History of Proration

1927: First voluntary proration in Texas is accomplished by limitation of production to a figure below the capacity to produce, and attended by a distribution of allowable production among the operators in the Yates Field. Done by agreement of the operators with the blessings of the Railroad Commission.

1928: Railroad Commission issues its first proration order based on the conservation statutes, pertaining to Hendricks Pool in Winkler County.

1929: Railroad Commission issues proration order based on market demand pertaining to the Panhandle Field.

August 14, 1930: RRC issues first Statewide Proration Order to limit the production of the state to 750,000 barrels per day, based on the reasonable market demand formula.

October 9, 1930: East Texas Field discovered.

December 13, 1930: RRC issues proration order for Panhandle Field, limiting production to 25% of the potential production.

April 4, 1931: RRC issues first proration order for the East Texas, providing for an allowable in excess of 1000 barrels per day per well.

May 1, 1931: First proration order for the East Texas Field becomes effective. At this time the East Texas Field is producing one million barrels of oil per day, one-third of the national production, and the price of oil drops to $1.04 a barrel.

July 28, 1931: Federal court holds proration order for East Texas Field invalid on the basis that the order allows price fixing and economic waste.

August 17, 1931: Governor J. Ross Sterling, finding that a state of insurrection existed in the East Texas Field, declares martial law in the area and places General Jacob Wolters in charge, ordering him to shut in all wells temporarily in order to preserve order.

September 2, 1931: RRC issues second proration order for the East Texas Field limiting production to approximately 400,000 barrels per day, but changes the method of allowable assignment by allowing each well to produce 225 barrels a day without respect to the potential of the well.

February 25, 1932: RRC issues 3rd proration order for the East Texas Field fixing allowable at 75 barrels per day, for 325,000 barrels per day.

March 23, 1932: Texas Court of Civil Appeals upholds Panhandle Field proration order of October 10, 1929, saying that the production in excess of reasonable market demand causes or results in physical waste. This date also, the Champlin case was argued before the Supreme Court of the United States and

the questions from the bench indicated that the Court's final decision would be favorable to the validity of the Oklahoma proration statutes;

May 9, 1932: RRC issues proration order for the Panhandle Field, shutting in the field until all the gas wells producing casinghead gas shall use such gas for legal use, and limiting production in the field to 25% of the open flow.

May 16, 1932: The United States Supreme Court hands down their decision in the Champlin case, upholding the Oklahoma proration statutes and orders (based on a reasonable market demand), and declaring that the limitation of production to a reasonable market demand is a proper method of preventing excessive storage and other types of physical waste, both above and below ground, and that the effect, if any, upon price of same is merely incidental.

December 30, 1932: RRC issues order for the West Panhandle Field based on the Market Demand Act, finding that the full production from the sweet gas wells is in excess of the market demand for such gas. The Commission fixes the daily allowable on the amount of the gas that has been determined to be sufficient to supply the daily demand.

April 22, 1933: Railroad Commission issues orders fixing allowables for the East Texas Field.

1935: New Mexico passed Oil Conservation Act, NM Laws 1935 ch. 72. Although this followed closely the pattern of legislation then developing in other states, notably Texas and Oklahoma, the New Mexico Act is distinctive in being the first truly comprehensive conservation law to be adopted in any state.

1939: First Depth Bracket System published in Louisiana. System was designed to encourage production at greater depths and offset the costs of deep drilling by gradually increasing the allowable in direct ratio to increasing depths.

NMAC 19.15.20.12 Depth Bracket Allowables Rule which provides for oil allowable that starts at 80 barrels per day from 0 to 4999 feet which gradually increases to 635 barrels per day for 17,000 feet and deeper.

Sources:

Railroad Commission of Texas, Chronological Listing of Key Events in the History of the Railroad Commission of Texas (1866-1939)

Morris, Richard S. "Compulsory Pooling of Oil and Gas Interests in New Mexico." Nat. Resources J. 3 (1963): 316.

Allen Smith, Depth Bracket Allowable Determination and Proration of Oil Production in Louisiana, 24 La. L. Rev. 638 (April 1964)

underproduction resulting from the pipeline proration included in subsequent proration schedules. The operator shall apply upon a division-prescribed form and file it with the division within 30 days after the close of the first proration period in which the pipeline proration underproduction occurred. The authorization is limited to wells capable of producing the daily top proration unit allowable for the period.

L. In approving the application the division shall determine the time period during which the underproduction shall be made up hout injury to the well or pool, and shall include the time period in the regularly approved proration schedules following the pipeline proration's nclusion.

[19.15.20.10 NMAC - Rp, 19.15.7.503 NMAC, 12/1/08]

19.15.20.11 AUTHORIZATION FOR PRODUCTION OF OIL WHILE COMPLETING, RECOMPLETING OR TESTING AN OIL WELL:

A. If an operator does not have sufficient lease storage to hold oil produced from a well during its drilling, completing, recompleting or testing, the operator may produce and sell from the well an amount of oil necessary to drill, complete, recomplete or test the well; provided however, that the operator shall file with the division a written application stating the circumstances at the well and setting forth in the application the estimated amount of oil to be produced during the aforementioned operations, and provided further that the division approves the application. Oil produced during drilling, completion or recompletion or testing a well shall be charged against the well's allowable production.

B. The division shall not place a well on the proration schedule until the operator files with the division and the division approves the form C-104.

[19.15.20.11 NMAC - Rp, 19.15.7.504 NMAC, 12/1/08]

19.15.20.12 DEPTH BRACKET ALLOWABLES:

A. Subject to the market demand percentage factor determined pursuant to 19.15.20.10 NMAC, the daily oil allowable for each oil pool in the state shall equal the appropriate depth bracket allowable below. The depth of the casing shoe or the top perforation in the casing, whichever is higher, in the first well completed in the pool shall determine the pool's depth classification. Daily oil allowables for each of the several ranges of depth and spacing patterns are as follows, shown in barrels:

POOL DEPTH RANGE	DEPTH BRACKET ALLOWABLE		
	40 Acres	80 Acres	160 Acres
0 to 4999 feet	80	160	
5000 to 5999	107	187	347
6000 to 6999	142	222	382
7000 to 7999	187	267	427
8000 to 8999	230	310	470
9000 to 9999	275	355	515
10,000 to 10,999	320	400	560
11,000 to 11,999	365	445	605
12,000 to 12,999	410	490	650
13,000 to 13,999	455	535	695
14,000 to 14,999	500	580	740
15,000 to 15,999	545	625	785
16,000 to 16,999	590	670	830
17,000 and deeper	635	715	875

B. The 40-acre depth bracket allowables apply to all undesignated wells not governed by special pool orders and to all pools developed on the normal 40-acre statewide spacing unit.

C. The 80-acre and 160-acre depth bracket allowables apply to wells governed by applicable special pool orders the division issues as an exception to the normal 40-acre statewide spacing unit.

D. The division may, where deemed appropriate, assign to a given pool a special depth bracket allowable at variance to the depth bracket allowable normally assigned to a pool of similar depth and spacing. The special allowable may be more or less than the regular depth bracket allowable and shall be assigned only after notice and hearing.

E. In assigning a lesser than regular depth bracket allowable, the division may consider, among other pertinent factors, reservoir damage, casinghead gas production and disposition, water production and disposition, transportation facilities, the prevention of surface or underground waste and the protection of correlative rights.

F. The division shall assign a greater than regular depth bracket allowable only after sufficient reservoir information is available to ensure that the allowable can be produced without damage to the reservoir and without causing surface or underground waste. The division shall also consider the availability of oil transportation and marketing facilities; casinghead gas transportation, processing and marketing facilities; water disposal facilities; the protection of correlative rights; and other pertinent factors.

[19.15.20.12 NMAC - Rp, 19.15.7.505 NMAC, 12/1/08]

9.15.20.13 GAS-OIL RATIO LIMITATION:

A. In allocated pools containing a well or wells producing from a reservoir that contains both oil and gas, each proration unit shall produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the pool's top unit oil allowable. In the event the