

Case No.

902

Application, Transcript,
Small Exhibits, Etc.

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 902

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
STATE OF NEW MEXICO
Santa Fe, New Mexico

May 18, 1955

IN THE MATTER OF:)

Application of the Commission upon its own)
motion for an order establishing rules and)
procedures in exception to the provisions)
of Rule 303 to permit the commingling of)
oil from various gas and oil pools in Lea)
County, New Mexico, said commingling being)
occasioned by the re-classification of wells)
located within the oil and gas pools de-)
fined by Order R-520.)

Case No. 902

Before: Honorable John F. Simms, E. S. (Johnny) Walker, and
William B. Macey.

AFTERNOON SESSION

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 902.

I believe all of you have a copy of the letter which Mr. Porter from
our Hobbs office addressed to me under date of May 14. We will
enter the letter into the record, save reading the letter. .

Mr. Porter, do you have any comments to make on it? If anyone has
any questions to ask Mr. Porter, feel free to do so.

MR. PORTER: I don't have any comments unless there are
questions concerning the proposals in the letter.

MR. MACEY: Anyone have a question of Mr. Porter concerning
the letter that he wrote? Does anyone have any comments or statements
they would like to make in this matter? I realize that there is
a number of serious questions involved as to the possibility of
transferring the allowables between pools. It is something that
we don't particularly like, common tankage or commingling of oils

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

from various pools, but I can't ignore the fact that a great many of the wells producing into the tank batteries are very marginal wells. Does anyone have a comment in the case?

MR. SWAIM: H. W. Swaim for Continental Oil Company. Continental Oil Company is opposed in principle to commingling of fluids from separate reservoirs unless adequate controls are provided to insure that the allowables of wells in each reservoir are produced as assigned. Rather than solving the matter with a blanket order, we believe it will be to the best interest of conservation and protect correlative rights, that each individual case be presented on its merits after notice and hearing. We would like to point out that the examiner type hearing should be instituted so that matters of this matter can be handled very efficiently.

MR. MACEY: How many instances do you think there will be?

MR. PORTER: I couldn't give you a definite answer on that. We have completed a group of applications on only one pool, that is the South Eunice. On the South Eunice we took a number of wells, I believe in the neighborhood of twenty, and placed them in the Jalmat Pool. I believe there are three or four instances in that small pool where the operator is at present in violation of Rule 303.

The reason for my suggestions for handling this by C-110 was the element of time involved as to how many cases there will be in the major pools affected by the order, I couldn't say.

MR. MACEY: Anyone have anything further? If not we will take the case under advisement.

C E R T I F I C A T E

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings in the matter of Case 902 were taken by me on May 18, 1955, that the same is a true and correct record to the best of my knowledge, skill and ability.

Ada Dearnley
Reporter

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

C
O
P
Y

May 14, 1955

Mr. W. B. Macey
Oil Conservation Commission
Santa Fe, New Mexico

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

DEPOSIT No. _____
CASE _____

Re: Case 902

Dear Mr. Macey:

Commission Order R-520 defines the vertical limits of the following oil and gas pools in Lea County, New Mexico; Jalmat, Eumont, Arrow, Arrowhead, Eunice-Monument, South Eunice, Cooper Jal and Langlie Mattix. The vertical limits of some of these pools were changed by this order from those originally established by previous orders. The Commission staff is now in the process of examining the records of all the wells in the above listed pools for the purpose of placing them in pools with vertical limits which correspond to the producing intervals of the individual wells. The result will be that many wells will be taken from the pools in which they are currently prorated and placed in other pools. There will be basic leases on which all wells are presently prorated in the same pool and producing into common tankage, which will be affected to the extent that one or more of the wells will remain in that pool while other wells on the lease will be placed in another pool.

In recognition of the fact that the most of the wells thus to be affected, have been producing into common tankage for a considerable period of time, and that the establishment of separate tankage would appear to be an undue expense to the producers, I believe that the Commission would be justified in writing an order whereby an operator, by obtaining approval on form C-110, would be allowed to commingle oil production from two separate pools as defined in Order R-520, provided that all the wells from which the production is obtained are located on the same basic lease. If such an order is deemed advisable, I believe the matter of granting the necessary authority in each case could be handled in the manner described in the next paragraph.

When the records of all the wells in a pool have been examined, a notice will be sent by the Commission to the producers, advising them of any change in pool designation on any well, and instructing them to file form C-110 showing the change in pool designation. If the operator desires to produce a well into common tankage with a well or wells on the same basic lease in another pool, he should insert the following statement on form C-110: "Permission is hereby requested to produce this well into common storage with wells on the same lease currently prorated in _____ pool." The same procedure could be followed in filing form C-110 for newly completed wells. An approved copy of the C-110 would constitute the operator's authority to commingle the oil and the transporter's authority to run it.

Page two

On leases where commingling is practiced under the provisions of such an order, a separate form C-115 should be filed for the wells in each pool, showing the allowable and production by individual wells, but the totals for each lease or tank battery as to storage, production and runs should be consolidated and shown on form C-115 for one pool only, with a notation on the other form C-115 indicating where the totals are shown.

The order should also exempt the transporter from the requirement of separating the runs by wells and pools on "Transporter's and Storer's Report " Form C-112.

Yours very truly,

OIL CONSERVATION COMMISSION

A. L. Porter, Jr.
Proration Manager

ALP/cd

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. 902
Order No. R-663

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION
UPON ITS OWN MOTION FOR AN
ORDER ESTABLISHING RULES AND
PROCEDURES IN EXCEPTION TO THE
PROVISIONS OF RULE 303 TO PERMIT
THE COMMINGLING OF OIL FROM VARIOUS
GAS AND OIL POOLS IN LEA COUNTY, NEW
MEXICO, SAID COMMINGLING BEING OCCASIONED
BY THE RE-CLASSIFICATION OF WELLS LOCATED
WITHIN THE OIL AND GAS POOLS DEFINED BY
ORDER R-520.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m., on May 18, 1955, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission".

NOW, on this 7th day of July, 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 Rule 303 of the Commission's Rules and Regulations, Oil Production Operating Practices, provides that each pool shall be produced as a single common reservoir and the commingling or confusion of production from separate and distinct pools prior to marketing shall be prohibited.

(3) That Commission Order R-520 defines the vertical limits of the Jalmat, Eumont, and Arrow Gas Pools, and also defines the vertical limits of the Arrowhead, Eunice-Monument, South Eunice, Cooper-Jal, and Langlie-Mattix Oil Pools.

(4) That at the present time there are certain basic leases wherein all wells are prorated in the same pool and the production therefrom is produced into a common tankage; and when reclassified such wells will be affected to the extent that one or more wells will remain in the pool in which they are presently classified, while other wells on the same lease will be placed in a different pool.

(5) That under the provisions of Rule 303 of the Commission's Rules and Regulations, separate facilities to receive, measure, and store the production of those wells so reclassified would have to be provided by the operator. That in certain cases the installation and maintenance of said separate facilities for the measurement and storage of oil would create an undue expense and hardship upon the operator.

(6) That approval of this application for an order establishing rules and procedures in exception to the provisions of Rule 303 to permit the commingling of oil from various oil and gas pools defined by Order R-520 would be in the interest of conservation and would prevent waste.

IT IS THEREFORE ORDERED:

(1) That the application of the Commission upon its own motion for an order establishing rules and procedures in exception to the provisions of Rule 303 to permit the commingling of oil from various gas and oil pools in Lea County, New Mexico, said commingling being occasioned by the reclassification of wells located within the oil and gas pools defined by Order R-520, be and the same is hereby approved.

(2) That the oil and gas pools thus affected are the Jalmat, Eumont, and Arrow Gas Pools, and the Arrowhead, Eunice-Monument, South Eunice, Cooper-Jal, and Langlie-Mattix Oil Pools, as they are now defined both vertically and horizontally, and including such future changes as may be made in the horizontal limits of said pools.

(3) That the following procedure be followed when an operator desires to produce reclassified wells into common tankage with a well or wells on the same basic lease in another pool:

(a) When notified by the Commission that the pool designation for any well has been changed, the operator shall file Commission Form C-110 in quadruplicate showing the change in pool designation.

(b) If the operator desires to produce reclassified wells into common tankage with a well or wells on the same basic lease in another pool, he shall insert the following statement on the Form C-110:

"Permission is hereby requested to produce this well, completed in the _____ Pool, into common storage with wells on the same lease currently prorated in the _____ Pool."

Approval of the Form C-110 by the Proration Manager shall constitute authority for the operator to commingle the oil and for the transporter to run it.

In recognition of the fact that most of the wells thus to be affected have been producing into common tankage for a considerable period of time, and that the establishment of separate tankage would appear to be an undue expense to the producers, I believe that the Commission would be justified in writing an order whereby the operator, by making application on Form C-110, would be allowed to commingle oil produced from two separate pools as defined by Order R-520, provided that all of the wells from which the oil production is obtained are located on the same basic lease. If such an order is deemed advisable, I believe the matter of granting the necessary authority in each case could be handled in the manner described in the next paragraph.

(4) That for all new wells that are completed or recompleted in one of the aforementioned pools as delineated in Order No. R-520, the provisions of paragraphs (1), (2), and (3) shall apply to permit the commingling of oil from said well or wells with that oil produced from other wells located on the same basic lease. Authority for the operator to commingle such production shall be the approval of the Form C-110 by the Proration Manager as outlined by the provisions of paragraph (3) above.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

John F. Simms

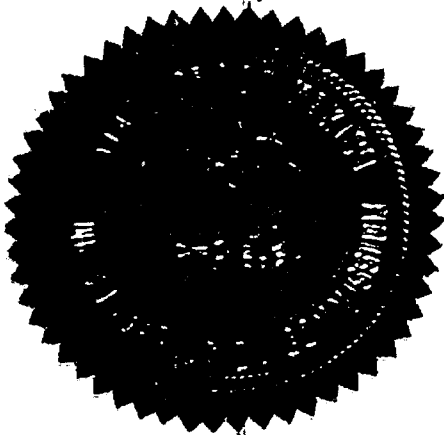
JOHN F. SIMMS, Chairman

E. S. Walker

E. S. WALKER, Member

W. B. Macey

W. B. MACEY, Member and Secretary



/lr

GOVERNOR JOHN F. SIMMS
CHAIRMAN

New Mexico

OIL CONSERVATION COMMISSION

LAND COMMISSIONER E. S. WALKER
MEMBER

STATE GEOLOGIST W. B. MACEY
SECRETARY - DIRECTOR



BOX 2045
HOBBS, NEW MEXICO

May 14, 1955

Mr W. B. Macey
Oil Conservation Commission
Santa Fe, New Mexico.

Dear Mr. Macey:

Commission Order R-520 defines the vertical limits of the following oil and gas pools in Lea County, New Mexico; Jalmat, Eumont, Arrow, Arrowhead, Eunice-Monument, South Eunice, Cooper Jal and Langlie Mattix. The vertical limits of some of these pools were changed by this order from those originally established by previous orders. The Commission staff is now in the process of examining the records of all the wells in the above listed pools for the purpose of placing them in pools with vertical limits which correspond to the producing intervals of the individual wells. The result will be that many wells will be taken from the pools in which they are currently prorated and placed in other pools. There will be basic leases on which all wells are presently prorated in the same pool and producing into common tankage, which will be affected to the extent that one or more of the wells will remain in that pool while other wells on the lease will be placed in another pool.

~~In recognition of the fact that the most of the wells thus to be affected, have been producing into common tankage for a considerable period of time, and that the establishment of separate tankage would appear to be an undue expense to the producers, I believe that the Commission would be justified in writing an order whereby exceptions to rule 303 could be granted under the above conditions. If such an order is deemed advisable, I believe the matter of granting the necessary authority in each case could be handled in the manner described in the next paragraph.~~

When the records of all the wells in a pool have been examined, a notice will be sent by the Commission to the producers, advising them of any change in pool designation on any well, and instructing them to file form C 110 showing the change in pool designation. If the operator desires to produce a well into common tankage with a well or wells on the same basic lease in another pool, he should insert the following statement on form C 110: "Permission is hereby requested to produce this well into common storage with wells on the same lease currently prorated in _____ pool." The same procedure could be followed in filing form C 110 for newly completed wells. An approved copy of the C 110 would constitute the operator's authority to commingle the oil and the ^{operator's} authority to run it.

GOVERNOR JOHN F. SIMMS
CHAIRMAN

New Mexico

LAND COMMISSIONER E. S. WALKER
MEMBER

OIL CONSERVATION COMMISSION

STATE GEOLOGIST W. B. MACEY
SECRETARY - DIRECTOR



BOX 2045
HOBBS, NEW MEXICO

Page two.

On leases where commingling is practiced under the provisions of such an order, a separate form C 115 should be filed for the wells in each pool, showing the allowable and production by individual wells, but the totals for each lease or tank battery as to storage, production and runs should be consolidated and shown on form C 115 for one pool only.

The order should also exempt the transporter from the requirement of separating the runs by wells and pools on "Transporter's and Storer's Report" Form C 112.

Yours very truly,


A. L. Porter, Jr.,
Proration Manager.

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May 14, 1955

Mr. W. B. Macey
Oil Conservation Commission
Santa Fe, New Mexico

Re: Case 902

Dear Mr. Macey:

Commission Order R-520 defines the vertical limits of the following oil and gas pools in Lea County, New Mexico; Jalmat, Eunont, Arrow, Arrowhead, Eunice-Monument, South Eunice, Cooper Jal and Langlie Mattix. The vertical limits of some of these pools were changed by this order from those originally established by previous orders. The Commission staff is now in the process of examining the records of all the wells in the above listed pools for the purpose of placing them in pools with vertical limits which correspond to the producing intervals of the individual wells. The result will be that many wells will be taken from the pools in which they are currently prorated and placed in other pools. There will be basic leases on which all wells are presently prorated in the same pool and producing into common tankage, which will be affected to the extent that one or more of the wells will remain in that pool while other wells on the lease will be placed in another pool.

In recognition of the fact that the most of the wells thus to be affected, have been producing into common tankage for a considerable period of time, and that the establishment of separate tankage would appear to be an undue expense to the producers, I believe that the Commission would be justified in writing an order whereby an operator, by obtaining approval on form C-110, would be allowed to commingle oil production from two separate pools as defined in Order R-520, provided that all the wells from which the production is obtained are located on the same basic lease. If such an order is deemed advisable, I believe the matter of granting the necessary authority in each case could be handled in the manner described in the next paragraph.

When the records of all the wells in a pool have been examined, a notice will be sent by the Commission to the producers, advising them of any change in pool designation on any well, and instructing them to file form C-110 showing the change in pool designation. If the operator desires to produce a well into common tankage with a well or wells on the same basic lease in another pool, he should insert the following statement on form C-110: "Permission is hereby requested to produce this well into common storage with wells on the same lease currently prorated in _____ pool." The same procedure could be followed in filing form C-110 for newly completed wells. An approved copy of the C-110 would constitute the operator's authority to commingle the oil and the transporter's authority to run it.

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The order should also exempt the transporter from the requirement of separating the runs by wells and pools on "Transporter's and Storer's Report " Form C-112.

Yours very truly,

OIL CONSERVATION COMMISSION

A. L. Porter, Jr.
Proration Manager

ALP/cd

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May 14, 1955

Mr. W. B. Macey
Oil Conservation Commission
Santa Fe, New Mexico

Re: Case 902

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In recognition of the fact that the most of the wells thus to be affected, have been producing into common tankage for a considerable period of time, and that the establishment of separate tankage would appear to be an undue expense to the producers, I believe that the Commission would be justified in writing an order whereby an operator, by obtaining approval on form C-110, would be allowed to commingle oil production from two separate pools as defined in Order R-520, provided that all the wells from which the production is obtained are located on the same basic lease. If such an order is deemed advisable, I believe the matter of granting the necessary authority in each case could be handled in the manner described in the next paragraph.

When the records of all the wells in a pool have been examined, a notice will be sent by the Commission to the producers, advising them of any change in pool designation on any well, and instructing them to file form C-110 showing the change in pool designation. If the operator desires to produce a well into common tankage with a well or wells on the same basic lease in another pool, he should insert the following statement on form C-110: "Permission is hereby requested to produce this well into common storage with wells on the same lease currently prorated in _____ pool." The same procedure could be followed in filing form C-110 for newly completed wells. An approved copy of the C-110 would constitute the operator's authority to commingle the oil and the transporter's authority to run it.

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The order should also exempt the transporter from the requirement of separating the runs by wells and pools on "Transporter's and Storer's Report " Form C-112.

Yours very truly,

OIL CONSERVATION COMMISSION

A. L. Porter, Jr.
Proration Manager

ALP/cd

New Mexico
OIL CONSERVATION COMMISSION

GOVERNOR JOHN F. SIMMS
CHAIRMAN
LAND COMMISSIONER E. S. WALKER
MEMBER
STATE GEOLOGIST W. B. MACEY
SECRETARY & DIRECTOR



Box 2045
HOBBS, NEW MEXICO

April 4, 1955

Mr. W. B. Macey
Box 871
Santa Fe, New Mexico

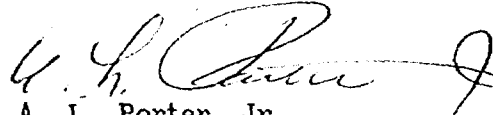
Dear Bill:

Commission Order R-520 defines the vertical limits of the following oil and gas pools in Lea County, New Mexico: Jalmat, Eumont, Arrow, Arrowhead, Cooper Jal, South Eunice and Langlie Mattix. The Commission staff is now in the process of examining the records of all wells in the above listed pools for the purpose of placing them in the proper pools. The result will be that many wells will be taken from the pools in which they are now listed and placed in other pools. There, no doubt, will be basic leases on which all wells are presently listed in the same pools (and producing into common tankage) which will be affected to the extent that one or more of the wells may remain in that pool while others on the lease may be placed in other pools. When the changes are made, therefore, continued production into common tankage would constitute a violation of the provisions of Rule 303.

In recognition of the fact that in most instances the wells have been producing into common tankage for a number of years, and that the establishment of separate storage would appear to be an unjustifiable expense to the producers, in the above listed pools, it is my suggestion that the provisions of Rule 303 having specifically to do with Comingling, be waived.

Yours very truly,

OIL CONSERVATION COMMISSION


A. L. Porter, Jr.
Proration Manager

ALP/jh

CC: O.C.C.
Hobbs, N.M.

ASK PETE IF HE WOULD RECOMMEND WITH REFERENCE TO AN ORDER IN CASE 902
COMMINGLING OF PRODUCTION FROM OIL AND GAS POOLS DEFINED BY ORDER R
520 THAT NEW WELLS BE ALLOWED TO COMMINGLE OR ONLY THOSE WELLS WHICH
M HAVE BEEN RECLASSIFIED IT WOULD SEEM THAT IF THE OPERATORS ARE
GOING TO DRILL NEW OIL WELLS IN THE GAS POOLS AND IF THE GAS POOLS ARE TO
BE EXTENDED TO INCLUDE THESE OIL WELLS THE OPERATORS SHOULD BE WILLING
TO BUILD SEPARATE TANK BATTERIES,

END OR GA

TO BE DISSUED WITH PETE LATER

BILL WILL BRING THE CAPROCK RECOMMENDATIONS THIS AFTERNOON

END END OR GA

END

*Charlie, I believe the order should apply
to all wells that are now producing and new
wells which may be completed. Of course a new
well that is completed a mile or more from the
boundary of Emmet monument pool ~~boundary~~ and
necessitates an extension to Emmet would no
doubt require separate tankage anyway. Pete*

Order in Order L-520 defines the vertical and horizontal limits of the following oil and gas pools in Lea County, New Mexico: Jalmat Escuat Arroyo Arroyohead

That the pools thus affected are the ~~same~~ ^{future} oil and gas pools as they are now defined vertically and horizontally and including extensions as made in the horizontal limits.

provided

ownership must be the same
tests must be made, facilities available.

902 - application of the Comm. upon its
own motions for an order establishing
rules and regulations procedures in
deception to the provisions of
Rule 303 to permit the commingling
of oil from various gas and oil pools
in Lea County New Mexico, said
commingling being occasioned
by the re-classification of wells
located within the oil and
gas pools defined by Order R-520

Case 7,6
902

Bill —

Wilbur sent me their
information, It might
be useful in writing the
Order in Case 902.

Pete.

(Section II - Statewide Reports)

USE OF COMMON STORAGE

Special Order No. 20-20,740, Governing the Filing of Reports in Fields
Where Common Storage Has Been Approved, Effective May 1, 1951.

WHEREAS, Certain oil fields in the State of Texas are now producing oil from two or more reservoirs or zones; and

WHEREAS, The Railroad Commission of Texas has heretofore or may hereafter publish separate proration schedules for each reservoir or zone in said field; and

WHEREAS, Oil is being produced or may hereafter be produced from two or more reservoirs or zones underlying the same lease or tract; and

WHEREAS, The Commission has heretofore or may hereafter approve the use of common tankage for the accumulation of oil produced from two or more reservoirs or zones underlying a lease or tract.

NOW, THEREFORE, IT IS ORDERED By the Railroad Commission of Texas that effective 7:00 a.m., May 1, 1951, in all fields or areas in which the Commission has approved the use of common storage where oil is produced from two or more separate reservoirs or zones and separate proration schedules are published by the Commission for each reservoir or zone, the operator of said lease shall not be required to file separate Railroad Commission Form SW-1 "Producer's Certificate of Compliance and Authorization to Transport Oil or Gas from Lease" for each reservoir or zone, but may file one Form SW-1 to authorize the transportation of oil or gas from all reservoirs or zones producing into common tankage.

IT IS FURTHER ORDERED By the Commission that effective 7:00 a.m., May 1, 1951, a gatherer transporting oil from leases on which the use of common storage has been approved by the Commission as aforesaid shall not be required to file a report on Form SW-2 covering the gathering of oil from each separate reservoir or zone, but may file report on Form SW-2 to cover the gathering of oil from all reservoirs or zones producing into said common tankage.

IT IS FURTHER ORDERED By the Commission that effective 7:00 a.m., May 1, 1951, a gatherer transporting oil from leases as aforesaid shall not be required to report on the Combined ED-1 and SW-6 the amount of oil transported from each separate reservoir or zone, but shall report the total amount of oil transported from all reservoirs or zones producing into the common tankage.

IT IS FURTHER ORDERED By the Commission that effective 7:00 a.m., May 1, 1951, the operator of leases as aforesaid shall file Form EB "Monthly Producer's Report" for each separate zone or reservoir, and, in addition thereto, said operator shall file an EB Report showing the data as required on said report combined for all zones produced into said common tankage.

(Section I - Statewide Rules)

RULE 21. (As Amended by Order No. 20-1758, Effective July 31, 1940, and Order No. 20-8,060, Effective September 1, 1945.) Where oil and gas are found in the same stratum and it is impossible to separate one from the other, or when a well has been classified as a gas well according to Commission Order No. 20-550 dated January 18, 1939, and titled, "General Order Classifying Wells Producing Condensate in the State of Texas," or where a well has been classified as a gas well under the Statute and such gas well is not connected to a recycling plant and such well is being produced on a lease and the gas utilized under Article 6008, the operator shall install a separating device of approved type and sufficient capacity to separate the oil or liquid hydrocarbons from the gas, which separating device shall be kept in place as long as a necessity therefor exists, and after being installed such device shall not be removed nor the use thereof discontinued without the consent of the Railroad Commission of Texas. All oil and/or distillate or any other liquid hydrocarbons as and when produced shall be adequately measured according to the pipe line rules and regulations of the Commission before the same leaves the lease from which they are produced and sufficient tankage and separator capacity shall be provided by the producer to adequately take daily gauges of all oil, distillate and/or liquid hydrocarbons and gas produced.

In instances where two or more tracts of land (regardless of whether or not the tracts are covered by the same original lease) have their working interests owned by the same parties, have royalty interests owned by the same parties, and are located in such proximity to each other as to permit, under practical operating conditions, the running of the oil from all of said tracts into common tankage, the production from said leases may be run into a common tank battery or batteries provided that a permit allowing the use of a common tank battery or common tank batteries shall have first been obtained from the Chief Supervisor of the Oil and Gas Division of the Railroad Commission of Texas. Likewise, where two or more leases have been unitized by an agreement among the owners of the working interests therein and the owners of the royalty interests therein, a permit for the running of the production of these leases into common tankage may be secured where said leases are located in such proximity to each other as to permit, under practical operating conditions, the running of the oil from all said leases into common tankage, after the Commission has been furnished a copy of such unitization agreement. The oil produced from the tracts described in this paragraph shall be produced in the manner set out in the first paragraph above, but said measurements shall be taken in the aforementioned common tank battery or batteries, in which event the operator shall be required to mark such common battery or batteries so as to show the particular tracts from which oil is being run therein.

In instances where oil is produced from a lease or other property covered by the coastal or inland waters of the State, the oil produced may, at the option of the operator, be measured on a shore or at a point removed from the lease or other property on which it is produced.

Memo

From
W. B. MACEY
Director

To Put another paragraph
approving the unorthodox
location and put in
some definite clause
with respect to a
provision unit

NSL. J. J. [Signature]

separate facilities to receive, measure, and store the production of those wells so reclassified would have to be provided by the operator. And that in certain cases the installation and maintenance of said separate facilities for the measurement and storage of oil would create an undue expense and hardship upon the operator.

(6) That approval of this application for an order establishing rules and procedures in exception to the provisions of Rule 303 to permit the commingling of oil from various ~~gas~~ and ~~oil~~ pools defined by Order R-520 would be in the interest of conservation and would prevent waste.

IT IS THEREFORE ORDERED:

(1) That the application of the Commission upon its own motion for an order establishing rules and procedures in exception to the provisions of Rule 303 to permit the commingling of oil from various gas and oil pools in Lea County, New Mexico, said commingling being occasioned by the re-classification of wells located within the ~~oil~~ gas and oil pools defined by Order R-520, be and the same is hereby approved.

(2) That the gas and oil pools thus affected are the Jalmat, Eumont, and Arrow Gas Pools, and the Arrowhead, Eunice-Monument, South Eunice, ~~Super~~ Cooper-Jal, and Langlie-Mattix Oil Pools, as they are now defined both vertically and horizontally and