

Case No.

799

Application, Transcript,
Small Exhibits, Etc.

**BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO**

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

**CASE NO. 799
Order No. R-576**

**THE APPLICATION OF THE OHIO OIL
COMPANY FOR AN ORDER AUTHORIZING
THE FORMATION AND ESTABLISHMENT
OF A NON-STANDARD GAS PRORATION
UNIT OF 320 CONTIGUOUS ACRES CONSIST-
ING OF THE NW/4 AND THE N/2 SW/4 OF
SECTION 5, TOWNSHIP 20 SOUTH, RANGE
37 EAST, AND THE S/2 SW/4 OF SECTION
32, TOWNSHIP 19 SOUTH, RANGE 37 EAST,
NMPM, LEA COUNTY, NEW MEXICO, IN
THE EUMONT GAS POOL, AND FOR ASSIGN-
MENT OF THE ACREAGE IN SUCH UNIT TO
THE OHIO OIL COMPANY'S BERTHA BARBER
WELL NO. 11 FOR GAS PRORATION PURPOSES
IN THE EUMONT GAS POOL.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m., on December 16, 1954, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission".

NOW, on this 9th day of February, 1955, the Commission, a quorum being present, having considered the records and testimony adduced, and being fully advised in the premises;

FINDS:

(1) That due notice of the time and place of hearing and the purpose thereof having been given as required by law, the Commission has jurisdiction of this case and the subject matter thereof.

(2) That the Commission has power and authority to permit the formation of a gas proration unit consisting of other than a legal section after notice and hearing by the Commission.

(3) That applicant, The Ohio Oil Company, is the owner of an oil and gas lease in Lea County, New Mexico, the land consisting of other than a legal section, and described as follows, to-wit:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
NW/4 and N/2 SW/4 of Section 5

TOWNSHIP 19 SOUTH, RANGE 37 EAST, NMPM
S/2 SW/4 of Section 32

containing 320 acres, more or less.

(4) That applicant, The Ohio Oil Company, has a producing gas well on the aforesaid lease, known as The Ohio Oil Company's Bertha Barber Well No. 11, located 330 feet from the west line and 990 feet from the north line of Section 5, Township 20 South, Range 37 East, said location being 330 feet from the west line and 2310 feet from the north line of the above-described contiguous acreage

(5) That the aforesaid well is located within the horizontal limits of the pool heretofore delineated and designated as the Eumont Gas Pool.

(6) That the aforesaid well, completed in November 1952, is producing from within the vertical limits of the Eumont Gas Pool and should be classified as a gas well producing from the Eumont Gas Pool.

(7) That it is impractical to pool applicant's said lease with adjoining acreage in either of said sections, and that the owners of adjoining acreage have not offered to pool their acreage with the acreage included in the proposed proration unit.

(8) That all of the acreage in the proposed unit is reasonably presumed to be productive of gas from the Eumont Gas Pool, and unless a proration unit consisting of applicant's aforesaid acreage is approved and authorized and assigned to The Ohio Oil Company's Bertha Barber Well No. 11 for the purpose of gas proration in said pool, applicant will be deprived of the opportunity to recover its just and equitable share of the natural gas in the Eumont Gas Pool.

(9) That the creation of a proration unit consisting of the aforesaid acreage and the assignment of such acreage to the well identified above will not cause but will prevent waste and will protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That the application of The Ohio Oil Company for approval of a non-standard gas proration unit consisting of the following described acreage

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
NW/4 and N/2 SW/4 of Section 5

TOWNSHIP 19 SOUTH, RANGE 37 EAST, NMPM
S/2 SW/4 of Section 32

is hereby approved and a gas proration unit consisting of the aforesaid acreage is hereby created in the Eumont Gas Pool.

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Case No. 799

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(2) That, for the purposes of gas proration in the Eumont Gas Pool, the acreage included in said unit is hereby assigned to The Ohio Oil Company's Bertha Barber Well No. 11, which well is located in the NW/4 NW/4 of Section 5, Township 20 South, Range 37 East, NMPM; that said well shall be considered to be completed in the Eumont Gas Pool, and that said well shall be granted an allowable from the 1st day of March, 1955, in the proportion that 320 acres bears to the acreage included in the standard or orthodox proration unit for the Eumont Gas Pool, all until further order of the Commission.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

John F. Simms
JOHN F. SIMMS, Chairman

E. S. Walker
E. S. WALKER, Member

W. B. Macey
W. B. MACEY, Member and Secretary



OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

February 10, 1955

Mr. J. O. Terrell Couch
Legal Department
The Ohio Oil Company
Box 3128
HOUSTON, TEXAS

Dear Sir:

We attach a copy of Order R-576 issued by the Commission in Case 799, which was heard upon your company's application at the regular hearing of December 16, 1954.

Very truly yours,

W. B. Macey
Secretary-Director

WBM:nr

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P
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Case #179

Everything seems in order for approval of the Unit as defined in R-520, Rule 5

P(b) 1. Contiguous $\frac{1}{4}$, $\frac{1}{4}$ sections

2. "Exception" - Unit lies in two
town. Sections (5, T20S, R37E)
(32, T19S, R37E)

No objection to this here

3. Entire Unit is within Farnout Gas Pool & may be presumed to be productive of gas.

4. Length is 3280'
Width is 2640'

5. Ohio is the owner of an acreage in the above unit

6. Plat indicates single royalty ownership

Only offsets to consider are:

(1) Anierada - L.M. Lambert Sec.

(2) Gulf - Harry Gulp Sec.

Only objection is to the possibility of completion on the top of the Grappling formation -

Q#1 - is the well perforated in the top of Grappling?

Q#2 - If it is - what will be done?

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 799

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
ROOMS 105, 106, 107 EL CORTEZ BUILDING
TELEPHONE 7-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
December 16, 1954

IN THE MATTER OF:

Application of The Ohio Oil Company for approval
of a 320-acre non-standard gas proration unit in the
Eumont Gas Pool: NW/4 and N/2 SW/4 of Section 5,
Township 20 South, Range 37 East, and S/2 SW/4 of
Section 32, Township 19 South, Range 37 East, Lea
County, New Mexico; and for assignment of the acreage
in the unit to applicant's Bertha Barber Well No. 11,
NW/4 NW/4 Section 5, Township 20 South, Range 37 East.

Case No.
799

BEFORE:

MR. E. C. (Johnny) WALKER
MR. WILLIAM B. MACEY

TRANSCRIPT OF HEARING

D. K. SPELLMAN, J.R.,

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

DIRECT EXAMINATION

By: MR. COUCH:

Q Will you state your name and by whom you are employed
and in what capacity, please, sir.

A D. K. Spellman, Jr., District Petroleum Engineer for the
Ohio Oil Company.

Q At Midland, Texas, Mr. Spellman?

A Midland, Texas.

Q Mr. Spellman, are you generally acquainted with the Ohio
Oil Company's Bertha Barber lease in Lea County, New Mexico?

A I am.

Q That lease covers the northwest quarter and north half
of the southwest quarter of Section 5, Township 20 South, Range

ADA DEARNLEY & ASSOCIATES
STENOGRAPHIC REPORTERS
ALBUQUERQUE, NEW MEXICO
TELEPHONE 3-6691

37 east and the south half of the southwest quarter of Section 32, Township 19 south, Range 37 east, in Lea County, New Mexico?

A It does.

Q That acreage comprises 320 acres more or less, does it not?

A That is correct.

Q And the Ohio is here seeking a non-standard gas proration unit consisting of that acreage?

A It is.

Q Mr. Spellman, you recommend that the tract that we have just described be considered as containing 320 acres for the purpose of allocating gas allowable in the Eumont Gas Pool?

A I do.

Q On this acreage is located one gas well, I believe, Mr. Spellman?

A That is correct, our designated Bertha Barber No. 11.

Q When was that well completed, sir?

A November of 1952.

Q And at what location on this land was it completed?

A Well, it is located 990 feet from the north line and 330 feet from the west line of Section 5, Township 20 South, Range 37 East.

Q That location would be 330 feet from the west and 300 north and east of the lines of the proposed unit?

A It would be.

Q And is in the northeast quarter of the northwest quarter of that section 5 that you referred to?

A It is.

Q Mr. Spellman, all of the acreage within the proposed unit is within the boundaries of the Eumont Gas Pool as now defined.

is it not?

A It is.

Q In all of that 320 acres, in your opinion, is it reasonably presumed to be productive of gas from that pool?

A It is.

Q State whether or not in your opinion it is practical to pool or unitize this 320 acres with adjoining acres?

A We do not consider it practical to unitize or pool the acreage with adjoining acres.

Q Mr. Spellman, you have testified before the Commission, have you not?

A Yes, sir.

Q On petroleum engineering matters?

A That is right.

Q Are the qualifications of the witness accepted on those matters?

MR. MACEY: They are.

MR. COUCH: In your opinion, Mr. Spellman, would the Ohio be deprived of a fair opportunity to recover its just and equitable share of gas from the Eumont Pool if this proposed non-standard proration unit is not formed?

A It would.

Q It is your opinion that the assignment of that acreage to the well would or would not result in waste or protect the correlative rights?

A It would protect the correlative rights and would not be conducive to waste.

Q Mr. Spellman, when this well was originally drilled back in November of 1952, what was the total depth to which it was drilled?

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A Well, it was drilled originally to a total depth of 5755 feet in the Blinebry pay.

Q You say Blinebry pay, it was originally a Blinebry project and was an attempt made to complete it in the Blinebry?

A Well, pay is actually a misnomer. The Blinebry pay is geologically speaking but we found there was no pay.

Q And you came on up the hole and where did you attempt to complete the well, Mr. Spellman?

A An attempt was made in the Paddock pay.

Q Was there another attempt?

A And immediately above the Paddock in the Glorietta section.

Q I see. At that time had Eumont Gas Pool been formed?

A No, sir.

Q Were the producing formations of the Eunice Monument then designated the Yates, Seven Rivers, Queens, Grayburg and San Andres?

A They were.

Q Now was this well finally plugged back and completed as a producing well, Mr. Spellman?

A Yes, sir, it was plugged back to 3524 feet within the casing and subsequently perforated for gas production.

Q What were the intervals at which the casing was perforated above that plug that you have just identified, Mr. Spellman?

A The intervals perforated were 3364 to 3376, 3385 to 3402, 3411 to 3474, 3496 to 3506.

Q Mr. Spellman, at the time this application was filed had the Ohio filed a form designated C-105 with the Oil Conservation Commission indicating that according to available information some

of those perforations might be in what is now designated the Grayburg formation?

A We did file C-105.

Q And that is now on file with the Commission?

A It is on file.

Q You have that photostatic copy of what was filed at that time?

A Yes, sir.

Q Mr. Spellman, attached there is a radio activity log with reference to that well, is that correct, sir?

A Yes, sir.

Q When was that log run?

A The log was run on the 22nd day of October, 1952.

Q And has there been colored on this log in blue crayon some indications with reference to porosity at these perforations that you have testified about?

A There is colored in blue an interpretation of the log on the neutron side, outlining probably the best -- the better porosity within the perforated sections of the casing.

Q Mr. Spellman, since the filing of this application the New Mexico Oil Conservation Commission, Stratigraphic Nomenclature Committee has made a study of the area in which this well is and other areas in Lea County, is that correct, sir?

A That is correct.

Q Have you examined some of the cross-sections that were prepared and used by that committee in reaching its determinations?

A I have.

Q And will you state the correlative point in this well at which the Committee specifies the top of the Grayburg formation in

their studies?

A We correlate that the top of the Grayburg as expressed by the committee on --

Q (Interrupting) You say the committee which we referred to a while ago?

A The Committee to which we referred -- at 3490.

Q 3490? A On the radio activity log.

Q How far is that above the total depth of this well as now plugged back?

A It would be 34 feet above the present plugged back depth.

Q What is the first perforation, what is the depth of the first perforation encountered below the Grayburg as correlated from that committee's designation?

A Six feet.

Q Six feet from the top of the Grayburg?

A From the top of the Grayburg as correlated.

Q And what is the perforated interval from that point down?

A The perforated interval from that point down is 3496 to 3506, overall of ten feet.

Q Mr. Spellman, how long have you been engaged as petroleum engineer in petroleum operations in that area where the well is located?

A Four years.

Q Mr. Spellman, will you state in your opinion whether or not there is any gas being produced from those ten feet of perforation between 3496 and 3506 in our Bertha Barber No. 11?

A As a matter of fact, there is not any gas being produced.

Q Your opinion is that there is no gas produced from those perforations?

A We feel there is none.

Q Is it possible there is some gas being produced from those perforations?

A There may be a remote possibility but we still consider it, it is essentially zero.

Q Is it your recommendation that the 320 acres that we have described be assigned to this well for purposes of allocating the gas allowable in the Eumont Gas Pool?

A Yes, sir.

Q Now Mr. Spellman, in the event that it is necessary to re-work this well or do anything to it with reference to closing off these perforations, is there a possibility that the well would be killed or that the productability of the well would be reduced?

A Well, it would first be necessary to kill the well to work on it and there is the possibility of reducing the productivity of the well during work-over operations.

Q And there is a possibility that the well could be destroyed as a producer in the event you did run into trouble on that, is that right?

A There is that possibility.

MR. COUCH: We have no further questions.

MR. MACEY: You have any exhibits?

MR. COUCH: We'd like to offer in evidence as Ohio's Exhibit No. 1, this radio activity log on the Bertha Barber well that has been testified about and there is available for the Commission's examination the photostat of the remaining documents that were filed and are already on record with the Commission if it would facilitate your consideration of the case.

MR. MACEY: I don't think that is necessary. Is there an

objection to the introduction of Ohio's Exhibit 1 in the case?
If not, the exhibit will be received. Any questions of the witness?

MR. DON WALKER: (Gulf) I'd like to ask Mr. Spellman one question. Would you consider any type of survey to determine the productivity of that ten feet in now what is defined as the Eunice Monument Oil Pool satisfactory? In other words, could you run us a temperature survey in your hole to see if you were producing any gas from the top of the Grayburg formation, would that be satisfactory?

A Temperature surveys to be run?

MR. WALKER: Have you made any?

A I have not.

MR. WALKER: Made any such surveys?

A We have not made any surveys. In view of the high productivity of the well there might be some difficulty in getting a temperature survey that could be interpreted with any degree of accuracy.

MR. WALKER: Thank you, sir.

MR. MACEY: Anyone else?

MR. MANKIN: Texas Company likewise as an offset operator realizes that Ohio as a very prudent operator has brought this to the attention of the Commission and as to whether there is any gas being produced from the Grayburg, that seems to be something that is rather hard to determine. We would like to point out, however, that the interpretation as given in the application on Rule 520, there was no provision for it, that was for Jalmut and not for Eumont but in this particular case, if it could be determined here there was no productivity we would see nothing wrong with

leaving it that way, however, it would ordinarily be necessary.

MR. MACEY: Anyone else?

MR. MANKIN: Rule 520 there is a provision if it is open within the oil and gas -- if it is an oil or gas well but there is no such provisions allowed in Eumont.

MR. MACEY: Is there a rule, the provision you are referring to specifically is the Jalmut Pool?

MR. MANKIN: It is in the Jalmut, after Rule 18, which could still be considered rules on the Jalmut before it starts special rules for the Eumont, page 11, and it is not so included in the Eumont, it is just strictly a technicality.

MR. MACEY: I agree it is a technicality.

MR. MANKIN: In other words, the evidence put on was that the Eumont Pool was very definitely Yates, Seven Rivers and Queens could definitely be segregated from the oil pool of the Eunice Monument which was the Grayburg and San Andres whereas it wasn't so easy to keep the Jalmut Gas Pool in line with the Seven Rivers.

MR. MACEY: I realize what your point is, but the intention of this Commission was not to limit that proviso, which you are referring to, to the Jalmut Gas Pool. That provision and every provision unless it specifically outlines a certain pool applies to all the gas pools contained in order 520, that just so happens to fall in that spot.

MR. MANKIN: I am glad to know that.

MR. JIM TOWNSEND: (Stanolind) As this order is drawn, as I read it, it says, on page five of the order, starting with rule one, there at the bottom of the page, special

rules and regulations for the Jalmut Gas Pool, commencing on page 12, you have special rules and regulations for the Eumont Pool and Mr. Mankin's statement as to the, his interpretations of the rules we concur in that and we don't see how you could have made special provisions with reference to the Jalmut Pool, say from the order as drawn is that it applies to the Eumont or any other pool unless you so insert it and it will be a far stretch in the interpretation to say that it does apply to that when it is specifically not included in that section of the order.

MR. MACEY: Mr. Townsend, I agree with you a hundred per cent but I was just explaining to Mr. Mankin that that was the intent of the Commission when the order was written and it was omitted from the other order erroneously. I don't argue with you a bit, it is strictly in the Jalmut portion of the rules if you wanted to block it out as such but the intent I was trying to explain to Mr. Mankin that we did intend and I will discuss it with the Commission insofar as amending it.

MR. TOWNSEND: Is it your intention to include that proviso by an amendment order to include these other pools?

MR. MACEY: Yes, it is.

MR. COUCH: Mr. Spellman --

MR. WALKER: Excuse me just a minute, we are interested here we offset this well in three directions and very definitely order 520 specifies definite limits for the Eumont Gas Pool and definite limits for the Eunice Monument Oil Pool and if you should choose to go back in the record presented in Case 673, Gulf did a lot of work in convincing the Commission that those two pools should be separated and shouldn't be produced in the same well bore at the

same time and if Ohio is not producing out of the Grayburg we are not interested but if they are making any gas out of the Grayburg, we think they should plug back.

MR. COUCH: Mr. Macey, I --

MR. WALKER: Excuse me, one other thing, I'd like to commend Ohio, their prudence in filing the C-105 here which certainly shows their good intention of bringing it to public notice. We wouldn't have caught it otherwise.

MR. COUCH: The commendation is appreciated but we thought then and still think that we were doing what the rule required us to do. The controversy that has arisen here, the storm which has arisen about the construction of Order R-520 is interesting and certainly something that we can all give some further thought. So I would make these two observations: First, to get into the argument just on the construction of R-520 although the provisos so follow and are sandwiched in between the Jamut rules and Eumont rules, it doesn't seem to me that that is necessarily conclusive that they are a part of the Jalmut rules but aside from that, that Order R-520 was entered by this Commission after necessary hearing on the re-delineation of the pools and for pool rules. Likewise, the Commission has before it for consideration this case, after due notice and hearing, with reference to this well and the assignment of a gas allowable to this well and the Commission, in my judgment, certainly has the jurisdiction and the right, in view of the record in this case, to assign this acreage to this well for the purpose of granting a gas allowable in the Eumont Gas Pool, regardless of what the provisions of Order R-520 were or were not.

Also, I would say that as far as the fact of separation of the Grayburg, San Andres formations from the Yates, Seven Rivers and Queens formations is concerned that the Ohio in Case 673 and does here concur that they are two separate reservoirs. As to the correction of inequities, the recognition of inequities that may arise or have resulted from operations conducted in good faith, before we knew what we now know about those pools, I think this Commission certainly has the power and the authority to correct those inequities and those situations without requiring additional work, if the Commission feels that that is the proper course to take. I think that that fairly well summarizes the position that we would take here except for one thing that harkens back to some of the questions in case 673. It is my recollection that the testimony there shows that lithology, if I am using the right word, the structure of the top part of the Grayburg for about the first 50 or 60 feet along in that area is a shaly formation that is probably barren and unproductive generally speaking. That testimony, I believe is by Mr. Boulch.

MR. WALKER: Just one other statement, assuming that that is structurally right and I don't recall.

MR. COUCH: I can't quote, that is just my recollection.

MR. WALKER: We are not objecting to the 120 acres that crosses the section line at an unorthodox manner.

MR. MANKIN: I didn't say in my former statement that we, too, do not object to the non-standard proration or the non-standard location.

MR. TOWNSEND: I believe you testified, Mr. Spellman, that you don't know whether or not any gas is being produced from the

Grayburg or that portion of the well bore that extends into the Grayburg, is that right?

A We don't know positively, that is correct.

Q Well, you don't know positively that it is not being produced from it, do you?

A Right.

Q Would you agree that if gas is being produced from the Grayburg formation that without the production of oil that it is conducive or will produce waste of the reservoir energy from the Eunice Monument Oil Pool?

MR. COUCH: Mr. Macey, the question calls for a -- it is a theoretical question, if that situation exists does it result in waste. I don't see that it can materially add to the decision in this case. It would depend upon a great many other things than the matters mentioned by Mr. Townsend, how much gas and under what circumstances and pressure and quite a few other things. I think the question being a theoretical one, I don't see any great purpose can be served by going into it at this point.

MR. TOWNSEND: He testified that he doesn't know whether any is being produced or not, there is nothing theoretical about it if it is being produced. We have no evidence that it is not being produced, only his opinion, if it is being produced the question is quite relevant.

MR. MACEY: Well, Mr. Townsend, I think that to get right down to the heart of the thing, I think it would depend to a great deal upon the volume that was being produced in the Grayburg. As to whether any was to be produced. I think Mr. Spellman would agree with me, there is a possibility all of it is coming out of

there, there is a possibility none of it is.

MR. TOWNSEND: Agree.

MR. MACEY: Any time you produce a gas cap in a reservoir, I think the statute says it is waste, I don't think there is any question about it.

MR. TOWNSEND: The question is whether or not you are going to let him produce gas from the oil reservoir or the gas reservoir and that is what we are trying to determine.

MR. MACEY: Will you re-state your question for Mr. Spellman.

MR. TOWNSEND: If I can, I will. You testified, Mr. Spellman, that you don't know whether or not any of the production of the gas is coming from the Grayburg formation.

A That is correct, we do not know positively.

Q That is right. If gas is coming from the Grayburg, would it not be wasteful -- would it not be a commission of waste to produce that gas which accompanies the oil and supplies at least in part the energy for the production of oil from the Grayburg, San Andres formation?

A Theoretically that would be true, it would be conducive. You asked me if the, the gas is being produced in the Grayburg?

Q Yes.

A Would it be waste?

Q That is right.

A And I say it would.

MR. TOWNSEND: Thank you.

MR. COUCH: (resuming) Mr. Spellman, you say theoretically it would constitute waste if you are producing gas from the Grayburg?

A Yes, sir.

Q Is it your opinion or not that there is gas being produced from the Grayburg?

A We feel that it is not.

Q That is your opinion?

A Yes, sir.

MR. COUCH: No further questions.

MR. MACEY: Any further questions of the witness? Mr. Spellman, when you perforated that zone, was the hole completely unloaded or was it when you perforated the lower zone, the so-called Grayburg zone?

A You mean was there air in the casing, is that what you mean?

Q Yes, something in the casing.

A There was mud.

Q Mud?

A Yes, sir.

MR. MACEY: Any other questions of the witness? If not, the witness may be excused.

(Witness excused.)

MR. MACEY: You have anything further?

MR. COUCH: We appreciate the Commission taking our case up at this time.

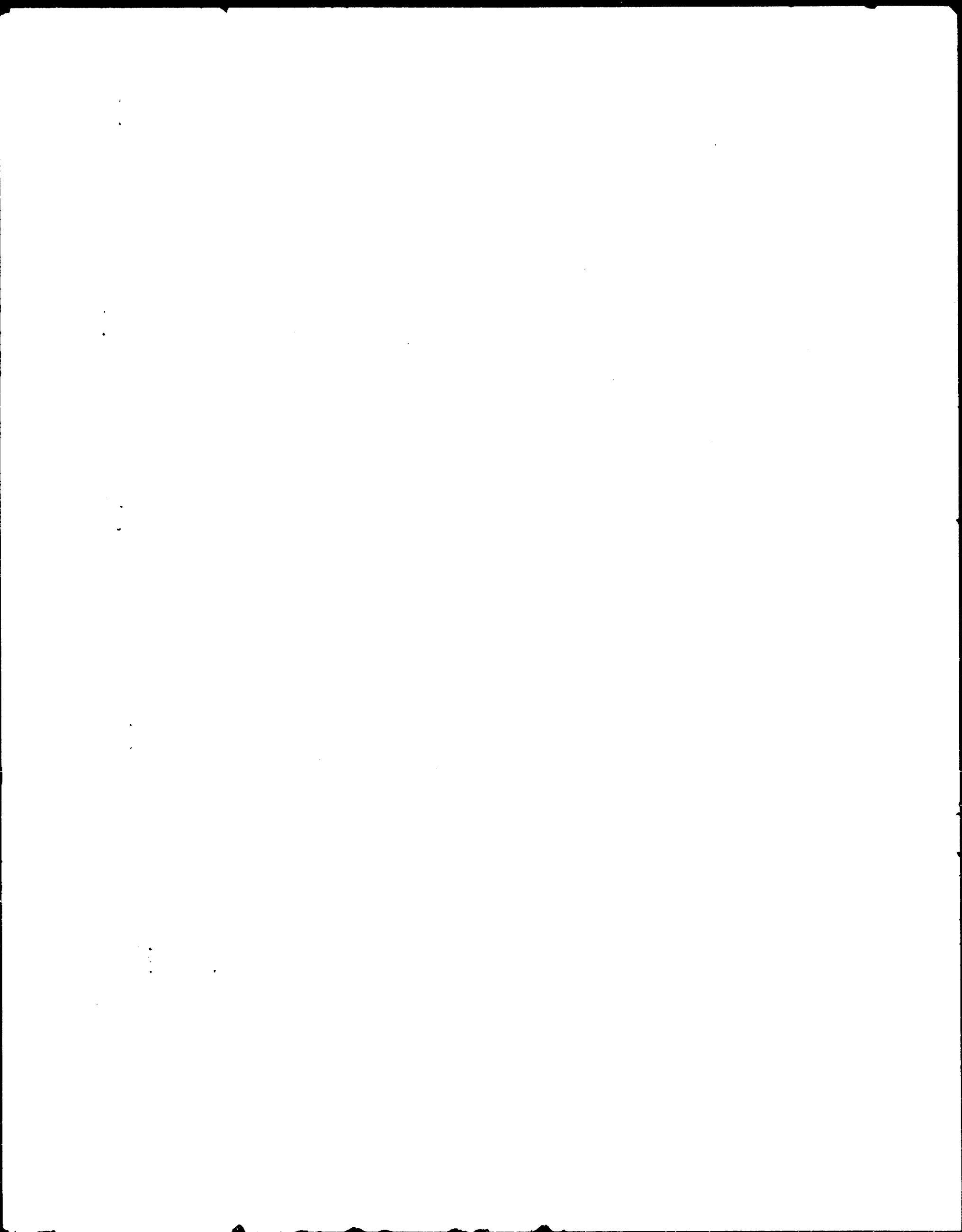
MR. MACEY: Take the case under advisement.

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss.

I, Margaret McCoskey, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF, I have affixed my hand and notarial seal this 23rd day of December, 1954.
My commission expires
August 15, 1956.

ADA DEARNLEY & ASSOCIATES
STENOGRAPHIC REPORTERS
ALBUQUERQUE, NEW MEXICO
TELEPHONE 3-6691
Margaret McCoskey
Notary Public-Court 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. 673
Order No. R-520-A

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION UPON ITS OWN MOTION FOR AN
ORDER AMENDING, REVISING OR ABROGATING
EXISTING RULES AND REGULATIONS OF THE
OIL CONSERVATION COMMISSION, AND/OR
PROMULGATING RULES AND REGULATIONS,
RELATING TO GAS POOL DELINEATION, GAS
PRORATION, AND OTHER RELATED MATTERS,
AFFECTING OR CONCERNING THE JALCO, LANGMAT,
EUMONT, AND ARROW GAS POOLS, LEA COUNTY,
NEW MEXICO.

NUNC PRO TUNC ORDER OF THE COMMISSION

BY THE COMMISSION:

It appearing to the Commission that Order No. R-520, dated August 12, 1954, and heretofore entered in the records of the Commission on August 16, 1954, does not correctly and accurately state the order of the Commission in certain particulars due to inadvertence and clerical error,

IT IS THEREFORE ORDERED:

1. That Order No. R-520, as the same appears in the records of the Commission, and the original of said Order, be amended in the following respects and particulars:

(a) At page 4, (10), paragraph 2, line 3 of the order entered in the Commission's records on August 16, 1954, and at page 4, line 4 of the original signed order, the word "duplicate" is ordered stricken and the word "quadruplicate" is substituted therefor.

(b) At pages 7, 14, and 19 in GAS PRORATION, RULE 5 (b), #5 of the order entered on August 16, 1954, and at pages 6, 12, and 16 of the original signed order, pertaining to the Jalmat, Eumont and Arrow Gas Pools, respectively, the words "quarter sections" are ordered stricken, and the word "section" is substituted therefor.

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Order No. R-520-A

(c) At page 28 of the order entered August 16, 1954, and at page 23 of the original signed order, the following words, namely, "Horizontal Limits of the Arrow Gas Pool" are ordered inserted beneath the words 'Exhibit "C" '.

IT IS FURTHER ORDERED: That the corrections and changes set forth in this order be entered nunc pro tunc in the original order as of August 12, 1954, and in the records of the Commission as of August 16, 1954, the date of entry of said original order.

DONE at Santa Fe, New Mexico, on this 31st day of August, 1954.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

S E A L

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 673
Order No. R-520

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION UPON ITS OWN MOTION FOR AN
ORDER AMENDING, REVISING OR ABROGATING
EXISTING RULES AND REGULATIONS OF THE
OIL CONSERVATION COMMISSION, AND/OR
PROMULGATING RULES AND REGULATIONS,
RELATING TO GAS POOL DELINEATION, GAS
PRORATION, AND OTHER RELATED MATTERS,
AFFECTING OR CONCERNING THE JALCO,
LANGMAT, EUMONT, AND ARROW GAS POOLS,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m., on March 17, 1954, April 15, 1954, May 10, 1954, and May 11, 1954, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission".

NOW, on this 12th. day of August, 1954, the Commission, a quorum being present, having considered the records and testimony adduced and being fully advised in the premises,

FINDS:

(1) That due notice of the time and place of hearing and the purpose thereof having been given as required by law, the Commission has jurisdiction of this case and the subject matter thereof.

(2) That under date of February 17, 1953, the Commission issued its Order No. R-264 creating the Jalco, Langmat, Arrow, and Eumont Gas Pools. That Order R-264 defined the vertical and horizontal limits of the Langmat, Jalco, Eumont and Arrow gas pools and that by subsequent orders the Commission extended the horizontal limits of the Jalco and Eumont Gas Pools and extended the vertical limits of the Eumont Gas Pool.

(3) That under date of September 28, 1953, the Commission issued its Orders Nos. R-368, R-369, R-370 and R-371 and under date of November 10, 1953, the Commission issued its Orders Nos. R-368-A, R-369-A, R-370-A and R-371-A, providing rules, definitions and procedures to be followed in prorating gas in the Jalco,

Langmat, Eumont and Arrow gas pools; and by subsequent orders issued after due notice and hearing, the Commission allocated production of gas in said pools commencing January 1, 1954.

(4) That the Eumont and Arrow Gas Pools are separate gas reservoirs and should be defined vertically and horizontally as set forth in this order; that the Jalco and Langmat Gas Pools are in fact one common gas reservoir, and said reservoir should be designated the "Jalmat Gas Pool" and delineated as set forth in this order.

(5) That the producing capacity of the gas wells in the Jalmat, Eumont and Arrow Gas Pools is greater than the market demand for gas from each of such pools.

(6) That for the prevention of waste it is necessary to allocate and prorate the gas production among the gas wells in the Jalmat, Eumont and Arrow Gas Pools in accordance with provisions of this order.

(7) That the protection and proper recognition of correlative rights as such rights are defined by Section 26 (h) Chapter 168, New Mexico Session Laws of 1949, require that the gas production from the Jalmat, Eumont and Arrow gas pools be prorated in accordance with the terms and provisions of this order.

(8) That the Rules and Regulations hereinafter set forth in this order are in all respects in the interests of conservation and provide for the allocation of the allowable production among the gas wells in the Jalmat, Eumont and Arrow gas pools upon a reasonable basis and give appropriate recognition to correlative rights.

(9) That one gas well in the Jalmat, Eumont and Arrow Gas Pools can efficiently drain 640 acres.

(10) That for the prevention of waste, a limiting gas-oil ratio of 10,000-to-1 should be assigned to the units in the following pools, namely: Cooper-Jal Oil Pool, Langlie-Mattix Oil Pool, South Eunice Oil Pool, Penrose-Skelly Oil Pool, Leonard Oil Pool, South Leonard Oil Pool, Hardy Oil Pool, Rhodes Oil Pool, Jalmat Gas Pool, Arrow Gas Pool and Eumont Gas Pool.

(11) To prevent waste, the vertical limits of the following oil pools namely: Eunice-Monument Oil Pool, Arrowhead Oil Pool, South Eunice Oil Pool, Langlie-Mattix Oil Pool, Cooper-Jal Oil Pool, Rhodes Oil Pool, Eaves Oil Pool, Hardy Oil Pool, Penrose-Skelly Oil Pool, Leonard Oil Pool, South Leonard Oil Pool, should be redefined as provided hereinafter in this order so that the vertical limits of the said oil pools will not conflict with the vertical limits of overlying gas pools.

(12) That the horizontal limits of the oil pools named in Finding No. 11 should be defined as hereinafter set forth in this order.

(13) That the Falby-Yates Oil Pool should be abolished.

(14) That in the interests of conservation, the special rules hereinafter set forth governing the production of oil from wells completed within the vertical and horizontal limits of the Jalmat, Eumont and Arrow gas pools should be adopted.

(15) That for the prevention of waste and the protection of correlative rights, the special rules contained in this order should be adopted to govern the production of oil from wells completed or recompleted in such a manner that the bore hole of the well is open in both the upper gas pools and the underlying oil pools.

(16) That for the prevention of waste a "no-flare" rule should be adopted to prohibit the flaring, venting, or wasting of casinghead gas or any other type of gas in any of the gas or oil pools referred to and affected by this order.

IT IS THEREFORE ORDERED:

(1) That the Jalmat Gas Pool be and the same hereby is created. The vertical limits of the Jalmat Gas Pool shall extend from the top of the Tansill formation to a point 100 feet above the base of the Seven Rivers formation, thereby including all of the Yates formation. The horizontal limits of the Jalmat Gas Pool shall be the area as described in Exhibit "A" attached hereto and made a part hereof.

(2) That the vertical limits of the Eumont Gas Pool, heretofore created, shall extend from the top of the Yates formation to the base of the Queen formation, thereby including all of the Yates, Seven Rivers and Queen formations. The horizontal limits of the Eumont Gas Pool shall be the area as described in Exhibit "B" attached hereto and made a part hereof.

(3) That the vertical limits of the Arrow Gas Pool, heretofore created, shall extend from the top of the Yates formation to the base of the Queen formation, thereby including all of the Yates, Seven Rivers and Queen formations. The horizontal limits of the Arrow Gas Pool shall be the area as described in Exhibit "C" attached hereto and made a part hereof.

(4) That the vertical limits of the Eunice-Monument Oil Pool, heretofore created, shall include all of the Grayburg and San Andres formations. The horizontal limits of the Eunice-Monument Oil Pool shall be the area as described in Exhibit "D" attached hereto and made a part hereof.

(5) That the vertical limits of the Arrowhead Oil Pool shall include all of the Grayburg formation.

(6) That the vertical limits of the following oil pools, heretofore created, defined and described shall extend from a point 100 feet above the base of the Seven Rivers formation to the base of the Queen formation.

Cooper-Jal Oil Pool
South Eunice Oil Pool
Langlie-Mattix Oil Pool

(7) That the horizontal limits of the Cooper-Jal Oil Pool shall be the area as described in Exhibit "E" attached hereto and made a part hereof.

(8) That the horizontal limits of the Langlie-Mattix Oil Pool shall be the area as described in Exhibit "F" attached hereto and made a part hereof.

(9) That the horizontal limits of the South Eunice Oil Pool shall be the area as described in Exhibit "G" attached hereto and made a part hereof.

(10) That no gas, either dry gas or casinghead gas, shall be flared or vented in the following pools unless specifically authorized by order of the Commission after notice and hearing:

Eunice-Monument Oil Pool
South Eunice Oil Pool
Hardy Oil Pool
Penrose-Skelly Oil Pool
Cooper-Jal Oil Pool
Arrowhead Oil Pool
Langlie-Mattix Oil Pool
Rhodes Oil Pool
Leonard Oil Pool
South Leonard Oil Pool
Eaves Oil Pool
Arrow Gas Pool
Eumont Gas Pool
Jalmat Gas Pool

This rule shall become effective November 1, 1954. Any operator desiring to obtain exception from the provisions of this rule shall apply for hearing prior to September 15, 1954. All operators shall file Form C-110, in duplicate, designating thereon the disposition of all dry gas or casinghead gas from each well in each pool listed above. Within 15 days after completion of any oil or gas well within the boundaries of the above listed pools, the operator shall file Form C-110 designating the disposition of gas from the well.

Failure to comply with the provisions of this rule within the prescribed time limits will result in the suspension of any further allowable. Extraction plants processing any gas from any of the above designated pools shall comply with the "no-flare" provisions of this rule, provided however, that the restriction may be lifted when mechanical difficulties arise or when the gas flared is of no commercial value.

Order No. R-520

(11) That oil wells producing from the following named pools shall be allowed to produce a volume of gas each day not exceeding the daily normal unit oil allowable multiplied by 10,000; provided however, that such well shall not be allowed to produce oil in excess of the normal unit allowable as ordered by the Commission under the provisions of Rule 505: Cooper-Jal Oil Pool, Langlie-Mattix Oil Pool, South Eunice Oil Pool, Penrose-Skelly Oil Pool, Leonard Oil Pool, South Leonard Oil Pool, Hardy Oil Pool and Rhodes Oil Pool.

(12) That the Falby-Yates Oil Pool as heretofore created, defined and described shall be abolished and all oil wells presently producing from the Falby-Yates Oil Pool shall be governed by the applicable rules of the Jalmat Gas Pool.

(13) That that portion of the Rhodes Storage Area lying within the defined limits of the Jalmat Gas Pool shall be exempted from the applicable provisions of the Jalmat Gas Pool Rules. The Rhodes Storage Area shall include the following described area:

TOWNSHIP 26 South, RANGE 37 East, NMPM

Sec. 4: W/2 NW/4, SE/4 SE/4, W/2 SE/4, SW/4;
Sec. 5: All
Sec. 6: NE/4 NW/4, NE/4, SE/4 SE/4, N/2 SE/4
Sec. 7: NE/4 NE/4
Sec. 8: N/2, N/2 S/2, SE/4 SW/4, S/2 SE/4
Sec. 9: All
Sec. 10: W/2 NW/4, SE/4 NW/4, S/2
Secs. 15 & 16: All
Sec. 17: E/2 NW/4, E/2
Sec. 20: E/2
Secs. 21:
and 22: All
Sec. 23: SW/4 NW/4, SW/4
Secs. 26, 27, & 28: All
Sec. 29: E/2 NE/4

That special pool rules applicable to the Jalmat Gas Pool be, and the same hereby are promulgated as follows:

SPECIAL RULES AND REGULATIONS FOR
THE JALMAT GAS POOL

Well Spacing and Acreage Requirements for Drilling Tracts.

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

RULE 2. Each well drilled or recompleted within the Jalmat Gas Pool on a standard proration unit after the effective date of this rule shall be drilled not closer than 1980 feet to any boundary line of the tract nor closer than 330 feet to a quarter-quarter section line or subdivision inner boundary line. Any well drilled to and producing from the Jalmat Gas Pool prior to the effective date of this order at a location conforming to the spacing requirements effective at the time said well was drilled shall be considered to be located in conformance with this rule.

RULE 3. The Secretary of the Commission shall have authority to grant exception to the requirements of Rule 2 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 1980-foot radius of the subject well a copy of the application to the Commission, and applicant shall include with his application a list of names and addresses of all operators within such radius, together with a stipulation that proper notice has been given said operators at the addresses given. The Secretary of the Commission shall wait at least 20 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 4. The provisions of Statewide Rule 104, Paragraph (k), shall not apply to the Jalmat Gas Pool located in Lea County, New Mexico.

GAS PRORATION

RULE 5. (a) The acreage allocated to a gas well for proration purposes shall be known as the gas proration unit for that well. For the purpose of gas allocation in the Jalmat Gas Pool, a standard proration unit shall consist of between 632 and 648 contiguous surface acres substantially in the form of a square which shall be a legal subdivision (section) of the U. S. Public Land Surveys with a well located at least 1980 feet from the nearest property lines; provided, however, that a non-standard gas proration unit may be formed after notice and hearing by the Commission, or under the provision of Paragraph (b) of this Rule.

The allowable production from any non-standard gas proration unit as compared with the allowable production therefrom if such tract were a standard unit shall be in the ratio of the area of such non-standard proration unit expressed in acres to 640 acres. Any gas proration unit containing between 632 and 648 acres shall be considered to contain 640 acres for the purpose of computing allowables.

In establishing a non-standard gas proration unit the location of the well with respect to the two nearest boundary lines thereof shall govern the maximum amount of acreage that may be assigned to the well for the purposes of gas proration; provided, however, that any well drilled to and producing from the Jalmat Gas Pool, as defined herein, prior to the effective date of this order at a location conforming

with the spacing requirements effective at the time said well was drilled shall be granted a tolerance not exceeding 330 feet with respect to the required distances from the boundary lines. The maximum acreage which shall be assigned with respect to the well's location shall be as follows:

<u>Location</u>	<u>Maximum Acreage</u>
660' - 660'	160 acres
660' - 1980'	320 acres

(b) The Secretary of the Commission shall have authority to grant an exception to Rule 5 (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 gas proration unit consists of contiguous quarter-quarter sections and/or lots.

2. The non-standard gas proration unit lies wholly within a single governmental section.

3. The entire non-standard gas proration unit may reasonably be presumed to be productive of gas.

4. The length or width of the non-standard gas proration unit does not exceed 5280 feet.

5. The applicant presents written consent in the form of waivers from (a) all operators owning interests in the ~~quarter~~ sections in which any part of the non-standard gas proration unit is situated and which acreage is not included in said non-standard gas proration unit, and (b) all operators owning interests within 1500 feet of the well to which such gas proration unit is proposed to be allocated.

6. In lieu of paragraph 5 of this rule, the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to form such non-standard gas proration unit. The Secretary of the Commission may approve the application if, after a period of 30 days following the mailing of said notice, no operator has made objection to formation of such non-standard gas proration unit.

RULE 6. (a) The Commission after notice and hearing, shall consider the nominations of gas purchasers from the Jalmat Gas Pool and other relevant data and shall fix the allowable production of the Jalmat Gas Pool.

(b) The allowable assigned to any well capable of producing its normal gas allowable in the Jalmat Gas Pool shall be the same proportion of the total remaining allowable allocated to said pool after deducting allowables of marginal wells that the number of acres contained in the gas proration unit for that well bears

to the acreage contained in all gas proration units assigned to non-marginal wells in the Jalmat Gas Pool.

RULE 7. 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 Jalmat 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 8. In the event a gas purchaser's market shall have increased or decreased, he may file with the Commission prior to the 10th day of the month a "supplemental" nomination, showing the amount of gas he actually in good faith desires to purchase during the ensuing proration month from the Jalmat 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) a summary of the total pool allocation for that month showing nominations, and adjustments made for underage or overage applied from a previous month, (b) a tabulation of the net allowable, and production for the second preceding month together with a cumulative overage or underage computation, (c) a tabulation of the current and net allowables for the preceding month, (d) a tabulation of current monthly allowables for the ensuing proration month, and (e) a tabulation of the acreage assigned each well together with a tabulation of the acreage factor assigned each well. For the purpose of allocation a proration unit of 640 acres shall be assigned an acreage factor of 4.00; a proration unit of 160 acres a factor of 1.00, etc.

"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 Jalmat Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Jalmat 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 preliminary or supplemental nominations (whichever is applicable), together with any adjustment which the Commission deems advisable.

If during a proration month the acreage assigned a well is increased the operator shall notify the Proration Manager in writing (Box 2045, Hobbs, New Mexico) of such increase. The increased allowable assigned the gas proration unit for the

well shall be effective on the first day of the month following receipt of the notification by the Proration Manager.

BALANCING OF PRODUCTION

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

If 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.

If at the end of a proration period a marginal well has produced more than the total allowable assigned a non-marginal unit of corresponding size, the marginal well shall be reclassified as a non-marginal well and its allowable adjusted accordingly.

If during a proration period a marginal well is reworked or recompleted in such a manner that its productive capacity is increased to the extent that it should be reclassified as a non-marginal well, the reclassification shall be effective on the first day of the proration month following the date of recompletion.

The Proration Manager may reclassify a well at any time if production data or deliverability tests reflect the need for such a reclassification.

RULE 10. Overproduction: A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If, at the end of the first succeeding proration period, the well is still overproduced, and has not been in balance since the end of the preceding proration period, then 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 11. No gas well shall be given an allowable until Form C-104 and Form C-110 have been filed together with a plat showing acreage attributed to said well and the locations of all wells on the lease.

RULE 12. Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, 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 13. The monthly gas production from each well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 20th 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.

Each purchaser or taker of gas in the Jalmat Gas Pool shall submit a report to the Commission so as to reach the Commission on or before the 20th day of the month next succeeding the month in which the gas was purchased or taken.

Such report shall be filed on either Form C-111 or Form C-114 (whichever is applicable) with the wells being listed in approximately the same order as they are listed on the proration schedule.

Forms C-111 and C-114 referred to herein shall be submitted in duplicate, the original being sent to the Commission at Box 871, Santa Fe, New Mexico, the other copy being sent to Box 2045, Hobbs, New Mexico.

Form C-115 shall be submitted in accordance with Rule 1114 of the Commission's Rules and Regulations.

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, compressors, combustion engines and other similar lease equipment shall not be charged against the well's allowable.

DEFINITIONS

RULE 14. A gas well shall mean a well producing with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil.

RULE 15. A well producing from the Jalmat Gas Pool and not classified as a gas well as defined in Rule 14 shall be classified as an oil well.

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.

RULE 17. No gas, either dry gas or casinghead gas, produced from the Jalmat Gas Pool shall be flared or vented unless specifically authorized by order of the Commission after notice and hearing.

RULE 18. Oil wells producing from the Jalmat Gas Pool shall be allowed to produce a volume of gas each day not exceeding the daily normal unit oil allowable multiplied by 10,000; provided, however, that such well shall not be allowed to produce oil in excess of the normal unit allowable as ordered by the Commission under the provisions of Rule 505.

PROVIDED FURTHER, After the effective date of this order no well shall be completed or recompleted in such a manner that the producing zone of the overlying gas pool and the producing zone of the underlying oil pool are both open in the same well bore unless specifically authorized by order of the Commission after notice and hearing. Dual completions may be effected in accordance with the provisions of Rule 112-A of the Commission's Rules and Regulations.

Any well presently completed in such a manner that the well bore is open to both the overlying gas pool and the underlying oil pool shall be assigned to either the gas pool or the oil pool by the Commission staff. Any operator of any well completed in such a manner shall submit to the Commission office at Hobbs, New Mexico, all pertinent well completion data on Form C-105, together with electric logs, sample logs, drill stem test records, etc. All data shall be submitted in duplicate on or before September 15, 1954. Failure of any operator to submit the required data will result in cancellation of Form C-110 and subsequent cancellation of allowables.

If the operator is not satisfied with the well's assignment he may apply for a hearing on the matter in accordance with Commission Rule 1203.

PROVIDED FURTHER, Gas-Oil Ratio Tests shall be taken in accordance with the provisions of Rule 301 of the Commission's Rules and Regulations.

Gas-Oil Ratio Tests shall be taken in all oil or gas pools in accordance with the attached schedule, (Exhibit H). This schedule supersedes the annual Gas-Oil Ratio test schedule previously issued only where applicable.

The operator of any oil or gas well who has submitted Form C-116 to the Commission during 1954 in compliance with the 1954 Annual Gas-Oil Ratio test schedule previously adopted is exempted from the requirement of taking another Gas-Oil Ratio test during 1954. If the test previously submitted is not complete the Proration Manager shall so advise the operator and the operator shall submit the required test in conformance with the Gas-Oil Ratio test schedule as outlined in Exhibit "H" attached hereto and made a part hereof.

PROVIDED FURTHER, That for gas allocation purposes and assignment of allowables the combination of the Jalco and Langmat gas pools to the Jalmat Gas Pool shall be effective September 1, 1954.

It is recognized that a great many wells will be reclassified and reassigned as a result of the provisions of this order and that the time involved in the reclassification may cause certain inequities; therefore, the Proration Manager is hereby directed to take such action as he deems advisable to prevent inequitable withdrawals.

PROVIDED FURTHER, That in filing Form C-101 "Notice of Intention to Drill or Recomplete" all operators shall strictly comply with the provisions of Rule 104, paragraph (e).

PROVIDED FURTHER, That failure to comply with the provisions of this order or the rules contained herein shall result in the cancellation of allowable assigned to the affected well. No further allowable shall be assigned to the affected well until all rules and regulations are complied with. The Proration Manager shall notify the operator of the well and the purchaser in writing of the date of allowable cancellation and the reason therefor.

PROVIDED FURTHER, That special pool rules applicable to the Eumont Gas Pool be, and the same hereby are promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE EUMONT GAS POOL

Well Spacing and Acreage Requirements for Drilling Tracts.

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

RULE 2. Each well drilled or recompleted within the Eumont Gas Pool on a standard proration unit after the effective date of this rule shall be drilled not closer than 1980 feet to any boundary line of the tract nor closer than 330 feet to a quarter-quarter section line or subdivision inner boundary line. Any well drilled to and producing from the Eumont Gas Pool prior to the effective date of this order at a location conforming to the spacing requirements effective at the time said well was drilled shall be considered to be located in conformance with this rule.

RULE 3. The Secretary of the Commission shall have authority to grant exception to the requirements of Rule 2 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 1980 foot radius of the subject well a copy of the application to the Commission, and applicant shall include with his application a list of names and addresses of all operators within such radius, together with a stipulation that proper notice has been given said operators at the addresses given. The Secretary of the Commission shall wait at least 20 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 4. The provision of Statewide Rule 104, Paragraph (k), shall not apply to the Eumont Gas Pool located in Lea County, New Mexico.

GAS PRORATION

RULE 5. (a) The acreage allocated to a gas well for proration purposes shall be known as the gas proration unit for that well. For the purpose of gas allocation in the Eumont Gas Pool, a standard proration unit shall consist of between 632 and 648 contiguous surface acres substantially in the form of a square which shall be a legal subdivision (section) of the U. S. Public Land Surveys with a well located at least 1980 feet from the nearest property lines; provided, however, that a non-standard gas proration unit may be formed after notice and hearing by the Commission or under the provisions of Paragraph (b) of this Rule.

The allowable production from any non-standard gas proration unit as compared with the allowable production therefrom if such tract were a standard unit shall be in the ratio of the area of such non-standard proration unit expressed in acres to 640 acres. Any gas proration unit containing between 632 and 648 acres shall be considered to contain 640 acres for the purpose of computing allowables.

In establishing a non-standard gas proration unit the location of the well with respect to the two nearest boundary lines thereof shall govern the maximum amount of acreage that may be assigned to the well for the purposes of gas proration; provided, however, that any well drilled to and producing from the Eumont Gas Pool, as defined herein, prior to the effective date of this order at a location conforming with the spacing requirements effective at the time said well was drilled shall be granted a tolerance not exceeding 330 feet with respect to the required distances from the boundary lines. The maximum acreage which shall be assigned with respect to the well's location shall be as follows:

<u>Location</u>	<u>Maximum Acreage</u>
660' - 660'	160 acres
660' - 1980'	320 acres

(b) The Secretary of the Commission shall have authority to grant an exception to Rule 5 (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 gas proration unit consists of contiguous quarter-quarter sections and/or lots.
2. The non-standard gas proration unit lies wholly within a single governmental section.

3. The entire non-standard gas proration unit may reasonably be presumed to be productive of gas.

4. The length or width of the non-standard gas proration unit does not exceed 5280 feet.

5. The applicant presents written consent in the form of waivers from (a) all operators owning interests in the sections in which any part of the non-standard gas proration unit is situated and which acreage is not included in said non-standard gas proration unit, and (b) all operators owning interests within 1500 feet of the well to which such gas proration unit is proposed to be allocated.

6. In lieu of paragraph 5 of this rule, the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to form such non-standard gas proration unit. The Secretary of the Commission may approve the application if, after a period of 30 days following the mailing of said notice, no operator has made objection to formation of such non-standard gas proration unit.

RULE 6. (a) The Commission after notice and hearing, shall consider the nominations of gas purchasers from the Eumont Gas Pool and other relevant data and shall fix the allowable production of the Eumont Gas Pool.

(b) The allowable assigned to any well capable of producing its normal gas allowable in the Eumont Gas Pool shall be the same proportion of the total remaining allowable allocated to said pool after deducting allowables of marginal wells that the number of acres contained in the gas proration unit for that well bears to the acreage contained in all gas proration units assigned to non-marginal wells in the Eumont Gas Pool.

RULE 7. 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 Eumont 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 8. In the event a gas purchaser's market shall have increased or decreased, he may file with the Commission prior to the 10th day of the month a "supplemental" nomination, showing the amount of gas he actually in good faith desires to purchase during the ensuing proration month from the Eumont 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) a summary of the total pool allocation for that month showing nominations, and adjustments made for underage or overage applied from a previous month (b) a tabulation of the net allowable, and production for the second preceding month together with a cumulative overage or underage computation, (c) a tabulation of the current and net allowables for the preceding month, (d) a tabulation of current monthly allowables for the ensuing proration month, and (e) a tabulation of the acreage assigned each well together with a tabulation of the acreage factor assigned each well. For the purpose of allocation a proration unit of 640 acres shall be assigned an acreage factor of 4.00; a proration unit of 160 acres a factor of 1.00, etc.

"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 Eumont Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Eumont 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 preliminary or supplemental nominations (whichever is applicable) together with any adjustment which the Commission deems advisable.

If during a proration month the acreage assigned a well is increased the operator shall notify the Proration Manager in writing (Box 2045, Hobbs, New Mexico) of such increase. The increased allowable assigned the gas proration unit for the well shall be effective on the first day of the month following receipt of the notification by the Proration Manager.

BALANCING OF PRODUCTION

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

If 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.

If at the end of a proration period a marginal well has produced more than the total allowable assigned a non-marginal unit of corresponding size, the marginal well shall be reclassified as a non-marginal well and its allowable adjusted accordingly.

If during a proration period a marginal well is reworked or recompleted in such a manner that its productive capacity is increased to the extent that it should be reclassified as a non-marginal well, the reclassification shall be effective on the first day of the proration month following the date of recompletion.

The Proration Manager may reclassify a well at any time if production data or deliverability tests reflect the need for such a reclassification.

RULE 10. Overproduction: A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If, at the end of the first succeeding proration period, the well is still overproduced, and has not been in balance since the end of the preceding proration period, then 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 11. No gas well shall be given an allowable until Form C-104 and Form C-110 have been filed together with a plat showing acreage attributed to said well and the locations of all wells on the lease.

RULE 12. Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, 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 13. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 20th 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.

Each purchaser or taker of gas in the Eumont Gas Pool shall submit a report to the Commission so as to reach the Commission on or before the 20th day of the month next succeeding the month in which the gas was purchased or taken.

Such report shall be filed on either Form C-111 or Form C-114 (whichever is applicable) with the wells being listed in approximately the same order as they are listed on the proration schedule.

Forms C-111 and C-114 referred to herein shall be submitted in duplicate, the original being sent to the Commission at Box 871, Santa Fe, New Mexico, the other copy being sent to Box 2045, Hobbs, New Mexico.

Form C-115 shall be submitted in accordance with Rule 1114 of the Commission's Rules and Regulations.

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, compressors, combustion engines and other similar lease equipment shall not be charged against the well's allowable.

DEFINITIONS

RULE 14. A gas well shall mean a well producing with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil.

RULE 15. A well producing from the Eumont Gas Pool and not classified as a gas well as defined in Rule 14 shall be classified as an oil well.

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.

RULE 17. No gas, either dry gas or casinghead gas, produced from the Eumont Gas Pool shall be flared or vented unless specifically authorized by order of the Commission after notice and hearing.

RULE 18. Oil wells producing from the Eumont Gas Pool shall be allowed to produce a volume of gas each day not exceeding the daily normal unit oil allowable multiplied by 10,000; provided, however, that such well shall not be allowed to produce oil in excess of the normal unit allowable as ordered by the Commission under the provisions of Rule 505.

PROVIDED FURTHER, That special pool rules applicable to the Arrow Gas Pool be, and the same hereby are promulgated as follows:

SPECIAL RULES AND REGULATIONS FOR THE ARROW GAS POOL

Well Spacing and Acreage Requirements for Drilling Tracts.

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

RULE 2. Each well drilled or recompleted within the Arrow Gas Pool on a standard proration unit after the effective date of this rule shall be drilled not closer than 1980 feet to any boundary line of the tract nor closer than 330 feet to a quarter-quarter section line or subdivision inner boundary line. Any well drilled to and producing from the Arrow Gas Pool prior to the effective date of this order at a location conforming to the spacing requirements effective at the time said well was drilled shall be considered to be located in conformance with this rule.

RULE 3. The Secretary of the Commission shall have authority to grant exception to the requirements of Rule 2 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 1980 foot radius of the subject well a copy of the application to the Commission, and applicant shall include with his application a list of names and addresses of all operators within such radius, together with a stipulation that proper notice has been given said operators at the addresses given. The Secretary of the Commission shall wait at least 20 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 4. The provisions of Statewide Rule 104, Paragraph (k), shall not apply to the Arrow Gas Pool located in Lea County, New Mexico.

GAS PRORATION

RULE 5. (a) The acreage allocated to a gas well for proration purposes shall be known as the gas proration unit for that well. For the purpose of gas allocation in the Arrow Gas Pool, a standard proration unit shall consist of between 632 and 648 contiguous surface acres substantially in the form of a square which shall be a legal subdivision (section) of the U. S. Public Land Surveys with a well located at least 1980 feet from the nearest property lines; provided, however, that a non-standard proration unit may be formed after notice and hearing by the Commission, or under the provisions of Paragraph (b) of this Rule.

The allowable production from any non-standard gas proration unit as compared with the allowable production therefrom if such tract were a standard unit shall be in the ratio of the area of such non-standard proration unit expressed in acres to 640 acres. Any gas proration unit containing between 632 and 648 acres

shall be considered to contain 640 acres for the purpose of computing allowables.

In establishing a non-standard gas proration unit the location of the well with respect to the two nearest boundary lines thereof shall govern the maximum amount of acreage that may be assigned to the well for the purposes of gas proration; provided, however, that any well drilled to and producing from the Arrow Gas Pool, as defined herein, prior to the effective date of this order at a location conforming with the spacing requirements effective at the time said well was drilled shall be granted a tolerance not exceeding 330 feet with respect to the required distances from the boundary lines. The maximum acreage which shall be assigned with respect to the well's location shall be as follows:

<u>Location</u>	<u>Maximum Acreage</u>
660' - 660'	160 acres
660' - 1980'	320 acres

(b) The Secretary of the Commission shall have authority to grant an exception to Rule 5 (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 gas proration unit consists of contiguous quarter-quarter sections and/or lots.
2. The non-standard gas proration unit lies wholly within a single governmental section.
3. The entire non-standard gas proration unit may reasonably be presumed to be productive of gas.
4. The length or width of the non-standard gas proration unit does not exceed 5280 feet.
5. The applicant presents written consent in the form of waivers from (a) all operators owning interests in the ~~quarter~~ sections in which any part of the non-standard gas proration unit is situated and which acreage is not included in said non-standard gas proration unit, and (b) all operators owning interests within 1500 feet of the well to which such gas proration unit is proposed to be allocated.
6. In lieu of paragraph 5 of this rule, the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to form such non-standard gas proration unit. The Secretary of the Commission may approve the application if, after a period of 30 days following the mailing of said notice, no operator has made objection to formation of such non-standard gas proration unit.

RULE 6. (a) The Commission after notice and hearing, shall consider the nominations of gas purchasers from the Arrow Gas Pool and other relevant data and shall fix the allowable production of the Arrow Gas Pool.

(b) The allowable assigned to any well capable of producing its normal gas allowable in the Arrow Gas Pool shall be the same proportion of the total remaining allowable allocated to said pool after deducting allowables of marginal wells that the number of acres contained in the gas proration unit for that well bears to the acreage contained in all gas proration units assigned to non-marginal wells in the Arrow Gas Pool.

RULE 7. 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 Arrow 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 8. In the event a gas purchaser's market shall have increased or decreased, he may file with the Commission prior to the 10th day of the month a "supplemental" nomination, showing the amount of gas he actually in good faith desires to purchase during the ensuing proration month from the Arrow 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) a summary of the total pool allocation for that month showing nominations, and adjustments made for underage or overage applied from a previous month, (b) a tabulation of the net allowable, and production for the second preceding month together with a cumulative overage or underage computation, (c) a tabulation of the current and net allowables for the preceding month, (d) a tabulation of current monthly allowables for the ensuing proration month, and (e) a tabulation of the acreage assigned each well together with a tabulation of the acreage factor assigned each well. For the purpose of allocation a proration unit of 640 acres shall be assigned an acreage factor of 4.00; a proration unit of 160 acres a factor of 1.00, etc.

"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 Arrow Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Arrow Gas Pool any well which it finds it 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 preliminary or supplemental nominations (whichever is applicable) together with any adjustment which the Commission deems advisable.

If during a proration month the acreage assigned a well is increased the operator shall notify the Proration Manager in writing (Box 2045, Hobbs, New Mexico) of such increase. The increased allowable assigned the gas proration unit for the well shall be effective on the first day of the month following receipt of the notification by the Proration Manager.

BALANCING OF PRODUCTION

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

If 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.

If at the end of a proration period a marginal well has produced more than the total allowable assigned a non-marginal unit of corresponding size, the marginal well shall be reclassified as a non-marginal well and its allowable adjusted accordingly.

If during a proration period a marginal well is reworked or recompleted in such a manner that its productive capacity is increased to the extent that it should be reclassified as a non-marginal well, the reclassification shall be effective on the first day of the proration month following the date of recompletion.

The Proration Manager may reclassify a well at any time if production data or deliverability tests reflect the need for such a reclassification.

RULE 10. Overproduction: A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If, at the end of the first succeeding proration period, the well is still overproduced, and has not been in balance since the end of the preceding proration period, then 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 11. No gas well shall be given an allowable until Form C-104 and Form C-110 have been filed together with a plat showing acreage attributed to said well and the locations of all wells on the lease.

RULE 12. Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, 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 13. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 20th 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.

Each purchaser or taker of gas in the Arrow Gas Pool shall submit a report to the Commission so as to reach the Commission on or before the 20th day of the month next succeeding the month in which the gas was purchased or taken.

Such report shall be filed on either Form C-111 or Form C-114 (whichever is applicable) with the wells being listed in approximately the same order as they are listed on the proration schedule.

Forms C-111 and C-114 referred to herein shall be submitted in duplicate, the original being sent to the Commission at Box 871, Santa Fe, New Mexico, the other copy being sent to Box 2045, Hobbs, New Mexico.

Form C-115 shall be submitted in accordance with Rule 1114 of the Commission's Rules and Regulations.

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, compressors, combustion engines and other similar lease equipment shall not be charged against the well's allowable.

DEFINITIONS

RULE 14. A gas well shall mean a well producing with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil.

RULE 15. A well producing from the Arrow Gas Pool and not classified as a gas well as defined in Rule 14 shall be classified as an oil well.

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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.

RULE 17. No gas, either dry gas or casinghead gas, produced from the Arrow Gas Pool shall be flared or vented unless specifically authorized by order of the Commission after notice and hearing.

RULE 18. Oil wells producing from the Arrow Gas Pool shall be allowed to produce a volume of gas each day not exceeding the daily normal unit oil allowable multiplied by 10,000; provided, however, that such well shall not be allowed to produce oil in excess of the normal unit allowable as ordered by the Commission under the provisions of Rule 505

EXHIBIT "A"

Horizontal limits of the Jalmat Gas Pool

Township 21 South, Range 36 East

All of Section 31

SW/4 of Section 32

All of Secs. 33 and 34

Township 22 South, Range 35 East

E/2 Section 13

Township 22 South, Range 36 East

All of Secs. 3 through 10, inclusive.

W/2 Sec. 11

W/2 Section 14

All of Secs. 15 through 18, inclusive

NE/4 Sec. 19

All of Secs. 20 through 23, inclusive

W/2 Sec. 24

All of Secs. 25 through 29, inclusive

All of Secs. 32 through 36, inclusive

Township 22 South, Range 37 East

SW/4 Sec. 31

Township 23 South, Range 36 East

All of Secs. 1 through 4, inclusive

N/2 and SE/4 Sec. 5

E/2 Sec. 8

All Secs. 9 through 16, inclusive

NE/4 Sec. 17

All Secs. 21 through 27, inclusive

E/2 Sec. 28

E/2 Sec. 33

All Secs. 34, 35 and 36

Township 23 South, Range 37 East

All Secs. 6, 7, S/2 Sec. 8

All Secs. 17 through 21, inclusive

All of Secs. 28 through 33, inclusive

Township 24 South, Range 36 East

All of Secs. 1, 2, and 3

E/2 Sec. 4

NE/4 Sec. 9

N/2, SE/4 Sec. 10

All of Secs. 11 through 14, inclusive

Exhibit "A" (Cont'd)

Township 24 South, Range 36 East (cont'd)

E/2 Sec. 15

All Secs. 22 through 26, inclusive

E/2 Sec. 27

E/2 Sec. 34

All Secs. 35 and 36

Township 24 South, Range 37 East

All of Secs. 5, 6, 7 and 8

W/2 Sec. 9

W/2 Sec. 16

All of Secs. 17 through 23, inclusive

All of Secs. 26 through 35, inclusive

Township 25 South, Range 36 East

All of Sec. 1

N/2 Sec. 2

All of Secs. 12, 13, 24 and 25

NE/4 Sec. 36

Township 25 South, Range 37 East

All Sec. 2 through 33, inclusive

W/2 Sec. 34

Township 26 South, Range 37 East

W/2 Sec. 3

All Secs. 4 through 9, inclusive

W/2 Sec. 10

All of Secs. 15 through 22, inclusive

All Secs. 27, 28 and 29

N/2, SE/4 Sec. 30

E/2 Sec. 31

All of Secs. 32, 33 and 34

EXHIBIT "B"

Horizontal limits of the Eumont Gas Pool

Township 19 South, Range 36 East
All of Secs. 12, 13, 14, 23, 24, 25,
26
E/2 Sec. 27
E/2 Sec. 34
All of Secs. 35 and 36

Township 19 South, Range 37 East
W/2 Sec. 4
E/2 Sec. 5
All of Secs. 7, 8, 17, 18, 19, 20
W/2 Sec. 9
W/2 Sec. 21
W/2 Sec. 27
All of Secs. 28, 29, 30, 31, 32, 33 and 34

Township 20 South, Range 36 East
All of Secs. 1, 2
E/2 Sec. 3
E/2 Sec. 10
All of Secs. 11, 12, 13 and 14
NE/4 Sec. 15
N/2 and SE/4 Sec. 23
All of Secs. 24 and 25
E/2 Sec. 26
E/2 Sec. 35
All Sec. 36

Township 20 South, Range 37 East
W/2 Sec. 2
All of Secs. 3 through 10, inclusive
W/2 Sec. 11
All of Secs. 15 through 22, inclusive
S/2 Sec. 23
All of Secs. 26 through 35, inclusive
W/2 Sec. 36

Township 21 South, Range 35 East
All of Sec. 1
SE/4 Sec. 2
NE/4 Sec. 11
All of Sec. 12
All of Secs. 13 and 24

EXHIBIT "B" (cont'd)

Township 21 South, Range 36 East
All of Secs. 1 through 21, inclusive
N/2 and SW/4 Sec. 22
W/2 Sec. 27
All of Secs. 28, 29 and 30
N/2 and SE/4 Sec. 32

Township 21 South, Range 37 East
All of Secs. 7 and 18

EXHIBIT "C"

Horizontal Limits of the Arrow Gas Pool

Township 21 South, Range 36 East

SE/4 Sec. 24

All Sec. 25

E/2 Sec. 26

NE/4 and S/2 Sec. 35

All Sec. 36

Township 22 South, Range 36 East

All of Secs. 1 and 2

NE/4 Sec. 11

All of Sec. 12

N/2 and SE/4 Sec. 13

Township 22 South, Range 37 East

W/2 Sec. 7

All Sec. 18

N/2 Sec. 19

EXHIBIT "D"

Horizontal limits of the Eunice-Monument Oil Pool

Township 19 South, Range 36 East

E/2 Sec. 12

All of Sec. 13

All Secs. 23 through 27, inclusive

All Secs. 34, 35 and 36

Township 19 South, Range 37 East

SW/4 Sec. 3

S/2 Sec. 4

All of Secs. 7 and 8

W/2 Sec. 9

W/2 Sec. 16

All Secs. 17 through 21, inclusive

S/2 Sec. 27

All Secs. 28 through 34, inclusive

Township 20 South, Range 36 East

All Secs. 1, 2 and 3

All Secs. 10 through 14, inclusive

E/2 Sec. 15

All Secs. 23 through 26, inclusive

E/2 Sec. 27

All Secs. 35 and 36

Township 20 South, Range 37 East

All Secs. 3 through 10, inclusive

All Secs. 15 through 21, inclusive

W/2 Sec. 22

All Secs. 29 through 33, inclusive

Township 21 South, Range 35 East

All Secs. 1, 12, 13, 24

E/2 Sec. 25

Township 21 South, Range 36 East

SW/4 Sec. 1

All of Secs. 2 through 11, inclusive

W/2 Sec. 12

W/2 Sec. 13

All Sec. 14 through 22, inclusive

NW/4 Sec. 23

W/2 Sec. 27

All Secs. 28, 29 and 30

N/2 and SE/4 Sec. 32

All Sec. 33

W/2 Sec. 34

EXHIBIT "E"

Horizontal limits of the Cooper-Jal Oil Pool

Township 23 South, Range 36 East
All of Secs. 4, 5, 8, 9, 15, 16, 17,
20, 21, 22, 27, 28, 33 and 34

Township 24 South, Range 36 East
W/2 Sec. 2
All of Secs. 3 and 4
N/2 Sec. 9
All Sec. 10
W/2 Sec. 11
SW/4 Sec. 13
All Secs. 14 and 15
All Secs. 22, 23
NW/4 and W/2 SW/4 Sec. 24
W/2 Sec. 25
All Secs. 26, 27, 34 and 35
W/2 Sec. 36

Township 25 South, Range 36 East
All Secs. 1, 2, 3, 11, 12, 13, 14, 23,
24, 25, 26 and 36

Township 25 South, Range 37 East
SW/4 Sec. 6
W/2 Sec. 7
W/2 Sec. 18
W/2 and W/2 E/2 Sec. 19
W/2 Sec. 30
All Sec. 31
SW/4 Sec. 32

EXHIBIT "F"

Horizontal limits of the Langlie-Mattix Oil Pool

Township 23 South, Range 36 East

All of Secs. 1, 2, 3, 10, 11, 12, 13, 14,
23, 24, 25, 26, 35 and 36

Township 23 South, Range 37 East

W/2 Sec. 6

All of Secs. 7, 18, 19

W/2 W/2 Sec. 26

All Sec. 27

S/2 Sec. 28

All Secs. 29 through 35, inclusive

Township 24 South, Range 36 East

All Sec. 1

E/2 Sec. 2

E/2 Sec. 11

All Sec. 12

N/2 and SE/4 Sec. 13

E/2 and E/2 SW/4 Sec. 24

E/2 Sec. 25

E/2 Sec. 36

Township 24 South, Range 37 East

All of Secs. 2 through 11, inclusive

All of Secs. 14 through 23, inclusive

SW/4 Sec. 25

All Secs. 26 through 35, inclusive

W/2 Sec. 36

Township 25 South, Range 37 East

All of Secs. 2 through 5, inclusive

N/2 and SE/4 Sec. 6

E/2 Sec. 7

All of Secs. 8 through 11, inclusive

W/2 Sec. 13

All Secs. 14 through 17, inclusive

E/2 Sec. 18

E/2 E/2 Sec. 19

All Secs. 20 through 23, inclusive

W/2 Sec. 24

All Sec. 25

All Secs. 26 through 29, inclusive

E/2 Sec. 30

N/2, SE/4 Sec. 32

All Secs. 33, 34 and 35

W/2 Sec. 36

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EXHIBIT "F" (Cont'd)

Township 26 South, Range 37 East
NW/4 Sec. 1
NE/4 Sec. 2

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EXHIBIT "G"

Horizontal limits of the South Eunice Oil Pool

Township 21 South, Range 35 East
E/2 Sec. 36

Township 21 South, Range 36 East
All Sec. 31
SW/4 Sec. 32

Township 22 South, Range 35 East
E/2 Sec. 1

Township 22 South, Range 36 East
W/2 Sec. 3
All Secs. 4 through 10, inclusive
SW/4 Sec. 11
W/2 Sec. 14
All Secs. 15 through 23, inclusive
All Secs. 25 through 29, inclusive
E/2 Sec. 30
NE/4 Sec. 31
All Secs. 32 through 36, inclusive

EXHIBIT "H"
GAS-OIL RATIO TEST SCHEDULE

NAME OF POOL	GOR LIMIT	TEST PERIOD			DEADLINE FOR FILING FORM C-116
<u>Oil Pools</u>					
Arrowhead	3500	Nov.	Dec.		Jan. 15, 1955
Cooper-Jal	10000	Sept.			October 15, 1954
Eunice	6000	Oct.	Nov.	Dec.	January 15, 1955
Monument	3000	July	Aug.	Sept.	October 15, 1954
South Eunice	10000	Sept.	Oct.		November 15, 1954
Hardy	10000	Sept.	Oct.		November 15, 1954
Langlie-Mattix	10000	Sept.			October 15, 1954
Leonard	10000	Sept.			October 15, 1954
South Leonard	10000	Sept.			October 15, 1954
Penrose-Skelly	10000	Sept.	Oct.	Nov.	October 15, 1954
Rhodes	10000	Sept.	Oct.		December 15, 1954
					November 15, 1954
<u>Gas Pools</u>					
Arrow	10000	Oct.	Nov.		December 15, 1954
Eumont	10000	Oct.	Nov.	Dec.	January 15, 1955
Jalmat	10000	Sept.	Oct.	Nov.	December 15, 1954

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

W. B. MACEY, Member and Secretary

S E AL

The Ohio Oil Co.

Legal Department

W. Hume Everett
Thomas H. McElroy
J. C. Terrell Couch
Attorneys

December 22, 1954

P.O. Box 3128
Houston, Texas

Mr. Willard F. Kitts
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Bill:

Following our conversation I furnish to you, for such assistance as it may be, a draft of the form of order which could be used if the Commission decides Case 799 favorably to The Ohio.

If the order which the Commission proposes to enter is to vary in any great degree from the enclosed draft, I would appreciate being advised.

I hope the enclosure will be of some help to you.

Very truly yours,

J. C. Terrell Couch
J. C. Terrell Couch

TC:MK
Enc.

*Best wishes for a
Merry Christmas
Happy & Prosperous
new year*

CHAS. L. HAMILTON
The Ohio Oil Co. V.B. 147
Legal Department

W. Hume Everett
Thomas H. McElroy
J. O. Terrell Couch
Attorneys

November 12, 1954

P.O. Box 3128
Houston, Texas

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Attention: Mr. W. B. Macey

Gentlemen:

I enclose in quadruplicate the application of The Ohio Oil Company for formation of a 320 acre non-standard gas proration unit in the Eumont Gas Pool, which application also seeks assignment of the acreage in such unit to The Ohio's Bertha Barber Well No. 11.

Please acknowledge receipt and filing of the application by signing and returning to us the duplicate of this letter.

We request that the application be set for hearing at the regular monthly hearing for December, 1954, and we specifically request that the following language be included in the official notice of application and hearing when such notice is published:

"The Application of The Ohio Oil Company for formation of a 320-acre Non-Standard Gas Proration Unit consisting of the NW/4 and the N/2 of the SW/4 of Section 5, T-20-S, R-37-E, and the S/2 of the SW/4 of Section 32, T-19-S, R-37-E, in the Eumont Gas Pool, Lea County, New Mexico, and for assignment of the acreage in the Unit to The Ohio Oil Company's Bertha Barber Well No. 11 for gas proration purposes in that Pool.

Very truly yours,

J. O. Terrell Couch
J. O. Terrell Couch

TC:MK
Enc. 5



SKELLY OIL COMPANY

Box 38, Hobbs, New Mexico

January 20, 1955

1955 JAN 20 PM 2:21
HOBBS OFFICE OCC

New Mexico Oil Conservation Commission
Box 2045
Hobbs, New Mexico

Attention: Mr. A. L. Porter

Dear Sir:

The gas proration schedule for December, 1954 has the following errors in the Jalmat Pool: We produced a total of 13,009 MCF from our J. W. Cooper Well No. 3, for the month of October, 1954, 9,754 MCF was used on our E. Coats Well No. 2 for gas lift and 3,255 MCF was purchased by El Paso Natural Gas Co. Therefore the correct over production as of November 1, 1954, is 86,006 MCF instead of 76,252 MCF.

The above error also effects the January, 1955, gas proration schedule. The net November allowable should be -71,168 MCF instead of -61,414 MCF. The over production as of December 1, 1954, is 88,116 MCF instead of 78,362 MCF and the December net allowable should be -53,279 MCF instead of -43,525 MCF.

Yours very truly,

SKELLY OIL COMPANY

J. N. Dunlavey

JND/bk

cc: Mr. George W. Selinger
Box 1650
Tulsa, Oklahoma

El Paso Natural Gas Company

El Paso, Texas

January 17, 1955

ADDRESS REPLY TO:
P. O. BOX 1384
DAL. NEW MEXICO

Mr. W. B. Macey
Secretary - Director
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Bill:

Reference is made to your letter of inquiry to Permian Basin Pipeline Company, Gulf Oil Corporation, and El Paso Natural Gas Company, dated January 11, 1955.

For your information El Paso Natural Gas Company was purchasing gas from the following Western Oil Fields' gas wells on December 31, 1954:

Drinkard #2 L 30-22-38 Tubb Pool ✓
Connected: February 13, 1954
Date First Delivery: February 13, 1954
Production by Months, 1954 (15.025# P.B.)

February	27,352 M.C.F.	August	986 M.C.F.
March	3,290 M.C.F.	September	1,591 M.C.F.
April	1,375 M.C.F.	October	10,266 M.C.F.
May	1,771 M.C.F.	November	15,605 M.C.F.
June	4,061 M.C.F.	December	39,230 M.C.F.
July	1,612 MCF		

Drinkard #4 H 25-22-37 Blinbry Pool ✓
Connected: February 19, 1954
Date of First Delivery: February 22, 1954
Production by Months, 1954 (15.025# P.B.)

February	12,077 M.C.F.	August	6,239 M.C.F.
March	15,644 M.C.F.	September	2,953 M.C.F.
April	2,273 M.C.F.	October	4,777 M.C.F.
May	790 M.C.F.	November	62,646 M.C.F.
June	2,735 M.C.F.	December	54,853 M.C.F.
July	9,559 M.C.F.		

Simms #1 I 25-22-37 Tubb Pool

El Paso connected to this well on February 19, 1954, but at the time it would not buck the line pressure. Soon after

this Western Oil Fields did some remedial work on the well, but after completion the well still would not buck the line pressure. To date there has been no production into El Paso's system. Our facilities are still in place, and should additional remedial work be done on the well causing it to become productive, we will be prepared to purchase the gas.

Hope this information will be helpful to you, and should I be able to assist you further, be sure and let me know.

Yours very truly,

EL PASO NATURAL GAS COMPANY

J. W. Baulch, Jr.

J. W. Baulch, Jr.
Gas Production Engineer

JWB,Jr.:ds

cc: Mr. Swarthout
Western Oil Fields
117 Green Acres
Hobbs, New Mexico

PERMIAN BASIN PIPELINE COMPANY

2223 DODGE STREET
OMAHA 1, NEBRASKA

January 17, 1955

*Check
with
Mr. Schuler*

W. B. Macey, Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Mr. Macey:

In answer to your letter of January 11, 1955,
requesting production of high-pressure gas from five wells
operated by Western Oil Fields in the Tubb and Blinbry pools,
we have two wells connected to our system. Listed below are
the two wells and their production by months:

July, 1954
August
Sept.
Oct.
Nov.
Dec.

B.I.
Gulf-Hill
1-R 4-21-37
15.025#

12 927
3 664
6 029
29 373
41 941
36 306

Gulf State
1-A 36-22-37
15.025#

6 025#
6 529#
26 582#
5 072

Yours very truly,

Arby R. Koons
Arby R. Koons
Production Analyst

ARK:mf

Case 197

NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Gentlemen:

Case No. _____: The Application of The Ohio Oil Company for Formation of a 320-Acre Non-Standard Gas Proration Unit in the Eumont Gas Pool, Lea County, New Mexico, and for Assignment of the Acreage in the Unit to The Ohio Oil Company's Bertha Barber Well No. 11 for Gas Proration Purposes in that Pool.

The Ohio Oil Company hereby applies for the designation and formation of a non-standard gas proration unit consisting of the NW/4 and the N/2 of the SW/4 of Section 5, Township 20 South, Range 37 East, and the S/2 of the SW/4 of Section 32, Township 19 South, Range 37 East, in the Eumont Gas Pool, Lea County, New Mexico. The Ohio also hereby applies for assignment of the acreage in the proposed unit to The Ohio's Bertha Barber Well No. 11 for the purposes of gas proration in the Eumont Gas Pool. In support of this application, The Ohio would show to this Commission the following:

1. The Ohio is the owner of the oil and gas leasehold estate on the above described land, which land is one contiguous tract containing 320 acres, more or less. The tract should be considered as containing 320 acres for the purpose of allocation of gas allowable in the Eumont Gas Pool.
2. The Ohio's Bertha Barber Well No. 11 was completed in November, 1952, in the NW/4 of the NW/4 of said Section 5, at a location 330 feet from the west line of the proposed non-standard gas proration unit and 2310 feet from the north and east lines of the unit. The well was completed in and is producing from the Queen formation. However, information now available indicates that the perforations in the well may extend below the Queen formation into the top of the Grayburg formation. Pursuant to this Commission's Order No. R-520 in Case No. 673, The Ohio, under date of September 14, 1954, filed with this Commission in the Hobbs, New Mexico office, a form C-105 and other data and information concerning said well, with the recommendation that the well be assigned to the Eumont Gas Pool.
3. The attached plat indicates the location of the proposed unit, the well in question, and the surrounding tracts. The boundary of the area included in the proposed unit is indicated on the plat by the heavy dash line.

Proration units heretofore approved by this Commission in the vicinity are indicated on the plat by diagonal lines and crossed lines.

4. All of the acreage in the proposed unit is within the boundaries of the Eumont Gas Pool and is reasonably presumed to be productive of gas from that Pool.

5. It is impractical to pool or unitize such acreage with adjoining acreage.

6. The Ohio will be deprived of a fair opportunity to recover its just and equitable share of the natural gas in the Eumont Gas Pool unless the proposed non-standard proration unit is formed and unless the acreage therein is assigned to The Ohio's Bertha Barber Well No. 11 for the purposes of gas proration in the Eumont Gas Pool.

7. The creation of the proposed non-standard proration unit and the assignment of the acreage therein to the well identified above will not cause but will prevent waste and will protect correlative rights.

The Ohio Oil Company therefore respectfully requests that a time be set for hearing on this application at the earliest practicable date; that notice of this application and of such hearing be issued and served immediately by publication in accordance with the Rules and Regulations of this Commission as provided by law, and that on such hearing the non-standard proration unit sought hereby be formed and designated as containing 320 acres, and that such acreage be assigned to the well identified above for the purposes of allocation of gas allowable in the Eumont Gas Pool.

Respectfully submitted,

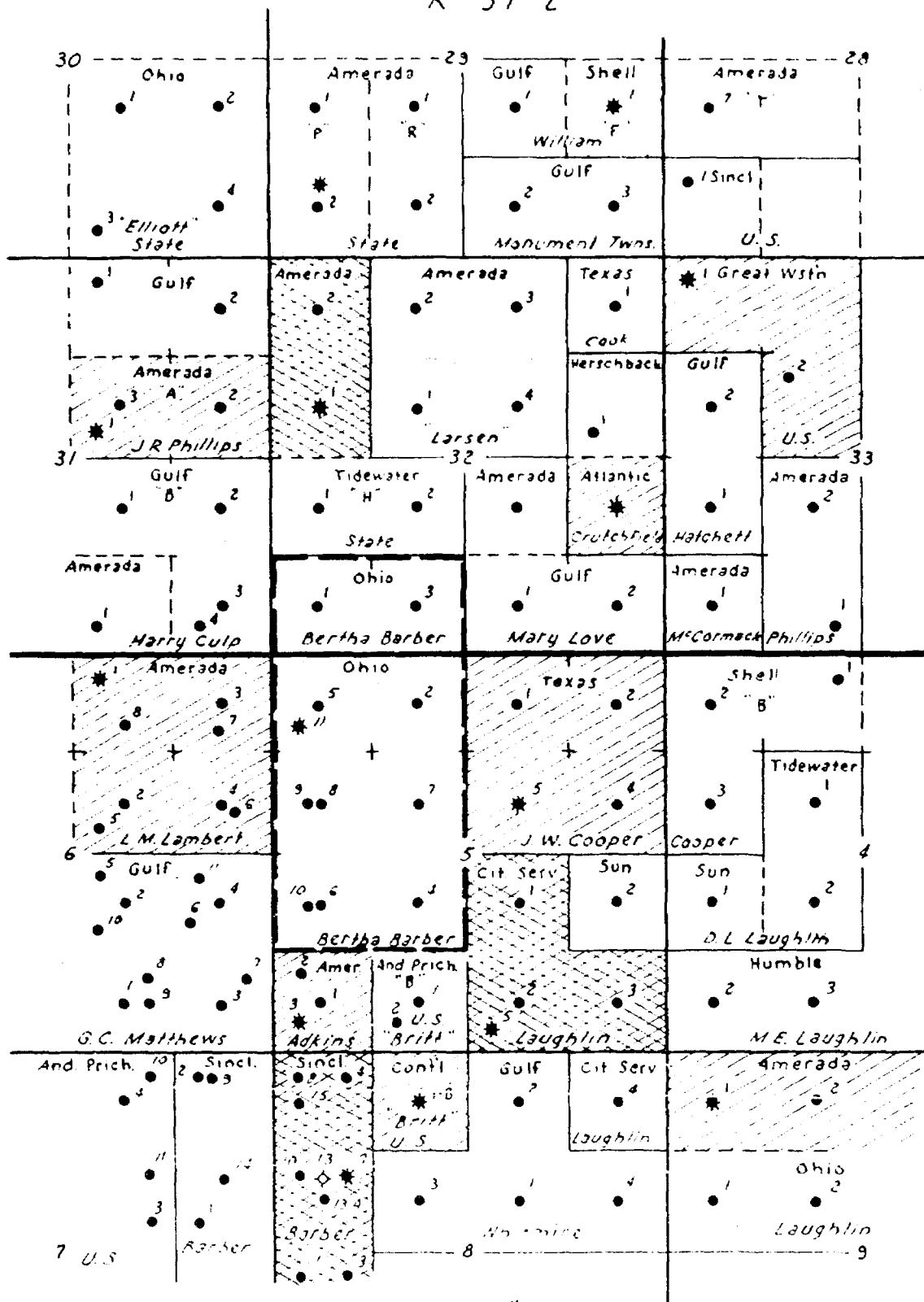
THE OHIO OIL COMPANY

By _____ (Signed) W.H. Everett
W. H. Everett, Attorney


J. O. Terrell Couch, Attorney

P. O. Box 3128
Houston 1, Texas

R-37-E



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T
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EXHIBIT "A"

To THE OHIO OIL COMPANY'S Application
For Non Standard Gas Proration Unit
For S1/2 SW/4 32-19-37 & NW/4 & N/2 SW/4
5-20-37 EUMONT GAS POOL.

1"=2000'