

Case No.

589

Application, Transcript,
Small Exhibits, Etc.

Before the
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

TRANSCRIPT OF PROCEEDINGS

Case No. 689

October 27, 1953 - Special Hearing

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

October 27, 1953

The Justis Gas Pool, in Lea County, New Mexico, said operators and interested persons being called upon to show cause at respective special hearing beginning at 9:00 A. M. on October 27, 1953, why Order No. R-375, Justis Gas Pool as amended at such respective hearing should not be effective and in full force and effect as of November 1, 1953.

Case No. 589

E. S. (Johnny) Walker, Commissioner of Public Lands
R. R. Spurrier, Secretary, Oil Conservation Commission
(See transcript in Case No. 583 for register of
attendance and appearances.)

MR. SPURRIER: Meeting will come to order, please. Let the record show that the advertisement has been read in Case No. 589. Does anyone have any testimony to offer in Case 589?

MR. A. L. HILL: If the Commission please, A. L. Hill, El Paso Natural Gas Company. We would like to offer some brief testimony in this case, and will call Mr. Woodruff as a witness, please.

F. NORMAN WOODRUFF

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. HILL:

Q Would you state your name for the record?

A My name is F. Norman Woodruff.

Q You are the same Mr. Woodruff that testified in hearings here yesterday, involving some of the other pools, are you not?

A I am.

Q Have you made a study of the Justis pool, with the idea of determining what in your opinion is the best proration formula to be used in that pool?

A I have.

Q Would you express what your thoughts are on that?

A Yes, sir, I would recommend for the Justis pool a proration formula of 100 percent acreage times deliverability, with the deliverability being the same deliverability as previously described by me. I would like to very briefly go into the status of the field as to the number of wells. There are four wells in the Justis pool, all of which are connected to El Paso Natural Gas Company, as shown by the July, 1953 Engineering Committee's report. We find in this field that pressures of the wells are essentially the same. We believe that by utilization of the factors prescribed that we will approach as near an equitable distribution of allowable as can be effective.

Q Mr. Woodruff, you heard Mr. Wiederkehr's testimony this

morning, I believe, and concerning the possibility of using the 1953 four-point back pressure test for calculating an initial deliverability for use, we might say, in the first proration period, assuming they wish to put proration into affect immediately, and then thereafter the annual deliverability test. What are your thoughts on that matter?

A I agree with Mr. Wiederkehr's approach in this matter, but wish to take issue to a certain extent with Mr. Macey in his statement concerning the accuracy of the test taken. It is probably realized, I think, by all people that take tests, that a person that knows what he is doing can have a potential test. That is one of the major reasons why I thought we should stay away from the potential test in the field under consideration. I wish to submit to the Commission, however, that if I might refer back to the Jalco pool which we have just passed, that -- I mean, the Langmat pool -- of the 191 wells El Paso is connected to 178 of these wells. Of these wells, El Paso owns only two wells, we haven't too much of a row to hoe for ourselves, if you stop and realize that. Of these 178 wells, it is my understanding we take all of the potential tests, we take them to the best of our ability under recognized procedures for taking four-point back pressure tests. I believe that to the best of our ability we have submitted good potential tests, and there are those wells, due to their low pressure, that you cannot take the potential test on, you cannot withdraw the well down far enough possibly to unload liquid accumulation in the well bore, or get more than one or two points.

I contend such a well is a restricted well, regardless of potential, deliverability, or any other type factor taken into consideration.

Q Isn't it true that before El Paso conducts the four-point tests on these particular wells, that the operator of the well, as well as the Commission, are given notice, and sufficient notice to enable them to have a representative witness the tests if they so desire?

A That is right, the schedule is submitted to the Commission, prior to taking of the annual back pressure test. It is my thought that except possibly for those wells where back pressure tests are known not to be good, that the deliverability calculated from the back pressure test taken could be utilized until such time as actual deliverability tests taken, and I have proposed to be taken, and I believe you would get a comparable figure between all wells. I do not believe it will be as good a comparable figure as the deliverability test recommended, but I do think that it will approach equity in these fields.

Q Do you have anything further to say on this?

A I believe not.

MR. SPURRIER: Does anyone have a question of the witness?

MR. KELLAHIN: Jason Kellahin, representing Samedan Oil Corporation.

CROSS EXAMINATION

By MR. KELLAHIN:

Q Mr. Woodruff, you referred back to the Langmat, and I

believe it is your testimony that you own only two wells, is that correct?

A That is my understanding.

Q Does El Paso, or any of its subsidiaries, own any proven, undeveloped acreage in the Langmat pool?

A Not to my knowledge.

Q Do you know, or don't you?

A I do not know.

Q You do not know. That is all.

MR. SPURRIER: Anyone else?

By MR. MACEY:

Q In connection with the well tests that El Paso takes for the operator, you actually go out there and make the tests themselves, and after the test is completed, what do you do then, do you make the actual calculation for the operators?

A That is my understanding, that we make the calculations.

Q You sign the forms?

A May I ask someone here that would be more familiar with our actual making of the forms and of the tests papers? I understand we do not sign the tests.

Q You do make the calculations though?

A We do make the calculations, do we not?

MR. WRIGHT: I don't know, we submit that to the operator.

MR. MACEY: You submit the basic test information to the operator and let him make the calculations?

MR. WRIGHT: I believe that is right.

Q In other words, it is up to the operator to correctly interpret the information that you got and make the calculations, isn't that correct?

A I seem to be corrected to that affect, Mr. Macey.

Q Then if the operator made any mistakes in the calculations, and the calculations are pretty involved, are they not?

A Yes, they are.

Q The result would tend to be alittle haywire?

A That is entirely possible. May I have one moment for consultation with Mr. Baulch?

(Off the record.)

A I wish to advise the Commission that El Paso does make a calculation of back pressure tests on all the wells to which it is connected; such information is submitted to the operators if they so desire the information, and the actual result of our tests it is up to the operator, I understand, himself, to submit to the Commission a test and it may be the results of our test or his own calculation. We do have available, however, our own calculations of back pressure tests on all wells to which we are connected and should the Commission desire the use of such tests, we will be happy to supply them to the Commission.

Q (By Mr. Macey) In connection with that, Mr. Woodruff, if I told you I had seen a copy of those figures for 1952, and compared them with the actual back pressure tests that had been submitted to the Commission and found there was considerable

variation due to not to your calculations probably the operator's calculations, could you argue with me about it?

A No, sir. As you said, the calculations are rather complicated and the person not knowing what he is doing could mess them up. I consider we have competent personnel and I believe our tests will be as good tests, the result of the tests would be as good as could be obtained.

Q I don't want you to think I am putting any reflections upon your method of taking the tests, or your computations. I am talking about the operators themselves.

A I can't vouch for anyone except ourselves.

MR. MACEY: That is all.

A My discussion of the potential test is just to point out possibly more clearly to the Commission it may be possible in your judgment to calculate a deliverability in the very near future, which could be utilized in an allocation formula until such time as the actual deliverability test, as proposed, could be taken. I believe that the potential, the deliverability test as calculated from the potential test would be representative, though not as accurate as that proposed.

MR. SPURRIER: Anyone else? If not, the witness may be excused. Any more testimony to be presented in this case?

MR. KELLAHIN: If the Commission please, if the Commission has no objection, I would like to ask Mr. Stanley some questions.

(Witness sworn)

S T A N L E Y J O H N S T A N L E Y

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. KELLAHIN:

Q Would you state your name, please?

A My name is Stanley John Stanley, engineer for the Oil Conservation Commission.

Q Mr. Stanley, in connection with your duties for the Oil Conservation Commission, have you had any occasion to study the provisions of Rule Five as it now appears in the Commission Order No. R-356?

A I have studied the rule, and, furthermore, was Secretary to the Advisory Committee when it was drawn up, the rules.

Q You are familiar with the provisions of that rule?

A I am.

Q Have you had occasion, Mr. Stanley, in connection with your official duties, to study the application of this rule to the fields involved in these hearings?

A Yes, sir, I have. In accordance with Rule 511, "no gas well shall be given an allowable until Form C-104 and C-110 are filed, together with a plat showing the acreage attributed to said well, and the locations of all wells on the lease." We therefore, in our Hobbs office, have to date received Form C-104 and C-110, and also some gas plats showing the acreage attributed to said gas wells. Furthermore, I have chosen at random a few of the plats submitted to our office, and have shown the configuration as

shown on the board, and shown as Exhibits one through five inclusive.

Q Are those actual plats which have been filed with your office for proposed units?

A Yes, sir, they are, and the plat's acreage is not in one particular field, it is a cross-section through all the different gas wells under question at the present time.

Q Would you explain those exhibits to the Commission, please?

A Now, the area outlined in red shows you the acreage that is attributed to gas wells, which is defined on these rough sketches as a red dot. In this particular well, this well is approximately in the center of 160 acres in the Northwest quarter of the section. However, they also contribute 80 acres in the north half of the Northeast quarter of that section, and it shows you a drainage pattern which I don't think is applicable in that particular case.

In a similar, in exhibit two, exhibit three is more or less in line, I feel, remaining on the same 160 acres, excludes the 40 acres in the Northeast quarter or the Southeast quarter of the 40 acres.

Q In connection with Exhibit Three, is there any danger of that form being isolated?

A I believe there is, if no effort is made to unitize the particular 40 acres in question. Exhibit Four is along 320 acres in the East half of the section, showing the location of the well being approximately in the southeast quarter of the Southeast quarter of the section. Now, in this particular case, I have

not studied it further, but assuming, hypothetically, there will be a well draining 160 acres to the south of it, and a well with an acreage factor of 160 acres directly east of it, and with this allowable of 300, and attributed to 320 acres, I think there will be an unequitable drainage pattern in that particular case. In Section Five, the section lines are crossed, showing the position of the well, which is not anywhere near the central pattern of drainage, and, furthermore, we have in this particular case, the section line is crossed, it creates another problem of attributing acreage in the entire section to the south, this acreage is in section five and crossing the black line here shows the 40 acres which is in Section Eight.

Q All are proposed to be attributed to that well?

A That one well.

Q Is that well located in a situation under normal conditions to drain the acreage attributed to it?

A I don't think so.

Q Do you have any opinion as to the application of this rule as to developed and undeveloped fields?

A In the case of a developed field, whether the Commission uses a straight acreage factor or a deliverability factor is used, I feel that a unit of proration should be 160 acres, or 158 acres to 162 acres as outlined in these rules. It should be in the form of a square, a legal subdivision by the United States Geological Survey, or a quarter section, and any acreage that is dedicated to the 160 acres should only be granted by the Commission through

due notice and hearing. Now, in the particular case of an undeveloped field, I believe that 320 acres, or the maximum of 640 acres would drain a particular well. If that particular well was initially initiated on that acreage pattern, or orderly developed in that fashion, I am not opposed to 640, but I am opposed to anything that is greater than 160 acres in all the gas fields in question at the present time.

Q Do you believe--is it your opinion that the modification of Rule Eight as you propose it would serve to protect correlative rights?

A I think it would.

MR. KELLAHIN: That is all the questions I have.

MR. SPURRIER: Does anyone have a question of Mr. Stanley?

MR. KELLAHIN: I would like to offer in evidence Exhibits One through Five, presented by Mr. Stanley.

MR. SPURRIER: Without objection they will be admitted.

CROSS EXAMINATION

By MR. STAHL:

Q Just a couple of questions, Mr. Stanley. I believe you testified that you think these five exhibits are representative of unfair or unequitable drainage patterns, is that right?

A Well, I have, and I would like to modify that statement that I think if we remain on 160 acres, any form of legal subdivision, I think in some of these cases it would be unequitable drainage.

Q Well, for example, Exhibit Four, that being a reasonably easy one to talk about, would you propose that in Exhibit Four that a well should be drilled in the northwest--excuse me, the northeast quarter?

A Yes, sir, I do.

Q In order to effectively drain that area?

A Provided, of course, there are other wells on 160 acres adjoining that tract, but even so, I do believe in the northeast quarter of that particular section there should be a well in that producing horizon.

Q In the fields those five exhibits represent, do you feel a well can drain more than 160 acres?

A I think it can.

Q But, it is your position that there should be a well to each 160 acre tract, even though a well might drain more than 160 acres?

A Yes, sir.

Q Doesn't that mean that the operators will have to spend more money in drilling additional wells that they might not have to if only effective drainage figured as a criterion --

A (Interrupting) Not necessarily. I think if you study the ownership map, our gas proration is largely going to be dependent upon an oil-gas pools. In many instances there are already wells in the majority, already wells producing oil, and it is contemplated by all the operators to perforate the pipe in oil-gas pools, and the area in question is one that was started in 1928 from the first drilling of an oil well in the Jal area, and due to the past rules

in past experiences, most of the gas wells in this particular area have been completed on 160 acres, and, therefore, I do not think there would be too much involved in the line of expense to the operator in this particular case.

Q Am I correct in assuming that motivation for your opinion is practicality rather than theory?

A Well, I think both. I think it would be practical and I am not saying you can't establish a greater unit of proration on 160 acres, but only after due notice and hearing.

MR. STAHL: That is all.

MR. SPURRIER: Anyone else? Mr. Abbott.

MR. W. G. ABBOTT: W. G. Abbott, Amerada.

By MR. ABBOTT:

Q Stanley, are you proposing that we rewrite this rule Five of 356, which states that proration units shall be the legal subdivision in a form of a square, it says that after that a gas proration unit other than a legal quarter section may be formed after notice of hearing by the Commission, or if the Commission has been furnished waivers from all offsetting operators. Are you proposing to do away with the waivers?

A Only after due notice and hearing. I think the waivers apply, and also due notice and hearing.

Q Well, what is your opinion on a long 160 acre unit?

A Well, I think that on a long 160 acres, you are talking about a long section now?

Q Yes.

A Which occur in the monument.

Q Forty acres wide and a mile long.

A You have some long sections in the monument area, and in some other areas along township lines, which approximate a section and a half; and instead of having four 160-acre tracts, they do have 240, to make it a section and a half.

MR. SPURRIER: Stanley, you misunderstood. He is talking about four 40's in a row to make what he calls a long quarter section.

A I think you should have a hearing, due notice and hearing.

Q You think it will be necessary to have a hearing on it?

A Yes.

Q That would do?

A That is if you have one well on that particular long four 40's.

Q That would completely rewrite this rule Five?

A In some instances it would.

MR. CAMPBELL: Jack Campbell for Gulf.

By MR. CAMPBELL:

Q Mr. Stanley, I still don't understand your answer to Mr. Abbott's question. Is your objection to the authorization of more than 160 acres, or to the right to obtain units over 160 acres on waivers. If you have offset approval, what reason is there for a hearing even on your discussion of drainage, if your offset operators don't object, it seems it would cause additional hearings. I see your point on this. As I understood first, it was the

granting of larger than 160 acres to any one well, do you feel both are wrong?

A No, I think from a practical standpoint when we first started gas-oil ratio, that it remain on the legal 160 acres due to the fact there has been past development on 160 acres. Any unusual configuration should be considered by the Commission.

Q This rule, as I read it, as to 160 acre proration units--forgetting for the moment the right to get four of those under this rule--but the 160 acre proration unit which is not in the form of a quarter-quarter section, if it can be obtained by waivers from all offset operators, what is the--what other reason is there for having a hearing?

A Well, I think that the case should be outlined showing the drainage for one, showing the plans of unitization, because that long quarter section itself might have a direct influence on the spacing configuration and the balance of the sections.

Q That is true. I assume the Commission would, as they do in unorthodox locations arrangements, require plats and ownership information with the application. You feel, however, that if those are furnished, and if you also furnish waivers from offset operators, and the Commission can see no apparant reason for any disturbance of the spacing pattern, that you should be able to obtain it without having to come up for hearing. Can you see any objection for that, can't the Commission analyze that on proper information being furnished?

A I don't know, but I think there are implications that

should be aired, and which all facts should be presented before this Commission on that one particular case.

Q Mr. Stanley, you are an employee of the Commission, and what I am thinking is the fact that once this goes into affect in these developed gas pools, it is inevitable where pools so far developed as they are here, you are going to have a tremendous number of applications for setting up proration units on configuration not necessarily quarter-quarter sections. It seems to me you would do the Commission a favor and the operator too, to set up a satisfactory protection for operators if you allow it to be done by waivers under proper circumstances.

A I understand that, but I think in order to start gas proration, you start on a legal subdivision and that way I do feel by being stringent with the rule at the outset will cause unitization where it will not be if you are more lenient.

By MR. MACEY:

Q Mr. Stanley, I would like to ask a question in regard to, for instance, Exhibit Three. Let's assume that every offset, with the exception of the east offset is a square 160-acre tract; and the east ~~offset~~ is the 160 plus that 40; the north offset being a 120 with an isolated 40 up here. This man in the northeast 40 wouldn't have any say about the starting of an unorthodox unit in that section, to start with, would he?

A That is right.

Q When this man came in for an unorthodox location, he would have a say, but might partially be offset, that is offset

by a "goofy" unit to start with?

A Yes, sir.

Q Therefore, once it starts, never can stop it?

A No, sir.

Q O. K.

By MR. CAMPBELL:

Q Let me ask you one more question. What would a hearing do to help that situation?

A I think that all people involved in that particular area would have a chance to voice their opinion, and there may be some facts brought out before the hearings that would not be brought out by writing waivers.

Q Isn't that basically the inevitable result of changing a spacing pattern that has been created over many years though?

A Not under the circumstances.

By MR. STAHL:

Q Mr. Stanley, is this true, irrespective of what formula may be adopted as a method of allocation?

A I think it has its implication in both a straight acreage factor and a deliverability factor. I think any unusual configuration has its bad effects in either case.

Q Your testimony applies with equal validity with respect to--

A (Interrupting) To each case, you might say. I don't know what the Commission will do as far as proration of gas, at the present time, and I think that each one is applicable to deliver-

ability and acreage.

Q In what you have entitled Exhibit Five, if that unit is permitted to become 160, if those four quarter quarters are formed into one unit, doesn't that then have a tendency to start in all directions of throwing everything else off?

A That is right, it certainly has in Section Eight, it certainly has in Section Five.

Q The only way to correct that is to compound a felony by having another irregularity somewhere else?

A Not necessarily. I think by being stringent in this case it might form unitization. In this particular 40 it would be additive to the northeast quarter of the following sections.

Q I am assuming the quarter quarters in Exhibit Five are permitted by the Commission to become one unit. In order to correct that in the offsetting quarter sections, would you not be forced to either isolate some quarter-quarter section, or have another ununiformity?

A We could possibly, yes.

MR. R. G. HILTZ: I would like to ask Mr. Stanley one question. R. G. Hiltz for Stanolind.

By MR. HILTZ:

Q Referring to your Exhibit Four, Stanley, I want you to clarify one thing for me. On your remarks, did I understand you to say in the gas field we are trying to prorate at this time, that you would be opposed to allowing an operator to assign, say, 320 acres in that case to that well, even after notice and hearing?

A Not after notice of hearing, if the Commission decides they shall allow that 320 after notice of hearing, that is fine.

Q Well, I just wanted to be certain the record reflects that, that was not what I understood from your statement.

A I said at that particular time I wouldn't allow it until after due notice and hearing, that is my own personal opinion.

By MR. HINKLE:

Q I would like to ask Mr. Stanley a question. Section Five, as I read the standby rules, provides for the waivers from offset operators. Let's take Exhibit Number Three there. If you are going to get waivers and, say, the northeast quarter was divided into two ownerships, one 80, the south 80 owned by one operator, and the north 80 by another operator, would you consider that-- who would you consider in that case to be the offset owner that you would get the waiver from?

A Well, I don't know until after due notice and hearing, and all the facts have been brought into the case.

Q My point is, wouldn't you consider, because of the standard 160 acres, that you would have to get all the owners in an adjoining 160, rather than just the adjoining offset acreage?

A Why couldn't you consult the individual that owned that 40?

Q Because I don't think you are consulting far enough out. In a sense he is an offset, but it looks to me like you have to take in consideration the whole 160 in connection with determining who to get waivers from.

A I think the waivers should be brought before the Commission and read in the record and the case analyzed and disposed of in that manner.

Q The point you wish to make, you think you should have a hearing to determine in every irregular case, to determine what action should be taken.

A Yes, sir, and I think that will have a tendency to form unitization and a final analysis and not bring about as many hearings as is contemplated.

Q Would it be possible to have a hearing on each section in those cases?

A Well, whenever the configuration is so irregular, it requires it, it may be.

By MR. MACEY:

Q Mr. Stanley, with the Eunice, monument, Jalco and Langmat area in mind, is it perfectly possible for an operator with 80, or even 160 acres, let's take the 80 for example, for it to be impossible for him to dually complete a well due to the operating characteristics of a well in that pool?

A Possibly.

Q And if he was, he thought the reserves under that, let's say, were not adequate to drill a separate well, he would be deprived of his right under that?

A That is right.

Q From an economic standpoint, would he not?

A That is right.

MR. SPURRIER: Anyone else?

By MR. ABBOTT:

Q Getting back to this long 160, it still worries me. You realize the way this, our Rule 356 is written. Now, if it did go into effect like this, and we wanted to form a long 160, it might require 14 waivers just around that 160.

A Yes, sir.

MR. SPURRIER: Anyone else? If there are no further questions, the witness may be excused. Anyone else have any testimony to offer in this case? If not, we will take the case under advisement and move on to Case No. 590.

* * * * *

I, MARIANNA MEIER, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings was taken by me on October 27, 1953, that the same is a true and correct record to the best of my knowledge, skill and ability.

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. 589
ORDER NO. R-375-A

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON ITS
OWN MOTION FOR ALL OPERATORS
AND INTERESTED PARTIES IN THE
JUSTIS 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-375 was duly entered by the Commission. Order R-375 adopted the general or "stand-by" rules promulgated by Order R-356 as the Special Rules and Regulations of the Justis Gas Pool, heretofore established. R-375 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 Justis 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 Justis Gas Pool, and should conform, generally with the provisional special rules of Order R-375.

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

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

RULE 2. Each well drilled or recompleted within the Justis 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 Justis 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 Justis 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 Justis Gas Pool and other relevant data and shall fix the allowable production of the Justis Gas Pool, and shall allocate production among the gas wells in the Justis 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 Justis 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 Justis 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 Justis 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 Justis Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Justis 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 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 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 Justis 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 Justis 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 Justis 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 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 Justis 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 Justis 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-375, 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.

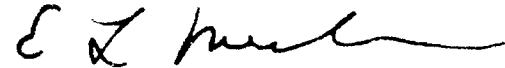
-7-

Case No. 589

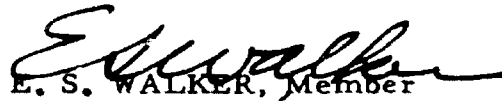
Order No. R-375-A

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

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. 589
Order No. R-375

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON
ITS OWN MOTION FOR AN ORDER
ESTABLISHING POOL RULES FOR
THE JUSTIS GAS POOL, LEA COUNTY,
NEW MEXICO, SAID RULES BEING CON-
CERNED 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 CASF 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 Justis 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 Justis Gas Pool, should be considered as the special rules and regulations for said pool pending further order of the Commission.

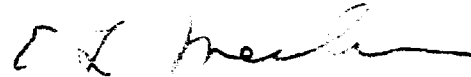
IT IS THEREFORE ORDERED:

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 Justis Gas Pool pending further order of the Commission after notice and hearing.

IT IS FURTHER ORDERED:

That all parties interested in said Justis 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 and Secretary

SEAL

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

Case 589

NEW MEXICO
OIL CONSERVATION COMMISSION

Gas Well Plat

Date _____

Operator _____

Lease _____

Well No. _____

Name of Producing Formation _____ Pool _____

No. Acres Dedicated to the Well _____

SECTION _____ TOWNSHIP _____ RANGE _____

I hereby certify that the information given above is true and complete to the best of my knowledge.

Name _____

Position _____

Representing _____

Address _____

Exhibit 1

(over)

Cpsl 589

NEW MEXICO
OIL CONSERVATION COMMISSION

Gas Well Plat

Date _____

Operator _____

Lease _____

Well No. _____

Name of Producing Formation _____ Pool _____

No. Acres Dedicated to the Well _____

SECTION _____

TOWNSHIP _____

RANGE _____

I hereby certify that the information given above is true and complete to the best of my knowledge.

Ephraim

Name _____
Position _____
Representing _____
Address _____

(over)

Circle 589

NEW MEXICO
OIL CONSERVATION COMMISSION

Gas Well Plat

Date _____
Operator _____ Lease _____ Well No. _____
Name of Producing Formation _____ Pool _____
No. Acres Dedicated to the Well _____

SECTION	TOWNSHIP	RANGE

I hereby certify that the information given above is true and complete to the best of my knowledge.

E. H. ...

Name _____
Position _____
Representing _____
Address _____

(over)

• Circle 589

NEW MEXICO
OIL CONSERVATION COMMISSION

Gas Well Plat

Date _____

Operator _____

Lease _____

Well No. _____

Name of Producing Formation _____ Pool _____

No. Acres Dedicated to the Well _____

SECTION _____ TOWNSHIP _____ RANGE _____

I hereby certify that the information given above is true and complete to the best of my knowledge.

Name _____

Position _____

Representing _____

Address _____

Ephraim 4

(over)

Case 589

NEW MEXICO
OIL CONSERVATION COMMISSION

Gas Well Plat

Date _____

Operator _____ Lease _____ Well No. _____

Name of Producing Formation _____ Pool _____

No. Acres Dedicated to the Well _____

SECTION _____ TOWNSHIP _____ RANGE _____

Section 5

I hereby certify that the information given above is true and complete to the best of my knowledge.

Name _____
Position _____
Representing _____
Address _____

Section 8

4/16/55

(over)

Justo

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

⁵⁸⁷
CASE NO. ~~587~~
ORDER NO. R-~~356~~-A
³⁷⁵

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION FOR ALL
OPERATORS AND INTERESTED PARTIES IN
THE ^{NY 375} ~~JALISCO~~ 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~~26~~,

1953, at Santa Fe, New Mexico, before the Oil Conservation Commission of
New Mexico, hereinafter referred to as the "Commission".

NOW, on this _____ 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 by virtue of Order R-356 adopted certain
"Standby Rules" pertaining to the four county area of Lea, Eddy, Chaves and
Roosevelt Counties, New Mexico; said rules dealing with well spacing, allocation,

proration units and other pertinent matters.

(3) That the Commission issued Order R-368, ³⁷⁵ pertaining to the

JUSTIS

Jaleo Gas Pool adopting the Rules and Regulations of Order R-356 as the

JUSTIS
special pool Rules and Regulations of the Jaleo Gas Pool pending further

order.

(4) That the Rules and Regulations as set forth in Order R-356

with certain amendments should be placed in full force and effect in the

JUSTIS

Jaleo Gas Pool.

(5) That operators in certain designated ~~land gas pools in~~

JUSTIS
the area of the Jaleo Gas Pool should supply to the Commission certain

geological and reservoir information in order that a complete evaluation of

the productive limits of this pool can be ascertained.

(5)

~~That~~ That an adequate gas well testing procedure should be adopted

as soon as possible so that operators, purchasers and the Commission can

determine the feasibility of employing an allocation factor pertaining to

well productivity, deliverability or pressure in allocating production and

that pending this evaluation the allocation of gas in the ^{*JUSTIS*} Jaleo Pool shall be

on a 100% acreage basis using 160 acre proration units as a basis for the

allocation.

(7) That the allocation of gas on a 160 acre proration unit basis

be limited to 160 acres in the form of a square being a legal subdivision,

quarter section, of the U. S. Public Land Surveys and that deviation from this

basis shall be allowed only after proper notice and hearing.

(8) That in granting exception to the standard 160 acre proration unit the Commission should give special consideration to wells heretofore completed, which would make pooling agreements of acreage economically impractical.

(9) That the portion of the Jalco Gas Pool known as the "Rhodes Storage Area" should be granted exception to the Rules and Regulations of the Jalco Gas Pool provided certain reports are made to the Commission.

(10) That for the purpose of administration and clarification of pool rules, all the rules applicable to well spacing, production, proration and allocation of gas in the Jalco Gas Pool should be set out in this order under the heading "JALCO GAS POOL RULES"

IT IS THEREFORE ORDERED:

That the following Rules shall apply to the Jalco Gas Pool, Lea County, New Mexico.

JALCO GAS POOL RULES

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

^{Justis}
Regulations in effect in the ~~Jalee~~ Gas Pool.

^{Justis}
Rule 2. Each well drilled or recompleted within the ~~Jalee~~ 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.

^{Justis}
Rule 3. Each well drilled within the ~~Jalee~~ 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 an exception to the requirements of Rule 3 without notice and hearing where application has been filed in due form, and,

(a) When the necessity for an 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.

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 ^{Justice} ~~Justice~~ 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 ^{Justice} ~~Justice~~ 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 ~~summary~~ 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 ^{JUSTIS} the Jalco Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the ^{JUSTIS} 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 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 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 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 these wells located within the defined limits of the ^{JUSTIS} ~~Julius~~ 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, whether oil or gas, they operate within the defined limits of the ^{JUSTIS} ~~Julius~~ 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 ~~Yutsey, Brown Rivers and Queen~~ as indicated by the log.

In the event that the Commission deems it advisable to obtain additional information from wells producing outside the defined limits of the ^{JUSTIS} 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 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 usefulness 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 ^{JUSTIS} 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 ^{Joint} ~~John~~ 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.