Case No.

587

Application, Transcript,
Small Exhibits, Etc.

Before the

OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

NOV 4 1953

TRANSCRIPT OF PROCEEDINGS

Case No. 587

October 23, 1953 - Special Hearing

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

October 26, 1953

IN THE MATTER OF:

Tubbs Gas Pool, in Lea County, New Mexico said operators and interested persons being called upon to show cause at respective special hearings, beginning at 9:00 A. M., on October 26, 1953, why Order No. R-373, Tubbs Gas Pool, as amended at such respective hearings, should not be effective and in full force and effective as of November 1, 1953.	Case No. 587

BEFORE:

R. R. Spurrier, Secretary

(See transcript in Case 582 for register of attendance and appearances.)

TRANSCRIPT OF PROCEEDINGS

MR. SPURRIER: The next case on the docket is Case No. 587.

MR. GRAHAM: I read the notice this morning in full.

MR. SPURRIER: The record will show the advertisement was read in this case. Anyone to be heard from in this case, Mr. Girand? Mr. Campbell.

MR. JACK CAMPBELL: On behalf of Gulf, I would like to ask that the record contain the same statement that was made in the Jalco Pool hearing.

MR. SPURRIER: Now, with respect to that, let's take Mr. Campbell, Mr. Stahl, Mr. Hinkel and Mr. Adair's statements and see if there is any objection to your proposed amendment, or your proposed changes,or your stipulations in each case. Mr. Stahl?

MR. STAHL: Did you also mean to include Mr. Fowler's testimony? I would like Mr. Fowler's testimony to be incorporated.

MR. SPURRIER: That includes, I am informed that includes Mr. Fowler's testimony.

MR. ADAIR: We have no particular interest in this pool under consideration. I hate to burden the record, but I would like ours to go to the Arrow and Langmat Pools, in addition to the Jalco Pool.

MR. SPURRIER: We can eliminate Mr. Adair's proposal. Is there any objection to the other motions or the testimony of Mr. Fowler? If not--

MR. GIRAND: (Interrupting) If the Commission please, I understood my statement made in the Jalco matter would go to all the related cases.

MR. SPURRIER: That is right, Mr. Girand, we overlooked you. This question of mine will also include the statement of Mr. Girand. If there is no objection then, the record will show that each of these statements, or the testimony, will be included in the record taken in this case.

MR. HINKEL: Mr. Commissioner, that as I understand it, in-

cludes the Humble statement I made on behalf of Humble, and the proposal I made on the special rule.

MR. SPURRIER: We also include Mr. Hinkel and the Humble statement.

MR. VICKERY: If the Commission please, Jack Vickery--

MR. SPURRIER: Just a moment. I would like Mr. Bickel's statement to be included in that list, his statement. Is there objection to the inclusion of his statement in the record on this pool?

MR. GRAHAM: Mr. who?

MR. SPURRIER: Mr. Bickel.

MR. VICKERY: We can make this general. I would like to include Atlantic's statement, it all amounts, to these pools, the same statement made on the Jalco Pool with the exception of the Amanda Pool in which we have no interest.

MR. SPURRIER: Then we will include Mr. Vickery's statement for Atlantic, except the Amanda Pool. Without objection, all those statements will be included.

MR. HILTZ: R. G. Hiltz for Stanolind. I would like to ask the Commission to take into consideration our statement, and request it go into the record of all the hearings to be heard by the commission. Our position is again in direct support of the rules adopted by the Commission on a stand-by basis. If it would simplify the record any, I would like it to pertain to all the hearings to be held.

MR. SPURRIER: We can do that.

MR. WHITE: We can do it by each time when we call the specific cases on the docket, we can ask for objections in the case as it is called up, and if someone makes an objection, they can cross examine, and we can't allow the statement to stand. As long as there is no objection, we will ask if there is any objection when the case is called, if there are none, then we can put it in the record.

MR. SPURRIER: Is there objection to Mr. Hiltz's motion? If not, his statement will be included as if it were a part of each case record.

Now is there anyone to be heard, does anyone have testimony to present in Case 587 relating to the Tubbs Pool?

MR. HINKEL: Mr. Commissioner, it has been called to my attention there is one well the Humble has which is the Penrose No. 2, classed as being in the Tubbs, but it is outside the present Tubb boundary, it is a gas well, and I wonder how they are going to handle it.

MR. MASSEY: Where is that well located, Mr. Hinkel?

MR. HINKEL: It is in 12-22-37.

MR. MASSEY: All of section 13 is included in the Tubb Pool boundary.

MR. HINKEL: Well, they have got the marks here which was taken off of a map, it says "Outside the present Tubb boundary." I don't know where they got it.

MR. SPURRIER: It seems to me the old proviso, "Now in the pool or as the pool may be extended," would apply. That might

answer your question.

MR. HINKEL: We wanted to know how it would be considered.

MR. SPURRIER: Mr. Howell.

MR. HOWELL: Mr. Commissioner, Ben Howell representing El Paso Natural Gas Company. We would like to put some testimony on in this case, and I will call Mr. Woodruff who testified this morning as a witness.

(Witness sworn)

F. NORMAN WOODRUFF

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. HOWELL:

Q Will you state your name for the record?

A My name is F. Norman Woodruff.

Q I believe you testified in the preceding case regarding the Jalco Pool, and recited your qualifications in that case.

A That is correct.

Q Now, have you studied the situation with regard to the Tubb Pool which is now under consideration?

A I have.

Q What is the condition as of July, 1953, with reference to the number of wells in that pool and the takers of gas from that pool?

A The New Mexico Oil and Gas Engineering Committee report showed 15 wells producing during the month of July, 1953, of

which 11 were connected to El Paso, the other four wells were being used for gas lift purposes.

Q Now, approximately how long has this pool been producing?

A This pool has been producing from two and a half to three years, with a major production, however, being taken from this pool during the last year.

Q That is with reference to the gas taken by El Paso Natural Gas Company?

A That is correct.

Q And are the conditions the same in this pool as existed in the Jalco Pool?

A No, they are not.

Q What formula would you recommend for a proper pro ration in this pool?

A I would recommend a formula of 100% acreage times deliverability.

Q Is the deliverability formula which you would recommend the same as you outlined in your testimony in the hearing on the Jalco Pool?

A Yes, sir.

Q And what is the reason that in this particular pool you have selected the 100% acreage times deliverability as a proper factor?

A This pool is a comparatively new pool. We are able to pro rate it right at the initial stages of development and pro-

duction. We find the pool has been uniformly developed, and it is my belief that to maintain uniform development and to allocate the allowable corrected between the wells, that is the type formula proposed to be instituted.

Q In your opinion, would that type formula prevent waste and protect correlative rights if applied to the Tubb Pool?

A I believe that to be true.

Q Without going into great detail, would you very briefly state what your previous testimony, with reference to the meaning of deliverability is?

A The deliverability as suggested for us in the formula to apply to the Tubbs Pool may be defined as the volume of gas which would be calculated at a pressure draw-down from initial shut in pressure of 20%.

Q Would the tests that you suggest be handled in exactly the same way as you have recommended for testing to determine deliverability in the Jalco Pool?

A Yes, sir. I might add that in the rules that we have proposed to offer to the Commission, that the same rules apply for the Tubb Pool with the name Tubb being substituted in the place of Jalco.

Q That is insofar as determining deliverability and testing is concerned?

A That is right.

MR. HOWELL: I think that is all that I have.

MR. SPURRIER: Does someone have a question of this

witness? Mr. Stahl.

CROSS EXAMINATION

By MR. STAHL:

Stahl of Permean Basis Pipe Line Company.

Q Mr. Woodruff, in conjunction with the Tubb Pool, you testified there were 11 wells presently productive of gas in the Tubb Pools?

A No, I testified 15, of which 11 are connected with El Paso.

Q Are you familiar that Permean Basis Pipe Line Company also has acreage under contract in the Tubb Pool?

A I am.

Q Were you present in the room when Mr. Fowler was testifying?

A No, I was not.

MR. STAHL: That is all

MR. SPURRIER: Anyone else? If not, the witness may be excused.

(Witness excused)

MR. SPURRIER: Do you have another witness, Mr. Howell?

MR. HOWELL: We do not.

MR. SPURRIER: Does anyone else have a witness in this case? Does anyone have a comment in the case?

MR. STAHL: I don't believe it is necessary, but Permean would like to support El Paso's suggested method on the Tubb Pool of 100%.

MR. SPURRIER: Mr. Foster.

MR. FOSTER: We would like to have the statement we made regarding the present rules be incorporated in the record in this case.

MR. WHITE: What was that again, Judge, I am sorry.

MR. FOSTER: We would like to have the statement we made regarding the adoption of the present rule be incorporated in this case.

MR. HOWELL: Mr. Commissioner, we now have available the exhibit which we mentioned earlier, and we would like to offer as an exhibit to be admitted both in the Jalco case and all other cases these as suggested rules to implement the type of test and deliverability factor suggested by El Paso.

MR. SPURRIER: Specifically in case 582, but you also want it included in the 587, the Tubb?

MR. HOWELL: And the other hearings.

MR. SPURRIER: And the other hearings, too?

MR. HOWELL: That is correct.

MR. SPURRIER: Any objection to counsel's motion?

MR. HOWELL: It would be, of course, necessary in each one to change the name of the field where it is applicable there.

MR. SPURRIER: Without objection, let the record show that counsel Foster's request in this Case 587 will be granted, and, also, that El Paso's exhibit No. 2 will be admitted. There being no further comments in this case, we will move on to Case No. 588, which relates to the Amanda Gas Pool.

REPORTER'S CERTIFICATE

I, MARIANNA MEIER, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings in Case No. 587 taken before the Oil Conservation Commission on Monday, October 26, 1953, contains a true and correct record of said proceedings to the best of my knowledge, skill, and ability.

DATED at Albuquerque, New Mexico, this 3rd day of November, 1953.

Marianna Meier

REPORTER

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. 587
ORDER NO. R-373-A

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON ITS
OWN MOTION FOR ALL OPERATORS
AND INTERESTED PARTIES IN THE
TUBB 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-373 was duly entered by the Commission. Order R-373 adopted the general or "Stand-by" rules promulgated by Order R-356 as the Special Rules and Regulations of the Tubb Gas Pool, heretofore established. R-373 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 Tubb 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 Tubb Pool, and should conform, generally with the provisional special rules of Order R-373.

(5) That in order for the Commission to evaluate and delineate the actual productive limits of the Tubb Gas Pool all operators of gas wells within the defined limits of the Tubb 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 Tubb 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 Tubb Gas Pool, be and the same hereby are promulgated and are as follows:

SPECIAL RULES AND REGULATIONS
FOR THE TUBB 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 Tubb Gas Pool shall be classified as a wildcat well. Any well drilled less than one mile from the outer boundary of the Tubb Gas Pool shall be spaced, drilled, operated and prorated in accordance with the Regulations in effect in the Tubb Gas Pool.

RULE 2. Each well drilled or recompleted within the Tubb 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 Tubb 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 Tubb 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 Tubb Gas Pool and other relevant data and shall fix the allowable production of the Tubb Gas Pool, and shall allocate production among the gas wells in the Tubb 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 Tubb 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 Tubb 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 Tubb 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 Tubb Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Tubb 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 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 Tubb 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 pertainly only to gas wells which are not assigned an oil allowable.

PROVIDED FURTHER that all operators of 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 Tubb 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 as indicated by the log. Any operator of any well hereafter completed or recompleted within the defined limits of the Tubb 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 Tubb 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 Tubb 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 Tubb 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-373, 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

SEAL

NEW MEXICO
OIL CONSERVATION COMMISSION
P. O. BOX 871
Santa Fe, New Mexico

February 10, 1954

DIRECTIVE

TO: Tubb, Blinebry and Drinkard Pool Operators

FROM: R. R. Spurrier, Secretary and Director

The gas pool rules for the Tubb and Blinebry Pools, as outlined in Orders Nos. R-372-A and R-373-A, requested operators of all oil and gas wells within the defined limits of these pools to furnish the Commission with certain geological information (well logs) on their producing wells. Very few of these logs have been submitted to date.

It is therefore requested that all operators take immediate steps to determine whether or not they have complied with this order and if the requested information is not available to advise this Commission to that effect. If logs have been submitted previously in dual completion applications or hearings, it will not be necessary to re-submit copies of these logs.

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CASE 587

STATEMENT OF [illegible]
For TUBB
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.

MEMORANDUM

To: The Oil Conservation Commissior

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
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. 587
Order No. R-373

THE APPLICATION OF THE OIL CONSERVATION COMMISSION ON 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 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 Tubb 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 Tubb 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 Tubb Gas Pool pending further order of the Commission after notice and hearing.

IT IS FURTHER ORDERED:

That all parties interested in said Tubb 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 and Secretary

SEAL