

CASE 3501; Motion of the OCC to
consider amending Commission
ORDER NO. R-1670, as amended.

CASE NO.

3601

Application,
TRANSCRIPTS,
SMALL Exhibits
ETC.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

CASE No. 3501
Order No. R-3168

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION COMMISSION ON ITS
OWN MOTION TO CONSIDER AMENDING COMMISSION ORDER NO. R-1670, AS AMENDED, WHICH GOVERNS ALL PRORATED GAS POOLS IN SAN JUAN, RIO ARRIBA, SANDOVAL, LEA, EDDY, AND ROOSEVELT COUNTIES, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on December 7, 1966, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 22nd day of December, 1966, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That by Order No. R-1670, dated May 20, 1960, as amended, General Rules and Regulations were adopted for the Prorated Gas Pools of Northwestern New Mexico and Southeastern New Mexico.

(3) That Rule 5(B) and Rule 5(C) of the General Rules and Regulations for Northwestern New Mexico and Southeastern New Mexico, respectively, provide that the Secretary-Director of the Commission may approve non-standard units without notice and hearing under specified conditions.

(4) That Rule 5(B) of Order No. R-1670-C, as amended, amending Order No. R-1670 and promulgating Special Rules and Regulations for the Basin-Dakota Gas Pool in addition to the General Rules and Regulations for Northwestern New Mexico, provides that the Secretary-Director of the Commission may approve non-standard units without notice and hearing under specified conditions.

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CASE No. 3501

Order No. R-3168

(5) That Rule 5(B) of Order No. R-1670, as amended, promulgating Special Rules and Regulations for the West Kutz-Pictured Cliffs Gas Pool in addition to the General Rules and Regulations for Northwestern New Mexico limits the authority of the Secretary-Director of the Commission to approve a non-standard gas proration unit to one that does not exceed 2640 feet in length or width.

(6) That Rule 5(C) of Order No. R-1670-E amending Order No. R-1670 and promulgating Special Rules and Regulations for the Atoka-Pennsylvanian Gas Pool in addition to the General Rules and Regulations for Southeastern New Mexico provides that the Secretary-Director may approve non-standard units without notice and hearing under specified conditions.

(7) That in order to ease the administrative burden upon operators and Commission, thereby preventing economic waste, Rule 5(B) and Rule 5(C) of the General Rules and Regulations governing the Prorated Gas Pools of Northwestern and Southeastern New Mexico, respectively, should be amended to allow the District Supervisor of the appropriate District Office of the Commission and the Secretary-Director of the Commission to approve, under specified conditions, without notice and hearing and without notice to offset operators, non-standard units occasioned by variations in the legal subdivision of the United States Public Lands Survey.

(8) That in order to provide for more uniformity of rules, Rule 5(B) of the Special Rules and Regulations governing the Basin-Dakota Gas Pool, Rule 5(B) of the Special Rules and Regulations governing the West Kutz-Pictured Cliffs Gas Pool, and Rule 5(C) of the Special Rules and Regulations governing the Atoka-Pennsylvanian Gas Pool should be deleted from said Special Rules and Regulations.

IT IS THEREFORE ORDERED:

(1) That Rule 5(B) of the General Rules and Regulations governing the Prorated Gas Pools of Northwestern New Mexico, promulgated by Order No. R-1670, as amended, is hereby amended to read in its entirety as follows:

"RULE 5(B):

1. The District Supervisor of the appropriate district office of the Commission shall have the authority to approve a non-standard unit as an exception to Rule 5(A) without notice and hearing when

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Order No. R-3168

the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys and the non-standard unit is not less than 75% nor more than 125% of a standard unit.

2. The District Supervisor of the appropriate district office of the Commission may approve the non-standard unit by:

- (a) Accepting a plat showing the proposed non-standard unit and the acreage to be dedicated to the non-standard unit, and
- (b) Assigning an allowable to the non-standard unit.

3. The Secretary-Director of the Commission shall have authority to grant an exception to Rule 5(A) without notice and hearing where an application has been filed in due form and when the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the U. S. Public Land Surveys and the non-standard unit is less than 75% or more than 125% of a standard unit, or where the following facts exist and the following provisions are complied with:

(a) The proposed non-standard proration unit consists of less acreage than a standard proration unit;

(b) The non-standard gas proration unit consists of contiguous quarter-quarter sections and/or lots;

(c) The non-standard gas proration unit lies wholly within a single governmental section;

(d) The entire non-standard gas proration unit may reasonably be presumed to be productive of gas from the designated gas pool;

(e) The applicant presents written consent in the form of waivers from:

(1) All operators owning interests outside the non-standard gas proration unit but in the same section in which any part of the non-standard gas proration unit is situated, and

(2) All operators owning interests in acreage offsetting the non-standard gas proration unit.

(f) In lieu of subparagraph (e) of this rule, the applicant may furnish proof of the fact that said offset operators

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Order No. R-3168

were notified by registered mail of his intent to form such non-standard gas proration unit. (This notification to offset operators should consist of the same information that is furnished to the Commission). The Secretary-Director 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."

(2) That Rule 5(C) of the General Rules and Regulations governing the Prorated Gas Pools of Southeastern New Mexico promulgated by Order No. R-1670, as amended, is hereby amended to read in its entirety as follows:

"RULE 5(C):

1. The District Supervisor of the appropriate district office of the Commission shall have authority to approve a non-standard unit as an exception to Rule 5(A) without notice and hearing when the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys and the non-standard unit is not less than 75% nor more than 125% of a standard unit.

2. The District Supervisor of the appropriate district office of the Commission may approve the non-standard unit by:

(a) Accepting a plat showing the proposed non-standard unit and the acreage to be dedicated to the non-standard unit, and

(b) Assigning an allowable to the non-standard unit.

3. The Secretary-Director of the Commission shall have authority to grant an exception to Rule 5(A) without notice and hearing where an application has been filed in due form and when the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the U. S. Public Land Surveys and the non-standard unit is less than 75% or more than 125% of a standard unit, or where the following facts exist and the following provisions are complied with:

(a) The proposed non-standard proration unit consists of less acreage than a standard proration unit;

(b) The non-standard gas proration unit consists of contiguous quarter-quarter sections and/or lots;

(c) The non-standard gas proration unit lies wholly within a single governmental section;

(d) The entire non-standard gas proration unit may reasonably be presumed to be productive of gas from the designated gas pool;

(e) The applicant presents written consent in the form of waivers from:

(1) All operators owning interests outside the non-standard gas proration unit but in the same section in which any part of the non-standard gas proration unit is situated, and

(2) All operators owning interests in acreage offsetting the non-standard gas proration unit.

(f) In lieu of subparagraph (e) 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. (This notification to offset operators should consist of the same information that is furnished to the Commission). The Secretary-Director 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."

(3) That Rule 5(B) of the Special Rules and Regulations governing the Basin-Dakota Gas Pool promulgated by Order No. R-1670, as amended, is hereby deleted from said Special Rules and Regulations.

(4) That Rule 5(B) of the Special Rules and Regulations governing the West Kutz-Pictured Cliffs Gas Pool promulgated by Order No. R-1670, as amended, is hereby deleted from said Special Rules and Regulations.

(5) That Rule 5(C) of the Special Rules and Regulations governing the Atoka-Pennsylvanian Gas Pool promulgated by Order No. R-1670-E is hereby deleted from said Special Rules and Regulations.

(6) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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Order No. R-3168

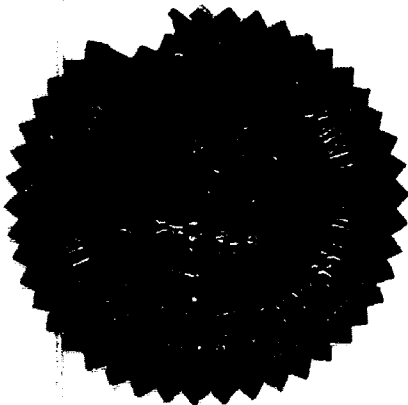
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Jack M. Campbell
JACK M. CAMPBELL, Chairman

Guyton B. Hays
GUYTON B. HAYS, Member

A. L. Porter, Jr.
A. L. PORTER, Jr., Member & Secretary



esr/

GOVERNOR
JACK M. CAMPBELL
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
GUYTON S. HAYS
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

P. O. BOX 2088
SANTA FE

December 22, 1966

Mr. Carl Harpke
Pan American Petroleum Corporation
Post Office Box 1410
Fort Worth, Texas

Re: Case No. 3501
Order No. R-3168
Applicant: _____

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.
A. L. PORTER, Jr.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC _____

Aztec OCC x

OTHER _____

Case 3501

Heard 12-7-66

Rec. 12-7-66.

1. Amend. R-1670 Rule 5(B) to allow the supervising district office to grant. non. std. units due to survey irregularities of survey. The limits of such appropriate must be from 75% to 125% of the std unit, a std unit being. ch. even 160, 320, 640 etc..

	Min.	Max.
40 -	30	50
80 -	60	100
160 -	120	200
320 -	240	400
640 -	480	800

Trust. R.

Sub. Rule in Ex. 1.2 in General Rules of Northwest (except Devils Fork) and Southeast N. Mex. (Except Zoddifower S.A.) in place of Rule 5(B)
Remove Special Rule 5(B) in R-1670 in all pools except Devils Fork and Zodd San Andreas.

Trust. R.

TEXACO
INC.

PETROLEUM PRODUCTS

DOMESTIC PRODUCING DEPARTMENT
MIDLAND DIVISION

J. H. MARKLEY, DIVISION MANAGER



December 5, 1966

1966 DEC 6
P. O. BOX 3109
MIDLAND, TEXAS

EXAMINER HEARING - DOCKET NO. 31-66
NON-STANDARD GAS PRORATION UNITS

Oil Conservation Commission
of New Mexico
P. O. Box 2088
Santa Fe, New Mexico

Attn: Mr. A. L. Porter, Jr.

Gentlemen:

Texaco Inc. will not be represented at the above subject examiner hearing scheduled for December 7, 1966, but by this letter wishes to make its position a part of the record with regard to Case No. 3501. In this case, consideration is to be given to amendment of Order No. R-1670 to provide for approval of non-standard gas proration units without hearing or without notification to offset operators, provided that the unit size results from a deviation in the U. S. Public Lands Survey and is within from 75% to 125% of a standard unit size. Texaco Inc. concurs with these proposed amendments and recommends that they be adopted by the Oil Conservation Commission.

It is noted that Order No. R-1670 already provides for approval of non-standard gas proration units so long as the unit is in compliance with certain prescribed requirements. One of the present requirements is that the non-standard unit consist of less acreage than a standard unit. We concur that this requirement should be amended to provide for a non-standard unit within from 75% to 125% of a standard unit size. Another requirement of the present order is that offset operators be notified of the application. Texaco Inc. concurs that this requirement can be eliminated.

Yours very truly,

A handwritten signature in cursive script, appearing to read "J. H. Markley".

CLW:jl

DEC 5 1966
El Paso Natural Gas Company

El Paso, Texas 79999

December 2, 1966

FW
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case 3501

Gentlemen:

On December 7, 1966 an Examiner will hear the above referred to Case called by the Commission on its own motion to consider amending Commission Order No. R-1670 which governs all prorated gas pools in the San Juan Basin.

The amendment would provide a system for the approval of a non-standard gas proration unit without a hearing or without notification to offset operators provided said non-standard units result from a deviation in the United States Public Lands Survey and provided the size of the unit is within from 75% to 125% of a standard unit size in its respective pool.

El Paso believes that this amendment will be of benefit to the Commission and industry alike and recommends its adoption. In establishing the system of administrative approval, it is recommended that provisions be adopted which will result in denial of administrative approval when the unit requested would leave small tracts that cannot be reasonably joined to other or future proration units.

Respectfully submitted,

F. Norman Woodruff
F. Norman Woodruff, Manager
Gas Proration Operations

FNW:mgs



Consolidated Oil & Gas, Inc.

Executive Offices

4150 EAST MEXICO AVENUE
DENVER, COLORADO 80222
PHONE 757-5441

[Handwritten signature]

December 5, 1966
DEC 7 11 7 9

Oil and Gas Conservation Commission
State of New Mexico
State Land Office Building
Santa Fe, New Mexico

Attention Mr. Elvis A. Utz

Gentlemen:

This is to advise you that Consolidated Oil & Gas, Inc., is in favor of the Commission's motion to amend Commission Order No. R-1670 with respect to non-standard gas proration units.

It is our belief that requiring a hearing on these non-standard units, which results from a variation in the U. S. Survey Plats, creates an unsatisfactory and undue burden to the Oil and Gas Conservation Commission.

Yours very truly,

CONSOLIDATED OIL & GAS, INC.

[Handwritten signature of Robert B. Tenison]

Robert B. Tenison
Vice President

RBt:li


Docket No. 31-66

DOCKET: EXAMINER HEARING - WEDNESDAY - DECEMBER 7, 1966

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Elvis A. Utz, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 3500: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit all operators in the Vacuum Field, Lea County, New Mexico, to show cause why the disposal of produced salt water in unlined pits should be permitted in the Vacuum Field.

 CASE 3501: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider amending Commission Order No. R-1670, as amended, which governs all prorated gas pools in San Juan, Rio Arriba, Sandoval, Lea, Eddy, and Roosevelt Counties, New Mexico. The Commission will consider amending said order to provide a system for the approval of a non-standard gas proration unit without a hearing or without notification to offset operators provided said non-standard units result from a deviation in the United States Public Lands Survey and provided the size of the unit is within from 75 percent to 125 percent of a standard unit size in its respective pool.

CASE 3351: (Reopened)
In the matter of Case No. 3351 being reopened pursuant to the provisions of Order No. R-3022, which order established 640-acre spacing units for the Dos Hermanos-Morrow Gas Pool, Eddy County, New Mexico, for a period of one year. All interested parties may appear and show cause why said pool should not be developed on 320-acre spacing units.

CASE 3348: (Reopened)
In the matter of Case No. 3348 being reopened pursuant to the provisions of Order No. R-3019, which order established 80-acre spacing units for the South Prairie-San Andres Pool, Roosevelt County, New Mexico, for a period of one year. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.

Northwest New Mexico

Amend Gen'l Rule 5 B

Knock out special rule 5 B
in Basin Dakota
W Kut₃ P.C.

Southeast New Mexico

Amend Gen'l Rule 5 C

Knock out special rule 5 C
Atoka Penn

Indian Basin Morrow

" " Upper Penn covered by
orders other than 1670 except for
prorationing - not within the call of this hrg

Devils Fork Gallup } associated
Todd Lower Sandres } reservoirs

with two different sizes of proration
units 320 acres for gas, 80 acres for oil.

Memo

From

Emery Arnold
Supervisor District #3

To Pete,

This is roughly what I had in mind
for the Rule Revision to R. 1670.
As you see it does not give
blanket approval or small units
but puts the responsibility on the
District supervisor, who would
then be subject to being run off
if he didn't do it in the way
instructed by the Secretary Director.
We will discuss it further next
month.

Emery

R-658

891

1814

2046

OCC approved non-
standard projection prints
- large number in
each case —

Ask Emory

1. Should there be an adm. order for all non-standard provation units = whether larger or smaller = caused by a resurvey?
 2. Should the Commission check for non-standard provation units each time there is a resurvey?
 3. Should the same apply to non-standard locations occasioned by resurveys.
-
4. Should the applicant have to notify the offset operators?
 5. Should the rule be changed?
 6. Where one has a non-standard provation unit by adm. order, or otherwise, and well is now being completed as a dual should there be another adm. order for the non-standard provation unit or is the mere ok of a dual completion enough?
= recompleted in another

PROPOSED REVISION ORDER R-1670

Rule 5-A 1670 - General Rules (No Change)

Rule 5-B

The Secretary Director of the Commission shall have authority to grant exception to Rule 5-A without notice and hearing where an application has been filed in due form and where the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the U. S. Public Land Survey and contains more acreage than a standard unit or where the following facts exist and the following provisions are complied with:

26 AUG 29 AM 8 19

R-1670-C Paragraphs 1,2,3,5 & 6
Basin Dakota Rules, delete paragraph 4

Add:

Rule 5-C

The District Supervisor shall have authority to approve a non-standard proration unit whose unorthodox size or shape is due to variations in the legal subdivision of the U. S. Public Land Survey and which contains less acreage than a standard unit.

of our situation, you would be in a position to determine
at once it appears to me that the great matter at issue here is
whether the fact that we are a member of the League is to
be a defense or a part of our defense. This is the
question of the League.

[illegible]

R-1670
Rule 5-A - Admin. Rules (no change)

Rule 5-B

The Secretary Director of the Commission shall have authority to grant exception to Rule 5-A without notice and hearing where ~~and~~ an application has been filed in due form and where the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the U.S. Public Land Survey and contains more acreage than a standard unit or where the following facts exist and the following provisions are complied with:

R-1670-C (Barni Dakota)

5-B as now written allows adm. approval w/o notification, etc for survey reasons -
However, it is not limited to larger units as ~~is~~ Every Recommendation in
1670 -

2/20/50

(Per tin)

R- 658

891

1814

OCC
El Paso

2046

2948

(512744)

Memo

From

Emery Arnold
Supervisor District #3

To George Hatch,

Attached is the list of non standard units which you requested. I have already contacted the operators concerning the oversize units & they will be applying for non standard units. I have done nothing about the short units.

Emery

MAILED

66 AUG 18 PM 1 30

OIL CONSERVATION COMMISSION
1000 RIO BRAZOS ROAD
AZTEC, NEW MEXICO

August 30, 1966

D. J. Simmons, et al
3590 McCart Street
Fort Worth, Texas

Attn: Ashton B. Geren, Jr.

Dear Mr. Geren:

We have two copies of your Application for Permit to Drill for the Simmons #2 well located in the NE $\frac{1}{4}$ Section 26-29N-9W. Your acreage dedication plat for this well indicates 160 acres dedicated, being the NE $\frac{1}{4}$ of Section 26.

We have a dependent resurvey plat dated July 2, 1952 which indicates that there are only 146.13 acres in the NE $\frac{1}{4}$ of Section 26. We are, therefore, correcting your acreage dedication plat to 146.13 acres. As the rule presently stands, this also makes it a non-standard unit which will require administrative approval from our Santa Fe Office. You should write a letter to Mr. A. L. Porter, Secretary-Director of the Commission in Santa Fe and request approval of the non-standard unit on the grounds that the unorthodox size of the tract is due to a variation in the U.S. Public Land Survey. Mr. Porter will then issue an order approving the unit.

If you have any questions regarding the matter, please contact us.

Yours very truly

ECA:ks

cc: Oil Conservation Commission
Santa Fe, New Mexico

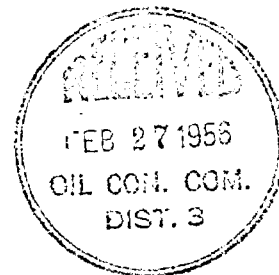
Emery C. Arnold
Supervisor, District #3

66 AUG 18 PM 1 31

DISTRICT III NON-STANDARD UNITS WHICH LACK
ADMINISTRATIVE APPROVAL

OPERATOR	WELL	LOCATION	POOL	ACREAGE	FACTOR
<u>SHAR-ALAN</u>	Morelock Com #1	7-23-1	So. Blanco PC	152.86	(.96)
	Evans Fed. #1	18-23-1	"	153.4	(.96)
	Duff B Fed. #1	19-23-1	"	153.74	(.97)
<u>SHERMAN WAGENSELLER</u>	Jicarilla 162 #2	D 19-23-2	So. Blanco PC	152.9	(.96)
<u>EL PASO NAT. GAS</u>	Lindrith Unit #47	N 30-24-2	So. Blanco PC	152.25	(.95)
	" #54	K 31-24-2	"	152.21	(.95)
	Jicarilla H #13	A 7-24-4	"	164.95	(1.03)
	Huerfano U #149	K 18-25-8	Basin Dakota	324.24	(1.01)
	Reames #3	H 19-26-6	So. Blanco PC	162.14	(1.01) NW 323
	Huerfanito U #80	B 10-26-9	Basin Dakota	315.4	(.99)
	Huerfano #4	F 24-26-10	"	160	(.50)
	San Juan 28-6 U #105	N 35-28-6	"	325.52	(1.02)
	" 28-7 NP #94	N 30-28-7	So. Blanco PC	152.9	(.96)
	" 28-7 U #36	N 31-28-7	"	148.6	(.93)
	" 28-7 #72	L 35-28-7	"	164.7	(1.03)
	Bolack B #5	J 33-28-8	"	148.18	(.93) NW 532
	Storey #2	M 35-28-8	Blanco MV	306.8	(.96)
	Grambling #3	N 22-29-9	"	311.8	(.97)
	Green Com #1	F 36-29-9	Aztec PC	155.4	(.97)
	Ludwick #24	C 6-29-10	"	155.22	(.97) NW 533
	Ludwick #23	D 19-30-10	"	156.1	(.98)
	Atlantic C #4	N 31-31-10	Blanco MV	312.56	(.98)
	Mudge #28	O 20-31-11	Aztec PC	151.62	(.95) NW 534
	Mudge #26	L 21-31-11	Basin Dakota	304.31	(.95)
	W 10-32-14	Basin Dakota	Paradox PC		
<u>SOUTHERN UNION GAS</u>	Jicarilla G #1	L 1-26-5	Blanco MV	279.96	(.87)
	SUP #5	B 14-28-11	Fulcher Kutz PC	80.00	(.50)
<u>MOUNTAIN STATES NAT. GAS</u>	Nickson #2	O 35-26-8	Ballard PC	141.69	(.90)
<u>PAN AMERICAN PETRO. CORP.</u>	GCU #89	C 6-27-12	Basin Dakota	304.28	(.95)
<u>MOBIL OIL CO.</u>	H. K. Riddle #1	M 7-27-12	Basin Dakota	152.56	(.48)
<u>AZTEC O & G CO.</u>	Reid #20	A 19-28-9	Basin Dakota	301.72	(.94)
	" #21	I 19-28-9	"	302.78	(.94)
	Grenier #17	D 6-31-11	"	311.42	(.97)
	Davis #10	C 12-31-12	"	276.94	(.87)
	Grenier #15	F 10-31-11	"		
<u>UNION TEXAS</u>	Pritchard #2	M 6-29-8	Blanco MV	291.83	(.91)
	Culpepper Martin #3	H 7-31-12	Basin Dakota	305.	(.96)
<u>TENNECO OIL CO.</u>	Florance #41	A 21-29-9	Blanco MV	312.9	(.98)
	" #20	B 24-30-9	Basin Dakota	348.62	(1.09) NW 535 + 10

aghe oil



September 2, 1955

Pacific Northwest Pipeline Company
Simms Building
Albuquerque, New Mexico

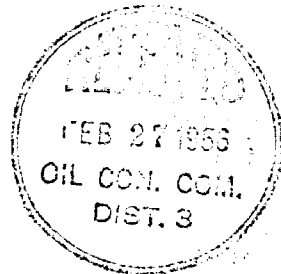
Gentlemen:

Reference is made to the formation of non-standard gas proration units within the defined limits of approved unit agreements in the Blanco Mesaverde Gas Pool, in which the drilling blocks were specified, outlined and defined in said unit agreement.

It is the opinion of the Commission that the question of proration units, both standard and non-standard, was taken up at the time that the unit agreement in which the drilling blocks were specifically defined was heard by the Commission, and that the proration units within such unit agreement were formed and approved at the time that the unit agreement was approved and therefore require no further approval by the Commission. In addition, the plan of development submitted by each unit operator to the Commission each year further defines the area which may be allocated to a well for proration purposes and the approval of such plan of development by the Commission in our opinion grants approval to any proration unit formed as a result of such drilling.

Effective the 1st of September, all that will be required for proration units formed in the defined areas of a unit agreement in which the drilling blocks have been specified and outlined is the submittal of the Form C-104 and the official Connalston Gas Well Plat to the Oil Conservation Commission district office at Alameda, New Mexico. The

-2-



following statement should be included on both C-104 and the Gas Well Plat when the proration unit is other than the standard 320 acre unit for the Blanco-Mesaverte Pool: "Irregular size of this proration unit within the _____ unit agreement was made necessary by variations in the legal sub-division."

There is attached to this letter a list of the unit agreements in which the drilling blocks are specified and which would qualify for the exception outlined above.

Very truly yours,

W. D. MACFAY,
Secretary-Director

WDM/ir

Attachment

note - an original of this letter was also sent to Philip's Petroleum and El Paso Natural

Y

1957年12月
 1957年12月
 1957年12月

Canon Lens 5/2 & 1 1/2 1/4 inch 1/16 inch. Photo - no formations specified.

EXHIBIT 1
CASE 3501

RULE 5 (B) NORTHWEST NEW MEXICO GAS RULES

1. The District Supervisor of the appropriate district office of the Commission shall have the authority to approve a non-standard unit as an exception to Rule 5 (A) without notice and hearing when the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys and the non-standard unit is not less than 75% nor more than 125% of a standard unit.

2. The District Supervisor of the appropriate district office of the Commission may approve the non-standard unit by:

- (a) Accepting a plat showing the proposed non-standard unit and the acreage to be dedicated to the non-standard unit, and
- (b) Assigning an allowable to the non-standard unit.

3. The Secretary-Director of the Commission shall have authority to grant an exception to Rule 5 (A) without notice and hearing where an application has been filed in due form and when the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the U. S. Public Land Surveys and the non-standard unit is less than 75% or more than 125% of a standard unit, or where the following facts exist and the following provisions are complied with:

- (a) The proposed non-standard proration unit consists of less acreage than a standard proration unit;
- (b) The non-standard gas proration unit consists of contiguous quarter-quarter sections and/or lots;

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(c) The non-standard gas proration unit lies wholly within a single governmental section;

(d) The entire non-standard gas proration unit may reasonably be presumed to be productive of gas from the designated gas pool;

(e) The applicant presents written consent in the form of waivers from:

(1) All operators owning interests outside the non-standard gas proration unit but in the same section in which any part of the non-standard gas proration unit is situated, and

(2) All operators owning interests in acreage offsetting the non-standard gas proration unit

(f) In lieu of subparagraph (e) 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. (This notification to offset operators should consist of the same information that is furnished to the Commission). The Secretary-Director 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.

EXHIBIT 2
CASE 3501

RULE 5(C) SOUTHEAST NEW MEXICO GAS RULES

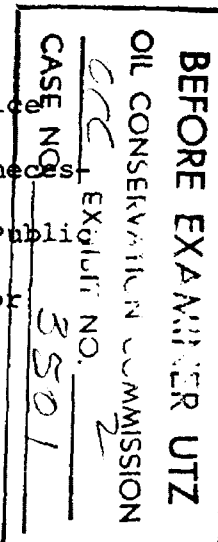
1. The District Supervisor of the appropriate district office of the Commission shall have the authority to approve a non-standard unit as an exception to Rule 5 (A) without notice and hearing when the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys and the non-standard unit is not less than 75% nor more than 125% of a standard unit.

2. The District Supervisor of the appropriate district office of the Commission may approve the non-standard unit by:

- (a) Accepting a plat showing the proposed non-standard unit and the acreage to be dedicated to the non-standard unit, and
- (b) Assigning an allowable to the non-standard unit.

3. The Secretary-Director of the Commission shall have authority to grant an exception to Rule 5 (A) without notice and hearing where an application has been filed in due form and when the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the U. S. Public Land Surveys and the non-standard unit is less than 75% or more than 125% of a standard unit, or where the following facts exist and the following provisions are complied with:

- (a) The proposed non-standard proration unit consists of less acreage than a standard proration unit;
- (b) The non-standard gas proration unit consists of contiguous quarter-quarter sections and/or lots;



(c) The non-standard gas proration unit lies wholly within a single governmental section;

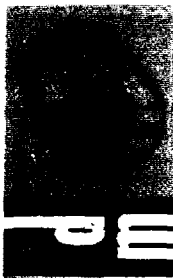
(d) The entire non-standard gas proration unit may reasonably be presumed to be productive of gas from the designated gas pool;

(e) The applicant presents written consent in the form of waivers from:

(1) All operators owning interests outside the non-standard gas proration unit but in the same section in which any part of the non-standard gas proration unit is situated, and

(2) All operators owning interests in acreage offsetting the non-standard gas proration unit

(f) In lieu of subparagraph (e) 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. (This notification to offset operators should consist of the same information that is furnished to the Commission). The Secretary-Director 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.



BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
December 7, 1966

IN THE MATTER OF:

In the matter of the hearing called by
the Oil Conservation Commission on
its own motion to consider amending
Commission Order No. R-1670, as
amended, which governs all prorated
gas pools in San Juan, Rio Arriba,
Sandoval, Lea, Eddy, and Roosevelt
Counties, New Mexico. The Commission
will consider amending said order to
provide a system for the approval of
a non-standard gas proration unit
without a hearing or without
notification to offset operators
provided said non-standard units
result from a deviation in the
United States Public Lands Survey and
provided the size of the unit is
within from 75 percent to 125 percent
of a standard unit size in its
respective pool.

Case No. 3501

BEFORE:

Elvis A. Utz, Examiner

Transcript of Hearing

MR. UTZ: Hearing will come to order, please.

MR. HATCH: Next case on the docket is 3501.

Case 3501: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider amending Commission Order No. R-1670, as amended, which governs all prorated gas pools in San Juan, Rio Arriba, Sandoval, Lea, Eddy, and Roosevelt Counties, New Mexico. The Commission will consider amending said order to provide a system for the approval of a non-standard gas proration unit without a hearing or without notification to offset operators provided said non-standard units result from a deviation in the United States Public Lands Survey and provided the size of the unit is within from 75 percent to 125 percent of a standard unit size in its respective pool.

MR. HATCH: If the Examiner, please, George Hatch appearing for the Commission and I will have one witness.

MR. UTZ: Witness stand and be sworn.

(Witness sworn)

MR. UTZ: Are there appearances in this case, other appearances?

MR. HARPKE: Carl F. Harpke with Pan American Petroleum Company. I would like to make a brief statement at the end of Mr. Nutters' presentation.

MR. UTZ: Other appearances? You may proceed.

D. S. NUTTER, called as a witness, having been first duly sworn on oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. HATCH:

Q Would you state your name and position for the record, please?

A D. S. Nutter, Chief Engineer for the Oil Conservation Commission.

Q Are you familiar with Case 3501 and what it proposes?

A Yes, sir, I am.

Q What rule or rules are you recommending be amended, in particular what rule are you recommending be amended that will affect prorated gas pools of Northwest New Mexico?

A Recommending that Rule 5 (B) of Order Number R-1670 which governs the prorated gas pools of Northwest New Mexico be amended.

Q What pools will be affected if the Commission sees fit to follow your recommendation?

A In Northwest New Mexico the following pools would be affected: Blanco Mesaverde Pool, Basin Dakota Pool, Aztec Pictured Cliffs Pool, Ballard Pictured Cliffs Pool,

South Blanco Pictured Cliffs Pool, Fulcher Kutz Pictured Cliffs Pool, West Kutz Pictured Cliffs Pool, Tapacito-Pictured Cliffs Pool, also the Devil's Fork Gallup Pool is included on Order 1670. However, I wouldn't recommend any change in Rule 5 (B) for that pool. I will explain that later.

Q What particular changes do you propose for Rule 5 (B)?

A I would recommend, basically, that General Rule 5 (B) of Order 1670 as it relates to northwestern New Mexico be amended to read in its entirety as follows:
"Rule 5 (B), Paragraph 1. The District Supervisor of the appropriate District Office of the Commission shall have the authority to approve a non-standard unit as an exception to Rule 5 (A) without notice and hearing when the unorthodox size and shape of units, necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys and the non-standard unit is not less than 75 percent nor more than 125 percent of a standard unit."

Now, at this point I would like to explain that Rule 5 (A) of Order 1670 describes what a standard unit is for the various pools. In the 160-acre pools it states, "a standard unit shall consist of 160 acres, being a quarter section

and the 320-acre pools, it states standard unit should consist of 320 acres being a half section.

Paragraph 2 of the proposed Rule would read as follows: "The District Supervisor of the appropriate District Office of the Commission may approve the non-standard unit by: (A) Accepting a plat showing the proposed ~~non-standard~~ unit and the acreage to be dedicated to the ~~non-standard~~ unit and (B) Assigning allowable to the non-standard unit.

Paragraph 3: "The Secretary-Director of the Commission shall have authority to grant an exception to Rule 5 (A) without notice and hearing where an application has been filed in due form and where the unorthodox size and shape of the tract is due to a variation in legal subdivision of the U. S. Public Land Surveys in the non-standard units less than 75 percent or more than 125 percent of a standard unit or where the following facts exist and the following provisions are applied.

But now we are getting into the area which is presently covered by Rule 5 (B). Now, in other words, the District Supervisor could approve the non-standard unit if the acreage was more than 75 percent but less than 125 percent of a non-standard unit by accepting a plat and assigning allowable.

Q Would that be in all cases?

A This is only on account of a variation in public land surveys. The Secretary-Director would have the administrative authority to approve the non-standard unit in the usual manner providing that the acreage was less than 75 percent or more than 125 percent on account of a survey or when it's a non-standard unit not due to variation in the survey, when the following facts exist and the following provisions are complied with:

A "The non-standard proration unit if of less acreage than the standard proration unit.

B The non-standard proration unit consists of contiguous quarter-quarter sections and/or lots.

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

D The entire non-standard gas proration unit may reasonably be presumed to be productive of gas from the designated gas pool.

E The applicant presents written consent in the form of waivers from: 1. All operators owning interests outside the non-standard gas proration unit but in the same section in which any part of the gas proration unit is situated, and 2: All operators owning interests in acreage offsetting the non-standard gas proration unit"

F "In lieu of Paragraph E" -- which requires

waivers -- "in lieu of Paragraph E this rule, the applicant may furnish proof of the fact that the offset operators were notified by registered mail of his intent to form a non-standard gas proration unit, (this notification to offset operators should consist of the same information that is furnished to the Commission.) The Secretary-Director of the Commission may approve the application if after a period of thirty days following the mailing of said notice no operator has made objection to formation of such non-standard gas proration units."

Q Has that been marked as an Exhibit, Mr. Nutter?

A Yes, sir, this proposed rule for Northwest New Mexico is identified as Rule 5 (B) Northwest New Mexico Gas Rules, Exhibit 1, Case 3501.

Q Do you have any particular change for the Basin Dakota Gas Pool which you are recommending?

A Yes, sir. The Basin Dakota Gas Pool has -- first of all I might state that the General Rule which is on 1670 applicable to all pools in the basin provides, more or less, the portion of this rule consisting of Paragraph 3, there are separate pool rules for two pools in the San Juan Basin, the West Kutz Pictured Cliffs Pool and the Basin Dakota Pool have separate Rule 5 (B's) for those pools. The general rule applies to all of the other pools. I would

recommend in the interest of uniformity of all of the rules that the Special Rule 5 (B) for the West Kutz Pictured Cliffs and the Basin Dakota be stricken and that they would be governed by the same Rule 5 (B) as would appear in the General Northwest Rules, then all gas pools in the San Juan Basin would have the same Rule 5 (B). It would be in the General Rules, there would be no Special Rule 5 (B) for those prorated gas pools. Now we will get to the Devil's Fork. I mentioned that I would not recommend the Special Rule 5 (B) in the Devil's Fork be stricken because the Devil's Fork is an associated reservoir that consists of oil wells and gas well. There are 320-acre units for the gas well, 80-acre units for the oil wells. There is a Special Rule 5 (B) there. I beg your pardon, I believe it's Rule 4 (B). Yes, there is a separate Rule 4 (B) for the establishment of a non-standard gas proration unit, there is a separate Rule 5 (B) for the establishment of a non-standard oil proration unit in the Devil's Fork Rules and I would recommend that these rules stay in existence, but that the Basin Dakota and West Kutz Special Rule 5 (B) be stricken.

Q Why are you recommending these proposed changes in these various rules?

A Yes, sir, because there are numerous corrections in the survey in the San Juan Basin. Over the years

we have approved close to 600 non-standard proration units in the San Juan Basin, almost all of which resulted from deviations in the survey. The requirement has been that offset operators be notified in a unit consisting of 320 acres to get approval of that non-standard unit, it requires a tremendous amount of administrative work on the part of the Commission. It also involves considerable amount of work on the part of the operators, in furnishing notification to all of the offset operators when there has been a deviation in the survey. The 25 percent tolerance plus, or plus being from 75 percent, being purely an arbitrary figure, we feel that if, offset operator, if we have a reason to object, would know that his unit has been described by the proration unit, they would have an opportunity to object and possibly call a hearing if one had been formed which might violate someone's correlative rights. I think there is very little opportunity for any correlative rights to be violated here and would simplify operation by the operators and Commission.

Q Let's turn to Southeast New Mexico, what Rule or Rules are you recommending be amended that will affect the prorated gas pools of that area?

A Order No. 1670 likewise applies to the recorded gas pools of Southeast New Mexico. The following pools are governed by Rule 1670: Atoka Pennsylvanian Gas Pool, Bagley

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Lower Pennsylvanian Gas Pool, Blinebry Gas Pool, Crosby Devonian Gas Pool, Eumont Gas Pool, Indian Basin Morrow Gas Pool, Indian Basin Upper Pennsylvanian Gas Pool, Jalmat Gas Pool, Justis Gas Pool, Monument McKee Ellenberger Gas Pool, Todd San Andres Pool -- correction, that's been recently changed to Todd Lower San Andres Gas Pool, and the Tubb Gas Pool.

These pools, as I mentioned, likewise are governed by Order No. 1670, being the General Rules for proration of gas pools in the State of New Mexico. The particular rule affecting non-standard gas proration units is Rule 5 (C) in the Southern Pool Rules. I would recommend that Rule 5 (C) be amended. I have an exhibit here labeled Exhibit No. 2 in Case 3501. I would recommend that these pool rules be adopted for Rule 5 (C) for Southeast New Mexico. I won't bother to read it in the record because it's identical, except for the number of the rule, to the one for the Northwest, it's labeled Exhibit Number 2, Case 3501.

Q Are you recommending that this Rule 5 (C) apply equally to all of those prorated gas pools?

A With a couple of exceptions. I would not recommend that Rule 5 (C) substitute the Special Pool Rules for the establishment of non-standard units in the Todd San Andres Pool because the Todd, like the Devil's Fork in

the Northwest, is associated reservoir with oil wells as well as gas wells. It has its own Special Rule for the establishment of non-standard gas proration units and non-standard oil proration units, being Rule 5 (B) for gas units. It might not have a special rule for the establishment of oil proration units. I don't see that right now, at any rate, but does have a Special Rule 5 (B) for gas units. I recommend that it be omitted from this change at this time. Also Indian Basin Morrow and Indian Basin Upper Penn they are governed by Order No. 1670 insofar as prorationings are concerned. However, they have their own Special Pool Rules regarding spacing units and they have a provision in there on separate rules for the establishment of non-standard gas units in those two pools. This hearing was called to consider amending Order No. 1670, so we can't amend the Indian Basin Pool Rules under the call of this hearing.

I would recommend that all the pools except the Todd San Andres, Indian Basin Morrow and Indian Basin Upper Penn be governed by this proposed Rule 5 (C) for Southeast New Mexico. None of these have a particular Rule 5 (C) of their own except the Atoka Penn which I would recommend be stricken from the Special Rules for that pool and the Tubb Gas Pool has a special provision in which a non-standard unit, if the Secretary-Director approves it, must be located within

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the quarter section. This way a non-standard unit can't be formed of, say three 40-acre units or four 40-acre units that aren't in the quarter section unit. All of the gas pools in the Southeast have the provision that they can be formed of contiguous quarter quarter sections even though they are not total quarter sections. In the interest of uniformity I would recommend that the Special Atoka and Todd be stricken, and excepting Indian Basin Morrow and Todd San Andres, be governed by the standard Rule 5 (C) for Southeast.

Q Would your reasons for proposing these changes be the same in the southern part of the state as you gave for the northwestern part of the state?

A Yes, they would, although there hasn't been as much load on the operators and the Commission for the establishment of non-standard units because of surveys in the south as there has been in the north but there have been considerable applications, for this reason, and it will eliminate those.

Q Do your feelings about the possible violations of correlative rights, would that apply for the southern part?

A Yes, it would.

Q Is this Rule 5, proposed Rule 5 (C), that is marked as an Exhibit, too?

A Yes, it's identified as Exhibit 2 in this case.

Q Did you prepare Exhibit 1 or 2 or were they prepared by you?

A Yes, sir.

MR. HATCH: I would like to move the introduction of Exhibits 1 and 2 in this case.

MR. UTZ: Without objection Exhibit 1 and 2 will be entered into the record in this case.

Q (By Mr. Hatch) Do you have anything you would like to add in this case?

A No.

BY MR. UTZ:

Q As you stated in your testimony, we have various sizes standard units in both areas ranging from 40 acres to 640 acres and on each of those units we have a tolerance, for example 160-acre units the tolerances plus or minus two acres or 158 to 162 in order to pin down this 25 percent leeway 50 to 125. Is it your recommendation that you use the even standard units rather than the extremes of the tolerance for your percentage?

A Yes, sir, I believe that the 5 percent, for example, in a 160-acre pool would be 5 percent of 160 for a standard unit, although we call 158 acres a standard unit for proration purposes 160 acres is still the standard, the two acres plus or minus is the tolerance given for determination

of allowable factors but still 160 acres is the standard in that pool, 320 acres being the standard for the pool and these percentages would apply to the standard.

MR. UTZ: Other questions?

BY MR. MORRIS:

Q May I ask a question to clarify my understanding of how this rule would work? Assuming that you had a non-standard unit resulting from a deviation in the Public Land Survey of 613 acres, could an operator then under this rule ask to form a non-standard unit comprising 613 acres plus 160 acres adjacent to it in another section?

A No, sir, he could not.

Q He would be within the 125 percent tolerance, though, as provided by this rule, wouldn't he?

A That's right. This is not a variation in the legal subdivision of that section. However, 613 acres I presume would be in the section?

Q Yes.

A And the other acreage is outside the section. As far as I am concerned there is a one-acre variation toleration, or one-acre variation in the survey of that section and it would be a standard unit in that section.

Q Right, so when we are talking about a section

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or a quarter section or some other governmental subdivision the intent of your rule is to let that section or subdivision be a non-standard unit in and for itself?

A Yes, sir, and I would go one step further, Mr. Morris. I didn't make this clear but if we have a section which has 160 acres long and I know the northwest quarters have 160 acres and you are in a 160-acre pool, then on the side thereof that 160 acres, you have two lots comprising, say 30 acres each, well, let's make them 15 acres each, the operator has a standard quarter section there and I don't believe that it's the intent of this thing to start dedicating lots outside of the standard unit on this. Now, these lots do result of a variation in the survey. However, in many cases these lots can be combined with other lots so you will have enough acreage to drill a well and it's not the intent here to be able to throw in additional lots when you have a standard quarter section or standard half section to be able to throw in additional lots and increase the size of your proration unit because we have noticed in numerous hearings that is this is done too frequently a necessary well has been eliminated, so I think it's the intent of this thing, to this kind of arbitrary figures, but if you have four 40-acre lots making 160 acres plus two additional lots that the operator should dedicate those four 40's.

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Now, if the unit has two 40-acre lots and then two lots on the west side that consist of 50 acres, those can't be separated, that other 10 acres can't be separated out, so this would come in under the variation of the survey. It is just according to how they are put on the map when the survey was made. If they separate lots they couldn't be included, if they are oversize lots, then they could be included.

MR. MORRIS: Thank you.

MR. UTZ: Other questions? Witness may be excused. Statements in this case? Would you state your name?

MR. HARPKE: Carl Harpke.

MR. UTZ: Spell your last name.

MR. HARPKE: H-a-r-p-k-e. Pan American feels that the proposed amendments to Commission Order No. 1670 represent a progressive step forward. We feel that the adoption of these amendments will be of benefit both to the Commission and to the petroleum industry in this state. We, therefore, recommend that the proposed amendments be adopted.

MR. UTZ: Any other statements?

MR. HATCH: There are some communications. I would like to state that we have had communications from Texaco, El Paso Natural Gas and Consolidated Oil Company addressed to the Commission and all of these concur in approving recommendations made by the witness.

MR. NUTTER: Mr. Examiner, I would like to also add this above, I left this out. When we decided to present this case we did not have time to research out all of the pools that have Special Pool Rules but were not included in 1670 but it is our intent when we have the opportunity to research those out to call another case at a later date to make similar provisions for all of the pools which have special pool rules and make the additive approval by the District Supervisor of non-standard units wherein a similar tolerance approved by acceptance of a plat and assigning of allowable. This would be true, not only for oil pools but gas pools and it would also be our intent to include the Indian Basin and these other pools which were not included at this time and it's also going to be my recommendation at a later date that the statewide rule be amended in a similar manner but we just did not have time to prepare that when we were advertising this case.

MR. UTZ: Case will be taken under advisement.

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STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

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

Kay Embree
Court Reporter

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I do hereby certify that the foregoing is a true and correct record to the best of my knowledge, skill and ability.
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Shirley W. [Signature]
Commission