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6 August 1985

*LICENSED IN TEXAS ONLY

Mr. Michael E. Stogner, Examiner
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 8614, Application of Yates Petroleum
Corporation for Exception to Special Pool
Rules for the Bluitt-San Andres Associated Pool,
Roosevelt County, New Mexico

Dear Mr. Stogner:

The subject application was heard on June 19 and in early July Mr. Carr, for Union, and myself, for Yates, submitted proposed orders. The unrebutted evidence at the hearing showed that gas was migrating from the Yates well bore through the oil zone to the Union well, which converted from an oil to a gas well in February of this year. It is my understanding that the Union gas well is still producing even though only 80 acres are dedicated to the well.

Under these circumstances, we respectfully request that the Division either promptly issue its order which will permit Yates to produce its well and stop the migration of gas, or require that the Union well be shut in until the non-standard unit can be approved. Thank you for your further consideration in this matter.

Very truly yours,

LOSEE & CARSON, P.A.


A. J. Losee

AJL:jcb

cc: Mr. William F. Carr
Mr. Eddie Mahfood
Mr. Randy Patterson

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July 5, 1985

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OIL CONSERVATION DIVISION

Mr. Michael E. Stogner
Hearing Examiner
Oil Conservation Division
New Mexico Department of
Energy and Minerals
Post Office Box 2088
Santa Fe, New Mexico 87501

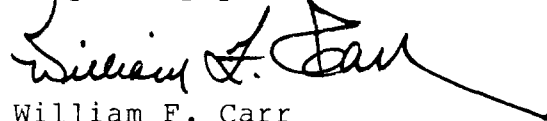
Re: Case 8614: Application of Yates Petroleum Corporation for
an Exception to the Special Rules and Regulations for the
Bluitt-San Andres Associated Pool as Promulgated by Division
Order R-5353, as amended, Roosevelt County, New Mexico.

Dear Mr. Stogner:

In response to your June 19 question about the non-standard
spacing or prorationing unit dedicated to Union Oil Company's
Federal "20" #1 Well, located in Unit B of Section 20, Township 8
South, Range 38 East, N.M.P.M., Roosevelt County, New Mexico, we
enclose a copy of Oil Conservation Commission Order R-4066 which
approved this spacing unit.

Also enclosed is the proposed order of Union Oil Company of
California in the above-referenced case which imposes a 0.23
allowable limitation factor on the Yates well which was the
subject of this case. Attached to this proposed order, for your
easy review, are copies of Orders R-5353 and R-1670-I which are
referenced therein.

Very truly yours,



William F. Carr

WFC/ba
Enclosures

cc: Ted Duff, w/encl.
A. J. Losee, w/encl.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

Case No. 8614
Order No. R-

APPLICATION OF YATES PETROLEUM
CORPORATION FOR AN EXCEPTION
TO THE SPECIAL RULES AND REGULA-
TIONS FOR THE BLUITT-SAN ANDRES
ASSOCIATED POOL AS PROMULGATED
BY DIVISION ORDER R-5353, AS
AMENDED, ROOSEVELT COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 19, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this ____ day of July, 1985, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Yates Petroleum Corporation, seeks an exception to the Special Rules and Regulations for the Bluitt-San Andres Associated Pool to authorize an unorthodox gas well location for its Bluestem "ZL" Federal Well No. 1 located 1650 feet from the North line and 2310 feet from the East line of Section 20, Township 8 South, Range 38 East, N.M.P.M., Roosevelt County, New Mexico.

(3) That the S/2 NE/4 and the N/2 SE/4 of said Section 20 is to be dedicated to the well forming a non-standard 160-acre gas spacing and proration unit in said pool.

(4) That a well at said unorthodox location will better enable applicant to produce the gas underlying the proration unit.

(5) That Union Oil Company of California, an offset operator, has objected to the proposed location.

(6) That by Order R-5353, the Oil Conservation Division promulgated general rules and regulations for associated gas pools in New Mexico, including the Bluitt-San Andres Associated Pool.

(7) That Rule 1 of the General Rules and Regulations for associated gas pools in New Mexico, Order R-5353 (hereinafter called "General Rules") provides in part that "any well drilled to the producing formation of an associated pool regulated by this order . . . shall be spaced, drilled, operated, and prorated in accordance with the regulations in effect in that pool." (Emphasis added.)

(8) That Rule 2 of the General Rules provides in part: "See Special Pool Rules for applicable size of oil and gas spacing and proration units."

(9) That Special Pool Rules for the Bluitt-San Andres Associated Pool were promulgated by Order R-1670-I which provides for standard gas proration units of 320 acres [Rule 2(a)] with gas wells located not closer than 990 feet to the quarter-section line [Rule 2(b)].

(10) That the Yates' well location is 330 feet from the North boundary of the spacing unit dedicated to it or 67 percent closer to the North boundary of this unit than permitted by the Special Pool Rules for the Bluitt-San Andres Associated Pool.

(11) That the Yates' well location is 330 feet from the West boundary of the spacing unit dedicated to it or 67 percent closer to the West boundary of this unit than permitted by the Special Pool Rules for the Bluitt-San Andres Associated Pool.

(12) That a well at the proposed location will have an area of drainage in the San Andres formation which extends an additional 88.03 net acres more outside its spacing or proration unit than it would at the closest standard location, an amount of acreage equivalent to 27.51 percent of a standard proration unit in said pool.

(13) That the applicant is dedicating only half (.50) of the acreage required for a standard spacing or proration unit in the Bluitt-San Andres Associated Pool (acreage dedication factor).

(14) That to offset the advantage gained over the protesting offset operator, the applicant and protesting offset operators

agreed that production from the Yates' well at the proposed unorthodox location should be limited from the San Andres formation.

(15) That such limitation should be based upon the variation of the location from a standard location, the 88.03 net acre encroachment described in Finding No. (12) above and the number of acres dedicated to the well, and may best be accomplished by assigning a well at the proposed location an allowable limitation factor of 0.23 (33.33 percent North/South factor plus 33.33 percent East/West factor plus 72.49 percent net-acre factor divided by 3, which equals 46.38 percent multiplied by a .50 acreage dedication factor).

(16) That in the absence of any special rules and regulations for the prorationing of production from the Bluit-San Andres Associated Pool, the aforesaid production limitation factor should be applied against said well's ability to produce into the pipeline as determined by periodic well tests.

(17) That applicant requested a minimum calculated allowable for the subject well of 200,000 cubic feet of gas per day.

(18) That approval of a minimum allowable could authorize production at a rate in excess of the well's otherwise authorized rate and would give it an advantage over the wells of other producers by reason of the unorthodox location and should be denied.

(19) That approval of this application subject to the above provisions and limitations will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That an unorthodox gas well location for the San Andres formation is hereby approved for the Yates Petroleum Corporation's Bluestem "ZL" Federal Well #1 located at a point 1650 feet from the North line and 2310 feet from the East line of Section 20, Township 8 South, Range 38 East, N.M.P.M., Bluit-San Andres Associated Pool, Roosevelt County, New Mexico.

(2) That the S/2 NE/4 and N/2 SE/4 of said Section 20 shall be dedicated to the above-described well.

(3) That said well is hereby assigned a Production Limitation Factor of 0.23 in the San Andres formation.

(4) That in the absence of any Special Rules and Regulations prorating gas production in the Bluitt-San Andres Associated Pool, the special rules hereinafter promulgated shall apply.

(5) That the following Special Rules and Regulations for a non-prorated gas well at an unorthodox location shall apply to the subject well:

SPECIAL RULES AND REGULATIONS
FOR THE
APPLICATION OF A "PRODUCTION LIMITATION FACTOR"
TO A NON-PRORATED GAS WELL

APPLICATION OF RULES

RULE 1. These rules shall apply to the Yates Petroleum Corporation Bluestem "ZL" Federal Well #1, located 1650 feet from the North line and 2310 feet from the East line of Section 20, Township 8 South, Range 38 East, N.M.P.M., Roosevelt County, New Mexico, and said well's Production Limitation Factor of 0.23 shall be applied to the well's deliverability (as determined by the hereinafter set forth procedure) to determine its maximum allowable rate of production.

ALLOWABLE PERIOD

RULE 2. The allowable period for the subject well shall be six months.

RULE 3. The year shall be divided into two allowable periods commencing at 7:00 o'clock a.m. on January 1 and July 1.

DETERMINATION OF DELIVERY CAPACITY

RULE 4. Immediately upon connection of the well the operator shall determine the open flow capacity of the well in accordance with the Division "Manual for Back-Pressure Testing of Natural Gas Wells" then current, and the well's initial deliverability shall be calculated against average pipeline pressure.

RULE 5. The well's "subsequent deliverability" shall be determined twice a year, and shall be equal to its highest single day's production during the months of April and May or October and November, whichever is applicable. Said subsequent deliverability, certified by the pipeline, shall be submitted to the appropriate District Office of the Division not later than June 15 and December 15 of each year.

RULE 6. The Division Director may authorize special deliverability tests to be conducted upon a showing that the well has been worked over or that the subsequent deliverability

determined under Rule 5 above is erroneous. Any such special test shall be conducted in accordance with Rule 4 above.

RULE 7. The operator shall notify the appropriate district office of the Division and all offset operators of the date and time of initial or special deliverability tests in order that the Division or any such operator may at their option witness such tests.

CALCULATION AND ASSIGNMENT OF ALLOWABLES

RULE 8. The well's allowable shall commence upon the date of connection to a pipeline and when the operator has complied with all appropriate filing requirements of the Rules and Regulations and any special rules and regulations.

RULE 9. The well's allowable during its first allowable period shall be determined by multiplying its initial deliverability by its production limitation factor.

RULE 10. The well's allowable during all ensuing allowable periods shall be determined by multiplying its latest subsequent deliverability, as determined under provisions of Rule 5, by its production limitation factor. If the well shall not have been producing for at least 60 days prior to the end of its first allowable period, the allowable for the second allowable period shall be determined in accordance with Rule 9.

RULE 11. Revision of allowable based upon special well tests shall become effective upon the date of such test provided the results of such test are filed with the Division's district office within 30 days after the date of the test; otherwise the date shall be the date the test report is received in said office.

RULE 12. Revised allowables based on special well tests shall remain effective until the beginning of the next allowable period.

BALANCING OF PRODUCTION

RULE 13. January 1 and July 1 of each year shall be known as the balancing dates.

RULE 14. If the well has an underproduced status at the end of a six-month allowable period, it shall be allowed to carry such underproduction forward into the next period and may produce such underproduction in addition to its regularly assigned allowable. Any underproduction carried forward into any allowable period which remains unproduced at the end of the period shall be cancelled.

RULE 15. Production during any one month of an allowable period in excess of the monthly allowable assigned to the well shall be applied against the underproduction carried into the period in determining the amount of allowable, if any, to be cancelled.

RULE 16. If the well has an overproduced status at the end of a six-month allowable period, it shall be shut in until such overproduction is made up.

RULE 17. If, during any month, it is discovered that the well is overproduced in an amount exceeding three times its average monthly allowable, it shall be shut in during that month and during each succeeding month until it is overproduced in an amount three times or less its monthly allowable, as determined hereinabove.

RULE 18. The Director of the Division shall have authority to permit the well, if it is subject to shut-in pursuant to Rule 16 and 17 above, to produce up to 500 MCF of gas per month upon proper showing to the Director that complete shut-in would cause undue hardship, provided however, such permission shall be rescinded for the well if it has produced in excess of the monthly rate authorized by the Director.

RULE 19. The Division may allow overproduction to be made up at a lesser rate than permitted under Rules 16, 17, or 18 above upon a showing at public hearing that the same is necessary to avoid material damage to the well.

RULE 20. Failure to comply with the provisions of this order or the rules contained herein or the Rules and Regulations of the Division shall result in the cancellation of allowable assigned to the well. No further allowable shall be assigned to the well until all rules and regulations are complied with. The Division shall notify the operator of the well and the purchaser, in writing, of the date of allowable cancellation and the reason therefor.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

R. L. STAMETS
Director

S E A L

(GENERAL RULES AND REGULATIONS - ASSOCIATED
OIL AND GAS POOLS - Cont'd.)

TOCITO DOME-PENNSYLVANIAN "D" ASSOCIATED POOL
San Juan County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico, for the Tocito Dome-Pennsylvanian "D" Associated Pool, San Juan County, New Mexico, February 1, 1977.

(Order No. R-5353 supersedes Order No. R-2758, creating and adopting temporary rules for the Tocito Dome-Pennsylvanian "D" Pool, San Juan County, New Mexico, August 3, 1964, as amended by Order No. R-2758-A, September 30, 1964, Order No. R-2758-B, April 1, 1965, and Order No. R-2758-C, August 16, 1965.)

RULE 2. (a) A standard oil proration unit shall be 160 acres. A standard gas proration unit shall be 320 acres.

RULE 2. (b) Oil wells shall be located within 150 feet of the center of the quarter-quarter section.

Gas wells shall be located within 150 feet of the center of the quarter-quarter section.

RULE 5. (a) A well shall be classified as a gas well if it has a gas-liquid ratio of 20,000 or more cubic feet of gas per barrel of liquid hydrocarbons. A well shall be classified as an oil well if it has a gas-liquid ratio of less than 20,000 cubic feet of gas per barrel of liquid hydrocarbons.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

BLUITT-SAN ANDRES ASSOCIATED POOL
Roosevelt County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico, for the Bluit-San Andres Associated Pool, Roosevelt County, New Mexico, February 1, 1977.

(Order No. R-5353 supersedes Order No. R-1670-I, abolishing the Bluit-San Andres Gas and East Bluit-San Andres Oil Pools and creating and adopting operating rules for the Bluit-San Andres Associated Pool, Roosevelt County, New Mexico, July 23, 1969, as amended by Order No. R-4367, August 30, 1972, and Order No. R-4583, August 1, 1973.)

RULE 2. (a) A standard oil proration unit shall be 80 acres. A standard gas proration unit shall be 320 acres.

RULE 2. (b) Oil wells shall be located within 150 feet of the center of the quarter-quarter section.

Gas wells shall be located not closer than 990 feet to the quarter section line nor closer than 330 feet to any quarter-quarter section line.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

SOUTHEAST CHAVES QUEEN GAS AREA ASSOCIATED POOL
Chaves County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico, for the Southeast Chaves Queen Gas Area Associated Pool, Chaves County, New Mexico, February 1, 1977.

(Order No. R-5353 supersedes Order No. R-4435, creating and adopting temporary rules for the Southeast Chaves Queen Gas Area, Chaves County, New Mexico, December 1, 1972, as amended by Order No. R-4583, August 1, 1973, Order No. R-4435-A, December 3, 1974, and Order No. R-4435-B, July 6, 1976.)

RULE 2. (a) A standard oil proration unit shall be 40 acres. A standard gas proration unit shall be 320 acres.

(General Pool Rules also apply unless in conflict with the Special Pool Rules.)

**SOUTH DAGGER DRAW-UPPER PENNSYLVANIAN
ASSOCIATED POOL**
Eddy County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico, for the South Dagger Draw-Upper Pennsylvanian Associated Pool, Eddy County, New Mexico, February 1, 1977.

(Order No. R-5353 supersedes Order No. R-4637, creating and adopting temporary rules for the South Dagger Draw-Upper Pennsylvanian Associated Pool, Eddy County, New Mexico, October 1, 1973, as amended by Order No. R-4637-A, October 21, 1975.)

Order No. R-5353-A, March 15, 1977, makes permanent the special rules adopted in Order No. R-5353.

RULE 2. (a) A standard oil proration unit shall be 320 acres. A standard gas proration unit shall be 320 acres.

RULE 2. (b) All oil wells and gas wells shall be located closer than 660 feet to the nearest side boundary nor closer than 1980 feet to the nearest end boundary of the spacing unit nor closer than 330 feet to any subdivision inner boundary.

RULE 6. The limiting gas-oil ratio shall be 8000 cubic feet of gas for each barrel of oil produced.

RULE 22. The special depth bracket allowable for an oil well on a 320-acre tract shall be 267 barrels of oil per acre.

(General Pool Rules also apply unless in conflict with the Special Pool Rules.)

(GENERAL RULES AND REGULATIONS - ASSOCIATED OIL AND GAS POOLS - Cont'd.)**DOUBLE L-QUEEN ASSOCIATED POOL**
Chaves County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico, for the Double L-Queen Associated Pool, Chaves County, New Mexico, February 1, 1977.

(Order No. R-5353 supersedes Order No. R-3981-A, adopting temporary rules for the Double L-Queen Associated Pool, Chaves County, New Mexico, September 1, 1971, as amended by Order No. R-4367, August 30, 1972, Order No. R-4434, November 13, 1972, and Order No. R-4583, August 1, 1973.)

RULE 2. (a) A standard oil proration unit shall be 40 acres. A standard gas proration unit shall be 320 acres.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

MESA-QUEEN ASSOCIATED POOL
Lea County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico, for the Mesa-Queen Associated Pool, Lea County, New Mexico, February 1, 1977.

(Order No. R-5353 supersedes Order No. R-2935, amending Order No. R-2691 which adopted a gas-oil ratio rule and limited flaring of gas, and adopting temporary operating rules for the Mesa-Queen Pool, Lea County, New Mexico, July 13, 1965, as amended by Order No. R-2935-A, January 13, 1966, Order No. R-2935-B, January 22, 1968, Order No. R-4367, August 30, 1972, and Order No. R-4583, August 1, 1973.)

(2) (a) A standard oil proration unit shall be 40 acres. A standard gas proration unit shall be 160 acres.

RULE 2. (b) Oil wells shall be located no closer than 330 feet to the outer boundary of the quarter-quarter section.

Gas wells shall be located no closer than 330 feet to the outer boundary of the quarter-quarter section.

RULE 6. The limiting gas-oil ratio shall be 5000 cubic feet of gas for each barrel of oil produced.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

PENASCO DRAW SAN ANDRES-YESO POOL
Eddy County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico, for the Penasco Draw San Andres-Yeso Pool, Eddy County, New Mexico, February 1, 1977, as Amended by Order No. R-5353-H, October 1, 1981.

(Order No. R-5353 supersedes Order No. R-365, adopting temporary rules for the Penasco Draw San Andres-Yeso Pool, Eddy County, New Mexico, September 1, 1972, as amended by Order No. R-4583, August 1, 1973, and Order No. R-4365-A, October 11, 1973.)

RULE 2. (a) A standard oil proration unit shall be 40 acres. A standard gas proration unit shall be 320 acres.

RULE 2. (b) Oil wells shall be located no closer than 330 feet to the outer boundary of the quarter-quarter section.

Gas wells shall be located within 150 feet of the center of the quarter-quarter section.

RULE 5. A well shall be classified as a gas well if it has a gas-liquid ratio of 10,000 or more cubic feet of gas per barrel of liquid hydrocarbons. A well shall be classified as an oil well if it has a gas-liquid ratio of less than 10,000 cubic feet of gas per barrel of liquid hydrocarbons.

RULE 5. (b) (As Added by Order No. R-5353-H, October 1, 1981.) The simultaneous dedication of any acreage to an oil well and a gas well within the same formation is prohibited.

RULE 9. (a) (As Added by Order No. R-5353-H, October 1, 1981.) Annual gas-liquid ratio tests shall be taken on all wells during each year in accordance with a test schedule prepared by the district office of the Division. The initial gas-liquid ratio test shall suffice as the first annual test. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of such tests shall be filed on Division Form C-116 on or before the 10th day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the appropriate district office of the Division a test schedule for its wells specifying the time each of its wells is to be tested. Copies of the test schedule shall also be furnished to all offset operators. The supervisor of the appropriate district office of the Division may grant an exception to the above test requirements where it is demonstrated that the well(s) produce(s) no liquids.

Special tests shall also be taken at the request of the Division Director and may also be taken as the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Division and offset operators.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

PETERSON-PENNSYLVANIAN POOL
Roosevelt County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico, for the Peterson-Pennsylvanian Pool, Roosevelt County, New Mexico, February 1, 1977.

(Order No. R-5353 supersedes Order No. R-4538, classifying as an associated oil and gas reservoir and adopting rules for the Peterson-Pennsylvanian Associated Pool, Roosevelt County, New Mexico, June 1, 1973, as amended by Order No. R-4538-B, August 1, 1973.)

Order No. R-5353-C, September 27, 1977, makes permanent the rules adopted in Order No. R-4538, as amended and superseded by Order No. R-5353.

RULE 2. (a) A standard oil proration unit shall be 160 acres. A standard gas proration unit shall be 320 acres.

RULE 5. (a) A well shall be classified as a gas well if it has a gas-liquid ratio of 25,000 or more cubic feet of gas per barrel of liquid hydrocarbons. A well shall be classified as an oil well if it has a gas-liquid ratio of less than 25,000 cubic feet of gas per barrel of liquid hydrocarbons.

RULE 6. The limiting gas-oil ratio shall be 4000 cubic feet of gas for each barrel of oil produced.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

ASSOCIATED OIL AND GAS POOLS Northwest and Southeast New Mexico

Order No. R-5353, Adopting Special Rules and Regulations for Certain Associated Oil and Gas Pools and General Rules and Regulations for All Associated Oil and Gas Pools in Northwest and Southeast New Mexico, February 1, 1977.

Order No. R-5353 reclassifies as an oil pool, and rescinds Order No. R-4359, August 1, 1972, as amended by Order No. R-4583, August 1, 1973, adopting rules for the Jennings-Delaware Associated Pool, Lea County, New Mexico.

Order No. R-5353 reclassifies as an oil pool, and rescinds Order No. R-3437, June 18, 1968, as amended by Order No. R-3437-A, July 17, 1969, Order No. R-3437-B, January 15, 1971, Order No. R-4367, August 30, 1972, and Order No. R-4583, August 1, 1973, adopting rules for the North Paduca-Delaware Pool, Lea County, New Mexico.

Order No. R-5353 reclassifies as an oil pool the Northwest Todd-San Andres Associated Pool. See separate Order No. R-4441-A, February 1, 1977, adopting special rules for the Northwest Todd-San Andres Pool.

Application of the Oil Conservation Commission on its Own Motion to Consider the Adoption of General Rules and Regulations Governing All Associated Oil and Gas Pools of Southeast and Northwest New Mexico and the Adoption of Special Rules for Certain Associated Pools.

CASE NO. 5813
Order No. R-5353

ORDER OF THE COMMISSION

BY THE COMMISSION: This cause came on for hearing at 9 a.m. on November 23, 1976, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 17th day of January, 1977, 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 the Commission has heretofore created and designated six pools in Northwest New Mexico and 15 pools in Southeast New Mexico as "associated" oil and gas pools, being pools in which a gas cap was found to overlies an oil zone.

(3) That in order to prevent waste and to protect correlative rights, the Commission has heretofore promulgated special rules and regulations for said associated oil and gas pools, as follows:

NORTHWEST NEW MEXICO

POOL	COUNTY	ORDER NO.
Angels Peak-Gallup	San Juan	R-1410-C
Devils Fork-Gallup	Rio Arriba	R-5181
Escrito-Gallup	Rio Arriba	R-1793-A
Gallegos-Gallup	San Juan	R-3707
Tapacito-Gallup	Rio Arriba	R-3211
Tocito Dome-Pennsylvanian "D"	San Juan	R-2758

SOUTHEAST NEW MEXICO

POOL	COUNTY	ORDER NO.
Bluitt-San Andres	Roosevelt	R-1670-I
Southeast Chaves Queen Gas Area	Chaves	R-4435
South Dagger Draw-Upper Pennsylvanian	Eddy	R-4637
Double L-Queen	Chaves	R-3981-
Jennings-Delaware	Lea	R-4359
Mesa-Queen	Lea	R-2935
North Paduca-Delaware	Lea	R-3437
Penasco Draw-San Andres-Yeso	Eddy	R-4365
Peterson-Pennsylvanian	Roosevelt	R-4538
Round Tank-Queen	Chaves	R-1670-J
Sawyer-San Andres	Lea	R-1517
Todd-Lower San Andres	Roosevelt	R-1670-G
		R-3153
Northwest Todd-San Andres	Roosevelt	R-4441
Twin Lakes-San Andres	Chaves	R-4102
Vest Ranch-Queen	Chaves	R-5180

(4) That the aforesaid special rules and regulations for above-named associated oil and gas pools provide, among other things, for the definition of oil wells and gas wells, the size of oil spacing units and gas spacing units, standard well location, gas-oil ratio limitations, well testing, and gas well allowable.

(5) That there is a wide variation in the various special pool rules applicable to the aforesaid associated pools, not only in substantive content and purpose, but also in format and general manner of presentation.

(6) That said variations have caused confusion and have resulted in unnecessary administrative burden to both operators in said pools and the Commission.

(7) That the adoption of general rules applicable to associated pools, with provision for certain special rules applicable to particular pools only, would tend to eliminate said confusion and would ease the administrative burden on the operators in said pools and the Commission.

(8) That in order to more nearly equalize the time for which oil wells and gas wells in associated pools produce their current allowable, thereby equalizing withdrawal from their respective portions of the associated reservoir, general rules for associated pools should provide for a 60-month proration period for gas wells, and oil wells should continue to be operated under the provisions of Rule 502 of the Commission General Rules and Regulations.

(9) That in order to provide a reasonable period of time for the production of the current allowable from a gas well in a

GENERAL RULES AND REGULATIONS - ASSOCIATED OIL AND GAS POOLS - Cont'd.)

associated pool, provision should be made in the general associated pool rules for underproduction from such well to be carried forward into subsequent proration periods, provided however, that such underproduction in excess of three times the current monthly allowable should not be carried forward, but should be cancelled.

(10) That in order to provide a reasonable period of time in which overproduction of current allowable by a gas well in an associated pool may be compensated for by underproduction, provision should be made in the general associated pool rules for such overproduction to be carried forward into subsequent proration periods, provided however, that any well which is overproduced by an amount exceeding three times its current monthly allowable should be shut in until such well is overproduced by an amount less than three times its current monthly allowable.

(11) That the volumetric gas allowable formulas applicable to the Bluit-San Andres Associated Pool and the Todd-Lower San Andres Associated Pool are no longer effective and should not be included in the special pool rules for said pools.

(12) That the inclusion of liquid gravity as a criterion in the classification of oil wells and gas wells in the Angels Peak-Gallup, Devils Fork-Gallup, Bluit-San Andres, Peterson-Pennsylvanian, and Todd-Lower San Andres Pools appears to serve no useful purpose, and should be discontinued.

(13) That the Jennings-Delaware Associated Pool and the North Paduca-Delaware Associated Pool, as heretofore created and defined, no longer fit the associated pool classification, and that said pools should be redefined as oil pools subject to the Commission General Rules and Regulations, and the Special Rules for said pools should be rescinded.

(14) That the Northwest Todd-San Andres Associated Pool as previously created and defined no longer fits the associated pool classification and should be redefined as an oil pool and the special pool rules therefor amended to provide only for 80-acre oil well spacing units and a gas-oil ratio limitation of 5000 to 1.

(15) That the existing special associated pool rules for the remaining 18 associated pools which provide for spacing of oil wells and gas wells, oil well and gas well locations, definition of oil wells and gas wells based on gas-liquid ratios, and special gas-oil ratio limitations, any of which are in conflict with the general rules and regulations for associated pools should be retained, but should be incorporated in one overall order applicable to associated oil and gas pools, and the orders presently applicable to said pools superseded.

(16) That the gas well location requirements for the Double Queen Associated Pool should be amended to comply with the general rules and regulations for associated pools.

(17) That all associated pool gas well underproduction should be cancelled as of January 31, 1977.

(18) That the Secretary-Director of the Commission should be authorized to administratively reinstate such cancelled underproduction, up to three times the current monthly allowable, upon a showing by the operator that such underproduction could be made up.

(19) That the rescission, amendment, and superseding of the Special Pool Rules listed in Finding No. (3) above, and the adoption of General Rules applicable to the associated oil and gas pools in the State of New Mexico in accordance with the above findings will prevent waste and protect correlative rights, is in the public interest, and should be approved.

IT IS THEREFORE ORDERED:

(1) That effective February 1, 1977, general rules and regulations are hereby adopted for the associated oil and gas pools of northwest and Southeast New Mexico as follows:

GENERAL RULES AND REGULATIONS FOR THE ASSOCIATED OIL AND GAS POOLS OF NORTHWEST NEW MEXICO AND SOUTHEAST NEW MEXICO.

(See Special Pool Rules for each pool for rules applicable to that particular pool. Special Pool Rules will be found in the same classification order as in the General Section. If the Special Rule is in conflict with the General Rule, the Special Rule shall be applicable.)

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 1. Any well drilled to the producing formation of an associated pool regulated by this order and within said pool or within one mile outside the boundary of that pool, and not nearer to nor within the boundaries of another designated pool producing from the same formation, shall be spaced, drilled, operated, and prorated in accordance with the regulations in effect in that pool.

RULE 2. (a) See Special Pool Rules for applicable size of oil and gas spacing and proration units. Unless otherwise specified by the Special Pool Rules, 40-acre units shall comprise a governmental quarter-quarter section substantially in the form of a square, being a legal subdivision of the United States Public Land Surveys; 80-acre units shall comprise two contiguous quarter-quarter sections, being the N/2, S/2, E/2, or W/2 of a single governmental quarter section; 160-acre units shall comprise a governmental quarter section; and 320-acre units shall comprise two contiguous quarter sections, being the N/2, S/2, E/2, or W/2 of a single governmental section.

RULE 2. (b) Each well drilled or completed on a spacing and proration unit within an associated pool governed by these rules shall be located as provided below:

OIL WELLS AND GAS WELLS - NORTHWEST NEW MEXICO

Standard Proration Unit	Location Requirements
40 Acres	Not closer than 330 feet to the boundary of the tract
80, 160 and 320 Acres	Not closer than 790 feet to any quarter section line nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary

OIL WELLS - SOUTHEAST NEW MEXICO

Standard Proration Unit	Location Requirements
40 Acres	Not closer than 330 feet to the boundary of the tract
80 and 160 Acres	Within 150 feet of the center of the quarter-quarter section wherein located

(GENERAL RULES AND REGULATIONS - ASSOCIATED
OIL AND GAS POOLS - Cont'd.)

GAS WELLS - SOUTHEAST NEW MEXICO

Standard Proration Unit	Location Requirements
160 Acres	Within 150 feet of the center of the quarter-quarter section wherein located
320 Acres	Not closer than 660 feet to the nearest side boundary nor closer than 1980 feet to the nearest end boundary of the spacing unit nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary

RULE 2. (c) The Secretary-Director of the Commission shall have authority to grant an exception to the well location requirements of Rule 2(b) above without notice and hearing when the necessity for such unorthodox location is based upon topographical conditions or the recompletion of a well previously drilled to another horizon, provided said well was drilled at an orthodox location for such original horizon, or where the size and shape of an approved non-standard spacing and proration unit render a standard location impossible.

Applications for administrative approval of unorthodox locations shall be filed in triplicate and shall be accompanied by plats showing the ownership of all leases offsetting the proration or spacing unit for which the unorthodox location is sought, and also all wells completed thereon. If the proposed unorthodox location is based upon topography, the plat shall also show and describe the existent topographical conditions.

All operators of proration or spacing units offsetting the unit for which the unorthodox location is sought shall be notified of the application by certified or registered mail, and the application shall state that such notification has been given. The Secretary-Director may approve the unorthodox location upon receipt of waivers from all offset operators or if no offset operator has entered an objection to the unorthodox location within 20 days after the Secretary-Director has received the application.

RULE 3. (a) Each gas well shall be located on a standard unit containing 160 acres or 320 acres, more or less, as provided in the special rules for the pool in which it is situated.

(b) Each oil well shall be located on a standard unit containing 40 acres, 80 acres or 160 acres, more or less, as provided in the special rules for the pool in which it is situated.

RULE 4. (a) 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 3(a) or 3(b) 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.

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

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

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

(b) The Secretary-Director of the Commission may grant an exception to the requirements of Rule 3(a) or Rule 3(b) 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 less than 75% or more than 125% of a standard unit, or where the following facts exist at the following provisions are complied with:

(1) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering section

(2) The non-standard unit lies wholly within a governmental subdivision or subdivisions which would be a standard unit, the well (half quarter section, quarter section, or half section) but contains less acreage than a standard unit.

(3) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the half quarter section, quarter section or half section (for 80-acre, 160-acre, and 320-acre standard dedications respectively) in which the non-standard unit is situated and which acreage is not included in said non-standard unit.

(4) In lieu of Paragraph (3) of this rule, the applicant shall furnish proof of the fact that all of the foresaid operators have been notified by registered or certified mail of his intent to locate such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

B. WELL CLASSIFICATION AND GAS-OIL RATIO LIMITATIONS

RULE 5. (a) A well shall be classified as a gas well if it has a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons. A well shall be classified as an oil well if it has a gas-liquid ratio of less than 30,000 cubic feet of gas per barrel of liquid hydrocarbons.

(b) The simultaneous dedication of any acreage to an oil well and a gas well is prohibited.

RULE 6. That the limiting gas-oil ratio shall be 2000 cubic feet of gas for each barrel of oil produced.

RULE 7. An oil well shall be permitted to produce that amount of gas determined by multiplying the top unit oil allowable for the pool by the limiting gas-oil ratio for the pool. In the event there is more than one oil well on a proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion.

A gas well shall be permitted to produce that amount of gas obtained by multiplying the top unit oil allowable for the pool by the limiting gas-oil ratio for the pool and by a fraction, the numerator of which is the number of acres dedicated to the particular gas well and the denominator of which is a number equal to the number of acres in a standard oil proration unit in such pool. In the event there is more than one gas well on a gas proration unit, the operator may produce the amount of gas assigned to the unit from the wells on the unit in any proportion.

(GENERAL RULES AND REGULATIONS - ASSOCIATED
OIL AND GAS POOLS - Cont'd.)

C. WELL TESTING

RULE 8. The operator of each newly completed well shall cause a gas-liquid ratio test to be taken on the well upon recovery of all load oil from the well, provided however, that in no event shall the test be commenced later than 30 days from the date of first production unless the well is connected to a gas-gathering facility and is producing under a temporary gas allowable assigned in accordance with Rule 11. Any well which is shut-in shall be exempted from the gas-liquid ratio test requirement so long as it remains shut-in. The initial gas-liquid ratio test shall be taken in the manner prescribed by Rule 9. If the gas-liquid ratio is 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more, the operator shall not produce the well until beneficial use can be made of the gas.

RULE 9. (a) Semi-annual gas-liquid ratio tests shall be taken on all wells during each year in accordance with a test schedule prepared by the district office of the Commission. The initial gas-liquid ratio test shall suffice as the first semi-annual test. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of such tests shall be filed on Commission Form C-115 on or before the 10th day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the appropriate district office of the Commission a test schedule for its wells specifying the time each of its wells is to be tested. Copies of the test schedule shall also be furnished to all offset operators. The supervisor if the appropriate district office of the Commission may grant in exception to the above test requirements where it is demonstrated that the well(s) produce(s) no liquids.

Special tests shall also be taken at the request of the Secretary-Director and may also be taken at the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Commission and offset operators.

(b) The Secretary-Director of the Commission shall have authority to grant pool-wide exceptions to Rule 9(a) above, without notice and hearing upon a showing that production from wells within such pool has stabilized to the point where such tests would be of essentially no value for application of these general rules for associated pools.

RULE 10. An initial shut-in pressure test shall be taken on each gas well and shall be reported to the Commission on Form C-125.

D. ASSIGNMENT OF ALLOWABLE

RULE 11. Any well completed after the effective date of these rules shall receive an allowable only upon receipt by the appropriate Commission district office of Commission Forms C-102, C-104, C-116, and, in the case of a gas well, a transporter's notice of gas connection, properly executed. The district Supervisor of the Commission's district office is hereby authorized to assign a temporary gas allowable to wells connected to a gas transportation facility during the recovery of load oil, which allowable shall not exceed the number of cubic feet of gas obtained by multiplying the daily top unit allowable for the pool by the limiting gas-oil ratio for the pool.

E. GAS PRORATIONING

RULE 12. The associated gas proration period shall be the proration month which shall begin at 7 a.m. on the first day of the month and shall end at 7 a.m. on the first day of the next succeeding month.

RULE 13. (a) Any associated gas well which has an under-produced status at the end of any associated gas proration period, shall carry such underproduction into subsequent periods.

(b) Underproduction in excess of three times the current monthly allowable shall not be carried forward but shall be cancelled. For purposes of this rule, the monthly allowable shall be the full monthly allowable which would be assigned an associated gas well with the same acreage dedication in the same pool.

(c) Overproduction during any month shall be applied to a well's cumulative underproduction, if any, calculated in accordance with Paragraphs (a) and (b) above.

RULE 14. Any associated gas well which has an overproduced status at the end of any associated gas proration period shall carry such overproduction into subsequent periods. If at any time a well is overproduced an amount exceeding three times its current monthly allowable, it shall be shut in during that month and each succeeding month until the well is overproduced less than three times its current monthly allowable.

RULE 15. The allowable assigned to a well during any one month of an associated gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been compensated for.

RULE 16. The Commission may allow overproduction to be compensated for at a lesser rate than would be the case if the well were completely shut in upon a showing after notice and hearing that complete shut in of the well would result in material damage to the well or reservoir.

F. REPORTING OF PRODUCTION

RULE 17. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 24th 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 produced gas.

RULE 18. Each purchaser or taker of gas shall submit a report to the Commission so as to reach the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken. Such report shall be filed on Form C-111 with the wells being listed in the same order as they are listed on the appropriate proration schedule.

G. GENERAL PROVISIONS

RULE 19. Failure to comply with any provision of these rules shall result in the immediate cancellation of allowable assigned to the affected well. No further allowable shall be assigned until all rules and regulations have been complied with. The Secretary-Director shall notify the operator of the

(GENERAL RULES AND REGULATIONS - ASSOCIATED OIL AND GAS POOLS - Cont'd.)

well and purchaser in writing of the date of allowable cancellation and the reason therefor.

RULE 20. All transporters or users of gas shall file gas well connection notices with the Commission as soon as possible after the date of connection.

RULE 21. Allowables to wells whose classification has changed from oil to gas or from gas to oil as the result of a gas-liquid ratio test shall commence on the first day of the month following the month in which such test was reported, provided that a plat (Form C-102) showing the acreage dedicated to the well and the location of all wells on the dedicated acreage has been filed.

(2) That the above General Rules and Regulations for the Associated Oil and Gas Pools of Northwest New Mexico and Southeast New Mexico shall be applicable to the following associated pools:

NORTHWEST NEW MEXICO

Angels Peak-Gallup	Gallegos-Gallup
Devils Fork-Gallup	Tapacito-Gallup
Escrito-Gallup	Tocito Dome-Pennsylvanian "D"

SOUTHEAST NEW MEXICO

Bluitt-San Andres	Penasco Draw-San Andres-Yeso
Southeast Chaves Queen Gas Area	Peterson-Pennsylvanian
South Dagger Draw-Upper Pennsylvanian	Round Tank-Queen
Double L-Queen	Sawyer-San Andres
Mesa-Queen	Todd-Lower San Andres
	Twin Lakes-San Andres
	Vest Ranch-Queen

(3) That effective February 1, 1977, the following Special Rules and Regulations shall be applicable to the below-named associated pools: (See Special Rules and Regulations applicable to each pool at end of order).

(3) (As Numbered) That effective February 1, 1977, the following orders, as amended, which apply to the aforementioned associated pools (See Special Rules and Regulations carried at end of order for these pools), are hereby superseded:

R-1410-C	R-1670-I	R-1670-J
R-5181	R-4435	R-1517
R-1793-A	R-4637	R-1670-G
R-3707	R-3981-A	R-3153
R-3211	R-2935	R-4102
R-2758	R-4365	R-5180
	R-4538	

(4) That the Jennings-Delaware Pool as heretofore classified, defined, and described is hereby reclassified as an oil pool, and Order No. R-4359 is hereby rescinded, effective February 1, 1977.

(5) That the North Paduca-Delaware Pool as heretofore classified, defined, and described is hereby reclassified as an oil pool, and Order No. R-3437 is hereby rescinded, effective February 1, 1977.

(6) That effective February 1, 1977, the Northwest Todd-San Andres Pool as heretofore classified, defined, and described is hereby reclassified as an oil pool with Order No. R-4441 to be superseded by Order No. R-4441-A, to be issued concomitantly with the instant order, No. R-5353.

(7) That effective January 31, 1977, all underproduction accrued to gas wells in the associated pools affected by this order is hereby cancelled.

(8) That the Secretary-Director of the Commission is hereby authorized to reinstate any well's accrued underproduction cancelled effective January 31, 1977, provided that such reinstated underproduction shall not exceed three times the well's current monthly allowable and provided further that: application for reinstatement of such underproduction shall contain evidence that the affected well is capable of producing such underproduction and that said application is received by the Secretary-Director not later than April 1, 1977.

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

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

ANGELS PEAK-GALLUP ASSOCIATED POOL
San Juan County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico for the Angels Peak-Gallup Associated Pool, San Juan County, New Mexico, February 1, 1977.

(Order No. R-5353 supersedes Order No. R-1410, adopting rules for the Angels Peak-Gallup Pool, San Juan County, New Mexico, May 26, 1959, as amended by Order No. R-1410-A, August 11, 1959, as superseded by Order No. R-1410-B, October 1, 1960, as amended by Order No. R-1410-D, July 17, 1962, Order No. R-4367, August 30, 1972, and Order No. R-4583, August 1, 1973.)

RULE 2. (a) A standard oil proration unit shall be 80 acres. A standard gas proration unit shall be 320 acres.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

SECTION II

R. W. Byram & Co., - Aug., 1981

GENERAL RULES AND REGULATIONS - ASSOCIATED
OIL AND GAS POOLS - Cont'd.)DEVILS FORK-GALLUP ASSOCIATED POOL
Rio Arriba County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico, for the Devils Fork-Gallup Associated Pool, Rio Arriba County, New Mexico, February 1, 1977, as Amended by Order No. R-5353-G, August 1, 1981.

(Order No. R-5353 supersedes Order No. R-5181, adopting amended rules for the Devils Fork-Gallup Associated Pool, Rio Arriba County, New Mexico, April 1, 1976. Order No. R-5181 rescinded Order No. R-1670-B, November 1, 1960, adopting rules for the Devils Fork-Gallup Gas Pool, as amended by Order No. R-1670-B-1, October 18, 1962, Order No. R-4367, August 30, 1972, Order No. R-4404, September 27, 1972, and Order No. R-5483, August 1, 1973. Order No. R-1670-B superseded Order No. R-1641-A, June 10, 1960, which superseded Order No. R-1641, March 30, 1960, creating and adopting rules for the Devils Fork-Gallup Gas Pool.)

RULE 2. (As Amended by Order No. R-5353-G, August 1, 1981.) (a) A standard oil proration unit shall be 160 acres. A standard gas proration unit shall be 320 acres.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

ESCRITO-GALLUP ASSOCIATED POOL
Rio Arriba County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico, for the Escrito-Gallup Associated Pool, Rio Arriba County, New Mexico, February 1, 1977.

(Order No. R-5353 supersedes Order No. R-1793-A, adopting rules for the Escrito-Gallup Pool, Rio Arriba County, New Mexico, December 1, 1960, as amended by Order No. R-4367, August 30, 1972, Order No. R-4404, September 27, 1972, and Order No. R-4583, August 1, 1973.)

RULE 2. (a) A standard oil proration unit shall be 80 acres. A standard gas proration unit shall be 320 acres.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

GALLEGOS-GALLUP ASSOCIATED POOL
San Juan County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico, for the Gallegos-Gallup Associated Pool, San Juan County, New Mexico, February 1, 1977.

(Order No. R-5353 supersedes Order No. R-3707, adopting rules for the Gallegos-Gallup Pool, San Juan County, New Mexico, May 1, 1969, as amended by Order No. R-4367, August 30, 1972, and Order No. R-4583, August 1, 1973.)

RULE 2. (a) A standard oil proration unit shall be 80 acres. A standard gas proration unit shall be 320 acres.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

TAPACITO-GALLUP ASSOCIATED POOL
Rio Arriba County, New Mexico

Order No. R-5353, Adopting Special Rules and Regulations, in Addition to the General Rules and Regulations for Associated Oil and Gas Pools in Northwest and Southeast New Mexico, for the Tapacito-Gallup Associated Pool, Rio Arriba County, New Mexico, February 1, 1977.

(Order No. R-5353 supersedes Order No. R-3211, creating and adopting rules for the Tapacito-Gallup Associated Pool, Rio Arriba County, New Mexico, April 1, 1967, as amended by Order No. R-4367, August 30, 1972, and Order No. R-4583, August 1, 1973.)

RULE 2. (a) A standard oil proration unit shall be 80 acres. A standard gas proration unit shall be 320 acres.

(General Pool Rules also apply unless in conflict with these Special Pool Rules.)

LAW OFFICES

LOSEE & CARSON, P. A.

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JAMES E. HAAS*

*LICENSED IN TEXAS ONLY

8 July 1985

Mr. Michael E. Stogner, Examiner
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 8614, Application of Yates Petroleum
Corporation for Exception to Special Pool
Rules for the Bluit-San Andres Associated
Pool, Roosevelt County, New Mexico

Dear Mr. Stogner:

As requested, enclosed herewith you will please find proposed Order of the Division approving the subject application. If you have any questions please do not hesitate to let me know.

Very truly yours,

LOSEE & CARSON, P.A.


A. J. Losee

AJL:jcb

cc w/enclosure: Mr. William F. Carr

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 8614

Order No. R-_____

APPLICATION OF YATES PETROLEUM
CORPORATION FOR AN EXCEPTION TO
SPECIAL POOL RULES AND REGULATIONS
FOR THE BLUITT-SAN ANDRES ASSOCIATED
POOL, ROOSEVELT COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:00 A.M. on June 19, 1985 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this _____ day of July, 1985 the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That applicant, Yates Petroleum Corporation ("Yates"), seeks an exception to the special rules and regulations for the Bluit-San Andres Associated Pool as promulgated by Division Order No. R-5353, as amended ("R-5353"), to authorize an unorthodox gas well location for its Bluestem "ZL" Federal Well No. 1 (the "Bluestem Well"), located 1,650 feet from the North line and 2,310 feet from the East line of Section 20, Township 18 South, Range 38 East, N.M.P.M. and to dedicate the S/2 NE/4, N/2 SE/4 of said Section 20 to said well to form a non-standard 160-acre gas spacing and proration unit in said pool.

(3) R-5353 was adopted to eliminate the confusion caused by the wide variation in the special pool rules for the 21 associated oil and gas pools in New Mexico.

(4) R-5353 also adopted special location and spacing rules for the Bluit-San Andres Pool providing for gas proration units of 320 acres with wells located not closer than 990 feet to the quarter section line nor closer than 330 feet to any quarter-quarter

section line. These special rules override general spacing and well location rules for associated oil and gas pools provided in R-5353, which provide that if a gas well was spaced on 160 acres the well was required to be located within 150 feet of the center of the quarter-quarter section wherein located.

(5) The Bluit-San Andres Associated Pool gas zone is commonly referred to as the P-1 zone and the oil zone is commonly referred to as the P-2 zone.

(6) The Delaware-Apache Koch Federal No. 2 Well was drilled and completed in 1971; produced 185 barrels of oil from the P-2 zone; and was plugged and abandoned during the same year. Delaware-Apache did not test the P-1 zone in this well.

(7) Yates drilled the Bluestem Well at a location up dip from the Delaware-Apache Koch Federal No. 1 Well for the purpose of obtaining a geological position which Yates felt would permit it to complete its well as a producing oil well.

(8) The location of the Bluestem Well conforms to the general well location rules for oil wells in southeast New Mexico.

(9) Yates's Bluestem Well was perforated and completed in August 1984 in both the P-1 and P-2 zones. The well tested six barrels of oil and 660 MCF of gas per day and was shut in because of its classification as a gas well.

(10) There are nine gas wells presently producing in the Bluit-San Andres Associated Pool and, with one exception, all of said wells are located 660 feet from the end and side lines of the spacing units.

(11) By Administrative Order No. NSP-1432(L)(SD), Tenneco Oil Exploration and Production Company, without objection by any offset operator, was granted authority to simultaneously dedicate its Fasken Federal Wells No. 1 and 2, each located 660 feet from the end and side lines of the NW/4 of said Section 20, to said 160-acre tract to form a non-standard proration unit.

(12) Union Oil Company of California ("Union") operates its No. 1 Federal 20 at a location 510 feet from the North line and 1,980 feet from the East line of said Section 20.

(13) Union appeared at the hearing and requested that the Division take such action as will offset the advantage Yates obtains by its unorthodox location.

(14) Union recommends that the Production Limitation Factor for the Bluestem Well be fixed at 23.19%.

(15) The unorthodox location and non-standard unit does not give the Bluestem Well an advantage of 76.81% over adjoining

acreage when the marginal deliverability and small area of drainage of the well are considered.

(16) That in establishing an appropriate penalty for the Bluestem Well, which is located on a 160-acre non-standard unit, the Division should consider the general rules for associated oil and gas pools which provide for 160-acre gas proration units and well locations within 150 feet of the center of the quarter-quarter section wherein located.

(17) The Bluestem Well is 180 feet (35.3%) closer to the North line and 180 feet (35.3%) closer to the West line of the SW/4 NE/4 said Section 20 than 150 feet from the center of the quarter-quarter section wherein the well is located.

(18) That assuming 160-acre radial drainage, the Bluestem Well has an area of drainage of approximately 16 acres outside its proration unit more than would a well located within 150 feet of the center of the quarter-quarter section.

(19) That having 16 acres more drainage outside its non-standard proration unit than permitted, the well has 144 acres (90%) of its drainage within the area permitted.

(20) That the penalty imposed for the Bluestem Well should be based upon the footage variation of the unorthodox location from a standard 160-acre gas well location as described in Finding 17 above and on the drainage encroachment described in Finding 18 above and the allowable factor should be calculated as being equal to: $(0.647 \text{ North footage factor} + 0.647 \text{ West footage factor} + 0.90 \text{ acreage encroachment factor, divided by } 3) \text{ times } 100$, or 73.1%.

(21) That an allowable factor of 73.1% (a penalty of 26.9%) will prevent waste and protect the correlative rights of Yates as well as Union and other operators in the pool and should be approved.

(22) Absent any Special Rules and Regulations for the prorationing of gas production from the Bluit-San Andres Pool in which the Bluestem Well is completed, the aforesaid production limitation factor should be applied against said well's ability to produce into the pipeline as determined by periodic well tests.

(23) That the minimum calculated allowable for the subject well should be reasonable, and 200,000 cubic feet of gas per day is a reasonable figure for such minimum allowable.

(24) That approval of the subject application subject to the above provisions and limitations will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject Bluit-San Andres Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That the application of Yates for an exception to the special rules and regulations for the Bluitt-San Andres Associated Pool as promulgated by Division Order No. R-5353, as amended, to authorize an unorthodox gas well location for its Bluestem "ZL" Federal Well No. 1 (the "Bluestem Well"), located 1,650 feet from the North line and 2,310 feet from the East line of Section 20, Township 18 South, Range 38 East, N.M.P.M. and to dedicate the S/2 NE/4, N/2 SE/4 of said Section 20 to said well to form a non-standard 160-acre gas spacing and proration unit in said pool, is hereby approved.

(2) That said well is hereby assigned a production limitation factor of .731 in the Bluitt-San Andres Associated Gas Pool.

(3) That in the absence of any Special Rules and Regulations prorating gas production in said Bluitt-San Andres Pool in which the applicant's well is completed, the Special Rules hereinafter promulgated shall apply.

(4) That the following Special Rules and Regulations for a non-prorated gas well at an unorthodox location shall apply to the subject well:

SPECIAL RULES AND REGULATIONS
FOR THE
APPLICATION OF A "PRODUCTION LIMITATION FACTOR"
TO A NON-PRORATED GAS WELL

APPLICATION OF RULES

RULE 1. These rules shall apply to the Yates Petroleum Corporation Bluestem Gas Well located 1,650 feet from the North line and 2,310 feet from the East line of Section 20, Township 8 South, Range 38 East, N.M.P.M., Roosevelt County, New Mexico, which well's Production Limitation Factor of 0.732 shall be applied to the well's Bluitt-San Andres deliverability (as determined by the hereinafter set forth procedure) to determine its maximum allowable rate of production.

ALLOWABLE PERIOD

RULE 2. The allowable period for the subject well shall be six months.

RULE 3. The year shall be divided into two allowable periods commencing at 7:00 A.M. on January 1 and July 1.

DETERMINATION OF DELIVERY CAPACITY

RULE 4. Immediately upon connection of the well the operator shall determine the open flow capacity of the well in accordance

with the Division "Manual for Back-Pressure Testing of Natural Gas Wells" then current, and the well's initial deliverability shall be calculated against average pipeline pressure in the manner described in the last paragraph on Page I-6 of said test manual.

RULE 5. The well's "subsequent deliverability" shall be determined twice a year, and shall be equal to its highest single day's production during the months of April and May or October and November, whichever is applicable. Said subsequent deliverability, certified by the pipeline, shall be submitted to the appropriate District Office of the Division not later than June 15 and December 15 of each year.

RULE 6. The Division Director may authorize special deliverability tests to be conducted upon a showing that the well has been worked over or that the subsequent deliverability determined under Rule 5 above is erroneous. Any such special test shall be conducted in accordance with Rule 4 above.

RULE 7. The operator shall notify the appropriate district office of the Division and all offset operators of the date and time of initial or special deliverability tests in order that the Division or any such operator may at their option witness such tests.

RULE 8. The well's Bluit-San Andres allowable shall commence upon the date of connection to a pipeline and when the operator has complied with all appropriate filing requirements of the Rules and Regulations and any special rules and regulations.

RULE 9. The well's allowable during its first allowable period shall be determined by multiplying its initial deliverability by its production limitation factor.

RULE 10. The well's allowable during all ensuing allowable periods shall be determined by multiplying its latest subsequent deliverability, as determined under provisions of Rule 5, by its production limitation factor. If the well shall not have been producing for at least 60 days prior to the end of its first allowable period, the allowable for the second allowable period shall be determined in accordance with Rule 9.

RULE 11. Revision of allowable based upon special well tests shall become effective upon the date of such test provided the results of such test are filed with the Division's district office within 30 days after the date of the test; otherwise the date shall be the date the test report is received in said office.

RULE 12. Revised Bluit-San Andres allowables based on special well tests shall remain effective until the beginning of the next allowable period.

RULE 13. In no event shall the well receive an allowable of less than 200,000 cubic feet of gas per day.

BALANCING OF PRODUCTION

RULE 14. January 1 and July 1 of each year shall be known as the balancing dates.

RULE 15. If the well has an underproduced status at the end of a six-month allowable period, it shall be allowed to carry such underproduction forward into the next period and may produce such underproduction in addition to its regularly assigned allowables. Any underproduction carried forward into any allowable period which remains unproduced at the end of the period shall be cancelled.

RULE 16. Production during any one month of an allowable period in excess of the monthly allowable assigned to the well shall be applied against the underproduction carried into the period in determining the amount of allowable, if any, to be cancelled.

RULE 17. If the well has an overproduced status at the end of a six-month allowable period, it shall be shut in until such overproduction is made up.

RULE 18. If, during any month, it is discovered that the well is overproduced in an amount exceeding three times its average monthly allowable, it shall be shut in during that month and during each succeeding month until it is overproduced in an amount three times or less its monthly allowable, as determined hereinabove.

RULE 19. The Director of the Division shall have authority to permit the well, if it is subject to shut-in pursuant to Rules 17 and 18 above, to produce up to 500 MCF of gas per month upon proper showing to the Director that complete shut-in would cause undue hardship, provided however, such permission shall be rescinded for the well if it has produced in excess of the monthly rate authorized by the Director.

RULE 20. The Division may allow overproduction to be made up at a lesser rate than permitted under Rules 17 or 18 above upon a showing that the same is necessary to avoid material damage to the well.

GENERAL

RULE 21. Failure to comply with the provisions of this order or the rules contained herein or the Rules and Regulations of the Division shall result in the cancellation of allowable assigned to the well. No further allowable shall be assigned to the well until all rules and regulations are complied with. The Division shall notify the operator of the well and the purchaser, in writing, of the date of allowable cancellation and the reason therefor.

IT IS FURTHER ORDERED:

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

R. L. STAMETS,
Director

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