

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE PETITION OF UNITED CARBON COMPANY, INC., FOR AN ORDER OF THE COMMISSION EXEMPTING IT AND THE PRODUCERS OF NATURAL GAS IN THE SOUTH EUNICE POOL FROM WHOM IT PURCHASES NATURAL GAS, FROM THE OPERATION OF THOSE PROVISIONS OF ORDER NO. R-368-A, CASE NO. 582, OF THE COMMISSION AND RELATED ORDERS, LIMITING THE PRODUCTION OF NATURAL GAS IN THE SO-CALLED JALCO GAS POOL.

CASE NO. 691
ORDER NO. R-461

INTERIM
ORDER OF THE COMMISSION

BY THE COMMISSION:

Heretofore, on March 8, 1954, the petitioner filed with the Commission its petition praying that the Commission enter its order exempting and excepting the South Eunice Pool from the operation and effect of the Special Rules and Regulations adopted by the Commission in its Order No. R-368-A in Case 582 to such extent as might be necessary to enable it to obtain from the producers of gas in said pool with whom it has existing contracts, and to enable said producers to produce from said pool and deliver to it, the full amount of 42 million cubic feet of gas per day for use by it in the manufacture of carbon black.

Thereafter, on March 18, 1954, the same petitioner duly filed its application for temporary relief, wherein it was prayed that the petitioner and applicant be granted immediately, and without hearing, the same relief heretofore sought in the petition.

Thereafter, on April 1, 1954, the Commission entered its Emergency Order E-5, effective for a period of 15 days and until April 16, 1954, granting the petitioner and applicant the relief sought in its application for temporary relief and an emergency order.

Thereafter, on April 15, 1954, the petition of United Carbon Company, Inc., which was filed March 8, 1954, and which sought the relief more particularly described above, came on for hearing before the Commission. At said hearing testimony was taken, evidence was presented, and argument of counsel was heard.

At the conclusion of said hearing, the Commission took the matter under advisement, and the counsel for petitioner at that time in open hearing requested that the Commission continue its emergency order in effect, pending the final determination and decision of the Commission.

NOW, on this ^{16th} day of April, 1954, the Commission, a quorum being present at an emergency session, and being fully advised in the premises,

FINDS:

(1) That a final decision and order on the petition of United Carbon Company, Inc., which was filed on March 8, 1954, and which was heard by the Commission on the merits on April 15, 1954, cannot and will not be rendered for a period of approximately fifteen days from the date of this order.

(2) That petitioner contends that unless it and the producers of natural gas with whom petitioner has existing contracts are exempted and excepted from the operation and effect of Commission Order R-368-A, pertaining

to the Jalco Gas Pool, to the extent necessary to enable petitioner to obtain 42 million cubic feet of gas per day, pending final determination and decision in this case, that petitioner will to its irreparable injury be compelled to immediately shut down and discontinue the operations of approximately one-third of its carbon black plant, located 8-1/2 miles south of Eunice in Lea County, New Mexico.

IT IS THEREFORE ORDERED:

(1) That for a period of 15 days from and after April 16, 1954, or until final decision of the Commission in this case, whichever is earlier, the petitioner, United Carbon Company, Inc., and the producers of natural gas in the Jalco Gas Pool with whom it has existing contracts, be and the same hereby are exempted and excepted from the operation and effect of the Special Rules and Regulations adopted by the Commission in its said Order No. R-368-A in Case 582, and related orders, to such extent as may be necessary to enable petitioner to obtain from the producers of natural gas in said pool with whom it has existing contracts, and from other producers with whom petitioner has contracts, the full amount of 42 million cubic feet of gas per day for use by it in the manufacture of carbon black in its plants herein involved.

(2) That this interim order shall remain effective until, and only until, the date of the rendition by the Commission of its decision and order on the petition of United Carbon Company, Inc., or until May 1, 1954, whichever is earlier, and that this order shall not in any particular constitute and be a final decision of the merits of this case, nor of any fact in issue.

BE IT FURTHER ORDERED:

That if it is determined by the Commission in its final decision and order in this case that petitioner is not entitled to the relief prayed for in its said petition, all gas produced and delivered to petitioner during the period of the emergency order heretofore entered and during the period of this interim order from gas wells in the Jalco Gas Pool shall be charged to the allowable of said gas wells in accordance with the Rules and Regulations of the Commission.

GIVEN under the seal of the Oil Conservation Commission at Santa Fe, New Mexico, this 16th day of April, 1954.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

E. L. Mechem

Edwin L. Mechem, Chairman

E. S. Walker

E. S. Walker, Member

R. R. Spurrier

R. R. Spurrier, Member and Secretary

S E A L

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION COM-
MISSION OF NEW MEXICO FOR THE PURPOSE
OF CONSIDERING:

THE MATTER OF THE PETITION OF UNITED
CARBON COMPANY, INC., FOR AN ORDER OF
THE COMMISSION EXEMPTING IT AND THE PRO-
DUCERS OF NATURAL GAS IN THE SOUTH EUNICE
POOL FROM WHOM IT PURCHASES NATURAL GAS,
FROM THE OPERATION OF THOSE PROVISIONS
OF ORDER NO. R-368-A, CASE NO. 582, OF THE
COMMISSION AND RELATED ORDERS, LIMITING THE
PRODUCTION OF NATURAL GAS IN THE SO-CALLED
JALCO GAS POOL.

CASE NO. 691
ORDER NO. R-461-A

ORDER OF THE COMMISSION

BY THE COMMISSION:

HERETOFORE, on March 8, 1954, the petitioner filed with the Commission its petition praying that the Commission enter its order exempting and accepting the South Eunice Pool from the operation and effect of the Special Rules and Regulations adopted by the Commission in its Order No. R-368-A in Case 582 to such extent as might be necessary to enable it to obtain from the producers of gas in said pool with whom it has existing contracts, and to enable said producers to produce from said pool and deliver to it, the full amount of 42 million cubic feet of gas per day for use by it in the manufacture of carbon black.

THEREAFTER, on April 15, 1954, the said petition came on for hearing, at which time testimony was taken, evidence was presented, and argument of counsel was heard.

NOW, on this th 10 day of June, 1954, the Commission, a quorum being present, having considered the testimony, evidence, and argument of counsel adduced at said hearing, and having considered also the legal authorities submitted by petitioner to the Commission on April 30, 1954, and being otherwise fully advised in the premises,

FINDS:

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

(2) That heretofore, in 1946, the petitioner's predecessor, the Charles Eneu Johnson Company, filed its petition with the Commission praying that it be issued a permit, in lieu of or as supplemental to and amendatory to a permit theretofore issued to it on May 25, 1945, to use up to 42 million cubic feet of natural gas per day from the South Eunice Oil Pool in Lea County, New Mexico, for the manufacture of carbon black.

(3) That thereafter, on May 8, 1946, said petition came on for hearing in Case No. 75; that thereafter, upon consideration of and as a result of the testimony adduced at said hearing, the Commission thereupon entered its Order No. 651 in said Case No. 75, providing:

*IT IS THEREFORE ORDERED THAT:

*SECTION 1: The Commission hereby grants Charles Eneu Johnson and Company its permission to use up to 42,000,000 cubic feet per day of natural

gas from the South Eunice Pool for the purpose of manufacturing carbon black in said company's plant approximately eight and one-half miles south of Eunice, New Mexico, which permission is to become effective as and to the extent that said company's proposed facilities for the use of said gas shall become and be ready for the use thereof for the purpose indicated.

"SECTION 2: The order herein is in lieu of this Commission's permission granted to said company for the use of gas from said pool for carbon black manufacturing purposes dated May 25, 1945, and shall remain in effect for so long as and to the extent that the use of said gas shall not result in or constitute waste as defined in the Oil and Gas Conservation Laws of the State of New Mexico."

(4) That the "South Eunice Pool" referred to in Order No. 651, Case No. 75, was an oil pool.

(5) That contemporaneously with the making of said Order No. 651, the Commission entered its Order No. 650, which provided in substance:

"SECTION 1: No limiting gas-oil ratio shall be applied in the South Eunice Pool, inasmuch as said Pool is now primarily a gas reservoir; provided that the oil produced with the gas shall not be in excess of the current top unit allowable; and provided further that the gas produced from said pool shall be put to beneficial use so as not to constitute waste, except as to wells in said pool for which there are not facilities for the marketing or application to beneficial use of the gas produced therefrom. As to such wells the heretofore existing gas-oil ratio of 6,000 cubic feet shall apply.

"SECTION 2: The order herein is in lieu of Order 589.

"SECTION 3: The effective date of this order shall be July 1, 1946."

(6) That after the entering of said Orders No. 651 and 650 by the Commission, the Johnson Company purchased from the United States Government and the Reconstruction Finance Corporation the partially completed carbon black plant, and proceeded with the completion of said plant; that the said Johnson Company also entered into contracts with the producers of natural gas in the area recognized as comprising the South Eunice Oil Pool for the purchase from them of natural gas; that the Johnson Company constructed gathering lines for the purpose of transporting the natural gas thus contracted for to a compressor and treater plant erected by said company.

(7) That thereafter, on February 17, 1953, after due notice and hearing, the Commission duly entered its Order No. R-264 in Case No. 245, designating, naming, and defining the gas pools of Lea, Eddy and Chaves Counties, New Mexico, including the Jalco Gas Pool in Lea County.

(8) That the lateral limits of the Jalco Gas Pool, as presently established and defined by the Commission, pursuant to law, are embraced by and included within the South Eunice Oil Pool, as defined by the Commission at the time of the entry of Order No. 651, issued in Case No. 75.

(9) That the vertical limits of the Jalco Gas Pool, as presently defined and established by the Commission pursuant to law, include the Yates formation and all but the lower one hundred (100) feet of the Seven Rivers formation; that the vertical extent of the South Eunice Oil Pool, which is still in existence, is presently defined by the Commission, pursuant to law, as the Seven Rivers formation.

(10) That on November 10, 1953, after notice and hearing, the Commission duly entered its Order No. R-368-A in Case No. 582, which established certain rules and regulations for the said Jalco Gas Pool, in Lea County, New Mexico; that said rules and regulations, as established in said order, provided for and pertained to well spacing, gas proration, gas proration units, gas allocation, balancing of production, granting of gas allowables, and reporting of production, among other things.

(11) That in considering, issuing, and applying said rules and regulations pertaining to the Jalco Gas Pool, the Commission has acted pursuant to its statutory authority to prevent the waste of gas and to protect correlative rights.

(12) That the wells from which petitioner purchases gas, under contracts with certain operators, are producing from the Jalco Gas Pool and/or the South Eunice Oil Pool; that petitioner has been unable to procure gas in the amount of 42 million cubic feet per day from operators with whom it has said contracts of purchase, due to the rules and regulations promulgated in Order R-368-A pertaining to the Jalco Gas Pool.

(13) That petitioner did not participate in Case No. 245 or Case No. 582, and did not seek rehearing of said cases.

(14) That the enforcement of the Jalco Gas Pool Rules and Regulations contained in Order R-368-A does not and has not deprived petitioner of any of its legal rights, nor has petitioner been thereby deprived of its property without due process of law.

(15) That the enforcement of said Rules and Regulations has not impaired the obligation of petitioner's contracts with producers of gas, in violation of the Fourteenth Amendment to the Constitution of the United States, or in violation of Article II, Section 18, of the Constitution of the State of New Mexico.

(16) That the Jalco Gas Pool Rules and Regulations contained in Order R-368-A apply to all gas well gas producers within the defined limits of said gas pool; that neither the petitioner nor any producers of gas within the limits of the Jalco Gas Pool is entitled to an exemption to said Rules and Regulations as prayed for in the petition.

IT IS THEREFORE ORDERED:

That the petition of United Carbon Company, Inc., be, and the same hereby is, denied.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

E. L. Mechem
Edwin L. Mechem, Chairman

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

R. R. Spurrier
R. R. Spurrier, Member and Secretary

S E A L

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 691
Order No. R-461-A

THE MATTER OF THE PETITION OF UNITED
CARBON COMPANY, INC., FOR AN ORDER OF
THE COMMISSION EXEMPTING IT AND THE
PRODUCERS OF NATURAL GAS IN THE SOUTH
EUNICE POOL FROM WHOM IT PURCHASES
NATURAL GAS, FROM THE OPERATION OF THOSE
PROVISIONS OF ORDER NO. R-368-A, CASE NO.
582, OF THE COMMISSION AND RELATED ORDERS,
LIMITING THE PRODUCTION OF NATURAL GAS IN
THE SO-CALLED JALCO GAS POOL.

ORDER OF THE COMMISSION

BY THE COMMISSION:

HERETOFORE, on March 8, 1954, the petitioner filed with the Commission its petition praying that the Commission enter its order exempting and excepting the South Eunice Pool from the operation and effect of the Special Rules and Regulations adopted by the Commission in its Order No. R-368-A in Case 582 to such extent as might be necessary to enable it to obtain from the producers of gas in said pool with whom it has existing contracts, and to enable said producers to produce from said pool and deliver to it, the full amount of 42 million cubic feet of gas per day for use by it in the manufacture of carbon black.

THEREAFTER, on April 15, 1954, the said petition came on for hearing, at which time testimony was taken, evidence was presented, and argument of counsel was heard.

NOW, on this 10th day of June, 1954, the Commission, a quorum being present, having considered the testimony, evidence, and argument of counsel adduced at said hearing, and having considered also the legal authorities submitted by petitioner to the Commission on April 30, 1954, and being otherwise fully advised in the premises,

FINDS:

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

(2) That heretofore, in 1946, the petitioner's predecessor, the Charles Eneu Johnson Company, filed its petition with the Commission praying that it be issued a permit, in lieu of or as supplemental to and amendatory to a permit theretofore issued to it on May 25, 1945, to use up to 42 million cubic feet of natural gas per day from the

South Eunice Oil Pool in Lea County, New Mexico, for the manufacture of carbon black.

(3) That thereafter, on May 8, 1946, said petition came on for hearing in Case No. 75; that thereafter, upon consideration of and as a result of the testimony adduced at said hearing, the Commission thereupon entered its Order No. 651 in said Case No. 75, providing:

"IT IS THEREFORE ORDERED THAT:

"SECTION 1: The Commission hereby grants Charles Eneu Johnson and Company its permission to use up to 42,000,000 cubic feet per day of natural gas from the South Eunice Pool for the purpose of manufacturing carbon black in said company's plant approximately eight and one-half miles south of Eunice, New Mexico, which permission is to become effective as and to the extent that said company's proposed facilities for the use of said gas shall become and be ready for the use thereof for the purpose indicated.

"SECTION 2: The order herein is in lieu of this Commission's permission granted to said company for the use of gas from said pool for carbon black manufacturing purposes dated May 25, 1945, and shall remain in effect for so long as and to the extent that the use of said gas shall not result in or constitute waste as defined in the Oil and Gas Conservation Laws of the State of New Mexico."

(4) That the "South Eunice Pool" referred to in Order No. 651, Case No. 75, was an oil pool.

(5) That contemporaneously with the making of said Order No. 651, the Commission entered its Order No. 650, which provided in substance:

"SECTION 1: No limiting gas-oil ratio shall be applied in the South Eunice Pool, inasmuch as said Pool is now primarily a gas reservoir; provided that the oil produced with the gas shall not be in excess of the current top unit allowable; and provided further that the gas produced from said pool shall be put to beneficial use so as not to constitute waste, except as to wells in said pool for which there are not facilities for the marketing or application to beneficial use of the gas produced therefrom. As to such wells the heretofore existing gas-oil ratio of 6,000 cubic feet shall apply.

"SECTION 2: The order herein is in lieu of Order 589.

"SECTION 3: The effective date of this order shall be July 1, 1946."

(6) That after the entering of said Orders No. 651 and 650 by the Commission, the Johnson Company purchased from the United States Government and the Reconstruction Finance Corporation the partially completed carbon black plant, and proceeded with the completion of said plant; that the said Johnson Company also entered into contracts with the producers of natural gas in the area recognized as comprising the South Eunice Oil Pool for the purchase from them of natural gas; that the Johnson Company constructed gathering lines for the purpose of transporting the natural gas thus contracted for to a compressor and treater plant erected by said company.

(7) That thereafter, on February 17, 1953, after due notice and hearing the Commission duly entered its Order No. R-264 in Case No. 245, designating, naming, and defining the gas pools of Lea, Eddy and Chaves Counties, New Mexico, including the Jalco Gas Pool in Lea County.

(8) That the lateral limits of the Jalco Gas Pool, as presently established and defined by the Commission, pursuant to law, are embraced by and included within the South Eunice Oil Pool, as defined by the Commission at the time of the entry of Order No. 651, issued in Case No. 75..

(9) That the vertical limits of the Jalco Gas Pool, as presently defined and established by the Commission pursuant to law, include the Yates formation and all but the lower one hundred (100) feet of the Seven Rivers formation; that the vertical extent of the South Eunice Oil Pool, which is still in existence, is presently defined by the Commission, pursuant to law, as the Seven Rivers formation.

(10) That on November 10, 1953, after notice and hearing, the Commission duly entered its Order No. R-368-A in Case No. 582, which established certain rules and regulations for the said Jalco Gas Pool, in Lea County, New Mexico; that said rules and regulations, as established in said order, provided for and pertained to well spacing, gas proration, gas proration units, gas allocation, balancing of production, granting of gas allowables, and reporting of production, among other things.

(11) That in considering, issuing, and applying said rules and regulations pertaining to the Jalco Gas Pool, the Commission has acted pursuant to its statutory authority to prevent the waste of gas and to protect correlative rights.

(12) That the wells from which petitioner purchases gas, under contracts with certain operators, are producing from the Jalco Gas Pool and/or the South Eunice Oil Pool; that petitioner has been unable to procure gas in the amount of 42 million cubic feet per day from operators with whom it has said contracts of purchase, due to the rules and regulations promulgated in Order R-368-A pertaining to the Jalco Gas Pool.

(13) That petitioner did not participate in Case No. 245 or Case No. 582, and did not seek rehearing of said cases.

(14) That the enforcement of the Jalco Gas Pool Rules and Regulations contained in Order R-368-A does not and has not deprived petitioner of any of its legal rights, nor has petitioner been thereby deprived of its property without due process of law.

(15) That the enforcement of said Rules and Regulations has not impaired the obligation of petitioner's contracts with producers of gas, in violation of the Fourteenth Amendment to the Constitution of the United States, or in violation of Article II, Section 18, of the Constitution of the State of New Mexico.

(16) That the Jalco Gas Pool Rules and Regulations contained in Order R-368-A apply to all gas well gas producers within the defined limits of said gas pool; that neither the petitioner nor any producers of gas within the limits of the Jalco Gas Pool is entitled to an exemption to said Rules and Regulations as prayed for in the petition.

IT IS THEREFORE ORDERED:

That the petition of United Carbon Company, Inc., be, and the same hereby is, denied.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Member and Secretary

(S E A L)

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

THE MATTER OF THE PETITION OF UNITED
CARBON COMPANY, INC., FOR AN ORDER OF
THE COMMISSION EXEMPTING IT AND THE
PRODUCERS OF NATURAL GAS IN THE SOUTH
EUNICE POOL FROM WHOM IT PURCHASES
NATURAL GAS, FROM THE OPERATION OF
THOSE PROVISIONS OF ORDER NO. R-368-A,
CASE NO. 582, OF THE COMMISSION AND
RELATED ORDERS, LIMITING THE PRODUCTION
OF NATURAL GAS IN THE SO-CALLED JALCO
GAS POOL.

CASE NO. 691
Order No. R-461-B

ORDER OF THE COMMISSION

BY THE COMMISSION:

Petitioner United Carbon Company, Inc., having heretofore filed on the 28th day of June, 1954, its application for rehearing in the above-styled proceeding with respect to the order of the Commission, entered on the 10th day of June, 1954, and the Commission having examined said petition and being fully advised in the premises, finds; that the application for rehearing is without merit.

IT IS THEREFORE ORDERED, that the application for rehearing shall be and the same hereby is denied.

DONE at Santa Fe, New Mexico, on this 7th day of July, 1954.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



EDWIN L. MECHEM, Chairman



E. S. WALKER, Member



R. R. SPURRER, Secretary and Member

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. 339
(ORDER NO. R-127
(Emergency Order

THE APPLICATION OF GULF OIL CORPORATION
FOR AN EXCEPTION TO RULE 404 OF THE OIL
CONSERVATION COMMISSION FOR ITS N. M. I.
STATE WELL NO. 1, LOCATED IN SE SE OF
SECTION 22, TOWNSHIP 12 SOUTH, RANGE 33
EAST, NMPM.

EMERGENCY ORDER

BY THE COMMISSION:

This matter came on this day for hearing on petition duly filed at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 8th day of January, 1952, the Commission, a quorum being present at an emergency session, being fully advised in the premises,

FINDS:

1. That applicant, Gulf Oil Corporation, completed a gas well in the SE/4 SE/4 section 22, T. 12 S., R. 33 E., NMPM, in January 1950; that subsequent to such completion there has been no possibility of marketing such production.

2. That by reason of lack of production the state oil and gas lease would not be perpetuated and thus expire in the immediate future.

3. That an opportunity has presented itself for the gas production from the N. M. I. State No. 1 Well to be sold to Amerada Petroleum Corporation but used contrary to the provisions and requirements of the Commission's Rule 404.

4. That failure of the Commission to exercise its emergency powers and grant a temporary exception in this case would work hardship upon this applicant.

IT IS THEREFORE ORDERED:

That the applicant, Gulf Oil Corporation, and Amerada Petroleum Corporation, purchaser, are hereby granted an emergency order not to exceed 15 days from and after January 8, 1952, to produce, market, and utilize such production.

Case No. 339
Order No. R-127
(Emergency Order)

from its N. M. I. State No. 1 gas well, located in the SE/4 SE/4 Section 22, T. 12 S., R. 33 E., NMPM, exempt from and as an exception to Commission's Rule 404; PROVIDED, HOWEVER, that Gulf Oil Corporation shall forthwith and prior to January 10, 1952, file with the Commission and with the Commissioner of Public Lands at Santa Fe, New Mexico, an affidavit that said well is actually being produced.

IT IS FURTHER ORDERED:

That applicant and all parties in interest appear before the Commission at Santa Fe, New Mexico, and offer testimony in support of application on January 22, 1952.

GIVEN under the seal of the Oil Conservation Commission of New Mexico at Santa Fe, New Mexico, this 8th day of January, 1952.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

/s/ EDWIN L. MECHEM, Chairman

/s/ GUY SHEPARD, Member

/s/ R. R. SPURRIER, Secretary

SEAL

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 582
Order No. R-368-A

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON ITS
OWN MOTION FOR ALL OPERATORS
AND INTERESTED PARTIES IN THE
JALCO GAS POOL TO SHOW CAUSE
WHY THE RULES AND REGULATIONS
AS SET OUT IN ORDER R-356, WITH
ANY ESSENTIAL AMENDMENTS, SHOULD
NOT BE PUT INTO EFFECT.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a. m. , on October 26, 1953, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this ~~TEN~~ day of November, 1953, the Commission, a quorum being present, having considered the testimony adduced, the exhibits received, the statements of interested parties, the official records of the Commission and other pertinent data, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given, the Commission has jurisdiction of this cause.

(2) That the Commission, for the purpose of preventing waste and drainage, and for the protection of correlative rights, entered Order R-356, establishing certain general or "stand-by" rules and regulations relating to the proration of gas well gas, proration units, well spacing, and other related matters in the gas pools of Eddy, Lea, Chaves and Roosevelt Counties, New Mexico, applicable in all cases only after special rules for each gas pool shall have been promulgated.

(3) That thereafter, after due notice and hearing, Order R-368 was duly entered by the Commission. Order R-368 adopted the general or "Stand-by" rules promulgated by Order R-356 as the Special Rules and Regulations of the Jalco Gas Pool heretofore established. R-368 was entered pending a further order in the premises, said order to be entered only after all interested parties were afforded the opportunity to be heard in the matter.

(4) That as a result of such hearing and in consideration of the testimony adduced Special Pool rules should be promulgated for the Jalco Gas Pool, heretofore established, described and classified as a gas pool. That the Special pool rules should approximate the general rules and regulations promulgated by Order R-356 insofar as the same are applicable to the Jalco Pool, and should conform, generally with the provisional special rules of Order R-368.

(5) That in order for the Commission to evaluate and delineate the actual productive limits of the Jalco Gas Pool all operators of oil and gas wells within the defined limits of the Jalco Gas Pool should supply certain Geological and Reservoir data to the Commission.

(6) That pending further study and orders, the allocation of gas in the Jalco gas pool should be calculated on the basis of 100 per cent acreage, based upon the standard 160 acre proration unit, which unit is limited to a regular quarter section subdivision of the U. S. Public Land Surveys and consisting of not less than 158 nor more than 162 acres, substantially in the form of a square, with provision for deviation therefrom particularly in cases of wells heretofore completed where the impracticability of unitization is apparent.

(7) That an adequate gas well testing procedure should be adopted as soon as possible so that operators, purchasers and the Commission can determine the fairness and feasibility of an allocation factor for the pool which employs the factors of deliverability, pressure, or any other factor relating to gas well productivity.

(8) That the area within the exterior boundaries of the Jalco Gas Pool known and described as the "Rhodes Storage Area" should be exempt from the Special Rules and Regulations applicable to the Jalco Gas pool provided acceptable reports of operations in said storage area are regularly filed.

IT IS THEREFORE ORDERED:

That Special Pool Rules applicable to the Jalco Gas Pool, be and the same hereby are promulgated and are as follows:

SPECIAL RULES AND REGULATIONS
FOR THE JALCO GAS POOL
LEA COUNTY, NEW MEXICO

WELL SPACING AND ACREAGE REQUIREMENTS FOR DRILLING TRACTS.

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

RULE 2. Each well drilled or recompleted within the Jalco Gas Pool shall be located on a tract consisting of not less than a quarter section of approximately 160 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys.

RULE 3. Each well drilled within the Jalco Gas Pool shall not be drilled closer than 660 feet to any outer boundary line of the tract nor closer than 330 feet to a quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to a well drilling to or capable of producing from the same pool.

RULE 4. The Secretary of the Commission shall have authority to grant exception to the requirements of Rule 3 without Notice and Hearing where application has been filed in due form and the necessity for the unorthodox location is based on topographical conditions or is occasioned by the recompletion of a well previously drilled to another horizon.

Applicants shall furnish all operators within a 1320 foot radius of the subject well a copy of the application to the Commission, and applicant shall include with his application a written stipulation that all operators within such radius have been properly notified. The Secretary of the Commission shall wait at least 10 days before approving any such unorthodox location, and shall approve such unorthodox location only in the absence of objection of any offset operators. In the event an operator objects to the unorthodox location the Commission shall consider the matter only after proper notice and hearing.

RULE 5. The provision of Statewide Rule 104 Paragraph (k), shall not apply to the Jalco Gas Pool located in Lea County, New Mexico.

GAS PRORATION

RULE 6. The Commission after notice and hearing, shall consider the nominations of gas purchasers from the Jalco Gas Pool and other relevant data and shall fix the allowable production of the Jalco Gas Pool, and shall allocate production among the gas wells in the Jalco Gas Pool upon a reasonable basis with due regard to correlative rights.

PRORATION UNITS

RULE 7. (a) For the purpose of gas allocation in the Jalco Gas Pool, a standard proration unit shall consist of between 158 and 162 contiguous surface acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys; provided, however, that a gas proration unit other than a legal quarter section may be formed after notice and hearing by the Commission, except as outlined in Paragraph (b). Any allocation unit containing less than 158 acres or more than 162 acres shall be a non-standard unit and its allowable shall be decreased or increased to that proportion of the standard unit allowable that the number of acres contained therein bears to 160 acres. Any standard proration unit consisting of between 158 and 162 contiguous surface acres shall be considered as containing 160 acres for the purpose of gas allocation.

(b) The Secretary of the Commission shall have authority to grant an exception to Rule 7 (a) without Notice and Hearing where application has been filed in due form and where the following facts exist and the following provisions are complied with;

1. The non-standard unit consists of less acreage than a standard proration unit.
2. The acreage assigned to the non-standard unit lies wholly within a legal quarter section and contains a well capable of producing gas into a gas transportation facility on the date of this order.
3. The operator receives written consent in the form of waivers from all operators in the adjoining 160 acre proration units.

GAS ALLOCATION

RULE 8 At least 30 days prior to the beginning of each gas proration period the Commission shall hold a hearing after due notice has been given. The Commission shall cause to be submitted by each gas purchaser its "Preliminary Nominations" of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period, by months, from the Jalco Gas Pool. The Commission shall consider the "Preliminary Nominations" of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period. "Preliminary Nominations" shall be submitted on a form prescribed by the Commission.

RULE 9. Each month, the Commission shall cause to be submitted by each gas purchaser its "Supplemental Nominations" of the amount of gas which each in good faith actually desires to purchase within the ensuing proration month from the Jalco Gas Pool. The Commission shall hold a public hearing between the 15th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month, and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month. Included in the monthly proration schedule shall be a tabulation of allowable and production for the second preceding month together with an adjusted allowable computation for the second preceding month. Said adjusted allowable shall be computed by comparing the actual allowable assigned with the actual production. In the event the allowable assigned is greater than the actual production, the allowables assigned the top allowable units shall be reduced proportionately, and in the event the allowable assigned is less than the production then the allowables assigned the top allowable units shall be increased proportionately. "Supplemental Nominations" shall be submitted on a form prescribed by the Commission.

The Commission shall include in the proration schedule the gas wells in the Jalco Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Jalco Gas Pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility, which is reasonably capable of handling the type of gas produced by such well. The total allowable to be allocated to the pool each month shall be equal to the sum of the supplemental nominations together with any adjustment which the Commission deems advisable. The allocation to a pool remaining after subtracting the capacities of marginal units shall be divided and allocated ratably among the non-marginal units in the proportion that the acreage contained in each unit bears to the total acreage allotted to such non-marginal units.

BALANCING OF PRODUCTION

RULE 10. Underproduction: The dates 7:00 A. M. , January 1 and 7:00 A. M. , July 1, shall be known as balancing dates and the periods of time bounded by these dates shall be known as gas proration periods. The amount of current gas allowable remaining unproduced at the end of each proration period shall be carried forward to and may be produced during the next succeeding proration period in addition to the normal gas allowable for such succeeding period; but whatever amount thereof is not made up within the first succeeding proration period shall be cancelled. If, at the end of the first succeeding proration period, a greater amount of allowable remains unproduced than was carried forward as underproduction, the amount carried forward to the second succeeding period shall be the total underproduction less the amount carried forward to the first succeeding period.

If it appears that such continued underproduction has resulted from inability of the well to produce its allowable, it may be classified as a marginal well and its allowable reduced to the well's ability to produce.

RULE 11. Overproduction: A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If, at the end of the first succeeding proration period, the well is still overproduced, it shall be shut in and its current monthly allowable charged against said overproduction until the well is in balance. If, at any time, a well is overproduced an amount equaling six times its current monthly allowable, it shall be shut in until it is in balance.

The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut in upon a showing at public hearing after due notice that complete shut in of the well would result in material damage to the well.

GRANTING OF ALLOWABLES

RULE 12. No gas well shall be given an allowable until Form C-104 and Form C-110 have been filed together with a plat showing acreage attributed to said well and the locations of all wells on the lease.

RULE 13. Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, as determined from an affidavit furnished to the Commission (Box 2045 Hobbs, New Mexico) by the purchaser, or the date of filing of Form C-104 and Form C-110 and the plat described above, whichever date is the later.

REPORTING OF PRODUCTION

RULE 14. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be submitted to the Commission so as to reach the Commission on or before the twentieth day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the gas produced. The full production of gas from

each well shall be charged against the well's allowable regardless of what disposition has been made of the gas; provided, however that gas used on the lease for consumption in lease houses, treaters, combustion engines and other similar lease equipment shall not be charged against the well's allowable.

DEFINITIONS

RULE 15. A gas well shall mean a well producing gas or natural gas from a common source of gas supply from a gas pool determined by the Commission

RULE 16. The term "gas purchaser" as used in these rules, shall mean any "taker" of gas either at the wellhead or at any point on the lease where connection is made for gas transportation or utilization. It shall be the responsibility of said "taker" to submit a nomination.

PROVIDED FURTHER that those wells located within the defined limits of the Jalco Gas Pool which produce oil and receive an oil allowable on the oil proration schedule shall be prorated as oil wells pending further study and that "preliminary" and "supplemental" nominations, as outlined in Rules 8 and 9 above, shall pertain only to gas wells which are not assigned an oil allowable.

PROVIDED FURTHER that all operators of oil or gas wells shall submit to the Hobbs office of the Commission (Box 2045) on or before January 1, 1954 a copy of either an electric log or sample log of each well (if available), whether oil or gas, that they operate within the defined limits of the Jalco Gas Pool. Attached to each log shall be a detailed report showing well elevation, total depth, plug back depth, depth of production string, interval of perforations and open hole and estimation of formation tops of Yates, Seven Rivers and Queen as indicated by the log. Any operator of any well hereafter completed or recompleted within the defined limits of the Jalco Pool shall also submit to the Hobbs office of the Commission, the logs and information detailed above within 30 days following such completion or recompletion.

In the event that the Commission deems it advisable to obtain additional information from wells producing outside the defined limits of the Jalco Gas Pool the Secretary of the Commission is hereby authorized to issue a directive to operators in order to obtain the desired information.

PROVIDED FURTHER that the provisions of these rules contained herein shall not apply to those wells involved in the Rhodes Storage Area. Provided, however, that operators in the Rhodes Storage Area shall submit semi-annual reports, corresponding with the Jalco Gas Pool proration period, said reports shall contain statistical information showing the amount of gas injected and withdrawn from storage during each period and the cumulative amount of gas injected and withdrawn at the end of the proration period.

PROVIDED FURTHER that as soon as possible a testing procedure for all gas wells shall be adopted by the Commission. Said procedure shall contain adequate tests in order to determine the feasibility of employing any well potential, deliverability or pressure factors in allocating gas.

PROVIDED FURTHER that those operators who desire approval of the Commission of gas-oil dual completions under the provisions of Statewide Rule 112-A should also comply with the provisions of Rules 2, 3 and 4 of this order before approval will be granted.

PROVIDED FURTHER that in order to inaugurate gas prorationing and allocation in the Jalco Gas Pool on January 1, 1954 the Commission shall consider the nominations of purchasers for the proration period beginning January 1, 1954 at the regular hearing of the Commission on November 19, 1953 and shall require each purchaser of gas from the Jalco Gas Pool to submit with each "supplemental" nomination a list of the wells and their location from which gas is to be purchased commencing January 1, 1954. In this instance the list of wells shall pertain solely to those wells which are gas wells and are not on the oil proration schedule.

PROVIDED FURTHER that in the event an operator has a producing well on acreage which does not conform to the provisions of Rule 2 or Rule 7 and an exception to Rule 7 is to be requested of this Commission, the necessary information requested under Rule 12 should be complied with pending Commission action. In this instance the Proration Manager is directed to assign to the well only that acreage attributable to the well lying within the quarter section upon which the well is located. In the event the unorthodox unit is approved after notice and hearing and an increase in total acreage is permitted then the total allowable assigned the well shall be adjusted and made retroactive to the 1st day of the proration period or the first day the well produced into a gas transportation facility if the well was not productive prior to January 1, 1954.

PROVIDED FURTHER that copies of Form C-115, Monthly Production Report, submitted in compliance with Rule 14 shall be distributed by the operator as follows: Original to Oil Conservation Commission, Box 871, Santa Fe; two copies to Oil Conservation Commission, Box 2045, Hobbs, New Mexico.

IT IS FURTHER ORDERED that nothing in this Order, or Order No. R-368, heretofore issued by the Commission, shall be construed as re-classifying any well now prorated on the oil proration schedule as a gas well, and any such reclassification hereafter made shall only be made after due notice and hearing.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Edwin L. Mechem, Chairman

E. S. Walker, Member

R. R. Spurrier, Member and Secretary

S E A L

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE PETITION OF)
UNITED CARBON COMPANY INC.,)
(MARYLAND) FOR AN ORDER OF THE)
COMMISSION EXEMPTING IT AND THE)
PRODUCERS OF NATURAL GAS IN THE)
SOUTH EUNICE POOL FROM WHOM IT)
PURCHASES NATURAL GAS, FROM THE)
OPERATION OF THOSE PROVISIONS OF)
ORDER NO. R-368-A, CASE NO. 582,)
OF THE COMMISSION AND RELATED)
ORDERS, LIMITING THE PRODUCTION)
OF NATURAL GAS IN THE SO-CALLED)
JALCO GAS POOL.)

CASE NO. 691
Order No. E-5

EMERGENCY ORDER OF THE COMMISSION

BY THE COMMISSION:

Heretofore, on March 8, 1954 the petitioner filed with the Commission its petition praying that the Commission enter its order exempting and excepting the South Eunice Pool from the operation and effect of the special Rules and Regulations adopted by the Commission in its Order No. R-368-A in Case No. 582 to such an extent as might be necessary to enable it to obtain from the producers of gas in said pool with whom it has existing contracts, and to enable said producers to produce from said pool and deliver to it, the full amount of 42 million cubic feet of gas per day for use by it in the manufacture of carbon black.

Thereafter, on March 18, 1954, this same petitioner duly filed its application for temporary relief, wherein it was prayed that the petitioner and applicant be granted immediately, and without hearing, the same relief heretofore sought in the petition.

Accordingly said application for temporary relief came on this day for hearing before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 1st day of April, 1954, the Commission, a quorum being present at an emergency session, and being fully advised in the premises, finds from and upon the basis of the allegations contained in said application for temporary relief:

1. That applicant, as a result of the enforcement of the special Rules and Regulations adopted by the Commission by its said Order No. R-368-A, was compelled to shut down, and as of February 1, 1954, did shut down and discontinue the operation of one-third of its carbon black plant.

2. That if said special Rules and Regulations are continued in force and effect, applicant will be forced to keep at least one-third of its plant shut down with a consequent reduction in its operation.

3. That continued enforcement of said special Rules and Regulations as against the producers of gas in the said South Eunice Pool with whom applicant has contracts for the purchase of gas is causing and will continue to cause applicant irreparable injury, loss, and hardship before a hearing on notice can be had on applicant's petition heretofore filed herein.

4. That an emergency therefore exists requiring the issuance of an emergency order.

IT IS THEREFORE ORDERED:

1. That for a period of 15 days from and after April 1, 1954, the applicant, United Carbon Company, Inc., and the producers of natural gas in the South Eunice Pool, be and the same are hereby exempted and excepted from the operation and effect of the special Rules and Regulations adopted by the Commission in its said Order No. R-368-A in Case No. 582, to such extent as may be necessary to enable applicant to obtain from the producers of gas in said pool with whom it has existing contracts, and as may be necessary to enable said producers to produce from said pool and deliver to applicant's existing gathering lines, the full amount of 42 million cubic feet of gas per day for use by it in the manufacture of carbon black in its plant herein involved.

2. That applicant and all parties in interest appear before the Commission at Santa Fe, New Mexico, on April 15, 1954, and offer testimony in support of applicant's petition heretofore filed herein.

BE IT FURTHER ORDERED:

That if after due hearing is had upon applicant's petition, as aforesaid, it be determined and ordered by the Commission that the applicant and petitioner is not entitled to the relief prayed for in said petition, then and in that event the Rules and Regulations adopted by the Commission in its Order No. R-368-A, Case No. 582, or any rules, orders or regulations succeeding thereto, shall have a retroactive effect upon applicant and the producers in the South Eunice Pool, for the period of the duration of this emergency order.

GIVEN under the seal of the Oil Conservation Commission of New Mexico at Santa Fe, New Mexico, this 1st day of April 1954.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



EDWIN L. MECHEM, Chairman

E. S. WALKER, Member



R. R. SPURRIER, Member & Secretary

S E A L