Order No. 799 (as amended by order R-110) of the Commission's Rules and Regulations to permit the drilling of a Mesaverde test on a tract of 230.24 acres, more or less, said lease embracing Lots 1, 2, 3 and 4, and W/2 E/2, Sect. 36, Twp. 30 North, Range 6 West, Rio Arriba County.

CASE 497: Application of Skelly Oil Company granting permission to directionally drill its Mexico "T" Well No. 1, SE SE, Sect. 2, Twp. 12 S, Rge. 32 E, for reasons of geologic implication; said well-bore to be deviated to the west to a position equivalent to a surface location of 550' from the South and East lines of Section 2, through methods of controlled directional drilling.

CASE 498: Application of El Paso Natural Gas Company for approval of the San Juan 32-9 Unit Area embracing 34,654.41 acres, more or less in Twps. 31 and 32 North, Rges. 9 and 10 West, San Juan County.

CASE 499: Application of Texas Pacific Coal and Oil Company for approval of the Southeast Caprock Unit Agreement embracing 2,240 acres, more or less in Twp. 13 South, Rge. 32 East, Lea County.

CASE 500: Application of Continental Oil Company for approval of the East Texas Hill Unit Agreement embracing 26,921.78 acres, more or less, Twps. 21 and 22 South, Rges. 21 and 22 East, Eddy County.

CASE 501: Continental Oil Company's application for permission to dually complete (gas-oil) its A. E. Meyer B-4 Well No. 7, NW SE, 4-21S-36E, Eunice-Monument Pool, Lea County.

CASE 502: Continental Oil Company's application for permission to dually complete (gas-oil) its A. E. Meyer A-8 Well No. 3, SW SW, 8-21S-36E, Eunice-Monument Pool, Lea County.

CASE 503: Continental Oil Company's application for permission to dually complete (gas-oil) its A. E. Meyer B-9 Well No. 1, NE SW, 9-21S-36E, Eunice-Monument Pool, Lea County.

CASE 504: Continental Oil Company's application for permission to dually complete (gas-oil) its A. E. Meyer A-17 No. 4 Well, NE SW, 17-21S-36E, Eunice-Monument Pool, Lea County.

CASE 505: Continental Oil Company's application for permission to dually complete (gas-oil) its A. E. Meyer B-8 Well No. 4, NW NW, 8-21S-37E, Eunice-Monument Pool, Lea County.

CASE 506: Amerada Petroleum Corporation's application for permission to dually complete (gas-oil) its State "LMT" Well No. 5, NE NE, 36-23S-36E, Langlie-Mattix Pool, Lea County.

CASE 507: Amerada Petroleum Corporation's application for permission to dually complete (gas-oil) its State "JA" Well No. 2, SW NW, 27-26S-37E, Rhodes Pool, Lea County.

CASE 508: Amerada Petroleum Corporation's application for permission to dually complete (gas-oil) its Weir Well No. 4, SE NW, 35-19S-36E, Eunice-Monument Pool, Lea County.

CASE 509: Amerada Petroleum Corporation's application for permission to dually complete (gas-oil) its Laughlin Well No. 1, NW NW, 20-20S-37E, Eunice-Monument Pool, Lea County.

CASE 510: Amerada Petroleum Corporation's application for permission to dually complete (gas-oil) its Byrd Well No. 1, NW NE, 12-20S-36E, Eunice-Monument Pool, Lea County.

CASE 511: Amerada Petroleum Corporation's application for permission to dually complete (gas-oil) its State "V" Well No. 3, SE NE, 36-19S-36E, Eunice-Monument Pool, Lea County.

CASE 512: Amerada Petroleum Corporation's application for permission to dually complete (gas-oil) its State "U" Well No. 1, SW NW, 32-19S-37E, Eunice-Monument Pool, Lea County.

CASE 513: Amerada Petroleum Corporation's application for permission to dually complete (gas-oil) its State "P" Well No. 2, SW SW, 29-19S-37E, Eunice-Monument Pool, Lea County.

CASE 514: Amerada Petroleum Corporation's application for permission to dually complete (gas-oil) its State "O" Well No. 1, NW NE, 30-19S-37E, Eunice-Monument Pool, Lea County.

CASE 515: Amerada Petroleum Corporation's application for permission to dually complete (gas-oil) its State "DA" Well No. 4, NE SE, 16-21S-37E, Drinkard Pool, Lea County.

CASE 516: Amerada Petroleum Corporation's application for permission to dually complete (gas-oil) its J. A. Stuart Well No. 2, SW NW, 14-25S-37E, Langlie-Mattix Pool, Lea County.

CASE 517: Western Natural Gas Company's application for permission to dually complete (gas-oil) its Lankford Well No. 1, NE NW, 25-23S-36E, Langlie-Mattix Oil Pool and Langmat Gas Pool, Lea County.

CASE 518: Tide Water Associated Oil Company's application for permission to dually complete its State "S" Well No. 2, NE NW, 15-21S-37E, Lea County to permit production of oil or gas from the Tubb zone and gas from the Blinebry.

CASE 519: Sinclair Oil and Gas Company's application for permission to dually complete (gas-oil) its Ollie Boyd Well No. 4, SE NW, 23-22S-37E, Drinkard Pool, Lea County.

CASE 520: Application of Culbertson & Irwin, Inc., for approval of an unorthodox location for its Vosburg Well No. 2, said location being 295 feet North of the South line and 991.4 feet west of the east line of 18-25S-37E, Langlie-Mattix, Lea County.

CASE 521: Application of the Oil Conservation Commission upon its own motion for an order establishing means and methods for the proration of natural gas in Lea, Eddy, Chaves and Roosevelt Counties.

CASE 522: Application of the Oil Conservation Commission upon its own motion for an order amending Rule 112 of Order No. 850 to provide for the approval of multiple-zone completions by the Secretary of the Commission where the multiple-zone completion is a completion involving the production of oil and the production of gas from a gas-producing zone in a defined gas pool.

CASE 523: Application of the Oil Conservation Commission upon its own motion for an order revising rule 701 of the Oil Conservation Commission's Rules and Regulations to allow the Secretary of the Commission to approve the drilling of LPG storage wells provided certain conditions are met by the operator.

CASE 524: Southeastern New Mexico nomenclature case, involving creation of new pools or extensions or the deletion of existing pools, as follows:

(a) Extension of Skaggs Pool to include S/2 Section 12, T. 20 S, R. 37 E.

(b) Extension of East Lovington-Pennsylvanian Pool to include Section 31, T. 16 S, R. 37 E.

(c) Extension of Crossroads Pool to include SW/4 Section 23, T. 9 S, R. 36E.

(d) Extension of Artesia Pool to include Section 12, NE/4 Section 14, T. 18 S, R. 28 E.

(e) Deletion from the Loco Hills Pool of Section 12, T. 18 S, R. 28 E.

CASE 525: Northwestern New Mexico nomenclature case, involving creation of new pools or extensions of existing pools, as follows.

(a) Extension of the Pettigrew-Tocito pool to include SE/4 Section 10, T. 26 N, R. 6 W.

(b) Extension of the Blanco-Mesaverde Pool to include Section 19, 30 and 31, T. 29 N, R. 7 W., Sections 24, 25 and 36, T. 29 N, R. 8 W., Sections 6 and 7, T. 30 N., R. 6 W., Section 1, 2, and 12, T. 30 N, R. 7W., Sections 19 and 20, T. 31 N, R. 8 W., Sections 13 and 24, T. 31 N, R. 9 W., Sections 22 and 27, T. 32 N, R. 11 W.

(c) Extension of the Dogie Canyon-Pictured Cliffs Pool to include N/2 Section 30, T. 26 N. R. 6 W.

(d) Extension of the Aztec-Pictured Cliffs Pool to include Sections 4 and 5, E/2 Section 20, Sections 28 and 29, T. 29 N. R. 10 W., N/2 Section 17 and 18, T. 30 N, R. 10 W., N/2 Section 13, T. 30 N, R. 11 W.

CONTINUED CASES

Supplement to docket for regular March 17, 1953, hearing of the New Mexico Oil Conservation Commission:

CASE 407: (Successively continued since its initiation on September 16, 1952) The Commission's motion for extension of Section 'G', Oil Proration and Allocation, to provide for addition of Rule 508, Establishment of Temporary 80-acre Proration Units.

CASE 426: Texas Company rehearing in its request for an oil-oil dual completion of its J. B. McGhee Well, NE SE 31-24S-38E, NMPM (West Dollarhide-Drinkard Pool), permitting production of oil from both the Devonian and Drinkard formations.

CASE 459: Elliott-Hall rehearing in its request for dual completion of Elliott-Hall (Fed.) Well H-2-R, SE NE 31-24S-38E, NMPM (West Dollarhide-Queen Pool) permitting production of oil from lower Queen, gas from upper Queen formation.

CASE 487: Application of C. H. Sweet for permission to drill well in unorthodox location 1315 feet N of S line and 5 feet W of E line 23-18S-37E, NMPM, Lea County, in the Hobbs Pool. (Operator has requested indefinite postponement of this case.)

2-f

DOCKET
OIL CONSERVATION COMMISSION

Resume of applications to be heard May 22, 1951 at 10 00 a m. in Santa Fe, New Mexico, in the Council Chamber of the City Hall.

1. Allowable

2. Case 254 - This is an application of Stanolind Oil & Gas Company for the Guadalupe Foothills Unit Agreement, generally in Twps. 22 and 23 S, R 25 E, which was continued from the February hearing to May 22 hearing

3. Case 269 - This is an application by Phillips Petroleum Company for 80-acre spacing for the Siluro-Devonian production found in the J. M. Denton No. 1-A, section 11, T. 15 S. R. 37 E.

4. Case 270 - This is the application of Phillips Petroleum Company for 80-acre spacing for the Wolfcamp production discovered in the Bettie C. Dickinson No. 1-B well, section 12, T. 15 S, R. 37 E.

5. Case 272 - This is a nomenclature case extending and creating pools in southeastern New Mexico:

   Magnolia, #1 State "A" . 32-[illegible]-27E
   Lawton Oil Corp, Goldston St A-1 . 30-[illegible]-33E

6. Case 273 - This is an application by Sinclair for an exception to Rule 506 of the Oil Commission Rules and Regulations for a high gas-oil ratio well known as Ollie Boyd No. 2, NW/4 NW/4 23-22S 37E.

7. Case 274 - This is the amended application of Cities Service Oil Company to dually complete its State S No. 3 and S No. 4 S/2 NW/4 section 15, T. 21 S, R. 37 E; or in the alternative for the authority to transfer allowable between said wells, thereby effecting 80-acre spacing.

8. Case 275 - This is the amended application of Tide Water Associated Oil Company to dually complete its State S No. 4 and S No. 5 N/2 NW/4 section 15, T. 21 S, R. 37 E; or in the alternative for the authority to transfer allowable between said wells, thereby effecting 80 acre spacing.

9. Case 276 - This is an application of the Oil Commission, upon its own motion, for T. W Bailes to show cause why he should not plug a well known as San Clemente No. 1, SE/4 SE/4 section 32 T. 7 S, R. 3 E, for lack of compliance with the Oil Conservation Commission Rules and Regulations.

10. Case 277 - This is an application of the Oil Commission, upon its own motion for T. W. Bailes, Elizabeth Y. Sketchley, and Rio Grande Community to show cause why they should not plug a well known as Rio Grande Community, Sketchley No. 1, SW/4 SE/4 section 5, T. 6 N, R. 1 E, for lack of compliance with the Oil Conservation Commission Rules and Regulations.

2(f)

DOCKET

OIL CONSERVATION COMMISSION

- - -

Resumé of cases to be heard at 10 A. M. July 24, 1951, in the Council Chambers of the City Hall, Santa Fe, New Mexico.

First: Consideration of allowable for August, 1951.

Case 286: Wherein Magnolia Petroleum Company has applied for an order approving the proposed Huerfanito Unit Agreement in San Juan County, New Mexico

Case 287: Roland Rich Woolley's application for approval of an unorthodox location NE NE NW Section 31, township 17 S, range 30 E, NMPM, in the Loco Hills pool, Eddy County, New Mexico.

Case 288: Skelly Oil Company's application for approval of an oil-gas dual completion of its State "M" Well No. 3, NE SW Section 32, Township 24 S, Range 37 E, NMPM, Langlie-Mattix pool, Lea County, New Mexico.

Case 289: Skelly Oil Company's application for approval of an oil-gas dual completion of its State "G" No. 1 well, NW SE Section 30, Township 20 S, Range 37 E, NMPM, Eunice Pool, Lea County, New Mexico.

Case 293: Skelly Oil Company's application for approval of a gas-gas dual completion of its Van Etten No. 9 well, SE NW SW Section 9, Township 20 S, Range 37 E, NMPM, Monument Field, Lea County, New Mexico.

Case 249-A This concerns Amerada Petroleum Corporation's application for an order establishing proration units and uniform spacing of wells for the Bagley-Siluro-Devonian pool, Lea County, New Mexico.

Case 290: The application of the Oil Conservation Commission upon its own motion for the correction of pool boundaries, extensions of existing pools, creation of new pools and other corrections, additions and deletions relating to pools and pool nomenclature and amendments of certain orders in relation thereto. (Both NW and SE New Mexico.)

Case 291: The application of the Oil Conservation Commission upon its own motion for taking testimony on and considering extension of boundaries or consolidation of Mesaverde gas pools (Blanco - Largo, etc.) in San Juan County, New Mexico.

2(h)

Case 245: (Readvertised). In which the Oil Conservation Commission on its own motion will hear further testimony and data relating to the Byers gas pool in Sections 29, 30, 31 and 32 in Township 18 S, Range 38 E, NMPM, Lea County, New Mexico.

Case 282: The application of the Oil Conservation Commission upon its own motion for an order approving and making official under the rules of the Commission Form C-121 (Crude Oil Purchaser's Nomination); Form C-122 (Back Pressure Data Sheet); Form C-123 (Request for Extension of an Existing Pool or Creation of a New Pool).

Case 279: (Continued from June 21 hearing). The Commission's application on its own motion for an Order directed to S. T. Silverstein, T. H. Donnelly, Sarah D. Ulmer and the Massachusetts Bonding and Insurance Company, for plugging and abandonment of well in SE SE SW 11-12 N-32 E, NMPM, Quay County, New Mexico.

Case 283: (Continued from June 21st hearing). In regard to Blanco Gas Company's application for an order granting exception to Section 4-A of Order 799 regarding casing requirements in San Juan County, New Mexico.

GENERAL NOTICE

Special Hearing July 25, 1951 -

Cases 269 and 270: The Oil Conservation Commission by its orders R-74-B and R-75-B, dated June 29, 1951, has granted a re-hearing in the applications of Phillips Petroleum Company in Cases 269 and 270. Case 269 relates to proration units and allowables for Siluro-Devonian common source of supply discovered in McAlester Fuel Company's J. M. Denton Well No. 1-A, SW SE 11-15S-37E, NMPM, and Case 270 relates to the application of Phillips Petroleum Company for an 80-acre proration units and allowables for the Wolfcamp common source of supply discovered in Atlantic Refining Company's Bettie C. Dickinson Well No. 1-B, NW SW 12-15S-37E, NMPM.

2-d

DOCKET
OIL CONSERVATION COMMISSION

Resume of applications to be heard April 24, 1951 at 10:00 a.m in Santa Fe, New Mexico, in the Council Chamber of the City Hall

1. Allowable

2. Case 265 - This case is an application by Byrd-Frost, Inc. for exception to the spacing rules for a well to be located 567' from the S/L and 1527' from the W/L 24-28N-8W, San Juan County, for topographic conditions.

3. Case 266 - This case involves the nomenclature of now existing or new pools for McAlester Fuel Company, Simpson A-1-B, 26-15S-37E; Weier Drilling Company, Foster 6-G and Foster 5-H, 17-17S-31E; Texas Co., "AN" No. 1, SE SW 22-14S-33E; Allan Hargrave, Bradley No. 1, NWNW 24-24S-26E; and Paul C. Teas, Dinnin #1, 24-20S-33E.

4. Case 267 - This case has been called upon the Commission's motion to show cause why wells located in the NW SW 23-25S-8E, drilled by Frank and Elmer Bechtel, should not be declarred abandoned and ordered plugged.

5. Case 202 - This case was continued to April 24 and involves the allowable of the Brunson pool, which has been reduced to 90 barrels per day per well for a period of six months and then extended to April 24 for additional studies.

6. Case 231 - This case has been continued twice and involves Rule 404, which, in turn, is concerned with natural gas utilization, especially as it is applied to gas lift in Lea County.

7. Case 247 - This case involves the Gallegos Canyon Unit Agreement which has been continued twice to allow the operators to secure necessary signatures.

8. Case 249 - The application of Amerada Petroleum Corp for a temporary order establishing proration units and uniform spacing of wells for the Bagley-Siluro-Devonian pool, comprising SE/4 sec. 34, S/2 sec. 35, SW/4 sec. 36, T.11 S, R 33 E; and W/2 sec. 1, all sec. 2, E/2 sec. 3, E/2 sec. 10, all sec. 11, W/2 sec. 12, T.12 S, R.33 E continued to April 24.

9. Case 245 - A case which has been continued twice for lack of information to designate the gas pools of Lea, Eddy, and Chaves Counties.

10. Case 251 - The application of Amerada Petroleum Corp. for the pooling of separately owned royalty or mineral interest in the E/2 NE/4 sec. 3, T.12 S, 33 E, within a proposed proration unit in the Bagley-Siluro-Devonian pool, Lea County, New Mexico.

2(d)

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

1-a

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. 226
ORDER NO. R-238

THE APPLICATION OF THE NEW MEXICO OIL
CONSERVATION COMMISSION, UPON ITS OWN
MOTION, FOR THE GENERAL REVIEW, RESTATE-
MENT AND/OR AMENDMENT OF ANY AND ALL PARA-
GRAPHS OF RULE 104 PROMULGATED BY ORDER 850,
EFFECTIVE JANUARY 1, 1950, AND SET OUT WITHIN
RULES AND REGULATIONS EFFECTIVE JANUARY 1, 1950.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing on July 6, 1950 at 10:00 o'clock a. m. at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on the 29th day of December, 1952, the Commission, a quorum being present, having considered the testimony adduced at the hearing 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 there is need for a revision of Paragraphs (a), (b), (c), (d) and (e) of Rule 104 of the Commission's Rules and Regulations.

IT IS THEREFORE ORDERED:

That Paragraphs (a), (b), (c), (d) and (e) of Rule 104 of the Commission's Rules and Regulations be and the same hereby are amended and revised as follows:

RULE 104. WELL SPACING; ACREAGE REQUIREMENTS FOR DRILLING TRACTS.

(a) Any well drilled a distance of one mile or more from the outer boundary of any defined oil or gas pool shall be classified as a wildcat well. Any well drilled less than one mile from the outer boundary of a defined oil or gas pool shall be spaced, drilled, operated and prorated in accordance with the regulations in effect in said oil or gas pool.

(b) Any well classified as a wildcat shall be located on a tract of not less than 40 surface contiguous acres substantially in the form of a square which is a quarter quarter section or lot being a legal subdivision of the U. S. Public Land Survey and shall be

1-A

within 100 feet of the center of the 40-acre subdivision, except in San Juan, Rio Arriba and McKinley Counties where a wildcat well shall be located on not less than 160 surface contiguous acres substantially in the form of a square which is a quarter Section or lot being a legal subdivision of the U. S. Public Land Survey and shall not be located closer than 660 feet to the outer boundaries nor closer than 330 feet to the inner boundaries of the governmental quarter quarter section upon which it is drilled.

(c) Each well drilled within a defined oil pool shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the U. S. Public Land Surveys or on a governmental quarter quarter section or lot and shall not be drilled closer than 330 feet to any boundary line of such tract or closer than 660 feet to the nearest well drilling to or capable of producing from the same pool.

(d) Each well drilled within a defined gas pool shall be located on a tract consisting of not less than a quarter section of approximately 160 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys and shall not be drilled closer than 660 feet to any outer boundary line of the tract nor closer than 330 feet to any quarter quarter section or subdivision inner boundary nor closer than 1320 feet to a well drilling to or capable of producing from the same pool.

(e) Notice of Intention to Drill (Form C-101) for any well shall designate the exact legal subdivisions allotted to the well and no C-101 shall be approved by the Commission or any of its agents without proper designation of acreage.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

/s/ Edwin L. Mechem

/s/ Guy Shepard, Member

/s/ R. R. Spurrier, Secretary

S E A L

2-a

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 70

ORDER NO. 653

THE APPLICATION OF THE NEW MEXICO NOMENCLATURE COMMITTEE FOR AN ORDER REVISING ORDER 588 DEFINING FIELDS IN THESE RESPECTS: TO DESIGNATE ALL SO-CALLED "FIELDS" DEFINED IN SAID ORDER AND IN ALL SUPPLEMENTS ISSUED THEREUNDER AS "POOLS". DELETE FROM DEFINITION OF GRAYBURG-JACKSON POOL ALL OF SECS. 13, 24 and 25, T. 17 S., R. 31 E., AND ADD TO DEFINITION OF MALJAMAR POOL THE S½ SEC. 13, ALL OF SECS. 24 and 25, T. 17 S., R. 31 E. DELETE FROM EMPIRE POOL THE SE¼ SEC. 19, T. 17 S., R. 28 E., AND ADD TO RED LAKE POOL THE SE¼ SEC. 19, AND NE¼ SEC. 30, T. 17 S., R. 28 E. DELETE FROM DEFINITION OF SKAGGS POOL ALL OF SEC. 23, T. 20 S., R. 37 E, AND MAKE THE FOLLOWING POOL DEFINITION: ALL SEC. 23, T. 20 S., R. 37 E., TO BE KNOWN AS THE CASS POOL, TO INCLUDE OIL AND GAS PRODUCTION FROM THE PENNSYLVANIAN FORMATION FOUND IN THE SKAGGS E-23 WELL NO. 2, SW¼NW¼ SEC. 23 AT DEPTHS OF 7700 TO 7725 FEET THROUGH CASING PERFORATIONS. DELETE THE WORD "YESO" FROM THE NAME DRINKARD-YESO POOL. DELETE THE WORD "ELLENBURGER" FROM THE NAME DRINKARD-ELLENBURGER POOL. APPROPRIATE PROVISION AND PROCEDURE WHEREBY THE OIL CONSERVATION COMMISSION MAY FROM DISCRETION ADOPT IN EXECUTIVE SESSION CHANGES OF POOL BOUNDARIES AND DESIGNATION OF NEW POOLS UPON THE RECOMMENDATION OF THE NEW MEXICO NOMENCLATURE COMMITTEE.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at ten o'clock A. M., December 8, 1945, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 15th day of January, 1946, the Commission having before it for consideration the testimony adduced at the hearing of said case and being fully advised in the premises;

IT IS THEREFORE ORDERED:

SECTION 1. That the oil and gas pools in Lea, Eddy and Chaves Counties are hereby defined in accordance with Exhibit A attached hereto and made a part hereof, with the following saving clause:

SECTION 2. That the order herein is not intended to change the gas-oil ratio limitations of any existing proration unit under any existing applicable gas-oil ratio order; nor is the order herein intended to change the proration plan or system of any existing proration unit under any existing proration order.

A2

Warwick Evans

SECTION 3. That within the discretion of the Commission by appropriate action in its executive session, upon recommendation of the New Mexico Nomenclature Committee, the Commission may add extensions to the pools herein defined, or designate new pools laterally or vertically. Provided, there shall be no contraction of any pool herein defined or of any extension thereof or of new pools that may be designated as provided herein, without hearing and by appropriate order as provided by law.

SECTION 4. That the order herein superseded any order with which it is in conflict.

SECTION 5. That this order shall be effective as of January 1, 1946.

SECTION 6. That each pool shall be produced as a single common reservoir and wells shall be completed, cased, maintained and operated to that end.

SECTION 7. That jurisdiction of this case is hereby retained for a further order regarding that portion of the petitioner's application asking that the Commission: "Delete from Empire pool the SE¼ Sec. 19, T. 17 S., R. 28 E., and add to Red Lake pool the SE¼ sec. 19**** T., 17 S., R. 28 E".

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

OIL CONSERVATION COMMISSION

(SGD) JOHN J. DEMPSEY
JOHN J. DEMPSEY, CHAIRMAN

(SGD) JOHN E. MILES
JOHN E. MILES, MEMBER

(SGD) R. R. SPURRIER
R. R. SPURRIER, SECRETARY

SEAL

DEFINITIONS OF OIL AND GAS POOLS
CHAVES, EDDY AND LEA COUNTIES, NEW MEXICO

Recommended by the New Mexico Nomenclature Committee

Revised as of January 1, 1946

POOL	PROD. FORM.	COUNTY	DESCRIPTION
Anderson	G	Eddy	T. 17 S., R. 29 E. S½ sec. 1, S½ sec. 2, SE¼ sec. 3, all secs. 11, 12, N½ sec. 13, N½ sec. 14
			T. 17 S., R. 30 E. SW¼ sec. 6, N½ sec. 7
Arrowhead	G	Lea	T. 21 S., R. 36 E. All secs. 24, 25, 26, E½ Sec. 34, all secs. 35, 36
			T. 22 S., R. 36 E. All secs. 1, 2, E½ sec. 3, all secs. 11, 12, 13, 14, 24
			T. 22 S., R. 37 E. W½ sec. 6, W½, SE¼ sec. 7, all secs. 18, 19
Artesia	G	Eddy	T. 17 S., R. 28 E. S½ sec. 32, S½ sec. 33, S½ sec. 34, SW¼ sec. 35
			T. 18 S., R. 28 E. SE¼ sec. 1, SE¼ sec. 11, all secs. 12, 13, E½ sec. 14, NE¼ sec. 23, E½, NW¼ sec. 24, E½ sec. 25, E½ sec. 36.
			T. 18 S., R. 28 E. W½ sec. 2, all secs. 3, 4, 5, E½, SW¼ sec. 6, all secs. 7, 8, 9, 10, W½ sec. 11, all secs. 15 to 22, incl. and 27 to 34, incl.
			T. 19 S., R. 28 E. All secs. 3, 4, 5, N½ sec. 6, NE¼ sec. 9, all sec. 10
Atoka	SA	Eddy	T. 18 S., R. 26 E. E½ sec. 15
Barber	Y	Eddy	T. 20 S., R. 30 E. S½ sec. 17, all sec. 20
Benson	Y	Eddy	T. 19 S., R. 30 E. All sec. 16
Black River (abandoned)	D	Eddy	T. 24 S., R. 26 E. NW¼ sec. 13, NE¼ sec. 14
Blinebry	B	Lea	T. 22 S., R. 38 E. W½ sec. 18, all sec. 19
Brunson	B	Lea	T. 22 S., R. 37 E. All sec. 9
Burton	Y	Eddy	T. 20 S., R. 29 E. N½ sec. 8

EXHIBIT "A"

POOL	PROD. FORM.	COUNTY	DESCRIPTION
Caprock	Q	Chaves & Lea	T. 12 S., R. 31 E. E½ sec. 36 T. 12 S., R. 32 E. S½ sec. 30; all sec. 31 T. 13 S., R. 31 E. All sec. 1; all sec. 11, N½ sec. 12 T. 13 S., R. 32 E. All sec. 6, N½ sec. 7
Cass	PE	Lea	T. 20 S., R. 37 E. All sec. 23
Cave (abandoned)	G	Eddy	T. 17 S., R. 29 E. SE¼ sec. 8, SW¼ sec. 9, NW¼ sec. 16, NE¼ sec. 17
Comanche	SA	Chaves	T. 11 S., R. 26 E. N½ sec. 15
Cooper-Jal	Y-SR	Lea	T. 23 S., R. 36 E. All secs. 4, 5, 8, 9, 15, 16, 17, 20, 21, 22, 27, 28, 33, 34 T. 24 S., R. 36 E. W½ sec. 2, all secs. 3 & 4, N½ sec. 9, all sec. 10, W½ sec. 11, SW¼ sec. 13, all secs. 14, 15, 22, 23, W½ sec. 24, W½ sec. 25, all secs. 26, 27, 34, 35, W½ sec. 36 T. 25 S., R. 36 E. All secs. 1, 2, 3, 11, 12, 13, 14, 23, 24, 25, 26, 36 T. 25 S., R. 37 E. SW¼ sec. 6, W½ sec. 7, W½ sec. 18, W½ sec. 19, W½ sec. 30, all sec. 31, SW¼ sec. 32
Corbin	Q	Lea	T. 18 S., R. 33 E. E½ sec. 9, W½ sec. 10
Culwin	Q	Eddy	T. 19 S., R. 31 E. N½ sec. 6
Daugherty	SA	Eddy	T. 17 S., R. 27 E. All sec. 3
Dayton	G	Eddy	T. 18 S., R. 26 E. S½ sec. 23, S½ sec. 24, all secs. 25, 26, N½ sec. 35
Dayton, East	G	Eddy	T. 18 S., R. 27 E. NW¼ sec. 29
Drinkard	DR	Lea	T. 22 S., R. 37 E. W½ sec. 14, E½ sec. 15, all secs. 23, 24, 25, 26 T. 22 S., R. 38 E. All sec. 19, W½ sec. 20 All secs. 29, 30, 31, 32 T. 23 S., R. 38 E. N½ sec. 5, all sec. 6
Dublin	E	Lea	T. 26 S., R. 37 E. All secs. 11, 12, 13, 14
Eaves	Y-SR	Lea	T. 26 S., R. 36 E. All secs. 12, 13, 24, 25 T. 26 S., R. 37 E. W½ sec. 7, all secs. 18, 19, SW¼ sec. 20, W½ sec. 29, all secs. 30, 31, W½ sec. 32
Eighty-Four Draw	G	Lea	T. 21 S., R. 38 E. All sec. 8

POOL	PROD. FORM.	COUNTY	DESCRIPTION
Empire	Y-G-SA	Eddy	T. 17 S., R. 27 E. S½ sec. 13, all secs. 24, 25, E½ sec. 26, S½ sec. 33, all secs. 34, 35, 36
			T. 17 S., R. 28 E. S½ sec. 18, all sec. 19, W½ sec. 30
			T. 18 S., R. 27 E. W½, SE¼ sec. 2, all secs. 3, 4, 5, E½ sec. 6, E½ sec. 7, all sec. 8 NE¼, W½ sec. 9
Eunice Monument	Q-G-SA	Lea	T. 19 S., R. 36 E. E½ sec. 12, all secs. 13, 23, 24, 25, 26, 27, 34, 35, 36
			T. 19 S., R. 37 E. All secs. 7, 8, W½ sec. 9, W½ sec. 16. All secs. 17, 18, 19, 20, 21 S½ sec. 27, all secs. 28 to 34 incl.
			T. 20 S., R. 36 E. All secs. 1, 2, 3, 10, 11, 12, 13, 14 E½ sec. 15, all secs. 23, 24, 25, 26, 35, 36
			T. 20 S., R. 37 E. All secs. 3 to 10 incl. & 15 to 21, incl., W½ sec. 22, all secs. 29, 30, 31, 32, 33
			T. 21 S., R. 35 E. All secs. 1, 12, 13, 24, E½ sec. 25.
			T. 21 S., R. 36 E. SW¼ sec. 1, all secs. 2 to 11, incl. W½ sec. 12, W½ sec. 13, all secs. 14 to 22, incl., NW¼ sec. 23, W½ sec. 27, all secs. 28, 29, 30, NE¼ sec. 31, all secs. 32, 33, W½ sec. 34.
Eunice, South	SR	Lea	T. 21 S., R. 35 E. E½ sec. 36
			T. 21 S., R. 36 E. W½, SE¼ sec. 31
			T. 22 S., R. 35 E. E½ sec. 1
			T. 22 S., R. 36 E. W½ sec. 4, all secs. 5, 6, 7, 8, 9, W½ sec. 15, all secs. 16 to 21, incl., W½ sec. 22, W½ sec. 26 All secs. 27, 28, 29, E½ sec. 30, NE¼ sec. 31, N½ sec. 32, N½ sec. 33, N½ sec. 34, NW¼ sec. 35
Eunice, West	Y	Lea	T. 21 S., R. 34 E. E½ sec. 12, all sec. 13, E½ sec. 14, NE¼ sec. 23, N½ sec. 24.
			T. 21 S., R. 35 E. S½ sec. 6, all secs. 7, 18
Fenton	D	Eddy	T. 21 S., R. 28 E. All sec. 15
Fren	SR	Eddy	T. 17 S., R. 30 E. All sec. 22 to 27 incl.
			T. 17 S., R. 31 E. All secs. 19,20,21,22, 29, 30
Getty	Y	Eddy	T. 20 S., R. 29 E. SW¼ sec. 13, SE¼ sec. 14, E½ sec. 23, W½ sec. 24, NW¼ sec. 25, NE¼ sec. 26
Grayburg-Jackson	SA	Eddy	T. 17 S., R. 29 E. S½ sec. 13, S½ sec. 14, all secs. 20 to 29, incl., N½ sec. 32, N½ sec. 33, N½ sec. 34, N½ sec. 35.
			T. 17 S., R. 30 E. S½ sec. 12, all secs. 13, 14, 15, 16, 17, S½ sec. 18, all secs. 19, 20, 21, N½ sec. 22, N½ sec. 23, N½ sec. 24, N½ sec. 29, all sec. 30.
			T. 17 S., R. 31 E. S½ sec. 7, S½ sec. 8, S½ sec. 9, S½ sec. 13, all secs. 14 to 18, incl.,

POOL	PROD. FORM.	COUNTY	DESCRIPTION
			N½ sec. 19, N½ sec. 20, all secs. 21, 22, 23, N½ sec. 26, N½ sec. 27, N½ sec. 28.
Halo (gas only)	T	Eddy	T. 20 S., R. 30 E. SW¼ sec. 12, NW¼ sec. 13
Halfway	Y	Lea	T. 20 S., R. 32 E. S½ sec. 9, all sec. 16
Hardy	G	Lea	T. 20 S., R. 37 E. All sec. 36
			T. 20 S., R. 38 E. All sec. 31
			T. 21 S., R. 36 E. Lots 1, 2, 7, 8, 9, 10, 15, 16, sec. 1
			T. 21 S., R. 37 E. All secs. 5, 6
Harrison	P	Lea	T. 23 S., R. 37 E. SW¼ sec. 16, NW¼ sec. 21
Henshaw	SA	Eddy	T. 16 S., R. 30 E. All sec. 13
High Lonesome	Q	Eddy	T. 16 S., R. 29 E. SW¼ sec. 16, S½ sec. 17, N½ sec. 20, NW¼ sec. 21
High Lonesome South	G	Eddy	T. 16 S., R. 29 E. S½ sec. 31, S½, NE¼ sec. 32, all sec. 33,
			T. 17 S., R. 28 E. NE¼ sec. 1.
			T. 17 S., R. 29 E. N½ sec. 4, N½ sec. 5, N½ sec. 6
Hobbs	SA	Lea	T. 18 S., R. 37 E. All secs. 13, 14, 23, 24, 25, 36
			T. 18 S., R. 38 E. All secs. 17 to 22, incl. and 27 to 34 incl.
			T. 19 S., R. 38 E. All secs. 3, 4, 5, 6, 8, 9, 10, 15, 16
Jal	(See Cooper-Jal)		
Jonas	DR	Lea	T. 22 S., R. 37 E. SE¼ sec. 1, NE¼ sec. 12
			T. 22 S., R. 38 E. SE¼ sec. 6, NW¼ sec. 7
Langlie-Mattix	SR-Q	Lea	T. 23 S., R. 36 E. All sec. 25, E½ sec. 26, E½ sec. 35, all sec. 36
			T. 23 S., R. 37 E. S½ sec. 28, all secs. 29 to 34, incl.
			T. 24 S., R. 36 E. All sec. 1, all sec. 12, NE¼ sec. 13
			T. 24 S., R. 37 E. All secs. 2 to 11, incl., 14, 15, 16, 17, 18, E½ sec. 19, all secs. 20, 21, 22, 23, 26, 27, 28, 29, E½ sec. 30, E½ sec. 31, all secs. 32, 33, 34, 35.
			T. 25 S., R. 37 E. All secs. 2, 3, 4, 5, NE¼ sec. 6, all secs. 8, 9, 10, 11, W½ sec. 13, all secs. 14, 15, 16, 17, E½ sec. 19, all secs. 20, 21, 22, 23, W½ sec. 24, W½ sec. 25, all secs. 26, 27, 28, 29, NE¼ sec. 32, N½ sec. 33, N½ sec. 34, all sec. 35, W½ sec. 36.
			T. 26 S., R. 37 E. NW¼ sec. 1, NE¼ sec. 2
Lea	Y	Lea	T. 20 S., R. 34 E. W½ sec. 14
Lee	G	Eddy	T. 18 S., R. 30 E. S½ sec. 14, S½ sec. 15, S½ sec. 16, N½ sec. 21, all secs. 22, 23

POOL	PROD. FORM.	COUNTY	DESCRIPTION
Loco Hills	G	Eddy	T. 17 S., R. 29 E. S½ sec. 31, S½ sec. 32, S½ sec. 33, S½ sec. 34, S½ sec. 35, all sec. 36
			T. 17 S., R. 30 E. S½ sec. 29, all secs. 31 & 32
			T. 18 S., R. 29 E. All secs. 1 to 18, incl.
			T. 18 S., R. 30 E. All secs. 5, 6, 7, 18
Lovington	SA	Lea	T. 16 S., R. 36 E. S½ sec. 25, S½ sec. 26, all secs. 35 & 36
			T. 16 S., R. 37 E. S½ sec. 30, all sec. 31
			T. 17 S., R. 36 E. All secs. 1 & 2, N½ sec. 11, N½ sec. 12
			T. 17 S., R. 37 E. All sec. 6, N½ sec. 7
Lovington, West	SA	Lea	T. 16 S., R. 36 E. S½ sec. 32, SW¼ sec. 33
			T. 17 S., R. 36 E. W½ sec. 3, all secs. 4 & 5, E½, SW¼ sec. 6, N½ sec. 7, N½ sec. 8, N½ sec. 9
Lusk, East	Y	Lea	T. 19 S., R. 32 E. S½ sec. 21, N½ sec. 28
Lusk	Y	Eddy & Lea	T. 19 S., R. 31 E. All sec. 24
			T. 19 S., R. 32 E. W½ sec. 19
Lusk, West	Y	Eddy	T. 19 S., R. 31 E. SE¼ sec. 15, NE¼ sec. 22
Lynch	Y	Lea	T. 20 S., R. 34 E. S½ sec. 27, all sec. 34, SW¼ sec. 35
			T. 21 S., R. 33 E. W½ sec. 1, all sec. 2
Lynch, North	Y	Lea	T. 20 S., R. 34 E. E½ sec. 18
Maljamar	G-SA	Eddy	T. 17 S., R. 31 E. S½ sec. 13, all secs. 24, 25
		Lea	T. 17 S., R. 32 E. SE¼ sec. 8, S½ sec. 9, S½ sec. 14, all secs. 15 to 36, incl.
			T. 17 S., R. 33 E. All sec. 19, S½ sec. 20, SW¼ sec. 21, W½ sec. 28, all secs. 29, 30, N½ sec. 31, N½ sec. 32
			T. 18 S., R. 32 E. All secs. 4, 5
Maljamar, North	G	Lea	T. 17 S., R. 32 E. SW¼ sec. 5, SE¼ sec. 6, NE¼ sec. 7, NW¼ sec. 8
Maljamar, South	G-SA	Lea	T. 18 S., R. 32 E. SW¼ sec. 14, S½ sec. 15, all sec. 22, W½ sec. 23
Mattix (see Langlie-Mattix)			
McMillan	SA	Eddy	T. 19 S., R. 27 E. E½ sec. 31
Monument (See Eunice-Monument)			
Paddock	P	Lea	T. 22 S., R. 37 E. All secs. 1, 12, 13
Palmillo (abandoned)	G	Eddy	T. 18 S., R. 29 E. S½ sec. 30
PCA	Y	Eddy	T. 20 S., R. 30 E. S½ sec. 10, all sec. 15

POOL	PROD. FORM.	COUNTY	DESCRIPTION	
Pearsall	Q	Lea	T. 17 S., R. 32 E.	All secs. 26, 32, 33, 34, 35
			T. 18 S., R. 32 E.	All secs. 4, 5
Penrose-Skelly	Q-G	Lea	T. 21 S., R. 36 E.	E½ sec. 13
			T. 21 S., R. 37 E.	S½ sec. 7, S½ sec. 8, S½ sec. 16, all secs. 17, 18, E½ sec. 19, all secs. 20, 21, 27, 28, 29, E½ sec. 30, E½ sec. 31, all secs. 32, 33, 34, 35
			T. 22 S., R. 37 E.	All secs. 2, 3, 4, 5, E½ sec. 6, NE¼ sec. 7, all secs. 8, 9, 10, 11, 14, 15, 16, E½ sec. 17, E½ sec. 20, all secs. 21, 22, 23, 26, 27, 28, E½ sec. 29, all secs. 32, 33, 34, W½ sec. 35
			T. 23 S., R. 37 E.	W½ sec. 2, all secs. 3, 4, 5, 6, 7, 8, 9, 10, W½ sec. 11, W½ sec. 14, all secs. 15, 16, 17, 18, N½ sec. 19, N½ sec. 20
Premier	G	Eddy	T. 17 S., R. 30 E.	S½ sec. 22, S½ sec. 23, S½ sec. 24, all secs. 25, 26, 27, 28, 33, 34, 35, 36
			T. 17 S., R. 31 E.	S½ sec. 19, S½ sec. 20, all secs. 29, 30, N½ sec. 31
Red Lake	G	Eddy	T. 17 S., R. 28 E.	SW¼ sec. 2, S½ sec. 3, all secs. 4, 5, 8, 9, 10, W½ sec. 11, W½ sec. 14, all secs. 15, 16, 17, 20 to 26, incl., N½ sec. 27, N½ sec. 28, N½ sec. 29, NE¼ sec. 30
Rhodes	Y	Lea	T. 26 S., R. 37 E.	All secs. 4, 5, 6, E½ sec. 7, all secs. 8, 9, S½ sec. 10, all secs. 15, 16, 17, N½, SE¼ sec. 20, all secs. 21, 22, S½ sec. 23, all secs. 26, 27, 28, 34, 35
Roberts	G	Lea	T. 17 S., R. 33 E.	S½ sec. 6, N½ sec. 7
Roberts, West	G	Lea	T. 17 S., R. 32 E.	S½ sec. 2
Robinson	G-SA	Eddy & Lea	T. 16 S., R. 31 E.	S½ sec. 25, E½SE¼ sec. 34, all sec. 35, N½, SW¼ sec. 36
			T. 16 S., R. 32 E.	SW¼ sec. 30, NW¼ sec. 31
Russell	Y	Eddy	T. 20 S., R. 28 E.	S½ sec. 12, all secs. 13, 14, 23, W½ sec. 24
Salt Lake	Y	Lea	T. 20 S., R. 33 E.	All secs. 7, 18
San Simon	Y	Lea	T. 21 S., R. 35 E.	SE¼ sec. 32, SW¼ sec. 33
			T. 22 S., R. 35 E.	NW¼ sec. 4, NE¼ sec. 5
Scanlon (gas only)	T	Eddy	T. 20 S., R. 29 E.	SW¼ sec. 29, SE¼ sec. 30

POOL	PROD. FORM.	COUNTY	DESCRIPTION
Shugart	Y-Q	Eddy	T. 18 S., R. 31 E. S½ sec. 34, SW¼ sec. 35 T. 19 S., R. 31 E. NW¼ sec. 2, N½ sec. 3
Shugart, North	Q	Eddy	T. 18 S., R. 31 E. S½ sec. 8, S½ sec. 9, S½ sec. 10, S½, NE¼ sec. 11, W½ sec. 12, NW¼ sec. 13, N½ sec. 14, all secs. 15, 16, 17, 18, 20, 21, N½ sec. 22, N½ sec. 28, N½ sec. 29.
Skaggs	SA	Lea	T. 20 S., R. 37 E. All secs. 24, N½ sec. 25 T. 20 S., R. 38 E. All sec. 19, N½ sec. 30
Skelly (See Penrose-Skelly)			
Square Lake	G-SA	Eddy	T. 16 S., R. 30 E. S½ sec. 24, all secs. 25, 26, 27 S½ sec. 28, E½ sec. 32, all secs. 33, 34, 35, 36 T. 16 S., R. 31 E. S½ sec. 19, S½ sec. 20, S½ sec. 21, SW¼ sec. 27, all secs. 28 to 33, incl., W½ sec. 34 T. 17 S., R. 30 E. All secs. 1, 2, 3, 4, E½ sec. 5, N½NE¼ sec. 11 T. 17 S., R. 31 E. N½ sec. 6
Tonto	SR	Lea	T. 19 S., R. 33 E. E½ sec. 22, W½ sec. 23
Turkey Track	Q	Eddy	T. 18 S., R. 29 E. S½ sec. 34, SW¼ sec. 35 T. 19 S., R. 29 E. W½ sec. 2, all sec. 3, N½ sec. 10, NW¼ sec. 11
Young	Q	Lea	T. 18 S., R. 32 E. N½ sec. 20
Vacuum	G-SA	Lea	T. 17 S., R. 34 E. All secs. 3 to 17, incl., 20 to 29, incl., and 32 to 36 incl. T. 17 S., R. 35 E. All sec. 7, all secs. 18 to 36 incl. T. 18 S., R. 34 E. All secs. 1, 2, 3, 4, 11, 12 T. 18 S., R. 35 E. All secs. 3, 4, 5, 6, 7

INDEX TO PRINCIPAL PRODUCING FORMATIONS:-

TANSILL	T
YATES	Y
SEVEN RIVERS	SR
QUEEN	Q
GRAYBURG	G
SAN ANDRES	SA
PADDOCK	P
BLINEBRY	B
DRINKARD	DR.
DELAWARE	D
PENNSYLVANIAN	PE.
ELLENBURGER	E

DOCKET
OIL CONSERVATION COMMISSION

Resume of applications to be heard March 20, 1951 at 10:00 o'clock a. m. in Santa Fe, New Mexico, in the Council Chamber of the City Hall.

1. Allowable

2. Case 149 - This is the Crossroads pool 80-acre versus 40-acre spacing question which was continued to March 20 by Order R-45, dated 12-29-50. Companies have been asked to furnish all remaining information available on the Crossroads pool.

3. Case 245 - This case, which involves the designation of the gas pools in Lea, Eddy, and Chaves Counties, was originally scheduled for the December hearing. At that time sufficient information was not available to enable the Commission to promulgate an order, and the case was therefore continued to the regular March hearing (March 20, 1951).

4. Case 260 - This case is an application by Tide Water Associated Oil Company of Houston, Texas, for an oil/oil dual completion of the Ellenburger and McKee formations for State S No. 4, located in the NE/4 NW/4 section 15, T. 21S, R.37E: Perforations 7800-7825' for the Ellenburger and 7422-7434' for the McKee; or in the alternative to transfer allowable of State S No. 4 to State S No. 3.

5. Case 261 - This is an application by Cities Service Oil Company of Bartlesville, Oklahoma, to dually complete State S No. 3, located in the SE/4 NW/4 section 15, T. 21S, R. 37E, Lea County, New Mexico, for oil/oil completion in the Ellenburger and McKee formations; Perforations in the Ellenburger 7860-7900' and 7960-8000'; for the McKee 7454-7530'.

6. Case 262 - This is a hearing to set out the limits of the pool and spacing for Mesa Verde production in the vicinity of Largo pool, San Juan County, N. M., generally in Townships 27 and 28 and 29 North, Ranges 7 and 8 West.

7. This case is a matter of nomenclature for the designation or extension of various pools, which is necessitated by recently completed wells in the vicinity of the House Pool, Bough pool, Vacuum pool, and Bagley Siluro-Devonian pool; Twin Lakes (discovery well Magnolia #1 O'Brien "B"), Fowler-Blinebry (discovery well Stanolind, State "D" Tract 14 #1), Gladiola-Abo (discovery well Sinclair, Virgie Green Tract A #1), Levick pool (discovery well Levick, State #1), Keohane pool (discovery well Keohane, Inc. #1 D. Keohane).

Santa Fe, N. M.
February 22, 1951

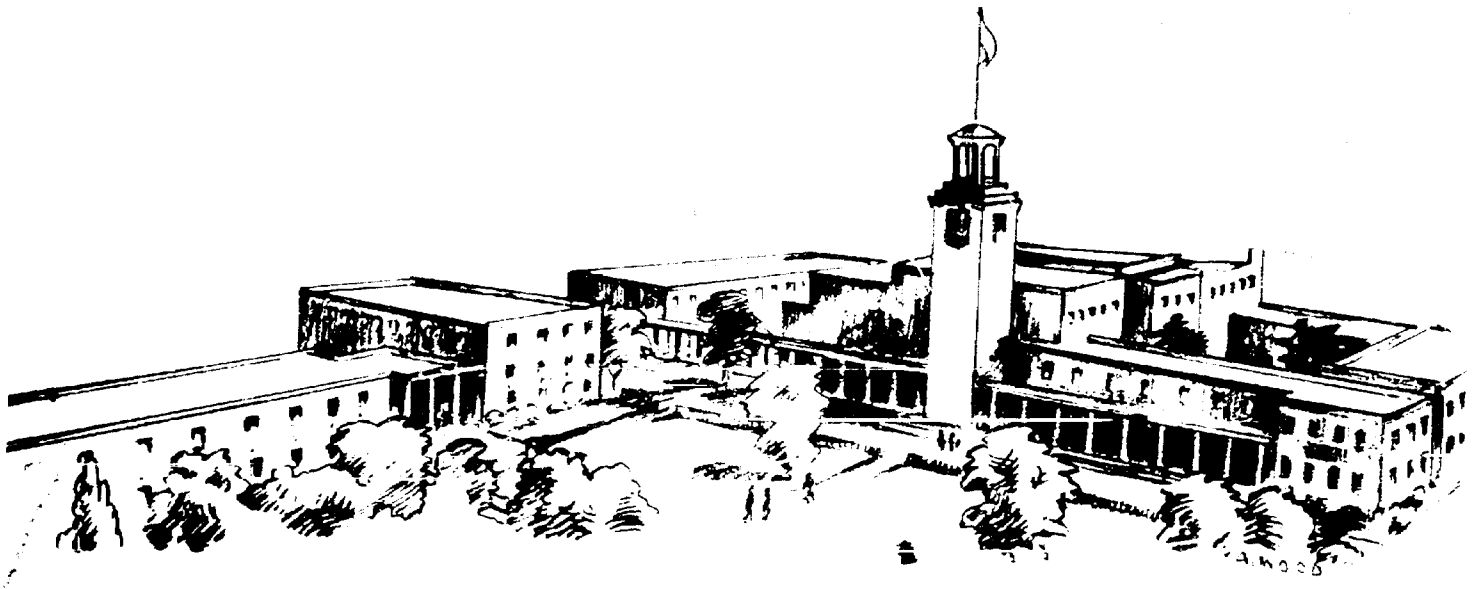
2(b)

N. M. Oil and Gas Engineering Committee
Hobbs, New Mexico
5-12-51

Case 582:

ITEM No. 1

New Mexico
Oil Conservation Commission



RULES AND REGULATIONS

Revised January 1, 1953

NEW MEXICO
OIL CONSERVATION COMMISSION

GOVERNOR EDWIN L. MECHEM, Chairman
Executive Office, Capitol Building
Santa Fe, New Mexico
Telephone: 3-5581

LAND COMMISSIONER E.S. WALKER, Member
P. O. Box 791
Santa Fe, New Mexico
Telephone: 3-7351

STATE GEOLOGIST R.R. SPURRIER, Secretary & Director
P. O. Box 871
Santa Fe, New Mexico
Telephone: 3-7376

PRINCIPAL OFFICE

125 Mabry Hall, Capitol Building
Santa Fe, New Mexico
Telephone: 3-7376

R. R. Spurrier, Secretary & Director
W. B. Macey, Chief Engineer
I. R. Trujillo, Office Manager
H. D. Walter, Chief Accountant
G. A. Graham, Attorney
E. A. Utz, Gas Engineer

DISTRICT I

P. O. Box 2045
Hobbs, New Mexico
Telephone: 3-4731

A. L. Porter, Supervisor & Proration Manager
Roy O. Yarbrough, Oil & Gas Inspector
Stanley J. Stanley, Petroleum Engineer

DISTRICT II

205C arper Building
Artesia, New Mexico
Telephone: 459

L. A. Hanson, Supervisor and Oil & Gas Inspector

DISTRICT III

P. O. Box 697
Aztec, New Mexico
Telephone: 99

Emery C. Arnold, Supervisor and Oil & Gas Inspector

DISTRICT IV

P. O. Box 871
Santa Fe, New Mexico
Telephone: 3-7376

Eugene A. Chavez,
Oil & Gas Inspector

A-DEFINITIONS

1. ADJUSTABLE ALLOWABLE shall mean the allowable production a well or proration unit receives after all adjustments are made.

2. ALLOCATED POOL is one in which the total oil or natural gas production is restricted and allocated to various wells therein in accordance with proration schedules.

3. ALLOWABLE PRODUCTION shall mean that number of barrels of oil or standard cubic feet of natural gas authorized by the Commission to be produced from an allocated pool.

4. BACK ALLOWABLE (Deleted by Order No. R-98-A.)

5. BARREL shall mean 42 United States Gallons measured at 60 degrees Fahrenheit and atmospheric pressure at the sea level.

6. BARREL OF OIL shall mean 42 United States gallons of oil, after deductions for the full amount of basic sediment, water, and other impurities present, ascertained by centrifugal or other recognized and customary test.

7. BOTTOM HOLE OR SUBSURFACE PRESSURE shall mean the gauge pressure in pounds per square inch under conditions existing at or near the producing horizon.

8. BRADENHEAD GAS WELL shall mean any well producing gas through wellhead connections from a gas reservoir which has been successfully cased off from an underlying oil or gas reservoir.

9. CARBON DIOXIDE GAS shall mean noncombustible gas composed chiefly of carbon dioxide occurring naturally in underground rocks.

10. CASINGHEAD GAS shall mean any gas or vapor or both gas and vapor indigenous to and produced from a pool classified as an oil pool by the Commission. This also includes gas-cap gas produced from such an oil pool.

11. COMMISSION shall mean the Oil Conservation Commission created by Section 3, Chapter 168, Session Laws 1949.

12. COMMON PURCHASER FOR NATURAL GAS shall mean any person now or hereafter engaged in purchasing from one or more producers gas produced from gas wells within each common source of supply from which it purchases (See: Sec. 14 (d), Chap. 168, Session Laws 1949).

13. COMMON PURCHASER FOR OIL shall mean every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipe lines (See Sec. 14 (a), Session Laws 1949),

14. COMMON SOURCE OF SUPPLY see Pool.

15. CONDENSATE shall mean the liquid recovered at the surface that results from condensation due to reduced pressure or temperature of petroleum hydrocarbons existing in a gaseous phase in the reservoir.

16. CORRELATIVE RIGHTS shall mean the opportunity afforded, so far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for such purpose to use his just and equitable share of the reservoir energy (See: Sec. 26 (h), Chap. 168, 1949 Session Laws).

17. CUBIC FOOT OF GAS OR STANDARD CUBIC FOOT OF GAS, for the purposes of these rules, shall mean that volume of gas contained in one cubic foot of space and computed at a base pressure of 10 ounces per square inch above the average barometric pressure of 14.4 pounds per square inch (15.025 psia), at a standard base temperature of 60 degrees Fahrenheit.

18. DEEP POOL shall mean a common source of supply which is situated 5000 ft. or more below the surface.

19. FIELD means the general area which is underlaid or appears to be underlaid by at least one pool; and field also includes the underground reservoir or reservoirs containing such crude petroleum oil or natural gas, or both. The words field and pool mean the same thing when only one underground reservoir is involved; however, field unlike pool may relate to two or more pools (See: Sec. 26, Chap. 168, 1949 Session Laws).

20. GAS LIFT shall mean any method of lifting liquid to the surface by injecting gas into a well from which oil production is obtained.

21. GAS-OIL RATIO shall mean the ratio of the casinghead gas produced in standard cubic feet to the number of barrels of oil concurrently produced during any stated period.

22. GAS-OIL RATIO ADJUSTMENT shall mean the reduction in allowable of a high gas-oil ratio unit to conform with the production permitted by the limiting gas-oil ratio for that particular pool during a particular proration period.

23. GAS TRANSPORTATION FACILITY shall mean a pipe line in operation serving gas wells for the transportation of natural gas, or some other device or equipment in like operation whereby natural gas produced from gas wells connected therewith can be transported or used for consumption (See: Sec. 26 (g), Chap. 168, 1949 Session Laws).

24. GAS WELL shall mean a well producing gas or natural gas from a common source of gas supply as determined by the Commission.

25. HIGH GAS-OIL RATIO PRORATION UNIT shall mean a unit with at least one producing oil well with a gas-oil ratio in excess of the limiting gas-oil ratio for the pool in which the unit is located.

26. ILLEGAL GAS shall mean natural gas produced from a gas well in excess of the allowable determined by the Commission (See: Sec. 15 (a), Chap. 168, 1949 Session Laws).

27. ILLEGAL OIL shall mean crude petroleum oil produced in excess of the allowable as fixed by the Commission (See: Sec. 15 (a), Chap. 168, 1949 Session Laws).

28. ILLEGAL PRODUCT shall mean any product of illegal gas or illegal oil (See: Sec. 15 (b), Chap. 168, 1949 Session Laws).

29. INJECTION OR INPUT WELL shall mean any well used for the injection of air, gas, water, or other fluids into any underground stratum.

30. LIMITING GAS-OIL RATIO shall mean the gas-oil ratio assigned by the Commission to a particular oil pool to limit the volumes of casinghead gas which may be produced from the various oil producing units within that particular pool.

31. LOG OR WELL LOG shall mean a systematic detailed and correct record of formations encountered in the drilling of a well.

32. MARGINAL UNIT shall mean a proration unit that will not produce at a rate equal to the top unit allowable for the proration period for the pool.

33. MINIMUM ALLOWABLE shall mean the minimum amount of production from an oil or gas well which may be advisable from time to time to the end that production will repay reasonable lifting cost and thus prevent premature abandonment and resulting waste.

34. MULTIPLE COMPLETION shall mean the completion of any well so as to permit the production from more than one common source of supply with the production from each common source of supply completely segregated.

35. NATURAL GAS OR GAS shall mean any combustible vapor composed chiefly of hydrocarbons occurring naturally in a pool classified by the Commission as a gas pool.

36. NON-MARGINAL UNIT shall mean a proration unit that will produce at a rate equal to the top unit allowable for the proration period for the pool.

37. OFFICIAL GAS-OIL RATIO TEST shall mean the periodic gas-oil ratio test made by order of the Commission and by such method and means and in such manner as prescribed by the Commission.

38. OIL, CRUDE OIL, OR CRUDE PETROLEUM OIL shall mean any petroleum hydrocarbon produced from a well in the liquid phase and which existed in a liquid phase in the reservoir.

39. OIL WELL shall mean any well capable of producing oil and which is not a gas well as defined herein.

40. OPERATOR shall mean any person or persons who, duly authorized, is in charge of the development of a lease or the operation of a producing property.

41. OVERAGE OR OVER PRODUCTION shall mean the amount of oil or the amount of natural gas during a proration period in excess of the amount authorized on the proration schedule. (Amended by Order No. R 98-A).

42. OWNER means the person who has the right to drill into and to produce from any pool, and to appropriate the production either for himself or for himself and another (See Sec. 26 (e), Chap. 168, 1949 Session Laws).

43. PERSON means any natural person, corporation, association, partnership, receiver, trustee, guardian, executor, administrator and fiduciary of any kind (See: Sec. 26 (a), Chap. 168, 1949 Session Laws).

44. POOL means any underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separated from any other zone in the structure, is covered by the word "pool" as used herein. "Pool" is synonymous with "common source of supply" and with "common reservoir" (See: Sec. 26 (b), Chap. 168, 1949 Session Laws).

45. POTENTIAL shall mean the properly determined capacity of a well to produce oil, or gas, or both, under conditions prescribed by the Commission.

46. PRESSURE MAINTENANCE shall mean the injection of gas or other fluid into a reservoir, either to maintain the existing pressure in such reservoir or to retard the natural decline in the reservoir pressure.

47. PRODUCER shall mean the owner of well or wells capable of producing oil or natural gas or both in paying quantities.

48. PRODUCT means any commodity or thing made or manufactured from crude petroleum oil or natural gas, and all derivatives of crude petroleum oil or natural gas, including refined crude oil, crude tops, topped crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil, treated crude oil, fuel oil, residuum, gas oil, naphtha, distillate, gasoline, kerosene, benzine, wash oil, waste oil, lubricating oil, and blends or mixtures of crude petroleum oil or natural gas or any derivative thereof (See: Sec. 26 (d), Chap. 168, 1949 Session Laws).

49. PRORATION DAY shall consist of 24 consecutive hours which shall begin at 7 A.M. and end at 7 A.M. on the following day.

NEW MEXICO

OIL CONSERVATION COMMISSION

RULES AND REGULATIONS - REVISION #2

(Revised by Order No. R-316 dated April 30, 1953)

Insert Page 3-A

Definition 34 as set forth in Section A of the Rules and Regulations henceforth reads as follows:

Definition 34. Dual completion shall mean the completion of any well so as to permit the production from two common sources of supply with the production from each common source of supply completely segregated.

50. PRORATION MONTH shall mean the calendar month which shall begin at 7 A. M. on the first day of such month and end at 7 A. M. on the first day of the next succeeding month.

51. PRORATION PERIOD shall mean for oil the proration month and for gas six consecutive calendar months which shall begin at 7 A. M. on the first day of a calendar month and end at 7 A. M. on the first day of the seventh succeeding month.

52. PRORATION SCHEDULE shall mean the periodic order of the Commission authorizing the production, purchase and transportation of oil or of natural gas from the various units of oil or of natural gas proration in allocated pools.

53. RECOMPLETE shall mean the subsequent completion of a well in a different pool from the pool in which it was originally completed.

54. SECONDARY RECOVERY shall mean a method of recovering quantities of oil or gas from a reservoir which quantities would not be recoverable by ordinary primary depletion methods.

55. SHALLOW POOL shall mean a pool which has a depth range from 0 to 5000 feet.

56. SHORTAGE OR UNDER PRODUCTION shall mean the amount of oil or the amount of natural gas during a proration period by which a given proration unit failed to produce an amount equal to that authorized on the proration schedule.

57. SHUT-IN PRESSURE shall mean the gauge pressure noted at the wellhead when the well is completely shut in. Not to be confused with bottom hole pressure.

58. TANK BOTTOMS shall mean that accumulation of hydrocarbon material and other substances which settle naturally below crude oil in tanks and receptacles that are used in handling and storing of crude oil, and which accumulations contains in excess of two (2%) percent of basic sediment and water; provided, however, that with respect to lease production and for lease storage tanks, a tank bottom shall be limited to that volume of the tank in which it is contained that lies below the bottom of the pipe line outlet thereto.

59. TOP UNIT ALLOWABLE FOR GAS shall mean the maximum number of cubic feet of natural gas, for the proration period, allocated to a gas producing unit in an allocated gas pool.

60. TOP UNIT ALLOWABLE FOR OIL shall mean the maximum number of barrels of oil daily for each calendar month allocated on a proration unit basis in a pool to non-marginal units.

61. TESTING PLANT shall mean any plant constructed for the purpose of wholly or partially or being used wholly or partially for reclaiming, treating, processing, or in any manner making tank bottoms or any other waste oils marketable.

62. UNIT OF PRORATION FOR GAS shall consist of such multiples of 40 acres as may be prescribed by special pool rules issued by the Commission.

63. UNIT OF PRORATION FOR OIL shall consist of tracts of land each containing approximately forty acres in the form of a square in accordance with the legal subdivision of the U. S. Public Land Surveys and each predominantly situated within the confines of a pool.

64. UNORTHODOX WELL LOCATION shall mean a location which does not conform to the spacing requirements established by the rules and regulations of the Commission.

65. WASTE, in addition to its ordinary meaning, shall include:

(a) Underground Waste as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper use of dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas.

(b) Surface Waste as those words are generally understood in the oil and gas business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however cause, of natural gas of any type or in any form or crude petroleum oil, or any product thereof, and including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage, or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating or producing, well or wells, or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil or natural gas, in excess of the reasonable market demand.

(c) The production of crude petroleum oil in this state in excess of the reasonable market demand for such crude petroleum oil. Such excess production causes or results in waste which is prohibited by Chapter 168, 1949 Session Laws. The words "reasonable market demand" as used herein with respect to crude petroleum oil, shall be construed to mean the demand for such crude petroleum oil for reasonable current requirements for current consumption and use within or outside of the state, together with the demand for such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both such crude petroleum oil and products.

(d) The non-ratable purchase or taking of crude petroleum oil in this state. Such non-ratable taking and purchasing causes or results in waste, as defined in the subsections (a), (b), (c) of this section and causes waste by violating Section 12(a), Chapter 168, 1949 Session Laws.

(e) The production in this state of natural gas from any gas well or wells, or from any gas pool, in excess of the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of gas transportation facilities for such type of natural gas. The words "reasonable market demand," as used herein with respect to natural gas, shall be construed to mean the demand for natural gas for reasonable current requirements, for current consumption and for use within or outside the state, together with the demand for such amounts as are necessary for building up or maintaining reasonable storage reserves of natural gas or products thereof, or both such natural gas and products.

B-MISCELLANEOUS RULES

RULE 1. SCOPE OF RULES AND REGULATIONS

(a) The following General Rules of statewide application have been adopted by the Oil Conservation Commission to conserve the natural resources of the State of New Mexico, to prevent waste, and to protect correlative rights of all owners of crude oil and natural gas. Special rules, regulations and orders have been and will be issued when required and shall prevail as against General Rules, Regulations and Orders if in conflict therewith. However, whenever these General Rules do not conflict with special rules heretofore or hereafter adopted, these General Rules will apply in each case.

(b) The commission may grant exceptions to these rules after notice and hearing, when the granting of such exceptions will not result in waste but will protect correlative rights or prevent undue hardship.

RULE 2. ENFORCEMENT OF LAWS, RULES AND REGULATIONS DEALING WITH CONSERVATION OF OIL AND GAS

The Commission, its agents, representatives and employees are charged with the duty and obligation of enforcing all rules and statutes of the State of New Mexico relating to the conservation of oil and gas. However, it shall be the responsibility of all the owners or operators to obtain information pertaining to the regulation of oil and gas before operations have begun.

RULE 3. WASTE PROHIBITED

(a) The production or handling of crude petroleum oil or natural gas of any type or in any form, or the handling of products thereof, in such a manner or under such conditions or in such amount as to constitute or result in waste is hereby prohibited.

(b) All operators, contractors, drillers, carriers, gas distributors, service companies, pipe pulling and salvaging contractors, or other persons shall at all times conduct their operations in the drilling, equipping, operating, producing, plugging and abandonment of oil and gas wells in a manner that will prevent waste of oil and gas, and shall not wastefully utilize oil or gas, or allow either to leak or escape from a natural reservoir, or from wells, tanks, containers, pipe or other storage, conduit or operating equipment.

RULE 4. UNITED STATES GOVERNMENT LEASES

The Commission recognizes that all persons drilling on United States Government land shall comply with the United States government regulations. Such persons shall also comply with all applicable State rules and Regulations which are not in conflict therewith. Copies of the "Sundry Notices and Reports on Wells" and the "Well Log" of the wells on U. S. government land shall be furnished the Commission.

RULE 5. CLASSIFYING AND DEFINING POOLS

The Commission will determine whether a particular well or pool is a gas or oil well, or a gas or oil pool, as the case may be, and from time to time classify and re-classify wells and name pools accordingly, and will determine the limits of any pool or pools producing crude petroleum oil or natural gas from time to time re-determine such limits. Pools hereby named and defined are listed in the Appendix attached hereto.

RULE 6. FORMS UPON REQUEST

Forms for written notices, requests and reports required by the Commission will be furnished upon request.

RULE 7. AUTHORITY TO COOPERATE WITH OTHER AGENCIES

The Commission may from time to time enter into arrangements with State and Federal governmental agencies, industry committees and individuals, with respect to special projects, services and studies relating to conservation of oil and gas.

RULE 101. PLUGGING BOND

(a) Any person who has drilled or is drilling or proposes to drill for oil or gas shall submit to the Commission and obtain its approval of a bond, in a form approved by the Commission, conditioned to plug such well, if dry or when abandoned, in such way as to confine the oil, gas or water in the respective strata in which they are found. The bond shall be in an amount determined by the Commission after taking into consideration the depth of the well and local conditions, but in no case shall the amount of the bond* applicable to one well only, be more than $10,000.00. Each such bond shall be executed by a responsible surety company, authorized to transact business in the State of New Mexico. In cases where the principal on the bond is drilling or operating a number of wells within the State or proposes to do so, such principal may, with the approval of the Commission, submit a blanket bond* in the amount of $10,000.00 conditioned as above provided, covering all wells which such person may at any time before such bond is released, drill or operate within this state.

(b) For the purposes of the Commission the bond required is a plugging bond, not a drilling bond, and is to endure up to and including approved plugging when the well is dry or abandoned, even though the well be a producer. Transfer of property does not release the bond. In case of transfer of property and the principal desires to be released from the bond, he should proceed as follows:

(1) The principal on the bond should notify the Commission in writing that the well, or wells describing each well by 40-acre tract-Section, Township and Range, has or have been transferred to a certain transferee, for the purpose of ownership or operation.

(2) On the same instrument the transferee should recite that he accepts such transfer and accepts the responsibility of such well or wells under his bond tendered therewith or under his blanket bond on file with the Commission.

(c) When the Commission has approved the transfer, the transferrer is immediately released of the plugging responsibility of the well or wells as the case may be, and if such well or wells include all the wells within the responsibility of the transferrer's bond, such bond will be released upon written notice by the Commission to that effect.

(d) The transferee of any oil or gas well or of the operation of any such well shall be responsible for the plugging of any such well and for that purpose shall submit a new plugging bond or produce the written consent of the surety of the prior plugging bond that the latter's responsibility shall continue.

(e) When the well or wells involved, or any such wells, are located on a state oil and gas lease, and the surface of the land involved was sold by the state prior to such oil and gas lease, such bond may, at the election of the principal, be conditioned not only for the plugging of such well or wells as above provided, but also to secure the payment of such damages to the livestock, range, water,

* Both forms-for well bond and blanket bond form-distributed from Commission office at Santa Fe.

crops or tangible improvements on such land as may be suffered by such purchaser or his successors in interest by reason of the development, use and occupation of the land resulting from such oil and gas leases. Any bond so conditioned must be approved, not only by the Commission, but by the Commissioner of Public Lands, in his capacity as such.

(f) Bonds conditioned to protect surface owners as aforesaid shall cover liability incurred during the entire period of oil and gas operations by the principal on the lands involved.

(g) The Commission will in writing advise the principal and sureties on any bond as to whether the plugging is approved, in order that, if the plugging is approved, liability under such bond may be formally terminated.

(h) The Secretary of the Commission is vested with power to act for the Commission as to all matters within this rule.

RULE 102. NOTICE OF INTENTION TO DRILL OR RECOMPLETE

Prior to the commencement of operations, notice shall be delivered to the Commission of intention to drill any well for oil or gas, on Form C-101. Prior to the commencement of recompletion operations notice shall likewise be delivered to the Commission of intention to deepen or plug back to any common source of supply other than the existing production horizon.

RULE 103. SIGN ON WELLS

Every drilling and producible well shall be identified by a sign, posted on the derrick or not more than 20 feet from such well, and such signs shall be of durable construction and the lettering thereon shall be kept in a legible condition and shall be large enough to be legible under normal conditions at a distance of 50 feet. The wells on each lease or property shall be numbered in non-repetitive, logical and distinctive sequence. Each sign shall show the number of the well, the name of the lease (which shall be different or distinctive for each lease), the name of the lessee, owner or operator, and the location by quarter section, township and range.

RULE 104. WELL SPACING; ACREAGE REQUIREMENTS FOR DRILLING TRACTS
(As amended by Order No. R-169)

(a) Any well drilled a distance of one mile or more from the outer boundary of any defined oil or gas pool shall be classified as a wildcat well. Any well drilled less than one mile from the outer boundary of a defined oil or gas pool shall be spaced, drilled, operated, and prorated in accordance with the regulations in effect in said oil or gas pool.

(b) Any well classified as a wildcat shall be located on a tract of not less than 40 surface contiguous acres substantially in the form of a square which is a quarter quarter section or lot, being a legal subdivision of the U. S. Public Land Survey and shall be within 100 feet of the center of the 40-acre subdivision, except in San Juan, Rio Arriba, and McKinley Counties where a wildcat well shall be located on not less than 160 surface contiguous acres substantially in the form of a

square which is a quarter section or lot being a legal subdivision of the U. S. Public Land Survey and shall not be located closer than 660 feet to the outer boundaries not closer than 330 feet to the inner boundaries of the governmental quarter quarter section upon which it is drilled.

(c) Each well drilled within a defined oil pool shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square which is a legal subdivision of the United States Public Land Surveys or on a governmental quarter quarter section or lot and shall not be drilled closer than 330 feet to any boundary line of such tract or closer than 660 feet to the nearest well drilling to or capable of producing from the same pool.

(d) Each well drilled within a defined gas pool shall be located on a tract consisting of not less than a quarter section of approximately 160 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys and shall not be drilled closer than 660 feet to any outer boundary line of the tract nor closer than 330 feet to any quarter quarter section or subdivision inner boundary nor closer than 1320 feet to a well drilling to or capable of producing from the same pool.

(e) Notice of Intention to Drill (C-101) for any well shall designate the exact legal subdivision allotted to the well and no C-101 will be approved by the Commission or any of its agents without proper designation of acreage.

(f) The Secretary of the Commission shall have authority to grant an exception to the requirements of (a), (b) and (c) above without notice and hearing where application has been filed in due form and

1. The necessity for the unorthodox location is based on topographical conditions, and

2. a) The ownership of all oil and gas leases within a radius of 660 feet of the proposed location is common with the ownership of the oil and gas leases under the proposed location, or

   b) All owners of oil and gas leases within such radius consent in writing to the proposed location.

(g) Whenever an exception is granted, the Commission may take such action as will offset any advantage which the person securing the exception may obtain over other producers by reason of the unorthodox location.

(h) If the drilling tract is within an allocated oil pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of less than 39 1/2 acres or more than 40 1/2 acres, the top unit allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40.

(i) If the drilling tract is within an allocated gas pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of less than 158 acres or more than 162 acres, the top unit allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 160.

(j) In computing acreage under (h) and (i) above, minor fractions of an acre shall not be counted but 1/2 acre or more shall count as 1 acre.

(k) The provisions of (i), and (j) above shall apply only to wells completed after the effective date of this rule. Nothing herein contained shall affect in any manner any well completed prior to the effective date of this rule and no adjustments shall be made in the allowable production for any such wells by reason of these rules.

(l) In order to prevent waste the Commission may, after notice and hearing, fix different spacing requirements and require greater acreage for drilling tracts in any defined oil pool or in any defined gas pool notwithstanding the provisions of (b) and (c) above.

(m) The Commission may approve the pooling for communitization of fractional lots of 20.49 acres or less with another oil proration unit when:

1. The units involved are contiguous;

2. Part of the same basic lease, carrying the same royalty interest; and

3. The ownership of the units involved is common.

Application to the Commission for pooling shall be accompanied by three (3) copies of a certified plat showing the dimensions and acreage involved in the pooling, the ownership of all leases and royalty interests involved, and the location of any proposed wells.

Applicants shall furnish all operators who directly offset the units involved with a copy of the application to the Commission, and applicant shall include with his application a written stipulation that all offset operators have been properly notified. In this instance, offset operators shall include only those operators who have offset properties within the State of New Mexico. The Commission shall wait at least ten (10) days before approving any such pooling, and shall approve such pooling only in the absence of objection from any offset operator. In the event that an operator objects to the pooling, the Commission shall consider the matter only after proper notice and hearing.

The Commission may waive the ten-day waiting period requirement if the applicant furnishes the Commission with the written consent to the pooling by all offset operators involved.

The Commission may consider that the requirements of sub-paragraphs 2 and 3 of Paragraph (m) of this rule have been fulfilled if the applicant furnishes with each copy of each application to the Commission a copy of an executed pooling agreement communitizing the units involved.

Each well drilled on any communitized tract shall be located in the approximate geographical center of the combined units with a tolerance of 150 feet for topographical conditions, but in any event shall not be located closer than 330 feet to the outer boundaries of the proposed proration unit or communitized tract.

RULE 105. PIT FOR CLAY, SHALE AND DRILL CUTTINGS

In order to assure a supply of proper material for mud-laden fluid to confine oil, gas, or water to their native strata during the drilling of any well, operators shall provide before drilling is commenced an adequate pit for the accumulation of drill cuttings.

RULE 106. SEALING OFF STRATA

(a) During the drilling of any oil or natural gas well, all oil, gas, and water strata above the producing horizon shall be sealed or separated in order to prevent their contents from passing into other strata.

(b) All fresh waters and waters of present or probable value for domestic, commercial or stock purposes shall be confined to their respective strata and shall be adequately protected by methods approved by the Commission. Special precautions by methods satisfactory to the Commission shall be taken in drilling and abandoning wells to guard against any loss of artesian water from the strata in which it occurs, and the contamination of artesian water by objectionable water, oil or gas.

(c) All water shall be shut off and excluded from the various oil and gas bearing strata which are penetrated. Water shut-offs shall ordinarily be made by cementing casing or landing casing with or without the use of mud-laden fluid.

RULE 107. CASING AND TUBING REQUIREMENTS

(a) All wells drilled for oil or natural gas shall be completed with a string of casing which shall be properly cemented at a sufficient depth adequately to protect the oil or natural gas-bearing stratum to be produced. In addition thereto, such other casing shall be used in order to seal off all oil, gas, and water stratum which may be encountered in the well, except the one or ones to be produced.

(b) Sufficient cement shall be used on surface casing to fill the annular space back of the casing to the bottom of the cellar or to the surface of the ground. Surface casing shall stand cemented for at least 24 hours before drilling plug or initiating tests. All other strings of casing shall stand cemented for at least 30 hours before drilling plug or initiating tests. Cementing shall be by pump and plug method, or other method approved by the Commission.

(c) All flowing wells shall be tubed, the tubing shall be set as near the bottom as practical, but tubing perforations shall not be more than 250 feet above the top of pay, unless authorized by the Commission. The bottom of the tubing shall be restricted to an opening of less than one inch or bull plugged in order to prevent loss of pressure bombs or other devices.

and all offset wells on offset leases, together with a diagrammatic sketch showing the casing program, formation tops, estimated top of cement on each casing string run and any other pertinent data, including drill stem tests.

(c) The Secretary of the Commission shall have authority to grant an exception to the requirements of Paragraph (a) above without notice and hearing where application has been filed in due form, and when the lowermost producing zone involved in the completion is an oil or gas producing zone within the defined limits of an oil or gas pool and the producing zone to be produced through the Bradenhead connection is a gas producing zone within the defined limits of a gas pool.

Applicants shall furnish all operators who offset the lease upon which the subject well is located a copy of the application to the Commission, and applicant shall include with his application a written stipulation that all offset operators have been properly notified. The Secretary of the Commission shall wait at least 10 days before approving the production of gas from the Bradenhead gas well, and shall approve such production only in the absence of objection from any offset operator. In the event an operator objects to the completion the Commission shall consider the matter only after proper notice and hearing.

The Commission may waive the 10-day waiting period requirement if the applicant furnishes the Commission with the written consent to the production of gas from the Bradenhead connection by all offset operators involved.

This rule shall apply only to wells hereinafter completed as Bradenhead gas wells.

NEW MEXICO

OIL CONSERVATION COMMISSION

RULES AND REGULATIONS - REVISION #3
(Revised by Order No. R-316 dated April 30, 1953)

Insert Page 15-A

The present rule 112 is superseded by the following:

RULE 112-A: DUAL COMPLETIONS

(a) The dual completion of any well may be permitted only by order of the Commission upon hearing, except as noted by Paragraph (c) of this rule.

(b) The application for such hearing shall be submitted in triplicate and shall include an exhibit showing the location of all wells on applicant's lease and all offset wells on offset leases, and shall set forth all material facts on the common sources of supply involved, and the manner and method of completion proposed.

(c) The Secretary of the Commission shall have authority to grant an exception to the requirements of Paragraph (a) above without notice and hearing where application has been filed in due form, and when the lowermost producing zone involved in the dual completion is an oil or gas producing zone within the defined limits of an oil or gas pool, and the upper producing zone involved in the dual completion is a gas producing zone within the defined limits of a gas pool.

Applicants shall furnish all operators who offset the lease upon which the subject well is located a copy of the application to the Commission, and applicant shall include with his application a written stipulation that all offset operators have been properly notified. The Secretary of the Commission shall wait at least 10 days before approving any such dual completion, and shall approve such dual completion only in the absence of objection from any offset operator. In the event an operator objects to the dual completion, the Commission shall consider the matter only after proper notice and hearing.

The Commission may waive the 10-day waiting period requirements if the applicant furnishes the Commission with the written consent to the dual completion by all offset operators involved.

RULE 112-B: BRADENHEAD GAS WELLS

(a) The production of gas from a Bradenhead gas well may be permitted only by order of the Commission upon hearing, except as noted by the provisions of Paragraph (c) of this rule.

(b) The application for such hearing shall be submitted in triplicate and shall include an exhibit showing the location of all wells on applicant's lease

RULE 108. DEFECTIVE CASING OR CEMENTING

In any well that appears to have a defective casing program, faulty cemented or corroded casing which will permit or may create underground waste, the operator shall proceed with diligence to use the appropriate method and means to eliminate such hazard of underground waste. If such hazard of waste cannot be eliminated, the well shall be properly plugged and abandoned.

RULE 109. BLOW-OUT PREVENTION

In drilling in areas where high pressures are likely to exist, all proper and usual precautions shall be taken for keeping the well under control, including the use of blow-out preventers and high pressure fittings attached to properly cemented casing strings.

RULE 110. PULLING OUTSIDE STRINGS OF CASING

In pulling outside strings of casing from any oil or gas well, the space outside the casing left in the hole shall be kept and left full of mud-laden fluid or cement of adequate specific gravity to seal off all fresh and salt water strata and any strata bearing oil or gas not producing.

RULE 111. DEVIATION TESTS

(a) When any well is drilled or deepened with rotary tools, tests to determine the deviation from the vertical shall be taken. When the deviation from the vertical in any 500 foot interval averages more than 5 degrees, a directional survey shall be filed with the Commission before any oil or gas from the well is sold so as to determine that the bottom of the hole is on the lease where the well is drilled.

(b) A deviational and directional survey shall be made and filed with the Commission on any well utilizing a whipstock or any method of deviating the well bore in a predetermined direction except to sidetrack junk in the hole, straighten a crooked hole or to control a blow-out. Special permits may be obtained to directionally drill in a predetermined direction as limited above, only after a hearing before the Commission.

RULE 112. MULTIPLE ZONE COMPLETIONS

(a) The multiple zone completion of any well, including a bradenhead gas well, may be permitted only by order of the Commission upon hearing.

(b) The application for such hearing shall be accompanied by an exhibit showing the location of all wells on applicant's lease and all offset wells on offset leases, and shall set forth all material facts on the common sources of supply involved, and the manner and method of completion proposed.

RULE 113. SHOOTING AND CHEMICAL TREATMENT OF WELLS

If injury results to the producing formation, casing or casing seat from shooting or treating a well, the operator shall proceed with diligence to use the

appropriate method and means for rectifying such damage. If shooting or chemical treating results in irreparable injury to the well the Commission may require the operator to properly plug and abandon the well.

RULE 114. SAFETY REGULATION

(a) All oil wells shall be cleaned into a pit or tank, not less than 40 feet from the derrick floor and 150 feet from any fire hazard. All flowing oil wells must be produced through an oil and gas separator of ample capacity and in good working order. No boiler or portable electric lighting generator shall be placed or remain nearer than 150 feet to any producing well or oil tank. Any rubbish or debris that might constitute a fire hazard shall be removed to a distance of at least 150 feet from the vicinity of wells and tanks. All waste shall be burned or disposed of in such manner as to avoid creating a fire hazard.

(b) When coming out of the hole with drill pipe, drilling fluid shall be circulated until equalized and subsequently drilling fluid level shall be maintained at a height sufficient to control subsurface pressures. During course of drilling, blow out preventers shall be tested at least once each 24 hour period.

RULE 115. WELL AND LEASE EQUIPMENT.

Christmas tree fittings or wellhead connections with a working pressure equivalent to at least 150% of the calculated or known pressure in the reservoir from which production is expected shall be installed and maintained in first class condition so that on flowing wells, gas-oil ratio, static bottom hole or other pressure tests may be easily made. Valves shall be installed and maintained in good working order to permit pressures to be obtained on both casing and tubing. Each flowing well shall be equipped to control properly the flowing of each well, and in case of an oil well, shall be produced into an oil and gas separator of a type generally used in the industry.

RULE 116. NOTIFICATION OF FIRE, BREAKS, LEAKS OR BLOW-OUTS

All persons controlling or operating any oil or gas well or pipe line, or receiving tank, storage tank, or receiving and storage receptacle into which crude oil is produced, received or stored, or through which oil is piped or transported, shall immediately notify the Commission by letter giving full details concerning all fires which occur at such oil or gas well or tank or receptacle on their property, and all such persons shall immediately report all tanks or receptacles struck by lightning and any other fire which destroys oil or gas, and shall immediately report any breaks or leaks in or from tanks or receptacles and pipe lines from which oil or gas is escaping or has escaped. In all such reports of fires, breaks, leaks or escapes, or other accidents of this nature, the location of the well, tank, receptacle, or line break shall be given by Section, Township, Range and property, so that the exact location thereof can be readily located on the ground. Such report shall likewise specify what steps have been taken or are in progress to remedy the situation reported; and shall detail the quantity of oil or gas lost, destroyed or permitted to escape. In case any tank or receptacle is permitted to run over, the amount running over shall be reported as in the case of a leak. The report hereby required as to oil losses shall be necessary only in case such losses exceed 100 barrels in the aggregate during any proration period.

RULE 117. WELL LOG, COMPLETION AND WORKOVER REPORTS

Within 20 days after the completion of a well drilled for oil or gas, or the recompletion of a well into a different common source of supply, a completion report shall be filed with the Commission on Form C-105, For the purpose of this rule, any hole drilled or cored below fresh water or which penetrates oil or gas-bearing formations or which is drilled by an "owner" as defined herein shall be presumed to be a well drilled for oil or gas.

D-ABANDONMENT AND PLUGGING OF WELLS

RULE 201. NOTICE

Notice of intention to plug must be filed with the Commission by the owner or his agent prior to the commencement of plugging operations, on Form C-102, which notice shall state the name and location of the well and name of the operator, and contain an affidavit that the owner or his agent has notified all offset lessees, giving the names of such lessees and the location of their leases. In case of a newly completed dry hole in which no casing, except surface casing has been run, the operator may commence plugging by securing the approval of the Commission as to the time plugging operations are to begin. He shall, however, file the regular notification form.

RULE 202. METHOD OF PLUGGING

(a) Before any well is abandoned, it shall be plugged in a manner which will confine permanently all oil, gas, and water in the separate strata originally containing them. This operation shall be accomplished by the use of mud-laden fluid, cement and plugs, used singly or in combination as may be approved by the Commission. The exact location of abandoned wells shall be shown by a steel marker at least four inches in diameter set in concrete, and extending at least four feet above mean ground level. Seismic, core or other exploratory holes drilled to or below sands containing fresh water shall be plugged and abandoned in accordance with the applicable provisions recited above. Permanent markers are not required on seismic holes.

(b) If a well is to be abandoned temporarily and no casing pulled, then a plug shall be placed at the top and bottom of the casing in such manner as to prevent the intrusion of any foreign matter into the well.

(c) When drilling operations have been suspended for 60 days, the well shall be plugged and abandoned unless a permit for temporary abandonment shall be obtained from the Commission.

RULE 203. WELLS TO BE USED FOR FRESH WATER

When the well to be plugged may safely be used as a fresh water well and such utilization is desired by the landowner, the well need not be filled above a sealing plug set below the fresh water formation; provided that written authority for such use shall be secured from the landowner and filed with the Commission.

RULE 204. LIABILITY

The owner of any well drilled for oil or gas, or any seismic, core or other exploratory holes, whether cased or uncased, shall be responsible for the plugging thereof.

E-OIL PRODUCTION OPERATING PRACTICES

RULE 301. GAS-OIL RATIO TEST (As amended by Order No. R-214)

(a) Each operator shall take a gas-oil ratio test not sooner than 30 days nor later than 60 days following the completion or recompletion of an oil well, provided that (1) the well is a wildcat, or (2) the well is located within a pool not exempted from the requirements of this rule. (Wells located within one mile of the outer boundaries of a defined oil pool shall be governed by the provisions of this rule which are applicable to the nearest pool producing from the same formation.) The results of such test shall be reported on Form C-116. The gas-oil ratio thus reported shall become effective for proration purposes on the first day of the calendar month following the date they are reported.

Each operator shall also take an annual gas-oil ratio test of each producing oil well, located within a pool not exempted from the requirements of this rule, during a period prescribed by the Commission. A gas-oil ratio survey schedule shall be established by the Commission setting forth the period in which gas-oil ratio tests are to be taken for each pool wherein a test is required. The gas-oil ratio test applicable shall be such test designated by the Commission, made by such method and means, and in such manner as the Commission in its discretion may prescribe from time to time.

(b) The results of gas-oil ratio tests taken during regular survey periods shall be filed with the Commission on Form C-116 not later than the 15th of the month following the close of the survey period for the pool in which the well is located. The gas-oil ratios thus reported shall become effective for proration purposes on the first day of the second month following the close of the survey period. Unless Form C-116 is filed within the required time limit, no further allowable will be assigned the affected well until Form C-116 is filed.

(c) In the case of special tests taken between regular gas-oil ratio surveys, the gas-oil ratio shall become effective for proration purposes upon the date Form C-116, reporting the results of such test, is received by the Proration Department. A special test does not exempt any well from the regular survey.

(d) During gas-oil ratio test, each well shall not be produced at a rate exceeding top unit allowable for the pool in which it is located by more than 25 per cent. No well shall be assigned an allowable greater than the amount of oil produced on official tests during a 24-hour period.

RULE 302. SUBSURFACE PRESSURE TESTS ON NEW POOLS

The operator shall make a subsurface pressure test on the discovery well of any new pool hereafter discovered, and shall report the results thereof to the Commission within 30 days after the completion of such discovery well. During the month which contains the anniversary date of the discovery well for each pool or at such other periods as the Commission directs, all operators within the same pool shall make each year a subsurface pressure test on all flowing wells in the pool. This test shall be made by a person qualified by both training and experience to make such test, and with an approved subsurface pressure instrument which shall have been calibrated both prior and subsequent to such test against an approved dead weight tester. Provided the prior and subsequent calibrations agree within one percent, the accuracy of the instrument shall be considered acceptable. All wells shall remain completely shut-in for at least twenty-four hours prior to the test. The subsurface determination shall be obtained as close as possible to the midpoint of the productive sand of the reservoir. The report shall be on Form C-103 and shall state the name of the pool, the name of the operator and lease, the well number, the sub-sea depth in feet of the reservoir datum plane, the wellhead elevation above sea level, the depth in feet to the top of the producing formation or top of perforations, whichever is the lower, the date of the test, the total number of hours the well was shut in prior to the test, the subsurface temperature in degrees Fahrenheit at the test depth, the depth in feet at which the subsurface pressure test was made, the observed pressure in pounds per square inch gauge at the test depth, and the corrected pressure computed from applying to the observed pressure the appropriate corrections for calibration, temperature, and differences in depth between test depth and reservoir datum plane.

RULE 303. COMMINGLING OF OIL FROM POOLS.

Each pool shall be produced as a single common reservoir and the wells therein shall be completed, cased, maintained and operated as the producing media for that specific pool, and the production of oil therefrom shall at all times be actually segregated into separate, identified tanks, and the commingling or confusion of such production, before marketing, with fluid hydrocarbons produced from other and distinct pools or fields in any tank or tanks is strictly prohibited.

RULE 304. CONTROL OF MULTIPLE COMPLETED WELLS

Multiple completed wells which have been authorized by the Commission shall at all times be operated, produced and maintained in a manner to insure the complete segregation of the various common sources of supply. The Commission may require such tests as it deems necessary to determine the effectiveness of the segregation of the different common sources of supply.

RULE 305. METERED CASINGHEAD GAS

The owner of a lease shall not be required to measure the exact amount of casinghead gas produced and used by him for fuel purposes in the development and normal operation of the lease. All casinghead gas produced and sold or transported away from a lease, except small amounts of flare gas, shall be

NEW MEXICO

OIL CONSERVATION COMMISSION

RULES AND REGULATIONS - REVISION #4

(Revised by Order No. R-329, dated June 10, 1953)

Insert Page 20-A

Section "E" (Oil Production Operating Practices) is hereby altered in order that Rule 302 may read as follows:

RULE 302: The operator shall make a subsurface pressure test on the discovery well of any new pool hereafter discovered, and shall report the results thereof to the Commission within 30 days after the completion of such discovery well. On or before December 1st of each calendar year the Commission shall designate the months in which subsurface pressure tests shall be taken in designated pools. Included in the designated list shall be listed the required Shut-in Pressure time and datum of tests to be taken in each pool. In the event a newly discovered pool is not included in the Commission's list the Commission shall issue a supplementary Bottom Hole Pressure Schedule. Tests as designated by the Commission shall only apply to flowing wells in each pool. This test shall be made by a person qualified by both training and experience to make such test, and with an approved subsurface pressure instrument which shall have been calibrated both prior and subsequent to such test against an approved dead-weight tester. Provided the prior and subsequent calibrations agree within one percent, the accuracy of the instrument shall be considered acceptable. Unless otherwise designated by the Commission all wells shall remain completely shut-in for at least 24 hours prior to the test. In the event a definite datum is not established by the Commission the subsurface determination shall be obtained as close as possible to the mid-point of the productive sand of the reservoir. The report shall be on Form C-124 and shall state the name of the pool, the pool datum (if established), the name of the operator and lease, the well number, the wellhead elevation above sea level, the date of the test, the total time the well was shut-in prior to the test, the subsurface temperature in degrees Fahrenheit at the test depth, the depth in feet at which the subsurface pressure test was made, the observed pressure in pounds per square inch gauge (corrected for calibration and temperature), the corrected pressure computed from applying to the observed pressure the appropriate correction for difference in test depth and reservoir datum plane and any other information as required by Form C-124.

metered and reported in standard cubic feet monthly to the Commission. The amount of casinghead gas sold in small quantities for use in the field may be calculated upon a basis generally acceptable in the industry, or upon a basis approved by the Commission in lieu of meter measurements.

RULE 306. VENTED CASINGHEAD GAS

Pending arrangement for disposition for some useful purpose, all vented casinghead gas shall be burned, and the estimated volume reported on Form C-115.

RULE 307. USE OF VACUUM PUMPS

Vacuum pumps or other devices shall not be used for the purpose of creating a partial vacuum in any stratum containing oil or gas.

RULE 308. SALT OR SULPHUR WATER

Operators shall report monthly on Form C-115, the amount or percentage of salt or sulphur water produced with the oil by each well making 2% or more water.

RULE 309. CENTRAL TANK BATTERIES

Oil shall not be transported from a lease until it has been received and measured in tanks located on the lease. At the option of the operator, common tankage may be used to receive the production from as many as 8 units of the same basic lease, provided adequate tankage and other equipment is installed so that the production from each well can be accurately determined at reasonable intervals.

RULE 310. OIL TANKS AND FIRE WALLS

Oil shall not be stored or retained in earthen reservoirs, or in open receptacles. Dikes or fire walls shall not be required except such fire walls must be erected and kept around all permanent oil tanks, or battery of tanks that are within the corporate limits of any city, town, or village, or where such tanks are closer than 150 feet to any producing oil or gas well or 500 feet to any highway or inhabited dwelling or closer than 1000 feet to any school or church; or where such tanks are so located as to be deemed an objectionable hazard within the discretion of the Commission. Where fire walls are required, fire walls shall form a reservoir having a capacity one-third larger than the capacity of the enclosed tank or tanks.

RULE 311. TANK CLEANING PERMIT

No tank bottom shall be removed from any tank used for the storage of crude petroleum oil unless and until application for tank-cleaning permit is approved by Agent of the Commission. To obtain approval, owner shall submit Commission's Form C-117 reporting an accurate gauge of the contents of the tank and the amount of merchantable oil determinable from a representative sample of the tank bottom by the standard centrifugal test as prescribed by the American Petroleum Institute's

code for measuring, sampling, and testing crude oil. Number 25, Section 5. The amount of merchantable oil shall be shown as a separate item on Commission Form C-115, and shall be charged against the allowable of the unit or units producing into such tank or pit where such merchantable oil accumulated. Nothing contained in this rule shall apply to the use of tank bottoms on the originating lease where owner retains custody and control of the tank bottom or to the treating of tank bottoms by operator where the merchantable oil recovered is disposed of through a duly authorized transporter and is reported on Commission Form C-115. Nothing contained in this Rule shali apply to reclaiming of pipe line break oil or the treating of tank bottoms at a pipe line station, crude oil storage terminal or refinery or to the treating by a gasoline plant operator of oil and other catchings collected in traps and drips in the gas gathering lines connected to gasoline plants and in scrubbers at such plants.

RULE 312. TREATING PLANT

No treating plant shall operate except in conformity with the following provisions:

(a) Before construction of a treating plant and upon written application for treating plant permit stating in detail the location, type, and capacity of the plant contemplated and method of processing proposed, the Commission in not less than 20 days will set such application for hearing to determine whether the proposed plant and method of processing will actually and efficiently process, treat and reclaim tank bottom emulsion and other waste oils, and whether there is need for such a plant at the proposed location thereof. Before actual operations are begun, the permittee shall file with the Commission a surety bond of performance satisfactory to the Commission and payable in the amount of $25,000.00 to the Commission of the State of New Mexico.

(b) Such permit, if granted, shall be valid for 1 year, shall be revocable at the discretion of the Commission at any time after hearing is had on 10 days' notice and shall entitle the treating plant operator to an approved Certificate of Compliance and Authorization to Transport Oil, Commission Form C-110, for the total amount of products secured from tank bottoms and other waste oils processed. Any operating treating plant shall, on or before the 15th day of each calendar month, file at the nearest office of the Commission, a monthly report on Commission Form C-118, which report when fully completed and approved by an authorized agent of the Commission, may be used to support a Commission Form C-110 for the net oil on hand at the end of the reported period. In no event shall Commission Form C-110 be issued for moving the products of a treating plant without supporting Commission Form C-118 being completed and approved.

(c) None of the provisions of this rule are applicable to the recovery of wash-in oil, creek oil, or pit oil where such oil is picked up and returned to the lease on which produced or where such oil is disposed of by owner to an authorized transporter and accounted for on Commission Form C-110. Before any person other than owner shall pick up, reclaim or salvage wash-in oil, creek oil, or pit oil, a permit to do so shall be obtained from owner or operator of lease and from the duly authorized agent of the Commission. Application for permit shall state the name and location of the lease, the number of well or wells from which the oil was produced, or the source of such oil and the name of the owner, operator or manager.

RULE 313. EMULSION, BASIC SEDIMENTS, AND TANK BOTTOMS

Wells producing oil shall be operated in such a manner as will reduce as much as practicable the formation of emulsion and B.S. These substances and tank bottoms shall not be allowed to pollute streams or cause surface damage. If tank bottoms are removed to surface pits, the pits shall be fenced and the fence shall be kept in good repair.

F-NATURAL GAS PRODUCTION OPERATING PRACTICE

RULE 401. METHOD OF DETERMINING NATURAL GAS WELL POTENTIAL

All operators shall make tests annually to determine the daily open flow potential volumes of all natural gas wells from which gas is being used or marketed. Such tests shall be reported on forms furnished by the Commission. To establish comparable open flow capacity, wells shall be tested by the back pressure method, using 4 back pressure flows taken in sequence from low to high flow. In the event the Commission approves an alternate method of testing, all wells producing from a common source of supply shall be tested in a uniform and comparable manner. In a like manner all natural gas wells hereafter completed shall be tested and the potential test reported. Where it has been determined that a natural gas well in any pool has a potential of 400,000 cubic feet per day or less, further potential tests shall not be required provided the operator periodically reports the shut-in pressure of the well.

RULE 402. METHOD AND TIME OF SHUT-IN PRESSURE TESTS

(a) Shut-in pressures shall be taken by the operator on all natural gas wells during the months of April and October of each year, unless the taking of such pressures is covered by special pool order.

(b) Shut-in pressures shall be taken with a calibrated gauge after a minimum shut-in period of twenty-four hours. When the shut-in period exceeds 24 hours, such shut-in period shall be reported to the Commission. All shut-in pressures shall be reported to the Commission.

RULE 403. NATURAL GAS FROM GAS WELLS TO BE MEASURED

All natural gas produced shall be accounted for by metering or other method approved by the Commission and reported to the Commission by common purchaser of the gas. Gas produced from a gas well and delivered to a gas transportation facility shall be reported by the owner or operator of the gas transportation facility. Gas produced from a gas well, and required to be reported under this rule, which is not delivered to and reported by a gas transportation facility, shall be reported by the operator of the well.

RULE 404. NATURAL GAS UTILIZATION

After the completion of a natural gas well, no gas from such well shall be (1) permitted to escape to the air, (2) used expansively in engines or pumps and then vented, (3) used to gas lift oil wells unless all gas produced is processed in a gasoline plant, or beneficially used thereafter without waste, or (4) used for the manufacture of carbon black.

RULE 405. STORAGE GAS

With the exception of the requirement to meter and report monthly the amount of gas injected and the amount of gas withdrawn from storage, in the absence of waste these rules and regulations shall not apply to gas being injected into or removed from storage.

NEW MEXICO
OIL CONSERVATION COMMISSION

RULES AND REGULATIONS - REVISION #7

(Revised by Order No. 330 dated June 10, 1953)

Insert Page 24-A

Section "F" (Natural Gas Production Operating Practice), is hereby altered in order that Rule 402 may read as follows:

RULE 402: METHOD AND TIME OF SHUT-IN PRESSURE TESTS.

(a) Shut-in pressures shall be taken by the operator of all gas wells during the months of April and October of each year, unless the taking of such pressures is covered by a special pool order.

(b) Shut-in pressures shall be taken with dead weight gauge after a minimum shut-in period of twenty-four hours. When the shut-in period exceeds twenty-four hours such shut-in period shall be reported to the Commission. All shut-in pressures shall be reported to the Commission on Form C-125.

RULE 406. CARBON DIOXIDE

(a) Insofar as is applicable, the state-wide regulations relating to gas, natural gas, gas wells, gas reservoirs, shall also apply to carbon dioxide, carbon dioxide wells, and carbon dioxide reservoirs.

(b) Copies of rules and regulations particularly affecting carbon dioxide gas fields, insofar as they may vary from these general rules and regulations for oil and natural gas may be obtained from the Commission office in Santa Fe.

G-OIL PRORATION AND ALLOCATION

RULE 501. REGULATION OF OIL POOLS

(a) To prevent waste, the Commission shall prorate and distribute the allowable production among the producers in a pool upon a reasonable basis and recognizing correlative rights.

(b) After notice and hearing, the Commission, in order to prevent waste and protect correlative rights, may promulgate special rules, regulations or orders pertaining to any pool.

RULE 502. RATE OF PRODUCING WELLS

It is recognized that producing units capable of producing their daily allowable may overproduce one day and underproduce another. Such deficiencies as may occur may be made up by excess production from the same unit, or such excess production may be adjusted by underproduction; provided, however:

(a) That no producing unit, except for the purpose of testing in the process of completing or recompleting a well and for draw-down tests, shall produce during any day more than 125 per cent of the daily top unit allowable for the pool in which the unit is located, or ten (10) barrels, whichever is greater.

(b) That no producing unit shall produce in any one month more than its monthly allowable plus an amount equal to one day's allowable production. The tolerance so allowed shall not be construed to increase the allowable of a producing unit or to grant authority to any producer to market or to any transporter to transport any quantity of oil in excess of the unit's allowable. The allowed monthly tolerance of overproduction shall be adjusted for during the following month. The possession of a quantity of oil in lease storage at the end of the month in excess of one day's allowable plus any unrun allowable oil shall be construed as a violation of this rule.

RULE 503. AUTHORIZATION FOR PRODUCTION OF OIL

(a) The Commission shall meet between the 15th and 20th of each month at open hearing for the purpose of determining the amount of oil to be produced from all oil pools for the following calendar month.

(b) Within ten (10) days after the effective date of this order, the Commission shall establish the exact date, time and place of such meetings for the remainder of the calendar year, and give notice thereof by publication. The Commission shall likewise establish the exact date, time and place of all other such meetings and give notice thereof by publication on or before the 10th day of January of each year.

(c) The Commission will consider all evidence of market demand of oil and determine the amount of oil to be produced from all oil pools during the following month. The amounts so determined will be allocated among the various pools in accordance with existing regulations and among the various units in each pool in accordance with regulations governing each pool. In allocated pools, effective the first day of each proration period, the Commission will issue a proration schedule which will authorize the production of oil from the various units in strict accordance with the schedule. Any well completed on or after the first day of the proration period is authorized to produce such amount of oil as said well may be capable of producing without waste up to top unit allowable determined in accordance with Rule 504. The allowable production for such well shall be effective at 7:00 a.m. on the date of completion, provided Form C-104 is approved during the proration period in which the well is completed; otherwise, the allowable will become effective at 7:00 a.m. on the first day of the proration period in which Form C-104 is approved; and provided further, a supplementary proration schedule is issued by the Commission establishing the effective date, and the daily rate of production permitted the remainder of the proration period.

(d) A marginal unit shall be permitted to produce any amount of oil which it is capable of producing without waste up to and including the top unit allowable for the pool in which such unit is located subject to the provisions of Rule 301 and Rule 506; provided the owner of such unit shall file with the Commission written application setting forth the daily amount of oil such unit is capable of producing; and provided further a supplementary proration schedule is issued by the Commission setting forth the daily allowable rate of production for such unit and the effective date thereof, which shall be the date on which said application is received in the office of the Commission.

(e) A tabulation of supplementary proration schedules issued during any proration period will be listed in the next proration schedule.

RULE 504. AUTHORIZATION FOR PRODUCTION OF OIL WHILE COMPLETING, RECOMPLETING, OR TESTING AN OIL WELL

(a) In the event an operator does not have sufficient lease storage to hold oil produced from a well during the process of its drilling, completing, recompleting, or testing, the operator of said well shall be permitted to produce from said well an amount of oil as may be necessary to drill, complete, recomplete, or test said well; provided, however, that the operator of said well shall file with the Commission a written application stating the circumstances at said well and setting forth therein the estimated amount of oil to be produced during the aforementioned process of operations, and provided further that said application is approved by the Commission. Oil produced during the process of drilling, completion, or recompletion, or testing a well shall be charged against the allowable production of said well.

(b) No well shall be placed on the proration schedule until Form C-104 and C-110 have been filed with the Commission.

RULE 505. OIL PRORATION

(a) In allocated pools, the allocation between pools is in accordance with the top of the producing depth of the pool and the corresponding proportional factor set out below. The depth to the casing shoe or the top perforation in the casing, whichever is the higher, in the first well completed in a pool determines the depth classification for the pool. Top unit allowables shall be calculated for each of the several ranges of depth in the following proportions.

(b)

POOL DEPTH RANGE	40-Acre Proportional Factor	80-Acre Proportional Factor
0 to 5,000 Feet	1.00	
5,000 to 6,000 "	1.33	2.33
6,000 to 7,000 "	1.77	2.77
7,000 to 8,000 "	2.33	3.33
8,000 to 9,000 "	3.00	4.00
9,000 to 10,000 "	3.77	4.77
10,000 to 11,000 "	4.67	5.67
11,000 to 12,000 "	5.67	6.67
12,000 to 13,000 "	6.75	7.75
13,000 to 14,000 "	8.00	9.00

(c) The 40-acre proportional factor shall be applied to pools developed on the normal statewide 40-acre spacing pattern.

(d) The above 80-acre proportional factor shall hereafter be applied to all pools developed on an 80-acre spacing pattern, which the Commission hereafter authorizes as an exception to the normal statewide 40-acre spacing pattern.

(e) Normal unit allowable shall be set by the Commission.

(f) Top unit allowables for each range of depth shall then be determined by multiplying the normal unit allowable by the proportional factor for each depth range as set out in the table hereinabove; any fraction of a barrel shall be regarded as a full barrel for both normal and top unit allowables.

(g) The top unit allowables hereinabove determined shall be assigned to the respective pools in accordance with each pool's depth range. Allowables to marginal units other than those affected by gas-oil ratios will be assigned in accordance with the nominations submitted by the operators on Form C-115. Such nominations must be based upon the ability of the well to produce without waste; otherwise the allowable will be assigned on the basis of the latest available production figures. The sum of the allocation to all marginal units plus the sum of the allocation to all non-marginal units in each pool shall constitute the allocation for each pool.

(h) The allocation to each pool shall in turn be prorated or distributed to the respective units in each pool in accordance with the proration plan of the particular pool, whereby any such plan exists. Where no proration plan exists, then the pool allocation shall be distributed or prorated to the respective marginal and non-marginal units therein as determined hereinabove.

(i) Each calendar month the distribution or proration to the respective units in each pool shall be changed in order to take into account all new wells which have been completed and were not in the proration schedule during the previous calendar month; with the exception that any newly completed or recompleted well on which Form C-104 is approved on or after the 20th of the month is authorized to produce that quantity of oil which said well is capable of producing without waste up to the top unit allowable for the pool in which said well is located, and a supplementary proration schedule will be issued setting forth the daily rate of production for said well and the effective date thereof.

(j) The provision of Rule 104 (h) et seq. shall be adhered to where applicable in fixing top unit allowables.

RULE 506. GAS-OIL RATIO LIMITATION

(a) In allocated pools containing a well or wells producing from a reservoir which contains both oil and gas, each proration unit shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the top unit oil allowable for the pool. In the event the Commission has not set a gas-oil ratio limit for a particular oil pool, the limiting gas-oil ratio shall be 2,000 cubic feet of gas for each barrel of oil produced. In allocated oil pools all producing wells, whether oil or casinghead gas, shall be placed on the oil proration schedule.

(b) Unless heretofore or hereafter specifically exempted by order of the Commission issued after hearing a gas-oil ratio limitation shall be placed on all allocated oil pools, and all proration units having a gas-oil ratio exceeding the limit for the pool shall be penalized in accordance with the following formula:

(1) Any proration unit which, on the basis of the latest official gas-oil ratio test, has a gas-oil ratio in excess of the limiting gas-oil ratio for the pool in which it is located shall be permitted to produce daily that number of barrels of oil which shall be determined by multiplying the current top unit allowable by a fraction, the numerator of which shall be the limiting gas-oil ratio for the pool and the denominator of which shall be the official gas-oil ratio test of the well.

(2) Any unit containing a well or wells producing from a reservoir which contains both oil and gas shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the top unit allowable currently assigned to the pool.

(3) A marginal unit shall be permitted to produce the same volume of gas which it would be permitted to produce if it were a non-marginal unit.

(4) All gas produced with the current oil allowable determined in accordance with this rule shall be deemed to have been lawfully produced.

(c) All proration units to which gas-oil ratio adjustments are applied shall be so indicated in the proration schedule with adjusted allowables stated.

(d) Limiting gas-oil ratios for allocated pools. In cases of new pools, the limit shall be 2,000 cubic feet per barrel until such time as changed by order of the Commission issued after a hearing. Upon petition, notice and hearing according to law, the Commission will determine or re-determine the specific gas-oil ratio limit which is applicable to a particular allocated oil pool.

RULE 507. UNITIZED AREAS

After petition, notice and hearing, the Commission may grant approval for the combining of contiguous developed proration units into a unitized area.

SECTION H-GAS PRORATION AND ALLOCATION

RULE 601. DESIGNATION OF GAS POOLS

There presently being no classified and defined gas pools within the State, the Commission shall as soon as practicable initiate proceedings to name, classify and define the limits of all known producing gas pools. Pools classified as gas pools shall be known as "gas pools" as distinguished from "oil pools," i.e. the "Blanco gas pool" or "Hobbs oil pool." There shall be no proration or allocation of gas production unless and until the provisions of Rule 602 are followed.

RULE 602 ALLOCATION OF GAS PRODUCTION

When the Commission determines that allocation of gas production in a designated gas pool is necessary to prevent waste, the Commission, after notice and hearing, shall consider the nominations of purchasers from that gas pool and other relevant data, and shall fix the allowable production of that pool, and shall allocate production among the gas wells in the pool delivering to a gas transportation facility upon a reasonable basis and recognizing correlative rights. The Commission shall include in the proration schedule of such pool any gas well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well.

RULE 603. PRORATION PERIOD

The proration period shall be at least six months and the pool allowable and allocations thereof shall be made at least 30 days prior to each proration period.

RULE 604. ADJUSTMENT OF ALLOWABLES

When the actual market demand from any allocated gas pool during a proration period is more than or less than the allowable set by the Commission for the pool for the period, the Commission shall adjust the gas proration unit allowables for the pool for the next proration period so that each gas proration unit shall have a reasonable opportunity to produce its fair share of the gas production from the pool and so that correlative rights shall be protected.

RULE 605. GAS PRORATION UNITS

Before issuing a proration schedule for an allocated gas pool, the Commission, after notice and hearing, shall fix the gas proration unit for that pool.

I-SECONDARY RECOVERY AND PRESSURE MAINTENANCE

RULE 701. PERMIT FOR INJECTION OF GAS, AIR OR WATER

(a) The injection of gas or air or water into any reservoir for the purpose of maintaining reservoir pressure for secondary recovery or for water disposal, shall be permitted only by order of the Commission after a hearing.

(b) The application for all permits to inject gas, or air, or water into any reservoir shall contain the following:

1. Plat showing the location of the intake well or wells and the location of all oil and gas wells including drilling wells and dry holes and the names of lessees within one-half mile of the intake well or wells; and each offset operator.

2. The formations from which wells are producing or have produced.

3. The name, description, and depth of the formations to be affected by injection.

4. The log of the intake well or wells or such information as is available.

5. Description of the intake well's casing or the proposed casing program, and proposed method for testing casing before use of the input wells.

6. Statement as to whether gas, air, or water is to be used for injection, its source, and the estimated amounts to be injected daily.

7. The names and addresses of the operator or operators of the project.

RULE 702. CASING AND CEMENTING OF INJECTION WELLS

Wells used for injection of gas, air, or water into the producing formation shall be cased with safe and adequate casing, or tubing so as to prevent leakage and such casing or tubing shall be so set or cemented that damage will not be caused to oil, gas or fresh water resources.

RULE 703. NOTICE OF COMMENCEMENT AND DISCONTINUANCE OF INJECTION OPERATIONS

The following provisions shall apply to all injection projects:

(a) Immediately upon the commencement of injection operations, the operator shall notify the Commission of the injection date.

(b) Within 10 days after the discontinuance of injection operations the operator shall notify the Commission of the date of such discontinuance and the reasons thereof.

NEW MEXICO

OIL CONSERVATION COMMISSION

RULES AND REGULATIONS - REVISION #1
(Revised by Order No. R-313 dated April 10, 1953)

Insert Page 33-A

Section I - Secondary Recovery and Pressure Maintenance is hereby amended to provide for the addition of Rule 705, as follows:

RULE 705: LPG STORAGE WELLS

Application to drill storage wells for the purpose of storing liquefied petroleum gases shall be submitted to the Director of the Commission for approval. In addition to Form C-101 (Notice of Intention to Drill), the operator shall submit the following information:

1. Certified plat of area within 1/2 mile of proposed well showing thereon the location of the proposed well and the location of any oil or gas wells and dry holes, and lease ownership.

2. Upon completion of the proposed well, operator shall submit Form C-105, well log, plus a diagrammatic sketch of the finished installation, together with an estimate of the storage capacity of the cavity.

Applicants shall furnish all operators within a half-mile radius of the proposed well with a copy of the application to the Commission, and applicant shall include with his application a written stipulation that all operators within a half-mile radius of the proposed well have been properly notified. The Secretary of the Commission shall wait at least ten (10) days before approving any such application, and shall approve any such application only in the absence of objection from any notified operator. In the event that an operator objects to the application the Commission shall consider the matter only after proper notice and hearing.

(c) Before any intake well shall be plugged, notice shall be served on the Commission by the owner of said well, and the same procedure shall be followed in the plugging of such well as provided for the plugging of oil and gas wells.

RULE 704. RECORDS

The operator of an injection project shall keep accurate records and report monthly to the Commission the amount of oil produced, the volumes of fluid injected and the injection pressures.

J-OIL PURCHASING AND TRANSPORTING

RULE 801. ILLEGAL SALE PROHIBITED

The sale or purchase or acquisition, or the transporting, refining, processing, or handling in any other way, of crude petroleum oil or of any product of crude petroleum produced in excess of the amount allowed by any statute of this state, or by any rule, regulation, or order of the Commission made thereunder, is prohibited.

RULE 802. RATABLE TAKE; COMMON PURCHASER

(a) Every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipe lines shall be a common purchaser thereof, and shall, without discrimination in favor of one producer as against another in the same field, purchase all oil tendered to it which has been lawfully produced in the vicinity of, or which may be reasonably reached by pipelines through which it is transporting oil, or the gathering branches thereof, or which may be delivered to the pipeline or gathering branches thereof by truck or otherwise, and shall fully perform all the duties of a common purchaser. If any common purchaser shall not have need for all such oil lawfully produced within a field, or if for any reason it shall be unable to purchase all such oil, then it shall purchase from each producer in a field ratably, taking and purchasing the same quantity of oil from each well to the extent that each well is capable of producing its ratable portions; provided, however, nothing herein contained shall be construed to require more than one pipe line connection for each producing well. In the event any such common purchaser of oil is likewise a producer or is affiliated with a producer, directly or indirectly, it is hereby expressly prohibited from discriminating in favor of its own production or in favor of the production of an affiliated producer as against that of others and the oil produced by such common purchaser or by the affiliate of such common purchaser shall be treated as that of any other producer for the purposes of ratable taking.

(b) It shall be unlawful for any common purchaser to unjustly or unreasonably discriminate as to the relative quantities of oil purchased by it in various fields of the state: the question of the justice or reasonableness to be determined by the Commission, taking into consideration the production and age of the wells in the respective fields and all other factors. It is the intent of this rule that all fields shall be allowed to produce and market a just and equitable share of the oil produced and marketed in the state, insofar as the same can be effected economically and without waste.

(c) In order to preclude premature abandonment, the common purchaser within its purchasing area is authorized and directed to make 100 per-cent purchases from units of settled production producing ten (10) barrels or less daily of crude petroleum in lieu of ratable purchases or takings. Provided, however, where such purchaser's takings are curtailed below ten (10) barrels per unit of crude petroleum daily, then such purchaser is authorized and directed to purchase equally from all such units within its purchasing area, regardless of their producing ability insofar as they are capable of producing.

K-GAS PURCHASING AND TRANSPORTING

RULE 901. ILLEGAL SALE PROHIBITED

The sale, purchase or acquisition, or the transporting, refining, processing or handling in any other way, of natural gas in whole or in part (or of any product of natural gas so produced) produced in excess of the amount allowed by any statute of this state, or by any rule, regulation or order of the Commission made thereunder, is prohibited.

RULE 902. RATABLE TAKE

(a) Any person now or hereafter engaged in purchasing from one or more producers gas produced from gas wells shall be a common purchaser thereof within each common source of supply from which it purchases, and as such it shall purchase gas lawfully produced from gas wells with which its gas transportation facilities are connected in the pool and other gas lawfully produced within the pool and tendered to a point on its gas transportation facilities. Such purchases shall be made without unreasonable discrimination in favor of one producer against another in the price paid, the quantities purchased, the bases of measurement or the gas transportation facilities afforded for gas of like quantity, quality and pressure available from such wells. In the event any such person is likewise a producer, he is prohibited to the same extent from discriminating in favor of himself on production from gas wells in which he has an interest, direct or indirect, as against other production from gas wells in the same pool. For the purposes of this rule reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship to differences in quality, quantity or pressure of the gas available or to the relative lengths of time during which such gas will be available to the purchaser. The provisions of this subsection shall not apply (1) to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of this act or of the rules, regulations or orders of the Commission, (2) to purchases of casinghead gas from oil wells, and (3) to persons purchasing gas principally for use in the recovery or production of oil or gas.

(b) Any common purchaser taking gas produced from gas wells from a common source of supply shall take ratably under such rules, regulations and orders, concerning quantity, as may be promulgated by the Commission consistent with this rule. The Commission, in promulgating such rules, regulations and orders may consider the quality and the deliverability of the gas, the pressure of the gas at the point of delivery, acreage attributable to the well, market requirements in the case of unprorated pools, and other pertinent factors.

(c) Nothing in this rule shall be construed or applied to require, directly or indirectly, any person to purchase gas of a quality or under a pressure or under any other condition by reason of which such gas cannot be economically and satisfactorily used by such purchaser by means of his gas transportation facilities then in service.

RULE 803. PRODUCTION AND TRANSPORTATION OF CONDENSATE.

The operator of a gas well in a gas pool may produce from such well the amount of condensate which such well is capable of producing without waste, provided that said operator shall file with the Commission a written application setting forth the estimated amount of condensate to be produced from such wells; and provided further, that a proration schedule or supplementary proration schedule is issued setting forth the amount of condensate to be produced from such well during each proration period.

M-REPORTS

RULE 1101. ADDITIONAL INFORMATION MAY BE REQUIRED.

These rules shall not be taken or construed to limit or restrict the authority of the Oil Conservation Commission to require the furnishing of such additional reports, data or other information relative to production, transportation, storing, refining, processing, or handling of crude petroleum oil, natural gas or products in the State of New Mexico as may appear to it to be necessary or desirable, either generally or specifically, for the prevention of waste and the conservation of natural resources of the State of New Mexico.

RULE 1102. BOOKS AND RECORDS TO BE KEPT TO SUBSTANTIATE REPORTS.

All producers, transporters, storers, refiners, gasoline or extraction plant operators and initial purchasers of natural gas within the State of New Mexico shall make and keep appropriate books and records for a period not less than five years, covering their operations in New Mexico, from which they may be able to make and substantiate the reports required by this order.

RULE 1103. WRITTEN NOTICES, REQUESTS, PERMITS AND REPORTS.

The forms hereinafter mentioned and attached to these rules in the Appendix are hereby adopted and made a part of these rules for all purposes and the same shall be used for the purposes shown on each of the several forms and in accordance with the Rules requiring the use of said forms and the instructions printed thereon, which instructions are a part of this rule. They are:

Form C-101	-	Notice of Intention to Drill or Recomplete
Form C-102	-	Miscellaneous Notices
Form C-103	-	Miscellaneous Reports on Wells
Form C-104	-	Request for (oil) (gas) Allowable
Form C-105	-	Well Record
Form C-110	-	Certificate of Compliance and Authorization to Transport Oil or Natural Gas
Form C-111	-	Monthly Gas Report (Acquisition and Disposition)
Form C-112	-	Transporter's and Storer's Monthly Report
Form C-113	-	Refiner's Monthly Report
Form C-114	-	Gasoline and Other Extraction Plant Monthly Report
Form C-115	-	Operator's Monthly Report (Oil, Condensate and Gas)
Form C-116	-	Gas-Oil Ratio Report
Form C-117	-	Tank Cleaning Permit
Form C-118	-	Treating Plant Report
Form C-119	-	Carbon Black Plant Monthly Report
Form C-120	-	Injection Report
Form C-121	-	Crude Oil Purchaser's Nomination
Form C-122	-	Back Pressure Data Sheet
Form C-123	-	Request for the Extension of an Existing Pool or the Creation of a New Pool

RULE 1001. REFINERY REPORTS

Each refiner of oil within the State of New Mexico shall furnish for each calendar month a "Refiner's Monthly Report," Form C-113, containing the information and data indicated by such form, respecting oil and products involved in such refiner's operations during each month. Such report for each month shall be prepared and filed according to instructions on the form, on or before the 15th day of the next succeeding month.

RULE 1002. GASOLINE PLANT REPORTS

Each operator of a gasoline plant, cycling plant or any other plant at which gasoline, butane, propane, condensate, kerosene, oil or other liquid products are extracted from natural gas within the State of New Mexico, shall furnish for each calendar month a "Monthly Gasoline or Other Extraction Plant Monthly Report," Form C-114, containing the information indicated by such form respecting natural gas and products involved in the operation of each plant during each month.

Such reports for each month shall be prepared and filed according to instructions on the form on or before the 15th day of the next succeeding month.

NEW MEXICO

OIL CONSERVATION COMMISSION

RULES AND REGULATIONS - REVISION #5

(Revised by Orders Nos. R-329 and R-330 dated June 10, 1953)

Insert Page 38-A

Section "M" (Reports) Rule 1103.

RULE 1103, WRITTEN NOTICES, REQUESTS, PERMITS AND REPORTS.

It is hereby extended to include the listing of Form C-124 Bottom Hole Pressure Test and Form C-125 Gas Well Shut-In Pressure Tests.

RULE 1104. NOTICE OF INTENTION TO DRILL OR RECOMPLETE

Before beginning drilling, and before beginning recompletion operations, the owner or operator of the well shall give notice thereof by filing with the Commission in QUINTUPLICATE Form C-101. A copy of the notice will be returned by the Commission to the applicant, on which will be noted the Commission's approval with any modifications considered advisable, or the rejection of the plan submitted. Drilling or recompletion operations shall not begin until this approval is obtained and until a bond has been submitted and approved as required by Rule 101.

The information required on Form C-101 includes name and number of the well, exact location, status of land (whether state or privately owned), type drilling equipment to be used, drilling contractor, formation to be completed in and approximate depth, casing program, and any other pertinent information. In case of recompletions the details shall be fully explained under the "Remarks" column. In the case of wildcat locations a plat made by a registered surveyor, registered in the State of New Mexico, or a surveyor approved by the Commission, showing and certifying the location of the well, must be submitted with Form C-101. (Note: on State land, the State Land Office requires 1 copy, of Form C-101. Therefore submit 6 copies).

RULE 1105. MISCELLANEOUS NOTICES.

Form C-102, 'Miscellaneous Notices,' shall be filed by the operator in TRIPLICATE, with the District Office of the Commission, and approval obtained from the District Office of the Commission before starting operations leading to a proposed change in drilling plan, before plugging a well, before squeezing operations are begun, before gun perforating, before temporarily abandoning well, before plugging back, before acidizing, before drilling to a greater depth than indicated on Form C-101 before setting a liner, before shooting with nitroglycerin, and before starting any other similar operations not specifically covered herein. A copy of this notice giving decision of the Commission will be returned to the owner.

In the case of well-plugging operations, the notice shall give a detailed statement of the proposed work, including length and depth of plugs, plans for mudding, cementing, shooting, testing and removing casing; and the date of the proposed plugging operations. Before plugging any well, the owner shall give notice to all adjoining lessees and representatives of such adjoining lessees may be present to witness the plugging, if they so desire, but plugging shall not be delayed because of inability to deliver notice to adjoining lessees. Failure to file notice before plugging shall constitute grounds for forfeiture of bond. If not previously filed, a complete log of the well on Form C-105 shall accompany the notice of intention to plug the well.

RULE 1106. MISCELLANEOUS REPORTS ON WELLS (Form C-103)

Form C-103, 'Miscellaneous Reports on Wells', shall be filed by the operator in TRIPLICATE with the District Office of the Commission within ten days after the work specified is completed. This report shall cover the work outlined on Form C-102 and shall include a detailed account of the manner in which the work was performed. Specific information as to the exact information to be contained on Form C-103 with respect to each operation is as follows:

(a) Report on Beginning Drilling Operations

Within ten days after drilling or recompletion operations are begun, the owner of the well shall file with the Commission a report on Form C-103, Miscellaneous Reports on Wells.

(b) Report on Result of Test of Casing Shut-Off

A report on the result of test of casing shut-off shall be filed with the Commission in TRIPLICATE on Form C-103, Miscellaneous Reports on wells, within ten days after the completion of work. It shall indicate any changes made in the approved plan outlined previously on form C-101. It shall also give a detailed report of the method used and of the results obtained and any other pertinent information.

(c) Report on Results of Plugging Well

Within ten days after plugging a well, a record of the work done shall be filed with the Commission in TRIPLICATE on Form C-103, Miscellaneous **Reports on Wells, by the owner.** The report shall include the date **the work** was started and the date it was completed; a detailed account of the manner in which the work was performed; the nature and quantities of materials used in plugging, and the depths and lengths of the various plugs; records of any tests or measurements made; the amount, size and depth of all casing left in the well; the volume and gravity of mud-laden fluid used; pressure retained in mudding; a complete record of any shooting done, and names, addresses and positions of all those in charge of the work. The report shall also state whether or not the pits have been filled and leveled and the location cleared of junk.

(d) Report on Result of Shooting or Chemical Treatment of Well

Within 20 days after the shooting or chemical treatment of a well, report shall be filed with the Commission in TRIPLICATE on Form C-103, Miscellaneous Reports on Wells, by the owner giving the size and depth of the shot, or amount of chemical used, and the daily production of oil, gas and water before and after shooting or chemical treatment.

(e) Miscellaneous Report on Wells

Form C-103, Miscellaneous Report on Wells, shall be used for reports of various operations, such as:

(1) Change of Drilling Plan
(2) Repairing or Deepening Well
(3) Pulling or Altering Casing
(4) Plugging Back
(5) Re-Drilling
(6) Perforating Casing

or of any other similar operations not specifically covered herein.

The report with respect to such operation shall be filed with the Commission within ten days after such operation is completed.

The status prior to and results of the work completed shall be given in detail.

RULE 1107. REQUEST FOR (OIL) (GAS) ALLOWABLE (Form C-104)

It is necessary that this form be submitted by the operators before an initial allowable will be assigned to any completed oil well. Form C-104 is to be submitted in QUADRUPLICATE to the Commission office to which Form C-101 was sent. The allowable will be assigned effective 7:00 a.m. on the date of completion, provided completion report is filed furing month of completion. The completion date shall be that date, in the case of an oil well, when oil is delivered into the stock tanks.

Form C-110, Certificate of Compliance and Authorization to Transport Oil or Natural Gas, shall accompany Form C-104.

RULE 1108. WELL RECORD FORM (Form C-105)

Within 20 days after the completion of a well the owner shall file in QUINTUPLICATE with the Commission Form C-105. The well record shall not be kept confidential by the Commission unless so requested in writing by the owner of the well. Upon such request the Commission will keep the report confidential for 90 days from the date of the completion of the well; provided, however, that the report or data therein when pertinent may be introduced in any public hearing before the Commission or any court regardless of the request that the report be kept confidential. If the C-105 is not received by the Commission in the specified 20 days the well will be dropped from the proration schedule. (Note: On State Land submit one additional copy of C-105)

RULE 1109. CERTIFICATE OF COMPLIANCE AND AUTHORIZATION TO TRANSPORT OIL OR NATURAL GAS - (Form C-110)

(a) Each producer of crude petroleum oil or natural gas and each producer of liquid hydrocarbons from a gas well shall execute, in QUADRUPLICATE, and file with the Commission Form C-110, setting forth fully therein the data and information indicated by such form covering each well from which crude petroleum oil, natural gas or liquid hydrocarbons is produced.

(b) Whenever there shall occur a change in operating ownership of any producing well or whenever there shall occur a change of transporter from any producing well, Form C-110 shall be executed and filed in accordance with the instructions appearing on such forms; except that in the case of a temporary change in transporter involving less than the allowable for one proration period the producer may, in lieu of filing a new application, notify the Commission, and the transporter then authorized by letter, of the estimated amount of crude petroleum, dry gas or liquid hydrocarbons to be moved by temporary transporter and the name of such temporary transporter and a copy of such notice shall also be furnished such temporary transporter. In no instance shall the temporary transporter move any greater quantity of crude petroleum oil or natural gas than the estimated amount shown in said notice.

RULE 1110. MONTHLY GAS REPORT (ACQUISITION AND DISPOSITION)- (Form C-111)

All gas produced from natural gas wells and all casinghead gas produced which is taken into fuel system or other system (except gas taken into a gasoline or other extraction plant gathering system which is required to be reported on Form C-114), shall be reported monthly on Monthly Gas Report, Form C-111. Where such natural or casinghead gas is taken by the producer, then the producer shall make such report. In case said gas is taken at the well by any person other than the producer, then such person taking said gas shall make the report. Form C-111 shall be filed on or before the 15th of the month for all of said gas taken during the preceding month, and shall be submitted in DUPLICATE.

RULE 1111. TRANSPORTER'S AND STORER'S MONTHLY REPORT (Form C-112)

(a) Each transporter and/or storer of crude petroleum oil and liquid hydrocarbons within the State of New Mexico shall file for each calendar month a Transporter's and Storer's Monthly Report, Form C-112, containing complete information and data indicated by such form respecting stocks of crude petroleum oil and liquid hydrocarbons on hand and receipts and deliveries of crude petroleum oil and liquid hydrocarbons by pipe line and trucks within the State of New Mexico, and receipts and deliveries from leases to storers or refiners; between transporters within the State; between storers and refiners within the State.

(b) Form C-112 shall be filed in DUPLICATE on or before the 15th day of the next succeeding month.

RULE 1112. REFINER's MONTHLY REPORT - (FORM C-113)

Every refiner of crude petroleum oil within the State of New Mexico shall furnish for each calendar month a Refiner's Monthly Report, Form C-113, containing the information and data indicated by such form respecting crude petroleum oil and products involved in such refiner's operations during each month. Such report for each month shall be filed on or before the 15th day of the next succeeding month, in DUPLICATE.

RULE 1113. GASOLINE OR OTHER EXTRACTION PLANT MONTHLY REPORT (Form C-114)

Each operator of a gasoline plant, cycling plant or any other plant at which gasoline, butane, propane, kerosene, oil, or other liquid products are extracted from gas within the State of New Mexico shall furnish for each calendar month a Gasoline or Other Extraction Plant Monthly Report, Form C-114, containing the information indicated by such form respecting gas and products involved in the operation of each such plant during each month. Each purchaser of gas shall report monthly the source or sources and amounts from each source of gas injected into natural gas storage reservoir together with the gross amount of gas which is withdrawn during the month from natural storage. Such report for each month shall be filed on or before the 15th day of the next succeeding month in DUPLICATE.

RULE 1114. OPERATOR'S MONTHLY REPORT - (Form C-115)

Operator's Monthly Report, Form C-115, shall be filed on each producing lease within the State of New Mexico for each calendar month, setting forth complete information and data indicated on said form. Each report for each month shall be filed for the next succeeding month - on or before the 18th.

Daily Well Nominations as reported on Form C-115 shall apply to the next succeeding month. Top allowable units will be indicated by entering a T in the nomination column. Units that are incapable of producing top allowable, will be nominated for the actual amount of oil that they are capable of producing daily.

The reports on this form shall be filed by the producer as follows: the original to the Oil Conservation Commission, Santa Fe; one copy to the proration office at Hobbs; one copy to the district office in which district the lease is located; and one copy to each transporter involved.

RULE 1115. GAS-OIL RATIO TEST (Form C-116)

A gas-oil ratio test shall be made and reported on Form C-116 as prescribed in Rule 301, Gas-Oil Ratio Test. This form shall be submitted in DUPLICATE, one copy being sent to the Hobbs District Office and one copy to the Oil Conservation Commission, Santa Fe, New Mexico.

RULE 1116. TANK CLEANING PERMIT (Form C-117)

(a) Form C-117 shall be used pursuant to Rule 311.

(b) Tank cleaning permit is not necessary in the following cases:

(1) Where "tank bottoms" are to be used on operator's lease roads or fire walls.

(2) Where merchantable oil is reclaimed by operator and disposed of through a duly authorized transporter as shown on Form C-110 filed with the Commission.

(3) Where there is a transfer of "tank bottoms" from one tank to another located in the same tank battery, provided there is no change in the custody or control of the "tank bottoms."

(4) Where there is the reclaiming of pipe line break oil or the treating of "tank bottoms" at a pipe line station, crude oil storage terminal or refinery, or to the treating by a gasoline plant operator of oil and other catchings collected in traps and drips in the gas-gathering lines connected to gasoline plants and in scrubbers at such plants.

RULE 1117. TREATING PLANTS (Form C-118)

Form C-118 shall be used in accordance with Rule 312.

RULE 1118. CARBON BLACK PLANT MONTHLY REPORT - (Form C-119)

Each operator of carbon black plant within the State of New Mexico shall file for each calendar month, the monthly volume of gas received by him from a gasoline extraction plant or plants, and a monthly volume or volumes of gas received by him from each lease operator delivering natural gas directly to such plant, together with the opening and closing stocks, the production and deliveries of carbon black or other products produced. Such reports containing information as required by the form shall be prepared and filed in DUPLICATE on Form C-119, "Carbon Black Monthly Report," on or before the 15th day of the next succeeding month.

RULE 1119. INJECTION REPORT (Form C-120)

Form C-120 shall be used for reports required under Rule 701, et seq.

RULE 1120. CRUDE OIL PURCHASER'S NOMINATION - (Form C-121)

Form C-121 shall be used by crude oil purchasers for nomination of purchases, and shall be submitted to the Commission not later than 5 days prior to said Commission's statewide proration hearing on nominations for the succeeding month. One copy of Form C-121 shall be mailed to Oil Conservation Commission, Santa Fe, New Mexico.

RULE 1121. BACK PRESSURE DATA SHEET (Form C-122)

Form C-122 shall be submitted in TRIPLICATE to the Oil Conservation Commission, Santa Fe, New Mexico, and shall be used to show back pressure data as required under the provisions of Rule 401.

RULE 1122. REQUEST FOR THE EXTENSION OF AN EXISTING POOL OR THE CREATION OF A NEW POOL. (Form C-123)

Form C-123 shall be used when a well is completed outside the boundaries of any pool producing from the same formation and shall be submitted in TRIPLICATE to the Proration Office at Hobbs not later than twenty (20) days after completion of well, and shall accompany Form C-105.

NEW MEXICO

OIL CONSERVATION COMMISSION

RULES AND REGULATIONS - REVISION #6

(Revised by Orders Nos. R-329 and R-330 dated June 10, 1953)

Insert Page 44-A

Section "M" (Reports) is hereby extended to include new Rules 1123 and 1124 providing for Forms C-124 and C-125 said rules to read as follows:

RULE 1123: BOTTOM HOLE PRESSURE TESTS (Form C-124).

Form C-124 shall be submitted in triplicate to the Oil Conservation Commission, Santa Fe, New Mexico, and shall be used to report bottom hole pressures as required under the provisions of Rule 302.

RULE 1124: GAS WELL SHUT-IN PRESSURE TESTS (Form C-125).

Form C-125 shall be submitted in triplicate to the Oil Conservation Commission, Santa Fe, New Mexico, and shall be used to report shut-in pressure tests on gas wells as required under the provisions of Rule 402.

RULE 1201. NECESSITY FOR HEARINGS

Except as provided in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof shall be made by the Commission, a public hearing shall be held at such time and place as may be prescribed by the Commission.

RULE 1202. EMERGENCY ORDERS

In case an emergency is found to exist by the Commission, which, in its judgment, requires the making of a rule, regulation or order without first having a hearing, such emergency rule, regulation or order shall have the same validity as if a hearing with respect to the same had been held after due notice. Such emergency rule, regulation or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation or order becomes effective.

RULE 1203. METHOD OF INITIATING A HEARING

The Commission upon its own motion and the Attorney General on behalf of the State and any operator, producer or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Commission it shall be on motion of the Commission and if by and other person it shall be by application. The application in TRIPLICATE shall state (1) the name or general description of the common source or sources of supply affected by the order sought, unless the same is intended to apply to and affect the entire state, in which event the application shall so state, and (2) briefly the general nature of the order, rule or regulation sought, and (3) any other matter required by a particular rule or rules.

An application shall be signed by the person seeking the hearing or by his attorney. Unless required by a specific rule, an application need not be verified.

RULE 1204. METHOD OF GIVING NOTICE FOR HEARINGS

Notice of a hearing before the Commission shall be given by personal service on the person affected or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any land, oil or gas or other property which may be affected shall be situated.

RULE 1205. CONTENTS OF NOTICE OF HEARING

Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by two members of the Commission or by the Secretary

of the Commission and the seal of the Commission shall be impressed thereon.

The notice shall specify the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant if any and unless the contemplated order, rule or regulation is intended to apply to and affect the entire State it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule or regulation.

RULE 1206. SERVICE OF NOTICE

Personal service of the notice of hearing may be made by any agent of the Commission or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.

RULE 1207. PREPARATION OF NOTICES

After a motion or application is filed with the Commission the notice or notices required shall be prepared by the Commission and service and publication thereof shall be taken care of by the Commission without cost to the applicant.

RULE 1208. CONTINUANCE OF HEARING WITHOUT NEW SERVICE.

Any hearing before the Commission held after due notice may be continued to a specified time and place without the necessity of notice of the same being again served or published. In the event of such continuance, a record thereof shall be made in the minutes of the hearing at which the continuance was ordered.

RULE 1209. CONDUCT OF HEARINGS

Hearings before the Commission shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent records of the Commission. Any person testifying in response to a subpoena issued by the Commission and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, unsworn comments and observations by any interested party will be invited and made a part of the record. Comments and observations by representatives of operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines and other competent persons are welcomed. Two members of the Commission constitute a quorum for the transaction of business and for the holding of hearings, but one member of the Commission may conduct a hearing for the purpose of receiving testimony only.

RULE 1210. STATUTORY POWERS AS TO WITNESSES, RECORDS, ETC.

The Commission or any member thereof has statutory power to subpoena witnesses and to require the production of books, papers, records, etc. A subpoena will be issued by the Commission for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued by the Commission, an attachment of the person may be issued by the district court of any district in the state, and such court has powers to punish for contempt. Any person guilty of swearing falsely at any hearing may be punished for contempt.

RULE 1211. RULES OF EVIDENCE

Full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, providing that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by some competent legal evidence.

RULE 1212. REHEARINGS

Within 20 days after entry of any order or decision of the Commission, any person affected thereby may file with the Commission an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or de decision after rehearsing as may be required under the circumstances.

RULE 1213. CHANGES IN FORMS AND REPORTS

Any changes in the forms and reports or rules relating to such forms and reports shall be made only by order of the Commission issued after due notice and hearing.

O-RULES ON ADMINISTRATION

RULE 1301. DISTRICT OFFICES

To expedite administration of the work of the Commission and enforcement of its rules and regulations, the State shall be divided into four districts as follows:

District 1	Lea, Roosevelt, Curry, De Baca and Chaves Counties, with office at Hobbs
District 2	Eddy, Otero, Dona Ana and Lincoln Counties with office at Artesia
District 3	San Juan, Rio Arriba, McKinley and Sandoval Counties, with office at Aztec
District 4	Balance of state, office of the Oil Conservation Commission, Santa Fe

Each district office shall be under the charge of an oil and gas inspector, a deputy oil and gas inspector or a member of the Commission. Unless otherwise specifically required, all matters pertaining to the Commission shall be taken care of through the district office of the district in which the land that is affected lies.

RULE 1302. WHERE TO FILE REPORTS AND FORMS

All reports and forms required by the rules to be filed with the Commission shall be filed in the number and at the time specified on each such printed report or form. However, all copies of reports and forms required to be filed with the Commission shall, except as hereinafter stated, be filed at the district office of the district in which the land that is the subject matter of the report lies. All plugging bonds shall be filed directly in the Commission Office at Santa Fe. A list of all plugging bonds in force and approved shall be kept in each district office.

RULE 1303. DUTIES AND AUTHORITY OF FIELD PERSONNEL

Oil and gas inspectors, deputy oil and gas inspectors, scouts, engineers and geologists duly appointed by the Commission have the authority and duty to enforce the rules and regulations of the Commission. Only oil and gas inspectors and their deputies shall have discretion to allow minor deviations from requirements of the rules as to field practices where, by so doing, waste will be prevented or burdensome delay or expenses on the part of the operator will be avoided.

RULE 1304. NUMBERING OF COMMISSION ORDERS

All orders of the Commission made after 1 January 1950 pertaining to allocation of the production of oil or gas shall be prefixed with the letter "A" and shall be numbered consecutively, commencing with No. 1 - i.e., the first allocation order issued after 1 January 1950 shall be No. A-1, and the next shall be No. A-2.

All other orders of the Commission made after 1 January 1950 shall be prefixed with the letter "R" and shall be consecutively numbered, commencing with the number 1 -i.e., the first such order issued after 1 January 1950 shall be No. R-1, and the next shall be No. R-2.

NOMENCLATURE - SOUTHEAST

Pool	Producing Formation	County	Twp. & Rge.	Description
Acme	SA	Chaves	T.8S-R.27E	SW/4 Sec. 5; S/2 Sec. 6; All Sec. 7; W/2 Sec. 8.
Aid	Y-SR	Eddy	T.17S-R.28E	S/2 Sec. 24; All Sec. 25.
Anderson	G-SA	Eddy	T.17S-R.29E	S/2 Sec. 1; All Secs. 2, 3, 11 & 12; N/2 Sec. 13; N/2 Sec. 14.
			T.17S-R.30E	SW/4 Sec. 6; N/2 Sec. 7.
Arrowhead	Q-G	Lea	T.21S-R.36E	All Secs. 24, 25 & 26; E/2 Sec. 34; All Secs. 35 & 36.
			T.22S-R.36E	All Secs. 1 & 2; E/2 Sec. 3; N/2 and SE/4 Sec. 11; All Secs. 12 & 13; E/2 Sec. 14; All Sec. 24.
			T.22S-R.37E	W/2 Sec. 6; NW/4 and S/2 Sec. 7; All Secs. 18 & 19.
Artesia	G-SA	Eddy	T.17S-R.28E	S/2 Sec. 32; All Sec. 33; S/2 Sec. 34; SW/4 Sec. 35.
			T.18S-R.27E	SE/4 Sec 1; SE/4 Sec. 11; All Secs. 12 & 13; E/2 Sec. 14; E/2 Sec. 23; All Secs. 24 & 25; E/2 Sec. 26; NE/4 Sec. 35; All Sec. 36.
			T.18S-R.28E	All Secs. 2, 3, 4 & 5; E/2 and SW/4 Sec. 6; All Secs. 7, 8, 9, 10 & 11; W/2 Sec. 14; All Secs. 15 thru 22; W/2 Sec. 23; All Secs. 27 thru 34.
			T.19S-R.28E	All Secs. 3 to 5 incl; N/2 Sec. 6; NE/4 Sec. 9; All Sec. 10.
Atoka (Abandoned)	SA	Eddy	T.18S-R.26E	E/2 Sec. 15.

Southeast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Bagley-Pennsylvanian	Penn.	Lea	T. 11S-R. 33E	SE/4 Sec. 33; NE/4 & S/2 Sec. 34; NW/4 & S/2 Sec. 35; SW/4 Sec. 36.
			T. 12S-R. 33E	W/2 Sec. 1; All Secs. 2 & 3; E/2 Sec. 4; E/2 Sec. 10; All Sec. 11; W/2 Sec. 12.
Bagley-Siluro-Devonian	SD	Lea	T. 11S-R. 33E	SE/4 Sec. 33; NE/4 & S/2 Sec. 34; S/2 NE/4 & S/2 Sec. 35; SW/4 Sec. 36.
			T. 12S-R. 33E	W/2 Sec. 1; All Secs. 2 & 3; E/2 Sec. 4; E/2 Sec. 10; All Sec. 11; W/2 Sec. 12.
Baish	Y	Lea	T. 17S-R. 32E	E/2 Sec. 20; All Sec. 21; W/2 Sec. 22; N/2 Sec. 28.
Barber	Y	Eddy	T. 20S-R. 30E	S/2 Sec. 17; All Sec. 20.
Benson	Y	Eddy	T. 19S-R. 30E	All Sec. 16.
Bitter Lake (Abandoned)	SA	Chaves	T. 10S-R. 25E	All Sec. 13; E/2 Sec. 14; NE/4 Sec. 23; N/2 Sec. 24.
Black River	Del	Eddy	T. 24S-R. 26E	SE/4 Sec. 11; SW/4 Sec. 12; W/2 Sec. 13; E/2 Sec. 14; NE/4 Sec. 23; NW/4 Sec. 24.
Blinebry	B	Lea	T. 21S-R. 37E	All Sec. 23; S/2 & NW/4 Sec. 25; All Sec. 26; E/2 Sec. 35; All Sec. 36.
			T. 22S-R. 37E	All Secs. 1, 12 & 13; E/2 Sec. 23; All Sec. 24; N/2 Sec. 25.
			T. 22S-R. 38E	W/2 Sec. 7; W/2 Sec. 18; All Secs. 19, 30 & 31.
			T. 23S-R. 38E	All Sec. 6.

Southeast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Bluit-San Andres	SA	Roosevelt	T. 8S-R. 38E	All of Secs. 7, 8, 17 &18.
Bough	Permo-Penn.	Lea	T. 9S-R. 35E	All Secs. 11 thru 14 incl.
			T. 9S-R. 36E	All Sec. 7; W/2 Sec. 8; W/2 Sec. 17; All Sec. 18.
Bowers	SR	Lea	T. 18S-R. 37E	All Sec. 13; E/2 Sec. 14; All Sec. 24; E/2 Sec. 25.
			T. 18S-R. 38E	S/2 Sec. 18; All Sec. 19; NW/4 & S/2 Sec. 20; all Secs. 28 thru 33 incl. W/2 Sec. 34.
			T. 19S-R. 38E	N/2 Sec. 4; N/2 & NE/4 SE/4 Sec. 5; N/2 Sec. 6.
Brown	Q-G	Chaves	T. 10S-R. 26E	All Sec. 26.
Brunson	E	Lea	T. 21S-R. 37E	Lots 11, 12, 13, 14 and S/2 Sec. 2; Lots 9, 10, 15, 16 and SE/4 Sec. 3; all Sec. 10; N/2 Sec. 11; NW/4 Sec. 12; All Secs. 15, 21 and 22; W/2 Sec. 27; all Sec. 28; E/2 Sec. 32; all Sec. 33.
			T. 22S-R. 37E	SW/4 Sec. 3; All Sec. 4; E/2 Sec. 5; E/2 Sec. 8; All Sec. 9; W/2 Sec. 10; All Sec. 15; N/2 Sec. 16; N/2 & SE/4 Sec. 22.
Burton	Y	Eddy	T. 20S-R. 29E	N/2 Sec. 8.
Caprock	Q	Chaves	T. 12S-R. 31E	All Sec. 36.
		Lea	T. 12S-R. 32E	SW/4 Sec. 29; S/2 Sec. 30; All Secs. 31 & 32.
		Chaves	T. 13S-R. 31E	All Sec. 1;E/2 Sec. 2; All Secs. 11 thru 13 incl; N/2 & SE/4 Sec. 14; N/2 Sec. 24.

Southeast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Caprock (Cont'd)		Lea	T.13S-R.32E	All Secs. 5 thru 8 incl; N/2 Sec. 17; All Sec. 18; N/2 Sec. 19.
Caprock-Devonian, East	Dev.	Lea	T.12S-R.32E	S/2 Sec. 2; All Secs. 11 and 14.
Caprock-Pennsylvanian, East	Penn.	Lea	T.12S-R.32E	SW/4 Sec. 11; NW/4 Sec. 14.
Cary	Mon.	Lea	T.22S-R.37E	All Sec. 22.
Cass	Penn.	Lea	T.20S-R.37E	All Sec. 23.
Caudill-Pennsylvanian	Penn.	Lea	T.15S-R.36E	All Sections 4, 5, 8, and 9.
Cave (Abandoned)	G	Eddy	T.17S-R.29E	SE/4 Sec. 8; SW/4 Sec. 9; NW/4 Sec. 16; NE/4 Sec. 17.
Cedar Hills Yates	Y	Eddy	T.21S-R.27E	All Sec. 5; N/2 Sec. 8.
Chisum	Dev.	Chaves	T.11S-R.27E	All Sec. 13.
			T.11S-R.28E	W/2 Sec. 18.
Chisum-San Andres	SA	Chaves	T.11S-R.27E	All Sec. 13.
Comanche (Abandoned)	SA	Chaves	T.11S-R.26E	N/2 Sec. 15.
Cooper-Jal	Y-SR	Lea	T.23S-R.36E	All Sec. 4, 5, 8, 9, 15, 16, 17, 20, 21, 22, 27, 28, 33 & 34.
			T.24S-R.36E	W/2 Sec. 2; All Sec. 3 & 4; N/2 Sec. 9; All Sec. 10; W/2 Sec. 11; SW/4 Sec. 13; All Sec. 14, 15, 22 & 23; W/2 Sec. 24; W/2 Sec. 25; All Sec. 26, 27, 34 & 35; W/2 Sec. 36.
			T.25S-R.36E	All Sec. 1, 2, 3, 11, 12, 13, 14, 23, 24, 25, 26 & 36.

Southeast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Cooper-Jal (Cont'd)			T. 25S-R. 37E	SW/4 Sec. 6; W/2 Sec. 7; W/2 Sec. 18; W/2 Sec. 19; W/2 Sec. 30; All Sec. 31; SW/4 Sec. 32.
Corbin	Q	Lea	T. 17S-R. 33E	All Sec. 33; SW/4 Sec. 34.
			T. 18S-R. 33E	W/2 Sec. 3; E/2 Sec. 4; E/2 Sec. 9; W/2 Sec. 10.
Corbin-Yates	Y	Lea	T. 18S-R. 33E	E/2 Sec. 9; W/2 Sec. 10.
Crossroads	SD	Lea	T. 9S-R. 36E	W/2 Sec. 26; All Sec. 27; E/2 Sec. 28; E/2 Sec. 33; All Sec. 34; W/2 Sec. 35.
Crossroads-Pennsylvanian	Penn.	Lea	T. 9S-R. 36E	SE/4 Sec. 20; S/2 Sec. 22; W/2 Sec. 26; All Sec. 27; NW/4, E/2 Sec. 28; N/2 Sec. 29; E/2 Sec. 33; All Sec. 34; W/2 Sec. 35.
Crossroads-Slaughter	SA	Lea	T. 9S-R. 36E	S/2 Sec. 30; All Sec. 31;
Culwin	Q	Eddy	T. 19S-R. 31E	N/2 Sec. 6.
Dark Canyon	Del	Eddy	T. 23S-R. 26E	S/2 Sec. 22.
Daugherity	SA	Eddy	T. 17S-R. 27E	All Sec. 3.
Dayton	G	Eddy	T. 18S-R. 26E	S/2 Sec. 23; S/2 Sec. 24; All Secs. 25 & 26; N/2 Sec. 35.
Dayton, East (Abandoned)	G	Eddy	T. 18S-R. 27E	NW/4 Sec. 29.
Denton	Dev.	Lea	T. 14S-R. 37E	W/2 Sec. 25; All 26; E/2 Sec. 27; All Sec. 34, 35 & 36.
			T. 15S-R. 37E	All Secs. 1, 2 & 3 incl; All secs. 10 thru 15 incl; N/2 Sec. 22; N/2 Sec. 23; N/2 Sec. 24.

Southeast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Denton-Wolfcamp	Wc	Lea	T. 14S-R. 37E	S/2 Sec. 35.
			T. 15S-R. 37E	All Secs. 1, 2, 11, 12, 13 & 14.
Denton-Mississippian	Miss.	Lea	T. 15S-R. 37E	All Secs. 11 thru 14 incl.
Dollarhide, West	E	Lea	T. 24S-R. 38E	S/2 Sec. 32; W/2 and Lots 1, 2, 3 & 4 of Sec. 33.
			T. 25S-R. 38E	NW/4 and Lots 1 & 4 of Sec. 4; N/2 Sec. 5.
Dollarhide-Devonian, West	Dev.	Lea	T. 24S-R. 38E	Lots 3 and 4 & SW/4 Sec. 28; S/2 Sec. 29; SE/4 Sec. 30; E/2 Sec. 31; All Sec. 32; W/2 and Lots 1, 2, 3 and 4 Sec. 33.
			T. 25S-R. 38E	Lots 1, 4, 5 & 6 and W/2 Sec. 4; All Sec. 5; NE/4 Sec. 6.
Dollarhide-Drinkard, West	DR	Lea	T. 24S-R. 38E	All Secs. 28, 29; E/2 Sec. 31; All Secs. 32 & 33.
Dollarhide-Fusselman, West	Fu	Lea	T. 24S-R. 38E	E/2 Sec. 31; All Sec. 32 & 33.
			T. 25S-R. 38E	NW/4 and Lots 1 & 4, Sec. 4; NE/4 Sec. 5.
Dollarhide-Queen, West	Q	Lea	T. 24S-R. 38E	E/2 Sec. 31.
			T. 25S-R. 38E	NE/4 Sec. 6.
Drinkard	DR	Lea	T. 21S-R. 37E	Lots 3, 4, 5, 6, 11, 12, 13, 14 and SW/4 Sec. 2; All Sec. 3; S/2 Sec. 4; All Secs. 8 thru 11 incl; All Secs. 14 thru 17 incl; E/2 Sec. 19; All Secs. 20 thru 23 incl; SW/4 Sec. 25; All Secs. 26 thru 29 incl; E/2 Sec. 30; E/2 Sec. 31; All Secs. 32 thru 36 incl.

Southeast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Drinkard (Cont'd.)			T. 22S-R. 37E	All Secs. 1 thru 5 incl; All Secs. 8 thru 15 incl; E/2 Sec. 16; E/2 Sec. 21; All Secs. 22 thru 26 incl; All Sec. 36.
			T. 22S-R. 38E	SW/4 Sec. 6; W/2 Sec. 7; W/2 Sec. 18; All Secs. 19 & 20; All Secs. 29 thru 32 incl.
			T. 23S-R. 38E	All Secs. 5 & 6.
Drinkard, South	DR	Lea	T. 23S-R. 37E	All of Sec. 3.
Dublin (Abandoned)	E	Lea	T. 26S-R. 37E	All Secs. 11 thru 14 incl.
Dublin-Devonian	Dev.	Lea	T. 26S-R. 37E	All Secs. 11 thru 14 incl.
Eaves	Y-SR	Lea	T. 26S-R. 36E	All Secs. 12, 13, 24 & 25.
			T. 26S-R. 37E	W/2 Sec. 7; All Secs. 18 & 19; SW/4 Sec. 20; W/2 Sec. 29; All Secs. 30 & 31; W/2 Sec. 32.
Echol-Devonian	Dev.	Lea	T. 10S-R. 37E	S/2 Sec. 32; SW/4 Sec. 33.
			T. 11S-R. 37E	All of Sec. 2.
Echol-Devonian, North	Dev.	Lea	T. 10S-R. 37E	All Sec. 21.
Eighty Four-Draw	SA	Lea	T. 21S-R. 38E	All of Sec. 8; NW/4 Sec. 9.
Elliott (Abandoned)	DR	Lea	T. 21S-R. 38E	All Sec. 8.
Empire	Y-SR	Eddy	T. 17S-R. 27E	S/2 Sec. 12; All Secs. 13, 24, 25, 26, 35 and 36.
			T. 17S-R. 28E	S/2 Sec. 7; SW/4 Sec. 16; S/2 Sec. 17; All Sec. 18; N/2 & SW/4 Sec. 19; N/2 Sec. 20; W/2 & SE/4 Sec. 21; W/2 Sec. 30.

Southeast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Empire (Cont'd.)			T.18S-R.27E	NE/4&W/2 Sec. 2; E/2 Sec. 3.
Eunice-Monument	SR-Q-G-SA	Lea	T.19S-R.36E	E/2 Sec. 12; All Sec. 13; All 23 thru 27 incl. All Secs. 34, 35, & 36.
			T.19S-R.37E	SW/4 Sec. 3; S/2 Sec. 4; All Secs. 7 & 8; W/2 Sec. 9; W/2 Sec. 16; All Secs. 17 thru 21 incl. S/2 Sec. 27; All Secs. 28 thru 34 incl.
			T.20S-R.36E	All Secs. 1, 2, 3; All Secs. 10 thru 14 incl. E/2 Sec. 15; All Secs. 23 thru 26 incl; All Secs. 35 and 36.
			T.20S-R.37E	All Secs. 3 thru 10 incl. All Secs. 15 thru 21 incl. W/2 Sec. 22; All Secs. 29 thru 33 incl.
			T.21S-R.35E	All Secs. 1,12, 13, 24; E/2 Sec. 25.
			T.21S-R.36E	SW/4 Sec. 1; All Secs. 2 thru 11 incl; W/2 Sec. 12; W/2 Sec. 13; All Secs. 14 thru 22 incl; NW/4 Sec. 23; W/2 Sec. 27; All Secs. 28 thru 30 incl; NE/4 Sec. 31; All Secs. 32 & 33; W/2 Sec. 34.
South Eunice	SR	Lea	T.21S-R.35E	E/2 Sec. 36.
			T.21S-R.36E	NW/4 and S/2 Sec. 31.
			T.22S-R.35E	E/2 Sec. 1.
			T.22S-R.36E	W/2 Sec. 3; All Secs. 4 thru 10 incl; SW/4 Sec. 11; W/2 Sec. 14; All Secs. 15 thru 23 incl; All Secs. 25 thru 29 incl; E/2 Sec. 30; NE/4 Sec. 31; All Secs. 32 thru 36 incl.

Southeast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Fenton	Dev.	Eddy	T. 21S-R. 28E	All Sec. 15.
Forest	SA	Eddy	T. 16S-R. 29E	S/2 Sec. 26; S/2 Sec. 27; All Secs. 34 & 35.
Fowler	E	Lea	T. 24S-R. 37E	SE/4 Sec. 9; S/2 Sec. 10; W/2 Sec. 14; All Sec. 15; E/2 Sec. 16; All Sec. 22; W/2 Sec. 23.
Fowler-Blinebry	B	Lea	T. 24S-R. 37E	W/2 Sec. 15; All Sec. 16; N/2 Sec. 21; NW/4 Sec. 22.
Fren	SR	Eddy	T. 17S-R. 30E	S/2 Sec. 21; All Secs. 22 thru 27 incl; N/2 Sec. 28.
			T. 17S-R. 31E	All Secs. 16 & 17; S/2 Sec. 18; All Secs. 19 thru 22 incl; All Secs. 29 & 30.
Garrett	SA	Lea	T. 16S-R. 38E	SW/4 and E/2 Sec. 22; W/2 Sec. 23.
Getty	Y	Eddy	T. 20S-R. 29E	SW/4 Sec. 13; SE/4 Sec. 14; E/2 Sec. 23; W/2 Sec. 24; NW/4 Sec. 25; NE/4 Sec. 26.
Gladiola	Dev.	Lea	T. 12S-R. 37E	S/2 Sec. 13; N/2 Sec. 24.
			T. 12S-R. 38E	SW/4 Sec. 18, NW/4 Sec. 19.
Gladiola-Wolfcamp	Wc	Lea	T. 12S-R. 37E	All Sec. 13; E/2 Sec. 14; All Sec. 23, 24; N/2 Sec. 26.
Grayburg-Jackson	Q-G-SA	Eddy	T. 17S-R. 29E	S/2 Sec. 13; S/2 Sec. 14; All Sec. 20 thru 29; N/2 & N/2 S/2 Sec. 32; N/2 & N/2 SW/4 & SE/4 Sec. 33; All Sec. 34; N/2 & N/2 of S/2 Sec. 35, N/2 Sec. 36.

Southeast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Grayburg-Jackson (Cont'd.	Q-G-SA	Eddy	T.17S-R.30E	S/2 Sec. 12; All Secs. 13 thru 17 incl; S/2 Sec. 18; All Secs. 19 thru 21 incl; N/2 Sec. 22; N/2 Sec. 23; N/2 Sec. 24; N/2 Sec. 29; All Sec. 30.
			T.17S-R.31E	SW/4 Sec. 4; S/2 Sec. 5; All Sec. 7; All Sec. 8; S/2 and NW/4 Sec. 9; All Secs. 14 thru 18 incl; N/2 Sec. 19; N/2 Sec. 20; All Secs. 21 thru 23 incl; N/2 Sec. 26; N/2 Sec. 27; N/2 Sec. 28.
Grayburg-Keely	SA	Eddy	T.17S-R.29E	S/2 Sec. 22; S/2 Sec. 23; All Sec. 26 and 27.
Hale (Gas)	T	Eddy	T.20S-R.30E	SW/4 Sec. 12; NW/4 Sec. 13.
Halfway	Y	Lea	T.20S-R.32E	S/2 Sec. 9; All Sec. 16.
Hardy	Q-G	Lea	T.20S-R.37E	All Sec. 36.
			T.20S-R.38E	All Sec. 31.
			T.21S-R.36E	Lots 1, 2, 7, 8, 9, 10, 15 & 16 of Sec. 1.
			T.21S-R.37E	All Sec. 5 and 6; N/2 Sec. 7.
Hare	Sim	Lea	T.21S-R.37E	SW/4 SW/4 Sec. 1; S/2 and Lots 11, 12, 13, 14, Sec. 2; S/2 and Lots 9, 14, 15 & 16, Sec. 3; All Sec. 10 & 15; E/2 Sec.16; S/2 & NE/4 Sec. 21; All Sec. 22; W/2 Sec. 27; All Sec. 28; E/2 Sec. 29; E/2 Sec. 32; W/2 & NE/4 Sec. 33.
Hare, South	Sim	Lea	T.22S-R.37E	SE/4 Sec. 9; S/2 and NW/4 Sec. 15; NE/4 Sec. 16; N/2 Sec. 22.

Southeast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Harrison (Abandoned)	P	Lea	T. 23S-R. 37E	SW/4 Sec. 16; NW/4 Sec. 21.
Henshaw	SA	Eddy	T. 16S-R. 30E	All Sec. 13.
High Lonesome	Q	Eddy	T. 16S-R. 29E	SW/4 Sec. 16; S/2 Sec. 17; N/2 Sec. 20; NW/4 Sec. 21.
High Lonesome, South	G-SA	Eddy	T. 16S-R. 29E	S/2 Sec. 31; S/2 and NE/4 Sec. 32; All Sec. 33.
			T. 17S-R. 28E	NE/4 Sec. 1.
			T. 17S-R. 29E	N/2 Sec. 4; N/2 Sec. 5; N/2 Sec. 6.
Hightower	Dev.	Lea	T. 12S-R. 33E	All of Secs. 22, 23, 26 & 27.
Hightower Permo Penn	Penn.	Lea	T. 12S-R. 33E	All Secs. 22, 23, 26 & 27.
Hobbs	SA	Lea	T. 18S-R. 37E	All Secs. 13, 14, 23, 24, 25 and 36.
			T. 18S-R. 38E	All Secs. 17 thru 22 incl; All Secs. 27 thru 34 incl.
			T. 19S-R. 38E	All Secs. 3 thru 6, incl; All Secs 8, 9, 10, 15 & 16.
Hobbs-Drinkard	DR	Lea	T. 19S-R. 38E	NW/4 Sec. 4.
Hobbs-Blinebry-East	B	Lea	T. 18S-R. 39E	Lots 1, 2, 3 & 4 of Sec. 29
Hobbs-San Andres, East	SA	Lea	T. 18S-R. 39E	All Secs. 29 & 32 (Lying within New Mexico)
House	DR	Lea	T. 20S-R. 38E	All Sec. 1; SE/4 Sec. 2; SW/4 and E/2 Sec. 11; All Sec. 12; N/2 Sec. 13; N/2 Sec. 14;
			T. 20S-R. 39E	All Sec. 6; W/2 Sec. 7; NW/4 Sec. 18.

Southeast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
House - San Andres	SA	Lea	T. 20S-R. 38E	E/2 Sec. 1; E/2 Sec. 11; All Sec. 12; NW/4 Sec. 13; NE/4 Sec. 14.
			T. 20S-R. 39E	All Sec. 5 & 6; N/2 Sec. 7.
Justis (Gas)	P	Lea	T. 25S-R. 37E	SW/4 Sec. 1; SE/4 Sec. 2; E/2 Sec. 11; W/2 Sec. 12; W/2 Sec. 13; E/2 Sec. 14; E/2 Sec. 23; W/2 Sec. 24;
King-Wolfcamp	Wc	Lea	T. 13S-R. 37E	All Secs. 25, 26, 35 & 36.
Knowles	Dev.	Lea	T. 16S-R. 38E	E/2 Sec. 34; All Sec. 35;
			T. 17S-R. 38E	N/2 Sec. 2; NE/4 Sec. 3.
Langlie-Mattix	Y-SR-Q	Lea	T. 23S-R. 36E	All Secs. 1, 2 & 3; All of Secs. 10 thru 14 incl; All Secs. 23 thru 26 incl; All Secs. 35 & 36.
			T. 23S-R. 37E	W/2 Sec. 6; All Secs. 7, 18, 19; W/2 W/2 Sec. 20; All Sec. 27; S/2 Sec. 28; All Secs. 29 thru 35, incl;
			T. 24S-R. 36E	All Sec. 1; E/2 Sec. 2; E/2 Sec. 11; All Sec. 12; N/2 and SE/4 Sec. 13; E/2 Sec. 24; E/2 Sec. 25; E/2 Sec. 36.
			T. 24S-R. 37E	All Secs. 2 thru 11, incl; All Secs. 14 thru 23 incl; SW/4 Sec. 25; All Secs. 26 thru 35, incl; NW/4 Sec. 36.
			T. 25S-R. 37E	All Secs. 2 thru 5 incl; E/2 and NW/4 Sec. 6; E/2 Sec. 7; All Secs. 8 thru 11 incl; W/2 Sec. 13; All Secs. 14 thru 17 incl;

Southeast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Langlie-Mattix (Cont'd.)	Y-SR-Q	Lea	T. 25S-R. 37E	E/2 Sec. 18; E/2 Sec. 19; All Secs. 20 thru 23 incl; W/2 Sec. 24; W/2 Sec. 25; All Secs. 26 thru 29 incl; E/2 Sec. 30; N/2 and SE/4 Sec. 32; All Secs. 33, 34, & 35; W/2 Sec. 36.
			T. 26S-R. 37E	NW/4 Sec. 1; NE/4 Sec. 2.
Lazy J	Penn.	Lea	T. 13S-R. 33E	All Sec. 27.
Lea (Abandoned)	Y	Lea	T. 20S-R. 34E	W/2 Sec. 14;
Leo	G	Eddy	T. 18S-R. 30E	S/2 Sec. 14; S/2 Sec. 15; S/2 Sec. 16; N/2 Sec. 21; All Secs. 22 & 23.
Leonard	SR	Lea	T. 26S-R. 37E	All Secs. 11 &12.
Leonard, South	Q	Lea	T. 26S-R. 37E	E/2 Sec. 23; All Sec. 24.
Lightcap	Dev.	Chaves	T. 8S-R. 30E	All Secs. 5 thru 8 incl.
Loco Hills	G-SA	Eddy	T. 17S-R. 29E	S/2 Sec. 31; S/2 S/2 Sec. 32; S/2 SW/4 Sec. 33; S/2 S/2 Sec. 35; S/2 Sec. 36.
			T. 17S-R. 30E	S/2 Sec. 29; All Secs. 31 & 32.
			T. 18S-R. 28E	All Sec. 12.
			T. 18S-R. 29E	All Secs. 1 thru 18 incl.
			T. 18S-R. 30E	W/2 Sec. 4; All Secs. 5, 6. 7 & 18.
Loco Hills-Queen	Q	Eddy	T. 17S-R. 30E	SW/4 Sec. 29; SE/4 Sec. 30; NW/4 Sec. 32.
Logan-Draw (Abandoned)	SA	Eddy	T. 17S-R. 27E	S/2 Sec. 19.

Southeast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Lovington	SA	Lea	T. 16S-R. 36E	S/2 Sec. 25; S/2 Sec. ~~36~~ 26; All of Sec. 35 & 36.
			T. 16S-R. 37E	S/2 Sec. 30; All Sec. 31; W/2 Sec. 32.
			T. 17S-R. 36E	All Sec. 1 & 2; N/2 Sec. 11; N/2 Sec. 12.
			T. 17S-R. 37E	W/2 Sec. 5; All Sec. 6; N/2 Sec. 7.
Lovington-Abo	A	Lea	T. 16S-R. 36E	All Sec. 36.
			T. 16S-R. 37E	All Secs. 31 & 32; W/2 Sec. 33.
			T. 17S-R. 36E	All Sec. 1.
			T. 17S-R. 37E	All Sec. 6.
Lovington-Paddock	P	Lea	T. 16S-R. 36E	All Sec. 36.
			T. 16S-R. 37E	All Sec. 31.
			T. 17S-R. 37E	All Secs. 1 & 12.
			T. 17S-R. 37E	All Secs. 6 & 7.
Lovington-Pennsylvanian, East	Penn.	Lea	T. 16S-R. 37E	S/2 Sec. 20; All Sec. 29 and 32; SW/4 Sec. 33.
			T. 17S-R. 37E	N/2 Sec. 4; N/2 Sec. 5.
Lovington, West	SA	Lea	T. 16S-R. 36E	S/2 Sec. 32; SW/4 Sec. 33.
			T. 17S-R. 35E	E/2 Sec. 12.
			T. 17S-R. 36E	W/2 Sec. 3; All Secs. 4 & 5; NE/4 and S/2 Sec. 6; All Sec. 7 & 8; N/2 Sec. 9.

Southeast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Lusk	Y	Eddy	T.19S-R.31E	All Sec. 24.
		Lea	T.19S-R.32E	W/2 Sec. 19.
Lusk, East (Abandoned)	Y	Lea	T.19S-R.32E	S/2 Sec. 21; N/2 Sec. 28.
Lusk, West	Y	Eddy	T.19S-R.31E	SE/4 Sec. 15; NE/4 Sec. 22.
Lynch	Y	Lea	T.20S-R.34E	S/2 Sec. 27; All Sec. 34; W/2 Sec. 35.
			T.21S-R.33E	W/2 Sec. 1; All Sec. 2.
Lynch, North	Y	Lea	T.20S-R.34E	E/2 Sec. 18.
McCormack	Sil.	Lea	T.21S-R.37E	SW/4 Sec. 28; S/2 Sec. 29; All Sec. 32; NW/4 Sec. 33.
McMillan	SR-Q	Eddy	T.19S-R.27E	E/2 Sec. 31; All Sec. 32.
			T.20S-R.27E	N/2 & SW/4 Sec. 5; All Sec. 6; N/2 Sec. 7; NW/4 Sec. 8.
McMillan-Seven Rivers	SR	Eddy	T.19S-R.27E	SE/4 NE/4 and E/2 SE/4 Sec. 31; S/2 NW/4 and SW/4 Sec. 32.
Malaga	Del.	Eddy	T.24S-R.28E	E/2 SW/4 and SE/4 Sec. 12; E/2 NW/4 & E/2 Sec. 13.
			T.24S-R.29E	All Sec. 7; W/2 Sec. 18.
Malaga, West	Del.	Eddy	T.24S-R.27E	SW/4 Sec. 15; SE/4 Sec. 16; NE/4 Sec. 21; NW/4 Sec. 22.
Maljamar	G-SA	Eddy	T.17S-R.31E	S/2 Sec. 13; All Sec. 24 & 25.
		Lea	T.17S-R.32E	SE/4 Sec. 8; S/2 Sec. 9; S/2 Sec. 14; All Sec. 15 thru 36 incl.
			T.17S-R.33E	All Secs. 19 & 20; SW/4 Sec. 21; W/2 Sec. 28; All Sec. 29 & 30; N/2 Sec. 31; N/2 Sec. 32; All Sec. 33.

Southeast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Maljamar (Cont'd.)	G-SA	Lea	T. 18S-R. 32E	All Sec. 4 and 5.
			T. 18S-R. 33E	N/2 Sec. 3; N/2 Sec. 4.
Maljamar-Devonian	Dev.	Lea	T. 17S-R. 32E	E/2 Sec. 21; All Sec. 22.
Maljamar-Paddock	P	Lea	T. 17S-R. 32E	S/2 Sec. 17; All Sec. 19; W/2 and NE/4 Sec. 20.
Maljamar, East	G-SA	Lea	T. 17S-R. 33E	All Sec. 16.
Maljamar, North	G	Lea	T. 17S-R. 32E	SW/4 Sec. 5; SE/4 Sec. 6; NE/4 Sec. 7; NW/4 Sec. 8.
Maljamar, South	G	Lea	T. 18S-R. 32E	SW/4 Sec. 14; S/2 Sec. 15; All Sec. 22; W/2 Sec. 23.
Mescalero-Devonian	Dev.	Lea	T. 10S-R. 32E	All Sec. 22.
Mescalero-Pennsylvanian	Penn.	Lea	T. 10S-R. 32E	All Secs. 21, 22, 27 & 28.
Millman	G	Eddy	T. 19S-R. 28E	S/2 Sec. 18; N/2 Sec. 19.
Monument-Abo	A	Lea	T. 19S-R. 36E	All Sec. 36.
			T. 19S-R. 37E	All Sec. 31.
			T. 20S-R. 36E	All Sec. 1.
			T. 20S-R. 37E	All Sec. 6.
Monument-Blinebry	B	Lea	T. 19S-R. 36E	All Sec. 36.
			T. 19S-R. 37E	All Sec. 31; W/2 Sec. 32.
			T. 20S-R. 36E	All Sec. 1.
			T. 20S-R. 37E	W/2 Sec. 5; All Sec. 6.

Southeast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Monument-McKee (Abandoned)	Sim	Lea	T.19S-R.36E	All Sec. 36.
			T.19S-R.37E	All Sec. 31.
			T.20S-R.36E	All Sec. 1.
			T.20S-R.37E	All Sec. 6.
Monument-Paddock	P	Lea	T.19S-R.36E	All Sec. 36.
			T.19S-R.37E	All Sec. 31.
			T.20S-R.36E	All Sec. 1.
			T.20S-R.37E	All Sec. 6.
Moore-Devonian	Dev.	Lea	T.11S-R.32E	All Secs. 23, 24, 25 & 26.
Moore-Pennsylvanian	Penn.	Lea	T.11S-R.32E	All Secs. 23, 24, 25 & 26.
Nadine	DR	Lea	T.19S-R.38E	S/2 Sec. 14; All Sec. 23.
New Hope	Penn.	Roosevelt	T.6S-R..33E	SE/4 Sec. 36.
			T.6S-R.34E	SW/4 Sec. 31.
			T.7S.R-33E	NE/4 Sec. 1.
			T.7S-R.34E	NW/4 Sec. 6.
Nichols	SA	Eddy	T.18S-R.28E	All Sec. 13; N/2 Sec. 24.
Paddock	P	Lea	T.21S-R.37E	SE/4 Sec. 19; S/2 Sec. 20; All Sec. 27, 28 & 29; E/2 Sec. 30; All Sec. 32, 33, 34 and 35; S/2 Sec. 36.
			T.21S-R.38E	SW/4 Sec. 31.
			T.22S-R.37E	All Secs. 1 thru 5 incl; All Secs. 8 thru 15 incl. N/2 Sec. 16; NW/4 Sec. 23.

Southeast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Paddock (Cont'd.)	P	Lea	T. 22S-R. 38E	W/2 Sec. 6; W/2 Sec. 7.
Palmillo (Abandoned)	SA	Eddy	T. 18S-R. 29E	S/2 Sec. 30.
PCA	Y	Eddy	T. 20S-R. 30E	S/2 Sec. 10; All Sec. 15.
Pearsall	Q	Lea	T. 17S-R. 32E	All Sec. 26; S/2 Sec. 27; All Sec. 32 thru 35 incl.
			T. 18S-R. 32E	All Sec. 4 and 5.
Penrose-Skelly	Q-G	Lea	T. 21S-R. 36E	E/2 Sec. 13.
			T. 21S-R. 37E	S/2 Sec. 7; S/2 Sec. 8; S/2 Sec. 16; All Sec. 17 & 18; E/2 Sec. 19; All Sec. 20, 21, 27, 28 & 29; E/2 Sec. 30; E/2 Sec. 31; All Sec. 32, 33, 34 & 35.
			T. 22S-R. 37E	All Sec. 2, 3, 4 & 5; E/2 Sec. 6; NE/4 Sec. 7; All Sec. 8 thru 11 incl. All Sec. 14, 15 and 16; E/2 Sec. 17; E/2 Sec. 20; All Sec. 21, 22, 23, 26, 27 & 28; E/2 Sec. 29; All Sec. 32, 33 & 34; W/2 Sec. 35.
			T. 23S-R. 37E	W/2 Sec. 2; All Sec. 3 thru 5 incl; E/2 Sec. 6; All Sec. 8, 9 and 10; W/2 Sec. 11; W/2 Sec. 14; All Sec. 15 thru 17 incl. N/2 Sec. 20; All Sec. 21.
Premier	G	Eddy	T. 17S-R. 30E	S/2 Sec. 22; SW/4 NW/4 and S/2 Sec 23; S/2 Sec. 24; All Sec. 25 thru 28 incl; All Secs. 33 thru 36 incl.
			T. 17S-R. 31E	S/2 Sec. 19; S/2 Sec. 20; All Sec. 29 & 30; N/2 Sec. 31.

Southeast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Red Lake	G-SA	Eddy	T. 17S-R. 27E	NE/4 and S/2 Sec. 25; S/2 SW/4 Sec. 26; S/2 Sec. 34; All Sec. 35 & 36.
			T. 17. S-R. 28E	SW/4 Sec. 2; S/2 Sec. 3; All Sec. 4, 5, 8, 9 and 10; W/2 Sec. 11; W/2 Sec. 14; All Sec. 15, 16, 17; S/2 Sec. 19; All Sec. 20 thru 23 incl; N/2 Sec. 24; All Sec. 26 thru 30 incl; N/2 & SW/4 Sec. 31.
			T. 18S-R. 27E	N/2 Sec. 1; N/2 & SW/4 Sec. 2; All Sec. 3 thru 6 incl; E/2 Sec. 7; All Sec. 8; W/2 & NE/4 Sec. 9.
Rhodes	Y-SR	Lea	T. 26S-R. 37E	All Sec. 4 thru 6 incl. E/2 Sec. 7; All Sec. 8, 9; S/2 Sec. 10; All Sec. 15 thru 17 incl; N/2 & SE/4 Sec. 20; All Sec. 21 & 22; S/2 Sec. 23; All Sec. 26 thru 28 incl; All Sec. 34 & 35.
Roberts	G	Lea	T. 17S-R. 32E	S/2 Sec. 1; S/2 Sec. 2; All Sec. 3; N/2 Sec. 10; All Sec. 11; N/2 & SW/4 Sec. 12.
Robinson	G-SA	Eddy	T. 17S-R. 33E	S/2 Sec. 6; N/2 Sec. 7.
			T. 16S-R. 31E	S/2 Sec. 25; All Sec. 35; N/2 & SW/4 Sec. 36.
		Lea	T. 16S-R. 32E	SW/4 Sec. 30; N/2 & SE/4 Sec. 31; SE/4 SW/2 Sec. 32.
Russell	Y	Eddy	T. 17S-R. 32E	N/2 Sec. 5; NE/4 Sec. 6.
			T. 20S-R. 28E	S/2 Sec. 12; All Sec. 13, 14 & 23; W/2 Sec. 24.
Salt Lake (Abandoned)	Y	Lea	T. 20S-R. 33E	All Sec. 7 & 18.
Sand Hills	G-SA	Lea	T. 20S-R. 39E	Lots 3 & 4 & SW/4 Sec. 32.
			T. 21S-R. 38E	Lots 1 & 2, Sec. 4; Lots 1 & 2, Sec. 5.

Southeast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
San Simon	Y	Lea	T. 21S-R. 35E	SE/4 Sec. 32; SW/4 Sec. 33.
			T. 22S-R. 35E	NW/4 Sec. 4; NE/4 Sec. 5.
Santo Nino	Del	Eddy	T. 19S-R. 29E	S/2 Sec. 1; SE/4 Sec. 2; E/2 Sec. 12.
			T. 19S-R. 30E	S/2 Sec. 6; All Sec. 7.
Sawyer	SA	Lea	T. 9S-R. 37E	All Sec. 13 and 24.
			T. 9S-R. 38E	All Sec. 18, 19 & 30.
Saunders	Penn.	Lea	T. 14S-R. 33E	S/2 Sec. 2; S/2 Sec. 10; All Sec. 11; W/2 Sec. 14; All Sec. 15 & 22; W/2 Sec. 23; W/2 Sec. 26; All Sec. 27; E/2 Sec. 28; All Sec. 34; W/2 Sec. 35.
			T. 15S-R. 33E	W/2 Sec. 2; All Sec. 3; E/2 Sec. 4; E/2 Sec. 9; All Sec. 10; W/2 Sec. 11.
Saunders, South	Penn.	Lea	T. 15S-R. 33E	All Sec. 19; All Secs. 29 thru 32 incl.
Scanlon (Gas)	T.	Eddy	T. 20S-R. 29E	SW/4 Sec. 29; SE/4 Sec. 30.
Shugart	Y-Q	Eddy	T. 18S-R. 31E	S/2 Sec. 34; SW/4 Sec. 35.
			T. 19S-R. 31E	NW/4 Sec. 2; N/2 Sec. 3.
Shugart, North	Q	Eddy	T. 18S-R. 31E	S/2 Sec. 8; S/2 Sec. 9; S/2 Sec. 10; NE/4 & S/2 Sec. 11; All Sec. 12; N/2 Sec. 13; N/2 Sec. 14; All Sec. 15, 16, 17, 18, 20 & 21; N/2 Sec. 22; N/2 Sec. 28; N/2 Sec. 29.

S. .heast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Skaggs	G	Lea	T. 20S-R. 37E	All Secs. 13 & 24; N/2 Sec. 25.
			T. 20S-R. 38E	All Sec. 7, 18 & 19; N/2 Sec. 30.
Square Lake	G-SA	Eddy	T. 16S-R. 30E	S/2 Sec. 24; All Sec. 25; 26 & 27; S/2 Sec. 28; E/2 Sec. 32; All Sec. 33 thru 36 incl.
			T. 16S-R. 31E	S/2 Sec. 19; S/2 Sec. 20; S/2 Sec. 21; SW/4 Sec. 27; All Sec. 28 thru 34 incl.
			T. 17S-R. 30E	All Sec. 1 thru 4 incl. E/2 Sec. 5; N/2 Sec. 11; N/2 NW/4 Sec. 12.
			T. 17S-R. 31E	NW/4 Sec. 3; N/2 Sec. 4; N/2 Sec. 5; N/2 Sec. 6.
Teague	Sim.	Lea	T. 23S-R. 37E	All Secs. 21, 22, 27 & 28; E/2 Sec. 34; W/2 Sec. 35.
Teague-Ellenberger	E	Lea	T. 23S-R. 37E	S/2 Sec. 22; All Sec. 27; SE/4 Sec. 28; NE/4 Sec. 33; N/2 Sec. 34.
Teague-Devonian	Dev.	Lea	T. 23S-R. 37E	All Secs. 26, 27, 34 & 35.
Teas	Y	Lea	T. 20S-R. 33E	All Sec. 13; NE/4 Sec. 14; All Sec. 24; N/2 Sec. 25.
			T. 20S-R. 34E	W/2 Sec. 19; NW/4 Sec. 30.
Terry-Blinebry	B	Lea	T. 21S-R. 37E	Lots 13 & 14 & SW/4 Sec. 1; SE/4 Sec. 2.
Tonto	SR	Lea	T. 19S-R. 33E	E/2 Sec. 22; W/2 Sec. 23.
Townsend-Wolfcamp	Wc	Lea	T. 16S-R. 35E	S/2 Sec. 3; S/2 Sec. 4; N/2 Sec. 9; N/2 Sec. 10.

Southeast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Tulk-Wolfcamp	Wc	Lea	T.14S-R.32E	S/2 Sec. 31; SW/4 Sec. 32.
			T.15S-R.32E	All Secs. 2,3,4, & 5; N/2 and SE/4 Sec. 6.
Tulk-Wolfcamp, North	Wc	Lea	T.14S-R.32E	N/2 Sec. 20.
Turkey-Track	Q-G	Eddy	T.18S-R.29E	S/2 Sec. 34; SW/4 Sec. 35.
			T.19S-R.29E	W/2 Sec. 2; All Sec. 3; SE/4 Sec. 9; All Sec. 10; NW/4 Sec. 11; N/2 Sec. 15.
Turkey-Track, East	Q	Eddy	T.19S-R.29E	SE/4 Sec. 1; NE/4 Sec. 12.
			T.19S-R.30E	SW/4 Sec. 6; NW/4 Sec. 7.
Turkey Track-Seven Rivers	SR	Eddy	T.19S-R.29E	SW/4 Sec. 2; S/2 Sec. 3; SE/4 Sec. 9; All Sec. 10; NW/4 Sec. 11; N/2 Sec. 15; NE/4 Sec. 16.
Turkey-Track, West	SR	Eddy	T.19S-R.29E	SW/4 NE/4, SE/4 NW/4, NE/4 SW/4, NW/4 SE/4, Sec. 5.
Twin Lakes	Dev.	Chaves	T.8S-R.28E	SE/4 Sec. 35; S/2 Sec. 36.
			T.9S-R.28E	All Sec. 1; E/2 Sec. 2.
Vacuum	G-SA	Lea	T.17S-R.34E	All Sec. 3 thru 36 incl.
			T.17S-R.35E	All Sec. 7; All Sec. 18 thru 36 incl.
			T.18S-R.34E	All Sec. 1 thru 5 incl; All Secs. 11 and 12.
			T.18S-R.35E	All Sec. 3 thru 7 incl.

Southeast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Wantz-Abo	A	Lea	T. 21S-R. 37E	E/2 Sec. 11; W/2 Sec. 12; W/2 Sec. 13; All Sec. 14; S/2 Sec. 21; S/2 Sec. 22; All Sec. 23; W/2 Sec. 24; NW/4 Sec. 25; N/2 Sec. 26; All Secs. 27, 28 & 33.
Warren-Drinkard	DR	Lea	T. 20S-R. 38E	All Sec. 27 & 28.
Warren-McKee	Sim	Lea	T. 20S-R. 38E	S/2 Sec. 20; All Sec. 29.
Warren-McKee, North	Sim	Lea	T. 20S-R. 38E	SE/4 Sec. 7; SW/4 Sec. 8; W/2 Sec. 17; E/2 Sec. 18; N/2 NE/4 Sec. 19; N/2 NW/4 Sec. 20.
Watkins	SR	Eddy	T. 18S-R. 31E	E/2 Sec. 36.
		Lea	T. 18S-R. 32E	All Sec. 31.
			T. 19S. -R. 32E	N/2 Sec. 6.
Watkins-Grayburg	G	Lea	T. 18S-R. 32E	S/2 Sec. 31.
			T. 19S-R. 32E	N/2 Sec. 6.
Weir	DR	Lea	T. 20S-R. 37E	E/2 Sec. 22; All Sec. 23; W/2 Sec. 24; NW/4 Sec. 25; N/2 Sec. 26; NE/4 Sec. 27.
Wilson	Y-SR	Lea	T. 21S-R. 34E	E/2 Sec. 12; All Sec. 13; E/2 Sec. 14; All Sec. 23 & 24; N/2 Sec. 26.
			T. 21S-R. 35E	SW/4 Sec. 5; S/2 Sec. 6; All Sec. 7; W/2 Sec. 8; All Sec. 18.
Wilson, West	SR	Lea	T. 21S-R. 34E	W/2 Sec. 15; All Sec. 16; N/2 Sec. 21.

Southeast Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Wilson, North - Yates Seven Rivers	Y-SR	Lea	T. 20S-R. 36E	All Secs. 29 thru 32 incl.
Young	Q	Lea	T. 18S-R. 32E	S/2 Sec. 17; NE/4 Sec. 19; N/2 Sec. 20.

NOMENCLATURE - NORTHWEST

Pool	Producing Formation	County	Twp. & Rge.	Description
Angels Peak-Dakota (Gas)	Dak.	San Juan	T. 27N-R. 10W	W/2 Sec. 3; All Sec. 4 & 5.
			T. 28N-R. 10W	All Sec. 32 & 33; W/2 Sec. 34
Aztec-Farmington (gas)	F	San Juan	T. 30N-R. 11W	S/2 Sec. 9; S/2 Sec. 10; N/2 Sec. 15; All Sec. 16 & 17; N/2 Sec. 20; N/2 Sec. 21.
Aztec-Pictured Cliffs (Gas)	PC	San Juan	T. 29N-R. 10W	All Sec. 6, & 7; SW/4 Sec. 17; All Sec. 18 & 19; W/2 Sec. 20.
			T. 29N-R. 11W	All Sec. 1 & 12; N/2 Sec. 13.
			T. 30N-R. 10W	S/2 Sec. 17; S/2 Sec. 18; All Secs. 19 & 20; All Secs. 28 thru 33 incl.
			T. 30N-R. 11W	All Secs. 7 thru 10 incl; S/2 Sec. 13; All Secs. 14 thru 18 incl; All Secs. 22 thru 26 incl; All Secs. 35 and 36.
Barker Creek-Dakota (Gas)	Dak.	San Juan	T. 32N-R. 14W	All of partial Secs. 9, 10 & 11; All Secs. 14, 15 & 16; E/2 Sec. 17; All Secs. 20, 21 & 22; NW/4 Sec. 23; NW/4 Sec. 27; N/2 Sec. 28; All Sec. 29.
Barker Creek-Paradox (Gas)	Par.	San Juan	T. 32N-R. 14W	All of partial sections 9, 10 & 11; All Secs. 14, 15 & 16; E/2 Sec. 17; All Secs. 20, 21 & 22; NW/4 Sec. 23; NW/4 Sec. 27; N/2 Sec. 28; All Sec. 29.

Northwest Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Blanco-Pictured Cliffs (Gas)	**PC**	**San Juan**	T. 30N-R. 9W	W/2 Sec. 28; All Sec. 29 and 32; W/2 Sec. 33.
Blanco-Mesaverde (Gas)	**MV**	**San Juan & Rio Arriba**	T. 26N-R. 7W	W/2 Sec. 4; All Sec. 5 thru 8 incl; W/2 Sec. 9.
			T. 26N-R. 8W	All Secs. 1 & 12.
			T. 27N-R. 7W	All Sec. 1 thru 9 incl; All Sec. 16 thru 21 incl; All Secs. 28 thru 33 incl.
			T. 27N-R. 8W	All Secs. 1 thru 5 incl; All Secs. 9 thru 16 incl; All Secs. 21 thru 28 incl; All Sec. 36.
			T. 28N-R. 7W	All partial Secs. 7 thru 12 incl; All Secs. 13 thru 36 incl.
			T. 28N-R. 8W	All partial Secs. 7 thru 12 incl; All Secs. 13 thru 36 incl.
			T. 28N-R. 9W	All partial Secs. 10, 11 & 12; All Secs. 13, 14 & 15; All Secs. 22 thru 28 incl; All Secs. 33 thru 36 incl.
			T. 29N-R. 7W	All Secs. 6, 7 & 18.
			T. 29N-R. 8W	All Secs. 1 thru 23, incl; All Secs. 26 thru 35 incl.
			T. 29N-R. 9W	All Secs. 1 thru 36 incl.
			T. 29N-R. 10W	All Secs. 1 & 2; All Secs. 11 thru 14 incl; All Secs. 24, 25 & 36.
			T. 30N-R. 6W	All Secs. 18 thru 22 incl; All Secs. 27 thru 34 incl.
			T. 30N-R. 7W	All Secs. 3 thru 11 incl; All Secs. 13 thru 36 incl;

Pool	Producing Formation	County	Twp. & Rge.	Description
Blanco-Mesaverde (Continued)			T. 30N-R. 8W	All Secs. 1 thru 36 incl.
			T. 30N-R. 9W	All Secs. 1 thru 36 incl.
			T. 30N-R. 10W	All Secs. 1 thru 36 incl.
			T. 30N-R. 11W	All Secs. 1 thru 6 incl; All Secs. 10 thru 14 incl; All Secs. 24 & 25.
			T. 31N-R. 8W	All Secs. 25 thru 36 incl.
			T. 31N-R. 9W	All Sec. 18 & 19; All Secs. 25 thru 36 incl.
			T. 31N-R. 10W	All Secs. 13 thru 36 incl.
			T. 31N-R. 11W	All Secs. 1 thru 36 incl.
			T. 31N-R. 12W	All Secs. 1 thru 6 incl; All Secs. 8 thru 17 incl; All Secs. 20 thru 29 incl; All Secs. 32 thru 36 incl.
			T. 31N-R. 13W	All Sec. 1.
			T. 32N-R. 10W	All partial Sec. 7; All Sec. 18 & 19; All Secs. 29 thru 32 incl.
			T. 32N-R. 11W	All Secs. 24 & 25; All Secs. 30 thru 36 incl.
			T. 32N-R. 12W	All partial Secs. 7 thru 12; incl; All Secs. 13 thru 36 incl.
			T. 32N-R. 13W	All Secs. 24, 25 & 36.
South Blanco-Pictured Cliffs	PC	San Juan & Rio Arriba	T. 26N-R. 7W	All Sec. 5 thru 8 incl.
			T. 27N-R. 7W	SW/4 Sec. 19; W/2 Sec. 30; All Secs. 31 & 32.
			T. 27N-R. 8W	S/2 Sec. 23; S/2 Sec. 24; All Secs. 25 & 26; N/2 Sec. 35; N/2 and SE/4 Sec. 36.

Northwest Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Bloomfield-Farmington (Oil)	F	San Juan	T. 29N-R. 11W	W/2 Sec. 13; All Secs. 14 thru 23 incl; W/2 Sec. 24.
Dogie Canyon-Pictured Cliffs (Gas)	PC	Rio Arriba	T. 26N-R. 6W	All Secs. 2 thru 6 incl; E/2 Sec. 7; All Secs. 8 thru 19 incl; W/2 and NE/4 Sec. 20; N/2 Sec. 21; All Secs. 22, 23, & 24; N/2 Sec. 25.
			T. 26N-R. 7W	All Secs. 13 & 14; N/2 Sec. 23; N/2 and SE/4 Sec. 24.
			T. 27N-R. 6W	E/2 Sec. 32; All Sec. 33.
Fulcher Kutz-Pictured Cliffs (Gas)	PC	San Juan	T. 27N-R. 9W	All Sec. 1 thru 30 incl.
			T. 27N-R. 10W	All Secs. 1 thru 17 incl; E/2 Sec. 18; E/2 Sec. 19; All Secs. 20 thru 28 incl.
			T. 27N-R. 11W	E/2 Sec. 1; E/2 Sec. 12.
			T. 28N-R. 9W	S/2 Sec. 30; All Sec. 31; W/2 Sec. 32.
			T. 28N-R. 10W	All partial Sec. 7 & 8; S/2 Sec. 15; All Sec. 16 thru 22 incl; W/2 Sec. 23; S/2 Sec. 25; All Sec. 26 thru 36 incl.
			T. 28N-R. 11W	All partial Secs. 9 thru 12 incl; All Secs. 13 thru 16 incl; All Secs. 22 thru 26 incl; E/2 Sec. 36.
			T. 29N-R. 11W	All Secs. 6, 7 & 8; All Secs. 16 thru 22 incl; All Secs. 26 thru 36 incl.
			T. 29N-R. 12W	All Secs. 1 thru 6 incl; All Secs. 9 thru 15 incl; All Secs. 23, 24 & 25.
			T. 29N-R. 13W	All Sec. 1.
			T. 30N-R. 12W	All Sec. 19; S/2 Sec. 20; All Secs. 26 thru 36 incl.

Northwest Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Fulcher Kutz-Pictured Cliffs (gas) (Cont'd)			T. 30N-R. 13W	All Secs. 24, 25 & 36.
Gavilan (Gas)	PC	Rio Arriba	T. 25N-R. 2W	SE/4 Sec. 10; S/2 Sec. 11; All Secs. 14 & 15; NE/4 Sec. 22; N/2 Sec. 23.
Hogback-Dakota (Oil)	Dak.	San Juan	T. 29N-R. 16W	S/2 Sec. 18; All Sec. 19.
Hospah (Oil)	H	McKinley	T. 17N-R. 8W	W/2 Sec. 6; NW/4 Sec. 7.
			T. 17N-R. 9W	All Sec. 1; E/2 Sec. 2; NE/4 Sec. 11; N/2 Sec. 12.
			T. 18N-R. 8W	W/2 Sec. 31.
			T. 18N-R. 9W	E/2 Sec. 35; All Sec. 36.
West Kutz-Pictured Cliffs (Gas)	PC	San Juan	T. 26N-R. 10W	All Secs. 5 & 6.
			T. 26N-R. 11W	N/2 Sec. 1; NE/4 Sec. 2.
			T. 27N-R. 10W	All Sec. 31; W/2 Sec. 32.
			T. 27N-R. 11W	All Secs. 4 thru 9 incl; W/2 Sec. 10; W/2 Sec. 14; All Secs. 15 thru 18 incl; E/2 Sec. 20; All Secs. 21, 22, & 23; W/2 Sec. 24; W/2 Sec. 25; All Secs. 26, 27 & 28; E/2 Sec. 29; All Secs. 35 & 36.
			T. 27N-R. 12W	All Secs. 1 thru 6 incl. All Secs. 10 thru 13 incl. E/2 Sec. 14; NE/4 Sec. 23; N/2 Sec. 24.
			T. 28N-R. 11W	S/2 Sec. 31; S/2 Sec. 32; S/2 Sec. 33.
			T. 28N-R. 12W	All partial Secs. 7, 8 & 9; All Secs. 16 thru 36 incl.

Northwest Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
West Kutz-Pictured Cliffs (Cont'd).			T. 28N-R. 13W	All partial Sec. 12; All Sec. 13.
			T. 29N-R. 12W	All Secs. 19, 30 & 31.
			T. 29N-R. 13W	All Secs. 22 thru 27 incl. All Secs. 34, 35 & 36.
Lindrith (Oil)	Dak.	Rio Arriba	T. 24N-R. 2W	All Secs. 20, 21, 28 & 29.
Oswell (Oil)	F	San Juan	T. 29N-R. 11W	N/2 Sec. 3; N/2 Sec. 4.
			T. 30N-R. 11W	S/2 Sec. 27; S/2 Sec. 28; All Secs. 33 & 34.
Pettigrew-Tocito (Oil)	Toc.	Rio Arriba	T. 26N-R. 6 W	SW/4 Sec. 3; SE/4 Sec. 4; All Sec. 9; W/2 Sec. 10; NW/4 Sec. 15; N/2 Sec. 16.
Rattlesnake-Dakota (Oil)	Dak.	San Juan	T. 29N-R. 19W	All Secs. 1 & 2; E/2 Sec. 11; All Secs. 12 & 13.
			T. 30N-R. 19W	S/2 Sec. 35; SW/4 Sec. 36.
Rattlesnake-Pennsylvanian (Oil)	Penn.	San Juan	T. 29N-R. 19W	All Secs. 1 & 2; E/2 Sec. 11; All Secs. 12 & 13.
			T. 30N-R. 19W	S/2 Sec. 35; SW/4 Sec. 36.
Red Mountain (Oil)	MV	McKinley	T. 20N-R. 9W	All Secs. 20, 21, 28 & 29.
Stoney Butte-Dakota (Oil)	Dak.	San Juan	T. 21N-R. 13W	W/2 Sec. 6; W/2 Sec. 7.

Northwest Nomenclature (Cont'd)

Pool	Producing Formation	County	Twp. & Rge.	Description
Stoney Butte-Dakota (Cont'd.)			T. 21N-R. 14W	E/2 Sec. 1; E/2 Sec. 12.
			T. 22N-R. 13W	W/2 Sec. 31.
			T. 22N-R. 14W	E/2 Sec. 36.
Table Mesa (Oil)	Dak.	San Juan	T. 27N-R. 17W	All Sec. 3.
Ute Dome-Dakota (Gas)	Dak.	San Juan	T. 31N-R. 14W	All Sec. 1 & 2.
			T. 32N-R. 14W	All Secs. 35 & 36.
Ute Dome-Paradox	Par.	San Juan	T. 31N-R. 14W	All Secs. 1 & 2.
			T. 32N-R. 14W	All Secs. 35 & 36.
Wyper (Oil)	F	San Juan	T. 30N-R. 12W	All Secs. 28, 29, 32 & 33.

LAWS OF 1949

CHAPTER 168

AN ACT

RELATING TO THE CONSERVATION OF OIL AND GAS, AND THE PROTECTION OF CORRELATIVE RIGHTS THEREIN; AMENDING CHAPTER 72 OF THE LAWS OF 1935, AS HERETOFORE AMENDED; DEFINING AND PROVIDING FOR THE PREVENTION OF WASTE OF OIL AND GAS; CREATING AN OIL CONSERVATION COMMISSION AND PRESCRIBING ITS POWERS AND DUTIES; DEFINING COMMON PURCHASERS AND REQUIRING THEM TO PURCHASE OIL AND GAS RATABLY AND WITHOUT DISCRIMINATION; PROVIDING PENALTIES; CREATING REMEDIES, INCLUDING HEARING AND REHEARING BEFORE THE COMMISSION AND COURT REVIEW DE NOVO; AND LEVYING A TAX ON OIL AND GAS FOR ENFORCEMENT OF THIS ACT.

Senate Bill No. 163; approved March 17, 1949.

Be it Enacted by the Legislature of the State of New Mexico:

Section 1. That Chapter 72 of the Laws of 1935, as amended by Chapter 193 of the Laws of 1937, and as further amended by Chapter 166 of the Laws of 1941, be, and the same hereby is amended to read as follows:

"Section 1. The production or handling of crude petroleum oil or natural gas of any type or in any form, or the handling of products thereof, in such manner or under such conditions or in such amounts as to constitute or result in waste is each hereby prohibited.

Section 2. As used in this act, the term "waste," in addition to its oridinary meaning, shall include:

(a) "Underground waste" as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper, use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas.

(b) "Surface waste" as those words are generally understood in the oil and gas business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of natural gas of any type or in any form or crude petroleum oil, or any product thereof, but including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating, or producing, well or wells,

or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil or natural gas in excess of the reasonable market demand.

(c) The production of crude petroleum oil in this State in excess of the reasonable market demand for such crude petroleum oil. Such excess production causes or results in waste which is prohibited by this Act. The words "reasonable market demand," as used herein with respect to crude petroleum oil, shall be construed to mean the demand for such crude petroleum oil for reasonable current requirements for current consumption and use within or outside the State, together with the demand for such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both such crude petroleum oil and products.

(d) The not-ratable purchase or taking of crude petroleum oil in this State. Such non-ratable taking and purchasing causes or results in waste, as defined in the subsections (a), (b), (c) of this section and causes waste by violating Section 12 (a) of this act.

(e) The production in this State of natural gas from any gas well or wells, or from any gas pool, in excess of the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of gas transportation facilities for such type of natural gas. The words "reasonable market demand," as used herein with respect to natural gas, shall be construed to mean the demand for natural gas for reasonable current requirements, for current consumption and for use within or outside the State, together with the demand for such amounts as are necessary for building up or maintaining reasonable storage reserves of natural gas or products thereof, or both such natural gas and products.

Section 3. There is hereby created an Oil Conservation Commission, hereinafter in this Act call the "Commission," to be composed of the Governor of this State, the Commissioner of Public Lands and the State Geologist; provided that the Governor may appoint some practical oil man, a resident of this State, to serve in the place and stead of the Governor as a member of said Commission. No salary or compensation shall be paid any member of the Commission for his services as a member thereof, but the actual and necessary expenses of the members of said Commission, incurred or expended in the performance of the duties imposed on said Commission, shall be paid out of the Oil Conservation Fund hereinafter created, provided that if the State Geologist shall hold any other State office his salary may be adjusted by the Governor, and such Geologist paid part of his salary out of the Oil Conservation Fund. The term of office of each member of the Commission shall be concurrent with the office held by him, except that if the Governor shall appoint a practical oil man to serve in his place and stead, the term of office of the person so appointed shall expire with the term of the Governor by whom he shall have been appointed. The Commission shall organize by electing a chairman from its membership, and shall appoint a Secretary. Two members of the Commission shall constitute a quorum for all purposes. The Commission shall adopt a seal and such seal affixed to any paper signed by

the secretary of the Commission shall be prima facie evidence of the due execution thereof. The Attorney General shall be the attorney for the Commission. Any member of the Commission, or the secretary thereof, or any employee of the Commission, shall have power to administer oaths to any witness in any hearing, investigation or proceeding contemplated by this Act or by any other law of this State relating to the conservation of oil or gas.

Section 4. The Commission shall have, and it is hereby given, jurisdiction and authority over all matters relating to the conservation of oil and gas in this State, and of the enforcement of all the provisions of this Act and of any other law of this State relating to the conservation of oil or gas. It shall have jurisdiction and control of and over all persons or things necessary or proper to enforce effectively the provisions of this Act or of any other law of this State relating to the conservation of oil or gas.

Section 5. The Commission shall prescribe its rules of order or procedure in hearing or other proceedings before it under this Act. Any notice required to be given under this Act or under any rule, regulation or order prescribed by the Commission shall be by personal service on the person affected, or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county, or each of the counties if there be more than one, in which any land, oil or gas or other property which may be affected shall be situated. Such notice shall issue in the name of "the State of New Mexico" and shall be signed by at least a majority of the members of the Commission or by the Secretary of the Commission, and the seal of the Commission shall be impressed thereon, and it shall specify the number and style of the case, and the time and place of hearing, shall briefly state the general nature of the order or orders, rule or rules, or regulation or regulations contemplated by the Commission on its own motion or sought in a proceeding brought before the Commission, the name of the petitioner, or applicant, and, unless the order, rule or regulation is intended to apply to and affect the entire State, it shall specify or generally describe the common source or sources of supply that may be affected by such order, rule or regulation. Personal service thereof may be made by any agent of the Commission or by any person over the age of eighteen years, in the same manner as is provided by law for the service of summons in civil actions in the district courts of this State. Such service shall be complete at the time of such personal service or on the date of such publication, as the case may be. Proof of service shall be the affidavit of the person making personal service, or of the publisher of the newspaper in which publication is had, as the case may be. All rules, regulations and orders made by the Commission shall be entered in full by the Secretary thereof in a book to be kept for such purpose by the Commission, which shall be a public record and open to inspection at all times during reasonable office hours. A copy of any such rule, regulation or order, certified by the Secretary of the Commission under the seal of the Commission, shall be received in evidence in all courts of the State with the same effect as the original.

Section 6. The Commission, or any member thereof, is hereby empowered to subpoena witnesses, to require their attendance and giving of testimony before it, and to require the production of books, papers, and records in any proceeding

before the Commission. No person shall be excused from attending and testifying or from producing books, papers and records before the Commission, or from obedience to the subpoena of the said Commission, whether such subpoena be signed or issued by one or more of the members of the said Commission, in any hearing, investigation or proceeding held by or before the said Commission or in any cause or proceeding in any court by or against the said Commission, relative to matters within the jurisdiction of said Commission, on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; provided that nothing herein contained shall be construed as requiring any person to produce any books, papers or records, or to testify in response to any inquiry not pertinent to some question lawfully before such Commission or court for determination. No natural person shall be subjected to criminal prosecution, or to any penalty or forfeiture for or on account of any transaction, matter or thing concerning which he may be required to testify, or produce evidence, documentary or otherwise, before said Commission, or in obedience to its subpoena, or in any cause or proceeding, provided, that no person testifying shall be exempted from prosecution and punishment for perjury committed in so testifying.

Section 7. In case of failure or refusal on the part of any person to comply with any subpoena issued by said Commission or any member thereof, or on the refusal of any witness to testify or answer as to any matters regarding which he may be lawfully interrogated, any district court in this State, or any judge thereof, on application of said Commission, may issue an attachment for such person and compel him to comply with such subpoena and to attend before the Commission and produce such documents, and give his testimony upon such matters as may be lawfully required, and such court or judge shall have the power to punish for contempt as in case of disobedience of a like subpoena issued by or from such court, or a refusal to testify therein.

Section 8. If any person of whom an oath shall be required under the provisions of this act, or by any rule, regulation or order of the Commission, shall wilfully swear falsely in regard to any matter or thing respecting which such oath is required, or shall wilfully make any false report or affidavit required or authorized by the provisions of this act, or by any rule, regulation or order of the Commission, such person shall be deemed guilty of perjury and shall be punished by imprisonment in the State penitentiary for not more than five years nor less than six months.

Section 9. The Commission is hereby empowered, and it is its duty, to prevent the waste prohibited by this Act and to protect correlative rights, as in this Act provided. To that end, the Commission is empowered to make and enforce rules, regulations and orders, and to do whatever may be reasonably necessary to carry out the purposes of this Act, whether or not indicated or specified in any section hereof.

Section 10. Included in the power given to the Commission is the authority to collect data; to make investigations and inspections; to examine properties, leases, papers, books and records; to examine, check, test and gauge oil and gas wells, and tanks, plants, refineries, and all means and modes of transportation and equipment; to hold hearings; to provide for the keeping of records and the

making of reports and for the checking of the accuracy thereof; to limit and prorate production of crude petroleum oil or natural gas, or both, as in this act provided; to require either generally or in particular areas certificates of clearance or tenders in connection with the transportation of crude petroleum oil or natural gas or any products thereof, or both such oil and products, or both such natural gas and products.

Apart from any authority, express or implied, elsewhere given to or existing in the Commission by virtue of this act or the statutes of this State, the Commission is hereby authorized to make rules, regulations and orders for the purposes and with respect to the subject matter stated herein, viz:

(1) To require dry or abandoned wells to be plugged in such way as to confine the crude petroleum oil, natural gas, or water in the strata in which they are found, and to prevent them from escaping into other strata; the Commission may require a bond of not to exceed Ten Thousand ($10,000.00) Dollars conditioned for the performance of such regulations.

(2) To prevent crude petroleum oil, natural gas, or water from escaping from strata in which they are found into another stratum or other strata;

(3) To require reports showing locations of all oil or gas wells, and for the filling of logs and drilling records or reports;

(4) To prevent the drowning by water of any stratum or part thereof capable of producing oil or gas, or both oil and gas, in paying quantities, and to prevent the premature and irregular encroachment of water, or any other kind of water encroachment, which reduces or tends to reduce the total ultimate recovery of crude petroleum oil or gas, or both such oil and gas, from any pool;

(5) To prevent fires;

(6) To prevent "blow-outs" and "caving" in the sense that the conditions indicated by such terms are generally understood in the oil and gas business;

(7) To require wells to be drilled, operated and produced in such manner as to prevent injury to neighboring leases or properties;

(8) To identify the ownership of oil or gas producing leases, properties, wells, tanks, refineries, pipe lines, plants, structures, and all transportation equipment and facilities;

(9) To require the operation of wells with efficient gas-oil ratios and to fix such ratios;

(10) To fix the spacing of wells;

(11) To determine whether a particular well or pool is a gas or oil well, or a gas or oil pool, as the case may be, and from time to time to classify and reclassify wells and pools accordingly;

(12) To determine the limits of any pool or pools producing crude petroleum oil or natural gas or both, and from time to time to redetermine such limits;

(13) To regulate the methods and devices employed for storage in this State of oil or natural gas or of any product, including the sub-surface storage of natural gas; or

(14) To permit the injection of natural gas or of any other substance into any pool in this state for the purpose of repressuring, cycling, pressure maintenance or secondary recovery operations.

Section 11. Whenever, to prevent waste, the Commission limits the total amount of crude petroleum oil to be produced in this State, it shall allocate or distribute the allowable productions among the fields of the State. Such allocation or distribution among the fields of the State shall be made on a reasonable basis, giving, if reasonable under all the circumstances, to each pool with small wells of settled production an allowable production which will prevent a general premature abandonment of the wells in the field.

Section 12. (a) Whenever, to prevent waste, the total allowable production of crude petroleum oil for any field or pool in the state is fixed by the Commission is an amount less than that which the field or pool could produce if no restriction were imposed, the Commission shall prorate or distribute the allowable production among the producers in the field or pool, upon a reasonable basis and recognizing correlative rights.

(b) Crude petroleum oil produced within the allowable as fixed by the Commission shall herein be referred to as "legal oil" and crude petroleum oil produced in excess of such allowable shall be "illegal oil."

(c) Whenever, to prevent waste, the total allowable natural gas production from gas wells producing from any pool in this state is fixed by the Commission in an amount less than that which the pool could produce if no restrictions were imposed, the Commission shall allocate the allowable production among the gas wells in the pool delivering to a gas transportation facility upon a reasonable basis and recognizing correlative rights, and shall include in the proration schedule of such pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well. In protecting correlative rights the Commission may give equitable consideration to acreage, pressure, open flow, porosity, permeability, deliverability and quality of the gas and to such other pertinent factors as may from time to time exist, and in so far as is practicable, shall prevent drainage between producing tracts in a pool which is not equalized by counter-drainage. In allocating production pursuant to the provisions of Section 12 (c) the Commission shall fix proration periods of not less than six months. It shall determine reasonable market demand and make allocations of production during each such period, upon notice and hearing, at least 30 days prior to the beginning of each proration period. In so far as is feasible and practicable,

gas wells having an allowable in a pool shall be regularly produced in proportion to their allowables in effect for the current proration period. Without approval of the Commission or one of its duly authorized agents, no natural gas well or pool shall be allowed to produce natural gas in excess of the allowable assigned to such source during any proration period; Provided, that during an emergency affecting a gas transportation facility a gas well or pool having high deliverability into such facility under prevailing conditions may produce and deliver in excess of its allowable for the period of emergency, not exceeding ten days, without penalty. The Commission may order subsequent changes in allowables for wells and pools to make fair and reasonable adjustment for overage resulting from the emergency. The provisions of this subsection shall not apply to any wells or pools used for storage and withdrawal from storage of natural gas orginally produced not in violation of this act or of the rules, regulations or orders of the Commission.

(d) In fixing the allowable of a pool under Section 12 (c) herein, the Commission shall consider nominations of purchasers but shall not be bound thereby and shall so fix pool allowables as to prevent unreasonable discrimination between pools served by the same gas transportation facility by a purchaser purchasing in more than one pool.

(e) Natural gas produced from gas wells within the allowable as determined as provided in Section 12 (c) above shall herein be referred to as "legal gas," and natural gas produced in excess of such allowable shall be "illegal gas."

Section 13 (a) The rules, regulations or orders of the Commission shall, so far as it is practicable to do so, afford to the owner of each property in a pool the opportunity to produce his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so for as such can be practicably obtained without waste, substantially in the proportion that the quantity of the recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas or both in the pool, and for this purpose to use his just and equitable share of the reservoir energy.

(b) No owner of a property in a pool shall be required by the Commission, directly or indirectly, to drill more wells than are reasonably necessary to secure his proportionate part of the production. To avoid the drilling of unnecessary wells a proration unit for each pool may be fixed, such being the area which may be efficiently and economically drained and developed by one well. The drilling of unnecessary wells creates fire and other hazards conducive to waste, and unnecessarily increases the production cost of oil or gas or both to the operator, and thus also unnecessarily increases the cost of the products to the ultimate consumer.

(c) The pooling of properties or parts thereof shall be permitted, and, if not agreed upon, may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of a uniform spacing plan or proration unit, otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum or natural gas, or both, in the pool; provided, that the owner of any tract that is smaller than the drilling unit established for the field, shall not be

deprived of the right to drill on and produce from such tract, if same can be done without waste; but in such case, the allowable production from such tract, as compared with the allowable production therefrom if such tract were a full unit, shall be in ratio of the area of such tract to the area of a full unit. All orders requiring such pooling shall be upon terms and conditions that are just and reasonable, and will afford to the owner of each tract in the pool the opportunity to recover or receive his just and equitable share of the oil or gas, or both, in the pool as above provided, so far as may be practicably recovered without waste. In the event such pooling is required the costs of development and operation of the pooled unit shall be limited to the lowest actual expenditures required for such purpose including a reasonable charge for supervision; and in case of any dispute as to such costs, the Commission shall determine the proper costs.

(d) Minimum allowable for some wells may be advisable from time to time, especially with respect to wells already drilled when this act takes effect, to the end that the production will repay reasonable lifting cost and thus prevent premature abandonment and resulting waste.

(e) Whenever it appears that the owners in any pool have agreed upon a plan for the spacing of wells, or upon a plan or method of distribution of any allowable fixed by the Commission for the pool, or upon any other plan for the development or operation of such pool, which plan, in the judgment of the Commission, has the effect of preventing waste as prohibited by this act and is fair to the royalty owners in such pool, then such plan shall be adopted by the Commission with respect to such pool; however, the Commission, upon hearing and after notice, may subsequently modify any such plan to the extent necessary to prevent waste as prohibited by this act.

(f) After the effective date of any rule, regulation or order fixing the allowable production, no person shall produce more than the allowable production applicable to him, his wells, leases or properties determined as in this act provided, and the allowable production shall be produced in accordance with the applicable rules, regulations or orders.

Section 14 (a) Every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipe lines, shall be a common purchaser thereof, and shall, without discrimination in favor of one producer as against another in the same field, purchase all oil tendered to it which has been lawfully produced in the vicinity of, or which may be reasonably reached by pipe lines through which it is transporting oil, or the gathering branches thereof, or which may be delivered to the pipe line or gathering branches thereof by truck or otherwise, and shall fully perform all the duties of a common purchaser. If any common purchaser shall not have need for all such oil lawfully produced within a field, or if for any reason it shall be unable to purchase all such oil, then it shall purchase from each producer in a field ratably, taking and purchasing the same quantity of oil from each well to the extent that each well is capable of producing its ratable portions; provided however, nothing herein contained shall be construed to require more than one pipe line connection for each producing well. In the event any such common purchaser of oil is likewise a producer or is affiliated with a producer, directly or indirectly, it is hereby expressly prohibited

from discriminating in favor of its own production or in favor of the production of an affiliated producer as against that of others and the oil produced by such common purchaser or by the affiliate of such common purchaser shall be treated as that of any other produced for the purposes of ratable taking.

(b) It shall be unlawful for any common purchaser to unjustly or unreasonably discriminate as to the relative quantities of oil purchased by it in the various field of the state; the question of the justice or reasonableness to be determined by the Commission, taking into consideration the production and age of wells in the respective fields and all other factors. It is the intent of this act that all fields shall be allowed to produce and market a just and equitable share of the oil produced and marketed in the state, insofar as the same can be effected economically and without waste.

(c) It shall be the duty of the Commission to enforce the provisions of this act, and it shall have the power, after notice and hearing as provided in Section 15 of Chapter 72 of the Session Laws of New Mexico, 1935, to make rules, regulations and orders defining the distance that extension of the pipe line system shall be made to all wells not served; Provided that no such authorization or order shall be made unless the Commission finds as to such extension that it is reasonably required and economically justified, or as to such extension of facilities that the expenditures involved therein, and the expense incident thereto, is justified in relation to the volume of oil available for transportation through said extension; and such other rules, regulations and orders as may be necessary to carry out the provisions of this act, and in making such rules, regulations and orders, the Commission shall give due consideration to the economic factors involved. The Commission shall have authority to relieve such common purchaser, after due notice and hearing as herein provided, from the duty of purchasing crude petroleum oil of inferior quality or grade or that is not reasonably suitable for the requirements of such common purchaser.

(d) Any person now or hereafter engaged in purchasing from one or more producers gas produced from gas wells shall be a common purchaser thereof within each common source of supply from which it purchases, and as such it shall purchase gas lawfully produced from gas wells with which its gas transportation facilities are connected in the pool and other gas lawfully produced within the pool and tendered to a point on its gas transportation facilities. Such purchase shall be made without unreasonable discrimination in favor of one producer against another in the price paid, the quantities purchased, the bases of measurement or the gas transportation facilities afforded for gas of like quantity, quality and pressure available from such wells. In the event any such person is likewise a producer, he is prohibited to the same extent from discriminating in favor of himself on production from gas wells in which he has an interest, direct or indirect, as against other production from gas wells in the same pool. For the purposes of this act reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship to differences in quality, quantity or pressure of the gas available or to the relative lengths of time during which such gas will be available to the purchaser. The provisions of this subsection shall not apply (1) to any wells

or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of this act or of the rules, regulations or orders of the Commission, (2) to purchases of casinghead gas from oil wells, and (3) to persons purchasing gas principally for use in the recovery of production of oil or gas.

(e) Any common purchaser taking gas produced from gas wells from a common source of supply shall take ratably under such rules, regulations and orders, concerning quantity, as may be promulgated by the Commission consistent with this act. The Commission, in promulgating such rules, regulations and orders may consider the quality and the deliverability of the gas, the pressure of the gas at the point of delivery, acreage attributable to the well, market requirements in the case of unprorated pools, and other pertinent factors.

(f) Nothing in this act shall be construed or applied to require, directly or indirectly, any person to purchase gas of a quality or under a pressure or under any other condition by reason of which such gas cannot be economically and satisfactorily used by such purchaser by means of his gas transportation facilities then in service.

Section 15 (a) The sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of crude petroleum oil or natural gas in whole or in part produced in excess of the amount allowed by any statute of this state, or by any provision of this act, or by any rule, regulation or order of the Commission made thereunder, is hereby prohibited, and such oil or commodity is hereby referred to as "illegal oil" or "illegal gas," as the case may be.

(b) The sale or purchase or acquisition, or the transportation, refining, processing or the handling in any other way, of any product of crude petroleum or any product of natural gas, which product is derived in whole or in part from crude petroleum oil or natural gas produced in whole or in part in excess of the amount allowed by any statute of this state, or by any provisions of this act, or by any rule, regulation or order of the Commission made thereunder, is hereby prohibited, and each such commodity or product is herein referred to as "illegal oil product," or "illegal gas product" to distinguish it from "legal gas product."

Section 16 (a) The Commission is specifically authorized and directed to make such rules, regulations and orders, and may provide for such certificates of clearance or tenders, as may be necessary to make effective the prohibitions contained in Section 15.

(b) Unless and until the Commission provides for certificates of clearance or tenders, or some other method, so that any person may have an opportunity to determine whether any contemplated transaction of sale or purchase or acquisition, or of transportation, refining, processing, or handling in any other way, involves illegal oil or illegal oil product, or illegal gas or illegal gas product, no penalty shall be imposed for the sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of illegal oil or

illegal oil product, or illegal gas or illegal gas product, except under circumstances stated in the succeeding provisions of this paragraph. Penalties shall be imposed for the commission of each transaction prohibited in Section 15 when the person committing the same knows that illegal oil or illegal oil product, or illegal gas or illegal gas product, is involved in such transaction, or when such person could have known or determined such fact by the exercise of reasonable diligence or from facts within his knowledge. However, regardless of lack of actual notice or knowledge, penalties as provided in this act shall apply to any sale or purchase or acquisition, and to the transportation, refining, processing, or handling in any other way, of illegal oil or illegal oil product, or illegal gas or illegal gas product where administrative provision is made for identifying the character of the commodity as to its legality. It shall likewise be a violation for which penalties shall be imposed for any person to sell or purchase or acquire, or to transport, refine, process, or handle in any way crude petroleum oil or natural gas or any product thereof without complying with the rule, regulation or order of the Commission relating thereto.

Section 17. Except as provided for herein, before any rule, regulation or order, including revocation, change, renewal or extension thereof, shall be made under the provisions of this act, a public hearing shall be held at such time, place and manner as may be prescribed by the Commission. The Commission shall first give reasonable notice of such hearing (in no case less than ten days, except in an emergency) and at any such hearing any person having an interest in the subject matter of the hearing shall be entitled to be heard. In case an emergency is found to exist by the Commission which in its judgment requires the making of a rule, regulation or order without first having a hearing, such emergency rule, regulation or order shall have the same validity as if a hearing with respect to the same had been held after due notice. The emergency rule, regulation or order permitted by this section shall remain in force no longer than fifteen days from its effective date, and, in any event, it shall expire when the rule, regulation or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation or order become effective.

Section 18. The reports, estimates, findings of fact, or similar documents or findings of the United States Bureau of Mines, or of any other department or agency of the United States Government, or of any bureau or agency under an interstate compact to which the State of New Mexico is a party made with respect to the reasonable market demand for crude petroleum oil, may be considered by the Commission or by any court and taken as being prima facie correct.

Section 19. (a) Within twenty (20) days after entry of any order or decision of the Commission, any person affected thereby may file with the Commission an application for rehearing in respect to any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within ten (10) days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

(b) Any party to such rehearing proceeding, dissatisfied with the disposition of the application for rehearing, may appeal therefrom to the District Court of the county wherein is located any property of such party affected by the decision, by filing a petition for the review of the action of the Commission within twenty (20) days after the entry of the order following rehearing or after the refusal or rehearing as the case may be. Such petition shall state briefly the nature of the proceeding before the Commission and shall set forth the order or decision of the Commission complained of and the grounds of invalidity thereof upon which the applicant will rely; provided, however, that the questions reviewed on appeal shall be only questions presented to the Commission by the application for rehearing. Notice of such appeal shall be served upon the adverse party or parties and the Commission in the manner provided for the service of summons in civil proceedings. The trial upon appeal shall be de novo, without a jury, and the transcript of proceedings before the Commission, including the evidence taken in hearings by the Commission, shall be received in evidence by the court in whole or in part upon offer by either party, subject to legal objections to evidence, in the same manner as if such evidence was originally offered in the District Court. The Commission action complained of shall be prima facie valid and the burden shall be upon the party or parties seeking review to establish the invalidity of such action of the Commission. The Court shall determine the issues of fact and of law and shall, upon a preponderance of the evidence introduced before the Court, which may include evidence in addition to the transcript of proceedings before the Commission, and the law applicable thereto, enter its order either affirming, modifying, or vacating the order of the Commission. In the event the Court shall modify or vacate the order or decision of the Commission, it shall enter such order in lieu thereof as it may determine to be proper. Appeals may be taken from the judgment or decision of the District Court to the Supreme Court in the same manner as provided for appeals from any other final judgment entered by a District Court in this State. The trial of such application for relief from action of the Commission and the hearing of any appeal to the Supreme Court from the action of the District Court shall be expedited to the fullest possible extent.

(c) The pendency of proceedings to review shall not of itself stay or suspend operation of the order or decision being reviewed, but during the pendency of such proceedings, the District Court in its discretion may, upon its own motion or upon proper application of any party thereto, stay or suspend, in whole or in part, operation of said order or decision pending review thereof, on such terms as the court deems just and proper and in accordance with the practice of courts exercising equity jurisdiction; provided, that the court, as a condition to any such staying or suspension of operation of any order or decision, may require that one or more parties secure, in such form and amount as the court may deem just and proper, one or more other parties against loss or damage due to the staying or suspension of the Commission's order or decision, in the event that the action of the Commission shall be affirmed.

(d) The applicable rules of practice and procedure in civil cases for the courts of this state shall govern the proceedings for review, and any appeal therefrom to the Supreme Court of this state, to the extent such rules are consistent with provisions of this act.

Section 20 (a) No temporary restraining order or injunction of any kind shall be granted against the Commission or the members thereof, or against the Attorney General, or against any agent, employee or representative of the Commission, restraining the Commission, or any of its members, or any of its agents, employees or representatives, or the Attorney General, from enforcing any statute of this state relating to conservation of oil or gas, or any of the provisions of this act, or any rule, regulation or order made thereunder, except after due notice to the members of the Commission, and to all other defendants, and after a hearing at which it shall be clearly shown to the court that the act done or threatened is without sanction of law, or that the provision of this act, or the rule, regulation or order complained of, is invalid, and that, if enforced against the complaining party, will cause an irreparable injury. With respect to an order or decree granting temporary injunctive relief, the nature and extent of the probable invalidity of the statute, or of any provision of this Act, or of any rule, regulation or order thereunder involved in such suit, must be recited in the order or decree granting the temporary relief, as well as a clear statement of the probable damage relied upon by the court as justifying temporary injunctive relief.

(b) No temporary injunction of any kind, including a temporary restraining order against the Commission or the members thereof, or its agents, employees or representatives, or the Attorney General, shall become effective until the plaintiff shall execute a bond to the State with sufficient surety in an amount to be fixed by the court reasonably sufficient to indemnify all persons who may suffer damage by reason of the violation pendente lite by the complaining party of the statute or the provisions of this act or of any rule, regulation or order complained of. Any person so suffering damage may bring suit thereon before the expiration of six months after the statute, provision, rule, regulation or order complained of shall be finally held to be valid, in whole or in part, or such suit against the Commission, or the members thereof, shall be finally dismissed. Such bond shall be approved by the judge of the court in which the suit is pending, and shall be for the use and benefit of all persons who may suffer damage by reason of the violation pendente lite of the statute, provision, rule, regulation or order complained of in such suit, and who may bring suit within the time prescribed by this section; and such bond shall be so conditioned. From time to time, on motion and with notice to the parties, the court may increase or decrease the amount of the bond and may require new or additional sureties, as the facts may warrant.

Section 21. Whenever it shall appear that any person is violating, or threatening to violate, any statute of this State with respect to the conservation of oil and gas, or both, or any provision of this act, or any rule, regulation or order made thereunder, the Commission, through the Attorney General, shall bring suit against such person in the county of the residence of the defendant, or in the county of the residence of any defendant if there be more than one defendant, or in the county where the violation is alleged to have occurred, for penalties, if any are applicable, and to restrain such person from continuing such violation or from carrying out the threat of violation. In such suit the Commission may obtain injunctions, prohibitory and mandatory, including temporary restraining orders and temporary injunctions, as the facts may warrant, including when appropriate, an injunction restraining any person from moving or disposing of

illegal oil or illegal oil product, or illegal gas or illegal gas product, and any or all such commodities, or funds derived from the sale thereof, may be ordered to be impounded or placed under the control of an agent appointed by the court if, in the judgment of the court, such action is advisable.

Section 22. Nothing in this act contained or authorized, and no suit by or against the Commission, and no penalties imposed or claimed against any person for violating any statute of this state with respect to conservation of oil and gas, or any provision of this act, or any rule, regulation or order issued thereunder, shall impair or abridge or delay any cause of action for damages which any person may have or assert against any person violating any statute of this state with respect to conservation of oil and gas, or any provision of this act, or any rule, regulation or order issued thereunder. Any person so damaged by the violation may sue for and recover such damages as he may be entitled to receive. In the event the Commission should fail to bring suit to enjoin any actual or threatened violation of any statute of this state with respect to the conservation of oil and gas, or of any provision of this act, or of any rule, regulation or order made thereunder, then any person or party in interest adversely affected by such violation, and who has notified the Commission in writing of such violation or threat thereof and has requested the Commission to sue, may, to prevent any or further violation, bring suit for that purpose in the District Court of any county in which the Commission could have brought suit. If, in such suit, the court holds that injunctive relief should be granted, then the Commission shall be made a part and shall be substituted for the person who brought the suit, and the injunction shall be issued as if the Commission had at all times been the complaining party.

Section 23. The violation by any person of an order of the court relating to the operation of a well or wells, or of a pipe line or other transportation, equipment or facility, or of a refinery, or of a plant of any kind, shall be sufficient ground for the appointment of a receiver with power to conduct operations in accordance with the order of the court.

Section 24. Any person who, for the purpose of evading this act, or of evading any rule, regulation or order made hereunder, shall knowingly and wilfully make or cause to be made any false entry or statement of fact in any report required to be made by this act or by any rule, regulation or order made hereunder or who, for such purpose, shall make or cause to be made any false entry in any account, record or memorandum kept by any person in connection with the provisions of this act or of any rule, regulation or order made thereunder; or who, for such purpose, shall omit to make, or cause to be omitted, full, true and correct entries in such accounts, records or memoranda, of all facts and transactions pertaining to the interest or activities in the petroleum industry of such person as may be required by the Commission under authority given in this act or by any rule, regulation or order made hereunder; or who, for such purpose, shall remove out of the jurisdiction of the state, or who shall mutilate, alter, or by any other means falsify, any book, record, or other paper pertaining to the transactions regulated by this act or by any rule, regulation or order made hereunder; - shall be deemed guilty of a felony and shall be subject upon conviction in any court of competent jurisdiction, to a fine of not more than one Thousand ($1,000.00) Dollars, or imprisonment for a term of not more than three years, or to both such fine and imprisonment.

(b) Any person who knowingly and wilfully violates any provision of this act or any rule, regulation or order of the Commission made hereunder, shall, in the event a penalty for such violation is not otherwise provided for herein, be subject to a penalty of not to exceed One Thousand ($1,000.00) Dollars a day for each and every day of such violation, and for each and every act of violation, such penalty to be recovered in a suit in the District Court of the county where the defendant resides, or in the county of the residence of any defendant if there be more than one defendant, or in the District Court of the County where the violation took place. The place of suit shall be selected by the Commission, and such suit, by direction of the Commission, shall be instituted and conducted in the name of the Commission by the Attorney General or under his direction by the district attorney of the county where the suit is instituted. The payment of any penalty as provided for herein shall not have the effect of changing illegal oil or illegal gas into legal oil or legal gas, or illegal oil or illegal gas product into legal oil or legal gas product, nor shall such payment have the effect of authorizing the sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of such illegal oil or illegal gas, or illegal oil or illegal gas product, but to the contrary penalty shall be imposed for each prohibited transaction relating to such illegal oil or illegal gas or illegal oil or illegal gas product.

(c) Any person knowingly and wilfully aiding or abetting any other person in the violation of any statute of this State relating to the conservation of oil and gas, or the violation of any provision of this act, or any rule, regulation or order made thereunder, shall be subject to the same penalties as are prescribed herein for the violation by such other person.

Section 25 (a) Apart from, and in addition to, any other remedy or procedure which may be available to the Commission, or any penalty which may be sought against or imposed upon any person, with respect to violations relating to illegal oil or illegal gas or illegal oil or illegal gas product shall, except under such circumstances as are stated herein, be contraband and shall be seized and sold, and the proceeds applied as herein provided. Such sale shall not take place unless the court shall find in the proceeding provided in this paragraph, that the owner of such illegal oil or illegal gas or illegal oil or illegal gas product is liable or in some proceeding authorized by this act, such owner has already been held to be liable, for penalty for having produced such illegal oil or illegal gas, or for having purchased or acquired such illegal oil or illegal gas or illegal oil or illegal gas product. Whenever the Commission believes that illegal oil or illegal gas or illegal oil or illegal gas product is subject to seizure and sale, as provided herein, it shall, through the Attorney General, bring a civil action in rem for that purpose in the District Court of the county where the commodity is found, or the action may be maintained in connection with any suit or cross-action for injunction or for penalty relating to any prohibited transaction involving such illegal oil or illegal gas or illegal oil or illegal gas product.

Notice of the action in rem shall be given in conformity with the law or rule applicable to such proceeding. Any person or party in interest who may show himself to be adversely affected by any such seizure and sale shall have the right to intervene in said suit to protect his rights.

(b) Whenever the pleading with respect to the forfeiture of illegal oil or illegal gas or illegal oil or illegal gas product shows ground for seizure and sale, and such pleading is verified or is supported by affidavit or affidavits, or by testimony under oath, the court shall order such commodity to be impounded or placed under the control, actual or constructive, of the court through an agent appointed by the court.

(c) The judgment effecting the forfeiture shall provide that the commodity be seized, if not already under the control of the court, and that a sale be had in similar manner and with similar notice as provided by law or rule with respect to the sale of personal property under execution; provided, however, the court may order that the commodity be sold in specified lots or portions, and at specified intervals, instead of being sold at one time. Title to the amount sold shall pass as of the date of the seizure. The judgment shall provide for payment of the proceeds of the sale into the Common School Fund, after first deducting the costs in connection with the proceedings and the sale. The amount sold shall be treated as legal oil or legal gas or legal oil or legal gas product, as the case may be, in the hands of the purchaser, but the purchaser and the commodity shall be subject to all applicable laws and rules, regulations and orders with respect to further sale or purchase or acquisition, and with respect to the transportation, refining, processing, or handling in any other way, of the commodity purchased.

(d) Nothing in this section shall deny or abridge any cause of action a royalty owner, or any lien holder, or any other claimant, may have, because of the forfeiture of the illegal oil or illegal gas or illegal oil or illegal gas product, against the person whose act resulted in such forfeiture.

Section 26. Unless the context otherwise requires, the words defined in this section shall have the following meaning when found in this act, to-wit:

(a) "Person" means any natural person, corporation, association, partnership, receiver, trustee, guardian, executor, administrator and a fiduciary of any kind.

(b) "Pool" means an underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separated from any other zone in the structure, is covered by the word "pool" as used herein. "Pool" is synonymous with "common source of supply" and with "common reservoir."

(c) "Field" means the general area which is underlaid or appears to be underlaid by at least one pool; and "field" also includes the underground reservoir or reservoirs containing such crude petroleum oil or natural gas, or both. The words "field" and "pool" means the same thing when only one underground reservoir is involved; however, "field" unlike "pool" may relate to two or more pools.

(d) "Product" means any commodity or thing made or manufactured from crude petroleum oil or natural gas, and all derivatives of crude petroleum oil or natural gas, including refined crude oil, crude tops, topped crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel

oil, treated crude oil, fuel oil, residuum, gas oil, naphtha, distillate, gasoline, kerosene, benzine, wash oil, waste oil, lubricating oil, and blends or mixtures of crude petroleum oil or natural gas or any derivative thereof.

(e) "Owner" means the person who has the right to drill into and to produce from any pool, and to appropriate the production either for himself or for himself and another.

(f) "Producer" means the owner of well or wells capable of producing oil or natural gas or both in paying quantities.

(g) "Gas transportation facility" means a pipe line in operation serving gas wells for the transportation of natural gas, or some other device or equipment in like operation whereby natural gas produced from gas wells connected therewith can be transported or used for consumption.

(h) "Correlative rights" means the opportunity afforded, so far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for such purpose to use his just and equitable share of the reservoir energy.

Section 27. There is hereby levied a tax on one-eighth of one per cent on the proceeds of all oil and gas produced in this State, except royalties payable to the United States or to this State. Such tax shall be reported and collected at the same time and in the same manner as the emergency school tax now, or hereafter provided by law, is returned and collected. Such tax when collected shall be paid to the State Treasurer and by him covered into a fund designated as the Oil Conservation Fund. Such fund, or so much thereof as may be necessary, is hereby appropriated to the Oil Conservation Commission to be by it expended in the enforcement of this act. The Commission is hereby authorized, within the limits of the fund available, to employ a secretary and such other employees and agents as may be necessary to enforce the provisions of this act.

Section 28. The Oil Conservation Commission is hereby vested with the authority and duty of regulation and conserving the production of and preventing waste of carbon dioxide gas within this state in the same manner, in so far as is practicable as it regulates, conserves and prevents waste of natural or hydrocarbon gas. The provisions of this act relating to gas or natural gas shall also apply to carbon dioxide gas in so far as the same are applicable. "Carbon dioxide gas" as used herein shall mean non-combustible gas composed chiefly of carbon dioxide occuring naturally in underground rocks.

Section 29. If any part or parts of this act be held to be unconstitutional, such unconstitutionality shall not affect the validity of the remaining portions of this act. The legislature hereby declares that it would have passed the remaining parts of this act if it had known that such part or parts thereof would be declared unconstitutional.

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Consult Definitions, Rules, etc., themselves before acting upon index suggestions. Paragraphs often contain details exceeding scope of index

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New Mexico
Oil Conservation Commission

STATE OF NEW MEXICO

RULES AND REGULATIONS

Effective January 1, 1950

NEW MEXICO
OIL CONSERVATION COMMISSION

GOVERNOR THOMAS J. MABRY, Chairman
Executive Office, State Capitol Building
Santa Fe, New Mexico
Telephone: 2260

LAND COMMISSIONER GUY SHEPARD, Member
State Land Office, P. O. Box 791
Santa Fe, New Mexico
Telephone: 2531

STATE GEOLOGIST R. R. SPURRIER, Secretary & Director
P. O. Box 871
Santa Fe, New Mexico
Telephone: 3660

FIELD PERSONNEL

District I

ROY O. YARBROUGH, Oil & Gas Inspector
P. O. Box 1545, Hobbs, New Mexico
Telephone: 559

Districts I & II

ROBERT S. BLYMM, Engineer & Deputy
P. O. Box 1545, Hobbs, New Mexico
Telephone: 559

District II

JUSTIN P. NEWMAN, Oil & Gas Inspector & Scout
205 Booker Building, Artesia, New Mexico
Telephone: 459

District III

AL GREER, Oil & Gas Inspector
P. O. Box 337
Aztec, New Mexico

District IV

R. R. SPURRIER, Director, Oil Conservation Comm.

F. C. BARNES, Geologist

E. A. Utz, Gas Engineer
P. O. Box 871, Santa Fe, New Mexico
Telephone: 3660

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

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

CASE NO. 189
ORDER NO. 850

RULES AND REGULATIONS

ORDER OF THE COMMISSION

BY THE COMMISSION:

After due notice and hearings in Santa Fe, New Mexico, on September 7, 1949, and November 1, 1949, the Commission finds that certain rules, regulations and orders should be adopted and others repealed.

IT IS THEREFORE ORDERED:

1. All rules, regulations and orders heretofore issued by the Commission are repealed and rescinded, effective January 1, 1950, except the following orders which are of a special nature and are not of statewide application, they being:

a. All orders heretofore issued granting permission for specific unorthodox locations.

b. Orders relating to approval of unit agreements No. 570, 583, 603, 602, 628, 629, 648, 655, 656, 676, 677, 684, 706, 717, 731, 737, 755, 759, 772, 774, 786, 794, 796, 836.

c. Orders relating to Carbon Black Plants No. 650, 651, 724, 806.

d. Orders relating to spacing in the Fulcher Basin Pool No. 541, 647, 748, 815.

e. Orders relating to specific five (5) spot locations No. 733, 819, 826, 821, 828, 844.

f. Order No. 799 relating to spacing in the Blanco Pool.

g. Orders relating to specified pressure maintenance projects as follows:
   (1) Loco Hills Pressure Maintenance Association, 339, 484, 498, 540, 562.
   (2) Maljamar Cooperative Repressuring Agreement, 485, 495, 736, 793.
   (3) Grayburg Unit Association, 659. 791, 802.
   (4) Culbertson-Irwin Pressure Maintenance Project, 388.
   (5) Langlie Unitized Pressuring Project, 340.

h. Orders relating to pooling of interests in specified leases, No. 739, 780.

i. Order No. 795 relating to a specific tank battery.

j. Orders relating to dual completions on specified wells, No. 740, 750, 801, 810, 816, 829, 838.

k. Order No. 831 rescinding the bonus discovery allowable.

l. Order No. 779 relating to 80-acre spacing in the Crossroads Pool.

m. Section 2 of Order No. 835, relating to gas-oil ratios.

n. Order 846, establishing 80-acre spacing in Bagley-Hightower Pool.

o. Order 33, relating to the proration plan for Monument Pool, Lea County, New Mexico.

p. Order 398, relating to proration plan for Hobbs Pool.

q. Orders No. 66 and 67, relating to carbon dioxide.

2. This order shall not affect in any way the validity of any statewide proration order heretofore issued.

3. An exception from the rules and regulations hereby adopted is granted until March 31, 1950, as to all presently existing oil and gas wells that have been in the past and are presently operated or the products thereof utilized in a manner differing from the requirements herein, but in compliance with former rules and regulations. If during said period the operator of any such well files with the Commission an application for a permanent exception for such well from the requirements of these rules and regulations, the temporary exception herein granted shall continue in force until the Commission has acted on such application.

4. The following rules and regulations are hereby adopted, effective January 1, 1950.
DONE at Santa Fe, New Mexico, on this 9th day of December, 1949.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

THOMAS J. MABRY, CHAIRMAN

GUY SHEPARD, MEMBER

R. R. SPURRIER, SECRETARY

A — DEFINITIONS

1. **Adjustable Allowable** shall mean the allowable production a well or proration unit receives after all adjustments are made.

2. **Allocated Pool** is one in which the total oil or natural gas production is restricted and allocated to various wells therein in accordance with proration schedules.

3. **Allowable Production** shall mean that number of barrels of oil or standard cubic feet of natural gas authorized by the Commission to be produced from an allocated pool.

4. **Back Allowable** shall mean the authorized accumulative under production or shortage for a given proration unit.

5. **Barrel** shall mean 42 United States Gallons measured at 60 degrees Fahrenheit and atmospheric pressure at the sea level.

6. **Barrel of Oil** shall mean 42 United States gallons of oil, after deductions for the full amount of basic sediment, water, and other impurities present, ascertained by centrifugal or other recognized and customary test.

7. **Bottom Hole or Subsurface Pressure** shall mean the gauge pressure in pounds per square inch under conditions existing at or near the producing horizon.

8. **Bradenhead Gas Well** shall mean any well producing gas through wellhead connections from a gas reservoir which has been successfully cased off from an underlying oil or gas reservoir.

9. **Carbon Dioxide Gas** shall mean noncombustible gas composed chiefly of carbon dioxide occurring naturally in underground rocks.

10. **Casinghead Gas** shall mean any gas or vapor or both gas and vapor indigenous to and produced from a pool classified as an oil pool by the Commission. This also includes gas-cap gas produced from such an oil pool.

11. **Commission** shall mean the Oil Conservation Commission created by Section 3, Chapter 168, Session Laws 1949.

12. **Common Purchaser for Natural Gas** shall mean any person now or hereafter engaged in purchasing from one or more producers gas produced from gas wells within each common source of supply from which it purchases (See: Sec. 14 (d), Chap. 168, Session Laws 1949).

13. **Common Purchaser for Oil** shall mean every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipe lines (See Sec. 14(a), Session Laws 1949),

14. **Common Source of Supply** see Pool.

15. **Condensate** shall mean the liquid recovered at the surface that results from condensation due to reduced pressure or temperature of petroleum hydrocarbons existing in a gaseous phase in the reservoir.

16. **Correlative Rights** shall mean the opportunity afforded, so far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for such purpose to use his just and equitable share of the reservoir energy (See: Sec. 26(h), Chap. 168, 1949 Session Laws).

17. **Cubic Foot of Gas or Standard Cubic Foot of Gas,** for the purposes of these rules, shall mean that volume of gas contained in one cubic foot of space and computed at a base pressure of 10 ounces per square inch above the average barometric pressure of 14.4 pounds per square inch (15.025 psia), at a standard base temperature of 80 degrees Fahrenheit.

18. **Deep Pool** shall mean a common source of supply wrich is situated 5000 ft. or more below the surface.

19. **Field** means the general area which is underlaid or appears to be underlaid by at least one pool; and **field** also includes the underground reservoir or reservoirs containing such crude petroleum oil or natural gas, or both. The words **field** and **pool** mean the same thing when only one underground reservoir is involved; however, **field** unlike **pool** may relate to two or more pools (See: Sec. 26, Chap. 168, 1949 Session Laws).

20. **Gas Lift** shall mean any method of lifting liquid to the surface by injecting gas into a well from which oil production is obtained.

21. **Gas-Oil Ratio** shall mean the ratio of the casinghead gas produced in standard cubic feet to the number of barrels of oil concurrently produced during any stated period.

22. **Gas-Oil Ratio Adjustment** shall mean the reduction in allowable of a high gas-oil ratio unit to conform with the production permitted by the limiting gas-oil ratio for that particular pool during a particular proration period.

23. **Gas Transportation Facility** shall mean a pipe line in operation serving gas wells for the transportation of natural gas, or some other device or equipment in like operation whereby natural gas produced from gas wells connected therewith can be transported or used for consumption (See: Sec. 26(g), Chap. 168, 1949 Session Laws).

24. **Gas Well** shall mean a well producing gas or natural gas from a common source of gas supply as determined by the Commission.

25. **High Gas-Oil Ratio Proration Unit** shall mean a unit with at least one producing oil well with a gas-oil ratio in excess of the limiting gas-oil ratio for the pool in which the unit is located.

26. **Illegal Gas** shall mean natural gas produced from a gas well in excess of the allowable determined by the Commission (See: Sec. 15 (a), Chap. 168, 1949 Session Laws).

27. **Illegal Oil** shall mean crude petroleum oil produced in excess of the allowable as fixed by the Commission (See: Sec. 15 (a), Chap. 168, 1949 Session Laws).

28. **Illegal Product** shall mean any product of illegal gas or illegal oil (See: Sec. 15 (b), Chap. 168, 1949 Session Laws).

29. **Injection or Input Well** shall mean any well used for the injection of air, gas, water, or other fluids into any underground stratum.

30. **Limiting Gas-Oil Ratio** shall mean the gas-oil ratio assigned by the Commission to a particular oil pool to limit the volumes of casinghead gas which may be produced from the various oil producing units within that particular pool.

31. **Log or Well Log** shall mean a systematic detailed and correct record of formations encountered in the drilling of a well.

32. **Marginal Unit** shall mean a proration unit that will not produce at a rate equal to the top unit allowable for the proration period for the pool.

33. **Minimum Allowable** shall mean the minimum amount of production from an oil or gas well which may be advisable from time to time to the end that production will repay reasonable lifting cost and thus prevent premature abandonment and resulting waste.

34. **Multiple Completion** shall mean the completion of any well so as to permit the production from more than one common source of supply with the production from each common source of supply completely segregated.

35. **Natural Gas or Gas** shall mean any combustible vapor composed chiefly of hydrocarbons occurring naturally in a pool classified by the Commission as a gas pool.

36. **Non-Marginal Unit** shall mean a proration unit that will produce at a rate equal to the top unit allowable for the proration period for the pool.

37. **Official Gas-Oil Ratio Test** shall mean the periodic gas-oil ratio test made by order of the Commission and by such method and means and in such manner as prescribed by the Commission.

38. **Oil, Crude Oil, or Crude Petroleum Oil** shall mean any petroleum hydrocarbon produced from a well in the liquid phase and which existed in a liquid phase in the reservoir.

39. **Oil Well** shall mean any well capable of producing oil and which is not a gas well as defined herein.

40 **Operator** shall mean any person or persons who, duly authorized, is in charge of the development of a lease or the operation of a producing property.

41. **Overage or Over Production** shall mean the amount of oil or the amount of natural gas produced during a proration period in excess of the amount authorized on the proration schedule.

42. **Owner** means the person who has the right to drill into and to produce from any pool, and to appropriate the production either for himself or for himself and another (See Sec. 26 (e), Chap. 168, 1949 Session Laws).

43. **Person** means any natural person, corporation, association, partnership, receiver, trustee, guardian, executor, administrator and fiduciary of any kind (See: Sec. 26 (a), Chap. 168, 1949 Session Laws).

44. **Pool** means an underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separated from any other zone in the structure, is covered by the word "pool" as used herein. "Pool" is synonymous with "common source of supply" and with "common reservoir" (See: Sec. 26 (b), Chap. 168, 1949 Session Laws).

45. **Potential** shall mean the properly determined capacity of a well to produce oil, or gas, or both, under conditions prescribed by the Commission.

46. **Pressure Maintenance** shall mean the injection of gas or other fluid into a reservoir, either to maintain the existing pressure in such reservoir or to retard the natural decline in the reservoir pressure.

47. **Producer** shall mean the owner of well or wells capable of producing oil or natural gas or both in paying quantities.

48. **Product** means any commodity or thing made or manufactured from crude petroleum oil or natural gas, and all derivatives of crude petroleum oil or natural gas, including refined crude oil, crude tops, topped crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil, treated crude oil, fuel oil, residuum, gas oil, naphtha, distillate, gasoline, kerosene, benzine, wash oil, waste oil, lubricating oil, and blends or mixtures of crude petroleum oil or natural gas or any derivative thereof (See: Sec. 26 (d), Chap. 168, 1949 Session Laws).

49. **Proration Day** shall consist of 24 consecutive hours which shall begin at 7 A. M. and end at 7 A. M. on the following day.

50. **Proration Month** shall mean the calendar month which shall begin at 7 A. M. on the first day of such month and end at 7 A. M. on the first day of the next succeeding month.

51. **Proration Period** shall mean for oil the proration month and for gas six consecutive calendar months which shall begin at 7 A. M. on the first day of a calendar month and end at 7 A. M. on the first day of the seventh succeeding month.

52. **Proration Schedule** shall mean the periodic order of the Commission authorizing the production, purchase and transportation of oil or of natural gas from the various units of oil or of natural gas proration in allocated pools.

53. **Recomplete** shall mean the subsequent completion of a well in a different pool from the pool in which it was originally completed.

54. **Secondary Recovery** shall mean a method of recovering quantities of oil or gas from a reservoir which quantities would not be recoverable by ordinary primary depletion methods.

55. **Shallow Pool** shall mean a pool which has a depth range from 0 to 5000 feet.

56. **Shortage or Under Production** shall mean the amount of oil or the amount of natural gas during a proration period by which a given proration unit failed to produce an amount equal to that authorized on the proration schedule.

57. **Shut-in Pressure** shall mean the gauge pressure noted at the wellhead when the well is completely shut in. Not to be confused with bottom hole pressure.

58. **Tank Bottoms** shall mean that accumulation of hydrocarbon material and other substances which settle naturally below crude oil in tanks and receptacles that are used in handling and storing of crude oil, and which accumulations contains in excess of two (2%) percent of basic sediment and water; provided, however, that with respect to lease production and for lease storage tanks, a tank bottom shall be limited to that volume of the tank in which it is contained that lies below the bottom of the pipe line outlet thereto.

59. **Top Unit Allowable for Gas** shall mean the maximum number of cubic feet of natural gas, for the proration period, allocated to a gas producing unit in an allocated gas pool.

60. **Top Unit Allowable for Oil** shall mean the maximum number of barrels of oil daily for each calendar month allocated on a proration unit basis in a pool to non-marginal units.

61. **Treating Plant** shall mean any plant constructed for the purpose of wholly or partially or being used wholly or partially for reclaiming, treating, processing, or in any manner making tank bottoms or any other waste oils marketable.

62. **Unit of Proration for Gas** shall consist of such multiples of 40 acres as may be prescribed by special pool rules issued by the Commission.

63. **Unit of Proration for Oil** shall consist of tracts of land each containing approximately forty acres in the form of a square in accordance with the legal subdivision of the U. S. Public Land Surveys and each predominantly situated within the confines of a pool.

64. **Unorthodox Well Location** shall mean a location which does not conform to the spacing requirements established by the rules and regulations of the Commission.

65. **Waste,** in addition to its ordinary meaning, shall include:

(a) **Underground Waste** as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper use of dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas.

(b) **Surface Waste** as those words are generally understood in the oil and gas business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of natural gas of any type or in any form or crude petroleum oil, or any product thereof, and including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage, or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating or producing, well or wells, or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil or natural gas, in excess of the reasonable market demand.

(c) **The production of crude petroleum oil in this state in excess of the reasonable market demand for such crude petroleum oil.** Such excess production causes or results in waste which is prohibited by Chapter 168, 1949 Session Laws. The words "reasonable market demand" as used herein with respect to crude petroleum oil, shall be construed to mean the demand for such crude petroleum oil for reasonable current requirements for current consumption and use within or outside of the state, together with the demand for such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both such crude petroleum oil and products.

(d) **The non-ratable purchase or taking of crude petroleum oil in this state.** Such non-ratable taking and purchasing causes or results in waste, as defined in the subsections (a), (b), (c) of this section and causes waste by violating Section 12 (a), Chapted 168, 1949 Session Laws.

(e) **The production in this state of natural gas** from any gas well or wells, or from any gas pool, in excess of the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of gas transportation facilities for such type of natural gas. The words "reasonable market demand," as used herein with respect to natural gas, shall be construed to mean the demand for natural gas for reasonable current requirements, for current consumption and for use within or outside the state, together with the demand for such amounts as are necessary for building up or maintaining reasonable storage reserves of natural gas or products thereof, or both such natural gas and products.

B — MISCELLANEOUS RULES

RULE 1. SCOPE OF RULES AND REGULATIONS

(a) The following General Rules of statewide application have been adopted by the Oil Conservation Commission to conserve the natural resources of the State of New Mexico, to prevent waste, and to protect correlative rights of all owners of crude oil and natural gas. Special rules, regulations and orders have been and will be issued when required and shall prevail as against General Rules, Regulations and Orders if in conflict therewith. However, whenever these General Rules do not conflict with special rules heretofore or hereafter adopted, these General Rules will apply in each case.

(b) The commission may grant exceptions to these rules after notice and hearing, when the granting of such exceptions will not result in waste but will protect correlative rights or prevent undue hardship.

RULE 2. ENFORCEMENT OF LAWS, RULES AND REGULATIONS DEALING WITH CONSERVATION OF OIL AND GAS

The Commission, its agents, representatives and employees are charged with the duty and obligation of enforcing all rules and statutes of the State of New Mexico relating to the conservation of oil and gas. However, it shall be the responsibility of all the owners or operators to obtain information pertaining to the regulation of oil and gas before operations have begun.

RULE 3. WASTE PROHIBITED

(a) The production or handling of crude petroleum oil or natural gas of any type or in any form, or the handling of products thereof, in such a manner or under such conditions or in such amount as to constitute or result in waste is hereby prohibited.

(b) All operators, contractors, drillers, carriers, gas distributors, service companies, pipe pulling and salvaging contractors, or other persons shall at all times conduct their operations in the drilling, equipping, operating, producing, plugging and abandonment of oil and gas wells in a manner that will prevent waste of oil and gas, and shall not wastefully utilize oil or gas, or allow either to leak or escape from a natural reservoir, or from wells, tanks, containers, pipe or other storage, conduit or operating equipment.

RULE 4. UNITED STATES GOVERNMENT LEASES

The Commission recognizes that all persons drilling on United States government land shall comply with the United States government regulations. Such persons shall also comply with all applicable State rules and regulations which are not in conflict therewith. Copies of the "Sundry Notices and Reports on Wells" and the "Well Log" of the wells on U. S. government land shall be furnished the Commission.

RULE 5. CLASSIFYING AND DEFINING POOLS

The Commission will determine whether a particular well or pool is a gas or oil well, or a gas or oil pool, as the case may be, and from time to time classify and re-classify wells and name pools accordingly, and will determine the limits of any pool or pools producing crude petroleum oil or natural gas from time to time re-determine such limits. Pools hereby named and defined are listed in the Appendix attached hereto.

RULE 6. FORMS UPON REQUEST

Forms for written notices, requests and reports required by the Commission will be furnished upon requeust. For information on forms see Appendix.

RULE 7. AUTHORITY TO COOPERATE WITH OTHER AGENCIES

The Commission may from time to time enter into arrangements with State and Federal governmental agencies, industry committees and individuals, with respect to special projects, services and studies relating to conservation of oil and gas.

C — DRILLING

RULE 101. PLUGGING BOND

(a) Any person who has drilled or is drilling or proposes to drill for oil or gas shall submit to the Commission and obtain its approval of a bond, in a form approved by the Commission, conditioned to plug such well, if dry or when abandoned, in such way as to confine the oil, gas or water in the respective strata in which they are found. The bond shall be in an amount determined by the Commission after taking into consideration the depth of the well and local conditions, but in no case shall the amount of the bond* applicable to one well only, be more than $10,000.00. Each such bond shall be executed by a responsible surety company, authorized to transact business in the State of New Mexico. In cases where the principal on the bond is drilling or operating a number of wells within the State or proposes to do so, such principal may, with the approval of the Commission, submit a blanket bond* in the amount of $10,000.00 conditioned as above provided, covering all wells which such person may at any time before such bond is released, drill or operate within this state.

(b) For the purposes of the Commission the bond required is a plugging bond, not a drilling bond, and is to endure up to and including approved plugging when the well is dry or abandoned, even though the well be a producer. Transfer of property does not release the bond. In case of transfer of property and the principal desires to be released from the bond, he should proceed as follows:

(1) The principal on the bond should notify the Commission in writing that the well, or wells, describing each well by 40-acre tract—Section, Township and Range, has or have been transferred to a certain transferee, for the purpose of ownership or operation.

(2) On the same instrument the transferee should recite that he accepts such transfer and accepts the responsibility of such well or wells under his bond tendered therewith or under his blanket bond on file with the Commission.

(c) When the Commission has approved the transfer, the transferrer is immediately released of the plugging responsibility of the well or wells as the case may be, and if such well or wells include all the wells within the responsibility of the transferrer's bond, such bond will be released upon written notice by the Commission to that effect.

(d) The transferee of any oil or gas well or of the operation of any such well shall be responsible for the plugging of any such well and for that purpose shall submit a new plugging bond or produce the written consent of the surety of the prior plugging bond that the latter's responsibility shall continue.

(e) When the well or wells involved, or any such wells, are located on a state oil and gas lease, and the surface of the land involved was sold by the state prior to such oil and gas lease, such bond may, at the election of the principal, be conditioned not only for the plugging of such well or wells as above provided, but also to secure the payment of such damages to the livestock, range, water, crops or tangible improvements on such land as may be suffered by such purchaser or his successors in interest by reason of the development, use and occupation of the land resulting from such oil and gas leases. Any bond so conditioned must be approved, not only by the Commission, but by the Commissioner of Public Lands, in his capacity as such.

(f) Bonds conditioned to protect surface owners as aforesaid shall cover liability incurred during the entire period of oil and gas operations by the principal on the lands involved.

(g) The Commission will in writing advise the principal and sureties on any bond as to whether the plugging is approved, in order that, if the plugging is approved, liability under such bond may be formally terminated.

(h) The Secretary of the Commission is vested with power to act for the Commission as to all matters within this rule.

*Both forms—for one-well bond and blanket bond form—distributed from Commission office at Santa Fe.

RULE 102. NOTICE OF INTENTION TO DRILL OR RECOMPLETE

Prior to the commencement of operations, notice shall be delivered to the Commission of intention to drill any well for oil or gas, on Form C-101. Prior to the commencement of recompletion operations notice shall likewise be delivered to the Commission of intention to deepen or plug back to any common source of supply other than the existing production horizon.

RULE 103. SIGN ON WELLS

Every drilling and producible well shall be identified by a sign, posted on the derrick or not more than 20 feet from such well, and such signs shall be of durable construction and the lettering thereon shall be kept in a legible condition and shall be large enough to be legible under normal conditions at a distance of 50 feet. The wells on each lease or property shall be numbered in non-repetitive, logical and distinctive sequence. Each sign shall show the number of the well, the name of the lease (which shall be different or distinctive for each lease), the name of the lessee, owner or operator, and the location by quarter section, township and range.

RULE 104. WELL SPACING; ACREAGE REQUIREMENTS FOR DRILLING TRACTS

(a) Each well drilled not within the limits of a defined oil pool or a defined gas pool shall be located on a tract consisting of not less than 40 surface contiguous acres substantially in the form of a square and shall be drilled not closer than 660 feet to any boundary line of said tract.

(b) Each well drilled within a defined oil pool shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square in accordance with the legal subdivision of the United States Public Land Surveys or on a governmental quarter quarter section or lot and shall not be drilled closer than 330 feet to any boundary line of such tract or closer than 660 feet to the nearest well drilling to or capable of producing from the same pool.

(c) Each well drilled within a defined gas pool shall be located on a tract consisting of approximately 160 surface contiguous acres substantially in the form of a square in accordance with the legal subdivisions of the United States Public Land Surveys and shall not be drilled closer than 660 feet to any boundary line of the tract or closer than 1320 feet to a well drilling to or capable of producing from the same pool.

(d) Wells drilled not in conflict with the three preceding paragraphs are orthodox locations.

(e) The Commission may grant an exception to the above requirements whenever the Commission shall determine after notice and hearing that the unit is partly outside a defined oil pool or a defined gas pool or for some other reason a well so located on the unit would be non-productive or topographical conditions are such as to make the drilling of such location unduly burdensome or that such exception is necessary to prevent waste or the confiscation of property. Application for an exception shall be accompanied by a plat drawn to the scale of 1-inch equals 660 feet accurately showing to scale the property on which the exception is sought and accurately showing to scale all other completed drilling and permitted wells on this property and all adjoining surrounding properties. The application shall be verified by some person acquainted with the facts and sworn to before a notary public. In addition to the published notice of the hearing elsewhere herein required, a 10-days written notice shall be given by the Commission by mailing by registered mail to all adjoining lessees. The names and addresses of such adjoining lessees shall be given in the application.

(f) The Secretary of the Commission shall have authority to grant an exception to the requirements of (a), (b) and (c) above without notice and hearing where application has been filed in due form and

1. The necessity for the unorthodox location is based on topographical conditions, and

2. a) The ownership of all oil and gas leases within a radius of 660 feet of the proposed location is common with the ownership of the oil and gas leases under the proposed location, or

   b) All owners of oil and gas leases within such radius consent in writing to the proposed location.

(g) Whenever an exception is granted, the Commission may take such action as will offset any advantage which the person securing the exception may obtain over other producers by reason of the unorthodox location.

(h) If the drilling tract is within an allocated oil pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of less than 39½ acres or more than 40½ acres, the top punit allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40.

(i) If the drilling tract is within an allocated gas pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of less than 158 acres or more than 162 acres, the top unit allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 160.

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RULE 104. WELL SPACING; ACREAGE REQUIREMENTS FOR DRILLING TRACTS

(m) The Commission may approve the pooling for communitization of fractional lots of 20.49 acres or less with another oil proration unit when:

1. The units involved are contiguous;

2. Part of the same basic lease, carrying the same royalty interest; and

3. The ownership of the units involved is common.

Application to the Commission for pooling shall be accompanied by three (3) copies of a certified plat showing the dimensions and acreage involved in the pooling, the ownership of all leases and royalty interests involved, and the location of any proposed wells.

Applicants shall furnish all operators who directly offset the units involved with a copy of the application to the Commission, and applicant shall include with his application a written stipulation that all offset operators have been properly notified. In this instance, offset operators shall include only those operators who have offset properties within the state of New Mexico. The Commission shall wait at least ten (10) days before approving any such pooling, and shall approve such pooling only in the absence of objection from any offset operator. In the event that an operator objects to the pooling, the Commission shall consider the matter only after proper notice and hearing.

The Commission may waive the ten-day waiting period requirement if the applicant furnishes the Commission with the written consent to the pooling by all offset operators involved.

The Commission may consider that the requirements of sub-paragraphs 2 and 3 of Paragraph (m) of this rule have been fulfilled if the applicant furnishes with each copy of each application to the Commission a copy of an executed pooling agreement communitizing the units involved.

Each well drilled on any communitized tract shall be located in the approximate geographical center of the combined units with a tolerance of 150 feet for topographical conditions, but in any event shall not be located closer than 330 feet to the outer boundaries of the proposed proration unit or communitized tract.

(j) In computing acreage under (h) and (i) above, minor fractions of an acre shall not be counted but ½ acre or more shall count as 1 acre.

(k) The provisions of (h), (i) and (j) above shall apply only to wells completed after the effective date of this rule. Nothing herein contained shall affect in any manner any well completed prior to the effective date of this rule and no adjustments shall be made in the allowable production for any such wells by reason of these rules.

(l) In order to prevent waste the Commission may, after notice and hearing, fix different spacing requirements and require greater acreage for drilling tracts in any defined oil pool or in any defined gas pool notwithstanding the provisions of (b) and (c) above.

RULE 105. PIT FOR CLAY, SHALE AND DRILL CUTTINGS

In order to assure a supply of proper material for mud-laden fluid to confine oil, gas, or water to their native strata during the drilling of any well, operators shall provide before drilling is commenced an adequate pit for the accumulation of drill cuttings.

RULE 106. SEALING OFF STRATA

(a) During the drilling of any oil or natural gas well, all oil, gas, and water strata above the producing horizon shall be sealed or separated in order to prevent their contents from passing into other strata.

(b) All fresh waters and waters of present or probable value for domestic, commercial or stock purposes shall be confined to their respective strata and shall be adequately protected by methods approved by the Commission. Special precautions by methods satisfactory to the Commission shall be taken in drilling and abandoning wells to guard against any loss of artesian water from the strata in which it occurs, and the contamination of artesian water by objectionable water, oil or gas.

(c) All water shall be shut off and excluded from the various oil and gas bearing strata which are penetrated. Water shut-offs shall ordinarily be made by cementing casing or landing casing with or without the use of mud-laden fluid.

RULE 107. CASING AND TUBING REQUIREMENTS

(a) All wells drilled for oil or natural gas shall be completed with a string of casing which shall be properly cemented at a sufficient depth adequately to protect the oil or natural gas-bearing stratum to be produced. In addition thereto, such other casing shall be used in order to seal off all oil, gas, and water stratum which may be encountered in the well, except the one or ones to be produced.

(b) Sufficient cement shall be used on surface casing to fill the annular space back of the casing to the bottom of the cellar or to the surface of the ground. Surface casing shall stand cemented for at least 24 hours before drilling plug or initiating tests. All other strings of casing shall stand cemented for at least 30 hours before drilling plug or initiating tests. Cementing shall be by pump and plug method, or other method approved by the Commission.

(c) All flowing wells shall be tubed, the tubing shall be set as near the bottom as practical, but tubing perforations shall not be more than 250 feet above the top of pay, unless authorized by the Commission. The bottom of the tubing shall be restricted to an opening of less than one inch or bull plugged in order to prevent loss of pressure bombs or other devices.

RULE 108. DEFECTIVE CASING OR CEMENTING

In any well that appears to have a defective casing program, faulty cemented or corroded casing which will permit or may create underground waste, the operator shall proceed with diligence to use the appropriate method and means to eliminate such hazard of underground waste. If such hazard of waste cannot be eliminated, the well shall be properly plugged and abandoned.

RULE 109. BLOW-OUT PREVENTION

In drilling in areas where high pressures are likely to exist, all proper and usual precautions shall be taken for keeping the well under control, including the use of blow-out preventers and high pressure fittings attached to properly cemented casing strings.

RULE 110. PULLING OUTSIDE STRINGS OF CASING

In pulling outside strings of casing from any oil or gas well, the space outside the casing left in the hole shall be kept and left full of mud-laden fluid or cement of adequate specific gravity to seal off all fresh and salt water strata and any strata bearing oil or gas not producing.

RULE 111. DEVIATION TESTS

(a) When any well is drilled or deepened with rotary tools, tests to determine the deviation from the vertical shall be taken. When the deviation from the vertical in any 500 foot interval averages more than 5 degrees, a directional survey shall be filed with the Commission before any oil or gas from the well is sold so as to determine that the bottom of the hole is on the lease where the well is drilled.

(b) A deviational and directional survey shall be made and filed with the Commission on any well utilizing a whipstock or any method of deviating the well bore in a predetermined direction except to sidetrack junk in the hole, straighten a crooked hole or to control a blow-out. Special permits may be obtained to directionally drill in a predetermined direction as limited above, only after a hearing before the Commission.

RULE 112. MULTIPLE ZONE COMPLETIONS

(a) The multiple zone completion of any well, including a bradenhead gas well, may be permitted only by order of the Commission upon hearing.

(b) The application for such hearing shall be accompanied by an exhibit showing the location of all wells on applicant's lease and all offset wells on offset leases, and shall set forth all material facts on the common sources of supply involved, and the manner and method of completion proposed.

RULE 113. SHOOTING AND CHEMICAL TREATMENT OF WELLS

If injury results to the producing formation, casing or casing seat from shooting or treating a well, the operator shall proceed with diligence to use the appropriate method and means for rectifying such damage. If shooting or chemical treating results in irreparable injury to the well the Commission may require the operator to properly plug and abandon the well.

RULE 114. SAFETY REGULATION

(a) All oil wells shall be cleaned into a pit or tank, not less than 40 feet from the derrick floor and 150 feet from any fire hazard. All flowing oil wells must be produced through an oil and gas separator of ample capacity and in good working order. No boiler or portable electric lighting generator shall be placed or remain nearer than 150 feet to any producing well or oil tank. Any rubbish or debris that might constitute a fire hazard shall be removed to a distance of at least 150 feet from the vicinity of wells and tanks. All waste shall be burned or disposed of in such manner as to avoid creating a fire fire hazard.

(b) When coming out of the hole with drill pipe, drilling fluid shall be circulated until equalized and subsequently drilling fluid level shall be maintained at a height sufficient to control subsurface pressures. During course of drilling, blow-out preventers shall be tested at least once each 24 hour period.

RULE 115. WELL AND LEASE EQUIPMENT

Christmas tree fittings or wellhead connections with a working pressure equivalent to at least 150% of the calculated or known pressure in the reservoir from which production is expected shall be installed and maintained in first class condition so that on flowing wells, gas-oil ratio, static bottom-hole or other pressure tests may be easily made. Valves shall be installed and maintained in good working order to permit pressures to be obtained on both casing and tubing. Each flowing well shall be equipped to control properly the flowing of each well, and in case of an oil well, shall be produced into an oil and gas separator of a type generally used in the industry.

RULE 116. NOTIFICATION OF FIRE, BREAKS, LEAKS OR BLOW-OUTS

All persons controlling or operating any oil or gas well or pipe line, or receiving tank, storage tank, or receiving and storage receptacle into which crude oil is produced, received or stored, or through which oil is piped or transported, shall immediately notify the Commission by letter giving full details concerning all fires which occur at such oil or gas well or tank or receptacle on their property, and all such persons shall immediately report all tanks or receptacles struck by lightning and any other fire which destroys oil or gas, and shall immediately report any breaks or leaks in or from tanks or receptacles and pipe lines from which oil or gas is escaping or has escaped. In all such reports of fires, breaks, leaks or escapes, or other accidents of this nature, the location of the well, tank, receptacle, or line break shall be given by Section, Township, Range and property, so that the exact location thereof can be readily located on the ground. Such report shall likewise specify what steps have been taken or are in progress to remedy the situation reported; and shall detail the quantity of oil or gas lost, destroyed or permitted to escape. In case any tank or receptacle is permitted to run over,

the amount running over shall be reported as in the case of a leak. The report hereby required as to oil losses shall be necessary only in case such losses exceed 100 barrels in the aggregate during any proration period.

RULE 117. WELL LOG, COMPLETION AND WORKOVER REPORTS

Within 20 days after the completion of a well drilled for oil or gas, or the recompletion of a well into a different common source of supply, a completion report shall be filed with the Commission on Form C-105. For the purpose of this rule, any hole drilled or cored below fresh water or which penetrates oil or gas-bearing formations or which is drilled by an "owner" as defined herein shall be presumed to be a well drilled for oil or gas.

D — ABANDONMENT AND PLUGGING OF WELLS

RULE 201. NOTICE

Notice of intention to plug must be filed with the Commission by the owner or his agent prior to the commencement of plugging operations, on Form C-102, which notice shall state the name and location of the well and name of the operator, and contain an affidavit that the owner or his agent has notified all offset lessees, giving the names of such lessees and the location of their leases. In case of a newly completed dry hole in which no casing, except surface casing has been run, the operator may commence plugging by securing the approval of the Commisison as to the time plugging operations are to begin. He shall, however, file the regular notification form.

RULE 202. METHOD OF PLUGGING

(a) Before any well is abandoned, it shall be plugged in a manner which will confine permanently all oil, gas, and water in the separate strata originally containing them. This operation shall be accomplished by the use of mud-laden fluid, cement and plugs, used singly or in combination as may be approved by the Commission. The exact location of abandoned wells shall be shown by a steel marker at least four inches in diameter set in concrete, and extending at least four feet above mean ground level. Seismic, core or other exploratory holes drilled to or below sands containing fresh water shall be plugged and abandoned in accordance with the applicable provisions recited above. Permanent markers are not required on seismic holes.

(b) If a well is to be abandoned temporarily and no casing pulled, then a plug shall be placed at the top and bottom of the casing in such manner as to prevent the intrusion of any foreign matter into the well.

(c) When drilling operations have been suspended for 60 days, the well shall be plugged and abandoned unless a permit for temporary abandonment shall be obtained from the Commission.

RULE 203. WELLS TO BE USED FOR FRESH WATER

When the well to be plugged may safely be used as a fresh water well and such utilization is desired by the landowner, the well need not be filled above a sealing plug set below the fresh water formation; provided that written authority for such use shall be secured from the landowner and filed with the Commission.

RULE 204. LIABILITY

The owner of any well drilled for oil or gas, or any seismic, core or other exploratory holes, whether cased or uncased, shall be responsible for the plugging thereof.

E — OIL PRODUCTION OPERATING PRACTICES

RULE 301. GAS-OIL RATIO TEST

(a) Each operator shall take a gas-oil ratio test within 30 days following the completion or recompletion of an oil well. Also, each operator shall make an annual gas-oil ratio test of each well during the month which contains the anniversary date of the discovery well, in the pool in which the well is located, or at such other periods which the Commission may designate. During such tests, each well shall be produced at a rate equal to or not exceeding its allowable by more than 25 percent. No well shall be given an allowable greater than the amount of oil produced on official test during a 24-hour period. The results of such test shall be reported on Form C-116 on or before the 15th. day of the month following the month during which such test is made. The Commission will drop from the Proration Schedule any proration unit for failure to make or report such test as herein provided until such time as a satisfactory explanation is given. Provided, however, that no gas-oil ratio test shall be required as to the following wells:

(1) Any well for which a permit has been granted and which is being used as an input well for the injection of gas, or

(2) Any well in a pool exempted from the requirements of this rule after hearing by the Commission.

(b) Even though no gas-oil ratio test is required to be taken, the operator shall annually file Form C-116 and shall show thereon the reason no test was taken.

RULE 302. SUBSURFACE PRESSURE TESTS ON NEW POOLS

The operator shall make a subsurface pressure test on the discovery well of any new pool hereafter discovered, and shall report the results thereof to the Commission within 30 days after the completion of such discovery well. During the month which contains the anniversary date of the discovery well for each pool or at such other periods as the Commission directs, all operators within the same pool shall make each year a subsurface pressure test on all flowing wells in the pool. This test shall be made by a person qualified by both training and experience to make such test, and with an approved subsurface pressure instrument which shall have been calibrated both prior and subsequent to such test against an approved dead weight tester. Provided the prior and subsequent calibrations agree within one percent, the accuracy of the instrument shall be considered acceptable. All wells shall remain completely shut-in for at least twenty-four hours prior to the test. The subsurface determination shall be obtained as close as possible to the midpoint of the productive sand of the reservoir. The report shall be on Form C-103 and shall state the name of the pool, the name of the operator and lease, the well number, the sub-sea depth in feet of the reservoir datum plane, the wellhead elevation above sea level, the depth in feet to the top of the producing formation or top of perforations, whichever is the lower, the date of the test, the total number of hours the well was shut in prior to the test, the subsurface temperature in degrees Fahrenheit at the test depth, the depth in feet at which the subsurface pressure test was made, the observed pressure in pounds per square inch gauge at the test depth, and the corrected pressure computed from applying to the observed pressure the appropriate corrections for calibration, temperature, and differences in depth between test depth and reservoir datum plane.

RULE 303. COMINGLING OF OIL FROM POOLS

Each pool shall be produced as a single common reservoir and the wells therein shall be completed, cased, maintained and operated as the producing media for that specific pool, and the production of oil therefrom shall at all times be actually segregated into separate, identified tanks, and the comingling or confusion of such production, before marketing, with fluid hydrocarbons produced from other and distinct pools or fields in any tank or tanks is strictly prohibited.

RULE 304. CONTROL OF MULTIPLE COMPLETED WELLS

Multiple completed wells which have been authorized by the Commission shall at all times be operated, produced and maintained in a manner to insure the complete segregation of the various common sources of supply. The Commission may require such tests as it deems necessary to determine the effectiveness of the segregation of the different common sources of supply.

RULE 305. METERED CASINGHEAD GAS

The owner of a lease shall not be required to measure the exact amount of casinghead gas produced and used by him for fuel purposes in the development and normal operation of the lease. All casinghead gas produced and sold or transported away from a lease, except small amounts of flare gas, shall be metered and reported in standard cubic feet monthly to the Commission. The amount of casinghead gas sold in small quantities for use in the field may be calculated upon a basis generally acceptable in the industry, or upon a basis approved by the Commission in lieu of meter measurements.

RULE 306. VENTED CASINGHEAD GAS

Pending arrangement for disposition for some useful purpose, all vented casinghead gas shall be burned, and the estimated volume reported on Form C-115.

RULE 307. USE OF VACUUM PUMPS

Vacuum pumps or other devices shall not be used for the purpose of creating a partial vacuum in any stratum containing oil or gas.

RULE 308. SALT OR SULPHUR WATER

Operators shall report monthly on Form C-115, the amount or percentage of salt or sulphur water produced with the oil by each well making 2% or more water.

RULE 309. CENTRAL TANK BATTERIES

Oil shall not be transported from a lease until it has been received and measured in tanks located on the lease. At the option of the operator, common tankage may be used to receive the production from as many as 8 units of the same basic lease, provided adequate tankage and other equipment is installed so that the production from each well can be accurately determined at reasonable intervals.

RULE 310. OIL TANKS AND FIRE WALLS

Oil shall not be stored or retained in earthen reservoirs, or in open receptacles. Dikes or fire walls shall not be required except such fire walls must be erected and kept around all permanent oil tanks, or battery of tanks that are within the corporate limits of any city, town, or village, or where such tanks are closer than 150 feet to any producing oil or gas well or 500 feet to any highway or inhabited dwelling or closer than 1000 feet to any school or church; or where such tanks are so located as to be deemed an objectionable hazard within the discretion of the Commission. Where fire walls are required, fire walls shall form a reservoir having a capacity one-third larger than the capacity of the enclosed tank or tanks.

RULE 311. TANK CLEANING PERMIT

No tank bottom shall be removed from any tank used for the storage of crude petroleum oil unless and until application for tank-cleaning permit is approved by Agent of the Commission. To obtain approval, owner shall submit Commission's Form C-117 reporting an accurate gauge of the contents of the tank and the amount of merchantable oil determinable from a representative sample of the tank bottom by the standard centrifugal test as prescribed by the American Petroleum Institute's code for measuring, sampling, and testing crude oil. Number 25, Section 5. The amount of merchantable oil shall be shown as a separate item on Commission Form C-115, and shall be charged against the allowable of the unit or units producing into such tank or pit where such merchantable oil accumulated. Nothing contained in this rule shall apply to the use of tank bottoms on the originating lease where owner retains custody and control of the tank bottom or to the treating of tank bottoms by operator where the merchantable oil recovered is disposed of through a duly authorized transporter and is reported on Commission Form C-115. Nothing contained in this Rule shall apply to reclaiming of pipe line break oil or the treating of tank bottoms at a pipe line station, crude oil storage terminal or refinery or to the treating by a gasoline plant operator of oil and other catchings collected in traps and drips in the gas gathering lines connected to gasoline plants and in scrubbers at such plants.

RULE 312. TREATING PLANT

No treating plant shall operate except in conformity with the following provisions:

(a) Before construction of a treating plant and upon written application for treating plant permit stating in detail the location, type, and capacity of the plant contemplated and method of processing proposed, the Commission in not less than 20 days will set such application for hearing to determine whether the proposed plant and method of processing will actually and efficiently process, treat and reclaim tank bottom emulsion and other waste oils, and whether there is need for such a plant at the proposed location thereof. Before actual operations are begun, the permittee shall file with the Commission a surety bond of performance satisfactory to the Commission and payable in the amount of $25,000.00 to the Commission of the State of New Mexico.

(b) Such permit, if granted, shall be valid for 1 year, shall be revocable at the discretion of the Commission at any time after hearing is had on 10 days' notice and shall entitle the treating plant operator to an approved Certificate of Compliance and Authorization to Transport Oil, Commission Form C-110, for the total amount of products secured from tank bottoms and other waste oils

processed. Any operating treating plant shall, on or before the 15th day of each calendar month, file at the nearest office of the Commission, a monthly report on Commission Form C-118, which report when fully completed and approved by an authorized agent of the Commission, may be used to support a Commission Form C-110 for the net oil on hand at the end of the reported period. In no event shall Commission Form C-110 be issued for moving the products of a treating plant without supporting Commission Form C-118 being completed and approved.

(c) None of the provisions of this rule are applicable to the recovery of wash-in oil, creek oil, or pit oil where such oil is picked up and returned to the lease on which produced or where such oil is disposed of by owner to an authorized transporter and accounted for on Commission Form C-110. Before any person other than owner shall pick up, reclaim or salvage wash-in oil, creek oil, or pit oil, a permit to do so shall be obtained from owner or operator of lease and from the duly authorized agent of the Commission. Application for permit shall state the name and location of the lease, the number of well or wells from which the oil was produced, or the source of such oil and the name of the owner, operator or manager.

RULE 313. EMULSION, BASIC SEDIMENTS, AND TANK BOTTOMS

Wells producing oil shall be operated in such a manner as will reduce as much as practicable the formation of emulsion and B. S. These substances and tank bottoms shall not be allowed to pollute streams or cause surface damage. If tank bottoms are removed to surface pits, the pits shall be fenced and the fence shall be kept in good repair.

F — NATURAL GAS PRODUCTION OPERATING PRACTICE

RULE 401. METHOD OF DETERMINING NATURAL GAS WELL POTENTIAL

All operators shall make tests annually to determine the daily open flow potential volumes of all natural gas wells from which gas is being used or marketed. Such tests shall be reported on forms furnished by the Commission. To establish comparable open flow capacity, wells shall be tested by the back pressure method, using 4 back pressure flows taken in sequence from low to high flow. In the event the Commission approves an alternate method of testing, all wells producing from a common source of supply shall be tested in a uniform and comparable manner. In a like manner all natural gas wells hereafter completed shall be tested and the potential test reported. Where it has been determined that a natural gas well in any pool has a potential of 400,000 cubic feet per day or less, further potential tests shall not be required provided the operator periodically reports the shut-in pressure of the well.

RULE 402. METHOD AND TIME OF SHUT-IN PRESSURE TESTS

(a) Shut-in pressures shall be taken by the operator on all natural gas wells during the months of April and October of each year, unless the taking of such pressures is covered by special pool order.

(b) Shut-in pressures shall be taken with a calibrated gauge after a minimum shut-in period of twenty-four hours. When the shut-in period exceeds 24 hours, such shut-in period shall be reported to the Commission. All shut-in pressures shall be reported to the Commission.

RULE 403. NATURAL GAS FROM GAS WELLS TO BE MEASURED

All natural gas produced shall be accounted for by metering or other method approved by the Commission and reported to the Commission by common purchaser of the gas. Gas produced from a gas well and delivered to a gas transportation facility shall be reported by the owner or operator of the gas transportation facility. Gas produced from a gas well, and required to be reported under this rule, which is not delivered to and reported by a gas transportation facility, shall be reported by the operator of the well.

RULE 404. NATURAL GAS UTILIZATION

After the completion of a natural gas well, no gas from such well shall be (1) permitted to escape to the air, (2) used expansively in engines or pumps and then vented, (3) used to gas lift oil wells unless all gas produced is processed in a gasoline plant, or beneficially used thereafter without waste, or (4) used for the manufacture of carbon black.

RULE 405. STORAGE GAS

With the exception of the requirement to meter and report monthly the amount of gas injected and the amount of gas withdrawn from storage, in the absence of waste these rules and regulations shall not apply to gas being injected into or removed from storage.

RULE 406. CARBON DIOXIDE

(a) Insofar as is applicable, the state-wide regulations relating to gas, natural gas, gas wells, gas reservoirs, shall also apply to carbon dioxide, carbon dioxide wells, and carbon dioxide reservoirs.

(b) Copies of rules and regulations particularly affecting carbon dioxide gas fields, insofar as they may vary from these general rules and regulations for oil and natural gas may be obtained from the Commission office in Santa Fe.

G — OIL PRORATION AND ALLOCATION

RULE 501. REGULATION OF POOLS

(a) To prevent waste, the Commission shall prorate or distribute the allowable production among the producers in a pool upon a reasonable basis and recognizing correlative rights.

(b) After notice and hearing, the Commission, in order to prevent waste and protect correlative rights may promulgate special rules, regulations or orders pertaining to any pool.

RULE 502. RATE OF PRODUCING WELLS

In allocated oil pools the owner or operator of any producing units shall not produce from any unit during any proration period any more oil than the allowable production for oil from such unit as shown by the proration schedule, provided, however, that such owners or operators shall be permitted to balance the production for each unit during the proration period. In no event shall any oil unit be produced in any manner or in such amount as to result in the production in any one day of an amount in excess of 125% of the daily allowable.

RULE 503. AUTHORIZATION FOR PRODUCTION, PURCHASE, AND TRANSPORTATION

(a) The Commission shall meet between the 20th and the 25th of each month for the purpose of setting the allowable production for the State for the following calendar month.

(b) The exact date, time and place of such meetings shall be established in January of each year and notice given of such settings by publication made on or before January 10th of each year.

(c) The Commission will consider all evidence of market demand for oil and determine the amount of oil to be produced from all oil pools during the following month. The amounts so determined will be allocated among the various pools in accordance with existing regulations and among the various units in each pool in accordance with regulations governing each pool. In allocated pools, effective the first day of each proration period, the Commission will issue a proration schedule which will authorize the production of oil from the various units in strict accordance with the schedule and the purchase and transportation of oil so produced. Allowable for wells completed after the first day of the proration period will become effective from the date of well completion. A supplementary order will be issued by the Commission to the operator of a newly completed or recompleted well, and to the purchaser or transporter of the oil from a newly completed or recompleted well, establishing the effective date of completion, the amount of production permitted during the remainder of the proration period, and the authority to purchase and transport same from said well.

(d) A marginal unit shall be permitted to produce any amount of crude petroleum which it is capable of producing up to and including the top unit allowable for that particular pool for the particular proration period; provided the operator of such unit shall file with the Commission for a supplemental order covering the increase above the amount shown on the proration schedule. The Commission shall issue such supplemental order setting forth the daily amount of crude petroleum which such unit shall be permitted to produce for the particular proration period and shall furnish such supplemental order to the operator of the unit and a copy thereof to the transporter authorized to transport crude petroleum from the unit.

(e) Current oil shortages may be made up or unavoidable and lawful overages compensated for during the second proration period next following the proration period in which such shortages or overages occurred.

(f) All legal and authorized back allowable available for purchase will be published in the monthly proration schedule. No back allowable will be placed in the proration schedules unless request is made by producer and proof is shown that shortage is legal and should be considered as back allowable. There are only three justifications for back allowable, namely: (1) failure of purchaser or transporter to run assigned oil allowable, (2) mechanical failures affecting the producing well during the proration period, (3) gathering engineering data. Unless application is filed for back allowable within 90 days after the occurrence of the shortage, no back allowable for such shortage shall be granted. Unless the justification for back allowable is the continuing failure of purchaser or transporter to run the assigned oil allowable, the back allowable filed for and occurring in any one month will be authorized for production and purchase on not more than 3 consecutive monthly proration schedules.

(g) In order to preclude premature abandonment, a common purchaser within its purchasing area is authorized and directed to make 100 percent purchases from units of settled production producing 10 barrels or less daily of crude petroleum in lieu of ratable purchases or takings. Provided,

however, where such purchaser's takings are curtailed below 10 barrels per unit of crude petroleum daily, then such purchaser is authorized and directed to purchase equally from all such units within its purchasing area regardless of their producing ability insofar as they are capable of producing.

RULE 504. APPLICATION FOR ALLOWABLE ON NEW WELLS

No well shall be placed on the proration schedule until Form C-104 and C-110 have been filed with the Commission.

RULE 505. OIL PRORATION

1. In allocated pools, the allocation between pools is in accordance with the top of the producing depth of the pool and the corresponding proportional factor set out below. The depth to the casing shoe or the top perforation in the casing, whichever is the higher, in the first well completed in a pool determines the depth classification for the pool. Top unit allowables shall be calculated for each of the several ranges of depth in the following proportions:

2.	Pool Depth Range				Proportional Factor
From	0	to	5,000	Feet	1.00
Below	5,000	to	6,000	"	1.33
	6,000	to	7,000	"	1.77
	7,000	to	8,000	"	2.33
	8,000	to	9,000	"	3.00
	9,000	to	10,000	"	3.77
	10,000	to	11,000	"	4.67
	11,000	to	12,000	"	5.67
	12,000	to	13,000	"	6.75

3. Normal unit allowable shall be set by the Commission.

4. Top unit allowables for each range of depth shall then be determined by multiplying the normal unit allowable by the proportional factor for each depth range as set out in the table hereinabove; any fraction of a barrel shall be regarded as a full barrel for both normal and top unit allowables.

5. The top unit allowables hereinabove determined shall be assigned to the respective pools in accordance with each pool's depth range. The sum of all marginal units plus the sum of the top unit allowables for all non-marginal units in each pool shall constitute the allocation for each pool. In the event that the normal unit allowable as set by the Commission is less than 30 barrels per day for any month, the top allowable for the depth range from 0 to 5000 feet shall be set at 30 barrels per day and a corrected top allowable shall be computed for all other depth ranges below 5000 feet by the following formulae:

(1) Corrected top allowable = top allowable times correction factor;

(2) Correction factor = $$\frac{(B-30U)}{(30-N)\,U\,(B-30U)}$$

Where:

B = Total allocation to Lea, Eddy and Chaves Counties, non-marginal units.

N = Normal unit allowable as set by the Commission.

U = Number of non-marginal units within the depth range of 0 to 5000 feet.

6. The allocation for each pool shall then be computed as described hereinabove, using the corrected top allowables in the place of the top allowables.

7. Thereupon the allocation to each pool shall in turn be prorated or distributed to the respective units in each pool in accordance with the proration plan of the particular pool where any such plan exists. Where no proration plan for any pool exists, then the pool allocation shall be distributed or prorated to the respective marginal and non-marginal units therein as determined hereinabove.

8. At the beginning of each calendar month, the distribution or proration to the respective units in each pool shall be changed in order to take into account all new wells which have been completed and were not in the proration schedule during the previous calendar month. Where any well is completed between the first and last day of the calendar month, its unit shall be assigned an allowable in accordance with whether such unit is marginal or non-marginal, beginning at 7 A. M. on the date of completion and for the remainder of that calendar month.

9. The provisions of Rule 104 (h) et seq., shall be adhered to where applicable in fixing top unit allowables.

RULE 506. GAS-OIL RATIO LIMITATION

(a) In allocated pools containing a well or wells producing from a reservoir which contains both oil and gas, each proration unit shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the top unit oil allowable for the pool. In the event the Commission has not set a gas-oil ratio limit for a particular oil pool the limiting gas-oil ratio shall be 2000 cubic feet of gas for each barrel of oil produced. In allocated oil pools all producing wells whether oil or casinghead gas shall be placed on the oil proration schedule.

(b) Unless heretofore or hereafter specifically exempted after hearing by the Commission, a gas-oil ratio limitation shall be placed on all allocated oil pools and all proration units having a gas-oil ratio exceeding the limit for the pool shall be penalized in accordance with the following formula:

1. Any proration unit which, on the basis of the latest official gas-oil ratio test, has a gas-oil ratio in excess of the limiting gas-oil ratio for the pool in which it is located shall be permitted to produce daily that number of barrels of oil which shall be determined by multiplying the current top unit allowable by a fraction, the numerator of which shall be the limiting gas-oil ratio for the pool and the denominator of which shall be the official gas-oil ratio test of the well.

2. Any unit containing a well or wells producing from a reservoir which contains both oil and gas shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the top unit allowable currently assigned to the pool.

3. A marginal unit shall be permitted to produce the same volume of gas which it would be permitted to produce if it were a non-marginal unit.

4. All gas produced with the current oil allowable determined in accordance with this rule shall be deemed to have been lawfully produced.

(c) All proration units to which gas-oil ratio adjustments are applied shall be so indicated in the proration schedule with adjusted allowables stated.

(d) Limiting gas-oil ratios for allocated pools are hereby adopted and are listed under Appendix attached hereto. In cases of new pools the limit shall be 2000 cubic feet per barrel until such time as changed by the Commission after a hearing. Upon petition, notice and hearing according to law, the Commission will determine or re-determine, the specific gas-oil ratio limit which is applicable to a particular allocated oil pool.

RULE 507. UNITIZED AREAS

After petition, notice and hearing, the Commission may grant approval for the combining of contiguous developed proration units into a unitized area.

SECTION H — GAS PRORATION AND ALLOCATION

RULE 601. DESIGNATION OF GAS POOLS

There presently being no classified and defined gas pools within the state, the Commission shall as soon as practicable initiate proceedings to name, classify and define the limits of all known producing gas pools. Pools classified as gas pools shall be known as "gas pools" as distinguished from "oil pools," i. e. the "Blanco gas pool" or "Hobbs oil pool." There shall be no proration or allocation of gas production unless and until the provisions of Rule 602 are followed.

RULE 602. ALLOCATION OF GAS PRODUCTION

When the Commission determines that allocation of gas production in a designated gas pool is necessary to prevent waste, the Commission, after notice and hearing, shall consider the nominations of purchasers from that gas pool and other relevant data, and shall fix the allowable production of that pool, and shall allocate production among the gas wells in the pool delivering to a gas transportation facility upon a reasonable basis and recognizing correlative rights. The Commission shall include in the proration schedule of such pool any gas well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well.

RULE 603. PRORATION PERIOD

The proration period shall be at least six months and the pool allowable and allocations thereof shall be made at least 30 days prior to each proration period.

RULE 604. ADJUSTMENT OF ALLOWABLES

When the actual market demand from any allocated gas pool during a proration period is more than or less than the allowable set by the Commission for the pool for the period, the Commission shall adjust the gas proration unit allowables for the pool for the next proration period so that each gas proration unit shall mave a reasonable opportunity to produce its fair share of the gas production from the pool and so that correlative rights shall be protected.

RULE 605. GAS PRORATION UNITS

Before issuing a proration schedule for an allocated gas pool, the Commission, after notice and hearing, shall fix the gas proration unit for that pool.

I—SECONDARY RECOVERY AND PRESSURE MAINTENANCE

RULE 701. PERMIT FOR INJECTION OF GAS, AIR, OR WATER

(a) The injection of gas or air or water into any reservoir for the purpose of maintaining reservoir pressure for secondary recovery or for water disposal, shall be permitted only by order of the Commission after a hearing.

(b) The application for all permits to inject gas, or air, or water into any reservoir shall contain the following:

1. Plat showing the location of the intake well or wells and the location of all oil and gas wells including drilling wells and dry holes and the names of lessees within one-half mile of the intake well or wells; and each offset operator.

2. The formations from which wells are producing or have produced.

3. The name, description, and depth of the formations to be affected by injection.

4. The log of the intake well or wells or such information as is available.

5. Description of the intake well's casing or the proposed casing program, and proposed method for testing casing before use of the input wells.

6. Statement as to whether gas, air, or water is to be used for injection, its source, and the estimated amounts to be injected daily.

7. The names and addresses of the operator or operators of the project.

RULE 702. CASING AND CEMENTING OF INJECTION WELLS

Wells used for injection of gas, air, or water into the producing formation shall be cased with safe and adequate casing, or tubing so as to prevent leakage and such casing or tubing shall be so set or cemented that damage will not be caused to oil, gas or fresh water resources.

RULE 703. NOTICE OF COMMENCEMENT AND DISCONTINUANCE OF INJECTION OPERATIONS

The following provisions shall apply to all injection projects:

(a) Immediately upon the commencement of injection operations, the operator shall notify the Commission of the injection date.

(b) Within 10 days after the discontinuance of injection operations the operator shall notify the Commission of the date of such discontinuance and the reasons therefor.

(c) Before any intake well shall be plugged, notice shall be served on the Commission by the owner of said well, and the same procedure shall be followed in the plugging of such well as provided for the plugging of oil and gas wells.

RULE 704. RECORDS

The operator of an injection project shall keep accurate records and report monthly to the Commission the amount of oil produced, the volumes of fluid injected and the injection pressures.

J — OIL PURCHASING AND TRANSPORTING

RULE 801. ILLEGAL SALE PROHIBITED

The sale or purchase or acquisition, or the transporting, refining, processing, or handling in any other way, of crude petroleum oil or of any product of crude petroleum produced in excess of the amount allowed by any statute of this State, or by any rule, regulation or order of the Commission made thereunder, is prohibited.

RULE 802. RATABLE TAKE; COMMON PURCHASER

(a) Every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipe lines shall be a common purchaser thereof, and shall, without discrimination in favor of one producer as against another in the same field, purchase all oil tendered to it which has been lawfully produced in the vicinity of, or which may be reasonably reached by pipe lines through which it is transporting oil, or the gathering branches thereof, or which may be delivered to the pipe line or gathering branches thereof by truck or otherwise, and shall fully perform all the duties of a common purchaser. If any common purchaser shall not have need for all such oil lawfully produced within a field, or if for any reason it shall be unable to purchase all such oil, then it shall purchase from each producer in a field ratably, taking and purchasing the same quantity of oil from each well to the extent that each well is capable of producing its ratable portions; provided however, nothing herein contained shall be construed to require more than one pipe line connection for each producing well. In the event any such common purchaser of oil is likewise a producer or is affiliated with a producer, directly or indirectly, it is hereby expressly prohibited from discriminating in favor of its own production or in favor of the production of an affiliated producer as against that of others and the oil produced by such common purchaser or by the affiliate of such common purchaser shall be treated as that of any other producer for the purposes of ratable taking.

(b) It shall be unlawful for any common purchaser to unjustly or unreasonably discriminate as to the relative quantities of oil purchased by it in the various fields of the state; the question of the justice or reasonableness to be determined by the Commission, taking into consideration the production and age of the wells in the respective fields and all other factors. It is the intent of this rule that all fields shall be allowed to produce and market a just and equitable share of the oil produced and marketed in the state, insofar as the same can be effected economically and without waste.

RULE 803. PURCHASE OF LIQUIDS FROM GAS WELLS

Provided that a supplemental order is issued authorizing such production on the monthly proration schedule, any common purchaser is authorized to purchase 100 percent of the amount of associated crude oil or condensate produced and recovered from a natural gas proration unit.

K — GAS PURCHASING AND TRANSPORTING

RULE 901. ILLEGAL SALE PROHIBITED

The sale, purchase or acquisition, or the transporting, refining, processing or handling in any other way, of natural gas in whole or in part (or of any product of natural gas so produced) produced in excess of the amount allowed by any statute of this state, or by any rule, regulation or order of the Commission made thereunder, is prohibited.

RULE 902. RATABLE TAKE

(a) Any person now or hereafter engaged in purchasing from one or more producers gas produced from gas wells shall be a common purchaser thereof within each common source of supply from which it purchases, and as such it shall purchase gas lawfully produced from gas wells with which its gas transportation facilities are connected in the pool and other gas lawfully produced within the pool and tendered to a point on its gas transportation facilities. Such purchases shall be made without unreasonable discrimination in favor of one producer against another in the price paid, the quantities purchased, the bases of measurement or the gas transportation facilities afforded for gas of like quantity, quality and pressure available from such wells. In the event any such person is likewise a producer, he is prohibited to the same extent from discriminating in favor of himself on production from gas wells in which he has an interest, direct or indirect, as against other production from gas wells in the same pool. For the purposes of this rule reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship to differences in quality, quantity or pressure of the gas available or to the relative lengths of time during which such gas will be available to the purchaser. The provisions of this subsection shall not apply (1) to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of this act or of the rules, regulations or orders of the Commission, (2) to purchases of casinghead gas from oil wells, and (3) to persons purchasing gas principally for use in the recovery or production of oil or gas.

(b) Any common purchaser taking gas produced from gas wells from a common source of supply shall take ratably under such rules, regulations and orders, concerning quantity, as may be promulgated by the Commission consistent with this rule. The Commission, in promulgating such rules, regulations and orders may consider the quality and the deliverability of the gas, the pressure of the gas at the point of delivery, acreage attributable to the well, market requirements in the case of unprorated pools, and other pertinent factors.

(c) Nothing in this rule shall be construed or applied to require, directly or indirectly, any person to purchase gas of a quality or under a pressure or under any other condition by reason of which such gas cannot be economically and satisfactorily used by such purchaser by means of his gas transportation facilities then in service.

L — REFINING

RULE 1001. REFINERY REPORTS

Each refiner of oil within the State of New Mexico shall furnish for each calendar month a "Refiner's Monthly Report," Form C-113, containing the information and data indicated by such form, respecting oil and products involved in such refiner's operations during each month. Such report for each month shall be prepared and filed according to instructions on the form, on or before the 15th day of the next succeeding month.

RULE 1002. GASOLINE PLANT REPORTS

Each operator of a gasoline plant, cycling plant or any other plant at which gasoline, butane, propane, condensate, kerosene, oil or other liquid products are extracted from natural gas within the State of New Mexico, shall furnish for each calendar month a "Monthly Gasoline or Other Extraction Plant Monthly Report," Form C-114, containing the information indicated by such form respecting natural gas and products involved in the operation of each plant during each month.

Such reports for each month shall be prepared and filed according to instructions on the form on or before the 15th day of the next succeeding month.

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Revision No. 2 September 20, 1951

RULE 1103. WRITTEN NOTICES, REQUESTS, PERMITS AND REPORTS.

The forms hereinafter mentioned and attached to these Rules in the appendix are hereby adopted and made a part of these rules for all purposes and the same shall be used for the purposes shown on each of the several forms and in accordance with the instructions printed thereon, which instructions are a part of this rule.

They are:

Form C-101 - Notice of Intention to Drill
Form C-102 - Miscellaneous Notices
Form C-103 - Miscellaneous Reports on wells
Form C-104 - Request for Allowable
Form C-105 - Well Record
Form C-110 - Certificate of Compliance and Authorization to Transport Oil
Form C-111 - Monthly Gas Report
Form C-112 - Transporter's and Storer's Monthly Report
Form C-113 - Refiner's Monthly Report
Form C-114 - Gasoline and other Extraction Plant Monthly Report
Form C-115 - Operator's Monthly Report
Form C-116 - Gas-Oil Ratio Report
Form C-117 - Tank Cleaning Permit
Form C-118 - Treating Plant Report
Form C-119 - Carbon Black Report
Form C-120 - Injection Report
Form C-121 - Crude Oil Purchaser's Nomination
Form C-122 - Back Pressure Data Sheet
Form C-123 - Request for the extension of an existing pool or the creation of a new pool

over

M — REPORTS

RULE 1101. ADDITIONAL INFORMATION MAY BE REQUIRED

These rules shall not be taken or construed to limit or restrict the authority of the Oil Conservation Commission to require the furnishing of such additional reports, data or other information relative to production, transportation, storing, refining, processing, or handling of crude petroleum oil, natural gas or products in the State of New Mexico as may appear to it to be necessary or desirable, either generally or specifically, for the prevention of waste and the conservation of natural resources of the State of New Mexico.

RULE 1102. BOOKS AND RECORDS TO BE KEPT TO SUBSTANTIATE REPORTS

All producers, transporters, storers, refiners, gasoline or extraction plant operators and initial purchasers of natural gas within the State of New Mexico shall make and keep appropriate books and records for a period not less than 5 years, covering their operations in New Mexico from which they may be able to make and substantiate the reports required by this Order.

RULE 1103. WRITTEN NOTICES, REQUESTS, PERMITS AND REPORTS

The forms hereinafter mentioned and attached to these rules in the Appendix are hereby adopted and made a part of these rules for all purposes and the same shall be used for the purposes shown on each of the several forms and in accordance with the instructions printed thereon, which instructions are a part of this rule. They are:

Form C-101 — Notice of Intention to Drill
Form C-102 — Miscellaneous Notices
Form C-103 — Miscellaneous Reports on Wells
Form C-104 — Request for Allowable
Form C-105 — Well Record
Form C-110 — Certificate of Compliance and Authorization to Transport Oil
Form C-111 — Monthly Gas Report
Form C-112 — Transporter's and Storer's Monthly Report
Form C-113 — Refiner's Monthly Report
Form C-114 — Gasoline and Other Extraction Plant Monthly Report
Form C-115 — Operator's Monthly Report
Form C-116 — Gas-Oil Ratio Report
Form C-117 — Tank Cleaning Permit
Form C-118 — Treating Plant Report
Form C-119 — Carbon Black Report
Form C-120 — Injection Report

RULE 1104. NOTICE OF INTENTION TO DRILL (FORM C-101)

Before beginning drilling, the owner of the well shall give notice thereof by filing with the Commission in triplicate Form C-101, "Notice of Intention to Drill." A copy of the notice will be returned by the Commission to the applicant, on which will be noted the Commission's approval with any modification considered advisable, or the rejection of the plan submitted. Drilling shall not begin until this approval is obtained and until a bond has been submitted and approved as required by Rule 101.

The information required on Form C-101 includes the name and number of the well, exact location, status of land, (whether State, Federal or privately owned,) type of drilling equipment to be used, proposed casing program, probable depth to first productive oil or gas sand, and name of drilling contractor, and any additional pertinent information. In the case of wildcat locations a plat made by a registered surveyor, or a surveyor approved by the Commission, showing and certifying the location of the well, must be submitted with Form C-101.

RULE 1105. MISCELLANEOUS NOTICES (FORM C-102)

Form C-102, "Miscellaneous Notices," shall be filed by the owner in triplicate with the Commission and approval obtained from it before starting operations leading to a proposed change of drilling plan, repairing or deepening a well, pulling or altering casing, plugging back, redrilling, or starting of any other similar operations not specifically covered herein. A copy of the notice giving the decision of the Commission will be returned to the owner.

RULE 1106. NOTICE OF INTENTION TO PLUG WELL (FORM C-102)

Before plugging a well, notice shall be given to the Commission by filing in triplicate Form C-102, "Miscellaneous Notices." Work shall not begin until approval is obtained from a deputy of the Com-

mission. A copy of the notice will be returned to the owner on which will be given the approval of the Commission of the plugging plan submitted with any modifications considered essential. The notice shall give a detailed statement of the proposed work; including length and depth of plugs; plans for mudding, cementing, shooting, testing and removing casing; and the date of the proposed plugging operations. Before plugging any well, the owner shall give notice to all adjoining lessees and representatives of such adjoining lessees may be present to witness the plugging, if they so desire, but plugging shall not be delayed because of inability to deliver notice to adjoining lessees. Failure to file notice before plugging shall constitute grounds for forfeiture of bond. If not previously filed, a complete log of the well on Form C-105 shall accompany the notice of intention to plug the well.

RULE 1107. REPORT ON BEGINNING DRILLING OPERATIONS (FORM C-103)

Within 10 days after drilling operations are begun, the owner of the well shall file with the Commission a report on Form C-103, "Miscellaneous Reports on Wells." It shall give the date when operations began, the elevation of derrick floor above sea level, and any changes made in the program previously specified on Form C-101. It shall be submitted in triplicate and signed and sworn to before a notary public.

RULE 1108. REPORT ON RESULT OF TEST OF CASING SHUT-OFF (FORM C-103)

A report on the result of test of casing shut-off shall be filed with the Commission in triplicate within 10 days after the completion of work on Form C-103, "Miscellaneous Reports on Wells." It shall indicate any changes made in the approved plan outlined previously on Form C-101. It shall also give a detailed report of the method used and of the results obtained and any other pertinent information. Name of the witness shall be given on the report, and it shall be signed and sworn to before a notary public.

RULE 1109. REPORT ON RESULTS OF PLUGGING WELL (FORM C-103)

Within 10 days after plugging a well, a record of the work done shall be filed in triplicate by the owner with the Commission on Form C-103, "Miscellaneous Reports on Wells." The report shall give the date the work was started and the date it was completed; a detailed account of the manner in which the work was performed; the nature and quantities of materials used in plugging, and the depths and lengths of the various plugs; records of any tests or measurements made; the amount, size and depth of all casing left in the well; the volume and gravity of mud-laden fluid used; pressure retained in mudding; a complete record of any shooting done, and names, addresses and positions of all those in charge of the work. The report shall also state whether or not the pits have been filled and leveled and the location cleared of junk. Thereport shall be signed and sworn to before a notary public.

RULE 1110. MISCELLANEOUS REPORT ON WELLS (FORM C-103)

Form C-103, "Miscellaneous Reports on Wells" shall be used for reports of various operations, such as:

a. Change of Drilling Plan
b. Repairing or Deepening Well
c. Pulling or Altering Casing
d. Plugging Back
e. Re-Drilling
f. Perforating Casing (or of any other similar operations not specifically covered herein).

The report with respect to such operation shall be filed with the Commission within 10 days after such operation is completed.

The status prior to and results of the work completed shall be given in detail. The report shall be signed and sworn to before a notary public.

RULE 1111. REPORT OF RESULT OF SHOOTING OR CHEMICAL TREATMENT OF WELL (FORM C-103)

Within 20 days after the shooting or chemical treatment of a well, report shall be filed with the Commission in triplicate by the owner on Form C-103, "Miscellaneous Reports on Wells," giving the condition of the well both before and after shooting or chemical treatment, the size and depth of the shot, or amount of chemical used, the daily production of oil, gas, and water after shooting or chemical treatment and any other pertinent information. This report shall be signed and sworn to before a notary public.

RULE 1112. REQUEST FOR ALLOWABLE (FORM C-104)

It is necessary that this form be submitted by the operators before an initial allowable will be assigned to any completed oil well. C-110 "Certificate of Compliance" will not be approved until C-104

is filed with the Commission. Form C-104 is to be submitted in triplicate to the Commission Office, to which Form C-101 was sent. Two copies will be retained there and the other submitted to the Proration Office, Hobbs, New Mexico. The allowable will be assigned effective 7:00 A.M., on date of completion. The completion date shall be that date in the case of an oil well, when oil is delivered into the stock tanks.

RULE 1113. WELL RECORD FORM (FORM C-105)

Within 20 days after the completion of a well there shall be filed in triplicate with the Commission Form C-105. The well record shall not be kept confidential by the Commission unless requested in writing by the owner of the well. Upon such request the Commission will keep the report confidential for 90 days from the date of the completion of the well; provided, however, that the report or data therein when pertinent may be introduced in any public hearing before the Commission or any court regardless of the request that the report be kept confidential. If the C-105 is not received by the Commission in the specified 20 days the well will be dropped from the proration schedule.

RULE 1114. CERTIFICATE OF COMPLIANCE AND AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS (FORM C-110)

(a) Each producer of crude petroleum oil or natural gas and each producer of liquid hydrocarbons from a gas well shall execute under oath, in quadruplicate, and file with the Commission a Producer's Certificate of Compliance and Authorization to Transport Oil, Natural Gas or Liquid Hydrocarbons, Form C-110, setting forth fully therein the data and information indicated by such form covering each proration or operating unit in the State of New Mexico from which the crude petroleum oil, natural gas or liquid hydrocarbons is produced.

(b) Whenever there shall occur a change in operating ownership of any producing well or whenever there shall occur a change of transporter from any producing well, Form C-110 shall be executed and filed in accordance with the instructions appearing on such forms; except that in the case of a temporary change in transporter involving less than the allowable for one month, the producer may, in lieu of filing a new certificate, notify the Commission and the transporter then authorized by certificate on file with the Commission, by letter, of the estimated amount of crude petroleum, dry gas or liquid hydrocarbons to be moved by temporary transporter and the name of such temporary transporter and a copy of such notice shall also be furnished such temporary transporter. In no instance shall the temporary transporter move any greater quantity of crude petroleum oil or natural gas than the estimated amount shown in said notice.

RULE 1115. MONTHLY GAS REPORT (FORM C-111)

All gas produced from natural gas wells within the State of New Mexico which is taken into a fuel system or other system (except gas taken into a gasoline or other extraction plant gathering system which is required to be reported on Form C-114), shall be reported monthly on Monthly Gas Report, Form C-111. Where such gas is taken from any natural gas well by the producer, then the producer shall make such report. In case the gas is taken at the well by any person other than the producer, then such person taking the gas shall make said report. Form C-111 shall be filed on the 15th of the succeeding month for all gas produced each month.

RULE 1116. TRANSPORTER'S AND STORER'S MONTHLY REPORT (FORM C-112)

(a) Each transporter of crude petroleum oil and liquid hydrocarbons within the State of New Mexico shall furnish for each calendar month a Transporter's and Storer's Monthly Report, Form C-112, containing complete information and data indicated by such form respecting stocks of crude petroleum oil and liquid hydrocarbons on hand and all movements of crude petroleum oil and liquid hydrocarbons by pipe line within the State of New Mexico and all movements of crude petroleum oil and liquid hydrocarbons by trucks or other conveyances including railroads, from leases to storers or refiners; between transporters within the State; between storers and refiners within the State.

(b) Each storer of crude petroleum oil and liquid hydrocarbons within the State of New Mexico shall furnish for each calendar month a Form C-112 containing complete information and data re-dicated by such form respecting the storage of crude petroleum oil and liquid hydrocarbons within the State of New Mexico.

(c) Form C-112 shall be filed on or before the 15th day of the next succeeding month.

RULE 1117. REFINER'S MONTHLY REPORT (FORM C-113)

Every refiner of crude petroleum oil within the State of New Mexico shall furnish for each calendar month a Refiner's Monthly Report, Form C-113, containing the information and data indicated by such form respecting crude petroleum oil and products involved in such refiner's operations during each month. Such report for each month shall be filed on or before the 15th day of the next succeeding month.

RULE 1118. GASOLINE OR OTHER EXTRACTION PLANT MONTHLY REPORT (FORM C-114)

Each operator of a gasoline plant, cycling plant or any other plant at which gasoline, butane, propane, kerosene, oil, or other liquid products are extracted from gas within the State of New Mexico, shall furnish for each calendar month a Gasoline or other Extraction Plant Monthly Report, Form C-114, containing the information indicated by such form respecting gas and products involved in the operation of each such plant during each month. Each purchaser of gas shall report monthly the source or sources and amounts from each source of gas injected into natural gas storage reservoir together with the gross amount of gas which is withdrawn during the month from natural storage. Such report for each month shall be filed on or before the 15th day of the next succeeding month.

RULE 1119. OPERATOR'S MONTHLY REPORT (FORM C-115)

Operator's Monthly Report Form C-115 shall be filed on each producing oil well within the State of New Mexico for each calendar month, setting forth complete information and data indicated on said form respecting crude petroleum oil, casinghead gas and liquid hydrocarbons. Such report for each month shall be filed on or before the 20th day of the next succeeding month.

RULE 1120. GAS-OIL RATIO TEST (FORM C-116)

A gas-oil ratio test shall be made and reported on Form C-116 as prescribed in Rule 301—Gas-Oil Ratio Test.

RULE 1121. TANK CLEANING PERMIT (FORM C-117)

(a) Form C-117 shall be used pursuant to Rule 311.

(b) Tank cleaning permit is not necessary in the following cases:

(1) Where "tank bottoms" are to be used on operator's lease roads or fire walls.

(2) Where merchantable oil is reclaimed by operator and disposed of through a duly authorized transporter as shown on Form C-110 filed with the Commission.

(3) Where there is a transfer of "tank bottoms" from one tank to another located in the same tank battery, provided there is no change in the custody or control of the "tank bottoms."

(4) Where there is the reclaiming of pipe line break oil or the treating of "tank bottoms" at a pipe line station, crude oil storage terminal or refinery, or to the treating by a gasoline plant operator of oil and other catchings collected in traps and drips in the gas gathering lines connected to gasoline plants and in scrubbers at such plants.

RULE 1122. TREATING PLANTS (FORM C-118)

Form C-118 shall be used in accordance with Rule 312.

RULE 1123. CARBON BLACK (FORM C-119)

Each operator of a carbon black plant within the State of New Mexico shall furnish for each calendar month, the monthly volume of gas received from a gasoline extraction plant or plants, and a monthly volume or volumes of gas received from each lease and operator delivering natural gas directly to such plant together with the production in pounds of carbon black or other products produced. Such report shall be prepared and filed according to instructions on Form C-119, "Carbon Black Report," on or before the 15th day of the next succeeding month.

RULE 1124. INJECTION REPORT (FORM C-120)

Form C-120 shall be used for reports required under Rule 701, et seq.

RULE 1125. PIPE LINE DATA REQUIRED

Any person intending to operate a pipe line, whether now existing or hereafter laid, shall notify the Commission in writing of such intention and shall state the size and location of the pipe line and its depth, the appurtenant tankage and location thereof, and any other pertinent data requested by the Commission, and shall furnish a map showing the location of the line and tankage. In the case of a line to be constructed, if any changes from the plan submitted are made during construction, the Commission shall be notified of such changes. The Commission shall also be notified of any subsequent alterations in pipe lines. Nothing contained in this rule shall apply to lease lines which are merely used in the operation of the lease on which located, nor to any line or appurtenant tankage not located within the State of New Mexico.

N — RULES ON PROCEDURE

RULE 1201. NECESSITY FOR HEARINGS

Except as provided for in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof shall be made by the Commission, a public hearing shall be held at such time and place as may be prescribed by the Commission.

RULE 1202. EMERGENCY ORDERS

In case an emergency is found to exist by the Commission, which, in its judgment, requires the making of a rule, regulation or order without first having a hearing, such emergency rule, regulation or order shall have the same validity as if a hearing with respect to the same had been held after due notice. Such emergency rule, regulation or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation or order becomes effective.

RULE 1203. METHOD OF INITIATING A HEARING

The Commission upon its own motion and the Attorney General on behalf of the State and any operator, producer or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Commission it shall be on motion of the Commission and if by any other person it shall be by application. An application shall state (1) the name or general description of the common source or sources of supply affected by the order sought, unless the same is intended to apply to and affect the entire State, in which event the application shall so state, and (2) briefly the general nature of the order, rule or regulation sought, and (3) any other matter required by a particular rule or rules.

An application shall be signed by the person seeking the hearing or by his attorney. Unless required by a specific rule, an application need not be verified.

RULE 1204. METHOD OF GIVING NOTICE FOR HEARINGS

Notice of a hearing before the Commission shall be given by personal service on the person affected or by publication once in a newspaper of ganeral circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties if there be more than one in which any land, oil or gas or other property which may be affected shall be situated.

RULE 1205. CONTENTS OF NOTICE FOR HEARING

Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by two of the members of the Commission or by the Secretary of the Commission and the seal of the Commission shall be impressed thereon.

The notice shall specify the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, or regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant if any and unless the contemplated order, rule or regulation is intended to apply to and affect the entire State it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule or regulation.

RULE 1206. SERVICE OF NOTICE

Personal service of the notice of hearing may be made by any agent of the Commission or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this State. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.

RULE 1207. PREPARATION OF NOTICES

After a motion or application is filed with the Commission the notice or notices required shall be prepared by the Commission and service and publication thereof shall be taken care of by the Commission without cost to the applicant.

RULE 1208. CONTINUANCE OF HEARING WITHOUT NEW SERVICE

Any hearing before the Commission had after due notice may be continued to a specified time and place without the necessity of notice of the same being again served or published. In the event of such

continuance, a record thereof shall be made in the minutes of the hearing at which the continuance was ordered.

RULE 1209. CONDUCT OF HEARINGS

Hearings before the Commission shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent records of the Commission. Any person testifying in response to a subpoena issued by the Commission and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, unsworn comments and observations by any interested party will be invited and made a part of the record. Comments and observations by representatives of operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines and other competent persons are welcomed. Two members of the Commission constitute a quorum for the transaction of business and for the holding of hearings, but one member of the Commission may conduct a hearing for the purpose of receiving testimony only.

RULE 1210. STATUTORY POWERS AS TO WITNESSES, RECORDS, ETC.

The Commission or any member thereof has statutory power to subpoena witnesses and to require the production of books, papers, records, etc. A subpoena will be issued by the Commission for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued by the Commission, an attachment of the person may be issued by the district court of any district in the State, and such court has powers to punish for contempt. Any person guilty of swearing falsely at any hearing may be punished for contempt.

RULE 1211. RULES OF EVIDENCE

Full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, providing that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by some competent legal evidence.

RULE 1212. REHEARINGS

Within 20 days after entry of any order or decision of the Commission, any person affected thereby may file with the Commission an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

O — RULES ON ADMINISTRATION

RULE 1301.—DISTRICT OFFICES

To expedite administration of the work of the Commission and enforcement of its rules and regulations, the State shall be divided into four districts as follows:

District 1	Lea, Roosevelt, Curry, De Baca and Chaves counties with office at Hobbs.
District 2	Eddy, Otero, Dona Ana and Lincoln counties, with office at Artesia.
District 3	San Juan, Rio Arriba, McKinley and Sandoval counties with office at Aztec.
District 4	Balance of State, office of Oil Conservation Commission in Santa Fe.

Each district office shall be under the charge of an oil and gas inspector, a deputy oil and gas inspector or a member of the Commission. Unless otherwise specifically required, all matters pertaining to the Commission shall be taken care of through the district office of the district in which the land that is affected lies.

RULE 1302. WHERE TO FILE REPORTS AND FORMS

All reports and forms required by the rules to be filed with the Commission shall be filed in the number and at the time specified on each such printed report or form. However, all copies of reports and forms required to be filed with the Commission shall be filed at the district office of the district in which the land that is the subject matter of the report lies, notwithstanding printed instructions on the forms to the contrary. All plugging bonds shall be filed directly in the Commission Office at Santa Fe. A list of all plugging bonds in force and approved shall be kept in each district office.

RULE 1303. DUTIES AND AUTHORITY OF FIELD PERSONNEL

Oil and gas inspectors, deputy oil and gas inspectors, scouts, engineers and geologists duly appointed by the Commission have the authority and duty to enforce the rules and regulations of the Commission. Only oil and gas inspectors or their deputies or members of the Commission have authority to endorse the approval of the Commission on any form which requires such approval. Oil and gas inspectors and their deputies shall have discretion to allow minor deviations from requirements of the rules as to field practices where, by so doing, waste will be prevented or burdensome delay or expenses on the part of the operator will be avoided.

RULE 1304. NUMBERING OF COMMISSION ORDERS

All orders of the Commission made after 1 January, 1950, pertaining to allocation of the production of oil or gas shall be prefixed with the letter "A" and shall be numbered consecutively, commencing with No. 1, i.e. the first allocation order issued after 1 January, 1950, shall be No. A-1, and the next shall be No. A-2.

All other orders of the Commission made after 1 January, 1950, shall be prefixed with the letter "R" and shall be consecutively numbered, commencing with the number 1, i.e. the first such order issued after 1 January, 1950, shall be No. R-1, and the next shall be No. R-2.

APPENDIX A

POOLS NAMED AND DEFINED PURSUANT TO RULE 5

(Note: All pools herein listed are "oil pools unless specifically described as "gas pools.")

POOL	PRODUCING FORMATION	COUNTY	TWP. & RGE.	DESCRIPTION
Aid	Y-SR	Eddy	T.17S-R.28E	S½ Sec. 24; all Sec. 25.
Anderson	G-SA	Eddy	T.17S-R.29E	S½ Sec. 1; all Sec. 2, 3, 11 & 12 N½ Sec. 13; N½ Sec. 14.
			A.17S-R.30E	SW¼ Sec. 6; N½ Sec. 7.
Arrowhead	Q-G	Lea	T.21S-R.36E	All Sec. 24, 25, 26; E½ Sec. 34; all Sec. 35 & 36.
			T.22S-R.36E	All Sec. 1 & 2; E½ Sec. 3; N½ & SE¼ Sec. 11; all Sec. 12 & 13; E½ Sec. 14; all Sec. 24.
			T.22S-R.37E	W½ Sec. 6; NW¼ & S½ Sec. 7; all Sec. 18 & 19.
Artesia	G-SA	Eddy	T.17S-R.28E	S½ Sec. 32; S½ Sec. 33; S½ Sec. 34; SW¼ Sec. 35.
			T.18S-R.27E	SE¼ Sec. 1; SE¼ Sec. 11; all Sec. 12 & 13; E½ Sec. 14; NE¼ Sec. 23; all Sec. 24; E½ Sec. 25, E½ Sec. 36.
			T.18S-R.28E	All Sec. 2 to 5 incl. E½ & SW¼ Sec. 6; all Sec. 7 to 10 incl.; W½ Sec. 11; all Sec. 15 to 22 incl. all Sec. 27 to 34 incl.
			T.19S-R.28E	All Sec. 3, 4 & 5; N½ Sec. 6; NE¼ Sec. 9; all Sec. 10.
Atoka (Abandoned)	SA	Eddy	T.18S-R.26E	E½ Sec. 15.
Bagley-Pennsylvanian	PE	Lea	T.11S-R.33E	SE¼ Sec. 34; S½ Sec. 35, SW¼ Sec. 36.
			T.12S-R.33E	W½ Sec. 1; all Sec. 2; E½ Sec. 3; E½ Sec. 10; all Sec. 11; W½ Sec. 12.
Bagley-Siluro/ Devonian	SD	Lea	T.11S-R.33E	SE¼ Sec. 34; S½ Sec. 35; SW¼ Sec. 36.
			T.12S-R.33E	W½ Sec. 1; all Sec. 2; E½ Sec. 3; E½ Sec. 10; all Sec. 11; W½ Sec. 12.
Baish	Y	Lea	T.17S-R32E	E½ Sec. 20; all Sec. 21; W½ Sec. 22; N½ Sec. 28.
Barber	Y	Eddy	T.20S-R.30E	S½ Sec. 17; all Sec. 20.
Benson	Y	Eddy	T.19S-R.30E	All Sec. 16.
Bitter Lake	SA	Chaves	T.10S-R.25E	All Sec. 13; E½ Sec. 14; NE¼ Sec. 23; N½ Sec. 24.
Black River	D	Eddy	T.24S-R.26E	SE¼ Sec. 11; SW¼ Sec. 12; NW¼ Sec. 13; NE¼ Sec. 14.
Blinebry	B	Lea	T.21S-R.37E	All Sec. 23; S½ & NW¼ Sec. 25; all Sec. 26; E½ Sec. 35; all Sec. 36.
			T.22S-R.37E	All Sec. 1, 12, 13; E½ Sec. 23; All Sec. 24; N½ Sec. 25.
			T.22S-R.38E	W½ Sec. 7; W½ Sec. 18; all Sec. 19, 30 & 31.
			T.23S-R.38E	All Sec. 6.

POOL	PRODUCING FORMATION	COUNTY	TWP. & RGE.	DESCRIPTION
Bough	Permo-PE	Lea	T.9S-R.35E	All Sec. 11, 12, 13 & 14.
Bowers	SR	Lea	T.18S-R.37E	All Sec. 13; E½ Sec. 14; all Sec. 24; E½ Sec. 25.
			T.18S-R.38E	S½ Sec. 18; all Sec. 19; NW¼ & S½ Sec. 20; all Sec. 28 to 33 incl. W½ Sec. 34.
			T.19S-R.38E	N½ Sec. 4; N½ Sec. 5; N½ Sec. 6.
Brunson	E	Lea	T.21S-R.37E	All Sec. 21 & 28; NW¼ Sec. 27; E½ Sec. 32; all Sec. 33.
			T.22S-R.37E	SW¼ Sec. 3; all Sec. 4; E½ Sec. 5; E½ Sec. 8; all Sec. 9; W½ Sec. 10; all Sec. 15; N½ Sec. 16; N½ & SE¼ Sec. 22.
Burton (Abandoned)	Y	Eddy	T.20S-R.29E	N½ Sec. 8.
Caprock	Q	Chaves & Lea	T.12S-R.31E	All Sec. 36.
			T.12S-R.32E	SW¼ Sec. 29; S½ Sec. 30; all Sec. 31 & 32.
			T.13S-R.31E	All Sec. 1; E½ Sec. 2; all Sec. 11, 12 & 13; N½ & SE¼ Sec. 14; N½ Sec. 24.
			T.13S-R.32E	All Sec. 5, 6, 7 & 8; N½ Sec. 17; all Sec. 18; N½ Sec. 19.
Cary	MON	Lea	T.22S-R.37E	All Sec. 22.
Cass	PE	Lea	T.20S-R.37E	All Sec. 23.
Cave (Abandoned)	G	Eddy	T.17S-R.29E	SE¼ Sec. 8; SW¼ Sec. 9; NW¼ Sec. 16; NE¼ Sec. 17.
Comanche (Abandoned)	SA	Chaves	T.11S-R.26E	N½ Sec. 15.
Cooper-Jal	Y-SR	Lea	T.23S-R.36E	All Sec. 4, 5, 8, 9, 15, 16, 17, 20, 21, 22, 27, 28, 33 & 34.
			T.24S-R.36E	W½ Sec. 2; all Sec. 3 & 4; N½ Sec. 9; all Sec. 10; W½ Sec. 11; SW¼ Sec. 13; all Sec. 14, 15, 22 & 23; W½ Sec. 24; W½ Sec. 25; all Sec. 26, 27, 34 & 35; W½ Sec. 36.
			T.25S-R.36E	All Sec. 1, 2, 3, 11, 12, 13, 14, 23, 24, 25, 26 & 36.
			T.25S-R.37E	SW¼ Sec. 6; W½ Sec. 7; W½ Sec. 18; W½ Sec. 19; W½ Sec. 30; all Sec. 31; SW¼ Sec. 32.
Corbin	Q	Lea	T.18S-R.33E	W½ Sec. 3; E½ Sec. 4; E½ Sec. 9; W½ Sec. 10.
Crossroads	SD	Lea	T.9S-R.36E	W½ Sec. 26; all Sec. 27; E½ Sec. 28; E½ Sec. 33; all Sec. 34; W½ Sec. 35.
Crossroads-Pennsylvanian	PE	Lea	T.9E-R.36E	W½ Sec. 26; all Sec. 27; E½ Sec. 28; E½ Sec. 33; all Sec. 34; W½ Sec. 35.
Crossroads-Slaughter	SA	Lea	T.9S-R.36E	S½ Sec. 30; all Sec. 31.

POOL	PRODUCING FORMATION	COUNTY	TWP. & RGE.	DESCRIPTION
Culwin	Q	Eddy	T.19S-R.31E	N½ Sec. 6.
Daugherty	SA	Eddy	T.17S-R.27E	All Sec. 3.
Dayton	G	Eddy	T.18S-R.26E	S½ Sec. 23; S½ Sec. 24; all Sec. 25 & 26; N½ Sec. 35.
Dayton, East (Abandoned)	G	Eddy	T.18S-R.27E	NW¼ Sec. 29.
Denton	D	Lea	T.15S-R.37E	All Sec. 11, 12, 13 & 14.
Drinkard	DR	Lea	T.21S-R.37E	All Sec. 8 & 9; W½ Sec. 10; W½ Sec. 14; all Sec. 15, 16, 17, E½ Sec. 19; all Sec. 20, 21, 22; W½ Sec. 23; all Sec. 26, 27, 28, 29; E½ Sec. 30; E½ Sec. 31; all Sec. 32, 33, 34, 35 & 36.
			T.22S-R.37E	All Sec. 1, 2, 3, 4, 5, 8, 9, 10, 11, 12, 13, 14 & 15; E½ Sec. 16; E½ Sec. 21; all Sec. 22, 23, 24, 25, 26 & 36.
			T.22S-R.38E	SW¼ Sec. 6; W½ Sec. 7; W½ Sec. 18; All Sec. 19, 20, 29, 30, 31 & 32.
			T.23S-R.38E	All Sec. 5 & 6.
Drinkard, North	DR	Lea	T.21S-R.37E	W½ Sec. 2; all Lots 1 to 16 incl.; SE¼ Sec. 3.
Drinkard, South	DR	Lea	T.23S-R.37E	All Sec. 3.
Dublin (Abandoned)	E	Lea	T.26S-R.37E	All Sec. 11, 12, 13 & 14.
Dublin-Devonian	D	Lea	T.26S-R.37E	All Sec. 11, 12, 13 & 14.
Eaves	Y-SR	Lea	T.26S-R.36E	All Sec. 12, 13, 24 & 25.
			T.26S-R.37E	W½ Sec. 7; all Sec. 18 & 19; SW¼ Sec. 20; W½ Sec. 29; all Sec. 30 & 31; W½ Sec. 32.
Eighty-Four Draw (Abandoned)	SA	Lea	T.21S-R.38E	All Sec. 8.
Elliott	DR	Lea	T.21S-R.38E	All Sec. 8.
Empire	Y-SR	Eddy	T.17S-R.27E	S½ Sec. 13; all Sec. 24 & 25; E½ Sec. 26; all Sec. 35 & 36.
			T.17S-R.28E	S½ Sec. 18; N½ & SW¼ Sec. 19; W½ Sec. 30.
			T.18S-R.27E	N½ & SW¼ Sec. 2; E½ Sec. 3.
Eunice-Monument	SR-Q G-SA	Lea	T.19S-R.36E	E½ Sec. 12; all Sec. 13, 23, 24, 25 26, 27, 34, 35 & 36.
			T.19S-R.37E	SW¼ Sec. 3; S½ Sec. 4; all Sec. 7 & 8; W½ Sec. 9; W½ Sec. 16; all Sec. 17 to 21 incl; S½ Sec. 27; all Sec. 28 to 34 incl.
			T.20S-R.36E	All Sec. 1, 2, 3, 10, 11, 12, 13 & 14; E½ Sec. 15; all Sec. 23, 24, 25, 26, 35 & 36.
			T.20S-R.37E	All Sec. 3 to 10 incl; all Sec. 15 to 21 incl; W½ Sec .22; all Sec. 29 to 33 incl.

POOL	PRODUCING FORMATION	COUNTY	TWP. & RGE.	DESCRIPTION
Eunice-Monument Cont'd.	SR-Q G-SA	Lea	T.21S-R.35E T.21S-R.36E	All Sec. 1, 12, 13, 24; E½ Sec. 25. SW¼ Sec. 1; all Sec. 2 to 11 incl; W½ Sec. 12; W½ Sec. 13; all Sec. 14 to 22 incl; NW¼ Sec. 23; W½ Sec. 27; all Sec. 28 to 30 incl; NE¼ Sec. 31; all Sec. 32 & 33; W½ Sec. 34.
Eunice, South	SR	Lea	T.21S-R.35E T.21S-R.36E T.22S-R.35E T.22S-R.36E	E½ Sec. 36. NW¼ & S½ Sec. 31. E½ Sec. 1. W½ Sec. 3; all Sec. 4 to 10 incl; SW¼ Sec. 11; W½ Sec. 14; all Sec. 15 to 23 incl; all Sec. 25 to 29 incl; E½ Sec. 30; NE¼ Sec. 31; all Sec. 32 to 36 incl.
Fenton	D	Eddy	T.21S-R.28E	All Sec. 15.
Forest	SA	Eddy	T.16S-R.29E	S½ Sec. 26; S½ Sec. 27; all Sec. 34 & 35.
Fowler	E	Lea	T.24S-R.37E	W½ Sec. 14; all Sec. 15; N½ Sec. 22; NW¼ Sec. 23.
Fren	SR	Eddy	T.17S-R.30E T.17S-R.31E	All Sec. 22, 23, 24, 25, 26 & 27. S½ Sec. 16; S½ Sec. 17; S½ Sec. 18; all Sec. 19, 20, 21, 22, 29 & 30.
Garrett	SA	Lea	T.16S-R.38E	E½ Sec. 22; W½ Sec. 23.
Getty	Y	Eddy	T.20S-R.29E	SW¼ Sec. 13; SE¼ Sec. 14; E½ Sec. 23; W½ Sec. 24; NW¼ Sec. 25; NE¼ Sec. 26.
Grayburg-Jackson	Q-G-SA	Eddy	T.17S-R.29E	S½ Sec. 13; S½ Sec 14; all Sec. 20, 21, 22, 23, 24, 25, 26, 27, 28 & 29; N½ & N½ S½ Sec. 32; N½ & N½ SW¼ SE¼ Sec. 33; all Sec. 34; N½ & N½ S½ Sec. 35; N½ Sec. 36.
			T.17S-R.30E	S½ Sec. 12; all Sec. 13 to 17 incl; S½ Sec. 18; all Sec. 19 to 21 incl; N½ Sec. 22; N½ Sec. 23; N½ Sec. 24; N½ Sec. 29; all Sec. 30.
			T.17S-R.31E	S½ Sec. 7; S½ Sec. 8; S½ Sec. 9; all Sec. 14 to 18 incl; N½ Sec. 19; N½ Sec. 20; all Sec. 21, 22 & 23; N½ Sec. 26; N½ Sec. 27; N½ Sec. 28.
Grayburg-Keely	SA	Eddy	T.17S-R.29E	S½ Sec. 22; S½ Sec. 23; all Sec. 26 & 27.
Hale Pool (Gas-S.I.)	T	Eddy	T.20S-R.30E	SW¼ Sec. 12; NW¼ Sec. 13.
Halfway	Y	Lea	T.20S-R.32E	S½ Sec. 9; all Sec. 16.
Hardy	Q-G	Lea	T.20S-R.37E T.20S-R.38E T.21S-R.36E T.21S-R.37E	All Sec. 36. All Sec. 31. Lots 1, 2, 7, 8, 9, 10, 15 & 16 of Sec. 1. All Sec. 5 & 6; N½ Sec. 7.

POOL	PRODUCING FORMATION	COUNTY	TWP. & RGE.	DESCRIPTION
Hare	SIM	Lea	T.21S-R.37E	S½ Sec. 21; SW¼ Sec. 22; all Sec. 28; E½ Sec. 32; W½ & NE¼ Sec. 33.
Hare, South	SIM	Lea	T.22S-R.37E	SE¼ Sec. 9; S½ & NW¼ Sec. 15; NE¼ Sec. 16; N½ Sec. 22.
Harrison	P	Lea	T.23S-R.37E	SW¼ Sec. 16; NW¼ Sec. 21.
Henshaw	SA	Eddy	T.16S-R.30E	All Sec. 13.
High Lonesome	Q	Eddy	T.16S-R.29E	SW¼ Sec. 16; S½ Sec. 17; N½ Sec. 20; NW¼ Sec. 21.
High Lonesome South	G-SA	Eddy	T.16S-R.29E	S½ Sec. 31; NE¼ & S½ Sec. 32; all Sec. 33.
			T.17S-R.28E	NE¼ Sec. 1.
			T.17S-R.29E	N½ Sec. 4; N½ Sec. 5; N½ Sec. 6.
Hightower	D	Lea	T.12S-R.33E	All Sec. 22, 23, 26 & 27.
Hobbs	SA	Lea	T.18S-R.37E	All Sec. 13, 14, 23, 24, 25 & 36.
			T.18S-R.38E	All Sec. 17 to 22 incl; all Sec. 27 to 34 incl.
			T.19S-R.38E	All Sec. 3, 4, 5, 6, 8, 9, 10, 15 & 16.
House	DR	Lea	T.20S-R.38E	SW¼ Sec. 1; SE¼ Sec. 2; NE¼ Sec. 11; NW¼ Sec. 12.
Justis (Gas)	P	Lea	T.25S-R.37E	SW¼ Sec. 1; SE¼ Sec. 2; E½ Sec. 11; W½ Sec. 12; W½ Sec. 13; E½ Sec. 14; E½ Sec. 23; W½ Sec. 24.
Knowles	Dev.	Lea	T.16S-R.38E	E½ Sec. 34; all Sec. 35.
			T.17S-R.38E	N½ Sec. 2; NE¼ Sec. 3.
Langlie-Mattix	Y-SR-Q	Lea	T.23S-R.36E	All Sec. 1, 2, 11, 12, 13, 14, 23, 24, 25, 26, 35 & 36.
			T.23S-R.37E	W½ Sec. 6; all Sec. 7, 18, 19; S½ Sec. 28; all Sec. 29 to 34 incl.
			T.24S-R.36E	All Sec. 1; E½ Sec. 2; E½ Sec. 11; all Sec. 12; NW¼ & E½ Sec. 13; E½ Sec. 24; E½ Sec. 25; E½ Sec. 36.
			T.24S-R.37E	All Sec. 2 to 11 incl; all Sec. 14 to 23 incl; all Sec. 26 to 35 incl.
			T.25S-R.37E	All Sec. 2, 3, 4 & 5; E½ & NW¼ Sec. 6; E½ Sec. 7; all Sec. 8, 9, 10 & 11; W½ Sec. 13; all Sec. 14 thru 17 incl; E½ Sec. 18; E½ Sec. 19; all Sec. 20 to 23 incl; W½ Sec. 24; W½ Sec. 25; all Sec. 26 to 29 incl; E½ Sec. 32; all Sec. 33, 34 & 35; W½ Sec. 36.
			T.26S-R.37E	NW¼ Sec. 1; NE¼ Sec. 2.
Lea (Abandoned)	Y	Lea	T.20S-R.34E	W½ Sec. 14.
Leo	G	Eddy	T.18S-R.30E	S½ Sec. 14; S½ Sec. 15; S½ Sec. 16; N½ Sec. 21; all Sec. 22 & 23.
Leonard	SR	Lea	T.26S-R.37E	All Sec. 11 & 12.

POOL	PRODUCING FORMATION	COUNTY	TWP. & RGE.	DESCRIPTION
Loco Hills	G-SA	Eddy	T.17S-R.29E	S½ Sec. 31; S½ S½ Sec. 32; S½ SW¼ Sec. 33; S½ S½ Sec. 35; S½ Sec. 36.
			T.17S-R.30E	S½ Sec. 29; all Sec. 31 & 32.
			T.18S-R.29E	All Sec. 1 to 18 incl.
			T.18S-R.30E	All Sec. 5, 6, 7 & 18.
Loco Hills Queen	Q	Eddy	T.17S-R.30E	SW¼ Sec. 29; SE¼ Sec. 30.
Logan Draw	SA	Eddy	T.17S-R.27E	S½ Sec. 19.
Lovington	SA	Lea	T.16S-R.36E	S½ Sec. 25; S½ Sec. 26; all Sec. 35 & 36.
			T.16S-R.37E	S½ Sec. 30; all Sec. 31; W½ Sec. 32.
			T.17S-R.36E	All Sec. 1 & 2; N½ Sec. 11; N½ Sec. 12.
			T.17S-R.37E	W½ Sec. 5; all Sec. 6; N½ Sec. 7.
Lovington, West	SA	Lea	T.16S-R.36E	S½ Sec. 32; SW¼ Sec. 33.
			T.17S-R.36E	W½ Sec. 3; all Sec. 4, 5; E½ & SW¼ Sec. 6; N½ & SE¼ Sec. 7; all Sec. 8; N½ Sec. 9.
Lusk	Y	Eddy & Lea	T.19S-R.31E	All Sec. 24.
			T.19S-R.32E	W½ Sec. 19.
Lusk, East (Abandoned)	Y	Lea	T.19S-R.32E	S½ Sec. 21; N½ Sec. 28.
Lusk, West	Y	Eddy	T.19S-R.31E	SE¼ Sec. 15; NE¼ Sec. 22.
Lynch	Y	Lea	T.20S-R.34E	S½ Sec. 27; all Sec. 34; SW¼ Sec. 35.
			T.21S-R.33E	W½ Sec. 1; all Sec. 2.
Lynch, North	Y	Lea	T.20S-R.34E	E½ Sec. 18.
Maljamar	G-SA	Lea & Eddy	T.17S-R.31E	S½ Sec. 13; all Sec. 24 & 25.
			T.17S-R.32E	SE¼ Sec. 8; S½ Sec. 9; S½ Sec. 14; all Sec. 15 to 36 incl.
			T.17S-R.33E	All Sec. 19; S½ Sec. 20; SW¼ Sec. 21; W½ Sec. 28; all Sec. 29 & 30; N½ Sec. 31; N½ Sec. 32; all Sec. 33.
			T.18S-R.32E	All Sec. 4 & 5.
Maljamar, East	G-SA	Lea	T.17S-R.33E	All Sec. 16.
Maljamar, North	G	Lea	T.17S-R.32E	SW¼ Sec. 5; SE¼ Sec. 6; NE¼ Sec. 7; NW¼ Sec. 8.
Maljamar, South	G	Lea	T.18S-R.32E	SW¼ Sec. 14; S½ Sec. 15; all Sec. 22; W½ Sec. 23.
McCormack	SIL	Lea	T.21S-R.37E	S½ Sec. 29; all Sec. 32.
McMillan	SR-Q	Eddy	T.19S-R.27E	E½ Sec. 31.
			T.20S-R.27E	All Sec. 6; N½ Sec. 7.
Monument-Abo	LP	Lea	T.19S-R.36E	All Sec. 36.
			T.19S-R.37E	All Sec. 31.
			T.20S-R.36E	All Sec. 1.
			T.20S-R.37E	All Sec. 6.

POOL	PRODUCING FORMATION	COUNTY	TWP. & RGE.	DESCRIPTION
Monument-Blinebry	B	Lea	T.19S-R.36E	All Sec. 36.
			T.19S-R.37E	All Sec. 31.
			T.20S-R.36E	All Sec. 1.
			T.20S-R.37E	All Sec. 6.
Monument-McKee	SIM	Lea	T.19S-R.36E	All Sec. 36.
			T.19S-R.37E	All Sec. 31.
			T.20S-R.36E	All Sec. 1.
			T.20S-R.37E	All Sec. 6.
Monument-Paddock	P	Lea	T.19S-R.36E	All Sec. 36.
			T.19S-R.37E	All Sec. 31.
			T.20S-R.36E	All Sec. 1.
			T.20S-R.37E	All Sec. 6.
Nichols	SA	Eddy	T.18S-R.28E	All Sec. 13; N½ Sec. 24.
Paddock	P	Lea	T.21S-R.37E	SE¼ Sec. 19; S½ Sec. 20; all Sec. 27, 28 & 29; E½ Sec. 30; all Sec. 32 to 35 incl; S½ Sec. 36.
			T.21S-R.38E	SW¼ Sec. 31.
			T.22S-R.37E	All Sec. 1, 2, 3, 4, 5, 8, 9, 10, 11, 12, 13, 14 & 15; N½ Sec. 16.
			T.22S-R.38E	W½ Sec. 6; W½ Sec. 7.
Palmillo (Abandoned)	SR	Eddy	E.18S-R.29E	S½ Sec. 30.
PAC	Y	Eddy	T.20S-R.30E	S½ Sec. 10; all Sec. 15.
Pearsall	Q	Lea	T.17S-R.32E	All Sec. 26; S½ Sec. 27; all Sec. 32 to 35 incl.
			T.18S-R.32E	All Sec. 4 & 5.
Penrose Skelly	Q-G	Lea	T.21S-R.36E	E½ Sec. 13.
			T.21S-R.37E	S½ Sec. 7; S½ Sec. 8; S½ Sec. 16; all Sec. 17 & 18; E½ Sec. 19; all Sec. 20, 21, 27, 28 & 29; E½ Sec. 30; E½ Sec. 31; all Sec. 32 to 35 incl.
			T.22S-R.37E	All Sec. 2, 3, 4 & 5; E½ Se[illegible] NE¼ Sec. 7; all Sec. 8, 9, 1[illegible] 15 & 16; E½ Sec. 17; E½ Sec. 20; All Sec. 21, 22, 23, 26, 27 & 28; E½ Sec. 29; all Sec. 32, 33 & 34; W½ Sec. 35.
			T.23S-R.37E	W½ Sec. 2; all Sec. 3, 4 & 5, E½ Sec. 6; all Sec. 8, 9 & 10; W½ Sec. 11; W½ Sec. 14; all Sec. 15, 16 & 17; N½ Sec. 20; all Sec. 21.
Premier	G	Eddy	T.17S-R.30E	S½ Sec. 22; S½ Sec. 23; S½ Sec. 24; all Sec. 25, 26, 27, 28, 33, 34, 35 & 36.
			T.17S-R.31E	S½ Sec. 19; S½ Sec. 20; all Sec. 29 & 30; N½ Sec. 31.
Red Lake	G-SA	Eddy	T.17S-R.27E	NE¼ & S½ Sec. 25, S½ Sec. 34; all Sec. 35 & 36.
			T.17S-R.28E	SW¼ Sec. 2; S½ Sec. 3; all Sec. 4, 5, 8, 9 & 10; W½ Sec. 11; W½ Sec. 14; all Sec. 15, 16 & 17; S½ Sec. 19; all Sec. 20, 21, 22, 23; N½ Sec. 24; all Sec. 26, 27, 28, 29 & 30; N½ & SW¼ Sec. 31.
			T.18S-R.27E	N½ Sec. 1; N½ & SW¼ Sec. 2; all Sec. 3 to 6 incl; E½ Sec. 7; all Sec. 8; W½ & NE¼ Sec. 9.

POOL	PRODUCING FORMATION	COUNTY	TWP. & RGE.	DESCRIPTION
Rhodes	Y-SR	Lea	T.26S-R.37E	All Sec. 4, 5 & 6; E½ Sec. 7; all Sec. 8 & 9; S½ Sec. 10; all Sec. 15, 16 & 17; N½ & SE¼ Sec. 20; all Sec. 21 & 22; S½ Sec. 23; all Sec. 26, 27, 28, 34 & 35.
Roberts	G	Lea	T.17S-R.32E	S½ Sec. 1; S½ Sec. 2; all Sec. 3; N½ Sec. 10; all Sec. 11; N½ & SW¼ Sec. 12.
			T.17S-R.33E	S½ Sec. 6; N½ Sec. 7.
Robinson	G-SA	Eddy & Lea	T.16S-R.31E	S½ Sec. 25; all Sec. 35; N½ & SW¼ Sec. 36.
			T.16S-R.32E	SW¼ Sec. 30; N½ & SE¼ Sec. 31; W½ Sec. 32.
Russell	Y	Eddy	T.20S-R.28E	S½ Sec. 12; all Sec. 13, 14 & 23; W½ Sec. 24.
Salt Lake (Abandoned)	Y	Lea	T.20S-R.33E	All Sec. 7 & 18.
San Simon	Y	Lea	T.21S-R.33E	SE¼ Sec. 32; SW¼ Sec. 33.
			T.22S-R.35E	NW¼ Sec. 4; NE¼ Sec. 5.
Sawyer	SA	Lea	T.9S-R.37E	All Sec. 13 & 24.
			T.9S-R.38E	All Sec. 18, 19 & 30.
Scanlon (Gas-S.I.)	T	Eddy	T.20S-R.29E	SW¼ Sec. 29; SE¼ Sec. 30.
Shugart	Y-Q	Eddy	T.18S-R.31E	S½ Sec. 34; SW¼ Sec. 35.
			T.19S-R.31E	NW¼ Sec. 2; N½ Sec. 3.
Shugart, North	Q	Eddy	T.18E-R.31E	S½ Sec. 8; S½ Sec. 9; S½ Sec. 10; NE¼ & S½ Sec. 11; all Sec. 12; N½ Sec. 13; N½ Sec. 14; all Sec. 15, 16, 17, 18, 20 & 21; N½ Sec. 22; N½ Sec. 28; N½ Sec. 29.
Skaggs	G	Lea	T.20S-R.37E	All Sec. 24; N½ Sec. 25.
			T.20S-R.38E	All Sec. 19; N½ Sec. 30.
Square Lake	G-SA	Eddy	T.16S-R.30E	S½ Sec. 24; all Sec. 25, 26 & 27; S½ Sec. 28; E½ Sec. 32; all Sec. 33 to 36 incl.
			T.16S-R.31E	S½ Sec. 19; S½ Sec. 20; S½ Sec. 21; SW¼ Sec. 27; all Sec. 28 to 34 incl.
			T.17S-R.30E	All Sec. 1 to 4 incl; E½ Sec. 5; N½ Sec. 11; N½ NW¼ Sec. 12.
			T.17S-R.31E	NW¼ Sec. 3; N½ Sec. 4; N½ Sec. 5; N½ Sec. 6.
Teague	SIM	Lea	T.23S-R.37E	All Sec. 21, 22, 27 & 28.
Tonto	SR	Lea	T.19S-R.33E	E½ Sec. 22; W½ Sec. 23.
Turkey Track	Q-G	Eddy	T.18S-R.29E	S½ Sec. 34; SW¼ Sec. 35.
			T.19S-R.29E	W½ Sec. 2; all Sec. 3; N½ Sec. 10; NW¼ Sec. 11.
Turkey Track-Seven Rivers	SR	Eddy	T.19S-R.29E	SW¼ Sec. 2; S½ Sec. 3; N½ Sec. 10; NW¼ Sec. 11.

POOL	PRODUCING FORMATION	COUNTY	TWP. & RGE.	DESCRIPTION
Vacuum	G-SA	Lea	T.17S-R.34E	All Sec. 3 to 36 incl.
			T.17S-R.35E	All Sec. 7; all Sec. 18 to 36 incl.
			T.18S-R.34E	All Sec. 1, 2, 3, 4, 11 & 12.
			T.18S-R.35E	All Sec. 3 to 7 incl.
Warren-McKee	SIM	Lea	T.20S-R.38E	All Sec. 29.
Watkins	SR	Lea	T.18S-R.32E	All Sec. 31.
			T.19S-R.32E	N½ Sec. 6.
Watkins-Grayburg	G	Lea	T.18S-R.32E	S½ Sec. 31.
			T.19S-R.32E	N½ Sec. 6.
Weir	DR	Lea	T.20S-R.37E	E½ Sec. 22; all Sec. 23; W½ Sec. 24; NW¼ Sec. 25; N½ Sec. 26; NE¼ Sec. 27.
Wilson	Y-SR	Lea	T.21S-R.34E	E½ Sec. 12; all Sec. 13; E½ Sec. 14; all Sec. 23 & 24; N½ Sec. 26.
			T.21S-R.35E	S½ Sec. 6; all Sec. 7 & 18.
Wilson, West	SR	Lea	T.21S-R.34E	All Sec. 16; N½ Sec. 21.
Young	Q	Lea	T.18S-R.32E	S½ Sec. 17; N½ Sec. 20.

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DR	—Drinkard (Lower Leonard-Permian)	) School of Mines.
LP	—Lower Permian (Permian)	
PE	—Pennsylvanian (Pennsylvanian)	
SD	—Siluro-Devonian (Silurian-Devonian)	
SIL	—Silurian (Silurian)	
MON	—Montoya (Ordovician)	
SIM	—Simpson (Ordovician)	
E	—Ellenburger (Ordovician)	

APPENDIX B

GAS-OIL RATIOS ESTABLISHED PURSUANT TO RULE 506

Pool	Gas-Oil Ratio Limit	County
Anderson	2000	Eddy
Arrowhead	3500	Lea
Artesia	2000	Eddy
Atoka	2000	Eddy
Barber	2000	Eddy
Benson	2000	Eddy
Blinebry	2000	Eddy
Brunson	2000	Lea
Burton	2000	Lea
Caprock	2000	Eddy
Cass	2000	Chaves & Lea
Comanche	2000	Lea
Corbin	2000	Chaves
Culwin	2000	Lea
Daugherty	2000	Eddy
Dayton	2000	Eddy
Dayton, East	2000	Eddy
Drinkard	2000	Eddy
Dublin	2000	Lea
Eaves	2000	Lea
Eighty-four Draw	2000	Lea
Empire	2000	Lea
Eunice-Monument;		Eddy
Eunice portion	6000	
Monument	3000	Lea
Eunice, West	2000	Lea
Fenton	2000	Lea
Forrest	2000	Eddy
Fren	2000	Eddy
Getty	2000	Eddy
Grayburg-Jackson	4000	Eddy
Halfway	2000	Eddy
Harrison	2000	Lea
Henshaw	2000	Lea
High-Lonesome	2000	Eddy
High-Lonesome South	2000	Eddy
Hobbs	3500	Eddy
Jones	2000	Lea
Lea	2000	Lea
Leo	2000	Lea
Loco Hills	3000	Eddy
Lovington	2000	Eddy
Lovington, West	2000	Lea
Lusk, East	2000	Lea
Lusk	2000	Lea
Lusk, West	2000	Eddy & Lea
Lynch	2000	Eddy
		Lea

Pool	Gas-Oil Ratio Limit	County
Lynch, North	2000	Lea
Maljamar	3000	Eddy & Lea
Maljamar, North	2000	Lea
Maljamar, South	2000	Lea
McMillan	2000	Eddy
Paddock	2000	Lea
PCA	2000	Eddy
Pearsall	2000	Lea
Premier	2000	Eddy
Red Lake	2000	Eddy
Roberts	2000	Lea
Roberts, West	2000	Lea
Robinson	2000	Eddy & Lea
Russell	2000	Eddy
Salt Lake	2000	Lea
San Simon	2000	Lea
Shugart	2000	Eddy
Shugart, North	2000	Eddy
Skaggs	2000	Lea
Square Lake	2000	Eddy
Tonto	2000	Lea
Turkey Track	2000	Eddy
Young	2000	Lea
Vacuum	2500	Lea
Watkins	2000	Lea
Weir	2000	Lea

APPENDIX C

NOTE: The official rules adopted by Order No. 850 had attached under Appendix C all of the forms described in Rule 1103. However, these forms are not set out in this printed edition in order to conserve space.

All of such forms are available at the office of the Commission in Santa Fe, or at any of the district offices.

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Consult Definitions, Rules, etc., themselves before acting upon index suggestions. Paragraphs often contain details exceeding scope of index.

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information must contain surveyor's plat, R 1104, par. 2
Working Pressure
ratio to pressure in reservoir, R 115
Workover
file report of completion with O.C.C., R 117

SUPPLEMENT

In this supplement appear certain rules of the Commission which were not rescinded by Order No. 850, adopting the foregoing rules and regulations. Copies of other orders not set forth in this supplement, but which are still in effect although not included in the foregoing rules and regulations, may be obtained from the Commission office in Santa Fe.

Order No. 33

Adopted, June 12, 1936, being a proration plan for the Monument pool, Lea County.

Sec. 1. The total allowable production of oil in the Monument field shall be allocated within the field by productive units. Units shall not be allocated more oil than they can produce without unreasonable waste.

Sec. 2. Productive units shall be classified as marginal and non-marginal units, a marginal unit being one that cannot produce the acreage unit allowable, and a non-marginal unit one with a daily potential equal to or larger than the acreage unit allowable. Marginal units shall be allocated approximately the amount of oil they can produce.

Sec. 3. The total allocation to marginal units shall be deducted from the total daily field allowable and the resulting number of barrels shall be designated as the total daily non-marginal field allowable.

Sec. 4. Regular units for allocation shall consist of 40-acre tracts in a square, and of tracts having an area of from 39 to 40 acres according to the surveys of the United States Government.

Sec. 5. If a productive tract, according to Government surveys, consists of more than 40 acres, the allocation to such special unit for both acreage unit allowable and bottom hole pressure allowable shall be in the ratio of its area in whole number of acres to 40 acres.

Sec. 6. When the area of a productive tract is less than 39 acres, such tract shall be considered a fractional unit. If the area in acres of a fractional unit, according to the official plats of the United States Government, is exactly a whole number, the allocation to such fractional unit for both acreage unit allowable and bottom hole pressure allowable shall be in the ratio of that number of acres to 40 acres. If the area in acres of a fractional unit, according to Government survey plats, is not a whole number, the allocation to such fractional unit as compared to a regular unit, shall be in the ratio of the larger whole number of acres to 40 acres.

Sec. 7. Eighty (80) per cent of the total daily non-marginal field allowable shall be allocated equally to the non-marginal productive units, except as otherwise noted herein. This allocation to each unit shall be designated as the acreage unit allowable.

Sec. 8. Twenty (20) per cent of the daily non marginal field allowable shall be prorated to the different non-marginal units on the basis of the static bottom hole pressures of the wells. The average of the three lowest static bottom hole pressures shall be obtained, and this pressure shall be designated as the deduction pressure; provided, however, that if the average of the three lowest pressures is less than eighty (80) per cent of the highest unit static bottom hole pressure for the field, the deduction pressure shall be eighty (80) per cent of the said highest unit static bottom hole pressure. This deduction pressure shall be subtracted from the actual bottom hole pressure for each unit. The results obtained for all the non-marginal units shall be added together and the sum shall be divided into the total bottom hole pressure allowable for the field. The quotient obtained shall be designated the bottom hole pressure factor. To obtain the bottom hole pressure allowable for each unit, this factor shall be multiplied by the difference between the bottom hole pressure for the unit, and the established deduction pressure. Units having a lower bottom hole pressure than the established deduction pressure, as defined above, shall be considered as having the deduction pressure, and such units shall be allocated only the acreage unit allowable. Where there are more than one producing well on a unit, the applied bottom hole pressure for that unit shall be the average of the bottom hole pressures of all the wells. This pressure shall be used in computing the allocation to the unit as though there was only one well on the unit. The sum of the acreage unit allowable and the bottom hole pressure allowable shall be the total allocation for each non-marginal unit.

Sec. 9. Wells completed during a pressure survey period of three months shall be allocated the non-marginal unit allowable for Lea County during the balance of the period.

Sec. 10. The pressures of pumping wells can be taken at six-months intervals instead of three months intervals if the operator so desires. If the mechanical condition of a well is such that the bottom hole pressure cannot be taken the allocation to that unit shall be the acreage unit allowable for the field.

Sec. 11. The Umpire shall notify the operator of the day and hour that a well is to be shut in for bottom hole pressure test. The bottom hole pressure shall be measured not less than 24 hours nor

more than 36 hours following said specified time. Notice to the operator shall be given by the Umpire not less than 24 hours before the time for the well to be shut in. The well shall produce its regular allocation during the 24-hour period ending at the time the well is shut in.

Sec. 12. When it is unsafe for the Proration Umpire or his representative to determine a static bottom hole pressure because of the mechanical condition of a well, that unit shall automatically receive the acreage unit allowable.

Sec. 13. The pressure shall be measured as near as possible to a point in the well 250 feet below sea level. When it is impossible to determine the pressure at this point the pressure may be adjusted from the actual point of determination to 250 feet below sea level, according to the static head of the fluid at the point at which the pressure is determined; provided that, when due to the mechanical condition of the well, it is impossible to determine the pressure closer than 150 feet from a point 250 feet below sea level, the well shall be considered not to be in condition to determine the static pressure, and it shall receive the acreage unit allowable until it is put in such condition that the pressure can be determined.

Sec. 14. Static bottom hole pressures shall be taken prior to August 1, 1936, and these pressures shall be used in making allocations for the period August 1-October 31, 1936. A similar procedure shall be followed for subsequent three-months periods.

Sec. 15. This order shall become effective August 1, 1936, at which time it shall revoke Order No. 22 of the Commission, adopted March 25, 1936. It shall remain in force until revoked by order of the Commission.

Sec. 16 Allocations to the Monument field as a whole shall be determined according to the plan of Order No. 1 of the Commission. "General State Proration Order," adopted June 29, 1935. Allocations for the field and the wells therein shall be included in "General State Proration Orders" of the Commission, prepared by the Proration Umpire for Lea and Eddy Counties, as authorized by the Commission in Order No. 1. This order supersedes any provisions of Order No. 1 with which it is in conflict.

Sec. 17. C. G. Staley, Proration Umpire for Lea and Eddy Counties and Deputy of the New Mexico Oil Conservation Commission, is hereby specifically authorized to determine the static bottom hole pressure and the allocations to each unit in the Monument field in accordance with this order.

Order No. 393

Adopted, September 12, 1941, superseding previous orders and being a proration plan for the Hobbs field.

Sec. 1. The total allowable production of oil in the Hobbs field shall be allocated within the field by productive units. Units shall not be allocated more oil than they can produce without waste.

Sec. 2. Productive units shall be classified as marginal and non-marginal, a marginal unit being one that cannot produce the acreage unit allowable, and a non-marginal unit one with an average daily potential production equal to or larger than the acreage unit allowable. Marginal units shall be allocated approximately the amount of oil they can produce.

Sec. 3. The total allocation to marginal units shall be deducted from the total daily field allowable and the resulting number of barrels shall be designated as the total daily non-marginal field allowable.

Sec. 4. As far as possible, the field shall be divided into forty (40) acre tracts in the form of a square, constituting regular subdivisions of sections according to the Government surveys. Each such tract shall be considered a unit for the purposes of proration hereunder. If it should develop that there are tracts of land owned by individual operators or lease holders constituting less than a unit as above defined or in such form as not to constitute a unit as above defined, then the Commission in its discretion may create and outline fractional units or units of a form other than a square. However, no well shall be drilled closer to any unit boundary line than 330 feet or less than 660 feet from any other well except upon petition, notice and hearing as provided by law, provided such unorthodox well location will create neither waste nor hazards conducive to waste.

Sec. 5. The following 40-acre units not in the form of a square shall be considered as regular units for proration purposes:

Walker Terry G, N½ SW¼ SE¼ and N½ SE¼ SE¼
Sec. 10, T. 19S., R. 38E.

Walker Terry G-a, S½ SW¼ SE¼ and S½ SE¼ SE¼
Sec. 10, T. 19S., R. 38E.

Repollo Crump B, N½ NE¼ NE¼ and N½ NE¼ NE¼,
Sec. 15, T. 19S., R. 38E.

Repollo Crump B-a, S½ NW¼ NE¼ and S½ NE¼ NE¼,
Sec. 15, T. 19S., R. 38E.

Stanolind State C, N½ NE¼ NW¼ and N½ NW¼NW¼,
Sec. 15, T. 19S., R. 38E.

Stanolind State C-a, S½ NW¼ NW¼ and S½ NE¼ NW¼,
Sec. 15, T. 19S., R. 38E.

Sec. 6. Eighty (80) per cent of the non-marginal field allowable shall be allocated among the various units without reference to their producing ability or pressures; all forty (40) acre units participating equally and each fractional unit receiving allocation as compared to the allocation of a forty (40) acre unit, in the ratio that its area in acres bears to forty (40) acres. This allocation to each unit shall be designated as the acreage unit allowable.

Sec. 7. The remaining twenty (20) per cent of the daily non-marginal field allowable shall be prorated to the different non-marginal units on the basis of the static bottom hole pressure of the wells. For computation purposes, the bottom hole pressures for all the wells shall be added together, and this sum shall be divided into the total number of barrels to be allocated to the field according to bottom hole pressures. The quotient obtained shall be designated the bottom hole pressure factor. To obtain the bottom hole pressure allowance for each well, or unit, this factor shall be multiplied by the bottom hole pressure of the unit. The sum of the unit acreage allowance and the bottom hole pressure allowance shall be the total allocation for each non-marginal unit.

Sec. 8. The Commission each six months shall determine the bottom hole pressure of each well in the field, provided that for each well in which the bottom hole pressure cannot be determined for mechanical reasons, such well shall have assigned to it the bottom hole pressure of the nearest well in which a bottom hole pressure is taken, or if equidistant from two or more wells in which bottom hole pressures are taken such well shall have assigned to it the average of the bottom hole pressures of said equidistant wells.

Sec. 9. The Commission shall notify the operator of the day and hour that a well is to be shut in for bottom hole pressure test. The bottom hole pressure shall be measured not less than 24 hours nor more than 36 hours following said specified time. Notice to the operator shall be given by the Commission not less than 24 hours before the time for the well to be shut in. The well shall produce its regular allocation during the 24-hour period ending at the time the well is shut in.

Sec. 10. Pressures shall be taken as nearly as possible at a common datum level of 400 feet below sea level and all pressures shall be adjusted to that datum, and correction shall be made in gas or oil depending on the medium in which the bottom hole pressure gauge is stopped.

Sec. 11. Wells completed during a proration period occurring between bottom hole pressure surveys will be allocated the average non-marginal unit allowable for the field until static bottom hole pressures can be taken. Then these pressures shall be used in determining their allowable for the following periods.

Section 2 of Order No. 835

Relating to gas-oil ratios.

NOTE: Order No. 835 was adopted September 8, 1949. Section 2 of Order No. 835 is still in effect. Sub-paragraph A of Section 2 set out the gas-oil ratios as the same now appear in the Appendix of the foregoing rules.

Sub-paragraph B of Section 2, is as follows:

(b) No limiting gas-oil ratio shall be applied in Hardy, Penrose-Skelly, Langlie-Mattix, Rhodes Oil Pool, Cooper-Jal, and South Eunice pools in Lea County (see Order 633), and Scanlon in Eddy County, now primarily gas reservoirs. Provided that the oil produced with the gas shall not be in excess of the current top unit allowable; and provided further that the gas produced from said pools shall be put to beneficial use so as not to constitute waste, except as to proration units in said pools for which there are not facilities for the marketing or application to beneficial use of the gas produced therefrom. As to such proration units the limiting gas-oil ratio in effect immediately prior to the effective date of the order herein shall apply. As to said pools, gas-oil ratio tests shall be required only when the Commission within its discretion may from time to time indicate.

Order No. 748

Relating to spacing in the Kutz Canyon-Fulcher Basin gas pools, adopted June 22, 1948.

THEREFORE, IT IS ORDERED that, effective on the date of this order, the following rules and regulations shall apply to wells hereafter drilled or completed or recompleted to the Pictured

Cliff pool in the Kutz Canyon-Fulcher Basin area, defined below, in addition to the Commission's applicable rules, regulations and orders heretofore or hereafter adopted to the extent not in conflict herewith:

Section 1. No well shall be drilled or completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved, unless

(a) such well be located on a designated drilling unit of not less than one hundred sixty (160) acres of land, more or less, according to legal subdivisions of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed, or approved for completion, in the pool;

(b) such drilling unit be in the shape of a square except for normal variations in legal subdivisions of the United States Lands Surveys; and

(c) such well be located on its drilling unit at a distance from the unit boundaries of not less than nine hundred ninety (990) feet; provided, if such proposed new well is to be an offset to any then producing gas well completed in the pool, or the drilling of which has been authorized prior to the effective date of this order, located on an adjoining unit in which the interests are not identical with those in the unit proposed to be drilled, such proposed well may be located and drilled offsetting the existing well and as close to the common unit boundary line as the well to be so offset.

Section 2. Any provisions herein to the contrary notwithstanding, the Commission may, and in proper cases will, on petition or on its own motion, by order entered after notice and hearing to the extent required by law, grant exceptions and permit drilling locations to become effective, thereby authorizing the drilling or completion of wells in the pool not conforming to the requirements of Section 1 above if the Commission shall find that the property sought to be drilled would be deprived of an opportunity to produce gas from the pool in the absence of such exception, and shall also find one or more of the following conditions to exist:

(a) that consolidation or pooling of the property sought to be drilled with necessary adjoining land, notwithstanding diligent efforts made in good faith, is impossible or impractical;

(b) that the property sought to be drilled is located within a then developed portion of the pool and its non-conforming size or shape is due to the adjoining developed properties in the pool;

(c) that because of the nature of the terrain, location of the proposed well at a lesser distance from one of the outer boundaries of its drilling unit should be permitted; or

(d) that by reason of the location of the property to be drilled along the southwest or northeast flank of the developed portion of the area, it appears improbable that gas can be produced in paying quantities if the well conforms to Section 1, in which case the Commission may modify the requirements of Section 1 as to such well to the extent it deems necessary.

Irrespective of such findings, if the Commission shall find that by reason of all circumstances an exception is proper in the prevention of waste, or undue drainage between properties, or otherwise in the exercise by the Commission of its jurisdiction over the spacing of wells or its other powers conferred by law, express or implied.

IT IS FURTHER ORDERED that, in accordance with recommendations of the Northwestern New Mexico Nomenclature Committee approved and adopted by this Commission, the Pictured Cliff gas producing pool in the Kutz Canyon-Fulcher Basin area, to which this order applies, is defined to include the following described land in San Juan County, New Mexico:

Township 27 North, Range 10 West	
Sec. 3	W½
Secs. 4 & 5	All
Township 28 North, Range 10 West	
Secs. 7 & 8	All
Sec. 15	W½
Secs. 16, 17, 18, 19, 20, 21	All
Sec. 22	W½
Sec. 27	W½
Secs. 28, 29, 30, 31, 32, 33	All
Sec. 34	W½

Township 28 North, Range 11 West
Secs. 9, 10, 11, 12, 13, 14,
15, 16, 22, 23, 24, 25, 26 All

Township 29 North, Range 11 West
Secs. 6, 7, 8, 16, 17, 18, 19,
20, 21, 22, 26, 27, 28, 29, 30,
31, 32, 33, 34, 35, 36 All

Township 29 North, Range 12 West
Secs. 1, 2, 3, 4, 5, 6, 9, 10, 11,
12, 13, 14, 15, 23, 24, 25 All

Township 29 North, Range 13 West
Sec. 1 All

Township 30 North, Range 12 West
Sec. 19 All
Sec. 20 S½
Secs. 26, 27, 28, 29, 30,
31, 32, 33, 34, 35, 36 All

Township 30 North, Range 13 West
Secs. 24, 25, 36 All

All additional lands located within one-half (½) mile of any land in the pool as defined or as it may be extended shall conform to these rules and regulations; provided, however, that such pool shall in no event be extended so as to include any lands now or hereafter included by the Commission in some other producing area formally designated as an oil or gas pool in the Pictured Cliffs, provided, further, by order of this Commission the pool may be redesignated from time to time so as to embrace other lands in the vicinity which are believed, on the basis of additional developments, to be capable of producing gas from the Kutz Canyon-Fulcher Basin pool, whether or not such other lands shall have been at one time included in another designated field or pool producing from the Pictured Cliffs.

Entered and adopted by the Oil Conservation Commission this 22 day of June, 1948.

Order No. 799

Relating to spacing in the Blanco gas pool, San Juan County, adopted February 25, 1949.

THEREFORE, IT IS ORDERED that, effective on the date of this order, the following rules and regulations shall apply to wells hereafter drilled or completed or re-completed to the Mesaverde pool in the Blanco area, defined below, in addition to the Commission's applicable rules, regulations and orders heretofore or hereafter adopted to the extent not to conflict herewith:

Section 1. No well shall be drilled or completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved, unless

(a) such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivisions of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed, or approved for completion, in the pool;

(b) such drilling unit be in the shape of a rectangle except for normal variations in legal subdivisions of the United States Land Surveys, the north half, south half, east half or west half of each section of land constituting a drilling unit;

(c) such well shall be located 330 feet from the center of either the northeast or southwest quarter of the section, subject to variation of 200 feet for topographic conditions. Further tolerance shall be allowed by the Commission only in cases of extremely rough terrain where compliance would necessarily increase drilling costs.

Section 2. The special rules and regulations for the Blanco (Mesaverde) pool contained herein shall be limited in their application to the present 4200-5100 foot productive horizon where the productive sands are contained between the top of the Cliff House Sand and the base of the Point Lookout Sand of the Mesaverde.

Section 3. Proration Units: The proration unit shall consist of 320 acres or (a) a legal U. S. General Land Office Survey half-section and (b) the approximate 320 acre unit shall follow the usual legal subdivisions of the General Land Office Section Surveys and (c) where proration units lie along the edge of field boundaries described in Section 1 above, exceptions shall be permissible in that contiguous tracts of approximately 320 acres, following regular U.S.G.L.O. subdivisions, may be classed as proration units.

A. The pooling of properties or parts thereof shall be permitted, and if not agreed upon may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of the uniform spacing plan of proration units, otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum oil and natural gas in the pool; provided, that the owner of any tract that is smaller than the drilling unit established for the field, shall not be deprived of the right to drill on and produce from such tract if same can be done without waste; but in such case the allowable production from such tract, as compared with the allowable production therefrom if such tract were a full unit, shall be in the ratio of the area of such tract to the area of a full unit of 320 acres.

Section 4. **Casing and Cementing Program:**

A. **Surface Pipe**

The surface pipe shall be set through the shallow potable water bearing beds to a minimum depth of 250 feet and a sufficient amount of cement shall be used to circulate the cement behind the pipe to the bottom of the cellar. This surface casing shall stand cemented for at least 24 hours before drilling plug or initiating tests. The surface casing shall be tested after drilling plug by bailing the hole dry. The hole shall remain dry for one hour to constitute satisfactory proof of a water shut-off. In lieu of the foregoing test the cement job shall be tested by building up a pressure of 1,000 psi, closing the valves, and allowing to stand thirty minutes. If the pressure does not drop more than 100 lbs. during that period, the test shall be considered satisfactory. This test shall be made both before and after drilling the plug. In this regard all fresh waters and waters of present or probable future value for domestic, commercial or stock purposes shall be confined to their respective strata and shall be adequately protected by methods approved by the Commission. Special precaution shall be taken in drilling and abandoning wells to guard against any loss of artesian potable water from the strata in which it occurs and the contamination of artesian potable water by objectionable water, oil or gas. The Commission shall be notified at least 24 hours prior to the conducting of any test.

B. **Production String**

The production string shall be set on top of the Cliff House Sand with a minimum of 100 sacks of cement and shall stand cemented not less than 36 hours before testing the casing. This test shall be made by building up a pressure of 1,000 psi, closing the valves, and allowing to stand thirty minutes. If the pressure does not drop more than 100 lbs. during that period, the test shall be considered satisfactory.

C. **General**

All cementing shall be done by the pump and plug method. Bailing tests may be used on all casing and cement tests, and drill stem tests may be used on cement tests in lieu of pressure tests. In making bailing test, the well shall be bailed dry and remain approximately dry for thirty minutes. If any string of casing fails while being tested by pressure or by bailing tests herein required, it shall be re-cemented and re-tested or an additional string of casing should be run and cemented. If an additional string is used, the same test shall be made as outlined for the original string. In submitting Form C-101, "Notice of Intention to Drill," the number of sacks of cement to be used on each string of casing shall be stated.

Rules 6, 8, 9, 10, 11, 12 and 14 of Order No. 4 of the Commission, effective 8-12-35, should be followed.

Section 5. **Tubing:** Any completed well which produces any oil shall be tubed. This tubing shall be set as near the bottom of the hole as practicable, but in no case shall tubing perforations be more than 250 feet from the bottom. The bottom of the tubing shall be restricted to an opening of less than 1" or bull-plugged in order to prevent the loss of pressure bombs or other measuring devices.

Section 6. **Special Equipment:** Any well which produces oil shall be equipped with a meter setting of adequate size to measure efficiently the gas, with this meter setting to be installed on the gas vent or discharge line. Wellhead equipment for all wells shall be installed and maintained in first class condition, so that static, bottom hole pressures and surface pressures may be obtained at any time by a duly authorized agent of the Commission. Valves shall be installed so that pressures may be readily obtained on the casing and also on the tubing, wherever tubing is installed. All connections subject to well pressure and all wellhead fittings shall be of first class material, rated at 2,000 psi working pressure and maintained in gas-tight condition. Bradenheads rated at 2,000 psi shall be installed on all production string and bradenhead connections maintained in gas tight condition. There shall be at least one valve on each bradenhead. Operators shall be responsible for maintaining all equipment in first class condition and shall repair or replace equipment where gas leakage occurs.

Section 7. **Safety Requirements:** Drilling boilers shall not be set closer than 200 feet to any well or tank battery. All electrical equipment shall be in first class condition and properly installed.

Section 8. **Shooting of Wells:** Wells shall not be shot or chemically treated until the permission of the Commission is obtained. Each well shall be shot or treated in such manner as will not cause injury to the sand or result in water entering the oil or gas sand, and necessary precautions shall be taken to prevent injury to the casing. If shooting or chemical treatment results in irreparable injury to the well or to the oil or gas sand, the well shall be properly plugged and abandoned. (See Rule 42, Order No. 4, Effective 8-12-35.)

Section 9. **Testing of Pays:** All wells drilled through the Point Lookout Pay will be tested by means of separate back pressure tests in accordance with the methods adopted by the U. S. Bureau of Mines (Monograph 7) of (a) the Cliff House Pay (b) the Point Lookout Pay (c) both pays commingled with a minimum of three stabilized readings from a total minimum of three different sized orifices.

A. Wells which penetrate the Cliff House Pay only will take minimum of three stabilized tests covering a total of three different sized orifices.

B. The foregoing tests shall be taken either in the process of completion, or in drilling, or by means of packer separations between the Point Lookout and Cliff House Pays after completion. All tests should be certified and filed with the Commission, and the Commission shall be notified at least 24 hours prior to conducting any test.

C. Annual back pressure tests, using total of three different sized orifices, shall be taken in June, July or August on each completed well. Each test must be stabilized and plotted as a straight line function on logarithmic paper as outlined in U. S. Bureau of Mines Monograph No. 7.

D. Within six months of the effective date of this order, and every six months thereafter, there shall be a meeting of all operators within the Blanco-Mesaverde pool in the Commission Offices in Santa Fe, New Mexico, to present and discuss new information and data gathered subsequent to the effective date of this order. The Commission may discontinue these meetings when in its opinion, the pool has reached a stage of development where such meetings are unnecessary.

Section 10. **Protection of Mineral Deposits:** Since the Menefee coal beds bear some gas and since these coal beds are of non-commercial value, Rule 20, Order No. 4 of the Commission dated Aug. 12, 1935, shall not apply to this field.

Section 11. **Gas Wastage:** Mesaverde gas shall not be flared since this is principally a gas reservoir and any well not connected to a commercial or domestic taker shall be shut-in until such market is obtained. Wells in this field shall be permitted to produce and market gas, as long as such can be done without waste, equitably between proration units for the field.

Section 12. **Bradenhead Gas:** Bradenhead gas shall not be used either directly or expansively in engines, pumps or torches, or otherwise wasted. It may be used for lease and development purposes and for the development of nearby leases, except as prohibited above. Wells shall not be completed as Bradenhead gas wells unless special permission is obtained from the Commission.

Section 13. Any provision herein to the contrary notwithstanding, the Commission may, and in proper cases will, on petition or on its own motion, by order entered after notice and hearing to the extent required by law, grant exceptions and permit drilling locations to become effective, thereby authorizing the drilling or completion of wells in the pool not conforming to the requirements of Sections 1 through 12 above if the Commission shall find that the property sought to be drilled would be deprived of an opportunity to produce gas from the pool in the absence of such exception, or irrespective of such findings, if the Commission shall find that by reason of all circumstances an exception is proper in the prevention of waste, or undue drainage between properties, or otherwise in the exercise by the Commission of its jurisdiction over the spacing of wells or its other powers conferred by law express or implied.

IT IS FURTHER ORDERED that, in accordance with recommendations of the Northwestern New Mexico Nomenclature Committee approved and adopted by this Commission, the Mesaverde gas producing pool in the Blanco area, to which this order applies, is defined to include the following described land in San Juan County, New Mexico;

Township 29 North, Range 9 West
All of sections 3, 4, 5, 10, 11, 14 and 15
Township 30 North, Range 9 West
Sec. 7, S½; Sec. 8, S½; all of sections 16, 17, 18, 19, 20, 21, 22, 27, 28, 29, 30, 32, 33 and 34.

All additional lands located within one-half (½) mile of any land in the pool as defined above or as it may be extended shall conform to these rules and regulations; provided, however, that such pool shall in no event be extended so as to include any lands now or hereafter included by the Commission in some other producing area formally designated as an oil or gas pool in the Mesaverde, provided, further, by order of this Commission the pool may be redesignated from time to time so as to embrace other lands in the vicinity which are believed, on the basis of additional developments, to be capable of producing gas from the Blanco pool, whether or not such other lands shall have been at one time included in another designated field or pool producing from Mesaverde.

Entered and adopted by the Oil Conservation Commission this 25 day of February, 1949.

Order No. 562

Relating to Loco Hills Pressure Maintenance Association, Inc., adopted March 24, 1944.

IT IS THEREFORE ORDERED:
That the order herein shall be known as the:

"LOCO HILLS PRESSURE MAINTENANCE PLAN ORDER"

Section 1. (a) The project herein shall be known as the Loco Hills Pressure Maintenance Plan and shall hereinafter be referred to as the Project.

(b) The Loco Hills Pressure Maintenance Association, Inc., shall hereinafter be referred to as the Association.

Section 2. That the Project area shall be:

Township 17 South, Range 29 East: S½S½ of Section 32, S½SW¼ of Section 35, and S½ of Section 36.
Township 17 South, Range 30 East: NE¼NE¼, S½N½ and S½ of Section 31 and W½ and W½E½ of Section 32.
Township 18 South, Range 29 East: All of Sections 1, 2, 3, 4, 5, and E½ of Section 6, all of Sections 8, 9, 10, 11, N½N½, S½NE¼, SE¼ of Section 12, N½N½ of Section 14, NE¼NE¼, N½NW¼ of Section 15, N½ of Section 16, and the N½ of Section 17.
Township 18 South, Range 30 East: N½NW¼ of Section 5, all of Section 6, and W½ of Section 7.

Section 3. (a) That the input wells now in use and hereby authorized are as follows:

Premier Pet. Corp.	Beeson F-7	NENE 31-17-30
Aston & Fair	Scheurich St. 4	NESW 32-17-30
Franklin Pet. Corp.	Coppedge 4	NWNE 5-18-30
Franklin Pet. Corp.	Yates 6	SWNE 6-18-30
Yates, et al	Yates 1	NWSW 6-18-30
Franklin Pet. Corp.	Ballard B-1	NWNE 1-18-29
Sallee & Yates	State 4	NWNE 2-18-29
Continental Oil Co.	State M-2	SESE 2-18-29
Continental Oil Co.	Travis 1	SESE 3-18-29
S. P. Yates	Brainard 3	NESW 3-18-29
Sanders Bros.	Guy P-1	NENE 9-18-29
Sanders Bros.	Miller 1	NENE 5-18-29
Me-Tex	Yates 3	NWSE 5-18-29
Gordon Cone	Langford I	NWSW 9-18-29
Stroup & Yates	Travis 4	NENW 17-18-29

(b) That the use of any of said input wells may be discarded with consent of the Commission, and, with the approval of the respective well owners, the Association, through its secretary or by other authorized agent, may select other input wells within the Project area by application to the Commission for its consideration of approval administratively without further notice and formal hearing thereupon.

(c) That any gas well within the Project with the consent of the owner may be used for cycling in the project upon application by the Association, through its secretary or other authorized agent, to the Commission for its consideration of approval administratively without further notice and formal hearing thereupon.

Section 4. That the top unit allowable rate of withdrawal of crude oil per day per proration unit, including back allowables within the Project area, shall be not less than 20 barrels nor over 40 barrels. The Association, through its sercetary or other authorized agent, not later than the 25th of the month, shall make application to the Commission for its approval for the maximum rate of with-

drawal within the limits named for the ensuing proration month. Such application shall be considered and acted upon by the Commission administratively without further notice and formal hearing thereupon.

Section 5. (a) That the limiting gas-oil ratio in cubic feet per barrel for the Loco Hills Field shall be 2000.

(b) That the system of gas-oil ratio control shall be of volumetric control whereby the current oil allowable for a proration unit under any applicable proration order is adjusted by reason of exceeding said limiting ratio in accordance with the following formula:

(c) Any proration unit with a gas-oil ratio in excess of said limiting ratio shall be permitted to produce daily that total volume of oil which, when multiplied by the gas-oil ratio of that unit, will result in a total gas volume that does not exceed the current top unit allowable times said limiting gas-oil ratio.

(d) A marginal unit, even though it be a gas well, shall be permitted to produce the same total volume of gas which it would be permitted to produce if it were a non-marginal unit.

(e) The production of gas from a gas well for cycling as provided in 3 (c) above is excepted from this section.

Section 6. That the following orders are hereby repealed: 339, 540, 484 and order 250 in so far as said latter order is in conflict with the order herein.

Order No. 485

Relating to Maljamar Cooperative Repressuring Agreement, issued November 14, 1942.

IT IS THEREFORE ORDERED:

I. That this project shall hereafter be known as the Maljamar Cooperative Repressuring Agreement.

II. That the cooperative area referred to in Section 2 of the findings herein consists of the following tracts: Section 14 to 23 inclusive, and Sections 26 to 35, inclusive, in Twp. 17S., Rge. 32E., N.M.-P.M., Lea County, New Mexico.

The committed area referred to in Section 2 of the findings herein is described as follows:

The E½ Sec. 14; E½ Sec. 16; all Sec. 17, 18, 19, 20, 21, 22, 27, 28, 29 and 30. The N½, N½SE¼, NE¼SW¼, S½SW¼ Sec. 23; S½ NW¼, SW¼ Sec. 26; N½, W½, SE¼ Sec. 31; N½, SE¼ Sec. 33; NE¼, W½ NW¼ Sec. 34; W½ Sec. 35, all in Twp. 17S, Rge. 32E, N.M.P.M.

As the committed area within the boundaries of the cooperative area is enlarged as in Section 2 of the findings herein, the Operators' Committee shall notify the Commission promptly in writing as to such enlarged committed area named subject to the approval of the Commission administratively without further notice and formal hearing; provided, however, that any extension of the cooperative area and of the committed area beyond the limits of the cooperative area as set out in Section II of the order herein shall be upon formal petition, notice and hearing as provided by law.

III. There shall be no unitization of oil but the gas shall be utilized in the manner set out in Section 3 of the findings herein.

IV. That the management of said project shall be by the Operators' Committee as set out in Section 4 of the findings herein. Any change of membership of said Operators' Committee should be transmitted promptly in writing to the Commission.

V. That the in-put wells referred to in Section 5 of the findings herein are hereby authorized for use as such and are more particularly described as follows:

Maljamar Oil & Gas Corp. Wm. Mitchell	B-12	SW¼SE¼ Sec. 19 — 17S — 32E
Maljamar Oil & Gas Corp. Wm. Mitchell	B-4	SW¼SE¼ Sec. 20 — 17S — 32E
Maljamar Oil & Gas Corp. Wm. Mitchell	A-8	SW¼NW¼ Sec. 20 — 17S — 32E
Maljamar Oil & Gas Corp. Baish	A-8	SW¼NW¼ Sec. 21 — 17S — 32E
Maljamar Oil & Gas Corp. Baish	A-1	NE¼NE¼ Sec. 21 — 17S — 32E
Maljamar Oil & Gas Corp. Baish	B-6	SW¼SE¼ Sec. 21 — 17S — 32E
Carper Drilling Company Simon	4-N	SW¼NW¼ Sec. 29 — 17S — 32E
Carper Drilling Company Simon	8-N	SW¼SE¼ Sec. 29 — 17S — 32E
Kewanee Oil Company	B-15	SW¼NW¼ Sec. 28 — 17S — 32E
Kewanee Oil Company	B-29	SW¼SE¼ Sec. 28 — 17S — 32E
Kewanee Oil Company	B-9	SW¼NW¼ Sec. 27 — 17S — 32E
Kewanee Oil Company	B-11	SW¼SE¼ Sec. 27 — 17S — 32E
Barney Cockburn Miller	A-6	SW¼NW¼ Sec. 26 — 17S — 32E

The selection of other in-put wells within the area committed and for the further area to be committed within the cooperative area described in Section II of the order herein shall be submitted to the Commission for its consideration of approval administratively without further notice and formal hearing thereupon.

VI. That said 13 in-put wells described in Section V of the order herein are hereby assigned the top allowable for one year beginning with the effective date of this order. Thereafter, said in-put wells if further used as such shall have such allowable foi such period of time as determined by the Commission administratively; likewise, other in-put wells authorized to be selected as provided in Section V of the order herein shall have such allowable for such period of time as field tests to the Commission may seem advisable.

Sixty per cent of the allowable lost by in-put wells shall be redistributed to all the other top allowable proration units within the committed area by dividing the above mentioned amount lost through the use of in-put wells by the number of top allowable producing wells in the committed area and the amount so determined would be added to the regular top allowable for each well. If the operators subject to said agreement do not desire to produce such excess allowable during any month the Operators' Committee would in that event notify the Commission before the allowable for such month is fixed and not later than the 25th day of the month preceding.

VII. That the proration units within the committed area shall not exceed the production of 44 barrels of oil daily should the current allowable in the future exceed that amount; subject, however, to the right of the Operators' Committee to petition the Commission administratively, by the 25th day of the month before the fixing of any monthly allowrs lost allowable for such wells and such lost allowfor the committed area.

VIII. That this order shall become effective on the first day of the proration month next succeeding the month in which said Order is adopted.

Order No. 659

Relating to the Grayburg Cooperative and Unit Agreement of Eddy County, New Mexico, issued June 7, 1946.

FINDINGS:

SECTION A. The Grayburg Cooperative and Unit Agreement of Eddy County, New Mexico, is a repressuring and pressure maintenance project in which several wells are either now being used or anticipated to be used as input wells. Such use incurs lost allowable for such wells and such lost allowable should be permitted to be taken from other wells on the same basic lease.

SECTION B. Said project consists entirely of lands under United States Government leases or permits and is defined as follows:

N.M.P.M., Eddy County, New Mexico:
TWP. 17S, Range 29E
Sec. 13, S½;
Secs. 23 to 26, inclusive, all;
TWP. 17S, Range 30E
Sec. 18, all
Sec. 19, all
Sec. 30, all

SECTION C. The following wells are now being used as in-put wells and are capable of producing the top unit allowable:

Grayburg-U.S. 9B, NWSE Sec. 26, Twp. 17S, R.29E.

Western-U.S. 12C, SWNE Sec. 26, 17S, 29E.

IT IS THEREFORE ORDERED THAT:

SECTION 1. The two in-put wells specifically described in the foregoing findings shall be permitted to produce lost allowables as top unit allowable wells from other wells in other proration units upon the same basic lease within said project. In addition thereto said wells shall be permitted in the same manner to make up back allowables from May 1, 1946, not to exceed the maximum back allowable rate currently prescribed by the Commission.

SECTION 2. Any other in-put well may be permitted by the Commission administratively through its authorized agent and without hearing to produce allowable lost in the use as an in-put well from other wells upon other proration units within the same basic lease. A satisfactory showing shall be made by the operator as to the rating of such in-put well as marginal or non-marginal immediately prior to the time it was first used as an in-put well for the purpose of determining the amount of allowable to which such in-put well may be entitled.

SECTION 3. Termination of the permission to take allowable lost by any in-put well from other wells upon the same basic lease shall be accomplished in the same manner as prescribed above for the obtaining of such permission.

SECTION 4. Application to produce allowable lost by any in-put well from other wells upon the same basic lease shall be by the operator upon Form C-102 in triplicate showing all pertinent data for the purpose herein as follows:

Description of the in-put well, the name and number of the basic lease, said in-put well's rating as marginal or non-marginal, the description of each well upon the same basic lease from which a part of the in-put well allowable is to be produced. When said C-102 is approved as herein indicated, it shall constitute the permit. Application to terminate such permit may be made in the same manner as far as pertinent to the purpose and when approved as herein indicated shall constitute the termination of such permit. Both the permit and the termination thereof must be effective as of the beginning of a proration month. When any such C-102 as mentioned in this section is thus approved the distribution thereof shall be as follows:

The Commission shall retain one copy at Santa Fe, New Mexico

One copy shall be transmitted to the operator.

One copy shall be transmitted to the Proration Office, Hobbs, New Mexico.

SECTION 5. When any in-put well is permitted to produce its allowable from other wells upon other proration units in the same basic lease, the operator shall send monthly to the Proration Office in time for inclusion in the proration schedule, a nomination showing the desired distribution of the in-put well allowable in even number of barrels to each of the other wells upon other proration units.

SECTION 6. The effective date of this order shall be July 1, 1946.

Order No. 388

Relating to Culbertson-Irwin Pressure Maintenance Project, issued Judy 25, 1941.

IT IS THEREFORE ORDERED:

1. That the portion of the Langlie Pool in Lea County, which is referred to in petitioner's petition, is hereby defined as including the following tracts of land, to-wit:

W½ of the W½, Section 3, Township 25S, Range 37E, N.M.P.M.

2. That the proposed plan as set out in petitioner's petition shall hereafter be designated as the "Culbertson & Irwin — Liberty Royalties Lease Project in NE Langlie Area."

3. That the plan set forth in the petitioner's petition is hereby approved in its general aspects.

4. That the use of said well No. 3 as an in-put well for gas in accordance with the plan set out in the petitioner's petition is hereby authorized.

5. That so long as said well No. 3 shall be used as a gas in-put well in accordance with the proposals set out in the petitioner's petition, said well No. 3 is hereby authorized to produce its present production, as determined by official test, from wells Nos. 1 and 2, or either of them, as may be advisable; provided that said allowable for well No. 3 shall not at any time exceed the Langlie Pool unit top allowable for any particular month and provided further that the production of such allowable for said well No. 3, through said wells Nos. 1 and 2, or either of them, shall in no wise affect the allowable assigned to the latter two wells.

6. That this order shall become effective on the first day of the proration month succeeding the month during which the Commission is notified by the petitioner that the plan proposed in petitioner's petition is ready to go into operation and confirmation thereof by an authorized agent of the Commission.

Order No. 340

Relating to Langlie Unitized Repressuring Project, issued January 28, 1941.

IT IS THEREFORE ORDERED:

1. That that portion of the Langlie Pool in Lea County, New Mexico, which is referred to in Paragraph 1 of petitioners' petition, is hereby defined as including the following tracts of land, to-wit:

S½ of SW¼ of Section 4; and the S½ of SE¼ and the SE¼ of SW¼ of Section 5; and the E½ of the E½ of the NW¼ of Section 8; and the W½ of Section 9, all in Township 25 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

2. That the proposed plan for conserving the reservoir energy in the said field as referred to in the petition and as incorporated in the "Langlie Area Unitization Agreement," shall hereafter be known as the Langlie Unitized Repressuring Project.

3. (a) That for the purpose of proration the total amount of oil now or hereafter allocated to the developed forty-acre units within the participating area shall be allocated to the participating area as a unit. In determining the total allocation in the participating unit as set out hereinbefore, those wells capable of producing the Langlie Pool top allowable upon the effective date of this order and those wells thereafter so capable, shall hereafter be considered as capable of producing the Langlie Pool current monthly top allowable throughout the life of the Project. The allowable for any marginal well shall not be decreased during the life of the Project, provided however, that in no event shall the allowable for such wells exceed the current top allowable for the Langlie Pool.

Any well used as an in-put well shall then and thereafter be given the top allowable for the Langlie Pool. The use of any in-put well shall first be approved by the regulatory body having jurisdiction in the instant case.

(b) That permissible back allowable accumulated in favor of all of the units in said area are similarly allocated to the unit as a whole, with similar permission to produce same from the wells best adapted for the purpose.

4. That this order shall become effective on the first day of the month succeeding the month in which the Secretary of the Interior shall approve said Langlie Unitized Repressuring Project.

Order No. 779

Relating to spacing in the Crossroads Pool, Lea County, issued July 27, 1948.

IT IS THEREFORE ORDERED:

SECTION 1. That the Mid-Continent, Sawyer No. 1 well, located in the center of the SW¼SE¼ section 27, is producing from the Devonian formation, a new common source of supply not heretofore discovered and produced in the State, and that the probable area for such production is as follows:

West half of section 26,
All of section 27,
East half of section 28,
East half of section 33,
All of section 34,
West half of section 35,
All in Township 9 South,
Range 36 East,
Lea County, New Mexico.

That this order is meant to cover all of the Devonian formation common source of supply productive in the Mid-Continent, Sawyer No. 1, located in the center of the SW¼SE¼ section 27, and any well drilled within, or outside the area spaced herein, to the same common source of supply as an extension thereof, shall be drilled on the pattern provided for herein.

SECTION 2. That 80-acre spacing and drilling units be established as hereinafter provided for the production of oil and gas from the Devonian formation underlying the area as hereinabove set forth.

SECTION 3. That each governmental quarter section be divided into two rectangular spacing units by a line drawn through such quarter section, all as shown on a plat attached hereto, and made a part hereof, and marked Exhibit "A," with the wells to be drilled, one in the center of the northeast quarter and one in the center of the southwest quarter of each quarter section, all as shown on Exhibit "A"; however, if surface conditions justify, locations may be made within a radius of 150 feet from the centers thereof, provided further, however, that the units within a quarter section, as established by this order as shown on Exhibit "A," may be changed by agreement of the operators within said quarter section upon proper showing to the Commission.

SECTION 4. That the allowable be assigned on the basis of proration units as herein established, and any proration unit of less than the normal one-half of a governmental quarter section as the result of an exception granted by the Commission after notice and hearing, shall be assigned an allowable in proportion to the assignable acreage of that unit as it bears to the normal one-half of a governmental quarter section.

SECTION 5. That the daily oil allowable of a normal unit of one-half of a quarter section assigned to the discovery well and all other wells hereafter drilled and produced in accordance with the terms of this order shall be the proportional factor of 6.75 times top allowable until such time as the Commission may issue such further and additional orders as may be deemed necessary.

SECTION 6. All rules, regulations and orders heretofore issued by this Commission which may conflict herewith are superseded, only with respect to Devonian formation production below 12,000 feet in the Crossroads Pool.

SECTION 7. That this order shall become effective on August 16, 1948.

SECTION 8. The Commission retains jurisdiction in this case for the purpose of issuing such further and additional orders as may be necessary to meet changed conditions, preclude inequities, and preserve correlative rights; all upon the motion of the Commission or upon the petition of any interested operator upon a public hearing, after notice as provided by law.

Order No. 846

Relating to spacing in the Hightower Pool, Lea County, issued November 18, 1949.

IT IS THEREFORE ORDERED:

1. That the Amerada-State BTB No. 1 well located in the center of NW¼NW¼ of section 26, Township 12 south, Range 33 east, N.M.P.M., is producing oil from the Devonian formation, a newly discovered common source of supply not heretofore discovered and produced in New Mexico, and that the probable area for such production is as follows:

All of sections 22, 23, 26 and 27, in Township 12 south, Range 33 east, N.M.P.M.

(Hightower pool) Lea County, New Mexico.

2. That it is the intent of this order to cover all of the Devonian formation common source of supply within the area designated herein, and upon any regular additions to the Hightower pool which may from time to time be made, and that any well within said designated area to the same common source of supply shall be drilled on the pattern herein provided.

3. That 80-acre spacing and drilling units be established as hereinafter provided, for the production of oil and gas from the Devonian formation underlying the area as hereinabove described.

4. That each governmental quarter section be divided into two equal rectangular spacing units by a line drawn north-south through such quarter section, and with wells to be drilled in the center of the northwest and southeast forty acre tracts of each such spacing unit, with a tolerance of not in excess of 150 feet provided, however, that the units within may be changed by agreement of operators within any quarter section of the designated area upon proper showing before the Commission.

5. That allowable shall be assigned on the basis of proration units as herein established, and any proration unit of less than the normal one-half of a governmental quarter section as the result of an exception granted by the Commission after notice and hearing, shall be assigned an allowable in proportion that the acreage thereof bears to the 80-acre spacing unit — or one-half of a quarter section.

6. That the daily oil allowable for an 80-acre unit provided for herein shall be assigned to the Amerada-State BTB No. 1 well, the discovery well, located in the approximate center of NW¼NW¼ of section 26, Township 12 south, Range 33 east, N.M.P.M., Lea County, New Mexico, and to all other wells hereafter drilled and produced in accordance with the provisions of this order based upon the proportional factor of 4.67 times the regular top allowable until such time as the Commission may issue such further and additional orders as may be deemed necessary herein.

7. All rules, regulations and orders heretofore issued by this Commission which may conflict herewith are superceded, only with respect to the Devonian formation production at the approximate depth of 10,090 ft.-10,200 ft. in the Hightower pool.

8. That this Order shall be in full force and effect from and after December 1, 1949.

9. That the Commission retains jurisdiction of this case for the purpose of issuing such further and additional orders as may seem necessary to meet changed conditions, preclude inequities and preserve correlative rights; all upon the motion of the Commission or upon the petition of any interested operator upon public hearing, after notice as provided by law.

CHAPTER 168

AN ACT

RELATING TO THE CONSERVATION OF OIL AND GAS, AND THE PROTECTION OF CORRELATIVE RIGHTS THEREIN; AMENDING CHAPTER 72 OF THE LAWS OF 1935, AS HERETOFORE AMENDED; DEFINING AND PROVIDING FOR THE PREVENTION OF WASTE OF OIL AND GAS; CREATING AN OIL CONSERVATION COMMISSION AND PRESCRIBING ITS POWERS AND DUTIES; DEFINING COMMON PURCHASERS AND REQUIRING THEM TO PURCHASE OIL AND GAS RATABLY AND WITHOUT DISCRIMINATION; PROVIDING PENALTIES; CREATING REMEDIES, INCLUDING HEARING AND REHEARING BEFORE THE COMMISSION AND COURT REVIEW DE NOVO; AND LEVYING A TAX ON OIL AND GAS FOR ENFORCEMENT OF THIS ACT.

Senate Bill No. 163; approved March 17, 1949.

Be It Enacted by the Legislature of the State of New Mexico:

Section 1. That Chapter 72 of the Laws of 1935, as amended by Chapter 193 of the Laws of 1937, and as further amended by Chapter 166 of the Laws of 1941, be, and the same hereby is amended to read as follows:

"Section 1. The production or handling of crude petroleum oil or natural gas *of any type or in any form,* or the handling of products thereof, in such manner or under such conditions or in such amounts as to constitute or result in waste is each hereby prohibited."

Section 2. As used in this act, the term "waste," in addition to its ordinary meaning, shall include:

(a) "Underground waste" as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper, use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, *and the use of inefficient underground storage of natural gas.*

(b) "Surface waste" as those words are generally understood in the oil *and gas* business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of natural gas *of any type or in any form or* crude petroleum oil, or any product thereof, but including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating, or producing, well or wells, or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil *or natural gas* in excess of the reasonable market demand.

(c) The production of crude petroleum oil in this State in excess of the reasonable market demand for such crude petroleum oil. Such excess production causes or results in waste which is prohibited by this Act. The words "reasonable market demand," as used herein with respect to crude petroleum oil, shall be construed to mean the demand for such crude petroleum oil for reasonable current requirements for current consumption and use within or outside the State, together with the demand for such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both such crude petroleum oil and products.

(d) The not-ratable purchase or taking of crude petroleum oil in this State. Such non-ratable taking and purchasing causes or results in waste, as defined in the subsections (a), (b), (c) of this section and causes waste by violating Section *12 (a)* of this act.

(e) *The production in this State of natural gas from any gas well or wells, or from any gas pool, in excess of the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of gas transportation facilities for such type of natural gas. The words "reasonable market demand," as used herein with respect to natural gas, shall be construed to mean the demand for natural gas for reasonable current requirements, for current consumption and for use within or outside the State, together with the demand for such amounts as are necessary for building up or maintaining reasonable storage reserves of natural gas or products thereof, or both such natural gas and products.*

Section 3. There is hereby created an Oil Conservation Commission, hereinafter in this Act called the "Commission," to be composed of the Governor of this State, the Commissioner of Public Lands and the State Geologist; provided that the Governor may appoint some practical oil man, a resident of this State, to serve in the place and stead of the Governor as a member of said Commission. No salary or compensation shall be paid any member of the Commission for his services as a member thereof, but the actual and necessary expenses of the members of said Commission, incurred or expended in the performance of the duties imposed on said Commission, shall be paid out of the Oil Conservation Fund hereinafter created, provided that if the State Geologist shall hold any other State office his salary may be adjusted by the Governor, and such Geologist paid part of his salary out of

the Oil Conservation Fund. The term of office of each member of the Commission shall be concurrent with the office held by him, except that if the Governor shall appoint a practical oil man to serve in his place and stead, the term of office of the person so appointed shall expire with the term of the Governor by whom he shall have been appointed. The Commission shall organize by electing a chairman from its membership, and shall appoint a Secretary. Two members of the Commission shall constitute a quorum for all purposes. The Commission shall adopt a seal and such seal affixed to any paper signed by the secretary of the Commission shall be prima facie evidence of the due execution thereof. The Attorney General shall be the attorney for the Commission. Any member of the Commission, or the secretary thereof, or any employee of the Commission, shall have power to administer oaths to any witness in any hearing, investigation or proceeding contemplated by this Act or by any other law of this State relating to the conservation of oil or gas.

Section 4. The Commission shall have, and it is hereby given, jurisdiction and authority over all matters relating to the conservation of oil and gas in this State, and of the enforcement of all the provisions of this Act and of any other law of this State relating to the conservation of oil or gas. It shall have jurisdiction and control of and over all persons or things necessary or proper to enforce effectively the provisions of this Act or of any other law of this State relating to the conservation of oil or gas.

Section 5. The Commission shall prescribe its rules of order or procedure in hearing or other proceedings before it under this Act. Any notice required to be given under this Act or under any rule, regulation or order prescribed by the Commission shall be by personal service on the person affected, or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county, or *each* of the counties if there be more than one, in which any land, oil or gas or other property which may be affected shall be situated. Such notice shall issue in the name of "the State of New Mexico" and shall be signed by at least a majority of the members of the Commission or by the Secretary of the Commission, and the seal of the Commission shall be impressed thereon, and it shall specify the number and style of the case, and the time and place of hearing, shall briefly state the general nature of the order or orders, rule or rules, or regulation or regulations contemplated by the Commission on its own motion or sought in a proceeding brought before the Commission, the name of the petitioner, or applicant, and, unless the order, rule or regulation is intended to apply to and affect the entire State, it shall specify or generally describe the common source or sources of supply that may be affected by such order, rule or regulation. Personal service thereof may be made by any agent of the Commission or by any person over the age of eighteen years, in the same manner as is provided by law for the service of summons in civil actions in the district courts of this State. Such service shall be complete at the time of such personal service or on the date of such publication, as the case may be. Proof of service shall be the affidavit of the person making personal service, or of the publisher of the newspaper in which publication is had, as the case may be. All rules, regulations and orders made by the Commission shall be entered in full by the Secretary thereof in a book to be kept for such purpose by the Commission, which shall be a public record and open to inspection at all times during reasonable office hours. A copy of any such rule, regulation or order, certified by the Secretary of the Commission under the seal of the Commission, shall be received in evidence in all courts of the State with the same effect as the original.

Section 6. The Commission, or any member thereof, is hereby empowered to subpoena witnesses, to require their attendance and giving of testimony before it, and to require the production of books, papers, and records in any proceeding before the Commission. No person shall be excused from attending and testifying or from producing books, papers and records before the Commission, or from obedience to the subpoena of the said Commission, whether such subpoena be signed or issued by one or more of the members of the said Commission, in any hearing, investigation or proceeding held by or before the said Commission or in any cause or proceeding in any court by or against the said Commission, relative to matters within the jurisdiction of said Commission, on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; provided that nothing herein contained shall be construed as requiring any person to produce any books, papers or records, or to testify in response to any inquiry not pertinent to some question lawfully before such Commission or court for determination. No natural person shall be subjected to criminal prosecution, or to any penalty or forfeiture for or on account of any transaction, matter or thing concerning which he may be required to testify, or produce evidence, documentary or otherwise, before said Commission, or in obedience to its subpoena, or in any cause or proceeding, provided, that no person testifying shall be exempted from prosecution and punishment for perjury committed in so testifying.

Section 7. In case of failure or refusal on the part of any person to comply with any subpoena issued by said Commission or any member thereof, or on the refusal of any witness to testify or answer as to any matters regarding which he may be lawfully interrogated, any district court in this State, or any judge thereof, on application of said Commission, may issue an attachment for such person and compel him to comply with such subpoena and to attend before the Commission and produce such documents, and give his testimony upon such matters as may be lawfully required, and such court or judge shall have the power to punish for contempt as in case of disobedience of a like subpoena issued by or from such court, or a refusal to testify therein.

Section 8. If any person of whom an oath shall be required under the provisions of this act, or by any rule, regulation or order of the Commission, shall wilfully swear falsely in regard to any matter or thing respecting which such oath is required, or shall wilfully make any false report or affidavit required or authorized by the provisions of this act, or by any rule, regulation or order of the Commission, such person shall be deemed guilty of perjury and shall be punished by imprisonment in the State penitentiary for not more than five years nor less than six months.

Section 9. The Commission is hereby empowered, and it is its duty, to prevent the waste prohibited by this Act *and to protect correlative rights, as in this Act provided*. To that end, the Commission is empowered to make and enforce rules, regulations and orders, and to do whatever may be reasonably necessary to carry out the purposes of this Act, whether or not indicated or specified in any section hereof.

Section 10. Included in the power given to the Commission is the authority to collect data; to make investigations and inspections; to examine properties, leases, papers, books and records; to examine, check, test and gauge oil and gas wells, and tanks, plants, refineries, and all means and modes of transportation and equipment; to hold hearings; to provide for the keeping of records and the making of reports and for the checking of the accuracy thereof; to limit and prorate production of crude petroleum oil or natural gas, *or both, as in this act provided;* to require either generally or in particular areas certificates of clearance or tenders in connection with the transportation of crude petroleum oil *or natural gas* or any products thereof, or both such oil and products, *or both such natural gas and products.*

Apart from any authority, express or implied, elsewhere given to or existing in the Commission by virtue of this act or the statutes of this State, the Commission is hereby authorized to make rules, regulations and orders for the purposes and with respect to the subject matter stated herein, viz:

(1) To require dry or abandoned wells to be plugged in such way as to confine the crude petroleum oil, natural gas, *or* water in the strata in which they are found, and to prevent them from escaping into other strata; the Commission may require a bond of not to exceed Ten Thousand ($10,000.00) Dollars conditioned for the performance of such regulations.

(2) To prevent crude petroleum oil, natural gas, *or* water from escaping from strata in which they are found into another stratum or other strata;

(3) To require reports showing locations of all oil *or* gas wells, and for the filling of logs and drilling records or reports;

(4) To prevent the drowning by water of any stratum or part thereof capable of producing oil or gas, or both oil and gas, in paying quantities, and to prevent the premature and irregular encroachment of water, or any other kind of water encroachment, which reduces or tends to reduce the total ultimate recovery of crude petroleum oil or gas, or both such oil and gas, from any pool;

(5) To prevent fires;

(6) To prevent "blow-outs" and "caving" in the sense that the conditions indicated by such terms are generally understood in the oil *and gas business;*

(7) To require wells to be drilled, operated and produced in such manner as to prevent injury to neighboring leases or properties;

(8) To identify the ownership of oil or gas producing leases, properties, wells, tanks, refineries, pipe lines, plants, structures, and all transportation equipment and facilities;

(9 To require the operation of wells with efficient gas-oil ratios and to fix such ratios;

(10) To fix the spacing of wells;

(11) *To determine whether a particular well or pool is a gas or oil well, or a gas or oil pool, as the case may be, and from time to time to classify and reclassify wells and pools accordingly;*

(12) *To determine the limits of any pool or pools producing crude petroleum oil or natural gas or both, and from time to time to redetermine such limits;*

(13) *To regulate the methods and devices employed for storage in this State of oil or natural gas or of any product, including the sub-surface storage of natural gas; or*

(14) *To permit the injection of natural gas or of any other substance into any pool in this state for the purpose of repressuring, cycling, pressure maintenance or secondary recovery operations.*

Section 11. Whenever, to prevent waste, the Commission limits the total amount of crude petroleum oil to be produced in this State, it shall allocate or distribute the allowable productions among the fields of the State. Such allocation or distribution among the fields of the State shall be made on a reasonable basis, giving, if reasonable under all the circumstances, to each pool with small wells of settled production an allowable production which will prevent a general premature abandonment of the wells in the field.

Section 12. (a) Whenever, to prevent waste, the total allowable production *of crude petroleum oil* for any field or pool in the state is fixed by the Commission is an amount less than that which the field or pool could produce if no restriction were imposed, the Commission shall prorate or distribute the allowable production among the producers in the field or pool, *upon a reasonable basis and recognizing correlative rights.*

(b) Crude petroleum oil produced within the allowable as fixed by the Commission shall herein be referred to as "legal oil" and crude petroleum oil produced in excess of such allowable shall be "illegal oil."

(c) *Whenever, to prevent waste, the total allowable natural gas production from gas wells producing from any pool in this state is fixed by the Commission in an amount less than that which the pool could produce if no restrictions were imposed, the Commission shall allocate the allowable production among the gas wells in the pool delivering to a gas transportation facility upon a reasonable basis and recognizing correlative rights, and shall include in the proration schedule of such pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well. In protecting correlative rights the Commission may give equitable consideration to acreage, pressure, open flow, porosity, permeability, deliverability and quality of the gas and to such other pertinent factors as may from time to time exist, and in so far as is practicable, shall prevent drainage between producing tracts in a pool which is not equalized by counter-drainage. In allocating production pursuant to the provisions of Section 12 (c) the Commission shall fix proration periods of not less than six months. It shall determine reasonable market demand and make allocations of production during each such period, upon notice and hearing, at least 30 days prior to the beginning of each proration period. In so far as is feasible and practicable, gas wells having an allowable in a pool shall be regularly produced in proportion to their allowables in effect for the current proration period. Without approval of the Commission or one of its duly authorized agents, no natural gas well or pool shall be allowed to produce natural gas in excess of the allowable assigned to such source during any proration period; Provided, that during an emergency affecting a gas transportation facility a gas well or pool having high deliverability into such facility under prevailing conditions may produce and deliver in excess of its allowable for the period of emergency, not exceeding ten days, without penalty. The Commission may order subsequent changes in allowables for wells and pools to make fair and reasonable adjustment for overage resulting from the emergency. The provisions of this subsection shall not apply to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of this act or of the rules, regulations or orders of the Commission.*

(d) *In fixing the allowable of a pool under Section 12 (c) herein, the Commission shall consider nominations of purchasers but shall not be bound thereby and shall so fix pool allowables as to prevent unreasonable discrimination between pools served by the same gas transportation facility by a purchaser purchasing in more than one pool.*

(e) *Natural gas produced from gas wells within the allowable as determined as provided in Section 12 (c) above shall herein be referred to as "legal gas," and natural gas produced in excess of such allowable shall be "illegal gas."*

Section 13 (*a*) The rules, regulations or orders of the Commission shall, so far as it is practicable to do so, afford to the owner of each property in a pool the opportunity to produce his just and equitable share of the oil or gas, *or both*, in the pool, being an amount, so far as can be practically determined, and so for as such can be practicably obtained without waste, substantially in the proportion that the quantity of the recoverable oil *or* gas, *or both*, under such property bears to the total recoverable oil or gas or both in the pool, and for this purpose to use his just and equitable share of the reservoir energy.

(*b*) No owner of a property in a pool *shall* be required by the Commission, directly or indirectly, to drill more wells than are reasonably necessary to secure his proportionate part of the production. To avoid the drilling of unnecessary wells a proration unit for each pool may be fixed, such being the area which may be efficiently and economically drained and developed by one well. The drilling of unnecessary wells creates fire and other hazard conducive to waste, and unnecessarily increases the production cost of oil *or* gas *or both* to the operator, and thus also unnecessarily increases the cost of the products to the ultimate consumer.

(c) The pooling of properties or parts thereof shall be permitted, and, if not agreed upon, may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of a uniform spacing plan or proration unit, otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum *or* natural gas, *or both,* in the pool; provided, that the owner of any tract that is smaller than the drilling unit established for the field, shall not be deprived of the right to drill on and produce from such tract, if same can be done without waste; but in such case, the allowable production from such tract, as compared with the allowable production therefrom if such tract were a full unit, shall be in ratio of the area of such tract to the area of a full unit. All orders requiring such pooling shall be upon terms and conditions that are just and reasonable, and will afford to the owner of each tract in the pool the opportunity to recover or receive his just and equitable share of the oil *or* gas, *or both,* in the pool as above provided, so far as may be practicably recovered without waste. In the event such pooling is required, the costs of development and operation of the pooled unit shall be limited to the lowest actual expenditures required for such purpose including a reasonable charge for supervision; and in case of any dispute as to such costs, the Commission shall determine the proper costs.

(*d*) Minimum allowable for some wells may be advisable from time to time, especially with respect to wells already drilled when this act takes effect, to the end that the production will repay reasonable lifting cost and thus prevent premature abandonment and resulting waste.

(*e*) Whenever it appears that the owners in any pool have agreed upon a plan for the spacing of wells, or upon a plan or method of distribution of any allowable fixed by the Commission for the pool, or upon any other plan for the development or operation of such pool, which plan, in the judgment of the Commission, has the effect of preventing waste as prohibited by this act and is fair to the royalty owners in such pool, then such plan

shall be adopted by the Commission with respect to such pool; however, the Commission, upon hearing and after notice, may subsequently modify any such plan to the extent necessary to prevent waste as prohibited by this act.

(*f*) After the effective date of any rule, regulation or order fixing the allowable production, no person shall produce more than the allowable production applicable to him, his wells, leases or properties *determined as in this act provided,* and the allowable production shall be produced in accordance with the applicable rules, regulations or orders.

Section 14 (*a*) Every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipe lines, shall be a common purchaser thereof, and shall, without discrimination in favor of one producer as against another in the same field, purchase all oil tendered to it which has been lawfully produced in the vicinity of, or which may be reasonably reached by pipe lines through which it is transporting oil, or the gathering branches thereof, or which may be delivered to the pipe line or gathering branches thereof by truck or otherwise, and shall fully perform all the duties of a common purchaser. If any common purchaser shall not have need for all such oil lawfully produced within a field, or if for any reason it shall be unable to purchase all such oil, then it shall purchase from each producer in a field ratably, taking and purchasing the same quantity of oil from each well to the extent that each well is capable of producing its ratable portions; provided however, nothing herein contained shall be construed to require more than one pipe line connection for each producing well. In the event any such common purchaser of oil is likewise a producer or is affiliated with a producer, directly or indirectly, it is hereby expressly prohibited from discriminating in favor of its own production or in favor of the production of an affiliated producer as against that of others and the oil produced by such common purchaser or by the affiliate of such common purchaser shall be treated as that of any other produced for the purposes of ratable taking.

(*b*) It shall be unlawful for any common purchaser to unjustly or unreasonably discriminate as to the relative quantities of oil purchased by it in the various field of the state; the question of the justice or reasonableness to be determined by the Commission, taking into consideration the production and age of wells in the respective fields and all other factors. It is the intent of this act that all fields shall be allowed to produce and market a just and equitable share of the oil produced and marketed in the state, insofar as the same can be effected economically and without waste.

(*c*) It shall be the duty of the Commission to enforce the provisions of this act, and it shall have the power, after notice and hearing as provided in Section 15 of Chapter 72 of the Session Laws of New Mexico, 1935, to make rules, regulations and orders defining the distance that extension of the pipe line system shall be made to all wells not served; Provided that no such authorization or order shall be made unless the Commission finds as to such extension that it is reasonably required and economically justified, or as to such extension of facilities that the expenditures involved therein, and the expense incident thereto, is justified in relation to the volume of oil available for transportation through said extension; and such other rules, regulations and orders as may be necessary to carry out the provisions of this act, and in making such rules, regulations and orders, the Commission shall give due consideration to the economic factors involved. The Commission shall have authority to relieve such common purchaser, after due notice and hearing as herein provided, from the duty of purchasing crude petroleum oil of inferior quality or grade or that is not reasonably suitable for the requirements of such common purchaser.

(d) *Any person now or hereafter engaged in purchasing from one or more producers gas produced from gas wells shall be a common purchaser thereof within each common source of supply from which it purchases, and as such it shall purchase gas lawfully produced from gas wells with which its gas transportation facilities are connected in the pool and other gas lawfully produced within the pool and tendered to a point on its gas transportation facilities. Such purchases shall be made without unreasonable discrimination in favor of one producer against another in the price paid, the quantities purchased, the bases of measurement or the gas transportation facilities afforded for gas of like quantity, quality and pressure available from such wells. In the event any such person is likewise a producer, he is prohibited to the same extent from discriminating in favor of himself on production from gas wells in which he has an interest, direct or indirect, as against other production from gas wells in the same pool. For the purposes of this act reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship to differences in quality, quantity or pressure of the gas available or to the relative lengths of time during which such gas will be available to the purchaser. The provisions of this subsection shall not apply* (1) *to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of this act or of the rules, regulations or orders of the Commission,* (2) *to purchases of casinghead gas from oil wells, and* (3) *to persons purchasing gas principally for use in the recovery of production of oil or gas.*

(e) *Any common purchaser taking gas produced from gas wells from a common source of supply shall take ratably under such rules, regulations and orders, concerning quantity, as may be promulgated by the Commission consistent with this act. The Commission, in promulgating such rules, regulations and orders may consider the quality and the deliverability of the gas, the pressure of the gas at the point of delivery, acreage attributable to the well, market requirements in the case of unprorated pools, and other pertinent factors.*

(f) *Nothing in this act shall be construed or applied to require, directly or indirectly, any person to purchase gas of a quality or under a pressure or under any other condition by reason of which such gas cannot be economically and satisfactorily used by such purchaser by means of his gas transportation facilities then in service.*

Section 15 (*a*) The sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of crude petroleum oil *or natural gas* in whole or in part produced in excess of the amount

allowed by any statute of this state, or by any provision of this act, or by any rule, regulation or order of the Commission made thereunder, is hereby prohibited, and such oil or commodity is hereby referred to as "illegal oil" *or "illegal gas," as the case may be.*

(b) The sale or purchase or acquisition, or the transportation, refining, processing or the handling in any other way, of any product of crude petroleum *or any product of natural gas,* which product is derived in whole or in part from crude petroleum oil *or natural gas* produced in whole or in part in excess of the amount allowed by any statute of this state, or by any provisions of this act, or by any rule, regulation or order of the Commission made thereunder, is hereby prohibited, and each such commodity or product is herein referred to as "illegal oil product," *or "illegal gas product" to distinguish it from "legal gas product."*

Section 16 (*a*) The Commission is specifically authorized and directed to make such rules, regulations and orders, and may provide for such certificates of clearance or tenders, as may be necessary to make effective the prohibitions contained in Section 15.

(*b*) Unless and until the Commission provides for certificates of clearance or tenders, or some other method, so that any person may have an opportunity to determine whether any contemplated transaction of sale or purchase or acquisition, or of transportation, refining, processing, or handling in any other way, involves illegal oil or illegal oil product, *or illegal gas or illegal gas product,* no penalty shall be imposed for the sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of illegal oil or illegal oil product, *or illegal gas or illegal gas product,* except under circumstances stated in the succeeding provisions of this paragraph. Penalties shall be imposed for the commission of each transaction prohibited in Section 15 when the person committing the same knows that illegal oil or illegal oil product, *or illegal gas or illegal gas product,* is involved in such transaction, or when such person could have known or determined such fact by the exercise of reasonable diligence or from facts within his knowledge. However, regardless of lack of actual notice or knowledge, penalties as provided in this act shall apply to any sale or purchase or acquisition, and to the transportation, refining, processing, or handling in any other way, of illegal oil or illegal oil product, *or illegal gas or illegal gas product* where administrative provision is made for identifying the character of the commodity as to its legality. It shall likewise be a violation for which penalties shall be imposed for any person to sell or purchase or acquire, or to transport, refine, process, or handle in any way crude petroleum oil *or natural gas* or any product *thereof* without complying with the rule, regulation or order of the Commission relating thereto.

Section 17. Except as provided for herein, before any rule, regulation or order, including revocation, change, renewal or extension thereof, shall be made under the provisions of this act, a public hearing shall be held at such time, place and manner as may be prescribed by the Commission. The Commission shall first give reasonable notice of such hearing (in no case less than ten days, except in an emergency) and at any such hearing any person having an interest in the subject matter of the hearing shall be entitled to be heard. In case an emergency is found to exist by the Commission which in its judgment requires the making of a rule, regulation or order without first having a hearing, such emergency rule, regulation or order shall have the same validity as if a hearing with respect to the same had been held after due notice. The emergency rule, regulation or order permitted by this section shall remain in force no longer than fifteen days from its effective date, and, in any event, it shall expire when the rule, regulation or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation or order become effective.

Section 18. The reports, estimates, findings of fact, or similar documents or findings of the United States Bureau of Mines, or of any other department or agency of the United States Government, or of any bureau or agency under an interstate compact to which the State of New Mexico is a party made with respect to the reasonable market demand for crude petroleum oil, may be considered by the Commission or by any court and taken as being prima facie correct.

Section 19. (a) *Within twenty* (20) *days after entry of any order or decision of the Commission, any person affected thereby may file with the Commission an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within ten* (10) *days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.*

(b) *Any party to such rehearing proceeding, dissatisfied with the disposition of the application for rehearing, may appeal therefrom to the District Court of the county wherein is located any property of such party affected by the decision, by filing a petition for the review of the action of the Commission within twenty* (20) *days after the entry of the order following rehearing or after the refusal or rehearing as the case may be. Such petition shall state briefly the nature of the proceedings before the Commission and shall set forth the order or decision of the Commission complained of and the grounds of invalidity thereof upon which the applicant will rely; provided, however, that the questions reviewed on appeal shall be only questions presented to the Commission by the application for rehearing. Notice of such appeal shall be served upon the adverse party or parties and the Commission in the manner provided for the service of summons in civil proceedings. The trial upon appeal shall be de novo, without a jury, and the transcript of proceedings before the Commission, including the evidence taken in hearings by the Commission, shall be received in evidence by the court in whole or in part upon offer by either party, subject to legal objections to evidence, in the same manner as if such evidence was originally offered in the District Court. The Commission action complained of shall be prima facie valid and the burden shall be upon the*

party or parties seeking review to establish the invalidity of such action of the Commission. The Court shall determine the issues of fact and of law and shall, upon a preponderance of the evidence introduced before the Court, which may include evidence in addition to the transcript of proceedings before the Commission, and the law applicable thereto, enter its order either affirming, modifying, or vacating the order of the Commission. In the event the Court shall modify or vacate the order or decision of the Commission, it shall enter such order in lieu thereof as it may determine to be proper. Appeals may be taken from the judgment or decision of the District Court to the Supreme Court in the same manner as provided for appeals from any other final judgment entered by a District Court in this State. The trial of such application for relief from action of the Commission and the hearing of any appeal to the Supreme Court from the action of the District Court shall be expedited to the fullest possible extent.

(c) The pendency of proceedings to review shall not of itself stay or suspend operation of the order or decision being reviewed, but during the pendency of such proceedings, the District Court in its discretion may, upon its own motion or upon proper application of any party thereto, stay or suspend, in whole or in part, operation of said order or decision pending review thereof, on such terms as the court deems just and proper and in accordance with the practice of courts exercising equity jurisdiction; provided, that the court, as a condition to any such staying or suspension of operation of any order or decision, may require that one or more parties secure, in such form and amount as the court may deem just and proper, one or more other parties against loss or damage due to the staying or suspension of the Commission's order or decision, in the event that the action of the Commission shall be affirmed.

(d) The applicable rules of practice and procedure in civil cases for the courts of this state shall govern the proceedings for review, and any appeal therefrom to the Supreme Court of this state, to the extent such rules are consistent with provisions of this act.

Section 20 (*a*) No temporary restraining order or injunction of any kind shall be granted against the Commission or the members thereof, or against the Attorney General, or against any agent, employee or representative of the Commission, restraining the Commission, or any of its members, or any of its agents, employees or representatives, or the Attorney General, from enforcing any statute of this state relating to conservation of oil or gas, or any of the provisions of this act, or any rule, regulation or order made thereunder, except after due notice to the members of the Commission, and to all other defendants, and after a hearing at which it shall be clearly shown to the court that the act done or threatened is without sanction of law, or that the provision of this act, or the rule, regulation or order complained of, is invalid, and that, if enforced against the complaining party, will cause an irreparable injury. With respect to an order or decree granting temporary injunctive relief, the nature and extent of the probable invalidity of the statute, or of any provision of this Act, or of any rule, regulation or order thereunder involved in such suit, must be recited in the order or decree granting the temporary relief, as well as a clear statement of the probable damage relied upon by the court as justifying temporary injunctive relief.

(*b*) No temporary injunction of any kind, including a temporary restraining order against the Commission or the members thereof, or its agents, employees or representatives, or the Attorney General, shall become effective until the plaintiff shall execute a bond to the State with sufficient surety in an amount to be fixed by the court reasonably sufficient to indemnify all persons who may suffer damage by reason of the violation pendente lite by the complaining party of the statute or the provisions of this act or of any rule, regulation or order complained of. Any person so suffering damage may bring suit thereon before the expiration of six months after the statute, provision, rule, regulation or order complained of shall be finally held to be valid, in whole or in part, or such suit against the Commission, or the members thereof, shall be finally dismissed. Such bond shall be approved by the judge of the court in which the suit is pending, and shall be for the use and benefit of all persons who may suffer damage by reason of the violation pendente lite of the statute, provision, rule, regulation or order complained of in such suit, and who may bring suit within the time prescribed by this section; and such bond shall be so conditioned. From time to time, on motion and with notice to the parties, the court may increase or decrease the amount of the bond and may require new or additional sureties, as the facts may warrant.

Section 21. Whenever it shall appear that any person is violating, or threatening to violate, any statute of this State with respect to the conservation of oil and gas, or both, or any provision of this act, or any rule, regulation or order made thereunder, the Commission, through the Attorney General, shall bring suit against such person in the county of the residence of the defendant, or in the county of the residence of any defendant if there be more than one defendant, or in the county where the violation is alleged to have occurred, for penalties, if any are applicable, and to restrain such person from continuing such violation or from carrying out the threat of violation. In such suit the Commission may obtain injunctions, prohibitory and mandatory, including temporary restraining orders and temporary injunctions, as the facts may warrant, including when appropriate, an injunction restraining any person from moving or disposing of illegal oil or illegal oil product, *or illegal gas or illegal gas product,* and any or all such commodities, *or funds derived from the sale thereof,* may be ordered to be impounded or placed under the control of an agent appointed by the court if, in the judgment of the court, such action is advisable.

Section 22. Nothing in this act contained or authorized, and no suit by or against the Commission, and no penalties imposed or claimed against any person for violating any statute of this state with respect to conservation of oil and gas, or any provision of this act, or any rule, regulation or order issued thereunder, shall impair or abridge or delay any cause of action for damages which any person may have or assert against any person violating any statute of this state with respect to conservation of oil and gas, or any provision of this act, or any rule, regulation or order issued thereunder. Any person so damaged by the violation may sue for and recover such damages as he may be entitled

to receive. In the event the Commission should fail to bring suit to enjoin any actual or threatened violation of any statute of this state with respect to the conservation of oil and gas, or of any provision of this act, or of any rule, regulation or order made thereunder, then any person or party in interest adversely affected by such violation, and who has notified the Commission in writing of such violation or threat thereof and has requested the Commission to sue, may, to prevent any or further violation, bring suit for that purpose in the District Court of any county in which the Commission could have brought suit. If, in such suit, the court holds that injunctive relief should be granted, then the Commission shall be made a part and shall be substituted for the person who brought the suit, and the injunction shall be issued as if the Commission had at all times been the complaining party.

Section 23. The violation by any person of an order of the court relating to the operation of a well or wells, or of a pipe line or other transportation, equipment or facility, or of a refinery, or of a plant of any kind, shall be sufficient ground for the appointment of a receiver with power to conduct operations in accordance with the order of the court.

Section 24. Any person who, for the purpose of evading this act, or of evading any rule, regulation or order made hereunder, shall *knowingly and wilfully* make or cause to be made any false entry or statement of fact in any report required to be made by this act or by any rule, regulation or order made hereunder; or who, for such purpose, shall make or cause to be made any false entry in any account, record or memorandum kept by any person in connection with the provisions of this act or of any rule, regulation or order made thereunder; or who, for such purpose, shall omit to make, or cause to be omitted, full, true and correct entries in such accounts, records or memoranda, of all facts and transactions pertaining to the interest or activities in the petroleum industry of such person as may be required by the Commission under authority given in this act or by any rule, regulation or order made hereunder; or who, for such purpose, shall remove out of the jurisdiction of the state, or who shall mutilate, alter, or by any other means falsify, any book, record, or other paper pertaining to the transactions regulated by this act or by any rule, regulation or order made hereunder; — shall be deemed guilty of a felony and shall be subject, upon conviction in any court of competent jurisdiction, to a fine of not more than One Thousand ($1,000.00) Dollars, or imprisonment for a term of not more than three years, or to both such fine and imprisonment.

(b) Any person who *knowingly and wilfully* violates any provision of this act or any rule, regulation or order of the Commission made hereunder, shall, in the event a penalty for such violation is not otherwise provided for herein, be subject to a penalty of not to exceed One Thousand ($1,000.00) Dollars a day for each and every day of such violation, and for each and every act of violation, such penalty to be recovered in a suit in the District Court of the county where the defendant resides, or in the county of the residence of any defendant if there be more than one defendant, or in the District Court of the county where the violation took place. The place of suit shall be selected by the Commission, and such suit, by direction of the Commission, shall be instituted and conducted in the name of the Commission by the Attorney General or under his direction by the district attorney of the county where the suit is instituted. The payment of any penalty as provided for herein shall not have the effect of changing illegal oil *or illegal gas* into legal oil or *legal gas*, or illegal oil *or illegal gas* product into legal oil *or legal gas* product, nor shall such payment have the effect of authorizing the sale or purchase or acquisition, or the transportation, refining, processing, or handling in any other way, of such illegal oil *or illegal gas*, or illegal oil *or illegal gas* product, but to the contrary penalty shall be imposed for each prohibited transaction relating to such illegal oil *or illegal gas* or illegal oil *or illegal gas product.*

(c) Any person *knowingly and wilfully* aiding or abetting any other person in the violation of any statute of this State relating to the conservation of oil and gas, or the violation of any provision of this act, or any rule, regulation or order made thereunder, shall be subject to the same penalties as are prescribed herein for the violation by such other person.

Section 25 (*a*) Apart from, and in addition to, any other remedy or procedure which may be available to the Commission, or any penalty which may be sought against or imposed upon any person, with respect to violations relating to illegal oil *or illegal gas* or illegal oil *or illegal gas* product shall, except under such circumstances as are stated herein, be contraband and shall be seized and sold, and the proceeds applied as herein provided. Such sale shall not take place unless the court shall find in the proceeding provided in this paragraph, that the owner of such illegal oil *or illegal gas* or illegal oil *or illegal gas* product is liable or in some proceeding authorized by this act, such owner has already been held to be liable, for penalty for having produced such illegal oil *or illegal gas*, or for having purchased or acquired such illegal oil *or illegal gas* or illegal oil *or illegal gas* product. Whenever the Commission believes that illegal oil *or illegal gas* or illegal oil *or illegal gas* product is subject to seizure and sale, as provided herein, it shall, through the Attorney General, bring a civil action in rem for that purpose in the District Court of the county where the commodity is found, or the action may be maintained in connection with any suit or cross-action for injunction or for penalty relating to any prohibited transaction involving such illegal oil *or illegal gas* or illegal oil *or illegal gas* product.

Notice of the action in rem shall be given in conformity with the law or rule applicable to such proceeding. Any person or party in interest who may show himself to be adversely affected by any such seizure and sale shall have the right to intervene in said suit to protect his rights.

(b) Whenever the pleading with respect to the forfeiture of illegal oil *or illegal gas* or illegal oil *or illegal gas* product shows ground for seizure and sale, and such pleading is verified or is supported by affidavit or affidavits, or by testimony under oath, the court shall order such commodity to be impounded or placed under the control, actual or constructive, of the court through an agent appointed by the court.

(c) The judgment effecting the forfeiture shall provide that the commodity be seized, if not already under the control of the court, and that a sale be had in similar manner and with similar notice as provided by law or rule with respect to the sale of personal property under execution; provided, however, the court may order that the commodity be sold in specified lots or portions, and at specified intervals, instead of being sold at one time. Title to the amount sold shall pass as of the date of the seizure. The judgment shall provide for payment of the proceeds of the sale into the Common School Fund, after first deducting the costs in connection with the proceedings and the sale. The amount sold shall be treated as legal oil *or legal gas* or legal oil *or legal gas* product, as the case may be, in the hands of the purchaser, but the purchaser and the commodity shall be subject to all applicable laws and rules, regulations and orders with respect to further sale or purchase or acquisition, and with respect to the transportation, refining, processing, or handling in any other way, of the commodity purchased.

(d) Nothing in this section shall deny or abridge any cause of action a royalty owner, or any lien holder, or any other claimant, may have, because of the forfeiture of the illegal oil *or illegal gas* or illegal oil *or illegal gas* product, against the person whose act resulted in such forfeiture.

Section 26. Unless the context otherwise requires, the words defined in this section shall have the following meaning when found in this act, to-wit:

(a) "Person" means any natural person, corporation, association, partnership, receiver, trustee, guardian, executor, administrator and a fiduciary of any kind.

(b) "Pool" means an underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separated from any other zone in the structure, is covered by the word "pool" as used herein. *"Pool" is synonymous with "common source of supply" and with "common reservoir."*

(c) "Field" means the general area which is underlaid or appears to be underlaid by at least one pool; and "field" also includes the underground reservoir or reservoirs containing such crude petroleum oil or natural gas, or both. The words "field" and "pool" means the same thing when only one underground reservoir is involved; however, "field" unlike "pool" may relate to two or more pools.

(d) "Product" means any commodity or thing made or manufactured from crude petroleum oil or natural gas, and all derivatives *of* crude petroleum oil or natural gas, including refined crude oil, crude tops, topped crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil, treated crude oil, fuel oil, residuum, gas oil, naphtha, distillate, gasoline, kerosene, benzine, wash oil, waste oil, lubricating oil, and blends or mixtures of crude petroleum oil or natural gas or any derivative thereof.

(e) "Owner" means the person who has the right to drill into and to produce from any pool, and to appropriate the production either for himself or for himself and another.

(f) "Producer" means the owner of well or wells capable of producing oil or natural gas or both in paying quantities.

(g) *"Gas transportation facility" means a pipe line in operation serving gas wells for the transportation of natural gas, or some other device or equipment in like operation whereby natural gas produced from gas wells connected therewith can be transported or used for consumption.*

(h) *"Correlative rights" means the opportunity afforded, so far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for such purpose to use his just and equitable share of the reservoir energy.*

Section 27. There is hereby levied a tax on one-eighth of one per cent on the proceeds of all oil and gas produced in this State, except royalties payable to the United States or to this State. Such tax shall be reported and collected at the same time and in the same manner as the emergency school tax now, or hereafter provided by law, is returned and collected. Such tax when collected shall be paid to the State Treasurer and by him covered into a fund designated as the Oil Conservation Fund. Such fund, or so much thereof as may be necessary, is hereby appropriated to the Oil Conservation Commission to be by it expended in the enforcement of this act. The Commission is hereby authorized, within the limits of the fund available, to employ a secretary and such other employees and agents as may be necessary to enforce the provisions of this act.

Section 28. The Oil Conservation Commission is hereby vested with the authority and duty of regulation and conserving the production of and preventing waste of carbon dioxide gas within this state in the same manner, in so far as is practicable as it regulates, conserves and prevents waste of natural or hydrocarbon gas. The provisions of this act relating to gas or natural gas shall also apply to carbon dioxide gas in so far as the same are applicable. "Carbon dioxide gas" as used herein shall mean non-combustible gas composed chiefly of carbon dioxide occurring naturally in underground rocks.

Section 29. If any part or parts of this act be held to be unconstitutional, such unconstitutionality shall not affect the validity of the remaining portions of this act. The legislature hereby declares that it would have passed the remaining parts of this act if it had known that such part or parts thereof would be declared unconstitutional.

[illegible]

[illegible]

[illegible]

[illegible] Section Three (3); the North One-half (N½) of Section Twenty-three (23); and the South One-half (S½) and Northwest Quarter (NW¼) of Section Twenty-four (24); all in Township Twenty-Three (23) South, Range Thirty-Six (36) East, Lea County, New Mexico.

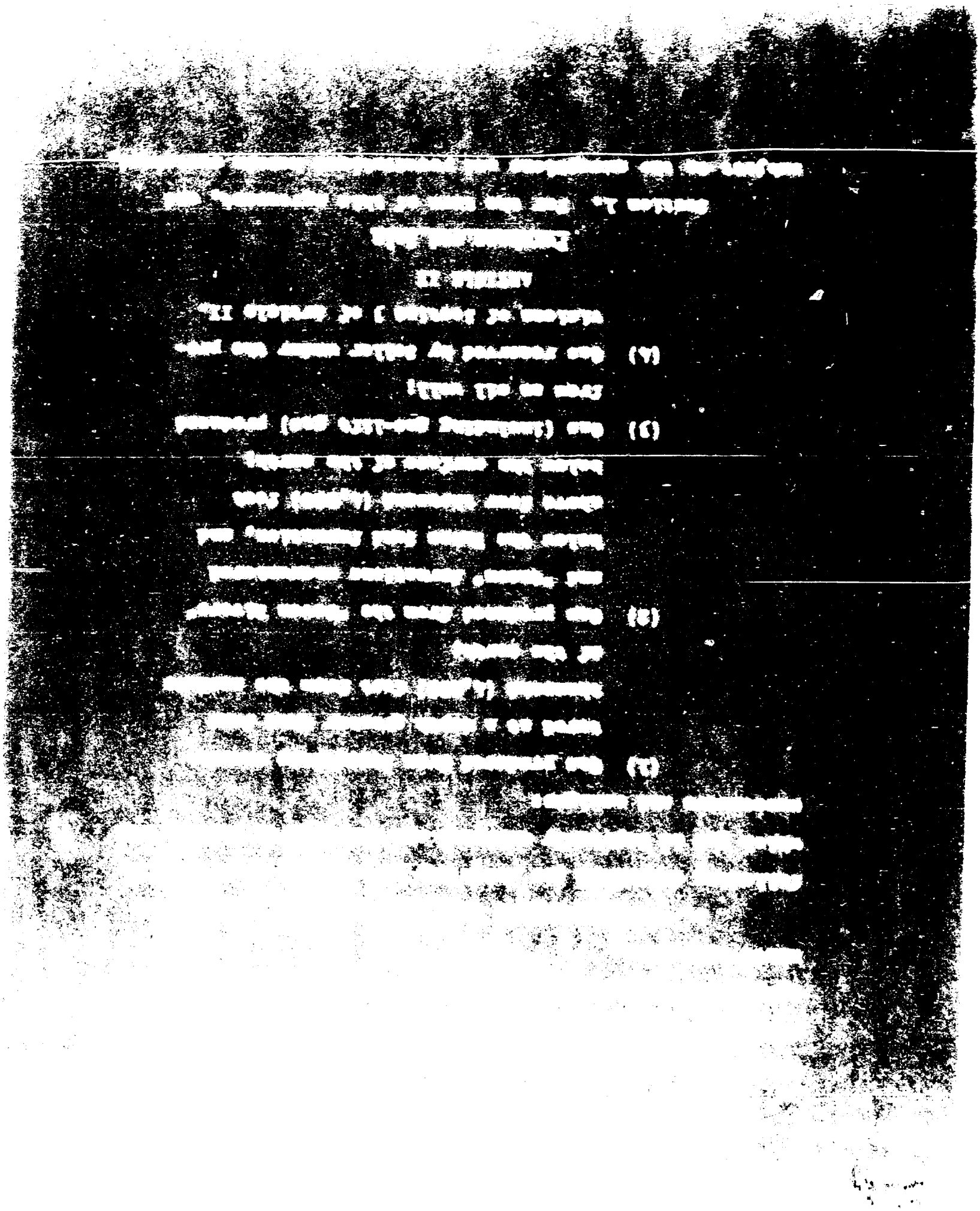
b. Block 2

The South One-half (S½) and Northwest Quarter (NW¼) of Section Five (5); the South One-half (S½) and Northeast Quarter (NE¼) of Section Seven (7); all of Section Eight (8); and the North One-half (N½) and Southwest Quarter (SW¼) of Section Nine (9); all in Township Twenty-Two (22) South, Range Thirty-Six (36) East, Lea County, New Mexico.

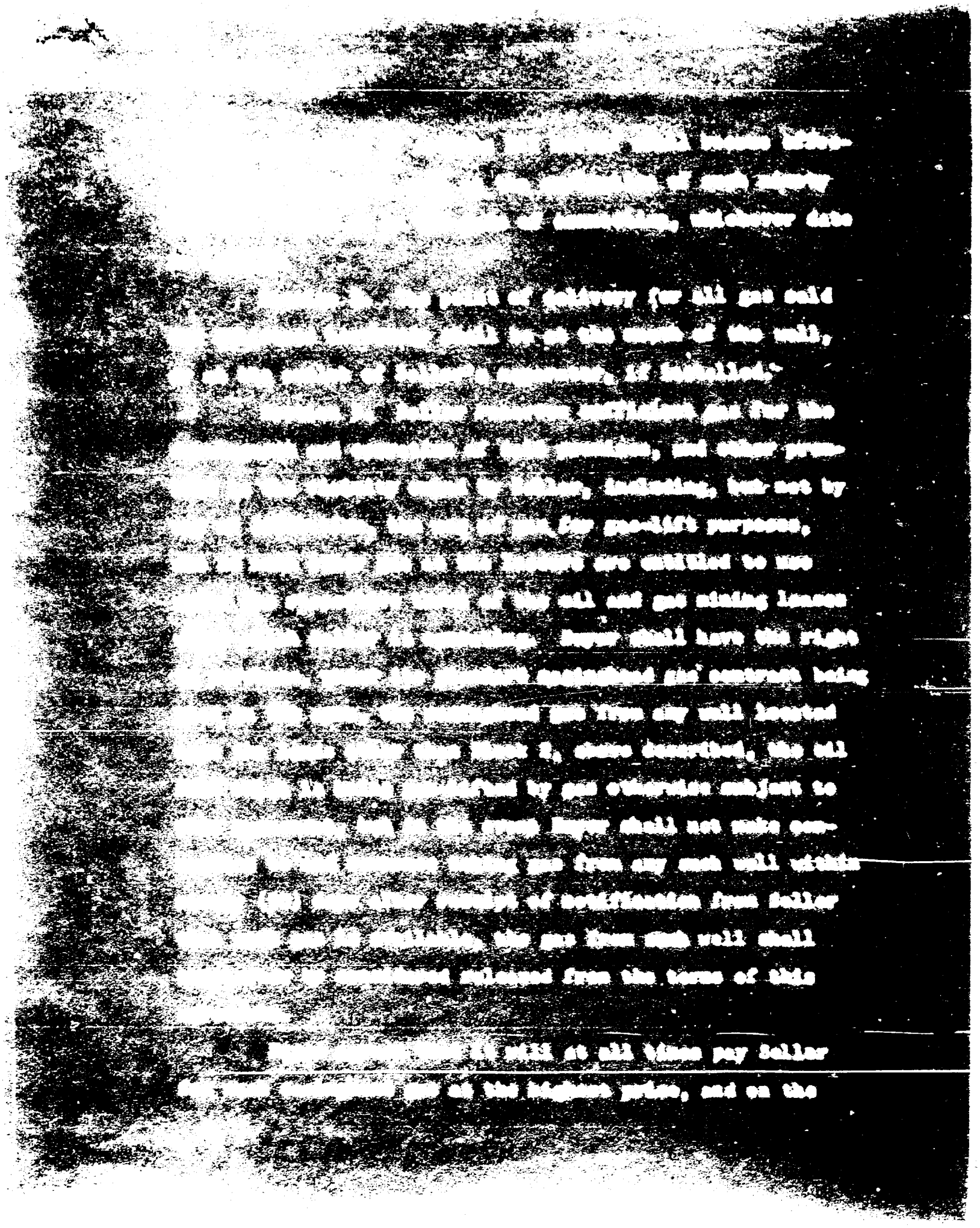
Section 2. Block 1 Can Severed by and Excepted from this Agreement.

a. Subject to the reservations and exceptions in this agreement hereinafter contained, this agreement shall

[redacted]



[redacted] on the [redacted] hereof [redacted] plotted on the [redacted] hereof and are capable of producing the [redacted] covered by the terms of this contract shall be connected by Buyer not later than one hundred twenty (120) days from the effective date of this agreement, and the provisions of Article XII hereof shall become effective as to such [redacted] until on the expiration of such one hundred twenty (120) day period or on the date of connection, whichever date is earlier. Now wells subject to this agreement, and completed or recompleted after the effective date hereof, shall be connected by Buyer to its gathering system not later than ninety (90) days after receipt by Buyer of notice from Seller that such well has been completed or recompleted,



[redacted]

[redacted]

[redacted]

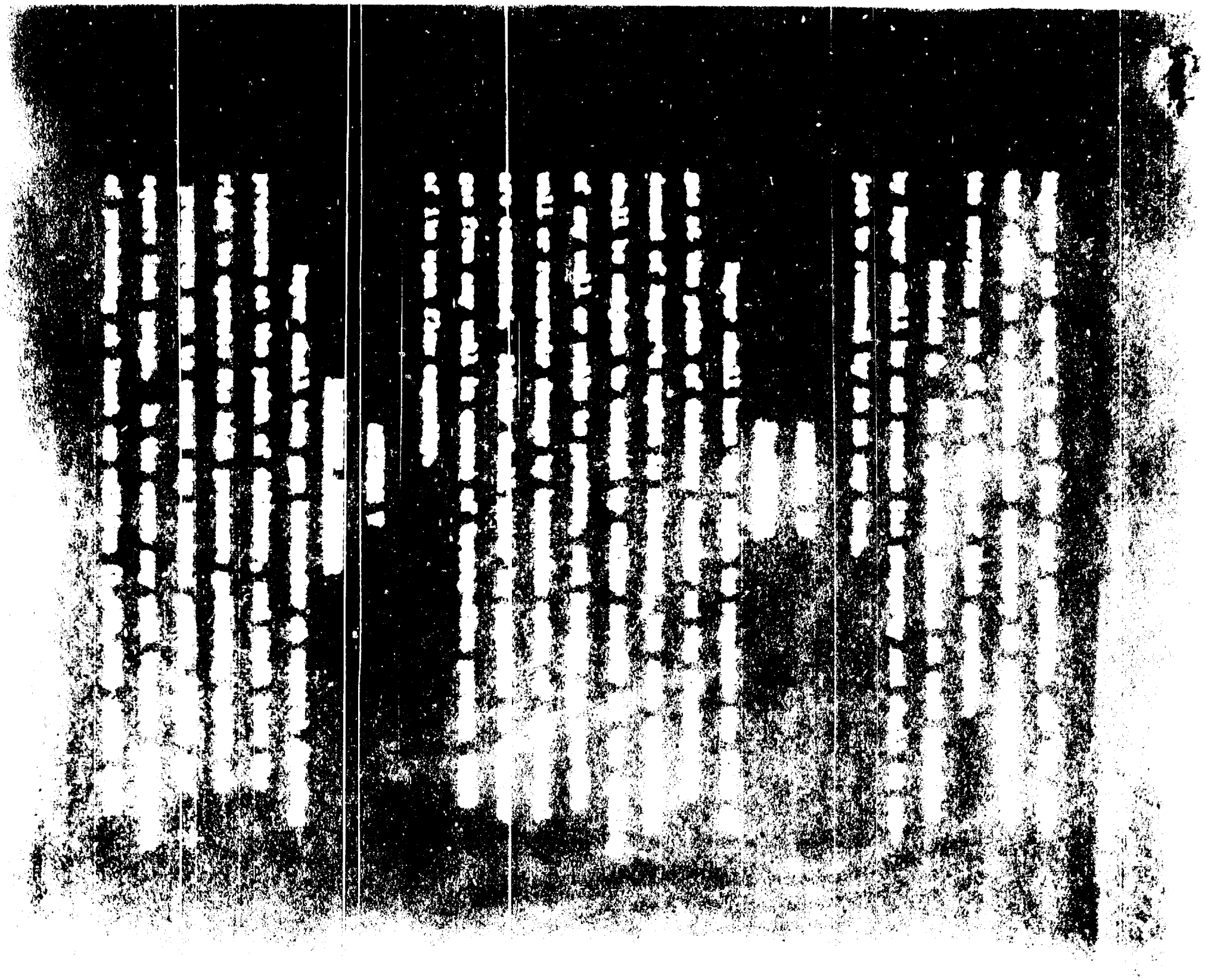
[redacted] gross heating value of not less than [redacted] (950) British thermal units per standard cubic foot, and deal with other topics. [redacted] from objectionable liquids. Except as provided in Article VI hereof, Seller shall never be required to tender gas to Buyer if it is unmerchantable.

Buyer shall have the right to refuse to take gas from any well, the gas from which fails to meet any of the above specifications, and in the event Buyer shall not commence taking gas from any such well within ninety (90) days after receipt of notification from Seller that gas from such well is available, the well and the acreage allocation unit upon which it is located shall thereafter be considered released from the terms of this agreement.

ARTICLE III

Right of Way

Section 1. Seller grants to Buyer, so far as Seller has the right to do so, right of way on said premises and other lands controlled by Seller for Buyer's gathering pipe lines and other equipment as may be necessary, right of



[illegible] immediately the pressure on the gathering system to [illegible] necessary to permit delivery of gas from such well in such quantity, or to install immediately sufficient compression facilities to permit the delivery of gas in such quantity from such well at the operating pressure of Buyer's gathering system, and thereafter Buyer shall maintain such compression facilities in operation to the extent necessary to enable such well to deliver into Buyer's gathering system the volume of gas which Buyer has herein contracted to take from such well.

Buyer shall not discontinue taking gas from any well covered hereby so long as such well will produce at a wellhead flowing pressure of at least one hundred pounds ~~(100#)~~ per square inch gauge.

Buyer shall have the right to refuse to take gas from any well failing to produce at a wellhead flowing pressure of less than one hundred pounds (100#) per square inch gauge, and in the event Buyer shall not commence taking gas from any such well within ninety (90) days after receipt of notification from Seller that gas from such well is available, such well and the acreage allocation unit on which it is located shall thereafter be considered released from this agreement.

[redacted] from this gas or [redacted] other in the Lincoln county [redacted] pipe line, all oil and liquid hydrocarbons [redacted] premises being the property of Seller. Buyer agrees to install and maintain in operation such heaters as may be necessary to enable delivery from each well of the volume of gas Buyer has hereby contracted to take from each well.

ARTICLE VII

Meters

Section 1. Buyer, at its sole cost and expense, shall install, maintain and operate at the points of delivery a standard type orifice meter for the measuring of the quantity of gas delivered hereunder. Orifice meters shall be installed and operated in accordance with the specifications prescribed in Gas Measurement Report No. 2, dated May 6, 1935, of the Natural Gas Department of the American Gas Association. Buyer shall cause the charts on such meter to be changed daily or weekly, as may be agreed upon by the parties hereto. The respective meter, meter readings and meter charts shall be accessible, at all reasonable times, for inspection and examination by Seller.

Section 4. From time to time and at least once in each three (3) months, the accuracy of Buyer's measuring equipment shall be verified by and at the expense of Buyer in the presence of representatives of both Seller and Buyer, and the parties shall jointly observe any adjustments which are made in such measuring equipment. If either party at any time shall notify the other that it desires a special test of any meter, the other party shall cooperate to secure an immediate verification of the accuracy of such meter and joint observation of any adjustments. Such party shall give to the other notice of the time of all tests, so that the other party may conveniently have its representatives present. Reading, calibration and adjustment of Buyer's meters and charting of charts shall be done only by Buyer.

Section 5. If, upon any test, the percentage of inaccuracy shall be two percent (2%) or more, the registration of such meter shall be corrected at the rate of such inaccuracy for any period which is definitely known or agreed upon, but in case the period is not definitely known or agreed upon, then for a period extending back one-half (1/2) of the time elapsed since the date of the last calibration. Following any test, metering equipment found inaccurate shall be immediately restored by Buyer as closely as possible to a condition of accuracy. If, for any reason, any meter is out of service and/or fails to register, the amount of natural gas delivered during such period may be estimated on the

[redacted]

b. By ascertaining the quantity of delivery by deliveries during preceding periods under similar conditions when the meter was registering accurately.

Section 4. Seller may, at its option and expense, install and operate a check meter to check Buyer's meter, but measurement of gas for the purpose of this agreement shall be by Buyer's meter, except as hereinabove specifically provided to the contrary.

ARTICLE VIII

[redacted]

Section 1. The unit of measurement for the natural gas delivered under this agreement shall be one thousand

[redacted] per square inch [redacted] items of the metering equipment [redacted] be computed into such units in accordance with the [redacted] options prescribed in Gas Measurement Report No. 3, dated May 6, 1935, of the Natural Gas Department of the American Gas Association as supplemented and modified, applied in a practical and appropriate manner, and proper consideration shall be made for deviation from Boyle's Law in accordance with Bulletin T3-402 and Bulletin T3-461 of the California Natural Gasoline Association, as such Bulletins in the future may be supplemented and modified.

Section 2. For the purpose of measurement, the average absolute atmospheric (barometric) pressure shall be assumed to be fourteen and four-tenths pounds (14.4#) to the square inch, irrespective of the actual elevation or location of the delivery point above sea level or of variations in such barometric pressure from time to time. For meters of the orifice type, the following factors shall be given due consideration, viz:

a. The temperature of the natural gas flowing through Buyer's meter shall be obtained by the use of a recording thermometer so installed by Buyer that it may

[redacted]

(3) [redacted]

[redacted]

[redacted]

[

[redacted] payment of
[redacted] gas, there is
[redacted] gas, there is another
[redacted] Buyer's measurement of
[redacted] or such other method as
[redacted] shall be used in making such tests. The
[redacted] as aforesaid shall be subject to the pressure base
[redacted] in Article VIII hereof.

ARTICLE I.

Schedules and Other Distributions

Section 1. Buyer agrees to make payment to Seller on the basis of the schedule set out in "Basis of Settlement for Gasoline and Additional Products"; attached hereto as Exhibit "A", for all the natural gasoline contained in all the gas purchased hereunder, irrespective of whether such gas is processed for extraction of said gasoline.

In the event Buyer processes (or causes to be processed) the gas purchased hereunder for the extraction of other liquified petroleum products, Buyer shall pay Seller for such other products on the basis of the schedule set out in "Basis of Settlement for Gasoline and Additional Products", attached hereto marked Exhibit "A" and hereby made a part hereof.

[redacted] and on [redacted] during the [redacted] the plant is shut down, or [redacted] being produced.

[redacted]

[redacted]

Section 1. On or before the tenth (10th) day of each calendar month, Buyer shall render to Seller a statement accompanied by charts, showing the amount of gas purchased by Buyer hereunder during the preceding calendar month, and payment for such gas shall be made by Buyer to Seller on or before the twentieth (20th) day of the calendar month in which such statement is rendered. Any errors in such charts, statement or payment shall be promptly reported to Buyer, and Buyer shall make proper adjustment thereof within thirty (30) days after final determination of the correct volume and/or values involved.

Section 2. It is understood and agreed that Seller will pay and satisfy all production, severance or similar taxes levied or assessed on or against the gas delivered hereunder up to the point of delivery as defined herein, or in the event Buyer pays any such taxes for Seller, Buyer may deduct such taxes so paid from amounts due Seller hereunder. All taxes and assessments or similar charges upon

the gas sold or delivery hereunder or assessed [illegible] the gas or its transportation, sale or handling beyond the point of delivery hereunder shall be paid by Buyer. In the event that any tax now in force and levied or assessed on or against the gas delivered hereunder up to the point of delivery is increased, or in the event that any new or additional tax is hereafter levied or assessed by the State of New Mexico, the Federal Government or other competent authority in respect to or applicable to the gas to be delivered by Seller to Buyer under this agreement, which Seller may be liable for under the law and under this agreement, and which would, except for this provision, be borne by or chargeable to Seller without right of reimbursement from others, the amount of such increase or new or additional tax shall be divided between and borne three-fourths (3/4) by Buyer and one-fourth (1/4) by Seller. Such increase or new or additional tax is assessed or levied on or against "make-up" gas as defined in Section 5 of Article XII hereof, in which event the entire amount of such increase or new or additional taxes shall be borne by Buyer. Also Buyer shall reimburse Seller to the extent that the amount of any such taxes payable on "make-up" gas at the time of delivery exceeds the amount of such taxes payable at the time such "make-up" gas was paid for.

Section 3. Seller shall return to Buyer all [illegible] after they have been inspected. Seller shall have access to Buyer's records and books at all reasonable hours so far as they affect the gas sold hereunder.

[redacted] that Buyer makes-
[redacted] from Seller and within
[redacted] which Seller has, through control hereby is located,
[redacted] to purchase at all times Seller's full allowable produc-
tion. Buyer agrees, insofar as practicable, to take ratably
from each allocation unit connected to its system in Lea
County, based upon the well acreage allocations and the
ability of individual wells to deliver gas into Buyer's
gathering system against the working pressure therein, or
against a pressure of six hundred pounds (600#) per square
inch gauge, whichever is lower, within the allowable limits
that may be set from time to time by governmental authori-
ties having proper jurisdiction thereof. In no event shall
Buyer be required to take, or Seller be required to deliver,
gas from any well in excess of twenty-five percent (25%)
of its open flow capacity.

Section 2. Buyer agrees to purchase and take, or failing to take, nevertheless to pay for, a daily average minimum of five hundred thousand (500,000) cubic feet per day from each well located upon a "maximum gas allocation unit" as that term is hereinafter defined in Section 5 below; provided, however, that in the event any well becomes incapable of producing, at a flowing pressure of one hundred pounds (100#) per square inch gauge, a daily stabilized rate

[redacted]

Section 3. At the request of Seller, when any required approval has been obtained by Seller from all governmental authorities having jurisdiction in the premises, the daily average minimum of five hundred thousand (500,000) cubic feet per day required to be taken by Buyer shall be increased proportionately up to a maximum of two million (2,000,000) cubic feet per day, in the case of any well located on a tract consisting of more than one hundred sixty (160) acres, up to, but not exceeding, a total of six hundred forty (640) acres. All such tracts shall meet the requirements of Section 5 below.

Section 4. Said minimum average shall be averaged over each calendar year, or the applicable portion thereof if the well is, or could be, connected to Buyer's system for only a part of the calendar year under consideration.

Section 5. For the purpose of this agreement, a "maximum gas allocation unit" is hereby defined to be a

[illegible] operated under [illegible] at least one [illegible] a machine with [illegible] may be discontinued [illegible] under the same lease [illegible], finding a condemnor [illegible] discontinue does not exceed five [illegible] fiscal year.

[illegible] shall fail to take [illegible] year, or applicable per- [illegible], the daily average minimum as above defined, [illegible] to [illegible] due to physical unavailability of gas, causes within the control of Seller or force majeure [illegible], then within thirty (30) days after the end of such calendar year, Buyer shall pay Seller for the deficiency between the average minimum quantity required to be taken from gas with and the amount actually taken by Buyer from such well during such calendar year. Payment shall be made at the weighted average price paid by Buyer for gas taken such well during such calendar year.

During the next four (4) years following that in which Buyer failed to take the gas be paid for, all gas taken by Buyer from such well during any year which is in excess of the daily average minimum for such well for such year shall be known as "makeup" gas and shall be without

[redacted] shall provided, however, [redacted] to extend the [redacted] for any period in excess of one (1) year.

Section 7. While producing tests to determine their open flow capacity and their daily stabilized producing capacity shall be tested by Buyer annually, and such test shall determine the daily average minimum for each well during the succeeding twelve (12) months' period. Buyer shall give Seller prior notice of the date of such tests, and Seller shall have the right to be represented at and to participate in such tests. In the absence of agreement of the parties as to the manner and method of conducting such tests, such tests shall be conducted in the manner and under the rules prescribed by the Railroad Commission of Texas for such tests.

Section 8. In the event that any governmental authority having proper jurisdiction in the premises should establish rules allocating gas withdrawals from the wells covered hereby to the extent that Seller should be unable for that reason to deliver from any particular well the minimum amount of gas Buyer is obligated to take from such well, and at the same time Seller owns or operates a well or wells covered hereby which can by virtue of such allocation be [redacted] produce higher than the minimum Buyer is obli-

[redacted]

The provisions of this Section 3 shall not become applicable unless allocation rules be established for gas-wide in scope.

ARTICLE XIII

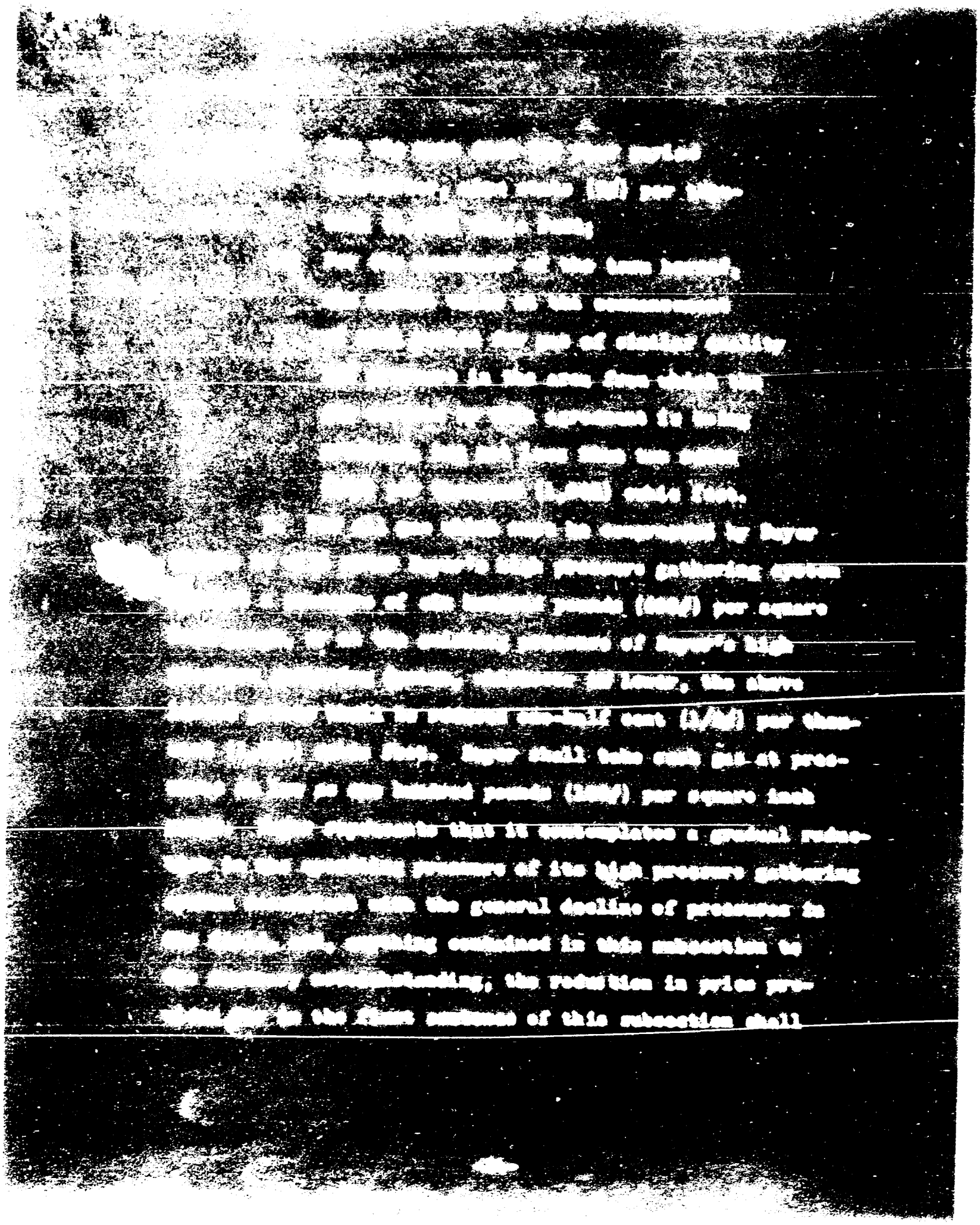
Price

Section 1. Buyer shall pay Seller for the gas contracted hereunder in accordance with the following schedule:

a. For gas taken from wells having sufficient pressure either to deliver gas into Buyer's high pressure gathering system against the working pressure therein, or against a pressure of six hundred pounds (600#) per square inch gauge; whichever is lower:

(1) From the effective date of this agreement until September 30, 1954, seven cents (7¢) per thousand (1,000) cubic feet;

(2) For the five (5) year period commencing October 1, 1954, eight cents (8¢) per thousand (1,000) cubic feet;



[redacted]

Seller if Buyer pay which during the term hereof, should gas of similar kind and quality as that delivered hereunder be sold in the same field or area at a higher price per thousand (1,000) cubic feet than provided herein, and as a result thereof Seller is required to pay royalty to its lessor or lessors based upon such higher price for gas delivered hereunder, then and in that event Buyer agrees to reimburse Seller in the amount that the actual royalty paid by Seller to its lessor on gas delivered during said month exceeds the amount of such royalty if computed on the basis of the price paid hereunder. Provided, further, that Buyer may refuse to pay excess royalty on gas delivered hereunder should the same higher field price exceed by more than one and one-half cents (1½¢) per thousand (1,000) cubic feet the price currently being paid under this agreement, by giving written notice to Seller, in which event Seller shall have thirty (30) days after receipt of such notice in which to elect whether it will assume and bear all excess royalty due on gas delivered hereunder in excess of a field price

[redacted]

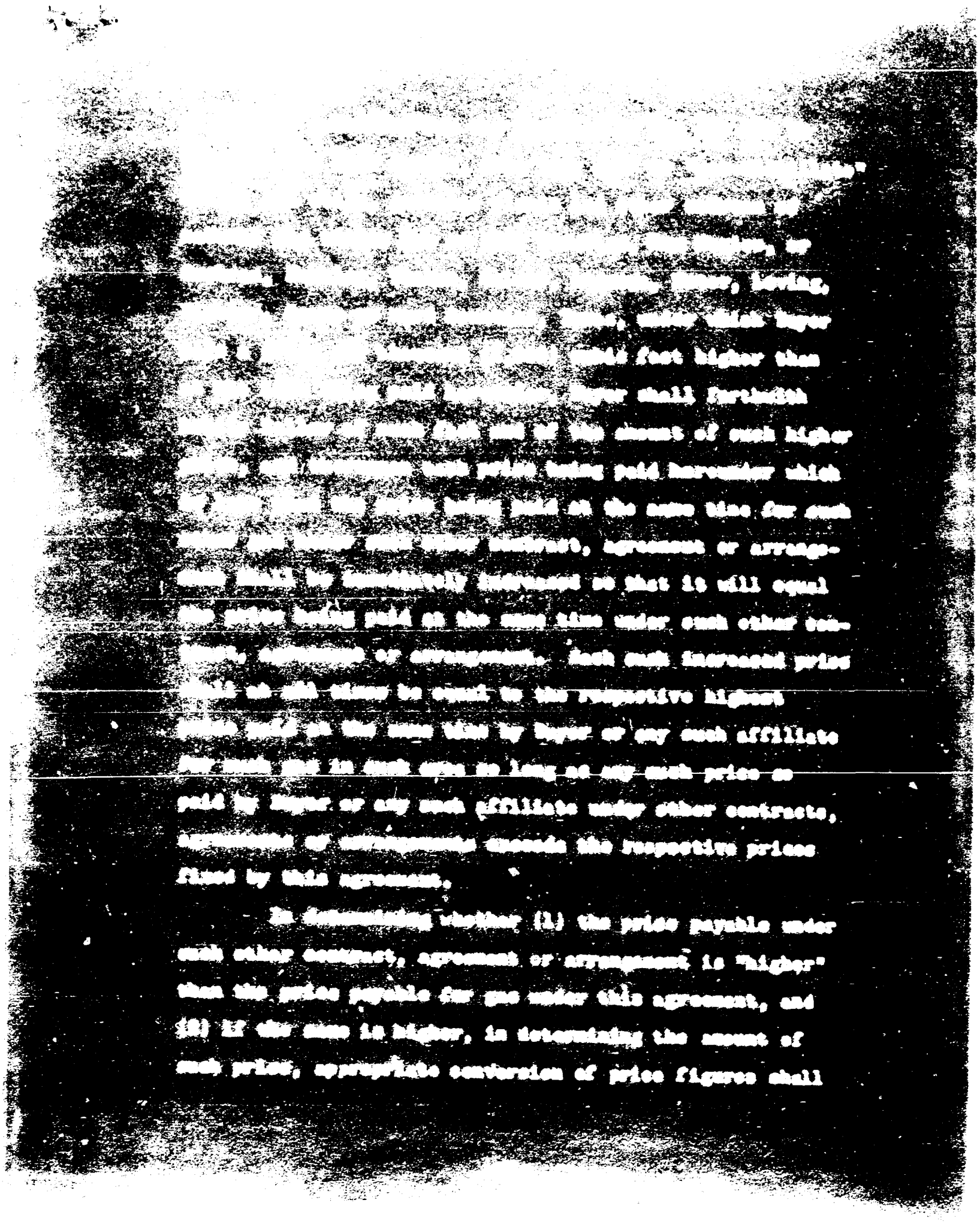
[redacted] this agreement shall [redacted] applicable to such excess royalty. Such payment of the provisions of this Section 2 shall be paid by Buyer monthly, within fifteen (15) days after receipt of statement from Seller showing the amount due.

For purposes of determining Buyer's obligation to pay any excess royalty that may be applicable, the royalty obligation of Seller on the date gas is actually delivered will be considered.

Section 3. Payment for the gas sold hereunder shall be made directly to Texas Pacific Coal and Oil Company at Fort Worth, Texas.

Seller hereby assumes the responsibility and liability for making payments to the lessors and royalty owners for the proportionate amounts due them on account of all deliveries hereunder.

Section 4. If at any time or times after the date of this agreement there should be in effect any contract, agreement or other arrangement between Buyer (or any person, firm or corporation in which Buyer owns stock or with which Buyer is otherwise associated or affiliated) and any party



[illegible] to be made by the other
to determine, if any, presented by such other entered to
buyer's plus 10pt deadline. In making the determin-
ation provided for in the preceding sentence, consider-
ation shall be given only to the matters mentioned therein,
all other factors being excluded.

ARTICLE XIV

Title

Seller hereby warrants the title to the gas, the Seller's right to sell such gas, and that the gas is free from all liens and adverse claims.

ARTICLE XV

Consideration

It is specifically agreed that the consideration paid and the payments to be made hereafter, according to the terms hereof, in all respects support each and every covenant, right, privilege and option hereof.

[redacted]

[redacted] or liable for damages due

[redacted]

[redacted]

Section 1. Except for buyer's obligation to make payments for gas delivered hereunder, neither party hereto shall be liable for any failure to perform the terms of this agreement when such failure is due to "force majeure" as hereinafter defined. The term "force majeure" as employed in this agreement shall mean acts of God, strikes, lockouts or industrial disturbances, civil disturbances, arrests and restraint from rulers and people, interruptions by government or court orders, present and future valid orders of any regulatory body having proper jurisdiction, acts of the public enemy, wars, riots, blockades, insurrections, inability to secure materials or labor, inability to obtain right of way, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or pipe lines, partial or entire failure of gas supply, or any other causes, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party

[illegible] ... [illegible] ... [illegible] ... [

[redacted] and to
[redacted] of the average,
[redacted] shall ever be effective without
[redacted] of which there has already
[redacted] either buyer or seller, or both,
[redacted] right, title and interest in, to and by virtue
of this agreement, including any and all extensions, renewals,
amendments and supplements thereto, to a trustee or trustees,
individual or corporate, as security for bonds or other obli-
gations or securities, without such trustee or trustees
assuming or becoming in any respect obligated to perform any
of the obligations of the assignor, and if any such trustee
be a corporation, without its being required by the parties
hereto to qualify to do business in the State of New Mexico.

ARTICLE XIX

Governmental Regulations

Section 1. It is expressly agreed that this agree-
ment and the respective obligations of Buyer and Seller
hereunder are subject to present and future valid laws,
orders, rules and regulations of duly constituted govern-
mental authorities having jurisdiction.

Section 2. Should the Federal Power Commission, or
any successor commission or board which takes over the func-

[redacted]

Both duplicate originals of this agreement executed personally with their execution have been placed in escrow with the Fort Worth National Bank, at Fort Worth, Texas, as escrow agent pursuant to the terms of an escrow agreement between Buyer and Seller. If, pursuant to the provisions of said escrow agreement both of said duplicate originals of this agreement are delivered to Seller, this agreement shall be a nullity and of no force and effect. If, pursuant to the provisions of said escrow agreement one of said duplicate originals of this agreement is delivered to Buyer and the other is delivered to Seller, this agreement shall be binding and effective from the date of such delivery and shall continue in full force until November 1, 1967, and thereafter from month to month until terminated by either party upon not less than sixty (60) days' notice to the other; provided, however, that in the event this agreement terminates on November 1, 1967, and Buyer shall have been unable

[redacted]

[redacted]

[redacted]

[redacted] shall become binding and effective, [redacted] gas purchase contract between buyer and seller dated March 26, 1947, as amended by letter agreements dated April 1, 1947, June 26, 1947, and September 2, 1947, shall be superseded by this agreement and canceled as of the date this agreement becomes binding and effective. If this agreement does not become binding and effective said gas purchase contract dated March 26, 1947, as amended, shall continue in force, unaffected hereby.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be duly executed, in duplicate originals, on this the day and year first above written.

ATTEST:

Asst. Secretary

BUYER:

EL PASO NATURAL GAS COMPANY

By

Vice President

SELLER:

TEXAS PACIFIC COAL AND OIL COMPANY

By

Vice President

[redacted]

In witness whereof, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

GEO. E. SCHAFER
Notary Public

My Commission Expires:
6-1-51

STATE OF TEXAS |
COUNTY OF TARRANT |

On this 6th day of April, 1951, before me personally appeared O. E. Mitchell, to me personally known, who being by me duly sworn did say that he is the Vice President of Texas Pacific Coal and Oil Company, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said O. E. Mitchell acknowledged said instrument to be the free act and deed of said corporation.

In witness whereof, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

GEO. E. SCHAFER
Notary Public

My Commission Expires:
6-1-51

[redacted]

(b) [redacted] 98/70 natural [redacted] is less [redacted] value of the [redacted] gas.

(b) [redacted] 98/70 natural [redacted] is 3% [redacted] of the value of [redacted] is sold gas.

(c) [redacted] 98/70 natural [redacted] is 3% [redacted] of the value of [redacted] is sold gas.

[redacted] 98/70 natural [redacted] is 3% [redacted] of the value of [redacted] is sold gas.

(c) [redacted] 98/70 natural [redacted] is 3% [redacted] of the value of the [redacted] is sold gas.

The value of the gasoline contained in a thousand cubic feet of gas shall be determined by multiplying the [redacted] (determined as hereinabove provided) by the [redacted] 98/70 natural gasoline, or its [redacted] in the National Petroleum [redacted] during each settlement [redacted]

[redacted]. Buyer shall, with reference to all [redacted] compensate Seller by paying Seller for

[redacted]

[redacted] when said average net sales price of additional products is 2¢ or less per gallon;

2½% when said average net sales price of additional products is more than 2¢ but less than 4¢ per gallon;

25% when said average net sales price of additional products is 4¢ or more per gallon but less than 6¢;

33-1/3% when said average net sales price of additional products is 6¢ or more per gallon.

The "average net sales price of additional products" shall be the average net sales price per gallon f.o.b. plant of additional products saved and sold during the settlement period involved. As to any of such additional products that Buyer removed from said plant for its own use at points away from the plant same shall be deemed to have been sold f.o.b. the plant at the same price per gallon at which actual sales to others f.o.b. the plant of like material during the settlement period. In the event there should be no actual sales of additional products from the plant to others during any settlement period, then the average net sales price which Buyer shall use in computing payment to Seller for any of such additional products used by Buyer, as aforesaid, shall be the weighted average net sales price of three (3) other manufacturers, f.o.b. their plants, of like material in the same general area during such settlement period. The "quantity of additional products actually saved and sold from Buyer's plant attributable to gas delivered by Seller to Buyer" shall, for the purpose of this computation, be that percentage of such additional products actually saved and sold from the plant, expressed in gallons, which the total gasoline content (determined as hereinabove provided) of the gas delivered by Seller to the plant bears to the total gasoline content of all gas delivered to the plant (determined in a like manner). By the term "additional products" is meant all products other than and in addition to residue gas and natural gasoline not in excess of 26 R.V.P. currently being manufactured in Buyer's plant.

GA

O I L C O N S E R V A T I O N C O M M I S S I O N

S T A T E of N E W M E X I C O

TRANSCRIPT OF PROCEEDINGS

CASE NO. 245

April 24, 1951

2(e)

E. E. GREESON
COURT REPORTER
UNITED STATES COURT HOUSE
TELEPHONE 2-0372
ALBUQUERQUE, NEW MEXICO

- -

CASE NO. 245: A case which has been continued twice for lack of information to designate the gas pools of Lea, Eddy and Chaves Counties.

CHAIRMAN SHEPARD: The next case to be taken up is Case 245, which has been continued twice and this time we will hear it.

(Mr. Graham reads the Notice of Publication.)

CHAIRMAN SHEPARD: Is the Continental ready?

MR. SANDERS: Yes, sir. My name is L. W. Sanders. I represent Continental Oil Company. We have testimony to put on relative to the shallow gas pools in South eastern Lea County above the San Andres Formation. We have some large exhibits to hang on the wall and we ask your indulgence while we put them up.

CHAIRMAN SHEPARD: All right, sir, you may proceed.

MR. SANDERS: W. W. Sanders, appearing for Continental Oil Company, Fort Worth; Paul M. Colliston, from Houston; Henry Forbes, from Fort Worth; and Homer Bailey, from Midland.

CHAIRMAN SHEPARD: You may proceed.

MR. SANDERS: Will you swear the witnesses, please?

(Witnesses sworn.)

MR. SANDERS: As I stated a while ago, Continental Oil Company proposes to introduce evidence on the shallow gas fields in southeastern Lea County, New Mexico, above the San Andres formation.

Under Rule 601, the Commission was required to initiate proceedings to name, classify and define the limits of all the known producing gas pools. Accordingly, the Commission of its own motion issued a call in Case No. 245 a hearing on December 22, 1950. That was continued to March 15, 1951, by the request of Continental Oil Company and was again continued until this date. In order to make a study for the benefit of the Oil Conservation Commission, Continental Oil Company, who is appearing in its own behalf with the assistance of geologists and engineers from the Atlantic Refining Company, Stanolind Oil and Gas Company and Standard Oil Company of Texas, has made a study of the subsurface formations and gas pools above the San Andres Formation in south eastern Lea County. They made a study covering the period of six months and they examined about 2000 well logs, both electrical and sample. The results of the study are presented to the Commission for whatever action it deems necessary or wishes to take.

As a result of this study, we have come to the conclusion that the gas pools could fall in approximately four pools. We, in this testimony, will call in areas one, two, three and four. In outlining these various areas we have used the 160 acre unit of the survey which is also the state wide gas unit, I believe. After we had completed our study, on April 12, a meeting of the engineers of, I believe the Lea County engineering Committee was called and at that time we presented evidence, not evidence, but a report to them of our findings as a result of our study. We have made a study, as I said before, over a term of six months and the

engineers of all interested parties were invited to sit in, so this testimony will not come as a surprise.

With these preliminary remarks, I would like to proceed to put on testimony. I would first like to question Mr. Henry Forbes.

HENRY F. FORBES

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. SANDERS:

Q Your name is H. F. Forbes, is it not?

A Yes, sir.

Q You are employed by Continental Oil Company?

A Yes, sir.

Q In what capacity?

A Area Petroleum Engineer.

Q Do you have a degree in petroleum engineering?

A Yes, sir.

Q Where did you get that degree or take that degree?

A Colorado School of Mines.

Q What year did you finish?

A 1938.

Q What course did you take?

A I took general engineers course in petroleum engineering.

Q Did you study any courses in geology?

A Yes, sir.

Q What were those courses?

A Plain geology and structural geology, mineralogy, field geology,

and such subjects.

Q Have you had any experience in subsurface engineering in the Permian Basin of West Texas and New Mexico?

A Yes, sir.

Q About how many years?

A Approximately six years.

Q Have you - are you still working with the subsurface engineering in that particular area, the Permian Basin?

A Yes, sir.

MR. SANDERS: Is the Commission satisfied with the qualification of the witness?

CHAIRMAN SHEPARD: Yes.

Q Mr. Forbes, you are familiar with the study made by the Continental Oil Company, are you not?

A I am.

Q Will you proceed in your own words to give the Commission a report of that study?

A Yes, sir. Mr. Sanders just mentioned many well logs were studied, approximately 2000, and those of you that know some of the sample logs in Lea County know it was rather difficult in making exact correlations. As a result of studying these logs, we drew three cross sections north and south from Township 20 on to the state line. Then we drew cross sections across each township east and west cross sections across each township down to the state line in order to get some sort of an idea as to the

general over all geology of the area.

Before we start on the study, I think it better to define oil pools as set forth by the Commission. This is definition No. 44, as found on Page 5 of the Rules and Regulations of the Commission. "Pool means an underground reservoir containing a common accumulation of crude petroleum oil or natural gas, or both. Each zone of a general structure, which zone is completely separated from any other zone in the structure, is covered by the word "pool" as used herein. "Pool" is synonymous with "common source of supply" and with "common reservoir"."

We shall use the term "Pool" as thus defined in this report with the following additional consideration. It is our opinion that Yates and Seven Rivers and Queen formations were separate reservoirs. However, due to development throughout south eastern Lea County, these pools have been connected together by hundreds of well bores. Therefore, it is virtually impossible, at least we believe it is impractical, to separate that by zones, individual zones within a formation.

As Mr. Sanders stated, as a result of this study, we came out with four major gas pools in this area. There are some more gas pools probably in southeastern Lea County but they have not been defined.

First, I would like to present a structural map of southeastern Lea County contoured on top of Yates. We call that exhibit No. 1. This gives the general over all structural relation of these various pools and will be of use to us later on in our

report here.

During 1927 on up through 1930 shallow development extended from Texas on up through Lea County. Until about 1930 the entire area was fairly well drilled up. At that time due to economic conditions, drilling ceased to a large extent and was resumed about 1935 to 1936 from 1935 to 1940 the area was more or less completely drilled up.

At the same time the El Paso Natural Gas Company was taking gas from some of these gas wells. However, their outlet was rather limited. I believe it just went through El Paso and in 1946 it was extended on to California markets which enhanced the gas markets and more drilling, particularly in these gas areas, have taken place.

In outlining this study, I would like to give a little bit about stratigraphy. The first geological formation encounter is Rustler Anhydrite and dolomite and is rather thin, approximately 150 feet. The Salado is the salt formation that you generally find in this area and is from 1200, approximately 1200 feet thick. Under that is the Tansill formation which is about 175 feet thick of anhydrite and dolomite. Below that is the Yates which is the first formation we will consider in our study here.

The Yates is approximately 200 to 300 feet thick. It is sand and anhydrite and dolomite. Underneath that is the Seven Rivers formation which is about 400 feet and consists of dolomite in the place of sand lenses and dolomite and some anhydrite.

Underneath the Seven Rivers is the Queen formation which is predominantly sand although we classify it into sand bodies with dolomite in between them. This member is approximately 300 feet thick. Immediately below that is the Grayburg sandy dolomite 250 feet thick and then the San Andres. This study covers down including the San Andres.

Inasmuch as the geology of the area ties in, we believe very closely with the pools that we have outlined, I would like to give a general description of the area.

On Exhibit 1, you will notice there is a ridge running from north to south from Township 21 to state line and approximately six miles east of that is another ridge running from approximately 22 to state line. This western ridge, the one we previously mentioned, is the eastern portion of the Capitan reef which extends on west towards Carlsbad, The eastern ridge on Exhibit 1 is part of the Central Basin Platform. Between those two ridges there is what we call a trough area and you can notice on - I am going to call this Exhibit 2 - generalized east and west cross sections. You will notice that as we come up through here (indicating), we have our structures and more or less trough area and then on to the larger and the anticlinal structure of the Central Basin Platform. That holds true until this point is reached (indicating). This ridge then broadens out into a larger anticlinal which is the Penrose-Skelly pool. The fourth structural feature in this study is the Eunice-Monument Pool which is the anticlinal type.

In defining gas pools we have started with the Capitan reef. The oil was originally laid down in what we believe to be a common reservoir oil gas out here on the western side of the reef, probably all of these small structures that you see along the reef, high, and probably the same gas,-oil and water-oil contacts. Since that time, they have been disturbed by development and withdrawals. As you cross the reef, you come into what we just previously mentioned as the trough area. These zones carry over the crest of the reef fairly well. That is the Yates, all the various sand members of the Yates, and the upper portion of the Seven Rivers. However, when it comes to troughed area, you have a lathelogical change in your section and it becomes tighter, less permeable and your anhydrite showing above your Yates starts dipping down into your Yates formation. Since practically all the production from this area here is from the Yates and Seven Rivers, we have used that as the vertical thickness in the Yates and Seven Rivers formations for that pool.

At this time I would like to introduce Exhibit No. 3, the gas pool designation map, suggested gas pool designation map. Area one colored in orange; area two colored in green; area three in blue; and area four in red.

You will notice that the contours on the reef follow very closely to our colored area on our gas area map. We have also made another separation on this reef area from our back reef area and that is that we find that the sulphur content and the gas is generally higher in this reef structure than it is in area

two or the back reef part.

Area two has been defined as a separate gas pool and includes the Yates and Seven Rivers formations. All but the lower one hundred feet of the Seven Rivers formation, the boundary, the eastern boundary on this area two was defined by the lack shows in the Yates and Seven Rivers formations on wells on this side. Wells on this side generally showed Yates and Seven Rivers gas. Continental on their Jack leases down here completed a gas well on this side and a dry hole on that side which extended from the boundary on up. This boundary as it goes between Arrowhead and the green area is defined by poor wells, lack of shows and edge wells on the Arrowhead and was brought up in that map. We don't have too much development in that area.

To go back a little further, to show why we did not extend the eastern portion of the area, or the green area further I would like to explain on this cross section, on Exhibit 2. As you come over the top of the reef structure into what we call the trough area and start up your flank of your larger anticlinal you find that your permeabilities decrease and very little gas shows are found in the Yates and Seven Rivers formations. In the meantime you will encounter oil in the Queen formation as you come east and the major portion of the production in the Langlie-Mattix and Penrose pools are from the Queen formation. We consider that to be gas-cap gas and have not included it in the study of dry gas reservoirs.

The third area under consideration is the Eunice-Monument area. The boundaries of that have been placed to more or less follow the development of the area and plus the shows that have

been encountered on wells that have been brandenhead. Here again our zonian theory comes into play in that we do not believe there was originally vertical communication between formations in the Eunice-Monument Pool. However, since that time due to connecting well bores, brandenheads and so forth we believe them to be connected.

Around the southern portion of Eunice is a small area of Queen oil wells. As it soon progresses over the anticlinal structure, you will find that wells drilled up in this portion of the field are not producing the same gas as the oils are producing. In other words, they are producing from the Queen formation although they may be producing oil from the Grayburg. That is behind brandenhead wells.

Inasmuch as this is a small area of oil compared to the large area of gas we have included the Queen formation with the Seven Rivers and Yates formations in area three.

Area four, roughly outlines the productive limits of the Arrowhead pool. The eastern boundary of this area has been defined dueto poor wells, dry holes and the fact that when we correlated our cross sections across here we could not corrolate individual sand stringers of the Queen formation over in the Arrowhead. It was extremely difficult to carry the sand strings clean into the area. Shows have been encountered in the Seven Rivers, Queen and Yates. Therefore, all three formations have been included in this area of the pool. This Arrowhead pool is also further defined by our structure map. You will notice that the re-entrants on the northwest side which is fairly barren have

poor wells, some dry holes encountered. In more or less the same boundaries as in area two were used on the southern boundary.

Q Probably the main thing too, in area one is Yates and Seven Rivers; area two, Yates and Seven Rivers; area three, Yates, Seven Rivers and Queen; four, Yates, Seven Rivers and Queen formations. I believe that is all I have.

MR. SANDERS: Before we throw this discussion open for questions, I would like to add a few remarks.

This testimony is put on only to delineate gas pools. You notice he didn't touch on well spacing or allocation of production and it wasn't within the scope of that study to do so. I stated in the beginning that the engineers of the interested operators were invited to sit in on the study, I didn't mean by that that they were invited to participate in the study. But they were invited to inspect the progress of the study. If anybody wants to know why we included certain sections or quarter sections or 40 or 80 acres within one area and not another, our answer to that would be that our study didn't show that it should be included therein.

Of course, we know the testimony is only for the help of the Oil Conservation Commission to do with as it sees fit. We certainly are not in the position of saying that anybody should be bound by the results of our study. We made this six months study for the information and benefit of the Oil Conservation Commission in performing its duty. I anybody has any questions they would like to as Mr. Forbes, he will be glad to answer

them in explanation of the result of our study.

MR. SELINGER: George Selinger with Skelly. Will you please refer to your Exhibit 3, particularly Section 31-24 South, 37 East, Section 625 South, 37 East.

MR. FORBES: Take it a little slower.

MR. SELINGER: Section 31-24 South, 37 East, and the immediate section to the south which is Section 625 South, 37 East. You have the line of demarkation between areas one and two going through the approximate middle of the Skelly Oil Company's Sherrell lease. You know that the wells on both sides of that dividing line are producing from the same reservoir, do you not, or has your study been that extensive?

MR. FORBES: Yes, on the same reservoir?

MR. SELINGER: Yes.

MR. FORBES: Yes, Queens and Seven Rivers.

MR. SELINGER: That's right. In area one you have placed 200 acres of the 300 acres in area two and 120 acres of the 320 acres in area one, which results in a subnormal gas unit of only one hundred twenty acres, when in truth and fact there are two gas wells which would be normally entitled to a normal 160 acres.

In calling that to your attention, it is our suggestion that - and we would like to put into evidence Skelly's Exhibit One, that area one with respect to Township 24 S, 37 E, be deleted with respect to the southwest quarter of Section 31 and in Township 25 S, Range 37 E, that instead of the west half of

Sections 6 be placed in area one, that it read the NW¼ of the NW¼ and the S½ of the NW¼ and the SW¼ of Section 6 and that area two be corrected with respect to Township 24S, Range 37E, to read instead of the north half and the southeast quarter of Section 31 read all of Section 31 and with respect to Township 25S, Range 37E, which now reads the E½ of Section 6, be corrected to read the E½ and the NE¼ of the NW¼ of Section 6 which is in effect transferring the entire lease into one area. We have no objections to throwing the entire 320 acres either in area one or area two but since they have place the - the suggestion has been to place the section into area two - we wouldn't have any objection to throw the 320 acres in area two.

MR. FORBES: I think that is fixed primarily from a structural -

MR. HOMER DAILEY: There are several gas wells in that immediate area and we through that place there picked the boundary on the structure and sulphur contents of the gas. In that particular place we did not have much data on the sulphur contents. That is why that boundary was placed in there. Actually from the structural map if a person were going to make a change in that boundary, I believe it would be better to move the boundary over so that would be included in area one rather than in area two.

MR. SELINGER: I might point out to the Commission that there are no wells in the NW¼ of Section 6 and there is only one well in the extreme S½ of the S½ of Section 6 so that there won't be any offset obligations or any moving of equities or rights of offset obligations whatsoever.

MR. SANDERS: I would like to ask Mr. Dailey a question. Did you consider surface ownership in your study?

MR. DAILEY: We did not.

MR. SELINGER: But the effect is to correct a sub-marginal subunit with respect to acreage. In other words, one of our wells would not be on a normal 160 whereas the other well would have an abnormal unit of 200 acres and we feel that equities would be better preserved by the correction of two uniform units rather than having a subnormal and abnormal unit.

MR. SANDERS: We don't object to the request of the Skelly Oil Company at all.

CHAIRMAN SHEPARD: Any further questions?

MR. EUGENE T. ADAIR: Mr. Chairman.

CHAIRMAN SHEPARD: Will you come forward and state your name?

MR. ADAIR: Eugene Adair, representing Texas Pacific Coal and Oil Company. I might state to the Commission that at this time we have no quarrel whatsoever with the results shown by Continental. However, we would like for the record, to ask a few questions.

Mr. Forbes, this comprehensive study that you have just completed was necessarily based, was it not, upon such information as you had available to you at that time?

MR. FORBES: That's right.

MR. ADAIR: And as future drilling and future development operations are conducted in the area, you will have available to you additional information which may require

the Commission to revise the pools, the pool gas pool lines.

MR. FORBES: That's right.

MR. ADAIR: I will refer you to the northern portion of Township 22 South, Range 30 East where you will observe that gas pool one, the line separating gas pool one from gas pool two to the east coming through that Township splits several of Texas Pacific Coal and Oil Company's leases. Is that not correct?

MR. BAILEY: It does, the basic lease. It doesn't within any one section. It does some of your basic leases where they extend across more than one section.

MR. ADAIR: Now, as an additional drilling is done along that line and additional information becomes available, it may require that line separating those two pools be shifted some one way or another.

MR. FORBES: That's right. This is the best we can draw from our information.

MR. ADAIR: At the present time?

MR. FORBES: At the present time.

MR. ADAIR: It is not intended to be a permanent line?

MR. FORBES: It is unless you can furnish additional information.

MR. ADAIR: Additional information will change the line if necessary?

MR. FORBES: If it warrants it.

MR. ADAIR: So, then, it is not intended to be a

permanent line delineating the gas pools.

MR. FORBES: No.

MR. ADAIR: That is all I have.

MR. BAILEY: Perhaps that should be clarified just a little bit. In several instances the area is not fully developed, of course, for gas and we have included areas within that pool on the basis of reported shows when some of the oil wells were drilled. Naturally, when a person goes in there and attempts to recomplete some of the wells or develop some of that acreage for gas would necessarily change our thoughts a little bit.

JACK M. CAMPBELL: Mr. Chairman.

CHAIRMAN SHEPARD: Mr. Campbell.

MR. CAMPBELL: Gulf Oil Corporation, Jack M. Campbell, Roswell. Gulf would like to suggest to the Commission a modification of one portion of the proposed delineation of gas pools and would like to introduce some evidence. I wonder if the Commission wants to hear it now or after lunch.

CHAIRMAN SHEPARD: If you have evidence, I believe we will hold it up and stand in recess until 1:30, and at that time we will resume where we left off.

(Recess.)

MR. SPURRIER: Commissioner Shepard has instructed me to go ahead and open the meeting for the purpose of taking testimony. He will be here at some later time. Mr. Sanders.

MR. SANDERS: If the Commission please, we have obtained permission from the Gulf to complete our testimony before they put on their testimony.

MR. SPURRIER: You may proceed.

MR. SANDERS: Mr. Forbes, I don't believe it has been clearly brought out in the testimony as to the vertical severance between each area as to the formation of dry gas. Would you take each area individually and point out that to theCommission?

MR. FORBES: Yes, sir. In area one, the vertical distance or vertical separation between pools is the Yates and Seven Rivers and doesn't go any further down than that. In area two, we have used the Yates and Seven Rivers with the exception of the lower 100 feet of Seven Rivers. We believe that is partially gas cap gas, so were Yates and all of Seven Rivers with the exception of below 100 feet. Area three and four both Yates and Seven Rivers andQueen formations. In the Queen formation it is the upper 200 feet of theQueen formation. In other words, the Yates, Seven Rivers and upper 200 feet of Queen.

MR. SANDERS: They are considered dry gas?

MR. FORBES: They are considered dry gas reservoirs.

MR. SANDERS: Have you any suggested name for these various areas, pool names?

MR. FORBES: Yes. We have some that have been suggested which we are in accord with. In area one it has been suggested that this area be called the Jalco, combination of the Cooper-Jal field. Area two is Langemat gas pool, combination of Langlie-Mattix pool. Area three might be called the Dumont gas pool.

Area four is Arrow pool.

MR. SANDERS: That is all.

MR. McCORMICK: I would like to ask Mr. Forbes some questions. In area three what is the oil producing horizon?

MR. FORBES: From the Grayburg and the San Andres, with the exception of the small strip around here which is the Queen.

MR. McCORMICK: In NO. 1 what is the oil producing parts?

MR. FORBES: From the Yates and Seven Rivers, principally the Seven Rivers formation.

MR. McCORMICK: What are the gas producing horizons in No. 1?

MR. FORBES: The same formations. In other words in Area 1 it is probably gas cap gas, the majority of it. The upper two zones, as we classify the Yates, has a lower sulphur content and it has strictly free gas, we believe. However, like I described before that the formations have been connected by well bores so long that it is difficult to -

MR. McCORMICK: How would you suggest the Commission could determine the difference between a gas well and oil well for classification purposes and proration purposes in No. 1, the Jalco?

MR. FORBES: Well, inasmuch as there is no limitation ratio on that pool at the present time, I don't think we are too bothered about that situation.

MR. McCORMICK: Well, would you prorate all the wells there as gas wells and let them produce as much oil as would come up with that quantity of gas?

MR. FORBES: Inasmuch as we have considered this as a gas pool, gas reservoir, they will have to be prorated under some allocation formulas later.

MR. McCORMICK: I know this is outside the scope of your original examination but for the benefit of the Commission I think we would like your views on it. Say that there is one well that is producing a large quantity of oil and then in the adjoining section a well is producing dry gas from the same horizon or same formation, would both these wells be classified as gas wells?

MR. FORBES: No, I don't believe so.

MR. McCORMICK: Well, how -

MR. FORBES: I understand your problem. I prefer to defer the answer on that.

MR. McCORMICK: I gathered from your statement a little while ago that all wells that were produced, that were completed say, in the upper three pays would be automatically classified as gas wells and those that were completed below that in the San Andres and Grayburg or Grayburg and San Andres would be automatically classified as oil wells.

MR. FORBES: Are you talking about area one or three?

MR. McCORMICK: Well, either one. I think the problem is the same. I may not have the formations exactly stated correctly.

Just go back up to the Sument, your oil is produced from the Grayburg and San Andres.

MR. FORBES: That's right.

MR. McCORMICK: Any well completed in these formations would you suggest they be classified as oil wells?

MR. FORBES: That's right.

MR. McCORMICK: And all that were completed above these formations would be automatically classified as gas wells?

MR. FORBES: That is in the upper 200 feet of theQueen on up through the Seven Rivers and Yates, yes, sir.

MR. McCORMICK: Isn't that going to be quite a problem when you have one formation split like that?

MR. FORBES: I don't think it will be. It may be a problem to a certain extent but with electrical logs and so forth now, I think it can be done.

MR. McCORMICK: Go back down to the Jalco there, just repeat for me the gas producing horizons.

MR. FORBES: On this Jalco field the producing formations are Yates and Seven Rivers.

MR. McCORMICK: For gas?

MR. FORBES: For gas.

MR. McCORMICK: And what are the oil producing horizons?

MR. FORBES: They are all producing oil from the Yates and Seven Rivers formations. Now, then, in regard to prorating it, how you can handle that, I am not prepared to answer it at the present time. I do believe this is a separate gas pool from this over here.

pool at the present time.

MR. McCORMICK: Are the gathering lines of the gas purchasing companies in all of these areas, I presume they are.

MR. FORBES: Yes, sir, I believe they are. I don't know how far El Paso goes up here.

MR. BAILEY: I believe they are in everything except area four.

MR. McCORMICK: How about the market for gas in the No. 4.

MR. BAILEY: There are only at the present time three gas wells inside that area. The gas from, I believe, two of these three wells anyway is used chiefly for gas purposes.

MR. McCORMICK: I would like for you to tell me which companies operate in each of the areas that you know which are gathering purchasing companies? That is, for high pressure gas.

MR. BAILEY: Dry high pressure gas?

MR. McCORMICK: Yes.

MR. BAILEY: Actually as far as I know, El Paso purchases some gas in area three and so does Southern Union. The El Paso purchases dry gas through this area in through here, No. 1. Whether Charles Henry Johnson purchases any dry gas there I do not know. In area two the El Paso is the main purchaser. However, I believe the Southern Union Purchases from one or two wells in the area. When Mattix had the line throughthere

they took it from area two. Whether Southern Union is continuing to do so, I don't know. As far as I know, there are no sales out of area four. In addition to that, there is a small amount of dry gas purchased out of area three by the Phillips and the warm fuel, plant fuel and house fuel.

MR. McCORMICK: Would you have any ideas or suggestions as to how the Commission would determine as to each particular well whether it was a gas well or oil well?

MR. BAILEY: In which area?

MR. McCORMICK: Well, take three for instance.

MR. BAILEY: I believe area three is probably in that regard, is probably the easiest. I don'tbelieve that any of the oil wells producing from the Queen down through this area will produce from top allowable. I don't believe they are capable of it. There may be one or two that are but as far as I can find out, why, they aren't. Therefore, the way we have it divided, the main problem would be to determine where the well was producing.

MR. McCORMICK: How accurately can that be determined?

MR. BAILEY: I couldn't say.

MR. McCORMICK: In area one there, what ideas do you have about determining gas wells and oil wells?

MR. BAILEY: That is in area one. Again I believe you will find that the largest portion of the area, any oil wells in there are producing large volumes of water with a

few exceptions and are marginal. I don't believe that the problem would be too hard to work out.

MR. L. GRAHAM: Mr. Chairman.

MR. SPURRIER: Yes, sir.

MR. GRAHAM: M. L. Thaler, Continental Oil Company. With regard to Mr. McCormick's question concerning area one, the Commission has previously by rule stated that those reservoirs in area one are primarily gas reservoirs. Therefore, Mr. McCormick's question would narrow it down to the classification of an individual well in that reservoir. I would suggest that the Commission use some criteria such as gas-oil ratio or other mediums of that nature to differentiate between an oil well as compared to a gas well. Inasmuch as they can and will be producing from the same reservoir essentially.

MR. McCORMICK: Would there be anything wrong with classifying area one as, all wells in there, as gas wells?

MR. GRAHAM: I don't know that there would be. I don't know how you would limit the oil production from an individual well unless you placed a top allowable limit on that well. Even though you classify it as a gas well. In other words, there is no problem of corelative rights or withdrawals from an individual well since there is no limiting gas-oil ratio in effect at the present time. It is merely a classification for proration purposes. I think some criteria such as gas-oil ratio would still give each individual, whether or not he is producing an oil well or gas well the same rights and privileges that he presently has.

MR. McCORMICK: How about this division of the Seven Rivers into the lower 100 feet and the upper portion of it, is that going to be capable of accurate determination?

MR. SHARP: I think so. I see no reason why that should pose any problem.

MR. DAILEY: That division was put in there, to explain the reason for it being put in there, you find that the bottom hole of the formation pressure through that section in here, I believe development started in the area of 1936 or 1937, the formation pressure in the hole in that area was very low in that portion of those formations that had been opened. Whereas the Yates and the upper portion of the Seven Rivers which had not been open for production had a considerable higher pressure. I believe the Yates and Seven Rivers were averaging better than 1,000 pounds, whereas thequeen pressure, I doubt if it would go over 500. That was the reason, to protect the possibility of trying to repressure the Queen through opening up both the high pressure gates in any one well.

MR. McCORMICK: How thick is the Seven Rivers formation in No. 27

MR. DAILEY: Approximately 400 feet.

MR. McCORMICK: It is fairly uniform?

MR. DAILEY: Fairly. Not too uniform.

MR. McCORMICK: Is it more than 100 feet thick at any point?

MR. DAILEY: Is it what?

MR. McCORMICK: Is it more than a hundred feet thick at any point where there is production?

MR. BAILEY: It is 400 feet.

MR. McCORMICK: Is it more than 100 feet at the minimum at any point?

MR. BAILEY: You mean that has been opened up for production?

MR. McCORMICK: Well, if you are allowed to produce oil from a lower 100 feet of it is there any point where the Seven Rivers is not 100 feet thick?

MR. BAILEY: No, there is no place where the Seven Rivers is less than 100 feet thick. No. The way it worked out in there the total thickness of the Yates and Seven Rivers varies from, I believe, over in this area. It is approximately seven hundred and forty or fifty feet as near as I can remember, and it gets somewhat thinner this way, probably, oh, say loses 100 feet of its thickness coming this way. As far as we can tell, as far as we can trace it. The Yates is approximately 250 feet thick which would mean that you would have between 450 and 550 feet of Seven Rivers as you go across there.

MR. McCORMICK: Is there any disagreement among geologists as to where one formation begins and the other stops?

MR. BAILEY: You mean the Seven Rivers and the Queen or the Yates and Seven Rivers?

MR. McCORMICK: All three of those.

MR. BAILEY: There would be between, I believe, you would find some between the Yates and Seven Rivers especially back in here along this area, it is rather definite, especially where

you have an electrical --

MR. ADAMS: (Interrupting) For the purpose of the record, will you indicate where you are pointing?

MR. O'NEILL: Just say from east to west.

MR. DAILEY: Well, in area one, along the reef there is a rather definite separation point between the Yates and Seven Rivers that can be picked off from line wells or radio active surveys or from electrical logs. As you go east, that definite break becomes somewhat indefinite, the characteristics of the Yates and Seven Rivers become fairly similar.

MR. SANDERS: That is in area two.

MR. DAILEY: That's right.

MR. ADAMS: That is the southeastern portion of area two.

MR. DAILEY: That's right. Similar conditions exist up here farther north.

MR. SANDERS: Farther north of area one, is that what you are speaking of?

MR. DAILEY: That's right.

MR. McCORMICK: I would like to ask another question. Assuming that the Commission would adopt, would go ahead and define pools somewhat like you have it there, with perhaps some minor changes, do you have a practical suggestion as to how the Commission would go through the mechanics of saying that this well is an oil well or it is a gas well?

MR. DAILEY: No. It would undoubtedly require a study of each individual wll by qualified engineers or geologists.

MR. FRANK A. LOVERING: So varing, with Mell. I have a question. Does this thing resolve itself into defining gas cap rather than gas reservoirs or gas pools? Isn't that the result of this survey?

MR. DAILEY: In area three to a certain extent, yes.

MR. LOVERING: It seems to me that in areas one and two, it seems that it is admitted that gas is coming from the same wells.

MR. DAILEY: Not all the gas.

MR. LOVERING: A good part of it.

MR. DAILEY: Part of it, yes.

MR. LOVERING: As a gas field, so designated, those wells would produce on gas allowables the same reservoir an oil well connection of producing curtailed and limited by limitations in oil allowables rather than gas and might there not be some advantage given to gas areas in regard to recoveries both in the fluids and in reservoir energy? I don't see how you can have a gas pool so devined that actually the source of production is from an oil and gas reservoir.

MR. DAILEY: I believe that is only place where we have done that is in area one.

MR. LOVERING: That is particularly the one I had in mind.

MR. DAILEY: It, as Mr. Chaffer pointed out, has been declared primarily a gas reservoir by the Commission.

MR. LOVERING: Even in area two, doesn't that area amount to have nothing more than a gas cap overlying on the edges there, say, oil horizon adjacent to there, you get oil wells, so testified,

out of the same reservoir, don't you.

MR. PORTER: Area two is mostly dry gas, Mr. Lovington, practically all of it. We still admit there is oil here and here (indicating).

MR. LOVINGTON: I don't object to mostly. It is oil and gas regardless of which is predominate.

MR. PORTER: I would say in area two, but just in area two is a gas cap for these small wells.

MR. LOVINGTON: The impression I got from the testimony and maybe others here too, that actually you are building a gas cap in each case and all these gas zones would be actually producing from the same reservoir as the adjacent oil wells.

MR. SHAFER: Perhaps I can clarify that for you a little in area two. I think the only sections that we have described or suggested be place in the dry gas reservoir that also produces oil is the upper Yates section.

Admittedly, in the upper Yates and some of the little troughs throughout that area, I believe are three in number, there is a limited oil production. However, on an acreage basis, the acreage assigned to those oil wells comprises approximately three per cent of the total area set up in the gas pool and inasmuch as it is true of area two that the Commission has stated that the reservoirs are primarily gas reservoirs, we feel that the individual producing sections or formations that we have suggested be place in the gas pool or one hundred per cent productivity of dry gas or are primarily productive of dry gas.

The only instance in which I can see that any confusion might be created is in area one designated as, primarily as a gas reservoir and the gas reservoir we are completing, one and the same. If they call the entire thing a gas pool, however, and limit the production of oil from a gas well to top allowable, I cannot see that it will change anything from what its present status is.

MR. LaVENTURE: I think your statement is understandable and probably true. The thing I foresee here is that we are going to get faced with the problem of proration of oil wells on one side of the line and gas wells on the other which you may be producing from the same reservoir, and that we may have a problem, the Commission would have a problem of prorating to everybody's satisfaction oil where gas production of those wells from the other side of the line.

MR. SHAFER: You are making the point that, for instance, taking an example, say, in the area two or Langemat area, you have a well producing from the Yates, say, upper Seven Rivers which is a very common occurrence in area one, or the Jalco pool, you might have a well producing from the Yates and upper , even Rivers which is now classified as an oil well. That comes back to the same point. I can't see any reason why that well in area one couldn't be designated/a gas well.

MR. FORBES: We separated these two areas by sulphur content and the lack of permeability here.

MR. SHAFER: There are geological factors and other factors

that caused you to draw the line in there. Otherwise, we would have made one pool out of the entire thing.

MR. LOVELADY: To actually separate the gas to gas pool or reservoirs, as separate from gas, it impractically impossible to do, is that right?

MR. SHAFFER: That is something that I hope everyone will bear in mind. We did not have the opportunity to take a new field or new area and work up some appropriate rules and regulations. We are taking an old set of conditions that existed for many, many years. We studied them thoroughly and we tried to do the best we could. Admittedly, there is a lot of debatable points, there is a lot of questions that can arise regarding the lease boundaries of surface ownership and other matters. We tried to avoid those things and keep it strictly on a geological and individual well data basis at this time, in order to get some sort of gas pool boundary set up, in order that those other matters can be intelligently discussed later on.

I am afraid if we got into those factors right now, we would be going on to next Christmas.

MR. LOVELADY: I don't want to go to next Christmas.

MR. SANDER: We have concluded our testimony. If nobody has any more questions, we would like to introduce the three exhibits up here into evidence.

MR. McCORMICK: Why don't you mark the one, two and three?

(Maps, marked as Exhibits 1, 2, and 3, for identification.)

MR. CAMPBELL: Standolind representative has asked to make

a statement before we put on our evidence.

MR. L. [illegible] BOND: L. [illegible] Bond, Stanolind Oil and Gas Company. As has previously been stated by Phillips representatives, Stanolind participated in this study, one of our engineers working on the study full time for a considerable period. It is my opinion that this study represents a reasonable approach to the problem but that as has been mentioned, adjustments will probably have to be made to take into account new data which is discovered by further development or futher study of individual areas. I think it does represent a good start at solving the problem and concur generally with Continental's recommendations for these four areas.

MR. SPURRIER: Thank you.

(Witness sworn.)

MR. CAMPBELL: If the Commission please, Gulf Oil Corporation, Jack M. Campbell, Atwood, Malone and Campbell, Roswell, New Mexico. Gulf desires to present for the Commission's consideration a minor modification of the proposed gas pool designations and calling as its witness, R. L. Boss, Hobbs, New Mexico.

R. L. BOSS,

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. CAMPBELL:

Q State your name.

A R. L. Boss.

Q Where do you reside?

A Hobbs, New Mexico.

Q By whom are you employed?

A Gulf Oil Corporation.

Q What capacity?

A Zone Geologist.

Q Have you testified before this Commission on previous occasions?

A Yes.

MR. CAMPBELL: Is the Commission satisfied with the qualifications of Mr. Boss as an expert witness in the field of geology?

MR. SPURRIER: Yes.

(Marked "Gulf's Exhibit No. 1" for identification.)

Q I hand you what has been identified as Gulf's exhibit 1, in Case No. 245, and ask you to state what that is?

A It is a plat showing the interpretation of the Yates structure and in addition the outlines of the gas areas one and two have been shown plus the suggested revision of those areas.

Q Did you prepare this map yourself?

A That's correct.

Q Did you obtain the information on the contours yourself in the preparation of the map?

A That's correct.

Q The contours as shown on this map are the same as the contours shown on Continental's Exhibit No. 1.

A They are drawn on essentially the same horizon, however, there

is a variation among many of the solutions in using the Yates as a referenced datum. Some use the top of the Yates sand and some use a point 20 to 30 feet below. In this instance, I believe the Continental uses the top of the sand, and I believe Gulf uses the lower horizon. It amounts to a slight variation but essentially the map should correspond very closely.

Q You are acquainted with the proposed gas pool designations as indicated in Continental's Exhibit No. 5?

A I am.

Q Based upon your studies in the area you referred to, do you have a recommendation as to modification of the Continental's recommendations?

A I do.

Q Have you prepared a statement setting out your views in that regard?

A Yes.

Q First will you state which area is involved in your proposed modification?

A Well, it is common boundary of areas one, two and three.

Q The known boundaries?

A The known boundaries.

Q Of areas one and two?

A That's correct.

Q And the southern boundary of area three?

A Yes.

Q Read the statement you prepared in connection with your study.

[illegible] proposed delineation of sour/sweet areas in Southeastern Lea County is in general accord with the interpretation made by the Gulf Oil Corporation. We concur in the statement that the Grayburg formation is primarily an oil reservoir in areas 3 and 4. While Gulf recognizes the fact that sweet and sour gas are produced from the Yates and Seven Rivers formations in the southern part of the county, the difference being attributed to the production of sour gas from porous dolomites of the "reef" area along the western zone of production, the fact the Yates sands are apparently productive of sweet gas over much of the entire area leads to the interpretation that no distinct separation exists and this reservoir within the Yates and Seven Rivers formations is essentially a common one. However, if it is felt desirable to differentiate between the sweet and sour areas, Gulf will offer no objection to such delineation.

"Gulf is not in accord with the north limits recommended for the Yates-Seven Rivers and Pecos pools. The essential difference which embraces most of the Eunice-Monument Field, is the fact that in the latter the Queen formation is productive or potentially productive of gas. The common boundary of the areas as previously recommended is drawn through the last tier of sections in Township 21 South, Range 36 East. However, the southwest part of this township occupies such a relatively low position structurally that the Queen formation, particularly the lower Queen, occurs below the gas-oil contact. Thus, the only formations here potentially productive of gas are the Yates

and Seven Rivers. The area of Yates-Seven Rivers (solely) gas production should, therefore, be extended northward.

"Relative structural position appears a reasonable basis for separation of the areas. The interval from the top of the Yates to and including the upper Queen sand is approximately 750 feet. The gas-oil contact in the immediate area has been established as approximately 200 feet below sea level. The 550 foot Yates contour thus represents the approximate south limit of Queen gas and pool limits herewith proposed follow, as nearly as possible, this contour with exceptions where specific data are available.

"The resulting north boundary of the Yates-Seven Rivers gas area would be extended as shown on Gulf Exhibit No. 1, to include the following area:

"Township 21 South, Range 33 East:
S½ Sec. 12, S½ Sec. 13, and S½ Sec. 24.

"Township 21 South, Range 34 East:
W½/Sec 7, W½ Sec. 18, All Sec. 19, S½ Sec. 20,
W½ Sec. 28, All Sec. 29, All Sec. 30, NE¼ Sec. 31,
N½ and SW¼ Sec 32, S½ Sec. 33, and S½ Sec. 34."

Q Mr. Boss, for the benefit of those here can you point out generally on Continental Exhibit No. 5, what that area embraces?

A The Yates, Seven Rivers area would be extended northward then to include the east half of 12, the east half of 13, the east half of 24 of Township 21 South, Range 33 East; to include the west half of Section 7, the west half of 18, all of 19, the west half of 20, the west of 28, all of 30, all of 29, the north-east of 31, the north half and southeast of 32, the north half of 33 and the north half of 34.

. Based upon your study do you recommend that the north limits of the Yates-Seven Rivers pool be extended as shown on the dotted lines of Gulf's Exhibit 1?

A I do.

MR. CAMPBELL: That is all.

MR. SPURRIER: Does anyone have any questions of this witness?

MR. STANDLEY: Does the witness mean that you want areas one and two to be extended to take in a portion of what Continental has designated as area three, is that what you mean?

A Correct.

MR. DAILEY: Do you mean that, or extend area two and leave area one as is?

A As we have interpreted that area as Yates-Seven Rivers gas production, it really would make no difference which one according to our interpretation, so we have no objection to extending two up to include that.

MR. SPURRIER: Any further questions? If not, the witness may be excused.

MR. CAMPBELL: I think for the benefit of the Commission it might help to determine what Continental feels about that proposed extension, whether they object to it or feel that it would be satisfactory generally.

MR. SPURRIER: Mr. Sanders, do you have any comment?

MR. SANDERS: No, sir, we have no objection to that.

MR. [illegible]: [illegible] any other comment on Gulf proposal?

MR. DAVIDSON: Mr. Chairman, my name is Don Davidson. I represent Standard Oil Company of Texas, from Houston. Standard of Texas owns a joint venture interest in many of the Continental operated leases scattered throughout this area. We have reviewed the report and the exhibits submitted here today by Continental and are in substantial agreement with the findings of that report insofar as it suggests or attempts to define the limits of the gas pool in the area under consideration. We feel that this report represents a constructive approach to this problem of defining these gas pools and we recommend it to the Commission on that basis for their study and commission. Thank you.

MR. SPURLIN: Thank you. Anyone else.

MR. LaVANWAY: It occurred to me that they be referred to as gas areas rather than to gas pools. I don't think they are gas pools.

MR. SHAFER: Although we have referred to them as gas pools we originally commenced this study and referred to them as areas primarily because of lack of nomenclature. We hadn't decided any names. However, to be of any benefit they must be common sources of supply which is synonomous of pools. Otherwise, we can't promulgate any rules or regulations to fit those various pools. I suggest that we do consider them as pools even though it is contrary to Mr. LaVanway.

MR. LaVANWAY: I withdraw my objection.

MR. C. W. CARDWELL: C. W. Cardwell, with Atlantic. Continental pointed out in this testimony Atlantic did go over this study with them and we are in substantial agreement with their recommendations to the Commission.

MR. SPURRIER: Thank you, Mr. Cardwell. Anyone else? Was anyone anything further in the case? Do you have something, Mr. Dewey?

MR. DEWEY: We have the Blinebry gas field if you would like to hear it this afternoon. It is a deeper gas field than presented.

I am R. S. Dewey, Humble Oil and Refining Company, Midland, Texas. On behalf of the Humble Oil and Refining Company we wish to state that we are in substantial agreement with the evidence that has been placed before the Commission in this case in regard to the shallow fields in Lea County. As our part of the hearing we have prepared a very short discussion of the Blinebry gas pool and I think, Mr. Spurrier, that perhaps some of the other operators have ~~some~~ other pools they want to discuss. We have one witness, Mr. W. L. Brothers, who has not appeared before you before.

(Witness sworn.)

W. L. BROTHERS,

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. DEWEY:

Q I wish you would state your name, please.

. . . . .

. For whom are you employed?

. Humble Oil and Refining Company.

. In what capacity?

. Petroleum Engineer.

. How long have you been active in this area?

. In West Texas and New Mexico since 1936.

MR. BENOIT: Is that sufficient qualifications?

MR. SPURLOCK: Yes.

. Mr. Crothers has prepared a statement which he would like to read and which we will leave with the Commission. I might say that this matter has been discussed with the various operators concerned in the area so far as we know it is not controversal. We haven't been able to find any material disagreement with it.

MR. CROTHERS: "Blinebry Gas and Oil Pays. There are 12 oil wells in the Blinebry Field and 11 gas-distillate wells are completed to produce from the Blinebry pay. Data available for these wells are listed in the accompanying tables. The oil wells are all marginal with allowables in March 1951 ranging from 5 to 28 bbl/day and averaging 11 bbl/day. As shown on the accompanying map, the oil wells are in three areas over an interval of about 8 miles. Practically all these oil wells were originally drilled with some other pay such as Drinkard as an objective and were only completed in the Blinebry after failure to produce in other pays. The average cumulative production of the oil wells to

January 1, 1951, is approximately 15,000 bbl/well. It should be noted that on the map only wells with production tests or drill stem tests of a Blinebry pay are shown although there are a number of other wells in the area producing from the Paddock, Drinkard and other pays. It will be noted from the map that the Blinebry has been found productive of gas over an area about 9 miles long with a maximum width of about 2miles. Data available are sufficient to indicate whether gas production will be continuous over the entire length of the area involved. Initial tests of Blinebry gas wells show production of distillate varying in gravity from 50 to 64 degrees A.P.I. at gas-distillate ratios varying from 40,000 to 100,000 cubic feet per barrel.

"If oil is found in a reservoir with a gas cap and the pressure in the gas cap is lowered faster than that in the oil pay, oil will migrate to the gas cap. The small percentage of the oil migrating to the gas cap will be produced. Pressure data for the Blinebry pay show that the pressures of the oil wells have dropped much faster than those of the gas wells, indicating that little if any oil migration of a gas cap has occurred or will occur. Pressures reported for oil wells include the following: Olsen, Danglade 1, 11-49, 1035; Penrose, Hinton 3, 7-50, 839; Penrose, Hinton 4, 7-50, 1525; Nowan, Elliott B-13-1, 6-50, 903; Sinclair, Hill 1, 11-49, 1018; Texas, Lockhart 2, 11-50, 912.

"Back pressure tests indicate the gas wells had pressures of about 2300 pounds at the middle of 1950.

"Cross-sections Aa' and Bb' were prepared primarily to determine whether oil and gas production were from the same zone. Section Aa' shows oil production in Gulf-Pike 1 just above

[illegible] Bilnebr gas-distillate pay is shown on the attached map. The area included inside this boundary is largely undeveloped. It is recommended that this boundary be revised as development extends or reduces the area included in it.

Mr. [illegible]: The material has been supplied to a great many of the operators operating in northeastern Lea County, and it has been available to them. However, if there is anybody that desires to cross examine the witness, they may do so.

Mr. [illegible]: [illegible]

[illegible] Mr. [illegible]

an exhibit [illegible]

[illegible]

[illegible]

on other [illegible]

[illegible]

[illegible] . . . Pritchett, Conrada Petroleum Corporation. Our part in this area is an effort to define the small [illegible] to produce [illegible] The reports were mailed [illegible] days, and I believe [illegible] of Zon

The first report is on the Monument-Kelly area. This is a very short report. If you care to, I will read it or just submit the report, whichever you prefer.

MR. SPURRIER: If there is no objection, we will dispense with the reading of the report. Is there anyone who would care to hear the report?

MR. CHRISTY: I might state that this comprises, the Monument-McKee area pool comprises in our estimation, at least Section 36, Township 19 South, Range 36 East, Section 31, Township 19 South, Range 37 East, Section 1, in Township 20 South, Range 36 East, Section 6, Township 20 South, Range 37 East. At the present time there is just one well completed in this formation. I would like to present this as Exhibit No. 1.

The report [illegible] to define [illegible] in the Highbowe-Penn-Pennsylvanian Pool. It is defined as being in Section 29, Section 32, Section 33 and Section 27 in

-2-

[illegible] 12, South, [illegible] as, [illegible] are two completed [illegible] to present this as [illegible].

MR. SPURRIER: [illegible] You may be excused.

MR. MORRELL: I [illegible]. Mr. [illegible] one question. It just occurred to me, you are [illegible] under your exhibit No. 1, the name Monument-Hobbs [illegible]?

Yes, sir.

MR. MORRELL: I would like to call the attention of the Commission to the fact that there is a Monument-Hobbs Oil pool. The similarity of names might be confusing unless it is specified each time it is written out.

MR. CHRISTIE: I don't believe there is an oil pool now. The original well, the well that is referred to there came in originally as a high gas oil ratio well and has since gone to gas and as far as I know there are no wells producing oil in the Hobbs Sand Monument pool.

MR. MORRELL: Then, the Hobbs should be withdrawn.

MR. CHRISTIE: Yes.

MR. SPURRIER: It is recommended, Mr. Christie, that the pool be changed from an oil pool to a gas pool?

MR. CHRISTIE: That is correct. I believe the Commission has already designated that as a gas pool at this time. Although, it may not be officially recognized.

MR. CAMPBELL: Gulf has been requested to furnish some information to the commission in three current gas pools, Tubb Gas Pool, the Warren Gas Pool and the Justis Gas Pool. I think that these have all likewise been submitted on the setting of the [illegible] and it [illegible] and [illegible].

[illegible] objection, we will just [illegible] the [illegible], I believe them and submit that to the [illegible] the record.

MR. CAMPBELL: All right.

R. L. Bell.

recalled, having been previously duly sworn, testified as follows:

By MR. CAMPBELL:

Q You have testified before in this hearing have you not?

A Yes, sir.

Q I hand you what has been identified as Gulf's Exhibit 2 and ask you to state what that is.

A That is a map showing a general outline suggested for the Tubb Pool and also the line of a cross section prepared as supplemental data for the Tubb Pool.

Q Exhibit 2 is just a map showing that?

A Yes.

Q I hand you what has been identified as Gulf's Exhibit 3 and ask you to state what that is.

A This is a cross section which is supplemental data with regard to the Tubb Gas zone.

Q I hand you what has been identified as Gulf's Exhibit 4 and ask you to state what that is?

A A table prepared showing data, showing wells actually producing from Tubb zone.

Q I hand you what has been identified as Gulf's Exhibit 5 and ask you to state what that is?

A That is a table showing data from other wells which had showings in the Tubb Zone.

Q Are all the wells that are shown there from this particular zone producing gas?

A That is true.

Q Based upon your study in that particular Gas pool, is it your suggestion that the Commission give consideration to designating the Tubb Gas Pool as shown in Gulf's Exhibit 2?

A Yes.

Q I now hand you what has been identified as Gulf's Exhibit No. 6. I ask you to state what that is?

A That is a map showing the outline proposed for the Amanda Gas Pool.

Q I hand you what has been identified as Gulf's Exhibit 7 and ask you to state what that is?

A That is a section prepared as supplemental data for Amanda Gas Pool.

Q Based on your study of the Amanda Gas Pool, is it your recommendation that the Commission give consideration to establishing an Amanda Gas Pool as shown in Gulf's Exhibit 6.

A Yes.

Q Are the wells producing in the Amanda Gas Pool, are there any oil wells producing in that zone?

A No, sir. The pool is limited to a single well producing gas only.

Q I hand you what has been identified as Gulf's Exhibit 8 and ask you to state what that is?

A That is a map showing the proposed boundaries of the Justis Gas Pool with the line of cross section prepared also.

Q I hand you what has been marked as Gulf's Exhibit No. 9 and ask you to state what that is?

A This is a cross section prepared through the Justis Pool showing the vertical limits of the gas zone.

Q Based upon your studies in the Justis Gas Pool, is it your suggestion that the Commission give consideration to establishing the Justis Gas Pool as shown on Exhibit No. 2?

A It is.

Q Are there any oil wells producing from that particular zone in the Justis Gas Pool?

A No.

MR. CAMPBELL: We would like to have the record show that the Gulf exhibits One through Nine, are offered in evidence. Please submit copies of your statement to the reporter.

MR. SPURRIER: Any questions of this witness? If not the witness may be excused.

(Witness excused.)

MR. DEWEY: Mr. Chairman, in order that there be no confusion between the Blinebry Oil Pool and the area that Mr. Crothers recommended for the Blinebry Gas Pool, we suggest that the name for the gas pool be Blin. We further suggest that as there are a number of small gas pools to which no testimony has been presented today, that the case be held over until the nxt time at which time we will try to complete all the gas pools in Lea County.

MR. SPURRIER: Without any objections, Case No. 245 will be continued to the next hearing.

MR. DEWEY: So we can finish it up at that time.

MR. [illegible]: This is a recommendation that will be made to the Commission. I am sure that they will continue it.

Any further testimony in this case at this time? If not, we will proceed with Case No. 249.

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STATE OF NEW MEXICO)
: ss
COUNTY OF BERNALILLO)

I HEREBY CERTIFY that the foregoing and attached transcript of hearing in Case No. 245, before the Oil Conservation Commission on April 24, 1951, at Santa Fe, New Mexico, is a true and correct record of the same to the best of my knowledge, skill and ability.

DATED at Albuquerque, this 14th day of May, 1951.

Ida Dearnley

IDA DEARNLEY, Court Reporter

[illegible] No. 1

[illegible]

In the multi-pay field of the [illegible] townsite area there are five wells completed in what is commonly referred to as the Tubb gas zone. Four of these were plugged back to this pay after failing to find production in deeper objectives and the fifty is a dual completion, producing gas from the Tubb zone and oil from the underlying Drinkard pay. In addition, in at least eight other wells in this area, drill stem tests have indicated the zone to be potentially productive of gas.

The cross-section A-A' has been prepared to illustrate both the relative structural and stratigraphic position of the gas zone in those wells completed from that pay. In addition, other wells from which drill stem tests data relative to showings from this section are available, have been indicated by appropriate symbol on the attached map.

Data furnished by actual production tests plus the supplemental drill stem test data indicate this zone to be a dry gas reservoir. Structurally high wells such as Continental No 3-B Wantz, and low wells, such as Gulf No. 3 Paddock, produce only gas with variable amounts of distillate. Several dry holes at slightly lower elevations on the flanks of the structure furnish added evidence that the zone is not productive of oil down dip and thereby suggestive of a gas cap at the higher structural elevations. Further evidence to support this conclusion is in the fact that the zone is spearated from the nearest underlying oil pay, the Drinkard zone by some 200 feet of section, much of which

is relatively impermeable.

The Tubb sand or Drinkard sandy member is a convenient reference datum for the productive zone in question. The pay in the five producing wells falls within a maximum interval of 130 feet below the top of this datum. In the several wells from which drill stem test data are available, the potential section appears somwhat more extensive vertically, the extremes being from 108 feet above the Tubb horizon to 203 feet below. However, in the wells actually producing the pay is confined to the section below the Tubb sand and in other wells in which testing was completed, only three included beds above this horizon. This evidence plus that furnished from sample examination in many other wells of the area appears sufficient to conclude the top of the Tubb sand represents the upper limit of this pay. In the attached tables are shown comparative data with respect to the intervals and the results obtained from testing within this zone.

While the top of the Tubb sand rather sharply defines the upper limit of the zone, the lower limit is somewhat indefinite. The maximum depth of any test completed was 203 feet below the sand member. From the electric logs a "break" approximately 225 feet below the Tubb horizon is readily identified and this, although somewhat arbitrary, offers a possible lower limit to the zone. It is thus suggested that the Tubb gas zone be limited vertically to the stratigraphic section comprising the 225 feet of beds immediately below the top of the Tubb sand.

The horizontal or geographic limits of the pool are also rather indefinite. From the attached map it will be noted that the wells in which showings were recorded are scattered in a north-south direction over much of the Drinkard pool but east and west they are confined largely to the east flank of the structure. However, from sample data the zone is recognizable in most wells of the Drinkard Pool and it is not improbable that subsequent exploitation may prove the zone productive over much of the Drinkard area. Based on these data the proposed limits of the pool are as indicated on the accompanying map.

GULF CORPORATION'S EXHIBIT NO. Two

AMANDA GAS POOL

The Gulf No. 1 Amanda, located at C NW SW Section 25, Township 22 South, Range 37 East, is productive of gas from a localized zone of porosity in basal Permian dolomite. This well was drilled to a depth of 7333 feet and found Permian sediments in contact with the pre-Cambrian at 7332 feet. The 5½ inch casing was cemented at 7214 feet, the well plugged back to 7174 feet and completed through perforations between 7025 and 7065 feet, after 1500 gallons of acid, flowing 3,372 MCF gas per day with 5.44 barrels of distillate.

Although a number of wells in the immediate area penetrated a comparable sequence of Permian sediments, in none was the Amanda zone sufficiently developed to warrant exploitation. This zone thus appears a quite local development and until proved otherwise,

by data available at a later date, must be considered a dry gas reservoir.

There are no other oil or gas pays in the remaining few feet of the subjacent Permian beds and in the overlying section the nearest pay stratigraphically is the lower Drinkard of Andrews oil zone. From the attached Section C the relative position of this gas pay is available.

In view of the quite local development of the zone, the depth necessary to reach it, and the small potential indicated no further exploitation of this pay appears probable. The immediate section within which the well is located (see accompanying map) namely; Section 25, Township 22 South, Range 37 East, appears ample for the horizontal limits of the pool. For like reasons, the presently exposed stratigraphic interval provides adequate vertical limits.

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GULF CORPORATION'S EXHIBIT NO. 3

JUSTIS GAS POOL

In the Justis Gas Pool, the lateral limits of which have previously been defined, there are at present four producing wells. The gas pay of this pool occurs in a section of porous dolomite immediately underlying the Glorieta horizon. In order to illustrate the structural and stratigraphic relation of the wells which have either tested or are producing from this zone, the cross-section B-B' has been prepared.

Available data suggest this reservoir is quite limited, being confined almost wholly to the very crest of the structure.

at lower structural elevations the zone is water-bearing. The Western Natural Gas Co. No. 1 Eaton (well 2 of section) which occupies a relatively medial structural position was originally completed in this pay for a potential of 9,000 MCF per day. Subsequently, because of encroaching water, it was necessary to plug the well back to the more shallow Queen formation. In addition, the Atlantic-Olsen No. 1 Justis (Langlie) and the Olsen No. 1 Kimberly (wells 4 and 5 of section), both of which occupy a hight structural position, tested all underlying formations without disclosing any additional oil or gas pays. These data suggest the zone to be a dry gas reservoir and not a gas cap associated with an adjacent oil pay at either a lower structural or stratigraphic position.

From the data at hand it is disclosed the productive section is confined to the interval from a minimum of 7 feet to a maximum of 160 feet below the Glorieta horizon. In view of the performance of the reservoir to date, it seems probable the productive limits of the pool will fall within this interval. For this reason, the more or less arbitrary figure of 200 feet below the Glorieta datum appears as a reasonable vertical limit for the Justis gas zone.

In view of its limitations, little if any additional exploitation of this reservoir is anticipated and therefore the horizontal limits of the pool as presently defined appear adequate. These limits, as shown on the accompnaying map, comprise the following lands: SW/4 Section 1, SE/4 Sec. 2, E/2 Sec. 11, E/2 Sec. 12, E/2 Sec. 13, E/2 Sec. 14, E/2 Sec. 23, and E/2 Sec. 24, all in Township 25 South, Range 37 East.

AMERADA PETROLEUM CORPORATION
EXHIBIT NO. 3
CASE 245

MONUMENT-McKEE GAS POOL

In the Monument field there is one well producing gas from the McKee sand in the Simpson formation. Three other wells drilled through the McKee sand have indicated on drill stem tests that they will produce gas from that zone.

The attached cross-section shows the sample logs and drill stem test results for all wells drilled through the McKee sand in the Monument field. The attached map shows the location of the wells.

The McKee sand is considered as the zone starting at 9846' (-6256') in Amerada Petroleum Corporation's State F well No. 5 and extending to the top of the Ellenberger formation at 10,010' (-6520'). The water level is at approximately 6330' subsea.

Amerada State F Well No. 5 was completed November 4, 1948 as a high gas-oil ratio oil well. This was the discovery well for the Monument--McKee pool. The thin oil column was soon depleted and the well was reclassified as a gas well March 1, 1950. The well currently produces condensate with a gravity of 65 degrees API. No other well has indicated any oil column.

The boundaries originally set out by the Oil Conservation Commission for the Monument-McKee Pool, should cover any possible gas productive acreage from that zone. Those boundaries are:

T. 19S, R36E Section 36
T. 19S, R37E Section 31
T. 20S, R36E Section 1
T. 20S, R37E Section 6

[illegible] PETROLEUM CORPORATION
EXHIBIT NO. 1
CASE 245

HIGHTOWER PERMO-PENNSYLVANIAN GAS POOL

In the Hightower field there are two gas wells completed in a section referred to as the Permo-Pennsylvanian zone. Two other wells drilled through this zone have indicated on drill stem tests that they will produce gas from that zone. Three other wells were drilled through this zone with insufficient porosity development to produce and one of these wells found water in the base of this zone.

The attached cross-section shows the electric logs and drill stem test results for five wells drilled through the Permo-Pennsylvanian zone in the Hightower field. The attachedmap shows the location of all wells in the Hightower field.

The zone that is gas productive starts at or near the top of the Wolfcamp in the Amerada Petroleum Corporation's B.C. Roach well No. 1 at 8365' (-4136') and extending to 8890' (-4441') which point is 70' below the top of the Pennsylvanian. The water level in this zone is at 4900 subsea. Water found on a drill stem test in the lower part of this zone separates this reservoir from lower oil productive zones.

The boundaries originally set out by the Oil Conservation Commission for the Hightower Permo-Pennsylvanian Pool, should cover any possible gas productive acreage from that zone. Those boundaries are:

T.12S, R33E Sections 22, 23, 26 & 27.

BEFORE THE

OIL CONSERVATION COMMISSION

Santa Fe, New Mexico
September 1 , 1953

In the Matter of:

The application of the Oil Conservation Commission upon its own motion for an order establishin pool rules for the Jalco gas pool, Lea County, New Mexico, said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521,	Cases Nos. 52 2,
The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Langmat gas pool, Lea County, New Mexico said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-35 in Case 521,	53,
The application of the Oil Conservation Commission upon its own motion for an order establishin pool rules for the Eumont gas pool, Lea County, New Mexico said rules being concerned with well spacin , gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-35 in Case 521,	5 4,
The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Arrow gas pool, Lea County, New Mexico said rules being concerned with well	5 5,

spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521,

The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Blinebry gas pool, Lea County, New Mexico said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521, 586,

The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Tubb gas pool, Lea County, New Mexico said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521, 587,

The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Amanda gas pool, Lea County, New Mexico said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521, 588,

The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Justis gas pool, Lea County, New Mexico said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521, 589,

The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Byers-Queen gas pool, Lea County, New Mexico said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-35[illegible] in Case 521.	)	and 590 (Consolidated)

TRANSCRIPT OF HEARING

(Notice of Publication read by Mr. Graham)

MR. STAHL: My name is Stahl, representing Permian Basin Pipeline Company. In behalf of the Permian Basin Pipeline Company, I would like to move that the cases be continued until the October hearing for this very good reason. I believe that we just got our notice that these cases were set about a week ago and we just haven't had enough time. If this motion is not granted, I would like to have an opportunity to make a further proposal.

MR. SPURRIER: Anyone else? Mr. Bickel.

MR. BICKEL. C. E. Bickel with Shell Oil Company. With respect to the field in Cases 5[illegible]2, 5[illegible]3, 5[illegible]4, 5[illegible]6, 5[illegible] and 590, I would like to read for the record, the following:

Shell Oil Company is in general accord with the gas rules as proposed, except for one feature thereof.

We wish to direct attention to Rule 5, Proration Units, in connection with Rule [illegible] under Gas allocation.

Rule 5 establishes a standard gas proration unit of 15[illegible] to 1[illegible]2 contiguous surface acres.

Rule 8 provides, however, that more than one standard proration unit may be assigned to a gas well provided not more than 640 acres are so assigned, and provided the other requirements of the Section are met.

As written, the rule would apparently leave to the discretion of the operator whether such additional acreage should be assigned to a well. Also, as written, there is no requirement that the well to which additional acreage is assigned should be shown to be capable of draining such additional acreage.

We feel that this rule could result in grave inequities. An operator with a single 160- acre tract could be offset or surrounded by one or more single ownership units of 640 acres. Such operator would have a single unit allowable. The offset operators, on the other hand, could each assign four standard units to their wells, and could each obtain a proportionably increased allowable, and could do this even without a showing that their wells would drain the acreage assigned to such wells.

It is our thought that it would be better to stay with a standard size unit for allowable purposes, unless, after a hearing, the Commission permits the assigning of additional acreage and allowable because of the circumstances existing in the particular case. We realize that there may be conditions under which additional acreage should be assigned to a well or wells, but feel that it should be permitted only after hearing, and not solely at the discretion of an operator. As to

the size of the standard unit in this field, in view of the fact that the field has been developed to date on 160 acre spacing, we feel that 160 acres should constitute the standard unit therein.

MR. SPURRIER: Anyone else? Mr. Davis.

MR. DAVIS: Quilman Davis, representing Southern Union Gas Company. First, we would like to concur with Mr. Stahl's motion to have these consolidated cases continued until the October hearing. We have found several inconsistent provisions in these rules in addition to the ones submitted by Shell and we feel that additional time should be given before the Commission voiced any objections or any suggested changes and after more time than a thirty or forty minute hearing.

MR. SPURRIER: Anyone else? Judge Foster.

JUDGE FOSTER: E. H. Foster, representing Phillips Petroleum Company. We don't feel that any real purpose can be accomplished by continuing these cases. It is our thought in the matter that the only way to start prorating is to just start.

We have given a good deal of thought to this matter I believe, in the Advisory Committee. We have come up with some rules that are imperfect of course, but, the only way I know to really get something accomplished is to put these rules into effect and then with respect to each particular field, let those that are interested in that field come in and demonstrate to the Commission wherein they feel that the rule should be changed and modified.

Now, the Shell, I think, has made a suggestion here that has

a good deal of merit. We realize, I think all of us on the Advisory Committee that the establishment of the unit the way that it is proposed might work some hardship in some fields. Of course it is perfectly obvious to me that you don't want to establish 160 acre standard proration units in any field when a well will efficiently and economically drain a greater area but, we could spend a month here trying to determine what the drainage area of a well is, in any particular area and by losing a lot of valuable time and I've always observed that we can see a lot further out of the back of a wagon than we can out of the front of it because all you do there is just see where you've been instead of finding out where you're going. (Laughter)

Now, if you want to get proration started, why you've got to put in some set of rules and then you will have something to shoot at and it will be my suggestion to the Commission, for whatever it may be worth, based on what little experience I've had in gas proration matters that you just put these rules into effect and if they don't work or if the operators in the particular field can come in and demonstrate what they want, and there will be instances where they will do just that, why, then you can change them or modify them to suit the particular circumstances in that field. But, if you try and work out a perfect set of rules here for these different fields, it will be a year or two before you get any proration started in any of these fields.

MR. SPURRIER: We have two motions before the Commission now.

Mr. Campbell.

MR. CAMPBELL: Jack M. Campbell, Roswell, New Mexico. I would like to make a statement in behalf of Texas Pacific Coal and Oil Company.

It is our feeling that the Commission, in adopting the rules which they adopted in a standby capacity, acted properly and that the orderly way to proceed is to hold pool hearings to determine whether proration is required in each gas pool. It may be that the statute is wrong in that regard but we feel that that is what the statute requires the Commission to do. We feel that there has not been ample time with regard to particular fields and that the Commission must know that we cannot possibly put field rules in effect in nine (9) gas pools in New Mexico upon a hearing lasting a few minutes.

We feel that in the interest of orderly procedure however, the Commission should and may have in mind some method of procedure by which the pools can be brought up for hearing at an early date in order that the necessary evidence can be obtained and offered by the interested parties.

We still maintain that gas proration can be put into effect in New Mexico only by pool and that the Commission must find that there is a gas pool and properly define it. They must find that proration is necessary in that gas pool and they then must adopt rules, either the standby rules that they have in effect now, or special rules for that pool.

We join in the motion for continuance of these cases with the idea in mind that there will be individual gas pool hear-

ings to establish proration where it is considered by the Commission necessary.

MR. SPURRIER: Anyone else? Mr. Hinkle.

MR. HINKLE: Clarence Hinkle, representing Humble Oil and Refining Company. The Humble would like to endorse the statements made by Mr. Foster in behalf of Phillips Petroleum Company. Humble feels, as Phillips, that it is going to take considerable time to put proration into effect in these pools if we go ahead and have a long hearing for the adoption of the field rules in each of these pools.

We believe that proration can be put into effect successfully by the use of the general rules which have been adopted by the Commission. Practically, we do not believe that a good and equitable set of special rules can be adopted until you have a proration schedule and until you have some field experience. There may be some rule that could be adopted by you cannot adopt a full set of rules unless you have some experience in connection with the field.

We believe that the Commission should go ahead and take necessary steps at the present time to call for the plats that are necessary and to call for nominations at the earliest possible time.

MR. SPURRIER: Any one else? Mr. Hiltz.

MR. HILTZ: R. G. Hiltz for Stanolind. I would just like to state that we feel that the rules that were adopted by the Commission on the recommendation of the industry Advisory Committee are based on sound principles and experience in other

areas.

We believe that they are workable and equitable and we believe that they should be adopted however, we have no objection to the cases being continued to get additional information on the fields, on individual fields.

MR. SPURRIER: Anyone else? Mr. Halloway.

MR. HALLOWAY: Halloway for Tidewater Associated Oil Company. We would like to concur in the statement made by Mr. Hinkle. I'd also like to ask a question in behalf of myself.

With reference to the proration unit which states that it shall be in substantially the form of a square, which will be a legal subdivision quarter section of U. S. Public Land Survey. I talked to some that sat in on these committees or sub-committees and find that they were of the opinion that if you had 160 acres whether it was a quarter section or not, provided it was contiguous, would make a proration unit. I want to get that clear, I want to know how to file these plats.

MR. SPURRIER. Well, the general rules states Mr. Halloway, that it shall be in the form of a square for substantially a quarter section.

MR. HALLOWAY: Rule 104, is that right?

MR. SPURRIER: That's right.

MR. HALLOWAY: Now, what is going to happen if you deviate from that, that's what I want to know?

MR. MACEY: Every neighbor that you have will have to do the same thing.

MR. HALLOWAY: Well, that brings this question then. Is the Commission prepared to force units. We have an instance

or two where we have invited our neighbors in and they didn't want to join. Where does that leave us, or our neighbors, or the Commission?

MR. MACEY: Well, it's a drilling block. I believe we have forced them in the past and I believe if you ask for it, we will try again.

The reason that rule was drawn as it is, there are some here who remember - 1919 -, was because an irregular tract immediately creates several more irregular tracts and to keep it under control we feel that it should remain in the form of a square.

MR. HALLOWAY: That's a very neat way to handle it. It's going to bring a lot of problems about. I asked the question a few months ago at a hearing, as to what was going to happen to a great number of wells, gas wells,, that have previously been completed on 40, 80 or 120 acres and I was, I believe Mr. Macey, advised that they'd just be forced to reduce to acreage they had. But, there is no provision made to take care of similar circumstances in the future.

MR. MACEY: Mr. Halloway, the rule that you are quoting says that a standard proration unit, this is in the absence of special rules for the pool, a standard unit is a legal quarter section. It also provides for an exception to that by getting waivers from offsets for other than the acreage conforming to a legal quarter section. In fact it provides that you can get

it approved without going to a hearing by getting waivers from the offset operators. If you don't get the waivers, you can come up for a hearing. I frankly think that the Commission has to insist on standard acreage basis and make that the rule and allow for the exception to be approved proportionately.

MR. HALLOWAY: My question was only to guide me as I stated, Because I am going to be called upon to tell someone to form these plats that we must submit and I didn't want to file plats that wouldn't be acceptable to the Commission and if we have contiguous acreage we think is productive and they just don't want to join of course, we won't get the benefit of that acreage and that was the reason for my question.

MR. MACEY: I think basically that if you've got 160 acres in the northeast quarter or southwest quarter of the section that you've got a standard unit. If you've got four contiguous lots of 40 acre tracts then you can get an exception provided you get approval from your offset operators or after a hearing. It further provides that you can form abnormal units greater than standard units. It's an automatic procedure in here but I believe it probably ought to be after notice and hearing specifically.

MR. HALLOWAY: There's a great many cases in our company. In fact in a case we just had - we have 400 acres. We own the E/2 of Section 24 and additional 80 acres all contiguous. From the time we drilled our well we invited our neighbors to join us and they were interested, and I just wondered how to

file a plat in a case like that.

MR. MACEY: You can get relief from that by simply making application to the Commission for approval.

MR. SPURRIER: Anyone else. Mr. Howell.

MR. HOWELL: I am Ben Howell, representing El Paso Natural Gas. There are a number of pools that are mentioned here that I am informed we don't have any connection with and of course not interested in so we are not speaking as to those. There are some pools on which we don't think proration should be imposed at this time. There is one pool that I am informed has four wells as listed here. We see no good purpose for imposing proration rules on that pool and we think that as to each pool that the field around each pool should be developed and a determination made pool by pool.

MR. SPURRIER: Anyone else? Mr. Dipple.

MR. DIPPLE: I am Harry Dipple representing Continental Oil Company. We want to concur entirely in everything that Judge Foster said in behalf of Phillips and in what Mr. Hinkle said in behalf of Humble and urge the Commission to put these proration rules into effect at the earliest possible time.

MR. SPURRIER: Anyone else? Mr. Christie.

MR. CHRISTIE: R. S. Christie, representing Amerada Petroleum Corporation. We just want to concur on what Judge Foster has said and the Humble representative and some of the others and further suggest that the Commission enlist the help of the New Mexico Oil and Gas Engineering Committee to help formulate

these different pool rules.

MR. SPURRIER: Anyone else? If there is no one else to be heard, we will take the case under advisement and we'll recess to hear the rest of the cases at 9 o'clock in the morning.

(RECESS)

I, Virginia M. Chavez, hereby certify that the above and foregoing transcript of proceedings in Cases 582 through 590, inclusive, Consolidated, taken before the Oil Conservation Commission on September 17, 1953, at Santa Fe, New Mexico, is true and correct to the best of my knowledge, skill and ability.

Dated at Santa Fe, New Mexico, this 19th day of October, 1953.

(signed) Virginia M. Chavez
Notary and Reporter

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

CASE 521: (Consolidated with Case 245) These two cases concerning the denomination of gas pools in SE New Mexico and proration of natural gas in the area have been under study by an industry advisory committee.

TRANSCRIPT OF HEARING

August 20, 1953

BEFORE: Honorable Ed. L. Mechem, Governor
Honorable E. S. Walker, Land Commissioner
Honorable R. R. Spurrier, Director, OCC

STATE OF NEW MEXICO)ss.
COUNTY OF LOS ALAMOS)

I hereby certify that the within transcript of proceedings before the Oil Conservation Commission is a true record of the same to the best of my knowledge, skill and ability.

TRANSCRIBED at Los Alamos, New Mexico this 26th day of August, 1953.

(signed) Audrey M. Henrickson
Audrey M. Henrickson
Notary Public

(S E A L)

My commission expires September 22, 1955.

NEW MEXICO OIL CONSERVATION COMMISSION

Regular Hearing

9:00 a.m., August 20, 1953

MR. HILL: A. L Hill of the El Paso Natural Gas Company and I have acted as chairman of the committee appointed by the Commission in Case 521 to develop recommendations concerning gas proration in the southeastern part of the State. The recommendations of the committee were formerly presented to the Commission at last month's hearing and a meeting of the committee was held in this room yesterday afternoon for the purpose of fully discussing with all interested parties the recommendations of the committee.

We were somewhat surprised that there were not more participants in the discussion but very well pleased at the same time.

Before the Commission entertains any full discussion of these recommendations, if it please the Commission, certain of the pipeline companies interested in operating in the area would like to present certain testimony of the general nature, in order to enlighten all those concerned that may not have the full picture of the operations of the gas pipeline companies in the area. It would give them some further idea of the problems and the magnitude of the operations of the pipeline companies in the southeastern part of New Mexico as well as the entire Permian Basin.

So if it please the Commission, we will proceed in that manner.

MR. HOWELL: My name is Ben Howell, representing the El Paso Natural Gas Company. If the Commission has no objection, I would like to call as witnesses Mr. Baulch and Mr. Steen.

J. W. BAULCH, JR.

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. HOWELL:

Q. What is your name, please?

A. J. W. Baulch, Jr.

Q. What position do you hold with El Paso Natural Gas Company?

A. I'm the supervisor in the gas dispatching for El Paso Natural.

Q. Where are you stationed?

A. At Jal, New Mexico.

Q. About how long has you held that position?

A. I've held this one position for approximately 7 years.

Q. What are the duties of your position to determine the amount that will be taken from the gas pools in the southeastern portion of New Mexico and determine the demand upon those gas pools?

A. That's right.

Q. Insofar as El Paso Natural Gas Company is concerned?

A. That is correct.

Q. I hand you an exhibit which we have marked as El Paso Natural Gas Company Exhibit No. 1 and ask you to state to the Commission what that exhibit shows.

A. Now the colored lines that you see here that represents the boundaries of the pools that are designated by the Commission. In addition to that, we have other pools like the Jalco, the Justice and the Blineberry pool, there are recommended changes in the boundaries of these various pools by recommendations made by the advisory committee to the Commission in Case 521.

Q. If I understand you then, this exhibit 1 is a plat which shows all of the gas pools in southeastern New Mexico that are presently designated by the Commission. That is shown in solid lines and then in broken lines, such new pools and such additions to the pools as are contained in the recommendations of this committee which have been filed with the Commission.

A. That is right.

Q. That is correct. Now, let's pass to the separate pools. We have here in the northern or south part of exhibit 1, a pool. What is that pool?

A. That is the Byers-Queen pool.

Q. What are the characteristics of that pool as to the depth, the quality of gas - the character of gas produced from the pool and the connection by which gas is taken from that pool?

A. Well, as far as the characteristics of the well is concerned, I don't feel qualified to answer. There are two wells in this pool that are used for gas lift purposes and there are three operating companies involved.

Q. Now, I might ask you what you used as a basis for the data that you put on this plat as to the well connections in this pool?

A. That was taken from the Engineer's Committee Report.

Q. As of what date is this number of wells shown?

A. December 31st, 1952.

Q. All right. Then as of that time in this Byers-Queen pool there were three wells that had connections with three companies that were using the gas for gas lift.

A. That is true.

Q. Now, let us pass to the next pool. What is it?

A. That is the Monument-McKee Pool.

Q. All right. What can you tell us about the depth and the character of gas produced from that pool?

A. Well, I don't feel qualified to answer that because El Paso doesn't have any wells in that pool.

Q. Now, what connections are there in that pool?

A. We have one well being used for gas lift purposes.

Q. All right. Let's pass next to the next pool here. What pool is that?

A. That is the Eumont pool.

Q. Now what -- about what depth is the Eumont pool?

A. I'm not too familiar with the geology, but I believe it is around 3200 to 3400 feet.

Q. And from what formation?

A. From the Yates and Queen formations. It is designated as top of the yates to point 200 feet below top of Queen.

Q. That is the designation presently made by the Commission?

A. That is right.

Q. Now, then, what is the character of the gas - whether it is sweet or sour in the Eumont pool?

A. Well, the biggest portion of gas for El Paso that is taken from that pool is sour gas.

Q. Now what well connections are there in the Eumont pool? What gas is being taken?

A. Well, for gas lift purposes, there are nineteen wells being used for gas lift purposes and there are seven companies involved. Phillips Petroleum Company is taking gas from nine wells; Warren Petroleum Company is taking gas from seven wells; Southern Union Gas Company is taking gas from seventeen wells; and El Paso Natural Gas Company is taking gas from ten wells.

Q. That is, as of the date of December 31, 1952?

A. That's right.

Q. Now let us pass to the next pool here. Which is the next pool?

A. We come down there to the Blinebry pool.

Q. What formation is that producing from?

A. That is what is called the Blinebry formation.

Q. At approximately what depth?

A. Approximately 5800 feet.

Q. Now, is that gas sweet or sour?

A. It is mainly sweet gas.

Q. And what wells are connected in that pool?

A. In the Blinebry, the El Paso Natural Gas Company is taking gas from fourteen wells in the Blinebry pool.

Q. Is there any other company taking gas from that pool?

A. No. Not as of December, 1952.

Q. Now what other pool is there in that locality?

A. We have the Tubb pool.

Q. And in what formation is it producing?

A. From the top of the Tubb to a point 225 feet below the top of the Tubb.

Q. At approximately what depth?

A. At approximately 6100 to 6200 feet.

Q. Now as to the gas from the Tubb's pool, is that sweet or sour?

A. It is mainly sweet gas.

Q. And what connections are there into the Tubb's pool?

A. Well, for gas lift purposes there are five wells with two companies involved, and El Paso Natural Gas Company is connected to eight wells and that was the disposition in the Tubb's Pool as of December 31, 1952.

Q. Now is there another pool in that general area?

A. The Arrow Pool.

Q. And what is the formation from which that is producing?

A. Top of the Yates to a point 200 feet below top of the Queen.

Q. Now any other pool - - -

A. We have three wells being used in the Arrow Pool for gas lift purposes and two companies are involved.

Q. And as of December 31, 1952, those were the only wells connected in that pool?

A. Yes.

Q. Now are there any other pools in that area?

A. Well, you go on down to the Jalco and the Amanda pool.

Q. How many well connections are there in the Amanda pool?

A. There is one well being used for gas lift purposes.

Q. Do you know the characteristics of that pool?

A. No, sir. I don't.

Q. Now, let's pass over to the pool to the west there. I believe the Langmat is the next one.

A. Yes.

Q. From what formation is this well producing?

A. To Yates to a point 100 feet above base of the S.R.

Q. And what character of gas is it producing - is it sweet or sour?

A. A part of the pool is producing sweet gas and in the southern part of the pool, there is sour gas. There is sweet and sour.

Q. And about what - - - -

A. There is mainly sweet gas in the whole pool.

Q. And about what depth is this well producing?

A. That ranges from about 3000 feet to 3200 feet.

Q. Now what well connections are there in that pool?

A. For gas lift purposes, there are six wells in the area and four companies involved. Southern Union Gas Company is connected to six wells and El Paso Natural Gas Company is connected to 155 wells.

Q. Now, with reference to the Jalco pool, what formation, depth and character of gas is found in that pool?

A. That is from the top of the Yates to a point 100 feet above the base of the S. R. The gas in the Jalco pool is mainly sour gas and it is producing from a depth of approximately 3000 feet to 3100 or 3200 feet.

Q. Now what connections are there in that pool?

A. For gas lift purposes there are ten wells being used with four companies involved. United Production Company is connected to six wells; Phillips Petroleum is connected to three wells; and El Paso Natural Gas Company is connected to 82 wells.

Q. Are there any other pools that are now designated or projected?

A. There is the Justis pool which is producing from 200 feet below the Glorietta Datum.

Q. At approximately what depth is this?

A. I believe that's around 5400 to 5600 feet.

Q. And what is the character of gas? Is it sweet or sour?

A. The area is mostly sour gas.

Q. And what connections were there on December 31, 1952 as to that pool?

A. El Paso Natural Gas Company is connected to four wells.

Q. Is there a difference between these various pools as to the extent of the depletion that is taking place in each pool?

A. Definitely so. Take the Langmat pool and the Jalco pool -- the southern portion of the pools are at a low level and your depletion has - - is beginning to show in these two pools, reasonably fast.

Q. Does the El Paso Natural Gas Company have a service project located in one of those pools?

A. In the southern half of the Jalco Pool.

Q. Is that known as the Rhodes area?

A. That is the Rhodes Unit area.

Q. And that is used for area for surface gas from time to time and withdrawn at other times?

A. Yes.

Q. Now, Mr. Baulch, in connection with the operations of El Paso Natural Gas Company, I hand you a graph which is marked El Paso Natural Gas Company's Exhibit No. 2. Will you tell us what that graph or chart represents?

A. This chart represents the gas purchased by El Paso Natural Gas from the Permian Basin Area.

The black lines show the total gas purchased by months by El Paso. The top of the red represents the total amount of dry gas produced from the Lea County area and the top of the blue represents the total gas produced from what we consider marginal wells throughout the area.

(Pause. Exhibit No. 2 was attached to bulletin board)

Q. Mr. Baulch, do you have exhibit 3 that reflects the total figures?

A. Yes, I am placing it on the board.

Q. Now, as I understand the graph which has been presented for the year 1952 shows the purchases by El Paso Natural Gas Company in the Permian Basin area? Is that correct?

A. Correct.

Q. Now the black as shown on the chart represents the residue gas which is purchased. Is that correct?

A. That is correct.

Q. Now what proportion of that residue comes from Lea County - - produced from Lea County?

A. Well, during the month of January, 1952, the total amount of gas was a little bit less than 31 billion.

VOICE: I didn't get that.

A. For January, 1952, the total amount of gas, both residue and dry gas - - -

Q. Just a minute, do you mean produced or purchased?

A. Purchased. Was a little below 31 billion cubic feet of gas. Now there was 42 billion, approximately, of residue gas produced ah, purchased and out of that 42 billion residue gas, there was about 48.45 per cent of that was residue gas found in New Mexico.

Q. Now what was the - - - -

A. I beg your pardon. That percentage was 36.42.

Q. Now does that table, marked Exhibit 3, does that represent the percentages month by month of the residue gas which was purchased in Lea County?

A. That's right.

Q. Now what does it vary - what do those purchases vary from the top percentage to the bottom percentage without taking up so much time in going into each one of them?

A. In New Mexico, residue gas varies from approximately 31 per cent to 39 per cent, or 39½ per cent, of the total gas purchased.

A. Now, Mr. Baulch, the red as shown on the graph represents the purchases of dry gas from the pools in Lea County, is that correct?

A. That is correct.

Q. Now, there's considerable fluctuation as shown on that chart as to quantities purchased. For example, the month of May, the purchases of dry gas have increased while purchases of residue have gone down. Can you give the reason for that?

A. Yes. In May, 1952 that's when the oil strike occurred and as a result we had to take more dry gas.

Q. Now, in general, your purchases of dry gas fluctuate from month to month with respect to the quantities of residue which may be available either from Lea County or from the Permian Basin?

A. That is correct.

Q. And I notice at the bottom of the graph there, that the total production - - that the total purchases have increased.

Is that due to new facilities being installed and new plants being put on the system?

A. That's true. Also during the winter months our purchases increase.

Q. Your market conditions then determine what your purchases will have to be?

A. That is correct.

Q. And the market fluctuates with market conditions?

A. That is correct.

Q. Well, Mr. Baulch, I will hand you a graph marked El Paso Natural Gas Company's Exhibit 4. Does this graph represent the purchases made day by day for different months during the year 1952?

A. That is correct.

Q. The months shown on there are February, July, October and December. Is that right?

A. That is correct.

Q. Now, I notice that there is quite a dip there in July. Can you account for that?

A. Well, the big dip that you see is the decrease in pipe line purchases over the week-end of July 4th, 1952. That is due to industrial plants shutting down.

Q. So that these dips occur when the plants shut down for long week-ends and then immediately your demand changes?

A. That is correct.

Q. And as shown by month to month, you have a week-end

dip almost every week-end?

A. That is correct. On week-ends, the big industrial plants as well as the California companies shut back during these days of the month.

Q. So that you have a constantly fluctuating market demand for the gas that is being delivered in New Mexico, Arizona and California?

A. That is correct.

Q. And one of your sources of supply, the residue gas, is subsequently cut back?

A. That is correct.

Q. Now at the end of each month, I notice that the curve of your dry gas purchases goes up to a high point. Can you account for that?

A. Yes, that is caused by the sources of our residue gas being very low during that period, caused by production - in other words, the operators get production from other wells and consequently, we have less residue gas available.

Q. That is, the operators of oil wells that produce their allowables before the end of the month and so the oil wells being operated to capacity at the end of the month mean that you have an additional demand on dry gas wells?

A. That is correct.

Q. Now, Mr. Baulch, you are familiar with the rules that we have here, that have been submitted by the advisory board - - one minute, before that - - we would like to offer these exhibits

1 through 4 inclusive in evidence.

MR. SPURRIER: Is there objection? Without objection, they will be admitted.

Q. What, from your experience in knowing when to take dry gas - - from your experience, what do you think approximately the rules should be and should apply?

A. The proration of gas initially should be done on a pool basis, without any specific rules being adopted.

Q. You think there should be a hearing as to whether or not proration is needed on any pool before rules should be adopted for that pool?

A. I do - yes.

Q. And you think that the rules should be required for that pool - the general rules - which might be necessary because of the peculiar characteristics of anyone pool or the working conditions of that pool?

A. That is correct.

MR. HOWELL: I think that's all for Mr. Baulch. Now we have one other witness, do you want to hear him now?

MR. SPURRIER: I think we will recess until 1:30 this afternoon before hearing any additional testimony.

(RECESS UNTIL 1:30 P.M.)

Mr. SMITH: I should like at this time to ask the Commission if they will permit the record to show that the several exhibits offered in the Fowler Field case - which were marked for identification but were not offered - shall be considered in

evidence.

MR. SPURRIER: Without objection, they will be admitted. Mr. Howell?

MR. HOWELL: Is the Commission prepared to ask Mr. Baulch some questions or to have our other witness put on? I suggest that we put Mr. Steen on and then have both witnesses available for questioning and I think it would probably save time rather than having them questioned separately. If that's agreeable, we'll have Mr. Steen take the stand.

MR. SPURRIER: That is agreeable with the Commission.

H. F. STEEN,

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. HOWELL:

Q. What is your name?

A. H. F. Steen.

Q. What is your position with El Paso Natural Gas Company?

A. General Superintendent.

Q. How long have you been employed in this capacity?

A. Some twenty-three years.

Q. Are you familiar with the over-all problems of purchases of dry gas in the Lea County area?

A. I believe I am.

Q. Would you explain to the commission the various sources of gas in that area. I believe you have a map there you can use in answering the question and you can point out the

various sources of supply.

A. That is right, Mr. Howell, we do have a map on the wall. I hope all of those present will be able to see the map because it's on such a small scale. However, in part, it sets out the facilities of the El Paso Natural Gas Company in the Permian Area.

You will note that the map has red and green dots designating by the red dot, the plants owned by the El Paso Natural Gas Company.

Q. Now, let me interrupt just a minute there. The plants owned by El Paso Natural Gas Company take what character of gas?

A. The plants owned by the El Paso Natural Gas Company take all the gas that is passed through the El Paso Natural Gas Company's line.

The necessity of these plants is due partly to the fact that part of the Permian Basin is sweet and part of the gas is sour. Being so co-mingled, it would take duplicate systems in the field to bring the gas in from long distances if it were kept separated. We have found it more economical to build a plant and co-mingle the gas and let all the gas go through the purification dehydration and compressor plant.

Again on the map there, the green dots represent the spots where we are buying gas from other companies. That is gas that would enter our transmission line and is pipeline gas. When I say pipeline gas, I mean gas that has been purified, the sulpur acid removed and dehydrated and ready for transmission into our main line system. Those plants are owned by numerous companies

who operate residue plants, having gas available at the tail gate of such plants for sale to the pipeline industry. The ones up above there belong to Stanolind and some below that belong to Gulf and one or two that belong to Skelly. There are numerous plants that belong to Phillips and other producers in the area where we buy gas at the tail gate of their gasoline plants.

Now, in the area where the red dots are shown, our plants are not the only existing plants there. As the general rule, a gasoline plant is existing there although not in all cases, in New Mexico proper in the vicinity of Jal and Eunice, we have the only plant which is our Jal 1, 2, 3 and 4. Now, that's in the vicinity of Monument and Phillips oil center plant - Phillips, Warren and various other producers have plants besides our plant. In the sketch you see there alone, we have over 200,000 horse power or horse power approaching 200,000 of our own horse power that we have placed there so that residue gas could be properly marketed. We have about 1000 miles of pipeline and gathering lines ranging from about 30 inch down to 8 inch in diameter. Also a gathering system of smaller lines probably reaching close to a 1000 miles as well.

Besides our hold plant where our 200,000 horse power is installed, the other companies have numerous amounts of horse power which I am not entirely familiar with and the pressures in the gasoline plants are anywhere from vacuum to 8 or 10 pounds suction and discharge some 45,000 and in some cases up to 200,000. It is our practice to buy the gas at those pressures and compress it on up and in most cases, run it through our own

purification and dehydration plant, compress it on up, in some instances, to 650,000 for mainline transmission use.

About 80 per cent of the entire output of gas from the Permian Basin area through our company is at this time residue gas and when I ____ residue gas I mean gas that has come from oil wells, has been processed through a gasoline plant and then picked up by our company and treated or purified to remove the acid substances, dehydrated and placed into our compressors and then into our high-pressure system.

Where you have 80 per cent of your volume of gas coming from sources as uncertain as residue plants, your production will necessitate having stand-by capacity to take the place of that gas, or in the event of failure of pressure or the fluctuation of oil marketing conditions that cause shut-down days, in Texas particularly, and we find, I might add here that we find from the Texas Railraod Commission cuts or adds from twenty days for each day cut, we have a fluctuation of a full 20 or 30 million in our residue take. For each day added to oil production, we have the same fluctuation upward, between 25 or 20 or 30 million feet of gas per day. So, that you can see that the oil residue gas in the area, both in New Mexico and Texas, it is necessary to have considerable volume of standardized gas. It is our estimate that for every four million of residue gas that is marketed, you should have at least one million standby of high pressure dry gas.

Now, not only does the orders of the Commission effect the some 3/ or 3(plants shown on the plat in from of you there, with that many plants mechanically operating and with purification

and treating facilities which are subject to corrosion and sometimes repairs, you can see that hardly a day passes that one or two plants, either our own or some of the others, they must be repaired and therefore, they must be shut down ranging anywhere from two days to two months. In the case of fire or explosion or a failure of some type in the equipment, it could incapacitate a plant for a much longer period of time. Therefore, where you are getting a flow of gas approximating say 50 million a day, you must process that flow of gas through another facility.

Now, our company is unique to some extent in two counts. The first being that all the gas -- the majority of the gas that we process itself through our pipeline facilities is our gas. It must be treated and purified so that it can be sold as gas that will pass the state qualifications for the product. The other is that we, I guess, market more residue gas than any other company.

Most of the time gas companies have high pressure gas wells connected to their high pressure systems. About all that is necessary for the high pressure gas is that it is turned on, run through a dehydration plant and then it is ready for sale in the high pressure areas or market areas wherever it might be transferred to. I think we are far ahead of any other company in these two factors. Now, whether that is a good deal or not, I cannot say at this time. It is however, a lot of trouble. It takes about a 1000 men to operate this system that you have been following there, with headquarters of another plant being located in Jal, which is the headquarters of our southern states.

The part that I am talking about or trying to get over to the Commission here is that a great deal of flexibility is required in operating a system of this type. And in that flexibility, you must have high pressure gas wells on call at all times to take care of any fluctuation in your residue, which is the gas that comes from the oil wells.

We started out a number of years ago at Jal, as most pipeline companies would, without any -- with some 7 or 8 high pressure gas wells that were all that existed in the area at the time. We took gas from those wells for a number of years - this high pressure gas - and all that was required was treatment. I believe that the first state or the first place where conservation or preventing of waste by the burning of residue gas was in New Mexico. That was started up at our low pressure plant which we designate as our No. 2 plant, where as you know, a gasoline plant was built and gas from the oil wells was taken from the tail gate of the gasoline plant, treated, processed, compressed and put into mainline systems. The next place we went, I believe was the Phillips plant and made a deal with Phillips to start buying residue gas from that plant, and compressing it, treating it and putting it into the line. Consequently, we have tried to keep abreast of the flaring of gas in New Mexico which has been our policy. I believe the record will show that very little gas is being burned from gasoline plants throughout the State of New Mexico..

That, I presume, is the reason that regulations have not been imposed sooner or that they have not been imposed at all to any great extent, in New Mexico, because there is no waste occurring.

Now, I mention these things to give you some idea of the equipment, the man power and the flexibility that is required to assure markets for our residue gas and to conserve it from waste because if it isn't marketed -- several years ago, it was vented to the air. Most of the Commissions are becoming more strict with respect to this, and more so daily, in allowing any gas to be flared to the air and wasted forever for the country as a whole.

Mr. Howell, I believe that's all I have to say about the matter. I was just trying to bring them up to date a little on what the procedure has been and our policy with respect to residue gas as well as the need of flexibility that you must have for stand-by capacity for this type of system.

Now, we have built in, as we could, in our Rhodes reservoir a storage project which will help us take care of demands of excess residue gas areas, when we do not have demand for it in the pipeline so that we can store it for short periods of time to help give us some flexibility for that isn't all that is required in marketing this large volume of residue gas.

Q. Mr. Steen, are you purchasing from Lea County approximately the same amount of residue gas as dry gas?

A. Mr. Howell, I believe the figures will show that that is approximately -- the statement is approximately correct. Although it isn't on a straight line basis. In the summer time, the high pressure wells are cut back to the extent that we can cut them back. All high pressure wells that we are tied into in order to meet our contract with the producers are guaranteed an allowable that we have to look after to hold our contract in good standing with the producers. But in the summer time, we shut the high pressure wells back because if you don't have something that you can cut back, you certainly have to flare residue gas either in New Mexico, Texas or other places. So, our practice has been to cut the high pressure wells back in the summer time, go ahead and take all the flared gas that we have facilities to take, then in the winter time when the seasonal demand on the system causes peak takes and peak days, we use the High pressure wells as a means of keeping our system loaded.

Q. Now there is a matter which we tend to overlook. What is the fundamental difference between the problems of marketing oil and marketing gas?

A. Well, my conception of that Mr. Howell, would be that the oil can be carried in buckets or in a truck or it can be stored in tanks on top of the ground in various places, but that is impossible with gas. You must have a pipeline running through the gas field and the line must have a market at the place the line extends to to be sold because there is no way unless some other ground storage is devised and that requires a formation of some kind to be stored in, there is no way to store the gas at the sales point like there is the oil.

Q. So that for each separate gas pool, the market is determined by the lines that are built into that pool?

A. That is correct.

Q. And the only way that that gas can be marketed from any one pool is through the pipeline which go in there, whether they go to interstate pipelines or local pipelines or carbon black or gas lift. The gas moves out of the pool and must be marketed.

A. That is correct.

Q. Now, let us look over the proposed rules for the Lea County area. What is your opinion with reference to the time and manner in which the Commission should approach imposition of rules for the proration of gas in Lea County?

A. I have looked over the rules several times and wish to say that I'm not entirely familiar with them. There are some things about them that I do not understand, completely. But it is my opinion that in prorating gas in Lea County it should be done - where it is just being done for the first time - it should be done on a pool basis and not an over-all proposition with one order because if that happens I think it is going to cause a glorified amount of confusion such as the Commission hasn't run into before if the order is passed that all pools on a general order will be prorated.

Now, it may be that these pools are partially depleted in different percentages. Many of them have different flowing pressures. Many of them have dual completed wells in them. Many of them have not only dual completed oil wells but dual

completed gas wells. You have gas wells in some of those pools that are producing from two varieties or two formations down below the ground. All of that is going to raise the question - - all of that is going to cause a great deal of confusion not only that but the pools that have been named here and some of them covering the extent of territory they cover, it seems to me that there is some question that must be straightened out between the oil producers and the Commission as to whether all of these wells in the gas pools -- the pools that are designated as gas pools, are gas wells or whether part of them are oil wells.

Now, I admit that maybe I haven't understood the rules well enough. Maybe that isn't a good thought or a good idea to bring up at this time, but it seems to me that any well, or tract of land in a gas pool could be designated a gas well and conversely there would be certain wells that are at this time classified as oil wells that, if classified as gas wells, would loose a part of the oil allowable they have at this time as well as loose the gas that was going into a low-pressure system.

Perhaps, low pressure wells will not be considered. However, there are a number of high-pressure wells, that is oil wells - - that is, they are dually completed wells and the reason I think that it should be considered on a pool basis aside from the things that I have already said, is that there may be gound in certain pools there that they do not need proration at this time. There may be one purchaser there who is

taking from all the wells in that particular pool and there are no correlative rights that are being - one person to the other - is not getting hurt on the pool with respect to correlative rights being taken. In the same instance, if we try to do this on an over-all basis, with the different pressures - the different flowing pressures that the wells have - the different deliverability that the wells will put out, it is going to cause a great deal of confusion in trying to make all the pools fit one set of rules. It seems to me that it would be much simpler to take one pool for proration first and the worst as the Commission saw it, and have evidenced furnished showing the type well or all the type wells that existed there and then make a set of rules to conform to the type of wells that you have in the pool, rather than rules for the over-all area in New Mexico.

Q. I understand that it is your opinion that the best approach is to have a hearing as to a particular pool to determine whether or not proration is necessary, to determine the boundaries of the pool to see if they are proper and to discuss any particular problems that exist in the pool prior to imposing proration rules on that pool.

A. It seems to me that that is the only feasible way to do it.

Q. Now, there is another factor that hasn't been mentioned here that is that it is anticipated that the Permian Basin pipeline will be taking gas from this area. Is there any advantage in your opinion in waiting until the Permian

Company is actually in there and taking gas and seeing what the problems are before giving rules to the pool district?

A. Well, I think that when Permian comes in it will change the situation to a considerable degree. Of course, that's up to the Commission as to whether it wishes to put the proration into effect before the Permian gets in. I don't know.

MR. HOWELL: I think that's the evidence that I had desired to bring out.

MR. SPURRIER: Are there any questions of either of these witnesses? If there are no questions, the witnesses may be excused.

MR. SPURRIER: Mr. Davis?

MR. DAVIS: I have one witness.

A. M. WEIDERKEHR.

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. DAVIS:

Q.What is your name?

A. A. M. Weiderkehr.

Q. What position do you hold with Southern Union Gas Company?

A. Engineer.

Q. Would you briefly state your background?

A. I started with Southern Union Gas Company about six years ago. Before that, I spent 5 years with Magnolia and two and one half of that was in the field in general engineering and the last two and one half, I worked in their Dallas office as a reservoir engineer and working on proration in fields in Texas.

Q. Mr. Weiderkehr, you are familiar with the operations of Southern Union Gas Company, particularly in the Lea County Area, New Mexico?

A. I am.

Q. Would you tell us briefly what fields we have under the pipeline system and what disposition is being made of that gas?

A. We take gas at this particular time actually from three fields. The Eumont field primarily, and then we are also taking gas from the Langmat field and we have recently added one Blinebry well to our system. The gas from all of this area is used in our southeast distributing system.

Q. The gas is used for what purpose?

A. For conduction throughout the general area.

Q. For domestic?

A. For domestic, commercial, etc.

Q. Now, you have heard the testimony of Mr. Baulch and Mr. Steen of El Paso concerning the character of the gas to be found in the Eumont and Langmat pools. Have you not?

A. I have.

Q. Do you agree with their conclusions?

A. Yes, I do.

Q. Generally, their testimony insofar as our operations in this area conforms with our operations?

A. Right. Our gas coming from the Eumont pool is sour and the gas that we are taking from the Langmat pool is sweet.

Q. What action do we take on the gas coming from the Eumont pool to get it ready for our market?

A. We have to process this gas in order to make it available for the pipeline.

Q. In other words, until that operation is completed, the gas is not of any benefit to us whatsoever?

A. It cannot be used until it has been processed.

Q. In connection with that type of operations, our plant is designed to carry and take care of a certain amount of gas which is comparable to our market requirements?

A. That is right.

Q. With respect to both the sour and sweet gas?

A. That is correct. We need both the sour and the sweet gas. Our plant has capacity to handle 300 million cubic feet per month, and the remaining gas will be taken from the sweet gas wells. It has been our policy in the several months, we have gotten our plant running pretty well the year round on sour gas and increase our gas intake from the sweet gas wells during the winter months since we have more sour gas wells, it gives them their fair share and we continue to produce them at a higher rate the year round - that is, a higher average rate than we do the other wells that are producing sweet gas and we kick up the sweet gas wells appreciably during the winter months.

Q. Now, Mr. Weiderkehr, you were present at the meeting yesterday? You were a member of the advisory committee and also the rules committee that prepared a draft of proration rules for the Commission?

A. Yes.

Q. During some of those meetings, did you observe that the rules that we submitted here that there was controversy as to several of the provisions?

A. That is correct. There were very few of the companies that agreed on all of these. Some folks said will we do about this, and the answer usually was we'll take care of that when the problem arises. The rules were drafted very broadly and if they have bugs in them, they'll be worked out.

Q. In other words, it is your opinion that a general procedure should be followed and if and when the Commission finds that the proration of natural gas in any part of the area is necessary - - - -

A. I think the Commission will have to make rules for individual fields taking into the consideration of these rules the factors which will vary throughout the field, such as sweet and sour gas deliverability - all those things will have to be taken into consideration in any of your pools.

Q. None of that information was taken into consideration by the committee that was involved in setting up these rules which were adopted by the majority vote of the committee?

A. That was not the case. The rules were general and did not take into consideration any specific pools.

MR. DAVIS: No further questions.

MR. SPURRIER: Does anyone have a question of this witness? If not, the witness may be excused.

MR. STAHL: My name is Stahl of the Permian Basin

Pipeline Company and we have one witness.

REX D. FOWLER

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY: MR. STAHL

Q. Will you state your name, please?

A. Rex D. Fowler.

Q. What position do you hold with the Permian Basin Pipeline Company?

A. Manager.

Q. Do you also hold the same position a natural gas company?

A. That is correct.

Q. In general, what do your duties consist of, Mr. Fowler?

A. They generally cover the allocation and proration of gas and various sources of supply.

A. For both Permian and Northern?

A. Yes.

Q. Will you explain to the Commission the present status of the Permian Basin Pipeline Company?

A. Yes. We think it will go into operation December 1 of this year. That system is located in the southeast part of the - - of Lea Coun'y, New Mexico where dry gas will be purchased and in the Sprayberry area of Texas.

Q. You said that the system was planned to go into

operation December 1st, do you mean that the company anticipates running gas about December 1st?

A. That is correct.

Q. Mr. Fowler, was Permian represented on the committee which was delegated to draft the proposed rules?

A. Yes, they were.

Q. Are you familiar with those rules?

A. Yes. I have read the rules.

Q. With your conversations with persons from Permian who attended those meetings and from your reading of the rules, is it your understanding that those rules provide for proration on a pool by pool basis?

A. Yes. That is my understanding.

Q. Do you have any other general comments with respect to those rules, Mr. Fowler?

A. I'd like to make just one general comment. I am not completely familiar with the pools in the southeastern section of Lea county; however, it has been my experience that the characteristics of various gas pools are not generally the same. For that reason, I believe hearings will be held on each pools so that special rules can be considered.

Q. Were you present when Mr. Steen of El Paso testified?

A. I was.

Q. Did you hear his testimony?

A. I did.

Q. In your opinion, do you think that the Permian Basin Pipeline Company will be faced with the same type of

problems that Mr. Steen outlined in his testimony?

A. Yes, I do.

Q. Did you hear Mr. Steen testify that a great amount of flexibility is desirable in the gas producing areas?

A. Yes, I did. I think Mr. Steen covered the problem very well.

Q. Does this generally conform to the view of the Permian Basin Pipeline Company?

A. That is right.

Q. Is the Northern Gas Company presently operating where gas is prorated?

A. Yes. We are operating in the Texas panhandle and gas is prorated there.

Q. I understand from earlier testimony that you have had experience in working under proration in various areas?

A. That is right.

Q. Based on that experience in your work, do you have an opinion as to whether proration should be established at this time?

A. Yes. As previously stated Permian Basin Pipeline Company expects to put its system in operation in a little over three months now - about December 1. There will be a substantial new market for gas in the Lea County area.

Q. Do you have any figure in mind as to about what percentage Permian will take of the gas produced in that area?

A. Roughly, I think it will be about 35 per cent. Now, it seems to me that as soon as that system is in operation,

quite a large number of additional wells will have a market for gas, and much more information will be available at that time on which to base a study as to whether or not proration would be advisable and what rules should apply in each pool.

Q. If I understand your testi ony then, your position is that Permian Basin Pipeline Company feels that proration is not desirable at this time - is that right?

A. We would like to see it deferred until our Company is in operation. Thinking that the additional information available at that time will help the Commission in establishing proration on a suitable basis.

Q Mr. Fowler, are you generally familiar with the sources of supply that Permian anticipates getting their gas from?

A. Yes.

Q. Is it not a fact that Permian does not have a great deal of information at this time with regard to wells that it will be connected to?

A. That is true. In fact, many of the wells aren't yet drilled. They are to be drilled between now and the end of the year. Other wells are to be reworked and recompleted.

Q. Then from your experience, wouldn't it be very difficult thing to attempt to set up proration at this time when a very small amount of knowledge and factual data is available?

A. I believe it would.

Q. Do you have any further statement that you would care to make?

A. I believe not.

MR. STAHL: That's all.

MR. SPURRIER: Is there a question of the witness?

MR. TREMBLE: George E. Tremble, Samaden Oil Corporation. Mr. Fowler, did I understand you to say that your system is proposed for 200 million cubic feet of gas per day?

A. That is right. At the first of the year.

Q. What I would like to ask you, the gas coming from the State of Texas, how much of that will be residue -- how much of that do you anticipate to be residue and how much will be high pressure gas?

A. Out of the State of Texas?

Q. Yes.

A. I think about 100 to 125 will be residue gas.

Q. That's out of the State of Texas?

A. That would be from the Sprayberry area, yes.

Q. How much from the gas wells in Pecos County - are they high pressure gas wells?

A. Yes. I think that will probably go into operation early in next year. Probably start out around 2500 per day.

MR. STAHL: Thank you.

MR. SPURRIER: Anyone else? If not, the witness may be excused. Is there anyone else to be heard in this case?

MR. CAMPBELL: If the Commission please, I'm Jack M. Campbell, Roswell, New Mexico and I'd like to make a state-

ment, in behalf of the Texas-Pacific Coal & Oil Company.

It appears to Texas-Pacific Coal & Oil Company that there is some difference of opinion as to the effect of the proposed general rules should the Commission see fit to put them into effect.

The rules do not seem to us to be clear inasmuch as they seem on the surface to contemplate pool hearings in all cases, which we believe is the proper method to initiate gas proration and if they mean any more than that - if they do mean an attempt to proration in a four county area - or any area larger than a common source of supply, we have serious doubts as to their legality under New Mexico statute.

We have no objection to gas proration provided it is needed and provided it is done in compliance with the statutes. In fact, the statutes require that the Commission make a determination if gas proration is needed and these proposed rules likewise contain such a provision.

Furthermore, the statutes require that the Commission in designating a gas pool limit the pool both horizontally and vertically as a separate or common source of supply. As we understand it, this hearing involves both cases 245 and the case involving the proposed gas proration in a four-county area. We feel that the determination and definition of the gas pools being the very predicate upon which gas proration, if it is initiated, must be based is extremely important, in setting up any gas proration system.

For example, it is our understanding that in Case 245 the Commission has already or by the proposed changes which have recently been offered in connection with this proposal by the committee, has combined the Yates formation, which both historically and geologically have been accepted as a separate source of supply in the Permian Basin from the Seven Rivers formation and in some cases, has combined it with a portion of the Queen, and combined all of these into one common source of gas supply.

To do so, we feel ignores the method and manner in which hundreds of wells have been drilled in those areas and results in considerable complications both by way of proper and legal orders of the Commission and protection of contractual rights of people in those areas, who have drilled oil wells and who have been producing them as oil wells under the Commission's approval for some period of time.

Furthermore, many gas sales contracts have been entered into in these areas with the Commission's knowledge which limit the subject matter of the contract of gas produced from the Yates formation as sweet gas on one hand, and sour gas on the Seven Rivers formation on the other hand.

We feel that the legaility of the designation of gas pools in this manner is a very serious question for the Commission and in establishing gas proration if it is determined to be necessary. We would like to request the Commission, and I believe these proposed rules contemplated, if they do

not spell it out clearly, that there shall be a separate pool hearing in each and every case. And that in those pool hearings, case 245 might be left open for the purpose of determining in each pool from proper geological testimony by interested parties whether a gas pool designated both horizontally and vertically is actually a single source of supply or whether in fact there are several sources of supply involved.

Second, that the hearing determine separate sources of supply which should be designated as gas pools. Third, whether gas proration is needed in each of these separate sources of supply and fourth, if they are needed, what special field rules should be adopted to protect the wells already completed and to protect contractual rights which have been acquired on the basis of designation of pools in another manner in the absence of gas proration.

If these proposed general rules contemplate that they shall simply be stand-by rules and that there shall be no gas proration in any pool in New Mexico in the absence of a pool hearing, we have no particular objection to them. On the other hand, if, as some people seem to feel, they contemplate gas proration on a four-county basis without a determination in each common source of supply before any gas proration is put into effect, we have serious doubts as to their wisdom or legality.

We want to particularly request that Case 245 be retained open in any event for modification in the event there is a pool hearing and its determination is contrary to the

existing designation of gas pools as made by the Commission at that time.

MR. SPURRIER: Is there anyone else to be heard? Mr. Hinkle?

MR. HINKLE: I am Clarence Hinkle, Hervey, Dow & Hinkle, Roswell representing the Humble Oil and Refining Company.

We have listened with a great deal of interest to the testimony that has been put up here by the El Paso Natural Gas and other pipeline companies. We assume that the object of their testimony is to impress the Commission that there is no hurry in putting proration into effect. We have felt all along that the wisdom of the Commission in appointing the advisory committee to recommend some rules was an indication of the feeling of the Commission that there was a necessity for gas proration in these four counties.

We have participated in the hearings that have been held with respect to drafting these rules. And I think I can state generally, that we are in accord with the rules that have been proposed. We are not wholeheartedly in accord with Rule 4 which is the rule which is sometimes - - which has come under some discussion here as to its proper interpretation - whether it is necessary for the Commission to make a separate determination in each pool or field to determine if proration is needed and the adoption of special field rules.

However, we are willing to go along on that and on the proposition that of the pipeline companies as proposed

here that there be a hearing on each separate pool, but we would like to urge the Commission to put these rules after they have been adopted, into effect at the earliest possible time. We think that the Commission should go ahead and call, as soon as practicable, hearings for the purposes of determining whether proration is warranted in the pool and for the adoption of any special rules as may be necessary preparatory to putting proration into effect. Then they can go ahead and call for proration and put it into effect at the earliest possible time.

Now, I assume that there will be some periods of time when each one of these rules, as proposed, will be discussed. Am I right on that?

MR. SPURRIER: We hoped we wouldn't have to, Mr. Hinkle. But if you care to discuss them, you go ahead.

MR. HINKLE: I have only one suggestion. It is not a propcsed change in those rules but it is a suggested clarification. And that's in connection with Rule 6 which provides for gas allocation. Now, in order to understand the suostitution which I would like to suggest to the Commission when they consider the adoption of these rules, I would like to read that last sentence which is in "C", roman numeral VI.

It reads "More than one proration unit of fractional parts thereof may be adjoined to a gas well and the allowable assigned said well may be increased proportionately provided that: "and then it discusses the conditions upon which these allowables may be increased. "First, no more than 640 acres

shall be assigned to any one well; second, all acreage in said lease may reasonably be presumed to be productive of gas; three, a multiple unit, so formed, shall not have over-all length or width exceeding 5,280 feet; " now, fourth, this is the one which I felt was ambiguous and should be changed. Four reads this way in the proposed rule. "The well, to which such additional units are assigned, shall be located not closer to any boundary of such pool units" that - - I think that's a typographical error, I suppose it should be "than" the distance represented by 25% of the length of the longer of the two boundaries in such pool units, which are adjacent to said first mentioned boundaries."

Now, I don't believe that that makes sense in that you have not made reference to any such boundary at all. And we have tried a number of times to figure out practically and while we know what the intent was and have no quarrel with the intent - - we think that the intent was "no well, where there are multiple pool units, should be located less than 660 feet from the longest boundary nor more than 1320 feet from the shortest boundary.

Now, in order to clarify that statement and accomplish the same think, we would like to suggest that the following be substituted for sub-section 4. "Where not more than two proration units are assigned to a well, the well shall not be located closer than 660 feet to the longest boundary of the pool unit nor less than 1320 feet from the shortest boundary of the pool unit, where three or more units are pooled, the wells shall not be located closer than 320 feet to the outer boundary

of the pool unit."

We believe that in this manner, it is clear and accomplishes the same thing that is proposed in these rules. I would like to pass this along to the Commission for what it's worth.

VOICE: You made reference to 320, you meant 1320 feet, didn't you?

MR. HINKLE: 1320 - that's right.

MR. SPURRIER: Anyone else?

MR. DIPPLE: My name is Harry Dipple and I'm with the Continental Oil Company.

The continental realizing or acting on the assumption, I should say, that the Commission in appointing this committee felt that the time for gas proration has arrived, feels that it should say that it favors generally the rules that have been proposed by the committee.

Continental was represented on the committee and took part in the discussions. But, of course, we have some reservations in our mind with respect to the provisions of certain portions of these rules. I might say at the out-set that it is our opinion that they should have general application to the four-county area and that exceptions thereto should be granted when the conditions exist that require granting of such exceptions, and after proper notice and hearing, rather than trying to have all of the exceptions fit into the rules.

There is a provision in section (b) of Rule 4 for just that sort of thing, I believe. And apparently,

some members of the committee have in mind that that sort of hearing would be in order and probably necessary on certain occasions. Since it was indicated a moment ago that the Commission will hear comments with respect to the individual rules as proposed, we have made, I think it is correct to say, some careful studies of these rules that are proposed and we have some matters that we would like to call to the Commission's attention and we have some recommendations to make.

Rule 1 attempts to define a gas well. We think that the rule is so worded as to perhaps be confusing and in one sense of the word, it's rather duplicitous. It says: "A gas well shall mean a well producing gas or natural gas from a common source of gas supply from the gas pools determined by the Commission" and if you'll refer to the definitions in the existing rules, you will, I think, find that a common source of gas supply is the same thing as a gas pool. So in view of that definition, we would like to recommend the following definition of a gas well. " A gas well shall mean a well producing gas from a common source of supply which has been designated by the Commission to be a gas pool."

Now, since Rule 1 has to do with definitions, we would suggest that the heading of the rule be changed merely to the word "Definitions" and that the work of the gas well be eliminated and that a definition be added under there - let the gas well definition be sub-section (a) or sub-section (1)

whatever you may chose.

Under Rule 4, sub-section (c), there is an attempt made to define a gas purchaser system. Now Rule 4 is headed "GAS PRORATION" and we do not feel that that is a proper place for a definition. We, therefore would suggest that a gas purchaser should be defined in Rule 1 where definitions will properly find their place, since we already attempted to define one term as to what a gas well is.

We would recommend that the following definition of a gas purchaser should be included in rule 1. "Gas purchaser shall mean any taker of gas either at the well head or at any point on the lead where connection is made for gas transportation or utilization." We feel that perhaps a casual comparison of the proposed definition and the one that we are recommending with the one that is appearing in sub-section (c) of Rule 4 will suggest that the one that is included in the proposed rules as sub-section (c) of Rule 4 does not adequately define a gas purchaser, because some gas purchasers take at points other than well heads. Some of them take it at the separator or either at the lease line.

Now, this next recommendation has to do with Rule 2. We feel that under paragraph (a) of Rule 2 in lines 2 and 3, the word "sections" should be changed "section" and then subdivisions(a), (b) and (c) should be eliminated. In other words, we feel that sub-section (a) of Rule 2 should read that "the secretary of the Commission shall have authority to grant an exception to the requirements of state-wide rules 104, section (d) without notice and hearing when application has been filed

in due form." Then put a period and eliminate the word "and".

The reason for this recommendation is that the provisions of the sections that we have proposed to eliminate do not apply to these gas rules but appear to us to apply to oil rules.

Our next recommendation has to do with sub-paragraph 2(a) in line 2 of - - let me see - in sub-paragraph 2(a) of sub-section (a) of Rule 2 reads: "The ownership of all oil and gas leases within a radius of 660 feet of the proposed locations" - -we recommend that it be changed from 660 to 1320 feet. This distance that we recommend, the 1320, corresponds to gas spacing whereas the 660 figure which apparently was copied with this wording from state-wide rule 104 (f) applies to oil proration units specifically.

Now, our next recommendation has to do with Rule 3, and we recommend that the entire paragraph be eliminated and that there be substituted for it the following: "No well producing from any pool allocated under these rules shall be allowed to produce a greater daily amount of liquid hydrocarbons than the top unit oil allowable determined by state-wide rule 505, unless, after hearing, the Commission shall amend this rule as it applies to a particular pool in order to prevent waste or protect correlative rights."

We feel that the provision that we recommend the deletion of is not only not necessary but that it is contrary to what we think is the intent of the Commission in regulating gas pools. We believe that rules governing gas pools should regulate gas by setting gas allowables, not oil allowables.

We will next come to Rule 4. To be perfectly frank about it, we feel that Rule 4 should be eliminated in its entirety unless it is desired to keep sub-division (b) in the rules and if that sub-section (b) is thought to be desirable, we would suggest that it be added on at the end of the rule rather than at this point.

Now, the reason for our recommending or suggesting that Rule 4 should be - - that is sub-section (a) of Rule 4 should be deleted is that it appears to be as has been evidenced here today, some conflict of opinion on the part of those who worked on the rules at the request of the Commission, as to the interpretation of that rule. The provisions of sub-section (a) are really made unnecessary by provisions of some of the other rules, that are proposed - - as for example, sub-section (a) of Rule 6. And by eliminating sub-section (a) of Rule 4, we feel that the rules would actually not suffer but would be benefited by the delegation. Now, our reason for suggesting the deletion of sub-section (c) of Rule 4 has already been gone into in that we recommend that a gas purchaser be defined as we recommended and be placed in Rule 1, under definitions.

Now, we next come to Rule 6. In paragraph B, line 8, that sentence which I have reference to now reads "The Commission shall include in the proration schedule the gas wells in the pool delivering to a gas transportation facility, and shall include in the proration schedule of such pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well." We

recommend the deletion of that sentence and the substitution for it of this sentence: "The Commission shall include in such proration schedule, all wells completed in and capable of producing from any pool allocated under these rules."

We feel that the wording that is in the rule and proposed by the committee would enable an operator in utilizing all of his gas production on his own lease to have his wells left off the schedule. We feel that placing a well on the proration schedule is no insurance that the well will be connected because that is a matter of contract between the producer and the purchaser.

Now, we recommend also the deletion of the next sentence of sub-section (b) of paragraph 6 which reads "The total allowable to be allocated to the pool shall be determined by the Commission in the following manner: The total allowable for a month shall be equal to the total market demand for that month plus the amount of any overproduction, or less the amount of any underproduction during the second preceding month." We recommend the substitution of the following: "Such schedule shall set forth each well's current gas allowable, which shall be its fair and equitable share of the pool allowable, as determined under the provisions of Rule VI C below; the amount of overproduction or underproduction accrued during the second preceding month; and the net allowable which shall be the current allowable plus said underproduction or less said overproduction from the second preceding month."

The wording, as recommended by the committee, we feel, is calculated to adjust nominations by actual production experience. The effect, however, would appear to us to be confusing. For instance, if production or takes during a given month greatly exceeded the allowable, due to an unexpected surge of demand, that excess would be added to the allowable of the second succeeding month. The effect is to multiply the difficulties wrought by the vagaries of weather and market demand. Actually, these unknown factors should be handled by adjusting nominations, as that is the purpose of the supplemental nominations.

Now, we have one recommendation for a change which perhaps is minor and is more a grammatical matter than one which would seriously affect the rules. I have reference to section (c),of Rule 6 the last line on the page. That is, the third line. The word "amount" - - it reads "the allocation to a pool remaining after subtracting the capacities of marginal units shall be divided and allocated ratably among the non-marginal units in the amount that the acreage" and so on. We feel that the word "amount" should be changed to read "proportion" because that would make the intent clearer.

Now in line 5 of sub-section (c) of Rule 6 which is line 2 on page 3 of the mimeographed copies of the proposed rules which I have - after the word "shall" - provided that for this purpose standard units shall be as defined in Rule 5 above - - we recommend that the words "as defined in Rule 5 above" be deleted and that we substitute the following: "construed to contain 160 acres, notwithstanding variations therefrom

within the limitations of rule 5 above."

Now, our first thought was perhaps that the Committee misunderstood the intent of the former wording, and that it was changed for brevity. The purpose of this language is to relieve the Commission of having to deal with small variations (up to 2 acres) from the standard units for allowable purposes. Units with 158 or 162 acres would be given credit for 160 acres and be treated exactly like a tract that contained precisely 160 acres.

Now, Mr. Hinkle called attention to typographical error in numbered paragraph 4 of sub-section (c) of Rule 6 in the second line where he suggested the word "that" should be changed to "than". Unless the Commission adopts the substituted language that Mr. Hinkle proposed and we have no objection to the Commission's adopting the language that he recommended.

If, however, Humble's recommendation is not adopted, we would further recommend that numbered paragraph 4 should end after the word "pooled" and the word "and" at the end of it should be eliminated.

Now, under Rule 8, numbered paragraph 2 of sub-section (a), it now reads: "the locations of all wells on the lease and the immediately surrounding leases producing from the saver reservoir, and". We recommend the elimination or deletion of the words "and the immediately surrounding leases". We also recommend the deletion of numbered paragraph 3 of sub-section (a) of Rule 8,which reads: "the lease ownership of said leases".

Now the reason for that recommendation is that the person who will be required to make the affidavit on form C-104 could hardly be expected to have personal knowledge of the location of wells on the immediately surrounding leases and of the lease ownership of surrounding leases to such an extent that he would be willing to swear to it.

The next recommendation has to do with Rule 9. In the second line of Rule 9, there appears the word "submitted". We recommend that we substitute for the word "submitted" the following words "reported on a form designated by the Commission." The first part of that paragraph should then read: "The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported on a form designated by the Commission."

The word "submitted" we think is ambiguous and does not indicate the intent of the rule. The substituted wording, we feel, gives the proper directions and indicates exactly how the gas production is to be reported.

Now, we would like to make this further suggestion. While it really doesn't directly apply to the rules as proposed by the Commission - - the committee, but we feel perhaps that this is an opportunity to call it to the attention of the Commission and we should like to do so. That the definition numbered 51 in the statewide rules be changed - - I don't have my copy of state-wide rules - - be changed in line 4 to - - change the word "seventh" to read "sixth". The definition would then read as follows: Proration period shall mean for

oil the proration month and for gas six consecutive calendar months which shall begin at 7:00 a. m. on the first day of a calendar month and end at 7:00 a.m. on the first day of the sixth succeding month."

The present wording would imply a seven month proration period, whereas the wording just preceding it in the same definition definitely states that the period should be six months. We think that for consistency and clarity, the change should be made.

MR. DIPPLE: I believe that's all I have.

MR. SPURRIER: Anyone else? Mr. Nestor?

MR. NESTOR: E. W. Nestor representing Shell Oil Company.

Shell Oil Company is in general accord with the gas rules as proposed except for one feature. We wish to direct attention to Rule 5, Proration Unit, in connection with Rule 6, Gas Allocation.

Rule 5 establishes a standard gas proration unit of 158 to 162 contiguous surface acres. Provision is also made for special pool rules under which proration units are of a different size and may be established.

Section (c) of Rule 6 provides however, that more than one standard proration unit may be assigned to a gas well provided that not more than 640 acres are so assigned and provided that the other requirements are met.

As written, the rule would apparently leave to the discretion of the operator whether such additional acreage

should be assigned to a well. Also as written, there is no requirement that the wells to which additional acreage is assigned should be shown to be capable of draining such additional acreage. We feel that this rule could result in grave inequity. An operator with a single 160 acre tract could be off-set or surrounded by one or more single ownership units of 640 acres, such operator would have a single unit allowable. The off-set operators, on the other hand, could each assign four standard units to their wells and could each obtain a proportionately increased allowable and could do this even without a showing that their wells were draining the acreage assigned such wells.

It is our thought that in the absence of field rules establishing larger units, it would be better to say that the standard 160 acre units for allowable purposes unless after a hearing, the Commission permitted the assignment of additional acreage and allowable because of circumstances existing in that particular case.

We realize that there may be conditions under which such additional acreage could be assigned to other wells but feel that it should be permitted only after hearing and not solely at the discretion of an operator.

MR. SPURRIER: Anyone else?

MR. DIPPLE: If the Commission, please, it has been called to my attention that I apparently recommended the deletion of the word "and" at the wrong point in sub-division (a) of Rule 2.

I was told that I recommended the elimination of the word "and" at the end of that first paragraph there under sub-division (a) just before the numbered paragraph 1. I did not so intend and the word "and" that I intended to recommend elimination of appears just before "d" in parenthesis in the third line of the first paragraph under sub-division (a). In other words, I intended to recommend the changing of the word "sections" in line 2 to read "section" and eliminate (a), (b), (c) and" so that it would read: "to the requirements of State-wide Rule 104, Section (d)..."

MR. SPURRIER: We will take a five minute recess.

(FIVE MINUTE RECESS)

MR. SPURRIER: Is there anyone else to be heard?

MR. CHRISTIE: R. S. Christie of the Amerada Petroleum Company. We are in favor of gas proration in the state of New Mexico and urge the adoption of the proposed rules as soon as possible.

The only rule that we are not particularly in favor of would be Rule 3 - that's oil production from a defined gas pool. We don't believe that that's necessary and we suggest that that be deleted.

MR. SPURRIER: Mr. Smith?

MR. SMITH: Stanolind Oil and Gas Company would like to make the following statement. We concur in Mr. Campbell's statement that the statutes do not authorize the prorationing of gas on anything but a pool-wide basis and we doubt seriously the legality of any such order that might affect prorationing throughout an entire area.

I should like to suggest, however, that the committee report be adopted by the Commission for use as stand-by rules and that individual applications for prorationing in a particular pool would result in those rules being brought forward, at which time the individual operating problem or marketing problems in that particular pool would be subject to review to determine what variations or deviations should be made in the suggested prorationing rules.

MR. SPURRIER: Anyone else? Mr. Foster?

JUDGE FOSTER: Phillips Petroleum Company is, of course, in favor of gas proration and we feel that the time has really come for that to be put into effect, in these pools.

As far as these rules are concerned, I don't suppose that any committee or even the Commission could ever write a set of rules that would suit everybody. Now, there are some things in here that don't suit Phillips Petroleum Company. But we are willing to go along of them as they are written. We sat in as a member of that committee and we voted against some of these rules and we were out-voted on them. We are willing to accept them as they are written in order to get proration started.

Now, I know they're not perfect and I know that you'll want to change them in a good many respects as you go along. I think you are going to find that this is going to be sort of a long, tedious process in getting the gas prorated in this state. I'd say that it would take you five to ten years to get this thing to running smoothly. That's been our experience other places and I think we will have the same experience here.

I think you should adopt separate pool rules and - - or adopt rules separately for each pool and it would be my suggestion that when you decide that proration is necessary in any particular pool, that you start off with these rules for that pool and then as the problems develop, you can have your hearings and determine what particular changes should be made in these rules as applied to any particular pool. You are just going to have to do it by a trial and error method and that's the way all the other rules that I know anything about have finally be resolved. Just try this one out. There will be matters of interpretation. People won't agree on what a particular sentence means or what it's application is and the Commission will have to make those interpretations.

These represent - - these rules that have been presented here to the Commission represent a good many hours of hard work. I think the committee got down and really worked and took everything in a pretty good spirit. As I say, there are lots of them that aren't satisfied with everything in here, but you attempt to get everybody satisfied before you put a set of rules into effect, you'll never get prorationing to working in this state.

MR. SPURRIER: Anyone else?

MR. COOPER: J. D. Cooper with Skelly. At last month's meeting, Skelly brought up two or three changes which we thought would be desirable in this group of rules. One of which was just brought out by Mr. Christie of Amerada, regarding Rule 3.

The other brought up by Humble on sub-paragraph 4,

section 3 (c) of Rule 4 - ah, 3 - the rewording there but there is one furthere that has not been discussed in Rule 9.

Skelly would like to provide that the gas used on the lease for any purpose other than gas lift or drilling fuel would not be charged against the well's allowable. Now, that can be done by inserting a clause at the beginning of the last sentence of Rule 9 to read as follows: "excepting therefrom all gas used on the lease for purposes other than drilling fuel or gas lift...."

MR. SPURRIER: Anyone else? Is there anyone else to be heard? If not, we will take the case under advisement and move on to Case 529.

3i .

JANUARY 1954

ORDERS AG 1 AND AG 1 A

NEW MEXICO
OIL CONSERVATION COMMISSION

LEA COUNTY

GAS PRORATION SCHEDULE

PRORATION OFFICE
BOX 2045
HOBBS, NEW MEXICO

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

ORDER No. AG-1

GAS PRORATION ORDER
FOR PERIOD JANUARY 1, 1954 THROUGH JUNE 30, 1954

The Commission held public hearing at Santa Fe, New Mexico on November 19, 1953 at 9 o'clock a.m., pursuant to legal notice for the purpose of setting the allowable production of gas from the following nine (9) gas pools in Lea County, New Mexico for the six month period, January 1, 1954 through June 30, 1954:

Amanda, Arrow, Blinebry, Byers-Queen
Eumont, Jalco, Justis, Langmat and Tubb.

NOW, on this day the Commission, a quorum being present, having considered the nominations of purchasers, the capacity of producing wells, and being otherwise fully advised in the premises,

FINDS:

(1) The total nominations of purchasers of gas produced from the above listed nine (9) gas pools for the period January 1, 1954 through June 30, 1954 is 49,163,888 MCF. The individual pool nominations, which total 49,163,888 MCF, are as follows:

AMANDA	181,000
ARROW	654,962
BLINEBRY	3,832,813
BYERS-QUEEN	193,370
EUMONT	14,154,009
JALCO	9,808,806
JUSTIS	378,593
LANGMAT	17,038,720
TUBB	2,921,615

(2) The potential producing capacity of all gas wells in the nine (9) gas pools listed above is in excess of the nominations of purchasers of gas and in order to prevent waste and protect correlative rights, the production of gas from the above listed nine (9) gas pools should be limited and allocated and distributed during the six month proration period commencing January 1, 1954.

(3) That all the producing gas wells, together with the expected completed or recompleted wells in the nine (9) gas pools listed above can produce a total of 49,163,888 MCF without causing waste within the six month proration period commencing January 1, 1954, and an allocation based upon such production would be reasonable and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) For the six month proration period commencing January 1, 1954 the total allowable production to be assigned the nine (9) allocated gas pools in Lea County be and the same hereby is as follows:

SCHEDULE "A"

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
AMANDA	31,000	28,000	31,000	30,000	31,000	30,000	181,000
ARROW	121,449	93,233	142,821	107,722	94,997	94,740	654,962
BLINEBRY	820,320	677,076	922,163	571,889	414,369	426,996	3,832,813
BYERS-QUEEN	33,760	30,160	33,260	31,990	32,710	31,490	193,370
EUMONT	2,734,570	2,494,793	2,633,282	2,249,856	2,065,222	1,976,286	14,154,009
JALCO	2,030,192	1,555,596	2,909,317	1,505,725	858,871	949,105	9,808,806
JUSTIS	83,682	66,702	100,669	55,490	34,411	37,639	378,593
LANGMAT	3,528,708	2,754,662	4,929,995	2,621,570	1,534,222	1,669,563	17,038,720
TUBB	605,480	517,823	596,384	439,286	381,176	381,466	2,921,615
						TOTAL	49,163,888

All figures in MCF @ 60° F. & 15.025 P.S.I.A.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

ORDER NO. AG-1-A

SUPPLEMENTARY GAS PRORATION ORDER FOR
MONTH OF JANUARY, 1954

The Commission held public hearing at Santa Fe, New Mexico on December 17, 1953 at 9 o'clock a. m., pursuant to legal notice, for the purpose of setting the allowable production of gas from the following nine gas pools in Lea County, New Mexico, for the month of January, 1954:

Amanda, Arrow, Blinebry, Byers-Queen, Eumont, Jalco, Justis
Langmat and Tubb

NOW, on this day the Commission, a quorum being present, having considered the supplementary nominations of purchasers, the capacity of producing wells, and being otherwise fully advised in the premises,

FINDS:

(1) The total nominations of purchasers of gas produced from the above listed nine gas pools for the month of January, 1954 is 12,299,763 MCF. The individual pool nominations, which total 12,299,763 MCF, are as follows:

Amanda	31,000
Arrow	135,391
Blinebry	973,425
Byers-Queen	8,760
Eumont	3,040,253
Jalco	2,629,478
Justis	130,109
Langmat	4,655,871
Tubb	695,476

(2) The potential producing capacity of all gas wells in the nine gas pools listed above is in excess of the nominations of purchasers of gas and in order to prevent waste and protect correlative rights, the production of gas from the above listed nine gas pools should be limited, allocated and distributed during the month of January, 1954.

(3) That all the producing gas wells, together with the expected completed or recompleted wells in the nine gas pools listed above, can produce a total of 12,299,763 MCF without causing waste during the month of January 1954, and an allocation based upon such production would be reasonable and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) For the month of January, 1954 the total allowable production to be assigned the nine allocated gas pools in Lea County, New Mexico, be and the same hereby is as follows:

Amanda	31,000
Arrow	135,391
Blinebry	973,425
Byers-Queen	8,760
Eumont	3,040,253
Jalco	2,629,478
Justis	130,109
Langmat	4,655,871
Tubb	695,476

(2) The allocation hereby set for the month of January in the Nine allocated pools in Lea County, New Mexico, shall be in accordance with Order Numbers R-368-A through R-376-A, inclusive, and the Commission's Rules and Regulations.

(3) A proration schedule, duly prepared by the the Commission and thereafter adopted, for the month of January, 1954, is hereto attached and made a part hereof; it distributes and allocates the allowable production among the gas wells in the nine gas pools listed above for the period stated, in accordance with the Rules and Regulations of the Commission and Orders R-368-A through R-376-A, inclusive.

The foregoing order shall remain effective until further order of the Commission.

DONE at Santa Fe, New Mexico, this 21st day of December, 1953.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Member and Secretary

SEAL

OPERATOR LEASE	WELL NO.	S.T.R.	NO. ACRES	FACTOR		JAN. ALLOW.	PIPE LINE
		* Indicates marginal wells			AMANDA		
GULF OIL CORP.							
Amanda	1 J	25-22-37	120	.75		31,000	Gulf
					ARROW		
CONTINENTAL OIL CO.							
Lockhart B-1	6-P	1-22-36	160	1.00	Beginning with the March Schedule this space will be used for tabulating Previous Allowables and Production and for calculating allowable adjustments.	33,848	Cont.
GULF OIL CORP.							
Mattern H.T. A	1-O	24-21-36	160	1.00		33,848	Gulf
Ramsey B	2-E	25-21-36	160	1.00		33,848	"
SINCLAIR OIL & GAS CO.							
Brownlee	4-N	25-21-36	160	1.00		33,848	E.P.
POOL TOTALS	4		640	4.00		135,392	
					BLINEBRY		
AMERADA PET. CORP.							
State DA	4-I	16-21-37	80	.50		15,575	P.B.
AZTEC OIL & GAS CO.							
Dauron	2-A	10-21-37	40	.25		7,788	S.U.
CITIES SERVICE OIL CO.							
State S	1-E	15-21-37	80	.50		15,575	E.P.
CONTINENTAL OIL CO.							
Lockhart B-11	8-O	11-21-37	160	1.00		31,150	E.P.
GULF OIL CORP.							
Vivian	5-D	30-22-38	160	1.00		31,150	E.P.

BLINEBRY CONT'D

OPERATOR / LEASE	WELL NO.	S.T.R.	NO. ACRES	FACTOR	JAN. ALLOW.	PIPE LINE
HUMBLE OIL & RFG. CO.						
Penrose	1-B	13-22-37	160	1.00	31,150	E.P.
MAGNOLIA PET. CO.						
Brunson Argo	6-E	10-22-37	160	1.00	31,150	P.B.
Carson, E.O.	8-F	33-21-37	120	.75	23,363	P.B.
Corrigan,H	7-P	33-21-37	120	.75	23,363	P.B.
Long, S.E.	8-J	11-22-37	160	1.00	31,150	P.B.
Marshall Unit	3-D	34-21-37	160	1.00	31,150	P.B.
Williamson	1-A	23-21-37	40	.25	7,788	P.B.
MARKHAM, CONE & REDFERN						
Eubanks	1-M	14-21-37	160	1.00	31,150	E.P.
MORAN, E. F.						
Owen	2-D	14-21-37	160	1.00	31,150	E.P.
OHIO OIL CO.						
Marshall B	4-L	27-21-37	160	1.00	31,150	P.B.
Muncy	3-N	24-22-37	80	.50	15,575	E.P.
Warlick C	2-O	15-21-37	160	1.00	31,150	P.B.
Wortham	12-H	11-22-37	160	1.00	31,150	P.B.
OLSEN, R. OIL CO.						
Boyd	2-H	23-22-37	160	1.00	31,150	E.P.
Danglade	1-L	13-22-37	80	.50	15,575	E.P.
Drinkard	1-C	25-22-37	120	.75	23,363	E.P.
Sims	1-F	25-22-37	40	.25	7,788	E.P.
PHILLIPS PET. CO.						
Sims	1-L	24-22-37	80	.50	15,575	E.P.
Sims	4-D	24-22-37	160	1.00	31,150	E.P.
SAMEDAN OIL CORP.						
Parks	2-M	14-22-37	160	1.00	31,150	E.P.
Parks A	5-O	14-22-37	160	1.00	31,150	"
SHELL OIL CO.						
Argo	3-K	15-21-37	160	1.00	31,150	E.P.
Argo A	5-F	22-21-37	160	1.00	31,150	E.P.

OPERATOR / LEASE	WELL NO.	S.T.R.	NO. ACRES	FACTOR	JAN. ALLOW.	PIPE LINE
BLINEBRY CONT'D						
SHELL OIL CONT'D						
Livingston	8-F	3-21-37	80	.50	15,575	E.P.
Livingston	9-N	3-21-37	120	.75	23,363	E.P.
Sarkeys	2-K	23-21-37	160	1.00	31,150	E.P.
State	2-H	15-21-37	80	.50	15,575	E.P.
Turner	5-I	22-21-37	160	1.00	31,150	E.P.
Turner	13-N	22-21-37	160	1.00	31,150	E.P.
SINCLAIR OIL & GAS CO.						
Boyd	4-F	23-22-37	160	1.00	31,150	E.P.
Sarkeys A	1-J	23-21-37	160	1.00	31,150	E.P.
TIDE WATER ASSOC. OIL CO.						
Sarkeys	3-C	26-21-37	160	1.00	31,150	E.P.
State S	2-C	15-21-37	80	.50	15,575	E.P.
TOKLAN PROD. CO.						
Williamson	2-C	23-21-37	80	.50	15,575	E.P.
POOL TOTALS	39		5,000	31.25	973,441	
BYERS-QUEEN						
CONTINENTAL OIL CO.						
State A-29	1-J	29-18-38	40	.25	1,252	Cont.
GULF OIL CORP.						
Grimes, W	4-C	32-18-38	160	1.00	5,006	Gulf
SHELL OIL CO.						
State A	1-G	32-18-38	80	.50	2,504	Shell
POOL TOTALS	3		280	1.75	8,762	

OPERATOR LEASE	WELL NO.	S.T.R.	NO. ACRES	FACTOR	JAN. ALLOW.	PIPE LINE
AMERADA PET. CORP.				EUMONT		
Andrews	1-D	12-20-36	80	.50	19,806	P.B.
Lambert	1-B	6-20-37	160	1.00	39,612	P.B.
Phillips A	1-G	31-19-37	80	.50	19,806	A.M.
Phillips	8-G	1-20-36	160	1.00	39,612	P.B.
State D	3-F	1-20-36	160	1.00	39,612	P.B.
State F	1-M	36-19-36	160	1.00	39,612	P.B.
State G	1-N	18-19-37	80	.50	19,806	P.B.
State O	1-B	30-19-37	160	1.00	39,612	P.B.
State P	2-M	29-19-37	160	1.00	39,612	P.B.
State Q	3-O	16-20-37	160	1.00	39,612	P.B.
State T	3-F	25-19-36	80	.50	19,806	P.B.
State V	3-H	36-19-36	160	1.00	39,612	P.B.
Weir	4-F	35-19-36	160	1.00	39,612	P.B.
ANTWEIL, MORRIS R.						
Phillips Hooper	1-O	27-20-37	160	1.00	39,612	S.U.
" Crawford	1-A	34-20-37	160	1.00	39,612	P.B.
Stan.Fed.	1-E	35-20-37	160	1.00	39,612	P.B.
ANDERSON PRICHARD OIL CORP.						
Britt A	2-K	6-20-37	80	.50	19,806	A&P
ATLANTIC RFG. CO.						
Coleman	1-C	17-21-36	40	.25	9,903	S.U.
Crutchfield	1-I	32-19-37	40	.25	9,903	P.B.
State H	1-O	5-21-36	160	1.00	39,612	P.B.
State K	2-S	6-21-36	80	.50	19,806	Phil.
State O	1-E	32-20-37	40	.25	9,903	Phil.
State O	2-D	32-20-37	40	.25	9,903	S.U.
AZTEC OIL & GAS CO.						
Burke	1-P	28-19-37	80	.50	19,806	S.U.
Burke	2-H	"	80	.50	19,806	S.U.
Maxwell St.	1-K	27-19-37	80	.50	19,806	S.U.
CITIES SERVICE OIL CO.						
Laughlin	5-O	5-20-37	120	.75	29,709	P.B.
State F	2-I	30-20-37	120	.75	29,709	P.B.

EUMONT CONT'D

OPERATOR / LEASE	WELL NO.	S.T.R.	ACRES	FACTOR	JAN. ALLOW.	PIPE LINE
CONTINENTAL OIL CO.						
Britt A-6	4-L	6-20-37	80	.50	19,806	Cont.
Britt B-8	1-C	8-20-37	40	.25	9,903	E.P.
Britt B-10	1-M	10-20-37	160	1.00	39,612	E.P.
Britt B-15	3-L	15-20-37	160	1.00	39,612	Cont.
Britt B-18	3-J-6-P	18-20-37	160	1.00	39,612	Cont.
Lockhart A-18	1-P	18-21-36	80	.50	19,806	Cont.
Meyer A-8	3-M	8-21-36	160	1.00	39,612	E.P.
Meyer B-4	14-G	4-21-36	160	1.00	39,612	E.P.
Meyer B-8	4-D	8-21-36	160	1.00	39,612	E.P.
Meyer, Semu B-26	#1	26-20-37	160	1.00	39,612	E.P.
Sanderson A-11	1-I	11-20-36	160	1.00	39,612	Cont.
State A-19	1-L	19-19-37	40	.25	9,903	Cont.
State D-11	1-L	11-21-36	160	1.00	39,612	S.U.
EL PASO NATURAL GAS CO.						
Shell St.	1-A	3-20-37	80	.50	19,806	E.P.
FIELDS, BERT						
Turner, Hudson St.	2-C	32-20-37	80	.50	19,806	S.U.
GULF OIL CORP.						
Bell. R.R.	2-P	8-21-36	80	.50	19,806	Gulf
Leonard A	3-B	22-21-36	160	1.00	39,612	Gulf
Orcutt B	1-G	5-21-36	80	.50	19,806	P.B.
Ramsey B	1-M	29-20-37	160	1.00	39,612	Gulf
HUMBLE OIL & RFG. CO.						
Adkins	4-L	10-21-37	160	1.00	39,612	E.P.
Fopeano	1-N	25-20-36	80	.50	19,806	E.P.
State Aggies	7-B	31-20-37	160	1.00	39,612	E.P.
State F	1-K	17-20-37	160	1.00	39,612	E.P.
KELLY, JOHN M.						
Houston Unit	1-P	8-19-37	160	1.00	39,612	E.P.
Cont. State F	1-D	1-21-36	160	1.00	39,612	E.P.
Kelly St.	1-F	13-19-36	160	1.00	39,612	P.B.
Phillips St.	1-P	12-19-36	160	1.00	39,612	E.P.
ME TEX						
Wallace St.	2-L	3-21-36	160	1.00	39,612	S.U.
Wallace St.	3-N	3-21-36	80	.50	19,806	S.U.

EUMONT CONT'D

OPERATOR / LEASE	WELL NO.	S.T.R.	ACRES	FACTOR	JAN. ALLOW.	PIPE LINE
NOLAN & LANE						
Sinclair Williams	1-O	34-19-37	80	.50	19,80[illegible]	S.U.
Williams, J.H.	3-N	34-19-37	160	1.00	39,61[illegible]	W.P.
CHIC OIL CO.						
Barber	11-D	5-20-37	160	1.00	39,612	P.B.
PACIFIC WESTERN OIL CORP.						
State D	1-H	32-20-37	80	.50	19,806	S.U.
PHILLIPS PET. CO.						
Born A	1-P	14-19-36	160	1.00	39,612	E.P.
Monument	1-H	12-19-36	160	1.00	39,612	E.P.
New	2-H	26-20-36	80	.50	19,806	Phil.
SCHERMERHORN OIL CORP.						
Christmas	1-D	11-20-37	40	.25	9,903	P.B.
SHELL OIL CO.						
State	1-G	20-21-36	160	1.00	39,612	E.P.
State	1-E	7-19-37	160	1.00	39,612	E.P.
State A	1-P	35-19-36	40	.25	9,903	E.P.
State B	1-E	36-19-36	160	1.00	39,612	E.P.
State F	1-I	29-19-37	40	.25	9,903	E.P.
State L	2-X	1-21-35	160	1.00	39,612	E.P.
State M	4-P	1-21-35	160	1.00	39,612	E.P.
SINCLAIR OIL & GAS CO.						
Barber	7-E	8-20-37	80	.50	19,806	E.P.
SKELLY OIL CO.						
Christmas	1-M	25-19-36	40	.25	9,903	E.P.
Monstate	2-I	13-19-36	160	1.00	39,612	E.P.
Monstate	4-N	13-19-36	160	1.00	39,612	P.B.
Monstate	5-H	13-19-36	160	1.00	39,612	P.B.
State G	1-J	30-20-37	40	.25	9,903	S.U.
State B	5-G	16-21-36	80	.50	19,806	P.B.
State B	7-E	"	160	1.00	39,612	P.B.

OPERATOR / LEASE	WELL NO.	S.T.R.	ACRES	FACTOR	JAN. ALLOW.	PIPE LINE
SKELLY OIL CONT'D					EUMONT CONT'D	
Van Etten	9-L	9-20-37	160	1.00	39,612	S.U.
"	10-C	9-20-37	160	1.00	39,612	S.U.
SOUTHERN UNION GAS CO.						
Williams	1-B	33-19-37	120	.75	29,709	S.U.
Williams	2-I	33-19-37	120	.75	29,709	S.U.
STANOLIND OIL & GAS CO.						
Gillully A	4-B	24-20-36	160	1.00	39,612	P.B.
SUN OIL CO.						
Akens, J.N.	1-L	3-21-36	160	1.00	39,612	E.P.
Akens, J.N.	6-I	3-21-36	160	1.00	39,612	E.P.
SUNRAY OIL CORP.						
Cooper	3-D	7-20-37	80	.50	19,806	SUNR.
"	4-H	12-20-36	80	.50	19,806	E.P.
THE TEXAS CO.						
Phillips	1-D	10-20-37	120	.75	29,709	P.B.
Riddel	1-N	12-21-36	80	.50	19,806	P.B.
TIDE WATER ASSOC. OIL CO.						
Coleman	3-A	17-21-36	160	1.00	39,612	E.P.
Marshall (D)	1-H	13-21-36	160	1.00	39,612	E.P.
State A	4-A	8-21-36	160	1.00	39,612	E.P.
State J	3-F	17-19-37	160	1.00	39,612	E.P.
State K	1-K	13-20-36	80	.50	19,806	E.P.
State E	2-P	16-21-36	160	1.00	39,612	E.P.
TWO STATES OIL CO.						
McQuatters	1-J	11-21-36	40	.25	9,903	E.P.
WARREN PET. CORP.						
Evans St.	3-I	3-21-36	160	1.00	39,612	P.B.
Heasley St.	7-E	5-21-36	160	1.00	39,612	P.B.
POOL TOTALS	100		12,280	76.75	3,040,221	

OPERATOR LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	JAN. ALLOW.	PIPE LINE
				JALCO		
AMERADA PET.CORP.						
State JCT	1-P	16-23-36	80	.50	18,211	P.B.
"	2-G	"	80	.50	18,211	P.B.
AMERICAN REPUBLICS CORP.						
Crosby A	1-O	29-25-37	80	.50	18,211	E.P.
Crosby B	1-N	28-25-37	160	1.00	36,421	E.P.
ARGO OIL CORP.						
Langhart,B.T.	1-H	21-25-37	80	.50	* 9,610	E.P.
CONTINENTAL OIL CO.						
Ascarate C-24	1-B	24-25-36	80	.50	* 4,495	E.P.
Ascarate D-24	1-J	24-25-36	80	.50	* 12,648	E.P.
Danciger A-8	2-P	8-23-36	160	1.00	36,421	E.P.
Farney A-5	2-I	5-23-36	160	1.00	*33,325	E.P.
Lockhart A-30	1-H	30-21-36	160	1.00	36,421	E.P.
Lockhart A-30	5-K	30-21-36	80	.50	18,211	E.P.
" A-30	6-F	30-21-36	160	1.00	36,421	E.P.
Lynn, J.T. A-27	1-D	27-23-36	160	1.00	36,421	E.P.
Lockhart A-18	3-K	18-21-36	160	1.00	36,421	E.P.
Lynn A-28	5-A	28-23-36	160	1.00	36,421	E.P.
Meyer Mc. A-29	1-O	29-22-36	160	1.00	36,421	Cont.
Meyer A-29	5-A	29-22-36	160	1.00	* 7,223	E.P.
Meyer B-18	2-C	18-21-36	160	1.00	36,421	Cont.
Meyer B-33	1-M	33-22-36	160	1.00	36,421	E.P.
Sholes, A-13	3-P	13-25-36	160	1.00	* 2,108	E.P.
Sholes B-30	2-D	30-25-37	80	.50	* 3,348	E.P.
State A-32	2-G	32-22-36	160	1.00	36,421	E.P.
State A-32	3-P	32-22-36	160	1.00	36,421	E.P.
State C-20	5-M	20-21-36	160	1.00	36,421	Cont.
" E-17	4-E	17-22-36	160	1.00	* 7,161	E.P.
" E-17	5-L	"	160	1.00	36,421	Cont.
Stevens A-34	1-E	34-23-36	160	1.00	* 4,433	E.P.
Vaughan A-14	6-K	14-24-36	160	1.00	36,421	Cont.
Wells, E.J. B-1	1-A	1-25-36	160	1.00	36,421	Cont.

JALCO CONT'D

OPERATOR / LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	JAN. ALLOW.	PIPE LINE
CULBERTSON, E. A. & IRWIN, W. W.						
Lenehart, C.J.	1-B	28-25-37	120	.75	27,316	E.P.
DALPORT OIL CORP.						
Harrison	1-G	7-25-37	80	.50	18,211	E.P.
Lunt	1-P	20-22-36	160	1.00	*17,422	E.P.
Winters	1-B	18-25-37	160	1.00	36,421	E.P.
Winters C	1-J	7-25-37	160	1.00	36,421	E.P.
EL PASO NAT. GAS CO.						
Bates	1-M	10-26-37	80	.50	18,211	E.P.
Langlie Fed.	1-J	17-25-37	160	1.00	36,421	E.P.
Parker	1-D	29-26-37	80	.50	18,211	E.P.
GULF OIL CORP.						
Ramsey Arnott B	1-M	32-25-37	160	1.00	36,421	Gulf
" E	2-O	16-25-37	160	1.00	36,421	E.P.
Campbell	2-K	7-21-36	160	1.00	36,421	Gulf
Janda B	1-J	32-21-36	160	1.00	36,421	P.B.
HUBBARD, HARRY						
Elliott	1-F	17-26-37	80	.50	18,211	E.P.
HUMBLE OIL & RFG. CO.						
Cooper, J.M.	1-F	14-24-36	40	.25	9,105	E.P.
Harrison	1-M	25-24-36	160	1.00	* 8,618	E.P.
Lanehart	1-K	21-25-37	40	.25	9,105	E.P.
State B	1-E	29-21-36	80	.50	18,211	E.P.
State B	7-I	"	160	1.00	36,421	E.P.
Thomas A E	1-O	23-24-36	80	.50	18,211	E.P.
KELLY, JOHN M.						
Shehan	3-G	33-25-37	120	.75	27,316	E.P.
KRUPP-FLAHERTY						
Moberly C	3-E	21-26-37	80	.50	18,211	E.P.

JALCO CONT'D

OPERATOR / LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	JAN. ALLOW.	PIPE LINE
LATE OIL CO.						
Rector, J.K.	1-G	31-21-36	80	.50	18,211	E.P.
LEONARD OIL CO.						
Bates, C.T.	1-L	20-25-37	160	1.00	36,421	E.P.
Bates, C.T.	2-D	29-25-37	160	1.00	*26,877	E.P.
Justis, B.M.	1-H	19-25-37	80	.50	18,211	E.P.
Justis, B.M.	2-H	20-25-37	160	1.00	36,421	E.P.
Justis, V.H.	1-D	20-25-37	160	1.00	36,421	E.P.
LOWE, RALPH						
Rose, Maggie	1-M	18-25-37	160	1.00	*21,111	E.P.
Shell St. B	1-K	16-23-36	40	.25	*1,116	E.P.
OLSEN-BLOUNT OIL CO.						
Legal	2-I	31-25-37	160	1.00	*21,142	E.P.
Jenkins	1-M	29-25-37	160	1.00	36,421	E.P.
Owens, Eva	1-M	21-25-37	80	.50	18,211	E.P.
Woolworth	1-F	26-24-36	80	.50	18,211	E.P.
OLSEN R. PERSONAL						
Repollo	1-E	28-25-37	160	1.00	36,421	E.P.
Watkins	1-A	35-24-36	80	.50	18,211	E.P.
OLSEN, R. OIL CO.						
Calley	1-H	7-25-37	80	.50	18,211	E.P.
Cooper, S.R.	1-H	23-24-37	160	1.00	36,421	E.P.
"	5-H	14-24-36	80	.50	18,211	E.P.
Cooper B	2-C	14-24-36	40	.25	9,105	E.P.
" G	1-C	11-24-36	160	1.00	36,421	E.P.
Winningham	1-C	30-25-37	80	.50	18,211	E.P.
"	2-H	19-25-37	80	.50	18,211	E.P.
PHILLIPS PET. CO.						
Woolworth	12-K	26-24-36	80	.50	18,211	Phil.
SHELL OIL CO.						
State	1-A-D	36-24-36	160	1.00	36,421	E.P.

OPERATOR LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	JAN. ALLOW.	PIPE LINE
				JALCO CONT'D		
SHELL OIL CONT'D						
State A	2-A	12-21-35	160	1.00	36,421	E.P.
State H	2-A	13-21-35	160	1.00	36,421	E.P.
SINCLAIR OIL & GAS CO.						
State 157 F	1-A	17-23-36	160	1.00	36,421	E.P.
SKELLY OIL CO.						
Sherrell, J.W.	3-B	6-25-37	40	.25	9,105	E.P.
"	5-N	31-24-37	80	.50	18,211	E.P.
SOUTHERN CALIF. PET. CORP.						
Dobbs	1-M	34-25-37	160	1.00	36,421	E.P.
"	2-E	34-25-37	160	1.00	*7,719	E.P.
Texas St.	2-I	16-23-36	80	.50	18,211	E.P.
Vosburg	1-I	18-25-37	80	.50	18,211	E.P.
Woolworth	4-M	8-25-37	160	1.00	36,421	E.P.
SUN OIL CO.						
Lanehart	2-I	20-25-37	80	.50	18,211	E.P.
STANOLIND OIL & GAS CO.						
Gregory A	22-N	31-25-37	40	.25	9,105	P.B.
" C	1-C	33-25-37	40	.25	9,105	E.P.
TEXAS PACIFIC COAL & OIL CO.						
State A Ac/1	2-L	21-23-36	160	1.00	36,421	E.P.
"	3-E	"	80	.50	18,211	E.P.
"	4-C	"	80	.50	*10,044	E.P.
"	6-F	"	40	.25	9,105	E.P.
"	8-O	"	160	1.00	36,421	E.P.
"	9-M	9-23-36	160	1.00	36,421	E.P.
"	12 O	"	160	1.00	36,421	E.P.
"	14 E	"	160	1.00	36,421	E.P.
"	15-F	4-23-36	160	1.00	36,421	E.P.
"	18 M	"	160	1.00	36,421	E.P.
"	23 B	"	160	1.00	36,421	E.P.
State A Ac/2	12-I	7-22-36	160	1.00	36,421	E.P.

OPERATOR LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR		JAN. ALLOW.	PIPE LINE
					JALCO CONT'D		
TEXAS PACIFIC COAL & OIL CONT'D							
State A Ac/2	41-M	5-22-36	160	1.00		36,421	E.P.
TREBOL & RODMAN							
Federal	1-Y-C	5-23-36	160	1.00		36,421	E.P.
WESTATES PET. CORP.							
Wells B-6	1-A	6-25-37	40	.25		9,105	E.P.
WESTERN NATURAL GAS CO.							
Guthrie	1-O	34-23-36	160	1.00		36,421	E.P.
Wells	1-G	6-25-37	40	.25		9,105	E.P.
Woolworth	1-A	17-25-37	160	1.00		36,421	E.P.
POOL TOTAL	104		12,880	80.50		2,629,513	

OPERATOR LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	JAN. ALLOW.	PIPE LINE
				JUSTIS		
ATLANTIC RFG. CO.						
Justis	1-P	11-25-37	.80	.50	29,435	E.P.
CITIES SERVICE OIL CO.						
Hodges B	1-M	1-25-37	160	1.00	*12,369	E.P.
OLSEN, R. OIL CO.						
Wimberly	1-H	23-25-37	40	.25	14,718	E.P.
TIDE WATER ASSOC. OIL CO.						
Coates C	1-F	24-25-37	40	.25	14,718	E.P.
WESTERN NATURAL GAS CO.						
Eaton	1-E	12-25-37	160	1.00	58,870	E.P.
POOL TOTALS	5		480	3.00	130,110	

OPERATOR LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	JAN. ALLOW.	PIPE LINE
				LANGMAT		
AMERADA PET. CORP.						
State LMT	2 F	36-23-36	160	1.00	30,852	P.B.
ANDERSON-PRICHARD						
Wells	13 L	5-25-37	120	.75	23,139	E.P.
ATLANTIC RFG. CO.						
Selby	1 F	33-22-36	160	1.00	30,852	EP
Hodges	1 I	8-24-37	160	1.00	30,852	PB
State 24	1 D	32-24-37	40	.25	7,713	Phil.
CITIES SERVICE OIL CO.						
Dabbs	1 D	23-25-37	80	.50	15,426	EP
State Q	1 L	36-23-36	80	.50	15,426	EP
CONTINENTAL OIL CO.						
Jack A-20	4 G	20-24-37	160	1.00	* 9,362	EP
Jack A-21	1 M	21-24-37	40	.25	7,713	EP
Jack A-29	3 H	29-24-37	160	1.00	* 6,324	EP
Jack P-17	3 A	17-24-37	160	1.00	30,852	EP
Jack B-30	1 H	30-24-37	160	1.00	30,852	EP
Lockhart B-28	3 L	28-21-36	160	1.00	30,852	Cont.
Lynn B-25	1 J	25-23-36	160	1.00	30,852	EP
Lynn B-25	2 M	"	160	1.00	30,852	EP
Lynn B-26	1 J	26-23-36	160	1.00	30,852	EP
Lynn B-26	2 A	"	160	1.00	30,852	EP
"	3 C	"	160	1.00	30,852	EP
"	4 M	"	160	1.00	30,852	EP
Lynn B-27	1 A	27-23-36	160	1.00	30,852	EP
Meyer B-28	2 A	28-22-36	160	1.00	* 14,880	EP
Meyer B-22	1 I	22-22-36	160	1.00	30,852	EP
Meyer B-23	1 C	23-22-36	160	1.00	30,852	EP
"	2 O	"	160	1.00	30,852	EP
Stevens A-34	2 G	34-23-36	160	1.00	30,852	EP
" A-35	1 J	35-23-36	120	.75	23,139	EP
"	2 L	"	160	1.00	* 23,560	EP
" P-7	1 M	7-23-37	160	1.00	30,852	EP
" B-7 Unit	1 D	"	160	1.00	30,852	EP

OPERATOR / LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	JAN. ALLOW.	PIPE LINE
			LANGMAT CONT'D			
CONTINENTAL CONT'D						
Stevens B-7	2 J	7-23-37	160	1.00	* 6,696	EP
" B-12	1 C	12-23-36	80	.50	15,426	EP
"	2 A	"	160	1.00	30,852	EP
" B-14	1 I	14-23-36	160	1.00	30,852	EP
" B-15	2 K	15-23-36	160	1.00	30,852	EP
" B-18	1 F	18-23-37	160	1.00	30,852	EP
"	2 K	"	160	1.00	30,852	EP
" B-18 Unit	1 B	18-23-37	160	1.00	* 9,579	EP
Vaughan B-1	1 H	1-24-36	160	1.00	30,852	EP
"	2 F	"	160	1.00	30,852	EP
" B-12	1 H	12-24-36	80	.50	15,426	EP
DALPORT OIL CORP.						
Christmas	1 O	25-22-36	160	1.00	30,852	EP
" B	1 J	21-22-36	160	1.00	30,852	EP
King, E.F.	1 M	31-22-37	160	1.00	30,852	EP
" W.H.	1 M	6-23-37	160	1.00	30,852	EP
Jones, O.L.	1 P	34-22-36	160	1.00	30,852	EP
EL PASO NAT. GAS CO.						
Jal D	3 B	8-25-37	160	1.00	30,852	EP
Shell Black	2 O	21-24-37	80	.50	15,426	EP
GACKLE, ALBERT						
Combost	1 I	27-23-36	160	1.00	30,852	EP
Cowdon R. W.	1 J	30-23-37	80	.50	15,426	EP
" B	1 L	"	80	.50	15,426	EP
" C	4 C	31-23-37	160	1.00	30,852	EP
King, E.F.	1 O	12-23-36	160	1.00	30,852	EP
Jones, Rodman	1 M	35-22-36	160	1.00	30,852	EP
Sinclair St.	1 I	23-23-36	160	1.00	30,852	EP
"	2 K	"	160	1.00	30,852	EP
"	3 D	3-23-36	160	1.00	30,852	EP
"	4 H	"	160	1.00	30,852	EP
GULF OIL CORP.						
Christmas	1 P	27-22-36	160	1.00	30,852	PB

OPERATOR / LEASE	WELL	UNIT	S.T.R.	NO. ACRES	FACTOR	JAN. ALLOW.	PIPE LINE
				LANGMAT CONT'D			
GULF OIL CORP. CONT'D							
Christmas	2	H	27-22-36	160	1.00	30,852	PB
Janda H	1	I	11-23-36	160	1.00	30,852	PB
" G	1	A	24-23-36	160	1.00	30,852	Gulf
" I	1	H	2-23-36	160	1.00	30,852	EP
" I	2	D	"	160	1.00	30,852	EP
Woolworth	3	K	30-24-37	160	1.00	30,852	EP
HUMBLE OIL & RFG. CO.							
Hunter EE	1	D	24-24-36	160	1.00	* 9,734	EP
State AA	1	H	22-23-36	160	1.00	30,852	EP
State Z	1	H	2-24-36	160	1.00	30,852	EP
KELLY, JOHN M.							
Hair	1	K	8-24-37	120	.75	23,139	EP
KENWOOD OIL CO.							
State	1	C	32-24-37	40	.25	7,713	Sch.
LATE OIL CO.							
Thomas	1	M	17-24-37	160	1.00	30,852	EP
OLSEN, R. OIL CO.							
Blankenship	1	J	18-24-37	160	1.00	30,852	EP
Blinebry A	8	L	29-23-37	160	1.00	30,852	EP
Cooper	1	O	11-24-36	160	1.00	30,852	EP
James Mattie	1	G	10-22-36	160	1.00	30,852	EP
King (NW)	1	E	1-23-36	160	1.00	30,852	EP
Kind (SE)	1	O	"	160	1.00	30,852	EP
Moyers B	1	F	13-24-36	160	1.00	30,852	EP
"	2	H	11-24-36	160	1.00	30,852	EP
OLSEN, R. PERSONAL							
Christmas BA	1	L	28-22-36	160	1.00	30,852	EP
PHILLIPS PET. CO.							
Woolworth	4	J	33-24-37	160	1.00	30.852	Phil.

OPERATOR LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	JAN. ALLOW.	PIPE LINE
			LANGMAT CONT'D			
SAMEDAN OIL CORP.						
Hughes B	1 C	19-23-37	160	1.00	30,852	EP
SCHERMERHORN OIL CO.						
Woolworth	3 J	28-24-37	160	1.00	* 16,740	EP
SHELL OIL CO.						
Christmas A	1 M	23-22-36	160	1.00	30,852	EP
" B	1 L	25-22-36	160	1.00	30,852	EP
Dov. Christmas	2 B	21-22-36	160	1.00	30,852	EP
SIMON, JULIAN E.						
Smith	3 I	4-25-37	80	.50	15,426	EP
Woolworth	1 K	33-24-37	80	.50	15,426	EP
SINCLAIR OIL & GAS CO.						
Fowler Hair	2 E	9-24-37	80	.50	15,426	EP
Jones, Rodman	1 D	35-22-36	160	1.00	30,852	EP
State 157-C	1 O	32-24-37	40	.25	7,713	EP
"	2 P	"	40	.25	7,713	
" E	1 G	"	80	.50	* 12,183	EP
SKELLY OIL CO.						
Cooper J.W.	3 N	12-24-36	160	1.00	30,852	EP
King C	1 G	1-23-36	160	1.00	30,852	EP
" D	1 E	6-23-37	160	1.00	30,852	EP
Liberty Roy.	5 J	7-24-37	160	1.00	30,852	EP
Mexico D	1 J	36-23-36	80	.50	15,426	EP
" E	1-O-P	2-24-36	80	.50	15,426	EP
" G	1 D	16-24-37	160	1.00	30,852	EP
State M	3 K	32-24-37	120	.75	23,139	EP
SOUTHERN CALIF. PET. CORP.						
Alston	4 F	26-25-37	120	.75	23,139	EP
Gutman	1 G	18-24-37	80	.50	15,426	EP
Hunter	1 K	13-24-36	160	1.00	30,852	EP
Lankford	1 G	25-23-36	120	.75	23,139	EP
Liberty Roy.	3 L	3-25-37	80	.50	15,426	EP

OPERATOR / LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	JAN. ALLOW.	PIPE LINE
				LANGMAT CONT'D		
SO. CALIF. CONT'D						
Martin B	1 F	31-24-37	160	1.00	* 10,075	EP
Martin	2 A	"	160	1.00	30,852	EP
Mosely	2 L	34-24-37	80	.50	15,426	EP
STANOLIND OIL & GAS CO.						
Langlie B	2 D	15-25-37	120	.75	23,139	EP
Meyer B	1 D	7-24-37	160	1.00	30,852	EP
" B	10 G	"	160	1.00	30,852	EP
"	11 B	6-24-37	160	1.00	30,852	PB
Woolworth	4 E	28-24-37	160	1.00	30,852	PB
SUN OIL CO.						
Record Unit	1 A	22-22-36	160	1.00	30,852	EP
TEXAS-PACIFIC COAL & OIL						
State A ac/1	1 P	22-23-36	160	1.00	30,852	EP
"	13 H	14-23-36	160	1.00	30,852	EP
"	16 A	11-23-36	160	1.00	30,852	EP
"	19 E	22-23-36	160	1.00	30,852	EP
"	20 C	13-23-36	160	1.00	30,852	EP
"	21 H	13-23-36	160	1.00	30,852	EP
"	22 N	"	160	1.00	30,852	EP
"	24 N	24-23-36	160	1.00	30,852	EP
"	25 F	"	160	1.00	30.852	EP
"	26 G	23-23-36	160	1.00	30,852	EP
"	28 F	14-23-36	160	1.00	30,852	EP
"	29 C	11-23-36	160	1.00	30,852	EP
"	30I	3-23-36	160	1.00	30,852	EP
"	31 H	15-23-36	160	1.00	30,852	EP
"	32 J	24-23-36	160	1.00	30,852	EP
"	33 F	15-23-36	160	1.00	30,852	EP
"	34 K	11-23-36	160	1.00	30,852	EP
"	35 L	3-23-36	160	1.00	30,852	EP
"	36 M	11-22-36	160	1.00	30,852	SU
"	37 F	10-23-36	160	1.00	30,852	EP
"	38 M	"	160	1.00	30,852	EP
State A ac/2	40 A	9-22-36	160	1.00	30,852	EP

OPERATOR LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	JAN. ALLOW.	PIPE LINE
			LANGMAT CONT'D			
TEXAS-PACIFIC CONT'D						
St. A ac/2	42 E	11-22-36	160	1.00	30,852	SU
" ac/3	1 A	10-23-36	160	1.00	30,852	EP
"	2 I	"	160	1.00	30,852	EP
TIDE WATER ASSOC.						
Christmas, A.L.	1 F	26-22-36	160	1.00	30,852	EP
King	1 M	1-23-36	160	1.00	30,852	EP
State T	1 I	2-24-36	160	1.00	30,852	EP
WESTATES PET. CORP.						
Wells B-4	1 D	4-25-37	80	.50	15,426	EP
" B-5	1 A	5-25-37	80	.50	15,426	EP
WESTERN NAT. GAS CO.						
Blinebry A	2 D	30-23-37	160	1.00	30,852	EP
"	7 G	"	160	1.00	30,852	EP
Combest	1 H	35-23-36	120	.75	23,139	EP
Cooper J.A.	2 F	12-24-36	80	.50	15,426	EP
Cowden R.W.	1 P	30-23-37	80	.50	15,426	EP
Curry	1 P	1-24-36	160	1.00	30,852	EP
Duthie	1 J	18-23-37	160	1.00	* 16,926	EP
Hale	1 K	34-22-36	160	1.00	30,852	EP
Harrington	1 D	10-22-36	160	1.00	30,852	EP
Jones	1 A	34-22-36	160	1.00	30,852	EP
Lankford	1 C	25-23-36	120	.75	23,139	EP
Matkins	1 P	15-23-36	160	1.00	30,852	EP
Owens	1 M	26-22-36	160	1.00	30,852	EP
State B	1 C	2-25-37	40	.25	7,713	EP
St. McDonald	1 L	14-22-36	160	1.00	30,852	EP
"	3 P	36-22-36	160	1.00	30,852	EP
"	4 M	"	160	1.00	30,852	EP
"	5 D	"	160	1.00	30,852	EP
"	6 B	"	160	1.00	30,852	EP
"	7 A	35-22-36	160	1.00	30,852	EP
"	8 P	26-22-36	160	1.00	30,852	EP
"	9 G	"	160	1.00	30,852	EP
"	10 F	25-22-36	160	1.00	30,852	EP

OPERATOR / LEASE	WELL	UNIT	S.T.R.	NO. ACRES	FACTOR	JAN. ALLOW.	PIPE LINE
					LANGMAT CONT'D		
WESTERN NAT. GAS CONT'D							
St. McDonald	11	D	14-22-36	160	1.00	30,852	EP
"	12	M	24-22-36	160	1.00	30,852	EP
"	13	P	15-22-36	160	1.00	30,852	EP
"	14	G	"	160	1.00	30,852	EP
Record	1	P	10-22-36	160	1.00	30,852	EP
Stuart A	1	C	14-25-37	40	.25	7,713	EP
Toby A	1	A	13-24-36	160	1.00	30,852	EP
Wimberly	1	F	23-25-37	80	.50	15,426	EP
POOL TOTAL	175			25,120	157.00	4,655,877	
					TUBB		
AMERADA PET. CORP.							
Hare, J. G.	7	M	33-21-37	160	1.00	32,240	PB
CITIES SERVICE OIL CO.							
Owen	3	J	35-21-37	160	1.00	32,240	PB
State S	2	F	15-21-37	80	.50	16,120	EP
CONE, S. E.							
Anderson	1	I	21-21-37	40	.25	8,060	EP
CONTINENTAL OIL CO.							
Hawk B-9	7	P	9-21-37	160	1.00	32,240	Cont.
Lockhart A-27	1	D	27-21-37	160	1.00	32,240	EP
Wantz	3	J	21-21-37	120	.75	24,180	Cont.
GULF OIL CORP.							
Danglade	1	M	13-22-37	80	.50	10,385	PB
Paddock	3	P	1-22-37	160	1.00	32,240	Gulf
HUMBLE OIL & RFG. CO.							
Penrose	2	H	13-22-37	160	1.00	32,240	EP
MAGNOLIA PET. CO.							
Brunson Argo	6	E	10-22-37	160	1.00	32,240	PB
Carson E.O.	8	F	33-21-37	160	1.00	32,240	PB
Corrigan	7	P	"	120	.75	24,180	PB
Long	8	J	11-22-37	160	1.00	32,240	PB

OPERATOR LEASE	WELL UNIT	S,T.R.	NO. ACRES	FACTOR	JAN. ALLOW.	PIPE LINE
			TUBB CONT'D			
MARKHAM, CONE & REDFERN						
Eubanks	2 L	14-21-37	160	1.00	32,240	EP
OHIO OIL CO.						
Marshall B	2 M	27-21-37	160	1.00	32,240	PB
Warlick C	1 J	15-21-37	160	1.00	32,240	PB
SHELL OIL CO.						
Argo	1 M	15-21-37	160	1.00	32,240	EP
Argo A	1 D	22-21-37	160	1.00	32,240	EP
Sarkeys	1 M	23-21-37	160	1.00	32,240	EP
State	1 G	15-21-37	80	.50	16,120	EP
Turner	2 L	22-21-37	160	1.00	32,240	EP
Turner	3 J	"	160	1.00	32,240	EP
TIDE WATER ASSOC. OIL CO.						
Sarkeys	4 F	26-21-37	160	1.00	32,240	EP
State S	2 C	15-21-37	80	.50	16,120	EP
POOL TOTAL	25		3480	21.75	695,485	

SUMMARY

POOL	TOTAL NO.WELLS	TOTAL ACREAGE FACTOR	TOTAL ACREAGE FACTOR MARG.	TOTAL ACREAGE FACTOR NON-MARG.	TOTAL NOMINATIONS & ALLOC.	TOTAL ALLOCATION MARG.	TOTAL ALLOCATION NON-MARG.	ALLOC. 1.00 UNIT	ALLOC. .75 UNIT	ALLOC. .50 UNIT	ALLOC. .25 UNIT	TOTAL COMPUTED ALLOC.
AMANDA	1	.75		.75	31,000		31,000					31,000
ARROW	4	4.00		4.00	135,391		135,391	33,848				135,392
BLINEBRY	39	31.25		31.25	973,425		973,425	31,150	23,363	15,575	7,788	973,441
BYERS QUEEN	3	1.75		1.75	8,760		8,760	5,006	3,755	2,504	1,252	8,762
EUMONT	100	76.75		76.75	3,040,253		3,040,253	39,612	29,709	19,806	9,903	3,040,221
JALCO	104	80.50	13.75	66.75	2,629,478	198,400	2,431,078	36,421	27,316	18,211	9,105	2,629,513
JUSTIS	5	3.00	1.00	2.00	130,109	12,369	117,740	58,870	44,153	29,435	14,718	130,110
LANGMAT	175	157.00	10.50	146.50	4,655,871	136,059	4,519,812	30,852	23,139	15,426	7,713	4,655,877
TUBB	25	21.75	.50	21.25	695,476	10,385	685,091	32,240	24,180	16,120	8,060	695,485

PURCHASERS

E.P.- El Paso Natural Gas Co.
P.B.- Permian Basin Pipeline Co.
Phil.- Phillips Pet. Co.
W.P. - Warren Pet. Co.
S.U. - Southern Union Gas Co.

(j) Orders Nos. R-368 and R-368-A require the drilling of unnecessary wells.

(k) Orders Nos. R-368 and R-368-A impair the obligation of contracts of the type now of record in this case between producers and purchasers of gas inasmuch as under said orders minimum take and ratable take provisions of said contracts can or will be abrogated.

WHEREFORE, Applicant prays for a rehearing in Case No. 582 before the Oil Conservation Commission of the State of New Mexico.

DATED this 25th day of November, 1953.

TEXAS PACIFIC COAL & OIL COMPANY

By _____
John F. Russell, Roswell, New Mexico

_____
Eugene Adair, Fort Worth, Texas

Attorneys for Applicant

Case 582
Rehearing 2-17-54
Russell - Casing
Texas Pacific

MEMORANDUM OF LEGAL ARGUMENT

The position of the applicant, Texas Pacific Coal and Oil Company, with reference to the power of the Commission to prorate gas in the State of New Mexico is as follows:

1. The Commission does have the power to prorate gas in the State of New Mexico when the following conditions are met:

(a) A proper defining and delineation of the gas pool to which the proration order is directed, and the order defining and delineating the gas pool must be based upon substantial evidence which was before the Commission at the hearing set after proper notice has been given. The Commission cannot consider any evidence or testimony in support of an order unless such evidence and testimony was introduced at the hearing and all interested parties were given the opportunity to examine the evidence and cross-examine with reference to any testimony offered.

(b) After a proper order defining and delineating the gas pool, the Commission may, after proper notice and hearing, issue an order for the proration of gas in that pool when, and only when, it can be shown that such a step is necessary to prevent waste and cannot be based upon the mere protection of correlative rights.

Rule 601 (p.31) of the Commission provides that there shall be no proration or allocation of gas production unless and until the provisions of Rule 602 are followed. Rule 602 provides that when the Commission determines that the allocation of gas production in a designated gas pool is necessary to prevent waste, the Commission, after notice and hearing, shall consider the nominations of purchasers from that gas pool and other relative data. Section 10C (p.86) of the

Statutes, upon which Rule 601 and 602 are based, provides that whenever, to prevent waste, the total allowable natural gas production from gas wells producing from any pool in this State is fixed by the Commission * * *. Section 2D of the Statutes provides that the non-ratable purchase or taking of crude petroleum oil in this State causes or results in waste, as defined in sub-sections A, B and C of that Section, and causes waste by violating Section 12A of the act.

It appears obvious from reading the rules and statutes covering the proration of gas that the power of the Commission to prorate gas is limited to cases wherein it is determined that it is necessary to prevent waste. A mere recitation in an order issued by the Commission to the effect that the order is necessary to prevent waste is not a sufficient basis for the order, and such order must be based upon substantial evidence that there is waste as defined in the statutes and rules. It is to be pointed out the statutes provide that the non-ratable purchase or taking of crude petroleum oil does constitute waste, but there is no such provision with reference to gas, and the only conclusion that can be drawn is that there must be an affirmative showing of waste in the gas pool before a proration order can be issued.

In the absence of affirmative showing of waste within the pool, the Commission to protect correlative rights must turn to Sections 14D and 14E (p.89) of the statutes. An examination of the transcripts and evidence introduced at the hearings upon which the proration order was based fails to show any testimony or evidence of waste in the Jalco Pool; all testimony with reference to waste affirmatively shows that there was no waste of gas in the Jalco Pool.

If the Commission decides or finds that it is necessary to protect correlative rights within a defined gas pool, it

would appear that they must resort to the ratable take provision of the statutes which will accomplish what apparently is sought here. It would protect any abuse of correlative rights; it would not upset old vested property rights within the pool, nor would it impair contract rights; it would not discriminate between producers within the pools as presently defined. Under the present rule, because of a boundary line, the location of which is not based upon any substantial evidence, a well on the Jalco side of the line has been given an allowable of 36,421 M.C.F. per month, and the well on the Langmat side of the line is given a reduced allowable of 30,852 M.C.F. per month.

The procedure which the Commission must follow in issuing an order is set out in the Statutes under Section 17 (p.91). The Statutes provide that except in a case of emergency, the Commission can enter an order only after notice and hearing. It is a well established rule of law that an administrative body in entering an order cannot act upon their own information. All parties must be fully apprised of the evidence to be submitted or to be considered and must be given an opportunity to cross-examine witnesses, to inspect documents and to offer evidence in explanation or rebuttal.

The Commission entered Order 256 in Case 521 on August 28, 1953, which order contains a finding that the order was necessary for the prevention of waste and protection of correlative rights and further finds that such rules and regulations relating to the proration of gas well gas produced in the gas pools should be promulgated. The record at previous hearings fails to show any evidence that there is waste being committed in the Jalco Gas Pool. Section B of the order provides that the rules thereafter set out shall

apply to defined gas pools in Eddy, Lea, Chaves and Roosevelt counties only after hearings are held and an order issued on each individual pool.

The Commission, on September 28, 1953, issued Order No. R-368 in Case No. 582, which order recites that the Commission had considered the statements of interested persons and the official records of the office and other pertinent data which were the basis of their findings that the production records of gas wells producing within the Jalco Gas Pool indicate the necessity for the proration of gas well gas for the prevention of waste and the protection of correlative rights and ordered that the rules and regulations relating to gas well spacing, gas proration and gas allocation, as set out in Order R-356, be, and the same hereby are, made the special rules and regulations of the Jalco Gas Pool pending further order of the Commission after notice and hearing. It is pointed out to the Commission that there was no notice of hearing prior to issuance of this order as contemplated by Order No. 356 issued in August. The August order specifically stated that the rules would apply only after hearings were held and an order issued on each individual pool. It is to be further noted that the show cause portion of Order No. R-368 in Case No. 582 does not advise interested parties upon what evidence and testimony the order was based other than the general statement that the Commission had considered the statements of interested persons, and the official records of the office and other pertinent data. An examination of the record in Case No. 582 fails to reveal any testimony, data or records upon which the order could be based and certainly the statement that the Commission considered the official records of the office is too indefinite to put anybody on notice of what official records were considered by the Commission and it is obvious that such data, records or testimony was not

made available to the interested parties for examination, cross-examination or rebuttal at the original hearings.

It affirmatively appears that the procedure of the Commission in entering Order No. R-368 and R-368A did not conform to that procedure required by the statutes and when a board or commission, created by a statute, does not conform to the procedure set out in the statute, their orders are nullity.

The applicant requests that the Commission take the following steps:

1. Revoke all orders pertaining to gas proration in the Jalco pool and since the Jalco and Langmat pools have a common boundary to also revoke those orders pertaining to the Langmat pool, and to start all over giving careful consideration to the question of whether waste can be established in these pools, as the basis for a proration order and as to whether Sections 12D and 12H of the statutes will accomplish the desired results without disturbing and upsetting the old vested rights and impairing contract rights, or

2. To suspend all proration orders in the Jalco and Langmat pools and call hearings to determine:

(a) Common reservoir delineations

(b) Individual pool hearings to determine at that time if there is substantial evidence to justify proration or whether inequities, if any exist, can be resolved under the ratable take provision of the statutes.

The applicant re-affirms their position that the Commission cannot consider any new evidence or testimony in support of the original order entered; such order having to stand upon the question of whether there was substantial evidence before the Commission at the time of hearing to

support such an order. The applicant acknowledges the authority of the Commission to hear any and all new evidence, at this time, as the basis for a new order but would like to point out to the Commission that a new order entered as the result of this rehearing is subject to attack by other interested parties who may take the position that they have not been given proper notice that the Commission was going to consider new evidence for the purpose of issuing a new order which will affect them. If the Commission anticipates the entry of a new order after this rehearing, then the Commission should consider the suspension of the old order pending the issuance of a new order.

Note: Under the definition of "Gas Transportation facility", (23) (p2), the Commission apparently has no authority to issue a proration order covering "casinghead gas" since they, under 12(c) can only allocate the allowable production of natural gas among the gas wells in the pool delivering to a gas transportation facility; also see definition of casing-head gas (10) (p1).

PRORATION OFFICE
BOX 2045
HOBBS, NEW MEXICO

NEW MEXICO OIL CONSERVATION COMMISSION

LEA COUNTY

GAS PRORATION SCHEDULE

FEBRUARY 1924

ORDER NO. AG-1-B

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

ORDER NO. AG-1-B

SUPPLEMENTARY GAS PRORATION ORDER FOR THE MONTH OF FEBRUARY 1954

The Commission held public hearing at Santa Fe, New Mexico, on January 20, 1954, at 9 o'clock a.m., pursuant to legal notice, for the purpose of setting the allowable production of gas from the following nine gas pools in Lea County, New Mexico, for the month of February, 1954:

Amanda, Arrow, Blinebry, Byers-Queen, Eumont, Jalco, Justis, Langmat and Tubb.

NOW, on this day the Commission, a quorum being present, having considered the supplementary nominations of purchasers, the capacity of producing wells, and being otherwise fully advised in the premises,

FINDS:

(1) The total nominations of purchasers of gas from the above listed nine gas pools for the month of February, 1954, is 13,872,411 MCF. The individual pool nominations, which total 13,872,411 MCF, are as follows:

Amanda	1,000
Arrow	103,837
Blinebry	1,147,193
Byers-Queen	8,310
Eumont	3,072,316
Jalco	2,495,018
Justis	90,476
Langmat	6,142,548
Tubb	811,713

(2) The potential producing capacity of all gas wells in the nine gas pools listed above is in excess of the nominations of purchasers of gas and in order to prevent waste and protect correlative rights, the production of gas from the above listed nine gas pools should be limited, allocated, and distributed during the month of February 1954.

(3) That all the producing gas wells, together with the expected completed or recompleted wells in the nine gas pools listed above, can produce a total of 13,872,411 MCF without causing waste during the month of February 1954, and an allocation based upon such production would be reasonable and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) For the month of February 1954, the total allowable production to be assigned the nine allocated gas pools in Lea County, New Mexico, be and the same hereby is as follows:

Amanda	1,000 MCF
Arrow	103,837
Blinebry	1,147,193
Byers-Queen	8,310
Eumont	3,072,316
Jalco	2,495,018
Justis	90,476
Langmat	6,142,548
Tubb	811,713

(2) The allocation hereby set for the month of February in the nine allocated pools in Lea County, New Mexico, shall be in accordance with provisions of Orders R-368-A through R-376-A, incl., and the Commission's Rules and Regulations.

(3) A proration schedule, duly prepared by the Commission and thereafter adopted, for the month of February 1954, is hereto attached and made a part hereof; it distributes and allocates the allowable production among the gas wells in the nine gas pools listed above for the period stated, in accordance with the Rules and Regulations and Orders R-368-A through R-376-A, inclusive.

The foregoing order shall remain effective until further order of the Commission.

DONE at Santa Fe, New Mexico, this 27th day of January, 1954.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Member and Secretary

S E A L

OPERATOR / LEASE	WELL NO.	S.T.R.	NO. ACRES	FACTOR		FEB. ALLOW. MCF	PIPE LINE
	* Indicates marginal wells				AMANDA TOTAL ALLOCATION 1,000 MCF		
GULF OIL CORP.							
Amanda	1 J	25-22-37	120	.75		1,000	Gulf
					ARROW TOTAL ALLOCATION 103,837		
CONTINENTAL OIL CO.							
Lockhart B-1	6 P	1-22-36	160	1.00		25,959	Cont.
GULF OIL CORP.							
Mattern H.T. A	1 O	24-21-36	160	1.00		25,959	Gulf
Ramsey B	2 E	25-21-36	160	1.00		25,959	"
SINCLAIR OIL & GAS CO.							
Brownlee	4-N	25-21-36	160	1.00		25,959	E.P.
POOL TOTALS	4		640	4.00		103,836	
					BLINEBRY TOTAL ALLOCATION 1,147,193 MCF		
AMERADA PET. CORP.							
State DA	4-I	16-21-37	80	.50		17,649	P.B.
AZTEC OIL & GAS CO.							
Dauron	2 A	10-21-37	40	.25		8,825	S.U.
CITIES SERVICE OIL CO.							
State S	1 E	15-21-37	80	.50		17,649	E.P.
CONTINENTAL OIL CO.							
Lockhart B-11	8 O	11-21-37	160	1.00		35,298	E.P.
GULF OIL CORP.							
Vivian	5-D	30-22-38	160	1.00		35,298	E.P.

(1)

OPERATOR LEASE	WELL NO.	S.T.R.	NO. ACRES	FACTOR	FEB. ALLOW. MCF	PIPE LINE
				BLINEBRY CONT'D.		
HUMBLE OIL & RFG. CO.						
Penrose	1 B	13-22-37	160	1.00	35,298	E.P.
MAGNOLIA PET. CO.						
Brunson Argo	6 E	10-22-37	160	1.00	35,298	P.B.
Carson, E. O.	8 F	33-21-37	160	1.00	35,298	P.B.
Corrigan, H.	7 P	33-21-37	120	.75	26,474	P.B.
Long, S.E.	8 J	11-22-37	160	1.00	35,298	P.B.
Marshall Unit	3 D	34-21-37	160	1.00	35,298	P.B.
Williamson	1 A	23-21-37	40	.25	8,825	P.B.
MARKHAM, CONE & REDFERN						
Eubanks	1 M	14-21-37	160	1.00	35,298	E.P.
MORAN, E. F.						
Owen	2 D	14-21-37	160	1.00	35,298	E.P.
OHIO OIL CO.						
Marshall B	4 L	27-21-37	160	1.00	35,298	P.B.
Muncy	3 N	24-22-37	80	.50	17,649	E.P.
Warlick C	2 O	15-21-37	160	1.00	35,298	P.B.
Wortham	12 H	11-22-37	160	1.00	35,298	P.B.
OLSEN, R. OIL CO.						
Boyd	2 H	23-22-37	160	1.00	35,298	E.P.
Danglade	1 L	13-22-37	80	.50	17,649	E.P.
Drinkard	1 C	25-22-37	120	.75	26,474	E.P.
Sims	1 F	25-22-37	40	.25	8,825	E.P.
PHILLIPS PET. CO.						
Sims	1 L	24-22-37	80	.50	17,649	E.P.
Sims	4 D	24-22-37	160	1.00	35,298	E.P.
SAMEDAN OIL CORP.						
Parks	2 M	14-22-37	160	1.00	35,298	E.P.
Parks A	5 O	14-22-37	160	1.00	35,298	"

OPERATOR / LEASE	WELL NO.	S.T.R.	NO. ACRES	FACTOR	FEB. ALLOW. MCF	PIPE LINE
			BLINEBRY CONT'D			
SHELL OIL CO.						
Argo	3 K	15-21-37	160	1.00	35,298	E.P.
Argo A	5 F	22-21-37	160	1.00	35,298	E.P.
Livingston	8 F	3-21-37	80	.50	17,649	E.P.
Livingston	9 N	3-21-37	120	.75	26,474	E.P.
Sarkeys	2 K	23-21-37	160	1.00	35,298	E.P.
State	2 H	15-21-37	80	.50	17,649	E.P.
Turner	5 I	22-21-37	160	1.00	35,298	E.P.
Turner	13 N	22-21-37	160	1.00	35,298	E.P.
SINCLAIR OIL & GAS CO.						
Boyd	4 F	23-22-37	160	1.00	35,298	E.P.
Sarkeys A	1 J	23-21-37	160	1.00	35,298	E.P.
STANOLIND OIL & GAS CO.						
Southland Royalty A	6 H	9-21-37	160	1.00	35,298	P.B.
TIDE WATER ASSOC. OIL CO.						
Sarkeys	3 C	26-21-37	160	1.00	35,298	E.P.
State S	2 C	15-21-37	80	.50	17,649	E.P.
TOKLAN PROD. CO.						
Williamson	2 C	23-21-37	80	.50	17,649	E.P.
POOL TOTALS	40		5200	32.50	1,147,188	

OPERATOR LEASE	WELL NO.	S.T.R.	NO. ACRES	FACTOR	FEB. ALLOW. MCF	PIPE LINE
				BYERS-QUEEN TOTAL ALLOCATION 8,310 MCF		
CONTINENTAL OIL CO.						
State A-29	1 J	29-18-38	40	.25	1,187	Cont.
GULF OIL CORP.						
Grimes W	4 C	32-18-38	160	1.00	4,749	Gulf
SHELL OIL CO.						
State A	1 G	32-18-38	80	.50	2,375	Shell
POOL TOTALS	3		280	1.75	8,311	

OPERATOR / LEASE	WELL NO.	S.T.R.	NO. ACRES	FACTOR	FEB. ALLOW. MCF	PIPE LINE
				EUMONT TOTAL ALLOCATION 3,072,316 MCF		
AMERADA PET. CORP.						
Andrews	1 D	12-20-36	80	.50	19,262	A&P.B.
Lambert	1 B	6-20-37	160	1.00	38,523	P.B.
Phillips A	1 G	31-19-37	80	.50	19,262	A&P.B.
Phillips	8 G	1-20-36	160	1.00	38,523	P.B.
State D	3 F	1-20-36	160	1.00	38,523	P.B.
State F	1 M	36-19-36	160	1.00	38,523	P.B.
State G	1 N	18-19-37	80	.50	19,262	P.B.
State O	1 B	30-19-37	160	1.00	38,523	P.B.
State P	2 M	29-19-37	160	1.00	38,523	P.B.
State Q	3 O	16-20-37	160	1.00	38,523	P.B.
State T	3 F	25-19-36	80	.50	19,262	A&P.B.
State V	3 H	36-19-36	160	1.00	38,523	P.B.
Weir	4 F	35-19-36	160	1.00	38,523	P.B.
ANTWEIL, MORRIS R.						
Phillips Hooper	1 O	27-20-37	160	1.00	38,523	S.U.
" Crawford	1 A	34-20-37	160	1.00	38,523	S.U.
Stan.Fed.	1 E	35-20-37	160	1.00	38,523	P.B.
ANDERSON PRICHARD OIL CORP.						
Britt A	2 K	6-20-37	80	.50	19,262	A&P
ATLANTIC RFG. CO.						
Coleman	1 C	17-21-36	40	.25	9,631	S.U.
Crutchfield	1 I	32-19-37	40	.25	9,631	P.B.
State H	1 O	5-21-36	160	1.00	*15,000	P.B.
State K	2 S	6-21-36	80	.50	19,262	P.B.
State O	1 E	32-20-37	40	.25	9,631	Phil.
State O	2 D	32-20-37	40	.25	9,631	S.U.
AZTEC OIL & GAS CO.						
Burke	1 P	28-19-37	80	.50	19,262	S.U.
Burke	2 H	"	80	.50	19,262	S.U.
Maxwell St.	1 K	27-19-37	80	.50	19,262	S.U.
CHARM OIL CO.						
Gulf St.	1 V	1-21-35	160	1.00	38,523	P.B.

OPERATOR LEASE	WELL NO.	S.T.R.	NO. ACRES	FACTOR	FEB. ALLOW. MCF	PIPE LINE
			EUMONT CONT'D			
CITIES SERVICE OIL CO.						
Laughlin	5 O	5-20-37	120	.75	28,392	P.B.
State F	2 I	30-20-37	120	.75	28,892	P.B.
CLARK, E. B.						
Cooper C	2 B	3-20-37	80	.50	19,262	S.U.
CONTINENTAL OIL CO.						
Britt A-6	4 L	6-20-37	80	.50	19,262	Cont.
Britt B-8	1 C	8-20-37	40	.25	9,631	E.P.
Britt B-10	1 M	10-20-37	160	1.00	38,523	E.P.
Britt B-15	3 L	15-20-37	160	1.00	38,523	Cont.
Britt B-18	3-J-6 P	18-20-37	160	1.00	38,523	Cont.
Lockhart A-18	1 P	18-21-36	80	.50	19,262	Cont.
Meyer A-8	3 M	8-21-36	160	1.00	38,523	E.P.
Meyer B-4	6 N	4-21-36	80	.50	19,262	Cont.
Meyer B-4	14 G	4-21-36	160	1.00	38,523	E.P.
Meyer B-8	4 D	8-21-36	160	1.00	38,523	E.P.
Meyer, SEMU B-26	#1	26-20-37	160	1.00	38,523	E.P.
Sanderson A-11	1 I	11-20-36	160	1.00	38,523	Cont.
State A-19	1 L	19-19-37	40	.25	9,631	Cont.
State D-11	1 L	11-21-36	160	1.00	38,523	S.U.
State F-1	1 M	1-21-36	160	1.00	38,523	E.P.
EL PASO NATURAL GAS CO.						
Shell St.	1 A	3-20-37	80	.50	19,262	E.P.
FIELDS, BERT						
Turner Hudson St.	2 C	32-20-37	80	.50	19,262	S.U.
GULF OIL CORP.						
Bell, R.R.	2 P	8-21-36	80	.50	19,262	Gulf
Leonard A	3 B	22-21-36	160	1.00	38,523	Gulf
Orcutt B	1 G	5-21-36	80	.50	19,262	P.B.
Ramsey B	1 M	29-20-37	160	1.00	38,523	Gulf

OPERATOR LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	FEB. ALLOW. MCF	PIPE LINE
			EUMONT CONT'D			
GREAT WESTERN PRODUCERS, INC.						
Bordages	1 D	33-19-37	120	.75	28,892	S.U.
HUMBLE OIL & RFG. CO.						
Adkins	4 L	10-21-37	160	1.00	38,523	E.P.
Fopeano	1 N	25-20-36	80	.50	19,262	E.P.
State Aggies	7 B	31-20-37	160	1.00	38,523	E.P.
State F	1 K	17-20-37	160	1.00	38,523	E.P.
KELLY, JOHN M.						
Houston Unit	1 P	8-19-37	160	1.00	38,523	E.P.
Cont. St. F	1 D	1-21-36	160	1.00	38,523	E.P.
Kelly St.	1 F	13-19-36	160	1.00	38,523	P.B.
Phillips St.	1 P	12-19-36	160	1.00	38,523	E.P.
ME TEX						
Wallace St.	2 L	3-21-36	160	1.00	38,523	S.U.
Wallace St.	3 N	"	80	.50	19,262	S.U.
NOLAN & LANE						
Sinclair Williams	1 O	34-19-37	80	.50	19,262	S.U.
Williams, J.H.	3 N	"	160	1.00	38,523	W.P.
OHIO OIL CO.						
Barber	11 D	5-20-37	160	1.00	38,523	P.B.
PACIFIC WESTERN OIL CORP.						
State D	1 H	32-20-37	80	.50	19,262	S.U.
PHILLIPS PET. CO.						
Bern A	1 P	14-19-36	160	1.00	38,523	P.B.
Monument	1 H	12-19-36	160	1.00	38,523	E.P.
New	2 H	26-20-36	80	.50	19,262	P.B.
SCHERMERHORN OIL CORP.						
Christmas	1 D	11-20-37	40	.25	9,631	P.B.

EUMONT CONT'D

OPERATOR / LEASE	WELL NO.	S.T.R.	NO. ACRES	FACTOR	FEB. ALLOW. MCF	PIPE LINE
SHELL OIL CO.						
State	1 G	20-21-36	160	1.00	38,523	E.P.
State	1 E	7-19-37	160	1.00	38,523	E.P.
State A	1 P	35-19-36	40	.25	9,631	E.P.
State B	1 E	36-19-36	160	1.00	38,523	E.P.
State F	1 I	29-19-37	40	.25	9,631	E.P.
State L	2 X	1-21-35	160	1.00	38,523	E.P.
State M	4 P	1-21-35	160	1.00	38,523	E.P.
SINCLAIR OIL & GAS CO.						
Barber	7 E	8-20-37	80	.50	19,262	E.P.
SKELLY OIL CO.						
Christmas	1 M	25-19-36	40	.25	9,631	E.P.
Monstate	2 I	13-19-36	160	1.00	38,523	E.P.
Monstate	4 N	13-19-36	160	1.00	38,523	P.B.
Monstate	5 H	"	160	1.00	38,523	P.B.
State G	1 J	30-20-37	40	.25	9,631	S.U.
State B	5 G	16-21-36	80	.50	19,262	P.B.
State B	7 E	"	160	1.00	38,523	S.U.
Van Exten	9 L	9-20-37	160	1.00	38,523	S.U.
"	10 O	"	160	1.00	38,523	S.U.
SOUTHERN UNION GAS CO.						
Williams	1 B	33-19-37	120	.75	28,892	S.U.
Williams	2 I	"	120	.75	28,892	S.U.
STANOLIND OIL & GAS CO.						
Gillully A	4 B	24-20-36	160	1.00	38,523	P.B.
SUN OIL CO.						
Akens, J.N.	1 L	3-21-36	160	1.00	38,523	E.P.
Akens, J.N.	6 I	"	160	1.00	38,523	E.P.
SUNRAY OIL CORP.						
Cooper	3 D	7-20-37	80	.50	19,262	SUNR.
"	4 H	12-20-36	80	.50	19,262	E.P.

OPERATOR / LEASE	WELL NO.	S.T.P.	NO. ACRES	FACTOR	FEB. ALLOW. MCF	PIPE LINE
			EUMONT CONT'D			
THE TEXAS CO.						
Phillips	1 D	10-20-37	120	.75	28,892	P.B.
Riddel	1 N	12-21-36	80	.50	*14,000	P.B.
TIDE WATER ASSOC. OIL CO.						
Coleman	3 A	17-21-36	160	1.00	38,523	E.P.
Marshall (D)	1 H	13-21-36	160	1.00	38,523	E.P.
State A	4 A	8-21-36	160	1.00	38,523	E.P.
State J	3 F	17-19-37	160	1.00	38,523	E.P.
State K	1 K	13-20-36	80	.50	19,262	E.P.
State E	2 P	16-21-36	160	1.00	38,523	E.P.
TWO STATES OIL CO.						
McQuatters	1 J	11-21-36	40	.25	9,631	E.P.
WARREN PET. CORP.						
Evans St.	3 I	3-21-36	160	1.00	38,523	P.B.
Heasley St.	7 E	5-21-36	160	1.00	38,523	P.B.
POOL TOTALS	105		12,880	80.50	3,072,332	

OPERATOR / LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	FEB. ALLOW. MCF	PIPE LINE
				JALCO TOTAL ALLOCATION 2,495,018		
AMERADA PET. CORP.						
State JCT	1 B	16-23-36	80	.50	15,179	P.B.
"	2 G	"	80	.50	15,179	P.B.
AMERICAN REPUBLICS CORP.						
Crosby A	1 O	29-25-37	80	.50	15,179	E.P.
Crosby B	1 N	28-25-37	160	1.00	30,358	E.P.
ARCO OIL COORP.						
Langhart, B.T.	1 H	21-25-37	80	.50	* 9,610	E.P.
CHARM OIL CO.						
Wilson St.	1 A	11-21-35	160	1.00	30,358	P.B.
CONTINENTAL OIL CO.						
Ascarate C-24	1 B	24-25-36	80	.50	* 4,495	E.P.
" D-24	1 J	"	80	.50	*12,648	E.P.
Darciger A-8	2 P	8-23-36	160	1.00	30,358	E.P.
Farney A-5	2 I	5-23-36	160	1.00	30,358	E.P.
Lockhart A-30	1 H	30-21-36	160	1.00	30,358	E.P.
"	5 K	"	80	.50	15,179	E.P.
" A-30	6 F	"	160	1.00	30,358	E.P.
Lynn, J.T. A-27	1 D	27-23-36	160	1.00	30,358	E.P.
Lockhart A-18	3 K	18-21-36	160	1.00	30,358	E.P.
Lynn A-28	5 A	28-23-36	160	1.00	30,358	E.P.
Meyer Mc. A-29	1 O	29-22-36	160	1.00	30,358	Cont.
"	4 L	"	160	1.00	30,358	E.P.
Meyer A-29	5 A	"	160	1.00	* 7,223	E.P.
Meyer B-18	2 C	18-21-36	160	1.00	30,358	Cont.
Meyer B-33	1 M	33-22-36	160	1.00	30,358	E.P.
Sholes A-13	3 P	13-25-36	160	1.00	* 2,108	E.P.
" F-19	1 N	19-25-37	80	.50	15,179	E.P.
"	1 L	"	80	.50	15,179	E.P.
Sholes B-30	2 D	30-25-37	80	.50	* 3,348	E.P.
State A-32	2 G	32-22-36	160	1.00	30,358	E.P.
State A-32	3 P	32-22-36	160	1.00	30,358	E.P.
State C-20	5 M	20-21-36	160	1.00	30,358	Cont.
" E-17	4 E	17-22-36	160	1.00	* 7,161	E.P.

OPERATOR / LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	FEB. ALLOW. MCF	PIPE LINE
CONTINENTAL OIL CONT'D					JALCO CONT'D	
State E-17	5 L	17-22-36	160	1.00	30,358	Cont.
Stevens A-34	1 E	34-23-36	160	1.00	* 4,433	E.P.
Vaughan A-14	6 K	14-24-36	160	1.00	30,358	Cont.
Wells, E.J. B-1	1 A	1-25-36	160	1.00	30,358	Cont.
CITIES SERVICE OIL CO.						
Closson	1 J	6-22-36	160	1.00	30,358	U.C.
" A	1 A	18-22-36	160	1.00	30,358	U.C.
"	3 I	"	160	1.00	30,358	U.C.
" E	6 E	20-22-36	160	1.00	30,358	U.C.
CULBERTSON, E. A. & IRWIN, W. W.						
Lanehart, C.J.	1 B	28-25-37	120	.75	22,769	E.P.
DALPORT OIL CORP.						
Harrison	1 G	7-25-37	80	.50	15,179	E.P.
Lunt	1 P	20-22-36	160	1.00	*17,422	E.P.
Winters	1 B	18-25-37	160	1.00	30,358	E.P.
Winters C	1 J	7-25-37	160	1.00	30,358	E.P.
EL PASO NAT. GAS CO.						
Bates	1 M	10-26-37	80	.50	15,179	E.P.
Langlie Fed.	1 J	17-25-37	160	1.00	30,358	E.P.
Parker	1 D	29-26-37	80	.50	15,179	E.P.
GULF OIL CORP.						
Ramsey Arnott B	1 M	32-25-37	160	1.00	30,358	Gulf
" E	2 O	16-25-37	160	1.00	30,358	E.P.
Campbell	2 K	7-21-36	160	1.00	30,358	Gulf
Jande B	1 J	32-21-36	160	1.00	30,358	P.B.
HUBBARD, HARRY						
Ellictt	1 F	17-26-37	80	.50	15,179	E.P.
Moberly Elliott	2 D	21-26-37	80	.50	15,179	E.P.
HUMBLE OIL & RFG. CO.						
Cooper, J.M.	1 F	14-24-36	40	.25	7,590	E.P.
Harrison	1 M	25-24-36	160	1.00	*8,618	E.P.

OPERATOR / LEASE	WELL	UNIT	S.T.R.	NO. ACRES	FACTOR	FEB. ALLOW. MCF	PIPE LINE
HUMBLE OIL & RFG. CO. CONT'D							
Lanehart	1	K	21-25-37	40	.25	7,590	E.P.
State B	1	E	29-21-36	80	.50	15,179	E.P.
State B	7	I	"	160	1.00	30,358	E.P.
Thomas A E	1	O	23-24-36	80	.50	15,179	E.P.
KELLY JOHN M.							
Shahar	3	G	33-25-37	120	.75	22,769	E.P.
KRUPP-FLAHERTY							
Moberly C	3	E	21-26-37	80	.50	15,179	E.P.
LATE OIL CO.							
Rector, J.K.	1	G	31-21-36	80	.50	15,179	E.P.
LEONARD OIL CO.							
Bates, C.T.	1	L	20-25-37	160	1.00	30,358	E.P.
Bates, C.T.	2	D	29-25-37	160	1.00	*26,877	E.P.
Justis, B.M.	1	H	19-25-37	80	.50	15,179	E.P.
Justis, B.M.	2	H	20-25-37	160	1.00	30,358	E.P.
Justis, V.H.	1	D	20-25-37	160	1.00	30,358	E.P.
LOWE, RALPH							
Rose, Maggie	1	M	18-25-37	160	1.00	*21,111	E.P.
Shell St. B	1	K	16-23-36	40	.25	* 1,116	E.P.
OLSEN-BLOUNT OIL CO.							
Legal	2	I	31-25-37	160	1.00	*21,142	E.P.
Jenkins	1	M	29-25-37	160	1.00	30,358	E.P.
Owens, Eva	1	M	21-25-37	80	.50	15,179	E.P.
Woolworth	1	P	26-24-36	80	.50	15,179	E.P.
OLSEN, R. PERSONAL							
Repello	1	E	28-25-37	160	1.00	30,358	E.P.
Watkins	1	A	35-24-36	80	.50	15,179	E.P.
OLSEN, R. OIL CO.							
Calley	1	H	7-25-37	80	.50	15,179	E.P.

OPERATOR / LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	FEB. ALLOW. MCF	PIPE LINE
OLSEN, R. OIL CONT'D					JALCO CONT'D	
Cooper, S.R.	1 H	23-24-37	160	1.00	30,358	E.P.
"	5 H	14-24-36	80	.50	15,179	E.P.
Cooper B	2 C	14-24-36	40	.25	7,590	E.P.
" G	#1	11-24-36	160	1.00	30,358	E.P.
Winningham	1 C	30-25-37	80	.50	15,179	E.P.
"	2 H	19-25-37	80	.50	15,179	E.P.
PHILLIPS PET. CO.						
Woolworth	12 K	26-24-36	80	.50	15,179	Phil.
SHELL OIL CO.						
State	1-A D	36-24-36	160	1.00	30,358	E.P.
State A	2 A	12-21-35	160	1.00	30,358	E.P.
State H	2 A	13-21-35	160	1.00	30,358	E.P.
SINCLAIR OIL & GAS CO.						
State 157 F	1 A	17-23-36	160	1.00	30,358	E.P.
SKELLY OIL CO.						
Sherrell, J.W.	3 B	6-25-37	40	.25	7,590	E.P.
"	5 N	31-24-37	80	.50	15,179	E.P.
SOUTHERN CALIF. PET. CORP.						
Dabbs	1 M	34-25-37	160	1.00	30,358	E.P.
"	2 E	"	160	1.00	* 7,719	E.P.
Texas St.	2 I	16-23-36	80	.50	15,179	E.P.
Vosburg	1 I	18-25-37	80	.50	15,179	E.P.
Woolworth	4 M	8-25-37	160	1.00	30,358	E.P.
SUN OIL CO.						
Lanehart	2 I	20-25-37	80	.50	15,179	E.P.
STANOLIND OIL & GAS CO.						
Gregory A	22 N	31-25-37	40	.25	7,590	P.B.
" C	1 C	33-25-37	40	.25	7,590	E.P.
TEXAS PACIFIC COAL & OIL CO.						
State A Ac/1	2 L	21-23-36	160	1.00	30,358	E.P.

JALCO CONT'D

OPERATOR / LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	FEB. ALLOW. MCF	PIPE LINE
TEXAS PACIFIC COAL & OIL CONT'D						
State A Ac/1	3 E	21-23-36	80	.50	15,179	E.P.
"	4 C	"	80	.50	*10,044	E.P.
"	6 F	"	40	.25	7,590	E.P.
"	8 C	"	160	1.00	30,358	E.P.
"	9 M	9-23-36	160	1.00	30,358	E.P.
"	12 O	"	160	1.00	30,358	E.P.
"	14 E	"	160	1.00	30,358	E.P.
"	15 F	4-23-36	160	1.00	30,358	E.P.
"	13 M	"	160	1.00	30,358	E.P.
"	23 B	"	160	1.00	30,358	E.P.
St. A Ac/2	12 I	7-22-36	160	1.00	30,358	E.P.
"	41 M	5-22-36	160	1.00	30,358	E.P.
THE TEXAS CO.						
Fristoe B NCT-4	2 M	31-24-37	80	.50	15,179	E.P.
Rector, J.K.	2 P	20-21-36	40	.25	7,590	E.P.
"	3 I	30-21-36	80	.50	15,179	E.P.
"	4 O	"	40	.25	7,590	E.P.
TREDOL & RODMAN						
Federal	1-Y C	5-23-36	160	1.00	30,358	E.P.
WESTATES PET. CORP.						
Wells B-6	1 A	6-25-37	40	.25	7,590	E.P.
WESTERN NATURAL GAS CO.						
Guthrie	1 O	34-23-36	160	1.00	30,358	E.P.
Wells	1 G	6-25-37	40	.25	7,590	E.P.
Woolworth	1 A	17-25-37	160	1.00	30,358	E.P.
POOL TOTAL	117		14,320	89.50	2,495,058	

OPERATOR LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR		FEB. ALLOW. MCF	PIPE LINE
					JUSTIS TOTAL ALLOCATION 90,476 MCF		
ATLANTIC RFG. CO.							
Justis	1-P	11-25-37	80	.50		19,527	E.P.
CITIES SERVICE OIL CO.							
Hodges B	1-M	1-25-37	160	1.00		*12,369	E.P.
OLSEN, R. OIL CO.							
Wimberly	1-H	23-25-37	40	.25		9,764	E.P.
TIDE WATER ASSOC.OIL CO.							
Coates C	1-F	24-25-37	40	.25		9,764	E.P.
WESTERN NATURAL GAS CO.							
Eaton	1-E	12-25-37	160	1.00		39,054	E.P.
POOL TOTALS	5		480	3.00		90,478	

OPERATOR LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	FEB. ALLOW. MCF	PIPE LINE
				LANGMAT TOTAL ALLOCATION 6,142,548 MCF		
AMERADA PET. CORP.						
State LMT	2-F	36-23-36	160	1.00	40,357	P.B.
Hodges	1-I	8-24-37	160	1.00	40,357	P.B.
ANDERSON-PRICHARD						
Wells	13-L	5-25-37	120	.75	30,268	E.P.
ATLANTIC RFG. CO.						
Selby	1-F	33-22-36	160	1.00	40,357	E.P.
State 24	1-D	32-24-37	40	.25	10,089	Phil.
CITIES SERVICE OIL CO.						
Dabbs	1-D	23-25-37	80	.50	20,179	E.P.
State Q	1-L	36-23-36	80	.50	20,179	E.P.
CONTINENTAL OIL CO.						
Jack A-20	4-G	20-24-37	160	1.00	* 9,362	E.P.
Jack A-21	1-M	21-24-37	40	.25	10,089	E.P.
Jack A-29	3-H	29-24-37	160	1.00	* 6,324	E.P.
Jack B-17	3-A	17-24-37	160	1.00	40,357	E.P.
Jack B-30	1-H	30-24-37	160	1.00	40,357	E.P.
Lockhart B-28	3-L	28-21-36	160	1.00	40,357	Cont.
Lynn B-25	1-J	25-23-36	160	1.00	40,357	E.P.
Lynn B-25	2-M	"	160	1.00	40,357	E.P.
Lynn B-26	1-J	26-23-36	160	1.00	40,357	E.P.
Lynn B-26	2-A	"	160	1.00	40,357	E.P.
"	3-C	"	160	1.00	40,357	E.P.
"	4-M	"	160	1.00	40,357	E.P.
Lynn B-27	1-A	27-23-36	160	1.00	40,357	E.P.
Meyer B-28	2-A	28-22-36	160	1.00	*14,880	E.P.
Meyer B-22	1-I	22-22-36	160	1.00	40,357	E.P.
Meyer B-23	1-C	23-22-36	160	1.00	40,357	E.P.
"	2-O	"	160	1.00	40,357	E.P.
Stevens A-34	2-G	34-23-36	160	1.00	40,357	E.P.
Stevens A-35	1-J	35-23-36	120	.75	30,268	E.P.
"	2-L	"	160	1.00	*23,560	E.P.
Stevens B-7	1-M	7-23-37	160	1.00	40,357	E.P.
Stevens B-7 Unit	1-D	"	160	1.00	40,357	E.P.

OPERATOR LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	FEB. ALLOW. MCF	PIPE LINE
				LANGMAT CONT'D		
CONTINENTAL CONT'D						
Stevens B-7	2-J	7-23-37	160	1.00	40,357	E.P.
Stevens B-12	1-C	12-23-36	80	.50	20,179	E.P.
Stevens B-12	2-A	"	160	1.00	40,357	E.P.
Stevens B-14	1-I	14-23-36	160	1.00	40,357	E.P.
Stevens B-15	2-K	15-23-36	160	1.00	40,357	E.P.
Stevens B-18	1-F	18-23-37	160	1.00	40,357	E.P.
"	2-K	"	160	1.00	40,357	E.P.
Stevens B-18 Unit	1-B	18-23-37	160	1.00	* 9,579	E.P.
Vaughan B-1	1-H	1-24-36	160	1.00	40,357	E.P.
"	2-F	"	160	1.00	40,357	E.P.
Vaughan B-12	1-H	12-24-36	80	.50	20,179	E.P.
DALPORT OIL CORP.						
Christmas	1-O	25-22-36	160	1.00	40,357	E.P.
Christmas B	1-J	21-22-36	160	1.00	40,357	E.P.
Kirg, E.F.	1-M	31-22-37	160	1.00	40,357	E.P.
Kirg, W.H.	1-M	6-23-37	160	1.00	40,357	E.P.
Jones, O.L.	1-P	34-22-36	160	1.00	40,357	E.P.
EL PASO NAT. GAS CO.						
Jal D	3-B	8-25-37	160	1.00	40,357	E.P.
Shell Black	2-O	21-24-37	80	.50	20,179	E.P.
GACKLE, ALBERT						
Comest	1-I	27-23-36	160	1.00	40,357	E.P.
Cowlen R.W.	1-J	30-23-37	80	.50	20,179	E.P.
Cowlen B	1-L	"	80	.50	20,179	E.P.
Cowlen C	4-C	31-23-37	160	1.00	40,357	E.P.
King, E.F.	1-O	12-23-36	160	1.00	40,357	E.P.
Jones, Rodman	1-M	35-22-36	160	1.00	40,357	E.P.
Sinclair St.	1-I	23-23-36	160	1.00	40,357	E.P.
"	2-K	"	160	1.00	40,357	E.P.
"	3-D	3-23-36	160	1.00	40,357	E.P.
"	4-H	"	160	1.00	40,357	E.P.
GULF OIL CORP.						
Christmas	1-P	27-22-36	160	1.00	40,357	P.B.

OPERATOR LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	FEB. ALLOW. MCF	PIPE LINE
			LANGMAT CONT'D			
GULF OIL CORP. CONT'D						
Christmas	2-H	27-22-36	160	1.00	40,357	P.B.
Janda H	1-I	11-23-36	160	1.00	40,357	P.B.
Janda G	1-A	24-23-36	160	1.00	40,357	Gulf
Janda I	1-H	2-23-36	160	1.00	40,357	E.P.
Janda I	2-D	"	160	1.00	40,357	E.P.
Woolworth	3-K	30-24-37	160	1.00	40,357	E.P.
HUMBLE OIL & RFG. CO.						
Hunter EE	1-D	24-24-36	160	1.00	* 9,734	E.P.
State AA	1-H	22-23-36	160	1.00	40,357	E.P.
State Z	1-H	2-24-36	160	1.00	40,357	E.P.
KELLY, JOHN M.						
Hair	1-K	8-24-37	120	.75	30,268	E.P.
KENWOOD OIL CO.						
State	1-C	32-24-37	40	.25	10,089	Sch.
LATE OIL CO.						
Thomas	1-M	17-24-37	160	1.00	40,357	E.P.
OLSEN, R. OIL CO.						
Blankenship	1-J	18-24-37	160	1.00	40,357	E.P.
Pinebry A	8-L	29-23-37	160	1.00	40,357	E.P.
Roper	1-O	11-24-36	160	1.00	40,357	E.P.
James Mattie	1-G	10-22-36	160	1.00	40,357	E.P.
King (NW)	1-E	1-23-36	160	1.00	40,357	E.P.
King (SE)	1-O	"	160	1.00	40,357	E.P.
Meyers B	1-F	13-24-36	160	1.00	40,357	E.P.
Meyers B	2-H	11-24-36	160	1.00	40,357	E.P.
OLSEN, R. PERSONAL						
Christmas BA	1-L	28-22-36	160	1.00	40,357	E.P.
PHILLIPS PET. CO.						
Woolworth	4-J	33-24-37	160	1.00	40,357	Phil.

OPERATOR LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	FEB. ALLOW. MCF	PIPE LINE
				LANGMAT CONT'D		
RODMAN, E.G.						
Humble State L.	1-I	32-24-37	40	.25	10,089	E.P.
SAMEDAN OIL CORP.						
Hughes B	1-C	19-23-37	160	1.00	40,357	E.P.
SCHERMERHORN OIL CO.						
Woolworth	3-J	28-24-37	160	1.00	*16,740	E.P.
SHELL OIL CO.						
Christmas A	1-M	23-22-36	160	1.00	40,357	E.P.
Christmas B	1-L	25-22-36	160	1.00	40,357	E.P.
Dev. Christmas	2-B	21-22-36	160	1.00	40,357	E.P.
SIMON, JULIAN E.						
Smith	3-I	4-25-37	80	.50	20,179	E.P.
Woolworth	1-K	33-24-37	80	.50	20,179	E.P.
SINCLAIR OIL & GAS CO.						
Fowler Hair	2-E	9-24-37	80	.50	20,179	E.P.
Jones, Rodman	1-D	35-22-36	160	1.00	40,357	E.P.
State 157-C	1-O	32-24-37	40	.25	10,089	E.P.
"	2-P	"	40	.25	10,089	E.P.
State E	1-G	"	80	.50	*12,183	E.P.
SKELLY OIL CO.						
Cooper, J.W.	3-N	12-24-36	160	1.00	40,357	E.P.
King C	1-G	1-23-36	160	1.00	40,357	E.P.
King D	1-E	6-23-37	160	1.00	40,357	E.P.
Liberty Roy.	5-J	7-24-37	160	1.00	40,357	E.P.
Mexico D	1-J	36-23-36	80	.50	20,179	E.P.
Mexico E	1-O-P	2-23-36	80	.50	20,179	E.P.
Mexico G	1-D	16-24-37	160	1.00	40,357	E.P.
State M	3-K	32-24-37	120	.75	30,268	E.P.
SOUTHERN CALIF. PET. CORP.						
Alston	4-F	26-25-37	120	.75	30,268	E.P.
Gutman	1-G	18-24-37	80	.50	20,179	E.P.

OPERATOR / LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	FEB. ALLOW. MCF	PIPE LINE
				LANGMAT CONT'D		
SOUTHERN CALIF. PET. CORP. CONT'D						
Hunter	1-K	13-24-36	160	1.00	40,357	E.P.
Lankford	1-G	25-23-36	120	.75	30,268	E.P.
Liberty Roy.	3-L	3-25-37	80	.50	20,179	E.P.
Martin B	1-F	31-24-37	160	1.00	*10,075	E.P.
Martin	2-A	"	160	1.00	40,357	E.P.
Mosely	2-L	34-24-37	80	.50	20,179	E.P.
STANCLIND OIL & GAS CO.						
Langlie B	2-D	15-25-37	120	.75	30,268	E.P.
Meyer B	1-D	7-24-37	160	1.00	40,357	E.P.
"	10-G	"	160	1.00	40,357	E.P.
"	11-B	6-24-37	160	1.00	40,357	P.B.
Woolworth	4-E	28-24-37	160	1.00	40,357	P.B.
SUN OIL CO.						
Record Unit	1-A	22-22-36	160	1.00	40,357	E.P.
Peerless, et al	1-C	"	160	1.00	40,357	E.P.
THE TEXAS CO.						
Black	2-K	7-23-37	40	.25	10,089	E.P.
TEXAS-PACIFIC COAL & OIL						
State A ac/1	1-F	22-23-36	160	1.00	40,357	E.P.
"	13-H	14-23-36	160	1.00	40,357	E.P.
"	16-A	11-23-36	160	1.00	40,357	E.P.
"	19-E	22-23-36	160	1.00	40,357	E.P.
"	20-C	13-23-36	160	1.00	40,357	E.P.
"	21-H	13-23-36	160	1.00	40,357	E.P.
"	22-N	"	160	1.00	40,357	E.P.
"	24-N	24-23-36	160	1.00	40,357	E.P.
"	25-F	"	160	1.00	40,357	E.P.
"	26-G	23-23-36	160	1.00	40,357	E.P.
"	28-F	14-23-36	160	1.00	40,357	E.P.
"	29-C	11-23-36	160	1.00	40,357	E.P.
"	30-I	3-23-36	160	1.00	40,357	E.P.
"	31-H	15-23-36	160	1.00	40,357	E.P.
"	32-J	24-23-36	160	1.00	40,357	E.P.

OPERATOR LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	FEB. ALLOW. MCF	PIPE LINE
				LANGMAT CONT'D		
TEXAS-PACIFIC COAL & OIL CONT'D						
State A ac/1	33-F	15-23-36	160	1.00	40,357	E.P.
"	34-K	11-23-36	160	1.00	40,357	E.P.
"	35-L	3-23-36	160	1.00	40,357	E.P.
"	37-F	10-23-36	160	1.00	40,357	E.P.
"	38-M	"	160	1.00	40,357	E.P.
State A ac/2	36-M	11-22-36	160	1.00	40,357	S.U.
"	40-A	9-22-36	160	1.00	40,357	E.P.
"	42-E	11-22-36	160	1.00	40,357	S.U.
State A ac/3	1-A	10-23-36	160	1.00	40,357	E.P.
"	2-I	"	160	1.00	40,357	E.P.
TIDE WATER ASSOC.						
Christmas, A.L.	1-F	26-22-36	160	1.00	40,357	E.P.
King	1-M	1-23-36	160	1.00	40,357	E.P.
State T	1-I	2-24-36	160	1.00	40,357	E.P.
WESTATES PET. CORP.						
Wells B-4	1-D	4-25-37	80	.50	20,179	E.P.
Wells B-5	1-A	5-25-37	80	.50	20,179	E.P.
WESTERN NAT. GAS CO.						
Blinebry A	2-D	30-23-37	160	1.00	40,357	E.P.
"	7-G	"	160	1.00	40,357	E.P.
Combest	1-H	35-23-36	120	.75	30,268	E.P.
Cooper, J.A.	2-F	12-24-36	80	.50	20,179	E.P.
Cowden, R.W.	1-P	30-23-37	80	.50	20,179	E.P.
Curry	1-P	1-24-36	160	1.00	40,357	E.P.
Duthie	1-J	18-23-37	160	1.00	*16,926	E.P.
Hale	1-K	34-22-36	160	1.00	40,357	E.P.
Harrington	1-D	10-22-36	160	1.00	40,357	E.P.
Jones	1-A	34-22-36	160	1.00	40,357	E.P.
Lankford	1-C	25-23-36	120	.75	30,268	E.P.
Matkins	1-P	15-23-36	160	1.00	40,357	E.P.
Owens	1-M	26-22-36	160	1.00	40,357	E.P.
State B	1-C	2-25-37	40	.25	10,089	E.P.
St. McDonald	1-L	14-22-36	160	1.00	40,357	E.P.
"	3-P	36-22-36	160	1.00	40,357	E.P.

OPERATOR LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	FEB. ALLOW. MCF	PIPE LINE
				LANGMAT CONT'D		
WESTERN NAT. GAS CO. CONT'D						
St. McDonald	4-M	36-22-36	160	1.00	40,357	E.P.
"	5-D	"	160	1.00	40,357	E.P.
"	6-B	"	160	1.00	40,357	E.P.
"	7-A	35-22-36	160	1.00	40,357	E.P.
"	8-P	26-22-36	160	1.00	40,357	E.P.
"	9-G	"	160	1.00	40,357	E.P.
"	10-F	25-22-36	160	1.00	40,357	E.P.
"	11-D	14-22-36	160	1.00	40,357	E.P.
"	12-M	24-22-36	160	1.00	40,357	E.P.
"	13-P	15-22-36	160	1.00	40,357	E.P.
"	14-G	"	160	1.00	40,357	E.P.
Record	1-P	10-22-36	160	1.00	40,357	E.P.
Stuart A	1-C	14-25-37	40	.25	10,089	E.P.
Toby A	1-A	13-24-36	160	1.00	40,357	E.P.
Wimberly	1-F	23-25-37	80	.50	20,089	E.P.
POOL TOTAL	178		25,360	158.50	6,142,476	

OPERATOR LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	FEB. ALLOW. MCF	PIPE LINE
			TUBB	TOTAL ALLOCATION 811,713 MCF		
AMERADA PET. CORP.						
Hare, J.G.	7-M	33-21-37	160	1.00	35,742	P.B.
CITIES SERVICE OIL CO.						
Owen	3-J	35-21-37	160	1.00	35,742	P.B.
State S	2-F	15-21-37	80	.50	17,871	E.P.
CONE, S. E.						
Anderson	1-I	21-21-37	40	.25	8,936	E.P.
CONTINENTAL OIL CO.						
Hawk B-9	7-P	9-21-37	160	1.00	35,742	Cont.
Lockhart A-27	1-D	27-21-37	160	1.00	35,742	E.P.
Wantz	3-J	21-21-37	120	.75	26,807	Cont.
GULF OIL CORP.						
Dangl.ado	1-M	13-22-37	80	.50	*10,385	P.B.
Eubank	1-B	22-21-37	160	1.00	35,742	E.P.
Paddock	3-P	1-22-37	160	1.00	35,742	Gulf
HUMBLE OIL & RFG. CO.						
Penrose	2-H	13-22-37	160	1.00	35,742	E.P.
MAGNOLIA PET. CO.						
Brunson Argo	6-E	10-22-37	160	1.00	*15,000	P.B.
Carson, E.O.	8-F	33-21-37	160	1.00	35,742	P.B.
Corrigan	7-P	"	120	.75	26,807	P.B.
Long	8-J	11-22-37	160	1.00	35,742	P.B.
MARKHAM, CONE & REDFERN						
Eubanks	2-L	14-21-37	160	1.00	35,742	E.P.
OHIO OIL CO.						
Marshall B	2-M	27-21-37	160	1.00	35,742	P.B.
Warlick C	1-J	15-21-37	160	1.00	35,742	P.B.
SHELL OIL CO.						
Argo	1-M	15-21-37	160	1.00	35,742	E.P.

OPERATOR LEASE	WELL UNIT	S.T.R.	NO. ACRES	FACTOR	FEB. ALLOW. MCF	PIPE LINE
				TUBB CONT'D		
SHELL OIL CO. CONT'D						
Argo A	1-D	22-21-37	160	1.00	35,742	E.P.
Sarkeys	1-M	23-21-37	160	1.00	35,742	E.P.
State	1-G	15-21-37	80	.50	17,871	E.P.
Turner	2-L	22-21-37	160	1.00	35,742	E.P.
Turner	3-J	"	160	1.00	35,742	E.P.
TIDE WATER ASSOC. OIL CO.						
Sarkeys	4-F	26-21-37	160	1.00	35,742	E.P.
State S	2-C	15-21-37	80	.50	17,871	E.P.
WESTERN OIL FIELDS, INC.						
Drinkard	2-L	30-22-38	40	.25	8,936	E.P.
Gulf State	1-A	36-22-37	80	.50	17,871	E.P.
POOL TOTALS	28		3,760	23.50	811,711	

SUMMARY

POOL	TOTAL NO. WELLS	TOTAL ACREAGE FACTOR	TOTAL ACREAGE FACTOR MARG.	TOTAL ACREAGE FACTOR NON-MARG.	TOTAL NOMINATIONS & ALLOC.	TOTAL ALLOCATION MARG.	TOTAL ALLOCATION NON-MARG.	ALLOC. 1.00 UNIT	ALLOC. .75 UNIT	ALLOC. .50 UNIT	ALLOC. .25 UNIT	TOTAL COMPUTED ALLOC.
AMANDA	1	.75		.75	1,000		1,000					1,000
ARRCW	4	4.00		4.00	103,837		103,837	25,959				103,836
BLINEBRY	40	32.50		32.50	1,147,193		1,147,193	35,298	26,474	17,649	8,825	1,147,188
BYERS QUEEN	3	1.75		1.75	8,310		8,310	4,749	3,562	2,375	1,187	8,311
EUMONT	105	80.50	1.50	79.00	3,072,316	29,000	3,043,316	38,523	28,892	19,262	9,631	3,072,332
JALCO	117	89.50	12.75	76.75	2,495,018	165,075	2,329,943	30,358	22,769	15,179	7,590	2,495,058
JUSTIS	5	3.00	1.00	2.00	90,476	12,369	90,476	39,054	29,291	19,527	9,764	90,478
LANGMAT	178	158.50	9.50	149.00	6,142,548	129,363	6,013,185	40,357	30,268	20,179	10,089	6,142,476
TUBB	26	23.50	1.50	22.00	811,713	25,385	786,328	35,742	26,807	17,871	8,936	811,711

PURCHASERS

E.P. - El Paso Natural Gas Co.
P.B. - Permian Basin Pipeline Co.
Phil. - Phillips Pet. Co.
W.P. - Warren Pet. Co.
S.U. - Southern Union Gas Co.
U.C. - United Carbon

Case No.

582

Application, Transcript,
Small Exhibits, Etc.

MEMORANDUM TO: THE NEW MEXICO OIL CONSERVATION COMMISSION:

Re Case No. 582 -- Texas Pacific Coal and Oil Company

Without going into great detail it appears that from a legal and practical standpoint Order #368 regarding the Jalco pool will necessarily have to be amended after completion of the hearing in the above case at least to provide for the following matters:

1. There was no finding of waste in Order #368.

2. There was no finding that the protection of correlative rights required the entry of the order.

3. Finding of Fact #5 should be eliminated since it, on its face, raises doubts as to the delineation of the Jalco pool.

4. Finding of Fact #6 bases the allocation of gas in a proration unit 100% on acreage, but indicates by providing pending further study and orders that the Commission was not sure that the basis for the allocation was correct.

5. Additional findings of facts should be made which it is not necessary herein to ennumerate.

6. Rule 7 of Order #368 regarding proration units should be eliminated. The rule is particularly deficient in that paragraph (a) provides for exceptions to legal quarter section as a proration unit upon notice and hearing. However, no basis for the granting of exceptions is set forth. It is doubtful if this rule is constitutional in the absence of tests for granting exceptions.

Also Rule 7 (c) is weak in that it attempts to provide for situations less than legal quarter sections " by automatic action of the Commission without hearing. It is doubtful that the Commission has such power.

It is suggested that this rule provide for a proration unit of 158 to 162 contiguous surface acres substantially in the form of a square which shall be a legal subdivision and then provide for exceptions thereto upon notice and hearing whenever it appears that a deviation therefrom is necessary to prevent waste and to prevent confiscation of property . The exception could take care of situations where the acreage is less than a legal quarter section and likewise where the acreage is more than a legal quarter section. The rule and exception should be simply worded to allow flexibility of administrative action.

Aside from the lack of substantial evidence in prior hearings (which is no small matter) and also the serious question of whether under our statute in its present form proration of gas is permissible in the absence of a showing of waste and solely for the protection of correlative rights. It is believed that amendment is necessary in the present order before it could possibly be obtained in court.

THE RAILROAD COMMISSION OF TEXAS

SPRABERRY TREND AREA

Hearing held in Austin, Texas,

July 15, 1953

TRANSCRIPT OF TESTIMONY

E X C E R P T

TESTIMONY OF MR. KAYSER

H. Ray Pardue,
Peggy N. Studer,
Reporter.

RAILROAD COMMISSION OF TEXAS

OIL AND GAS DIVISION

* *

OIL AND GAS DOCKET
NO. 125 & 126

7 & 8 - 26,569

IN RE: CONSERVATION AND PREVENTION OF WASTE OF CRUDE PETROLEUM AND NATURAL GAS IN THE SPRABERRY TREND AREA FIELD, MIDLAND, GLASSCOCK, REAGAN, UPTON AND MARTIN COUNTIES, T E X A S.

* *

HEARING HELD IN AUSTIN, TEXAS, JULY 15, 1953

* *

B E F O R E

HONORABLE ERNEST O. THOMPSON, CHAIRMAN

HONORABLE W. J. MURRAY, JR., COMMISSIONER

MR. A. H. BARBECK, CHIEF ENGINEER
MR. GEORGE SINGLETARY, ASSISTANT CHIEF ENGINEER
MR. FRED YOUNG, LEGAL EXAMINER

* *

TRANSCRIPT OF PROCEEDINGS

* *

E X C E R P T

TESTIMONY OF MR. KAYSER

It would seem to be reasonable to me if wells now shut in were opened up that they would tend to take in time something of the same course, and that it might not be too unreasonable to predict that what is occurring in the present operating facilities, in the present operated wells, since it's over half the field, might not be too far wrong for the whole thing at this time. That may be a far fetched conclusion, but the ratios in the field vary from one end to the other and it is interconnected and we have found that it tends to vary about the same time. But because there has been a shut in, the chances are those wells that are now opened up will not have on the average quite as high ratios as the wells that continued to operate.

CHAIRMAN THOMPSON: Does Mr. Kayser have a question?

MR. KAYSER: No question, I just have the information you wanted me to give.

CHAIRMAN THOMPSON: Come right ahead. Any further questions? The witness is excused. Thank you, Mr. Bunn. Come right up, Mr. Kayser. He's going to give us the information asked for earlier. We're glad you got them ready.

MR. KAYSER: The first question was the capacity with compressors The first figure that I give is the raw gas into the gasoline absorption plant. In the case of Tex-Harvey, the capacity of that plant is 35 million a day. In the case of the two Texas Natural plants, which is other than the Benedum plant, is 60 million a day.

El Paso's Midkiff compressor station, which can be counted as a plant, is 37 million a day, which makes a total raw gas capacity of 132 million a day, exclusive of the Benedum Spraberry.

Then you put in the Benedum Spraberry, Texas Natural has 14 million, Plymouth has seven; that seven is being increased additionally but we count what is there today. That makes 21 additional, which makes a total of 153 million of compressor capacity for raw gas out of the Spraberry.

Now, against that, we figure we get residue gas -- if they were operating at that capacity, we get residue gas about like these figures I'll now give you.

For Tex-Harvey, 26.5 million; for Texas Natural, on the two plants, 42; for El Paso Midkiff, 30, making a total of 98.5. The Benedum, 14 -- it has 14, Texas Natural Benedum. We get residue of about 10.5 and the Plymouth seven, which would give us residue of about 5.25, making a total of 114 million -- 114.25 million cu. ft. of gas a day of residue gas that would come out of all of the capacity that is in the field.

Now, we have pipe line capacity and ability to absorb into our system at this time that much gas. I said a while ago that it was 92 -- it's 92, but actually if we had it put to us and we needed to take it, we can take the quantities that I gave at Benedum. Next ---

COMMISSIONER MURRAY: Mr. Kayser, if each of these

plants mentioned has the compressor facilities at that plant to deliver under your line pressures which would exist if they were delivering all these quantities, these amounts of gas ---

MR. KAYSER: Yes, sir, they have the capacity to handle raw gas in the quantities stated.

COMMISSIONER MURRAY: And process it?

MR. KAYSER: And process it and compress it ---

COMMISSIONER MURRAY: To the line pressure you would have, if you had 114 million a day?

MR. KAYSER: And deliver to us all the residue gas left over, which is about the figure I gave, and we are able to take it, and take it to market.

COMMISSIONER MURRAY: Your ability to take it depends on their having the ability to put it up to whatever the line pressure would be to get that much gas into your system?

MR. KAYSER: That's right.

COMMISSIONER MURRAY: And they have the compressors?

MR. KAYSER: They have the comprssors to do that, and we have the compressors at Midkiff to do it, and it is wholly ineffective unless it comes up to that pressure, because two and two make four.

That was the first question that was asked. The second question -- and that's with and without Benedum -- the second question was, what was the quantity produced in July, what did we actually take out of Spraberry plants other than Benedum.

I want to say this, that as to Benedum, we have capacity to take out of Benedum all of the gas that is produced in Benedum, including the Spraberry, on any ordinary production days, like 20 -- I even think it would go to 26. So that you can consider that you can put Benedum on whatever you want to put it on, and we can take the residue gas, and that means that the plants have a sufficient amount of compression to move it on up to the pressure so that we can take it.

COMMISSIONER MURRAY: And that would not reduce your ability to take from each of these other plants at their full compressor capacity to deliver to you?

MR. KAYSER: It would not.

COMMISSIONER MURRAY: That's the answer to the question I had.

MR. KAYSER: We thought that was the information you were trying to elicit.

For July production: On July 7th, we took from the Tex-Harvey plant 21.7. Now, when I'm giving you these figures, they're not run out to the last accounting practice figures. The rendition of the bills will show slightly different. This is taken from the dispatcher's office, which is sufficiently accurate for all of these calculations. We took from Tex-Harvey Pembrook plant -- I mean, Texas Natural Pembrook plant, 18; and from the Floyd -- West Floyd, I believe it's called -- 23; and through our Midkiff plant,

21; making a total of 83.7. On July 12th, we took from Tex-Harvey 20; Texas Natural Pembrook, 21; Texas Natural West Floyd, 21; El Paso Midkiff, 24; a total of 85.

I want to impress on the Commission very earnestly that when you pick out in the first part of the month a handful of days, or even up to the first half of the month, you haven't got the picture, because we've been operating there for lots of years, and what happens is that when you've got around a 21 day month, around the 22nd, 23rd, 24th, 25th, it begins to fall off, and we are running all over the country to make up the deficit by the 31st day of the month. Those are just physical facts that happen -- operating facts. So that these figures do not represent the effect of the order. That's just A-B-C, and I was tremendously relieved to hear what the General said a while ago.

CHAIRMAN THOMPSON: I was speaking for the Commission.

MR. KAYSER: Thank you. I'm very glad to hear that. Now, you asked me one other question, and that's our schedule. I said that we would expect to take additional gas on November the 1st. Before I give that schedule, let me tell you what the total program is. The total program is that we plan to take out by means of our own plants, 167 million feet of gas from Spraberry. That's what we are building, plants, to take raw gas from the wells.

COMMISSIONER MURRAY: 167?

MR. KAYSER: 167 million. That's our first program.

Now, we have 37 already connected and compression provided, which as we say, that's all you're interested in. Later, we will get into the gasoline absorption plant. So that leaves 130 million to go. We expect to be able to take 50 to 60 million of that 130 million around November the 1st. We then expect -- 50 to 60 million more than the 37. The 37 is already done. We expect to take 50 to 60 million more additional the the 37 around November 1st, and then we expect to move up compression and pipe line capacity, and our goal is January 1st for the whole 130 million additional to the 37 million. So that we are aiming at being able to take out 167 million by January 1st.

We might miss that, but I don't think it is optimistic to say -- too optimistic -- in fact, I don't think it's optimistic to say that, because our pipe delivery is all right. We are, we might say, crowded with delivery of compressors, and it simply takes the coordination of the compressors with the construction of the 30 inch line across the northern portion of New Mexico, and as you know, you can build in that country in all kinds of weather, all the weather that you have.

COMMISSIONER MURRAY: What kind of weather do they have in dry weather?

MR. KAYSER: We don't anticipate being held up on any account. Now, if I may be pardoned for just saying one general word, I would appreciate the opportunity. I want

to say this, that it's not the easiest thing in the world to move this residue gas on out to the market. There is not any appreciable amount is going to be marketed under an average of a thousand miles of transportation. Now, that costs a lot of million dollars to move this stuff. That that we take out -- the biggest part of it goes to California, and when you take the combination of our lines and the California lines, you have more than a thousand miles of line to build in order to move it. That that goes out the Permian goes to Northern Natural and it goes as far as Minneapolis. That is in the range of a thousand miles itself.

So that that is the total problem you're looking at. It isn't a question of going and getting it and putting it in a tank somewhere and getting it to a local market. The real market for this gas ison an average of about 1000 miles away. That takes a lot of planning ahead of time to move it. You can't move it on just -- call up and say tomorrow we're going to move that much gas. It doesn't work that way.

Now, I want to say just one other thing, that there is a lot of risk involved in doing this. It isn't easy to fit the program of supplying gas to population into all production. Don't make any mistake about it, it's not easy -- it's very difficult, and the more difficult it is made at this end by regulation, obfiously the more resistance there

is to undertaking the job. To date, we have felt that we had complete cooperation out of this Commission. It's been a matter of pride for us to work with it and cooperate to help move this stuff out, but I do want to emphasize this, that it is utterly impractical to try to move it on a 100% conservation basis.

I mean just that. You've got to waste some of it. There is going to have to be some kind of waste - waste in the sense that the physical product will not reach market and be burned through a burner. It just isn't in the cards to do it, and the point I want to make further is that both the El Paso Company and Northern Natural, through Permian, have acted to my certain knowledge just as diligently and as rapidly as they could have against all of the obstacles -- I wouldn't want to call them obstacles -- natural difficulties, both regulatory and physical and financial that were involved in completing these projects.

Now, one other thing. I'm on top side this time, so I'm speaking for myself, but I'll probably be on the short side the next time -- maybe. But I think that in the interest of a policy to encourage people to come get the residue gas, you shouldn't pinch the fellow who has been diligent and who has spent his money and gone out and got the contracts. You should neither pinch him or the fellow who contracted with him, because that has a tendency to pull down incentive and you want incentive in there. We're ahead of the

other fellow; all right, next time maybe Permian and Nortern are ahead of us and we're the ones that are going to have to be pinched. All right, we'll take our pinching when the time comes. But you cannot expect, in the very nature of marketing of gas, you can't expect the two programs to be absolutely dove tailed in -- they just can't do it.

CHAIRMAN THOMPSON: You do approve, Mr. Kayser, do you not, of the saving of casinghead gas?

MR. KAYSER: Do what?

CHAIRMAN THOMPSON: You do approve of the policy of conserving and not flaring it to the air, do you not?

MR. KAYSER: We advertise all over the United States the fact that we are doing a conservation job in taking this gas and putting it under the burner.

CHAIRMAN THOMPSON: We have so bragged on you all over the land.

MR. KAYSER: Well, we appreciate it, and we've bragged on you. We've heard that all of the places in the United States where an effective conservation program has been put into effect, it's in the State of Texas, and that not only has it applied to oil but it has applied to gas.

The only point I'm making is that there are difficulties, there are things that have to be worked out that cannot be worked out with the simplicity that they are worked out with oil. It took a long time of difficult work on your part and cooperation on the part of the various oil com-

THE STATE OF TEXAS)
COUNTY OF TRAVIS)

I, Peggy N. Studer, official reporter for the Oil and Gas Division, Railroad Commission of Texas, do hereby certify that that portion of the foregoing transcript reported by me constitutes a true and correct transcription, to the best of my ability, of the testimony introduced and proceedings had upon the hearing of the foregoing docket, which hearing was held in Austin, Texas, on July 15, 1953.

Witness my hand on this the 18th day of July, A. D., 1953.

OFFICIAL REPORTER

THE STATE OF TEXAS)
COUNTY OF TRAVIS)

I, H. Ray Pardue, official reporter for the Oil and Gas Division, Railroad Commission of Texas, do hereby certify that that portion of the foregoing transcript reported by me constitutes a true and correct transcription, to the best of my ability, of the testimony introduced and proceedings had upon the hearing of the foregoing docket, which hearing was held in Austin, Texas, on July 15, 1953.

Witness my hand on this the 18th day of July, A. D., 1953.

H. Ray Pardue
OFFICIAL REPORTER

4

New Mexico
OIL CONSERVATION COMMISSION

GOVERNOR EDWIN L. MECHEM
CHAIRMAN
LAND COMMISSIONER E.S.WALKER
MEMBER
STATE GEOLOGIST R.R.SPURRIER
SECRETARY AND DIRECTOR

P. O. BOX 871
SANTA FE, NEW MEXICO

January 21 - 22, 1954 Rehearing Case 582:

OCC Exhibit 4: As submitted - all Oil Conservation Commission records relating to the Jalco Gas Pool.

Case No.

582

Application, Transcript,
Small Exhibits, Etc.

BEGORE THE

OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

TRANSCRIPT OF PROCEEDINGS

Case No. 582

Rehearing

January 21 & 22, 1954 - Special Hearing

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO.
FEB 3 1954

ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 105-106, EL CORTEZ BLDG.
PHONES 7-9645 AND 5-9546
ALBUQUERQUE, NEW MEXICO

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- REGISTER -

NEW MEXICO OIL CONSERVATION COMMISSION January 21, 1954

NAME	REPRESENTING	LOCATION
H. E. Massey	Cities Service Oil	Hobbs, New Mexico
E. H. Foster	Phillips "66"	Amarillo, Texas
H. T. White	Phillips "66"	Bartlesville, Oklaho
R. D. Grimm	Phillips "66"	Bartlesville, Oklaho
Jack M. Campbell	Atwood, Malone & Campbell	Roswell, New Mexico
W. D. Girand, Jr.	Me-Tex Supply	Hobbs, New Mexico
C. M. Bumpass	Gulf Oil Corp.	Hobbs, New Mexico
L. A. Hanson	O. C. C.	Artesia, New Mexico
E. W. Nestor	Shell Oil Company	Hobbs, New Mexico
R. W. Heins	Shell Oil Company	Hobbs, New Mexico
R. L. Hansen	Stanolind Oil & Gas Company	Fort Worth, Texas
L. W. Folmar	The Texas Company	Fort Worth, Texas
Homer Dailey	Continental Oil	Fort Worth, Texas
Jason Kellahin	Continental Oil	Santa Fe, New Mexico
A. R. Ballou	Sun Oil Company	Dallas, Texas
L. R. Barineau	Sun Oil Company	Dallas, Texas
E. M. Knight	Stanolind	Roswell, New Mexico
W. G. Abbott	Amerada	Monument, New Mexico
C.A. Hull	Shell	Midland, Texas
Ray E. Seifert	Amerada	Midland, Texas

Victor T. Lyon	Continental Oil Company	Fort Worth, Texas
H. W. Swaim	Continental Oil Co.	Midland, Texas
Jack B. Collins	Continental Oil Co.	Midland, Texas
A. L. Hill	El Paso Natural Gas Company	Houston, Texas
F. N. Woodruff	E.P.N.G. Company	Houston, Texas
R. T. Wright	E.P.N.G. Company	Jal, New Mexico
M. E. Curry	Skelly Oil Company	Hobbs, New Mexico
H. H. Vickery	Atlantic Ref'g Co.	Midland, Texas
John A. Woodward	Amerada Pet. Corp.	Tulsa, Oklahoma
J. W. Recter	The Ohio Oil Co.	Houston, Texas
W. H. Everett	The Ohio Oil Co.	Houston, Texas
G. E. Stahl	Permian Basin Pl. Co.	Omaha, Nebraska
J. W. Baulch, Jr.	E.P.N.G. Company	Jal, New Mexico
W. E. Ainsworth	Permian Basin P. L	Omaha, Nebraska
J. J. Abendschan	O. C. C.	Aztec, New Mexico
Aaron Cummings	R. Olsen Oil	Jal, New Mexico
Warren W. Mankin	The Texas Company	Fort Worth, Texas
Coe S. Mills	The Ohio Oil Company	Midland, Texas
J. D. Anderson	The Ohio Oil Company	Houston, Texas
Louis H. Shearer	The Ohio Oil Company	Houston, Texas
D. H. Spellman, Jr.	The Ohio Oil Company	Midland, Texas
J. K. Smith	Stanolind Oil & Gas Company	Fort Worth, Texas
Ross L. Malcom, Jr.	Akwood, Malcom-Campbell	Roswell, New Mexico
Foster Morrell	Independent	Roswell, New Mexico

Clarence Hinkle	Humble Oil & Rfg. Company	Roswell, New Mexico
S. J. Stanley	O. C. C.	Hobbs, New Mexico
J. L. Paiter, S.	O. C. C.	Hobbs, New Mexico
Merle B. Rogers	E.P.N.G. Company	Jal, New Mexico

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

January 21, 1954

IN THE MATTER OF:

Notice is hereby given by the State of New Mexico, through its Oil Conservation Commission, that Texas Pacific Coal & Oil Company, upon proper petition, has requested a rehearing in Case 582 (relating to rules and regulations for the Jalco Gas Pool, Lea County, New Mexico); that in said petition, petitioner asks recision of Orders R-368 and R-368-A entered in Case 582 under dates of September 28, 1953, and November 10, 1953, respectively; that the Commission, by its Order No. R-368-B, has granted said rehearing and set it for 9 a.m. on January 21, 1954, at Mabry Hall, State Capitol, Santa Fe, New Mexico, at which time petitioner and other interested parties will be heard.	Case No. 582 Rehearing

BEFORE:

Honorable Edwin L. Mechem
Honorable E. S. Walker
Honorable R. R. Spurrier.

TRANSCRIPT OF PROCEEDINGS

MR. SPURRIER: Let the record show that we have met here at nine o'clock but we are recessed until one o'clock, that is one o'clock sharp.

(Whereupon, the hearing was adjourned until 1 p.m.)

AFTERNOON SESSION, January 21, 1954 at 1:00 P.M.

MR. SPURRIER: The meeting will come to order. The first case on the docket this afternoon is Rehearing in Case 582.

(Mr. Graham reads the notice of publication in the Rehearing Case 582.)

MR. ADAIR: My name is Eugene Adair, representing the Texas Pacific Coal and Oil Company. My associate counsel in this case is Mr. John Russell of Roswell, New Mexico. At the request of the Texas Pacific Coal and Oil Company the Commission issued a subpoena to Mr. A. L. Hill of El Paso Natural Gas Company requesting him to have available to the Commission and to the applicant in this motion for rehearing certain testimony with respect to El Paso's takes of natural gas in southeastern Lea County. Practically the identical information was put on yesterday by Mr. Stanley of the Commission's staff. Therefore, so far as Texas Pacific Coal and Oil Company is concerned, we have no further use for Mr. Hill's testimony and if it is all right with the Commissio I request that he be released. He would like to get back to El Paso if possible.

MR. SPURRIER: Is there objections?

MR. ADAIR: In this connection, I think the record should show that Mr. Hill has appeared in response to the Commission's order and has such information as was requested.

MR. GRAHAM: Wouldn't that information be of value to the Commission?

MR. ADAIR: Well, I think the identical information was put on by Mr. Stanley yesterday and we are going to request the Commission to make Mr. Stanley's testimony and Exhibits yesterday a part of this record. I think Mr. Stanley covered the subject yesterday very thoroughly and in a competent manner.

MR. SMITH: It occurs to me, since our position is more

or less neutral, not knowing the tendency or the trend the testimony should take, the inquiry should be made if Mr. Stanley would be available for cross examination during the course of this hearing?

MR. GRAHAM: Do you feel that he answered all the questio

MR. ADAIR: I am not sure that he answered all of them. I don't know that we would have presented all that information in any respect. Certainly, that information whether it would be relevant to this matter would depend upon what the answers to the first questions were.

MR. GRAHAM: Mr. Hill is here prepared to answer them A, B, C, and D.

MR. ADAIR: I am not trying to exclude him from testifyin in this hearing at all. At his insistence, I am trying to release him, if the Commission is so disposed to do so.

MR. HILL: Mr. Adair, I appreciate your thoughts in the matter and I did have in mind trying to get out on this early afternoon plane. I think it is probably better that I forget that and I will remain here through the afternoon, so that if you want to proceed with the case and perhaps would want me to appear a little later this afternoon why I am willing to submit to it.

MR. ADAIR: In that case, we will reserve the right to call on Mr. Hill in connection with the original subpoena.

MR. ADAIR: If the Commission please, in a case of this kind without knowing what the results of our hearing are going to be we would like to make a very full and complete record. Another

reason we would like to make a full and complete record is that certain members of the Commission have not been privileged to sit in on all of the hearings which have led up to the order which is under attack here. We hope that the Commission will bear with us in a rather full presentation here. If at times, it seems we are repetitious or redundant, we just want to be sure that we make it a full and complete record. I would like to call at this time, Mr. John Yuronka to the witness stand. Before beginning with Mr. Yuronka's testimony, it may be well to stipulate with the Commissi and for the record that we have requested heretofore the Commissic to make available to us at this hearing certain documentary evidence. There were some 31 plus items that we requested. The Commission's staff and Miss Nancy Royal in particular has prepared that in numerical order in excellent form. If it is all right wit the Commission we would like to adopt the numbering for our Exhibi that are on the Commission's file. We will in some cases use some subject number to fill in chronologically as necessary but we will adopt the Commission's number on those particular exhibits Is that satisfactory with the Commission?

MR. SPURRIER: Very well.

J O H N Y U R O N K A

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By: MR. ADAIR:

Q Will you state and spell your name for the reporter, please?

A John Yuronka, Y-u-r-o-n-k-a.

Q Where do you live, Mr. Yuronka? A Hobbs, New Mexico.

Q By whom are you employed?

A Texas Pacific Coal and Oil Company.

Q In what capacity? A Engineer.

Q Petroleum engineer? A Yes, sir.

Q Are you educated as a petroleum engineer?

A Yes, sir.

Q What degrees do you hold?

A Bachelor of Science in Petroleum Engineering.

Q From what school?

A New Mexico School of Mines.

Q How long have you been employed by Texas Pacific Coal and Oil Company?

A Three and a half years.

Q Have you worked out of the Hobbs office during that peric

A Yes, I have.

Q Are you familiar with the area that lies within the areal extent of the Jalco and Langmat Gas pools as delineated by the Commission? A Yes, I am.

Q Have you supervised the drilling of wells within that area? A Yes.

Q Have you made an intensive study in preparation for this hearing of that area and particularly of the immediate area of the Texas Pacific Coal and Oil Company leases?

A Yes, I have.

Q Are Mr. Yuronka's qualifications acceptable to the Commission?

MR. SPURRIER: They are.

MR. ADAIR: We would like to offer at this time as our Exhibit Number 32 a map of the southwestern Lea County showing the oil pool designations. Will you put that on the board, please?

Q Mr. Yuronka, will you briefly explain to the Commission what that map shows?

A The green area at the top is the Eunice Monument oil pool producing from the Seven Rivers, Grayburg and San Andres. The orange is the South Eunice Pool producing from the Seven Rivers. The blue is the Cooper Jal Pool producing from the Yates and Seven Rivers. That purple deal or whatever you care to call it, it is the Langlie-Mattix Oil Pool producing from the Yates, Seven Rivers and Queens. This is the Falby-Yates pool producing from the Yates and this lavender is the Eaves Pool producing from the Yates and Seven Rivers. This gray is the Rhodes Pool producing from the Yates and Seven Rivers.

Q Those producing intervals are the producing intervals denominated by the Commission--

A (Interrupting) Yes, they are.

MR. ADAIR: We will offer next in evidence our Exhibit Number 33.

Q Exhibit 33 is identical with Exhibit 32, is it not, Mr. Yuronka, with the exception that the leases owned by Texas Pacific Coal and Oil Company are shown in red or pink?

A Yes, sir.

Q Incidentally, are those State of New Mexico leases in each instance?

A Yes.

MR. ADAIR: We next offer in Evidence, Exhibit Number 34.

Q Will you explain to the Commission what that Exhibit represents?

A The red portion is the Jalco Gas Pool and the yellow portion is the Langmat Gas Pool.

Q The dividing line between these two pools bisects each of the oil pools shown on Exhibit 33, does it not?

A Yes, sir.

MR. ADAIR: We next offer in evidence Exhibit 35.

Q I will ask you Mr. Yuronka if the Exhibit 35 is not a section or cross section of a typical oil well located in the Eunice Monument Pool which is the green pool at the top of the map, is that not correct? A Yes, sir.

Q The producing formations in the Eunice Monument Pool are the Seven Rivers, Queens, Grayburg and San Andres, I believe you testified, is that correct? A Yes, sir.

MR. ADAIR: We offer Exhibit 36 which is a similar cross section from a typical oil well located in the South Eunice Oil Field.

Q I will ask you, Mr. Yuronka, if that Exhibit does not also show--first what is the producing formations in the South Eunice Pool according to the nomenclature of the Commission?

A The Seven Rivers.

Q What is the producing fromation in the South Eunice, as far as the Jalco and Langmat Pools are concerned?

A The designated gas interval is the Yates and portions of Seven Rivers within a hundred feet of the base.

Q The oil pool is the Seven Rivers and the gas pool is the Yates and Seven Rivers down to a hundred feet from the base?

A Yes, sir.

Q Does not that exhibit also show the contracts of Texas Pacific Coal and Oil Company with respect to those formations?

A Yes, they do.

Q Will you explain to the Commission what those contracts are?

A El Paso, we have a contract with El Paso to sell the gas from the Yates. The Seven Rivers gas is sold to United Carbon.

MR. ADAIR: We next offer in evidence Exhibit 37 which is a similar cross section of a typical well in Cooper Jal Oil Pool, is that correct? A Yes, sir.

Q What, again, is the producing formation in the Cooper Jal Pool?

A Yates and Seven Rivers.

Q So far as the Cooper-Jal Pool is concerned where it is bisected and overlaid with the Langmat and Jalco Gas Pools, the formations are identical except for the bottom one hundred feet of the Seven Rivers formations? A Yes, sir, they are.

Q Do you know whether or not the oil wells and the gas wells heretofore drilled in the Cooper Jal Pool insofar as Texas Pacific leases are concerned have been drilled in accordance with the nomenclature heretofore adopted by the Commission?

A Yes, they have.

MR. ADAIR: We next offer as Exhibit 38 a typical cross section of the wells drilled in the Rhodes Oil Pool.

Q The nomenclature on that oil pool is Yates and Seven Rivers, is it not? A Yes.

MR. ADAIR: We next offer Exhibit 39, cross section of a typical well in the Eaves Oil Pool.

Q There, again, the producing interval is Yates and Seven Rivers, is it not? A Yes, sir.

MR. ADAIR: Exhibit 40 which we offer in evidence is a cross section of the Falby-Yates Oil Pool.

Q There the Yates is the producing formation under the nomenclature, is that correct? A Yes, sir.

MR. ADAIR: Exhibit 41 is a cross section of the typical well in the Langlie-Mattix Oil Pool.

Q What are the producing formations there, Mr. Yuronka?

A As designated by the Commission, the oil producing zones are Yates, Seven Rivers and Queens.

Q Many of the wells drilled in that area have been drilled, completed, and cased with respect to those formations, is that correct? A Yes, sir.

Q The operator had the choice of setting pipe at the top of the Yates or anywhere he wanted to down through the Yates, through the Seven Rivers and included into the Queens, is that correct? A Yes, sir.

Q And so far as you know most of the wells drilled in that

pool have been so completed and cased, is that so?

A Yes, sir.

Q Would you encounter any difficulties in reworking any of those wells now to make them conform to the producing intervals designated for the Jalco or the Langmat Gas Pool?

A Yes, you would. There would be a possibility, if you had an oil well, of squeezing off your oil pay to get your gas, vice versa.

Q In either case, do you feel that you might leave either oil or gas behind that might not be otherwise recovered?

A Yes, sir.

Q Has Texas Pacific Coal and Oil Company had any particular luck in trying to rework or complete any of these wells?

A The luck hasn't been too good.

Q Have we lost some wells? A No, we haven't.

Q Have we had some very expensive workovers?

A We certainly have.

Q For example?

A One well in the South Eunice Pool, we have tried the Seven Rivers. It failed and was plugged back to the Yates. We have perforated it four times, we have acidized and hydro-sized and we still haven't gotten anything out of it.

Q Have you spent, sometimes, as much as $35,000.00 on a well trying to work it over?

A Yes, sir, I believe we have.

MR. ADAIR: If the Commission please, at this time, I

would like to offer in evidence, our Exhibit Number 42, which is Order Number 633 in Case Number 70, dated January 15, 1946, which defines oil and gas pools in Chavez, Eddy and Lea Counties in New Mexico. To properly understand the subject matter of this hearing, the Commission should go back to the time that the first well was drilled in the Langmat and Jalco Gas Pool area, because that well, if it is still producing is affected by the orders entered in the Jalco and Langmat cases. The Commission has historically recognize the production of oil and gas from the pools described on our first two exhibits 32 and 33, in accordance with the formations therein described.

This order number 633 sets forth what those formations are and also sets forth the manner in which the wells drilled therein have been drilled and completed. Section one of the order designates each of the pools shown on the map with the exception of the Falby-Yates which is a recent designation and classifys them as--"oil and gas pools." Section 6 of the order provides as follows that "each pool shall be produced as a single common reservoir and the wells shall be completed, cased, maintained and operated to that end." Since I am so far away from the reporter, would it be all right for me to stack these up over here. This is Texas Pacific's Exhibit 42.

MR. GRAHAM: We are driving at the invalidity of the order issued in Case 582. That is the subject matter of the hearing.

MR. MASSEY: Have you introduced that exhibit, have you

offered it?

MR. ADAIR: I offer it in evidence now, as Exhibit 42.

MR. MASSEY: I want to object to the introduction of the Exhibit since the order is no longer in effect. It was done away with by Order Number 850.

MR. ADAIR: I think, of course, that is what I am trying to show Mr. Massey, that historically these pools have been developed and operated and were carried forward in the present rules. I am trying to get to that. I am trying to give the history of the entire drilling program. I think it is pertinent and material to this hearing in that the orders issued in Jalco and Langmat affect each one of these wells. I think the Commission's records, Mr. Massey, will show that such wells have been drilled, completed, operated and the production therefrom contracted with respect to this order and to your order that you referred to, your rules in 1950 when they were adopted.

MR. SPURRIER: Objection overruled.

Q Mr. Yuronka, is it not a fact, that within the areal extent of the Jalco and Langmat Gas Pools that gas wells have been completed and are producing now from the interval below the gas pool designations, is that correct?

A To my knowledge, they are.

Q And oil wells have been completed and are producing above the interval and above the interval of the gas pools designations?

A Yes, sir.

Q In fact that is what the Commission found in the Falby-

Yates, they found oil up the formation?

A Yes.

MR. ADAIR: In order at this time to let the Commission appreciate some of the complications and problems which they are going to encounter and probably have encountered to some extent, I will ask Mr. Stahl if he will place the overlay which is our Texas Pacific Exhibit Number 34 over Exhibit Number 33?

MR. STAHL: I would like to have the record show that this is Mr. Frank Stahl, since there are two of us.

MR. KELLAHIN: Jason Kellahin representing Samedan Oil Corporation. There has been frequent reference to the Order entered in the Langmat Pool. We want to state our objections to anything in the way of a collateral attack being made on the proratio order which has been entered in the Langmat Pool. It was not advertised as a part of this hearing and it goes beyond the scope of the hearing. We are without notice that such an attack is to be made. We are not prepared at this time to answer it.

MR. ADAIR: I think to a certain extent, Mr. Kellahin's objection is well taken but the purpose for mentioning the Langmat Pool is that for some 35 or 36 miles it has a common border with the Jalco Pool which is the order under attack. We do not request as a result of this rehearing that the Langmat Order be overthrown We merely are going to attack that line though between Langmat and Jalco and for that reason we do refer to our neighbor gas pool

MR. KELLAHIN: If the Commission please, in the light of counsel's statement, we further object to any attack upon the orde

defining or delineating the pools, that having not been advertised or no notice given that the question would be raised in this hearing. The Commission has a valid and subsisting order defining the gas pools which has been entered for some time and the time for appeal from which has long since elapsed. We object to any attack upon the pool boundaries in connection with this hearing.

MR. ADAIR: If the Commission please, that objection reminds me of one that was made yesterday when Continental, I believe was trying to put on some testimony in connection with a request for an unorthodox unit and they were met with a legal objection that it constituted a collateral attack upon the order.

If the Commission will let us go forward and put in our evidence here, we will show that the first time a formal order was entered, we asked for a rehearing. The final order was entered. We asked for a rehearing. This is a direct attack upon 245 which in turn was combined with 521, which was brought forward and combined with 582 in which the order was issued and in which we here have asked and were granted a rehearing. I think we will show tha as we go along. We can't show it all at once. We ask the Commission to bear with us in that connection?

MR. GRAHAM: Are you objecting to every part of this order or specific objections?

MR. KELLAHIN: I would like to point out the Order 245 to which counsel refers was entered and signed on the 17th day of February, 1953. There is no mention made of that order in connection with the petition for rehearing in this case.

MR. ADAIR: I think we can point it up as we go along. If his objection is sustained, we want to make the record as a tender of proof in any event.

MR. SPURRIER: The objection is overruled.

MR. KELLAHIN: Note an exception, please.

MR. ADAIR: If the Commission please, the situation as reflected on the maps up there, is what the Commission is faced with in this gas proration matter. Any time that you draw a 36 mile line bisecting some 6 or 7 oil pools and attempt to include therein the same producing formations as in the oil pools many equities are going to be disturbed as reflected by the many reques for exceptions on the Commission's docket.

Prior to the 1949 Act under which the Commission is now operating from a historical standpoint, I am giving this informati for the record, the Statutes of the State of New Mexico present few provisions with respect to gas, either dry gas or casing head gas. The Commission's authority to regulate the productions of gas must be found, if at all, in the 1949 Act and the Commission's Rules and Regulations adopted pursuant thereto. Our New Mexico company counsel will argue these Statutes at the conclusion of the hearing and present in detail our contentions in respect thereto. However, at this point in the hearing, I think it well for us to advise the Commission what our concept of these Statutes are.

First, we feel that the Commission has no authority whatsoever to prorate gas produced from an oil well. It has no author ty to prorate casing head gas. Under its rules, gas cap gas is

casinghead gas. While the Commission, to prevent physical waste, can indirectly regulate the production of casinghead gas by means of gas-oil ratio limitations, flare gas orders and the like, it has no authority to prorate casinghead gas based upon market demand.

Second, under the Statutes as we conceive them there are only two methods by which the Commission may directly regulate the production of gas produced from a gas pool. While the Commission to prevent physical waste can indirectly regulate the production of gas well gas by means of flare gas orders, anti-venting orders, beneficial use orders such as Rule 404, but it may directly regulate gas well gas only under one or the other of two provisions of the 1949 Act.

First, it may regulate gas well gas production under the provisions of Section 12 (c) which provides for gas proration under certain conditions. The first of these conditions is that the Commission must designate a gas pool which shall be a common source of supply, or a separate reservoir containing gas only--not oil, not oil and gas, not casinghead gas, not gas-cap-gas but just dry gas.

The second of these conditions being that it is necessary for the Commission to find after notice and hearing after receiving evidence that such proration is necessary to prevent waste. As far as market demand is concerned, it is our contention that waste is limited to production in excess of marked demand, not capacity to produce in excess of market demand.

The second method by which the Commission might directly

regulate the production of gas well gas is for the Commission to order ratable take under common purchaser provision of the Statute Sections 14 (d) and (e). Here again, the Commission as a conditio precendent must properly define a gas pool as a separate reservoir of gas.

In addition, of course, the Commission must receive evidence and determine that some common purchaser is not taking ratably. If both of the methods are followed, that is proration and ratable take, then all three of these prerequisites must be shown, the single source of supply, waste, and non-ratable take. Insofar as this case is concerned, it is our contention that none of these prerequisites have been established.

The 1949 Act was brought forward and many of these provisions are in the 1950 Rules, that is the rules that were adopted January 1, 1950. At this time we would like to offer as Exhibit 1, the Rules adopted by the Commission on January 1, 1950. As pointed out by Mr. Massey, Rule 5 of those rules brought forward oil pool definitions theretofore existing. The rules followed the Statutes in setting forth the three conditions precendent to the gas proration order of ratable take of gas. It is interesting to note that the original Rule 104 adopted January 1, 1950, provi that gas units should consist of 160 acres substantially in the form of a square but they could cross section lines. It is also interesting to note that this was not changed until--and in that connection I would like to offer in evidence the original Rule 10i It is also interesting to note that the present requirement in our

rules that gas units consist of governmental quarter sections, was not adopted until December 29, 1952 in Case 226, Order No. R-238. We offer in evidence as our Exhibit 1-A that order.

The order on its face was based upon evidence received approximately two and a half years prior thereto. No one at the time, I am sure, recognized the significance of this Order because the original rules as well as the rules as amended by the Order provided that this gas well unit of a governmental quarter section would operate prospectively only and the rules contained a specific provision, "Under Rule 104 nothing contained herein shall effect in any manner any well completed prior to the effective date of this rule and no adjustments shall be made in the allowable production for any such wells by reason of these rules."

MR. GRAHAM: It relates to oil or gas?

MR. ADAIR: It relates to oil wells and gas wells. However, it is interesting to note that this was first of two orders entered in connection with this gas proration matter that was based upon evidence received some two years before. The Commission after having adopted the rules pursuant to Rule 601, undertook to define gas pools some twelve months after the adoption of the Rules. It put on the docket on it's own motion, Case Number 245. This appeared on the docket of the Commission for the first time on the December 22, 1950 hearing. We offer at this time, as our Exhibit Number 2-A the transcript of that hearing, insofar as it pertains to Case 245.

The Commission was assisted in its work of trying

lineate gas pools by the four operators who comprised the Lea County Federal Unit. That is the Continental Oil, the Stanolind Oil, the Atlantic Refining Company and the Standard Oil Company of Texas. The Commission's records will show that they had been working for sometime trying to devise some reasonable basis for trying to delineate gas pools.

Q I will ask you, Mr. Yuronka, if you know, what the record of our company reflect with respect to whether or not our company offered to participate in that study?

A Our company records show that we offered to assist in thi program and we were refused.

MR. ADAIR: In any event as a result of the December hear ing, the case was continued at the request of Continental Oil Company to the March 1951 hearing.

We offer in evidence as Exhibit 2-B the docket of the hearing insofar as Case 245 was concerned.

We offer as Exhibit 2-C, the transcript of the hearing insofar as Case 245 is concerned. No evidence was received at that hearing and the case was continued to the April hearing at the request of Continental.

Now, we come to the second case, where the Commission entered an order concerning or affecting gas proration based upon evidence received some two years earlier. That is the hearing in Case 245 of April 24, 1951. We offer as Exhibit 2-D, the docket of the hearing and we offer as Exhibit 2-E, the transcript [redacted] hearing. The evidence is in the record but if I may I sho-

to comment here upon what evidence was not introduced at that hearing. The testimony presented generally the recommendations of the Federal Unit Study. The testimony is probably more important for what it did not contain that for what it did contain. The testimony in chief with respect to the four gas pools consisted of nine double-spaced pages and three Exhibits.

There was not presented any testimony whatsoever concerning core data, bottom hole pressure, shut-in pressure, gas analysi specific well logs, specific cross sections, other relevant engineering and geological data which you would expect to be normally produced at such a hearing.

The witness, the engineering witness who testified testified that the entire area was overlaid by the Yates formation and by the Seven Rivers formations. That vertically he thought those formations were separate reservoirs--that is originally he thought that--yet in both the Jalco and Langmat areas, he proposed that the Yates and Seven Rivers formations be combined as a common reservoir.

He testified that all of the Jalco gas was gas-cap-gas, that is casinghead gas. In some places that the Langmat gas was gas-cap-gas. Yet, he proposed that such areas be reclassified as dry gas pools, although such areas had historically been classified by the Commission as oil and gas pools. They had been drille and developed as such. He did not testify as to any actual reservoir separation between the Langmat and Jalco Pool. The only dry hole that he pointed to was in another area. In fact, the only

geologist who testified at the hearing, whose testimony is shown on page 35 and it stands uncontraverted, testified that no distinct separation existed between the Jalco and the Langmat area. They were essentially in a common reservoir throughout the area.

Yet,based upon this contradictory and meager evidence, th Commission was requested to draw a line some 36 miles long extending through 6 Townships bisecting 6 or 7 oil pools, and say that on one side of the line we had a separate gas pool from that on the other side of the line.

It is a small wonder that at the close of his direct examination the Continental attorney made this statement: "We certainly are not in the position of saying that anybody should be bound by the results of our study." Yet, the results of that study was the only evidence that the Commission has ever received with respect to the proper delineation of the Jalco and Langmat Pool. The Commission staff was quick to appreciate the dangers and difficulties that would be encountered if such a program were followed.

A substantial part of the hearing was devoted to cross examination by the Commission's attorney concerning the disturban of equities and the vested rights. He drew from one of the Continental representatives an admission that so far as the Jalco area was concerned that the oil wells and the gas wells would be producing from essentially a common reservoir. Many of his questions could not be answered satisfactorly, at least, to the Commission's staff and in that connection I will request Mr. Russell to read

from pages 18 and 19 to show exactly what the Commission attorney had in mind.

MR. RUSSELL: These are questions interposed by Mr. McCormick to Mr. Forbes and his answers thereto. "Mr. McCormick: In No. 1 (Jalco) what is the oil producing parts? Mr. Forbes: From the Yates and Seven Rivers, principally the Seven Rivers formation. Mr. McCormick: What are the gas producing horizons in No. 1? Mr. Forbes: The same formations. In other words in Area 1 it is probably gas cap gas, the majority of it. The upper two zones, as we classify the Yates, has a lower sulphur content and it has strictly free gas, we believe. However, like I descril before that the formations have been connected by well bores so long that it is difficult to - Mr. McCormick: How would you sugg the Commission could determine the difference between a gas well and oil well for classification purposes and proration purposes in No. 1, the Jalco? MR. FORBES: Well, inasmuch as there is no limitation ratio on that pool at the present time, I don't think w are too bothered about that situation. MR. McCORMICK: Well, wou you prorate all the wells there as gas wells and let them produce as much oil as would come up with that quantity of gas? MR. FORB Inasmuch as we have considered this as a gas pool, gas reservoir, they will have to be prorated under some allocation formulas late MR. McCORMICK: I know this is outside the scope of your original examination but for the benefit of the Commission I think we would like your views on it. Say that there is one well that is produci a large quantity of oil and then in the adjoining section a well

is producing dry gas from the same horizon or same formation, would both those wells be classified as gas wells? MR. FORBES: No, I don't believe so. MR. McCORMICK: Well, how - MR. FORBES: I understand your problem. I prefer to defer the answer on that."

MR. ADAIR: At the conclusion of this hearing Case 245, was continued until the next hearing May 22, 1951. In that connection we offer as our Exhibit 2-F, the docket of that hearing. We also offer as our Exhibit 2-G, the transcript of that hearing. No evidence was received in connection and Mr. Spurrier made this statement, "Let the record show, no one appeared to testify. The Commission has written testimony of the pools not taken up at the first hearing on April 24th."

The next hearing in which Case 245 was considered was the hearing on July 24, 1951. We offer as our Exhibit 2-H, the docket of that hearing, as well as Exhibit 2-I, the transcript of that hearing. That hearing did not pertain to either Jalco or Langmat but only to the Byers Gas Pool.

Some year and a half or two years later, the Commission based upon this evidence that it had received primarily at the April 24th, 1951 hearing entered Order Number R-264 in Case 245. We offer in evidence that Order as our Exhibit Number 2-J. I might comment here that the Commission referred in its Order to these hearings on December 22, 1950 at which no evidence was received, the hearing of March 20, 1951, at which no evidence was received, the hearing of April 24, 1951, which I have summarized the evidence, the hearing of May 23, 1951 at which hearing Mr.

Spurrier stated no one appeared to testify, and the hearing of July 24, 1951, which related only to the Byers Gas Pool.

Yet, the Commission in its findings finds that, "the Commission did cause exhaustive studies to be made"..."and at the several hearings in this case took voluminous testimony." Order R-264 is the order delineating the gas pool. However, and this is in connection with Mr. Kellahin's objections, the case was not closed, the final paragraph of the order says, "The Commission orders that further testimony in the matter be received at the regular monthly hearing of the Commission on April 16, 1953." Th Order is dated February 17, 1953.

At the hearing of the following month on March 17, 1953, the Commission put on the docket Case 521 for the first time and we offered as our Exhibit 3, the docket of that hearing. We also offer as our Exhibit Number 4, the transcript of that hearing. I: that connection, I will ask Mr. Russell to read the statement of the secretary of the Commission at that hearing. There was no evidence received.

MR. RUSSELL: Starting on page 1, "Mr. Spurrier: On thi case the Commission believes that it recognizes the need for pro-ration and ratable take of gas in Lea County and for that matter in the State of New Mexico. However, this particular case appli.e only to Eddy, Lea, Chaves and Roosevelt County. We anticipate a lot of hard work and lot of difficulty in getting this set up properly. We want to be fair to every one and as I have said be-fore we intend to referee this thing. We do not have all the

personnel we need to go into the matter completely and set it up. We would like to point an advisory committee to report to us on how this might be set up. We want that Committee to report at the next hearing which will be April 16. Before I leave that part of it, I might say that we tried to put companies who have considerab production or have a special interest or the purchasing companies of natural gas, perhaps we had better make notes on this. I will confirm this with a letter but we head the list with El Paso Natur Gas. I think, however, the member who might be designated from that company, might be the Chairman. However that is something for the Committee to determine. The second company is Southern Union, the third is Continental Oil Company, the fourth is Gulf, fifth,Humble, sixth, Shell; seventh is Texas Pacific and eighth is Phillips Petroleum Company, nine is Samedan, I think that if Mr. Staley, Staley's office can and will, we would like you to serve as the secretary, Mr. Staley?"

MR. SPURRIER: Mr. Adair, can you break there, please. We will take a short recess.

(RECESS)

MR. SPURRIER: The meeting will come to order. Mr. Russe was Mr. Russell about to read?

MR. ADAIR: No, I think I was still on the stand.

MR. SPURRIER: Excuse me.

MR. ADAIR: The Commission will recall that in its order which it had issued in Case 245, in February, that it had provided that additional testimony would be received at the April 16th hear-

ing in case 245. We offer at this time as our Exhibit 5, the docket of that hearing with respect to Case 245 and also 521. No evidence was received but the Commission at that hearing consolidated the two cases 245 and 521 and continued the matter to the May hearing pending reports from the advisory committee which had been appointed by the Commission.

At the May hearing, May 19, 1953, the consolidated Case 245 and 521 was continued to the June hearing and we offer as our Exhibit 6, the docket of the hearing in 245 and 521 of the hearing of May 19, 1953. At the June hearing, the case was again continued to the July hearing. That is the consolidated case 521 and 245 and we offer as our Exhibit 7, the docket of the hearing.

In the meantime the Commission had received or that is after the June hearing and prior to the July 16th hearing the Commission had received the report of the advisory committee. We offer in evidence as our Exhibit 9, the copy of the letter of transmittal from Mr. A. L. Hill, Chairman of the Advisory Committee and in that connection, we will request Mr. Russell to read a paragraph from that letter into the record.

MR. RUSSELL: I am reading, quoting the third paragraph of the letter, dated July 14, 1953. "The Committee was not unanimous on many points and no member of the Committee was precluded from submitting its own ideas or suggestions to the Commission. The Committee did not reach an agreement as to when and how those proposed rules should be made applicable to designated gas pools in the four county area."

MR. ADAIR: Attached to this letter of transmittal, was the Committee's report which we offered in evidence as Exhibit 9-A. Appended to this report was a note put on by the Advisory Committee, I will ask Mr. Russell to read that note into the record.

MR. RUSSELL: The note appears on the end of the report. "In reviewing designated gas pools, the sub-committee recognized the fact that within the area of designated gas pools and adjacent areas, there are a number of gas wells which are producing from the gas caps of oil reservoirs and subject to the oil proration rules pertaining thereto; and, therefore, that these wells will not be subject to the rules pertaining to gas pools."

MR. ADAIR: As Exhibit 8, we offer in evidence a docket of the hearing of July 16, 1953 in consolidated Case 521 and 245.

As our Exhibit 10, we offer the transcript of that consolidated hearing. I might herein remark that no evidence was received at that hearing in connection with the Jalco, Langmat matter and the case was continued to the hearing of August 20, 1953.

We offer as our Exhibit 11, the docket of that hearing insofar as the consolidated Case 521 is concerned. As Exhibit 12, we offer in evidence transcript of the hearing in consolidated Case 521 and 245. At that hearing Texas Pacific Coal and Oil Company made the following statement. I will request Mr. Russell to read that into the record at page 34.

MR. RUSSELL: Statement of Mr. Campbell starting on page

34 of the transcript. "MR. CAMPBELL: If the Commission please, I'm Jack M. Campbell, Roswell, New Mexico and I'd like to make a statement, in behalf of the Texas-Pacific Coal & Oil Comapny. It appears to Texas-Pacific Coal & Oil Company that there is some difference of opinion as to the effect of the proposed general rules should the Commission see fit to put them into effect.

The rules do not seem to us to be clear inasmuch as they seem on the surface to contemplate pool hearings in all cases, which we believe is the proper method to initiate gas proration and if they mean any more than that - if they do mean an attempt to proration in a four county area - or any area larger than a common source of supply, we have serious doubts as to their legality under New Mexico Statute.

We have no objection to gas proration provided it is needed and provided it is done in compliance with the Statutes. In fact, the Statutes require that the Commission make a determination if gas proration is needed and these proposed rules like wise contain such a provision.

Furthermore, the Statutes require that the Commission in designating a gas pool limit the pool both horizontally and vertically as a separate or common source of supply. As we under stand it, this hearing involves both Cases 245 and the Case involving the proposed gas proration in a four-county area. We feel that the determination and definition of the gas pools being the very predicate upon which gas proration, if it is initiated, must be based is extremely important, in setting up any gas proration system.

For example, it is our understanding that in Case 245 the Commission has already or by the proposed changes which have recently been offered in connection with this proposal by the Committee, has combined the Yates formation, which both historically and geologically have been accepted as a separate source of supply in the Permian Basin from the Seven Rivers formation and in some cases, has combined it with a portion of the Queen, and combined all of these into one common source of gas supply.

To do so, we feel ignores the method and manner in which hundreds of wells have been drilled in those areas and results in considerable complications both by way of proper and legal orders of the Commission and protection of contractual rights of people in those areas, who have drilled oil wells and who have been producing them as oil wells under the Commission's approval for some period of time.

Furthermore, many gas sales contracts have been entered into in these areas with the Commission's knowledge which limit the subject matter of the contract of gas produced from the Yates formation as sweet gas on one hand, and sour gas on the Seven Rivers formation on the other hand.

We feel that the legality of the designation of gas pools in this manner is a very serious question for the Commission and in establishing gas proration if it is determined to be necessary. We would like to request the Commission, and I believe these proposed rules contemplated, if they do not spell it out clearly, tha there shall be a separate pool hearing in each and every case.

And that in those pool hearings, Case 245 might be left open for the purpose of determining in each pool from proper geological testimony by interested parties whether a gas pool designated both horizontally and vertically is actually a single source of supply or whether in fact there are several sources of supply involved.

Second, that the hearing determine separate sources of supply which should be designated as gas pools. Third, whether gas proration is needed in each of these separate sources of supply and fourth, if they are needed, what special field rules should be adopted to protect the wells already completed and to protect contractual rights which have been acquired on the basis of designation of pools in another manner in the absence of gas proration.

If these proposed general rules contemplate that they shall simply be stand-by rules and that there shall be no gas proration in any pool in New Mexico in the absence of a pool hearing, we have no particular objection to them. On the other hand, if, as some people seem to feel, they contemplate gas proration on a four county basis without a determination in each common source of supply before any gas proration is put into effect, we have serious doubts as to their wisdom or legality.

We want to particularly request that Case 245 be retained open in any event for modification in the event there is a pool hearing and its determination is contrary to the existing designation of gas pools as made by the Commission at that time."

MR. ADAIR: On August 28, 1953, the Commission entered

Order Number R-356 in this consolidated Case 521. We offer a copy of that Order in evidence as our Exhibit Number 13.

This Order adopted standby rules to be in effect subject to the following section of the Order Section B--" that the following rules shall apply to defined gas pools in Eddy, Lea, Chaves, and Roosevelt Counties only after hearings are held and an order issued on each individual pool. These rules shall be considered as "standby rules" and shall be used as a guide in establishing pool rules." Rule Three of the "standby rules" contemplate that the Commission shall determine first that it is necessa to prevent waste before commencing gas proration in that it provided as follows: "At such time as the Commission determines that allocation of gas production from gas wells producing from any pool in this four-county area is necessary to prevent waste and so forth."

Under the terms of the order it, of course, could apply prospectively only, it could not effect wells already drilled. At this point if the Commission please, up to and including this point of our chronological review, the Commission had indicated at each hearing where the matter was considered and in each order that it had issued that further evidence would be received and another hearing held. Order Number R-356 in Case 521 clearly contemplated a full and complete hearing in each pool before proration was instituted.

The Commission at this time, up to and including this time, had received no evidence upon which it could properly and

finally designate gas pools. That matter had been left open in Case Number 245. The Commission had absolutely no evidence that gas proration was necessary or that waste was occurring. The only evidence at all with respect to the rules if, indeed it was evidence, was a report of the Industry Committee which was not a unanimous report. In short at this time, there had been no final order entered and nothing on which a dissatisfied operator could base a motion for rehearing.

At the following hearing, following the adoption of this Order R-356 at the hearing of September 17, 1953, and in that connection we offer in evidence as Exhibit 14, the docket of the hearing and as Exhibit 15, the transcript of the hearing, Texas Pacific Coal & Oil Company made the following statement on page 7, which Mr. Russell will read.

MR. RUSSELL: Starting with page 6, quoting Mr. Campbell. MR. CAMPBELL: Jack M. Campbell, Roswell, New Mexico. I would like to make a statement in behalf of Texas Pacific Coal & Oil Company. It is our feeling that the Commission, in adopting the rules which they adopted in a standby capacity, acted properly and that the orderly way to proceed is to hold pool hearings to determine whether proration is required in each gas pool. It may be that the Statute is wrong in that regard but we feel that that is what the Statute requires the Commission to do. We feel that there has not been ample time with regard to particular fields and that the Commission must know that we cannot possibly put field rules in effect in nine (9) gas pools in New Mexico upon a

hearing lasting a few minutes. We feel that in the interest of orderly procedure however, the Commission should and may have in mind some method of procedure by which the pools can be brought up for hearing at an early date in order that the necessary evidence can be obtained and offered by the interested parties.

We still maintain that gas proration can be put into effect in New Mexico only by pool and that the Commission must find that there is a gas pool and properly define it. They must find that proration is necessary in that gas pool and they then must adopt rules, either the standby rules that they have in effect now, or special rules for that pool. We join in the motion for continuanc of these cases with the idea in mind that there will be individua gas pool hearings to establish proration where it is considered by the Commission necessary.

MR. ADAIR: Although no evidence was received at this September 17th hearing with respect to particular pools the Commission on September 28, 1953, issued its Order Number R-368 in Case 582. We offer in evidence as our Exhibit Number 16 Order Number R-368. This order ordered "That the rules and regulations relating to gas-well spacing, gas proration and gas allocation, as set forth in Order Number R-356, be, and the same hereby are m the special rules and regulations of the Jalco Pool pending furth order of the Commission after notice and hearing." It further ordered the parties to appear on October 26, 1953, to show cause why the rules and regulations referred to should not be put into effect as of November 1, 1953.

Since the Jalco Gas Pool as delineated by the Commission has a common boundary with the Langmat Gas Pool, we offer in evidence as Texas Pacific Exhibit Number 26, Order Number R-369 in Case 583, and call attention to the Commission that this Order in the Jalco case that is in Case 582 ignored sections B of the former Order R-356 which provided that the rules should not be put into effect until after individual pool hearings.

At the show cause hearing on October 26, 1953, and in that connection we offer the docket of the hearing as our Exhibit 17, as well as the transcript of the hearing as our Exhibit 18. The entire Commission was not present. Most of the testimony received at that hearing dealt with a type of allocation formula to be adopted. No evidence was received pertaining to the proper delineation of the Jalco Gas Pool. I, would like to introduce especially and read into the record Texas Pacific's statement on Page 9 of the transcript of that hearing.

MR. RUSSELL: I am going to start at Page 9. "MR. CAMPBE. At previous hearings of the Commission, we have indicated that we are not completely satisfied with the definition of gas pool in some instances. The gas pools which have been designated by the Commission in some instances overlap areas that have heretofore and are still classified as oil pools; the result is that there a. a large number of wells in some of these large gas areas which are producing oil wells, and on the oil allowable schedule for many years. It is possible that the Commission will, as time goes by, re-define the definition of large gas pools. In the

meantime, our feeling is before, by Commission order, they are automatically included, which this can be construed as doing, that protection should be given in the interim period to anyone, under a Commission order, producing these wells as oil wells. It appears to us possibly that by defining a gas well as any well within a gas pool, and then defining the gas pools as covering oil areas, they may have automatically re-classified oil wells. We want a hearing before any oil wells are changed to gas wells by the Commission."

MR. ADAIR: We would like to read into the record at this time the cross examination of the El Paso Natural Gas Company witness, Mr. Norman Woodruff which appears on Pages 49 to 56 of the transcript.

MR. RUSSELL: These are questions by Mr. Adair of Mr. Woodruff:

"Q Mr. Woodruff, you testified there were 121 gas wells in the Jalco field, of which 18 were operated, or at least the gas from 18 wells was used by people other than the El Paso, is that correct? A That is correct.

Q So far as you know, the uses to which that gas is put are lawful and beneficial, is that correct?

A I assume that to be correct.

Q So far as the 103 wells to which you are connected, will you tell the Commission whether or not--unless you own the wells yourself--whether or not you are connected under a gas purchase contract? A We are.

Q Is that contract substantially the same for all 103 wells

A I believe it to be.

Q Was it not only recently re-negotiated within the past two years?

A I believe that it was.

Q That contract and the statute under which you operate requires El Paso to take gas ratably, does it not?

A It does.

Q Have you been taking gas ratably?

A To the best of our ability.

Q Still here, you propose to take, under a different method now.

A Yes, somewhat different. As I previously stated, we took gas in accordance with the provisions of our contract. Those things have not been changed, even though the contract was negotiated recently. I believe that to have been caused by a price change in gas paid and gas produced.

Q Do you have a copy of the contract with you?

A Yes, I do.

Q Do you have a copy that you would permit to be made a part of the record in this case? A Yes, I do.

MR. SPURRIER: We will take a short recess.

(Recess)

MR. ADAIR: May we proceed, Mr. Chairman?

MR. SPURRIER: Certainly.

Q (By Mr. Adair) Did you find a copy of the contract?

A Yes, I have. We wish to submit this contract as El Paso Natural Gas Company's Exhibit Number One.

MR. SPURRIER: Without objection it will be received.

MR. HOWELL: Mr. Chairman, I would like to qualify that to this extent, it is possible there might be other contracts not in this particular form, this is a typical contract, let us say.

MR. ADAIR: That is understood.

Q Mr. Woodruff, under that contract, El Paso has been purchasing gas in the Jalco field? A That is right.

Q Or a similar type contract. You haven't been taking any more gas than you have needed? A No, sir.

Q To that extent you are not taking gas in excess of the market demand? A No, sir.

Q Do you think the rates to which you have been taking gas has caused any underground waste? A No.

Q You are not flaring or wasting gas under ground?

A No, sir.

Q To that extent, there is no waste taking place as a result of your taking gas under this contract?

A No, sir.

Q We are talking about the Jalco pool now.

A That is right.

Q Under this contract, Mr. Woodruff, you are required to take low pressure gas at the same extent you are required to take high pressure gas?

A Referring to gas well gas?

Q Yes.

A That is correct. A qualification that there are certain stipulations in our contract which when the producing ability of the well reaches a certain volume, the restriction upon El Paso, or the requirement on El Paso to take gas is decreased.

Q But you have found it possible to live under that type of arrangement and take the gas that was tendered to you, the El Paso has, has it not?

A We have operated to the best of our ability.

Q The contract also contains a stipulation to the effect that El Paso shall not be required to take more than 25 percent of the potential of each well?

A I believe that to be the case. I am not completely familiar with the contract, I am generally familiar with it. There might be some application you could mention that I might not give an exact answer to, I am certain. I can investigate the contract.

Q (Interrupting) The contract is in evidence and will speak for itself. It is my understanding it contains such provisions. It also contains a minimum take provision?

A Yes, sir.

Q Requiring El Paso to either take or pay for the minimum amount of gas averaged out over a certain period of time for each well? A That is correct.

Q It also contains provision requiring you to take ratably on an acreage basis, does it not? A It does.

Q With a 160 acre tract, the governmental quarter section

being the standard unit under the order and provision that up to 640 contiguous acres may be assigned to a well and the take from that well may be assigned accordingly.

A That is right.

Q We mentioned the contract contained provisions requiring you to take low pressure gas as well as high pressure gas.

A That is correct.

Q Now, each of these provisions that I have mentioned would be abrogated and superseded in some instances at least, by the proration formula which you advocate here.

A That is correct.

Q So, the proration formula, which you advocate here, would abrogate, impair and supersede these four or five provisions of the contract I have mentioned?

A It would tend to do so, not completely, I would say, but again I would say that is a matter for legal interpretation as to where the contract ends and gas proration by the State starts.

Q Have you calculated how much less low pressure El Paso would take from the Jalco pool, under your proposed allocation formula, as compared with your takes under your contract?

A I have not.

Q You do know, though, that it results in the transfer of takes from low pressure to higher pressure wells?

A That is not necessarily correct. Because, if you have a low pressure well, it very likely is unable to produce the ratable takes from that field, and as a result must be restricted and the

additional allowable or demand must be distributed among other wells so the total demand from the pipeline company could be satisfied.

Q You are talking about the ratable take under the new, or proposed formula, not under the old?

A I am referring to the contract provisions of ratable take

Q You already testified, have you not, that you have been able to take low pressure gas in Jalco under your contract up to date, have you not?

A We have been able to take, but not in all instances rat-- ably, because there are provisions of our contract which permit a well to be restricted when its producing ability, when it cannot produce the ratable take.

Q You have been taking ratably under your contract provisions, have you not?

A Yes. I might qualify that, to the best of our ability.

Q You have not, then, calculated the shift in takes from low pressure wells to high pressure wells, there would be a tendency for there to be a shift from low pressure wells to high pressure wells under the proposed allocation formula?

A Not a pronounced allocation shift. With a low pressure well goes lower deliverabilities, and the fact the deliverability included in the formula, it more nearly puts the allowable where it can be produced, and add the well's low deliverability at the present, and in the provisions of our contract, it may be that it was unable to produce the ratable take, and rather was restric-

ted on its deliverability even as we now regulate.

Q But under your contract as it is now drawn, this low pressure gas we are talking about, above 100 pounds, the figure in the contract, you either have to take it or pay for it, is that correct? A That is correct.

Q Have you calculated the leases between the equation, the shifts will be made in takes under your formula?

A Would you repeat that?

Q Do you have a list, or do you know the individual leases which will gain as a result, that is gain production wise as a result of the adoption of your proposed allocation formula?

A I do not.

Q Then, you do not know whether there would be a shift away from state leases to private or federal?

A I do not.

Q All you know is that such a shift would take place?

A As I said, I am not sure a shift would always take place.

Q And to the extent such a shift did take place, it would abrogate and impair the provisions of the contract we have entered into, is that correct?

A I believe that to be correct.

MR. ADAIR: That is all."

MR. ADAIR: At this point we would like to offer into evidence the contract between Texas Pacific and El Paso Natural Gas Company.

Q Mr. Yuronka, do you have a copy of that contract with

you? A Yes, sir.

MR. ADAIR: We offer that in evidence as Texas Pacific's Exhibit 18 and request permission of the Commission to substitute for the original a photostatic copy, is that granted?

MR. SPURRIER: It is.

Q Mr. Yuronka, without reading from the contract, can you tell us whether or not it permits the units to be long 160 acres, that is 4- 40's in a row, for example?

A Yes, sir, they do.

Q Do they permit such units to cross section lines?

A Yes, sir.

Q Do you know whether or not Texas Pacific Coal and Oil Company has two such units now connected to El Paso?

A Yes, sir, we do.

Q That is two long 160 acre units which cross section lines

A Yes, sir.

Q Also, does the contract permit up to 640 acres to be assigned to an individual well? A Yes, sir.

Q Do we have any instances in which more than 160 acres is assigned to a well under the contract?

A Yes, sir, we do.

Q How many acres do we have assigned, 480?

A What is the well number, State "A", Account 2, Well Number 41.

Q When I ask you with respect to Texas Pacific having such long units and that 480 acre unit, that is we had that situation

up to January 1, 1954 before the effective date of the Order in Case 582, is that correct? A Yes.

MR. ADAIR: We also offer in evidence limited to the extent that the Langmat Pool has a common boundary with the Jalco Pool, the transcript of the proceedings in Case 583, on October 27, 1953. This particular transcript has to do with the Langmat Pool.

Now, if the Commission please, the hearings on the Jalco Pool were held October 26, 1953 and the hearings continued through October 28, I believe on the other nine gas pools. Two days later Mr. Macey, the Chief Engineer for the Commission addressed a memorandum to the Commission dated October 30, 1953, and we offer in evidence as Texas Pacific's Exhibit Number 20, a copy of that memorandum.

On the same date October 30, 1953, even though transcript admittedly had not been received and the hearings on the nine pool had been completed only two days earlier, the Commission issued a directive to the operators in the Jalco and the other eight pools and we offer in evidence as our Exhibit 19 a copy of that directive. As I pointed out the gas pool hearings had been completed only two days earlier but in that directive, the Commissio directed the purchasers of gas to file nominations on forms already available at the Hobbs office of the Commission. At this point,at least, it looked as if the Commission had instituted gas proration without reading the transcript in the particular hearings.

We next offer in evidence as our Exhibit 21, Order R-368 A, in Case 582 dated November 10, 1953, pertaining to the Jalco Pool. This is one of the orders that is under attack in this motion for rehearing. The order on its face recognizes that the Commission has received insufficient evidence upon which to base its pool designations. In that finding, number five in the order, it sets forth the need for additional geological and reservoir data and orders the operators to furnish all available such data.

To the extent that the Langmat Pool borders the Jalco Pool, we offer in evidence as our Exhibit 26-A, Order Number R-369-A in Case 583, dated November 10, 1953, pertaining to the Langmat Pool.

MR. KELLAHIN: I don't like to interrupt but I would like the record to show that we have a running objection to anything pertaining to the delineation of the Langmat Pool. I don't want to state that every time it is brought up, but I would like a running objection to that.

MR. SPURRIER: Yes, sir.

MR. ADAIR: We offer in evidence in order to make the record complete as our Exhibit Number 24, Order Number R-264-A in the consolidated Cases 245 and 521, which adds some 6,000 plus acres to the Jalco Gas Pool. I think most of this acreage added is located down near the Texas line.

We offer in evidence as Exhibit 27 the docket of the hearing on November 19, 1953, where gas nominations were received for the first time. We offer as Exhibit 28, the transcript of

such hearing.

In order to complete our record here, we offer a copy of our application for rehearing in Case 582, as Exhibit 22. As Exhibit 23, we offer Order Number R-368-B in Case 582 which granted this rehearing. As Exhibit 23-A, we offer in evidence our motion to ammend a typographical error in our motion for rehearing and at this time we request the Commission to grant us authority to so amend. May it be considered so amended? We referred to a wrong paragraph, it was a typographical error.

MR. SPURRIER: You can.

MR. ADAIR: That was Exhibit 23-A. Exhibit 23-B, we offer our motion excepting to that provision or that portion of Order Number R-368-B which provided that the Jalco Gas rules would "remain in full force and effect" pending the rehearing.

As Exhibit 29, we offer in evidence the docket of the December 17, 1953, hearing, insofar as the gas nominations are concerned and as Exhibit 30, we offer the transcript of that hearing insofar as the gas nominations are concerned.

As Exhibit Number 31, we offer Orders Number AG-1 and AG-1A being the allowable order and gas proration schedule insofar as such orders and proration schedule pertains to the Jalco and Langmat Pools. It should be noticed that although we feel that no proper line has been drawn throughout this 36 mile area that would justify calling the area two gas pools or 20 gas pools that already in the January allowable, the allowable in the Jalco Pool is some 600,000 cubic feet per month higher than in the Lang-

mat Pool.

At this time, if the Commission please, I have no further questions of Mr. Yuronka. Is there any cross examination?

MR. SPURRIER: Are there any questions of the witness?

MR. KELLAHIN: I have no questions of the witness but I would like to renew my objections to the testimony insofar as it pertains to the delineation of the Langmat Pool and move that all testimony and exhibits and statements of counsel pertaining thereto be stricken from the record.

MR. SPURRIER: Objection overruled.

MR. FOSTER: I would like to ask the witness a question or two.

MR. SPURRIER: Judge Foster.

CROSS EXAMINATION

By: MR. FOSTER:

Q You testified here regarding casinghead gas and dry gas. For this record, will you define casinghead gas for me?

MR. ADAIR: I think casinghead gas is defined in the Commission's rules under the definitions and I don't think anything this witness could testify to, would either add to or detract from that.

MR. FOSTER: I think it might be helpful to know what his idea of casinghead gas is regardless of how it may be defined by someone else.

MR. SPURRIER: Answer the question.

A Casinghead gas is gas produced from the combination of

gas and oil.

Q And how do you define dry gas? You used that term.

A Dry gas would be--

MR. STAHL: (Interrupting) Would the witness speak up a little bit? It is hard to hear.

A Dry gas would be gas produced from a gas zone alone.

Q Now, would dry gas or casinghead gas as you understand those terms also include the term, natural gas?

A Do you mind repeating that question, please?

Q Let me put it this way. As you understand the term, casinghead gas and dry gas, is casinghead gas and dry gas, natural gas?

MR. ADAIR: If the Commission please, I re-urge an objection to the question in that Casinghead gas is defined in the Commission's Rules and to attempt to put any meaning other than the Commission's Rules. I would like for the purpose of the objection to read it. Page one of the Rules, Definition Number 10: "Casinghead gas shall mean any gas or vapor or both gas and vapor indigenous to and produced from a pool classified as an oil pool by the Commission. This also includes gas cap gas produced from such an oil pool." Also from the Commission's Rules, Rule Number 35--"Natural gas or gas shall mean any combustible vapor produced and occurring naturally in a pool classified by the Commission as a gas pool." If the Commission please, I see no useful purpose to be served by continuing this line of testimony. The definition of casinghead gas, natural gas or gas is defined by the Commission

Rules and until such times as those rules are changed, no other meaning can be ascribed to those terms by the Commission. I would like to urge that objection.

MR. SPURRIER: The witness can answer the question, proceed.

A Well, I am afraid it is somewhat beyond the scope of my study.

MR. ADAIR: If the Commission please, it is a legal question. It is a question of definition under the Commission's Rules This witness, he has qualified as an engineer, if Judge Foster wants to change the definitions, I suggest he come before the Commission after proper notice and hearing and request the change.

MR. FOSTER: I am not trying to change the definitions. I am just trying to find out what he knows.

MR. ADAIR: He said he hadn't studied law, Judge. It is beyond the scope of his study.

MR. FOSTER: Are you telling me that you don't know the difference between the term, casinghead gas and dry gas and natural gas?

A I believe I have defined casinghead gas and dry gas.

Q Now, you are saying that you don't know whether the casinghead gas and dry gas is natural gas or not?

MR. ADAIR: Do you mean natural gas as defined by the Commission's Rules or natural gas as that term might be accepted by the Industry. I think you ought to be fair with the witness that way. Tell him what--

MR. FOSTER: (Interrupting) I just want to know whether or not he considers casinghead gas or dry gas as he understands it to be natural gas?

A Well, in my opinion, natural gas would be dry gas.

Q Sir?

A In my opinion, natural gas would be dry gas.

Q In your opinion, would casinghead gas be natural gas?

A I am afraid that is beyond the scope of my study. I am not a reservoir engineer.

MR. SPURRIER: Sir?

A I am not a reservoir engineer.

Q Well, whether you are or not, do you regard casinghead gas to be natural gas?

MR. ADAIR: No useful purpose can be served in continuing this line of testimony. I would like to urge the Commission to sustain the objection. The witness has testified that he is not qualified to answer in any other way than that defined in the Commission's Rule which of course, the Commission has to operate under anyway.

MR. SPURRIER: If the witness can answer the question, let's proceed. If he cannot, say so.

A No, I don't believe I can.

MR. SPURRIER: Very well, Mr. Foster.

MR. FOSTER: All right.

Q In the Jalco Pool as that pool has been delineated by the Commission, there are wells that produce oil and wells that

produce gas. Isn't that true? A Yes, sir.

Q Now, the oil wells also produce gas, don't they?

A Yes, sir.

Q The Commission has imposed a gas-oil ratio on the oil wells, have they not?

A No, I wouldn't say that. In the South Eunice Pool in the Cooper Jal Pool, there is an unlimited gas oil ratio.

Q There is no gas-oil ratio? A No, sir.

Q In any part of the pool or is there any gas-oil ratio?

A To my knowledge, the only portion that would have any, would be the portions of the Jalco that is in the Eumont Pool under Eunice Monument.

Q They have imposed gas-oil ratios on the oil wells in some portions of the Jalco Pool, have they not?

A Well, I believe in the Eunice Monument Pool, there is a limited gas-oil ratio.

Q You believe there is not? A There is.

Q There is? All right. What is the purpose of a limitation being placed upon the amount of gas that may be produced in producing oil?

A Would you mind repeating that question, please?

Q What is the purpose of limiting gas production in the production of oil?

A Prevent undue drainage.

Q Would it prevent anything else?

A I cannot answer that question properly.

Q Let me ask you this question, would it tend to prevent waste?

A Would you mind repeating the entire question, please?

Q Would the imposition of a gas-oil ratio limitation on an oil well tend to prevent waste? A Yes.

Q Would the basis of imposing such a limitation be the prevention of waste?

MR. ADAIR: If the Commission please, that is a legal question. It calls for a legal conclusion. We object to it for that reason, and also at this time, if the Commission please, I see no useful purpose to be served at this hearing which is a motion for rehearing on a gas pool, so I see no reason why there is any purpose that would be served by going into gas-oil-ratio limitations on oil wells, which obviously would be from oil pools. We object to his question because it is not material, not competent, not relevant at this time. I might add to my objection a further objection, that cross examination is improper if it goes beyond the scope of direct examination. The witness has testified, has given no testimony whatsoever with respect to waste of any sort.

MR. SPURRIER: Objection sustained.

Q Is it your position that no waste is occurring in the Jalco Pool?

MR. ADAIR: Same objection.

MR. SPURRIER: Objection sustained.

Q One other question. Do you regard gas cap gas as being

a natural gas?

A I believe I have made a statement as to that effect, Judge Foster.

MR. FOSTER: That is all.

MR. SPURRIER: Anyone else who desires to cross examine the witness? Mr. Stahl.

By: MR. STAHL:

MR. STAHL: G. E. Stahl, Permian Basin Pipeline Company.

Q Mr. Yuronka, are you familiar with Exhibit 31, your proposed Exhibit 31, which is the A G Number 1 and A G Number 1-A proration schedule? A Yes, sir.

Q On that schedule, I call your attention particularly to page 11 and top of page 12, wherein Texas Pacific Coal and Oil Company's wells in the Jalco Pool are set forth along with the description of the same in the January allowable and the present market outlet. Within your knowledge, are any of those wells producing oil from a now delineated gas pool in any substantial quantities? A No.

Q They are not? A No.

Q In other words, they are all gas producing wells?

A Yes.

Q Have you calculated what the daily average allowable for those wells would be during the month of January?

A Oh, it would be roughly, about eleven hundred MCF per day, a little more, a little less.

Q That is on 160 acre unit basis? A Yes.

Q You testified, did you not, with respect to Exhibit, the contract between Texas Pacific and El Paso, Exhibit 18-A, is that correct, Mr. Adair, is it 18-A?

MR. ADAIR: That is correct.

Q You testified with respect to that Exhibit and introduced it as one that you were sponsoring, within your knowledge is the average daily allowable for the month of January as set forth on page 11 of the proration schedule for Texas Pacific Coal and Oil Company's wells higher than the minimum specified in the contract? A No.

Q Sir?

A Would you mind repeating that question again?

Q Would the reporter read the question?

(Question read.)

A I don't quite understand your question, Mr. Stahl.

Q As I understand--

MR. ADAIR: May I ask you a question, Mr. Stahl? In asking the question of the witness to which of the minimum requirements of the contract do you refer? Do you refer to 5,000 which is the minimum take per day over a certain period of time?

MR. STAHL: Yes, sir.

MR. ADAIR: Obviously the eleven hundred thousand is higher than the five hundred thousand.

MR. STAHL: That is what I want. That is all.

MR. WOODWARD: We would like to ask a question.

MR. SPURRIER: Mr. Woodward.

By: MR. WOODWARD:

Q I believe you testified with respect to a contract between El Paso and Texas Pacific. I wonder if you would tell me what date that contract was executed.

A April the 6th, 1951.

Q Does that contract contain what is commonly known as a force majeure? A Pardon?

Q Does that contract contain what is commonly called a force majeure provision?

MR. ADAIR: The witness is not acquainted with that. I will admit that it does.

MR. WOODWARD: Would you mind reading that provision?

MR. ADAIR: Article 19, Governmental Regulations, Section 1: "It is expressly agreed that this agreement and the respective obligations of Buyer and Seller hereunder are subject to present and future valid laws, orders, rules and regulations of duly constituted governmental authorizations having jurisdiction." There is also a F.P.C. clause you are not asking for that.

MR. WOODWARD: I don't think that is involved.

Q Is it your position in this hearing that provision was placed in there out of an abundance of caution and was not needed

MR. ADAIR: I don't know -- to answer that question, I don't know what motives El Paso had in putting that clause in the contract. It is their clause, not ours.

MR. WOODWARD: Is El Paso joining you in this motion for

rehearing?

MR. ADAIR: I think the record speaks for itself. They did not.

MR. WOODWARD: They did not. It is their contract as well as yours?

MR. ADAIR: That is correct.

MR. WOODWARD: That is all.

MR. SPURRIER: Any one else? The witness may be excused.

(Witness excused.)

MR. SPURRIER: We will take another one of those short recesses.

(RECESS)

MR. SPURRIER: The meeting will come to order. Mr. Adair.

MR. ADAIR: At this time, I would like to call Mr. J. E. Bagwell.

J. E. B A G W E L L

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By: MR. ADAIR:

Q Will you state and spell your name for the Commission please?

A J. E. Bagwell.

Q You are also known as Jim Bagwell?

A Yes.

Q Where do you reside?

A Midland, Texas

Q By whom are you employed?

A Texas Pacific Coal and Oil Company.

Q In what capacity?

A Geologist.

Q How long have you worked as a geologist?

A Four years.

Q Where were you trained?

A You mean my school?

Q Yes.

A Received a B. S. in Petroleum Geology from Texas Technological College.

Q Have you sat on wells or participated in drilling of wells in the area delineated upon Texas Pacific's Exhibits 32, 33 and 34 in the Jalco and Langmat areas of Southeastern Lea County?

A Yes, sir.

Q Have you made an intensive study recently in connection with this rehearing?

A Yes, sir, I have.

Q Has the area of your study insofar as Jalco - Langmat area is concerned, been in the vicinity of Texas Pacific Coal and Oil Company leases in that area?

A Yes, sir.

Q The bulk of the Texas Pacific's leases as reflected by the Exhibits stretches across approximately two townships, is that correct?

A That is correct.

Q In preparation for this hearing as well as in your work as a geologist for the Texas Pacific Coal and Oil Company, have you studied all of the well logs available to you in that particular area?

A Yes, sir, I have.

Q Have you assisted in the preparation of cross sections going from west to east and from north to south in that area?

A I have.

Q Are you familiar with the provisions of the statutes defining pools or reservoirs or common sources of supply?

A I am.

Q To refresh your memory and for the benefit of the Commission, I would like at this time to read from Section 26-B of the 1949 Conservation Act " 'Pool" means an underground reservoir containing a common accumulation of crude petroleum or natural gas or both. Each zone of a general structure which zone is completely separated from any other zone in the structure is covered by the word 'pool' as used herein. 'Pool" is synonymous with common source of supply and with common reservoir." Are you familiar with the schematic cross sections or the typical well cross sections which have heretofore been introduced in evidence as Texas Pacific's Exhibits 35 to 41 inclusive?

A Yes, sir, I am.

Q Did you assist in the preparation of those cross sectio and the selection of the wells to be used thereon?

A I did.

Q Do those cross sections show generally that the Yates and Seven Rivers formations overlie or underlie the entire Jalco -Langmat area?

A Would you restate that question?

Q Do those cross sections show that the Yates formation

and the Seven Rivers formation underlie the area of the Jalco and Langmat pools that you have studied?

A Yes, sir, they do.

MR. KELLAHIN: Jason Kellahin representing Samedan. We object to the question and move the answer be stricken on the ground it constitutes an attack on the Commission's Orders delineating the pool, Langmat pool. Further, on the ground that Samedan is without notice or opportunity to be heard on any question delineating the Langmat Pool.

MR. ADAIR: I think we have answered that objection once There is a 35 or 36 mile line separates the two pools. It is a Jalco line as well as the Langmat line. Anything that affects the Jalco line is necessarily going to affect the Langmat line. We have no, if it will save interruption, Mr. Kellahin, we have no objections to your objection continuing through without your having to get up again. If that is satisfactory with the Commission. The same ruling, the Commission has overruled it before

MR. SPURRIER: We think you might as well do it that way.

Q In your opinion, in the area concerning which you are testifying, was the Yates, Seven Rivers and the Queen formations separate reservoirs originally? A Originally, yes.

Q In your opinion, due to the production of oil or gas or both, or due to connection by well bores they are in some areas interconnected, is that correct?

A Yes, sir, that is correct.

Q Are you familiar with the outline and areal extent of the Jalco and Langmat Pools as delineated by the Commission?

A Yes, sir.

Q And as shown by Texas Pacific's Exhibit Number 34?

A Yes, sir.

Q Have you prepared a structure map contoured on top of the Yates formation in the area and vicinity of Texas Pacific Coal and Oil Company leases? A Yes, sir.

MR. ADAIR: At this time we offer in evidence our Exhibit Number 43, and request that it be put up on the board.

Q Mr. Bagwell, would you mind stepping over to the Exhibit and pointing out and explaining to the Commission what that particular Exhibit represents.

A This is a contour map of a portion of southeastern New Mexico in the vicinity of Texas Pacific Coal and Oil Company's leases. It id dated counties one, two and three.

Q Are the Texas Pacific leases colored in red?

A Yes, sir, they are. As you can see here, they are colored in red.

Q What is your contour interval of the map?

A The contour interval is 25 feet.

Q I mean so far as the Jalco and Langmat areas are concerned, in that particular area that is the delineation of them. Will you point it out to the Commission and explain how they are delineated?

A The Jalco Pool or the Jalco area as delineated by the

Commission is outlined in red as you see here.

Q That is on the western part of your map?

A Yes, sir. East of it and adjacent to it the Langmat area has been outlined in green, (Indicating).

Q Also as shown on that map are all the various oil and gas wells drilled in the area, is that correct?

A That is correct.

Q In other words, the map is fairly well up-to-date in that respect?

A It is.

Q When were most of those wells drilled, Mr. Bagwell?

A First major drilling activity was between 1927 and 1930. Then during the depression years the drilling operations were more or less suspended and resumed again in the late '30's, by the end of 1940 the area had been pretty well drilled up with the exception of a few wells which have been drilled in the last few years.

Q Will you tell the Commission something of the stratigraphy of the general area represented by your Exhibit 43?

A First formation we are primarily concerned with is the Rustler which is composed of anhydrite and dolamite. It is approximately 150 feet thick. The Rustler is the Solado formation which is predominantly a salt. It ranges in this vicinity from approximately 1200 to 1500 feet thick. Beneath the Solado is the Tansil which is composed of dolamite and anhydrite. It is approximately 150 to 175 feet thick. Beneath the Tansil is the Yates which consists of sand, dolamite, anhydrite. It range

from 250 to 300 feet thick. Beneath the Yates is the Seven Rivers which is predominantly dolamite with some sand and anhydrite. It is approximately 400 feet thick. Beneath the Seven Rivers is the Queen which is predominantly sand and it is approximately 300 feet thick. Beneath the Queen is the Grayburg which is a sandy dolamite and it is approximately 250 feet thick. Beneath the Grayburg is the San Andres which is predominantly dolamite and is roughly 1500 feet thick.

Q Sofar as the Yates and Seven Rivers formations are concerned, Mr. Bagwell, state whether or not they are continuous over the entire area covered by the Langmat - Jalco delineations there on your Exhibit? A They are.

Q In other words, the Yates and Seven Rivers formations which constitute, with the exception of the bottom 100 feet of the Seven Rivers, the vertical interval of the Jalco gas pool as well as the Langmat gas pool are co-extensive over the entire area? A They are.

MR. STAHL; Could I have the question read back please?

(Question read.)

Q Your answer to that is yes? A Yes, sir.

Q I notice that there is a ridge of some sort along on the western side of your Exhibit 43, will you explain to the Commission what that represents?

A I believe you are talking about this ridge here running from Township 21 south through 24 south, which is the extent of my map. This ridge is a reflection of the underlying Capitan re

Q How far does that reef extend, if you know?

A That reflection extends from down in Waco County up to the area of roughly Eumont, then it swings westward over to Carlsbad.

Q Going from west to east, does the Yates and Seven Rivers formation carry over the crest of this reef reflection eastward?

A Yes, sir.

Q Does it carry over the lagunal or the trough area up to and up on the western side of the basin platform?

A Yes, sir.

Q All gas production from the area shown on your Exhibit 43 is from what formations?

A Yates and Seven Rivers predominantly.

Q You have some Queens oil and a little gas?

A Some Queens oil and gas.

Q Do you encounter any marked changes in lithology as you move eastward from the west side of your ridge over across the crest of the ridge into the trough area?

A Nothing except that gradual change. I would say that you had relatively more dolamite over the reef reflection. As you move eastward into the Lagunal area I think you would find an increasing quantity of sand.

Q Would that change or difference in lithology, have any effect upon whether the gas produced was sweet or sour?

A Yes, sir, it possibly would. I think in the area where you have relatively more dolamite the gas would probably tend to



be more sour than in the Lagunal area where you have more sand, so it would probably be a little bit sweet.

Q So far as the gas that is produced from the Jalco area shown on your Exhibit, state whether or not that gas is gas cap gas.

A Yes, sir, I think it is.

Q In other words, oil wells and gas wells producing from the Jalco area, would be producing from essentially the same reservoir? A Yes, sir.

MR. ADAIR: At this point, if the Commission pleases, I would like to advise the Commission that Mr. Bagwell and I in preparation of these questions and answers have closely followed the testimony of Mr. Forbes in Case 245 which was the only hearin April, 1951 in which the Commission received evidence concerning the demarcation between the Jalco and the Langmat areas.

Q I will ask you, Mr. Bagwell, whether or not you have testified to all of the facts testified by Mr. Forbes at that hearing insofar as this particular area is concerned?

A Yes, sir, I believe I have.

Q You have read and reread the transcript many times, hav you not? A I have.

MR. ADAIR: At this time I might call to the Commission' attention that that is the evidence upon which the Commission acted in drawing the line some 36 miles long, extending from Township 20 or 21 all the way down to the Texas border.

Q In other words, Mr. Forbes in his testimony did not give

any reason whatsoever for drawing the line at the place it was drawn?

A No, sir, he didn't.

Q That is, any sound geological reason in your opinion?

A That is right.

Q So far as the lithology is concerned, is there anything in the lithology of the Yates and Seven Rivers formations, or both of them, going from west to east which would support a separate reservoir in the area shown on your Exhibit?

A No, sir.

Q Is there anything of a lithological standpoint that would justify the Commission in drawing the line where it did or drawing the line anywhere along that general area separating the two pools?

A That is from a lithologic standpoint?

Q Yes. A No, sir.

Q From a standpoint of stratrigraphy, is there anything to justify the separation along the line drawn on your Exhibit?

A No, sir.

Q In other words, the Yates and Seven Rivers are co-extensive throughout the entire area? A They are.

Q Have you prepared or assisted in the preparation of cross sections drawn through the area along this line?

A I have.

MR. ADAIR: I would like at this time, if the Commissio pleases, to offer in evidence our Exhibit Number 44, which is

designated as cross section A - A Prime.

Q Will you indicate to the Commission on your Exhibit 43 which is your contour map, the wells through which this cross section is drawn?

A Yes, sir, the cross section runs through Texas Pacific-

Q (Interrupting) I will ask you this, is the line shown by the red line from A to A Prime?

A Yes, sir. It is through sections 8 and 9 of Township 21 south, ranges 35 and 36 east.

Q Will you explain that cross section? Incidently, that cross section does cross the Jalco- Langmat line, does it not?

A It does.

Q Will you explain to the Commission your cross section Number 44?

A The cross section extends through Texas Pacific Coal and Oil Company State A well Number 3, Number 23, well Number 30 well Number 31. The Yates formation is shown here in the yellow color. The Seven Rivers is in this lavender color. The Queen is shown by the blue color. The line between Jalco and Langmat as delineated by the Commission is shown here, red on the left side for the Jalco, and green on the right side for the Langmat.

Q The yellow area, which is the Yates formation goes entirely across the cross section, does it not, without any break in continuity? A It does.

Q The same is true of the Seven Rivers formation?

A That is right.

Q And did you or did you not encounter gas accumulations on each side of the line in those formations?

A Yes, sir.

MR. ADAIR: We next offer in evidence Exhibit 45, being cross section B - B Prime.

Q Will you point out to the Commission where that cross section is drawn on your contour map?

A B - B Prime as shown by this red line through sections 21 and 28, Township 22 south, Range 36 east.

Q Without calling specifically to the wells since they are shown on the cross section, will you state whether or not that cross section also shows that the Yates and Seven Rivers formation is continuous across the area with accumulations of gas on each side of the line?

A Yes, sir, it does.

MR. ADAIR: I next offer in evidence Texas Pacific's Exhibit 46, being cross section C - C Prime.

Q Would you indicate to the Commission where that cross section is drawn on your contour map?

A C - C Prime as shown by the red line, extends between two wells here in section 28 of Township 22, south, Range 36 east.

Q Is there continuity so far as the producing formation across the line on that cross section? A There is.

Q In other words, it shows the same as the two proceeding cross sections? A That is right.

MR. ADAIR: I next offer in evidence Exhibit 47, being cross section E - E Prime.

Q Will you indicate to the Commission where that cross section is drawn on your contour map?

A The cross section E - E Prime is shown by this red line extending through sections 3 to 4, Township 23, south, Rang 36 east.

Q Does that cross section show the same as the preceeding cross sections that there is no break in continuity of the producing sections? A It does.

Q Will you point out where you encountered accumulations of gas on both sides of the line, if you will?

A In this particular cross section our casing on all three wells is set above the Yates and leaving the Yates, Seven Rivers open, a portion between this well Number 3 and that is what they are producing from these formations in the open hole.

Q In your mind that conclusion at least demonstrates to you that there is no justification for separating the two pools at that point? A That is right.

MR. ADAIR: As Exhibit 48, we offer cross section F - F Prime.

Q Without repeating in detail your testimony with respect to the other cross sections that have heretofore been received in evidence, will you state whether or not that cross section al so shows continuity? A It does.

Q As to the same extent? A Same extent.

Q As Exhibit 49 we offer cross sections G - G Prime. Will you indicate where that cross section is shown on your contour map?

A G - G Prime is shown by the red line extending through sections 9, 10 and 11, Township 23, South, Range 36 East.

Q Does that cross section show the same as the prior cros section? A Yes, sir, it does

Q Which leads you to the same conclusion at that particular point along the line? A Yes, sir.

Q That there is no justification for drawing the line there? A That is right.

MR. ADAIR: As Exhibit 50, we are offering cross section H - H Prime.

Q Will you indicate to the Commission where that cross section is drawn on your contour map?

A It is indicated by this red line which extends through section 9, 16 and 15, Township 23 South, Range 36 East.

Q Does the cross section also show continuity across the line? A It does.

MR. ADAIR: As Exhibit 51 we offer cross section J - J Prime.

Q Where is that on your contour map?

A J - J Prime is shown by this red line extending through sections 16 and 15, Township 23 South, Range 36 East.

Q Does that cross section show the same continuity as your prior cross sections? A It does.

Q You have accumulations of gas within the gas pool interval in each case on each side of the line?

A That is correct.

MR. ADAIR: As Exhibit 52, we offer cross section K - K Prime.

Q Where is that line drawn on your contour map?

A K - K Prime is shown by the red line extending through sections 21 and 22, Township 23 South, Range 36 East.

Q Does that cross section show substantially the same as your prior cross section? A Yes, it does.

MR. ADAIR: As Exhibit 53, we offer cross section L - L Prime.

Q Will you indicate where that line is drawn on your map?

A Cross section L - L Prime is shown by the red line extending through sections 28, 27, 26, Township 23 South, Range 36 East.

Q Does that cross section across the four well area there two wells on each side of the line, show the same thing as your prior cross section? A Yes, sir, it does

Q Now, Mr. Bagwell, from the standpoint of encountering relatively sour gas on the west side of your Exhibit and relatively sweeter gas on the east side of your Exhibit, does that constitute any reason from a geological standpoint to say that there are two areas or separate reservoirs?

A No, sir, not from a geological standpoint.

Q Because of the lithological conditions encountered, tha

is you encounter more dolamite in the western area than you do in the eastern area, you would expect to find more sour gas on the western side, would you not? A That is correct.

Q Do you know of any permanent barriers along the line between the Jalco Pool and the Langmat Pool in the area that you have delineated there so far as the Yates or Seven Rivers formations are concerned?

A No, sir. I know of none. There could possibly be some isolated local areas, but as I say, I don't know of them if they exist.

Q So far as the five miles of that line which are bordere by Texas Pacific leases, there are no dry holes between the two areas on that line are there?

A There are no attempted gas well completions that are dry holes.

Q In other words, so far as the gas well, I should have limited my question to the Jalco - Langmat vertical interval, there are no dry holes in that interval, is that correct?

A No, sir, there are none.

Q Up to this point at least the geologists haven't been able to discover any better way of delineating a pool than by dry holes, have they?

A I haven't found a better one.

MR. ADAIR: That is all. That is all I have of Mr. Bagwell at this time, if the Commission please.

MR. SPURRIER: Is there anyone who wishes to cross

examine Mr. Bagwell?

MR. STAHL: Yes.

CROSS EXAMINATION

By: MR. STAHL:

Q Mr. Bagwell. as I understood your testimony, you feel from a geological standpoint with the facts as you now know them that there is no reason for delineation of the west boundary, excuse me, the east boundary of the Jalco pool, is that right?

A I see no reason from the facts available to me to draw a line separating it from the Langmat area to the east.

Q Mr. Bagwell, do you think it conceivable that other geologists with the same qualifications which you appear to possess might differ with that opinion?

A I think on any subject you will have differences of opinion.

Q That is generally conceded.

MR. ADAIR: That is the reason we are here today.

MR. STAHL: I am aware of that, Mr. Adair.

Q In other words, it is your opinion that the line delineating the division between the Jalco and Langmat Pools was incorrectly drawn by the Commission, is that correct?

A That is correct.

Q If that line were drawn in conformity with your opinior would you be satisfied as a geologist?

A Mr. Stahl, my study has been limited to our area alone, and with the sole purpose of deciding whether or not that line

was correct. I have made no conclusions as to where a line should be drawn.

Q Let me ask it this way. In the area where you have leases, if the line was redrawn in conformance with your opinion would you be satisfied. As I understand it--

MR. ADAIR: (Interrupting) He said he had no opinion as to where the line should be drawn. He has just stated that. I object to the question.

Q The witness can answer the question, go ahead.

A Personally, I wouldn't draw a line.

Q Do you have a recommendation as such, whether the line should be shifted, or whether the Jalco or Langmat should be made one pool or anything at all?

A No, I have no recommendation.

Q It is just wrong the way it is now?

A That is what I believe.

Q Mr. Bagwell, how long have you been employed with Texas Pacific Coal and Oil?

A I stated four years.

Q Sir? A Four years.

Q I am sorry, I missed that earlier. During that time, to your knowledge has any information or data or facts such as you put in, ever been introduced by Texas Pacific before this Commission?

A I am afraid I can't answer that question because I am not familiar with any previous proceedings here.

Q But to your knowledge there has not been?

A I just don't know either way. I am sorry.

Q To your knowledge has Texas Pacific Coal and Oil ever been denied the right to put in information like this?

A Texas Pacific offered their help when this attempt to draw this line first came up.

Q That was with respect to the Committee, was it not?

A Yes, sir.

Q To your knowledge, has Texas Pacific ever been denied the right to put in evidence like this or similar to this in a case before this Commission?

A Well, as I said Mr. Stahl, I am not familiar with previous proceedings over here. I just don't know.

MR. STAHL; I think the record will show upon examination that Texas Pacific has not been so denied. That is all the questions I have.

MR. SPURRIER: Any one else? Mr. Kellahin.

MR. KELLAHIN: Jason Kellahin representing Continental Oil Company.

By: MR. KELLAHIN:

Q Mr. Bagwell, you testified that there is no difference in your opinion in stratigraphy between the two pools, did I understand that question?

A Would you repeat that, please?

Q Is it your testimony there is no appreciable difference of the stratigraphy of the two pools, the formation of the Yates

and Seven Rivers?

A In the stratigraphy, no, there is no major difference.

Q Is there any difference in the pay zones between the two pools?

MR. ADAIR: Just for the purpose of the record, I know that Mr. Kellahin is fair enough, he doesn't want the witness to be misled. You are speaking of the Jalco and Langmat vertical interval?

MR. KELLAHIN: Yes, sir, thank you, Mr. Adair.

MR. ADAIR: I probably caused the witness to forget you question. So, would you restate it?

Q Would you read the question back, please?

(Question read)

Q As clarified by Mr. Adair.

A No major differences with the exception of possible isolated areas, I would think.

Q There is, as a matter of fact, a decided difference in the sulphur content of the gas produced on the two sides of this line, is there not?

A I think in both areas you can have strong variations in sulphur content.

Q You mean that you have a high sulphur content and low sulphur content on say, the entire area of the Langmat Pool?

A Yes, sir.

Q And also in the Jalco. Isn't it true however, that the variations follows fairly close to the line which has been drawn

as delineating the two pools?

A I am afraid I can't answer that question.

Q Have you made any study of that question?

A No, sir. My knowledge, my study has been limited to the geology and not in respect to the sulphur content of the gas.

Q Can you explain then, why if there is no difference in stratigraphy there is a difference in sulphur content?

A Well sir, I made a feeble attempt at that awhile ago. I would think that over the area that we are calling the reef reflection, the ridge on the western edge, you would find more dolamites than you would in the area to the east which is the Lagunal area, and I associate the sulphur with the dolamite.

Q The production from one side is from the sand and the other side from the dolamites, is that correct?

A No, sir.

Q What is the difference in the productive zones then?

A It is a gradiational change as you move eastward across the reef reflection into the Trough area I think you find an increasing amount of sand in a Lagunal area, the Trough area.

Q That is a rather sharp gradiation in through that area, is it not?

A I wouldn't say it was too sharp, no, sir.

Q Isn't it possible that there is a difference in the sulphur content in one side than on the other due to a barrier in there? Is it possible?

MR. ADAIR: Would you repeat that question? Did you say put a barrier in there?

Q No, sir, I said there is a variation in the sulphur content on one side as against the other due to a barrier.

A No, sir, I wouldn't think so.

Q You say that is impossible?

A No, sir, I don't say it is impossible. I don't think so.

Q If it isn't impossible, it would be possible, wouldn't it?

A I am not a lawyer.

Q Mr. Bagwell, referring to the Exhibits which have been offered showing the cross section, what is the difference betwee those wells upon the Lxhibit. That is in relation to the line that has been drawn within each pool?

A The horizontal scale is three hundred feet to the inch.

Q Rather than go up and measure it, could you tell us what the linear distance on the ground would be?

A Well sir, different cross sections, we have different distances.

Q Could you give us a rough estimate on the average?

A I think our average cross section up there covers approximately four quarter sections.

Q Four quarter sections on each Exhibit?

MR. ADAIR: He said average.

A I think that is an average.

Q Average? A Yes, sir.

MR. KELLAHIN: That is all.

MR. SPURRIER: Anyone else? Mr. Macey.

By: MR. MACEY:

Q You testified that in your opinion the gas, particularly in Texas Pacific Coal and Oil Company area, was gas cap gas. What do you mean by gas cap gas?

MR. ADAIR: I believe for the purpose of the record he testified in the Jalco area that it was gas cap gas.

MR. MACEY: Okay.

A My definition of gas cap gas is gas that is in contact with the oil column.

Q If you produced that gas and ultimately drain the Jalco area reservoir of gas, what will happen to the oil?

A More than likely be drawn up behind the gas as it is produced.

Q Is that generally accepted as good practice in the oil industry?

MR. ADAIR: As Mr. Macey well knows, Mr. Bagwell did not qualify as a petroleum emgineer. I don't believe your questions, Mr. Macey, are geological questions. They are more in the nature of a petroleum engineering question.

MR. MACEY: Maybe your question was more in the nature of petroleum engineer question as far as gas cap gas is concerned. If he can qualify to testify whether it is gas cap gas or not, he should be acquainted with the engineering characteristic;

of the reservoir to know it is gas cap gas.

MR. ADAIR: To know it is in contact with the oil column That was his definition. Excuse me, go ahead with your question.

Q I am not quite sure he answered my question, the last question. You might repeat it for him.

(Question read)

A I don't believe I am qualified as an expert to answer that question, I think that would be more of an engineering problem.

Q Does the gas cap gas in a reservoir always have to be in direct contact under every lease or location with the oil column?

A I should think you would have certain areas where it would not be localized.

Q Therefore, wouldn't it stand to reason that if you drained the gas out of that particular area that you would get movement of oil up structure? A Yes, sir.

MR. MACEY: That is all.

MR. SPURRIER: Anyone else?

MR. STANLEY: I would like to ask the gentleman a question.

By: MR. STANLEY:

Q Continuing with Mr. Macey's testimony, I would like to ask you a question in this respect, if you voided the gas cap and moved the oil up structure, would that be wise?

MR. ADAIR: If the Commission please, I object to that

on the ground among many many others that that is beyond the scope of proper cross examination. The witness has testified to nothing with respect to waste on direction examination.

MR. SPURRIER: This is a good chance for him to start. If he has an opinion, I would like to know what it is.

MR. ADAIR: We object further, if the Commission please I particula·ly do not want to get into in this case because we feel it has no proper place in it, the question of waste.

MR. SPURRIER: I remember distinctly that you mentioned waste.

MR. ADAIR: Mentioned that there was no evidence of was if the Commission please.

MR. SPURRIER: That is right.

MR. ADAIR: The same as there is no testimony in waste insofar as the direct examination was concerned therefore, it is not proper cross examination. The Commission has so ruled when we had the other witness on the stand.

MR. SPURRIER: Does anyone else have a question?

MR. KELLAHIN: I have a couple more questions.

By: MR. KELLAHIN:

Q Mr. Bagwell, you testified that the formation is continuous across the line of separation which has been drawn for the purposes of delineating those two pools. Are the pay zones continuous?

A Yes, sir, I think generally speaking they are with possibly local exemptions.

Q With possible what?

A With possibly local exemptions.

Q In connection with your studies, Mr. Bagwell, did you consider radioactive logs, bottomhole pressures, fluid samples and the other items which were outlined by Mr. Adair as factors which should be concerned in such a study?

A I considered the radioactivity logs, sample logs and other data which we had available to us. I didn't go into bottomhole pressure or bottomhole samples.

Q Do you consider your work was more comprehensive than the seven months'study made by the Committee formed for that purpose?

MR. ADAIR: There is no testimony in the record as to what the result of the four months' study was. What they came up with. The only testimony--

MR. KELLAHIN: I really think there is testimony--

MR. ADAIR: (Interrupting) I assume you refer to the Federal Unit study that was presented at the April 1951 hearing.

MR. KELLAHIN: That is right.

MR. ADAIR: As far as that is concerned, the evidence of that study has already been hashed and rehashed. There certainly were no cross sections introduced in that except one generalized cross section.

Q Would you answer the question, please?

A Yes, sir, I have not attempted to do the extensive work that they did. I merely attempted to show that the formations

were continuous across the line and production is continuous across the line.

MR. KELLAHIN: That is all, thank you.

By: MR. MACEY:

Q Are you familiar at all with the study which was made by the so-called Federal Unit Committee in Case 245, I believe it is?

A Not other than what I read in the transcript of the case.

Q Do you happen to know whether or not at the conclusion of that study, whether Texas Pacific Coal and Oil Company was invited to inspect the results of that Committee before they presented the evidence here, the results of their study?

A No, sir, I do not.

Q You say that you have read the transcript of Case 245 fairly thoroughly?

A I read it and in the transcript it says that other engineers were invited to attend, but not necessarily to participate.

Q Do you have a copy of the transcript in front of you or available to you? About two-thirds of the way down on page 14, Mr. Adair made a comment, would you like to read that for the benefit of the Commission?

A "Eugene Adair, representing Texas Pacific Coal and Oil Company. I might state to the Commission that at this time we have no quarrel whatsoever with the results shown by Continental

However, we would like for the record, to ask a few questions. Mr. Forbes, this comprehensive study that you have just completed was necessarily based, was it not, upon such information as you had available to you at that time? MR. FORBES: That is right. MR. ADAIR: And as future drilling and future development operations are conducted in the area, you will have available to you additional information which may require the Commission to revise the pools, the pool gas pool lines. MR. FORBES: That is right. MR. ADAIR: I will refer you to the northern portion of Township 22 South, Range 36 East where you will observe that gas pool one, the line separating gas pool one from gas pool two to the east coming through that Township splits several of Texas Pacific Coal and Oil Company's leases. Is that not correct? MR. DAILEY: It does, the basic lease. It doesn't within any one section. It does some of your basic leases where they extend across more than one section. MR. ADAIR: Now, as an additional drilling is done along that line and additional information becomes available, it may require that line separating those two pools be shifted some one way or another. MR. FORBES: That is right. This is the best we can draw from our information. MR. ADAIR: At the present time? MR. FORBES: At the present time. MR. ADAIR: It is not intended to be a permanent line? MR. FORBES: It is unless you can furnish additional information. MR. ADAIR: Additional information will change the line if necessary? MR. FORBES: If it warrants it. MR. ADAIR: So, then it is not intended to be a permanent line delineating the gas

pools. MR. FORBES: No."

MR. ADAIR: How far do you want him to go?

MR. MACEY: He is going to finish right now.

A "MR. ADAIR: That is all I have."

MR. ADAIR: This is additional information we are furnishing you today, if the Commission pleases.

Q Mr. Bagwell, returning to what Mr. Adair says, and I will quote, "I might state to the Commission we have no quarrel whatsoever with the results shown by Continental." I might ask you if there has been any additional drilling in there to change Continental's question and how much additional drilling had been done in the area?

A I am afraid I don't know exactly what wells have or have not been drilled since that time other than a few of Texas Pacific's wells which I am particularly familiar with. As far as completion dates on the others, I am not too familiar with them.

Q Do you know of any additional drilling in the area of Texas Pacific's leases that resulted in any conclusions differen from any other wells that were drilled prior to this study on Texas Pacific's leases that would change the picture that was presented?

A No, sir, I don't know of anything that would change any thing that was already there.

MR. MACEY: That is all I have.

MR. SPURRIER: Anyone else? Mr. Hinkle.

MR. HINKLE: Clarence Hinkle representing the Humble.

By: MR. HINKLE:

Q I believe you testified that the Jalco field was a natural gas cap field, is that right? A Yes, sir.

Q Is the gas cap there a natural condition of that field, or is it caused by drilling operations that have progressed so far or what? Is it just a natural condition of that field?

MR. ADAIR: If the Commission pleases, the witness has testified in his opinion that originally Seven Rivers and Yates were separate reservoirs in there.

MR. HINKLE: He has testified it was gas capped. I want to know if it was a natural condition in that field.

MR. ADAIR: It is gas capped.

A I think it is a condition that may exist due to development and connection by well bore.

Q But if it was there before any development took place, you would call it a gas capped field?

A I don't believe I stated that. I think I said that originally I believe that the Yates and Seven Rivers and Queens were separate formations.

Q But they are so-called gas capped formations, are they not. As I understand your testimony, you said that in the Jalco field here that the gas produced was gas cap gas, is that right?

A At the present time I think it is.

Q You think that the gas is combustible vapor composed chiefly of hydro carbons? A Yes, sir.

Q It is natural gas then, is it, of the definition of the

Conservation Commission?

MR. ADAIR: Wait, just a minute. The Rules are going to speak for themselves there. What Rule are you referring to?

MR. HINKLE: Rule 35.

MR. ADAIR: Defining.

MR. HINKLE: Natural gas and gas.

MR. ADAIR: Just a minute, Mr. Hinkle. Will you read that to Mr. Hinkle, please. It has been read into the record once before.

MR. HINKLE: What is that?

MR. ADAIR: It has been read before.

MR. HINKLE: I am just asking if it comes under that definition, the gas cap in the Jalco field.

MR. ADAIR: If it is gas cap gas it is casinghead gas.

MR. HINKLE: I will ask you this question, don't you think that the gas cap gas as defined in the other rule is also included in this definition of natural gas, Rule 35?

MR. ADAIR: If the witness is qualified to answer that question, I have no objection to him answering it.

MR. HINKLE: I would like for him to answer.

A Would you repeat it so I can be sure I understand it?

Q I asked you if the gas produced from the gas cap or the gas produced in the Jalco field was combustible vapor composed chiefly of hydro carbon? A Yes, sir.

Q And you also testified that it was a natural condition at least at the present time, or that it was gas capped at the present time?

A Yes, at the present time.

Q So under the statement of that testimony, doesn't it come under the definition of the Commission Rule 35 as being natural gas?

MR. ADAIR: I object to that question on the ground it calls for a legal conclusion and that the Rules themselves provide that gas cap gas is casinghead gas. Natural gas is natural gas produced from an oil pool.

MR. HINKLE: Our position is that the definition in 35 is inclusive of gas cap gas in the other definition. The other serves the purpose in cases where the Act and Regulations and Rules refer to gas cap. Where it refers to natural gas as provided in the Act, the Act provides for the proration of natural gas, this definition would prevail.

MR. SPURRIER: Anyone else? Mr. Stahl.

By: MR. STAHL:

Q Mr. Bagwell, is there any information available to you that was not available to other parties who had previously worke out information similar to this?

A Probably information that came about through activities later on.

Q Was any of the information that you used information made available from drilling subsequent to the date of the report and the date of Mr. Forbes testimony?

A Yes, sir.

Q Were any of those Texas Pacific wells?

A Yes, sir.

Q Are any of those Texas Pacific wells on the cross sections that you introduced?

A Yes, I believe they are.

Q Did you not also testify, Mr. Bagwell, that originally, in your opinion, that these reservoirs to-wit: The Yates, Seven Rivers, and Queens were three separate and distinct reservoirs with no communication, and when they were layed down by nature was there communication vertically between those three reservoirs? A I don't think so.

Q What reservoir did you say it was, in your opinion, gas cap gas, I have forgotten? A Which reservoir?

Q Yes, sir.

MR. ADAIR: I object to the question as calling for a conclusion. You mean what area?

MR. STAHL: Yes.

MR. ADAIR: That is the subject matter of the hearing whether or not it is a common reservoir.

MR. STAHL: What I mean, Mr. Adair, I believe the witness--

MR. ADAIR: It was the Jalco area.

MR. STAHL: Did not the witness testify there was gas cap in the Yates, Seven Rivers?

MR. ADAIR: It was in the Jalco.

Q In what formation was the gas cap gas?

A Yates, Seven Rivers.

Q That was not gas cap gas when it was originally layed

down was it? Were they not three separate reservoirs?

A Yes, sir, I believe I already said that I believed they were.

Q Did you not define gas cap gas as gas that is in contact with the oil column? A I did.

Q How did this gas in the Yates, Seven Rivers come in contact with the oil column if it was not originally in contact?

A I would think through development of the area and through the well bores, many hundreds of well bores.

Q In other words, the motion of vertical movement is through the well bores, and not through the structures as such?

A Right.

Q As a hypothetical matter, if there is a full 640 acres anywhere in the Jalco Pool which has not been pierced by a drill immediately underlying that 640 acres, you would not have gas cap gas then by your definition?

A I don't believe anybody could answer that question. Nobody knows.

Q Do you have an opinion?

A For what it is worth. You stated that if there had been no well bores in this 640 acres?

Q Yes, sir.

A And the formations were originally separated?

Q Yes, sir.

A That the gas in there now would not be gas cap gas?

Q As you defined it as being in contact with the oil column.

A No way that you could classify gas cap gas unless it was in contact with the oil column.

Q What do you think it would be if it wasn't gas cap gas?

MR. ADAIR: Mr. Stahl, do you have any specific area on the Exhibit from which he testified?

MR. STAHL: No, it was a hypothetical question addressed to an expert witness.

MR. ADAIR: The point I am asking, the reason I am asking for the purpose of objecting to the question, unless it is related in some way or another to the Jalco hearing on consideration here today--

MR. STAHL: (Interrupting) No, sir, I did not have any particular 640 acre tract. I understand that you object.

MR. ADAIR: Yes, sir.

MR. STAHL: Upon what ground?

MR. ADAIR: It has no relation to this hearing. It is not germaine, it is not proper cross examination in that it was not gone into, the feature of it, on the original examination.

MR. STAHL: He was qualified as an expert. That was a hypothetical question addressed to an expert.

MR. ADAIR: I believe we qualified him as an expert, please, in this area.

MR. SPURRIER: I think the counsel is entitled to an answer if the witness can give it, let him give it.

A All right, sir, in the case that you mentioned under my definition, it would not be gas cap gas, but this, I don't

think this condition exists in the area we are talking about.

Q Do you have an opinion as to what type of gas it would be either under the Rules of the Commission or your own as a qualified expert geologist?

A It would be simply a dry gas reservoir.

MR. STAHL; That is all.

MR. SPURRIER: Anyone else? Mr. Macey.

By: MR. MACEY:

Q In the Jalco Pool it is defined as producing on the Yates and all but the lower hundred feet of the Seven Rivers and the Langmat definition is exactly the same, am I correct?

A That is right.

Q If they were two separate reservoirs, what could cause two separate reservoirs?

A I would think an area in which you encountered no production between the two of them.

Q Would that definitely have to be the case?

A Geologically speaking as far as I am concerned, I think it would.

Q Would the area of no production have to be of any particular size, width?

A I think it would have to extend the full length of the area which you are trying to divide, any other case I would call it an intra-field not productive area, probably due to a local condition of permeability or what have you.

Q You say that it would have to extend the full length o:

the field. How about the width of the field, how wide would it have to be?

A If it was too wide it wouldn't be any field.

Q But how narrow could it be and still provide a barrier

A I would say one well, one well wide.

Q Well now, that is, how wide is a well bore? I want you to get this, I want to know, you mean one location wide or one--

MR. ADAIR: For the purpose of making an objection, Mr Macey, does your question relate to any area on the map identified as Exhibit 43?

MR. MACEY: You are going to have to say that again.

MR. ADAIR: Does the question that you asked Mr. Bagwe relate to any area on the map known as Texas Pacific Exhibit--

MR. MACEY: (Interrupting) No, I don't have any area in mind. I am asking an expert geological question of an expert witness.

MR. ADAIR: He is qualified to answer that.

A In my opinion that one dry hole, not necessarily the 40 acres or whatever it is on, would be enough to divide them.

Q In going over the top of a reef so-called, I can't remember the exact terminology you used, you described it as going over the top of the reef into the Lagunal area, wouldn't it be possible for a narrow permeability barrier to exist in there somewhere?

A It would be possible, but I wouldn't say probable.

Q Do you know of any reason to show that it doesn't exist?

A We don't have any dry holes in the Jalco and Langmat or along this line.

Q If you had differential pressures on either side of the line and differential sulphur content, would it tend to point out a barrier between them?

A The pressures I don't know anything about. I wouldn't say it necessarily did on the sulphur content.

Q In order to determine whether a permeability barrier was there the well bore would have to permeate the permeability barrier, would it not? A Yes, sir.

MR. MACEY: That is all I have.

MR. SPURRIER: Anyone else? Mr. Dailey?

By: MR. DAILEY: Homer Dailey, Continental Oil Company.

Q I would like to ask one question. Did you testify that the gas cap was not there originally before the drilling started in the area? In other words, you testified that the gas is gas cap gas in Yates and Seven Rivers? I believe Mr. Stahl asked a question about it being gas cap gas initially which I would take to mean the time that the initial drilling started in the area.

A No, sir, I believe originally the formations were separate and the gas in the upper portions of the Yates were probably not in contact with the oil column.

MR. DAILEY: That is all.

MR. SPURRIER: Anyone else? If not, the witness may be excused.

(Witness excused.)

MR. SPURRIER: We will stand in recess until 9:00 o'clock in the morning at the City Hall.

(Whereupon, the hearing was recessed until 9:00 a.m. January 22, 1954, in City Commission Room of the City Hall, Santa Fe, New Mexico.)

Morning Session, January 22, 1954, held at City Hall.

MR. SPURRIER: The meeting will come to order, please. I might warn you now that 12 o'clock sharp this hearing will be over for this month, if necessary we will continue it but Mr. Walker has a previous engagement that he has to meet at 12 o' clock.

MR. GIRAND: If the Commission please, my name is W. D. Girand and I am with the Me-Tex Supply Company. We have the Case on motion for rehearing in Case Number 584, which admittedly follows the present case. At this time we would like to move for a continuance of this Case until the February or March hearing which ever meets the convenience of the Commission. It is apparent that we would not be able to complete our Case within the time alloted by the Commission today.

MR. SPURRIER: Is there objections to counsel's motions

MR. SMITH: If it please the Commission--

MR. SPURRIER: Just a minute, Mr. Smith, let us continue the Case 584 to the February hearing. Now, Mr. Smith.

MR. SMITH: Are we ready to proceed with the Case?

MR. SPURRIER: Case 582.

MR. SMITH: I would like to recall Mr. Bagwell.

(Mr. Bagwell recalled as a witness.)

By: MR. SMITH:

Q Mr. Bagwell, during the course of your testimony yesterday, I left the hearing after your testimony rather with a some what clouded mind as to the exact status of these reservoirs.

I believe that your testimony intimated or stated that you thought the three different zones were all separated in their initial stage, am I correct?

A That is correct.

Q And that the migration of gas has been caused by well bores all together, is that correct?

A Yes, I think most of it has.

Q Do you have an opinion or not as to whether or not there has been gas capped gas in each of these reservoirs?

A You mean originally, Mr. Smith?

Q Originally.

A Generally, I would say no, but there are possibly some locale exceptions.

Q Isn't it a fact that there are gas wells completed as such in the Queens formation?

A Yes, sir.

Q Isn't the Queens the lower formation?

A Beneath the Seven Rivers.

Q The Yates is on top of the Seven Rivers. How much interval is there between the Yates and the Seven Rivers?

A The yates is approximately 250 to 300 feet thick.

Q 250 to 300 feet thick, you say?

A Yes, sir.

Q Is it directly on top of the Seven Rivers or is there an impenetrable mass lying between the base of the Yates and the top of the Seven Rivers?

A The Yates lies directly on the Seven Rivers.

Q Well, is there communication between the two?

A I think through, probably through well bores and development that there is.

Q That is what confused me, Mr. Bagwell, it occurrs to me that if a producing zone lies directly on top of another producing zone and without anything between them that there must be communication wouldn't that normally follow?

A There are probably, within the Yates and Seven Rivers certain dense layers which would probably separate them.

Q Is that continuous condition that would lie throughout the entire field?

A Yes, sir, I would think so.

Q Then, if I follow your statement here, there are dense sections, tight sections as the saying goes at the top of the Seven Rivers or at the base of the Yates?

A I don't know whether there is one directly at that contact or not, Mr. Smith.

Q I beg your pardon.

A I do not know whether there is one directly at the contact between the Yates and Seven Rivers.

Q I don't follow you. You mean the dense section?

A This dense section that you are talking about, I don't know whether it is right at the contact between the Yates and Seven Rivers or not.

Q You having stated there is a dense section there, does it have any porosity?

A A dense section?

Q The dense parts, do they have any porosity?

A I would say they had relatively smaller amounts in less dense sections.

Q Do they have any permeability?

A I would say they had less than relatively --

Q (Interrupting) But there is certain porosity and permeability existing in even the dense sections, isn't that right?

A Probably very small amounts, yes, sir.

Q Isn't it a fact that gas will filter through almost insignificant porosities as distinguished from oil which requires a much higher porosity in order to get the movement throu the sands?

MR. ADAIR: I would ... to properly answer that question, Mr. Smith, I think you ought to relate it to time.

MR. SMITH: I don't think, Mr. Adair, time is a factor. Let the witness answer the question. He knows the answer.

A I think what you said is true.

Q That leaves us then with this situation, you say it is dense enough that there couldn't be communication and yet you turn right around now and say there is a possibility. I presume I am drawing that inference from your testimony that there could have been filtering of this gas through the ... spectastrata ... as distinguished from going up the well bore al...

A Yes, sir, I think in those dense sections that we are talking about the gas probably could filter through them but relatively.

Q That being the case then, so far as gas is concerned

there would be communication between the Seven Rivers and the Yates?

A I would think it would be in lesser amounts than within the Yates or the Seven Rivers.

Q In other words, we are talking now in terms of relatively there would be communication but you don't think it amounts to a great deal, is that it?

A That is about it.

Q All right, now. Since we are talking in terms of relatively and we are talking about the fact this is less, what do you consider to be greater? We have to have both ends of our formula together here, you see?

A I would think it would be greater within zones that have more porosity and permeability and are not separated by any dense sections.

Q Have you examined corings from these various wells that Texas Pacific Coal and Oil Company has drilled?

A No cores.

Q No corings? A No.

Q You have seen samples, though? A Yes.

Q You have a personal knowledge then of the magnitude of the porosity and permeability as it goes up and down the respective bores, is that right? A Yes, sir.

Q Let's move on, we are going kind of slow here. Let's move down from the Yates and the Seven Rivers on down into the Queens. The Queens is the zone from which you get most of the

oil, isn't that right?

A I would say from the Seven Rivers and Queen.

Q As I understand it, the bottom one hundred feet of the Seven Rivers is considered to be in the oil pool and the entire Queens is considered to be in the oil pool, is that right?

MR. ADAIR: Just a minute. There is no testimony with respect to that in the record.

MR.SMITH: We are having some now.

MR. ADAIR: Are you asking that question?

MR. SMITH: Yes, I am.

A Would you restate this, please?

Q Let me ask you this. So far as the oil production is concerned, the bottom one hundred feet of the Seven Rivers is considered to be in the oil pool and the Queens, all of the Queens in those portions where there have been completions of oil wells as such?

A I understood that it was the entire Seven Rivers and the Queens in the oil designations.

Q In the oil designations, the entire Seven Rivers. Well, what is your opinion as a geologist as to how much gas represented on the volumetric basis on a percentage wise basis also is there in the Seven Rivers with respect to the amount of oil that would be in the Seven Rivers?

A I think in most areas, it would be a very high ratio

Q Fairly high ratio? A Gas - oil.

Q You say high ratio, you mean gas to oil?

A Yes, sir.

Q In the Queens, I presume there would be relatively low ratio in most of the area?

A In most of the area.

Q The question I am leading up to is, then there is communication between the Seven Rivers and the Queens, vertical communication?

A Possibly in some places but I wouldn't say some over all.

Q In some of the places there would be communication?

A Yes.

Q That condition is quite often found in most oil reservoirs where you have stringer production and they are still recorded to be one continuous reservoir?

A If you had stringer production, I assume by stringers, there would be no communication between stringers.

Q Certain separate zones but from a geological standpoint you still consider it to be one reservoir? What I am getting to with dense zones here and there you sometimes have impeding of the flow of the oil but it is possible for the oil to percolate around and gradually get up and perhaps possibly be produced? A Yes, sir.

Q Then, is it your opinion in view of the testimony that you have given this morning that all three zones can be considered to be one reservoir?

MR. ADAIR: By three zones, you mean the Yates, Seven

Rivers and Queens.

MR. SMITH: I am talking about all three, the Yates, Seven Rivers and Queens.

A At the present time in most places, I think that is, you could say that.

Q All right, Mr. Bagwell,

MR. SMITH: Do you have this overlay map showing the 36 mile strip?

MR.ADAIR: Yes, sir.

Q Now, Mr. Bagwell, in order to refresh my recollection a little bit since I am a little hazy, the area in green represents what?

A I believe that is the Eunice Monument Pool.

Q That is the Eunice Monument Pool?

A Yes, sir.

Q Does it have production from all three of the zones we have been discussing this morning?

A I believe the designations on that is Seven Rivers, Queens, Grayburg and San Andres.

Q Well, there is no communications between the Grayburg and San Andres and the Queens though, is there?

A Mr. Smith, I am not too familiar with that pool.

Q That is quite all right. Which area is the Jalco Pool is that the one in blue here?

A I believe that is the Cooper Jal.

Q It is the Cooper Jal Pool. Where does the Jalco gas

Pool lie on this map? A We have that--

Q That is on another map here?

MR. ADAIR: Do you want to put that up on top of it, you can see it that way.

MR. SMITH: All right.

Q Which area -- which Exhibit is this?

MR. ADAIR: 34.

Q On Exhibit 34, which area now represents the Jalco Pool or field?

A That is the area that is colored in pink or lavender whichever it is.

Q That roughly corresponds as this overlay portrays with the boundaries of the Cooper-Jal Pool which is an oil fiel or oil pool, is that right?

A Roughly, yes, sir, it overlays it.

Q Isn't it a fact that the oil wells in this area which is roughly 36 miles long are located on the east and west sides respectively and not in the middle?

A Will you repeat that, please?

Q Isn't the oil production encountered on the west side of this entire area that has been under consideration and whi is colored on this Exhibit 34?

A Most of it, yes. There are local exceptions.

Q Isn't there also oil production on the east side of the same colored area on Exhibit 34?

A Do you mean east of the yellow shaded area?

Q Well, yes, it is not clear over here but isn't the oil production running clear down through here which is roughly down through the middle of the yellow?

A There is oil production in there.

Q That is right. All right, now, Mr. Bagwell, if it is a physical fact that this actually all of these zones in this entire area have communications and it could be considered to be one field, if the gas reserves as contrasted with the oil reserves are on a much higher or er of magnitude, wouldn't it be better to call this a gas field with an oil rim than to call it an oil field with a gas cap?

A Mr. Smith, you have stumped me, your phrases there.

Q Oh, my phrases? A Yes, sir.

Q Well, I gave you a hypothetical question. Let's get back to the one here. In your opinion, as a geologist and assuming from your testimony which is indicated that there is communication throughout the entire area that this is one continuous productive area, isn't the percentage of gas as contrasted with the percentage of oil in that area of sufficient order of magnitude that would cause this to be classified as a gas field with an oil rim rather than an oil field with a gas cap?

A Mr. Smith, I think that since we do have a relatively large gas column as compared with our oil column, I would be more inclined to call it an oil field with a gas cap.

Q Well, in order to explore that statement of yours a

little bit it would be necessary for me to know a little bit more about your ideas as to the order of magnitudes of the gas and the oil. Do you have an opinion with respect to that matter?

A I think originally there was approximately eight hundred feet of gas column and probably around one hundred fifty feet of oil column which had been distinguished by development in the well bore.

Q You are talking now, of course, in general terms. Is that an average throughout the entire field or does that take into consideration the fact that in the center part of the colored area you wouldn't have any oil production, you have the gas production from the Queens?

A Would you restate that please?

Q Considering the fact that you have gas production from the Queens down the middle of this colored area still where you wouldn't have any oil column at all did you take that into consideration in arriving at your one hundred fifty feet of oil column as contrasted with eight hundred feet of gas column?

MR. ADAIR: I have forgotten the question now.

MR. SMITH: I don't think the witness has.

MR. ADAIR: Would you read the question back?

(Question read)

A Yes, sir, I think I took that into consideration.

Q In other words, it is your testimony that the respective percentage of volumetric displacement in this combined

reservoir is on the order of one hundred fifty to eight hundred?

A Yes, sir, in the length of the respective columns.

MR. SMITH: I have no further questions.

MR. SPURRIER: Anyone else? Mr. Rhodes.

By: MR. RHODES:

Q I would like to ask one question, have you noticed any tendency in any of the producing formations here, shall we say thin down as they go over what you call your reef reflection that is, is there any thinning out at the apex on this formation or on this so-called structure?

A Yes, sir, I believe in some cases there is slight thinning.

Q A slight thinning? A Yes, sir.

MR. RHODES: That is all.

By: MR. MACEY:

Q Mr. Bagwell, are you familiar with Bulletin 18 of the State Bureau of Mines and Mineral Resources, have you ever examined that book?

A Not entirely. Certain portions of it.

Q Have you read the portion in the book pertaining to the South Eunice Pool?

A South Eunice? Yes, sir, I believe I have.

Q I believe you testified that originally in this area around your Texas Pacific Coal and Oil Company wells and the Jalco Pool area also in general that there was not a gas cap in the pool, that it was an oil pool. I am referring to three

questions which were asked you yesterday afternoon, two by Mr. Stahl and one by Mr. Dailey of Continental Oil Company which I believe is in the record.

A Would you restate it for me?

Q My question was this, I was under the opinion that yesterday you stated that the area around your leases in the South Eunice Pool originally was an oil pool. It was an oil reservoir and that by drilling through it and by communication of well bores in the area the gas migrated up structure so to speak?

A As best I remember I think I said that originally I believed that the formations were separated, and that through development and by connections with well bores that they are now interconnected.

Q What did the formations contain originally before they were ever tapped by any well?

A I think it was probably gas in the Yates and at least up Seven Rivers.

Q In other words, it is your opinion that the pool originally was gas in all of the Yates and in the upper Seven Rivers. By upper Seven Rivers how much of the total Seven Rivers

A That I am just afraid I can't answer.

Q Have you examined any cores on any of the wells drilled on your leases? A No, sir.

Q Have you examined the completion records of any of the wells drilled on your leases? A Yes, sir.

Q Have you examined the completion records of the first well that your company drilled in Sections 6, 22, 36, mainly your State A, Account One, Number one?

A Not the entire completion record. I was mainly concerned with the upper portion of the Yates and Seven Rivers.

Q Where is that well located structurally on the trend that runs roughly north and south through the area?

A May I use this map to indicate?

Q Yes, sir.

MR. MACEY: We ask that the witness speak a little louder, please. I am sorry I would like to correct the location. The well is located in 21. I am referring to the Texas Pacific Coal and Oil Company Number One well located in the south west quarter of 21, 23, 36.

A No, sir, that well is in Section 22.

Q Where is that well located roughly on the structure?

A On the structure? As shown by the Yates contour that well is on the eastward flank of what we have been referring t as the reef reflection that is the lower eastern flank.

Q How far off the apex of that structure and how far below that structure is that well located from the standpoint of your contour map?

A It is approximately one half mile east of the apex of the reef reflection and you asked me how much lower structurally?

Q Structurally, it is?

A I will have to count that. Approximately one hundred twenty-five feet lower.

Q What was the total depth of that well and what formation is it completed in?

A Total depth was five thousand and ninety-five feet, and it was plugged back to 3620. I believe that would be the Yates and Seven Rivers.

Q Was it completed wholly within, was it completed within the bottom one hundred feet of the Seven Rivers or within the top one hundred feet? I am not trying to pin you down to the foot, I want to know approximately.

A May I refer to our cross section we put on as an Exhibit yesterday?

Q Yes.

A According to our cross section the well was plugged back approximately seventy feet above the top of the Queens, the Queen being as I remember pretty hard to define in that area.

Q What was the initial potential of that well and when was it completed?

A Completed for seven million cubic feet and the date I do not remember.

Q Wasn't it one of the earliest wells that you drilled in the area since it is your Number One well?

A Yes, sir.

Q It was probably the first well wasn't it or you probably wouldn't have numbered it Number One?

A I suppose so, I wasn't around at that time.

Q If that well was completed within seventy feet of the base of the Seven Rivers for seven million cubic feet of gas, doesn't it stand to reason that at the time that well was completed that there was a solid gas column from within seventy feet of the contact between the Seven Rivers and the top of the Yates?

A Let me, on that completion data say a few more words. Our casing, seven inch casing was set down at 4234 which would be below the Queen. Then, we plugged back to, I will have to correct that, plug back to 3668 so, our portion of Seven River which is one hundred feet above the Queen, in fact one hundred approximately one hundred sixty feet above the Queen is not open, it is shut off by casing and the casing shelved with nitro glycerin, it was shot with nitro. The lower most shot being 3560.

Q Let me get this straight. You shot the casing with nitro glycerin? A Yes, sir.

Q Aren't you referring to the fact that the well was originally drilled to a total depth and then re-completed and plugged back and the pipe run and that the hole was originally shot in open hole sections and completed as a seventeen million foot gas well before it was completed and the pipe set in there and the hole re-completed? You certainly wouldn't shut nitro-- glycerin off in the pipe. You might do it to plug the well but you certainly wouldn't do it to complete the well?

A Mr. Macey, I am not too familiar with the completion work on that well.

MR.MACEY:In veiw of that, I would like the Commission to take notice of its records on that particular well and to note the total depth of the well at the time it was originally completed and to also note the fact that the well was completed as a seventeen million foot gas well, considerably below the crest of the apex of the structure and that there was a solid gas column above the total depth of that well or the plug back depth of the well at the time it was re-completed. That is all.

MR. SPURRIER: Anyone else?

MR. SMITH: I have one or two other questions.

By: MR. SMITH:

Q Isn't it a fact that on the west side of the Jalco Pool there is a very active water drive?

A Yes, sir, I think there is.

Q Isn't the effect of that active water drive to move the oil up structure as the gas is withdrawn?

A Yes, sir.

Q There is a possibility since there are some wells completed in that area that in that zone that are both gas wel and oil wells, there is a possibility that some of the gas wells may eventually become oil wells?

A That is correct.

Q And this migration could move across lease lines =

assume. There is no impenetrable barrier with respect to that matter?

A No, sir, I don't think so.

MR. SMITH: That is all.

MR. SPURRIER: Any one else? Mr. Rhodes.

By: MR. RHODES:

Q What would you say is a major source of reservoir energy in this reservoir?

MR. ADAIR: I object to that if the Commission please That is not proper cross examination. The question is not within the scope of the direct examination.

Q Let me ask another one then. Would you say the reservoir was dipping more steeply on the west flank than on the east of the structure?

A Are you referring now to the reef reflection or the entire area?

Q Let's take the structure as a whole, both to the west of the reef reflection and over in your Lagunal area. Would you say that your structure is dipping more steeply to the west of the apex than to the east?

A Yes, sir.

MR. RHODES: That is all.

MR. SPURRIER: Any one else?

MR. FOSTER: May I be permitted to ask the witness some questions?

MR. SPURRIER: Yes, sir.

By: MR. FOSTER:

Q Mr. Bagwell, you are familiar with the State-wide Rule 106, are you not?

A Not by number.

Q Well, the Rule provides that when you drill an oil well or gas well through separate producing formations that is not interconnected that you should seal those formations off in order to prevent communications between separate zones. Did the Texas Pacific Company observe that Rule in completing its well?

MR. ADAIR: If the Commission please, in order to be a little more specific. Please ask the witness what well you are referring to and the date it was drilled and give the Commission the date of the Rules as you refer to them.

MR. FOSTER: I don't know of any Rule that was passed I don't know when you drilled your well but I know you drilled some wells. The witness has testified that these formations are all separate. The Rules require for you to seal off these separate formations when you drill through them so as to prevent intercommunication.

MR. ADAIR: I object to the question. It is not within the scope of the call of this hearing.

MR. SPURRIER: We think it is, Mr. Adair. The witness will answer the question. Refer to your well files, if you wish. You are talking about the Jalco Pool, aren't you?

MR. FOSTER: Yes, I am talking about the area that is

under consideration here?

A Yes, I think we have shown on our cross section that our pipe was set above some of these producing formations.

MR. FOSTER: That is all.

MR. SPURRIER: Any one else? If no further questions the witness may be excused.

(Witness excused.)

MR. SPURRIER: Do you have another witness, Mr. Adair

MR. ADAIR: I have some more evidence, if the Commission please. At this time, I would like to offer in evidence the testimony and the Exhibits which were offered by Mr. Stanley at the hearing the day before yesterday. We offer as Exhibit 54, a copy of the transcript of testimony of Mr. Stanley That is the testimony if the Commission please, where Mr. Stanley showed that the take-off residue gas in Texas was directly effecting the take-off gas well gas in New Mexico. We offer as Exhibit 55.

MR. STAHL: If the Commission please. Excuse me, Gene. Would it be possible to have the reporter read Mr. Stanley's testimony at this time? Some of us were not at the nominations hearing.

MR. SPURRIER: It is not available, Mr. Stahl.

MR. ADAIR: We offer as Exhibit 55, the circle percentage platt prepared and introduced by Mr. Stanley and we offer as our Exhibit 56 the graph prepared and introduced by Mr. Stanley.

MR. RUSSELL: If the Commission please, we would like to tender into evidence at this time our Exhibits Numbers One through 56 including the subject numbers thereto.

MR. SPURRIER: Is there objection to anyone of these Exhibits?

MR. KELLAHIN: I assume that my running objections as regards the Langmat Pool will be entered into the record as regards the introduction of these Exhibits in behalf of Samedan Oil Corporation?

MR. SMITH: Since Mr. Stanley's testimony is now a part of the record and I inquired yesterday as to whether or not he would be available for further questioning, I would lik to know at this time, Mr. Adair, if Mr. Stanley could answer one or two questions, would it interfere with your order of proof?

MR. ADAIR: I would like to complete my case. You can put it on in rebuttal if you wish, if that is satisfactory with the Commission.

MR. SMITH: I prefer to consider my interrogation as cross examination rather than rebuttal. It is a highly technical point.

MR. ADAIR: If the Commission please, this completes the presentation of evidence by the applicant at this time subject, of course, to the right to offer rebuttal testimony and to make a final legal argument at the conclusion of the entire hearing. I am sure that the question has arisen in the minds

of some of the members of the Commission as to why we are here. Why we asked for a rehearing, since the evidence in this Case shows that for January at least, the allowables set by the Commission are higher than the minimum take provisions of our El Paso contract which is in evidence. That is the question that I am sure is in your minds as certainly legitimate question and I should like to try to answer it at this time. In other words, how are we hurt?

If the Commission please, the Statutes of the State of New Mexico require that in any application for rehearing, from an order of the Commission,must be filed within twenty days after the date of that order. As the evidence shows we have a contract covering our gas in this area which goes for some sixteen years yet. It is impossible, of course, to determine in twenty days the effect within which we must file our motion for rehearing. The effect of the Commission's order on our contract during the twenty year period or during the sixteen year period.

If we wait to determine the extent to which we may suffer property damage to our property rights and ~~or~~ correlative rights and our contract rights, it would then be too late to appeal to the Commission or from the Commission on the order entered. That situation, I think, was highlighted at the hearing Wednesday, when upon application by one of the operators for an unorthodox unit, he was met by the objection that his request for an unorthodox unit came as a collateral

attack upon the Commission's order establishing orthodox units.

Right off the reel, of course, we are hurt by the loss as the evidence shows by the loss of three units of allow abl e. That by reason of the Commission's adoption of the orthodox unit that it has adopted. To restore that reduction or to restore the production that we have lost and to restore us to the status that existed prior to January 1, 1954 when proration took effect would require the drilling of three additional wells at a cost of some hundred and twenty thousand dollars.

In our opinion the drilling of those wells would be unnecessary, they would be unnecessary wells in that the acrea that we had attributed to our present wells and which we have lost would be reasonably drained by the wells or by our present wells. That, in itself, we think is sufficient injury to us to justify us coming before the Commission. Of course, you may say that the Commission can grant exceptions and restore that to us but before the Commission could grant us exceptions our time for appeal would have passed.

The main thing, however, that worries us are the possible abrogations of our minimum take provisions of our contract somewhere during the sixteen year period based upon nominations by the purchaser. That is his nominations or the allowable being set at a figure lower than our minimum take provision. Mr. Stanley's testimony showed the effect of takes in other States upon takes of New Mexico gas well gas. That

did not come as any surprise to us, because as the Commission's records will show El Paso's takes of our gas in 1953 as compared with 1952 from wells in this area were some thirty percent less and had that same percentage carried on over into this year, we would have already been below the minimum take provisions of our contract.

Still an equally important provision of our contract, bear in mind that the testimony shows that these contracts are common to some one hundred and three wells in the Jalco field alone, is the obligation of the purchaser to take or pay for low pressure gas. That is gas above one hundred pounds pressure but below the pressure of El Paso's pipeline. Unless the producers can go to the market with their low pressur gas, those wells will be shut in.

We fear that those provisions of our contract which are also take or pay for provisions maybe in time or could be abrogated by the Commission's orders and gas prorations.

Finally, as the evidence shows we have quite a number of oil wells in the area. The Commission's records will show that we have some four hundred barrels per day production. Some of those wells as the records will show are producing oil from formations up in the gas pool vertical interval. Some of our wells are producing gas below the gas pool interval. Some of our wells and it was proper under the Rules of designation are open, both above andbelow the gas pool interval designations.

We don't know how the Commission in time will classify or reclassify those wells. We do know that if we wait to see our time to appeal here would have passed. I hope that I have partially at least answered some of the questions that I am sure are in the minds of the Commission. We are suffering immediate damage and the loss of gas units. We feel that January is not a proper month being a winter month and historically a high take month on all gas transportation facilities, that January allowable alone or February allowable alone is not the proper criterion upon which to determine what is going to be done in the future.

In that connection, I might point out to the Commission that setting an allowable that is a permissive thing. They are not required to take that allowable. What they actually take is going to determine whether we are hurt or not and whether the State of New Mexico is hurt or not. That is all I have, thank you.

MR. SMITH: You have no more evidence, Mr. Adair, not at this time?

MR. ADAIR: Not at this time.

MR. SMITH: Mr. Stanley, could you come around now?

MR. SPURRIER: We will take a short recess, Mr. Smith.

(Recess)

MR. SPURRIER: Before you start, Mr. Smith, Mr. Russell reminds me that I did not accept the Exhibits and he want to make a comment about them.

MR. R''SSELL: If the Commission please, in addition to the Exhibits which we have offered, we have offered all of the transcripts at the pertinent hearings. I believe two of those transcripts refer to Exhibits which were before the Commission at those hearings and would like to request that those Exhibits be made a part of the transcript under that number so there will be a complete record in the matter.

MR. SPURRIER: Without objections they will be admitted.

MR. KELLAHIN: I would like my original objection and I would like to have it noted the Exhibits insofar as they relate to the Langmat Pool go beyond the scope of the hearing that Samedan is without notice and hearing for opportunity to be heard in this case.

MR. RUSSELL: If the Commission please, I would like to repeat that boundary line is as much Jalco as it is Langmats. Any Exhibit that shows the boundary line, if it include Langmat as well as Jalco would necessarily be pertinent to our Case.

MR. SPURRIER: We will duly note the objections and the Exhibits will be admitted. Now, Mr. Smith.

MR. ADAIR: One moment, please, if it please the Commission, I want to correct a statement that I don't know whether I stated it incorrectly or not a minute ago. I stated that El Paso's takes of Texas Pacific's gas in 1953 from gas wells in this area were some thirty percent less than in 1952.

If I did not make it clear, I meant that their average takes per one hundred sixty acre units were that much less. The total gas takes were close to the same. We had more wells on the line in 1953 than we had in 1952.

MR. SPURRIER: Mr. Smith.

(Mr. Stanley recalled as a witness.)

By: MR. SMITH:

Q Mr. Stanley, you are employed by the Commission here, I believe? A Yes, sir.

Q As an engineer. You know of course after being present that the testimony offered at the hearing on Wednesday with respect to gas allowables has now been adopted and made a part of this record? A Yes.

Q I believe you have been present during the testimony that has been given by Mr. Bagwell too, have you not?

A Yes, sir.

Q So, you are familiar with what he had to say?

A Yes, sir.

Q Mr. Bagwell gave an estimate as to the order of magnitude of the gas with respect to the oil which I believe was one hundred fifty to eight hundred or roughly fifteen percent?

A Yes, sir.

Q What is your opinion with respect to that matter?

MR. RUSSELL: If the Commission please, I would like to object to that question, that it is beyond the scope of the direct examination of Mr. Stanley and Mr. Smith has made

the point that he wishes this to be cross examination. There was no reference to that.

MR. SMITH: May it please the Commission the highly technical point that he is urging might be proper in a Court but in Commission hearings, I think that the Commission could very well let the point ride.

He is not objecting to the question being answered. He is objecting to whether he is my witness or his witness. Is that your point, Mr. Russell?

MR. RUSSELL: I object to the question first. It is outside the scope of direct examination.

MR. SMITH: Unfortunately we don't have the testimony here so we can't determine that matter right now.

MR. SPURRIER: The Commission would like to hear Mr. Stanley's answer.

Q Well, I will ask the question of you--

MR. RUSSELL: I object to it as a question on cross examination and request that he make him his witness for rebuttal purposes.

MR. SMITH: Which comes back to the point I made awhile ago. I don't think it is of any great consequence as far as the Commission is concerned.

Q Will you answer the question?

A Can I elaborate a little, Mr. Smith. I think that primarily the Yates and Seven Rivers formation is a gas formation with the exception of local geology as we have previously testified before this Commission and a good example is the

Falby-Yates Pool. We do have an occasional oil trap within the Yates and Seven Rivers formations. However, as a whole, I would classify the two formations principally as a gas pool.

Q With respect to the Queens and the fact that Mr. Bagwell has testified that there is communication in all three, would you lump all three together and classify them as a gas field?

A I think there is communication between the Yates, Seven Rivers and Queens, therefore in that statement I have classified all three pools. In order to better understand the problem, I think that if we would go back to the history of the drilling in this field, back in 1928, I think when the field was first discovered, the operators themselves drilled for oil and not for gas and that has been true, the oil has been voided, there is communication between all three zones and since a greater space has been voided, I think by the oil that is produced, we are primarily going to end up as a gas reservoir in all three formations.

Q With respect to the matters which have been injected in this pool which indicate a rather tangled situation from an engineering standpoint and from a legal standpoint so far as contracts are concerned, would it be a recommendation to the Commission to make further inquiry and studies into the best manner in which this problem should be handled?

A I recommend that that study be made for classificatic

MR. SMITH: That is all.

By: MR. MACEY:

Q In connection with your testimony which you made yesterday morning, you prepared an Exhibit more or less of a pie-shaped Exhibit showing the percentages of gas taken by the El Paso Natural Gas Company by residue gas, dry gas in Texas, residue gas and dry gas in New Mexico, is that correct?

A That is right.

Q I would like you to briefly go over this again because Governor Mechem was not at the hearing on Wednesday. Give him the percentage of total Texas residue that was taken by El Paso during 1953?

A Mr. Macey, in conjunction with that graph, could I have the other graph?

Q Yes, sir.

A I would like to put it up here on the board, please.

Q First of all, I would like you to with reference to this Exhibit, the round Exhibit in relationship to the graph I would like you to explain to the Commission what this percentage represents? A All right.

Q I am referring to the total Texas residue percentage.

MR. SPURRIER: Has that Exhibit got a number?

A Yes, sir, it has.

MR. ADAIR: In this particular case, the circle Exhibit is Number 55.

A Well now, first of all during this discussion we were primarily concerned with El Paso Natural Gas Company's operati-

in the Jal area. In that Jal area and the figures furnished to me, El Paso Natural gas for the year 1953 had taken some four hundred and seventy four million nine hundred sixty two million feet of gas. This area had served southeastern New Mexico principally Lea County and they also transmitted gas across the line from Texas into their Jal plants and, of course, treated that gas -- compressed it and prepared it for the western markets. I attempted in this respect to draw this pie-shaped affair as Mr. Macey called it, to show you the relative percentage of the various sources of gas that El Paso takes. The total Texas residue gas which is the white area is 54.6 percent. The Lea County residue is 21.4 percent. The Lea County dry gas is 14.8 percent. Texas dry gas is insignificant in the fact that it is only 1.4 percent and the Dumas dry gas is 7.8 percent. Now, then I have tried to relate this percentage into a graph form by months for the year of 1953 showing how this gas is taken by months.

I tried to bring up the point that the total residue gas from Texas is dependent upon the oil producing ~~days~~ of Texas and whenever the oil producing ~~days~~ are many, the residue gas in Texas will rise and we are at the mercy of the oil producing ~~days~~ in the State of Texas and El Paso Natural Gas Company having to have a flexibility of operations is very fortunate that they do have and are tied into huge dry gas reserves in Lea County because as the residue gas take is large, our dry gas production of course is low.

They use this dry gas source of production in the State of New Mexico as a cushion for their operations and the flexibility that is required. You can see that our dry gas curve here in New Mexico fluctuates seasonally in one sense. It also fluctuates by the residue gas take in the State of Texas. Now, during last Janaury and February, I brought out the point that they were running approximately eight million cubic feet of gas during that period, the curve decreased some in the summer months which was also due to demand and due to the residue gas take in Texas and now has a tendency to increase starting with October through November, December. I am sure that it will be high during this month of January.

Q Mr. Stanley, in connection with what Mr. Adair said in his closing statement he referred to a minimum purchase contract, minimum take requirements of their contract with El Paso. Now, as the residue gas volume goes up our dry gas goes down, is that correct? A That is correct

Q Now, you also noted the residue gas trend in New Mexico looks fairly even?

A Yes, sir, it is a fairly stable curve and also brought up the fact, the fact that I brought up to ask the Commission to adopt a non-flare order, the Phillips gas plant in the City Limits of Hobbs, I think it should be distinguished, it is wasteful. We are now enjoining a great network of pipelines system being introduced into the State, I think that the non-flare order should be adopted by the Commission.

Q If the Commission were to adopt into its allocation formula a minimum allowable on a well. That is if the minimum allowable as set by these contracts as Mr. Adair testified or stated, I should say, they were approximately 85 percent of the wells in the pool operated under that contract if the Commission were to establish a minimum formula of approximately five hundred fifty thousand which I believe is what the contract says. It is a take or pay proposition. If we absolutely require El Paso Natural to take that gas and their demands reach the stage where they could not take that gas, wouldn't they have to flare some residue gas and take the dry gas?

A I see no other alternative.

Q Wouldn't that be waste?

A It would be waste.

Q Therefore, is it your opinion, that a minimum take requirement even though it be in effect right at the present time in contracts is not part of a prorationing system of gas in New Mexico?

A Under the present Rules and Regulations, I would say Mr. Macey, unless they were changed. Under the present system.

Q Do you know of any way you could put in a minimum allowable and be absolutely sure there wouldn't be any waste involved?

A I don't know. I don't know.

MR. MACEY: That is all the questions I have with reference to these two Exhibits.

A I might say off the record on this Phillips gas line plant.

(Off the record.)

MR. SPURRIER: Does anyone else have a question of Mr. Stanley? Mr. Kelly..

By: MR. KELLY:

Q Mr. Stanley, in answering Mr. Macey's question in which he said that if the minimum take provision of five hundred fifty thousand a day was placed into an order and El Paso found that they would have to either one, reduce their dry gas take below the minimum take provision or ' two flare casinghead gas, you answered that if they went to flare casing head gas that would constitute waste, did you not?

A Yes, sir.

Q In your opinion, if El Paso cut their dry gas take to below the five hundred fifty thousand per day, let's say down to fifty thousand feet per day which would return to the operator a very small sum of money? A Yes, sir.

Q And would not allow the operator to pay our his investment in the dry gas well, would you not think that would constitute economical waste as far as dry gas wells are concerned?

A I think so. I always have believed that an operator should get his fair return of money on any investment that he makes.

Q Therefore the Commission should take into consideration economical waste in allocating dry gas?

A Yes, sir, I think that is true.

MR. KELLY: Thank you.

By: MR. MACEY:

Q In connection with what Mr. Kelly has just said. You have made a study of El Paso's take during the past year of the Permian Basin, have you not?

A No, in this particular area. I am not familiar with all their operations but I am familiar somewhat with their operations in the Jal area.

Q Are you familiar with the producing figures of gas wells in the Jalco Pool, for example?

A Somewhat, yes, sir.

Q Do you know of any instances where their average take on a good gas well, I am talking about an average gas well in the pool, is capable of meeting the maximum requirements of take, do you know of any instances where the production went down to fifty thousand cubic feet per day on the average?

A No, sir, I believe that El Paso has always taken considerably more gas than that.

Q Do you know of any reason why they should cut down to that extreme fifty thousand?

A No, sir, of course, what could actually happen would be that there would be a large demand for oil, that if the Stat of Texas adopted say thirty day producing at any time, I would

perhaps during the summer months some of the gas wells may be shut in under those extreme conditions.

Q In the winter months they come back on, would they not'

A Yes, sir.

MR. KELLY: In that connection, if it please the Commission, I did not say that the El Paso ever got down to fifty thousand.

MR. MACEY: I didn't say they did.

MR. KELLY: They could get down to fifty thousand as shown by a graph placed in the record and I believe by the El Paso Natural Gas Company in one of the cases that Mr. Adair referred to El Paso, showed their total take by years, over a period of years, they showed that total take increasing by years but they also showed on the same graph that their percentage take of dry gas by years was a decreasing factor. I am afraid if you would project that curve of dry gas into the future then, it is possible that the take of dry gas would get below the economical limit that is necessary for the producer to have in order to go out and develop dry gas reserves in New Mexico. I believe that gas is in the record.

MR. SPURRIER: Mr. Stahl.

By: MR. STAHL:

Q Mr. Stanley? A Yes, sir.

Q You testified if the Commission set a minimum allowabl of five hundred fifty thousand MCF per day that in instances where El Paso could not take that much they would have to flare

residue gas. You said that would be waste, do I recall your testimony correctly?

A Yes, sir, Mr. Stahl, I believe that any gas that is burned and not utilized could be sold as waste.

Q Mr. Stanley, is it within your knowledge that Southern Union and Permian Basin Pipeline Company are both taking dry gas out of Lea County, New Mexico at this time under purchase contracts with various operators? A Yes, sir.

Q If those purchase contracts provide a minimum take of less than five hundred fifty thousand, if the Southern Union or the Permian contracts or any of them provided for a minimum take or pay of less than five hundred fifty thousand, in your opinion if the Commission went to setting a minimum allowable would they not have to set the minimum allowable for Lea County or for a particular pool at the lowest of any of the contracts of the three companies?

A Well, Mr. Stahl, I think that that question, I would rather not answer because I am not familiar enough with contracts and other related matters pertaining to the contracts. I think that would be administrative or perhaps a legal technicality.

MR. STAHL: Thank you.

MR. SPURRIER: Any one else? Mr. Woodruff.

MR. WOODRUFF: I would like to make a statement.

I am Norman Woodruff with El Paso Natural Gas Company. Since our general type of contract utilized in Lea County has

been mentioned also submitted in the previous hearing as discussed yesterday by Mr. Adair. I would like to point out that in the normal type contract which I believe also is typical of Mr. Adair's contract or the one with Texas Pacific in Article 11, respective thereof that said minimum average shall be averaged over each calendar year. Or the applicable portion thereof that the well is or could be connected to buyer system for only a part of the calendar year under consideration. I believe this portion of the contract provides that El Paso fluctuates their takes from dry gas wells during the year so long as the average during the year is at least the minimum prescribed in the contract. Further, not being entirely familiar with the graph mentioned by Mr. Kelly indicating percentages of take from the various sources that supply El Paso Natural Gas Compan from the Permian Basin area, I can only draw a conclusion.

However, he referred to the graph as indicating a percentage of take from the various areas. Since El Paso's demand has increased considerably and has increased considerably in recent years a percentage could very well decrease without meaning that the total volume taken is also decreasing. I believe that probably our records would show on production that there has been no essential overall decline in the take of gas on an average for the year out of the Lea County area in recent years. Thank you.

MR. SPURRIER: Anyone else have a question of Mr. Stanley?

MR. MACEY: I want to ask Mr. Stanley some questions not relating to these graphs but I think in as much as Mr. Stanley is Mr. Smith's witness and he brought him in here to testify in relation--

MR. SMITH: (Interrupting) I would like to object to the statement he is my witness. He is the Commission's witness

MR. MACEY: He was brought to the stand at your request, is that correct?

MR.SMITH: That is correct.

MR. SPURRIER: Do I understand you want to bring Mr. Stanley on as your witness for direct examination?

MR. MACEY: That is right.

DIRECT EXAMINATION

By: MR. MACEY:

Q Mr. Stanley, are you a graduate petroleum engineer?

A Yes, sir, I am.

Q Have you drilled wells, operated wells in the Jalco or Cooper-Jal Pool area?

A Yes, sir, I drilled wells, was in charge of the drilling operations and completion of a number of wells in the general area for Anderson Pritchard Oil Corporation.

Q Mr. Stanley, are you familiar with the general reservoir conditions in the Jalco and Cooper-Jal Pools?

A I have a working knowledge of the working conditions in the Jalco Pool.

Q Is it not a fact that a great number of the wells pro-

ducing in the Jalco and Cooper-Jal Pools produce large volumes of water?

A Yes, sir, on the west side they do produce larger volumes of water.

Q Mr. Stanley, in connection with the production of the gas in the pool you stated that you thought that the entire reservoir was connected, is that correct?

A I do.

Q You think that there is gas producing in the top of the upper portions of the structural area and oil on the flanks, is that correct? A That is correct.

Q All right now, if the gas is pulled off of the top of the structure in excess amounts what will happen to the oil?

A It will get a greater encroachment of water from the west side as we void the spaces now occuppied by oil and gas.

Q You think that the excessive production of gas would tend to decrease the ultimate production of the oil?

A I think that it would.

Q In order to clear the record, will you state what the productive zones as defined by this Commission are in the Cooper-Jal Pool?

A In the Cooper-Jal Oil Pool?

Q Yes, sir.

A Yates, Seven Rivers and Queens.

Q Are you sure about that?

A No, not the Queens, excuse me.

Q Isn't it a fact that there are local areas where the Queen is productive within the defined limits of the Cooper-Jal Pool?

A I believe that it is.

Q There are a few local conditions that might be conside

A Yes.

Q When you are talking about that area, you are talking about all three zones, is that correct?

A That is correct.

Q Are you familiar with the sum of the production figures on leases in the South Eunice Jalco Pool area. I say both of them because there is a question as to whether there is or isn't a pool? A Yes, sir.

Q I want you to look at these figures at the bottom of this sheet and tell the Commission the approximate monthly production of this well and identify the well?

A All right. Mr. Macey has special reference to the City Service Oil Company, their Claussen leases located in Section 6, 16 and 20 in Township 22 South, Range 36 East. These figures as I read are for 1953 and are indicated as dry gas production. There are four wells listed here Claussen Number One, Claussen A Number One, the Claussen A Number 3 and the Claussen B Number 6. Now, on the Claussen One in viewing these figures and I assume they are indicated as MCF, are they not, Mr. Macey?

MR. MACEY: That is right.

A During the entire year their average monthly production as I scan these figures is approximately ninety million, excuse me, correction, approximately ninety thousand MCF per month for the year on the Number One well. On the A-Number One, they increased considerably in the average monthly production for the Clausen A Number One is in the general neighborhood of approximately two hundred thousand MCF per month. That is also true of the A Number 3 and the Clausen B Number 6 will average, well its average is so variable that I would rather not read it into the record unless I had a calculator to figure it.

Q All right now, Mr. Stanley, immediately above that tabulation you will find some Texas Pacific Coal and Oil Company wells.

A All right.

Q Is there any well listed in that tabulation in Section B?

A Yes, sir there is a State A Account Number Two Well Number 41.

Q I want you to go to the wall and refer to those two sections and tell me if that well doesn't offset the City Service wells that you just talked about?

A All right. Yes, sir, now Sections 5, 42, 36 is indicated by the information furnished to me by Mr. Macey are the Texas Pacific Coal and Oil State Account Number Two Well Number 41 does offset the City Service Clausen wells in questic

Q All right, are there not also wells in Section 7

operated by Texas Pacific which are south offset to the Clausen lease in Section 6 and offsets in Section 18.

A Yes, sir, that is correct.

Q Would you read for the Commission's benefit the total production for the year 1953 from the Number 41 well?

A The total production in MCF for the Texas Pacific Coal and Oil Company State A Account Well Number 41 is five-hundred seventy-one thousand-nine hundred-seventy-nine MCF.

Q You show a production record of eleven months, is that correct? A That is correct

Q Approximately how much a month is that account?

A Well, now that average is variable.

Q Just divide by 11.

A Approximately fifty thousand MCF per month.

Q They are directly offsetting some wells that produce considerable volume of gas greater than that?

MR. RUSSELL: It appears that this line of testimony is going into a question of correlative rights. That question is not before the Commission on this rehearing. Any evidence with reference to correlative rights that may be brought out cannot be properly considered by the Commission in support of the original order.

MR. MACEY: I haven't mentioned the word correlative rights. I might state I don't intend to mention them

MR. RUSSELL: Nor refer to them.

MR. MACEY: With reference to these wells, I am not

going to refer to the word correlative rights.

MR. SMITH: I believe the application of Texas and Pacific sets forth that one of the reasons for rehearing is that there is no evidence as to correlative rights.

MR. RUSSELL: If the Commission please, that is perfectly correct. We take the position at this rehearing this Commission cannot receive into evidence or consider any testimony or evidence on waste or correlative rights other than what was in the official record of the hearings on which the order was based. It is a general principle of administrative law that they cannot consider anything outside of the record. Anything new that is or may be offered at this time is irrelevant.

MR. MACEY: Mr. Russell, was your testimony as to the structure or anything else in the record of the previous hearing?

MR. RUSSELL: That is in support of our case, not in support of the Commission's order. That was entered sometime ago. We are attempting to in effect erase the line not make it.

MR. SPURRIER: The witness may proceed. What is the source of these figures, Mr. Stanley?

A They are all Oil Conservation Commission figures. Official records requested by the different companies that are required to file these forms.

MR. SPURRIER: Very well.

A Getting back to the question in averaging the Texas Pacific well in question. I said that the approximate average was fifty thousand to one or fifty thousand MCF per month as compared for some two hundred thousand for the offset wells of City Service.

Q Mr. Stanley, in connection with the Commission's definitions of waste, I am going to hand you this for the sake of brevity and let you read this underscored portions.

A I am reading from the Statutes of the State of New Mexico, Section Two, paragraph A, Underground Waste. "As those words are generally understood in the oil and gas business and in any event to embrace the inefficient excessive or improper use or dissipation of the reservoir [illegible] energy including gas energy and water drive of any pool and so forth."

Q First of all, you think it is the improper use of reservoir energy for one operator to produce, approximately four times the amount of gas that his offset does?

MR. RUSSELL: I would like to renew my objections. Any of that testimony is immaterial to this hearing. There is no evidence that that was before the Commission at the other hearings on which the order was based and can't be considered at this time. In our Case in chief we entered certain Exhibit which was primarily for the purpose of showing the improper delineation of the pools. We opened that question. That is subject to rebuttal at this hearing. We offered no evidence of any nature of waste or correlative rights and it is improper for anyone else to introduce them at this hearing.

It can serve no purpose. I would like to renew my objections to this or any other testimony to that effect.

MR. SPURRIER: The objection is overruled.

MR. RUSSELL: May I have a continuing objection to all questions or testimony relative to waste and correlative rights.

MR. SPURRIER: Certainly.

Q Now, Mr. Stanley, in connection with the Clausen wells you are not particularly saying that they are being produced a excessive rates, are you, is that correct?

A No. We are just comparing production with offset operators.

Q You don't know if they are producing excessively or not? You would have to make a further study?

A Would have to make a further study of reservoir characteristics of the two wells, their capability, the effect of water which might be prevalent in that area. I think for the record that City Service in some instances on the Clausen leases is now troubled with water.

Q If you had a gas column and you were moving water up structure, wouldn't the oil come before the water?

A Yes, sir, it should unless you had coning and included the oil entirely from the well bore by excessive production and not the proper use of reservoir energy.

Q If you got the water pulled into the well that would be an evidence of coning, is that correct?

A That is correct.

Q Is that wasteful?

A Yes, sir, it sure is.

Q Is there any evidence that there is water production from these gas wells on the Clausen lease?

A There is.

MR. SPURRIER: Let's have your attemtion up here.

A There is.

Q Mr. Stanley, getting on to another subject. You served as secretary to the Committee which was appointed by the Commission to devise the gas rules which resulted in the stand-by rules, is that correct? A That is correct.

Q At the same time as that Committee was formed, were there not two Committees formed, one to study the pool rules and one to study the delineation of the pools, also?

A That is correct. I think that Mr. Hill and the Committee itself as a part of their work and in the administration felt that that was necessary and appointed two separate Committees to study each problem separately.

Q Was each company that was represented of the ten representatives, was each of them a member put on each committee?

A Yes, to the best of my knowledge.

Q Texas Pacific was on that Committee, were they not?

A I believe they were.

Q They were given the opportunity to serve on the pool delineations Committee to the best of your knowledge, is that correct?

A That is correct.

Q Do you know of anything that they put into the minutes of the meeting pertaining to the delineation of the Jalco Pool at the time that the Committee was working on the Rule and delineations?

A I recall that they did not.

MR. MACEY: That is all I have.

MR. SPURRIER: Anyone else?

MR. RUSSELL: If the Commission please, I would like to ask if we maybe permitted to cross examine Mr. Stanley with out waiving our objections as to the immateriality and relevancy of his testimony and save our objections?

MR. SPURRIER: Certainly. We will take a five minute recess.

(Recess)

MR. SPURRIER: The meeting will come to order, please Mr. Russell.

MR. ADAIR: Someone else can have him first if they want him.

MR. SPURRIER: Does anyone desire to question Mr. Stanley?

MR. ADAIR: I have one question if the Commission please.

By: MR. ADAIR:

Q Do you know whether or not the City Service Clausen wells, whether or not they are presently producing gas, that i:

since the first of the year?

A I don't know whether they are or not, Mr. Adair. I do know that they produced gas during the year, 1953.

Q Would you say they were classified as gas wells?

A Yes, sir.

Q Then, why do they not appear on the gas proration schedule?

A Well, am I right on that? Mr. Adair, may I relate on that?

Q Yes, give the facts to the Commission.

A Those particular wells in question are connected, I believe, to the United Carbon Company and there was some discussion before this Commission that United Carbon Company wanted to exclude those particular wells of City Service from the proration schedule until such time as the Commission could decide upon their disposition and inform all the parties in ques tion. I do think I may be wrong, I do think that the Commission has finally disposed of this Case, have you not? Here is a letter dated January 19, 1954, you want me to read it into the record?

MR. ADAIR: I would like to see it first. I have no objections to your reading it into the record or you can state to the Commission what is in it.

A I never have read the letter myself. I would assume that both letters are identical, are they not? One is address ed to United Carbon Company and the other is addressed to City

Service Oil Corporation or Oil Company. I believe these letters are not alike.

Q I didn't read this one.

MR. MASSEY: If the Commission please. H. E. Massey with the City Service Oil Company. I think that due to the date on this directive and its relative connection with this particular case that we will object to those being entered as evidence.

MR. ADAIR: We are not offering them in evidence. If it was considered that we were offering them in evidence we will withdraw the offer and let someone else tender them, if they do want them.

MR. MACEY: Those letters are a matter of Commission's records. Those are just copies of the letters. I think the Commission can take recognition of any of its records and reports at any time. I think it vital to this case. I don't think it is a reflection on anybody.

MR. SPURRIER: Read the letter, Mr. Stanley.

A "This letter is written by the Oil Conservation Commission, Santa Fe, New Mexico signed by W. B. Macey, Chief Engineer, directed to City Service Oil Company, Hobbs, New Mexico, and also copies to go to United Carbon Company, Incorporated, Eunice, New Mexico, the Oil Conservation Commissio at Hobbs, New Mexico and Fletcher A. Catron, attorney in Santa Fe, New Mexico. City Service Oil Company, Hobbs, New Mexico, Gentleman; Reference is made to our discussion of December,

1953 pertaining to the use of gas from your Clausen, Clausen A and Clausen B leases in Sections 6, 18, and 20 of Township 22 South, Range 36 East, Lea County, New Mexico by the United Carbon Company. An examination of our records reveals that the following wells are producing from the Jalco Gas Pool and must be produced and prorated in accordance with the Rules and Regulations governing the Jalco Gas Pool. Clausen Well Number One in the north west quarter of the southeast quarter of Section 6, Township 22 South, Range 36 East. Clausen A Well Number One-A in the northeast quarter of the northeast quarter of Section 18, Township 22 South, Range 36 East, Clausen A Well Number 3-A northeast quarter of the southeast quarter of Section 18, Township 22,South, Range 36 East, and the Clausen B Well Number 6-B in the southwest quarter of the northwest quarter of Section 20, Township 22 South, Range 36 East. Two wells operated by City Service and located in the Clausen lease are not producing from the productive limits of the Jalco Pool and are therefore not subject to proration at this time. Pleas bear in mind that there is a possibility that these wells may be prorated in the future. These wells are as follows: Clause Number 4 in the southeast quarter of the southeast quarter of Section 6, Township 22 South, Range 36 East and Clausen Number 8 in the northeast quarter of the northeast quarter of Section 6, Township 22 South, Range 36 East. The reason that these two wells are not considered as producing from the Jalco Pool is because our records reveal that they produce from a zone in

a lower Seven Rivers and the Jalco Gas Pool is defined as being productive from the Yates and all but the lower hundred feet of the Seven Rivers. The Number Four Clausen is producing from a fifty foot Section 2500 to 3589 in parenthesis the top of the zone 3500 being eighty nine feet above the base of the Seven Rivers. The Number A Clausen is producing from a 22 foot interval."

Parenthesis "3502 to 3542 being 98 feet above the base of the Seven Rivers. Your January production will be considered as being produced against your allowable assigned. Please furnish our Hobbs office the required plats and well information as required by Order Number R-368-A. We are instructing the proration department to assign the allowable on these four wells effective January 1, 1954. We are enclosing a copy of a letter being sent to the United Carbon Company. Very truly yours and as previously mentioned signed by W. B. Macey, Chief Engineer." I believe that the other letter is different. I don't know. You want me to read it into the record?

MR. SPURRIER: Yes.

A This letter is addressed to United Carbon Company, Eunice, New Mexico.

Q Pardon me, Mr. Stanley, in the interest to save time, the reference in the letter to the wells is the same as in the other letter. The only change is in the heading of the original letter and the last two paragraphs, I believe.

A I will read the last two paragraphs of this letter

addressed to United Carbon Company. "Therefore it will be necessary for you to nominate your requirements of gas from these wells and if your requirements are such that you will have to obtain additional gas , you will have to make other arrangements to obtain this gas from another source. We realize that this will seriously curtail your operations but this situation has created very serious inequities and must be corrected. For your information we are enclosing a copy of a lette which we are sending to the City Service Oil Company pertaining to this matter. Very truly yours, W. B. Macey, Chief Engineer."

MR. ADAIR: What is the vertical interval, Mr. Stanle of the producing horizons in the Jalco Gas Pool as delineated by the Commission?

A The Yates and all of the Seven Rivers but the last one hundred feet.

Q In your opinion based upon your studies or is not the Jalco Gas Pool improperly delineated from the vertical standpoint?

A Mr. Adair, I have accepted these delineations by the recommendation of the people that worked on this particular problem. I, myself, have not studied the situation and therefore cannot answer your question.

Q Do you know of any permeability barrier that exists throughout the Jalco Pool at exactly one hundred feet above the base of the Seven Rivers?

A I haven't studied that question.

Q Still you were competent apparently to say that you thought that the Seven Rivers and the Yates formations and Queens were all one reservoir? A Yes, sir.

Q Then, if they are all one reservoir then the pool is improperly delineated, isn't that correct?

A From the vertical limits. I would like to go along with Mr. Smith in thinking that I would like to study and I may change my thinking personally.

Q If you testified that the Yates, Seven Rivers and all constitute a single reservoir? A Yes.

Q To the extent at least that a pool delineated within that reservoir it is not a common source of supply, is it?

A That is right, if they are all classified as one producing zone in actuality that would be right.

MR. ADAIR: That is all I have.

MR. SPURRIER: Anyone else? Mr. Macey.

By: MR. MACEY:

Q Mr. Stanley, do you think it is possible for anybody to absolutely and positively define the exact limits of an oi or gas pool or an oil and gas pool?

A Well now, if you have special reference to these ga pools that are located in this particular area as shown on th Exhibit on the board it would be a very difficult thing to do

Q Are you aware of provision in the Statute and I am referring to Section 10, paragraph 12, I would like you to rea that.

A "To determine the limits of any pool or pools producing crude petroleum or natural gas or both and from time to time to redetermine such limits."

Q Don't you think that that is broad enough that the Commission has the power to determine a pool limit and delineate it as such and to redetermine it if the facts are presented in the proper case at the proper time?

A Yes, sir.

MR. SPURRIER: Anyone else? If not the witness may be excused.

(Witness excused.)

MR. SPURRIER: Mr. Adair, the Commission would like to know if you have a witness that can testify as to the sourc of energy in the Jalco Pool?

MR. ADAIR: I don't have a witness, no, sir, I do not Not properly qualified to testify as to the source of energy within the areal extent of the Jalco Pool, I do not. I don't believe, if the Commission please, that is within the scope of the call of this hearing.

MR. SPURRIER: Now, we might come to that point. In your application for rehearing you mentioned the Commission's authority in Section 2-A, you also say in B of 2-B that is that the Commission is without authority to prorate gas for the sole purpose of protecting correlative rights. . . So, you have mentioned correlative rights and there is no evidence in the record to indicate the abuse of correlative rights.

There is no evidence in the record, that was paragraph C, this is paragraph D. There is no evidence in the record to establish that there is waste from the gas wells of the Jalco Pool. There is no evidence that waste will be prevented. Do I understand since you have objected to testimony on waste and correlative rights that the only paragraph that you are really talking about or that you are bringing forward in this case is paragraph H which says, "Finding of fact Number f in Order Number R-368-A is a finding that the Commission has not prior to the undertaking of proration of gas evaluated and delineate the actual productive limits of the Jalco Gas Pool which is a prerequisite of such order." In other words, your only point in this rehearing is the delineation of the pool?

MR. RUSSELL: No, sir, Mr. Spurrier, the entire matter insofar as the application for rehearing is concerned is based upon the authority of the Commission to issue a proratic order under the facts which were before the Commission at the time that the Order was entered.

That is the question of law. That the Commission is without authority to issue proration for the sole purpose of protecting correlative rights. That is a matter of law. All of our points that we have brought out in the application for a hearing in substance, we will say is this partly, that there was not substantial evidence before the Commission at the time that the Order was entered to show that any of the conditions preceeding to the entry of such an order was there.

We have not brought out any evidence on correlative rights or waste. We say the Commission had to have at the time they entered the Order substantial evidence on those points before they could enter the Order and it would be unnecessary and a useless thing to put in anything at this time since it could not be considered by the Commission in support of an order previously entered, that is our position in our application.

MR. HINKLE: If the Commission please--

MR. SPURRIER: Mr. Hinkle.

MR.HINKLE: Clarence Hinkle representing Humble Oil and Refining Company. Before the Commission makes any ruling on Mr. Russell's motion as to the matters that can be taken up at the hearing. I would like to call the Commission's attention to the provisions of the Rule 1212, which provides for the filing of motions for rehearing within 20 days, the Commission shall grant or refuse any such application in whole or in part. As I understand the order of the Commission in granting this hearing was, you didn't exclude it as just part it was in whole. You didn't exclude it as "The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be re-

quired under the circumstances. It is our position that since the rehearing has been granted that all concerned have a right to introduce any evidence they want to germaine to the subject matter and that the Commission may consider any evidence, any new evidence that is introduced at the rehearing.

In other words, it is a complete new hearing de novo I think the Commission has a right to make a new order on the evidence introduced at the hearing or, well as any other evidence at any other hearing.

MR. RUSSELL: In answer to Mr. Hinkle, in referring to the fact that our application for a rehearing has been granted in its entirety, that is true. I w ' also like to point out to the Commission that when w ma.. up an applicatio for rehearing, it is necessary that we put in such an application everything that we can possibly think of that may come out and have a bearing on our Case at the time of such rehearing. Because if we do not specifically point it up in our application then, we have waived such a right to bring it up at the hearing, itself. We have listed all of the various factors which we think are important and which we feel we have covered and a majority of them will probably be covered in ou argument of the law. I would like to state our position ins. far as the evidence is concerned which we did not open up or our case in chief. That it is a generally recognized principl of law that an administrative agency cannot enter orders based on its own information without sufficient information or recor

having been introduced into evidence. They cannot act on their own information. Any information upon which an administrative agency bases its order must be introduced at the hearing on which that order was made after notice to all intereste parties so that they can attend, offer rebuttal and cross examine witnesses. Any records which the Commission may have in its office on which they are contemplating basing a portion of their order, those records should be at the hearing. They should be introduced in evidence. All interested parties should know what is before them.

We are in the position that at the hearings on which the orders are based the record of those hearings, transcript, Exhibits is the sole basis to determine whether or not the Commission acted in an arbitrary matter or whether it was reasonable. We take the position that our case in chief brought out no evidence as to either waste or correlative rights. We say that the record on which the order was based contains no evidence of waste, or injury to correlative rights.

We have introduced the records, the transcripts of all of those hearings. They are the records which must be examined to determine whether those facts were present and if there was substantial evidence to support them at the time the the order was entered in this rehearing they cannot consider matters concerning them for the reason that this hearing is primarily establishing the record of the previous one, determining whether or not there is sufficient evidence on which

the order was based and if not then the order is not good and we would ask, of course, that it be revoked. That is our position and I think it is proper.

MR. WOODWARD: If the Commission please, Mr. Woodward of Amarada. I am not aware of the well established rule of administrative law which precludes an administrative body from considering new matters on a rehearing. However, I think that is beside the point inasmuch as Section 19 as read specifically permits the Commission to enter a new order. Now, as I understand the Texas Pacific's contentions, it is that the only alternative that the Commission has now before it is to sustain its previous order or revoke it entirely.

It may not consider new evidence or new information. It may not correct whatever mistake it made. I submit that the destroys 90 percent of the value of the rehearing. If a rehearing is not for the purpose of allowing an administrative body to correct its mistakes, I don't know what it is for.

MR. SPURRIER: Is there anyone else? Mr. Foster.

MR. FOSTER: We have got some testimony we would like to introduce.

MR. SPURRIER: Have you completed your case?

MR. ADAIR: Yes, except for rebuttal.

MR. MACEY: I would like to introduce as Exhibits the letters which Mr. Stanley read and also the records of the Commission to which he referred.

MR. SPURRIER: Did you all hear Mr. Macey's offer of evidence?

(Marked Exhibits One, 2, 3 for identification.)

MR. SPURRIER: Mr. Macey intends to introduce or does introduce or offer in evidence the two letters which Mr. Stanley wrote the one addressed to City Service and one for United Carbon and also the production figures on the Clausen wells. Is there objections?

MR. MACEY: I believe I was objected and overruled.

MR. SPURRIER: That is right.

MR. MACEY: I would like also at this time to introduce all of the company's production records on the Jalco Pool

MR. SPURRIER: Is there objection?

MR. RUSSELL: I object to them on the grounds they are not material at this hearing. They can't be considered by the Commission at this hearing as a basis of substantial finding on which the other order was based. Same objection as to the testimony.

MR. SPURRIER: Your objection is noted and the eviden will be admitted.

MR. MACEY: If the Commission please, as far as we are concerned on the objection if all the production figures of the Jalco Pool are introduced, we have no objections but we do object to entering only a part of the production figures from the Jalco Pool.

MR. SPURRIER: Now, Mr. Foster. Let me have your

attention in view of the time element, we will necessarily have to continue this case to the regular February hearing.

MR. RUSSELL: If the Commission please before it is closed, I would like to renew at this time my motion to suspend Order Number R-368-A pending the rehearing.

MR. SPURRIER: Motion is denied.

REPORTER'S CERTIFICATE

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings in Case No. 582, Rehearing, taken before the Oil Conservation Commission on January 21 and 22, 1954, contains a true and correct record of said proceedings to the best of my knowledge, skill, and ability.

DATED at Albuquerque, New Mexico, this 30th day of January, 1954.

Ada Dearnley

BEFORE THE

OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

AT SANTA FE, NEW MEXICO

TRANSCRIPT OF PROCEEDINGS

CASE NO. 582

(Rehearing Continued)

February 17 and 18, 1954

ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 105-106, EL CORTEZ BLDG.
PHONES 7-9645 AND 5-9546
ALBUQUERQUE, NEW MEXICO

- R E G I S T E R -

Regular Hearing, New Mexico Oil Conservation Commission 9:00 A.M.
February 17, 1954
Santa Fe, New Mexico

NAME	REPRESENTING	LOCATION
J. D. Cooper	Skelly Oil Co.	Tulsa, Oklahoma
Carl Lea	Skeely Oil Co.	Tulsa, Oklahoma
W. J. Stewart	Skelly Oil Co.	Tulsa, Oklahoma
Gerald McGrew	Cities Service Oil	Bartlesville, Okla.
L. C. White	Sun Ray Oil Corp.	Santa Fe, N. M.
J. C. Winton	Gulf Oil Corp.	Midland, Texas
D. C. Brown	Sun Oil	Midland, Texas
Lynn Wolfe	Stanolind Oil Pur.	Tulsa, Oklahoma
G. L. Shoemaker	Stanolind Oil	Midland, Texas
George Hinschfield	Engineers Comm.	Hobbs, N. Mex.
H. E. Wendt	Tide Water Assoc.	Hobbs, N. Mex.
J. M. Tharp	Tide Water Assoc.	Houston, Texas
E. H. Foster	Phillips "66"	
[illegible] Bailey	Continental Oil	Ft. Worth, Texas
G. W. Winter	Stanolind Oil	Midland, Texas
R. B. Grimm	Phillips Pet. Co.	Bartlesville, Okla.
H. T. White	Phillips Pet. Co.	Bartlesville, Okla.
R. L. Benton	Magnolia Pet.	Midland, Texas
Seth Hazel	Sinclair Crude Oil	Roswell, N. Mex.
J. R. Lennon	Magnolia Pet.	Midland, Texas.
M. T. Smith	Shell Oil	Midland, Texas.
H. M. Smith	Shell Oil	Hobbs, N. Mex.
H. S. Skinner	Conoco	Fort Worth, Texas

ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 105-106, EL CORTEZ BLDG.
PHONES 7-9645 AND 5-5546
ALBUQUERQUE, NEW MEXICO

NAME	REPRESENTING	LOCATION
Harry Dippel	Conoco	Fort Worth, Tex.
J. T. Elsik	The Texas Co.	Houston, Texas
W. H. Everett	The Ohio Oil Co.	Houston, Texas
Coe Mills	The Ohio Oil Co.	Midland, Texas
E. J. Pierce	Mid. Cont. Pet. Corp.	Midland, Texas
H. E. Massey	Cities Service Oil	Hobbs, N. Mex.
Edward Wright Jr.	Dalport Oil Corp.	Dallas, Texas
L. W. Folmar	The Texas Co.	Fort Worth, Texas
L. F. Shiplet	The Texas Co.	Fort Worth, Texas
V. F. Dullnie	The Texas Co.	Midland, Texas
Dick Booker	CSO Co.	Roswell, N. Mex.
W. W. Mankin	The Texas Co.	Fort Worth, Texas
H. G. Payne	Continental Oil	Wichita Falls, Tex.
E. W. Nestor	Shell Oil Co.	Hobbs, N. Mex.
Alan C. Roberts	Cities Service Oil	Midland, Texas
Ted Wilson	Cities Service	Roswell, N. Mex.
Ross Madole	Magnolia	Dallas, Texas
Ross L. Malone, Jr.	Gulf	Roswell, N. Mex.
Ralph L. Gray	Buffalo Oil Co.	Artesia
J. R. Green	Skelly Oil Co.	Eunice N. Mex.
C. A. Hill	Shell Oil Co.	Midland, Texas
V. T. Lyon	Continental Oil Co.	Fort Worth, Texas
J. R. Luttrell	Shell Oil Co.	Midland, Texas
G. E. Trumble	Samedan	Midland, Texas
Martin A. Row	Sun Oil Co.	Dallas, Texas.
J. K. Smith	Stanolind	Ft. Worth, Texas
R. L. Boss	Gulf Oil Corp.	Ft. Worth, Texas

NAME	REPRESENTING	LOCATION
Jason Kellahin	Attorney	Santa Fe, N. Mex.
R. E. L. Batts	Gulf Oil Corp.	Ft. Worth, Texas
Wm. R. Frederici	Stanolind-Shell	Santa Fe, N. Mex.
A. R. Ballou	Sun Oil Co.	Dallas, Texas
Don Walker	Gulf Oil	Ft. Worth, Texas
E. P. Keeler	Magnolia	Dallas, Texas
Ed Noble	Samedan	Tulsa, Oklahoma
Max E. Curry	Skelly Oil Co.	Hobbs, N. Mex.
A. A. Kemmitz	Samedan	Hobbs, N. Mex.
W. G. Abbott	Amerada	Monument, N. Mex.
L. A. Hanson	O. C. C.	Artesia
John A. Woodward	Amerada	Tulsa, Oklahoma
D. W. Mitchell	El Paso Natural	Farmington, N. Mex.
L. O. Galloway	El Paso Natural	Farmington, N. Mex.
F. Norman Woodruff	El Paso Natural	Houston, Texas
J. W. Baulch, Jr.	El Paso Natural Gas	Jal, N. Mex.
C. M. Bumpass	Gulf Oil Corp.	Hobbs, N. Mex.
T. L. Ross	Gulf Oil Corp.	Ft. Worth, Texas
R. W. Allen	El Paso Natural Gas	Farmington, N. Mex.
E. G. Coel, Jr.	El Paso Natural Gas	Farmington, N. Mex.
W. E. Bernhardt		Roswell, N. Mex.
V. M. Stricklen	El Paso Natural	Farmington, N. Mex.
R. T. Wright	El Paso Natural	Jal, N. Mex.
W. M. Rodgers	El Paso Natural	Farmington, N. Mex.
Oscar Thomas	El Paso Natural	Farmington, N. Mex.
R. C. Sears	Warren Pet. Corp.	Tulsa Oklahoma
O. Gordon Oldham	Warren Petroleum	Tulsa, Oklahoma

NAME	REPRESENTING	LOCATION
Q. B. Davis	Southern Union	Dallas, Texas
A. M. Wiederkehr	Southern Union	Dallas, Texas
Dudley C. Phillips	Sinclair Oil & Gas	Tulsa, Oklahoma
Frank E. Poulsen	Sinclair Oil & Gas	Ft. Worth, Texas
A. H. Floyd	Sinclair Oil & Gas	Roswell, N. Mex.
A. L. Porter Jr.	O. C. C.	Hobbs, N. Mex.
W. E. Hubbard	Humble	Houston
S. J. Stanley	O. C. C.	Hobbs
Clarence Hinkle	Humble Oil & Ref.	Roswell, N. Mex.
C. S. Neel, Jr.	Humble	Midland, Texas
R. S. Dewey	Humble	Midland, Texas
R. S. Christie	Amerada	Tulsa, Oklahoma
R. T. Montgomery	O. C. C.	Artesia, N. Mex.
Elden H. Foster	United Carbon	Pittsburgh,
T. A. Eaton	United Carbon	Santa Fe, N. Mex.
Jack M. Campbell	United Carbon	Roswell, N. Mex.
Merle B. Rogers	El Paso Natural	Jal, N. Mex.
E. A. Utz	N. M. O. C. C.	Santa Fe, N. Mex.
C. F. Bedford	Stanolind Oil & Gas	Ft. Worth, Texas
J. H. Vickery	Atlantic Refining	Midland, Texas
E. M. Kinght	Stanolind Oil & Gas	Roswell, N. Mex.
J. W. House	Humble Oil	Midland, Texas
J. M. Dunleavy	Skelly Oil	Hobbs, N. Mex.
O. P. Nicola, Jr.	Phillips Pet. Co.	Bartlesville, Okla.
R. F. Holland	Lowery Oil	Albuquerque, N. M.
John M. Kelly	Independent	Roswell, N. Mex.
J. J. Abendschan	O. C. C.	Aztec, New Mexico

NAME	REPRESENTING	LOCATION
Emery C. Arnold	O. C. C.	Aztec, New Mexico
Charles C. Harlan, Jr.	Foster Morrell	Roswell, New Mexico
Ray E. Seifert	Amerada	Midland, Texas
J. E. Lewis	Amerada	Tulsa, Oklahoma
M. H. Culfender	Phillips "66"	Bartlesville, Okla.
Albert Gackle	Gackle Oil Co.	Ft. Worth, Texas
Foster Morrell	Independent	Roswell, N. Mex.
Dan G. Howard	Warren Pet. Corp.	Tulsa, Oklahoma
G. E. Stahl	Permian Basin P. L.	Omaha, Nebraska
G. L. Tribble	Permian Basin P. L.	Omaha, Nebraska.
Paul S. Johnson	Trinity Production	Hobbs, N. Mex.
George W. Selinger	Skelly Oil Co.	Tulsa, Oklahoma

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 17, 1954

IN THE MATTER OF:

Notice is hereby given by the State of New Mexico, through its Oil Conservation Commission, that Texas Pacific Coal and Oil Company, upon proper petition, has requested a rehearing in Case 582 (relating to rules and regulations for the Jalco Gas Pool, Lea County, New Mexico); that in said petition, petitioner asks recision of Orders R-368 and R-368-A entered in Case 582 under dates of September 28, 1953, and November 10, 1953, respectively; that the Commission, by its Order No. R-368-B, has granted said rehearing and set it for 9 a.m. on January 21 , 1954, at Mabry Hall, State Capitol, Santa Fe, New Mexico, at which time petitioner and other interested parties will be heard.

} Case No. 582 Rehearing Continued

BEFORE:

R. R. Spurrier, Secretary, Oil Conservation Commission
E. H. (Johnny) Walker, Commissioner of Public Lands
Honorable Edwin L. Mechem, Governor

TRANSCRIPT OF PROCEEDINGS

(Notice of publication read in Case No. 582.)

MR. KELLAHIN: I am Jason Kellahin, representing Samedan Oil Corporation. Rather than interrupt the case as it proceeds, I would like to reaffirm our objections in connection with the boundaries in this case for the reasons previously stated. I would like to have the objection show to any testimony --

MR. SPURRIER: (Interrupting) As far as the Jalco Pool?

MR. KELLAHIN: Where it has a common boundary. May I have a ruling on the objections, please, or are you arguing the objections, sir?

MR. RUSSELL: No.

MR. SPURRIER: The record will show that Mr. Kellahin's motion is a continuing motion throughout the case. Mr. Russell.

MR. RUSSELL: Mr. Commissioner, I would like to get a clari-

fication of a statement, or an offer, by Mr. Macey, which appears in the transcript on Page 157. As it appears in the transcript, it reads as follows: "Mr. Macey, I would like also, at this time, to introduce all of the company's production records on the Jalco Pool". We should think that probably should be Commission's.

MR.MACEY: I believe you are right. The intent was to introduce all of the Commission's production records on the Jalco pool, and we offerred them in evidence. I believe they were introduced.

MR. RUSSELL: It is my question whether the company should be Commission, and if the transcript could be changed accordingly. At this time, I would like to offer into evidence Texas Pacific's Exhibit Number 57, which is the Commission's Gas Prorationing Schedule, for the month of February.

MR. SPURRIER: Without objection it will be admitted. The record will be changed to show that should be "Commission".

MR. RUSSELL: The applicant rests.

MR. SPURRIER: Anyone else have testimony to present in this case?

MR. FOSTER: If it is permissible, Phillips would like to introduce some testimony at this time.

MR. SPURRIER: It is.

MR. FOSTER: If the Commission please, I would like to state that Phillips Petroleum Company's holdings in the areas in controversy here are relatively speaking, small. We are not here to particularly join issue with the Texas Pacific in this matter, but the Texas Pacific has a controversy with the Commission, and we feel that it is to our best interest to support these conservation

orders. That is the reason we are here. We want to present some testimony here, designed to show that these orders protect correlative rights, and that they were necessary in order to prevent waste in the gas pool.

R. D. G R I M M

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

DIRECT EXAMINATION

By MR. FOSTER:

Q Will you state your name to the Commission and reporter?

A R. D. Grimm.

Q Where do you reside?

A Bartlesville, Oklahoma.

Q You are employed by Phillips Petroleum Company?

A That is correct.

Q What capacity?

A I am Assistant Manager of Reservoir and Reserve Division in the Economics Department.

Q What is your professional training?

A I am a graduate engineer, Bachelor of Science Degree in Petroleum Engineering from the Missouri School of Mines.

Q What year?

A 1937.

Q Have you practiced your profession since the time of your graduation?

A Yes, sir.

Q And how long with Phillips Petroleum Company?

A 17 years, approximately.

Q Sir?

A Approximately.

Q Approximately 17 years. What are your duties as an employee of Phillips Petroleum Company, and in the capacity that you have stated?

A My duties are to supervise the estimate of reserves, rates of production, reservoir work for the Economics Department for use by the management of our Company in their future building and plans.

Q And in the discharge of your duties to Phillips Petroleum Company, have you had occasion to study the Eumont, Arrow and Jalco and Langmat Gas Pools in Lea County, New Mexico?

A Yes, sir.

Q For what purpose was that study made?

A Well, originally I had charge of this particular area as a district engineer of the Economics Department for the reservoir and oil work. Since that time, I worked both for our company and with other companies in studying the area, mainly in connection with El Paso Natural Gas Company's building of their first line to the West Coast, and subsequent enlargements, and since that time with Permian Basin Pipeline Company when they made their original application before the Federal Power Commission for a certificate of convenience and necessity to build their line from this area up to the Panhandle area.

Q Over how long a period have your studies continued in these gas pools?

A Between 12 and 13 years.

Q Have you made a recent study of the pools for the purpose

of testifying in this case?

A Yes, sir.

Q First of all, I would like to submit to the Commission, the witness has been qualified to testify in this case.

MR. SPURRIER: His qualifications will be accepted.

Q First, would you detail for us, Mr. Grimm, the general development pattern in the pools that we are talking about? On what acreage pattern has the pool generally been developed?

A Well, the acreage pattern on the gas pool, as it is presently designated is on 160 acre pattern. However, the pools are being developed in the main in recompleting wells which have been developed upon a 40 acre for oil production.

Q Generally, the development for gas wells in the pools that I have mentioned here has been on 160 acre pattern, is that correct?

A That is right.

Q Have you made any study for the purpose of determining what is the efficient drainage area of a gas well in these pools?

A I have made such a study on these pools and many other pools in the past ten, twelve years.

Q Would you tell us what, in your opinion, is the efficient and economic drainage area of a gas well in the Eumont, Arrow and Langmat and Jalco pools?

MR. RUSSELL: If the Commission please, I would like to object to any evidence presented by Judge Foster's witness, with reference to the Eumont pool, as being outside the scope of this hearing, and also the Langmat pool, other than as the common boundary is concerned.

MR. SPURRIER: Let the witness answer the question.

Q Will you answer the question, Mr. Grimm?

A In my opinion, any well within the boundaries of these pools, can economically drain as much as 640 acres, if not more.

Q Would you say that the pattern, as fixed by the Commission at 160 acres, is fair and equitable pattern, as far as these fields are concerned?

A Yes, sir.

Q You would say that although, in your opinion, you would say that a well might drain considerably more acreage than that?

A That is right.

Q You know it will drain that much, don't you?

A Yes, sir.

Q You know that probably it will drain in excess of that acreage?

A Yes, sir.

Q Percentagewise with a percentage of the pool, as far as the gas wells are concerned, is developed on a pattern of 160 acres?

A Between 25 and 35 percent.

Q Percentagewise, as far as the oil wells are concerned, what percent of the pools are developed on a 40 acre pattern?

A In my opinion, essentially 100 percent.

Q Essentially 100 percent? A Yes, sir.

Q Is it a fact that most of these wells, or a good many of these wells in these different pools, the oil wells are now nearing a depletion stage?

A A large percent of them are, yes, sir.

Q What percentagewise would you say?

A I don't have that figure.

Q You don't have that figure?

A No, sir.

Q You know it is a larger percent?

A Yes, sir.

Q These wells that are being depleted, the oil wells, it is safe to assume that they will be, in the future, converted to gas wells, is it not?

A I think a large percentage of them will be reconverted to gas wells. I don't know that each one will be, because they are on 40 acre spacing, the gas wells are at present given 160 acre spacing, I can see no need for all four oil wells on 160 acre tract being reconverted into gas wells.

Q But there will be some reconversion of those wells?

A Yes, sir.

Q And some of them on 40 acres?

A Yes, sir.

Q Is that true?

A Yes, sir.

Q A good many of these oil wells in the area have bradenhead, do they not?

A Yes, sir.

Q And they are now producing oil, or gas, through the bradenhead, is that right?

A Yes, sir.

Q So that essentially, you have there in the area that we are talking about, a large number of gas wells, that is wells

that are producing gas through the bradenhead, that are located on 40 acre units?

A Yes, sir.

Q And some of those will remain that way, in your judgment?

A Yes, sir.

Q Now, there has been a good deal of testimony here in this record, Mr. Grimm, about whether the Jalco and the Langmat pools particularly, whether they are oil pools or whether they are gas pools. Have you any opinion on that controversial subject?

A In my opinion, they are essentially gas pools.

Q How do you determine, in your own thinking, at least, whether an area is essentially a gas pool or whether it is essentially an oil pool?

A The relative volume of the total reservoir, which is initially, or presently, filled with either oil or gas, should determine that.

Q And what is the situation in the Jalco and Langmat area, particularly on that subject?

A By far, the majority of the reservoir is filled with gas.

Q And in your opinion, has the Commission properly classified the various pools there as gas pools, rather than as oil pools?

A Yes, sir.

Q Another controversial matter is the division line between the Jalco and the Langmat pool. I want to direct your attention over there to the map at the extreme left, and will you identify that as Phillips Petroleum Exhibit Number One, down there at the

bottom. Put a one on it so we will know what it is.

A (Witness complies.)

Q Directing your attention there to Phillips Petroleum Company's Exhibit Number 1, will you tell us what that map represents? What is it?

A This map represents the areain southeast Lea County, New Mexico, which embraces the Eumont, Arrow, Langmat and Jalco Gas Pools, along with the considerable portion of the oil producing area within the same general area.

Q I am wondering -- Go ahead.

A On the map are placed the outlines of the three or the four gas pools mentioned, as well as the January, 1954 acreage, allocated to gas wells by the New Mexico Conservation Commission. In addition, the wells which are classified as gas wells, on the January, 1954 Gas Proration Schedule, are also designated. In addition,there has been a comparison made between the average production of these wells for the first eleven months of 1953, with the projected allowable for the first six months of 1954 as shown on the January, 1954 Gas Proration Schedule. The wells which are projected to have more allowable per month, for the first six months of 1954, than their average production during eleven months of 1953, are colored in red. That is the wells or the acreage which is listed as supporting these wells. I am sorry, I believe I misspoke myself. The wells are colored in blue, if they have more.

Q They are what you call your blue wells, down there in the legend?

A That is right.

Q In addition to the coloring, there is a figure on the map

on each acreage tract, which gives the increase in average production per month. It is listed as plus some figure, which will be in millions of cubic feet per month.

A That is correct. The acreage colored in red shows the wells and their tributory acreage, which are projected to have an allowable less than their average production for the first eleven months of 1953. In addition to those two colors, there is a color here, brown, with an indication of an "nw" which indicates that wells that are on the schedule for the 1954 gas proration schedule which were not listed as producing through 1953.

Q What do the letters "nw" stand for, in your thinking?

A In my own thinking they stand for new wells, insofar as the Commission is concerned. It doesn't necessarily mean that they are physically a new well. They may have been sitting there for a long time.

Q It means wells that have obtained a connection to a pipeline since the institution of prorationing by the Commission?

A That is correct.

Q Isn't that correct?

A Yes, sir.

Q What other legend do you reflect there on the map?

A I have in addition, a notation of an "ow" by a number of wells that are placed on this map, which is simply a notation of wells which we have on our own records --

Q (Interrupting) You mean Phillips Petroleum Company --

A (Continuing) Phillips Petroleum Company, which showed production during 1953 and not carried on the January, 1954, proration schedule.

Q In other words, those "ow" wells are the ones that the records of Phillips Petroleum Company show they are producing gas wells, but the records of the Commission doesn't show what they are?

A That is correct.

Q What does that "ow", in your thinking there, stand for?

A It can stand for either old wells, or oil wells. It may be either one.

Q It may be either one?

A Yes, sir.

Q In any event, you found in the areas that we are talking about, wells which are now on the schedule of production of the Commission since the institution of proration, that were not carried, that is on the gas schedule, that were not carried on any schedule prior to the advent of prorationing?

A That is correct.

Q Is that correct?

A Yes, sir.

Q Do you know whether those wells were producing before proration went into effect here, or not?

A No, sir, I do not.

Q You wouldn't know about that? I want to get back to the blue and the red colored acreage there on the map, which you explained that the blue wells are the wells which are under proration as instituted by the Commission now receiving more gas allowable than they were receiving prior to the advent of prorationing. And the red colored acreage contains wells that are now receiving less gas allowable than they were receiving prior to the

advent of prorationing. What does that indicate to you, Mr. Grimm?

A That indicates to me that under the system of gas takes in effect in 1953, that correlative rights were not being protected.

Q In other words, would you say --

MR. RUSSELL: (Interrupting) If the Commission please, to save my continuing to object, I would like to renew my objection to any evidence with reference to correlative rights as being immaterial and outside the scope of this hearing, and would like to have a continuing objection to all such testimony.

MR. FOSTER: I might explain to the Commission that is our position under the statute, that the Commission may prorate gas and absent waste for the purpose of protecting correlative rights. That is, in other words, you don't have to have waste. I think you got it, however, but we will attempt to prove that too. But we also think that you do not have to have waste in order to be able to prorate gas in these fields, because you are authorized to prorate it for the purpose of protecting correlative rights as well as for the purpose of preventing waste.

MR. RUSSELL: The courts take the opposite position.

MR. FOSTER: That is something that the Commission can't settle. It is a legal argument.

MR. SPURRIER: Judge, can you have the witness explain his statement about correlative rights?

MR. FOSTER: He didn't even get through.

MR. SPURRIER: The record will show your continuing objection, and the witness will proceed.

Q Will you go ahead, Mr. Grimm?

A In addition to the information shown on this map, showing

that the method of production during 1953 did not protect correlative rights, it also shows very clearly, a waste of underground energy in that on these tracts of essentially the same area, when one tract takes more gas than its immediately adjoining tract, it means that it is lowering its bottom hole pressure more than the adjoining tract, or has a tendency to, which means it is producing gas from a further point in the reservoir, and because of this, it has a greater bottom hole pressure drop to the top of the well, and it takes more energy then to pump the gas to its ultimate market. So, as well as not protecting the correlative rights, it also shows waste.

Q Would you say that the system of proration that has been inaugurated by the Commission that correlative rights in these fields are now being protected?

A Yes, sir.

Q Would you say that under the present basis of proration by the Commission, that correlative rights were not protected under pipeline proration that existed in the field in 1953?

A That is correct.

Q Why do you say that under the pipeline system of proration that existed in these fields, correlative rights were not being protected?

A Because, as shown by this exhibit, that adjoining tracts were taking considerably different amounts of gas during 1953, and if one owner owned 160 acres and got more than the man owning the adjoining 160, then the adjoining 160 acres didn't have the correlative rights protected; he was losing gas, and that is correct.

Q This was the case, was it not?

A Yes, sir.

Q So that under pipeline proration before the advent of proration by the Commission, there was a wide variance in gas between tracts of equal size?

A Yes, sir.

Q Can you give us some of those instances, just for purposes of your expression?

A Well, I have to go to the next map to do it.

Q Well, do that, and mark it Exhibit Number Two.

(Witness complies.)

MR. RUSSELL: If the Commission please, while he is marking the map, may objections extend to all questions with regard to waste also, as being outside the scope of the re-hearing?

MR. SPURRIER: Your objection will be contained in the record, Mr. Russell. Go ahead.

Q Directing your attention there to Phillips Petroleum Company Number One, will you tell us what is reflected on that map?

A Number One?

Q I mean Number Two.

A On Exhibit Number Two, we have posted the monthly average gas production for the wells in the Eumont, Arrow, Jalco and Langmat gas pools for the first 11 months of 1953. The 12th month was not available to us at the time this exhibit was made. We have placed on this exhibit, immediately adjacent to the well symbol, the average monthly production in millions of cubic feet.

Q That map is designed to show that production on an unregulated basis just doesn't protect correlative rights, isn't that true?

A That is right.

Q Can you point out some of the specific examples that are reflected on that exhibit?

A Well, in the Southeast quarter of Section 30, Township 21 South, Range 35 East had three wells producing during 1953, the total monthly take off those three wells is approximately 28,000,000 a month. The quarter section to the north had no gas wells, we are not listed as producing; the one to the west had one well producing an average of 15.6 per month. To the south was one that produced 6.5; to the east, no wells; to the northeast, there was one well of 3.9 million a month.

Q Going back over there to Exhibit Number One, how has the order of the Commission putting in force proration, tended to correct that situation that you have just pointed out?

A In that particular quarter section, it doesn't have an allowable, it isn't on a schedule as yet. The quarter section to the north has a gas well which just appeared on the schedule, and which didn't produce last year. It would be to the west, the gas well there is on a 80 acre unit, and has had its allowable cut some 4,000,000 a month. The one to the northeast is on an 80 acre unit, and has had its allowable increased 7,000,000 a month. To the south there is an 80 acre unit which has had its allowable increased 4.8 million a month. I assume that any time they want to put that particular one on the proration schedule it would get some, I believe, some ten million a month, I am not too sure what the well would be; I think it would show on the schedule.

Q That tends to correct the inequities between withdrawals, between wells under regulated system and under a non-regulated

system, does it not?

A That is correct.

Q Can you give us one more example; I don't want to burden the record with them.

A In the southwest quarter of Section 9, 23 South, 36 East, there were two wells listed as producing during 1953, which produces some 20 million a month. To the east there was one well owned by the same operator that produced 16 million a month. To the west there was one well that produced 13 million a month. To the south, there was no well; to the north, there was one well producing 18 million a month. To the southwest, there was one well producing 5.2 million a month.

Q How has that been corrected, as reflected on Exhibit Number One?

A As shown in Exhibit Number One, every one of the wells has had an increase in production, or an allowable over its last year production, and to the southeast there is a new, two new units have been added which, of course, increased over nothing as far as last year is concerned.

Q Of course, giving a well an increase in an allowable doesn't mean it gets it, does it?

A That is right.

Q It gives it an opportunity to get it?

A Equal opportunity.

Q That is all the Commission can do, it can't make a well produce?

A Yes, sir.

Q That is what you mean by protecting correlative rights,

each one an equal chance to produce the gas that is in place beneath the land on which the well is located?

A Yes, sir.

Q Is that what you have in mind?

A Yes.

Q Before I leave Exhibit One over there, those M. V. wells that are in brown, that exhibit reflects that before proration went into effect, there were a large number of wells in these fields that had no pipeline connection, does it not?

A Yes, sir.

Q And that immediately after proration went into effect these wells were connected to a pipe line?

A I assume they were connected to a pipe line, at least they were given an allowable, and I don't think they would have asked for an allowable if they didn't have a market.

Q Well, are they shown on the schedule?

A Yes, sir.

Q Presumptively, as far as you know, they are now producing?

A That is right.

Q They were not doing that before?

A That is right.

Q That, in your judgment, if the order did bring that about, would that tend to protect correlative rights?

A Yes, sir.

Q Still directing your attention there to Exhibit Number One, there has been a lot of controversy here about the dividing line between the Jalco and the Langmat Pools, have you given that any study?

A Yes, sir.

Q Was that a subject of study prior to this controversy here between the Commission and Texas Pacific, as far as you were concerned?

A Yes, sir.

Q And have you arrived at any conclusion as to whether or not there is any effective barrier between the Jalco Pool, as delineated by the Commission, and the Langmat Pool?

A In my opinion there is no barrier from a reservoir standpoint.

Q From a reservoir standpoint, in your opinion, is the area that comprises the Jalco and the Langmat Pools one common source of supply, or one common reservoir?

A Yes, sir.

Q Let me ask you this further question. Is there any practical objection, however, to prorating them or separating them for proration purposes, in your judgment, at this time?

A No, sir.

Q Would you say that the Commission, as a practical matter, has accomplished a beneficial use by separating the two pools for proration purposes?

A In my opinion, yes, sir.

Q It is a fact, is it not, that the only way that any owner of the gas well in the Jalco Pool and the Langmat Pool could possibly be injured by the present line of demarcation between the two pools would be for the allowable in the two pools to become greatly disproportionate?

A Well, if I understood the question, that is correct.

Q Do you have some figures on what the allowable in the Jalco Pool is as it is presently constituted, as compared with the present allowable in the Langmat Pool?

A Yes, sir.

Q Would you place those in the records, please?

A You mean for February, or for January?

Q Well, for either month, or if you have them, for both months; we will be glad to have them both.

A We have. 160 acre unit allowable as shown on the February schedule for the Jalco Pool, 30,358,000 cubi feet; for the Langmat Pool, comparable allowable is 40,357,000 cubic feet.

Q Is there enough difference in the two allowables, do you think, to cause any interference with correlative rights between the owners in the different pools as they are now classified by the Commission?

A There might be right along the line.

Q It might be close, but you don't think it has?

A Yes.

Q But you don't think it has reached that point yet?

A No, sir.

Q When it does reach that point, when the allowable in the two pools do become so disproportionate that correlative rights are not being protected, it would be your recommendation that the two pools be prorated as one pool, is that right?

A That is correct.

Q Is that right?

A Yes, sir.

Q It is a fact, isn't it, that in prorating pools, that it

still is sort of a common practice to divide them, just for convenience purposes, for purposes of convenience?

A That has been done many times.

Q The only way that anybody can get hurt there is for the allowables and the nominations in the two pools to become greatly disproportioned?

A That is right.

Q Would it be your recommendation that for the present at least, that the pools, as delineated by the Commission, be allowed to remain as they are?

A Yes, sir.

Q Now, I want to direct your attention to the third map which you have on the board, and if you would, identify that as Phillips Petroleum Company's Exhibit Number Three.

(Witness complies.)

Q Will you just explain to the Commission what that map is, please?

A That map shows the pipeline connection of all gas wells on the January, 1954 gas proration schedule; that is it, I guess.

Q Well, that is all it does show?

A Yes, sir.

Q Let me ask you the purpose in preparing that map, Mr. Grimm, was to show that pipeline takes, if ratable as between connections, between connections between the pipeline, were not ratable as between takes in the field, is that right?

A That is right.

Q Does that map show that?

A Yes, sir.

Q Explain just how it does.

A It shows that any one pipeline system has connections scattered all the way up and down the whole trend, and that if each pipeline system took rateably between the wells to which it was connected.

Q On whatever basis it might determine rateable take?

A That is correct. It they took rateably within their own system, this would still not be taking rateably with the other pipeline systems, and it would be probably that as they cross individual lease lines and individual gas unit lines, that you would have non-rateable takes.

Q Therefore, you would fail in protecting correlative rights?

A Yes, sir.

Q Do you regard it as necessary that the Commission institute some system of proration in these fields in order to protect correlative rights?

A Yes, sir.

Q Turning to the question of waste, have you made any study, Mr. Grimm, for the purpose of determining whether any waste has been committed in these areas or not?

A I have.

Q Over what period of time did your studies extend?

A We have made a continuing study of this whole gas situation since I first became associated with the Phillips Economic Department back in 1941.

Q To your knowledge, over how long a period of time has waste been occurring in these fields?

A Since the first well was drilled into.

Q And that is even continuing up to thepresent time, isn't it?

A Yes, sir.

Q Have you made any charts or graphs for the purpose of illustrating waste that is occurring in these fields?

A Yes, sir, I have a graph.

Q Would you place that on the board?

MR. SPURRIER: Let's take a short recess.

(Recess.)

MR. SPURRIER: Mr. Foster, you may proceed.

Q Mr. Grimm, will you identify the chart that you just placed on the board there as Phillips Petroleum Company's Exhibit Number Four?

(Witness complies.)

Q Will you explain to the Commission, and for the purpose of the record, what is reflected on that chart?

A This chart shows in a graphical form the millions of cubic feet vented per month from four gasoline plants in Lea County, New Mexico, which are connected to both casinghead and gas wells within the area of the Eumont, Jalco and Langmat fields.

Q As to the amount of gas being vented to those plants, what does the exhibit show?

A It shows it for each individual month. However, for December of 1953, it shows that at the Warren Monument Plant there was some 22 million cubic feet vented, for the Phillips Eunice Plant, there was 50, about 55 million cubic feet. For the El Paso Jal Number One, there was about 24 million cubic feet, and for El Paso Jal Number Two, there was approximately 45 million cubic

feet.

Q Over what period of time is gas vented reflected on that Exhibit Number 4?

A For the 12 months of the year, 1953.

Q 12 months of 1952. Have you also prepared a schedule that shows the operators and wells that are reflected in the chart there?

A Yes, sir. For each gasoline plant whose vented gas I reflected on Phillips Exhibit 4, I have a schedule that shows, by months, the number of casinghead wells connected, the number of dry gas wells connected, the total number of wells connected, the monthly gas processed in MCF, for casinghead, dry gas and total, and the total gas vented at the plant for the month.

Q Let me ask you this question. You have used the term "casinghead gas" and "dry gas".

A Yes, sir.

Q For the benefit of the Commission and for the record, will you tell us what you mean by those two terms?

A Casinghead gas is that gas that is produced from an underground reservoir with oil production and from the same well bore.

Q And what do you mean by the term "dry gas"?

A Dry gas is gas produced from a well which is produced without any oil, and is produced from a reservoir which contains only dry gas, or from that part of a reservoir which contains only dry gas.

Q Now, the gas that you defined here as casinghead gas is produced from the same common source of supply, or the same common reservoir as the gas that you have found as dry gas, is it not?

A Yes, sir.

Q Now, the oil wells that are in these areas, some of them have gas-oil ratio limitations, do they not?

A That is right.

Q Would you regard that gas that is being vented in these plants, including the Phillips Plant, as being wasteful?

A Yes, sir.

Q Do you think it ought to be stopped?

A Yes, sir.

Q Do you think a proration, such as the Commission here has promulgated, limiting gas well gas production to market demand will prevent gas waste?

A It will reduce waste and prevent waste. I do not believe it will completely abolish it.

Q It won't stop it? A That is right.

Q But, it will slow down a little, won't it?

A Yes, sir.

Q Bearing in mind that one of the statutory definitions of waste in this State is the production of gas in excess of the reasonable market demand or the transportation facilities for the handling of the type of gas produced, what would you say, would you say that the producing capacity of these gas wells in these fields is in excess of the reasonable market demand for gas in the area, or the transportation facilities in the area?

A In my opinion, the producing capacity of the gas in the area is many times greater than the transportation facilities.

Q How much greater?

A I would say in the order of seven to ten times.

Q Seven to ten times greater?

A Yes, sir.

Q In view od that situation, is it your judgment that it is necessary to limit the prodution of gas from these wells in order to prevent waste? A Yes, sir.

MR. FOSTER: If the Commission please, I would like to introduce the Exhibits 1, 2, 3 and 4, and the schedule that has been referred to as part of Exhibit 4.

MR. RUSSELL: The applicant objects to the introduction of these records for the reason they are not within the scope of this hearing.

MR. SPURRIER: The Exhibits will be admitted.

MR. FOSTER: I believe that is all.

MR. SPURRIER: Does anyone have a question of this witness?

MR. ADAIR: If the Commission please, I have a few questions.

CROSS EXAMINATION

By MR. ADAIR:

Q Mr. Grimm, I believe that you testified that there was no reason whatsoever for drawing the line that now separates the Jalco and Langmat Pools, as delineated by the Commission?

A I testified that from a reservoir standpoint there was no reason.

Q In other words, there is no reason, from a reservoir standpoint, that is geological or engineerwise, for drawing the line where it is?

A From a geological standpoint and from a reservoir standpoint. Engineering takes into account economics, and I didn't so testify.

Q From a reservoir and a geological standpoint, there is no reason for delineating the Jalco Pools east line where it is delineated? A That is correct.

Q Then to that extent, the Jalco Pool, as delineated by the Commission, is not a separate common source of supply, is it?

A That is correct.

Q I believe you testified that, in your opinion, one well will drain at least 640 acres? A Yes, sir.

Q If that well happened to be located anywhere along the east line of the Jalco Pool, but in the Langmat Pool, then that well would drain across that line, would it not?

A In all probability, yes, sir.

Q That would be true all up and down the 36 mile line separating the two pools? A Yes, sir.

Q You testified something with respect to correlative rights. You testified also that the allowable for the month of February in the Langmat Pool was somewhere in the order of 40,000 MCF per month?

A Yes, sir, that is what the schedule reflects.

Q The schedule was something in the order of 30,000 MCF per month in the Jalco Pool? A That is right.

Q In other words, the Langmat Pool allowable is in the order of a third greater for February than that of the Jalco Pool?

A When compared to the Jalco Pool, yes, sir.

Q Don't you think that correlative rights would be disturbed along the entire length of the 36 mile line, if the actual takes of gas were in accordance with the allowables?

A I think I so testified, yes, sir.

Q Will you refer to your Exhibit 1 and point out to the Commission within the area delineated as the Jalco Pool, one single instance where correlative rights were disturbed in 1953, and were cured as a result of gas prorationing?

A From —

Q (Interrupting) Within the areal extent of the Jalco Pool, in Exhibit 1, point out to the Commission one single instance, if you please?

A I can do it much better on Exhibit 2. I can — here, I don't have the exact figures on Exhibit 1 on the west half of Section 17 — Wait a moment, I have to check my ownership on that one. Wait a moment, that is all owned by the same operator.

Q Isn't it a fact —

A (Interrupting) In the southwest quarter of Section 4, Township 23 South, Range 36 East, and in the southeast quarter of Section 5, same township and range, the allowable on the eastern quarter section mentioned was increased five million, and the allowable on the western quarter section, over its production in 1953, and on the western quarter section mentioned, was increased twenty-eight million over 1953. Now, I do not have the figures of the production, but the allowable would tend to correct inequitable withdrawals across those two quarter sections.

Q If you don't have the actual production figures you don't

know whether correlative rights were disturbed in 1953?

A In 1953, yes, sir, I have those figures. I said that the 1954 allowable whould have corrected it.

Q Is there anything about a gas allowable that requires a gas purchaser or gas user to take the gas?

A No, sir.

Q Then how can you say that gas proration has corrected any inequities that may have heretofor existed?

A Assume that he put in a market demand and he wants to satisfy the market demand, he has to take it according to what his allowable is. Whether he does or not I can't say.

Q You are comparing actual production in 1953 with what he might take in 1954?

A If he satisfies his market demand.

Q To that extent you are comparing apples and oranges, aren't you? A I wouldn't say that.

Q It is not comparable?

A Big apples and little apples may be.

Q In one case you are speaking of production and the other case you are speaking of permissive?

A Proposed production, that is correct.

Q How do you know that the same permissive take -- He could still take in 1953, anything he wanted to, couldn't he?

A Yes, sir, as long as he used it for legislative use.

Q As long as he complied with the Commissions uses as to the benefits and the use of gas?

A That is correct.

Q So far as you know has there been a market demand for all of the natural gas taken during 1953 from the Jalco Pool?

A No, sir.

Q Do you know? A Yes, sir.

Q Has there been a market demand for it?

A No, sir, some of it was wasted.

Q Where?

A I don't have the records here, but I could find them.

Q How do you know that some of it was wasted?

A Because I saw it.

Q Give the Commission the extent and tell us how gas proration would correct it.

A I don't have specific leases where it was wasted in 1953. I drove up through there, I know that I saw it vented. In 1954, I know that it is still being wasted in certain places.

Q So, to that extent, gas proration hasn't changed that?

A No, sir, it hasn't prevented it at all.

Q Wouldn't a more direct way to take care of that waste be for the Commission to put into effect, Rule 404? Are you familiar with Rule 404? A No, sir.

Q It deals with the equalization of the gas well gas, describes it shall be used for certain benefits and uses. Did you not testify on your direct examination hat, in your opinion, the casinghead gas produced from the Jalco area was produced from the same reservoir as the dry gas? A Yes, sir.

Q Would it follow them, that the oil produced from the wells in the Jalco Pool was produced from the same reservoir as

the dry gas?

A Yes, sir, assuming you mean the Jalco Pool to be the area, not the vertical extent.

Q I am talking about the areal extent of the Jalco Pool.

A Yes.

Q I am talking about the oil produced from the wells within that areal extent. A Yes, sir.

Q You testified that casinghead gas was produced from the same reservoir as the dry gas? A Yes.

Q You testify now that the oil was produced from the same reservoir as the dry gas? A Yes.

Q Does it follow then that it is all casinghead gas?

A No, sir.

Q Wherever the gas is in contact with the oil, is it casinghead gas? A No, sir, only when produced.

Q I will ask you the question another way. Where the gas is in contact with oil, is it gascap gas?

A I can be.

Q Are you familiar with the Commission rules and definitions, which provide that gascap gas is casinghead gas?

A No, sir.

Q The Commission, in several cases, Mr. Grimm, has granted operators — I believe possibly your company is one of them — permission to dually complete gas wells in the Yates formation, oil wells in the Seven Rivers formation. Are you familiar with those applications?

A I am familiar that there are some. The individual cases,

no, I am not.

Q Under your definition, if any such dual completion exists within the Jalco area, under your definition then, you have one well producing two allowables from the same well bore, do you not?

A One well producing one allowable of oil and one well producing an allowable of gas. If you call it two --

Q And the gas associated with the oil, or the casinghead gas, that is produced from the oil is still coming from the reservoir as the gas is?

A I am sorry, would you repeat that question, I lost it?

Q I am talking about a Yates gas completion and the Seven Rivers oil completion. A Yes, sir.

Q I wanted to be sure that it is your testimony that the casinghead gas produced with the oil, from the Seven Rivers oil completion was coming from the same reservoir as the gas that is produced from the Yates? I believe that is your testimony, is it not? A Yes, sir.

Q If one well willdrain 640 acres, Mr. Grimm, or at least 640 acres, I believe that was your testimony, was it not?

A Yes.

Q Would you recommend to the Commission that they re-define their gas unit? A No, sir.

Q Put them on a basis of 640 acres?

A No, sir.

Q Does the drainage area of a well have anything to do with the lease lines or fence lines?

A No, sir.

Q So, that in prescribing the proper proration units, the Commission, if it is going to give consideration to the area that is drained by the well, should be permitted, then, under its definition of units to cross section lines, should it not?

A I don't believe I quite understood that one -- If I might have it again.

Q If a well will drain 640 acres, at least, and forming it, under the proration unit which the Commission ascribed to that well, should not the Commission be permitted to cross section lines, if the operator owns acreage that is across the section lines? A I think so, yes.

Q Your Exhibit 4 there, on the gas venting, do you know what percentage of that gas vented was gas well gas and what percentage was casinghead gas?

A I have no way of knowing that. No, sir. I know that they processed both kinds. I assume it was co-mingled.

Q You have no way of knowing, even if you shut in all the gas wells, some gas would still be vented?

A Certainly, it would be minimized. Yes, I think they would have to vent some gas in the operation of the plant.

Q That is necessary in all plant operations?

A Yes, sir.

MR. ADAIR: That is all.

RE-DIRECT EXAMINATION

By MR. FOSTER:

Q When were you last up through these fields here, for the purpose of seeing whether any gas was being vented?

A Monday.

Q Of this week? A Yes, sir.

Q Did you notice them venting at that time?

A Yes, sir.

Q Could you tell us where the vent was occurring?

A I could tell you one.

Q Would you give us one of them?

A Yes, sir. The north half of Section 9, 22 South, Range 36 East.

Q Who owns that lease?

A Texas and Pacific Coal and Oil Company.

MR. FOSTER: That is all.

RE-CROSS EXAMINATION

By MR. ADAIR:

Q Give the description again.

A North half of Section 9, Township 22 South, Range 36 East.

Q My map does not show any gas well located on thattract.

A I didn't say it was a gas well.

Q You said gas?

A I said gas was being vented and burned.

Q Let me ask you whether or not it was from a gas well?

A I have no idea.

Q Will you look on your map there and see if there is a gas well on it?

A Gas well listed — I don't know whether there is or not. There is a gas well, it is in the northeast quarter.

Q Do you know whether or not the gas that was being vented came from that particular well?

A No, sir.

Q Would the gas being vented there, that you observed, have anything to do with gas proration?

A Yes, sir, I would think so.

Q If it were casinghead gas?

A Yes, sir.

Q Is it your contention here that casinghead gas is subject to gasproration?

A It is my contention that we had an order that called Jalco and Langmat as gas well, and they could produce gas without limiting gas-oil ratio, as long as it was used for benaficial usage.

Q My point is this, Mr. Grimm, gas proration did not prevent venting of that gas, did it?

A No, sir.

MR. ADAIR: That is all.

By MR. KELLAHIN:

MR. KELLAHIN: Samedan, Continental.

Q You testified that you found no difference between the reservoirs, which would justify, from a geological or reservoir point of view, the line between Langmat and Jalco. Did I understand you correctly?

A Yes, sir.

Q Did you find any discrepancies between the characteristics of the two pools at any point?

A No, sir.

Q Did you find any difference in the bottom-hole pressure in the vicinity of that line, on one side or the other, within the two pools?

A There are some slight differences, but no discrepancies that would indicate to me they were different reservoirs.

Q Could you establish a trend as to those differences? Are they higher, for example, in the Langmat, or lower in the Jalco, or vice versa?

A I don't think so.

Q Did you find any difference in sulphur content?

A There is some difference in sulphur content over the pool, as a whole, but that is true, in many other gas reservoirs.

MR. SPURRIER: Could you speak up a little, Mr. Grimm?

A I will try.

Q Do you find any uniformity in that difference, as between the Langmat and Jalco, Mr. Grimm?

A I have not. I have not made a study specifically for that, other than I have studied the difference in the content, and find no reason to believe that they justify a difference in the reservoir.

Q How many wells have you examined as to bottom-hole pressure?

A Well, I don't know how many wells. I have either drawn or had drawn bottom hole pressure maps on this area, I believe, on every bottom hole pressure survey that has been made since 1941, on a number of wells, I didn't make a count of.

MR. KELLAHIN: That is all, thank you.

MR. SPURRIER: Anyone else?

MR. STAHL: Mr. Stahl, Permian Basin Pipeline.

Q Just one or two questions. I believe you testified that

during 1953 there were certain inequities existing in the various pools under discussion, did you not?

A Yes, sir.

Q When was gas proration put into effect?

A January 1, 1954.

Q Mr. Grimm, as a practical matter, will the institution of gasproration as of January first mean that all of the inequities which existed prior to January first be automatically eliminated as of January 2nd?

A No, sir.

Q In other words, operators and pipeline companies, if they operate in conformance with the rules and regulations as established by the Commission, will tend, over a period of time, to eliminate those inequities which did exist, will they not?

A That is right.

Q But, it does take some period of time?

A Yes, sir.

MR. STAHL: That is all.

MR. SPURRIER: Anyone else?

By MR. MACEY:

Q Mr. Grimm, you testified as to the allowable in the Jalco and LangmatPool during the month of February?

A Yes, sir.

Q You brought out the point that the Langmat was approximately one-third greater during the month of February, the assigned allowables, than the Jalco, is that correct?

A Yes, sir.

Q Are you familiar with what they were during the month of January?

A I have a schedule that I could —

Q Will you give the Commission those figures?

A During the month of January, 1954, 160 acres in the Jalco Pool was allowed 36,421,000 per month. 160 acres in the Langmat Pool was allowed 30,852,000 per month.

Q So, that from the figures that you just read it appears that the allowables assigned to Langmat, in relation to the Jalco were greater one month and then the opposite was true the next month, is that correct?

A That is correct.

Q Have you studied our rules that have been devised in the gas pools?

A Yes, sir.

Q Is there any concrete way to equalize them over a one month period, as between pools, unless all of the nominations were considered as a unit?

A I don't believe so.

Q But, you could equalize them over a period of, say, six months, couldn't you?

A Yes, sir.

Q Therefore, there wouldn't be any inequities between pools, would there?

A Not over a six month period, that is right.

Q You were questioned by Mr. Adair, pertaining to dual completions. Do you see anything wrong with allowing a dual com-

pletion, allowing the dry gas to be produced from the Yates zone and the so-called casinghead gas and oil to be produced from the Seven Rivers zone? Do you see anything wrong with that?

A No, sir, not as long as the quantities were controlled. Unrestricted production would tend to promote waste.

Q As long as the gas was put to beneficial use, is that another factor?

A Well, that is another factor, but, as between the two completions, the use of the gas, I don't think would necessarily affect the reservoir itself.

Q Mr. Grimm, pertaining to proration units, you testified that a well would drain at least 640 acres, but from the practical standpoint it is your recommendation that the proratinn unit should be an area of 160 acres, is that correct?

A I believe 160 acres would be a practical proration unit within these fields, inasmuch as a good part of the wells are bradenhead completions and you already have those completions available as soon as they are officially cleaned up and put on their schedule.

Q You would prevent economic waste in some respects by staying at 160 acres, would you not?

A I believe so, and would cost less money.

Q Don't you think there should be some control on where a well is located in that 160 acre area, when you assign it 160 acres?

A I believe that there should be rulings as to a regular location on 160 acres, or, for that matter, on any unit. However,

I think it should be left open for exceptions to be granted, providing the surrounding operators did not object.

Q By exceptions, you mean a unit greater than 160?

A Both a unit greaterthan 160 and exceptions to the spacing of the well within the 160.

Q Do you think it protects correlative rights to prorate, if you allowed an operator to have an allowable greater than 160, if the well location were in such a position that it would be completely on one side of the unit, in relationship to the other side?

A I believe that the allowable could be so set as to protect correlative tights. It is probable that if 640 acre unit, such as you described, were given four times the allowable of 160 acre unit that it would probably produce some of its gas from neighboring acreages, and in turn be drained of some of its gas from neighboring wells on the other side.

Q You testified also to the affect that the Jalco-Langmat area was essentially a gas reservoir, is that correct?

A Yes, sir.

Q If this Commission were to allow unrestricted withdrawals of gas from that area, would that not tend to reduce the total recovery of the oil on the oil rim of this reservoir?

A Yes, sir, it would cause oil to migrate up in the reservoir, into the gas zone and wet the formation, the reservoir walls, as it were, and be lost forever, as far as producing is concerned.

Q That would be very wasteful, would it not?

A Yes, sir.

Q Mr. Grimm, back to this exception on 160 acre unit, aren't there cases where, if the Commission did not allow exceptions that it would result in the confiscation of property, that it wouldn't be economically feasible for some operator to go over to that end of the unit and drill a well, and if he wasn't allowed he would essentially lose his property unit, isn't that correct?

A That is right.

Q Mr. Grimm, you have the Langmat and the Jalco, you consider them a common reservoir, is that correct?

A Yes, sir.

Q What about the Queens zone in that reservoir?

A I believe it is common with the others.

Q You believe that the vertical limits of the Jalco and Langmat Pools should be extended to include the Queen, is that correct?

A Yes, sir.

Q What about the Eumont with relationship to the Langmat and the Jalco?

A I believe they are all one reservoir.

Q In other words, we have got one great big gas sheet that extends from the top of the Yates to the base of the Queen, is that correct?

A Yes, sir, even lower in some instances.

Q Are you familiar with the pool delineation that the Commission set up in Case 245? Have you studied that at all?

A Not as a case number. I may be familiar with it.

Q But that was the order which the Commission set up these

pools, the Jalco and the Langmat and the Arrow and the Sumont. Have you studied the record or any of the testimony involved in those cases?

A I have not studied the record or any of the testimony of the record, that is right. I have seen some of the exhibits.

Q Could you specifically state which exhibits you might have seen, was it the map that outlined the pool boundaries, by any chance?

A I may have it here, I don't know. I did see the map that outlined the pool boundaries. I don't -- It seems -- I don't know it as a number. I am sorry, I do not have any of those maps here.

Q In view of the circumstances, is it your recommendation that the Commission re-define the vertical limits of the four pools, which you have listed on the map, and combine them into one common pool?

A Did you say vertical?

Q Well, I said vertical, insofar as I was talking about the Jalco and Langmat. The Jalco and Langmat do not include the base of the Seven Rivers and Queens zone, as the Sumont does, I believe.

A If you mean from a reservoir standpoint, I think that that would be the simplest thing to do. From an administrative standpoint, I have no quarrel with the way that they are presently delineated.

Q Do you see anything wrong with the way they are presently delineated?

A No, sir.

Q Do you know of any reason whym under their present delin-

eation, anyone will be deprived of any of their rights, or there would be any waste involved if we left it the way it is?

A I think, the only suggestion as to the way it is, I think it probably should be broadened to include more area for each of the pools, in order to be sure that there are no vacant areas within the reservoir that are not taken care of by at least one or the other of the pools. I think, as it is now delineated, I think it can be very definitely used to prevent waste.

MR. SPURRIER: Are there any other questions of the witness?

MR. KELLY: I would like to ask the witness one question.

By MR. KELLY:

Q What is your definition of a gas well?

A Gas well is a well that penetrates a reservoir in which the reservoir fluid is in a gaseous state and when it is produced it produces only fluid which was in a gaseous state in the reservoir.

MR. KELLY: That is all.

MR. SPURRIER: We will take a recess for lunch and come back at 1:30.

(Noon recess.)

AFTERNOON SESSION

MR. SPURRIER: The meeting will come to order, please. Judge Foster, do you have anything more?

MR. FOSTER: No, sir, we are through.

MR. SPURRIER: I might say this, do you have anymore to present, Mr. Adair?

MR. ADAIR: We may have a little more.

MR. SPURRIER: The Governor can't be here until later this afternoon. He would like to hear the rest of the case. I suggest that we pass or recess Case 582 until he can be back.

(Whereupon the taking of further testimony in Case 582 was continued.)

M O R N I N G S E S S I O N
Thursday, February 18, 1954 -- 9:30 A.M.

MR. SPURRIER: The meeting will come to order, please. Before we get into the hearing, I have an announcement or two. One is a directive, which we dated February 10th and asked for operators in the Tubb and Blinebry Pools for well logs. We note in the directive that very few of the logs have been submitted. The Commission needs those logs and we need your cooperation in getting them in. We left one thing off the directive and that was that they should be mailed to the Hobbs office. If they have been mailed to Santa Fe we will see that they get there, but it will save time and confusion to mail them directly to the Hobbs Office.

The first case we want to consider this morning is to go back into Case 582, the Jalco Gas Pool. Mr. Stahl.

MR. STAHL: If the Commission please, I would like permission to make a brief statement because I have a plane to catch at 10:00 this morning.

MR. SPURRIER: Very well.

MR. STAHL: In reviewing the transcript of the re-hearing and in listening to the testimony which has been presented, it appears to Permian that certain elements of dispute might have easily been resolved by some other method than by an order of the Commission which then has the possibility of going on up through the Courts. If I might briefly review the method by which these rules were derived, it might be of help to everyone.

As you will recall, an Industry Committee was asked to devise

a set of basic proration rules for the proration of gas in the four County area. That was done, and as anyone who knows, who served on the Committee, there certainly was no agreement between all companies represented. It was thought by people serving on the Committee that any rules, even though we knew that they were probably vague in some cases, probably incorrect in others, would be of help to the Committee in setting up proration. So, as you all know, those standby rules were written. Only one set of rules was written, even though it was to apply to many diversions, to wit: nine different gas pools, with different problems in each pool. The Commission then put those rules into effect, effective January 1st. It seems obvious, at least to Permian, from the evidence that has been put in in this rehearing order, that there are certain elements that need further definition in the rules; that the rules, as they stand, are probably improper. They do need some clarification. So, it would seem to me that it would save everyone's time and money, besides, we would know where we stand rather than having to wait for the Supreme Court to tell us where we stood, if the Commission would take it upon themselves either to appoint another industry committee to study certain of the specific problems and come up with recommendations, or on their own motion to set hearings to review each of these problems and postpone an order on the rehearing, as requested by T and P, and all others have an opportunity to review either what is the result of the Committee work, or what may be the result of the Commission's opening up certain of these matters on its own motion.

For example, we have listened with a great deal of interest

to the evidence. We feel that there are generally five areas of dispute at the present time. The first of these is with respect to the pool limits. Since there is dispute about that, it would appear that the way to handle it would be to hold a hearing, at which time each interested person could come in and put on their evidence with respect to whether the pool should be redefined or not. That appears to be one of the main elements. It would seem to me to be beneficial to the Commission at this time to get the thoughts of all the expert witnesses, which could be made available on where the pool limits should be. The second area of dispute at this time, as we see it, is whether an operator has the right to multiple allowables for one well. For example, if you have 480 acres in a particular section, and you have one well, whether you will be permitted, providing that you can justify to the Commission, on the engineering evidence that you will have three allowables granted for that one well. As it is presently written you are permitted to ask for an exception but there has been no policy or no rule laid down, to date, by the Commission with respect to knowing where you stand. So, it seems if the Commission would properly qualify that right by saying that the operators have to show - demonstrate through engineering evidence that the granting of a larger allowable, or a multiple allowable, is justified. If they knew they had that right to start out with, we would eliminate the second area of dispute.

The third area, as we see it, is in the definition of a gas well, as opposed to an oil well, particularly in those pools which are primarily gas pools, but do have a rim of oil around

them. I don't think there is any serious dispute among the various operators, it is simply a question of clarification. Again, no one knows exactly where they stand.

The fourth item, which is a corollary of the third, is that the proration of oil wells in a gas area at this time, the effect is rather vague. If the operators knew that if they had an oil well in what is designed as a gas pool, and if they were going to be permitted to produce the oil upon the same basis as the gas is produced from an off-setting gas well, it would go a long way to resolving what appears to be a lot of objections.

The fifth area of dispute, which seems to me relatively miner, and easy to take care of, is to eliminate the necessity of a hearing on an unorthodox location of an existing well, In other words, an oil well which is played out, which has not been located properly under the gas rules where the operator wants to re-complete that as a gas well and get an allowable on it, even though it does not conform to the Commissions spacing order with respect to gas wells, since it is an existing well it seems to me only proper that some procedure be set up, other than the necessity for hearing for classifying that as a gas well.

These five items, of course, present some problems, but it seems to me we are not going to solve the problems by taking this matter up through the Courts. If there is an area in which the Commission and the operators can work to solve the problems, short of litigation, it seems to me it would be to everybody's benefit. Reviewing evidence that T.P. has put on their objections, their first objection deals with the boundary line. They have put in evidence

saying that the boundary line is improper. It seems to me it behooves all of us to find out whether the boundary line is improper, and if it is to move it. Their second area is with respect to the granting of the three unit allowable for one well where they have 480 acres which is contiguous. They have made application, which as yet has not been heard. Here again is an area that can be resolved short of the Courts. The first point they have raised is whether their minimum take provisions in their contract with El Paso would be abrogated by Commission action.

It seems to me, here again is something that can be resolved. T. P. has readily admitted that they have not been hurt and that El Paso has been taking more than the 550 a day minimum. It seems that at such times as T. P. is hurt they then have right to legal action, which fully protects their rights, even though the time for questioning the validity of the proration order may have passed. Permian Basin Pipeline Company feels as I feel, many of the operators and interested parties do, that there is an area in which through cooperative action, and through re-writing the rules to specify what your rights are a little more clearly, we can avoid litigation in this suit and still continue with proration.

I thank you, and I will see you next month.

MR. SPURRIER: Mr. Hinkle.

MR. HINKLE: Clarence Hinkle, representing Humble Oil and Refining Company. I would like to make a brief statement on behalf of Humble. We agree, in part, with what Mr. Stahl has proposed, but in part disagree with him. We believe that the evidence put on in this case clearly establishes that gas pro-

ration is necessary in order to prevent waste and protect correlative rights. We want to commend the Commission on their action that they have taken so far in inaugurating gas proration in southern New Mexico. We think that the field rules that were adopted for these individual fields were probably the best that could be gotten up under the circumstances.

We feel, however, that the Commission, as well as most of the operators realize that these rules are going to have to be amended from time to time, to take care of inequalities as they bob up and do exist. This evidence has also shown that there is an honest difference of opinion as far as the delineation of some of the fields are concerned. We would like to suggest to the Commission that it appoint a technical committee to study the special field rules that have been adopted and to study or re-evaluate the definition of the various gas pools in the light of proration, with possible revision of them to cover the separate reservoirs as they exist; for that committee to report back to the Commission in ample time before the end of the present six months proration period, so that the Commission may adopt additional rules or revise the present rules to take care of the inequalities that may exist; and to also possibly revise the delineation of the fields. I think that particularly applies to the Jalco and the Langmat Fields, and those others where there may have been a lot of old wells drilled. It is a problem that is hard to cope with. The Commission has a hard job working out all of the inequalities.

I think, also, the Commission should consider in connection with entering a supplemental order or an amended order in this case, the revision of the rule, with respect to setting up standard

units. There is ample testimony in the record to show that one well will adequately drain 640 acres. I think the Commission could solve a lot of these problems, administratively, if they would amend your field rules in the Jalco case, which is pending, to provide for a standard unit of 640 acres. That would mean that the 640 would get an increased allowable, which would be equal to four times the allowable of 160, which has not been set up. It would also mean that the Commission could assign, administratively, without these hearings, acreage in each section to the different wells and in reality accomplish the same thing that you are trying to accomplish by setting up the 160 acre units the hard way.

I think the rules should also be amended to provide that no exception would be allowed to the straight section, 640 standard unit, except where consent of all interested parties is obtained. That would take care of the case that was put on here yesterday by the Gulf. You could make an exception of that kind after a hearing and afteryou showed the consent of all parties or showed that the proponent of the application owned all the acreage involved.

I think, by following that kind of procedure it would answer 95 percent of all the complaints and, as I say, it would eliminate the filing of a lot of these application for the approval of unorthodox units. In the end it would accomplish the same thing that the Commission is attempting to accomplish by the 160 acre standard unit, which you have set up under this present order. There are a lot of operators who have held back the filing of their application for approval of communitization agreements and unorthodox or non-standard units simply because they wanted to see which

way the Commission was going to rule on this matter. There has been no order, as Mr. Stahl brought out, yet, approving an unorthodox location. If you would amend the rules, as I have suggested, then I think it would be clear what the problem is, and you could immediately straighten out the whole matter. Then, by appointing this committee, by the end of this six months period, and having the experience of this proration period, at least three or four months to go by, to show what the inequalities are, and where they exist and how they should be remedied, the Commission would then be in a position to revise the rules to take care of all the inequalities and possibly re-define these fields as the T. P. has suggested.

MR. SMITH: J. K. Smith, Stanolind Oil and Gas Company. I would like to subscribe to the statements that Mr. Hinkle has made. I think it is a reasonable approach and a fair approach, and there are one or two other matters that present themselves, from a technical standpoint. There has been evidence in the record which would indicate that gas may migrate from the Langmat Pool over into the Jalco Pool, and since the original call of the docket on this particular proceeding didn't contemplate the fact that another purported field would be affected, there might be some question as to the jurisdiction of the Commission in this particular proceeding. I think, however, there has been enough evidence in the record to establish that there are certain disturbances of equality rights in the Jalco Pool which would justify the Commission in holding the order open during a period of time of review, as to whether or not the Langmat Pool and the

Jalco Pool do constitute a common source of supply.

I certainly heartily subscribe to what Mr. Hinkle says in respect to making a complete review of this entire area in order to establish whether or not the withdrawals have been in such a nature as to protect correlative rights of all the parties in the entire area. I am not familiar with the present situation with respect to the sales of gas to the Carbon Black Plant down there. I recall there was some evidence in the record before that the withdrawals in the sour gas end of the field to the Carbon Black Plant, from the City Service lease were in order of nine times the withdrawals of the gas from the T. P. lease. Of course, such a disproportionate withdrawal, completely unregulated would cause an accelerated movement of gas across the entire area. I think those are factors which the Commission must, of necessity, consider under the directions of the Conservation Act.

MR. SPURRIER: Mr. Kelly?

MR. KELLY: I would like to subscribe to Mr. Stahl's recommendation in that the Commission appoint a technical committee, provided, of course, that it is represented by all segments of the industry, including the independents, and also, I would like to see the Committee study in particular the defining of the gas well. It is my understanding that a neighboring State has a statutory definition of a gas well as one being, as a well that produces in excess of 100,000 cubic feet of gas per barrel of oil.

I think, if some type of definition is put into our order, that the confusion resulting after a man drills a well and wondering whether he is going to be put on the gas or oil proration schedule, will be minimized.

MR. SPURRIER: Mr. Woodward?

MR. WOODWARD: We think it is apparent that this is a problem requiring continuing study. However, it has been under consideration for nearly a year now, and these various orders do not purport to be the final orders or the last word, they are probably not the best rule that could be written. There may be other methods that could have been taken, but we think that recognising that this is a transition of order inasmuch as it clearly contemplates further study of the allocation factor that some real progress has been made in the course of a year. We would be reluctant, after a year's consideration, probably long overdue, to discard what progress has been made.

So far as we can see, there are two problems presented by these fields. One, of course, being the proration or limitation on production to meet market demand from the field as a whole. The second is a problem arising from the fact that your well locations are largely established, your wells have been drilled some years ago as oil wells and recompleted as gas wells, and then you have then the problem of dedicating acreage to these various existing wells. Now, much, much time and negotiation has been spent in attempting to work out means of satisfactorily dedicating acreage to these various existing wells.

We don't object, in any way, to further study, in fact we think that the order as it stands now, clearly contemplates it. We urge the Commission to do so. We ask them to hang on to what they have now and modify and improve what they have, rather than after a year's study and all this lengthy negotiations to discard and start over again.

So far as this matter of litigation is concerned, it is practically impossible to satisfy everybody or to write a perfect order, or, as far as that goes, to put anything before any group composed of as many diverse elements or interests as may be represented in this situation. If you are going to wait until eventually you get some kind of an order that completely satisfies everybody, this gas will have long since disappeared. We suggest that you hold on to what you have now. We agree with the appointments of committees to study the matter and improve it, but we do not suggest that you discard a year's work and a year's negotiation on the part of the operators and start afresh at this time.

MR. SPURRIER: Mr. Rowe?

MR. ROWE: Martin A. Rowe, representing Sun Oil Company. We concur in part with statements from practically all of those who have preceded me here this morning, but I think we have probably dissented in part from practically all of them. Our thought is that there are probably some wrongs in the rules that have been written. We concur in the idea that if those things are to be corrected, that a new hearing would have to be called with proper scope of notice to cover it to carry out whatever the evidence shows is necessary. For example, if the evidence shows, as it appears to me to have been shown by the evidence presented here yesterday that 640 acre unit was the one that could be sufficiently drained by one well, then it appears to me that the order should be written following the evidence, but after a parliamentary hearing.

Now, as to the idea of appointing a technical committee to

further study the thing. I believe that is probably our differing point. We doubt the advisability of doing that. It occurs to us that the Commission has its own staff to study these things. It has its own staff to study the evidence presented at these hearings and that is the matter that the Commission is to pass on the evidence presented at these hearings and not what the ideas of some outside committee might have. In other words, I can well see where it might be construed as an insult to this Commission to suggest they get somebody else to do the work. I think that the Commission should pass upon the evidence presented at these hearings and not have some committee take a vote as to what their ideas are on these matters. So, I would like to urge the Commission to not appoint this technical committee or any other committee of any kind, but if another hearing is necessary, to get out a new notice and do whatever is necessary based upon the evidence presented at the hearing.

MR. SPURRIER: Mr. Adair?

MR. ADAIR: If the Commission please, Mr. Stahl came by earlier this morning and asked if it would be all right with us to interrupt our case in order to make a statement, which, of course, it was all right with us. We don't object to the statements that have been made. We would like to go ahead and complete our record in this case. After we have done so, I would like at that time to answer some of the matters that have been raised here on the floor.

MR. SPURRIER: Very well.

MR. RUSSELL: I presume that other interested parties are

going to offer any testimony or evidence at this point, is that correct?

MR. FOSTER: Mr. Chairman, I had one matter that I would like to call the Commission's attention to before I saw that we had concluded our case. I could do that very briefly if I may do so now.

MR. WALKER: Proceed.

MR. FOSTER: I have been looking over the February proration schedule. I would like to offer that part of the February oil proration schedule that deals with the Langley-Mattix Oil Pool and the Cooper-Jal Pool in the record. I think it very well speaks for itself. You find that there are a number of wells there, including some owned by Phillips, that are producing considerable quantities of gas and very little oil. Perhaps one barrel or two barrels, three barrel wells, you will find that type of well on the schedule. I would also like to offer for the record, Order Number 835, entered by this Commission on September 8, 1949, which did away with gas-oil ratios in all of those fields where gas was being put to some lawful beneficial use. Now, we find ourselves in this situation that we have a portion of the gas wells that are subject to regulation by way of restricting their production to reasonable market demand, as determined by the Commission. Right across the property line you will have a well that is regulated as an oil well, that is producing very little oil, but at the same time there is no regulation at all in the limitation on the gas production from that well. And the gas from each of these wells that I have mentioned, the one that is regulated and the one that isn't regulated is being produced from the same common source of

supply or common reservoir. Now, there is nothing technical about that. That is something that just meets the eye. I just want to make it a part of this record, so that this Commission will have it in the record. It seems to have been a theory developed here that you just have to protect an appeal proof record here, or this Commission doesn't have anything to stand on. I don't share that view with anybody, I don't think that is necessary. I think the Commission that knows something can take that into consideration, whether they put it in the record or not, without an order. It may be convenient, it may be desirable to make all of these things a matter of record, but certainly there must be some limitations on the record that has to be made in any of these cases, particularly in view of the statute. At least that leaves the door wide open to everybody, if, as and when they get to the courthouse with respect to introducing testimony there, rather than here.

One or two other remarks before I close. It seems to me that one of the things that the Commission must decide here, in order to eliminate some of these controversies, if they can be eliminated, is whether or not you are going to administratively prorate these areas as gas fields, or whether you are going to prorate them as oil fields. The Commission, in this Order 835 that I mentioned, said in the order -- Whatever you based it on, I don't know, I wasn't here, I didn't hear any of the records, didn't hear any of the testimony, but you declared, back in September of 1949, that these areas that we are talking about were essentially gas fields. But, at the same time, without appearing to be critical of the Commission, operators have gone about their separate

ways, operating as an oil field where they had an oil well, gas field where they had a gas well. Well, honestly, the time must come, if it hasn't already arrived when that sort of an operation is going to have to be eliminated, and you are going to have to, if you are going to have effective proration and conservation of both oil and gas in the areas, make up your minds which you are going to do and then administer the field under whatever definition you may choose to give it.

I think the Commission has done an excellent job up to now and I don't think that -- I have a feeling, somehow or another, from all I have heard and listened to here in these hearings, in the meetings of the advisory committee, of which I happen to be a member, my company did, I represented them at times, and others at other times, that there are probably some operators that just don't want proration. If that is the case, as to those operators, it doesn't make any difference what kind of an order you write. If you devise a perfect order, it still wouldn't suit them because they just don't want proration for one reason or another. I am not criticising them for that, maybe they feel that their interest must have been served, but I just want to point it out as one of the problems that you have to contend with here in these matters. If you recall, at the very outset of this thing, I told you it was going to be a long, tiresome, tedious one and we are liable to lose our patience, lose our perspective in these matters, and I can well understand how that can be, because I am getting pretty dog-gone tired of the fight itself. But, it is something that you can't give up on, you have to keep going. We feel that we are

spending a lot of time, a lot of money and spending a lot of manpower in these controversies here, sometimes all out of proportion to what our actual interest in the matter is. It seems to me that if you want proration, we want proration on some fair and equitable basis, in these areas it is being put to somewhat of a disadvantage here. Those who don't want it continually keep telling us to bring in something that will show that we are entitled to it. As to this 640 acre spacing suggested, that was debated extensively in these advisory committee meetings. Phillips Petroleum Company, at that time, took the position that one well in these fields would appreciably and economically drain 640 acres. Now, that is still our position. We urge the adoption of that sort of a rule. Many of the operators, however, felt that, due to the way the field had been developed, that it might be better to have a hundred and sixty acre units. Well, you get to give and take, you can't always have your way, so in that instance we gave. We still believe that 640 acres would be the proper drainage area of a gas well. We are not going to insist on that position to the extent of disrupting in any way the efforts of this Commission, in accordance of the wishes of the large majority of the operators, going to count noses on the proposition, who have a smaller drainage unit. If you want to do it, I don't think it is going to make too much difference one way or the other. I think that 640 acres would be a better approach, but if you want to leave it at 160, it is all right with the Phillips Petroleum Company, as far as we are concerned. We have made up our mind on that.

I want to take this opportunity of commending T. P. for their

presentation of the facts in this case. I think every operator has a right to come in to this Commission and make his honest good faith intentions about anything that affects his property or his property rights in the field without in the least being criticized or condemned for doing it. I think a good strong dissenter sometimes is a good medicine. Certainly we have found it in T. P. I don't agree with a lot of things they say, but I do agree with some of the things they say. On those things, that I have agreed with them, I don't agree that you get the end results that they want to attribute to those things. For instance, I don't think at the present time that it makes a bit of difference whether you put a line between the Jalco and Langmat field, or over further east, or move it further west. The Commission, of course, represents all sides and it has a position in this matter, and one of being able to efficiently and economically administer these things. From the administrative point of view, I think you can leave the line where it is, at least until it becomes evident that somebody is being hurt or injured by it. Now, it is one thing to step on the cat's tail and another thing to hurt it by doing it. Certainly until somebody is actually hurt or injured by this order, their property rights are actually being taken away from them, I don't see much reason for the Commission to be excorised by some of these contentions.

I don't want to see us lose what we have already gained here in these hearings and in these meetings, and in these records that we have made. The Phillips Petroleum Company certainly would have no objection to the Commission appointing a small committee. I

think it should be small, you make it large and it gets to be unwieldy, a small committee, if you wish, as suggested by Mr. Hinkle of Humble to study these matters and make these recommendations. Of course, that becomes quite a responcibility when you get on one of these committees. You have to spend a lot of time and a lot of money, and a lot of manpower, but I think the industry owes that to the Commission. We have got a public duty to perform in regard to these matters in our service to the Commission. That is our viewpoint about it. You make the committee small and let them consider these matters and suggest changes, write out definite changes, proposed changes, have your hearings on them, support those by testimony and give everybody a chance to get his say in on it. I don't see any hurm in coming from that approach.

I believe that about sums the position of Phillips Petroleum Company in this matter. I think we need some re-examination of the vertical and areal limits of these fields, in all of these fields in all of these areas. You may desire, from the evidence you have heard, to re-define a proration unit, but above all, until you get something better than what you have got, I think we ought to string along under the orders that we are operating on. If some operator is too unhappy about it, why, then, of course, he has a perfect right to appeal, go to the courthouse. Nobody's feelings should get ruffled about that. That is the way we operate and that is the way it ought to be.

MR. SPURRIER: We will take a short recess.

(Recess.)

MR. SPURRIER: Mr. Kellahin?

MR. KELLAHIN: Attorneys for Texas and Pacific indicated they wanted to proceed. I would like to inqure if we would have an opportunity to make a statement? No, testimony, just a statement.

MR. RUSSELL: If the Commission please, I would prefer that they all make their statements prior to our closing statement, if it is agreeable with the Commission.

MR. SPURRIER: Mr. Kellahin?

MR. DIPPEL: Harry Dippel of Continental. I think that everybody appreciates that the Commission has probably given more time to this question than anybody has a right to expect. I think that it goes without saying that everybody has tried with all his might and main to present his company's or his own individual interests here in as favorable a light as they can be presented, without doing violence to the obligation that every operator owes to himself and to this Commission as a public body. Certainly Continental Oil Company is interested in seeing that its rights are properly protected. We, as representatives of Continental have that obligation, but I can't help but feel that all of the operators, when they come to a hearing ofthis kind, are somewhat in the same position that a lawyer is in when he goes into Court. He is an officer of the Court and he owes that Court some obligations and he owes himself some, and unless he bears those things in mind he isn't going to discharge his responsibility.

We feel that perfection is certainly highly desirable at all times, but human experience has long since taught us that it is not very likely of attainment. Continental would like to say

generally that it agrees with the statement made by Mr. Woodward representing the Amerada. We feel that it would be unwise, if not in fact fallacious for the Commission to, in effect, throw out the window what has been accomplished thus far. There has been an opportunity to observe results for only a very short period of time, about a month and a half. Certainly, we learn by trial and error and we know that this is not a sufficiently long period of time to really be able to evaluate the results. I think it has been clearly demonstrated by testimony here that there has been some improvement, that the change resulting from the adoption of the rules that were adopted has been in the right direction. As long as progress is being made, that is about all that we can expect, and Continental feels that definitely progress has been made. With respect to the suggestion -- I believe Mr. Woodward made it, that they had no objection to appointing a committee to look into the matter of pool delineation, Continental has no objection to appointing such a committee, but we suggest that it is very unlikely that such a committee would come in with recommendations that represented the unanimous opinion of everybody. I think that is just as sure to follow as everything, but surely the Commission remembers how difficult it was for previous committees to agree on very many substantial things.

I would like to suggest that we all bear in mind what we certainly know so well, that anytime anybody feels that his interests are being jeopardized, or that he may already have sustained this injury, that this Commission is always open to them. We feel in that connection then that if the matter of pool delineations need any further special attention that that ought to be

approached upon the basis of a new application for that purpose, on behalf of somebody who wants that, and then after proper and adequate notice, have a public hearing, at which everybody can bring all of the evidence and testimony that they feel is justified, in the same manner as was done originally when the pools were delineated as they are now. So, we would urgently recommend that the Commission keep what it has, amend the rules if the evidence that has been submitted here at this hearing indicates that amendments are justified, and let's keep making progress. Let's don't throw away what we have accomplished and try to start all over.

MR. KELLAHIN: Jason Kellahin, representing Samedan Oil Corporation. Samedan Oil Corporation subscribed to the statements that were made by Mr. Woodward in behalf of Amerada and Mr. Dippel in behalf of Continental. I would also like to further point out that the question of pool delineation has entered into this case and I believe that we have somewhat lost sight of the fact that the question was raised. At least, it is my belief that the question of pool delineation was raised, not for the purpose of re-defining the pools, but to attack the proration order itself, it being essential that a pool be delineated before an order in that pool. In that connection, we would like to point out that a Commission did enter valid and final orders delineating the pools. Of course, the rules can be changed, the statutes and the Commission provide for hearings for delineation and re-delineation of pools. As a means of attacking the proration order entered in the Jalco Pool, I do not think that the Texas Pacific position can be sustained because of the fact, on February 17, 1953, the Commission

entered Order Number R-264 which delineated the pools. In that order, the case was continued to the April hearing and successfully continued to a number of hearings. The Texas Pacific agreed to the delineation of the pool as shown by the record introduced in this case. Further, on November 10, 1953 the Commission in Case 245 and 521 entered its Order Number R-264A which extended the boundaries of the pool following those successive continuations of Case 265. It is true that the question in 521, the pool delineation, was within the call of the docket. No testimony was offered and no order entered. The order entered on November 10, 1953, we submit was a final order. The proper order is not to attack that order, but to call for a new hearing, if the question of pool delineation is to be considered by this Commission. We subscribe in general to the statements that have been made by the two companies and we would be glad to participate in any study, in the event the Commission so desires.

MR. CAMPBELL: If the Commission please, I would like to make a statement on behalf of Leonard Oil Company of Roswell. The statement that I want to make involves the question of how to proceed if the Commission wishes to, in undertaking to make changes or improvements in the existing orders; with reference to delineation of pools, establishment of proration units and any other matters that the Commission feels need to be changed. In making this statement, I do not wish to criticize anybody who has ever served on any of these industry committees. They spent a great deal of time, and I am sure conscientious effort in trying to present to the Commission, recommendations that they feel are proper. However,

I feel that the Commission should proceed with caution in appointing industry committees indiscriminately to recommend matters of policy to it. Certainly, industry committees and the data such as the oil industry has available should be available to any regulatory body at any time, as a matter of fact, actual information. However, the staff of the Commission has the responsibility, based upon the facts that are presented to it, to reach decisions of policy. I -- And this may surprise the Commission and Judge Foster, I agree with most of the things that he said this morning. However, I can not concur with his statement that the Commission should proceed without full recognition of their obligation as a regulatory body to hear evidence and to reach independent conclusions based on that evidence.

I concur with Mr. Howe's statement this morning that if these are matters which need to be threshed out, the Commission should call hearings and people should come before the Commission and present their evidence and testify, and the staff of the Commission should then make its decision. If the staff of the Commission is not adequate for that purpose, if it is not adequate to correlate all the information, technical information that the industry can make available to it, then the staff should be enlarged, but it should not, in any respect, and I don't think it is good for the State of New Mexico or the industry to delegate its authority to any industry committees when it comes to the matter of basic policy, such as the establishment of the size of proration units and the matters of those kind. Those are things that should be heard before the Commission, and the Commission

should make its independent decision.

I believe that may be one of the difficulties we find ourselves in. I urge, along with some of the other people that made statements, if the Commission wants to take a look at some of these matters, if they want to leave the present orders, in fact, until they can take a look, that they call hearings and give proper notice and have people come before them and present evidence and testify. I don't think the Commission has spent too much time on the matter. I don't think it can spend too much time on a matter of such consequence, as the industry in this State and to the people of the State of New Mexico. I urge that you proceed with caution in appointing industry committees to make recommendation and inaugurate those without public hearing.

MR. VICKERY: J. H. Vickery with Atlantic. Atlantic favors the continued adoption without change, at this time, of the presently established pool rules for the Jalco Gas Pool, as set out in Order R-356. Atlantic is aware that changes in the orders may be necessary from time to time, and it is recommended that these changes, that the consideration of these changes be confined to separate hearings, covering only the specific portion of the rule that appear to be in need of revision at that time.

MR. SPURRIER: Anyone else?

MR. WOODWARD: If the Commission please, I would like to ask the Commission if the ruling is that those persons interested in making a statement are required to make that statement prior to the completion of the Texas Pacific's case? I submit that is somewhat irregular to comment on a case until it is completed. We

would like to hear the rest of their present case. I am sure, if they care to make any comments on statements that are subsequently made at the closing of their case they would have leave to do so. We would like to withhold any comment on that matter until they have rested.

MR. RUSSELL: If the Commission please, the case itself, insofar as the applicant is concerned, has been closed. Then, we assume that all other interested parties withholds their presentation, and then the applicant, in conformance with normal procedure, would be given the privilege of closing the case for closing argument, if there is no further evidence or testimony to be introduced by the applicant.

MR. SPURRIER: This will be your closing argument?

MR. RUSSELL: Closing argument is all.

MR. WOODWARD: If the Commission please, it is a technical matter. It is practical to this extent that we think it will save some time. In order to make any sort of statement on the issues at hand, I think it would be necessary for us to ask Texas Pacific that they clarify our understanding of their position on certain issues that they have raised in their application and in their evidence. I feel sure that they will adequately clarify their position on those matters when they have summed up their case. So far as making a final closing argument after they have summed up their case and statements have been made, I am sure they will have leave to do so. But, at this point they have simply stopped giving evidence and have not drawn together or in any form of summation outlined the contentions that they are making, and, while

I think the record adequately discloses those, it would certainly save time, rather than a process of interrogation to clear up some of those contingents.

MR. SPURRIER: Anyone else have anything more in the matter before Mr. Russell makes his closing argument? Mr. Russell.

MR. WOODWARD: Before you start, I want to get this clarified. We understand we will have an opportunity to make our statements when he is finished.

MR. SPURRIER: Mr. Woodward, we are trying to get this thing shut down as quickly as possible. I believe if you have a statement to make you should make it.

MR. WOODWARD: Our questions have been raised in the interest of saving some time, and if the Commission would prefer that we make our position clear at this time, we ask that we be given an opportunity to clarify our understanding by submitting to Texas Pacific certain questions as to their stand. Is that agreeable?

MR. SPURRIER: Go ahead.

MR. WOODWARD: These questions are simply designed to clarify our understanding. I wonder if we are correct, or if it is Texas Pacific's position that waste is actual production, waste of gas is actual production in excess of market demand and not simply capacity to produce in excess of market demand. Is that Texas Pacific's position here?

MR. RUSSELL: Well, if the Commission please, it seems to me that we are being called upon to answer a question that we have objected to in the testimony all the way through.

MR. WOODWARD: I think the record will show that waste is actual production in excess of market demand and not the capacity to produce in excess of market demand. I don't want to waste the time of asking the Commission to go back over and read the record. We can't intelligently discuss the case unless we know what it is here. In order to establish that fact, reading this record over again is a great waste of time. If, as our transcript indicates, that is the statement they have made, we would like to find out if that is still their position.

MR. RUSSELL: That is our position.

MR. WOODWARD: All right. The second question concerns notice and hearing. As we understand the Texas Pacific position, the orders in this case are not valid inasmuch as proper notice and hearing was not given. Is that correct?

MR. RUSSELL: I believe that is correct.

MR. WOODWARD: I believe you so stated, at those show cause hearings.

MR. RUSSELL: I believe so.

MR. WOODWARD: With respect to this question of pool delineation, is it Texas Pacific's position that the accurate delineation of the pool is a jurisdictional fact that the Commission must find in order to enter a valid order?

MR. RUSSELL: That is correct.

MR. WOODWARD: On the last point, is it Texas Pacific's position that the operation of this order may, at some future time, impair some legal right that Texas Pacific enjoys under its contracts?

MR. RUSSELL: That is correct.

MR. WOODWARD: With those matters cleared up, Amerada would like to state that it is in sympathy with what the Commission has done and has sought to do in these proration cases. It believes that proration in these fields is necessary, that the Commission is invested with the authority to deal with the problem and that it has exercised its authority as a matter prescribed by law.

We should also like to make a statement with respect to certain specific issues raised by Texas Pacific in this re-hearing. Assuming, without conceding for the moment, that the Commission is only empowered to prorate production of, or gas production for the prevention of waste, we think there is some evidence that waste has occurred, is occurring, but there is definitely evidence in the record of prospective waste to the extent of the field potential substantially exceeding market demand. To paraphrase, Texas Pacific's contention that waste is actual production in excess of market demand, and not the capacity to produce in excess of market demand, we might point out that, as a practical matter, the only waste that the Commission can prevent is prospective waste. There is nothing they can do about past waste. So, to limit them to a situation where waste has occurred, seems a rather futile jester, unless there is an element of prospective waste involved. The reasoning on this point is that the applicant, unless waste is actually being committed, the Commission is without power to prorate production and waste not having been committed in the Jalco Pool, the Commission did not have the authority to issue this order. We note that waste is specifically prohibited by the Act.

If an operator obeys the law and is not producing in excess of market demand, because he may not, a purchaser, under his entire production, under their definition of the jurisdictional facts necessary for the Commission to act, the Commission is without power. In other words, he obeys the law. He doesn't commit waste, but his property is confiscated. Now, if that is what the Act means, we think it is patly unconstitutional. We don't think the legislature, in prohibiting waste, intended to authorise confiscation. I think the legislature made it perfectly clear in other sections of the Act, specifically setting up standards by which gas production could be prorated through pools. They specifically indicated that that was not their intention and that the Commission was invested with the necessary power to properly distribute the production in such field.

So, on the second question of notice and hearing, we believe the show cause order embodied every element of notice that the Commission intended to conduct a hearing on the merits of proration of the Jalco Pool on a specified date. The record shows that it did have a hearing, that the Texas Pacific had an opportunity to be heard, and that it was, in fact, heard. On those facts we do not think that Texas Pacific is in a position to complain about the notice and hearing afforded, having appeared in that matter.

Third, with respect to the question of delineation, we ask that the Commission take notice of the fact, the exact outline of an oil and gas pool can never be known without more profitless drilling than anyone is willing to undertake, to date. If exact delineation, or approximate delineation was a prerequisition, if

that was a jurisdictional fact, many pools would be nearly exhausted, or nearly exhausted before the Commission got jurisdiction of the matter. We would like to find out, that pool is located in some three States, and there has been, by three State authorities -- or at least three States, possibly four, there has been some 60 field orders that have been reviewed by 13 appellate Courts. In each of those cases the Court noted that the exact outline of the pool was not known and that fact did not prevent any of the three Commissions from having the necessary jurisdiction to prorate production in those areas.

Upon the last contention, it has also been contended that Order R-368-A impairs the obligations of Texas Pacific's contract with El Paso Natural. We note that contract was expressly made subject to this Commission's regulations in the fourth major clause provided by that contract. As we construe that contract, Texas Pacific is under no obligation to deliver more gas, and El Paso is under no obligation to take or pay for more gas than Texas Pacific can lawfully produce under this order, notwithstanding minimum and maximum take provisions of their contract. We cannot accept the reasoning that this contract is only subject to valid orders, and the order is invalid because it impairs the obligations of applicant's contract. This is tantamount to saying that applicant's contract is only subject to regulations which do not affect that contract. We see no obligation of that contract that is being impaired or will be impaired.

In conclusion, if this Commission cannot actuuntil some operator breaks the law and commits waste; if it cannot act until the outline of every pool it grants regulate is known; and if its

power does not extend to subjects with respect to which private persons have previously contracted, then this Commission is one of the best attended debate societies in the country.

MR. SPURRIER: Anyone else?

MR. SMITH: J. K. Smith. Just one other fine technical point. Mr. Woodward inquired of Texas Pacific as to certain matters which affected their position. I don't think the question has been asked as to whether or not they have any other items, or other positions, or are they going to confine their final closing arguments just to the points brought out by Mr. Woodward?

MR. RUSSELL: Our closing argument, as I recall, does not cover any points which were not covered by our application for re-hearing.

MR. SMITH: This raises the additional technical question, since we have got to the point of tying our hands after they get through speaking, as to the effect that the ordinary Court proceedings, you have an opening statement, a second closing statement which is confined not to new matter. In other words, they are supposed to state their entire case in opening argument. I suggest, therefore, in order to save time, that Mr. Russell here will express himself to start with on the opening statement side of it, and, at that time, if anyone objects to new matter being interjected that they be given a chance to answer any new material beyond the scope as originally inquired into by Mr. Woodward.

MR. RUSSELL: It appears, the only way for me to clarify this is to give my closing argument, see what is new and start over. All I can say is that my closing argument I am sure does not

cover anything that has not been covered.

MR. SPURRIER: Are you ready, Mr. Russell?

MR. RUSSELL: I am ready.

MR. SPURRIER: Proceed.

MR. RUSSELL: If the Commission please, I would like to state the position of the applicant, Texas Pacific Coal and Oil Company with reference to the power of the Commission to enter an order prorating gas. I think there are two conditions proceeding under new rules and statutes, which the Commission must follow before entering such an order.

The first of these is a proper definition and delineation of a pool. The second is the determination that proration of gas is necessary to prevent waste. Now, under the first point the Commission must give notice of the hearing for the purpose of defining and delineating the gas pool. We take the position that that is a jurisdictional matter. Being a jurisdictional matter, of course, it is subject to attack at any time. There is no period in which we are limited to objecting to it. However, we do not rely merely on that point. We also rely upon our application for re-hearing, and the notice of the docket for the regular hearing on September 17, 1953, which contains the following statement, "the following cases 582 through 590 inclusive, are all brought up by the Oil Conservation Commission on its own motion for establishment of individual pool rules for each pool named. The rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation, and other related matters. Insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521."

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So, I think clearly the order which we appealed from, and the notice of that hearing brings the question of pool delineation within the period in which we have taken our appeal. Now, it has been our contention all the way through that at such hearing, the Commission must have before it, at the time of that hearing, substantial evidence to support any findings which result from that hearing.

It is true that this is not a Court of law, and is not bound by Court rules and so forth, but when there are generally defined principals of law concerning such things, I think it behooves the Commission to keep one eye cocked on that particular point because if a case should go to the Court, then that rule of law is going to be applied. Without citing authority of which there is numerous authorities, that an administrative body can not consider matters of their own knowledge nor which were not presented at a properly given hearing. The reason being that a Commission can not sit back, take notice of the records which they may have in the office without interested parties knowing what records they are looking at; taking advice from the technical committee on their reports without letting all of us know what that information was. The orders referred to statements of interested parties. I don't think the Commission can consider any statement made by any interested party which was not made at the hearing, nor can they base their decision on any data which was not before the Commission and the interested parties at the hearing.

Everybody has a right to examine any exhibits offered into evidence, to cross examine any witness, and to offer any informa-

tion they may have, in reb uttal. That is one of the two main objections which was made by the applicant throughout the case; first that the Commission could not consider at this re-hearing any testimony or evidence which was not before the Commission in the previous hearing as the basis of the original order, which was entered in this case. I have gone through the various transcripts and exhibits which were before the Commission at those hearings. In my opinion, as to some points there is no evidence. I do not feel there is substantial evidence as to any of it, which would support that order.

Now, at this re-hearing a great deal more evidence, testimony, exhibits were introduced, a great deal of which we will say would support the Commissions original order, but I don't feel they can use it as a matter of law to support that order. I do say this, and it has been ourposition that the Commission can consider at this re-hearing, any evidence or testimony which they want to hear or that any other interested part themselves wants to hear, or wants to offer; and that particular evidence or testimony can be made the basis of a new order. Our only contention on that is this, that all of this evidence and testimony has been introduced by the Commission, that now, if I am right, and they can't use it to support their old order, then they are faced with the problem they have to enter a new order.

We have had the Langmat Pool introduced, we have had the Eumont Pool introduced. The question arises, what sort of a new order can be entered that isn't objectionable. I would like to read Mr. Kellahin's objection at the outset of the hearing, and

carried all the way through. We want to state our objection to anything in a way of a collateral attack being made on the proration order which has been entered into the Langmat Pool. It was not advertised as a part of the hearing and it goes beyond the scope of the hearing. We are without notice that such an attack is to be made. We are not prepared at this time to answer it." Well, that is the problem at this time. The testimony, in my opinion affirmatively shows that Eumont, Langmat and Jalco should probably be one pool, but the Commission is up against the proposition, if it is so declared as a result of this hearing, then perhaps that order is definitely subject to attack by Mr. Kellahin. He has made his objections all through here. So, it may not have accomplished too much in that regard, exce pt I feel that this re-hearing definitely has brought to the Commission, and everyone else interested, a great deal of additional information which was not before the Commission previously.

Now, going to the second point in my contention that after an order, proper order defining and delineating a pool is entered then they must find that a proration order is necessary to prevent waste. The authority, in my opinion, of the Commission, will enter a proration order for gas as based upon the statutes first and then the rules of the Commission which are based upon the statutes. The first one is Rule 601 of the Commission, which sets up the defining and delineating of the pool. I would like to read the last sentence in that particular order, which is this: "There shall be no proration or allocation of gas production unless and until the provisions of Rule 602 are followed." We go to 602,

which states as follows: "When the Commission determines that allocation of gas production in a designated gas pool is necessary to prevent waste, the Commission after notice and hearing, shall consider the nominations and so forth." Then it goes on to say: "The Commission shall include in the proration schedule of such pool, any gas well which it finds as being unreasonable discriminated against through denial of access to gas transportation facilities and so forth, and in setting up in allocating production among the gas wells in the pool, delivering to a gas transportation facility, upon a reasonable basis and recognizing correlative rights." It starts out that you must, you can't enter a gas proration order until 602 has been complied with. That says when to prevent waste. The only mention of correlative rights is after the Commission has determined that proration is necessary to the allocation of production, then, in setting up t. order, they will recognize correlative rights. That is based upon the Statute 12-C, of the Section 12-C, the statute which starts out similar to the Commissions rule, whenever to prevent waste, the total allowable of natural gas production, of gas wells produced from any pool in this state is fixed by the Commission, than that which the pool can be produced if no restrictions. They again go into allocating production, they will recognize correlative rights.

It is our contention that these are jurisdictional matters which must be found by the Commission.

I would like, also, to point out in the statutes that there is a definite distinction between proration, or waste rather, in the case of oil and in the case of gas. I would like to point out, particularly, Section 2-B of the statute, which states that

the non-ratable purchase or taking of crude petroleum oil in this State, such non-ratable taking and purchasing causes, or results in waste, as defined in Sub-sections A, B and C of this Section, and causes waste by violating Section 12-A of this Act. I would like to point out to the Commission that such a provision does not rule in the rule or statute with reference to gas. Non-ratable take is gas under the statute with reference to oil, but not with reference to gas.

I have here what appears to be a prepared statement, but it isn't. I will be glad to offer a copy to the Commission. In my opinion, from reading the rules and statutes covering the proration of gas, the power of the Commission to prorate gas is limited to those cases from which, first, there has been a proper delineation and definition of the pool, and, second, a finding by the Commission that it is necessary to prevent waste and there must be substantial evidence in the record to substantiate the Commission's findings that it is necessary to prevent waste. In the absence of such an affirmative showing that there is waste in the pool and that it is necessary to prorate gas, I think that the Commission then must turn to Sections 14 and 14-E of the Statutes. Your ratable take provisions of the statute will accomplish everything that is sought to be accomplished, I believe, by the proration order in this case. Non-ratable take not being waste under the statute, as far as gas is concerned, but is, as far as oil is concerned.

Now, going into procedure, the Commission, of course, has been created by statute and must conform to the statute in setting up or handling the procedural question. Now, Section 17 of the statute

is the one which covers the procedure. It is rather brief, but it says: "Except as herein provided, the Commission can not enter an order without first proper notice and hearing of such hearing, and the matters which will be taken up at that hearing, except in a case of an emergency." Well, there was no emergency declared in either of these cases or in this case, and I would like to point out in the orders, Order Numbers R-356, Case 521 has a finding, well, first the Commission says: "Now, on this 28th day of August, 1953, the Commission, a quorum being present, having considered the testimony adduced, the exhibits received in the hearings and being fully advised in the premises, finds that for the prevention of waste and protection of correlative rights, proper special rules and regulations relating to the proration of gas well gas produced in gas wells of Lea, Eddy, Chaves and Roosevelt Counties, should be promulgated."

Well, again on the basis of this order, I did go back through the transcripts to determine what the Commission had reference to when they mentioned the exhibits and the testimony. And, having gone through it, was of the opinion that there is no, or at least, substantial evidence to support the order. In Section B of the orders is the following, "that the following rules will apply to defined gas pools in Eddy, Lea, Chaves and Roosevelt Counties, only after hearings are held and an order issued on each individual pool. These rules shall be considered as standby rules and shall be used as a guide." Well, that was entered in August. It sets out that the rules will not be put into effect, they shall apply only after hearings are held and orders issued in each individual

pool. I think Texas Pacific and everyone else was under the proper impression that there would be a notice of hearing for each individual pool, at which time each interested person in each pool could come forward, offer what testimony they have, examine what the others have had, andthen proceed from there. Yet, in September, the following month, the Commission entered its Order 368 in Case 582, stating that: "Now, on the 28th day of September, 1953, the Commission, a quorum being present, having considered the statements of interested persons and the official records of the office and other pertinent data, and after being fully advised in the premises finds --" Again we check back through the transcrips and so forth, there appears to be nothing in there that would substantiate the order and the notice refers to statements of interested parties. Everyone has a right to know what the statements were, who made them. The official records of the office, they have a right to know what specific records were used and what the purpose of them was. We should have had an opportunity to examine them; other pertinent data, which covers a multitude of sins.

Then, the orders were put into affect, and further order, "that all parties interested in the Jalco Pool and the rules therefor be and each of them, are hereby ordered to show cause at 9:00 o'clock on October 26th at Santa Fe, New Mexico, why the rules and regulations referred to herein above, with any essential amendments shall not be put into affect as of November 1st." I question the authority of the Commission to enter an order. I do not feel that the order itself respectively refers to the information and data on which the orders were based. Examination of the

the official transcript of the cases does not indicate information which would support such an order.

I feel that there was no substantial evidence, as I said before, to support the original order of the Commission; that a great deal of testimony and evidence has been presented at this hearing and I am sure that it is evidence and testimony which the Commission is glad to have presented to them, but I feel that it must necessarily be basis of a new order and can not be used in support of an order previously entered and therefore, they must look to the question of how it can be, this information can be used in promulgating a new or amended order which will not be subject to attack, for the reason that proper notice was not given as to the subject matter to be covered by these hearings.

With that I would like to conclude and have Mr. Adair answer some of the previous questions of the other interested parties.

MR. ADAIR: If the Commission please, unless some of the other people present have something additional, that concludes our presentation of our re-hearing in Case 582. The record is now closed in the Case 582. I would like to go off the record, if the Commission please, and make an off the record statement.

MR. SMITH: In view of Mr. Adair's statement, I would like to make one additional suggestion, not by way of answer or argument, but as a suggested procedure. It appears that in view of the jurisdictional question that has arisen, that the Commission continue this re-hearing as the part of the original hearing, advertise the remainder of these pools on the question of pool delineation, for future hearing, at which time that hearing could be consolidated

with this hearing and carried forward as a part of the whole. I think that would perhaps take care of the jurisdictional question.

MR. SPURRIER: You may proceed.

(Off the record statement by Mr. Adair for Texas Pacific Coal and Oil Company.)

MR. SPURRIER: We will take a short recess.

(Recess.)

MR. SPURRIER: For the record, the Commission will continue the Jalco Re-hearing Case to March 17th and the present proration orders will stay in full force and effect. We don't know quite how we will re-advertise, but we will re-advertise for the taking of additional testimony on the four pools, Eumont, Arrow, Langmat and Jalco.

Does anyone have anything further to say in this case? If not we will recess for lunch and be back at 1:15 sharp.

(Noon recess.)

REPORTER'S CERTIFICATE

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings in Case No. 562, Rehearing, taken before the Oil Conservation Commission on February 17 and 18, 1954, contains a true and correct record of said proceedings to the best of my knowledge, skill and ability.

DATED at Albuquerque, New Mexico, this 23rdday of February, 1954.

ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 105-106, EL CORTEZ BLDG.
PHONES 7-9545 AND 5-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE

OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

Santa Fe, New Mexico

* * * * *

TRANSCRIPT OF PROCEEDINGS

CASE NO. 582

Regular Hearing

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
Santa Fe, New Mexico
May 19, 1954

IN THE MATTER OF: Jalco Gas Pool Case. (Continued in relation to Case 673.)	Case No. 582

BEFORE THE FULL COMMISSION

TRANSCRIPT OF PROCEEDINGS

MR. CAMPBELL: If the Commission please, once more for the record, I would like to state that the case has been closed and awaiting an order of the Commission. We have no objections to it remaining on the docket pending the issuance of order of the Commission.

MR. SPURRIER: You have no objections. Do you make a motion to continue or do you think it is necessary?

MR. CAMPBELL: We don't care, we are awaiting an order of the Commission. The case has been closed. Unless an order is entered prior to the June hearing, I believe it should be on the docket so that we can, if we desire, at that time, request some action by the Commission on the case.

MR. SPURRIER: Is there objections?

MR. CAMPBELL: If the Commission's position is that Case 582 is under the advisement of the Commission and fully closed, there is no necessity that I can see of maintaining it on the docket.

Subject to our right to seek from the Commission an order in that particular case.

MR. SPURRIER: The next case on the docket is Case 616, 617 and 618.

STATE OF NEW MEXICO)
: ss.
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF, I have affixed my hand and notarial seal this 25th day of May, 1954.

Ada Dearnley
Notary Public and Court Reporter

My Commission expires:
June 19, 1955.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO
SANTA FE, NEW MEXICO

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

CASE NO. 582
ORDER NO. R-368-A

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON ITS
OWN MOTION FOR ALL OPERATORS
AND INTERESTED PARTIES IN THE
JALCO GAS POOL TO SHOW CAUSE
WHY THE RULES AND REGULATIONS
AS SET OUT IN ORDER R-356, WITH
ANY ESSENTIAL AMENDMENTS,
SHOULD NOT BE PUT INTO EFFECT.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a. m., on October 26, 1953, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 10th day of November, 1953, the Commission, a quorum being present, having considered the testimony adduced, the exhibits received, the statements of interested parties, the official records of this Commission and other pertinent data, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given, the Commission has jurisdiction of this cause.

(2) That the Commission, for the purpose of preventing waste and drainage, and for the protection of correlative rights, entered Order R-356, establishing certain general or "stand-by" rules and regulations relating to the proration of gas well gas, proration units, well spacing, and other related matters in the gas pools of Eddy, Lea, Chaves and Roosevelt Counties, New Mexico, applicable in all cases only after special rules for each gas pool shall have been promulgated.

(3) That thereafter, after due notice and hearing, Order R-368 was duly entered by the Commission. Order R-368 adopted the general or "Stand-by" rules promulgated by Order R-356 as the Special Rules and Regulations of the Jalco Gas Pool, heretofore established. R-368 was entered pending a further order in the premises, said order to be entered only after all interested parties were afforded the opportunity to be heard in the matter.

(4) That as a result of such hearing and in consideration of the testimony adduced Special Pool rules should be promulgated for the Jalco Gas Pool, heretofore established, described and classified as a gas pool.

That the Special pool rules should approximate the general rules and regulations promulgated by Order R-356 insofar as the same are applicable to the Jalco Pool, and should conform, generally with the provisional special rules of Order R-368.

(5) That in order for the Commission to evaluate and delineate the actual productive limits of the Jalco Gas Pool all operators of oil and gas wells within the defined limits of the Jalco Gas Pool should supply certain Geological and Reservoir data to the Commission.

(6) That pending further study and orders, the allocation of gas in the Jalco gas pool should be calculated on the basis of 100 per cent acreage, based upon the standard 160 acre proration unit, which unit is limited to a regular quarter section subdivision of the U. S. Public Land Surveys and consisting of not less than 158 nor more than 162 acres, substantially in the form of a square, with provision for deviation therefrom particularly in cases of wells heretofore completed where the impracticability of unitization is apparent.

(7) That an adequate gas well testing procedure should be adopted as soon as possible so that operators, purchasers and the Commission can determine the fairness and feasibility of an allocation factor for the pool which employs the factors of deliverability, pressure, or any other factor relating to gas well productivity.

(8) That the area within the exterior boundaries of the Jalco Gas Pool known and described as the "Rhodes Storage Area" should be exempt from the Special Rules and Regulations applicable to the Jalco Gas pool provided acceptable reports of operations in said storage area are regularly filed.

IT IS THEREFORE ORDERED:

That Special Pool Rules applicable to the Jalco Gas Pool, be and the same hereby are promulgated and are as follows:

SPECIAL RULES AND REGULATIONS
FOR THE JALCO GAS POOL
LEA COUNTY, NEW MEXICO

WELL SPACING AND ACREAGE REQUIREMENTS FOR DRILLING TRACTS.

RULE 1. Any well drilled a distance of one mile or more from the outer boundary of the Jalco Gas Pool shall be classified as a wildcat well. Any well drilled less than one mile from the outer boundary of the Jalco Gas Pool shall be spaced, drilled, operated and prorated in accordance with the Regulations in effect in the Jalco Gas Pool.

RULE 2. Each well drilled or recompleted within the Jalco Gas Pool shall be located on a tract consisting of not less than a quarter section of approximately 160 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys.

RULE 3. Each well drilled within the Jalco Gas Pool shall not be drilled closer than 660 feet to any outer boundary line of the tract nor closer than 330 feet to a quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to a well drilling to or capable of producing from the same pool.

RULE 4. The Secretary of the Commission shall have authority to grant exception to the requirements of Rule 3 without Notice and Hearing where application has been filed in due form and the necessity for the unorthodox location is based on topographical conditions or is occasioned by the recompletion of a well previously drilled to another horizon.

Applicants shall furnish all operators within a 1320 foot radius of the subject well a copy of the application to the Commission, and applicant shall include with his application a written stipulation that all operators within such radius have been properly notified. The Secretary of the Commission shall wait at least 10 days before approving any such unorthodox location, and shall approve such unorthodox location only in the absence of objection of any offset operators. In the event an operator objects to the unorthodox location the Commission shall consider the matter only after proper notice and hearing.

RULE 5. The provision of Statewide Rule 104 Paragraph (k), shall not apply to the Jalco Gas Pool located in Lea County, New Mexico.

GAS PRORATION

RULE 6. The Commission after notice and hearing, shall consider the nominations of gas purchasers from the Jalco Gas Pool and other relevant data and shall fix the allowable production of the Jalco Gas Pool, and shall allocate production among the gas wells in the Jalco Gas Pool upon a reasonable basis with due regard to correlative rights.

PRORATION UNITS

RULE 7. (a) For the purpose of gas allocation in the Jalco Gas Pool, a standard proration unit shall consist of between 158 and 162 contiguous surface acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys; provided, however, that a gas proration unit other than a legal quarter section may be formed after notice and hearing by the Commission, except as outlined in Paragraph (b). Any allocation unit containing less than 158 acres or more than 162 acres shall be a non-standard unit and its allowable shall be decreased or increased to that proportion of the standard unit allowable that the number of acres contained therein bears to 160 acres. Any standard proration unit consisting of between 158 and 162 contiguous surface acres shall be considered as containing 160 acres for the purpose of gas allocation.

(b) The Secretary of the Commission shall have authority to grant an exception to Rule 7 (a) without Notice and Hearing where application has been filed in due form and where the following facts exist and the following provisions are complied with;

1. The non-standard unit consists of less acreage than a standard proration unit.

2. The acreage assigned to the non-standard unit lies wholly within a legal quarter section and contains a well capable of producing gas into a gas transportation facility on the date of this order.

3. The operator receives written consent in the form of waivers from all operators in the adjoining 160 acre proration units.

GAS ALLOCATION

RULE 8. At least 30 days prior to the beginning of each gas proration

period the Commission shall hold a hearing after due notice has been given. The Commission shall cause to be submitted by each gas purchaser its "Preliminary Nominations" of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period, by months, from the Jalco Gas Pool. The Commission shall consider the "Preliminary Nominations" of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period. "Preliminary Nominations" shall be submitted on a form prescribed by the Commission.

RULE 9. Each month, the Commission shall cause to be submitted by each gas purchaser its "Supplemental Nominations" of the amount of gas which each in good faith actually desires to purchase within the ensuing proration month from the Jalco Gas Pool. The Commission shall hold a public hearing between the 15th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month, and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month. Included in the monthly proration schedule shall be a tabulation of allowable and production for the second preceding month together with an adjusted allowable computation for the second preceding month. Said adjusted allowable shall be computed by comparing the actual allowable assigned with the actual production. In the event the allowable assigned is greater than the actual production, the allowables assigned the top allowable units shall be reduced proportionately, and in the event the allowable assigned is less than the production then the allowables assigned the top allowable units shall be increased proportionately. "Supplemental Nominations" shall be submitted on a form prescribed by the Commission.

The Commission shall include in the proration schedule the gas wells in the Jalco Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Jalco Gas Pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility, which is reasonably capable of handling the type of gas produced by such well. The total allowable to be allocated to the pool each month shall be equal to the sum of the supplemental nominations together with any adjustment which the Commission deems advisable. The allocation to a pool remaining after subtracting the capacities of marginal units shall be divided and allocated ratably among the non-marginal units in the proportion that the acreage contained in each unit bears to the total acreage alloted to such non-marginal units.

BALANCING OF PRODUCTION

RULE 10. Underproduction: The dates 7:00 A. M., January 1 and 7:00 A. M., July 1, shall be known as balancing dates and the periods of time bounded by these dates shall be known as gas proration periods. The amount of current gas allowable remaining unproduced at the end of each proration period shall be carried forward to and may be produced during the next succeeding proration period in addition to the normal gas allowable for such succeeding period; but whatever amount thereof is not made up within the first succeeding proration period shall be cancelled. If, at the end of the first succeeding proration period, a greater amount of allowable remains unproduced than was carried forward as underproduction, the amount carried forward to the second succeeding period shall be the total underproduction less the amount carried forward to the first succeeding period.

If it appears that such continued underproduction has resulted from inability of the well to produce its allowable, it may be classified as a marginal well and its allowable reduced to the well's ability to produce.

RULE 11. Overproduction: A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If, at the end of the first succeeding proration period, the well is still overproduced, it shall be shut in and its current monthly allowable charged against said overproduction until the well is in balance. If, at any time, a well is overproduced an amount equaling six times its current monthly allowable, it shall be shut in until it is in balance.

The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut in upon a showing at public hearing after due notice that complete shut in of the well would result in material damage to the well.

GRANTING OF ALLOWABLES

RULE 12. No gas well shall be given an allowable until Form C-104 and Form C-110 have been filed together with a plat showing acreage attributed to said well and the locations of all wells on the lease.

RULE 13. 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 2045 Hobbs, New Mexico) by the purchaser, or the date of filing of Form C-104 and Form C-110 and the plat described above, whichever date is the later.

REPORTING OF PRODUCTION

RULE 14. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be submitted to the Commission so as to reach the Commission on or before the twentieth 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 gas produced. The full production of gas from each well shall be charged against the well's allowable regardless of what disposition has been made of the gas; provided, however that gas used on the lease for consumption in lease houses, treaters, combustion engines and other similar lease equipment shall not be charged against the well's allowable.

DEFINITIONS

RULE 15. A gas well shall mean a well producing gas or natural gas from a common source of gas supply from a gas pool determined by the Commission.

RULE 16. The term "gas purchaser" as used in these rules, shall mean any "taker" of gas either at the wellhead or at any point on the lease where connection is made for gas transportation or utilization. It shall be the responsibility of said "taker" to submit a nomination.

PROVIDED FURTHER that those wells located within the defined limits of the Jalco Gas Pool which produce oil and receive an oil allowable on the oil proration schedule shall be prorated as oil wells pending further study and that "preliminary" and "supplemental" nominations, as outlined in Rules 8 and 9 above, shall pertain only to gas wells which are not assigned an oil allowable.

PROVIDED FURTHER that all operators of oil or gas wells shall submit to the Hobbs office of this Commission (Box 2045) on or before January

1, 1954 a copy of either an electric log or sample log of each well (if available), whether oil or gas, that they operate within the defined limits of the Jalco Gas Pool. Attached to each log shall be a detailed report showing well elevation, total depth, plug back depth, depth of production string, interval of perforations and open hole and estimation of formation tops of Yates, Seven Rivers and Queen as indicated by the log. Any operator of any well hereafter completed or recompleted within the defined limits of the Jalco Pool shall also submit to the Hobbs office of the Commission, the logs and information detailed above within 30 days following such completion or recompletion.

In the event that the Commission deems it advisable to obtain additional information from wells producing outside the defined limits of the Jalco Gas Pool the Secretary of the Commission is hereby authorized to issue a directive to operators in order to obtain the desired information.

PROVIDED FURTHER that the provisions of these rules contained herein shall not apply to those wells involved in the Rhodes Storage Area. Provided, however, that operators in the Rhodes Storage Area shall submit semi-annual reports, corresponding with the Jalco Gas Pool proration period, said reports shall contain statistical information showing the amount of gas injected and withdrawn from storage during each period and the cumulative amount of gas injected and withdrawn at the end of the proration period.

PROVIDED FURTHER that as soon as possible a testing procedure for all gas wells shall be adopted by the Commission. Said procedure shall contain adequate tests in order to determine the feasibility of employing any well potential, deliverability or pressure factors in allocating gas.

PROVIDED FURTHER that those operators who desire approval of the Commission of gas-oil dual completions under the provisions of Statewide Rule 112-A should also comply with the provisions of Rule 2, 3 and 4 of this order before approval will be granted.

PROVIDED FURTHER that in order to inaugurate gas prorationing and allocation in the Jalco Gas Pool on January 1, 1954 the Commission shall consider the nominations of purchasers for the proration period beginning January 1, 1954 at the regular hearing of the Commission on November 19, 1953 and shall require each purchaser of gas from the Jalco Gas Pool to submit with each "supplemental" nomination a list of the wells and their location from which gas is to be purchased commencing January 1, 1954. In this instance the list of wells shall pertain solely to those wells which are gas wells and are not on the oil proration schedule.

PROVIDED FURTHER that in the event an operator has a producing well on acreage which does not conform to the provisions of Rule 2 or Rule 7 and an exception to Rule 7 is to be requested of this Commission, the necessary information requested under Rule 12 should be complied with pending Commission action. In this instance the Proration Manager is directed to assign to the well only that acreage attributable to the well lying within the quarter section upon which the well is located. In the event the unorthodox unit is approved after notice and hearing and an increase in total acreage is permitted then the total allowable assigned the well shall be adjusted and made retroactive to the 1st day of the proration period or the first day the well produced into a gas transportation facility if the well was not productive prior to January 1, 1954.

PROVIDED FURTHER that copies of Form C-115, Monthly Production Report, submitted in compliance with Rule 14 shall be distributed by the operator as follows: Original to Oil Conservation Commission, Box 871, Santa Fe; two copies to Oil Conservation Commission, Box 2045, Hobbs, New Mexico,

IT IS FURTHER ORDERED that nothing in this Order, or Order No. R-368, heretofore issued by the Commission, shall be construed as re-classifying any well now prorated on the oil proration schedule as a gas well, and any such reclassification hereafter made shall only be made after due notice and hearing.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Member and Secretary

S E A L

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 582
Order No. R-368

THE APPLICATION OF THE OIL CONSERVATION COMMISSION ON ITS OWN MOTION FOR AN ORDER ESTABLISHING POOL RULES FOR THE JALCO GAS POOL, LEA COUNTY, NEW MEXICO, SAID RULES BEING CONCERNED WITH WELL SPACING, GAS PRORATION AND ALLOCATION, PRORATION UNITS, POOL DELINEATION AND OTHER RELATED MATTERS INSOFAR AS THEY PERTAIN TO THE GENERAL RULES FOR GAS PRORATION AS SET FORTH IN ORDER NO. R-356 IN CASE 521.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a.m. on September 17, 1953, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 28th day of September, 1953, the Commission, a quorum being present, having considered the statements of interested persons, and the official records of the office and other pertinent data, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given, the Commission has jurisdiction of this cause.

(2) That production records of gas wells producing within the Jalco Gas Pool as heretofore designated, classified and defined, indicate the necessity for proration of gas-well gas for the prevention of waste and the protection of correlative rights.

(3) That Order No. 356, heretofore issued by the Commission, and containing appropriate general rules relative to gas-well spacing, gas proration and gas allocation, appearing to be satisfactorily applicable to the Jalco Gas Pool, should be considered as the special rules and regulations for said pool pending further order of the Commission.

IT IS THEREFORE ORDERED:

That the rules and regulations relating to gas-well spacing, gas proration and gas allocation, as set out in Order R-356, be, and the same hereby are made the special rules and regulations of the Jalco Gas Pool pending further order of the Commission after notice and hearing.

Case No. 582
Order No. R-368

IT IS FURTHER ORDERED:

That all parties interested in said Jalco Pool and the rules therefor be, and they and each of them are hereby ordered to show cause at 9 o'clock a.m. on October 26, 1953, at Santa Fe, New Mexico, why the rules and regulations referred to hereinabove, with any essential amendments, shall not be put into effect as of November 1, 1953.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Member & Secretary

SEAL

NEW MEXICO

OIL CONSERVATION COMMISSION

Box 871

Santa Fe, New Mexico

Directive: To all operators in the Eumont, Jalco, Langmat, Blinebry, Tubb, Justis, Arrow, Amanda and Byers-Queen Pools.

Pending issuance of final orders in Cases 582 through 590 pertaining to pool rules for the above listed gas pools all operators should take immediate steps to perform the following, if applicable:

1. All purchasers or takers of gas in the above listed 9 pools should submit nominations on "Preliminary" Nomination Forms. These forms are available at our Hobbs district office (Box 2045, Hobbs, New Mexico). These forms should be mailed to the Santa Fe office (Box 871) of the Commission together with a list of all wells (showing well location) which the nominations cover. It should be noted that only those gas wells which are not on the oil proration schedule should be included in the list and the list should include any wells to which connection is to be made by January 1, 1954.

2. All operators of gas wells in any of the above pools should comply with Rule 11 of Order R-356. In connection with the submission of plats only those plats which contain acreage of 160 acres (a quarter section) will be approved. If an operator contemplates that he will be able to execute a Communitization Agreement by January 1, 1954 then the plat should so state.

3. If an operator contemplates a request for an unorthodox gas unit then immediate steps should be taken to apply to the Commission for such approval so that it can be considered at the regular hearing of this Commission on December 17,

It should be noted that the final orders in these cases can not be issued until the hearing transcripts are received. Therefore, any of the provisions of this directive may be changed. Upon receipt of orders each operator should check to see that they have complied with each provision of the order.

This directive is designed solely to help operators comply with the rules.

October 30, 1953

Case 3[illegible]
Exhibit No. 2

GAS WELL DELIVERABILITY TESTING RULES
AND PROCEDURES FOR THE JALCO FIELD,
LEA COUNTY, NEW MEXICO.

SECTION A. TYPE OF GAS WELL TESTS REQUIRED:

(1) THE INITIAL POTENTIAL TESTS: An "open flow" test and a "shut-in pressure" test shall be made immediately upon completion of each gas well.

(2) ORIGINAL DELIVERABILITY, AND SHUT-IN PRESSURE TESTS:

A Deliverability (flow) and a shut-in pressure test shall be made and completed on each gas well within thirty (30) days after the first delivery of gas therefrom into a pipeline, and following a minimum of seven (7) days continuous production. Report of such tests shall be made to the Commission upon official Form C-122-A, marked "Original", within the month next after such tests are completed.

(3) ANNUAL DELIVERABILITY, AND SHUT-IN PRESSURE TESTS:

Annual deliverability tests and shut-in pressure tests are required to be made during the period from October 1 through December 31 of each year of all producing wells; provided, however, that for new wells the original deliverability and shut-in pressure tests thereof are in lieu of the annual tests for the year in which such well or wells are completed; results of these annual tests are required to be filed with the Commission on Form C-122-A, marked "Annual", within the month next after completion of such tests. These deliverability tests shall be accepted in lieu of the annual potential tests previously required by the Commission.

(4) SCHEDULE OF TESTS:

Within thirty (30) days after the effective date of this Order and at least sixty (60) days before the beginning of subsequent annual deliverability test periods, the pipeline companies receiving gas from wells to be tested shall, in cooperation with their respective operators, submit a testing schedule for the annual deliverability and shut-in pressure tests for all wells connected to their respective pipeline systems; such test schedules shall be promptly filed with the Commission for approval, and, if approved, the Commission shall furnish each operator, as identified by lists of names and addresses furnished by the respective pipe line companies, with a copy of such schedule as approved by the Commission, or a part thereof pertinent to such operator's wells, immediately, in the first instance and thereafter at least thirty (30) days before the beginning of the annual deliverability test period of each succeeding year. In any case where Original deliverability and shut-in pressure tests for new wells are to serve as the first annual tests, then and in that event the operator shall notify the Commission in writing at least five (5) days before the commencement of the tests.

In event changes for substantial reasons are necessary in the annual test schedule, the Commission shall be notified fifteen (15) days before tests are scheduled to commence.

(5) WHO MAY WITNESS TESTS: Any Initial Potential Test, Original or Annual Deliverability and shut-in pressure test may be witnessed by any or all of the following: a competent representative of the Commission, an offset operator, a representative of the pipe line company taking gas from an offset operator, or a representative of a pipe line company taking gas from the well under test.

Deliverability tests required hereinabove in Paragraphs (2) and (3) of this section shall determine the calculated deliverability of each gas well, which shall be reported to the Commission by converting actual deliverability against existing line pressures to the calculated deliverability at a pressure equal to eighty (80) percent of the shut-in pressure of each well in the manner hereinafter specified below. Such calculated deliverability so determined, and hereinafter so referred to, shall not be considered as the actual deliverability of any well into a gas transportation facility, but shall be used by the Commission as an index to determine the well's ability to produce at assumed line pressures, as compared to other wells in the pool under like conditions.

SECTION B. PROCEDURES FOR TESTS:

(1) ORIGINAL DELIVERABILITY AND SHUT-IN PRESSURE TESTS:

The procedure and method for the original deliverability and shut-in pressure tests is hereinbelow described under annual deliverability tests.

(2) THE ANNUAL DELIVERABILITY AND SHUT-IN PRESSURE TESTS:

(a) These tests shall be taken by unrestrictedly producing the well into the pipeline. The daily flowing rate shall be determined from an average of two (2) consecutive producing days, following a minimum of seven (7) consecutive days continuous production. All such production during the seven (7) day conditioning period plus the deliverability test period shall be at working well head pressures not in excess of seventy-five (75) per cent of the previous annual seven (7) day shut-in pressure of such well if such previous annual shut-in pressure information is available; otherwise, the seven (7) day initial potential shut-in pressure of such well shall be used.

The working well head pressure (P_w) of any well under test shall be determined to bethe two (2) day average tubing pressure if the well is flowing through the casing; or the two (2) day average casing pressure if the well is flowing through the tubing.

To obtain the shut-in pressure of a well under test the well shall be shut-in immediately after the two (2) day deliverability test for the full period of three (3) consecutive days. Such shut-in pressure shall be measured within the next succeeding twenty-four (24) hours following the three (3) day shut-in period aforesaid.

All well-head pressures as well as the folowing meter pressure tests which are to be taken at the end of the two (2) day deliverability test period, as required hereinabove shall be taken with a <u>dead-weight</u> gauge.

Orifice meter charts shall be used to obtain the average differential and flowing meter pressures, which pressures are to be used for calculating the average two (2) deliverability volume of flow by using the Basic Orifice Meter Formula $Q_h = C \quad h_w p_f$. Orifice meter charts shall be changed, and so arranged as to reflect upon a single chart the flow data of gas from each well for the full two (2) day deliverability test period. Corrections shall be made for pressure base, measured flowing temperature, specific gravity and supercompressibility (super-expansibility); <u>provided however</u>, that if the specific gravity of gas from any well under test is not available, then and in that event an estimated specific gravity may be assumed therefor, based upon that of gas from nearby wells, the specific gravity of which has been actually determined by measurement.

The basic orifice flow factor (flow coefficient), pressure base factor, flowing temperature factor, and specific gravity factor shall be determined by the use of the respective tables published in "Gas Measurement Committee Report No. 2" (revised, 1948) of the American Gas Association, New York 17, New York. The tables for the aforementioned factors and the method of computation of gas volumes through orifice flow meters contained in the aforesaid Report No. 2, are hereby approved.

Correction shall be made for supercompressibility (deviation from Boyle's law) for flowing meter pressures in excess of 100 psig. by the use of Simplified Supercompressibility Tables, compiled from C.N.G.A. Bulletins TS-402 and TS-461, published by John P. Squiers Company, Dallas, Texas; or California Natural Gasoline Association, Los Angeles, California, Bulletin TS-402 for flowing meter pressures from 100 to 500 psig. and bulletin TS-461, ibid., for flowing meter pressures in excess of 500 psig. Any other tables prepared and based on the above mentioned California Natural Gasoline Association Bulletins may be used if approved by the Commission.

When supercompressibility (superexpansibility) correction is made for a gas containing either nitrogen, carbon dioxide of hydrogen sulfide in excess of 2 per cent. The pseudocritical pressure and temperature properties of such gas shall be corrected by the use of Table V of the above mentioned TS-402 for pressure 100-500 psig and TS-461 for pressures in excess of 500 psig.

Deliverability pressure, as used herein for the Jalco Pool, is an arbitrary pressure applied to each well and used in the process of comparing the abilities of wells in this formation to produce against a back

pressure equal to eighty (80) percent of the three (3) day shut-in pressure of the respective individual wells.

The "deliverability" of gas at the "deliverability pressure" for any well shall be calculated from test data obtained from the tests hereinabove required by use of the following formula:

$$D = Q \left(\frac{P^2_c - P^2_d}{P^2_c - P^2_w} \right)^n$$

where:

D = Deliverability at the deliverability pressure, P_d. (MCF/D at standard condition of 15.025 psia and 60° F).

Q = Daily flow rate in MCF/D at wellhead pressure (P_w).

P_c = Shut-in casing (or tubing) wellhead pressure psia.

P_d = Deliverability pressure; 80% of the individual well 72 hour shut-in pressure.

P_c = psia

P_w = Average static wellhead pressure, as determined from 48 hour flow period. psia (casing pressure if flowing through the tubing, or tubing pressure if flowing through the casing).

n = Slope of the individual well's most recent back pressure test curve.

(b) In the event it is impossible to measure accurately the pressure of the static column of gas due to packer or bridges in the well bore, then the working wellhead pressure, P_w, shall be determined by adding the calculated pressure drop due to friction in the flowing column of gas to the actual flowing wellhead pressure. The method of determining the loss of pressure due to friction shall be specified on the test data sheet, C-122-A.

(c) The original and annual deliverability and shut-in pressure tests as required hereinabove shall be reported upon Commission Form C-122-A and filed with the Commission as provided hereinabove.

(d) All charts relative to original or annual deliverability tests shall be identified by the words "test Chart No. 1" (2,3,4, etc.), and any or all charts or photostats thereof shall be made available to the Commission upon its request.

Deliverability tests required hereinabove in Paragraphs (2) and (3) of this section shall determine the calculated deliverability of each gas well, which shall be reported to the Commission by converting actual deliverability against existing line pressures to the calculated deliverability at a pressure equal to eighty (80) percent of the shut-in pressure of each well in the manner hereinafter specified below. Such calculated deliverability so determined, and hereinafter so referred to, shall not be considered as the actual deliverability of any well into a gas transportation facility, but shall be used by the Commission as an index to determine the well's ability to produce at assumed line pressures, as compared to other wells in the pool under like conditions.

SECTION B. PROCEDURES FOR TESTS:

(1) ORIGINAL DELIVERABILITY AND SHUT-IN PRESSURE TESTS:

The procedure and method for the original deliverability and shut-in pressure tests is hereinbelow described under annual deliverability tests.

(2) THE ANNUAL DELIVERABILITY AND SHUT-IN PRESSURE TESTS:

(a) The daily flowing volume shall be calculated from the rate indicated at the end of the 48 hour flow period. No change shall be made in the choke setting or orifice size during said flow period which shall follow a minimum of seven (7) consecutive days continuous production.

The working wellhead pressure (P_w) of any well under test shall be the pressure at the end of the 48 hour deliverability test period. Said pressure shall be the casing pressure if the well is producing through the tubing or the tubing pressure if the well is producing through the casing.

To obtain the shut-in pressure of a well under test the well shall be shut-in immediately after the two (2) day deliverability test for the full period of three (3) consecutive days. Such shut-in pressure shall be measured within the next succeeding twenty-four (24) hours following the three (3) day shut-in period aforesaid.

All wellhead pressures as well as the flowing meter pressure tests which are to be taken at the end of the two (2) day deliverability test period, as required hereinabove shall be taken with a dead-weight gauge.

Orifice meter charts shall be used to obtain the differential and flowing meter pressures, which pressures are to be used for calculating the daily volume of flow by using the Basic Orifice Meter Formula $Q_h = C\sqrt{h_w p_f}$. Orifice meter charts shall be changed, and so arranged as to reflect upon a single chart the flow data of gas from each well for the full two (2) day deliverability test period. Corrections shall be made for pressure base, measured flowing temperature, specific gravity and supercompressibility (superexpansibility); provided however, that if the specific gravity of gas from any well under test is not available, then and in that event an estimated specific gravity may be assumed therefor, based upon that of gas from nearby wells, the specific gravity forwhich has been actually determined by measurement.

The basic orifice flow factor (flow coefficient), pressure base factor, flowing temperature factor, and specific gravity factor shall be determined by the use of the respective tables published in "Gas Measurement Committee Report No. 2" (revised, 1948) of the American Gas Association, New York 17, New York. The tables for the aforementioned factors and the method of computation of gas volumes through

orifice flow meters contained in the aforesaid Report No. 2, are hereby approved.

Correction shall be made for supercompressibility (deviation from Boyle's law) for flowing meter pressures in excess of 100 psig. by the use of Simplified Supercompressibility Tables, compiled from C.N.G.A. Bulletins TS-402 and TS-461, published by John P. Squiers Company, Dallas, Texas; or California Natural Gasoline Association, Los Angeles, California, Bulletin TS-402 for flowing meter pressures from 100 to 500 psig. and Bulletin TS-461, ibid., for flowing meter pressures in excess of 500 psig. Any other tables prepared and based on the above mentioned California Natural Gasoline Association Bulletins may be used if approved by the Commission.

When supercompressibility (superexpansibility) correction is made for a gas containing either nitrogen, carbon dioxide of hydrogen sulfide in excess of 2 percent. The pseudocritical pressure and temperature properties of such gas shall be corrected by the use of Table V of the above mentioned TS-402 for pressure 100-500 psig and TS-461 for pressures in excess of 500 psig.

Deliverability pressure, as used herein for the Jalco Pool, is an arbitrary pressure applied to each well and used in the process of comparing the abilities of wells in this formation to produce against a back pressure equal to eighty (80) per cent of the three (3) day shut-in pressure of the respective individual wells.

The "deliverability" of gas at the "deliverability pressure" for any well shall be calculated from test date obtained from the tests hereinabove required by use of the following formula:

$$D = Q \left(\frac{P^2c - P^2d}{P^2c - P^2w} \right)^n$$

where:

D = Deliverability at the deliverability pressure, P_d. (MCF/D at standard condition of 15.025 psia and 60° F).

Q = Daily flow volume in MCF/D at wellhead pressure (P_w).

P_c = Shut-in casing (or tubing) wellhead pressure psia.

Pd = Deliverability pressure; 80% of the individual well 72 hour shut-in pressure, P_c; psia.

P_w = The static wellhead pressure, as determined at the end of the 48 hour flow period. psia (casing pressure if flowing through the tubing, or tubing pressure if flowing through the casing).

n = Slope of the individual well's most recent back pressure test curve.

(b) In the event it is impossible to measure accurately the pressure of the static column of gas due to packer or bridges in the well bore, then the working wellhead pressure, P_w, shall be determined by adding the calculated pressure drop due to friction in the flowing column of gas to the actual flowing wellhead pressure. The method of determining the loss of pressure due to friction shall be specified on the test data sheet.

(c) The original and annual deliverability and shut-in pressure tests as required hereinabove shall be reported upon a modified Commission Form C-122-A and filed with the Commission as provided hereinabove.

(d) All charts relative to original or annual deliverability tests shall be identified by the words "test Chart No. 1" (2,3,4 etc.), and any or all charts or photostats thereof shall be made available to the Commission upon its request.

Case No. 582

Me-Tex Supply Company desires to intervene in this cause which is for the establishment of spacing and production regulations for gas wells in the Jalco Pool. Me-Tex Supply Company is an interested party by reason of the fact that they are the owners of gas wells located in the Eumont Gas Pool in Lea County, New Mexico and said Eumont Gas Pool is served by the same gas transportation facilities that serve the Jalco Pool.

The rules and regulations proposed to be placed into effect in the Jalco Pool permit the production of more than one allowable from a gas well to which more than 160 acres has been dedicated by the owner thereof. That the Commission has no jurisdiction or power under the laws of New Mexico to permit the production of more than one allowable from a production unit and such allowable must be produced from a well located upon such production unit. That the proposed rules and regulations, if placed into effect, would be and are designed to unlawfully and unequitably increase the gas supply available in the Jalco Pool to meet the nominations of the transportation facilities serving, thereby resulting in a decrease of the nominations of such gas transportation facilities in the Eumont Pool to the detriment of the Me-Tex Supply Company.

That until the Commission establishes, after notice and hearing, the gas allowable for each pool connected to the same gas transportation facilities, it is impossible for the interested parties to determine whether or not an equitable distribution of the purchases of such gas transportation facility has been made between pools as required by the laws of the State of New Mexico, and for such reason this hearing should be dismissed or continued until such time as the Commission, after notice and hearing, has fixed the allowable gas production for pools served by the same gas transportation facilities.

WHEREFORE, Me-Tex Supply Company prays that this hearing be dismissed or continued until such time as the Commission has fixed, after notice and hearing, the allowable gas production from the gas pools served by the same gas transportation facilities.

PRORATION FORMULAE

TYPES OF FORMULAE

There were 157 different prorated reservoirs in Texas in March, 1953. A study was made to determine what type formulae were most popular and the results showed the following:

Proration Method	No. Reservoirs
100% acreage X BHP	63
75% acreage + 25% per well	15
100% acreage	14
50% acreage X RP + 50% potential	14
2/3 acreage X RP + 1/3 potential	10
100% acreage X RP	9
2/3 acreage + 1/3 BHP	6
2/3 acreage X BHP + 1/3 per well	5
2/3 acreage + 1/3 per well	4
50% acreage + 25% potential + 25% per well	4
50% acreage X RP + 25% pot. + 25% per well	3
100% acreage X deliverability	2
75% acreage X RP + 25% potential	2
50% acreage + 50% potential	2
100% net acre feet	1
50% acreage + 50% per well	1
100% acreage X potential	1
50% acreage X BHP + 50% per well	1

CASE 582

STATEMENT OF SHELL OIL COMPANY
IN REGARD TO PROPOSED GAS RULES
FOR JALCO FIELD
SEPTEMBER 17, 1953

Shell Oil Company is in general accord with the gas rules as proposed, except for one feature thereof.

We wish to direct attention to Rule 5, Proration Units, in connection with Rule 8 under Gas Allocation.

Rule 5 establishes a standard gas proration unit of 158 to 162 contiguous surface acres.

Rule 8 provides, however, that more than one standard proration unit may be assigned to a gas well provided not more than 640 acres are so assigned, and provided the other requirements of the Section are met.

As written, the rule would apparently leave to the discretion of the operator whether such additional acreage should be assigned to a well. Also, as written, there is no requirement that the well to which additional acreage is assigned should be shown to be capable of draining such additional acreage.

We feel that this rule could result in grave inequities. An operator with a single 160-acre tract could be offset or surrounded by one or more single ownership units of 640 acres. Such operator would have a single unit allowable. The offset operators, on the other hand, could each assign four standard units to their wells, and could each obtain a proportionably increased allowable, and could do this even without a showing that their wells would drain the acreage assigned to such wells.

It is our thought that it would be better to stay with a standard size unit for allowable purposes, unless, after a hearing, the Commission permits the assigning of additional acreage and allowable because of the circumstances existing in the particular case. We realize that there may be conditions under which additional acreage should be assigned to a well or wells, but feel that it should be permitted only after hearing, and not solely at the discretion of an operator. As to the size of the standard unit in this field, in view of the fact that the field has been developed to date on 160 spacing, we feel that 160 acres should constitute the standard unit therein.

Exhibit Number 1
Witness: Rex D. Fowler

PERMIAN BASIN PIPELINE COMPANY

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

Case No. 582 Order No. R-368	Case No. 583 Order No. R-369	Case No. 584 Order No. R-370	Case No. 585 Order No. R-371
Case No. 586 Order No. R-372	Case No. 587 Order No. R-373	Case No. 589 Order No. R-375	Case No. 590 Order No. R-376

DEFINITIONS FOR INCLUSION WITHIN
NEW MEXICO OIL CONSERVATION COMMISSION RULES AND REGULATIONS

"Deliverability" Shall be deemed to be the ability of a gas well to produce gas against 80% of said gas wells shut-in pressure under stabilized flow conditions expressed in MCF per day. (Deliverability and shut-in pressure tests shall be taken in accordance with rules and regulations established by the Commission).

"Acreage Factor" Shall be deemed to mean the number of acres permitted by the Commission to be attributed to a gas well for proration purposes divided by the number of acres established by the Commission as a standard proration unit. A standard proration unit for the purpose of illustration is assumed to contain 160-acres. Expressed as a mathematical formula, said acreage factor may be set forth as follows:

$$\text{Acreage Factor} = \frac{\text{No. of Acres Attributable}}{160}$$

METHOD FOR DETERMINING MONTHLY CURRENT ALLOWABLE FOR EACH GAS WELL WITHIN ANY GAS POOL.

1. Determine, in accordance with rules and regulations of the Commission, the total pool allowable to be allocated during the month under consideration to the participating wells within that pool.

2. Multiply the Acreage Factor for each well by its deliverability.

3. Summate the products determined in Item 2.

4. Determine the pool proration factor for the month by dividing the total pool current monthly allowable (Item 1.) by the summation of Acreage

Factor times Deliverability products (Item 3.)

5. Determine each wells current monthly allowable by multiplying the pool proration factor (Item 4.) by the product of Deliverability times Acreage Factor (Item 2.)

CLASS OF SERVICE

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WESTERN UNION

1201

W. P. MARSHALL, PRESIDENT

SYMBOLS

DL = Day Letter

NL = Night Letter

LT = Int'l Letter Telegram

VLT = Int'l Victory Ltr.

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

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R R SPURRIER, DIRECTOR NEW MEXICO OIL CONSERVATION COMMISSION

NEW MEXICO STATE CAPITOL BLDG SANTA FE NMEX=

NORTHERN NATURAL GAS COMPANY, SOLE PURCHASER FROM PERMIAN BASIN PIPELINE COMPANY RESPECTFULLY REQUESTS THE NEW MEXICO OIL CONSERVATION COMMISSION TO POSTPONE, AT LEAST UNTIL THE OCTOBER HEARING, CASES 582 THROUGH 590=

JOHN M HANLEY VICE PRESIDENT PERMIAN BASIN PIPELINE CO=

upon

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

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=NEW MEXICO OIL CONSERVATION COMMISSION=

=ATTN WILLIAM B MACEY MABRY HALL SANTA FE NMEX=

=DEAR MR . MACEY; SAMEDAN OIL CORPORATION DESIRING T MAKE A MORE THOROUGH RESERVOIR STUDY OF ITS LEASES IN THE LANG-MAT GAS FIELD LEA COUNTY NEW MEXICO. REQUESTS THAT THE SHOW-CAUSE HEARING ON THE LANG-MAT GAS FIELD BE POSTPONED UNTIL THE OCTOBER HEARING OR ANY OTHER DATE IN OCTOBER APPROPRIATE TO THE COMMISSION=

=SAMEDAN OIL CORPN ED NOBEL 502 V&J TOWER=.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

MEMORANDUM

To: The Oil Conservation Commission

From: W. B. Macey

Subject: Cases 582 through 590: General rules for the prorationing of gas in the Jalco, Langmat, Eumont, Arrow, Amanda, Blinebry, Tubb, Justis and Byers-Queen Gas Pools.

In accordance with Mr. Spurrier's request, following are my recommendations pertaining to the above listed Cases held in Santa Fe, on October 26 through 28. In order to evaluate the basic recommendations the following history of these cases should be observed.

1. The Commission originated hearings on a general four county area (Lea, Eddy, Chaves and Roosevelt Counties) on March 17, 1953 under Case 521. The purpose of this hearing was to establish means and methods of prorating gas in this four county area. In April, 1953 this Case was consolidated with Case 245 in accordance with Order No. 264 issued in Case 245. (Case 245 and subsequent Order R-264 established the defined limits and producing intervals of gas pools in Southeast New Mexico.) As a result of the March 17th hearing, the Commission appointed a Committee to propose suggested rules in Case 521 and suggested revisions in Case 245. The final report of the committee, containing recommendations in both Case 245 and Case 521 was made on August 20, 1953 and on August 28, 1953 the Commission issued Order R-356 in Case 321 outlining "Stand-by" rules for the four-county area. (No additional order has been issued in Case 245 as yet) The Commission then advertised nine gas pool cases for hearing on September 17, 1953, the Commission's advertisement requesting an order establishing pool rules and other related matters insofar as they were set forth in Order R-356. Some testimony was received at this time and as a result of these hearings, Orders were issued in each Case requesting operators and other interested parties to show cause why the rules as outlined in Order R-356 should not be put in effect on November 1, 1953. The hearings were conducted on October 26, 27 and 28 with extensive testimony being given in each case. The testimony and evidence given in these hearings is the basis for the following recommendations. Since the Rules as outlined in Order R-356 are numerical in sequence the following comments and recommendations will be made in the same numerical order.

Rule 1: The recommended provisions of Rule 1 should be changed since they apply solely to a defined gas pool. The rule provides an exception to some of the provisions of statewide Rule 104. The exception however, should only apply to paragraph (a) and paragraph (d) of the Rule 104 since they are solely concerned with gas pools in particular. Also a further provision should be included as sub-paragraph (c) of the Rule to provide as follows:

(c) When the well is located upon a tract of not less than a quarter section of approximately 160 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Survey.

Rule 2: The provisions of this rule should be placed in effect in all nine pools.

Rule 3: An appropriate revision of Rule 3 pertinent to each pool name should be inserted in each set of pool rules.

Rule 4: This provision should be set forth in each set of pool rules.

Rule 5: This Rule and a portion of Rule 8 pertaining to Proration units and the formation of unorthodox gas units should be amended in such a manner to limit the standard proration unit to a legal quarter section of approximately 160 acres and allowing exceptions thereto only after notice and hearing. Exceptions should be limited to only extreme cases where Communitization is impractical because of the presence of a well which has been producing for considerable length of time, or where acreage is so situated that well locations can be adequately placed so as to insure adequate unit drainage in spite of the unorthodox unit and the correlative rights of everyone are protected. Furthermore, a policy of not approving unorthodox units where another unorthodox unit is formed thereby (thus starting a chain reaction) should be strictly adhered to. It is recognized that this policy which in effect promotes the formation of communitization or pooling agreements will cause some more work on the part of everyone concerned but the inequities which could arise from a large number of unorthodox units far out-weighs the work involved.

Since it is contemplated that the proration period in each pool will start January 1, 1954, it is entirely possible that a great number of Communitization Agreements will be delayed in execution until after the start of the proration period or after the completion of the well. Therefore, it is recommended that each pool order contain a provision outlining a policy which would allow the total acreage formed by the agreement, and thus dedicated to a well, be made retroactive to the first day of the proration period or the first day the well produces, whichever date is the later, provided, that the executed Communitization Agreement is in force and effect on the last day of the proration period.

Rules 6 and 7: The provisions of these rules should be placed into effect in each pool as outlined.

Rule 8: The first sentence of Rule 8 should be included as the last paragraph and the remaining provisions of the rule deleted from all pool rules. This will require the re-numbering of Rules 9 through 15. The reason for the deletion of that portion of Rule 8 is outlined in my remarks under Rule 5.

Rules 9 through 15: The provisions of these rules should be incorporated in each set of pool rules without any changes.

Further Recommendations:

It is further recommended that the Commission place in the hands of all operators, "preliminary" nomination forms so that the Commission may consider the nominations for each of the 9 pools for the first six month period of 1954 at the regular November hearing on November 19th. Instructions should be sent out with the forms stating that the nominations should apply to only those wells which are considered gas wells and which are not on the oil proration schedule.

Initially each purchaser or taker of gas should also include with his nominations the well or wells from which he desires to purchase gas January 1, 1954. This would allow the Commission staff an opportunity to check to see that each well to be listed on the schedule is known beforehand and that the well is not also listed on the oil proration schedule.

In this connection I believe it also advisable to point out that a provision should be inserted in each pool order stating that the Commission will continue to prorate those oil wells which lie within the productive limits of defined gas pools as oil wells pending a complete study and redesignation of some of the oil wells and possibly a re-definition of both oil pools and gas pools. In order to facilitate this study, all operators in all of the producing pools should be required to submit to the Commission an electric log or sample log, if available, on each well producing from the same zone within the defined limits of each gas pool.

It is also recommended that an Order be entered immediately in Case 245 outlining the recommended changes in pool nomenclature as made by the sub-committee in this case at previous hearings. It is also suggested that as soon as this Order is entered, the Hobbs office sent out Form C-123 requesting pool extensions which have not yet been made so that a hearing can be held in December to consider these pool extensions.

Due to the fact that considerable testimony was entered by the Pipeline Companies in the 9 pool cases requesting some form of a deliverability formula it is recommended that the Commission, through its staff, take immediate steps to outline an adequate gas well testing program to govern all gas wells in southeastern New Mexico. In connection with this, the Commission should supply adequate tables and forms in order that any deliverability formula can be properly evaluated after the necessary well tests are performed. In this connection each pool order should contain a provision that well tests in that particular pool should be made in accordance with testing procedure approved by the Commission.

It is also recommended that the Commission carefully consider the advisability of refusing to approve any subsequent dual completions (gas-oil or gas-gas) where the recompletion information shows that the well is not located upon a standard 160 acre proration unit. It should also be noted that some operators might construe approval of a dual to mean also approval of an unorthodox gas unit.

With reference to the Rhodes storage area of the Jalco Pool, a provision should be inserted in the order pertaining to the Jalco Pool which states that those storage wells in the Rhodes Unit Area should not be governed by the pool rules. Provided, however, that the operator of the storage area submits periodic reports of storage and withdrawal of gas from the unit area.

With particular reference to the Blinebry Pool a study should be made immediately on the withdrawals of gas and oil from this reservoir and a determination made after proper notice and hearing of some volumetric withdrawal formula.

October 30, 1953

BEFORE THE

OIL CONSERVATION COMMISSION

Santa Fe, New Mexico
September 17, 1953

In the Matter of:

	Cases Nos.
The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Jalco gas pool, Lea County, New Mexico, said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521,	582,
The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Langmat gas pool, Lea County, New Mexico, said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521,	583,
The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Eumont gas pool, Lea County, New Mexico, said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521,	584,
The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Arrow gas pool, Lea County, New Mexico, said rules being concerned with well spacing, gas	585,

proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521,

The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Blinebry gas pool, Lea County, New Mexico, said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521, 586,

The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Tubb gas pool, Lea County, New Mexico, said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521, 587,

The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Amanda gas pool, Lea County, New Mexico, said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521, 588,

The application of the Oil Concervation Commission upon its own motion for an order establishing pool rules for the Justis gas pool, Lea County, New Mexico, said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521, 589,

The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Byers-Queen

gas pool, Lea County, New Mexico, said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521.	)	and 590 (Consolidated)

TRANSCRIPT OF HEARING

(Notice of Publication read by Mr. Graham)

MR. STAHL: My name is Stahl, representing Permian Basin Pipeline Company. In behalf of the Permian Basin Pipeline Company, I would like to move that the cases be continued until the October hearing for this very good reason. I believe that we just got our notice that these cases were set about a week ago and we just haven't had enough time. If this motion is not granted, I would like to have an opportunity to make a further proposal.

MR. SPURRIER: Anyone else? Mr. Bickel.

MR. BICKEL: C. E. Bickel with Shell Oil Company. With respect to the field in Cases 582, 583, 584, 586, 587 and 590, I would like to read for the record, the following:

Shell Oil Company is in general accord with the gas rules as proposed, except for one feature thereof.

We wish to direct attention to Rule 5, Proration Units, in connection with Rule 8 under Gas allocation.

Rule 5 establishes a standard gas proration unit of 158 to 162 contiguous surface acres.

Rule 8 provides, however, that more than one standard pro-

ration unit may be assigned to a gas well provided not more than 640 acres are so assigned, and provided the other requirements of the Section are met.

As written, the rule would apparently leave to the discretion of the operator whether such additional acreage should be assigned to a well. Also, as written, there is no requirement that the well to which additional acreage is assigned should be shown to be capable of draining such additional acreage.

We feel that this rule could result in grave inequities. An operator with a single 160-acre tract could be offset or surrounded by one or more single ownership units of 640 acres. Such operator would have a single unit allowable. The offset operators, on the other hand, could each assign four standard units to their wells, and could each obtain a proportionably increased allowable, and could do this even without a showing that their wells would drain the acreage assigned to such wells.

It is our thought that it would be better to stay with a standard size unit for allowable purposes, unless, after a hearing, the Commission permits the assigning of additional acreage and allowable because of the circumstances existing in the particular case. We realize that there may be conditions under which additional acreage should be assigned to a well or wells, but feel that it should be permitted only after hearing, and not solely at the discretion of an operator. As to the size of the standard unit in this field, in view of the fact that the field has been

developed to date on 160 acre spacing, we feel that 160 acres should constitute the standard unit therein.

MR. SPURRIER: Anyone else? Mr. Davis.

MR. DAVIS: Quilman Davis, representing Southern Union Gas Company. First, we would like to concur with Mr. Stahl's motion to have these consolidated cases continued until the October hearing. We have found several inconsistent provisions in these rules in addition to the ones submitted by Shell and we feel that additional time should be given before the Commission voiced any objections or any suggested changes and after more time than a thirty or forty minute hearing.

MR. SPURRIER: Anyone else? Judge Foster.

JUDGE FOSTER: E. H. Foster, representing Phillips Petroleum Company. We don't feel that any real purpose can be accomplished by continuing these cases. It is our thought in the matter that the only way to start prorating is to just start.

We have given a good deal of thought to this matter I believe, in the Advisory Committee. We have come up with some rules that are imperfect of course, but, the only way I know to really get something accomplished is to put these rules into effect and then with respect to each particular field, let those that are interested in that field come in and demonstrate to the Commission wherein they feel that the rule should be changed and modified.

Now, the Shell, I think, has made a suggestion here that has a good deal of merit. We realize, I think all of us on the Advisory Committee that the establishment of the unit the way

that it is proposed might work some hardship in some fields. Of course it is perfectly obvious to me that you don't want to establish 160 acre standard proration units in any field when a well will efficiently and economically drain a greater area but, we could spend a month here trying to determine what the drainage area of a well is, in any particular area and by losing a lot of valuable time and I've always observed that we can see a lot further out of the back of a wagon than we can out of the front of it because all you do there is just see where you've been instead of finding out where you're going. (Laughter)

Now, if you want to get proration started, why you've got to put in some set of rules and then you will have something to shoot at and it will be my suggestion to the Commission, for whatever it may be worth, based on what little experience I've had in gas proration matters that you just put these rules into effect and if they don't work or if the operators in the particular field can come in and demonstrate what they want, and there will be instances where they will do just that, why, then you can change them or modify them to suit the particular circumstances in that field. But, if you try and work out a perfect set of rules here for these different fields, it will be a year or two before you get any proration started in any of these fields.

MR. SPURRIER: We have two motions before the Commission now. Mr. Campbell.

MR. CAMPBELL: Jack M. Campbell, Roswell, New Mexico. I would like to make a statement in behalf of Texas Pacific Coal

and Oil Company.

It is our feeling that the Commission, in adopting the rules which they adopted in a standby capacity, acted properly and that the orderly way to proceed is to hold pool hearings to determine whether proration is required in each gas pool. It may be that the statute is wrong in that regard but we feel that that is what the statute requires the Commission to do. We feel that there has not been ample time with regard to particular fields and that the Commission must know that we cannot possibly put field rules in effect in nine (9) gas pools in New Mexico upon a hearing lasting a few minutes.

We feel that in the interest of orderly procedure however, the Commission should and may have in mind some method of procedure by which the pools can be brought up for hearing at an early date in order that the necessary evidence can be obtained and offered by the interested parties.

We still maintain that gas proration can be put into effect in New Mexico only by pool and that the Commission must find that there is a gas pool and properly define it. They must find that proration is necessary in that gas pool and they then must adopt rules, either the standby rules that they have in effect now, or special rules for that pool.

We join in the motion for continuance of these cases with the idea in mind that there will be individual gas pool hearings to establish proration where it is considered by the Commission necessary.

MR. SPURRIER: Anyone else? Mr. Hinkle.

MR. HINKLE: Clarence Hinkle, representing Humble Oil and Refining Company. The Humble would like to endorse the statements made by Mr. Foster in behalf of Phillips Petroleum Company. Humble feels, as Phillips, that it is going to take considerable time to put proration into effect in these pools if we go ahead and have a long hearing for the adoption of the field rules in each of these pools.

We believe that proration can be put into effect successfully by the use of the general rules which have been adopted by the Commission. Practically, we do not believe that a good and equitable set of special rules can be adopted until you have a proration schedule and until you have some field experience. There may be some rule that could be adopted by you cannot adopt a full set of rules unless you have some experience in connection with the field.

We believe that the Commission should go ahead and take necessary steps at the present time to call for the plats that are necessary and to call for nominations at the earliest possible time.

MR. SPURRIER: Any one else? Mr. Hiltz.

MR. HILTZ: R. G. Hiltz for Stanolind. I would just like to state that we feel that the rules that were adopted by the Commission on the recommendation of the industry Advisory Committee are based on sound principles and experience in other areas.

We believe that they are workable and equitable and we believe that they should be adopted however, we have no objection to the cases being continued to get additional information on the fields, on individual fields.

MR. SPURRIER: Anyone else? Mr. Halloway.

MR. HALLOWAY: Halloway for Tidewater Associated Oil Company. We would like to concur in the statement made by Mr. Hinkle. I'd also like to ask a question in behalf of myself.

With reference to the proration unit which states that it shall be in substantially the form of a square, which will be a legal subdivision quarter section of U. S. Public Land Survey. I talked to some that sat in on these committees or sub-committees and find that they were of the opinion that if you had 160 acres whether it was a quarter section or not, provided it was contiguous, would make a proration unit. I want to get that clear, I want to know how to file these plats.

MR. SPURRIER: Well, the general rules states Mr. Halloway, that it shall be in the form of a square for substantially a quarter section.

MR. HALLOWAY: Rule 104, is that right?

MR. SPURRIER: That's right.

MR. HALLOWAY: Now, what is going to happen if you deviate from that, that's what I want to know?

MR. MACEY: Every neighbor that you have will have to do the same thing.

MR. HALLOWAY: Well, that brings this question then. Is the Commission prepared to force units. We have an instance or

two where we have invited our neighbors in and they didn't want to join. Where does that leave us, or our neighbors, or the Commission?

MR. MACEY: Well, it's a drilling block. I believe we have forced them in the past and I believe if you ask for it, we will try again.

The reason that rule was drawn as it is, there are some here who remember - 1949 -, was because an irregular tract immediately creates several more irregular tracts and to keep it under control we feel that it should remain in the form of a square.

MR. HALLOWAY: That's a very neat way to handle it. It's going to bring a lot of problems about. I asked the question a few months ago at a hearing, as to what was going to happen to a great number of wells, gas wells,, that have previously been completed on 40, 80 or 120 acres and I was, I believe Mr. Macey, advised that they'd just be forced to reduce to acreage they had. But, there is no provision made to take care of similar circumstances in the future.

MR. MACEY: Mr. Halloway, the rule that you are quoting says that a standard proration unit, this is in the absence of special rules for the pool, a standard unit is a legal quarter section. It also provides for an exception to that by getting waivers from offsets for other than the acreage conforming to a legal quarter section. In fact it provides that you can get it approved without going to a hearing by getting waivers from the offset operators. If you don't get the waivers, you can come up for a hearing. I

frankly think that the Commission has to insist on standard acreage basis and make that the rule and allow for the exception to be approved proportionately.

MR. HALLOWAY: My question was only to guide me as I stated, Because I am going to be called upon to tell someone to form these plats that we must submit and I didn't want to file plats that wouldn't be acceptable to the Commission and if we have contiguous acreage we think is productive and they just don't want to join of course, we won't get the benefit of that acreage and that was the reason for my question.

MR. MACEY: I think basically that if you've got 160 acres in the northeast quarter or southwest quarter of the section that you've got a standard unit. If you've got four contiguous lots of 40 acre tracts then you can get an exception provided you get approval from your offset operators or after a hearing. It further provides that you can form abnormal units greater than standard units. It's an automatic procedure in here but I believe it probably ought to be after notice and hearing specifically.

MR. HALLOWAY: There's a great many cases in our company. In fact in a case we just had - we have 400 acres. We own the E/2 of Section 24 and additional 80 acres all contiguous. From the time we drilled our well we invited our neighbors to join us and they were interested, and I just wondered how to file a plat in a case like that.

MR. MACEY: You can get relief from that by simply making application to the Commission for approval.

MR. SPURRIER: Anyone else? Mr. Howell

MR. HOWELL: I am Ben Howell, representing El Paso Natural Gas. There are a number of pools that are mentioned here that I am informed we don't have any connection with and of course not interested in so we are not speaking as to those. There are some pools on which we don't think proration should be imposed at this time. There is one pool that I am informed has four wells as listed here. We see no good purpose for imposing proration rules on that pool and we think that as to each pool that the field around each pool should be developed and a determination made pool by pool.

MR. SPURRIER: Anyone else? Mr. Dipple.

MR. DIPPLE: I am Harry Dipple representing Continental Oil Company. We want to concur entirely in everything that Judge Foster said in behalf of Phillips and in what Mr. Hinkle said in behalf of Humble and urge the Commission to put these proration rules into effect at the earliest possible time.

MR. SPURRIER: Anyone else? Mr. Christie.

MR. CHRISTIE: R. S. Christie, representing Amerada Petroleum Corporation. We just want to concur on what JudgeFoster has said and the Humble representative and some of the others and further suggest that the Commission enlist the help of the New Mexico Oil and Gas Engineering Committee to help formulate these different pool rules.

MR. SPURRIER: Anyone else? If there is no one else to

be heard, we will take the case under advisement and we'll recess to hear the rest of the cases at 9 o'clock in the morning.

(RECESS)

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I, Virginia M. Chavez, hereby certify that the above and foregoing transcript of proceedings in Cases 582 through 590, inclusive, Consolidated, taken before the Oil Conservation Commission on September 17, 1953, at Santa Fe, New Mexico, is true and correct to the best of my knowledge skill and ability.

Dated at Santa Fe, New Mexico, this 19th day of October, 1953.

Virginia M. Chavez
Notary and Reporter

GAS PURCHASE AGREEMENT

THIS AGREEMENT, made and entered into this _____ day of _____, 1953, by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation with offices at El Paso, Texas, hereinafter referred to as "Buyer", and _____ _____, with offices at _____, hereinafter referred to as "Seller";

W I T N E S S E T H:

That, for and in consideration of the sum of One and No/100 Dollars ($1.00) cash in hand paid to Seller by Buyer, the receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter set out, Buyer and Seller do hereby contract, covenant and agree with each other as follows

ARTICLE I

Availability of Gas

Seller covenants and represents that it is the owner of or has interest in valid and subsisting oil and gas mining leases covering lands in Lea County, New Mexico, said leases being described in Exhibit "A", attached hereto and made a part hereof.

ARTICLE II

Purchase and Sale

Section 1. For the term of this agreement, and subject to the exceptions and reservations herein contained, Seller hereby agrees to sell and deliver to Buyer, and Buyer agrees to purchase and receive from Seller, in the usual conduct of its business,

merchantable gas from all gas wells now located or hereafter drilled or recompleted on the acreage and within the depths covered hereby, while and so long as such premises are subject to the oil and gas leases now owned by Seller, or any extensions or renewals thereof, in accordance with the terms and conditions hereinafter set forth

Such gas wells on the acreage covered hereby as are completed at the date hereof and are capable of producing gas covered by the terms of this contract shall be connected by Buyer not later than ninety (90) days from the effective date of this agreement, and the provisions of Article XI hereof shall become effective as to each such well at the expiration of such ninety (90) day period or on the date of connection, whichever date is earlier. New gas wells subject to this agreement, and completed or recompleted after the effective date hereof, shall be connected by Buyer to its gathering system not later than sixty (60) days after receipt by Buyer of notice from Seller that such well has been completed or recompleted, and the provisions of Article XI hereof shall become effective as to each such well at the expiration of such sixty (60) day period or on the date of connection, whichever date is earlier.

Section 2 The point of delivery for all gas sold and delivered hereunder shall be at the mouth of the well, or at the outlet of Seller's separator, if installed.

Section 3 Seller reserves sufficient gas for the development and operation of its leases covered hereby, and so much other gas as the lessors in said leases are entitled to use under the

respective terms of the oil and gas mining leases under which Seller is operating.

Seller shall not be required, except in its sole judgement and discretion, to drill, rework, recondition, recomplete or repair any well now or hereafter capable of producing gas subject to this agreement, and Seller shall not be obligated to maintain in force and effect any of the said leases, or any right, title or interest thereunder. Seller shall have the sole right to determine when any well will be abandoned.

Section 4. Title to and ownership of the gas delivered hereunder, as well as title to and ownership of all gasoline and other hydrocarbons which are in a gaseous state at the time of delivery, shall pass to and absolutely vest in Buyer at the point of delivery, as hereinabove provided.

Section 5. The term "gas well", as used herein, shall mean any well classified respectively as such by any regulatory body having jurisdiction or, in the absence of such classification, any well so classified respectively by mutual agreement of the parties hereto.

Section 6. Unless it elects to do so, Buyer shall not be obligated to purchase any gas subject to this agreement which is not "merchantable gas" at the point of delivery. "Merchantable gas", as used herein, shall mean gas containing not more than one thousand (1,000) grains total sulphur per one hundred (100) cubic feet, nor more than five percent (5%) of carbon dioxide, and having a gross heating value of not less than nine hundred fifty

(950) British thermal units per cubic foot of gas at a temperature of sixty degrees (60°) Fahrenheit, when saturated with water vapor and at an absolute pressure equivalent to thirty inches (30") of mercury at thirty-two degrees (32°) Fahrenheit. Such gas shall be reasonably free from objectionable liquids. Except as provided in Article VI hereof, Seller shall never be required to treat gas to render it merchantable.

Buyer shall have the right to refuse to take gas from any well if it fails to meet any of the above specifications, and in the event Buyer shall not commence taking gas from any such well within ninety (90) days after receipt of notification from Seller that gas from such well is available, the well and the acreage allocation unit upon which it is located shall thereafter be considered released from the terms of this agreement.

ARTICLE III

Right-of-Way

Section 1. Seller grants to Buyer so far as Seller has the right to do so, right-of-way on said premises and other lands controlled by Seller for Buyer's gathering pipe lines and other equipment as may be necessary, right of ingress and egress to and from said premises, and the further right to do thereon acts necessary or convenient for the carrying out of the terms of this agreement.

Section 2. All equipment placed on said premises by Buyer shall be and remain its property and shall be subject to removal by it at any time.

ARTICLE IV

Regulation

Buyer shall have the right to regulate the flow of gas at the point of delivery insofar as the fluctuating demand of Buyer's market is concerned, but such regulation shall be subject to control by Seller insofar as the ability of any well or wells to produce and, insofar as possible, well or reservoir damage by excessive rates of withdrawal are concerned

ARTICLE V

Delivery Pressure

Section 1 Buyer shall take gas hereunder at natural flowing pressures at the point of delivery, and shall have the right to operate its high pressure gathering system at pressures not to exceed six hundred pounds (600#) per square inch gauge In the event any well becomes incapable of producing at least one million one hundred thousand (1,100,000) cubic feet of gas per day at a flowing pressure of six hundred pounds (600#) per square inch gauge, or at the existing pressure of Buyer's high pressure gathering system, whichever is lower, Buyer agrees either to lower immediately the pressure on its gathering system to the extent necessary to permit delivery of gas from such well in such quantity, or to install immediately sufficient compression facilities to permit the delivery of gas in such quantity from such well at the operating pressure of Buyer's gathering system, and thereafter Buyer shall maintain such compression facilities in operation to the extent necessary to enable such well to deliver into Buyer's

gathering system the volume of gas which Buyer has herein contracted to take from such well.

Buyer shall not discontinue taking gas from any well covered hereby so long as such well will produce at a wellhead flowing pressure of at least one hundred pounds (100#) per square inch gauge.

Buyer shall have the right to refuse to take gas from any well producing at a wellhead flowing pressure of less than one hundred pounds (100#) per square inch gauge, but Seller shall have the right to install compression facilities necessary to permit any such well to produce at said pressure in which event Buyer shall be obligated to continue to purchase gas from such well in accordance with the terms hereof. In the event Seller does not elect to install compression facilities as above provided, and Buyer fails or refuses to commence taking gas from any such well within ninety (90) days after receipt of notification from Seller that gas from such well is available, such well and the acreage allocation unit on which it is located shall thereafter be considered released from this agreement.

Section 2. Buyer shall have the right to operate its gathering system for gas produced from depths greater than five thousand (5,000) feet from the surface of the earth at working pressures as high as eight hundred fifty pounds (850#) per square inch gauge as long as such wells are capable of producing their respective allowables against such higher pressures.

In applying the provisions of Section 1 above to wells producing from depths greater than five thousand (5,000) feet from the surface of the earth, one million seven hundred fifty thousand (1,750,000) shall be substituted for the figure one million one hundred thousand (1,100,000) appearing therein

ARTICLE VI

Drips and Separators

Seller agrees to install all drips, separators and other devices that may be found necessary to separate crude oil, liquid hydrocarbons and/or water in its liquid state from the gas so that such oil, liquid hydrocarbons and/or water in its liquid state may be kept from entering Buyer's pipe line, all oil and liquid hydrocarbons so separated being the property of Seller

ARTICLE VII

Meters

Section 1 Buyer, at its sole cost and expense, shall install, maintain and operate at each point of delivery a standard type orifice meter for the measuring of the quantity of gas delivered hereunder. Orifice meters shall be installed and operated in accordance with the specifications prescribed in Gas Measurement Committee Report No 2, dated May 6, 1935, of the Natural Gas Department of the American Gas Association Buyer shall cause the charts on such meter to be changed daily or weekly, as may be agreed upon by the parties hereto. The respective meter, meter readings and meter charts shall be accessible, at all reasonable times to inspection and examination by Seller

Section 2. From time to time and at least once in each three (3) months, the accuracy of Buyer's measuring equipment shall be verified by and at the expense of Buyer. If either party at any time shall notify the other that it desires a special test of any meter, the other party shall cooperate to secure an immediate verification of the accuracy of such meter and joint observation of any adjustments. Buyer shall give notice to Seller of the time of all tests, in order that Seller may conveniently have its representative present. Reading, calibration and adjustment of Buyer's meters and changing of charts shall be done only by Buyer.

Section 3. If, upon any test, the percentage of inaccuracy shall be two percent (2%) or more, the registration of such meter shall be corrected at the rate of such inaccuracy for any period which is definitely known or agreed upon, but in case the period is not definitely known or agreed upon, then for a period extending back one-half (1/2) of the time elapsed since the date of the last calibration. Following any test, metering equipment found inaccurate shall be immediately restored by Buyer as closely as possible to a condition of accuracy. If, for any reason, any meter is out of service and/or out of repair so that the amount of gas delivered cannot be estimated or computed from the reading thereof, the amount of gas delivered through the period such meter is out of service and/or out of repair shall be estimated and agreed upon by the parties hereto upon the basis of the best data available, using the first of the following methods which is feasible:

a. By correcting the error if the percentage of error is

ascertainable by calibration test or mathematical calculation.

b. By using the registration of Seller's check meter if installed and accurately registering

c. By estimating the quantity of delivery by deliveries during preceding periods under similar conditions when the meter was registering accurately.

Section 4. Seller may, at its option and expense, install and operate a check meter to check Buyer's meter, but measurement of gas for the purpose of this agreement shall be by Buyer's meter, except as hereinabove specifically provided to the contrary.

ARTICLE VIII

Gas Measurement

Section 1. The unit of measurement for all purposes hereunder except for the computation of volumes for the application of the price provisions of Article XII hereof shall be one thousand (1,000) cubic feet at a base temperature of sixty (60) degrees Fahrenheit and at a base pressure of fifteen and twenty-five thousandths pounds (15.025#) per square inch absolute.

The unit of measurement for computation of volume for the application of the price provisions of Article XII hereof shall be one thousand (1,000) cubic feet at a base temperature of sixty (60) degrees Fahrenheit and at a base pressure of fourteen and sixty-five hundredths pounds (14.65#) per square inch absolute.

Section 2. The volumes of gas delivered hereunder shall be computed in accordance with the specifications prescribed in Gas Measurement Committee Report No. 2, dated May 6, 1935, of the Natural Gas Department of the American Gas Association as supplemented and modified to the date hereof, applied in a practical and appropriate manner, and proper correction shall be made for deviation of the gas from Boyle's Law in accordance with Bulletin

TS-402 or Bulletin TS-461 (whichever is applicable) of the California Natural Gasoline Association.

Section 3 For the purpose of measurement, the average absolute atmospheric (barometric) pressure shall be assumed to be thirteen and two-tenths pounds (13.2#) to the square inch, irrespective of the actual elevation or location of the delivery point above sea level or of variations in such barometric pressure from time to time. For meters of the orifice type, the following factors shall be given due consideration:

a. The temperature of the gas flowing through Buyer's meter shall be obtained by the use of a recording thermometer so installed by Buyer that it may properly record the temperature of such gas. The arithmetical average of the hourly temperature shall be used to make proper computations of volume hereunder.

b. The specific gravity of the natural gas shall be determined by Buyer each three (3) months (joint tests if desired by Seller) on or as near the first of each three (3) months' period as practicable, by means of an Edwards Balance or by such other method as may be agreed upon by the parties hereto. Such test shall determine the specific gravity to be used in computations for the measurement of gas deliveries during such three (3) months' period.

Buyer shall give notice to Seller of the time of all tests (including gasoline content tests) of gas delivered hereunder or of any equipment used in measuring or determining the nature or quality of such gas, in order that Seller may conveniently have

its representative present. Should Seller not be satisfied with any such test, it shall so notify Buyer and Buyer shall perform such retests as may be necessary to assure an accurate test.

ARTICLE IX

Gasoline Content Tests

Tests for the determination of gasoline content of the gas sold hereunder shall be made by Buyer each three (3) months, on or as near the first of each three (3) months' period as practicable. The Natural Gasoline Association of America standard charcoal method, or such other method as may be agreed upon, shall be used in making such tests. The content so determined shall be adjusted to the pressure base of fourteen and sixty five hundreths pounds (14.65#) per square inch absolute.

ARTICLE X

Billing and Payment

Section 1. On or before the tenth (10th) day of each calendar month, Buyer shall render to Seller a statement accompanied by charts, showing the amount of gas purchased by Buyer hereunder during the preceding calendar month, and payment for such gas shall be made by Buyer to Seller on or before the twenty-fifth (25th) day of the calendar month in which such statement is rendered. Any errors in such charts, statement or payment shall be promptly reported to Buyer, and Buyer shall make proper adjustment thereof within thirty (30) days after final determination of the correct volume and/or values involved.

Section 2. Seller agrees to pay or cause to be paid all taxes and assessments imposed on Seller with respect to the gas delivered

hereunder prior to its delivery to Buyer, and Buyer agrees to pay or cause to be paid all taxes and assessments imposed upon Buyer with respect to the gas delivered hereunder after its receipt by Buyer. Neither party shall be responsible or liable for any taxes or other statutory charges levied or assessed against any of the facilities of the other party used for the purpose of carrying out the provisions of this contract.

All existing taxes, up to the present respective rates thereof, now imposed on the parties hereto with respect to the gas delivered hereunder shall not be considered as "additional tax" under the following provisions of this Section.

Any sales, transaction, occupation, service, production, severance, gathering, transmission, export or excise tax, assessment or fee levied, assessed or fixed by the United States, the State of Texas, or other governmental authority and taxes of a similar nature or equivalent in effect (not including income, excess profits, capital stock, franchise or general property taxes) in respect of or applicable to the gas taken hereunder by Buyer in addition to or greater than those, if any, being levied, assessed or fixed on the date of this agreement in respect of or applicable to the gas taken hereunder by Buyer, and which Seller may be liable for, either directly or indirectly, or through any obligation to reimburse others, are hereinafter collectively referred to as an "additional tax". It is expressly understood and agreed between the parties hereto that Buyer shall, subject to the conditions hereinafter set forth, pay to Seller three-fourths (3/4)

of any such "additional tax". Should Seller so become liable for any such "additional tax", Seller shall notify Buyer immediately. Within ninety (90) days after the end of each calendar month, Seller shall prepare and submit to Buyer a statement setting forth the amount of such "additional tax" that it has paid during such calendar month, and within thirty (30) days after submission of such statement, adjustment between the parties hereto shall be made by Buyer reimbursing Seller to the extent of three-fourths (3/4) of the amount of such "additional tax" as hereinabove defined which Seller shall have so paid. The tax reimbursement herein provided for shall apply to the total amount of money Seller is required to pay for virtue of such "additional tax" but shall not apply to any delinquent interest or penalty payments that may be applicable to such "additional tax". Taxes applicable to any royalty, overriding royalty, production payment or similar interest shall be considered to be covered by the provisions of this Section 2 only if the reimbursement made by Buyer to Seller with respect thereto is passed on by Seller to the owner of such royalty, overriding royalty, production payment or similar interest

Section 3. Seller shall return to Buyer all charts after they have been inspected. Seller shall have access to Buyer's records and books at all reasonable hours so far as they affect the gas sold hereunder.

ARTICLE XI

Quantity

Section 1. Subject to the exceptions contained hereinafter

in this Article XI, Buyer agrees to purchase and take, or failing to take, nevertheless to pay for, a daily average minimum of five hundred fifty thousand (550,000) cubic feet of gas per day from each of Seller's wells located on a "maximum gas allocation unit" (as that term is hereinafter defined in Section 6 below), except as such minimum may be reduced under either of the conditions outlined in a and b below:

a. If any such well is located upon less than a maximum gas allocation unit, the applicable minimum for such well shall be reduced proportionately.

b. In the event any such well becomes incapable of producing a daily stabilized rate of at least one million one hundred thousand (1,100,000) cubic feet per day at a flowing pressure of one hundred pounds (100#) per square inch gauge, the minimum for such well shall be reduced so that Buyer shall not be obligated to take or pay for a daily average minimum of gas from such well greater than fifty percent (50%) of such well's daily stabilized producing capacity at such one hundred pound (100#) flowing pressure.

Section 2. In applying the provisions of Section 1 above to wells producing from depths greater than five thousand (5,000) feet from the surface of the earth, eight hundred seventy-five thousand (875,000) shall be substituted for the figure five hundred fifty thousand (550,000) appearing therein, and one million seven hundred fifty thousand (1,750,000) shall be substituted for the figure one million one hundred thousand (1,100,000) appearing therein.

Section 3. Buyer agrees, insofar as practicable, to take ratably from each allocation unit connected to its system in the Lea County area, based upon (1) the well acreage allocation, (2) the ability of individual wells to deliver into Buyer's gathering system in accordance with the provisions of Section 1 of Article V hereof, (3) whether or not the well is producing from depths greater than five thousand (5,000) feet from the surface of the earth, and (4) the allowable limits that may be set from time to time by governmental authorities having proper jurisdiction thereof.

Section 4. At the request of Seller, when any required approval has been obtained by Seller from all governmental authorities having jurisdiction in the premises, the daily average minimum of five hundred fifty thousand (550,000) cubic feet of gas per well required to be taken by Buyer shall be increased proportionately up to a maximum of two million two hundred thousand (2,200,000) cubic feet of gas per well per day, in the case of any well located on a tract consisting of more than one hundred sixty (160) acres, up to but not exceeding a total of six hundred forty (640) acres. All such tracts shall meet the requirements of Section 6 below.

In applying the provisions of this Section 4 to wells producing from depths greater than five thousand (5,000) feet from the surface of the earth, eight hundred seventy-five thousand (875,000) shall be substituted for the figure five hundred fifty thousand (550,000) appearing therein, and three million five hundred thousand (3,500,000) shall be substituted for the figure two million two hundred thousand (2,200,000) appearing therein.

Section 5. Said minimum average shall be averaged over each calendar year, or the applicable portion thereof if the well is, or could be, connected to Buyer's system for only a part of the calendar year under consideration.

Section 6. For the purpose of this agreement, a "maximum gas allocation unit" is hereby defined to be a tract or portion of a tract under one lease or operated under a unified working interest which contains at least one hundred sixty (160) acres In designating a maximum unit or fractional portion thereof, section lines may be disregarded so long as the unit acreage is under the same lease or unit of unitized working interests forming a continuous block whose longest boundary dimension does not exceed five thousand two hundred eighty (5,280) feet.

Section 7. In the event Buyer shall fail to take from any well during any calendar year, or applicable portion thereof, the daily average minimum as above defined, and such failure is not due to physical non-availability of gas, causes within the control of Seller or force majeure intervention, then within thirty (30) days after the end of such calendar year, Buyer shall pay Seller for the difference between the average minimum quantity required to be taken from such well and the amount actually taken by Buyer from such well during such calendar year. Payment shall be made at the weighted average price paid by Buyer for gas from such well during such calendar year.

During the next four (4) years following that in which Buyer failed to take the gas so paid for, all gas taken by Buyer from

such well during any year which is in excess of the daily average minimum for such well for such year shall be known as "make-up gas", and such "make-up gas" shall be without charge to Buyer (except as hereinafter provided) until such excess is equal to the amount of gas previously paid for but not taken (and not having been made up) during the preceding four (4) years. In the event Buyer is unable to make up gas within the four (4) year period herein specified, Seller shall be under no obligation to return to Buyer money previously paid for gas not so made up

Section 8. Wells requiring tests to determine their open flow capacity and their daily stabilized producing capacity shall be tested by Buyer annually, and such test shall determine the daily average minimum for such well during the succeeding twelve (12) months' period. Buyer shall give notice to Seller of the time of all such tests, in order that Seller may conveniently have its representative present. In the absence of agreement of the parties as to the manner and method of conducting such tests, such tests shall be conducted in the manner and under the rules prescribed by the New Mexico Oil Conservation Commission to the extent that such rules, if any, are applicable, and if not applicable, then under the rules prescribed by the Railroad Commission of Texas for such tests.

Section 9. In the event that any governmental authority having proper jurisdiction in the premises should establish rules allocating gas withdrawals from the wells covered hereby, to the extent that Seller should be unable for that reason to deliver from

any particular well the minimum amount of gas Buyer is obligated to take from such well, and at the same time Seller owns or operates a well or wells covered hereby which can by virtue of such allocation be produced at a rate higher than the minimum Buyer is obligated to take from such well or wells, Buyer agrees upon request of Seller to increase its takes of gas from wells having such higher allocation, up to the maximum of such allocation, for the purpose of offsetting takes from wells having allocations lower than Buyer's minimum allocation hereunder.

The provisions of this Section 9 shall not become applicable unless allocation rules so established are field wide in scope.

ARTICLE XII

Price

Section 1 Buyer shall pay Seller for the gas contracted hereunder in accordance with the following schedule:

a. For gas from wells having sufficient pressure to deliver gas into Buyer's high pressure gathering system either against the working pressure therein, or against a pressure of six hundred pounds (600#) per square inch gauge, whichever is lower:

(1) For the five (5) year period from the effective date hereof, nine and one-half cents (9½¢) per thousand (1,000) cubic feet.

(2) For the next five (5) year period ten and one-half cents (10½¢) per thousand (1,000) cubic feet

(3) For the next five (5) year period eleven and one-half cents (11½¢) per thousand (1,000) cubic feet.

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...payments to Seller on the
basis of the schedule set out in "Basis of Settlement for Gasoline
and Liquefiable Petroleum Products" attached as Exhibit "B", for all
gaseous hydrocarbons in such liquefiable petroleum gases purchased hereunder, ir-
respective of whether or not the same be processed for extraction of said
constituents.

In the event liquefiable petroleum gases (or gases to be processed) the
gas purchased hereunder shall be commingled with other liquid or
liquefiable petroleum products, Buyer shall pay Seller for such
other products ... the schedule set out in "Basis of
Settlement for Liquefiable Petroleum Products", attached hereto
marked Exhibit "B" and by ... made a part hereof.

Buyer agrees to pay Seller at all times for such gasoline and other products at the highest price, and on the most favorable basis, being used by Buyer in paying and settling with other sellers furnishing gas to the plant in which Seller's gas is being processed.

Section 3. Payment for the gas sold hereunder shall be made directly to Seller at _____

_____

Seller hereby assumes the responsibility and liability for making payments to the lessors and royalty owners for the proportionate amounts due them on account of all deliveries hereunder.

Section 4. If at any time or times after the date of this agreement, Buyer shall purchase from any other seller gas from "dry gas" or "gas-distillate" wells within Lea or Eddy Counties, New Mexico, or Cochran, Hockley, Yoakum, Gaines, Andrews, Ector, Winkler, Crane or Ward Counties, Texas, at a price per thousand (1,000) cubic feet higher than the price at the time payable hereunder, Buyer agrees that the price payable to Seller for gas hereunder shall be immediately increased to equal such higher price paid to such other seller, and such higher price hereunder shall continue in effect so long as, but only so long as, any such higher price is paid to such other seller. In determining whether the price payable under such other contract or agreement is "higher" than the price payable for gas under this agreement, due consideration shall be given to the provisions of this agreement as compared with such other contract or agreement as to quantity

and quality of gas, delivery pressures, gathering and compressing arrangements, provisions regarding measurement of gas and all other pertinent factors.

ARTICLE XIII

Title

Seller hereby warrants the title to the gas, the Seller's right to sell such gas, and that the gas is free from all liens and adverse claims.

ARTICLE XIV

Consideration

It is specifically agreed that the consideration paid and the payments to be made hereafter, according to the terms hereof, in all respects support each and every covenant, right, privilege and option hereof.

ARTICLE XV

Indemnification

Neither Seller nor Buyer shall be held responsible or liable for damages for the acts or conduct of the other.

ARTICLE XVI

Force Majeure

Except for Buyer's obligations to make payments for gas delivered hereunder, neither party hereto shall be liable for any failure to perform the terms of this agreement when such failure is due to "force majeure" as hereinafter defined. The term "force majeure" as employed in this agreement shall mean acts of God, strikes, lockouts or industrial disturbances, civil disturbances,

arrests and restraint from rulers and people, interruptions by government or court orders, present and future valid orders of any regulatory body having proper jurisdiction, acts of the public enemy, wars, riots, blockades, insurrections, inability to secure right-of-way, inability to secure labor or materials, including inability to secure materials as a result of allocations promulgated by authorized governmental agencies, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or pipe lines, partial or entire failure of gas supply, or any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming force majeure. Nothing herein contained, however, shall be construed to require either party to settle a strike against its will.

ARTICLE XVII

Successors and Assigns

This agreement shall bind and benefit the parties hereto and their respective successors and assigns, provided that no conveyance or transfer of any interest of either party shall be binding upon the other party until such other party has been furnished with written notice and true copy of such conveyance or transfer; provided,further, that either Buyer or Seller, or both, may assign its right, title and interest in, to and by virtue of this agreement, including any and all extensions, renewals, amendments and supplements thereto, to a trustee or trustees, individual or corporate, as security for bonds or other obligations or securities, without

other address as either party shall respectively hereafter designate in writing

Routine communications, including monthly statements and payments, shall be considered as duly delivered when mailed by either registered mail or ordinary first class mail, postage prepaid, and shall be sent to the above designated address, or to such other address as either party shall respectively hereafter designate in writing.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be duly executed, in duplicate originals, on this the day and year first above written.

"Buyer"

Attest:

_____

EL PASO NATURAL GAS COMPANY

By_____

"Seller"

Attest:

_____

_____

By_____

EXHIBIT "A"

This Exhibit "A" is attached to and made a part of agreement between EL PASO NATURAL GAS COMPANY AND _____

_____, dated

_____, 1953:

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

Case No. 521
Order No. _____

RULES AND METHODS FOR THE PRODUCTION
AND ALLOCATION OF NATURAL GAS IN THE
JALCO GAS POOL, LEA COUNTY, NEW MEXICO.

REPORT OF THE COMMISSION

BY The Commission:

This case came on for hearing at 9 o'clock a. m. on the _____ day of _____, 1953, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission", and

WHEREAS Section 69-203, New Mexico Statutes, 1941, Ann., defines waste in subsection (e) thereof as follows:

> "The production in this state of natural gas from any gas well or wells, or from any gas pool, in excess of the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of gas transportation facilities for such type of natural gas. The words 'reasonable market demand', as used herein with respect to natural gas, shall be construed to mean the demand for natural gas for reasonable current requirements, for current consumption and for use within or outside the state, together with the demand for such amounts as are necessary for building up or maintaining reasonable storage reserves of natural gas or products thereof, or both such natural gas and products."

and

WHEREAS Section 69-210, New Mexico Statutes, 1941, Ann., provides that:

> "The commission is hereby empowered, and it is its duty, to prevent the waste prohibited by this act and to protect correlative rights, as in this act provided. To that end, the commission is empowered to make and enforce rules, regulations and orders, and to do whatever may be reasonably necessary to carry out the purposes of this act, whether or not indicated or specified in any section hereof."

and

WHEREAS Section 69-211, New Mexico Statutes, 1941 Ann., provides in part as follows:

> "Included in the power given to the commission is the authority . . . to limit and prorate production of . . . natural gas as in this act provided; . . . to require showing locations of gas wells; . . . to require wells to be drilled, operated and produced in such manner as to prevent injury to

neighboring leases or properties; . . . to fix the spacing of wells; . . . to determine whether a particular well or pool is a gas or oil well, or a gas or oil pool, as the case may be, and from time to time to classify and reclassify wells and pools accordingly; . . . to determine the limits of any pool or pools producing . . . natural gas and from time to time redetermine such limits".

and

Section 69-213(c), (d), (e), New Mexico Statutes, 1941 Ann., provides as follows:

"(c) Whenever, to prevent waste, the total allowable natural gas production from gas wells producing from any pool in this state if fixed by the commission in an amount less than that which the pool could produce if no restrictions were imposed, the commission shall allocate the allowable production among the gas wells in the pool delivering to a gas transportation facility upon a reasonable basis and recognizing correlative rights, and shall include in the proration schedule of such pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well. In protecting correlative rights the commission may give equitable consideration to acreage, pressure, open flow, porosity, permeability, deliverability and quality of the gas and to such other pertinent factors as may from time to time exist, and in so far as is practicable, shall prevent drainage between producing tracts in a pool which is not equalized by the counter-drainage. In allocating production pursuant to the provisions of section 12(c) the commission shall fix proration periods of not less than six (6) months. It shall determine reasonable market demand and make allocations of production during each such period, upon notice and hearing, at least 30 days prior to the beginning of each proration period. In so far as is feasible and practicable, gas wells having an allowable in a pool shall be regularly produced in proportion to their allowables in effect for the current proration period. Without approval of the commission or one of its duly authorized agents, no natural gas well or pool shall be allowed to produce natural gas in excess of the allowable assigned to such source during any proration period; Provided, that during an emergency effecting a gas transportation facility a gas well or pool having high deliverability into such facility under prevailing conditions may produce and deliver in excess of its allowable for the period of emergency, not exceeding ten (10) days, without penalty. The commission may order subsequent changes in allowables for wells and pools to make fair and reasonable adjustment for overage resulting from the emergency. The provisions of this subsection shall not apply to any wells or pools used

for storage and withdrawal from storage of natural gas originally produced not in violation of this act or of the rules, regulations or orders of the commission.

"(d) In fixing the allowable of a pool under section 12(c) herein, the commission shall consider nominations of purchasers but shall not be bound thereby and shall so fix pool allowables as to prevent unreasonable discrimination between pools served by the same gas transportation facility by a purchaser purchasing in more than one pool.

"(e) Natural gas produced from gas wells within the allowable as determined as provided in section 12(c) above shall herein be referred to as 'legal gas', and natural gas produced in excess of such allowable shall be 'illegal gas'."

and

[illegible] section 69-213(f), New Mexico Statutes, 1941 Ann., provides as follows:

"After the effective date of any rule, regulation or order fixing the allowable production, no person shall produce more than the allowable production applicable to him, his wells, leases or properties determined as in this act provided, and the allowable production shall be produced in accordance with the applicable rules, regulations or orders."

NOW, on this ____ day of _____, 1953, the Commission, a quorum being present, having considered the records and the testimony adduced, and being fully advised in the premises,

FINDS:

(1) That due notice having been given as required by law, the Commission has jurisdiction in the case and the persons and subject matter thereof.

(2) That a new gas pool should be and the same is hereby created, designated for gas production and denominated the [illegible] GAS POOL, located in Lea County, New Mexico, and described as follows:

Township 21 South, Range 35 East, [illegible]
S/2 Sec. 12; S/2 Sec. 13; S/2 Sec. 24.

Township 21 South, Range 36 East, [illegible]
S/2 Sec. 7; S/2 Sec. 18; E/2 and E/2 W/2 Sec. 19; W/2 Sec. 20;
All Secs. 29 thru 32 incl.

Township 22 South, Range 36 East, [illegible]
All Secs. 5 thru 8 incl.; All Sec. 17; S/2 and NE/4 Sec. 18; W/2 Sec. 19; All Sec. 20; W/2 Sec. 28; All Sec. 29 and 32, W/2 Sec. 33.

Township 23 South, Range 36 East, [illegible]
All Sec. 4; S/2 and NE/4 Sec. 5; E/2 Sec. 8; All Sec. 9; All Sec. 16; W/2 Sec. 17; All Sec. 21; E/2 Sec. 27; E/2 Sec. 28; E/2 Sec. 33; E/2 and NE/4 Sec. 34.

Township 24 South, Range 36 East, [illegible]
All Sec. 3; E/2 Sec. 4; E/2 Sec. 9; E/2 and NE/4 Sec. 10; E/2 Sec. 11; All Sec. 14; E/2 Sec. 15; All Secs. 22 and 23; E/2 Sec. 25; All Sec. 26; E/2 Sec. 27; E/2 Sec. 34; All Secs. 35 and 36.

Township 24 South, Range 37 East, NMPM
S/2 Sec. 31

Township 25 South, Range 36 East, NMPM
All Sec. 1; N/2 Sec. 2; All Secs. 12, 13, 24 and 25; N/4 Sec. 36.

Township 25 South, Range 37 East, NMPM
All Secs. 6 and 7; W/4 Sec. 8; W/2 and NE/4 Sec. 16; All Secs. 17 thru 21 incl.; All Secs. 28 thru 33 incl.; W/2 Sec. 34.

Township 26 South, Range 37 East, NMPM
W/2 Sec. 3; All Secs 4 thru 9 incl.; W/2 Sec. 10; All Secs. 15 and 19; W/2 Sec. 29; E/2 and NW/4 Sec. 30; N/4 Sec. 31; N/4 Sec. 32.
All of Secs. 15, 16, 17, 20, 21, 22, 27, 28; the E/2 of Sec. 29; E/2 Sec. 32; and all of Secs. 33 and 34.

all in Lea County, New Mexico.

(3) That the producing formation in the Jalco Gas Pool shall extend from the top of the Yates formation to a point 100 feet above the base of the Seven Rivers formation.

(4) That the wells located in the Jalco Pool are located in a common reservoir producing from a common source of supply.

(5) That waste is occurring in production of gas in the Jalco Gas Pool in that natural gas is being produced from the pool in excess of reasonable market demand and in excess of the capacity of gas transportation facilities in the pool for the type of gas produced from the pool.

(6) That the withdrawal of natural gas from the Jalco Gas Pool is non-uniform, disproportionate and unratable and that in order to protect correlative rights and afford each producer in the pool an equal opportunity to protuce his fair share of the gas, it is necessary to fix the daily allowable production and the method of allocation of natural gas being produced from the pool and to limit the production of natural gas in the pool to the reasonable market demand and to the capacity of the gas transportation facilities operating in the pool.

(7) That the Jalco Gas Pool as delineated in this order is a gas pool.

(8) That in order to prevent waste in the production of gas in the Jalco Gas Pool, the total allowable natural gas production from the gas wells producing gas in the pool shall be fixed at an amount less than that which the pool could produce if no restrictions were imposed.

(9) That the method of prorating and allocating the total monthly allowable production of gas among all of the wells in the field delivering gas to a gas transportation facility, in the proportion that the acreage of the individual well bears to the summation of the acreage assigned to all such wells in the pool after deductions have been made for wells which are incapable of producing their allowables, is a reasonable basis, recognizes correlative rights and prevents waste.

IT I. [illegible]:

Effective September 1, 1953, at 7 o'clock a. m., the following special rules and regulations, in addition to such of the Commission's general rules and regulations as are not in conflict herewith, be and the same are hereby adopted to govern the location, completion and operation of gas wells in the Jalco Gas Pool, Lea County, New Mexico.

RULE 1. PRORATION UNIT. The standard proration unit shall be a full section of approximately 640 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (section) of the U. S. Public Land Survey. The minimum proration unit shall consist of not less than a quarter section of approximately 160 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Survey, provided that the Commission may, in order to prevent waste or prevent the confiscation of property, grant exceptions to permit the drilling of wells on tracts smaller than 160 acres.

RULE 2. SPACING [illegible]. Each well hereafter drilled in this pool shall be drilled near the center of the proration unit, and in no event less than 1320 feet from the nearest boundary line in the case of a standard proration unit, and in no event less than 660 feet from the nearest boundery line of a minimum proration unit, provided, however, that the Secretary of the Commission shall have authority to grant exceptions to these requirements without notice and hearing where application has been filed in due form and

(1) The necessity for the unorthodox location is based on topographical conditions, or is occasioned by the recompletion of a well previously drilled to another horizon, and

(2) a) The ownership of all oil and gas leases within a radius of 660 feet of the proposed location is common with the ownership of the oil and gas leases under the proposed location, or

b) All owners of oil and gas leases within such radius consent in writing to the proposed location.

(3) Whenever such exception is granted, the Commission may take such action as will offset any advantage which the person securing the exception may obtain over other producers by reason of the unorthodox location.

RULE 3. DRILLING AND RECOMPLETION NOTICE. Prior to the commencement of any drilling operations, notice shall be delivered to the Commission of intention to drill a well in the pool. Prior to the commencement of recompletion operations notice shall likewise be delivered to the Commission of intention to deepen or plug back any existing well as a producing well in the pool. Such notice of intention to drill or recomplete shall be accompanied by a certified lease plat showing lease boundary lines, acreage attributable to the well or unit, the location of the proposed well with reference to property lines, and other wells on the lease or unit.

RULE 4a. [illegible]. Any gas well which is drilled less than one mile from the outer boundaries of this pool and to the same common source of supply as this pool, shall be spaced, drilled, operated and prorated in accordance with these rules.

RULE 5a. ACREAGE FACTOR. The acreage factor shall be the acreage attributable to the proration unit upon which the well is drilled. If the well is drilled on a unit consisting of less than 640 acres, the allowable production from such tract, as compared with the allowable production therefrom if such tract contained 640 acres shall be in the ratio of the acreage in the tract to 640 acres.

In determining attributable acreage, only that acreage reasonably considered to lie within the productive limits of the pool shall be considered. The attributable acreage shall be computed to the nearest full acre. A fraction of an acre of less than one-half (1/2) shall not be counted, and a fraction of an acre of one-half (1/2) or more shall be counted as one acre.

RULE 6. ALLOCATION FORMULA. The total monthly allowable production of gas for the pool, after deductions have been made for wells which are incapable of producing their allowables as determined hereby, shall be distributed among the remaining wells in the pool in the proportion that the acreage of the individual well bears to the summation of the acreage assigned to all such wells in the pool.

Each well capable of production shall be considered to be a gas well and be assigned a gas allowable in accordance with these rules. Any well in the pool which produces oil in addition to gas shall be permitted to produce its gas allowable, provided that in so doing it does not produce more oil than it would be permitted to produce under Statewide Rule 505. Any well producing oil in addition to gas and not permitted to produce its full gas allowable under this rule shall not be permitted to accumulate underproduction.

After the completion of a gas well in the pool, no gas from such well shall be (1) permitted to escape to the air, (2) used expansively in engines or pumps and then vented, (3) used to gas lift oil wells unless all gas produced therefrom is processed in a gasoline plant, or beneficially used thereafter without waste, or (4) used for the manufacture of carbon black.

RULE 7. NOMINATION. On or before the fourteenth (14th) day of January and July of each year, each taker of gas at the wellhead shall submit, on the form provided by the Commission, a nomination for the amount of gas which each in good faith actually desires to produce for each month during the six-month proration period, March through August, and September through February, respectively.

In determining the market demand for each month of the six-month proration period, the Commission shall take into account the nominations submitted but shall not be bound thereby.

RULE 8. TOTAL ALLOWABLE. The total allowable to be allocated for each month shall be determined by the Commission in the following manner:

The total allowable for the current month shall be equal to the total market demand for the current month plus the market demand for the preceding month less the total allowable for the preceding month less the net field status at the end of the second preceding month.

RULE 9. PRODUCTION REPORTS. The production from each gas well shall be metered separately and the gas production therefrom shall be reported each month to the Commission on forms furnished by the Commission so as to reach the Commission office on or before the fifteenth (15th) day of the month next succeeding the month in which the gas was produced. The operator shall show on such form what disposition has been made of the gas produced. The full production of gas from each well shall be charged against the well's allowable, regardless of what disposition has been made of the gas.

RULE 10. WELL ALLOWABLE DETERMINATION.

(a) Underproduction.

The dates 7:00 a. m. March 1, and 7:00 a. m. September 1 shall be known as balancing dates and the periods of time bounded by these dates shall be known as gas proration periods. The amount of current gas allowable remaining unproduced at the end of each proration period shall be carried forward to and may be produced during the next succeeding proration period in addition to the normal gas allowable for such succeeding period, but whatever amount thereof is not made up within the first succeeding proration period shall be cancelled. If, at the end of the first succeeding proration period a greater amount of allowable remains unproduced than was carried forward as underproduction, the amount carried forward to the second succeeding period shall be the total underproduction less the amount carried forward to the first succeeding period.

If it appears that such continued underproduction has resulted from inability of the well to produce its allowable, it may be classified as a marginal well and its allowable reduced to the well's ability to produce.

(b) Overproduction.

A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If at the end of the first succeeding proration period the well is still overproduced, it shall be shut in and its current monthly allowable charged against said overproduction until the well is in balance. If at any time a well is overproduced an amount equal to six times its current monthly allowable, it shall be shut in until it is in balance.

The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut in upon a showing at public hearing after due notice that complete shut in of the well would result in material damage to the well.

(c) No gas well shall be produced at a daily rate which would constitute waste.

RULE 11. DEFINITION OF GAS WELL. A gas well shall mean a well producing gas from a common source of gas supply defined by the Commission in this order as constituting a gas pool.

IT IS FURTHER ORDERED that this cause be held open on the docket for such other and further orders as may be necessary.

XII. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Justis Gas Pool and described as follows:

Township 25 South, Range 37 East, NMPM
SW/4 of Sec. 1; SE/4 Sec. 2; E/2 Sec. 11; W/2 Sec. 12; W/2 Sec. 13; E/2 Sec. 14; E/2 Sec. 23; W/2 Sec. 24.

(2) That the producing formation in the Justis Gas Pool shall be the 200 feet immediately below the Glorieta datum.

V. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Tubb Gas Pool and described as follows:

Township 21 South, Range 37 East, NMPM
SW/4 and Lots 3, 4, 5, 6, 11, 12, 13 and 14 of Sec. 2; All of Sec. 3; SE/4 and Lots 1, 2, 7, 8, 9, 10, 15 and 16 of Sec. 4; E/2 Sec. 8; All Secs. 9 and 10; W/2 Sec. 11; W/2 Sec. 14; All Secs. 15, 16 and 17; E/2 Sec. 19; All Secs. 20 thru 23; incl.; W/2 Sec. 25; All Secs. 26 thru 29 incl.; E/2 Sec. 30; E/2 Sec. 31; All Secs. 32 thru 36 incl.

Township 22 South, Range 37 East, NMPM
All Secs. 1 thru 5 incl.; E/2 Sec. 6; All Secs. 8 thru 16 incl.; E/2 Sec. 21; All Secs. 22, 23 and 24.

Township 22 South, Range 38 East, NMPM
W/2 Sec. 6; W/2 Sec. 7; W/2 Sec. 18; W/2 Sec. 19.

(2) That the producing formation in the Tubb Gas Pool shall extend from the top of the Tubb sand to a point 225 feet below the top of the Tubb sand.

VI. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Blinebry Gas Pool and described as follows:

Township 21 South, Range 37 East, NMPM
S/2 Sec. 10; S/2 Sec. 11; All Secs. 14, 15, 22, 23, 26, 27, 34, 35 and 36.
All of Secs. 1, 2, 3; E/2 Sec. 4; E/2 Sec. 9; N/2 Sec. 10; N/2 Sec. 11; All Secs. 12, 13, 24 and 25.

Township 22 South, Range 37 East, NMPM
All Secs. 1, 2, 3, 4, 10, 11, 12, 13, 14, 23, 24 and 25.

Township 22 South, Range 38 East, NMPM
W/2 Sec. 6; W/2 Sec. 7; W/2 Sec. 18; All Secs. 19, 30 and 31.

(2) That the producing formation in the Blinebry Gas Pool shall be defined as that part of the Yeso formation included from the base of the upper Yeso sandy section which occurs at an average depth of 450 feet below the Glorieta formation and which is the stratigraphic equivalent of the Clear Fork formation of West Texas to the top of the Drinkard sandy member or Tubb Sand.

VII. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Amanda Gas Pool and described as follows:

Township 22 South, Range 37 East, NMPM
All Sec. 25.

(2) That the producing formation in the Amanda Gas Pool shall be known as the Amanda zone of the lower Permian encountered at an approximate depth of 7050 feet.

VIII. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Monument-McKee Gas Pool and described as follows:

Township 19 South, Range 36 East, NMPM
All of Sec. 36.

Township 19 South, Range 37 East, NMPM
All of Sec. 31.

Township 20 South, Range 36 East, NMPM
All of Sec. 1.

Township 20 South, Range 37 East, NMPM
All of Sec. 6

(2) That the producing formation in the Monument-McKee Gas Pool shall be the McKee sand of the Simpson formation.

IX. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Byers-Queen Gas Pool and described as follows:

Township 18 South, Range 38 East, NMPM
All of Secs. 29, 30, 31 and 32.

(2) That the producing formation in the Byers-Queen Gas Pool shall be the Queen formation.

X. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Maljamar-Queen Gas Pool and described as follows:

Township 17 South, Range 32 East, NMPM
SW/4 and W/2 SE/4 Sec. 15; All of Sec. 16; NE/4 Sec. 21; NW/4 and W/2 NE/4 Sec. 22.

(2) That the producing formation in the Maljamar-Queen Gas Pool shall be the Queen formation.

XI. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Vandagriff-Keyes Gas Pool and described as follows:

Township 17 South, Range 28 East, NMPM
S/2 Sec. 3; S/2 and NW/4 Sec. 4; All of Sec. 5; NE/4 Sec. 8;
All of Secs. 9 and 10.

(2) That the producing formation in the Vandagriff-Keyes Gas Pool shall be the Queen formation encountered at an approximate depth of 1400 feet.

I. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Jalco Gas Pool and described as follows:

Township 21 South, Range 35 East, NMPM
E/2 Sec. 12; E/2 Sec. 13; E/2 Sec. 24.

Township 21 South, Range 3 East, NMPM
W/2 Sec. 7; W/2 Sec. 18; W/2 and SE/4 Sec. 19; SW/4 Sec. 20; All Secs. 29 thru 32 inc.

Township 22 South, Range 3 East, NMPM
All Secs. 5 thru 8 incl.; All Sec. 17; N/2 and SE/4 Sec. 18; NE/4 Sec. 19; All Sec. 20; NW/4 Sec. 28; All Sec. 29 and 32; SW/4 Sec. 33.

Township 23 South, Range 36 East, NMPM
All Sec. 4; N/2 and SE/4 Sec. 5; E/2 Sec. 8; All Sec. 9; All Sec. 16; NE/4 Sec. 17; All Sec. 21; W/2 Sec. 27; E/2 Sec. 28; E/2 Sec. 33; W/2 and SE/4 Sec. 34.

Township 24 South, Range 36 East, NMPM
All Sec. 3; E/2 Sec. 4; NE/4 Sec. 9; N/2 and SE/4 Sec. 10; W/2 Sec. 11; All Sec. 14; E/2 Sec. 15; All Secs. 22 and 23; S/2 Sec. 25; All Sec. 26; E/2 Sec. 27; E/2 Sec. 34; All Secs. 35 and 36.

Township 24 South, Range 37 East, NMPM
S/2 Sec. 31

Township 25 South, Range 36 East, NMPM
All Sec. 1; N/2 Sec. 2; All Secs. 12, 13, 24 and 25; NE/4 Sec. 36.

Township 25 South, Range 37 East, NMPM
All Secs. 6 and 7; SW/4 Sec. 8; S/2 and NW/4 Sec. 16; All Secs. 17 thru 21 incl.; All Secs. 28 thru 33 incl.; W/2 Sec. 34.

Township 26 South, Range 37 East, NMPM
W/2 Sec. 3; All Secs. 4 thru 9 incl.; W/ 2 Sec. 10; All Secs. 18 and 19; W/2 Sec. 29; E/2 and NW/4 Sec. 30; NE/4 Sec. 31; NW/4 Sec. 32.
All of Secs. 15, 16, 17, 20, 21, 22, 27, 28; the E/2 of Sec. 29; E/2 Sec. 32; and all of Secs. 33 and 34.

(2) That the producing formation in the Jalco Gas Pool shall extend from the top of the Yates formation to a point 100 feet above the base of the Seven Rivers formation.

II. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Langmat Gas Pool and described as follows:

Township 21 South, Range 36 East, NMPM
W/2 Sec. 28; All Secs. 33 and 34.

Township 22 South, Range 36 East, NMPM
All Secs. 3, 4, 9 and 10; SW/4 Sec. 11; W/2 Sec. 14; All Secs. 15 and 16; All Secs. 21, 22 and 23; All Secs. 25, 26, 27; S/2 and NE/4 Sec. 28; N/2 and SE/4 Sec. 33; All Secs. 34, 35, and 36.

Township 22 South, Range 37 East, NMPM
SW/4 Sec. 31.

Township 23 South, Range 36 East, NMPM
All Secs. 1, 2 and 3; All Secs. 10 thru 15 incl.; All Secs. 22 thru 26 incl.; E/2 Sec. 27; NE/4 Sec. 34; All Secs. 35 and 36.

Township 23 South, Range 37 East, NMPM
All Secs. 6, 7, 18 and 19; W/2 Sec. 29; All Secs. 30 and 31; W/2 Sec. 32.

Township 24 South, Range 36 East, NMPM
All Secs. 1 and 2; E/2 Sec. 11; All Secs. 12, 13, 24; N/2 Sec. 25.

Township 24 South, Range 37 East, NMPM
All Secs. 5 thru 8 incl.; W/2 Sec. 9; W/2 Sec. 16; All Sec. 17 thru 21 incl.; All Secs. 28, 29 and 30; N/2 Sec. 31; All Secs. 32 and 33; SW/4 Sec. 34.

Township 25 South, Range 37 East, NMPM
W/2 Sec. 3; All Secs. 4 and 5; N/2 and SE/4 Sec. 8; All Sec. 9; W/2 and SE/4 Sec. 10; All Sec. 15; NE/4 Sec. 16; All Sec. 22; N/2 Sec. 27.

(2) That the producing formation in the Langmat Gas Pool shall extend from the top of the Yates formation to a point 100 feet above the base of the Seven Rivers formation.

III (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Eumont Gas Pool and described as follows:

Township 19 South, Range 38 East, NMPM
SE/4 Sec. 13; S/2 Sec. 23; S/2 and NE/4 Sec. 24; All Secs. 25 and 26; E/2 Sec. 27; E/2 Sec. 34; All Secs. 35 and 36.

Township 19 South, Range 37 East, NMPM
SE/4 Sec. 7; SW/4 Sec. 8; All Secs. 17 thru 20 incl.; W/2 Sec. 21; W/2 Sec. 27; All Secs. 28 thru 34 incl.

Township 20 South, Range 36 East, NMPM
All Secs. 1 and 2; E/2 Sec. 3; E/2 Sec. 10; All Secs. 11 thru 14 incl.; NE/4 Sec. 15; N/2 and SE/4 Sec. 23; All Sec. 24 and 25; E/2 Sec. 26; E/2 Sec. 35; All Sec. 36.

Township 20 South, Range 37 East, NMPM
All Secs. 3 thru 9 incl.; W/2 Sec. 10; W/2 Sec. 15; All Secs. 16 thru 20 incl.; W/2 and NE/4 Sec. 21; NW/4 Sec. 22; W/2 Sec. 29; All Secs. 30, 31 and 32; W/2 Sec. 33.

Township 21 South, Range 35 East, NMPM
SE/4 and Lots 1, 2, 7, 8, 9, 10, 15 and 16 of Sec. 1.

Township 21 South, Range 36 East, NMPM
SW/4 Sec. 1; S/2 and Lots 11, 12, 13 and 14 of Sec. 2; S/2 and Lots 3, 4, 5, 6, 9, 10, 11, 12, 13, 14, 15 and 16 of Sec. 3; All Sec. 4, 5 and 6; E/2 Sec. 7; All Secs. 8 thru 11 incl; W/2 Sec. 12; NW/4 Sec. 13; N/2 and SW/4 Sec. 14; All Secs. 15, 16 and 17; E/2 Sec. 18; NE/4 Sec. 19; N/2 and SE/4 Sec. 20; All Sec. 21; W/2 and NE/4 Sec. 22; E/2 Sec. 28.

(2) That the producing formation in the Eumont Gas Pool shall extend from the top of the Yates formation to the top of the Grayburg formation thereby including all of the Yates, Seven-Rivers, and Queen formations.

IV. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Arrow Gas Pool and described as follows:

Township 21 South, Range 36 East, NMPM
SE/4 Sec. 24; All Sec. 25; S/2 and NE/4 Sec. 35; All Sec. 36.

Township 22 South, Range 36 East, NMPM
All Secs. 1 and 2; NE/4 Sec. 11; All Sec. 12; N/2 and SE/4 Sec. 13.

Township 22 South, Range 37 East, NMPM
W/2 Sec. 7; All Sec. 18; N/2 Sec. 19.

(2) That the producing formation in the Arrow Gas Pool shall extend from the top of the Yates formation to a point 200 feet below the top of the Queen formation, thereby including all of the Seven Rivers formation.

"B"

EXHIBIT "[redacted]"

BASIS OF SETTLEMENT FOR GASOLINE AND ADDITIONAL PRODUCTS

Attached to and made a part of agreement dated _____, 19____ by and between EL PASO NATURAL GAS COMPANY, Buyer, and _____

_____, Seller.

PRICE: The Buyer shall pay to Seller for the gasoline contained in the gas delivered hereunder a price computed on the following basis:

(a) When the average price of Grade 26/70 natural gasoline, or its substantial equivalent, is less than 2¢ per gallon, 15% of the value of the gasoline contained in said gas.

(b) When the average price of Grade 26/70 natural gasoline, or its substantial equivalent, is 2¢ but less than 3¢ per gallon, 20% of the value of the gasoline contained in said gas.

(c) When the average price of Grade 26/70 natural gasoline, or its substantial equivalent, is 3¢ but less than 4¢ per gallon, 25% of the value of the gasoline contained in said gas.

(d) When the average price of Grade 26/70 natural gasoline, or its substantial equivalent, is 4¢ but less than 5¢ per gallon, 30% of the value of the gasoline contained in said gas.

(e) When the average price of Grade 26/70 natural gasoline, or its substantial equivalent, is 5¢ or more per gallon, 33-1/3% of the value of the gasoline contained in said gas.

The value of the gasoline contained in a thousand cubic feet of gas shall be determined by multiplying the gasoline content (determined as hereinabove provided) by the average sales price of Grade 26/70 natural gasoline, or its substantial equivalent, as quoted in the National Petroleum News for the North Texas District during each settlement period.

ADDITIONAL PRODUCTS: Buyer shall, with reference to all additional products, compensate Seller by paying Seller for gas delivered under this contract, in addition to the sum of money otherwise provided to be paid therefor, a sum to be computed by multiplying the actual average net sales price of additional products, hereinafter defined, by the quantity of additional products, actually saved and sold from the plant attributable to gas delivered by Seller to Buyer, and multiplying the result by whichever of the following percentages is applicable, to wit:

15% when said average net sales price of additional products is 2¢ or less per gallon.

20% when said average net sales price of additional products is more than 2¢ but less than 4¢ per gallon;

25% when said average net sales price of additional products is 4¢ or more per gallon but less than 6¢;

33-1/3% when said average net sales price of additional products is 6¢ or more per gallon.

The "average net sales price of additional products" shall be the average net sales price per gallon f.o.b. plant of additional products saved and sold during the settlement period involved. As to any of such additional products that Buyer removed from said plant for its own use at points away from the plant same shall be deemed to have been sold f.o.b. the plant at the same price per gallon at which actual sales to others f.o.b. the plant of like material during the settlement period. In the event there should be no actual sales of additional products from the plant to others during any settlement period, then the average net sales price which Buyer shall use in computing payment to Seller for any of such additional products used by Buyer, as aforesaid, shall be the weighted average net sales price of three (3) other manufactures, f.o.b. their plants, of like material in the same general area during such settlement period. The "quantity of additional products actually saved and sold from Buyer's plant attributable to gas delivered by Seller to Buyer" shall, for the purpose of this computation, be that percentage of such additional products actually saved and sold from the plant, expressed in gallons, which the total gasoline content (determined as hereinabove provided) of the gas delivered by Seller to the plant bears to the total gasoline content of all gas delivered to the plant (determined in a like manner). By the term "additional products" is meant all products other than and in addition to residue gas and natural gasoline not in excess of 26 R.V.P. currently being manufactured in Buyer's plant.

OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

January 19, 1954

COPY

Cities Service Oil Company
Hobbs, New Mexico

Gentlemen:

Reference is made to our discussion of December, 1953 pertaining to the use of gas from your Closson, Closson A and Closson B leases in Sections 6, 18 and 20 of Township 22 South, Range 36 East, Lea County, New Mexico, by the United Carbon Company.

An examination of our records reveals that the following wells are producing from the Jalco Gas Pool and must be produced and prorated in accordance with the rules and regulations governing the Jalco Gas Pool.

Closson, Well #1, NW/4 SE/4 Section 6, Township 22 South, Range 36 East,

Closson A, Well #1-A, NE/4 NE/4 Section 18, Township 22 South, Range 36 East,

Closson A, Well #3-A, NE/4 SE/4 Section 18, Township 22 South, Range 36 East, and

Closson B, Well #6-B, SW/4 NW/4 Section 20, Township 22 South, Range 36 East.

Two wells operated by Cities Service and located in the Closson lease are not producing from the productive limits of the Jalco Pool and are therefore not subject to proration at this time. Please bear in mind that there is a possibility that these wells may be prorated in the future. These wells are as follows:

Closson #4, SE/4 SE/4 Section 6, Township 22 South, Range 36 East, and

OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

Closson #8, NE/4 NE/4 Section 6, Township 22 South, Range 36 East.

The reason that these two wells are not considered as producing from the Jalco Pool is because our records reveal that they produce from a zone in the lower Seven Rivers and the Jalco Gas Pool is defined as being productive from the Yates and all but the lower 100 feet of the Seven Rivers. The #4 Closson is producing from a 50 foot section (2500'-3589') the top of the zone 3500' being 89' above the base of the Seven Rivers. The #8 Closson is producing from a 22' interval (3502' - 3524') being 98 feet above the base of the Seven Rivers.

Your January production will be considered as being produced against your allowable assigned. Please furnish our Hobbs office the required plats and well information as required by Order No. R-368-A. We are instructing the Proration Department to assign the allowable on these 4 wells effective January 1, 1954.

We are enclosing a copy of a letter being sent to the United Carbon Company.

Very truly yours,

W. B. Macey
Chief Engineer

WBM:vmc

cc: United Carbon Company, Inc. ✓
Eunice, New Mexico

Oil Conservation Commission
P. O. Box 2045
Hobbs, New Mexico

Fletcher A. Catron, Attorney
Santa Fe, New Mexico

COPY

COPY

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

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

CASE NO. 582

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON ITS
OWN MOTION FOR ALL OPERATORS
AND INTERESTED PARTIES IN THE
JALCO GAS POOL TO SHOW CAUSE
WHY THE RULES AND REGULATIONS
AS SET OUT IN ORDER R-356, WITH
ANY ESSENTIAL AMENDMENTS, SHOULD
NOT BE PUT INTO EFFECT.

PRAECIPE FOR SUBPOENA

Comes now the applicant, Texas Pacific Coal and Oil Company and respectfully requests the Commission to issue a subpoena pursuant to the provisions of Section 69-207, New Mexico Statutes Annotated, 1941.

Applicant requests that the subpoena be directed to the El Paso Natural Gas Company, directing that company to make available to the Commission and to the applicant, at the time of rehearing, the following:

1. An employee who is qualified to testify as to the following:

   a. The amount of dry gas which it will take under their contract with applicant in 1954 if there is no proration of gas in the Jalco Pool; and the amount of dry gas which it will take in 1954 under said contract if there is proration of gas in the Jalco Pool.

   b. Volume of gas by total and average by wells (Texas Pacific Coal and Oil Company wells only) taken by El Paso Natural Gas Company from said gas wells now located in the Jalco Pool during 1951, 1952 and 1953.

   c. Volume of gas, average by wells nominated for the first six months of 1954 (per well per unit).

   d. Requirements of gas well gas for last six months of 1954, so far as known for the Jalco Pool (per well per unit).

   e. Estimated average reduction in take during 1954 from Jalco gas wells, as a result of recent Spraberry and other connections made or to be made outside the State of New Mexico, as compared with 1952 and 1953.

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2. That the Exhibits Nos. 1, 2 and 3 introduced by El Paso Natural Gas Company at the hearing in Case No. 521 on August 20, 1953 be brought down to the date of December 31, 1953, and be made available to the applicant at the rehearing.

Applicant further states that the above requested information is or may be essential for the proper presentation of applicant's case on rehearing.

WHEREFORE, applicant prays that the subpoena as requested be issued by the Commission.

(signed) John F. Russell
Attorney for Applicant, Texas
Pacific Coal and Oil Company,
P. O. Box 513
Roswell, New Mexico.

THE OIL CONSERVATION COMMISSION
OF NEW MEXICO

CASE NO. 582
ON REHEARING

SUBPOENA DUCES TECUM

STATE OF NEW MEXICO TO:

A. L. HILL, AS AGENT AND EMPLOYEE OF EL PASO NATURAL GAS COMPANY, A CORPORATION, P. O. BOX 1492, EL PASO, TEXAS.

GREETINGS:

You are hereby commanded to appear at 9 o'clock a.m. on January 21, 1954, at Mabry Hall, State Capitol, Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, to then and there testify in the matter of rehearing in Cause No. 582, wherein Texas Pacific Coal & Oil Company is Petitioner, and have you then and there such memoranda and records as may be necessary or useful in testifying upon the matters and things set out in attached copy of Praecipe.

HEREIN FAIL NOT.

DONE at Santa Fe, New Mexico, on this 13th day of January, 1954, under the seal of the New Mexico Oil Conservation Commission.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

R. R. Spurrier,
Member of said Commission

S E A L

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BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

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

CASE NO. 582

THE APPLICATION OF THE OIL CONSERVATION COMMISSION ON ITS OWN MOTION FOR ALL OPERATORS AND INTERESTED PARTIES IN THE JALCO GAS POOL TO SHOW CAUSE WHY THE RULES AND REGULATIONS AS SET OUT IN ORDER R-356, WITH ANY ESSENTIAL AMENDMENTS, SHOULD NOT BE PUT INTO EFFECT.

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1. An employee who is qualified to testify as to the following:

   a. The amount of dry gas which it will take under their contract with applicant in 1954 if there is no proration of gas in the Jalco Pool; and the amount of dry gas which it will take in 1954 under said contract if there is proration of gas in the Jalco Pool.

   b. Volume of gas by total and average by wells (Texas Pacific Coal and Oil Company wells only) taken by El Paso Natural Gas Company from said gas wells now located in the Jalco Pool during 1951, 1952 and 1953.

   c. Volume of gas, average by wells nominated for the first six months of 1954 (per well per unit).

   d. Requirements of gas well gas for last six months of 1954, so far as known for the Jalco Pool (per well per unit).

   e. Estimated average reduction in take during 1954 from Jalco gas wells, as a result of recent Spraberry and other connections made or to be made outside the State of New Mexico, as compared with 1952 and 1953.

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2. That the Exhibits Nos. 1, 2 and 3 introduced by El Paso Natural Gas Company at the hearing in Case No. 521 on August 20, 1953 be brought down to the date of December 31, 1953, and be made available to the applicant at the rehearing.

Applicant further states that the above requested information is or may be essential for the proper presentation of applicant's case on rehearing.

WHEREFORE, applicant prays that the subpoena as requested be issued by the Commission.

(signed) John F. Russell
Attorney for Applicant, Texas
Pacific Coal and Oil Company,
P. O. Box 513
Roswell, New Mexico.

JOHN F. RUSSELL
ATTORNEY-AT-LAW
SUITE 424 J. P. WHITE BLDG.
P. O. BOX 813
ROSWELL, NEW MEXICO

January 11, 1954

JAN 12 1954

Mr. R. R. Spurrier
Secretary and Director
New Mexico Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Dear Mr. Spurrier:

I am enclosing herewith a Praecipe for Subpoena in Case No. 582, and will appreciate your issuing the Subpoena as requested.

Very truly yours,

John F. Russell

John F. Russell

JFR/djk
Encls.

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON ITS
OWN MOTION FOR ALL OPERATORS
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WHY THE RULES AND REGULATIONS
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Case No. 582

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1. An employee who is qualified to testify as to the following:

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Applicant further states that the above requested information is or may be essential for the proper presentation of applicant's case on rehearing.

WHEREFORE, applicant prays that the subpoena as requested be issued by the Commission.

John F. Russell

Attorney for Applicant, Texas Pacific Coal and Oil Company,
P. O. Box 513
Roswell, New Mexico.

DEC 1 7 1953

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. 582

THE APPLICATION OF THE OIL CONSERVATION COMMISSION ON ITS OWN MOTION FOR ALL OPERATORS AND INTERESTED PARTIES IN THE JALCO GAS POOL TO SHOW CAUSE WHY THE RULES AND REGULATIONS AS SET OUT IN ORDER NO. R-356, WITH ANY ESSENTIAL AMENDMENTS, SHOULD NOT BE PUT INTO EFFECT.

ORDER NO. R-368-B

MOTION

Comes now the Applicant, Texas Pacific Coal and Oil Company, and respectfully states unto the Commission:

1. That the Applicant excepts to that portion of Order No. R-368-B, entered in Case No. 582, insofar as said order provides that Orders R-368 and R-368-A (relating to the Jalco Gas Pool) shall remain in full force and effect until further order of the Commission.

2. Applicant requests the Commission to enter a proper order staying and suspending Order No. 368-A, pending an order on re-hearing.

John F. Russell

John F. Russell, Attorney for Applicant, Texas Pacific Coal and Oil Company.

JAN 8 1954

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

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

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON ITS
OWN MOTION FOR ALL OPERATORS
AND INTERESTED PARTIES IN THE
JAICO GAS POOL TO SHOW CAUSE
WHY THE RULES AND REGULATIONS
AS SET OUT IN ORDER R-356, WITH
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Case No. 582

M O T I O N

Comes now the applicant, Texas Pacific Coal & Oil Company, and respectfully requests the Commission that it be permitted to amend paragraph 2 (f) of the application for rehearing heretofore filed with the Commission. Said paragraph 2 (f) should recite Finding of Fact No. 2 instead of Finding of Fact No. 1.

Applicant further states that due to a typographical error, paragraph 2 (f) of the original application for rehearing referred to Finding of Fact No. 1 instead of Finding of Fact No. 2.

WHEREFORE, applicant prays that paragraph 2 (f) of the application for rehearing be amended to read Finding of Fact No. 2 instead of Finding of Fact No. 1.

DATED this 8th day of January, 1954.

TEXAS PACIFIC COAL & OIL COMPANY

By: John F. Russell
John F. Russell
Roswell, New Mexico
Attorney for Applicant

OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

February 1, 1954

COPY

Mr. E. H. Foster
P. O. Box 1751
Amarillo, Texas

Dear Mr. Foster:

This is in reply to your letter of January 25th. I have been told by El Paso Natural Gas Company representatives that the gas flared at your Hobbs plant would be purchased by El Paso Natural before July 1st of this year.

We have assumed that El Paso is correct in its estimate of time and I have no intention therefore, of pursuing the matter any further until after July 1st.

Very truly yours,

R. R. Spurrier
Secretary and Director

RRS:mc

Case 582

PHILLIPS PETROLEUM COMPANY

LEGAL DEPARTMENT
RAYBURN L. FOSTER
VICE PRESIDENT
AND GENERAL COUNSEL
HARRY D. TURNER
GENERAL ATTORNEY

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
JAN 29 1954

AMARILLO, TEXAS

January 25, 1954

AMARILLO DIVISION
E. H. FOSTER
CHIEF ATTORNEY
R. S. SUTTON
CLIFFORD J. ROBERTS
C. REX BOYD
JACK RITCHIE
THOMAS M. BLUME
JOE V. PEACOCK
WILLIAM M. COTTON
STAFF ATTORNEYS

Mr. R. R. Spurrier, Secretary
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Sir:

The Commission hearing ended on January 21, 1954, at noon before I had an opportunity to make any statement or place any evidence in the record. In the rehearing on Texas Pacific Coal & Oil Company's case, mention was made on several occasions of the flaring of gas by Phillips Petroleum Company at its Hobbs, New Mexico, plant. I had intended to place into the record the fact that we are now negotiating a contract with El Paso Natural Gas Company to take this flare gas, beginning July 1, 1954. If the Commission is contemplating the taking of any action soon with respect to the Hobbs plant, may I suggest that such action be deferred for the time being, in order to give El Paso Natural Gas Company a chance to start taking this gas.

Sincerely yours,

E. H. Foster

E. H. Foster

EHF:fe

JOHN F. RUSSELL
ATTORNEY-AT-LAW
SUITE 424 J. P. WHITE BLDG.
P. O. BOX 513
ROSWELL, NEW MEXICO

February 8, 1954

FEB 10 1954

Mr. R. R. Spurrier
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Mr. Spurrier:

Reference your letter of February 5, 1954, it would appear that the Commission will proceed with Texas Pacific Coal and Oil Company's application for rehearing on February 17, 1954.

I would like to reaffirm the applicant's position concerning the procedure to be followed.

Applicant restates that the Commission has no authority to consider new evidence at this time for the purpose of supporting their original order, but acknowledges the authority of the Commission to hear any and all new testimony and evidence as the basis for a new order to replace the order or orders under attack; I would like to point out the difficulties which the Commission may encounter if such a procedure is followed:

1. If the Commission contemplates a new order as a result of this rehearing, the old order should be suspended pending the issuance of the new order since the validity of any proceedings or orders based on the revoked order would be questionable.

2. .If a new order is contemplated as the result of this rehearing then the Commission must examine very carefully the question of whether all interested parties have been given sufficient notice of the matters to be considered by the Commission as the basis for such new order. This point seems to be of extreme importance in view of the statement in your letter of February 5, that you wish to hear any and all testimony which it has not heard relating to the gas pools of Lea County.

My suggestion to the staff of the Commission on behalf of Texas Pacific Coal and Oil Company was based upon our understanding that the Commission did want to hear some evidence with reference to at least two, and possibly three, phases of this matter; being the delineation of pools, the creation of gas proration units, and the allocation of production as relating to the minimum take provisions of gas contracts. My suggestion

was simply for the purpose of enabling you, if you so desired, to receive additional evidence which could be used if the Commission concluded it was proper in any of the nine gas pools, without being affected by the pending rehearing obtained by Texas Pacific Coal and Oil Company in the Jalco Gas Pool.

As I advised you, we are agreeable to a stipulation with the Commission by which the Jalco rehearing would be continued each month until such additional hearings as the Commission might desire to have relating to all pools could be completed, and we would agree that the present proration orders remain in effect until any new order is entered in the Jalco Pool. I also advised you that we would be willing to agree with the Commission that any evidence introduced with reference to any of these pools might be used by the Commission to sustain any new order in the Jalco Gas Pool and that we would, of course, make the evidence heretofore presented by us available to the Commission. I felt that if the Commission does desire to hear some additional evidence, then this procedure would make it possible for it to hear evidence in other pools and modify orders in other pools, including Jalco, without additional hearings. As I told you in Santa Fe, we are perfectly willing to go ahead in the Jalco Gas Pool rehearing. We recognize the right of the Commission to enter a new order in that pool on new evidence, subject to our right of appeal. We do seriously question the validity of the existing order until such new order is entered.

We have no intention of making an application for a hearing on the Langmat Pool inasmuch as it is our position that we have a right to attack the definition of the Jalco Pool insofar as its East boundary is concerned and the fact that the boundaries between the pools are co-extensive is not a matter of our doing but is a situation created by the original definition. In view of your letter, we assume that the Jalco Gas Pool rehearing will proceed as originally set on February 17.

Very truly yours,

John F. Russell

John F. Russell

JFR/djk

cc: Governor Edwin L. Mechem, Chairman
Johnny Walker, Member
Mel Yost, Attorney for Commission

OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

February 5, 1954

COPY

Mr. John F. Russell
P. O. Box 513
Roswell, New Mexico

Dear Mr. Russell:

In response to your question as to how the Commission intended to proceed in the matter of the Jaico and Langmat Pools, I have the following to report.

The Commission met in the Governor's office on Thursday, January 28th and discussed the matter with Chief Engineer Macey and Attorney Yost. The Commission decided that if the proposition of the boundary between Jalco and Langmat Pools could be heard, Texas Pacific Coal and Oil Company or some other interested person would have to make an application to the Commission for hearing. The Commission wishes to hear any and all testimony which it has not heard relating to the gas pools of Lea County.

Very truly yours,

R. R. Spurrier
Secretary and Director

RRS:vc

cc: Mr. Jack Campbell
Attorney at Law
Roswell, New Mexico

Mr. Jason Kellahin
Attorney at Law
Santa Fe, New Mexico

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

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

Case No. 582

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON ITS
OWN MOTION FOR ALL OPERATORS
AND INTERESTED PARTIES IN THE
JALCO GAS POOL TO SHOW CAUSE
WHY THE RULES AND REGULATIONS
AS SET OUT IN ORDER R-356, WITH
ANY ESSENTIAL AMENDMENTS, SHOULD
NOT BE PUT INTO EFFECT.

PRAECIPE FOR SUBPOENA

Comes now the applicant, Texas Pacific Coal and Oil Company and respectfully requests the Commission to issue a subpoena pursuant to the provisions of Section 69-207, New Mexico Statutes Annotated, 1941.

Applicant requests that the subpoena be directed to the El Paso Natural Gas Company, directing that company to make available to the Commission and to the applicant, at the time of rehearing, the following:

1. An employee who is qualified to testify as to the following:

   a. The amount of dry gas which it will take under their contract with applicant in 1954 if there is no proration of gas in the Jalco Pool; and the amount of dry gas which it will take in 1954 under said contract if there is proration of gas in the Jalco Pool.

   b. Volume of gas by total and average by wells (Texas Pacific Coal and Oil Company wells only) taken by El Paso Natural Gas Company from said gas wells now located in the Jalco Pool during 1951, 1952 and 1953.

   c. Volume of gas, average by wells nominated for the first six months of 1954 (per well per unit).

d. Requirements of gas well gas for last six months of 1954, so far as known for the Jalco Pool (per well per unit).

e. Estimated average reduction in take during 1954 from Jalco gas wells, as a result of recent Spraberry and other connections made or to be made outside the State of New Mexico, as compared with 1952 and 1953.

2. That the Exhibits Nos. 1, 2 and 3 introduced by El Paso Natural Gas Company at the hearing in Case No. 521 on August 20, 1953 be brought down to the date of December 31, 1953, and be made available to the applicant at the rehearing.

Applicant further states that the above requested information is or may be essential for the proper presentation of applicant's case on rehearing.

WHEREFORE, applicant prays that the subpoena as requested be issued by the Commission.

John F. Russell

Attorney for Applicant, Texas Pacific Coal and Oil Company,
P. O. Box 513
Roswell, New Mexico.

1953

GAS PURCHASED BY EL PASO NATURAL GAS COMPANY FROM
TEXAS PACIFIC COAL and OIL COMPANY WELLS IN JALCO
POOL

WELL NAME	NUMBER	OCC UNIT	EPNG UNIT	PURCHASED VOLUME 15.025 P.B.	MINIMUM CONTRACT REQUIREMENTS 15.025 P.B.	DEFICIT ON MINIMUM CONTRACT REQUIREMENTS 15.025 P.B.	DAILY AVERAGE 15.025 P.B.	
State A AC/1	2	1.00	1.00	259,226	199,290	+ 59,936 *	710	
	3	.50	.50	138,943	99,645	+ 39,298	381	
	4	.50	1.00	107,863	131,673	- 23,810 **	296	
	6	.25	.50	158,987	99,645	+ 59,342	436	
	8	1.00	1.00	230,620	199,290	+ 31,330	632	
	9	1.00	1.00	217,727	199,290	+ 18,437	597	
	12	1.00	1.00	194,554	199,290	- 4,736	533	
	14	1.00	1.00	226,157	199,290	+ 26,867	625	
	15	1.00	1.00	221,494	199,290	+ 22,204	607	
	16	1.00	1.00	189,897	199,290	- 9,393	520	
	23	1.00	1.00	204,588	199,290	+ 5,298	561	
State A AC/2	12	1.00	1.00	180,647	188,370	- 7,523	585	Tied in February 26,1953
	41	1.00	3.00	571,985	565,110	+ 6,875	1,851	Tied in February 26,1953
Total	13	11.25	14.00	2,904,688	2,678,763	+225,125	8,334	

* State "A" AC/1 #2 was switched from the High Pressure System to a compressor in the Intermediate System on March 18, 1953.

** State "A" AC/1 #4 was put on a compressor in the Intermediate System on January 27, 1953. After this date well can be produced at approximately 100 psig.

1951

Gas Purchased by El Paso Natural Gas Company from Texas Pacific Coal and Oil Company wells in Jalco Pool

WELL NAME	NUMBER	C.C.C. UNIT	E.P.N.G. UNIT	VOLUME PURCHASED 15.025 P.B.	MINIMUM CONTRACT REQUIREMENTS 15.025 P.B.	DEFICIT ON MINIMUM CONTRACT REQUIREMENTS 15.025 P.B.	DAILY AVERAGE 15.025 P.B.	
State AC/1 A	2	1.00	.50	190,972	91,577	✓ 99,395	523	
	3	.50	.50	199,389	91,577	✓ 107,812	546	
	4	.50	.50	127,310	91,577	✓ 35,733	349	
	6	.25	.50	179,885	91,577	✓ 88,308	493	
	8	1.00	.50	193,524	91,577	✓ 101,947	530	
	18	1.00	1.00	138,818	79,134	✓ 59,684	964	Tied in Aug. 9, 1951
	23	1.00	1.00	157,267	79,680	✓ 77,587	1,085	Tied in Aug. 8, 1951
	14	1.00	1.00	1,824	1,637	✓ 187	608	Tied in Dec. 29, 1951
Total	8	6.25	5.50	1,188,989	618,336	✓ 570,653	5,098	

Case 582
Exhibit #7

1952
Gas Purchased by El Paso Natural Gas Company from
Texas Pacific Coal and Oil Company wells in Jalco
Pool

WELL NAME	NUMBER	C.C.C. UNIT	E.P.N.G. UNIT	VOLUME PURCHASED 15.025 P.B.	MINIMUM CONTRACT REQUIREMENTS 15.025 P.B.	DEFICIT ON MINIMUM CONTRACT REQUIREMENTS 15.025 P.B.	DAILY AVERAGE 15.025 P.B.	
State AC/1 A	2	1.00	1.00	170,998	201,300	- 30,302	467	
	3	.50	.50	186,041	100,650	✓ 85,391	508	
	4	.50	1.00	119,783	201,300	- 81,517*	327	
	6	.25	.50	212,997	100,650	✓ 112,347	582	
	8	1.00	1.00	377,144	201,300	✓ 175,844	1,030	
	9	1.00	1.00	248,064	150,150	✓ 97,914	909	Tied in April 3, 1952
	12	1.00	1.00	353,135	200,750	✓ 152,385	967	Tied in Jan. 2, 1952
	14	1.00	1.00	360,293	201,300	✓ 158,993	984	
	15	1.00	1.00	349,600	195,800	✓ 153,800	982	Tied in Jan. 11, 1952
	18	1.00	1.00	336,760	201,300	✓ 135,460	920	
	23	1.00	1.00	264,329	201,300	✓ 63,029	722	
Total	11	9.25	10.00	2,979,144	1,955,800	✓1,023,344	8,398	

* State "A" AC/1 #4 was placed on a compressor in High Pressure System May 26, 1949. On May 14, 1952, the #4 was switched to the Intermediate System.

Case 555
Exhibit

TOTAL GAS PURCHASED BY EL PASO NATURAL GAS
IN PERMIAN BASIN AREA - 1951

	TOTAL GAS PURCHASED	TOTAL RESIDUE GAS PURCHASED	% NEW MEXICO RESIDUE GAS TO TOTAL RESIDUE GAS	TOTAL LEA COUNTY DRY GAS	% LEA COUNTY DRY GAS TO TOTAL GAS PURCHASED
January, 1951	27,981,022	21,172,189	32.68%	6,689,423	23.91%
February, 1951	25,416,858	19,357,873	35.37%	5,976,956	23.52%
March, 1951	27,917,418	22,126,241	34.89%	5,664,888	20.29%
April, 1951	26,757,585	21,633,032	34.47%	4,992,799	18.66%
May, 1951	27,154,275	22,564,071	33.99%	4,452,947	16.40%
June, 1951	26,990,000	22,342,799	32.80%	4,504,781	16.69%
July, 1951	28,323,437	23,205,253	31.94%	4,999,468	17.65%
August, 1951	28,352,083	23,346,137	32.21%	4,915,000	17.34%
September, 1951	27,506,383	22,659,148	31.35%	4,847,235	17.62%
October, 1951	28,250,647	23,674,566	32.49%	4,496,810	15.92%
November, 1951	27,858,732	22,269,319	34.55%	5,507,017	19.77%
December, 1951	30,570,140	22,611,092	35.71%	7,867,254	25.74%

All figures on 15.025 P.S.

Case
Rel

[illegible] ... AS OF EL PASO [illegible]
[illegible] - 1952

	TOTAL [illegible]	TOTAL REMITTED AS MUNICIPAL	% REMITTED REGULAR AS TO TOTAL RECEIPTS	TOTAL LEA COUNTY SET [illegible]	% LEA COUNTY PAY AS TO TOTAL [illegible]
[illegible]	[illegible]	[illegible]	[illegible]	4,813,292	28.1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

/11 [illegible] ...

Case 552
Exhibit 9

TOTAL GAS PURCHASED BY EL PASO NATURAL GAS
IN PERMIAN BASIN AREA - 1953

	TOTAL GAS PURCHASED	TOTAL RESIDUE GAS PURCHASED	% NEW MEXICO RESIDUE GAS TO TOTAL RESIDUE GAS	TOTAL LEA COUNTY DRY GAS	% LEA COUNTY DRY GAS TO TOTAL GAS
January, 1953	35,146,399	26,923,268	32.94 %	8,141,449	23.16 %
February, 1953	32,562,695	25,808,510	30.88 %	6,702,125	20.58 %
March, 1953	35,869,994	29,078,494	30.79 %	6,732,429	18.77 %
April, 1953	35,890,766	28,326,455	30.75 %	7,500,344	20.90 %
May, 1953	36,856,689	30,578,645	29.08 %	6,213,839	16.86 %
June, 1953	34,630,349	31,301,575	26.85 %	3,255,131	09.40 %
July, 1953	37,036,316	33,139,681	24.68 %	3,739,949	10.10 %
August, 1953	37,741,617	33,767,041	24.63 %	3,527,401	09.35 %
September, 1953	36,455,811	32,235,198	25.57 %	3,102,868	08.51 %
October, 1953	36,114,099	31,419,831	26.64 %	3,331,297	09.22 %
November, 1953	37,760,788	29,056,157	28.53 %	7,095,524	18.79 %
December, 1953	41,760,515	28,963,534	28.09 %	11,164,256	26.73 %

ANSWERS TO REQUEST OF TEXAS PACIFIC COAL AND OIL COMPANY

FOR INFORMATION ON JALCO POOL, LEA COUNTY NEW MEXICO

1.

A(1) The volume of gas taken if there is proration will be the same as that taken if there is no proration, provided that the total of the units assigned to Texas Pacific Coal and Oil Company wells is the same as that used by El Paso Natural Gas Company in determining ratable take; i.e. 14 units. The estimated total production required from Texas Pacific Coal and Oil Company wells to meet El Paso Natural Gas Company demands during the first six (6) months of 1954 is 2,201,325 MCF.

A(2) On the January 1954 proration schedule, the Texas Pacific Coal and Oil Company wells are assigned a total of 11.25 units. An additional 2.75 units have been requested for assignment to these wells, and hearings have been set for consideration of this request. Should the additional 2.75 units not be approved, the total allowable under the provisions of proration is estimated to be 1,763,094 MCF, as compared to the estimated volume of 2,201,325 MCF which would be taken by El Paso Natural Gas Company if there was no proration.

B See attached tabulations (3 sheets) for volumes of gas taken by El Paso Natural Gas Company by total and average by wells for the period 1951 - 1953.

C The volume of gas nominated per well per unit for the first 6 months of 1954 is 142,766 MCF for an average daily volume of 789 MCF. It is believed that the monthly supplemental nominations for the period March through June, 1954 will exceed the preliminary nominations for that period resulting in an estimated nomination for the 6 month period, of 159,576 MCF per unit. The average daily volume per unit would then be 880 MCF.

D The requirements for the last 6 months of 1954 have not been evaluated by El Paso Natural Gas Company, and consequently are not available at this time.

E The influence of recent Spraberry and other connections made outside of the State of New Mexico on takes during 1954 from Jalco Gas wells as compared to 1952 and 1953 will be discussed.

2.

The information shown on exhibits 1, 2, and 3 introduced by El Paso Natural Gas Company at the hearing on case 521 on August 20, 1953 has been brought down to date of December 31, 1953. However, the extension of the two graphs introduced as exhibits has been prepared in tabular form, as time did not permit the plotting of graphs.

EL PASO NATURAL GAS COMPANY

DAILY DRY GAS PURCHASES, LEA COUNTY, NEW MEXICO

1953

	FEBRUARY	JULY	OCTOBER	DECEMBER
1	304,263	104,951	186,866	348,485
2	246,595	61,820	127,106	344,139
3	236,292	61,381	93,828	323,838
4	257,004	61,540	106,913	330,954
5	226,103	76,415	102,436	277,487
6	220,043	161,425	97,749	291,282
7	199,857	180,080	66,294	312,774
8	235,747	145,681	38,482	314,849
9	213,331	139,004	54,937	324,751
10	235,832	120,562	56,346	331,535
11	231,143	108,125	55,563	366,892
12	248,167	102,258	56,939	338,594
13	245,406	100,188	74,374	342,387
14	207,750	114,225	146,138	336,805
15	205,212	141,157	154,471	258,061
16	210,639	110,072	126,041	331,615
17	228,598	73,172	154,248	326,594
18	242,701	55,224	129,421	329,480
19	238,567	56,673	86,797	289,706
20	290,962	91,785	97,830	342,638
21	295,464	116,566	79,851	303,594
22	285,454	120,954	69,466	360,631
23	266,146	65,373	100,926	401,681
24	206,987	55,821	110,514	441,064
25	191,986	86,977	92,269	408,670
26	209,363	114,728	142,890	373,250
27	214,361	151,672	261,051	395,162
28	195,366	189,005	187,732	452,037
29		220,137	202,931	458,394
30		308,619	223,683	472,475
31		234,597	280,364	499,671

All figures on 15.025 P.B.

OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

December 14, 1953

Mr. John F. Russell, Attorney
P. O. Box 513
Roswell, New Mexico

Dear Sir:

Attached is a signed copy of Order R-368-B signed by the Commission under date of December 7, 1953, by which rehearing is scheduled upon your application in Case 582.

Yours very truly,

R. R. Spurrier
Secretary - Director

RRS:mr

cc: Mr. Eugene Adair
Texas Pacific Coal & Oil Co.
Box 2110
Ft. Worth, Texas

COPY

NOTICE OF PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION
SANTA FE - NEW MEXICO

The State of New Mexico by its Oil Conservation Commission hereby gives notice pursuant to law and the Rules and Regulations of said Commission promulgated thereunder of the following special hearings to be held at 9 o'clock a.m. on January 21, 1954, at Mabry Hall, State Capitol, Santa Fe, New Mexico.

STATE OF NEW MEXICO TO:

Texas Pacific Coal & Oil Company,
Me-Tex Supply Company, and any persons
having any right, title, interest or
claim in the following cases, and no-
tice to the public.

CASE 582 (Rehearing):

Notice is hereby given by the State of New Mexico, through its Oil Conservation Commission, that Texas Pacific Coal & Oil Company, upon proper petition, has requested a rehearing in Case 582 (relating to rules and regulations for the Jalco Gas Pool, Lea County, New Mexico); that in said petition, petitioner asks recision of Orders R-368 and R-368-A entered in Case 582 under dates of September 28, 1953, and November 10, 1953, respectively; that the Commission, by its Order No. R-368-B, has granted said rehearing and set it for 9 a.m. on January 21, 1954, at Mabry Hall, State Capitol, Santa Fe, New Mexico, at which time petitioner and other interested parties will be heard.

CASE 584 (Rehearing):

Notice is hereby given by the State of New Mexico, through its Oil Conservation Commission, that Me-Tex Supply Company, upon proper petition, has requested a rehearing in Case 584; that in said petition, petitioner asks that Order No. R-370-A entered in said case on November 10. 1953, be vacated and that the rules and regulations issued thereunder for the Eumont Gas Pool, Lea County, New Mexico, not be made effective until such time as the allowable production of gas has been established by the Commission after notice and hearing; that the Commission, by its Order R-370-B, has granted said rehearing and set it for 9 a.m. on January 21, 1954, at Mabry Hall, State Capitol, Santa Fe, New Mexico, at which time and place petitioner and other interested parties will be heard.

GIVEN under the seal of the Oil Conservation Commission at Santa Fe, New Mexico, this 30th day of December, 1953.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

R. R. Spurrier, Secretary

S E A L

DOMESTIC SERVICE

Check the class of service desired; otherwise this message will be sent as a full rate telegram

FULL RATE TELEGRAM	
DAY LETTER	
NIGHT LETTER	

$
S
E

WESTERN UNION

W. P. MARSHALL, PRESIDENT

1206 10-51

INTERNATIONAL SERVICE

Check the class of service desired; otherwise the message will be sent at the full rate

FULL RATE	
LETTER TELEGRAM	
SHIP RADIOGRAM	

NO. WDS.-CL. OF SVC.	PD. OR COLL.	CASH NO.	CHARGE TO THE ACCOUNT OF	TIME FILED
			Oil Conservation Commission	

Send the following message, subject to the terms on back hereof, which are hereby agreed to

Santa Fe, New Mexico
December 7, 1953

MR. JOHN F. RUSSELL
ATTORNEY AT LAW
SUITE 424, J. P. WHITE BUILDING
ROSWELL, NEW MEXICO

MOTION FOR REHEARING CASE 582 HAS BEEN GRANTED BY THE COMMISSION. EFFECTIVE THIS DATE AN ORDER HAS BEEN ISSUED SETTING THE REHEARING FOR JANUARY 21 MABRY HALL.

R. R. SPURRIER
OIL CONSERVATION COMMISSION

cc: Eugene T. Adair
P. O. Box 2110, Fort Worth

Form 3806-S (Rev. 2-52)

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Case 582 —

TEXAS PACIFIC COAL AND OIL COMPANY

GENERAL OFFICES
FORT WORTH 1
TEXAS

EUGENE T. ADAIR
GENERAL COUNSEL

MILES HART
ATTORNEY

December 8, 1953

Mr. R. R. Spurrier
Secretary - Director
Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Dick:

Reference is made to your letter of December 2, 1953, in which you stated that the Commission would grant a rehearing as applied for by Texas Pacific Coal and Oil Company, in Case No. 582.

We will appreciate the Commission scheduling this rehearing at the regular January 20, 1954 Commission hearing, as suggested in your letter.

With kind personal regards.

Yours very truly,

Eugene Adair

ETA:AW
cc:
Mr. John F. Russell
Attorney At Law
P. O. Box 513
Roswell, New Mexico

DEC 1 0 1953

OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

December 2, 1953

COPY

Mr. John F. Russell, Attorney
P. O. Box 513
Roswell, New Mexico

Dear Mr. Russell:

On November 27, 1953, this office received the application for re-hearing in Case 582 with Texas Pacific Coal & Oil Company as applicant.

The Commission has granted the re-hearing and will shortly issue a formal order affirming its decision. As far as we know, the case will be scheduled for re-hearing at the regular January 20, 1954, Commission hearing, and will be properly advertised.

Very truly yours,

R. R. Spurrier
Secretary - Director

RRS:mr

cc: Mr. Eugene Adair
Texas Pacific Coal & Oil Company
Ft. Worth National Bank Bldg
Ft. Worth, Texas

JOHN F. RUSSELL
ATTORNEY AT LAW
SUITE 424 J. P. WHITE BLDG.
P. O. BOX 513
ROSWELL, NEW MEXICO

November 30, 1953

DEC 2 1953

Mr. R. R. Spurrier, Secretary and Director
New Mexico Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Dear Mr. Spurrier:

I will appreciate your advising me of the filing date of the application of the Texas Pacific Coal and Oil Company for a re-hearing in Case No. 582.

Very truly yours,

John F. Russell

John F. Russell

JFR/djk

JOHN F. RUSSELL
ATTORNEY-AT-LAW
SUITE 424 J. P. WHITE BLDG.
P. O. BOX 512
ROSWELL, NEW MEXICO

November 25, 1953

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
NOV 27 P
RECEIVED

Mr. R. R. Spurrier, Secretary and Director
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Mr. Spurrier:

Enclosed please find the application of the Texas Pacific Coal and Oil Company for a rehearing in Case No. 582 before the Oil Conservation Commission of the State of New Mexico.

Very truly yours,

John F. Russell
John F. Russell

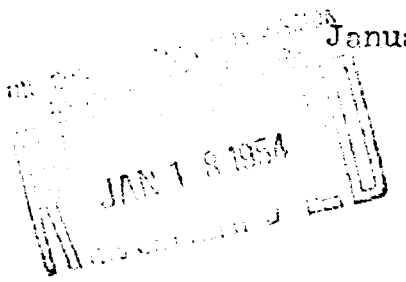
JFR/djk

Enc.

Re hearing on January 14 (21)

JOHN F. RUSSELL
ATTORNEY-AT-LAW
SUITE 424 J. P. WHITE BLDG.
P. O. BOX 513
ROSWELL, NEW MEXICO

January 16, 1954



Mr. R. R. Spurrier
Secretary-Director
New Mexico Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Dear Mr. Spurrier:

I am enclosing herewith, for filing, a request for certain documents from your file which I believe are necessary for the preparation of our case.

Thanking you for your cooperation in this matter, I remain

Very truly yours,

John F. Russell
John F. Russell

JFR/djk
Enc.

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

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

Case No. 582

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON ITS
OWN MOTION FOR ALL OPERATORS
AND INTERESTED PARTIES IN THE
JALCO GAS POOL TO SHOW CAUSE
WHY THE RULES AND REGULATIONS
AS SET OUT IN ORDER R-356, WITH
ANY ESSENTIAL AMENDMENTS, SHOULD
NOT BE PUT INTO EFFECT.

REQUEST FOR DOCUMENTS

Comes now the applicant, Texas Pacific Coal and Oil Company, and respectfully requests the Commission to make available to the applicant at the re-hearing the following documents from the Commission's files:

1. Rules and regulations of the Commission with amendments thereto.

2. Transcripts, including all original exhibits, covering the following hearings covering Case No. 245, December 22, 1950; March 20, 1951; April 24, 1951; May 23, 1951 and July 24, 1951.

3. Docket of March 17, 1953.

4. Transcript of hearing, including all original exhibits, on March 17, 1953, in Case No. 521.

5. Docket of April 16, 1953.

6. Docket of May 19, 1953.

7. Docket of June 16, 1953.

8. Docket of July 16, 1953.

9. Letter of transmittal dates July 16, 1953, from A. L. Hill, Chairman of the Advisory Committee, to R. R.

Spurrier.

10. Transcript of hearing, including all original exhibits, on July 16, 1953.

11. Docket of August 20, 1953.

12. Transcript of hearing, including all original exhibits, on Case No. 521-245 on August 20, 1953.

13. Order No. R-356 in Case No. 521 dated August 28, 1953, with correction thereto dated September 21, 1953.

14. Docket of September 17, 1953.

15. Transcript of hearing, including all original exhibits, on September 17, 1953.

16. Order No. R-368 in Case No. 582 dated September 28, 1953.

17. Docket of October 15, 1953.

18. Transcript of hearing, including all original exhibits, of October 26, 1953 in Case No. 582.

19. Commission directive dated October 30, 1953, directed to the operators in the nine pools, requesting them to submit nominations on preliminary forms available at the Hobbs district office.

20. Memorandum of W. B. Macey to the Commission in Cases Nos. 582 through 590, dated October 30, 1953.

21. Order No. R-368-A in Case No. 582.

22. Application for re-hearing in Case No. 582.

23. Order No. R-368-B granting re-hearing in Case No. 582.

24. Order No. R-264-A consolidating Cases Nos. 245 and 521.

25. Transcript of hearing, including all original exhibits, in Case No. 583 covering the Langmat pool.

26. Orders No. R-369 and R-369-A in Case No. 583.

27. Docket of November 19, 1953.

28. Transcript of hearing, including all original exhibits, of November 19, 1953, for the purpose of setting the allowable production of gas and the preliminary nominations for gas for the first six months of 1954.

29. Docket of December 17, 1953.

30. Transcript of hearing, including all original exhibits, of December 17, 1953, covering the supplemental nominations for January, 1954.

31. Copy of the allowable order of December, 1953, containing the allowable for the first six months of 1954, and the January allowable for 1954.

Applicant further requests that the above emmerated documents be authenticated or prepared in such other manner which will be accepted by the Commission when the said documents are introduced into evidence.

WHEREFORE, applicant requests the above enumerated documents to be prepared in the manner requested and made available to the applicant at the re-hearing.

John F. Russell

Attorney for Applicant,
Texas Pacific Coal and Oil Company,
P. O. Box 513
Roswell, New Mexico

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

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

Case No. 582

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON ITS
OWN MOTION FOR ALL OPERATORS
AND INTERESTED PARTIES IN THE
JALCO GAS POOL TO SHOW CAUSE
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AS SET OUT IN ORDER R-356, WITH
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Applicant further requests that the above enumerated documents be authenticated or prepared in such other manner which will be accepted by the Commission when the said documents are introduced into evidence.

WHEREFORE, applicant requests the above enumerated documents to be prepared in the manner requested and made available to the applicant at the re-hearing.

John F. Russell

Attorney for Applicant,
Texas Pacific Coal and Oil Company,
P. O. Box 513
Roswell, New Mexico

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. 592

ORDER NO. R-368-B

THE APPLICATION OF THE OIL CONSERVATION COMMISSION ON ITS OWN MOTION FOR ALL OPERATORS AND INTERESTED PARTIES IN THE JALCO GAS POOL TO SHOW CAUSE WHY THE RULES AND REGULATIONS AS SET OUT IN ORDER NO. R-356, WITH ANY ESSENTIAL AMENDMENTS, SHOULD NOT BE PUT INTO EFFECT.

ORDER OF THE COMMISSION FOR RE-HEARING

This case came on for consideration upon petition of Texas Pacific Coal and Oil Company for re-hearing on Orders R-368 and R-368-A heretofore entered by the Commission.

NOW, on this 7th day of December, 1953, the Commission, a quorum being present, having fully considered said application for re-hearing,

IT IS HEREBY ORDERED:

That the above-entitled matter be reopened and a re-hearing in said cause be held January 21, 1954, at 9 o'clock a.m. on said day at Santa Fe, New Mexico, or at such time as the Commission may designate after due notice, at which time and place all interested parties may appear,

IT IS FURTHER ORDERED: That Orders R-368 and R-368-A (relating to the Jalco Gas Pool) shall remain in full force and effect until further order of the Commission.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Edwin L. Mechem, Chairman

E. S. Walker, Member

R. R. Spurrier, Member and Secretary

S E A L

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
NOV 27 1953
RECEIVED

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

Case No. 582

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON ITS
OWN MOTION FOR ALL OPERATORS
AND INTERESTED PARTIES IN THE
JALCO GAS POOL TO SHOW CAUSE
WHY THE RULES AND REGULATIONS
AS SET OUT IN ORDER R-356, WITH
ANY ESSENTIAL AMENDMENTS, SHOULD
NOT BE PUT INTO EFFECT.

APPLICATION FOR REHEARING

COMES NOW Applicant Texas Pacific Coal & Oil Company and states:

1. Applicant is the owner of gas wells within the exterior limits of the Jalco Gas Pool and will therefore be affected by Order No. R-368-A.

2. Orders Nos. R-368 and R-368-A are illegal and erroneous in the following respects, to-wit:

(a) The Commission is without authority to issue orders to show cause as it has done in Order No. R368 inasmuch as all persons are, under the provisions of Sec. 69-221, N.M. Statutes 1941 Annotated as amended, entitled to a hearing before any rule, regulation or order shall be made.

(b) The Commission is without authority to prorate gas for the sole purpose of protecting correlative rights.

See section 12 (c) & (d)

(c) There is no evidence in the record to indicate abuse of correlative rights or that proration of gas from gas wells will protect correlative rights.

(d) There is no evidence in the record to establish that there is waste of gas from gas wells in the Jalco Gas Pool and no evidence that waste will be prevented by the proration of production of gas from said gas wells, the only evidence relating to conservation or the prevention of waste in the record being that there is no waste of gas from gas wells.

(e) There is no evidence in the record to establish that gas production from gas wells producing from the Jalco Gas Pool exceeds the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of the gas transportation facilities for such type of natural gas.

See section 13 (a) Statute

(f) Finding of Fact No. 1 in Order No. R-368 is erroneous, such records as referred to not being in evidence in the case.

(g) Finding of Fact No. 3 in Order No. R-368 is erroneous in that at the time of making such finding the Commission had no evidence upon which to base it.

(h) Finding of Fact No. 5 in Order No. R-368-A is a finding that the Commission has not, prior to undertaking proration of gas, evaluated and delineated the actual productive limits of the Jalco Gas Pool which is a prerequisite of such order.

(i) Orders Nos. R-368 and R-368-A are unreasonable, arbitrary and capricious and are not based upon substantial evidence before the Commission.

(j) Orders Nos. R-368 and R-368-A require the drilling of unnecessary wells.

(k) Orders Nos. R-368 and R-368-A impair the obligation of contracts of the type now of record in this case between producers and purchasers of gas inasmuch as under said orders minimum take and ratable take provisions of said contracts can or will be abrogated.

WHEREFORE, Applicant prays for a rehearing in Case No. 582 before the Oil Conservation Commission of the State of New Mexico.

DATED this 25th day of November, 1953.

TEXAS PACIFIC COAL & OIL COMPANY

By John F. Russell
John F. Russell, Roswell, New Mexico,

Eugene T. Adair
Eugene T. Adair, Fort Worth, Texas,

Attorneys for Applicant.

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
NOV 2 1