

*copy in
Case 2077
file.*

I. RE: SUSPENSION OF PRODUCTION OF CRUDE OIL IN NEW MEXICO.

The New Mexico Oil Conservation Commission promulgated Order No. 196, suspending production of crude oil in New Mexico for a fifteen-day period to prevent physical waste, a copy of which order and the pertinent portions of the Commission's proceedings in adopting such order are hereto attached and marked Exhibit "A", pursuant to the provisions of Section 1 and Section 2, Chapter 72, Laws of New Mexico 1935. The pertinent portions of said sections read:

"Section 1. The production or handling of crude petroleum oil or natural gas, or the handling of products thereof, in such manner or under such conditions or in such amounts as to constitute or result in waste is each hereby prohibited.

"Section 2. As used in this act, the term 'waste,' in addition to its ordinary meaning, shall include:

"(a) 'Underground waste' * * *

"(b) 'Surface waste' * * *

"(c) The production of crude petroleum oil in this state in excess of the reasonable market demand for such crude petroleum oil. Such excess production causes or results in waste which is prohibited by this Act. The words 'reasonable market demand,' as used herein, shall be construed to mean the demand for such crude petroleum oil for reasonable current requirements for current consumption and use within or outside the state, together with the demand for such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both such crude petroleum oil and products."

The Commission issued the foregoing order as an emergency order, without formal notice of hearing, pursuant to the provisions of Section 15 of same said Chapter, which section reads:

"Section 15. Except as provided for herein, before any rule, regulation or order, including revocation, change, renewal or extension thereof, shall be made under the provisions of this act, a public hearing shall be held at such time, place and manner as may be prescribed by the Commission. The Commission shall first give reasonable notice of such hearing (in no case less than ten days, except in an emergency) and at any such hearing any person

having an interest in the subject matter of the hearing shall be entitled to be heard. In case an emergency is found to exist by the Commission which in its judgment requires the making of a rule, regulation or order without first having a hearing, such emergency rule, regulation or order shall have the same validity as if a hearing with respect to the same had been held after due notice. The emergency rule, regulation or order permitted by this section shall remain in force no longer than fifteen days from its effective date, and, in any event, it shall expire when the rule, regulation or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation or order becomes effective." (The marked portions are mine).

However, almost immediately after the promulgation of said emergency order, the Commission, on August 19, 1939, in Case No. 18, called for a hearing on August 31, 1939, with notice as prescribed by said Section 15, to consider the following:

"The suspension of production of crude petroleum in New Mexico for such further period as may be necessary (upon the expiration of Emergency Order No. 196 of the New Mexico Oil Conservation Commission or any modification thereof) in order to prevent waste.

"Any person having any interest in the subject of the said hearing shall be entitled to be heard."

The hearing as prescribed in said notice was duly held on August 31. Evidence was adduced at said hearing as to the necessity of any further suspension of production of crude oil in New Mexico. As a result thereof, the Commission promulgated Order No. 197, a copy of which order is attached hereto and marked Exhibit "B".

II. RE: REGULATIONS GOVERNING CERTIFICATES
EVIDENCING LEGALITY OF OIL PRODUCED
AND THE MAKING UP OF SHORTAGES.

On June 22, 1939, in Case No. 15, the Commission ordered published as prescribed by law a notice of a hearing to be held July 21, 1939, for the purpose of considering the following:

"(a) The adoption of rules, regulations and orders as may be necessary to make effective the prohibitions contained in Section 13, Chapter 72, Laws of New Mexico 1935, and for the issuance of certificates of clearance or tenders, or some other method, so that any person may have an opportunity to determine whether any contemplated transaction of sale or purchase or acquisition, or of transpor-

tation, refining, processing, or handling in any other way, involves illegal oil or illegal oil product.

"(b) The adoption of rules, regulations and orders relating to the making up of shortage or back allowable.

"Any person having any interest in the subject of the said hearing shall be entitled to be heard."

As prescribed by said published notice, a public hearing was held by the Commission, evidence was adduced, a committee was appointed by the Commission as advisory to the Commission to study and recommend rules governing certificates evidencing the legal status of oil produced and the making up of shortages.

On December 6, the Commission received the Committee's report on proposed rules upon the matters for which the hearing was called. The Commission took the evidence adduced at the hearing and the committee's recommendation under advisement, and on January 13, 1940, the Commission issued Order No. 235 promulgating rules and regulations governing the issuance of the monthly proration schedule and supplement thereto, the certificate of the Commission authorizing the production, purchase and transportation of oil produced under such schedules and the making up of certain shortages, a copy of which order is attached hereto and marked Exhibit "C".

III. RE: MAXIMUM GAS-OIL RATIOS FOR THE
VARIOUS FIELDS IN THE STATE OF
NEW MEXICO.

On November 16, 1939, in Case No. 19, the Commission ordered published, as prescribed by law, a notice for a public hearing to be held on December 9, 1939, for the purpose of considering the following:

"The adoption of regulations governing oil-gas ratios in the various producing fields in New Mexico.

"Any person having any interest in the subject of the said hearing shall be entitled to be heard."

Pursuant to said notice, a public hearing was held and evidence adduced. The Commission took the matters for which the

hearing was called under advisement, and on January 13, 1940, issued Order No. 236 regulating and prescribing maximum gas-oil ratios for the various fields of the State of New Mexico, a copy of which order is hereto attached and marked Exhibit "D".

Simultaneously with the issuance of said Order No. 236 and as a companion order, the Commission issued Order No. 237 prescribing rules and regulations for gas-oil ratio surveys in New Mexico, a copy of which order is attached hereto and marked Exhibit "E".

(COPY)

EXHIBIT "A"

MINUTES OF THE MEETING OF THE
OIL CONSERVATION COMMISSION
HELD IN THE OFFICE OF THE OIL
CONSERVATION WEDNESDAY, AUGUST
16, 1939

The Commission met in the office of the Oil Conservation Commission at 10:52 P. M., Wednesday, August 16, 1939.

Present:

Frank Worden, Commissioner of Public Lands,
Secretary
A. Andreas, State Geologist

The Minutes of the meeting of August 14, 1939, as recorded in the Minutes Book of the Commission, were approved.

It appearing that the immediate production of crude petroleum in New Mexico in excess of the reasonable market demand for such crude petroleum would tend to create physical waste, the Commission considered the suspension of the production of an emergency, and therefore declared an emergency and adopted Emergency Order No. 196, which reads in full, to-wit: The Governor signed said order earlier in the day.

BEFORE THE OIL CONSERVATION
COMMISSION OF THE STATE OF
NEW MEXICO

IN THE MATTER OF SUSPENDING PRODUCTION
OF CRUDE OIL IN NEW MEXICO FOR A FIFTEEN-DAY PERIOD. EMERGENCY ORDER NO. 196

ORDER OF THE COMMISSION

BY THE COMMISSION:

WHEREAS, it appears that the immediate production of crude oil tends to create waste because of the unstable condition of the petroleum industry, an emergency is hereby declared.

IT IS THEREFORE ORDERED that all production of crude oil in New Mexico be suspended for a fifteen-day period beginning with seven o'clock A.M., August 17, 1939, and ending at seven o'clock A. M., September 1, 1939.

OIL CONSERVATION COMMISSION

By (Sgd) JOHN E. MILES
Governor

By (Sgd) A. ANDREAS
State Geologist

(SEAL)

By (Sgd) FRANK WORDEN
Commissioner of Public Lands

There being no further business the meeting adjourned.

OIL CONSERVATION COMMISSION
FRANK WORDEN, Commissioner of
Public Lands
A. ANDREAS, State Geologist

EXHIBIT "A"

EXHIBIT "B".

(COPY)

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:

THE SUSPENSION OF PRODUCTION OF CRUDE
PETROLEUM IN NEW MEXICO FOR SUCH FURTHER
PERIOD AS MAY BE NECESSARY (UPON THE
EXPIRATION OF EMERGENCY ORDER NO. 196 OF
THE NEW MEXICO OIL CONSERVATION COMMISSION
OR ANY MODIFICATION THEREOF) IN ORDER TO
PREVENT WASTE.

CASE NO. 18.

ORDER NO. 197.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing August 31, 1939, at Santa Fe,
New Mexico, with reference to the above designated matter.

The Commission considered the testimony adduced and the oral
motion before the Commission for the dismissal of the proceedings
herein and the restoration of production to normal allowable, there
being no objection raised before the Commission by those appearing
at the hearing herein, and it appearing to the Commission that
stocks of crude petroleum are reduced to the point wherein a normal
allowable of crude petroleum would not at this time be in excess
of reasonable market demand so as to result in waste,

IT IS THEREFORE ORDERED that the proceedings herein be dis-
missed without prejudice and that normal production of crude
petroleum be allowed by the Commission to begin at seven o'clock
A. M., September 1, 1939, the expiration time of Emergency Order
No. 196.

OIL CONSERVATION COMMISSION

By (Sgd) JOHN E. MILES
Governor

By (Sgd) FRANK WORDEN
Commissioner of Public Lands

(SEAL)

By (Sgd) A. ANDREAS
State Geologist

EXHIBIT "C".

(COPY)

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. 15.

ORDER NO. 235.

(a) THE ADOPTION OF RULES, REGULATIONS AND ORDERS AS MAY BE NECESSARY TO MAKE EFFECTIVE THE PROHIBITIONS CONTAINED IN SECTION 13, CHAPTER 72, LAWS OF NEW MEXICO 1935, AND FOR THE ISSUANCE OF CERTIFICATES OF CLEARANCE OR TENDERS, OR SOME OTHER METHOD, SO THAT ANY PERSON MAY HAVE AN OPPORTUNITY TO DETERMINE WHETHER ANY CONTEMPLATED TRANSACTION OF SALE OR PURCHASE OR ACQUISITION, OR OF TRANSPORTATION, REFINING, PROCESSING, OR HANDLING IN ANY OTHER WAY, INVOLVES ILLEGAL OIL OR ILLEGAL OIL PRODUCT.

(b) THE ADOPTION OF RULES, REGULATIONS AND ORDERS RELATING TO THE MAKING UP OF SHORTAGE OR BACK ALLOWABLE.

ORDER OF THE COMMISSION PROMULGATING
RULES AND REGULATIONS GOVERNING THE
ISSUANCE OF THE MONTHLY PRORATION
SCHEDULE AND SUPPLEMENT THERETO, THE
CERTIFICATE OF THE COMMISSION AUTHORIZING
THE PRODUCTION, PURCHASE AND TRANSPORTATION
OF OIL PRODUCED UNDER SUCH SCHEDULES AND
THE MAKING UP OF CERTAIN SHORTAGES.

BY THE COMMISSION:

This cause came on for hearing at nine o'clock A. M. on the 21st day of July, 1939, at Santa Fe, New Mexico.

NOW, on this 13th day of January, 1940, the Commission having before it for consideration the evidence adduced at the hearing in said case and being fully advised in the premises, the Commission adopted the order promulgating rules and regulations governing the issuance of the monthly proration schedule and supplement thereto, the certificate of the Commission authorizing the production, purchase and transportation of oil produced under such schedules and the making up of certain shortages, as follows:

1. The New Mexico Oil Conservation Commission will meet monthly, as soon as practicable after the announcement of the

Bureau of Mines of the market demand for New Mexico, and at such meeting will consider the announcement of the Bureau of Mines and other evidence of market demand, and will determine the amount of oil to be produced from all pools in the State of New Mexico during the following calendar month. The amount so determined will be allocated among the various pools in the State in accordance with existing regulations and among the various units in each pool, in accordance with the regulations governing each pool. The Commission will thereupon issue a proration schedule which will specify the amount of oil each unit in the State may produce each day during the following calendar month, including shortages which may be made up and lawful overages. Allowables for wells completed between the first and sixteenth of each month shall be included in a supplementary proration schedule to the current monthly proration schedule. This supplement shall be issued on the sixteenth of each month. Such monthly proration schedule and such supplementary proration schedule shall each constitute the certificate of the Commission authorizing thereunder:

- (1.) The production of oil from the various units in accordance with such respective schedules;
- (2.) The purchase of oil so produced by the purchasing companies; and,
- (3.) The transportation of oil so produced by the various pipe line companies.

2. The monthly schedule provided for in paragraph "1" hereinabove shall show accrued shortages for two succeeding months and such shortages shall be made up within the same period of time; or if overage occurs, which is unavoidable and lawful, then such overage should be compensated by reduced allowable within a like period of time. After two succeeding months, shortages shall be

eliminated from the schedule unless the operator furnishes a written statement to show that he could not sell, or the pipe line would not run the allowable, or that remedial work for the purpose of conserving reservoir energy had caused the shortage.

3. Shortage incurred prior to October 1, 1939, due to lack of pipe line connection or the inability to sell the allowable, shall be cumulative and allowed. Such shortages shall be shown in the cumulative column on the proration schedule and the amount of cumulative shortage authorized to be run shall be added to the current allowable and total shown as net allowable.

4. In no event should shortages when authorized, be produced in such manner or in such daily amounts as to constitute waste.

For the purpose of taking under further advisement, the Commission reserves herein for a supplemental order the matters in this case in so far as they relate to the transportation of oil and the products thereof by means other than by pipe line.

DONE at Santa Fe, New Mexico, this 13th day of January, 1940.

NEW MEXICO OIL CONSERVATION COMMISSION

By (Sgd.) FRANK WORDEN
Commissioner of Public Lands

By (Sgd.) A. ANDREAS
State Geologist.

(SEAL)

EXHIBIT "D".

(COPY)

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. 19.

ORDER NO. 236.

THE ADOPTION OF REGULATIONS GOVERNING
GAS-OIL RATIOS IN THE VARIOUS PRODUCING
FIELDS IN NEW MEXICO.

ORDER OF THE COMMISSION
REGULATING AND PRESCRIBING MAXIMUM
GAS-OIL RATIOS FOR THE VARIOUS FIELDS
OF THE STATE OF NEW MEXICO

BY THE COMMISSION:

This cause came on for hearing at ten o'clock A. M.
on the 9th day of December, 1939, in the chamber of the House of
Representatives, in the State Capitol, Santa Fe, New Mexico.

NOW, on this 13th day of January, 1940, the Commission
having before it for consideration the evidence adduced at the
hearing in said case and being fully advised in the premises,
the Commission adopted the following regulations governing gas-
oil ratios in the various producing fields in New Mexico, as
follows:

The system of gas-oil ratio control in the State of
New Mexico shall be known as that of volumetric control, which
penalizes the unit of production for exceeding the maximum gas
volume established for each field by decreasing its monthly
allowable in accordance with the formula as provided hereinafter.

The maximum gas-oil ratio assigned to each field in New Mexico is listed below:

<u>FIELD</u>	<u>RATIOS</u>
Cooper	10,000
Eaves	4,000
Eunice	7,000
West Eunice	1,000
Halfway	1,000
Hardy	5,000
Hobbs	3,500
Jal	10,000
Langlie	5,000
Lynch	1,000
Mattix	5,000
Lynn	3,000
Monument	5,000
N. Lynch	1,000
Penrose	7,000
Rhodes	1,000
Skaggs	1,000
Skelly	5,000
S. Eunice	5,000
S. Lovington	1,500
Vacuum	2,000
Artesia	1,000
Grayburg-Jackson	1,000
High-Lanesome	1,000
Leonard	1,000
Loce Hills	1,000
Maljamar	1,000
N. Maljamar	1,000
Red Lakes	1,000
Robinson	1,000
Shugart	1,000
Barber	1,000
Getty	1,000

1. Any oil producing unit with a net gas-oil ratio in excess of the assigned maximum for the field in which it is situated as listed in the table above shall be allowed to produce daily a total volume of oil which, when multiplied by the gas-oil ratio of the unit will result in a total gas volume that does not exceed the allowance per top allowable unit as fixed in the current monthly proration schedule of the Commission for the field in which the unit is situated times the gas-oil ratio for said field. Provided, that nothing herein contained shall have the effect of

increasing the oil allowable of any unit above that fixed in the current proration schedule.

2. All units to which gas-oil ratio corrections are applied shall be set up in the proration schedule first and the remaining oil equitably reallocated to the other producing units in the state.

3. A marginal well shall be permitted to produce the same total volume of gas which it would be permitted to produce if it were a non-marginal well.

4. In the event that gas-oil ratios are not reported for any unit, then that unit will be omitted from the proration schedule.

5. The gas-oil ratio used in calculating penalties for any producing unit shall be those reported immediately prior to the beginning of the proration period on form C-104A or those measured under the supervision of the Oil Conservation Commission.

DONE at Santa Fe, New Mexico, this 13th day of January, 1940.

NEW MEXICO OIL CONSERVATION COMMISSION

By (Sgd.) FRANK FORDEN
Commissioner of Public Lands

By (Sgd.) A. ANDREAS
State Geologist

(SEAL)

BEFORE THE OIL CONSERVATION
COMMISSION OF THE STATE
OF NEW MEXICO

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

CASE NO. 19.

ORDER NO. 237.

THE ADOPTION OF REGULATIONS GOVERNING
GAS-OIL RATIOS IN THE VARIOUS PRODUCING
FIELDS IN NEW MEXICO.

ORDER OF THE COMMISSION PRESCRIBING
RULES AND REGULATIONS FOR GAS-OIL
RATIO SURVEYS IN NEW MEXICO

BY THE COMMISSION:

This cause came on for hearing at ten o'clock A. M. on the 9th day of December, 1939, in the chamber of the House of Representatives, in the State Capitol, Santa Fe, New Mexico.

NOW, on this 13th day of January, 1940, the Commission having before it for consideration the evidence adduced at the hearing in said case and being fully advised in the premises, the Commission adopted the order herein simultaneously with the adoption of:

Order No. 236 of the Commission, setting a time for the purpose of presenting objections to the Commission as to Order No. 238 of the Commission (regulating and prescribing maximum gas-oil ratios for the various fields of the State of New Mexico) and as to Order No. 237 of the Commission (prescribing rules and regulations for gas-oil ratio surveys in New Mexico).

Order No. 238 of the Commission, regulating and prescribing maximum oil-gas ratios for the various fields of the State of New Mexico.

The rules and regulations set out hereinbelow shall govern gas-oil ratio surveys in New Mexico:

All operating gas-oil ratio tests shall be taken under the supervision of the Oil Conservation Commission of New Mexico.

DUTIES OF THE OIL CONSERVATION COMMISSION:

(1) Assemble the information supplied by the operators as recommended in Section 3 herein, and arrange test schedule; (2) to assign engineers to supervise tests except that such engineer shall not be in charge of the test on his employers property; (3) to properly instruct all engineers in the proper operation of measuring equipment and procedure in conducting the tests; (4) to calibrate and maintain all metering equipment in first-class condition; (5) to furnish, calculate, record and file all gas measurement charts and records; (6) compute all gas-oil ratios; (7) determine whether the test was properly conducted, and if necessary schedule retests.

DUTIES OF THE ENGINEER IN CHARGE OF TESTS:

The duties of the engineer are restricted to: (1) The supervision of the installation of the gas measuring equipment; (2) the proper operation of the equipment; (3) the proper gauging of the lease tanks to accurately determine the production of oil and water; (4) the proper recording of the pertinent data required; (5) the supervision of the placing of seals or locking devices.

DUTIES OF THE OPERATOR:

The operator shall: (1) in accordance with existing rules and regulations of the Conservation Commission, each well shall be equipped to conveniently make a gas-oil ratio test; (2) furnish the Oil Conservation Commission a complete list of his wells showing the type of metering equipment best adaptable for accurate gas measurement in accordance with rules contained herein; such information shall include the size of vent line, size of orifice flange or connection available, and if possible, the desirable size of orifice in the orifice plate; (3) furnish sufficient

and qualified lease labor to install and manipulate all lease equipment, including the installation and/or changing orifice, raising or lowering vent lines, etc.

MANNER OF TESTING:

1. For the purpose of stabilization, each well shall be produced for a period of 24 hours at a rate as nearly as possible to the normal manner of operation but not less than the daily allowable.

2. Lease tanks shall be gauged by the supervisor at the beginning and end of this stabilization period,

3. No change shall be made which affects the rate of production during the last 18 hours of the stabilization period.

4. The test period shall consist of 24 hours. Oil shall be gauged for the full period and gas shall be measured for a period of at least six hours.

5. In case of a heading or stop-cocked well the gas shall be measured for the full 24 hour period.

6. If for any reason should gas be withdrawn from the casing, this volume of gas shall be added to that produced through tubing in computing the gas-oil ratio and such gas shall be measured for the full 48 hours of stabilization and test periods, and the largest volume whether the first or second 24 hour period, shall be used in computing the gas-oil ratio.

7. For gas-lift or jetted wells the total volume of gas to be used in computing the operating gas-oil ratio is the total output volume minus the total input volume.

LIQUID MEASUREMENTS:

1. All tanks shall be gauged to the nearest 1/8 inch. Care should be exercised to keep the gauge line taut and in case there are ripples or foam on the oil surface the tank should be

allowed to stand until the fluid reaches equilibrium and the foam can be brushed aside.

2. tanks shall be thieved immediately before and after the test and water percentage determined in accordance with the A.P.I. specifications.

3. The total volume of liquid produced shall be calculated in accordance with the latest pipeline strapping tables of the tanks.

4. The net volume of oil shall be the total volume of fluid less the volume of B.S. and W. as determined by Paragraph 2 above.

5. Fluid level must be maintained relatively constant, such that the oil dump valve is covered at all times by at least 12 inches of liquid.

6. If it is necessary to use a flow tank for the separation of water the water-oil level must be the same at the beginning and end of the test and the water removed from the flow tank must be measured or metered.

7. All liquid measurements shall be in barrels of 42 gallons and shall be carried to the second decimal.

GAS MEASUREMENT:

1. A calibrated pressure gauge shall be installed on each separator and readings taken periodically. In the event the operator chooses to conduct the test at abnormally high pressures, a recording pressure gauge will be installed on the separator and the measured gas-oil ratio may be increased by the measured or estimated volume of gas going to the tanks. Estimated volume shall

be based on the gas-solubility vs. pressure curves for the field or area in which the well is located.

2. For computing the volume of all gas produced the standard of pressure shall be 10 oz. above an atmospheric pressure of 14.4 lbs./sq. in., the standard temperature shall be 60° F. and the standard of specific gravity shall be 0.85 as compared to air. All measurements of gas shall be adjusted by computation to these standards. In case the gas measurement is made at an abnormally high pressure the measurement may be adjusted in accordance to deviation from Boyle's Law. Gas volumes will be computed in cubic feet and gas-oil ratios in cubic feet per barrel of oil.

3. Only recording type gas measuring devices may be used.

4. Orifice well testers, orifice meters and side pressure test nipples are approved as measuring devices and the side pressure test sniples are approved only when it is necessary to measure volumes larger than can conveniently be measured by orifice meter. ANY WELL THAT CANNOT BE TESTED UNDER THE PRECEDING RULES SHALL BE REFERRED TO THE OIL CONSERVATION COMMISSION FOR SPECIAL CONSIDERATION AND RULES.

ALL WELLS MUST BE TESTED.

Done at Santa Fe, New Mexico, this 13th day of January, 1940.

NEW MEXICO OIL CONSERVATION COMMISSION

By (Sgd.) FRANK WORDEN
Commissioner of Public Lands

(SEAL)

By (Sgd.) A. ANDREAS
State Geologist