

Case No.

189

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Application, Transcript,  
Small Exhibits, Etc.

Case 189  
Hearing Sept 7, 1949

BEFORE THE  
OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO

PROCEEDINGS

The following matter came on for consideration before a hearing of the Oil Conservation Commission of the State of New Mexico pursuant to legal notice, at Santa Fe, New Mexico, on September 7, 1949, at 10:00 A. M.

NOTICE FOR PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

The State of New Mexico by its Oil Conservation Commission hereby gives public notice pursuant to law of a public hearing to be held September 7, 1949, beginning at 10:00 o'clock A.M. of that day in the City of Santa Fe, New Mexico, in the Senate Chambers.

STATE OF NEW MEXICO TO:

The Advisory Committee, appointed May 6, 1949 for revision of general rules and regulations of the Oil Conservation Commission which revision became necessary by reason of the enactment of Chapter 168 of the New Mexico Laws of 1949, as follows:

Charles C. Cragin, Box 1492, El Paso, Texas  
Al Willig, Box 1720, Fort Worth, Texas  
Glenn Staley, Drawer I, Hobbs, New Mexico  
Bob Christie, Box 1348, Fort Worth, Texas  
Ralph Gray, Box 517, Artesia, New Mexico  
Lloyd Gray, Box 661, Tulsa, Oklahoma  
R. S. Dewey, Box 1600, Midland, Texas  
James Murray, Box 1577, Hobbs, New Mexico  
J. R. Cole, Box 1654, Santa Fe, New Mexico  
A. T. Hannett, First National Bank Bldg.,  
Albuquerque, New Mexico  
Elvis A. Utz, Oil Conservation Commission,  
Santa Fe, New Mexico

The Lea County Operators Committee, and J. W. House,  
its Chairman, and A. L. Decker, its Secretary and

Raymond Lamb, Wilson Oil Company, Artesia, New Mexico  
C. F. Bedford, Stanolind Oil & Gas Company, Fort Worth, Texas  
W. G. Ricketts, Amerada Petroleum Corporation, Tulsa, Oklahoma  
H. B. Hurley, Continental Oil Company, Fort Worth, Texas  
D. A. Powell, Drilling & Exploration Company, Hobbs, New Mexico  
S. G. Sanderson, Gulf Oil Corporation, Tulsa, Oklahoma  
J. N. Dunlevy, Skelly Oil Company, Hobbs, New Mexico  
Harry Leonard, Roswell, New Mexico

the Executive Committee thereof.

The San Juan Basin Operators:

Dudley Cornell, Chairman, First National Bank Bldg., Albuquerque, New Mexico  
Scott R. Brown, Secretary, 102½ N. Court St., Farmington, New Mexico

and

B. B. Bradish, 2933 Monte Vista Blvd., Albuquerque, New Mexico  
P. B. English, Farmington, New Mexico  
Paul Umbach, Korber Building, Albuquerque, New Mexico  
Clifford Smith, Dallas, Texas  
Joe S. Hartman, Aztec, New Mexico

the Executive Committee thereof.

Southern Union Production Company, Burt Building, Dallas, Texas  
El Paso Natural Gas Company, El Paso, Texas  
Lea County Water Company, Hobbs, New Mexico

and all other operators in oil and gas or either of them, and notice to the public;

#### Case 189

In the matter of the application of the Oil Conservation Commission upon its own motion to revise the rules and regulations of the Commission to conform with the provisions of Chapter 168 of the New Mexico Laws of 1949, and to consider Committee recommendation and take testimony in the premises.

Given under the seal of the Oil Conservation Commission, at Santa Fe, New Mexico on August 19, 1949.



STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

/s/ R. R. Spurrier  
R. R. SPURRIER, SECRETARY

SEAL

BEFORE:

Hon. Guy Shepard, Chairman  
R. R. Spurrier, Secretary and Member

REGISTER:

C. S. Mitchell  
Bartlesville, Oklahoma  
For Cities Service Oil Company

J. G. Coates  
Midland, Texas  
For Cities Service Oil Company

W. H. Vaughn  
Hobbs, New Mexico  
For Lea County Operators

Sid W. Binian  
Midland, Texas  
For Atlantic Refining Company

S. P. Hannifin  
Roswell, New Mexico  
For Magnolia Oil Company

Fred S. Wright, Jr.  
Midland, Texas  
For Magnolia Petroleum Company

O. E. Van Meter, Jr.  
Midland, Texas  
For Magnolia Petroleum Company

E. P. Keeler  
Dallas, Texas  
For Magnolia Petroleum Company

E. J. Henry, Jr.  
Dallas, Texas  
For Atlantic Refining Company

E. T. Corbett  
Midland, Texas  
For Humble Pipeline Company

W. E. Hubbard  
Houston, Texas  
For Humble Oil Company

Herman Pressler  
Houston, Texas  
For Humble Oil Company

A. R. Ballou  
Dallas, Texas  
For Sun Oil Company

R. E. Adams  
Dallas, Texas  
For Cities Service Oil Company

A. W. Hinchfeld  
Hobbs, New Mexico  
For L. C. O. C.

W. H. Mills  
Maljamar, New Mexico  
For Kewanee Oil Company

C. C. Cragin  
El Paso, Texas  
For El Paso Natural Gas Company

Ben R. Howell  
El Paso, Texas  
For El Paso Natural Gas Company

R. G. Schuehle  
Midland, Texas  
For Texas-Pacific Coal and Oil Company

O. A. McGracken, Jr.  
Houston, Texas  
For American Republics Corporation

W. B. Macey  
Artesia, New Mexico  
For American Republics Corporation

Wm. E. McKelton, Jr.  
Dallas, Texas  
For Magnolia Petroleum Company

J. A. Graves  
Midland, Texas  
For Magnolia Petroleum Company

S. S. Fraser  
Tulsa, Oklahoma  
For Sinclair Oil & Gas Company

G. H. Gray  
Midland, Texas  
For Sinclair Oil & Gas Company

J. O. Seth  
Santa Fe, New Mexico  
For Stanolind Oil & Gas Company

J. A. House  
Midland, Texas  
For Humble Oil Company

R. S. Blymn  
Hobbs, New Mexico  
For the New Mexico Oil Conservation Commission

N. R. Lamb  
Artesia, New Mexico  
For Wilson Oil Company

E. E. Kinney  
Artesia, New Mexico  
For the New Mexico Bureau of Mines

Roy O. Yarbrough  
Hobbs, New Mexico  
For the New Mexico Oil Conservation Commission

Justin P. Newman  
Artesia, New Mexico  
For the New Mexico Oil Conservation Commission

Elvis A. Utz  
Santa Fe, New Mexico  
For the New Mexico Oil Conservation Commission

Don R. McCormick  
Carlsbad, New Mexico  
For the New Mexico Oil Conservation Commission

H. C. Webb  
Bartlesville, Oklahoma  
For Phillips Petroleum Company

M. L. Patterson  
Odessa, Texas  
For Phillips Petroleum Company

E. E. Rice  
Bartlesville, Oklahoma  
For Phillips Petroleum Company

R. A. Lynch  
Midland, Texas  
For Phillips Petroleum Company

D. A. Miller  
Midland, Texas  
For Phillips Petroleum Company

Roy Green  
Bartlesville, Oklahoma  
For Phillips Petroleum Company

Willis Lea  
Dallas, Texas  
For Southern Union Gas Company

Van Thompson  
Dallas, Texas  
For Southern Union Gas Company

G. E. Kendrick  
Jal, New Mexico  
For El Paso Natural Gas Company

R. T. Wright  
Jal, New Mexico  
For El Paso Natural Gas Company

N. W. Krouskop  
Artesia, New Mexico  
For Grayburg Oil Co. of New Mexico

H. E. Ellis  
Artesia, New Mexico  
For Buffalo Oil Company

R. F. Miller  
Artesia, New Mexico  
For Grayburg Oil Company

B. L. Griffith  
Dallas, Texas  
For Atlantic Refining Company

Harry P. McClintock  
Dallas, Texas  
For Atlantic Refining Company

E. L. Green, Jr.  
Pampa, Texas  
For Cabot Carbon Company

C. C. Hemsell  
Pampa, Texas  
For Cabot Carbon Company

Scott R. Brown  
Farmington, New Mexico  
Eastern Natural Gas Company

Albert R. Greer  
Oklahoma City, Oklahoma  
For Anderson-Prichard Oil Corporation

Al Greer  
Aztec, New Mexico  
For the New Mexico Oil Conservation Commission

J. H. Wichnick  
Amarillo, Texas  
For Continental Carbon Company

C. M. Neal, Neal & Gerand  
Hobbs, New Mexico  
For Lea County Water Company

F. A. Catron  
Santa Fe, New Mexico  
For Charles Eneu Johnson Inc.

Paul M. Colliston  
Kermit, Texas  
For Amon G. Carter Foundation

John M. Kelly  
Roswell, New Mexico  
For himself

Emmett D. White  
Roswell, New Mexico  
For Leonard Oil Company

E. L. Shafer  
Hobbs, New Mexico  
For Continental Oil Company

George W. Selinger  
Tulsa, Oklahoma  
For Skelly Oil Company

J. N. Dunleavy  
Hobbs, New Mexico  
For Skelly Oil Company

B. M. Keohane  
Roswell, New Mexico  
For Keohane, et al.

A. O. Willig  
Ft. Worth, Texas  
For The Texas Company

M. B. Penn  
Tulsa, Oklahoma  
For Mid-Continent Petroleum Corporation

E. J. Pierce  
Midland, Texas  
For Mid-Continent Petroleum Corporation

R. S. Christie  
Ft. Worth, Texas  
For Amerada Petroleum Corporation

E. T. Adair  
Fort Worth, Texas  
For Texas-Pacific Coal & Oil Company

Clayton L. Orn  
Houston, Texas  
For The Ohio Oil Company

D. V. Kitley  
Midland, Texas  
For The Ohio Oil Company

E. Paul Ward  
Houston, Texas  
For The Ohio Oil Company

J. D. McBrayer  
Houston, Texas  
For The Ohio Oil Company

G. L. Shoemaker  
Midland, Texas  
For Stanolind Oil Purchasing Company

R. L. McCormick  
Midland, Texas  
For Magnolia Petroleum Company

J. K. Smith  
Ft. Worth, Texas  
For Stanolind Oil & Gas Company

Alex Clarke, Jr.  
Ft. Worth, Texas  
For Stanolind Oil & Gas Company

B. R. Luscomb  
Ft. Worth, Texas  
For Stanolind Oil & Gas Company

R. E. Canfield  
Roswell, New Mexico  
For the U. S. Geological Survey

Foster Morrell  
Roswell, New Mexico  
For the U. S. Geological Survey

E. J. Gallagher  
Hobbs, New Mexico  
For Gulf Oil Company

C. D. Borland  
Hobbs, New Mexico  
For Gulf Oil Company

D. A. Powell  
Hobbs, New Mexico  
For Drilling & Exploration Company

M. T. Smith  
Midland, Texas  
For Shell Oil Company

Wm. E. Bates  
Midland, Texas  
For The Texas Company

A. R. McQuiddy  
Roswell, New Mexico  
For the New Mexico Oil & Gas Association

Paul S. Johnston  
Lubbock, Texas  
For Texas Technical College

J. W. Rodgers  
Tulsa, Oklahoma  
For E. F. Moran Inc.

H. B. Hurley  
Ft. Worth, Texas  
For Continental Oil Company

Roy E. Carter  
Kermit, Texas  
For the Amon G. Carter Foundation

Glenn Staley  
Hobbs, New Mexico

R. S. Dewey  
Box 1600, Midland, Texas

James Murray  
Hobbs, New Mexico

J. R. Cole  
Santa Fe, New Mexico

Dudley Cornell  
Albuquerque, New Mexico  
For the San Juan Basin Operators

Frank J. Lovring

CHAIRMAN SHEPARD: Will you read the case, Mr. Graham, please?

(Mr. Graham reads the notice of publication in Case No. 180.)

CHAIRMAN SHEPARD: All right, we are ready to hear the witnesses. Who wants to be heard? Mr. House, do you have any statement to make?

MR. HOUSE: Not at the present time.

CHAIRMAN SHEPARD: Mr. Dewey, would you as chairman of the committee state the position, and we will start it off that way.

MR. DEWEY: Need I be sworn?

CHAIRMAN SHEPARD: No, that isn't necessary. Sit down here anywhere you wish.

MR. DEWEY: This committee, as I understand it, was called together to advise with the Conservation Commission of the State of New Mexico and make certain recommendations relative to the adoption of the new rules and regulations for the--in view of the recent change in the law. The regulations that you have in your hands and that we are prepared to discuss with you today are the intent of the committee, the regular--the legal language has not been--we have not had the benefit yet of the attorneys, but we are trying to arrive at, as I understand it, the intent of the wording and not the exact legal wording which may be finally adopted after the attorneys have had a chance to go through these regulations. These regulations were put together as a compilation of various suggestions made by different people on the committee, and also suggestions sent in by mail. They do not necessarily represent



the opinion of any particular member of the committee. They do represent more or less the consensus of opinion, what we were able to agree upon in a small committee meeting. We don't feel we need to apologize at all for what we have presented, but we do feel it isn't a finished product, and it isn't--and it won't be a finished product until everybody has had an opportunity to express their opinion and to offer what changes they feel are desirable and necessary. We would like everybody to express their opinion relative to changes they think are desirable in the intent of the wording and to leave any legal phraseology to the subsequent legal committee to get it in form with the law. I think that is all I have to say about this. Do you want me to stay up here?

CHAIRMAN SHEPARD: You had just better stay there a while.

Mr. Howard, will you come up and give us some ideas?

MR. HOWARD: I don't know of any ideas that I have except as a member of the legal committee. I think our committee has been waiting until the operators and the engineering committee gets the rules in final shape and then submit them to the legal committee for that final going over. My only comment would be, it looks to me as if the committee has worked on these and has done a very excellent job, and it would seem to me if the operators here today who have any suggestions, or as was suggested here, clarifications or questions regarding clarification would bring them up so that they could get into the minutes of this meeting and supplement it by written suggestions that we could bring this thing to conclusion much faster.

MR. McCORMICK: Do you have any particular suggestions

yourself, Mr. Howard?

MR. HOWARD: Mr. Lovring has some suggestions to make with regard to certain rules.

CHAIRMAN SHEPARD: Mr. Lovring, would you come up and give us your suggestions?

MR. McCORMICK: Please refer to each rule you want to comment on.

MR. HOWELL: What I would like to bring before you gentlemen is not a specific rule or specific case. We recently had an operators' gas meeting in Hobbs, and the subject of allocation of allowables was brought up. And one point was raised there which I think should be brought to your attention and to your consideration as well as the committee here. That is the matter of proration periods--that is, the matter of proration as pertains to that portion which is allocated to top allowable wells after the allowables are all filled and the difference between the top allowables, to your total allowable for the field, and the difference between that and the denominator is again allocated to top allowable wells. In so doing we disturb our factor which we call volumetric control.

MR. SHEPARD: What section is that?

MR. HOWELL: Page 25. Under the present system in this setup here--I think I can possibly explain it by giving you a fictitious example. Take a gas pool with a limiting ratio of 2,000 to 1. We will say that the top allowable is 80 barrels. Of course, all top allowable wells, or all wells with less than 2,000 to 1 can produce 80 barrels a day, but we have an excess of production to be granted

to certain wells. So we take all top allowable wells under this system, and we allocate ten barrels each to each top allowable well, making the allowable 90 barrels for those particular wells. It means that the marginal wells and the penalized wells will remain as it was. Of course, there is nothing you can do about the marginal wells, but I maintain if we are to keep this on an equitable basis and maintain volumetric control that the penalized wells are entitled to their prorata share of that increased allowable above the top allowable. So in that particular case the man with 2,000 to 1 ratio gets 90 barrels, and another party a well with 2100 to 1 ratio so he is penalized to 79 barrels a day, and when the excess ten barrels is allocated to the top allowable wells, he is still left at 79. You can readily see that the volumetric control is no longer in effect. The penalized well doesn't get its prorata share of the reservoir fluid or volume of gas. Is that point clear to the committee?

MR. DEWEY: We had a discussion on whether the allowable after the penalized allowable was determined whether it should remain within the pool or should be distributed over all the pool, and it was attempted here--I can't find this particular section--to redistribute the unpenalized allowable so that all pools could share equally in the unpenalized allowable.

A VOICE: The last sentence in rule 504.

MR. SPURRIER: Gentlemen, before you say something please give your name to the reporter.

R. S. CHRISTIE: I think the last paragraph in rule 504 conflicts with the next to the last paragraph in 506.

In one case we intended to not increase the top allowable for any particular pool by reason of gas or oil ratio adjustment, and that is contrary to the way the rule reads in 506. Those two parts of those rules, I believe, conflict.

MR. LOVRING: I want to point out that conflict, and I want to point out the inequity in our present method of distributing allowables to top allowable wells and not granting a prorata share to penalized wells. I think that can be ironed out in our formula if you should adopt a rule that would make it equitable and apply to penalized wells. I think that can all be worked out in your formula merely by adjusting or changing your basic allowable figure, leaving your ratio the same.

MR. GRAY: (With the Gulf Oil Company): I was on the committee a couple of years ago that worked out this particular formula. At that time, there was a lengthy discussion of whether we redistribute the gas-oil ratio adjustment back to the State as a whole or whether it should go into individual pools. There was some danger, it was felt by the committee, if it went back to the State as a whole, there would be some tendency to put a lower gas-oil ratio in one pool than another, and in that way actually shift the allowable from one pool to another. It has been brought to my attention this morning that the way it is being done now in some cases gives an unreasonably high allowable. I think one case was pointed out in South Eunice where an allowable of something like 90 barrels was given to a shallow well. I don't know just how this can be worked out. Some of the trouble is getting a formula that we can work out without having to go back

and recalculate. This particular matter is one we have just to sit down and consider just how to go about the mathematical function. I don't believe it is something you can really take care of today, except to point out the condition. That is all I intended to do, bring it to your attention.

MR. LOVRING: That is all I intended to do, bring it to your attention. It should be mulled over and discussed here, and go back to the committee and worked out along the lines we discussed and are most in accord with. I am not trying to find fault with the matter of distributing the excessive allowables over the State or by pools, but more particularly from between wells within the pools, with special emphasis on the penalized wells. That is about all I have. I would like to throw it back into the committee.

MR. SPURRIER: That is good. Thank you, Frank.

CHAIRMAN SHEPARD: I am going to call on Skelly at this time. Do you have any suggestions to offer?

MR. SELINGER: I don't believe we have any suggestions to bring up at this time. If we start making suggestions, it might be quite lengthy, so we will confine it to putting it in the form of writing to the committee and the Commission.

CHAIRMAN SHEPARD: Stanolind, do you have any suggestions to offer.

MR. LUSCOMB: We have the same general comment to make as Skelly. Ours is pretty involved, and we would rather submit them in writing at the end of the hearing.

CHAIRMAN SHEPARD: Magnolia, have you any suggestions to offer at this time?

MR. KEELER: Yes, sir, we have. The first rule that we

wish to make a comment on is rule 301. That is on page 16, the third paragraph from the bottom of the page in regard to pressure maintenance areas. Magnolia would be in favor rather than having a 40 per cent figure--well, let me read this rule. It says: "No proration units within a repressuring or pressure maintenance project area where 40 (40) percent or more of the available residue of the total gas withdrawal is returned to the formation shall be affected by the limiting ratios of this order. Such areas shall be those set out by the Commission by order upon hearing as provided by law." Magnolia would be in favor of putting it on a net gas-oil ratio basis rather than just exempting any well where 40 percent is returned. In other words, taking the total gas produced and deducting the gas injected, and if that net ratio should be less than 2,000 or whatever the governing ratio is in that field, why then no penalty should apply. We don't think that it would be right just because a well had 40 percent of its gas injected that it automatically would be exempted from the provisions of the gas-oil ratio order. That is all I want to say on that. I don't know if anyone else--do you want me to go to each of these we have ideas on? Or do you want to have any other discussion from anyone else?

MR. SPURRIER: I think we should give someone else an opportunity to discuss it.

MR. KEELER: That is what I thought. I was wondering if I should hesitate at that point before I go on to another one.

CHAIRMAN SHEPARD: Does the committee have any comment

on this one? Any questions? Well, then, go ahead with the next one.

MR. KEELER: The next one we had was rule 307, which is found on page 18 at the top of the page, which reads:

"Gas may be used for the artificial lifting of oil where no such gas returned to the surface with the oil is vented or otherwise wasted." As far as Magnolia is concerned, we would favor the elimination of that particular rule in its entirety. We certainly don't think that it is fair to not be able to gas lift a well if that gas is vented when it very easily may be that there are flowing wells in that area which are venting their gas. Of course, wherever possible, we certainly would do everything we could to use the gas, but there may be instances where that may not be practical.

CHAIRMAN SHEPARD: A little louder, please.

MR. KEELER: Wherever there is a market for the gas, of course, we would certainly do our best to have it diverted to a legal use, but we do feel that there are some instances where such a solution would be impossible, and we do not think we should be penalized in regard to gas lifting a well in such a case. That is all I have to say on that.

MR. WILLIG (Of The Texas Co.): In connection with that particular rule I think the word gas should have been preceded by the word natural. My reason for that is that the committee intention was only to limit it to the use of natural gas or dry gas in the lifting of oil, and I don't know whether that would be Mr. Keeler's views on the rule or not. Of course, if it were written natural gas, operators could compress the residue and use it for

gas lift purposes, but the committee felt certainly that it would be a wasteful use of high-pressure natural gas to use it in the lifting of oil and then vent it to the air. I don't know whether the rest of the committee will bear me out in that or not. I think that was the intention.

MR. DEWEY: I think that is right.

MR. KEELER: I didn't understand it that way. I thought it meant all gas, and you certainly have a point in that respect with regard to dry gas, but we didn't interpret the rule that way. I thought if you had a high-pressure operation and used casing-head gas for that purpose that that would include it.

MR. WILLIG: There is some confusion in the use of the terms gas and natural gas in the bill, and it was our aim in writing those rules to remember the distinction that was attempted in the bill and not get the two terms confused. They are used interchangeably, and as written here, of course, gas would cover natural gas but also casing-head or residue gas.

MR. McCORMICK: Mr. Willig, I was on the committee which helped draft the original bill, and I believe it was the opinion of that committee the proper distinction would be to call it gas produced from gas wells. For instance, if you said gas produced from gas wells may be used for the artificial lifting of gas, that differentiates it from oil produced from oil wells.

MR. WILLIG: The way the committee defined it, gas well covers casinghead gas as well as natural gas, but the natural gas definition does limit that term to gas produced from an horizon not associated with oil. We felt it was



important in defining pools and in defining what you meant by a gas well that that distinction be made.

MR. DEWEY: The definition of natural gas reads: Natural gas shall mean any combustible vapor composed chiefly of hydrocarbons occurring naturally in underground stratum not productive of true petroleum oil.

MR. KEELER: According to that definition if this were made natural gas, it would be natural gas rather than just gas.

The next rule we wish to make a comment on is No. 310 in regard to central tank batteries. I believe and it is my understanding that it has been customary to allow up to a full section, one continuous lease, which would be sixteen wells under a 40-acre spacing to be connected into a common tank battery. I know insofar as Magnolia is concerned we have several 16-well batteries, and I am sure there are many 8- or 10- batteries scattered throughout the State on 320-acre leases, and we see no special reason why that should be changed. We would prefer it to be on a 640-acre basis rather than a 200-acre basis as written in this rule.

MR. SPURRIER: Would some member of the committee care to explain that figure of 200?

MR. GRAY: At the time that rule was put in, the rules of the commission were not adopted, and we didn't know just what was -- we didn't know whether we would have a tank battery for two wells or a group of wells into a single tank battery. We finally decided that we would limit the number of units to five that could go into a single tank battery, and there would be an opportunity to adequately

test each well at periodic intervals.

MR. KEELER: Personally, I see no reason why we shouldn't increase the number of units that might be put into a single tank battery to a full section and provide only that adequate equipment be installed to periodically test the wells.

MR. STALEY: If the Commission please, I would like to explain that the procedure that is being followed insofar as proration is concerned, the rule of the Commission at the present time is fine and that differentiates from that provision made by only after securing such permission from the Commission, and I think that same rule could apply in this case. That is, in no instances do we have cases where there are more than the stated number of wells going into a central tank battery except where such permission has been obtained from the Commission to send more units into the tank battery.

MR. KEELER: That suggestion would be fine with us. I was under the assumption you had to do that for all central tank batteries, making such application, we have no objection to that. I assume that is in lieu of one of the State forms.

MR. STALEY: And furnish a map showing location thereon of the wells going into the battery, and the location of the battery and its relationship to the surrounding leases. We have some large State leases in the vacuum Pool, and some of the other pools. It would be impractical to put all of the wells, that is, establish one tank battery for all the wells on the extremely large leases.

MR. KEELER: We would certainly have no objection to either of those suggestions.

MR. DEWEY: So far as I can remember or recall the Commission has never denied an operator its request to include more than five units in the central tank battery.

MR. KEELER: I believe that is true, but the way this rule 310 was written it sort of looked to me as though the door was closed in the future.

MR. DEWEY: The idea behind this originally was to protect the 40-acre spacing pattern. You wouldn't get so many units in there. That was the basic intent as written originally. If an operator has considerable acreage whether he is on State land or fee land or government land or whether there is common royalty underlying his lease so that he doesn't want oil from two different royalties into a common tank battery. That is the obligation of the operator as I see it. I don't think there is anything final about this five units particularly. There has been so many exceptions made to it. It has just come over from the old rules.

MR. LOVRING: I would like to suggest a thought here before we proceed. It might give us more orderly thinking. It appears all of the objections to these rules are going to be based on isolated cases. I am sure that the Commission and the committee here don't intend to work a hardship on any operator by any of these rules. We know there are exceptions to all of them, and we know that any time any operator is being hurt that he can get relief by coming here to the Commission. The isolated cases and the exceptions here, the operator can always get relief by presenting his case to the Commission--sometimes with a hearing and sometimes without a hearing. I think we should bear that point in mind in, I have reference to

the few exceptional and isolated cases because we are going to have rules that will apply to all those cases.

MR. SPURRIER: I think that point is very well taken Mr. Lovring. I don't want the rest of you to feel that your objections can't be heard, but I think Mr. Lovring has a good point there. There is no rule in this setup, or there will be no rule you cannot come to the Commission for relief from. That can always be done. If it so happens, you have to come up every three weeks for a routine exception, I think it is wrong. But if it is an isolated case, then I think that is all right.

MR. KEELER: The next one we had has already been discussed at length here, that is, rule 506 in regard to the reallocation of penalty oil, and we agree with what was previously said as suggested in regard to penalty oil not being distributed to the top allowable wells within the pool from which the penalty oil came, but rather be spread out on a State-wide basis. Now, one thought I had in regard to an objection to that that Mr. Gray mentioned. The fact that there might possibly be some legal entanglements there taking penalty oil from one pool and reallocating to another pool. It would seem to me you could accomplish the same result and avoid that possibility by just cutting off penalty oil and not reallocating it at all. You would get it back again by an increased allocation from the State. You wouldn't be taking your penalty oil and reallocating it. If penalty oil were deducted and the total allowable were not as high as the State total should be, they could just raise the top allowable bracket until it came out right. It seems to me it could be done that way and get away from this

idea of being accused of taking penalty oil from this fellow's lease and distributing it around the State. We have an example here. It is admittedly extreme, but the way this rule reads it certainly is possible. You might have a new pool, say it only has two wells in it with a top allowable at seventy barrels, one well with a ratio of 1900, the other with the ratio of 7,000. The higher ratio well would be cut down to 20 barrels a day with that 7,000 ratio and that 50 barrels it lost would be allocated to the second well which would give it 120 barrels a day. The net result would be that the low ratio well would be producing 228 mcf gas a day when actually the field limit is 140 just because of that additional oil. The high ratio well is held to 140 mcf, and the low ratio allowed to produce 228. It is an extreme case, but it is possible, and we would certainly it being spread out among all the pools or else cut off entirely and made up by higher allocations for top allowable wells. That is all I have to say on that.

CHAIRMAN SHEPARD: Any questions?

MR. KEELER: This is the final rule we had, and it is something I would like to mention, although I doubt if anything can be done about it. That is in regard to the pressure base standard, pressure base for measuring gas. It occurs in the back of the book somewhere here. I guess it is page 11. It comes after the section defining the oil and gas pools. The heading is Directions Governing Gas Oil Ratio Surveys in New Mexico. This page is-- is it 20? It is 10 the page before it. Anyway what we had in mind is there has been a tendency in other states to standardize on a pressure base of 14.65.

per pounds per square inch. It is our idea that would avoid confusion if more states would get together on that same pressure base. I realize that the reason 15.025 was adopted or is proposed for adoption is because of the United States Geological Survey Regulations, and I can see where certainly there would be a lot of difficulty if reports had to be furnished to the State at 14.65 and to the United States Geological Survey at 15.025.

MR. DEWEY: That is in the law.

MR. KEELER: I did not realize it was actually in the law.

MR. DEWEY: There is no choice because it is part of the law.

MR. KEELER: Well, if that is part of the law, I have nothing further to say about it.

MR. DEWEY: I have forgotten the exact place, but I think it is in the law.

MR. KEELER: Well, I believe that is all the comments we have to make.

MR. DEWEY: Is that in the law. I think it is in the law.

MR. MCCORMICK: It isn't in the act.

MR. DEWEY: I was mistaken about that. I am sorry.

MR. KEELER: I don't know if there would be any possibility for a change in the United States Geological Survey requirements. We would be in favor of 14.65, but we just wanted to mention that fact, and I could certainly see where we would want to keep it uniform between the government reports and the state reports as it is at 15.025. That is about all I have to say.

CHAIRMAN SHEPARD: Does the Repollo wish to offer anything?

MR. FRASER: S. S. Fraser of the Sinclair Oil and Gas Co.

We appreciate what the Commission--what the committee-- has done. It has been a lot of work required in these rules, but we have a few suggestions and a few questions to ask on the cubic foot of gas. When the pressure is in excess of 100 pounds, when you make the correction, would you make it from zero or from 100?

MR. WILLIG: Make it from zero.

MR. FRASER: It isn't clear, I don't believe. You say you would make it from zero?

MR. WILLIG: Yes, the deviation until you get to 100 pounds is negligible.

MR. FRASER: I realize that, but it is a matter of knowing. Whenever the deviation would become applicable, right then you would start from zero. I see.

And the rule 305, is it the intent in the last sentence--it says, "All casinghead gas produced, sold or transported from a lease shall be metered and reported in standard cubic feet monthly to the Commission." Is it the intention to require metering of such small volumes, for instance, where you sell to a pipeline station or to an adjacent lease for lease operation. That would work a hardship.

MR. DEWEY: I think the intent of this is that all gas sold would be measured and reported. I think that was the committee's intention.

MR. FRASER: It is?

MR. DEWEY: If I am wrong, I wish the committee would correct me on that. All gas that is sold off a lease. Now gas used on a lease, there is a certain exemption for that, but gas clearly sold off a lease should be metered

and reported to the Commission.

MR. FRASER: That is generally correct, but where you have such a small volume--say 2,000 feet a day maybe for a pumping station, something where you pump out oil or things of that kind. I don't have anything ready to correct it, but it seems it would be a hardship.

MR. DEWEY: That comes under the category of those exceptions, Mr. Fraser. If there is a hardship, you would have to get the pleasure of the Commission to relieve it, rather than not have any regulations at all about selling gas.

MR. FRASER: I see.

MR. LOVRING: If the Commission please, I don't know whether this would be an exception or a general application, but in most states which require the metering of gas by common carriers where they have appreciable volumes, those same states permit the use of engineering data or factors which they apply to engine pilots, heaters, treaters, and what not. They have a set factor. They permit the operator to use in calculating gas so used for transportable oil, small pumps and such. They accept those, not only in place of accounting for those gases, but on a royalty basis or tax basis both. I think it could be made a general rule here one way or the other.

MR. FRASER: We have a set of those factors which we use, and I believe the United States Geological Survey has accepted them in a number of cases where calculated on the type and size of equipment and the time operated.

Rule 405 on natural gas utilization. The number 3 under that rule. I wonder why the limit on using gas for gas-lift, why it is necessary to process it for--in a



gasoline plant, as long as it isn't wasted. If it is sold or any use made of it, shouldn't that take care of that? That ties a little bit into that rule 307 we were discussing a minute ago. If rule 307 was written for natural gas, I believe there would be a conflict between 405 and 307 in that respect.

MR. DEWEY: The committee's intention was not to create any waste, if possible, to get some benefit out of the natural gas that would meet with the Commission's approval.

MR. FRASER: Just so long as it wasn't vented or wasted, wouldn't that take care of it? If it was so written that it would not be vented or wasted, wouldn't that take care of that?

MR. DEWEY: That was the intent. The committee didn't want this natural gas indiscriminately wasted.

MR. FRASER: I agree with you. What it says--

MR. DEWEY: I can't recall any other reason. Does anybody recall any particular reason for restricting this to a gasoline plant? George, do you recall why we have just a gasoline plant?

A. I don't think so.

MR. DEWEY: In this rule 405 under number 3, we have got a suggested restriction here on natural gas utilization in gas-lift oil that the gas shall be processed in a gasoline plant. I think our intention was just so that the gas wouldn't be wasted, wasn't it, or just restrict it primarily to that one purpose?

MR. WILLIG: I think you are saying the same thing. I can think of no instance where you would use dry gas for gas-lifting wells, where you wouldn't have appreciable

volumes of rather wet gas. I don't believe you can run it through pipelines wet as it would be. I believe you come right back to the same thing if you read rule 307 in there without the word natural before it. And, of course, this gas in rule 405 is natural gas.

MR. FRASER: I realize that.

MR. WILLIG: It talks about gas, but it means natural gas. I don't see how you could use natural gas for lifting oil unless you would process it in a plant. What would you do with it?

MR. FRASER: It might not be too wet to sell. If there wasn't a gasoline plant in the area, it might be used for other purposes.

MR. WILLIG: What for instance?

MR. FRASER: You might be able to sell it for field use. Maybe for field use or something of that kind.

MR. WILLIG: El Paso and New Mexico takes such gas in their own plants and processes it, because they can't keep it in the lines and sell it, so evidently if you did not sell it directly to the plant, it would be processed and no waste would occur.

MR. FRASER: I don't believe in wasting it, but it would seem like there might be a restriction on the disposal of the gas, and it seemed to me like 307 and 405 are in conflict in that respect.

MR. WILLIG: I think they agree now the way we have changed them. I think it is in there twice.

MR. SELINGER: May I ask Mr. Willig if it would under his interpretation prohibit the use of natural gas for gas-lift purposes, is that right?

MR. WILLIG: No, not if you processed the gas.

MR. SELINGER: Suppose you don't process it and use it for gas-lifting there and that is all, would you say this use of that gas isn't a beneficial use?

MR. WILLIG: I would say it is wasted.

MR. SELINGER: Then you are prohibiting the use of natural gas for gas-lifting of oil unless you utilize it further?

MR. DEWEY: I think that is the opinion of the committee. I think the committee was pretty well agreed on that point that it wasn't a practice we wanted to promulgate.

MR. SELINGER: I was just wondering, Mr. Dewey, whether or not there were any fields in the State where there was a large amount of gas being utilized for gas-lifting of oil where no markets or plants are available?

MR. DEWEY: We thought in those circumstances the operators would ask for relief by the Commission.

MR. SELINGER: What you are doing by putting up a prohibition in your general rules is that you are requiring operators to come in a vast number of cases for exceptions or a hearing.

MR. DEWEY: I don't think there is a vast number of cases.

MR. WILLIG: That isn't the only way to lift oil.

MR. FRASER: Rule 501, we have one comment on. I wonder whether or not you would be able to produce your allowable on natural gas where you had six months' proration periods if you are restricted to 125 percent of the daily allowable, in other words, if say for three months in the summer out of one of the six months' periods there was very little gas taken by the pipeline company, and if you were held down to 125 percent of the daily allowable

during cold weather I wondered if you would be able to produce your allowable for the period?

MR. WILLIG: This applies only to oil wells.

MR. FRASER: I thought it applied to gas.

MR. WILLIG: Just oil wells.

MR. FRASER: It talks about gas in there, don't you think? It says natural gas there down about the eighth line, seventh or eighth line, I believe.

MR. DEWEY: That applies to both of them, I think, Mr. Fraser.

MR. FRASER: That is what I read. I think on oil it would be all right, on gas it seems to me--

MR. DEWEY: That is one of the things it is sort of hard to tell in advance.

MR. FRASER: That's right, I think to allow them to produce as much as 200 percent of the daily allowable so long as they stay within 25 percent of the open flow--

MR. DEWEY: That refers back to marginal wells and gas production and to the amount you would be allowed to produce from a gas well.

MR. WILLIG: That is 125 percent?

MR. FRASER: That is the maximum.

MR. WILLIG: That is 403?

MR. DEWEY: I think it is one of the things that will have to be tried in advance to see whether it is correct or not. If it isn't correct, it will have to be changed possibly. I don't know too much about the operation of these gas pipelines. Mr. Cragin, do you have any comment about that?

(No response from Mr. Cragin.)

MR. LOVRING: I believe in most States they have separate rules for oil and gas wells due to the fact that the demand for gas is very seasonal, and they permit them to take their gas on a yearly basis. I think we should have separate rules for oil and gas wells.

MR. DEWEY: Mr. Cragin or Mr. Cole, do either of you gentlemen have a comment about that 125 percent here in operation?

(No response.)

MR. WILLIG: If you remember the committee discussed this 125 percent limitation from this standpoint: that although the gas consumption here is seasonal that if the six months' proration period chosen by the Commission was such that the average brought in both below and high consuming periods that would have to be on a calendar or a seasonal basis, that probably the allowable of any well would not have to exceed the 125 percent mentioned to make up the shortage incurred during the summer time. This rule just like all others was subject to exceptions. I think to begin with this first paragraph here of the rule is not read. That is, the scope of these rules and regulations, they are intended to be general, and while there are special rules in effect these will not govern. These general rules will not govern, and in order to keep within 25 percent of open-flow capacity you could run a well constantly more than a 125 percent, where the 125 percent isn't sufficient in particular cases, I think it is up to the gas transmission company to come in and ask for a higher allowable and show it will not be a waste. It is presumed that will be the practice, and that is why 125 percent is used. I believe that is all I have.

CHAIRMAN SHEPARD: Does anyone have any further comment on Mr. Fraser's remarks?

MR. CRAGIN: I find an error on the page following number 10. It has no number on it. In the section headed, Directions Governing Gas-Oil Ratio Surveys in New Mexico, following page 10, under gas measurements in the third line from the top reads, "and standard specific gravity 0.85." I think any engineer here will hold with me that that has no place in the definition of a cubic foot. We can measure gas at 400 pounds or 500 pounds or whatever you do the specific gravity enters into the calculation, but it has no bearing on the definition of the standard cubic foot.

MR. SPURRIER: Just a minute, Mr. Cragin, has everyone found the place Mr. Cragin is reading from?

MR. CRAGIN: It is in the back of the rules in the second set of numbers. It follows page 10 and has no number on it.

MR. SPURRIER: It immediately follows the definitions of of pools?

MR. CRAGIN: In the appendix.

MR. SPURRIER: Does everyone have it now? The page should be number 11 in the appendix.

MR. CRAGIN: Now, we have some other suggestions that we will put in writing and send in to you. For instance, we think that the actual specific gravity and temperature where facilities are available should be used, and where they are not available, then the rest of this definition should apply. The Commission should determine points where they are, actually determine what facilities are there for the determination of it. There is an illustration, the

San Juan gas, for instance, would be penalized because of lower average temperature in a great part of a year, and that would probably take the actual temperature. On the other hand, we buy gas at 11, 12, and 1300 pounds and have to choke it down or it freezes, and we have to have heaters. And we have gas as high as 130 degrees which penalizes us. If you fixed it at 60 degrees, but would have the field average at 130 degrees, would penalize 60 to 70 degrees. We say where facilities are available, they should be used.

MR. SPURRIER: Does someone have a comment on Mr. Cragin's statement?

MR. STALEY: I would like to explain the insertion of this in this committee report. I want to express--it isn't a part of the committee report--but merely a copy of the Commission orders as to the procedure to be followed in taking gas-oil ratios at the present time, and they have been effect a good many years.

MR. CRAGIN: I still claim it doesn't belong in the definition of a cubic foot. It enters into the calculation.

MR. STALEY: I just wanted to point out it wasn't a part of the committee report to the Commission or this group of operators.

MR. WILLIG: I think it would be the basis on which to require a determination of specific gravity for the purpose of taking a gas-oil ratio. I think the presumption of specific gravity here is proper in that case. It will not apply to the sale of gas. It is just to determine the gas-oil ratio.

MR. CRAGIN: I just wanted to point out that .85 produces

a lower gravity--

MR. WILLIG: That is a dry gas. The wet gas would have specific gravity, probably at point. 85.

MR. CRAGIN: That's right.

MR. SPURRIER: I didn't mean to put you on the stand when you didn't want to be there, but if there is any point you think should be clarified, especially from your point of view--

MR. CRAGIN: If that doesn't apply to the purchase of gas, we have no interest in it, and as Mr. Willig points out if it is wet gas, it is probably nearer what it should be than .65. That is all.

MR. SPURRIER: Southern Union, do you have a point to make or several points, I suspect.

MR. LEE: Mr. Willis Lee from Southern Union. Some of our comments I am sure should probably be left for written comments which we will submit in due course as Mr. Spurrier suggested. We have several things perhaps that ought to be mentioned. One occurs to me in connection with rule 502, perhaps inadvertently, it seems the draftsmen may have gone back into the thinking about gas which prevailed at the session of the legislature during the early days when we were trying to work out the gas control bill which is the work of this meeting here. I read this with the feeling that what we are going to have to do is prorate natural gas on the basis of some Statewide or areawide basis. That is possibly not the intention of the statute. I call that to the attention of the group to eliminate any possibility of conflict to this rule or any other actual statute which is the basic law, of course, with which we are



working. While on this page we might look at rule 501, which has already been discussed to some extent. I think we must agree that the reference to natural gas in this rule is not necessary and not important. In the first place, the statutory conception of natural gas proration in those allocated pools in which proration is found to be desirable and necessary is to be on the basis of the demand from that pool, as it may be modified by an adjustment to prevent unreasonable discrimination as between pools to which the same gas utilization facility is connected. Moreover, the proration is intended on a basis--on the basis of the proration period not less than six months, and that is expressly provided by the statute. The language of rule 501 evidently is based on the assumption that natural gas is going to be prorated on a daily basis. Notice the statement, "an amount in excess of 125 percent of the daily allowable." I think we all must realize that it just won't work in the natural gas business to have a daily allowable in the first place, neither is it necessary. Tying into that, I think we might refer to the definition of top unit allowable, which is stated to mean the maximum number of barrels or the maximum number of cubic feet of natural gas daily for each calendar month in the allocation on an acreage basis in a pool. As to non-marginal units, we have comments about that. We again find the term daily and the term calendar month, and we also find the term acreage unit, or acreage unit base. I think an analysis of the statute would convince anyone that it isn't the intention of the statute, the statute being rather explicit, and the Commission should consider it, and I think must

consider it in making allocations of natural gas. Running through all this problem, gentlemen, is the fact that it is sometimes disagreeable to us in the natural gas business. That is, that our market demand, which is very real to these people in Santa Fe and Albuquerque and elsewhere, fluctuates on the basis of amounts that none of us have any control over. We have in the past had occasion, and I am sure we will again in the future have occasion to produce the gas wells available to us in this area during an extreme period of weather just as much as they will produce. Now, the statute has taken that into account. In the first place, so providing that deliverability shall be one of the factors to be considered in the determination of this gas proration. More specifically, more significantly perhaps, is the fact that it provides also for a ten days' period of overproduction without regard to the fixed allowable, in the case of an emergency affecting that particular gas transportation facility. Among the things we will doubtless point out to the Commission, at the time we send in our written comments is the provision in rule 403 to the effect that the production of gas from a natural gas well shall be restricted to 25 percent of the potential capacity of the well. As far as my company is concerned, I am sure that most of our production in this State is in the San Juan area. I think possibly all in San Juan County, New Mexico. That, of course, is the supply that serves this area here. Invariably, those fields up there are what has been denominated natural gas fields, nothing else. There is no oil. There is no appreciable amount of distillate,

and there is no water drop. The latter is of the most importance, because while it may be a proper rule of thumb, this 25 percent rule, in the case of a field which has a natural or unblemished supply, I am speaking on the authority of other people, gas engineers, when I say it is our view that the 25 per cent open flow has no value or service in connection with a dry gas well not having a water dryer. In other words, there is no reason to impose an arbitrary limitation on fields not having water dryers which in the normal course of events will impose a burden on the operators and the Commission in handling probably numerous special exceptions. I know it would be true in our case. We feel the rule should be eliminated or changed to make it applicable only to fields having a water dryer. One other comment that may deserve some consideration, that is, the apparently careful definition which has already been mentioned. The definition of gas and natural gas. The distinction seems to be that natural gas and natural gas wells are those in which the gas is found not associated with oil. The other definition we observed that a gas well may be any well having a ratio in excess of 50,000. It occurs to me that we have the possibility here of gas well gas. Mr. McCormick, I believe, you touched on this a while ago of gas well gas being produced in the State and of such other regulations which seem to direct themselves toward natural gas wells. For example, under subdivision f, beginning at page 20, we have rule 401, 402, etc., which talk about the method of determining natural gas well potentials, and production of natural gas is restricted to 25 per cent of potential

capacity and the natural gas utilization all dealing with natural gas or natural gas wells. The same is true of rule 501, 502, etc. Now, perhaps, there is some limiting or provisions elsewhere in the rules that I haven't discovered which would impose a more proper or perhaps more complete set of regulations insofar as gas well gas. Which I take it to mean gas which is produced from a gas well duly classified but which is associated with oil in the reservoir. I believe that my--I believe that may perhaps cover all the general comments that I have in mind at this time. I am sure that there are others, or that there will be others. I do not doubt that it is the intention of the group that eventually the legal committee will be assembled, having only been appointed but not having yet functioned and that these and other matters may come to the attention of this committee at that time.

MR. SELINGER: I understood--I will put it this way, Mr. Lee--under your interpretation of the statute, do you feel that this Commission has the right and the authority to establish gas proration units?

MR. LEE: Gas proration units?

MR. SELINGER: Insofar as spacing is concerned.

MR. LEE: Mr. Selinger, I am sure that they do, although it occurs to me that wouldn't be the only factor to be considered in the fixation of the gas proration standards.

MR. SELINGER: Then, I presume, if you feel they have the authority to establish spacing for gas wells that they can rightly consider acreage and the allocation formula.

MR. LEE: Oh, certainly.

MR. SELINGER: I was a little disturbed at your comment about the Commission allocating on an acreage basis. I was just wondering what your ideas were along that line.

MR. LEE: I was simply disturbed by reference which suggested to me that the Commission in the definition in the top unit allowable might consider itself bound to follow exactly this language, "On an acreage unit basis," because I feel that acreage while it may be properly a factor and surely is in some cases, but it isn't by any means an exclusive factor.

MR. SELINGER: But, then, the Commission can attach a great deal of importance to acreage than for example to potential capacity?

MR. LEE: I think the statute is very clear on that.

MR. SELINGER: Is that your opinion?

MR. LEE: The statute simply mentioned to several things the Commission can consider.

MR. SELINGER: Is it your opinion the Commission can attach greater importance to acreage than to open flow capacity?

MR. LEE: I don't think there is any factor picked out in the statute which compels the Commission to give any one greater weight than the other.

MR. SELINGER: You have no opinion then that they can attach greater importance to acreage?

MR. LEE: No, the statute seems to leave the Commission some latitude in that case.

MR. SELINGER: With respect to your interpretation of the Commission's authority (not to prorate gas on a Statewide basis, but limiting it to consider proration on a specific pool basis. Is that stated--is it very clear?

MR. LEE: Except that I--except that as I indicated the statute also makes provision in the discretion of the Commission to prevent unreasonable deviation between pools connected with the same gas utilization facilities.

MR. SELINGER: You feel really that the Commission has the right to consider the consumptive market demand for gas in the entire State in its allocation plans?

MR. LEE: I don't know that the Commission could be denied the right to consider a Statewide demand for gas. I think the statute makes it clear that the reasonable market demand is the reasonable market demand from a pool or pools, for it definitely, I think, contemplates the use by the Commission of a proration formula predicated on a reasonable market demand from a pool or pools, not Statewide.

MR. SELINGER: I didn't use reasonable market demand. I used reasonable demand. Would your answer be different if you applied it to reasonable consumptive market demand?

MR. LEE: I don't know what that means.

CHAIRMAN SHEPARD: We will recess until 1:30.

(Noon recess.)

CHAIRMAN SHEPARD: The meeting will come to order, please.

MR. SPURRIER: Gentlemen, I think it is wise that I take about three minutes of your time, for I know during the lunch hour I heard some things that make me believe we need a little better understanding. Also, Mr. Greeson, I want the record to show some of these dates. I would like to remind you that we should move on as fast as we can. It isn't impossible to continue this thing until tomorrow or even the next day if necessary, but let's stick to the basic things and things that are really

controversial and keep the rest of the things to send in by mail or hand to the Commission today. Please understand that these suggestions for correction or revision should be addressed to the Oil Conservation Commission, Box 871, in Santa Fe. Now we have decided that it is probably best that we go through these recommendations and hand them back to the engineering committee, who will in turn hand them to the legal committee, and depending on what those two committees want to do, they may have a joint meeting. Then they will come back to us once more, and it seems advisable at this time that we continue this hearing to a very definite date of about November 1, I say a definite date of about. I mean the definite date of November 1. Now the reason for this is that some people have expressed the opinion that they feel that they won't know what the other fellow sent in for suggestions and will have no chance to make any further comment. Another date I want you to remember clearly. We think you will have sufficient time to get these recommendations in by the 20th of September. Most of you have them all ready now, but after this hearing we feel that two weeks is plenty for you to get them in. I think that if there are no questions that we will proceed with the hearing now. I believe Mr. Lee and Mr. Selinger had the floor when we went to lunch.

MR. DEWEY: May I ask one question?

CHAIRMAN SHEPARD: Mr. Dewey.

MR. DEWEY: If this is going back to the engineering committee on the suggestions to be here on September 20th, would you care to call a meeting of the engineering

committee for Santa Fe at that time or some definite date at any time so that everybody would have an opportunity to make their revisions here if they will be here--if it will be held here?

MR. SPURRIER: I would be glad to announce it if you would like to pick a date.

MR. DEWEY: You say everything is coming in to you and all the material will be here, and if that is the deadline, we had better hold this meeting shortly after September 20. What day of the week is that?

MR. SPURRIER: That is Tuesday. Whatever you and the committee decide.

MR. DEWEY: I'll poll the committee and find out what their wishes are about that.

CHAIRMAN SHEPARD: Mr. Lee, Mr. Selinger, do you care to continue?

MR. SELINGER: Mr. Shepard, in view of the remarks, I don't believe I have anything further to ask of Mr. Lee.

MR. SPURRIER: Don't take offense the committee--I am just trying to hurry it along.

MR. SELINGER: I think your suggestions are very worth while.

MR. GRAY: I had intended to defer my remarks until later, but I think it will be helpful if we will get a little bit of the sentiment of the people that are to do it later. I have about three points to bring up. The committee itself isn't in agreement on. I feel it is highly desirable to have as near uniform spacing as possible, and on the other hand I think we will have to recognize that something like 80 to 90 per cent of the gas wells drilled were drilled for oil wells and plugged back for gas wells and made gas wells



later. I think for that reason spacing or footage requirement should conform to what an oil well should be. It has been suggested that it be limited to 990 feet from the boundary line. Well an oil well could be drilled there, but it would also leave out a 660 foot or middle of a forty location. I feel, too, that we should have rather broad latitude insofar as the people of the unit is concerned to take care of wells already drilled particularly. I am entirely in conformity with some of the others who would like to have rather rigid spacing, but if a plan can be found to give 160 acre spacing and still not bother the rest of the section or adjoining section, I see no reason why you couldn't have four 40-acre units strung out in a row. Actually, you can visualize quite a number of patterns there where it wouldn't bother adjoining areas to do it that way. I thought I would bring it up at this time because some of the rest of the people who had discussed it might have some good points on it. Another thing I feel like our rules should be rather broad insofar as the general rules are concerned. We think we ought to avoid as much as possible getting down to specific principles. One thing I think of in that regard is the amount of surplus casing. I think it is stated in there that we cement the surface casing by the pump and plug method. That is a process normally used now anyway, but I did think our rules would cover protection of potable water, and it is up to the operator to have that done. Our individual field rules then, I think we should go into specific processes. The third point I think Mr. Lee brought up, and that was the taking of potentials of gas wells. I think I have been probably as great a supporter of potentials as

any one, but I feel as a general rule it is a little bit out of place. We certainly may want to take a potential in any individual pool, but to make it a requirement that we have to take a potential test and have to stay within 25 percent of the potential in production, I question whether it is justified for a general rule. As a matter of fact, I can't see the reason for the 25 percent, except that in 1913 that appeared in the Oklahoma rules. It is a little bit archaic. If it was put in for the purpose of water conning, it is out of place, because you can have water conning with 25 percent potential. So there just seems to me it is out of place in a general rule. There is another point it might be well to mention. The rules as they appear here require that a sub-surface pressure test be made on wells once a year. As an engineer, I like to have all the dope I can get, but to require that all wells regardless of type of completion have to have a bottom hole pressure test is a little bit out of place. I think it is better to put it in a producing well.

MR. DEWEY: I thought that was just on flowing wells; I didn't think it covered pumping wells.

MR. GRAY: It would be better even there, particularly with wells that are just on their last legs. Sometimes you shut them down and they go dead rather expensively. That is all I have.

CHAIRMAN SHEPARD: Does Phillips care to offer anything?

MR. LYNCH: R. A. Lynch, Division Attorney, for the Phillips Petroleum Company, at Midland, Texas. We have several suggestions to offer that we wish--that we consider minor corrections to be submitted by mail. There are a

few things I would like to mention. I believe that possibly the rules regarding the spacing of gas wells, the size of the gas proration units, and the formula for gas allowables might better be handled by special fewer rules that will take into consideration the particular problems involved in a particular field. I would like to mention that in rule 5 in the second paragraph on page 8 that the term, "gas," is used. I think for clarification either by definition or changing the word gas to natural gas or by saying gas from gas wells that it should be made clear that that rule will not prohibit the flaring of casinghead gas. In rule 7 on the same page, it seems to me that a distinction might be made in writing the first paragraph there between oil and natural gas. The way the rule reads now it might give the impression that oil is to be prorated on a basis of market demand for each particular pool, rather than on a statewide basis. As I understand the law, the oil is to be distributed on a statewide basis, but the gas on a pool basis. I think that could be clarified in rule 7. I would like to ask the committee a question concerning rule 301 on page 16 of paragraph (c) which says that a marginal unit shall be permitted to produce the same total volume of gas which it would be permitted to produce if it were a non-marginal unit. As I understand that, it is consistent with the volumetric control rule which is stated in another place in two, but in rule 502 in the first paragraph, starting on page 23, there is a reference to ten-barrel wells. What I am wondering is whether a marginal well to be exempted from the gas-oil ratio rule or if it is to apply to rule stated in paragraph (c) that I read.

MR. DEWEY: How is that done now, Mr. Staley? These things follow exactly the present procedure, and I was wondering what you do in that instance.

MR. STALEY: There is a confusion there. The difference between a marginal well and a stripper well. At one time we have pipeline prorationed for all wells, a certain percent being taken by the pipeline having the connection. And in order, that is to keep from abandoning small wells, they made an arbitrary rule that all stripper wells, and they defined that as ten barrel or under would not be subject to pipeline proration. That has been carried through into these regulations, but the confusion is that that is the Commission's designation of a stripper well, and a marginal well is a well that will not produce top allowable.

MR. LOVRING: I think that could be probably clarified in rewriting the rules, rule 403 and 405, I would recommend that each of those rules have a proviso tacked onto them, except by order of the Commission after notice and hearing unless it is understood that all these rules have that provision in them.

MR. SPURRIER: That is true, Mr. Lovring, it is implied in all of them.

MR. LOVRING: That wouldn't be necessary then. Rule 702 on page 28 regarding rateable take. I think the term gas as used in there without saying natural gas; I think it should be made clear that the rateable take provision does not apply to casinghead gas. That is all I have, sir.

CHAIRMAN SHEPARD: Thank you. Mr. Murray?

MR. MURRAY: I will submit a written memorandum.

CHAIRMAN SHEPARD: Thank you. The Texas Company.

Do you wish to offer anything?

MR. WILLIG: I would like to make some observations both from the standpoint of the committee member and also from the standpoint of the Texas Company. I believed I called attention early this morning to the first rule here under miscellaneous rules on page 7, which sets out the scope of these rules and regulations. Now, it is clear from that rule that these are intended to be general rules which will apply only in such cases where no special rules have been adopted for a field. I don't think it is clear either in the way they are written or in my mind whether or not rules which we approve here that do not conflict with special rules now in effect whether these will apply. It is true that in some cases the application of the rules particularly with respect to allocated and unallocated pools; insofar as gas is concerned, there is no allocated pool in the State of New Mexico at this date because they don't know what a gas pool is yet until these rules are adopted. So none of these allocation rules will apply to the San Juan because it hasn't been designated as an allocated pool. It is our understanding, it was mine at any rate, that at the present time the market for gas in New Mexico is such that it exceeds the supply. Until that situation is reversed, I don't believe that the Commission is given authority under Senate Bill 163 to prorate gas. I believe even a layman can understand the language in the bill, that until the supply exceeds the demand, the Commission will not prorate gas. So until that situation exists, and the Commission or some purchaser or seller asks that a pool be designated an allocated pool, these rules will not apply. I want to

get back to those other rules, however, which have no definite limitation written into them as to whether or not they will apply where they do not conflict with special rules now in effect, except for that general observation, I want to point out in this appendix, it follows page 40, the definition of pools heretofore adopted by the Commission were copied verbatim and attached to these suggested rules. That states it is a definition of oil and gas pools. The word gas should be stricken out there, because no definition has been made of gas pools in New Mexico at this time. Incidentally, I might point out that it would be a prerequisite if you don't have a gas pool, you can't apply rules to it. So some group will have to define the area limits of the gas pool. Generally, we believe the rules are about as good as could be worked up. I don't believe the committee takes any pride of authorship, but they did copy these rules which have been criticized directly from those now in effect, and of course those have been effect for many years. I don't question that they should be changed, but nevertheless we did copy a lot of them.

CHAIRMAN SHEPARD: Does Continental care to offer anything?

MR. SHAFER: I don't believe we have anything to talk about that hasn't already been brought up this morning that can more possibly be set forth in writing.

CHAIRMAN SHEPARD: Amerada?

MR. CHRISTIE: I think everything has been covered that has been of any controversial nature, and we will recommend any further changes by letter.

CHAIRMAN SHEPARD: American Republics.

A VOICE: No, sir.

CHAIRMAN SHEPARD: Does Graybird care to offer any suggestions?

(No response.)

CHAIRMAN SHEPARD: Texas-Pacific?

MR. SCHUEHLE: Texas-Pacific Coal & Oil Company. Most of Texas-Pacific's comments or recommendations will be presented in writing. However, we are faced with a very critical problem with reference to gas-lift, and for that reason I am going present part of our problem at this time. If rule 307 and 405 are put into effect as written Texas-Pacific will undoubtedly lose three top-allowable oil wells before the normal processes of seeking relief could be put into effect. We have three wells in Cooper-Jal that are being gas-lifted. They have been on gas lift for three and a half years. Those wells were taken off the beam because the pumping equipment wasn't adequate to handle the uplift. The gas being used to lift those wells comes from a dry gas well on the same lease, a fire gas. That gas is worth \$8.50 at current prices, and the oil is worth \$225 a day. We are faced with the problem of saving \$8.50 of fire gas and losing three oil wells. They are heavy water wells, and the only way we can lift that is by gas lift. Our gas is low pressure, and we haven't any facilities to dispose of the gas. In fact, we would give it to somebody if they would come and get it. That in chief is our problem. The reason for mentioning these two rules we have been testing a well recently. The well was shot there for four days, and we had to produce it for three weeks before we got any oil. It wouldn't stand much

more of the shut in, that is, our critical reason and problem for bringing it up at this time. If these rules go into effect as written without relief at that time, we would have to apply for a hearing. I might add that this appears to be an isolated problem. It isn't. We have other properties a little bit lower in which we are gas-lifting and disposing of the gas, but we can foresee having to gas-lift up there where we will not have a market for the gas. I believe that is all I have.

CHAIRMAN SHEPARD: John Kelly, do you have anything to offer?

MR. KELLY: Independent, Eddy County. I suggest and want to call to the Commission's attention one general deal here that creates a little hardship on the independent operators of Eddy County especially. Most of the wells there are pumping wells. I am talking about the gas-oil ratio test. It states that one shall be taken once a year and all wells equipped to take gas-oil ratios. The old wells in Eddy County aren't equipped, and most of the new ones that are being drilled are not. There is no gas in most of the wells in Eddy County and to force us to equip those wells and to take gas-oil ratio once a year is a hardship. I ask the Commission in setting up it ought to take the fields of Eddy County out of the order or at least exempt the pumping wells from Eddy County out of the order.

CHAIRMAN SHEPARD: Does Mid-Continent care to offer anything?

A VOICE: We have nothing additional.

CHAIRMAN SHEPARD: Does the Pure care to offer any comment?

Does Mr. Brown have anything to offer on behalf of the San Juan operators? Mr. Cornell was here this morning, and I don't see him here now.



(No response.)

MR. MCCORMICK: I would like to ask the committee something about this potential on gas wells. There is no potential factor in proration of oil now. What is the justification for having a potential factor in the proration of gas?

MR. WILLIG: If I might try to answer that, that idea would be one of the factors as it was mentioned earlier today in allocating gas allowables, and on the other hand it would certainly be a check against the maximum capacity to which the well should be produced. Now, there has been some slurs cast on this 25 percent of open flow, but I recall years ago the United States Bureau of Mines wrote thick tomes on that that substantiate the use of 25 percent. It isn't precise, but it has some basis in factual engineering. I recommend that you read them if you haven't.

MR. MCCORMICK: If it isn't necessary in oil, why necessary in gas?

MR. DEWEY: Well, one reason that Al didn't mention was that we had to have some way of getting it on a proration standard when a well is completed. An oil well takes some sort of a test before they get it on a proration standard, is that right, Mr. Staley, and it isn't mentioned in here but that is the case. There are no regulations about how it should be taken or anything else, but I think that a test has to show that a well is capable of making top allowable, is that right, Mr. Staley? Or just give the maximum that does show on the test submitted to him?

MR. STALEY: If you had a gas pool and had one well that had a potential of two million a day and one next to it

that had a potential of ten million, would it be the committee's view that the one that had the larger potential should be allowed to market more gas?

MR. DEWEY: No.

MR. WILLIG: That would presumably be on an acreage basis the way it has been suggested in these rules. Your limit would be still 25 percent of the open flow. Your allowable should not exceed 25 percent of the open flow.

MR. McCORMICK: But the allowable would be the same in each well?

MR. WILLIG: That is until such time as the allowable was greater than 25 percent of the open flow.

MR. McCORMICK: Another thing I would like to ask the committee, among the orders that I repealed is this order allowing a transfer of oil allowable. Do you consider that down in New Mexico, and I believe in Hobbs, an allowable can be transferred from one end of the lease to another? There are about six wells now that are affected. Do you intend to repeal that?

MR. DEWEY: There weren't any of those left.

MR. WILLIG: My information was that those were all out.

MR. STALEY: No, there are a few still on the proration schedule. We looked that up and found there were probably a half dozen.

MR. McCORMICK: If those are to be repealed--I mean if you had the wrong information about that--what would be your view about repealing or perpetuating that particular order?

MR. DEWEY: Well, I don't think the committee ever at any time has ever gotten together on that point. That probably would be a thing we should consider if we are

going to meet again.

CHAIRMAN SHEPARD: Does the Ohio Oil Company wish to offer anything?

MR. ORN: We would offer what we have to suggest later.

CHAIRMAN SHEPARD: Does the Buffalo care to offer anything?

MR. ELLIS: We have already offered what we have in our letter.

CHAIRMAN SHEPARD: Does the Kewanee care to offer anything?

MR. MILLS: Kewanee has no comment.

CHAIRMAN SHEPARD: Cabot Carbon Company?

MR. GREEN: We don't have anything to offer at this time, but we would like to reserve the right to send in a statement.

CHAIRMAN SHEPARD: Mr. Morrell, would you like to offer any comment?

MR. MORRELL: If the Commission please, I would like to make a few. In discussing the object of these regulations, it has come to my attention that there seems to be a divergence on the interpretation of the usage of the words gas and natural gas as included in these proposed regulations and as used in the act. If I might, with the thought that it would help clarify in the minds of the operators so that their summation of written comments that are to be forwarded to the Commission by September 20 that point could be fully understood, those comments might be that much better. The best clarification that I am aware of at the present time is contained in a letter from Mr. Jack Campbell to the Commission, and I was wondering if Mr. McCormick might read that statement by Mr. Campbell.

MR. MCCORMICK: I will just read that portion of the letter that Mr. Morrell spoke of. This is from Jack Campbell,

who is attorney for The New Mexico Oil and Gas Association,  
and who is very active in helping us draft the original act.

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That will be available for the committee.

MR. MORELL: Yes, the thought I had was that it might be of advantage to the operators now so that they could have that in submitting their comments to the Commission. That would mean that where natural gas as used in proposed regulations was indicated to mean dry gas as we commonly refer to it in the language of the act would have to have gas wells added, natural gas and gas wells, that being the distinction that Mr. Campbell has presented before you for consideration in changing the definition of gas well on page 2 and the definition of natural gas on page 3 it will help clarify those references. Mr. Willig brought up the point with which I am personally familiar in connection with the wells or pools defined by the nomenclature committee. I told him I would back him up on it, and I will do it. However, I have to disagree on one thing, because we do have some gas pools defined. There are three in this list. There is a possibility that the list as proposed to be included in the appendix should have wording somewhat as follows added. The following are oil pools unless specifically indicated as gas pools. That would leave it as they are. They were defined for oil pools,

but we do have the Hale, the Scanlon, and Justice defined as gas pools, and so indicated under the pool name.

MR. WILLIG: Do they conform to the definition of the act as now written?

MR. MORRELL: Yes.

MR. WILLIG: Was it coincidence that you anticipated what the definition would be?

MR. MORRELL: We anticipate on the basis that those are dry gas and actually used gas and gas wells rather than dry gas. The provisions of the act is that they shall name any pool from which production is sold and there has been some sales from those. The comments that Southern Union made with regard to days of daily allowable, and that was in rule 501 and elsewhere I think, is well taken, and those references should state proration periods, and the definition of a proration period would take care of whether it was a day or six months.

MR. WILLIG: Would it be your idea then that the Commission would not take jurisdiction on the daily maximum amount of gas produced from a well?

MR. MORRELL: The act provides that they shall have a proration period of six months.

MR. WILLIG: I understand that but--

MR. MORRELL: Now, there is a conflict in these rules which provides for a 25 percent leeway. The act says there shall be no leeway except in case of emergency. In other words, it is a qualified leeway, but in a frame of 25 percent.

MR. WILLIG: This was, of course, a daily leeway that was expressed in these rules, not a semi-annual leeway.

MR. MORRELL: As a practical matter, we have had that under consideration in connection with our Federal lands in the San Juan Basin. The specific question was stated with reference to the 25 percent potential, which would be part of the situation of this daily leeway. We have taken the position that the market demand is the primary factor of a gas-distributing system and that so long as the 25 percent of potential is not exceeded over a six months' period, which appears to conform to this six months' allowable period we would offer no objection. As a practical matter, during the winter time in the Fulcher Basin in Kutz Canyon, they will pull the wells the maximum. As a matter of fact, if they can, in other words, full potential. However, averaging over those periods they will only be pulling 17 or 18 percent of potential over the six months' period. I think there has to be considerable leeway in that daily fluctuation that you don't have to deal with in connection with oil.

MR. WILLIG: But, it seems to me though that the Commission would have no control over gas conservation or the operating practices of gas wells. I believe, although it might be as important as in the case of oil wells, you don't necessarily have to have a water drive to make the restriction necessary. And as I understood a while ago, there have been written some good papers on that subject.

MR. MORRELL: And we endorsed them.

MR. WILLIG: And, I think if you prorate gas wells on say a semi-annual period, they might conceivably produce the entire allowable in one month, which would no doubt be excessive from any well. The Commission would have no control

at all.

MR. MORRELL: I think your worry is good and should be considered. Probably, instead of putting it too specifically in a general rule, the general rules should make specific reference that it should be covered in a field rule. What would be good for Fulcher Basin or Kutz Canyon wouldn't apply to Barker Creek and Lea County. Those are all the comments I have to make.

CHAIRMAN SHEPARD: We will have a five minute recess at this time.

(Recess.)

MR. SPURRIER: Gentlemen, I have one announcement before we resume. Chairman Dewey of the engineering committee has asked that I announce that there will be a meeting of their committee in my office on September 21 at 9 o'clock A.M. Now that means that if those comments aren't in by the twentieth, the committee won't have them for their consideration.

CHAIRMAN SHEPARD: Does the Wilson Oil Company desire to offer anything? Mr. Lamb, I guess, is gone. Does the Humble have anything further to suggest?

MR. PRESSLER: Most of the suggestions we have have already been discussed. The others we will submit in writing.

CHAIRMAN SHEPARD: Mr. Keohane, do you have anything?

MR. KEOHANE: Yes, sir, my name is B. M. Keohane. In regard to the definitions, the basic unit of proration as according to the potential, I think is fine, but I have another little suggested changes slip that hasn't been mentioned, and there is quite a few suggested changes in there. I will read

one of them, "Shall consist of 40 acres or lot, not less than 35 acres or more than 45 acres in accordance with the legal subdivisions of the United States Public Lands Surveys, predominately situated within the confines of a pool. In areas in which Public Lands Surveys have not been extended, the unit shall be in the form of a square of 40 acres. Small fractional lots may be unitized or pooled with an adjoining 40 acres, and the allowable production for such combined tract shall be adjusted accordingly." That, of course, is not in here. Is that proposed to be added to that?

MR. DEWEY: That was a suggestion that was made after these rules were gotten up. It was called to our attention in a meeting held in Santa Fe that all the State wasn't included, and that there were some places where lots, I think they called them lots, are a good deal larger than 40 acres in extent, and that was the suggestion for consideration and will be considered at the next round on this thing.

MR. KEOHANE: My contention here is that it is a little confusing for all down the east side of Lea County there are lots that vary from I don't know how high. We will say the average is around 26 acres and all down the line-- of course, across the south end of the State the lots are 32 acres against Texas and in the north side of 16, 37, 8 and 9, the lots run from 51 to 56 acres for regular legal subdivisions according to the United States Government Survey. But if the small lots against Texas would be prorated, we have no assurance as to what Texas would take. The man with the legal subdivision against the Texas



line would in effect be drilling the center of a five spot location, because in Texas the land isn't cut into lots against our State line. It is only our sections that are short; we will say 577 acres or thereabouts, so that result would be that the full units would be moved against our line of lots a mile east of New Mexico over in Texas. So we would be running less than our offset wells in Texas. I think there is some sort of agreement made with the State of Texas on it, but any agreement of that kind would force the man with a smaller plot than the 35 to 45 acres to make his own arrangements with the Texas Railroad Commission on each one of his wells on his allowable. I think the rule is fair based on legal subdivisions or United States Public Land Surveys, but if this only applies to unsurveyed lands, is it fair?

MR. DEWEY: No, I think the suggestion was made to apply to acreage that was greatly in excess or 40 or a good deal less than 40, too.

MR. KEOHANE: Now, you see if that is the case if a person under a 35, a person with say two of the 26 acre lots, he would only get to drill one well, but would he get 51/40ths of the allowable?

MR. DEWEY: I think that is a very good suggestion, that it would be on a comparative acreage basis.

MR. KEOHANE: The point has never been brought up in New Mexico, but I am sure you are all familiar with it that no basis has been set except straight acreage, and we have been getting along with it very well, except that Federal Courts in Texas and I believe other States allot a certain percentage, 60 per cent I believe, to

to the well, and then another 30 percent is proportionate to their acreage to the field.

MR. DEWEY: Well, there are various proration schemes in Texas. They are coming more and more to the New Mexico basis.

MR. KEOHANE: But since they were first, I thought maybe we would come to them instead of them coming to us. You see what I mean, a man is confiscated out of a small lease. The compulsory pooling law only seems to look one way. Is it compulsory for the larger owner to pool with the smaller. That is it. If a man has, we will say I have one 4-acre lease I have owned for years, I have never attempted to drill it. But if a man drilled that, if he did, would he be allowed only one tenth of the allowable? Naturally, he couldn't afford to drill the well. So his 4-acre lease is confiscated. Is he allowed to pool at the discretion of the larger owner in the unit?

MR. DEWEY: I don't think it is compulsory under this law. It is just optional.

MR. KEOHANE: But the man with the small unit is forced to pool, because he has uneconomic unit to drill. Those small tracts were cut out in 1905 before the 40-acre unit was ever established. I am not complaining about the little lease I have. I have forgotten that, but I was wanting to keep from losing some lots I have between Texas and New Mexico on this basis.

MR. DEWEY: I see your point, and I don't know who wrote that suggestion in. It was first mentioned to me by Judge Seth, and I don't know whether Judge Seth--

MR. KEOHANE: I was on the other side of that. I was a

royalty owner or I was overpaid.

MR. DEWEY: He called that to our attention. I don't know whether he submitted that himself or somebody else submitted that.

MR. KEOHANE: I will send in more information to substantiate why I feel it should be on United States Government Surveys of approximately 40 acres if this rule, this rule says as against this one for your consideration.

MR. DEWEY: I would appreciate it very much if you would do that.

MR. MORRELL: May I follow up on the suggestions Mr. Keohane made?

CHAIRMAN SHEPARD: Yes, sir.

MR. MORRELL: It so happens Mr. Keohane brought this to my attention the other day, and I did a little research. Incidentally, the present now effective proration order 637 says 40 acres or lot. That is how you now have it. So far as your routes with regard to pooling, they are covered in section 13 (c), in which the Commission may require pooling if it necessary to protect against inequities. After Mr. Keohane talked to me about this suggestion, I had one of the engineers make a review of producing lots Eddy and Lea County. I thought it might be a little informative to some of the operators to know what that resume showed. There are a total of 396 producing lots in Eddy and Lea Counties at the present time-- 95 in Eddy County and 301 in Lea County. Of those 313, approximately 80 percent, are from 39.00 to 40.99. In other words, either 39 or 40. They do range from 25 acres to a high of 50 acres. Now, it might--would be

proration of 40 barrels a day throughout, the wants were not so great, you could give and take lot easier. But if you get into this deeper production with from four to five or six point seven seven factor, there is quite a bit of difference. If you had an Ellenburger well on a 25-acre lot offsetting, you, and you had a 40-acre lot, you might not like it if they were able to produce as much, That brings up the question of whether or not the suggestion made of blanketing in 35 to 40 acres and as a normal unit is entirely fair or whether or not it might be better to put it on a stronger percentage acreage basis. If you have a well on a lot of 39 acres then it will be 39/40ths of whatever the allowable would be. That is all I have.

MR. McCORMICK: What if you have a 50-acre lot, would you have 120 percent of the allowable?

MR. MORRELL: If you are prorating everything on a acreage basis, you would certainly be entitled to 125 percent of the normal.

MR. McCORMICK: Do you recommend that?

MR. MORRELL: I would as a fair proposition if acreage is the only factor involved. If you are paying, you pay for acreage.

MR. KEOHANE: As Mr. Morrell has suggested like on the north side of 16-37-8 and 9 where the lots run from 51 to 56 acres, if they would be allowed one well and be allowed to run over the 40-acre unit allowable I believe that if the acreage should be pooled--two of the small lots, they should be allowed to run the acreage in proportion to their acreage as it is to 40. In the 35 to 45 section as mentioned in the proposed change in definitions, it

will do, I believe to eliminate some wells of the Ohio which are producing on 32 acres out of Jal against the State of Texas, and I feel sure that they are running a full unit allowable. I believe if we will have to make any pooling deals with Texas on the Federal Government land, you would be subject to considerable drainage before you could ever consummate the pooling agreement and drill the well. It being my suggestion that a legal subdivision should constitute a unit.

MR. DEWEY: Irrespective of how small or big?

MR. KEOHANE: Regardless.

MR. DEWEY: Yes.

MR. KEOHANE: Or in the event it is found to be impractical due to the small size against larger sized tracts the factor of the well should be reduced sharply in computing the acreage and not alone from the number of acres per 40. As the wells will cost approximately the same amount of money and as oil in place would be between Texas and New Mexico, I feel certain that we should be allowed to run as much as the offsetting wells in an offsetting state.

MR. MORRELL: Mr. Chairman, so that there won't be any misinterpretation or misleading information, one statement that Mr. Keohane made about the time of unitizing Federal acreage, I would like to correct. We can get unitization agreements for pooling drill sites in 30 days, and we are very definitely involved in this matter. As you see, much of those lots on the Texas line are Federal acreage, and I thought there would be to take that small tract in New Mexico and communitize it with the 40 in New Mexico and not go across the State line. So far as Texas is the

concerned that I think is a case of exception rather than the general rule. On the south line we now have by hearing before the Commission special allowables to several of those wells equal to the offset production in Texas.

CHAIRMAN SHEPARD: Does the Sun Oil Company wish to offer anything?

MR. BALLOU: Most of our suggestions already have been discussed, and we will submit ours in writing.

MR. MCCORMICK: I would like to ask the committee something about rule 504. At the present time, there are two pools in the State below 12,000 feet. Wouldn't it be wise to extend that pool depth range down to 13,000?

MR. CHRISTIE: Yes, I think so.

MR. MCCORMICK: What would that factor be?

MR. CHRISTIE: 6.75.

MR. DEWEY: Hasn't that been done?

MR. CHRISTIE: It is just omitted in here.

MR. DEWEY: I think it is an oversight in here.

MR. MCCORMICK: I see.

MR. DEWEY: I think it has already been done. Didn't the Commission order that?

MR. MCCORMICK: I don't think it was in the form of a permanent order. It was a special order for the Crossroads Pool, I believe.

MR. DEWEY: That is an oversight in this. We had considered it, and it was an oversight in not getting it in here as I remember it.

CHAIRMAN SHEPARD: Does the Atlantic have anything to offer?

MR. GRIFFITH: We have no comments to make at this time.

We will submit them in writing.

CHAIRMAN SHEPARD: Does Anderson-Prichard have anything to offer?

MR. GREER: Our objections have been covered so far this morning, but I would like to go on record and say certainly we feel very strongly about the regulations involved in gas wells, and we will draw up our objections in writing. And also we feel that gas wells should not be restricted to the 25 percent of their open flow unless there is sufficient reason such as a water drive.

CHAIRMAN SHEPARD: Does anybody have anything to say? We have probably missed some of you. Well if there is nothing further, and no one wants to make a speech, we stand adjourned.

STATE OF NEW MEXICO )  
COUNTY OF BERNALILLO ) SS

I HEREBY CERTIFY that the attached transcript of proceedings before the Oil Conservation Commission for the State of New Mexico is a true record of such proceedings to the best of my knowledge, skill, and ability.

DONE at Santa Fe, N. M., September 27, 1949.

  
E. E. GREESON  
Notary Public

My Commission Expires 8-4-52



Case 187  
Order 850

BEFORE THE OIL CONSERVATION  
COMMISSION OF THE STATE OF  
NEW MEXICO

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

CASE NO. 189  
ORDER NO. 850

RULES AND REGULATIONS

ORDER OF THE COMMISSION

BY THE COMMISSION:

After due notice and hearings in Santa Fe, New Mexico on September 7, 1949 and November 1, 1949, the Commission finds that certain rules, regulations and orders should be adopted and others repealed.

IT IS THEREFORE ORDERED:

1. All rules, regulations and orders heretofore issued by the Commission are repealed and rescinded, effective January 1, 1950, except the following orders which are of a special nature and are not of statewide application, they being:

- a. All orders heretofore issued granting permission for specific unorthodox locations.
- b. Orders relating to approval of unit agreements No. 570, 583, 603, 602, 628, 629, 648, 655, 656, 676, 677, 684, 706, 717, 731, 737, 755, 759, 772, 774, 786, 794, 796, 836.
- c. Orders relating to Carbon Black Plants No. 650, 651, 724, 806.
- d. Orders relating to spacing in the Fulcher Basin Pool No. 541, 647, 748, 815.
- e. Orders relating to specific five (5) spot locations No. 733, 819, 826, 821, 828, 844.
- f. Order No. 799 relating to spacing in the Blanco Pool.
- g. Orders relating to specified pressure maintenance projects as follows:
  - (1) Loco Hills Pressure Maintenance Association, 339, 484, 498, 540, 562.
  - (2) Maljamar Cooperative Repressuring Agreement, 485, 495, 736, 793.
  - (3) Grayburg Unit Association, 659, 791, 802.
  - (4) Culbertson-Irwin Pressure Maintenance Project, 388.
  - (5) Langlie Unitized Pressuring Project, 340.
- h. Orders relating to pooling of interests in specified leases, No. 739, 780.

- i. Order No. 795 relating to a specific tank battery.
- j. Orders relating to dual completions on specified wells, No. 740, 750, 801, 810, 816, 829, 838.
- k. Order No. 831 rescinding the bonus discovery allowable.
- l. Order No. 779 relating to 80-acre spacing in the Crossroads Pool.
- m. Section 2 of Order No. 835, relating to gas-oil ratios.
- n. Order 846, establishing 80-acre spacing in Bagley-Hightower Pool.
- o. Order 33, relating to the proration plan for Monument Pool, Lea County, New Mexico.
- p. Order 398, relating to proration plan for Hobbs Pool.
- q. Orders No. 66 and 67, relating to carbon dioxide.

2. This order shall not affect in any way the validity of any statewide proration order heretofore issued.

3. An exception: from the rules and regulations hereby adopted is granted until March 31, 1950, as to all presently existing oil and gas wells that have been in the past and are presently operated or the products thereof utilized in a manner differing from the requirements herein, but in compliance with former rules and regulations. If during said period the operator of any such well files with the Commission an application for a permanent exception for such well from the requirements of these rules and regulations, the temporary exception herein granted shall continue in force until the Commission has acted on such application.

4. The following rules and regulations are hereby adopted, effective January 1, 1950.

DONE at Santa Fe, New Mexico on this 9th day of December, 1949.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Thomas J. Mabry*  
THOMAS J. MABRY, CHAIRMAN

*Guy Shepard*  
GUY SHEPARD, MEMBER

*R. R. Spurrier*  
R. R. SPURRIER, SECRETARY

#### A - DEFINITIONS

Adjusted Allowable shall mean the allowable production a well or proration unit receives after all adjustments are made.

Allocated Pool is one in which the total oil or natural gas production is restricted and allocated to various wells therein in accordance with proration schedules.

Allowable Production shall mean that number of barrels of oil or standard cubic feet of natural gas authorized by the Commission to be produced from an allocated pool.

Back Allowable shall mean the authorized accumulative under production or shortage for a given proration unit.

Barrel shall mean 42 United States Gallons measured at 60 degrees Fahrenheit and atmospheric pressure at the sea level.

Barrel of Oil shall mean 42 United States gallons of oil, after deductions for the full amount of basic sediment, water, and other impurities present, ascertained by centrifugal or other recognized and customary test.

Bottom Hole or Subsurface Pressure shall mean the gauge pressure in pounds per square inch under conditions existing at or near the producing horizon.

Bradenhead Gas Well shall mean any well producing gas through wellhead connections from a gas reservoir which has been successfully cased off from an underlying oil or gas reservoir.

Carbon Dioxide Gas shall mean noncombustible gas composed chiefly of carbon dioxide occurring naturally in underground rocks.

Casinghead Gas shall mean any gas or vapor or both gas and vapor indigenous to and produced from a pool classified as an oil pool by the Commission. This also includes gas-cap gas produced from such an oil pool.

Commission shall mean the Oil Conservation Commission created by Section 3, Chapter 168, Session Laws 1949.

Common Purchaser for Natural Gas shall mean any person now or hereafter engaged in purchasing from one or more producers gas produced from gas wells within each common source of supply from which it purchases. (See: Sec. 14(d), Chap. 168, Session Laws 1949)

Common Purchaser for Oil shall mean every person now engaged or hereafter engaging in the business of purchasing oil to be transported

through pipe lines. (See: Sec. 14(a), Session Laws 1949)

Common Source of Supply see Pool.

Condensate shall mean the liquid recovered at the surface that results from condensation due to reduced pressure or temperature of petroleum hydrocarbons existing in a gaseous phase in the reservoir.

Correlative Rights shall mean the opportunity afforded, so far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for such purpose to use his just and equitable share of the reservoir energy. (See: Sec. 26 (h), Chap. 168, 1949 Session Laws)

Cubic Foot of Gas or Standard Cubic Foot of Gas, for the purposes of these rules, shall mean that volume of gas contained in one cubic foot of space and computed at a base pressure of 10 ounces per square inch above the average barometric pressure of 14.4 pounds per square inch (15.025 psia), at a standard base temperature of 60° Fahrenheit.

Deep Pool shall mean a common source of supply which is situated 5000 ft. or more below the surface.

Field means the general area which is underlaid or appears to be underlaid by at least one pool; and field also includes the underground reservoir or reservoirs containing such crude petroleum oil or natural gas, or both. The words field and pool mean the same thing when only one underground reservoir is involved; however, field unlike pool may relate to two or more pools. (See: Sec. 26, Chap. 168, 1949 Session Laws)

Gas Lift shall mean any method of lifting liquid to the surface by injecting gas into a well from which oil production is obtained.

Gas-Oil Ratio shall mean the ratio of the casinghead gas produced in standard cubic feet to the number of barrels of oil concurrently produced during any stated period.

Gas-Oil Ratio Adjustment shall mean the reduction in allowable of a high gas-oil ratio unit to conform with the production permitted by the limiting gas-oil ratio for that particular pool during a particular proration period.

Gas Transportation Facility shall mean a pipe line in operation serving gas wells for the transportation of natural gas, or some

other device or equipment in like operation whereby natural gas produced from gas wells connected therewith can be transported or used for consumption. (See: Sec. 26(g), Chap. 168, 1949 Session Laws)

Gas Well shall mean a well producing gas or natural gas from a common source of gas supply as determined by the Commission.

High Gas-Oil Ratio Proration Unit shall mean a unit with at least one producing oil well with a gas-oil ratio in excess of the limiting gas-oil ratio for the pool in which the unit is located.

Illegal Gas shall mean natural gas produced from a gas well in excess of the allowable determined by the Commission. (See: Sec. 15(a), Chap. 168, 1949 Session Laws)

Illegal Oil shall mean crude petroleum oil produced in excess of the allowable as fixed by the Commission (See: Sec. 15(a), Chap. 168, 1949 Session Laws)

Illegal Product shall mean any product of illegal gas or illegal oil. (See: Sec. 15(b), Chap. 168, 1949 Session Laws)

Injection or Input Well shall mean any well used for the injection of air, gas, water or other fluids into any underground stratum.

Limiting Gas-Oil Ratio shall mean the gas-oil ratio assigned by the Commission to a particular oil pool to limit the volumes of casing-head gas which may be produced from the various oil producing units within that particular pool.

Log or Well Log shall mean a systematic detailed and correct record of formations encountered in the drilling of a well.

Marginal Unit shall mean a proration unit that will not produce at a rate equal to the top unit allowable for the proration period for the pool.

Minimum Allowable shall mean the minimum amount of production from an oil or gas well which may be advisable from time to time to the end that production will repay reasonable lifting cost and thus prevent premature abandonment and resulting waste.

Multiple Completion shall mean the completion of any well so as to permit the production from more than one common source of supply with the production from each common source of supply completely segregated.

Natural Gas or Gas shall mean any combustible vapor composed chiefly of hydrocarbons occurring naturally in a pool classified by the Commission as a gas pool.

Non-Marginal Unit shall mean a proration unit that will produce at a rate equal to the top unit allowable for the proration period for the pool

Official Gas-Oil Ratio Test shall mean the periodic gas-oil ratio test made by order of the Commission and by such method and means and in such manner as prescribed by the Commission.

Oil, Crude Oil, or Crude Petroleum Oil shall mean any petroleum hydrocarbon produced from a well in the liquid phase and which existed in a liquid phase in the reservoir.

Oil Well shall mean any well capable of producing oil and which is not a gas well as defined herein.

Operator shall mean any person or persons who, duly authorized, is in charge of the development of a lease or the operation of a producing property.

Overage or Over Production shall mean the amount of oil or the amount of natural gas produced during a proration period in excess of the amount authorized on the proration schedule.

Owner means the person who has the right to drill into and to produce from any pool, and to appropriate the production either for himself or for himself and another. (See: Sec. 26(e), Chap. 168, 1949 Session Laws)

Person means any natural person, corporation, association, partnership, receiver, trustee, guardian, executor, administrator and fiduciary of any kind. (See: Sec. 26(a), Chap. 168, 1949 Session Laws)

Pool means an underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separated from any other zone in the structure, is covered by the word "pool" as used herein. "Pool" is synonymous with "common source of supply" and with "common reservoir". (See: Sec. 26(b), Chap. 168, 1949 Session Laws)

Potential shall mean the properly determined capacity of a well to produce oil, or gas, or both, under conditions prescribed by the Commission.

Pressure Maintenance shall mean the injection of gas or other fluid into a reservoir, either to maintain the existing pressure in such reservoir or to retard the natural decline in the reservoir pressure.

Producer shall mean the owner of well or wells capable of producing oil or natural gas or both in paying quantities.

Product means any commodity or thing made or manufactured from crude petroleum oil or natural gas, and all derivatives of crude petroleum oil or natural gas, including refined crude oil, crude tops,

topped crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil, treated crude oil, fuel oil, residuum, gas oil, naptha, distillate, gasoline, kerosene, benzine, wash oil, waste oil, lubricating oil, and blends or mixtures of crude petroleum oil or natural gas or any derivative thereof. (See: Sec. 25(d), Chap.168, 1949 Session Laws)

Proration Day shall consist of 24 consecutive hours which shall begin at 7 A. M. and end at 7 A. M. on the following day.

Proration Month shall mean the calendar month which shall begin at 7 A. M. on the first day of such month and end at 7 A. M. on the first day of the next succeeding month.

Proration Period shall mean for oil the proration month and for gas six consecutive calendar months which shall begin at 7 A. M. on the first day of a calendar month and end at 7 A. M. on the first day of the seventh succeeding month.

Proration Schedule shall mean the periodic order of the Commission authorizing the production, purchase and transportation of oil or of natural gas from the various units of oil or of natural gas proration in allocated pools.

Recomplete shall mean the subsequent completion of a well in a different pool from the pool in which it was originally completed.

Secondary Recovery shall mean a method of recovering quantities of oil or gas from a reservoir which quantities would not be recoverable by ordinary primary depletion methods.

Shallow Pool shall mean a pool which has a depth range from 0 to 5000 feet.

Shortage or Under Production shall mean the amount of oil or the amount of natural gas during a proration period by which a given proration unit failed to produce an amount equal to that authorized on the proration schedule.

Shut-in Pressure shall mean the gauge pressure noted at the well head when the well is completely shut in. Not to be confused with bottom hole pressure.

Tank Bottoms shall mean that accumulation of hydrocarbon material and other substances which settle naturally below crude oil in tanks and receptacles that are used in handling and storing of crude oil, and which accumulations contains in excess of two (2%) percent of basic sediment and water; provided, however, that with respect to lease production and for lease storage tanks, a tank bottom shall be limited to that volume of the tank in which it is contained that lies below the bottom of the pipe line outlet thereto.



Top Unit Allowable for Gas shall mean the maximum number of cubic feet of natural gas, for the proration period, allocated to a gas producing unit in an allocated gas pool.

Top Unit Allowable for Oil shall mean the maximum number of barrels of oil daily for each calendar month allocated on a proration unit basis in a pool to non-marginal units.

Treating Plant shall mean any plant constructed for the purpose of wholly or partially or being used wholly or partially for reclaiming, treating, processing, or in any manner making tank bottoms or any other waste oils marketable.

Unit of Proration for Gas shall consist of such multiples of 40 acres as may be prescribed by special pool rules issued by the Commission.

Unit of Proration for Oil shall consist of tracts of land each containing approximately forty acres in the form of a square in accordance with the legal subdivision of the U. S. Public Land Surveys and each predominantly situated within the confines of a pool.

Unorthodox Well Location shall mean a location which does not conform to the spacing requirements established by the rules and regulations of the Commission.

Waste, in addition to its ordinary meaning, shall include:

(a) Underground Waste as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas.

(b) Surface Waste as those words are generally understood in the oil and gas business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of natural gas of any type or in any form or crude petroleum oil, or any product thereof, and including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage, or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating or producing, well or wells, or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil or natural gas, in excess of the reasonable market demand.

(c) The production of crude petroleum oil in this state in excess of the reasonable market demand for such crude petroleum oil. Such excess production causes or results in waste which is prohibited by Chapter 168, 1949 Session Laws. The words "reasonable market demand"

as used herein with respect to crude petroleum oil, shall be construed to mean the demand for such crude petroleum oil for reasonable current requirements for current consumption and use within or outside of the state, together with the demand for such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both such crude petroleum oil and products.

(d) The non-ratable purchase or taking of crude petroleum oil in this state. Such non-ratable taking and purchasing causes or results in waste, as defined in the subsections (a), (b), (c) of this section and causes waste by violating Section 12(a), Chapter 168, 1949 Session Laws.

(e) The production in this state of natural gas from any gas well or wells, or from any gas pool, in excess of the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of gas transportation facilities for such type of natural gas. The words "reasonable market demand" as used herein with respect to natural gas, shall be construed to mean the demand for natural gas for reasonable current requirements, for current consumption and for use within or outside the state, together with the demand for such amounts as are necessary for building up or maintaining reasonable storage reserves of natural gas or products thereof, or both such natural gas and products.

## B - MISCELLANEOUS RULES

### RULE 1. SCOPE OF RULES AND REGULATIONS

(a) The following General Rules of statewide application have been adopted by the Oil Conservation Commission to conserve the natural resources of the State of New Mexico, to prevent waste, and to protect correlative rights of all owners of crude oil and natural gas. Special rules, regulations and orders have been and will be issued when required and shall prevail as against General Rules, Regulations and Orders if in conflict therewith. However, wherever these General Rules do not conflict with special rules heretofore or hereafter adopted, these General Rules will apply in each case.

(b) The Commission may grant exceptions to these rules after notice and hearing, when the granting of such exceptions will not result in waste but will protect correlative rights or prevent undue hardship.

### RULE 2. ENFORCEMENT OF LAWS, RULES AND REGULATIONS DEALING WITH CONSERVATION OF OIL AND GAS

The Commission, its agents, representatives and employees are charged with the duty and obligation of enforcing all rules and statutes of the State of New Mexico relating to the conservation of oil and gas. However, it shall be the responsibility of all the owners or operators to obtain information pertaining to the regulation of oil and gas before operations have begun.

### RULE 3. WASTE PROHIBITED

(a) The production or handling of crude petroleum oil or natural gas of any type or in any form, or the handling of products thereof, in such a manner or under such conditions or in such amount as to constitute or result in waste is hereby prohibited.

(b) All operators, contractors, drillers, carriers, gas distributors, service companies, pipe pulling and salvaging contractors, or other persons shall at all times conduct their operations in the drilling, equipping, operating, producing, plugging and abandonment of oil and gas wells in a manner that will prevent waste of oil and gas, and shall not wastefully utilize oil or gas, or allow either to leak or escape from a natural reservoir, or from wells, tanks, containers, pipe or other storage, conduit or operating equipment.

### RULE 4. UNITED STATES GOVERNMENT LEASES

The Commission recognizes that all persons drilling on United States government land shall comply with the United States government regulations. Such persons shall also comply with all applicable State rules and regulations which are not in conflict therewith. Copies of the "Sundry Notices and Reports on Wells" and the "Well Log" of the wells on U. S. government land shall be furnished the Commission.

**RULE 5. CLASSIFYING AND DEFINING POOLS**

The Commission will determine whether a particular well or pool is a gas or oil well, or a gas or oil pool, as the case may be, and from time to time classify and re-classify wells and name pools accordingly, and will determine the limits of any pool or pools producing crude petroleum oil or natural gas and from time to time re-determine such limits. Pools hereby named and defined are listed in the Appendix attached hereto.

**RULE 6. FORMS UPON REQUEST**

Forms for written notices, requests and reports required by the Commission will be furnished upon request. For information on forms see Appendix.

**RULE 7. AUTHORITY TO COOPERATE WITH OTHER AGENCIES**

The Commission may from time to time enter into arrangements with State and Federal governmental agencies, industry committees and individuals, with respect to special projects, services and studies relating to conservation of oil and gas.

C - DRILLING

RULE 101. PLUGGING BOND

(a) Any person who has drilled or is drilling or proposes to drill for oil or gas shall submit to the Commission and obtain its approval of a bond, in a form approved by the Commission, conditioned to plug such well, if dry or when abandoned, in such way as to confine the oil, gas or water in the respective strata in which they are found. The bond shall be in an amount determined by the Commission after taking into consideration the depth of the well and local conditions, but in no case shall the amount of the bond applicable to one well only, be more than \$10,000.00. Each such bond shall be executed by a responsible surety company, authorized to transact business in the State of New Mexico. In cases where the principal on the bond is drilling or operating a number of wells within the State or proposes to do so, such principal may, with the approval of the Commission, submit a blanket bond in the amount of \$10,000.00 conditioned as above provided, covering all wells which such person may at any time before such bond is released, drill or operate within this state.

(b) For the purposes of the Commission the bond required is a plugging bond, not a drilling bond, and is to endure up to and including approved plugging when the well is dry or abandoned, even though the well be a producer. Transfer of property does not release the bond. In case of transfer of property and the principal desires to be released from the bond, he should proceed as follows:

(1) The principal on the bond should notify the Commission in writing that the well, or wells, describing each well by 40-acre tract--Section, Township and Range, has or have been transferred to a certain transferee, for the purpose of ownership or operation.

(2) On the same instrument the transferee should recite that he accepts such transfer and accepts the responsibility of such well or wells under his bond tendered therewith or under his blanket bond on file with the Commission.

(c) When the Commission has approved the transfer, the transferer

is immediately released of the plugging responsibility of the well or wells as the case may be, and if such well or wells include all the wells within the responsibility of the transferrer's bond, such bond will be released upon written notice by the Commission to that effect.

(d) The transferee of any oil or gas well or of the operation of any such well shall be responsible for the plugging of any such well and for that purpose shall submit a new plugging bond or produce the written consent of the surety of the prior plugging bond that the latter's responsibility shall continue.

(e) When the well or wells involved, or any such wells, are located on a state oil and gas lease, and the surface of the land involved was sold by the state prior to such oil and gas lease, such bond may, at the election of the principal, be conditioned not only for the plugging of such well or wells as above provided, but also to secure the payment of such damages to the livestock, range, water, crops or tangible improvements on such land as may be suffered by such purchaser or his successors in interest by reason of the development, use and occupation of the land resulting from such oil and gas leases. Any bond so conditioned must be approved, not only by the Commission, but by the Commissioner of Public Lands, in his capacity as such.

(f) Bonds conditioned to protect surface owners as aforesaid shall cover liability incurred during the entire period of oil and gas operations by the principal on the lands involved.

(g) The Commission will in writing advise the principal and sureties on any bond as to whether the plugging is approved, in order that, if the plugging is approved, liability under such bond may be formally terminated.

(h) The Secretary of the Commission is vested with power to act for the Commission as to all matters within this rule.

\*Both forms--for one-well bond and blanket bond form--  
distributed from Commission office at Santa Fe.

RULE 102. NOTICE OF INTENTION TO DRILL OR RECOMPLETE

Prior to the commencement of operations notice shall be delivered to the Commission of intention to drill any well for oil or gas, on Form C-101. Prior to the commencement of recompletion operations notice shall likewise be delivered to the Commission of intention to deepen or plug back to any common source of supply other than the existing producing horizon.

RULE 103. SIGN ON WELLS

Every drilling and producible well shall be identified by a sign, posted on the derrick or not more than 20 feet from such well, and such signs shall be of durable construction and the lettering thereon shall be kept in a legible condition and shall be large enough to be legible under normal conditions at a distance of 50 feet. The wells on each lease or property shall be numbered in non-repetitive, logical and distinctive sequence. Each sign shall show the number of the well, the name of the lease (which shall be different or distinctive for each lease), the name of the lessee, owner or operator, and the location by quarter section, township and range.

RULE 104. WELL SPACING; ACREAGE REQUIREMENTS FOR DRILLING TRACTS

(a) Each well drilled not within the limits of a defined oil pool or a defined gas pool shall be located on a tract consisting of not less than 40 surface contiguous acres substantially in the form of a square and shall be drilled not closer than 660 feet to any boundary line of said tract.

(b) Each well drilled within a defined oil pool shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square in accordance with the legal subdivision of the United States Public Land Surveys or on a governmental quarter quarter section or lot and shall not be drilled closer than 330 feet to any boundary line of such tract or closer than 660 feet to the nearest well drilling to or capable of producing from the same pool.

(c) Each well drilled within a defined gas pool shall be located on a tract consisting of approximately 160 surface contiguous acres substantially in the form of a square in accordance with the legal subdivisions of the United States Public Land Surveys and shall not be drilled closer than 660 feet to any boundary line of the tract or closer than 1320 feet to a well drilling to or capable of producing from the same pool.

(d) Wells drilled not in conflict with the three preceding paragraphs are orthodox locations.

(e) The Commission may grant an exception to the above requirements whenever the Commission shall determine after notice

and hearing that the unit is partly outside a defined oil pool or a defined gas pool or for some other reason a well so located on the unit would be non-productive or topographical conditions are such as to make the drilling of such location unduly burdensome or that such exception is necessary to prevent waste or the confiscation of property. Application for an exception shall be accompanied by a plat drawn to the scale of 1-inch equals 660 feet accurately showing to scale the property on which the exception is sought and accurately showing to scale all other completed drilling and permitted wells on this property and all adjoining surrounding properties. The application shall be verified by some person acquainted with the facts and sworn to before a notary public. In addition to the published notice of the hearing elsewhere herein required, a 10-days written notice shall be given by the Commission by mailing by registered mail to all adjoining lessees. The names and addresses of such adjoining lessees shall be given in the application.

(f) The Secretary of the Commission shall have authority to grant an exception to the requirements of (a), (b) and (c) above without notice and hearing where application has been filed in due form and

1. The necessity for the unorthodox location is based on topographical conditions, and
- 2.a) The ownership of all oil and gas leases within a radius of 660 feet of the proposed location is common with the ownership of the oil and gas leases under the proposed location, or
- b) All owners of oil and gas leases within such radius consent in writing to the proposed location.

(g) Whenever an exception is granted, the Commission may take such action as will offset any advantage which the person securing the exception may obtain over other producers by reason of the unorthodox location.

(h) If the drilling tract is within an allocated oil pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of less than  $39\frac{1}{2}$  acres or more than  $40\frac{1}{2}$  acres, the top unit allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40

(i) If the drilling tract is within an allocated gas pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of less than 158 acres or more than 162 acres, the top unit allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 160.



(j) In computing acreage under (h) and (i) above, minor fractions of an acre shall not be counted but  $\frac{1}{2}$  acre or more shall count as 1 acre.

(k) The provisions of (h), (i) and (j) above shall apply only to wells completed after the effective date of this rule. Nothing herein contained shall affect in any manner any well completed prior to the effective date of this rule and no adjustments shall be made in the allowable production for any such wells by reason of these rules.

(l) In order to prevent waste the Commission may, after notice and hearing, fix different spacing requirements and require greater acreage for drilling tracts in any defined oil pool or in any defined gas pool notwithstanding the provisions of (b) and (c) above.

#### RULE 105. PIT FOR CLAY, SHALE AND DRILL CUTTINGS

In order to assure a supply of proper material for mud-laden fluid to confine oil, gas or water to their native strata during the drilling of any well, operators shall provide before drilling is commenced an adequate pit for the accumulation of drill cuttings.

#### RULE 106. SEALING OFF STRATA

(a) During the drilling of any oil or natural gas well, all oil, gas and water strata above the producing horizon shall be sealed or separated in order to prevent their contents from passing into other strata.

(b) All fresh waters and waters of present or probable value for domestic, commercial or stock purposes shall be confined to their respective strata and shall be adequately protected by methods approved by the Commission. Special precautions by methods satisfactory to the Commission shall be taken in drilling and abandoning wells to guard against any loss of artesian water from the strata in which it occurs, and the contamination of artesian water by objectionable water, oil or gas.

(c) All water shall be shut off and excluded from the various oil and gas bearing strata which are penetrated. Water shut-offs shall ordinarily be made by cementing casing or landing casing with or without the use of mud-laden fluid.

#### RULE 107. CASING AND TUBING REQUIREMENTS

(a) All wells drilled for oil or natural gas shall be completed with a string of casing which shall be properly cemented at a sufficient depth adequately to protect the oil or natural gas-bearing stratum to be produced. In addition thereto, such other casing shall be used in order to seal off all oil, gas and water stratum which may be encountered in the well, except the one or ones to be produced.

(b) Sufficient cement shall be used on surface casing to fill the annular space back of the casing to the bottom of the cellar or to the surface of the ground. Surface casing shall stand cemented for at least 24 hours before drilling plug or initiating

tests. All other strings of casing shall stand cemented for at least 30 hours before drilling plug or initiating tests. Cementing shall be by the pump and plug method, or other method approved by the Commission.

(c) All flowing wells shall be tubed, the tubing shall be set as near the bottom as practical, but tubing perforations shall not be more than 250 feet above the top of pay, unless authorized by the Commission. The bottom of the tubing shall be restricted to an opening of less than one inch or bull plugged in order to prevent loss of pressure bombs or other devices.

**RULE 108. DEFECTIVE CASING OR CEMENTING**

In any well that appears to have a defective casing program, faulty cemented or corroded casing which will permit or may create underground waste, the operator shall proceed with diligence to use the appropriate method and means to eliminate such hazard of underground waste. If such hazard of waste cannot be eliminated, the well shall be properly plugged and abandoned.

**RULE 109. BLOW OUT PREVENTION**

In drilling in areas where high pressures are likely to exist, all proper and usual precautions shall be taken for keeping the well under control, including the use of blow-out preventers and high pressure fittings attached to properly cemented casing strings.

**RULE 110. PULLING OUTSIDE STRINGS OF CASING**

In pulling outside strings of casing from any oil or gas well, the space outside the casing left in the hole shall be kept and left full of mud-laden fluid or cement of adequate specific gravity to seal off all fresh and salt water strata and any strata bearing oil or gas not producing.

**RULE 111. DEVIATION TESTS**

(a) When any well is drilled or deepened with rotary tools, tests to determine the deviation from the vertical shall be taken. When the deviation from the vertical in any 500 foot interval averages more than 5 degrees, a directional survey shall be filed with the Commission before any oil or gas from the well is sold so as to determine that the bottom of the hole is on the lease where the well is drilled.

(b) A deviational and directional survey shall be made and filed with the Commission on any well utilizing a whipstock or any method of deviating the well bore in a predetermined direction except to sidetrack junk in the hole, straighten a crooked hole or to control a blow-out. Special permits may be obtained to directionally drill in a predetermined direction as limited above, only after a hearing before the Commission.

**RULE 112. MULTIPLE ZONE COMPLETIONS**

(a) The multiple zone completion of any well, including a bradenhead gas well, may be permitted only by order of the Commission upon hearing.

(b) The application for such hearing shall be accompanied by an exhibit showing the location of all wells on applicant's lease and all offset wells on offset leases, and shall set forth all material facts on the common sources of supply involved, and the manner and method of completion proposed.

**RULE 113. SHOOTING AND CHEMICAL TREATMENT OF WELLS**

If injury results to the producing formation, casing or casing seat from shooting or treating a well, the operator shall proceed with diligence to use the appropriate method and means for rectifying such damage. If shooting or chemical treating results in irreparable injury to the well the Commission may require the operator to properly plug and abandon the well.

**RULE 114. SAFETY REGULATION**

(a) All oil wells shall be cleaned into a pit or tank, not less than 40 feet from the derrick floor and 150 feet from any fire hazard. All flowing oil wells must be produced through an oil and gas separator of ample capacity and in good working order. No boiler or portable electric lighting generator shall be placed or remain nearer than 150 feet to any producing well or oil tank. Any rubbish or debris that might constitute a fire hazard shall be removed to a distance of at least 150 feet from the vicinity of wells and tanks. All waste shall be burned or disposed of in such manner as to avoid creating a fire hazard.

(b) When coming out of the hole with drill pipe, drilling fluid shall be circulated until equalized and subsequently drilling fluid level shall be maintained at a height sufficient to control subsurface pressures. During course of drilling, blow-out preventers shall be tested at least once each 24 hour period.

**RULE 115. WELL AND LEASE EQUIPMENT**

Christmas tree fittings or wellhead connections with a working pressure equivalent to at least 150% of the calculated or known pressure in the reservoir from which production is expected shall be installed and maintained in first class condition so that on flowing wells, gas-oil ratio, static bottom-hole or other pressure tests may be easily made. Valves shall be installed and maintained in good working order to permit pressures to be obtained on both casing and tubing. Each flowing well shall be equipped to control properly the flowing of each well, and in case of an oil well, shall be produced into an oil and gas separator of a type generally used in the industry.

**RULE 116. NOTIFICATION OF FIRE, BREAKS, LEAKS OR BLOW-OUTS**

All persons controlling or operating any oil or gas well or pipe line, or receiving tank, storage tank, or receiving and storage receptacle into which crude oil is produced, received or stored, or through which oil is piped or transported, shall immediately notify the Commission by letter giving full details concerning all fires which occur at such oil or gas well or tank or receptacle on their property, and all such persons shall immediately report all tanks or receptacles struck by lightning and any other fire which destroys oil or gas, and shall immediately report any breaks or leaks in or from tanks or receptacles and pipe lines from which oil or gas is escaping or has escaped. In all such reports of fires, breaks, leaks or escapes, or other accidents of this nature, the location of the well, tank, receptacle, or line break shall be given by Section, Township, Range and property, so that the exact location thereof can be readily located on the ground. Such report shall likewise specify what steps have been taken or are in progress to remedy the situation reported; and shall detail the quantity of oil or gas lost, destroyed or permitted to escape. In case any tank or receptacle is permitted to run over, the amount running over shall be reported as in the case of a leak. The report hereby required as to oil losses shall be necessary only in case such losses exceed 100 barrels in the aggregate during any proration period.

**RULE 117. WELL LOG, COMPLETION AND WORKOVER REPORTS**

Within 20 days after the completion of a well drilled for oil or gas, or the recompletion of a well into a different common source of supply, a completion report shall be filed with the Commission on Form C-105. For the purpose of this rule, any hole drilled or cored below fresh water or which penetrates oil or gas-bearing formations or which is drilled by an "owner" as defined herein shall be presumed to be a well drilled for oil or gas.

## D - ABANDONMENT AND PLUGGING OF WELLS

### RULE 201. NOTICE

Notice of intention to plug must be filed with the Commission by the owner or his agent prior to the commencement of plugging operations, on Form C-102, which notice shall state the name and location of the well and name of the operator, and contain an affidavit that the owner or his agent has notified all offset lessees, giving the names of such lessees and the location of their leases. In case of a newly completed dry hole in which no casing, except surface casing has been run, the operator may commence plugging by securing the approval of the Commission, as to the time plugging operations are to begin. He shall, however, file the regular notification form.

### RULE 202. METHOD OF PLUGGING

(a) Before any well is abandoned, it shall be plugged in a manner which will confine permanently all oil, gas and water in the separate strata originally containing them. This operation shall be accomplished by the use of mud-laden fluid, cement and plugs, used singly or in combination as may be approved by the Commission. The exact location of abandoned wells shall be shown by a steel marker at least four inches in diameter set in concrete, and extending at least four feet above mean ground level. Seismic, core or other exploratory holes drilled to or below sands containing fresh water shall be plugged and abandoned in accordance with the applicable provisions recited above. Permanent markers are not required on seismic holes.

(b) If a well is to be abandoned temporarily and no casing pulled, then a plug shall be placed at the top and bottom of the casing in such manner as to prevent the intrusion of any foreign matter into the well.

(c) When drilling operations have been suspended for 60 days, the well shall be plugged and abandoned unless a permit for temporary abandonment shall be obtained from the Commission.

### RULE 203. WELLS TO BE USED FOR FRESH WATER

When the well to be plugged may safely be used as a fresh water well and such utilization is desired by the landowner, the well need not be filled above a sealing plug set below the fresh water formation; provided that, written authority for such use shall be secured from the landowner and filed with the Commission.

### RULE 204. LIABILITY

The owner of any well drilled for oil or gas, or any seismic, core or other exploratory holes, whether cased or uncased, shall be responsible for the plugging thereof.

## E - OIL PRODUCTION OPERATING PRACTICES

### RULE 301. GAS-OIL RATIO TEST

(a) Each operator shall take a gas-oil ratio test within 30 days following the completion or recompletion of an oil well. Also, each operator shall make an annual gas-oil ratio test of each well during the month which contains the anniversary date of the discovery well, in the pool in which the well is located, or at such other periods which the Commission may designate. During such tests, each well shall be produced at a rate equal to or not exceeding its allowable by more than 25 percent. No well shall be given an allowable greater than the amount of oil produced on official test during a 24-hour period. The results of such test shall be reported on Form C-116 on or before the 15th. day of the month following the month during which such test is made. The Commission will drop from the Proration Schedule any proration unit for failure to make or report such test as herein provided until such time as a satisfactory explanation is given. Provided, however, that no gas-oil ratio tests shall be required as to the following wells:

(1) Any well for which a permit has been granted and which is being used as an input well for the injection of gas, or

(2) Any well in a pool exempted from the requirements of this rule after hearing by the Commission.

(b) Even though no gas-oil ratio test is required to be taken, the operator shall annually file Form C-116 and shall show thereon the reason no test was taken.

### RULE 302. SUBSURFACE PRESSURE TESTS ON NEW POOLS

The operator shall make a subsurface pressure test on the discovery well of any new pool hereafter discovered, and shall report the results thereof to the Commission within 30 days after the completion of such discovery well. During the month which contains the anniversary date of the discovery well for each pool, or at such other periods as the Commission directs, all operators within the same pool shall make each year a subsurface pressure test on all flowing wells in the pool. This test shall be made by a person qualified by both training and experience to make such test, and with an approved subsurface pressure instrument which shall have been calibrated both prior and subsequent to such test against an approved dead weight tester. Provided the prior and subsequent calibrations agree within one percent, the accuracy of the instrument shall be considered acceptable. All wells shall remain completely shut-in for at least twenty four hours prior to the test. The subsurface determination shall be obtained as close as possible to the midpoint of the productive sand of the reservoir. The report shall be on Form C-103 and shall state the name of the pool, the name of the operator and lease, the well number, the sub-sea depth in feet of the reservoir datum plane, the well head elevation above sea level, the depth in feet to the top of the producing formation or top of perforations, whichever is the lower, the date of the test, the total number of hours the well was shut in prior to the test, the subsurface temperature in degrees Fahrenheit at the test depth, the depth in feet at which the subsurface pressure test was made, the observed pressure in pounds per square inch gauge at the test depth, and the corrected pressure computed from applying to the observed pressure the appropriate

corrections for calibration, temperature, and differences in depth between test depth and reservoir datum plane.

**RULE 303. COMINGLING OF OIL FROM POOLS**

Each pool shall be produced as a single common reservoir and the wells therein shall be completed, cased, maintained and operated as the producing media for that specific pool, and the production of oil therefrom shall at all times be actually segregated into separate, identified tanks, and the comingling or confusion of such production, before marketing, with fluid hydrocarbons produced from other and distinct pools or fields in any tank or tanks is strictly prohibited.

**RULE 304. CONTROL OF MULTIPLE COMPLETED WELLS**

Multiple completed wells which have been authorized by the Commission shall at all times be operated, produced and maintained in a manner to insure the complete segregation of the various common sources of supply. The Commission may require such tests as it deems necessary to determine the effectiveness of the segregation of the different common sources of supply.

**RULE 305. METERED CASINGHEAD GAS**

The owner of a lease shall not be required to measure the exact amount of casinghead gas produced and used by him for fuel purposes in the development and normal operation of the lease. All casinghead gas produced and sold or transported away from a lease, except small amounts of flare gas, shall be metered and reported in standard cubic feet monthly to the Commission. The amount of casinghead gas sold in small quantities for use in the field may be calculated upon a basis generally acceptable in the industry, or upon a basis approved by the Commission in lieu of meter measurements.

**RULE 306. VENTED CASINGHEAD GAS**

Pending arrangement for disposition for some useful purpose, all vented casinghead gas shall be burned, and the estimated volume reported on Form C-115.

**RULE 307. USE OF VACUUM PUMPS**

Vacuum pumps or other devices shall not be used for the purpose of creating a partial vacuum in any stratum containing oil or gas.

**RULE 308. SALT OR SULPHUR WATER**

Operators shall report monthly on Form C-115, the amount or percentage of salt or sulphur water produced with the oil by each well making 2% or more water.

**RULE 309. CENTRAL TANK BATTERIES**

Oil shall not be transported from a lease until it has been received and measured in tanks located on the lease. At the option of the operator, common tankage may be used to receive the production from as many as 8 units of the same basic lease, provided adequate tankage and other equipment is installed so that the production from each well can be accurately determined at reasonable intervals.

**RULE 310. OIL TANKS AND FIRE WALLS**

Oil shall not be stored or retained in earthen reservoirs, or in open receptacles. Dikes or fire walls shall not be required except such fire walls must be erected and kept around all permanent oil tanks, or battery of tanks that are within the corporate limits of any city, town, or village, or where such tanks are closer than 150 feet to any producing oil or gas well or 500 feet to any highway or inhabited dwelling or closer than 1000 feet to any school or church; or where such tanks are so located as to be deemed an objectionable hazard within the discretion of the Commission. Where fire walls are required, fire walls shall form a reservoir having a capacity one-third larger than the capacity of the enclosed tank or tanks.

**RULE 311. TANK CLEANING PERMIT**

No tank bottom shall be removed from any tank used for the storage of crude petroleum oil unless and until application for tank cleaning permit is approved by Agent of the Commission. To obtain approval, owner shall submit Commission's Form C-117 reporting an accurate gauge of the contents of the tank and the amount of merchantable oil determinable from a representative sample of the tank bottom by the standard centrifugal test as prescribed by the American Petroleum Institute's code for measuring, sampling, and testing crude oil. Number 25, Section 5. The amount of merchantable oil shall be shown as a separate item on Commission Form C-115, and shall be charged against the allowable of the unit or units producing into such tank or pit where such merchantable oil accumulated. Nothing contained in this rule shall apply to the use of tank bottoms on the originating lease where owner retains custody and control of the tank bottom or to the treating of tank bottoms by operator where the merchantable oil recovered is disposed of through a duly authorized transporter and is reported on Commission Form C-115. Nothing contained in this Rule shall apply to reclaiming of pipe line break oil or the treating of tank bottoms at a pipe line station, crude oil storage terminal or refinery or to the treating by a gasoline plant operator of oil and other catchings collected in traps and drips in the gas gathering lines connected to gasoline plants and in scrubbers at such plants.

**RULE 312. TREATING PLANT**

No treating plant shall operate except in conformity with the following provisions:

(a) Before construction of a treating plant and upon written application for treating plant permit stating in detail the location, type, and capacity of the plant contemplated and method of processing proposed, the Commission in not less than 20 days will set such application for hearing to determine whether the proposed plant and method of processing will actually and efficiently process, treat and reclaim tank bottom emulsion and other waste oils, and whether there is need for such a plant at the proposed location thereof. Before actual operations are begun, the permittee shall file with the Commission a surety bond of performance satisfactory to the Commission and payable in the amount of \$25,000.00 to the Commission of the State of New Mexico.



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(b) Such permit, if granted, shall be valid for 1 year, shall be revocable at the discretion of the Commission at any time after hearing is had on 10 days' notice and shall entitle the treating plant operator to an approved Certificate of Compliance and Authorization to Transport Oil, Commission Form C-110, for the total amount of products secured from tank bottoms and other waste oils processed. Any operating treating plant shall, on or before the 15th day of each calendar month, file at the nearest office of the Commission, a monthly report on Commission Form C-118, which report when fully completed and approved by an authorized agent of the Commission, may be used to support a Commission Form C-110 for the net oil on hand at the end of the reported period. In no event shall Commission Form C-110 be issued for moving the products of a treating plant without supporting Commission Form C-118 being completed and approved.

(c) None of the provisions of this rule are applicable to the recovery of wash-in oil, creek oil, or pit oil where such oil is picked up and returned to the lease on which produced or where such oil is disposed of by owner to an authorized transporter and accounted for on Commission Form C-110. Before any person other than owner shall pick up, reclaim or salvage wash-in oil, creek oil, or pit oil, a permit to do so shall be obtained from owner or operator of lease and from the duly authorized agent of the Commission. Application for permit shall state the name and location of the lease, the number of well or wells from which the oil was produced, or the source of such oil and the name of the owner, operator or manager.

RULE 313. EMULSION, BASIC SEDIMENTS, AND TANK BOTTOMS

Wells producing oil shall be operated in such a manner as will reduce as much as practicable the formation of emulsion and B. S. These substances and tank bottoms shall not be allowed to pollute streams or cause surface damage. If tank bottoms are removed to surface pits, the pits shall be fenced and the fence shall be kept in good repair.

F - NATURAL GAS PRODUCTION OPERATING PRACTICE

RULE 401. METHOD OF DETERMINING NATURAL GAS WELL POTENTIAL

All operators shall make tests annually to determine the daily open flow potential volumes of all natural gas wells from which gas is being used or marketed. Such tests shall be reported on forms furnished by the Commission. To establish comparable open flow capacity, wells shall be tested by the back pressure method, using 4 back pressure flows taken in sequence from low to high flow. In the event the Commission approves an alternate method of testing, all wells producing from a common source of supply shall be tested in a uniform and comparable manner. In a like manner all natural gas wells hereafter completed shall be tested and the potential test reported. Where it has been determined that a natural gas well in any pool has a potential of 400,000 cubic feet per day or less, further potential tests shall not be required provided the operator periodically reports the shut-in pressure of the well.

RULE 402. METHOD AND TIME OF SHUT-IN PRESSURE TESTS

(a) Shut-in pressures shall be taken by the operator on all natural gas wells during the months of April and October of each year, unless the taking of such pressures is covered by special pool order.

(b) Shut-in pressures shall be taken with a calibrated gauge after a minimum shut-in period of twenty-four hours. When the shut-in period exceeds 24 hours, such shut-in period shall be reported to the Commission. All shut-in pressures shall be reported to the Commission.

RULE 403. NATURAL GAS FROM GAS WELLS TO BE MEASURED

All natural gas produced shall be accounted for by metering or other method approved by the Commission and reported to the Commission by common purchaser of the gas. Gas produced from a gas well and delivered to a gas transportation facility shall be reported by the owner or operator of the gas transportation facility. Gas produced from a gas well, and required to be reported under this rule, which is not delivered to and reported by a gas transportation facility, shall be reported by the operator of the well.

RULE 404. NATURAL GAS UTILIZATION

After the completion of a natural gas well, no gas from such well shall be (1) permitted to escape to the air (2) used expansively in engines or pumps and then vented (3) used to gas lift oil wells unless all gas produced is processed in a gasoline plant, or beneficially used thereafter without waste, or (4) used for the manufacture of carbon black.

RULE 405. STORAGE GAS

With the exception of the requirement to meter and report monthly the amount of gas injected and the amount of gas withdrawn from storage, in the absence of waste these rules and regulations shall not apply to gas being injected into or removed from storage.

RULE 406. CARBON DIOXIDE

(a) Insofar as is applicable, the state-wide regulations relating to gas, natural gas, gas wells, gas reservoirs, shall also apply to carbon dioxide, carbon dioxide wells, and carbon dioxide reservoirs.

(b) Copies of rules and regulations particularly effecting carbon dioxide gas fields, insofar as they may vary from these general rules and regulations for oil and natural gas may be obtained from the Commission office in Santa Fe.

## G - OIL PRORATION AND ALLOCATION

### RULE 501. REGULATION OF POOLS

(a) To prevent waste, the Commission shall prorate or distribute the allowable production among the producers in a pool upon a reasonable basis and recognizing correlative rights.

(b) After notice and hearing, the Commission, in order to prevent waste and protect correlative rights may promulgate special rules, regulations or orders pertaining to any pool.

### RULE 502. RATE OF PRODUCING WELLS

In allocated oil pools the owner or operator of any producing units shall not produce from any unit during any proration period any more oil than the allowable production for oil from such unit as shown by the proration schedule, provided, however, that such owners or operators shall be permitted to balance the production for each unit during the proration period. In no event shall any oil unit be produced in any manner or in such amount as to result in the production in any one day of an amount in excess of 125% of the daily allowable.

### RULE 503. AUTHORIZATION FOR PRODUCTION, PURCHASE AND TRANSPORTATION

(a) The Commission shall meet between the 20th and the 25th of each month for the purpose of setting the allowable production for the State for the following calendar month.

(b) The exact date, time and place of such meetings shall be established in January of each year and notice given of such settings by publication made on or before January 10th of each year.

(c) The Commission will consider all evidence of market demand for oil and determine the amount of oil to be produced from all oil pools during the following month. The amounts so determined will be allocated among the various pools in accordance with existing regulations and among the various units in each pool in accordance with regulations governing each pool. In allocated pools, effective the first day of each proration period, the Commission will issue a proration schedule which will authorize the production of oil from the various units in strict accordance with the schedule and the purchase and transportation of oil so produced. Allowable for wells completed after the first day of the proration period will become effective from the date of well completion. A supplementary order will be issued by the Commission to the operator of a newly completed or recompleted well, and to the purchaser or transporter of the oil from a newly completed or recompleted well, establishing the effective date of completion, the amount of production permitted during the remainder of the proration period, and the authority to purchase and transport same from said well.

(d) A marginal unit shall be permitted to produce any amount of crude petroleum which it is capable of producing up to and including the top unit allowable for that particular pool for the particular proration period; provided the operator of such unit shall file with the Commission for a supplemental order covering the increase above the amount shown on the proration schedule. The Commission shall issue such supplemental order setting forth the daily amount of crude petroleum which such unit shall be permitted to produce for the particular proration

period and shall furnish such supplemental order to the operator of the unit and a copy thereof to the transporter authorized to transport crude petroleum from the unit.

(e) Current oil shortages may be made up or unavoidable and lawful overages compensated for during the second proration period next following the proration period in which such shortages or overages occurred.

(f) All legal and authorized back allowable available for purchase will be published in the monthly proration schedule. No back allowable will be placed in the proration schedule unless request is made by producer and proof is shown that shortage is legal and should be considered as back allowable. There are only three justifications for back allowable, namely: (1) failure of purchaser or transporter to run assigned oil allowable, (2) mechanical failures affecting the producing well during the proration period, (3) gathering engineering data. Unless application is filed for back allowable within 90 days after the occurrence of the shortage, no back allowable for such shortage shall be granted. Unless the justification for back allowable is the continuing failure of purchaser or transporter to run the assigned oil allowable, the back allowable filed for and occurring in any one month will be authorized for production and purchase on not more than 3 consecutive monthly proration schedules.

(g) In order to preclude premature abandonment, a common purchaser within its purchasing area is authorized and directed to make 100 percent purchases from units of settled production producing 10 barrels or less daily of crude petroleum in lieu of ratable purchases or takings. Provided, however, where such purchaser's takings are curtailed below 10 barrels per unit of crude petroleum daily, then such purchaser is authorized and directed to purchase equally from all such units within its purchasing area regardless of their producing ability insofar as they are capable of producing.

#### **RULE 504. APPLICATION FOR ALLOWABLE ON NEW WELLS**

No well shall be placed on the proration schedule until Form C-104 and C-110 have been filed with the Commission.

#### **RULE 505. OIL PRORATION**

In allocated pools, the allocation between pools is in accordance with the top of the producing depth of the pool and the corresponding proportional factor set out below. The depth to the casing shoe or the top perforation in the casing, whichever is the higher, in the first well completed in a pool determines the depth classification for the pool. Top unit allowables shall be calculated for each of the several ranges of depth in the following proportions:

<u>Pool Depth Range</u>			<u>Proportional Factor</u>
From	0 to	5,000 Feet.	1.00
Below	5,000 to	6,000 "	1.33
	6,000 to	7,000 "	1.77
	7,000 to	8,000 "	2.33
	8,000 to	9,000 "	3.00
	9,000 to	10,000 "	3.77
	10,000 to	11,000 "	4.67
	11,000 to	12,000 "	5.67
	12,000 to	13,000 "	6.75

Normal unit allowable shall be set by the Commission.

Top unit allowables for each range of depth shall then be determined by multiplying the normal unit allowable by the proportional factor for each depth range as set out in the table hereinabove; any fraction of a barrel shall be regarded as a full barrel for both normal and top unit allowables.

The top unit allowables hereinabove determined shall be assigned to the respective pools in accordance with each pool's depth range. The sum of all marginal units plus the sum of the top unit allowables for all non-marginal units in each pool shall constitute the allocation for each pool. In the event that the normal unit allowable as set by the Commission is less than 30 barrels per day for any month, the top allowable for the depth range from 0 to 5000 feet shall be set at 30 barrels per day and a corrected top allowable shall be computed for all other depth ranges below 5000 feet by the following formulae:

(1) Corrected top allowable = top allowable times correction factor;

(2) Correction factor =  $\frac{(B-30U)}{(30 - N) U \div (B - 30 U)}$

Where:

B = Total allocation to Lea, Eddy and Chaves Counties, non-marginal units.

N = Normal unit allowable as set by the Commission.

U = Number of non-marginal units within the depth range of 0 to 5000 feet.

The allocation for each pool shall then be computed as described hereinabove, using the corrected top allowables in the place of the top allowables.

Thereupon the allocation to each pool shall in turn be prorated or distributed to the respective units in each pool in accordance with the proration plan of the particular pool where any such plan exists. Where no proration plan for any pool exists, then the pool allocation shall be distributed or prorated to the respective marginal and non-marginal units therein as determined hereinabove.

At the beginning of each calendar month, the distribution or proration to the respective units in each pool shall be changed in order to take into account all new wells which have been completed and were not in the proration schedule during the previous calendar month. Where any well is completed between the first and last day of the calendar month, its unit shall be assigned an allowable in accordance with whether such unit is marginal or non-marginal, beginning at 7 A.M., on the date of completion and for the remainder of that calendar month.

The provisions of Rule 104 (h) et seq., shall be adhered to where applicable in fixing top unit allowables.

**RULE 506. GAS-OIL RATIO LIMITATION**

(a) In allocated pools containing a well or wells producing from a reservoir which contains both oil and gas, each proration unit shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the top unit oil allowable for the pool. In the event the Commission has not set a gas-oil ratio limit for a particular oil pool the limiting gas-oil ratio shall be 2000 cubic feet of gas for each barrel of oil produced. In allocated oil pools all producing wells whether oil or casinghead gas shall be placed on the oil proration schedule.

(b) Unless heretofore or hereafter specifically exempted after hearing by the Commission, a gas-oil ratio limitation shall be placed on all allocated oil pools and all proration units having a gas-oil ratio exceeding the limit for the pool shall be penalized in accordance with the following formula:

1. Any proration unit which, on the basis of the latest official gas-oil ratio test has a gas-oil ratio in excess of the limiting gas-oil ratio for the pool in which it is located shall be permitted to produce daily that number of barrels of oil which shall be determined by multiplying the current top unit allowable by a fraction, the numerator of which shall be the limiting gas-oil ratio for the pool and the denominator of which shall be the official gas-oil ratio test of the well.

2. Any unit containing a well or wells producing from a reservoir which contains both oil and gas shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the top unit allowable currently assigned to the pool.

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

4. All gas produced with the current oil allowable determined in accordance with this rule shall be deemed to have been lawfully produced.



(c) All proration units to which gas-oil ratio adjustments are made shall be so indicated in the proration schedule with allowable as stated.

(d) Limiting gas-oil ratios for allocated pools are hereby set and are listed under Appendix B, attached hereto. In cases of new pools the limit shall be 2000 cubic feet per barrel until such time as changed by the Commission after a hearing. Upon petition, notice and hearing according to law, the Commission will determine or re-determine, the specific gas-oil ratio limit which is applicable to a particular allocated oil pool.

RULE 507. UNITIZED AREAS

After petition, notice and hearing, the Commission may grant approval for the combining of contiguous developed proration units into a unitized area.

## SECTION H - GAS PRORATION AND ALLOCATION

### RULE 601. DESIGNATION OF GAS POOLS

There presently being no classified and defined gas pools within the state, the Commission shall as soon as practicable initiate proceedings to name, classify and define the limits of all known producing gas pools. Pools classified as gas pools shall be known as "gas pools" as distinguished from "oil pools", i.e. the "Blanco gas pool" or "Hobbs oil pool". There shall be no proration or allocation of gas production unless and until the provisions of Rule 602 are followed.

### RULE 602. ALLOCATION OF GAS PRODUCTION

When the Commission determines that allocation of gas production in a designated gas pool is necessary to prevent waste, the Commission, after notice and hearing, shall consider the nominations of purchasers from that gas pool and other relevant data, and shall fix the allowable production of that pool, and shall allocate production among the gas wells in the pool delivering to a gas transportation facility upon a reasonable basis and recognizing correlative rights. The Commission shall include in the proration schedule of such pool any gas 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.

### RULE 603. PRORATION PERIOD

The proration period shall be at least six months and the pool allowable and allocations thereof shall be made at least 30 days prior to each proration period.

### RULE 604. ADJUSTMENT OF ALLOWABLES

When the actual market demand from any allocated gas pool during a proration period is more than or less than the allowable set by the Commission for the pool for the period, the Commission shall adjust the gas proration unit allowables for the pool for the next proration period so that each gas proration unit shall have a reasonable opportunity to produce its fair share of the gas production from the pool and so that correlative rights shall be protected.

### RULE 605. GAS PRORATION UNITS

Before issuing a proration schedule for an allocated gas pool, the Commission, after notice and hearing, shall fix the gas proration unit for that pool.

I - SECONDARY RECOVERY AND PRESSURE MAINTENANCE

RULE 701. PERMIT FOR INJECTION OF GAS, AIR OR WATER

(a) The injection of gas or air or water into any reservoir for the purpose of maintaining reservoir pressure for secondary recovery or for water disposal, shall be permitted only by order of the Commission after a hearing.

(b) The application for all permits to inject gas, or air, or water into any reservoir shall contain the following:

1. Plat showing the location of the intake well or wells and the location of all oil and gas wells including drilling wells and dry holes and the names of lessees within one-half mile of the intake well or wells; and each offset operator.

2. The formations from which wells are producing or have produced.

3. The name, description, and depth of the formations to be affected by injection.

4. The log of the intake well or wells or such information as is available.

5. Description of the intake well's casing, or the proposed casing program, and proposed method for testing casing before use of the input wells.

6. Statement as to whether gas, air or water is to be used for injection, its source, and the estimated amounts to be injected daily.

7. The names and addresses of the operator or operators of the project.

RULE 702. CASING AND CEMENTING OF INJECTION WELLS

Wells used for injection of gas, air, or water into the producing formation shall be cased with safe and adequate casing, or tubing so as to prevent leakage and such casing or tubing shall be so set or cemented that damage will not be caused to oil, gas or fresh water resources.

RULE 703. NOTICE OF COMMENCEMENT AND DISCONTINUANCE OF INJECTION OPERATIONS

The following provisions shall apply to all injection projects:

(a) Immediately upon the commencement of injection operations, the operator shall notify the Commission of the injection date.

(b) Within 10 days after the discontinuance of injection operations the operator shall notify the Commission of the date of such discontinuance and

the reasons therefor.

(c) Before any intake well shall be plugged, notice shall be served on the Commission by the owner of said well, and the same procedure shall be followed in the plugging of such well as provided for the plugging of oil and gas wells.

RULE 704. RECORDS

The operator of an injection project shall keep accurate records and report monthly to the Commission the amount of oil produced, the volumes of fluid injected and the injection pressures.

## J - OIL PURCHASING AND TRANSPORTING

### RULE 801. ILLEGAL SALE PROHIBITED

The sale or purchase or acquisition, or the transporting, refining, processing, or handling in any other way, of crude petroleum oil or of any product of crude petroleum produced in excess of the amount allowed by any statute of this State, or by any rule, regulation or order of the Commission made thereunder, is prohibited.

### RULE 802. RATABLE TAKE: COMMON PURCHASER

(a) Every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipe lines, shall be a common purchaser thereof, and shall, without discrimination in favor of one producer as against another in the same field, purchase all oil tendered to it which has been lawfully produced in the vicinity of, or which may be reasonably reached by pipe lines through which it is transporting oil, or the gathering branches thereof, or which may be delivered to the pipe line or gathering branches thereof by truck or otherwise, and shall fully perform all the duties of a common purchaser. If any common purchaser shall not have need for all such oil lawfully produced within a field, or if for any reason it shall be unable to purchase all such oil, then it shall purchase from each producer in a field ratably, taking and purchasing the same quantity of oil from each well to the extent that each well is capable of producing its ratable portions; provided however, nothing herein contained shall be construed to require more than one pipe line connection for each producing well. In the event any such common purchaser of oil is likewise a producer or is affiliated with a producer, directly or indirectly, it is hereby expressly prohibited from discriminating in favor of its own production or in favor of the production of an affiliated producer as against that of others and the oil produced by such common purchaser or by the affiliate of such common purchaser shall be treated as that of any other producer for the purposes of ratable taking.

(b) It shall be unlawful for any common purchaser to unjustly or unreasonably discriminate as to the relative quantities of oil purchased by it in the various fields of the state; the question of the justice or reasonableness to be determined by the Commission, taking into consideration the production and age of the wells in the respective fields and all other factors. It is the intent of this rule that all fields shall be allowed to produce and market a just and equitable share of the oil produced and marketed in the state, insofar as the same can be affected economically and without waste.

### RULE 803. PURCHASE OF LIQUIDS FROM GAS WELLS

Provided that a supplemental order is issued authorizing such production on the monthly proration schedule, any common purchaser is authorized to purchase 100 percent of the amount of associated crude oil or condensate produced and recovered from a natural gas proration unit.

K - GAS PURCHASING AND TRANSPORTING

RULE 901. ILLEGAL SALE PROHIBITED

The sale, purchase or acquisition, or the transporting, refining, processing or handling in any other way, of natural gas in whole or in part (or of any product of natural gas so produced) produced in excess of the amount allowed by any statute of this state, or by any rule, regulation or order of the Commission made thereunder, is prohibited.

RULE 902. RATABLE TAKE

(a) Any person now or hereafter engaged in purchasing from one or more producers gas produced from gas wells shall be a common purchaser thereof within each common source of supply from which it purchases, and as such it shall purchase gas lawfully produced from gas wells with which its gas transportation facilities are connected in the pool and other gas lawfully produced within the pool and tendered to a point on its gas transportation facilities. Such purchases shall be made without unreasonable discrimination in favor of one producer against another in the price paid, the quantities purchased, the bases of measurement or the gas transportation facilities afforded for gas of like quantity, quality and pressure available from such wells. In the event any such person is likewise a producer, he is prohibited to the same extent from discriminating in favor of himself on production from gas wells in which he has an interest, direct or indirect, as against other production from gas wells in the same pool. For the purposes of this rule reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship to differences in quality, quantity or pressure of the gas available or to the relative lengths of time during which such gas will be available to the purchaser. The provisions of this subsection shall not apply (1) to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of this act or of the rules, regulations or orders of the Commission, (2) to purchases of casinghead gas from oil wells, and (3) to persons purchasing gas principally for use in the recovery or production of oil or gas.

(b) Any common purchaser taking gas produced from gas wells from a common source of supply shall take ratably under such rules, regulations and orders, concerning quantity, as may be promulgated by the Commission consistent with this rule. The Commission, in promulgating such rules, regulations and orders may consider the quality and the deliverability of the gas, the pressure of the gas at the point of delivery, acreage attributable to the well, market requirements in the case of unprorated pools, and other pertinent factors.

(c) Nothing in this rule shall be construed or applied to require, directly or indirectly, any person to purchase gas of a quality or under a pressure or under any other condition by reason of which such gas cannot be economically and satisfactorily used by such purchaser by means of his gas transportation facilities then in service.

L - REFINING

RULE 1001. REFINERY REPORTS

Each refiner of oil within the State of New Mexico shall furnish for each calendar month a "Refiner's Monthly Report", Form C-113, containing the information and data indicated by such form, respecting oil and products involved in such refiner's operations during each month. Such report for each month shall be prepared and filed according to instructions on the form, on or before the 15th day of the next succeeding month.

RULE 1002. GASOLINE PLANT REPORTS

Each operator of a gasoline plant, cycling plant or any other plant at which gasoline, butane, propane, condensate, kerosene, oil or other liquid products are extracted from natural gas within the State of New Mexico, shall furnish for each calendar month a "Monthly Gasoline or Other Extraction Plant Monthly Report", Form C-114, containing the information indicated by such form respecting natural gas and products involved in the operation of each plant during each month.

Such reports for each month shall be prepared and filed according to instructions on the form on or before the 15th day of the next succeeding month.

## M - REPORTS

### RULE 1101. ADDITIONAL INFORMATION MAY BE REQUIRED

These rules shall not be taken or construed to limit or restrict the authority of the Oil Conservation Commission to require the furnishing of such additional reports, data or other information relative to production, transportation, storing, refining, processing, or handling of crude petroleum oil, natural gas or products in the State of New Mexico as may appear to it to be necessary or desirable, either generally or specifically, for the prevention of waste and the conservation of natural resources of the State of New Mexico.

### RULE 1102. BOOKS AND RECORDS TO BE KEPT TO SUBSTANTIATE REPORTS

All producers, transporters, storers, refiners, gasoline or extraction plant operators and initial purchasers of natural gas within the State of New Mexico shall make and keep appropriate books and records for a period not less than 5 years, covering their operations in New Mexico from which they may be able to make and substantiate the reports required by this Order.

### RULE 1103. WRITTEN NOTICES, REQUESTS, PERMITS AND REPORTS

The forms hereinafter mentioned and attached to these rules in the Appendix are hereby adopted and made a part of these rules for all purposes and the same shall be used for the purposes shown on each of the several forms and in accordance with the instructions printed thereon, which instructions are a part of this rule. They are:

- Form C-101 - Notice of Intention to Drill
- Form C-102 - Miscellaneous Notices
- Form C-103 - Miscellaneous Reports on Wells
- Form C-104 - Request for Allowable
- Form C-105 - Well Record
- Form C-110 - Certificate of Compliance and Authorization to Transport Oil
- Form C-111 - Monthly Gas Report
- Form C-112 - Transporter's and Storer's Monthly Report
- Form C-113 - Refiner's Monthly Report
- Form C-114 - Gasoline and Other Extraction Plant Monthly Report
- Form C-115 - Operator's Monthly Report
- Form C-116 - Gas-Oil Ratio Report
- Form C-117 - Tank Cleaning Permit
- Form C-118 - Treating Plant Report
- Form C-119 - Carbon Black Report
- Form C-120 - Injection Report

### RULE 1104. NOTICE OF INTENTION TO DRILL (FORM C-101)

Before beginning drilling, the owner of the well shall give notice thereof by filing with the Commission in triplicate Form C-101, "Notice of Intention to Drill". A copy of the notice will be returned by the Commission to the applicant, on which will be noted the Commission's approval with any modification considered advisable, or the rejection of the plan submitted.



Drilling shall not begin until this approval is obtained and until a bond has been submitted and approved as required by Rule 101.

The information required on Form C-101 includes the name and number of the well, exact location, status of land, (whether State, Federal or privately owned) type of drilling equipment to be used, proposed casing program, probable depth to first productive oil or gas sand, and name of drilling contractor, and any additional pertinent information. In the case of wildcat locations a plat made by a registered surveyor, or a surveyor approved by the Commission, showing and certifying the location of the well, must be submitted with Form C-101.

**RULE 1105. MISCELLANEOUS NOTICES (FORM C-102)**

Form C-102, "Miscellaneous Notices," shall be filed by the owner in triplicate with the Commission and approval obtained from it before starting operations leading to a proposed change of drilling plan, repairing or deepening a well, pulling or altering casing, plugging back, redrilling, or starting of any other similar operations not specifically covered herein. A copy of the notice giving the decision of the Commission will be returned to the owner.

**RULE 1106. NOTICE OF INTENTION TO PLUG WELL (FORM C-102)**

Before plugging a well, notice shall be given to the Commission by filing in triplicate Form C-102, "Miscellaneous Notices." Work shall not begin until approval is obtained from a deputy of the Commission. A copy of the notice will be returned to the owner on which will be given the approval of the Commission of the plugging plan submitted with any modifications considered essential. The notice shall give a detailed statement of the proposed work; including length and depth of plugs; plans for mudding, cementing, shooting, testing and removing casing; and the date of the proposed plugging operations. Before plugging any well, the owner shall give notice to all adjoining lessees and representatives of such adjoining lessees may be present to witness the plugging, if they so desire, but plugging shall not be delayed because of inability to deliver notice to adjoining lessees. Failure to file notice before plugging shall constitute grounds for forfeiture of bond. If not previously filed, a complete log of the well on Form C-105 shall accompany the notice of intention to plug the well.

**RULE 1107. REPORT ON BEGINNING DRILLING OPERATIONS (FORM C-103)**

Within 10 days after drilling operations are begun, the owner of the well shall file with the Commission a report on Form C-103, "Miscellaneous Reports on Wells." It shall give the date when operations began, the elevation of derrick floor above sea level, and any changes made in the program previously specified on Form C-101. It shall be submitted in triplicate and signed and sworn to before a notary public.

**RULE 1108. REPORT ON RESULT OF TEST OF CASING SHUT-OFF (FORM C-103)**

A report on the result of test of casing shut-off shall be filed with the Commission in triplicate within 10 days after the completion of work on Form C-103, "Miscellaneous Reports on Wells". It shall indicate any changes made in the approved plan outlined previously on Form C-101. It shall also give a detailed report of the method used and of the results obtained and any other pertinent information. Name of the witness shall be given on the report, and it shall be signed and sworn to before a notary public.

**RULE 1109. REPORT ON RESULTS OF PLUGGING WELL (FORM C-103)**

Within 10 days after plugging a well, a record of the work done shall be filed in triplicate by the owner with the Commission on Form C-103, "Miscellaneous Reports on Wells". The report shall give the date the work was started and the date it was completed; a detailed account of the manner in which the work was performed; the nature and quantities of materials used in plugging, and the depths and lengths of the various plugs; records of any tests or measurements made; the amount, size and depth of all casing left in the well; the volume and gravity of mud-laden fluid used; pressure retained in mudding; a complete record of any shooting done, and names addresses and positions of all those in charge of the work. The report shall also state whether or not the pits have been filled and leveled and the location cleared of junk. The report shall be signed and sworn to before a notary public.

**RULE 1110. MISCELLANEOUS REPORT ON WELLS (FORM C-103)**

Form C-103, "Miscellaneous Reports on Wells" shall be used for reports of various operations, such as:

- a. Change of Drilling Plan
- b. Repairing or Deepening Well
- c. Pulling or Altering Casing
- d. Plugging Back
- e. Re-Drilling
- f. Perforating Casing (or of any other similar operations not specifically covered herein).

The report with respect to such operation shall be filed with the Commission within 10 days after such operation is completed.

The status prior to and results of the work completed shall be given in detail. The report shall be signed and sworn to before a notary public.

**RULE 1111. REPORT OF RESULT OF SHOOTING OR CHEMICAL TREATMENT OF WELL (FORM C-103)**

Within 20 days after the shooting or chemical treatment of a well, report shall be filed with the Commission in triplicate by the owner on Form C-103, "Miscellaneous Reports on Wells", giving the condition of the well both before and after shooting or chemical treatment, the size and depth of the shot, or amount of chemical used, the daily production of oil, gas and water after shooting or chemical treatment and any other pertinent information. This report shall be signed and sworn to before a notary public.

**RULE 1112. REQUEST FOR ALLOWABLE (FORM C-104)**

It is necessary that this form be submitted by the operators before

an initial allowable will be assigned to any completed oil well. C-110 "Certificate of Compliance" will not be approved until C-104 is filed with the Commission. Form C-104 is to be submitted in triplicate to the Commission Office, to which Form C-101 was sent. Two copies will be retained there and the other submitted to the Proration Office, Hobbs, New Mexico. The allowable will be assigned effective 7:00 A.M., on date of completion. The completion date shall be that date in the case of an oil well, when oil is delivered into the stock tanks.

**RULE 1113. WELL RECORD FORM (FORM C-105)**

Within 20 days after the completion of a well, there shall be filed in triplicate with the Commission Form C-105. The well record shall not be kept confidential by the Commission unless requested in writing by the owner of the well. Upon such request the Commission will keep the report confidential for 90 days from the date of the completion of the well; provided, however, that the report or data therein when pertinent may be introduced in any public hearing before the Commission or any court regardless of the request that the report be kept confidential. If the C-105 is not received by the Commission in the specified 20 days the well will be dropped from the proration schedule.

**RULE 1114. CERTIFICATE OF COMPLIANCE AND AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS (FORM C-110)**

(a) Each producer of crude petroleum oil or natural gas and each producer of liquid hydrocarbons from a gas well, shall execute under oath, in quadruplicate, and file with the Commission a Producer's Certificate of Compliance and Authorization to Transport Oil, Natural Gas or Liquid Hydrocarbons, Form C-110, setting forth therein the data and information indicated by such form covering each proration or operating unit in the State of New Mexico from which the crude petroleum oil, natural gas or liquid hydrocarbons is produced.

(b) Whenever there shall occur a change in operating ownership of any producing well or whenever there shall occur a change of transporter from any producing well, Form C-110 shall be executed and filed in accordance with the instructions appearing on such forms; except that in the case of a temporary change in transporter involving less than the allowable for one month, the producer may, in lieu of filing a new certificate, notify the Commission and the transporter then authorized by certificate, of the estimated amount of crude petroleum, dry gas or liquid hydrocarbons to be moved by temporary transporter and the name of such temporary transporter. In no instance shall the temporary transporter move any greater quantity of crude petroleum oil or natural gas than the estimated amount shown in said notice.

**RULE 1115. MONTHLY GAS REPORT (FORM C-111)**

All gas produced from natural gas wells within the State of New Mexico which is taken into a fuel system or other system (except gas taken into a gasoline or other extraction plant gathering system which is required to be reported on Form C-114), shall be reported monthly on Monthly Gas

Report, Form C-111. Where such gas is taken from any natural gas well by the producer, then the producer shall make such report. In case the gas is taken at the well by any person other than the producer, then such person taking the gas shall make said report. Form C-111 shall be filed on the 15th of the succeeding month for all gas produced each month.

**RULE 1116. TRANSPORTER'S AND STORER'S MONTHLY REPORT (FORM C-112)**

(a) Each transporter of crude petroleum oil, and liquid hydrocarbons within the State of New Mexico shall furnish for each calendar month a Transporter's and Storer's Monthly Report, Form C-112, containing complete information and data indicated by such form respecting stocks of crude petroleum oil and liquid hydrocarbons on hand and all movements of crude petroleum oil and liquid hydrocarbons by pipe line within the State of New Mexico and all movements of crude petroleum oil and liquid hydrocarbons by trucks or other conveyances including railroads, from leases to storers or refiners; between transporters within the State; between storers and refiners within the State.

(b) Each storer of crude petroleum oil and liquid hydrocarbons within the State of New Mexico shall furnish for each calendar month a Form C-112, containing complete information and data indicated by such form respecting the storage of crude petroleum oil and liquid hydrocarbons within the State of New Mexico.

(c) Form C-112 shall be filed on or before the 15th day of the next succeeding month.

**RULE 1117. REFINER'S MONTHLY REPORT (FORM C-113)**

Every refiner of crude petroleum oil within the State of New Mexico shall furnish for each calendar month a Refiner's Monthly Report, Form C-113, containing the information and data indicated by such form respecting crude petroleum oil and products involved in such refiner's operations during each month. Such report for each month shall be filed on or before the 15th day of the next succeeding month.

**RULE 1118. GASOLINE OR OTHER EXTRACTION PLANT MONTHLY REPORT (FORM C-114)**

Each operator of a gasoline plant, cycling plant or any other plant at which gasoline, butane, propane, kerosene, oil, or other liquid products are extracted from gas within the State of New Mexico, shall furnish for each calendar month a Gasoline or other Extraction Plant Monthly Report, Form C-114, containing the information indicated by such form respecting gas and products involved in the operation of each such plant during each month. Each purchaser of gas shall report monthly the source or sources and amounts from each source of gas injected into natural gas storage reservoirs together with the gross amount of gas which is withdrawn during the month from natural storage. Such report for each month shall be filed on or before the 15th day of the next succeeding month.

**RULE 1119. OPERATOR'S MONTHLY REPORT (FORM C-115)**

Operator's Monthly Report Form C-115 shall be filed on each producing oil well within the State of New Mexico for each calendar month, setting forth complete information and data indicated on said form respecting crude petroleum oil, casinghead gas and liquid hydrocarbons. Such report for each month shall be filed on or before the 20th day of the next succeeding month.

**RULE 1120. GAS-OIL RATIO TEST (FORM C-116)**

A gas-oil ratio test shall be made and reported on Form C-116 as prescribed in Rule 301 - Gas-Oil Ratio Test.

**RULE 1121. TANK CLEANING PERMIT (FORM C-117)**

(a) Form C-117 shall be used pursuant to Rule 311.

(b) Tank cleaning permit is not necessary in the following cases:

(1) Where "tank bottoms" are to be used on operators lease roads or fire walls.

(2) Where merchantable oil is reclaimed by operator and disposed of through a duly authorized transporter as shown on Form C-110 filed with the Commission.

(3) Where there is a transfer of "tank bottoms" from one tank to another located in the same tank battery, provided there is no change in the custody or control of the "tank bottoms".

(4) Where there is the reclaiming of pipe line break oil or the treating of "tank bottoms" at a pipe line station, crude oil storage terminal or refinery, or to the treating by a gasoline plant operator of oil and other catchings collected in traps and drips in the gas gathering lines connected to gasoline plants and in scrubbers at such plants.

**RULE 1122. TREATING PLANTS (FORM C-118)**

Form C-118 shall be used in accordance with Rule 312.

**RULE 1123. CARBON BLACK (FORM C-119)**

Each operator of a carbon black plant within the State of New Mexico shall furnish for each calendar month, the monthly volume of gas received from a gasoline extraction plant or plants, and a monthly volume or volumes of gas received from each lease and operator delivering natural gas directly to such plant together with the production in pounds of carbon black or other products produced. Such report shall be prepared and filed according to instructions on Form C-119, "Carbon Black Report", on or before the 15th. day of the next succeeding month.

**RULE 1124. INJECTION REPORT (FORM C-120)**

Form C-120 shall be used for reports required under Rule 701, et seq.

**RULE 1125. PIPE LINE DATA REQUIRED**

Any person intending to operate a pipe line, whether now existing or hereafter laid, shall notify the Commission in writing of such intention and shall state the size and location of the pipe line and its depth, the appurtenant tankage and location thereof, and any other pertinent data requested by the Commission, and shall furnish a map showing the location of the line and tankage. In the case of a line to be constructed, if any changes from the plan submitted are made during construction, the Commission shall be notified of such changes. The Commission shall also be notified of any subsequent alterations in pipe lines. Nothing contained in this rule shall apply to lease lines, which are merely used in the operation of the lease on which located, nor to any line or appurtenant tankage not located within the State of New Mexico.

RULE 1124. INJECTION REPORT (FORM C-120)

Form C-120 shall be used for reports required under Rule 701, et seq.

RULE 1125. PIPE LINE DATA REQUIRED

Any person intending to operate a pipe line, whether now existing or hereafter laid, shall notify the Commission in writing of such intention and shall state the size and location of the pipe line and its depth, the appurtenant tankage and location thereof, and any other pertinent data requested by the Commission, and shall furnish a map showing the location of the line and tankage. In the case of a line to be constructed, if any changes from the plan submitted are made during construction, the Commission shall be notified of such changes. The Commission shall also be notified of any subsequent alterations in pipe lines. Nothing contained in this rule shall apply to lease lines, which are merely used in the operation of the lease on which located, nor to any line or appurtenant tankage not located within the State of New Mexico.

N - RULES ON PROCEDURE

RULE 1201. Necessity for Hearings.

Except as provided for in some general rule herein, before any rule, regulation or order, including revocation, change, renewal or extension thereof shall be made by the Commission, a public hearing shall be held at such time and place as may be prescribed by the Commission.

RULE 1202. Emergency Orders.

In case an emergency is found to exist by the Commission, which, in its judgment requires the making of a rule, regulation or order without first having a hearing, such emergency rule, regulation or order shall have the same validity as if a hearing with respect to the same had been held after due notice. Such emergency rule, regulation or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation or order becomes effective.

RULE 1203. Method of Initiating a Hearing.

The Commission upon its own motion and the Attorney General on behalf of the State and any operator, producer or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Commission it shall be on motion of the Commission and if by any other person it shall be by application. An application shall state (1) the name or general description of the common source or sources of supply affected by the order sought, unless the same is intended to



apply to and effect the entire State, in which event the application shall so state, and (2) briefly the general nature of the order, rule or regulation sought and (3) any other matter required by a particular rule or rules.

An application shall be signed by the person seeking the hearing or by his attorney. Unless required by a specific rule, an application need not be verified.

RULE 1204. Method of Giving Notice for Hearings.

Notice of a hearing before the Commission shall be given by personal service on the person effected or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties if there be more than one in which any land, oil or gas or other property which may be effected shall be situated.

RULE 1205. Contents of Notice for Hearing.

Such notice shall be issued in the name of "The State of New Mexico" and shall be signed by two of the members of the Commission or by the Secretary of the Commission and the seal of the Commission shall be impressed thereon.

The notice shall specify the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, or regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant if any and unless the contemplated order, rule or regulation is intended to apply to and effect the entire State it shall specify or

generally describe the common source or sources of supply which may be effected by such order, rule or regulation.

RULE 1206. Service of Notice.

Personal service of the notice of hearing may be made by any agent of the Commission or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this State. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.

RULE 1207. Preparation of Notices.

After a motion or application is filed with the Commission the notice or notices required shall be prepared by the Commission and service and publication thereof shall be taken care of by the Commission without cost to the applicant.

RULE 1208. Continuance of Hearing Without New Service.

Any hearing before the Commission had after due notice may be continued to a specified time and place without the necessity of notice of the same being again served or published. In the event of such continuance, a record thereof shall be made in the minutes of the hearing at which the continuance was ordered.

RULE 1209. Conduct of Hearings.

Hearings before the Commission shall be conducted without

rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent records of the Commission. Any person testifying in response to a subpoena issued by the Commission and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, unsworn comments and observations by any interested party will be invited and made a part of the record. Comments and observations by representatives<sup>of</sup>/operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines and other competent persons are welcomed. Two members of the Commission constitute a quorum for the transaction of business and for the holding of hearings, but one member of the Commission may conduct a hearing for the purpose of receiving testimony only.

RULE 1210. Statutory Powers as to Witnesses, Records, etc.

The Commission or any member thereof has statutory power to subpoena witnesses and to require the production of books, papers, records, etc. A subpoena will be issued by the Commission for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued by the Commission, an attachment of the person may be issued by the district court of any district in the State, and such court has powers to punish for contempt. Any person guilty of swearing falsely at any hearing may be punished for contempt.

RULE 1211. Rules of Evidence.

Full opportunity shall be afforded all interested parties

at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, providing that such rules may be relaxed, whereby so doing, the ends of justice will be better served. No order shall be made which is not supported by some competent legal evidence.

RULE 1212. Rehearings.

Within 20 days after entry of any order or decision of the Commission, any person affected thereby may file with the Commission an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same<sup>is</sup> filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

O - RULES ON ADMINISTRATION

RULE 1301. District Offices.

To expedite administration of the work of the Commission and enforcement of its rules and regulations, the State shall be divided into four districts as follows:

District 1	Lea, Roosevelt, Curry, De Baca and Chaves counties with office at Hobbs.
District 2	Eddy, Otero, Dona Ana and Lincoln counties, with office at Artesia.
District 3	San Juan, Rio Arriba, McKinley and Sandoval counties with office at Aztec.
District 4	Balance of State, office of Oil Conservation Commission in Santa Fe.

Each district office shall be under the charge of an oil and gas inspector, a deputy oil and gas inspector or a member of the Commission. Unless otherwise specifically required, all matters pertaining to the Commission shall be taken care of through the district office of the district in which the land that is affected lies.

RULE 1302. Where to File Reports and Forms.

All reports and forms required by the rules to be filed with the Commission shall be filed in the number and at the time specified on each such printed report or form. However, all copies of reports and forms required to be filed with the Commission shall be filed at the district office of the district in which the land that is the subject matter of the report lies, notwithstanding

printed instructions on the forms to the contrary. All plugging bonds shall be filed directly in the Commission Office at Santa Fe. A list of all plugging bonds in force and approved shall be kept in each district office.

RULE 1303. Duties and Authority of Field Personnel.

Oil and gas inspectors, deputy oil and gas inspectors, scouts, engineers and geologists duly appointed by the Commission have the authority and duty to enforce the rules and regulations of the Commission. Only oil and gas inspectors or their deputies or members of the Commission have authority to endorse the approval of the Commission on any form which requires such approval. Oil and gas inspectors and their deputies shall have discretion to allow minor deviations from requirements of the rules as to field practices where, by so doing waste will be prevented or burdensome delay or expenses on the part of the operator will be avoided.

RULE 1304. Numbering of Commission Orders.

All orders of the Commission made after 1 January, 1950, pertaining to allocation of the production of oil or gas shall be prefixed with the letter "A" and shall be numbered consecutively, commencing with No. 1, i.e., the first allocation order issued after 1 January, 1950, shall be No. A-1, and the next shall be No. A-2.

All other orders of the Commission made after 1 January, 1950, shall be prefixed with the letter "R" and shall be consecutively numbered, commencing with the number 1, i.e., the first such order issued after 1 January, 1950, shall be No. R-1, and the next shall be No. R-2.

# APPENDIX A

## POOLS NAMED AND DEFINED PURSUANT TO RULE 5

(Note: All pools herein listed are "oil pools" unless specifically described as "gas pools".)

POOL	PRODUCING FORMATION	COUNTY	TWP. & RGE.	DESCRIPTION
Aid	Y-SR	Eddy	T.17S-R.28E	S $\frac{1}{2}$ Sec. 24; all Sec. 25.
Anderson	G-SA	Eddy	T.17S-R.29E T.17S-R.30E	S $\frac{1}{2}$ Sec. 1; all Sec. 2, 3, 11 & 12; N $\frac{1}{2}$ Sec. 13; N $\frac{1}{2}$ Sec. 14. SW $\frac{1}{4}$ Sec. 6; N $\frac{1}{2}$ Sec. 7.
Arrowhead	Q-G	Lea	T.21S-R.36E T.22S-R.36E T.22S-R.37E	All Sec. 24, 25, 26; E $\frac{1}{2}$ Sec. 34; all Sec. 35 & 36. All Sec. 1 & 2; E $\frac{1}{2}$ Sec. 3; N $\frac{1}{2}$ & SE $\frac{1}{4}$ Sec. 11; all Sec. 12 & 13; E $\frac{1}{2}$ Sec. 14; all Sec. 24. W $\frac{1}{2}$ Sec. 6; NW $\frac{1}{4}$ & S $\frac{1}{2}$ Sec. 7; all Sec. 18 & 19.
Artesia	G-SA	Eddy	T.17S-R.28E T.18S-R.27E T.18S-R.28E T.19S-R.28E	S $\frac{1}{2}$ Sec. 32; S $\frac{1}{2}$ Sec. 33; S $\frac{1}{2}$ Sec. 34; SW $\frac{1}{4}$ Sec. 35. SE $\frac{1}{4}$ Sec. 1; SE $\frac{1}{4}$ Sec. 11; all Sec. 12 & 13; E $\frac{1}{2}$ Sec. 14; NE $\frac{1}{4}$ Sec. 23; all Sec. 24; E $\frac{1}{2}$ Sec. 25; E $\frac{1}{2}$ Sec. 36. All Sec. 2 to 5 incl. E $\frac{1}{2}$ & SW $\frac{1}{4}$ Sec. 6; all Sec. 7 to 10 incl.; W $\frac{1}{2}$ Sec. 11; all Sec. 15 to 22 incl. all Sec. 27 to 34 incl. All Sec. 3, 4 & 5; N $\frac{1}{2}$ Sec. 6; NE $\frac{1}{4}$ Sec. 9; all Sec. 10.
Atoka (Abandoned)	SA	Eddy	T.18S-R.26E	E $\frac{1}{2}$ Sec. 15.
Bagley-Pennsylvanian	PE	Lea	T.11S-R.33E T.12S-R.33E	SE $\frac{1}{4}$ Sec. 34; S $\frac{1}{2}$ Sec. 35, SW $\frac{1}{4}$ Sec. 36. W $\frac{1}{2}$ Sec. 1; all Sec. 2; E $\frac{1}{2}$ Sec. 3; E $\frac{1}{2}$ Sec. 10; all Sec. 11; W $\frac{1}{2}$ Sec. 12.
Bagley-Siluro/ Devonian	SD	Lea	T.11S-R.33E T.12S-R.33E	SE $\frac{1}{4}$ Sec. 34; S $\frac{1}{2}$ Sec. 35; SW $\frac{1}{4}$ Sec. 36. W $\frac{1}{2}$ Sec. 1; all Sec. 2; E $\frac{1}{2}$ Sec. 3; E $\frac{1}{2}$ Sec. 10; all Sec. 11; W $\frac{1}{2}$ Sec. 12.

POOL	PRODUCING FORMATION	COUNTY	TWP. & RGE.	DESCRIPTION
Baish	Y	Lea	T.17S-R.32E	E $\frac{1}{2}$ Sec. 20; all Sec. 21; W $\frac{1}{2}$ Sec. 22; N $\frac{1}{2}$ Sec. 28.
Barber	Y	Eddy	T.20S-R.30E	S $\frac{1}{2}$ Sec. 17; all Sec. 20.
Benson	Y	Eddy	T.19S-R.30E	All Sec. 16.
Bitter Lake	SA	Chaves	T.10S-R.25E	All Sec. 13; E $\frac{1}{2}$ Sec. 14; NE $\frac{1}{4}$ Sec. 23; N $\frac{1}{2}$ Sec. 24.
Black River	D	Eddy	T. 24S-R.26E	SE $\frac{1}{4}$ Sec. 11; SW $\frac{1}{4}$ Sec. 12; NW $\frac{1}{4}$ Sec. 13; NE $\frac{1}{4}$ Sec. 14.
Blinebry	B	Lea	T.21S-R.37E	All Sec. 23; S $\frac{1}{2}$ & NW $\frac{1}{4}$ Sec. 25; all Sec. 26; E $\frac{1}{2}$ Sec. 35; all Sec. 36.
			T.22S-R.37E	All Sec. 1, 12, 13; E $\frac{1}{2}$ Sec. 23; All Sec. 24; N $\frac{1}{2}$ Sec. 25.
			T.22S-R.38E	W $\frac{1}{2}$ Sec. 7; W $\frac{1}{2}$ Sec. 18; all Sec. 19, 30 & 31.
			T.23S-R.38E	All Sec. 6.
Bough	Permo-PE	Lea	T.9S-R.35E	All Sec. 11, 12, 13 & 14.
Bowers	SR	Lea	T.18S-R.37E	All Sec. 13; E $\frac{1}{2}$ Sec. 14; all Sec. 24; E $\frac{1}{2}$ Sec. 25.
			T.18S-R.38E	S $\frac{1}{2}$ Sec. 18; all Sec. 19; NW $\frac{1}{4}$ & S $\frac{1}{2}$ Sec. 20; all Sec. 28 to 33 incl.
			T.19S-R.38E	W $\frac{1}{2}$ Sec. 34. N $\frac{1}{2}$ Sec. 4; N $\frac{1}{2}$ Sec. 5, N $\frac{1}{2}$ Sec. 6.
Brunson	E	Lea	T.21S-R.37E	All Sec. 21 & 28; NW $\frac{1}{4}$ Sec. 27; E $\frac{1}{2}$ Sec. 32; all Sec. 33.
			T.22S-R.37E	SW $\frac{1}{4}$ Sec. 3; all Sec. 4; E $\frac{1}{2}$ Sec. 5; E $\frac{1}{2}$ Sec. 8; all Sec. 9; W $\frac{1}{2}$ Sec. 10; all Sec. 15; N $\frac{1}{2}$ & SE $\frac{1}{4}$ Sec. 16; N $\frac{1}{2}$ & SE $\frac{1}{4}$ Sec. 22.
Burton (Abandoned)	Y	Eddy	T.20S-R.29E	N $\frac{1}{2}$ Sec. 8.
Caprock	Q	Chaves & Lea	T.12S-R.31E	All Sec. 36.
			T.12S-R.32E	SW $\frac{1}{4}$ Sec. 29; S $\frac{1}{2}$ Sec. 30; all Sec. 31 & 32.
			T.13S-R.31E	All Sec. 1; E $\frac{1}{2}$ Sec. 2; all Sec. 11, 12 & 13; N $\frac{1}{2}$ & SE $\frac{1}{4}$ Sec. 14; N $\frac{1}{2}$ Sec. 24.
			T.13S-R.32E	All Sec. 5, 6, 7 & 8; N $\frac{1}{2}$ Sec. 17; all Sec. 18; N $\frac{1}{2}$ Sec. 19.



POOL	PRODUCTION FORMATION	COUNTY	TWP. & RGE.	DESCRIPTION
Cary	MON	Lea	T.22S-R.37E	All Sec. 22.
Cass	PE	Lea	T.20S-R.37E	All Sec. 23.
Cave (Abandoned)	G	Eddy	T.17S-R.29E	SE $\frac{1}{4}$ Sec. 8; SW $\frac{1}{4}$ Sec. 9; NW $\frac{1}{4}$ Sec. 16; NE $\frac{1}{4}$ Sec. 17.
Comanche (Abandoned)	SA	Chaves	T.11S-R.26E	N $\frac{1}{2}$ Sec. 15.
Cooper-Jal	Y-SR	Lea	T.23S-R.36E T.24S-R.36E T.25S-R.36E T.25S-R.37E	All Sec. 4, 5, 8, 9, 15, 16, 17, 20, 21, 22, 27, 28, 33 & 34. W $\frac{1}{2}$ Sec. 2; all Sec. 3 & 4; N $\frac{1}{2}$ Sec. 9; all Sec. 10; W $\frac{1}{2}$ Sec. 11; SW $\frac{1}{4}$ Sec. 13; all Sec. 14, 15, 22 & 23; W $\frac{1}{2}$ Sec. 24; W $\frac{1}{2}$ Sec. 25; all Sec. 26, 27, 34 & 35; W $\frac{1}{2}$ Sec. 36. All Sec. 1, 2, 3, 11, 12, 13, 14, 23, 24, 25, 26 & 36. SW $\frac{1}{4}$ Sec. 6; W $\frac{1}{2}$ Sec. 7; W $\frac{1}{2}$ Sec. 18; W $\frac{1}{2}$ Sec. 19; W $\frac{1}{2}$ Sec. 30; all Sec. 31; SW $\frac{1}{4}$ Sec. 32.
Corbin	Q	Lea	T.18S-R.33E	W $\frac{1}{2}$ Sec. 3; E $\frac{1}{2}$ Sec. 4; E $\frac{1}{2}$ Sec. 9; W $\frac{1}{2}$ Sec. 10.
Crossroads	SD	Lea	T.9S-R.36E	W $\frac{1}{2}$ Sec. 26; all Sec. 27; E $\frac{1}{2}$ Sec. 28; E $\frac{1}{2}$ Sec. 33; all Sec. 34; W $\frac{1}{2}$ Sec. 35.
Crossroads-Pennsylvanian	PE	Lea	T.9S-R.36E	W $\frac{1}{2}$ Sec. 26; all Sec. 27; E $\frac{1}{2}$ Sec. 28; E $\frac{1}{2}$ Sec. 33; all Sec. 34; W $\frac{1}{2}$ Sec. 35.
Crossroads-Slaughter	SA	Lea	T.9S-R.36E	S $\frac{1}{2}$ Sec. 30; all Sec. 31.
Culwin	Q	Eddy	T.19S-R.31E	N $\frac{1}{2}$ Sec. 6.
Daughterity	SA	Eddy	T.17S-R.27E	All Sec. 3.
Dayton	G	Eddy	T.18S-R.26E	S $\frac{1}{2}$ Sec. 23; S $\frac{1}{2}$ Sec. 24; all Sec. 25 & 26; N $\frac{1}{2}$ Sec. 35.
Dayton, East (Abandoned)	G	Eddy	T.18S-R.27E	NW $\frac{1}{4}$ Sec. 29.
Denton	D	Lea	T.15S-R.37E	All Sec. 11, 12, 13 & 14.

POOL	PRODUCING FORMATION	COUNTY	TWP. & RGE.	DESCRIPTION
Drinkard	DR	Lea	T.21S-R.37E	All Sec. 8 & 9; W $\frac{1}{2}$ Sec. 10; W $\frac{1}{2}$ Sec. 14; all Sec. 15, 16, 17, E $\frac{1}{2}$ Sec. 19; all Sec. 20, 21, 22; W $\frac{1}{2}$ Sec. 23; all Sec. 26, 27, 28, 29; E $\frac{1}{2}$ Sec. 30; E $\frac{1}{2}$ Sec. 31; all Sec. 32, 33, 34, 35 & 36.
			T.22S-R.37E	All Sec. 1, 2, 3, 4, 5, 8, 9, 10, 11, 12, 13, 14, & 15; E $\frac{1}{2}$ Sec. 16; E $\frac{1}{2}$ Sec. 21; all Sec. 22, 23, 24, 25, 26 & 36.
			T.22S-R.38E	SW $\frac{1}{4}$ Sec. 6; W $\frac{1}{2}$ Sec. 7; W $\frac{1}{2}$ Sec. 18; All Sec. 19, 20, 29, 30, 31 & 32.
			T.23S-R.38E	All Sec. 5 & 6.
Drinkard, North	DR	Lea	T.21S-R.37E	W $\frac{1}{2}$ Sec. 2; all Lots 1 to 16 incl; SE $\frac{1}{4}$ Sec. 3.
Drinkard, South	DR	Lea	T.23S-R.37E	All Sec. 3.
Dublin (Abandoned)	E	Lea	T.26S-R.37E	All Sec. 11, 12, 13 & 14.
Dublin-Devonian	D	Lea	T.26S-R.37E	All Sec. 11, 12, 13 & 14.
Eaves	Y-SR	Lea	T.26S-R.36E T.26S-R.37E	All Sec. 12, 13, 24 & 25. W $\frac{1}{2}$ Sec. 7; all Sec. 18 & 19; SW $\frac{1}{4}$ Sec. 20; W $\frac{1}{2}$ Sec. 29; all Sec. 30 & 31; W $\frac{1}{2}$ Sec. 32.
Eighty-Four Draw (Abandoned)	SA	Lea	T.21S-R.38E	All Sec. 8.
Elliott	DR	Lea	T.21S-R.38E	All Sec. 8.
Empire	Y-SR	Eddy	T.17S-R.27E T.17S-R.28E T.18S-R.27E	S $\frac{1}{2}$ Sec. 13; all Sec. 24 & 25; E $\frac{1}{2}$ Sec. 26; all Sec. 35 & <del>26</del> 36 S $\frac{1}{2}$ Sec. 18; N $\frac{1}{2}$ & SW $\frac{1}{4}$ Sec. 19; W $\frac{1}{2}$ Sec. 30. N $\frac{1}{2}$ & SW $\frac{1}{4}$ Sec. 2; E $\frac{1}{2}$ Sec. 3.
Bunice-Monument	SR-Q G-SA	Lea	T.19S-R.36E T.19S-R.37E T.20S-R.36E T.20S-R.37E	E $\frac{1}{2}$ Sec. 12; all Sec. 13, 23, 24, 25, 26, 27, 34, 35 & 36. SW $\frac{1}{4}$ Sec. 3; S $\frac{1}{2}$ Sec. 4; all Sec. 7 & 8; W $\frac{1}{2}$ Sec. 9; W $\frac{1}{2}$ Sec. 16; all Sec. 17 to 21 incl; S $\frac{1}{2}$ Sec. 27; all Sec. 28 to 34 incl. All Sec. 1, 2, 3, 10, 11, 12, 13 & 14; E $\frac{1}{2}$ Sec. 15; all Sec. 23, 24, 25, 26, 35, & 36. All Sec. 3 to 10 incl; all Sec. 15 to 21 incl; W $\frac{1}{2}$ Sec. 22; all Sec. 29 to 33 incl.

POOL	PRODUCING FORMATION	COUNTY	TWP. & RGE.	DESCRIPTION
Eunice-Monument	Cont'd. SR-Q G-SA	Lea	T.21S-R.35E T.21S-R.36E	All Sec. 1, 12, 13, 24; E $\frac{1}{2}$ Sec. 25. SW $\frac{1}{4}$ Sec. 1; all Sec. 2 to 11 incl; W $\frac{1}{2}$ Sec. 12; W $\frac{1}{2}$ Sec. 13; all Sec. 14 to 22 incl; NW $\frac{1}{4}$ Sec. 23; W $\frac{1}{2}$ Sec. 27 all Sec. 28 to 30 incl; NE $\frac{1}{4}$ Sec. 31; all Sec. 32 & 33; W $\frac{1}{2}$ Sec. 34.
Eunice, South	SR	Lea	T.21S-R.35E T.21S-R.36E T.22S-R.35E T.22S-R.36E	E $\frac{1}{2}$ Sec. 36. NW $\frac{1}{4}$ & S $\frac{1}{2}$ Sec. 31. E $\frac{1}{2}$ Sec. 1. W $\frac{1}{2}$ Sec. 3; all Sec. 4 to 10 incl; SW $\frac{1}{4}$ Sec. 11; W $\frac{1}{2}$ Sec. 14; all Sec. 15 to 23 incl; all Sec. 25 to 29 incl; E $\frac{1}{2}$ Sec. 30; NE $\frac{1}{4}$ Sec. 31; all Sec. 32 to 36 incl.
Fenton	D	Eddy	T.21S-R.28E	All Sec. 15.
Forest	SA	Eddy	T.16S-R.29E	S $\frac{1}{2}$ Sec. 26; S $\frac{1}{2}$ Sec. 27; all Sec. 34 & 35.
Fowler	E	Lea	T.24S-R.37E	W $\frac{1}{2}$ Sec. 14; all Sec. 15; N $\frac{1}{2}$ Sec. 22; NW $\frac{1}{4}$ Sec. 23.
Fren	SR	Eddy	T.17S-R.30E T.17S-R.31E	All Sec. 22, 23, 24, 25, 26 & 27. S $\frac{1}{2}$ Sec. 16; S $\frac{1}{2}$ Sec. 17; S $\frac{1}{2}$ Sec. 18; all Sec. 19, 20, 21, 22, 29 & 30.
Garrett	SA	Lea	T.16S-R.38E	E $\frac{1}{2}$ Sec. 22; W $\frac{1}{2}$ Sec. 23.
Getty	Y	Eddy	T.20S-R.29E	SW $\frac{1}{4}$ Sec. 13, SE $\frac{1}{4}$ Sec. 14; E $\frac{1}{2}$ Sec. 23; W $\frac{1}{2}$ Sec. 24; NW $\frac{1}{4}$ Sec. 25; NE $\frac{1}{4}$ Sec. 26.
Grayburg-Jackson	Q-G-SA	Eddy	T.17S-R.29E  T.17S-R.30E  T.17S-R.31E	S $\frac{1}{2}$ Sec. 13; S $\frac{1}{2}$ Sec. 14; all Sec. 20, 21, 22, 23, 24, 25, 26, 27, 28 & 29; N $\frac{1}{2}$ & N $\frac{1}{2}$ S $\frac{1}{2}$ Sec. 32; N $\frac{1}{2}$ & N $\frac{1}{2}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 33; all Sec. 34; N $\frac{1}{2}$ & N $\frac{1}{2}$ S $\frac{1}{2}$ Sec. 35; N $\frac{1}{2}$ Sec. 36. S $\frac{1}{2}$ Sec. 12; all Sec. 13 to 17 incl; S $\frac{1}{2}$ Sec. 18; all Sec. 19 to 21 incl; N $\frac{1}{2}$ Sec. 22; N $\frac{1}{2}$ Sec. 23; N $\frac{1}{2}$ Sec. 24; N $\frac{1}{2}$ Sec. 29; all Sec. 30. S $\frac{1}{2}$ Sec. 7; S $\frac{1}{2}$ Sec. 8; S $\frac{1}{2}$ Sec. 9; all Sec. 14 to 18 incl; N $\frac{1}{2}$ Sec. 19; N $\frac{1}{2}$ Sec. 20; all Sec. 21, 22 & 23; N $\frac{1}{2}$ Sec. 26; N $\frac{1}{2}$ Sec. 27; N $\frac{1}{2}$ Sec. 28.

POOL	PRODUCING FORMATION	COUNTY	TWP. & RGE.	DESCRIPTION
Grayburg-Keely	SA	Eddy	T.17S-R.29E	S $\frac{1}{2}$ Sec. 22; S $\frac{1}{2}$ Sec. 23; all Sec. 26 & 27.
Male Pool (Gas-S.I.)	T	Eddy	T.20S-R.30E	SW $\frac{1}{4}$ Sec. 12; NW $\frac{1}{4}$ Sec. 13.
Halfway	Y	Lea	T.20S-R.32E	S $\frac{1}{2}$ Sec. 9; all Sec. 16.
Hardy	Q-G	Lea	T.20S-R.37E T.20S-R.38E T.21S-R.36E T.21S-R.37E	All Sec. 36. All Sec. 31. Lots 1,2,7,8,9,10,15 & 16 of Sec. 1. All Sec. 5 & 6; N $\frac{1}{2}$ Sec. 7.
Hare	SIM	Lea	T.21S-R.37E	S $\frac{1}{2}$ Sec. 21; SW $\frac{1}{4}$ Sec. 22; all Sec. 28; E $\frac{1}{2}$ Sec. 32; W $\frac{1}{2}$ & NE $\frac{1}{4}$ Sec. 33.
Hare, South	SIM	Lea	T.22S-R.37E	SE $\frac{1}{4}$ Sec. 9; S $\frac{1}{2}$ & NW $\frac{1}{4}$ Sec. 15; NE $\frac{1}{4}$ Sec. 16; N $\frac{1}{2}$ Sec. 22.
Harrison	P	Lea	T.23S-R.37E	SW $\frac{1}{4}$ Sec. 16; NW $\frac{1}{4}$ Sec. 21.
Henshaw	SA	Eddy	T.16S-R.30E	All Sec. 13.
High Lonesome	Q	Eddy	T.16S-R.29E	SW $\frac{1}{4}$ Sec. 16; S $\frac{1}{2}$ Sec. 17; N $\frac{1}{2}$ Sec. 20; NW $\frac{1}{4}$ Sec. 21.
High Lonesome, South	G-SA	Eddy	T.16S-R.29E T.17S-R.28E T.17S-R.29E	S $\frac{1}{2}$ Sec. 31; NE $\frac{1}{4}$ & S $\frac{1}{2}$ Sec. 32; all Sec. 33. NE $\frac{1}{4}$ Sec. 1. N $\frac{1}{2}$ Sec. 4; N $\frac{1}{2}$ Sec. 5; N $\frac{1}{2}$ Sec. 6.
Hightower	D	Lea	T.12S-R.33E	All Sec. 22,23,26 & 27.
Hobbs	SA	Lea	T.18S-R.37E T.18S-R.38E T.19S-R.38E	All Sec. 13,14,23,24,25 & 36. All Sec. 17 to 22 incl; all Sec. 27 to 34 incl. All Sec. 3,4,5,6,8,9,10,15 & 16.
House	DR	Lea	T.20S-R.38E	SW $\frac{1}{4}$ Sec. 1; SE $\frac{1}{4}$ Sec. 2; NE $\frac{1}{4}$ Sec. 11; NW $\frac{1}{4}$ Sec. 12.
Justis (Gas)	P	Lea	T.25S-R.37E	SW $\frac{1}{4}$ Sec. 1; SE $\frac{1}{4}$ Sec. 2; E $\frac{1}{2}$ Sec. 11; W $\frac{1}{2}$ Sec. 12; W $\frac{1}{2}$ Sec. 13; E $\frac{1}{2}$ Sec. 14; E $\frac{1}{2}$ Sec. 23; W $\frac{1}{2}$ Sec. 24.

POOL	PRODUCING FORMATION	COUNTY	TWP. & RGE.	DESCRIPTION
Knowles	Dev.	Lea	T.16S-R.38E T.17S-R.38E	E $\frac{1}{2}$ Sec. 34; all Sec. 35. N $\frac{1}{2}$ Sec. 2; NE $\frac{1}{4}$ Sec. 3.
Langlie-Mattix	Y-SR-Q	Lea	T.23S-R.36E T.23S-R.37E T.24S-R.36E T.24S-R.37E T.25S-R.37E T.26S-R.37E	All Sec. 1,2,11,12,13,14,23,24,25, 26, 35 & 36. W $\frac{1}{2}$ Sec. 6; all Sec. 7,18,19; S $\frac{1}{2}$ Sec. 28; all Sec. 29 to 34 incl. All Sec. 1; E $\frac{1}{2}$ Sec. 2; E $\frac{1}{2}$ Sec. 11; all Sec. 12; NW $\frac{1}{4}$ & E $\frac{1}{2}$ Sec. 13; E $\frac{1}{2}$ Sec. 24; E $\frac{1}{2}$ Sec. 25; E $\frac{1}{2}$ Sec. 36. All Sec. 2 to 11 incl; all Sec. 14 to 23 incl; all Sec. 26 to 35 incl. All Sec. 2,3,4, & 5; E $\frac{1}{2}$ & NW $\frac{1}{4}$ Sec. 6; E $\frac{1}{2}$ Sec. 7; all Sec. 8,9,10 & 11; W $\frac{1}{2}$ Sec. 13; all Sec. 14 thru 17 incl; E $\frac{1}{2}$ Sec. 18; E $\frac{1}{2}$ Sec. 19; all Sec. 20 to 23 incl; W $\frac{1}{2}$ Sec. 24; W $\frac{1}{2}$ Sec. 25; all Sec. 26 to 29 incl; E $\frac{1}{2}$ Sec. 32; all Sec. 33,34, & 35; W $\frac{1}{2}$ Sec. 36. NW $\frac{1}{4}$ Sec. 1; NE $\frac{1}{4}$ Sec. 2.
Lea (Abandoned)	Y	Lea	T.20S-R.34E	W $\frac{1}{2}$ Sec. 14.
Leo	G	Eddy	T.18S-R.30E	S $\frac{1}{2}$ Sec. 14; S $\frac{1}{2}$ Sec. 15; S $\frac{1}{2}$ Sec. 16; N $\frac{1}{2}$ Sec. 21; all Sec. 22 & 23.
Leonard	SR	Lea	T.26S-R.37E	All Sec. 11 & 12.
Loco Hills	G-SA	Eddy	T.17S-R.29E T.17S-R.30E T.18S-R.29E T.18S-R.30E	S $\frac{1}{2}$ Sec. 31; S $\frac{1}{2}$ S $\frac{1}{2}$ Sec. 32; S $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 33; S $\frac{1}{2}$ S $\frac{1}{2}$ Sec. 35; S $\frac{1}{2}$ Sec. 36. S $\frac{1}{2}$ Sec. 29; all Sec. 31 & 32. All Sec. 1 to 18 incl. All Sec. 5,6,7 & 18.
Loco Hills Queen	Q	Eddy	T.17S-R.30E	SW $\frac{1}{4}$ Sec. 29; SE $\frac{1}{4}$ Sec. 30.
Logan Draw	SA	Eddy	T.17S-R.27E	S $\frac{1}{2}$ Sec. 19.
Lovington	SA	Lea	T.16S-R.36E T.16S-R.37E T.17S-R.36E T.17S-R.37E	S $\frac{1}{2}$ Sec. 25; S $\frac{1}{2}$ Sec. 26; all Sec. 35 & 36. S $\frac{1}{2}$ Sec. 30; all Sec. 31; W $\frac{1}{2}$ Sec. 32. All Sec. 1 & 2; N $\frac{1}{2}$ Sec. 11; N $\frac{1}{2}$ Sec. 12. W $\frac{1}{2}$ Sec. 5; all Sec. 6; N $\frac{1}{2}$ Sec. 7.

POOL	PRODUCING FORMATION	COUNTY	TWP. & RGE.	DESCRIPTION
Lovington, West	SA	Lea	T.16S-R.36E T.17S-R.36E	S $\frac{1}{2}$ Sec. 32; SW $\frac{1}{4}$ Sec. 33. W $\frac{1}{2}$ Sec. 3; all Sec. 4, 5, E $\frac{1}{2}$ & SW $\frac{1}{4}$ Sec. 6; N $\frac{1}{2}$ & SE $\frac{1}{4}$ Sec. 7; all Sec. 8; N $\frac{1}{2}$ Sec. 9.
Lusk	Y	Eddy & Lea	T.19S-R.31E T.19S-R.32E	All Sec. 24. W $\frac{1}{2}$ Sec. 19.
Lusk, East (Abandoned)	Y	Lea	T.19S-R.32E	S $\frac{1}{2}$ Sec. 21; N $\frac{1}{2}$ Sec. 28.
Lusk, West	Y	Eddy	T.19S-R.31E	SE $\frac{1}{4}$ Sec. 15; NE $\frac{1}{4}$ Sec. 22.
Lynch	Y	Lea	T.20S-R.34E T.21S-R.33E	S $\frac{1}{2}$ Sec. 27; all Sec. 34; SW $\frac{1}{4}$ Sec. 35. W $\frac{1}{2}$ Sec. 1; all Sec. 2.
Lynch, North	Y	Lea	T.20S-R.34E	E $\frac{1}{2}$ Sec. 18.
Maljamar	G-SA	Lea & Eddy	T.17S-R.31E T.17S-R.32E T.17S-R.33E T.18S-R.32E	S $\frac{1}{2}$ Sec. 13; all Sec. 24 & 25. SE $\frac{1}{4}$ Sec. 8; S $\frac{1}{2}$ Sec. 9; S $\frac{1}{2}$ Sec. 14; all Sec. 15 to 36 incl. All Sec. 19; S $\frac{1}{2}$ Sec. 20; SW $\frac{1}{4}$ Sec. 21; W $\frac{1}{2}$ Sec. 28; All Sec. 29 & 30; N $\frac{1}{2}$ Sec. 31; N $\frac{1}{2}$ Sec. 32; all Sec. 33. All Sec. 4 & 5.
Maljamar, East	G-SA	Lea	T.17S-R.33E	All Sec. 16.
Maljamar, North	G	Lea	T.17S-R.32E	SW $\frac{1}{4}$ Sec. 5; SE $\frac{1}{4}$ Sec. 6; NE $\frac{1}{4}$ Sec. 7; NW $\frac{1}{4}$ Sec. 8.
Maljamar, South	G	Lea	T.18S-R.32E	SW $\frac{1}{4}$ Sec. 14; S $\frac{1}{2}$ Sec. 15; all Sec. 22; W $\frac{1}{2}$ Sec. 23.
McCormack	SIL	Lea	T.21S-R.37E	S $\frac{1}{2}$ Sec. 29; all Sec. 32.
McMillan	SR-Q	Eddy	T.19S-R.27E T.20S-R.27E	E $\frac{1}{2}$ Sec. 31 All Sec. 6; N $\frac{1}{2}$ Sec. 7.
Monument-Abo	LP	Lea	T.19S-R.36E T.19S-R.37E T.20S-R.36E T.20S-R.37E	All Sec. 36. All Sec. 31. All Sec. 1. All Sec. 6.

POOL	PRODUCING FORMATION	COUNTY	TWP. & RGE.	DESCRIPTION
Monument-Blinebry	B	Lea	T.19S-R.36E T.19S-R.37E T.20S-R.36E T.20S-R.37E	All Sec. 36. All Sec. 31. All Sec. 1. All Sec. 6.
Monument-McKee	SIM	Lea	T.19S-R.36E T.19S-R.37E T.20S-R.36E T.20S-R.37E	All Sec. 36. All Sec. 31. All Sec. 1. All Sec. 6.
Monument-Paddock	P	Lea	T.19S-R.36E T.19S-R.37E T.20S-R.36E T.20S-R.37E	All Sec. 36. All Sec. 31. All Sec. 1. All Sec. 6.
Nichols	SA	Eddy	T.18S-R.28E	All Sec. 13; N $\frac{1}{2}$ Sec. 24.
Paddock	P	Lea	T.21S-R.37E T.21S-R.38E T.22S-R.37E T.22S-R.38E	SE $\frac{1}{4}$ Sec. 19; S $\frac{1}{2}$ Sec. 20; all Sec. 27, 28 & 29; E $\frac{1}{2}$ Sec. 30; all Sec. 32 to 35 incl.; S $\frac{1}{2}$ Sec. 36. SW $\frac{1}{4}$ Sec. 31. All Sec. 1, 2, 3, 4, 5, 8, 9, 10, 11, 12, 13, 14 & 15; N $\frac{1}{2}$ Sec. 16. W $\frac{1}{2}$ Sec. 6; W $\frac{1}{2}$ Sec. 7.
Palmillo (Abandoned)	SR	Eddy	T.18S-R.29E	S $\frac{1}{2}$ Sec. 30.
PCA	Y	Eddy	T.20S-R.30E	S $\frac{1}{2}$ Sec. 10; all Sec. 15.
Pearsall	Q	Lea	T.17S-R.32E T.18S-R.32E	All Sec. 26; S $\frac{1}{2}$ Sec. 27; all Sec. 32 to 35 incl. All Sec. 4 & 5.
Penrose Skelly	Q-G	Lea	T.21S-R.36E T.21S-R.37E T.22S-R.37E T.23S-R.37E	E $\frac{1}{2}$ Sec. 13. S $\frac{1}{2}$ Sec. 7; S $\frac{1}{2}$ Sec. 8; S $\frac{1}{2}$ Sec. 16; all Sec. 17 & 18; E $\frac{1}{2}$ Sec. 19; all Sec. 20, 21, 27, 28 & 29; E $\frac{1}{2}$ Sec. 30; E $\frac{1}{2}$ Sec. 31; all Sec. 32 to 35 incl. All Sec. 2, 3, 4, & 5; E $\frac{1}{2}$ Sec. 6; NE $\frac{1}{4}$ Sec. 7; all Sec. 8, 9, 10, 11, 14, 15 & 16; E $\frac{1}{2}$ Sec. 17; E $\frac{1}{2}$ Sec. 20; All Sec. 21, 22, 23, 26, 27 & 28; E $\frac{1}{2}$ Sec. 29; all Sec. 32, 33, & 34; W $\frac{1}{2}$ Sec. 35. W $\frac{1}{2}$ Sec. 2; all Sec. 3, 4 & 5; E $\frac{1}{2}$ Sec. 6; all Sec. 8, 9 & 10; W $\frac{1}{2}$ Sec. 11; W $\frac{1}{2}$ Sec. 14; all Sec. 15, 16 & 17; N $\frac{1}{2}$ Sec. 20; all Sec. 21.

POOL	PRODUCING FORMATION	COUNTY	TWP. & RGE.	DESCRIPTION
Premier	G	Eddy	T.17S-R.30E T.17S-R.31E	S $\frac{1}{2}$ Sec. 22; S $\frac{1}{2}$ Sec. 23; S $\frac{1}{2}$ Sec. 24; all Sec. 25, 26, 27, 28, 33, 34, 35 & 36. S $\frac{1}{2}$ Sec. 19; S $\frac{1}{2}$ Sec. 20; all Sec. 29 & 30; N $\frac{1}{2}$ Sec. 31.
Red Lake	G-SA	Eddy	T.17S-R.27E T.17S-R.28E  T.18S-R.27E	NE $\frac{1}{4}$ & S $\frac{1}{2}$ Sec. 25; S $\frac{1}{2}$ Sec. 34; all sec. 35 & 36. SW $\frac{1}{4}$ Sec. 2; S $\frac{1}{2}$ Sec. 3; all Sec. 4, 5, 8, 9, & 10; W $\frac{1}{2}$ Sec. 11; W $\frac{1}{2}$ Sec. 14; all Sec. 15, 16 & 17; S $\frac{1}{2}$ Sec. 19; all Sec. 20, 21, 22, 23; N $\frac{1}{2}$ Sec. 24; all Sec. 26, 27, 28, 29 & 30; N $\frac{1}{2}$ & SW $\frac{1}{4}$ Sec. 31. N $\frac{1}{2}$ Sec. 1; N $\frac{1}{2}$ & SW $\frac{1}{4}$ Sec. 2; all Sec. 3 to 6 incl; E $\frac{1}{2}$ Sec. 7; all Sec. 8; W $\frac{1}{2}$ & NE $\frac{1}{4}$ Sec. 9.
Rhodes	Y-SR	Lea	T.26S-R.37E	All Sec. 4, 5 & 6; E $\frac{1}{2}$ Sec. 7; all Sec. 8 & 9; S $\frac{1}{2}$ Sec. 10; all Sec. 15, 16 & 17; N $\frac{1}{2}$ & SE $\frac{1}{4}$ Sec. 20; all Sec. 21 & 22; S $\frac{1}{2}$ Sec. 23; all Sec. 26, 27, 28, 34 & 35.
Roberts	G	Lea	T.17S-R.32E T.17S-R.33E	S $\frac{1}{2}$ Sec. 1; S $\frac{1}{2}$ Sec. 2; all Sec. 3; N $\frac{1}{2}$ Sec. 10; all Sec. 11; N $\frac{1}{2}$ & SW $\frac{1}{4}$ Sec. 12. S $\frac{1}{2}$ Sec. 6; N $\frac{1}{2}$ Sec. 7.
Robinson	G-SA	Eddy & Lea	T.16S-R.31E T.16S-R.32E	S $\frac{1}{2}$ Sec. 25; all Sec. 35; N $\frac{1}{2}$ & SW $\frac{1}{4}$ Sec. 36. SW $\frac{1}{4}$ Sec. 30; N $\frac{1}{2}$ & SE $\frac{1}{4}$ Sec. 31; W $\frac{1}{2}$ Sec. 32.
Russell	Y	Eddy	T.20S-R.28E	S $\frac{1}{2}$ Sec. 12; all Sec. 13, 14 & 23; W $\frac{1}{2}$ Sec. 24.
Salt Lake (Abandoned)	Y	Lea	T.20S-R.33E	All Sec. 7 & 18.
San Simon	Y	Lea	T.21S-R.33E T.22S-R.35E	SE $\frac{1}{4}$ Sec. 32; SW $\frac{1}{4}$ Sec. 33. NW $\frac{1}{4}$ Sec. 4; NE $\frac{1}{4}$ Sec. 5.
Sawyer	SA	Lea	T.9S-R.37E T.9S-R.38E	All Sec. 13 & 24 All Sec. 18, 19 & 30.
Scanlon (Gas-S.I.)	T	Eddy	T.20S-R.29E	SW $\frac{1}{4}$ Sec. 29; SE $\frac{1}{4}$ Sec. 30.



POOL	PRODUCING FORMATION	COUNTY	TWP. & RGE.	DESCRIPTION
Singart	Y-Q	Eddy	T.18S-P.31E T.19S-R.31E	S $\frac{1}{2}$ Sec. 34; SW $\frac{1}{4}$ Sec. 35. NW $\frac{1}{4}$ Sec. 2; N $\frac{1}{2}$ Sec. 3.
Shugart, North	Q	Eddy	T.18S-R.31E	S $\frac{1}{2}$ Sec. 8; S $\frac{1}{2}$ Sec. 9; S $\frac{1}{2}$ Sec. 10; NE $\frac{1}{4}$ & S $\frac{1}{2}$ Sec. 11; all Sec. 12; N $\frac{1}{2}$ Sec. 13; N $\frac{1}{2}$ Sec. 14; all Sec. 15, 16, 17, 18, 20 & 21; N $\frac{1}{2}$ Sec. 22; N $\frac{1}{2}$ Sec. 28; N $\frac{1}{2}$ Sec. 29.
Skaggs	G	Lea	T.20S-R.37E T.20S-R.38E	All Sec. 24; N $\frac{1}{2}$ Sec. 25. All Sec. 19; N $\frac{1}{2}$ Sec. 30.
Square Lake	G-SA	Eddy	T.16S-R.30E  T.16S-R.31E T.17S-R.30E T.17S-R.31E	S $\frac{1}{2}$ Sec. 24; all Sec. 25, 26 & 27; S $\frac{1}{2}$ Sec. 28; E $\frac{1}{2}$ Sec. 32; all Sec. 33 to 36 incl. S $\frac{1}{2}$ Sec. 19, S $\frac{1}{2}$ Sec. 20; S $\frac{1}{2}$ Sec. 21; SW $\frac{1}{4}$ Sec. 27; all Sec. 28 to 34 incl. All Sec. 1 to 4 incl; E $\frac{1}{2}$ Sec. 5; N $\frac{1}{2}$ Sec. 11; N $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 12. NW $\frac{1}{4}$ Sec. 3; N $\frac{1}{2}$ Sec. 4; N $\frac{1}{2}$ Sec. 5; N $\frac{1}{2}$ Sec. 6.
Teague	SIM	Lea	T.23S-R.37E	All Sec. 21, 22, 27 & 28.
Tonto	SR	Lea	T.19S-R.33E	E $\frac{1}{2}$ Sec. 22; W $\frac{1}{2}$ Sec. 23.
Turkey Track	Q-G	Eddy	T.18S-R.29E T.19S-R.29E	S $\frac{1}{2}$ Sec. 34; SW $\frac{1}{4}$ Sec. 35. W $\frac{1}{2}$ Sec. 2; all Sec. 3; N $\frac{1}{2}$ Sec. 10; NW $\frac{1}{4}$ Sec. 11.
Turkey Track- Seven Rivers	SR	Eddy	T.19S-R.29E	SW $\frac{1}{4}$ Sec. 2; S $\frac{1}{2}$ Sec. 3; N $\frac{1}{2}$ Sec. 10; NW $\frac{1}{4}$ Sec. 11.
Vacuum	G-SA	Lea	T.17S-R.34E T.17S-R.35E T.18S-R.34E T.18S-R.35E	All Sec. 3 to 36 incl. All Sec. 7; all Sec. 18 to 36 incl. All Sec. 1, 2, 3, 4, 11 & 12. All Sec. 3 to 7 incl.
Warren-McKee	SIM	Lea	T.20S-R.38E	All Sec. 29.
Watkins	SR	Lea	T.18S-R.32E T.19S-R.32E	All Sec. 31. N $\frac{1}{2}$ Sec. 6.
Watkins-Grayburg	G	Lea	T.18S-R.32E T.19S-R.32 E	S $\frac{1}{2}$ Sec. 31. N $\frac{1}{2}$ Sec. 6.

POOL	PRODUCING FORMATION	COUNTY	TWP. & RGE.	DESCRIPTION
Weir	DR	Lea	T.20S-R.37E	E $\frac{1}{2}$ Sec. 22; all Sec. 23; W $\frac{1}{2}$ Sec. 24; NW $\frac{1}{4}$ Sec. 25; N $\frac{1}{2}$ Sec. 26; NE $\frac{1}{4}$ Sec. 27.
Wilson	Y-SR	Lea	T.21S-R.34E T.21S-R.35E	E $\frac{1}{2}$ Sec. 12; all Sec. 13; E $\frac{1}{2}$ Sec. 14; all Sec. 23 & 24; N $\frac{1}{2}$ Sec. 26. S $\frac{1}{2}$ Sec. 6; all Sec. 7 & 18.
Wilson, West	SR	Lea	T.21S-R.34E	All Sec. 16; N $\frac{1}{2}$ Sec. 21.
Young	Q	Lea	T.18S-R.32E	S $\frac{1}{2}$ Sec. 17; N $\frac{1}{2}$ Sec. 20.

#### INDEX TO PRODUCING FORMATIONS

T	-Tansil (Permian)	
Y	-Yates (Permian)	
SR	-Seven Rivers (Permian)	
Q	-Queen (Permian)	
G	-Grayburg (Permian)	
D	-Delaware (Permian)	
SA	-San Andres (Permian)	
P	-Paddock (Glorieta & Upper Yeso-Permian)	See Bulletin
B	-Blinbry (Upper Yeso-Permian)	#23, New Mex.
DR	-Drinkard (Lower Leonard-Permian)	School of Mines.
LP	-Lower Permian (Permian)	
PE	-Pennsylvanian (Pennsylvanian)	
SD	-Siluro-Devonian (Silurian-Devonian)	
SIL	-Silurian (Silurian)	
MON	-Montoya (Ordovician)	
SIM	-Simpson (Ordovician)	
E	-Ellenburger (Ordovician)	

## APPENDIX B

## GAS-OIL RATIOS ESTABLISHED PURSUANT TO RULE 506

<u>POOL</u>	<u>GAS OIL RATIO LIMIT</u>	<u>COUNTY</u>
Anderson	2000	Eddy
Arrowhead	3500	Lea
Artesia	2000	Eddy
Atoka	2000	Eddy
Barber	2000	Eddy
Benson	2000	Lea
Blinebry	2000	Lea
Brunson	2000	Eddy
Burton	2000	Chaves & Lea
Caprock	2000	Lea
Cass	2000	Chaves
Comanche	2000	Lea
Corbin	2000	Eddy
Culwin	2000	Eddy
Daugherty	2000	Eddy
Dayton	2000	Eddy
Dayton, East	2000	Lea
Drinkard	2000	Lea
Dublin	2000	Lea
Eaves	2000	Lea
Eighty-four Draw	2000	Eddy
Empire	2000	
Eunice-Monument;		
Eunice portion	6000	Lea
Monument	3000	Lea
Eunice, West	2000	Lea
Fenton	2000	Eddy
Forrest	2000	Eddy
Fren	2000	Eddy
Getty	2000	Eddy
Grayburg-Jackson	4000	Lea
Halfway	2000	Lea
Harrison	2000	Eddy
Henshaw	2000	Eddy
High-Lonesome	2000	Eddy
High-Lonesome South	2000	Lea
Hobbs	3500	Lea
Jones	2000	Lea
Lea	2000	Eddy
Leo	3000	Eddy
Loco Hills	2000	Lea
Lovington	2000	Lea
Lovington, West	2000	Lea
Lusk, East	2000	Eddy & Lea
Lusk	2000	Eddy
Lusk, West	2000	Lea
Lynch	2000	

<u>POOL</u>	<u>GAS OIL RATIO LIMIT</u>	<u>COUNTY</u>
Lynch, North	2000	Lea
Maljamar	3000	Eddy & Lea
Maljamar, North	2000	Lea
Maljamar, South	2000	Lea
McMillan	2000	Eddy
Paddock	2000	Lea
PCA	2000	Eddy
Pearsall	2000	Eddy
Premier	2000	Lea
Red Lake	2000	Lea
Roberts	2000	Eddy & Lea
Roberts, West	2000	Eddy
Robinson	2000	Lea
Russell	2000	Lea
Salt Lake	2000	Eddy
San Simon	2000	Eddy
Shugart	2000	Lea
Shugart, North	2000	Eddy
Skaggs	2000	Lea
Square Lake	2000	Eddy
Tonto	2000	Lea
Turkey Track	2000	Lea
Young	2500	Lea
Vacuum	2000	Lea
Watkins	2000	Lea
Weir		

APPENDIX C

- FORMS -

## NEW MEXICO OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

## NOTICE OF INTENTION TO DRILL

Notice must be given to the Oil Conservation Commission or its proper agent and approval obtained before drilling begins. If changes in the proposed plan are considered advisable, a copy of this notice showing such changes will be returned to the sender. Submit this notice in triplicate. One copy will be returned following approval. See additional instructions in Rules and Regulations of the Commission.

OIL CONSERVATION COMMISSION,  
Santa Fe, New Mexico,

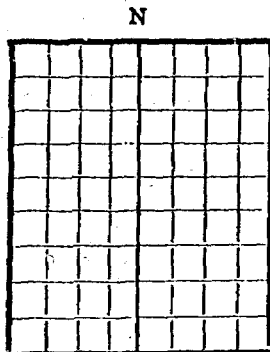
Place

Date

Gentlemen:

You are hereby notified that it is our intention to commence the drilling of a well to be known as \_\_\_\_\_

\_\_\_\_\_ well No. \_\_\_\_\_ in \_\_\_\_\_  
Company or Operator Lease  
of Sec. \_\_\_\_\_, T. \_\_\_\_\_, R. \_\_\_\_\_, N. M., P. M., \_\_\_\_\_ Field, \_\_\_\_\_ County.



AREA 640 ACRES  
LOCATE WELL CORRECTLY

The well is \_\_\_\_\_ feet (N.) (S.) of the \_\_\_\_\_ line and \_\_\_\_\_ feet  
(E.) (W.) of the \_\_\_\_\_ line of \_\_\_\_\_

(Give location from section or other legal subdivision lines. Cross out wrong directions.)

If state land the oil and gas lease is No. \_\_\_\_\_ Assignment No. \_\_\_\_\_

If patented land the owner is \_\_\_\_\_

Address \_\_\_\_\_

If government land the permittee is \_\_\_\_\_

Address \_\_\_\_\_

The lessee is \_\_\_\_\_

Address \_\_\_\_\_

We propose to drill well with drilling equipment as follows: \_\_\_\_\_

The status of a bond for this well in conformance with Rule 39 of the General Rules and Regulations of the Commission is as follows: \_\_\_\_\_

We propose to use the following strings of casing and to land or cement them as indicated:

Size of Hole	Size of Casing	Weight Per Foot	New or Second Hand	Depth	Landed or Cemented	Sacks Cement

If changes in the above plan become advisable we will notify you before cementing or landing casing. We estimate that the first productive oil or gas sand should occur at a depth of about \_\_\_\_\_ feet.

Additional information:

Approved \_\_\_\_\_, 19\_\_\_\_  
except as follows:

Sincerely yours,

Company or Operator

By \_\_\_\_\_

Position \_\_\_\_\_

Send communications regarding well to:

OIL CONSERVATION COMMISSION,

By \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Address \_\_\_\_\_

## NEW MEXICO OIL CONSERVATION COMMISSION

SANTA FE, NEW MEXICO

**MISCELLANEOUS NOTICES**

Submit this notice in triplicate to the Oil Conservation Commission or its proper agent before the work specified is to begin. A copy will be returned to the sender on which will be given the approval, with any modifications considered advisable, or the rejection by the Commission or agent, of the plan submitted. The plan as approved should be followed, and work should not begin until approval is obtained. See additional instructions in the Rules and Regulations of the Commission.

Indicate nature of notice by checking below:

NOTICE OF INTENTION TO TEST CASING SHUT-OFF		NOTICE OF INTENTION TO SHOOT OR CHEMICALLY TREAT WELL	
NOTICE OF INTENTION TO CHANGE PLANS		NOTICE OF INTENTION TO PULL OR OTHERWISE ALTER CASING	
NOTICE OF INTENTION TO REPAIR WELL		NOTICE OF INTENTION TO PLUG WELL	
NOTICE OF INTENTION TO DEEPEN WELL			

Place

Date

OIL CONSERVATION COMMISSION,  
Santa Fe, New Mexico.

Gentlemen:

Following is a notice of intention to do certain work as described below at the \_\_\_\_\_

Company or Operator \_\_\_\_\_ Lease \_\_\_\_\_ Well No. \_\_\_\_\_ in \_\_\_\_\_  
of Sec. \_\_\_\_\_, T. \_\_\_\_\_, R. \_\_\_\_\_, N. M. P. M., \_\_\_\_\_ Field.  
County.

## FULL DETAILS OF PROPOSED PLAN OF WORK

FOLLOW INSTRUCTIONS IN THE RULES AND REGULATIONS OF THE COMMISSION

Approved \_\_\_\_\_, 19\_\_\_\_  
except as follows:

OIL CONSERVATION COMMISSION,

By \_\_\_\_\_  
Title \_\_\_\_\_

Company or Operator

By \_\_\_\_\_

Position \_\_\_\_\_  
Send communications regarding well to

Name \_\_\_\_\_

Address \_\_\_\_\_

**OIL CONSERVATION COMMISSION**

Santa Fe, New Mexico

**MISCELLANEOUS REPORTS ON WELLS**

Submit this report in triplicate to the Oil Conservation Commission or its proper agent within ten days after the work specified is completed. It should be signed and sworn to before a notary public for reports on beginning drilling operations, results of shooting well, results of test of casing shut off, result of plugging of well, and other important operations, even though the work was witnessed by an agent of the Commission. Reports on minor operations need not be signed and sworn to before a notary public. See additional instructions in the Rules and Regulations of the Commission.

Indicate nature of report by checking below.

REPORT ON BEGINNING DRILLING OPERATIONS		REPORT ON REPAIRING WELL	
REPORT ON RESULT OF SHOOTING OR CHEMICAL TREATMENT OF WELL		REPORT ON PULLING OR OTHERWISE ALTERING CASING	
REPORT ON RESULT OF TEST OF CASING SHUT-OFF		REPORT ON DEEPENING WELL	
REPORT ON RESULT OF PLUGGING OF WELL			

OIL CONSERVATION COMMISSION,  
SANTA FE, NEW MEXICO  
Gentlemen:

Date

Place

Following is a report on the work done and the results obtained under the heading noted above at the \_\_\_\_\_ Well No. \_\_\_\_\_ in the \_\_\_\_\_  
Company or Operator \_\_\_\_\_ Lease \_\_\_\_\_  
\_\_\_\_\_ of Sec. \_\_\_\_\_, T. \_\_\_\_\_, R. \_\_\_\_\_, N. M. P. M.,  
\_\_\_\_\_ Field, \_\_\_\_\_ County.

The dates of this work were as follows: \_\_\_\_\_

Notice of intention to do the work was (was not) submitted on Form C-102 on \_\_\_\_\_ 19\_\_\_\_  
and approval of the proposed plan was (was not) obtained. (Cross out incorrect words.)

**DETAILED ACCOUNT OF WORK DONE AND RESULTS OBTAINED**

Witnessed by _____	Name _____	Company _____	Title _____
Subscribed and sworn before me this _____		I hereby swear or affirm that the information given above is true and correct.	
_____ day of _____ 19____		Name _____	
_____		Position _____	
Notary Public		Representing _____	
		Company or Operator	
My commission expires _____		Address _____	

Remarks:

Name

Title



OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO  
REQUEST FOR ALLOWABLE

Oil Well \_\_\_\_\_  
Gas Well \_\_\_\_\_  
Workover Well \_\_\_\_\_

Place \_\_\_\_\_  
Date \_\_\_\_\_  
Designate UNIT well is located in  
FOOL \_\_\_\_\_

D	C	B	A
E	F	G	H
L	K	J	I
M	N	O	P

NOTICE OF COMPLETION OF: (Lease) \_\_\_\_\_  
\_\_\_\_\_ feet from \_\_\_\_\_ Line \_\_\_\_\_ feet from \_\_\_\_\_ Well No. \_\_\_\_\_  
\_\_\_\_\_ Line;

DATE STARTED \_\_\_\_\_ DATE COMPLETED \_\_\_\_\_  
ELEVATION D. F. \_\_\_\_\_ TOTAL DEPTH D. F. \_\_\_\_\_  
CABLE TOOLS \_\_\_\_\_ ROTARY TOOLS \_\_\_\_\_  
PERFORATIONS DEPTH \_\_\_\_\_ OR OPEN HOLE DEPTH \_\_\_\_\_

## CASING RECORD

SIZE \_\_\_\_\_ DEPTH SET \_\_\_\_\_ SAX CEMENT \_\_\_\_\_  
SIZE \_\_\_\_\_ DEPTH SET \_\_\_\_\_ SAX CEMENT \_\_\_\_\_  
SIZE \_\_\_\_\_ DEPTH SET \_\_\_\_\_ SAX CEMENT \_\_\_\_\_

## TUBING RECORD

SIZE \_\_\_\_\_ DEPTH \_\_\_\_\_

## ACID RECORD

NO. GALS. \_\_\_\_\_

NO. GALS. \_\_\_\_\_

NO. GALS. \_\_\_\_\_

## SHOT RECORD

NO. QTS. \_\_\_\_\_

NO. QTS. \_\_\_\_\_

NO. QTS. \_\_\_\_\_

## FORMATION TOPS

T. Anhydrite \_\_\_\_\_ T. Grayburg \_\_\_\_\_ T. Miss. \_\_\_\_\_  
T. Salt \_\_\_\_\_ T. San Andres \_\_\_\_\_ T. Dev. \_\_\_\_\_  
B. Salt \_\_\_\_\_ T. Glorieta \_\_\_\_\_ T. Sil. \_\_\_\_\_  
T. Yates \_\_\_\_\_ T. Frinkard \_\_\_\_\_ T. Ord. \_\_\_\_\_  
T. Seven Rivers \_\_\_\_\_ T. Wolfcamp \_\_\_\_\_ T. Granite Wash \_\_\_\_\_  
T. Queen \_\_\_\_\_ T. Penn. \_\_\_\_\_ T. Granite \_\_\_\_\_

OIL OR GAS PAY \_\_\_\_\_ WATER \_\_\_\_\_

Initial Production Test \_\_\_\_\_  
Test after acid or shot \_\_\_\_\_ Pumping \_\_\_\_\_ Flowing \_\_\_\_\_

Initial Gas Volume \_\_\_\_\_

DATE first oil run to tank or gas to pipe line \_\_\_\_\_

PIPE LINE TAKING OIL \_\_\_\_\_

REMARKS: \_\_\_\_\_

COMPANY \_\_\_\_\_

SIGNED BY \_\_\_\_\_

OIL CONSERVATION COMMISSION - BY: \_\_\_\_\_

TITLE \_\_\_\_\_

RULE 1114. REQUEST FOR ALLOWABLE (FORM C-104)

It is necessary that this form be submitted by the operators before an allowable will be assigned to any newly completed oil or natural gas well. C-110 "Certificate of Compliance" will not be approved until C-104 is filed with the Commission.

Form C-104 is to be submitted in triplicate and mailed to the Oil Conservation Commission Office, to which Form C-101 was sent. Two copies will be retained by them and the other submitted to the Proration Office, Hobbs, New Mexico.

The allowable will be assigned effective 7:00 A. M., on date of completion, provided C-104 and C-110 is received during month of completion.

The completion date shall be that date in the case of an oil well, when oil is delivered into the stock tanks, and in the case of a natural gas well the completion date shall be at 7:00 A. M., on that date that gas is available to gathering lines.



### MUDDING AND CEMENTING RECORD

SIZE OF HOLE	SIZE OF CASING	WHERE SET	NO. SACKS OF CEMENT	METHODS USED	MUD GRAVITY	AMOUNT OF MUD USED

### PLUGS AND ADAPTERS

Heaving plug—Material..... Length..... Depth Set.....  
 Adapters — Material..... Size.....

### RECORD OF SHOOTING OR CHEMICAL TREATMENT

SIZE	SHELL USED	EXPLOSIVE OR CHEMICAL USED	QUANTITY	DATE	DEPTH SHOT OR TREATED	DEPTH CLEANED OUT

Results of shooting or chemical treatment.....  
 .....

### RECORD OF DRILL-STEM AND SPECIAL TESTS

If drill-stem or other special tests or deviation surveys were made, submit report on separate sheet and attach hereto.

#### TOOLS USED

Rotary tools were used from..... feet to..... feet, and from..... feet to..... feet  
 Cable tools were used from..... feet to..... feet, and from..... feet to..... feet

#### PRODUCTION

Put to producing....., 19.....  
 The production of the first 24 hours was..... barrels of fluid of which..... % was oil;..... %  
 emulsion;..... % water; and..... % sediment. Gravity, Be.....  
 If gas well, cu. ft. per 24 hours..... Gallons gasoline per 1,000 cu. ft. of gas.....  
 Rock pressure, lbs. per sq. in.....

#### EMPLOYEES

....., Driller ..... Driller  
 ..... Driller ..... Driller

#### FORMATION RECORD ON OTHER SIDE

I hereby swear or affirm that the information given herewith is a complete and correct record of the well and all work done on it so far as can be determined from available records.

Subscribed and sworn to before me this.....  
 day of....., 19.....  
 Notary Public  
 My Commission expires.....

Place..... Date.....  
 Name.....  
 Position.....  
 Representing.....  
 Company or Operator.....  
 Address.....

**OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO**

**CERTIFICATE of COMPLIANCE and AUTHORIZATION to TRANSPORT OIL**

Company or Operator \_\_\_\_\_ Lease \_\_\_\_\_

Address \_\_\_\_\_  
(Local or Field Office) (Principal Place of Business)

Unit \_\_\_\_\_ Wells No. \_\_\_\_\_ Sec. \_\_\_\_\_ T \_\_\_\_\_ R \_\_\_\_\_ Field \_\_\_\_\_ County \_\_\_\_\_

Kind of Lease \_\_\_\_\_ Location of Tanks \_\_\_\_\_

Transporter \_\_\_\_\_ Address of Transporter \_\_\_\_\_  
(Local or Field Office)

\_\_\_\_\_  
(Principal Place of Business) Percent of oil to be transported \_\_\_\_\_. Other transporters author-  
ized to transport oil from this unit are \_\_\_\_\_ %

REMARKS: \_\_\_\_\_

The undersigned certifies that the rules and regulations of the Oil Conservation Commission have been complied with except as noted above and that gathering agent is authorized to transport the percentage of oil produced from the above described property and that this authorization will be valid until further notice to the transporter named herein or until cancelled by the Oil Conservation Commission of New Mexico.

Executed this the \_\_\_\_\_ day of \_\_\_\_\_, 194 \_\_\_\_\_

\_\_\_\_\_  
(Company or Operator)

By \_\_\_\_\_

Title \_\_\_\_\_

State of \_\_\_\_\_ } ss.

County of \_\_\_\_\_ }

Before me, the undersigned authority, on this day personally appeared \_\_\_\_\_ known to me to be the person whose name is subscribed to the above instrument, who being by me duly sworn on oath states that he is authorized to make this report and has knowledge of the facts stated herein and that said report is true and correct.

Subscribed and sworn to before me, this the \_\_\_\_\_ day of \_\_\_\_\_, 194 \_\_\_\_\_

Notary Public in and for \_\_\_\_\_ County, \_\_\_\_\_

Approved: \_\_\_\_\_ 194 \_\_\_\_\_

OIL CONSERVATION COMMISSION

By \_\_\_\_\_

(See Instructions on Reverse Side)

### INSTRUCTIONS

This form shall be executed and filed in quadruplicate with the Oil Conservation Commission at Santa Fe, New Mexico, covering each unit from which oil is produced. A separate certificate shall be filed for each transporter authorized to transport oil from a unit. After said certificate has been approved by the Oil Conservation Commission, one copy shall be forwarded to the transporter, one copy returned to the producer, and two copies retained by the Oil Conservation Commission.

A new certificate shall be filed to cover each change in operating ownership and each change in the transporter, except that in the case of a temporary change in the transporter involving less than the allowable production for one month the operator shall in lieu of filing a new certificate, notify the Oil Conservation Commission at Santa Fe, New Mexico, and the transporter authorized by certificate on file with the Commission, by letter of the estimated amount of oil to be moved by the transporter temporarily moving oil from the unit and the name of such temporary transporter and a copy of such notice shall also be furnished such temporary transporter. Such temporary transporter shall not move any more oil than the estimated amount shown in said notice.

This certificate when properly executed and approved by the Oil Conservation Commission shall constitute a permit for pipe line connection and authorization to transport oil from the property named therein and shall remain in full force and effect until

- (a) Operating ownership changes
- (b) The transporter is changed or
- (c) The permit is cancelled by the Commission

If any of the rules and regulations of the Oil Conservation Commission have not been complied with at the same time this report is filed, explain fully under the heading "REMARKS."

In all cases where this certificate is filed to cover a change in operating ownership or a change in the transporter designated to move oil, show under "REMARKS" the previous owner or operator and the transporter previously authorized to transport oil.

A separate report shall be filed to cover each producing unit as designated by the Oil Conservation Commission.

**(Follow Instructions on Reverse Side)**

### INSTRUCTIONS

The addresses, as required on this report, shall be clear and definite as to Street Number, City and State.

Where gas is taken from an oil and/or gas well by the producer into a fuel or other gas system and used outside the basic lease said producer is required to make this report. In case gas is taken at the well by any person other than the producer then such person is required to make this report.

This report shall be filed in duplicate on or before the 15th day of each calendar month and shall be complete as to data covering the calendar month next preceding the date of filing. One executed copy shall be filed with the Oil Conservation Commission at Santa Fe, and one executed copy shall be filed with the Lea County Proration Office at Hobbs.

Report the volume of gas taken from each gas well separately. Report the volume of gas taken from oil wells by units. All volumes shall be reported in M. C. F. at 14.4 Lbs. plus 10 Oz. pressure.

If any space does not apply fill in the word "NONE."

Make a separate report for each field or pool.

Please use typewriter if possible.



(Follow Instructions On Reverse Side)

### INSTRUCTIONS

This report is required of all Transporters of oil by pipe line, by water or by truck, and by all Storers of oil, as defined by rules and regulations adopting this form. In case products are blended with oil, receipts of such products shall be reported, separately.

This report shall be filed in duplicate on or before the 15th day of each calendar month and shall be complete as to data covering the month next preceding the date of filing. One executed copy shall be filed with the Oil Conservation Commission at Santa Fe and one executed copy with the Lea County Proration Office at Hobbs.

When delivery is made to a transporter show under "To Whom" column the name of transporter and the type of transportation.

In the preparation of this report group and report, separately by leases, the oil run for the account of each shipper or consignor with a sub-total for each shipper or consignor for each field or pool.

Where the space in any section on Sheet 1 is insufficient use Sheet 1-A, Sheet 1-B or Sheet 1-C, and show in the applicable section the number of sheets of Sheets 1-A, 1-B or 1-C attached and made a part of this report.

Do not use fractions of barrels in this report.

If any space does not apply fill in the word "NONE."

Please use typewriter if possible.

Address \_\_\_\_\_  
(Street) (City) (State)

[illegible]

Address \_\_\_\_\_  
(Street) (City) (State)

[illegible]

Address \_\_\_\_\_  
(Street) (City) (State)

[illegible]

## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

TRANSPORTER'S AND STORER'S MONTHLY REPORT

Report of \_\_\_\_\_ Month of \_\_\_\_\_ 19\_\_\_\_

Address \_\_\_\_\_  
(Street) (City) (State)

**Detail Statement of Stock on Hand at End of Month (Including Stocks in Transit)**

[illegible]

**INSTRUCTIONS**  
**OIL CONSERVATION COMMISSION**  
**FORM C-115**

The addresses of the producer, as required on this report, shall be clear and definite as to Street Number, City, State and Mailing address.

This report shall be made monthly by each producer of crude petroleum oil. An executed copy shall be filed on or before the 20th day of each month with each of the following: Oil Conservation Commission at Santa Fe; Lea County Proration Office at Hobbs; and the pipeline company or other transporter moving oil, gas, or liquid hydrocarbons from a well or lease tanks or any other receptacle. The report shall be complete as to data covering the calendar month next preceding the date of filing.

Report on this form, the required information relative to, the production of all crude petroleum oil, natural gas, and other hydrocarbons which are produced at the well head in liquid form by ordinary production methods. Show on this report, the required information relative to, products produced from a gas well or gas wells, such as distillate and condensate.

Make a separate report for each lease.

Where a lease is comprised of two or more units, list each unit separately. When two or more units are produced into a central tank battery the amount of oil produced from each unit shall be determined by periodic tests. The oil on hand at the beginning of month, the scheduled allowable, the oil on hand at the end of the month, and total capacity of lease tanks shall be reported by leases.

All amounts of oil shall be reported in barrels computed from 100% tank tables and based upon actual physical gauges.

Do not use fractions of barrels in this report.

If any space does not apply fill in the word "NONE."

Please use typewriter if possible.





Form C-114  
Sheet 1

Report of \_\_\_\_\_ Month of \_\_\_\_\_ 19\_\_\_\_

REPORT ALL VOLUMES IN M.C.F. AT 14.4 LBS. PLUS 10 OZ. PRESSURE  
INTAKE VOLUME

### Disposition of Residue

### Detail of Sale or Other Disposition of Residue

Plant Production, Receipts, Deliveries and Stock in Barrels of 42 U. S. GallonsREMARKS:

STATE OF \_\_\_\_\_  
County of \_\_\_\_\_

Name of Operator.

**Notary Public**

**\* (Follow Instructions on Reverse Side)**

# OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

## GASOLINE OR OTHER EXTRACTION PLANT MONTHLY REPORT

Report of \_\_\_\_\_ Month of \_\_\_\_\_ 19\_\_\_\_

Report all Volumes in M. C. F. at 11.4 Lbs. Plus 10 Oz. Pressure

### Detail of Intake Volume

[illegible]

## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
REFINER'S MONTHLY REPORT

Report of \_\_\_\_\_ Month of \_\_\_\_\_ 19\_\_\_\_

Address \_\_\_\_\_

(Main Office)

(Plant)

(Barrels of 42 U. S. Gallons)

Kind	Stock On Hand Beginning Of Month	Receipts (Detail on Sheet 1-A)	Runs To Stillls, Re-Runs and/or Blended	Products Manufac- tured	Deliveries (Detail On Sheet 1-B)	Plant Use and Losses	Stock On Hand End Of Month
Crude Petroleum							
Casinghead Gasoline							
Gasoline							
Kerosene							
Gas Oil							
Fuel Oil							
Lubricating Oil							
Refinery Dists.							
Cracking Stock							
Other Products							
Processing Losses							
TOTAL							

REMARKS: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## AFFIDAVIT

STATE OF \_\_\_\_\_

County of \_\_\_\_\_

\_\_\_\_\_, the undersigned person, who on this day personally appeared before me and is known to me to be the person whose name is subscribed to this report; after being duly sworn on oath or affirmation states that he is authorized to make and execute this report, including all attached sheets, that this report is a true and correct reflection of the record of the operations reported herein, and that no pertinent matter inquired about in this report has been omitted therefrom.

Name of Refiner \_\_\_\_\_

Subscribed and Sworn to before me

(Signature)

(Title)

on this the \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_\_\_

\_\_\_\_\_  
Notary Public

In and for \_\_\_\_\_

(Follow Instructions on Reverse Side)

## Barrels

STATE OF NEW MEXICO  
REFINER'S MONTHLY REPORT

Report of \_\_\_\_\_ Month of \_\_\_\_\_ 19\_\_\_\_

Address \_\_\_\_\_  
 (Main Office) \_\_\_\_\_ (Plant) \_\_\_\_\_

**Detail Statement of Refinery Deliveries of Petroleum and Petroleum Products**  
(Barrels of 42 U. S. Gallons)

[illegible]

Form U-116

## NEW MEXICO OIL CONSERVATION COMMISSION

## Gas-Oil Ratio Report

OPERATOR \_\_\_\_\_ FIELD \_\_\_\_\_  
ADDRESS \_\_\_\_\_ MONTH OF \_\_\_\_\_ 19\_\_\_\_  
REQUIRED TEST \_\_\_\_\_ SPECIAL TEST \_\_\_\_\_ (Check One)

(See Instructions on Reverse Side)

[illegible]

(I certify that the information given is true and correct)

DATE \_\_\_\_\_

BY \_\_\_\_\_  
Company

**Title**



SHELL PIPE LINE CORPORATION

SHELL BUILDING  
HOUSTON 2, TEXAS

December 16, 1952

OIL CONSERVATION CO  
SANTA FE, NEW MEX  
RECEIVED

DEC 19 1952

TELEPHONE CAPITOL 1181

Case 189

Mr. R. R. Spurrier, Secretary  
New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Dear Dick:

May I suggest as my successor to the Chairmanship  
of the Conservation Committee on rules and regulations,  
forms etc.:

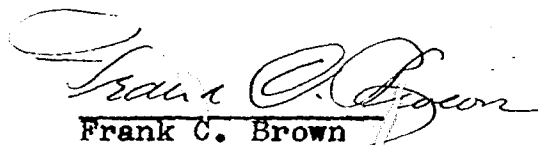
Mr. Fred H. Pennington  
Magnolia Pipe Line Co.  
Dallas, Texas

As you know, Mr. Pennington did an outstanding job  
as a member of this Committee in the recent revision  
of a portion of your State's rules and regulations  
and forms, which recommendations have been adopted by  
the Commission.

Please accept my thanks for the many courtesies  
you have extended to the Committee and myself - it was  
a real pleasure to have worked with you.

Kind regards and the Season's Greetings to yourself  
and family.

Sincerely yours,

  
Frank C. Brown

FCB:mp

cc: Mr. Fred H. Pennington

OIL CONSERVATION COMMISSION

P. O. BOX 871  
SANTA FE, NEW MEXICO

December 16, 1952

C  
O  
P  
Y  
  
Mr. Frank C. Brown  
Shell Pipe Line Corporation  
Shell Building  
Houston 2, Texas

Dear Frank:

Sorry to hear of your leaving and appreciate all you did for us on the Committee.

I understand a Mr. Snider will take your place on the Committee.

Mr. Fred H. Pennington will be appointed General Chairman effective January 1, 1953, coinciding with the date on which you requested to be relieved of your duties.

It has been a pleasure to work with you and I wish to thank you and the other committee members for the progress that has been made to date.

Sincerely,

R. R. Spurrler  
Secretary - Director

RRS:ls  
cc:

Mr. Glenn Staley, Vice Chairman  
Mr. Fred H. Pennington, Vice Chairman  
Mr. A. D. Wilbur, Secretary  
Mr. C. J. Goodwin  
Mr. J. J. Thorpe  
Mr. D. E. Hunter  
Mr. A. L. Porter, Jr.  
Mr. R. S. Blynn  
Mr. L. R. Trujillo  
Mr. Oliver Seth





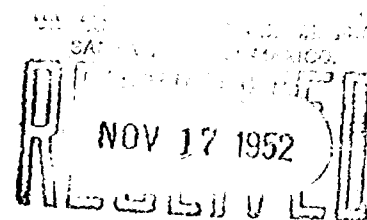
# SHELL PIPE LINE CORPORATION

SHELL BUILDING  
HOUSTON 2, TEXAS

TELEPHONE CAPITOL 1181

November 12, 1952

Mr. R. R. Spurrier, Secretary and Director  
New Mexico Oil Conservation Commission  
Santa Fe, New Mexico



Dear Dick:

Because of my early retirement from Shell effective January 1, 1953, I respectfully request that I be relieved of my duties as General Chairman of the Combined Transportation and Production Committee on Conservation Forms and Rules and Regulations of the State of New Mexico, effective as of that date.

Since my appointment as Chairman December 27, 1951, the Committee has revised and rewritten Sections G, H, J, M, N, O, with resultant appropriate forms. The recommendations of the Committee were included in the Orders of the Commission No. R-98-A, effective July 1, 1952. It was intended that the remaining sections of the regulations would be revised at a later date; the Committee stands ready to do this work when called upon by the Commission.

May I express to you my sincere thanks for your splendid cooperation and wise counsel at all times. And through you to all members of the Committee, my hearty appreciation for the good job they are doing.

Sincerely yours,

*Frank C. Brown*  
Frank C. Brown

FCB:DC

cc: Mr. Glenn Staley, Vice Chairman  
c/o Lea County Operators Association, Hobbs, New Mexico  
cc: Mr. Fred H. Pennington, Vice Chairman  
c/o Magnolia Petroleum Company, Dallas, Texas *Magnolia Bldg.*  
cc: Mr. A. D. Wilbur, Secretary  
c/o Humble Pipe Line Company, Houston, Texas *Draw. 2220*  
cc: Mr. C. J. Goodwin  
c/o The Texas Pipe Line Company, Houston, Texas *Box 2312*  
cc: Mr. J. J. Thorpe  
c/o Gulf Refining Company, P. L. Division, Fort Worth, Texas *Draw. 1290*  
cc: Mr. O. E. Hunter  
c/o Service Pipe Line Company, Tulsa, Oklahoma *Box 1979*  
cc: Mr. A. L. Porter, Jr.  
c/o New Mexico Oil Conservation Commission, Hobbs, New Mexico  
cc: Mr. R. S. Blynn  
c/o New Mexico Oil Conservation Commission, Hobbs, New Mexico  
cc: Mr. I. R. Trujillo  
c/o New Mexico Oil Conservation Commission, Santa Fe, New Mexico  
cc: Mr. Oliver Seth  
c/o Seth & Montgomery, Santa Fe, New Mexico

NOTICE FOR PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

The State of New Mexico by its Oil Conservation Commission hereby gives public notice pursuant to law of a public hearing to be held September 7, 1949, beginning at 10:00 o'clock A.M. of that day in the City of Santa Fe, New Mexico, in the Senate Chambers.

STATE OF NEW MEXICO TO:

The Advisory Committee, appointed May 6, 1949 for revision of general rules and regulations of the Oil Conservation Commission which revision became necessary by reason of the enactment of Chapter 168 of the New Mexico Laws of 1949, as follows:

Charles C. Cragin, Box 1492, El Paso, Texas  
Al Willig, Box 1720, Fort Worth, Texas  
Glenn Staley, Drawer 1, Hobbs, New Mexico  
Bob Christie, Box 1348, Fort Worth, Texas  
Ralph Gray, Box 517, Artesia, New Mexico  
Lloyd Gray, Box 661, Tulsa, Oklahoma  
R. S. Dewey, Box 1600, Midland, Texas  
James Murray, Box 1577, Hobbs, New Mexico  
J. R. Cole, Box 1654, Santa Fe, New Mexico  
A. T. Hannett, First National Bank Bldg., Albuquerque, New Mexico  
Elvis A. Utz, Oil Conservation Commission, Santa Fe, New Mexico

The Lea County Operators Committee, and J. W. House, its Chairman, and  
A. L. Dacker, its Secretary and

Raymond Lamb, Wilson Oil Company, Artesia, New Mexico  
C. F. Bedford, Stanolind Oil & Gas Company, Fort Worth, Texas  
W. G. Ricketts, Amerada Petroleum Corporation, Tulsa, Oklahoma  
H. B. Hurley, Continental Oil Company, Fort Worth, Texas  
D. A. Powell, Drilling & Exploration Company, Hobbs, New Mexico  
S. G. Sanderson, Gulf Oil Corporation, Tulsa, Oklahoma  
J. N. Dunlevy, Skelly Oil Company, Hobbs, New Mexico  
Harry Leonard, Roswell, New Mexico,

the Executive Committee thereof.

The San Juan Basin Operators:

Dudley Cornell, Chairman, First National Bank Bldg., Albuquerque, New Mexico  
Scott R. Brown, Secretary, 102½ N. Court St., Farmington, New Mexico

and

B. B. Bradish, 2933 Monte Vista Blvd., Albuquerque, New Mexico  
P. B. English, Farmington, New Mexico  
Paul Umbach, Korber Building, Albuquerque, New Mexico  
Clifford Smith, Dallas, Texas  
Joe S. Hartman, Aztec, New Mexico

the Executive Committee thereof.

Southern Union Production Company, Burt Building, Dallas, Texas  
El Paso Natural Gas Company, El Paso, Texas  
Lea County Water Company, Hobbs, New Mexico

and all other operators in oil and gas or either of them, and notice to the public:

Case 189

In the matter of the application of the Oil Conservation Commission upon its own motion to revise the rules and regulations of the Commission to conform with the provisions of Chapter 168 of the New Mexico Laws of 1949, and to consider Committee recommendation and take testimony in the premises.

Given under the seal of the Oil Conservation Commission, at Santa Fe, New Mexico on August 19, 1949.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*R. R. Spurr*  
R. R. SPURR, SECRETARY

NOTICE OF PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

The State of New Mexico by its Oil Conservation Commission hereby gives notice, pursuant to law, of the following public hearing to be held September 7, 1949, beginning at 10:00 o'clock A. M., on that day in the City of Santa Fe, New Mexico, in the Senate Chambers.

STATE OF NEW MEXICO TO:

All named parties in the following case,  
and notice to the public:

CASE 189 -

In the matter of the application of the Oil Conservation Commission upon its own motion to revise the rules and regulations of the Commission to conform with the provisions of Chapter 168, New Mexico Laws, 1949, and to consider committee recommendations.

Given under the seal of the Oil Conservation Commission of New Mexico at Santa Fe, New Mexico on August 19, 1949.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

/s/ R. R. SPURRIER, SECRETARY

LEA COUNTY OPERATORS COMMITTEE  
HOBBS, NEW MEXICO  
August 22, 1949

August 22, 1949

ARTESIA ADVOCATE

Artesia, New Mexico

Gentlemen:

Re: Case 189 - Notice of Publication

Please publish the enclosed notice once, immediately. Please proof read the notice carefully and send a copy of the paper carrying such notice to this office.

UPON COMPLETION OF THE PUBLICATION SEND PUBLISHER'S AFFIDAVIT IN DUPLICATE.

For payment please submit statement in duplicate, and sign and return the enclosed voucher.

Very truly yours,

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

R. R. Spurrier  
Secretary-Director

RRS:bw  
encls.

August 22, 1949

CARLSBAD CURRENT ARGUS  
Carlsbad, New Mexico

Gentlemen:

Re: Case 189 - Notice of Publication

Please publish the enclosed notice once, immediately. Please proof read the notice carefully and send a copy of the paper carrying such notice to this office.

UPON COMPLETION OF THE PUBLICATION SEND PUBLISHER'S AFFIDAVIT IN DUPLICATE.

For payment please submit statement in duplicate, and sign and return the enclosed voucher.

Very truly yours,

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

R. R. Spurrier  
Secretary-Director

RRS:bw  
encls.

August 22, 1949

AIRMAIL

HOBBS NEWS SUN

Hobbs, New Mexico

Gentlemen:

Re: Cases 189, 190, 191, 192, 193 & 194  
- Notices of Publication

Please publish the enclosed notice once, immediately. Please proof read the notice carefully and send a copy of the paper carrying such notice to this office.

UPON COMPLETION OF THE PUBLICATION SEND PUBLISHER'S AFFIDAVIT IN DUPLICATE.

For payment please submit statement in duplicate, and sign and return the enclosed voucher.

Please send galley proofs by return airmail.

Very truly yours,

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

R. R. Spurrier  
Secretary-Director

RRS:bw  
encls.

August 22, 1949

Mr. Glenn Staley  
Lea County Operators Committee  
Drawer I  
Hobbs, New Mexico

Dear Mr. Staley:

Enclosed please find ~~encl.~~, copies of Notices of Publication, covering hearings to be held on September 7 and September 8, 1949, at 10:00 o'clock A.M., in Santa Fe, at the Senate Chambers.

Very truly yours,

R. R. Spurrier  
Secretary-Director

RRS:by  
encl.



August 22, 1949

Mr. Ned Gold  
THE SANTA FE NEWS  
Santa Fe, New Mexico

RE: Cases 189 through 194  
Notice of Publication

Gentlemen:

Please publish the enclosed notice once, immediately. Please proof-read the notice carefully, send galley proofs just as soon as possible, and send a copy of the paper carrying such notice.

UPON COMPLETION OF THE PUBLICATION, PLEASE SEND PUBLISHER'S AFFIDAVIT IN DUPLICATE.

For payment please submit statement in duplicate, accompanied by voucher executed in duplicate. The necessary blanks are enclosed.

Very truly yours,

Secretary and Director

bpw

August 22, 1949

FARMINGTON TELE HUSLER

Farmington, New Mexico

Gentlemen:

Re: Case 189 - Notice of Publication

Please publish the enclosed notice once, immediately. Please proof read the notice carefully and send a copy of the paper carrying such notice to this office.

UPON COMPLETION OF THE PUBLICATION SEND PUBLISHER'S AFFIDAVIT IN DUPLICATE.

For payment please submit statement in duplicate, and sign and return the enclosed voucher.

Very truly yours,

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

R. R. Spurrier  
Secretary-Director

RRS:bw  
encls.

# Legal Notice

NOTICE FOR PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION  
The State of New Mexico by its Oil  
Conservation Commission hereby  
gives public notice pursuant to law of  
a public hearing to be held September  
19, 1949, beginning at 10:00 o'clock A.  
M. of that day in the City of Santa Fe,  
New Mexico, in the Senate Chamber.

STATE OF NEW MEXICO, To  
Advisory Committee, appointed  
June 6, 1949 for revision of  
rules and regulations of the Oil Con-  
servation Commission which revision  
became necessary by reason of the  
amendment of Chapter 168 of the New  
Mexico Laws of 1949, as follows:

Charles C. Cragin, Box 1443, El  
Paso, Texas

At Willig, Box 1720, Fort Worth,  
Texas

Glenn Staley, Drawer 1, Hobbs,  
New Mexico

Chrislie, Box 1348, Fort Worth,  
Texas

Gray, Box 517, Artesia, New  
Mexico

Gray, Box 661, Tulsa, Oklahoma

S. Dewey, Box 1600, Dallas,  
Texas

James Murray, Box 1577, Dallas,  
Texas

J. R. Cole, Box 1654, Santa Fe,  
New Mexico

A. T. Hannett, First National Bank  
Bldg., Albuquerque, New Mexico

Elvis A. Utz, Oil Conservation  
Commission, Santa Fe, New Mexico

The Lea County Operators Com-  
mittee, and J. W. House, its Chair-  
man, and A. L. Decker, its Secretary  
and

Raymond Lamb, Wilson Oil Com-  
pany, Artesia, New Mexico

C. F. Bedford, Stanolind Oil &  
Gas Company, Fort Worth, Texas

W. G. Ricketts, Amerada Petrol-  
eum Corporation, Tulsa, Oklahoma

H. B. Hurley, Continental Oil Com-  
pany, Fort Worth, Texas

D. A. Powell, Drilling & Explora-  
tion Company, Hobbs, New Mexico

S. G. Sanderson, Gulf Oil Corpora-  
tion, Tulsa, Oklahoma

J. N. Dunlevy, Skelly Oil Company,  
Hobbs, New Mexico

Harry Leonard, Roswell, New  
Mexico

the Executive Committee thereof.  
The San Juan Basin Operators:  
Dudley Cornell, Chairman, First  
National Bank Bldg., Albuquerque,  
New Mexico

Scott R. Brown, Secretary, 102 1/2  
N. Court St., Farmington, New Mex-  
ico

B. and  
B. B. Bradish, 2933 Monte Vista  
Blvd., Albuquerque, New Mexico

P. B. English, Farmington, New  
Mexico

Paul Umbach, Korber Building, Al-  
buquerque, New Mexico

Clifford Smith, Dallas, Texas

Joe S. Hartman, Aztec, New Mexico  
the Executive Committee thereof.

Southern Union Production Com-  
pany, Burt Building, Dallas, Texas

Paso Natural Gas Company, El  
Paso, Texas

Lea County Water Company,  
Hobbs, New Mexico

and all other operators in oil and gas  
or either of them, and notice to the  
public.

Case 122  
In the matter of the application of  
the Oil Conservation Commission upon  
its own motion to revise the rules and  
regulations of the Commission to  
conform with the provisions of Chap-  
ter 168 of the New Mexico Laws of  
1949, and to consider Committee  
recommendation and take testimony  
in the premises.

Given under the seal of the Oil  
Conservation Commission, at Santa  
Fe, New Mexico on August 19, 1949.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

R. R. SPURRIER  
Secretary

(SEAL)  
Pub. Aug. 28, 1949.

## Affidavit of Publication

STATE OF NEW MEXICO,  
County of Santa Fe

ss. N.M. Oil Conservation  
Commission

I, David J. Lloyd

, being first duly sworn,  
declare and say that I am the (Business Manager) ~~Editor~~ of the The Santa  
Fe News

, a weekly newspaper, published in the English and  
~~Spanish~~ Language, and having a general circulation in the City and County of Santa  
Fe, State of New Mexico, and being a newspaper duly qualified to publish legal  
notices and advertisements under the provisions of Chapter 167 of the Session  
Laws of 1937; that the publication, a copy which is hereto attached, was published in

said paper once each week for one consecutive weeks, and on the  
same day of each week in the regular issue of the paper during the time of publica-  
tion, and that the notice was published in the newspaper proper, and not in any sup-  
plement, once each week for one weeks consecutively, the first publi-  
cation being on the 26th day of August, 1949,

and the last publication on the 26th day of August,  
1949; and that the undersigned has personal knowledge of the matters and things  
set forth in this affidavit.

David J. Lloyd  
Manager

Subscribed and sworn to before me this 29th  
day of August, A.D., 1949

Abran Padilla  
Notary Public

My Commission expires

My Commission Expires October 18, 1952

# AFFIDAVIT OF PUBLICATION

State of New Mexico,  
County of Lea

I, Robert L. Sumner  
Published

Of the Hobbs Daily News-Sun, a daily newspaper published at Hobbs, New Mexico, do solemnly swear that the clipping attached hereto was published once a week in the regular and entire issue of said paper, and not in a supplement thereof for a

period of One weeks.

beginning with the issue dated

August 25, 1949

and ending with the issue dated

August 25, 1949

Robert L. Sumner  
Publisher.

Sworn and subscribed to before me

this 25 day of

August, 1949

Betty Beal  
Notary Public.

My commission expires

January 25, 1953

(Seal)

This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937, and payment of fees for said publication has been made.

## LEGAL NOTICE August 25, 1949

### NOTICE OF PUBLICATION STATE OF NEW MEXICO OIL CONSERVATION COMMISSION

The State of New Mexico by its Oil Conservation Commission hereby gives public notice pursuant to law of a public hearing to be held September 7, 1949, beginning at 10:00 o'clock A. M. of that day in the City of Santa Fe, New Mexico, in the Senate Chambers.

STATE OF NEW MEXICO, To:

The Advisory Committee, appointed May 6, 1949, for revision of general rules and regulations of the Oil Conservation Commission, which revision became necessary by reason of the enactment of Chapter 168 of the New Mexico Laws of 1949, as follows:

Charles C. Gragin, Box 1492, El Paso, Texas  
Al Willig, Box 1720, Fort Worth, Texas  
Glenn Staley, Drawer I, Hobbs, New Mexico  
Bob Christie, Box 1348, Fort Worth, Texas  
Ralph Gray, Box 517, Artesia, New Mexico  
Lloyd Gray, Box 661, Tulsa, Oklahoma  
R. S. Dewey, Box 1600, Midland, Texas  
James Murray, Box 1577, Hobbs, New Mexico  
J. R. Cole, Box 1654, Santa Fe, New Mexico  
A. T. Hennett, First National Bank Bldg., Albuquerque, New Mexico  
Elvis A. Utz, Oil Conservation Commission, Santa Fe, New Mexico  
The Lea County Operators Committee, and J. W. House, its Chairman, and A. L. Decker, its Secretary and  
Raymond Lamb, Wilson Oil Company, Artesia, New Mexico  
C. F. Dedford, Stanolind Oil & Gas Company, Fort Worth, Texas  
W. G. Ricketts, Amerada Petroleum Corporation, Tulsa, Oklahoma  
H. B. Hurley, Continental Oil Company  
D. A. Powell, Drilling & Exploration Company, Hobbs, New Mexico  
S. G. Sanderson, Gulf Oil Corpora-

tion, Tulsa, Oklahoma  
J. N. Dunlevy, Skelly Oil Company, Hobbs, New Mexico  
Harry Leonard, Roswell, New Mexico,  
the Executive Committee thereof.

The San Juan Basin Operators:

Dudley Cornell, Chairman, First National Bank Bldg., Albuquerque, New Mexico

Scott R. Brown, Secretary, 102 1/2 N. Court St., Farmington, New Mexico  
and

B. B. Bradish, 2930 Monte Vista Blvd., Albuquerque, New Mexico

P. B. English, Farmington, New Mexico

Paul Umbach, Korber Building, Albuquerque, New Mexico  
Clifford Smith, Dallas, Texas

Joe S. Hartman, Aztec, New Mexico  
the Executive Committee thereof.

Southern Union Production Company, Burt Building, Dallas, Texas

El Paso Natural Gas Company, El Paso, Texas

Lea County Water Company, Hobbs, New Mexico  
and all other operators in oil

and gas or either of them, and notice to the public:

Case 189  
In the matter of the application of the Oil Conservation Commission upon its own motion to revise the rules and regulations of the Commission to conform with the provisions of Chapter 168 of the New Mexico Laws of 1949, and to consider Committee recommendation and take testimony in the premises.

Given under the seal of the Oil Conservation Commission, at Santa Fe, New Mexico, on August 19, 1949.

STATE OF NEW MEXICO  
OIL CONSERVATION  
COMMISSION

R. R. SPURRIER,

(Seal)

Secretary.

# PROOF OF PUBLICATION

STATE OF NEW MEXICO } ss.  
County of Eddy

\_\_\_\_\_, being duly sworn deposes and says that he is the Editor of THE ARTESIA ADVOCATE, a newspaper published in Artesia, Eddy County, New Mexico, that the notice of Notice for Publication, State of New Mexico Oil Conservation Commission Public Hearing,

a copy of which is hereto attached was first published in said newspaper in its issue dated August 25, 1949 and was published in the weekly issue of said newspaper, and not in any supplement, thereafter for the full period of one consecutive weeks, the last publication thereof being in the issue dated August 25, 1949.

Subscribed and sworn to before me on

*A. L. Bert*

*J-26-49*  
*R. H. Hay*  
Notary Public

My Commission Expires April 22, 1950

Publishers Fees \_\_\_\_\_

## NOTICE FOR PUBLICATION STATE OF NEW MEXICO OIL CONSERVATION COMMISSION

The State of New Mexico by its Oil Conservation Commission hereby gives public notice pursuant to law of a public hearing to be held September 7, 1949, beginning at 10:00 o'clock A. M., of that day in the City of Santa Fe, New Mexico, in the Senate Chambers.

### STATE OF NEW MEXICO TO:

The Advisory Committee, appointed May 6, 1949 for revision of general rules and regulations of the Oil Conservation Commission

which revision became necessary by reason of the enactment of Chapter 168 of the New Mexico Laws of 1949, as follows:

Charles C. Cragin, Box 1492, El Paso, Texas.

Al Willig, Box 1720, Fort Worth, Texas.

Glenn Staley, Drawer I, Hobbs, New Mexico.

Bob Christie, Box 1348, Fort Worth, Texas.

Ralph Gray, Box 517, Artesia, New Mexico.

Lloyd Gray, Box 661, Tulsa, Oklahoma.

R. S. Dewey, Box 1600, Midland, Texas.

James Murray, Box 1577, Hobbs, New Mexico.

J. R. Cole, Box 1054, Santa Fe, New Mexico.

A. T. Hannett, First National Bank Bldg., Albuquerque, New Mexico

Elvis A. Utz, Oil Conservation Commission, Santa Fe, New Mexico

The Lea County Operators Committee and J. W. House, its Chairman and A. L. Decker, its Secretary, and

Raymond Lamb, Wilson Oil Company, Artesia, New Mexico

C. F. Bedford, Stanolind Oil & Gas Company, Fort Worth, Texas

W. G. Ricketts, Amerada Petroleum Corporation, Tulsa, Oklahoma

H. B. Hurley, Continental Oil Company, Fort Worth, Texas

D. A. Powell, Drilling & Exploration Company, Hobbs, New Mexico

S. G. Sanderson, Gulf Oil Corporation, Tulsa, Oklahoma

J. N. Dunlevy, Skelly Oil Company, Hobbs, New Mexico

Harry Leonard, Roswell, New Mexico,

the Executive Committee thereof.

The San Juan Basin Operators: Dudley Cornell, Chairman, First National Bank Bldg., Albuquerque, New Mexico

Scott R. Brown, Secretary, 102 1/2 N. Court St., Farmington, New Mexico

and

B. B. Bradish, 2933 Monte Vista Blvd., Albuquerque, New Mexico

P. B. English, Farmington, New Mexico

Paul Umbach, Korber Building, Albuquerque, New Mexico

Clifford Smith, Dallas, Texas

Joe S. Hartman, Aztec, New Mexico

the Executive Committee thereof.

Southern Union Production Company, Burt Building, Dallas, Texas

El Paso Natural Gas Company, El Paso, Texas

Lea County Water Company, Hobbs, New Mexico

and all other operators in oil and gas or either of them and notice to the public:

### CASE 189

In the matter of the application of the Oil Conservation Commission upon its own motion to revise the rules and regulations of the Commission to conform with the provisions of Chapter 168 of the New Mexico Laws of 1949, and to

consider Committee recommendation and take testimony in the premises.

Given under the seal of the Oil Conservation Commission, at Santa Fe, New Mexico on August 19, 1949.

STATE OF NEW MEXICO OIL  
CONSERVATION COMMISSION

JONES, HARDIE, GRAMBLING & HOWELL

ATTORNEYS AND COUNSELORS AT LAW  
SEVENTH FLOOR BASSETT TOWER

EL PASO, TEXAS

November 9, 1949

CYRUS H. JONES  
THORNTON HARDIE  
ALLEN R. GRAMBLING  
BEN R. HOWELL  
WILLIAM B. HARDIE  
JOHN A. GRAMBLING  
R. H. FEUILLE

R. R. Spurrier, Secretary  
New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Re: Order No. 784

Dear Mr. Spurrier:

Mr. Cragin has requested me to write this letter on behalf of El Paso Natural Gas Company concerning Order No. 784.

Order No. 784 is the Order establishing the gas-oil ratio for Lea, Eddy and Chaves Counties. Probably the new General Rules require deletion or amendment of parts of the Order. However, Section 2 (b) of the Order, which we quote, should be continued in force:

"No limiting gas-oil ratio shall be applied in Hardy, Penrose-Skelly, Langlie Mattix, Rhodes Oil Pool, Cooper-Jal, and South Eunice pools in Lea County, (see Order 633) and Scanlon in Eddy County, now primarily gas reservoirs. 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 pools shall be put to beneficial use so as not to constitute waste, except as to proration units in said pools for which there are not facilities for the marketing or application to beneficial use of the gas produced therefrom. As to such proration units the limiting gas-oil ratio in effect immediately prior to the effective date of the order herein shall apply. As to said pools, gas-oil ratio tests shall be required only when the Commission within its discretion may from time to time indicate."

It is vitally important that this Section of the Order be continued until such time as the Commission may desire to promulgate pool orders for individual gas pools. The Company estimates that application of the general gas-oil ratio to the Langlie Mattix pool and other predominantly gas pools would cut the amount of gas production by one-third. At this particular season, with the peak demand of the winter facing the Company, it is essential that the present deliveries of formation gas from these gas pools be continued and not curtailed.

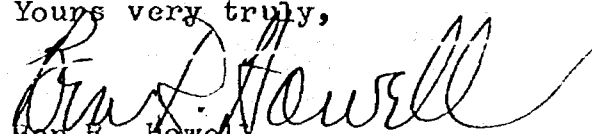
Therefore, El Paso Natural Gas Company respectfully

R. R. Spurrier - Page 2 - November 9, 1949

requests the Commission to continue Section 2 (b) of Order No. 784 until such time as the Commission desires to consider the question on an individual gas pool basis.

With best personal regards,

Yours very truly,

  
Ben R. Howell

S

c-Mr. Foster Morrell  
United States Geological Office  
Roswell, New Mexico



## SHELL PIPE LINE CORPORATION

Petroleum Building  
~~515 Texas Avenue~~  
Midland, Texas  
~~Houston, Texas~~

TELEPHONE CAPITOL 1181

"AIR MAIL"

Honorable R. R. Spurrier  
Secretary-Director  
New Mexico Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Dear Dick:

I have just received from the Houston office of Shell Pipe Line Corporation some suggestions regarding the new rules. I attach hereto a copy of the suggestions. I am also sending a copy of this letter, together with a copy of the suggestions, to Jack Campbell.

You will note that one of Mr. Brown's chief comments is that throughout the regulations he feels that the terms "shortage" and "back allowable" and the terms "purchaser" and "transporter" are used as synonymous whereas he feels that a distinction should be drawn. I suggest that you might consider this comment from the over-all picture to see whether, from the over-all standpoint, there is merit to the comment.

I believe that the comment as to the definition of common purchaser is meritorious except that the proposed definition in the rules does follow the statute and I am not sure that it could be expanded to cover transportation by trucks and railroads.

As to the comment on the Form C-110, it is my understanding that such certificate is filed by leases instead of by units, and it is my thought that such certificate should be retained on a lease basis.

We will appreciate your consideration of these suggestions in the final drafting of the rules.

Very truly yours,

*Paxton Howard*  
Paxton Howard, Attorney

PH:AW

Enc.

cc: Mr. Jack M. Campbell  
Attorney, J. P. White Bldg.,  
Roswell, New Mexico  
(Airmail)



(COPY)

A few days ago, we received a copy of the latest draft of proposed Conservation Rules and Regulations, State of New Mexico.

After a rather hurried and casual reading of the draft, we submit below the following observations insofar as pipe line operations are concerned:

A - Definitions:

"Back Allowable shall mean the authorized accumulative under production or shortage for a given proration unit."

We believe the words, "or Shortage" should be deleted for the reason that pipe lines gathering and transporting oil in strict accordance with the monthly proration schedules as prescribed by regulations, depend upon the shortage figures contained in such schedules. And our understanding of shortage is the result of runs versus allowable and which is shown in this manner on the proration schedules. Whereas back allowable, as we understand it is the result of production versus allowable, the justifiable causes for which are prescribed by regulations.

In other words shortages as described above could result from both under production and production not in excess of the authorized allowable. Shortages as shown on proration schedules are not accumulative, but on a monthly basis for the prior two month's proration period.

Simalarly, the definition:

"Shortage or Under Production shall mean the amount of oil or the amount of Natural Gas during a proration period by which a given proration unit failed to produce to equal the amount on the proration schedule."

We feel the word "shortage" should be deleted and an appropriate definition written for shortage.

"Common Purchaser for Oil shall mean every purchaser or engaged or hereafter engaging in the business of purchasing oil to be transported through pipe lines."

Suggest that this rule be expanded to include other modes

of transportation, i.e. trucks and railroads. Or unless by implication it is understood that all oil purchased will be withdrawn from leases and transported by any means of transportation.

Also that an appropriate definition be written for transporter or phrase transporting agency and suggest the following:

"Transporter or phrase transporting agency, shall mean any Common Carrier by pipe line, railway, truck or motor vehicle and/or any person transporting oil or a product thereof by pipe line, railway, truck or motor vehicle."

Throughout the regulations, it would appear that "shortage" and "back allowable" are synonymous and that "purchaser" and "transporter" are one and the same.

Some of the principal transporters in New Mexico are: Humble Pipe Line, Shell Pipe Line, Atlantic Pipe Line, Magnolia Pipe Line. Shell Oil Company is the purchaser of oil that is gathered and transported by Shell Pipe Line (except in some rare cases). This is true insofar as we know of other pipe line companies with the possible exception of Gulf Refining Company which purchases oil and which is run by Gulf Refining Co., Pipe Line Division.

Rule 503 - "Authorization for Production, Purchase and Transportation."

Further if shortages are considered by the Commission in the category of under production, rather than as a result of runs versus allowable, we suggest that they be included as back allowable (if not produced and so authorized) and thereby published in its monthly proration schedule with certain limitations as to time and barrel rate per day.

It is further recommended that the Commission publish on its monthly proration schedule over production from the 60 day prior proration period by units and leases. Likewise under production if authorized would naturally appear as back allowable. This would provide a clear picture as to the prior and present producing condition of any given unit or lease and enable pipe lines to gather and transport only the legal allowable production as shown on schedules and in conformity with the State and Federal Conservation Statutes.

Of this same rule in the seventh paragraph: There are only four justifications for back allowable, namely: (1) failure of purchaser or transporter to run assigned oil allowable, (2) mechanical failures affecting the producing well during the proration period, (3) gathering engineering data, (4) not shown. (1) Would indicate that assigned allowable was wholly or partially legally produced in lease tanks and available for gathering. The amount thus under run appears on the proration schedule 60 days hence as shortage. (2) Indicating that none or a portion of the assigned allowable was legally produced into lease tanks, thus that amount so produced is available for gathering and the shortage appears as indicated in (1) above. (Overages (over runs) are handled in a like manner). (3) Same comments as 1 and 2.

In conformity with the regulations, pipe lines gather and transport oil in: 'strict accordance with the schedule', using current allowable and back allowable figures, together with overages and shortages in determining amounts to be withdrawn from lease.

Rule 1116 - Form C-110 Certificate of Compliance and Authorization to (transporters) transport oil from lease." As this is authority from the producer to the transporter to gather given percentage of oil from a lease, no mention being made of purchaser, could not this form be filed by leases rather than by units without disturbing the allocation formula of statewide allowables which could still be set and published on schedules on a unit basis.

Should this method be adopted, we believe it would save considerable time and labor to the producer, Commission and the transporter. The same restrictions as to effectiveness would obtain as are prescribed in the proposed regulations.

Monthly proration schedules are received by pipe lines from the Commission in some cases as late as the 15th. of the month covering that month's allowable production. Of necessity production and pipe line runs for the first 10 to 15 days of each month are on a more or less estimated basis, based principally on the previous month's schedules, we should like to ask if it is at all possible that arrangements be made to have schedules reach the industry on or before the beginning of each month. We recognize and appreciate the fact that some re-arrangement of the Commission's mechanics may be necessary to accomplish this, however we feel that all concerned will be better served.

Your usual cooperation and consideration will be appreciated.

Yours very truly,

SHELL PIPE LINE CORPORATION

By F. C. Brown (Signed)

FCB:nb

## STANOLIND OIL AND GAS COMPANY

P. O. Box 335  
Albuquerque, New Mexico  
November 9, 1949

Mr. R. R. Spurrier  
Oil and Gas Conservation Commission  
Santa Fe, New Mexico

Dear Sir:

The proceedings before the Oil and Gas Commission of the State of New Mexico on November 1, 1949, at 10 A.M., have been reviewed. This letter is presented in order to clarify the records in reference to the unanimous vote of the San Juan Basin Operator's Committee opposing the 640 acre spacing.

The vote of the San Juan Basin Operator's Committee was a vote for or against Section 104 (b), which reads in part as follows:

Each well drilled for gas subsequent to the order adopting this rule shall be located on a tract consisting of approximately 640 surface contiguous acres substantially in the form of a square in accordance with legal subdivision of the United States Public Land Survey or on a Governmental section containing not less than 600 acres and shall not be drilled closer than 1320 feet from any boundary line of the tract or closer than 2640 feet to the nearest well drilling to or capable of producing from the same pool.

The unanimous negative vote on this section was not against the 640 acre spacing, but against the phrase "each well drilled for gas," which would mean that any operator, even though it might be in a gas pool, could drill on a 40 acre spacing instead of 640 acre spacing by merely stating that he was drilling for oil, and not gas, even though his actual intent would be to drill for gas, thereby having 40 acre spacing for gas wells instead of 640 acre spacing.

In order to clarify my vote in the San Juan Basin Operator's Committee meeting, I would vote for Section 104 (b) if a satisfactory clarification was made on the part of the first sentence reading "each well drilling for gas." It is my assumption, of course, that the Commission intended to state "each well drilled within a gas pool." The

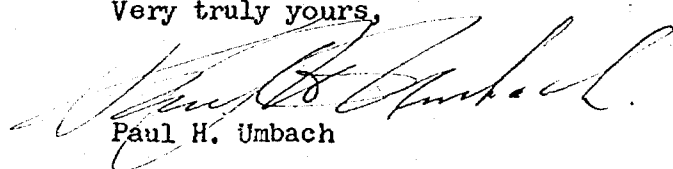
DATE 1-1

To: Dick Floor No. \_\_\_\_\_  
Remarks: If this does not fill the bill  
on Monday the 1st, call me collect.  
From: Paul H. Umbach

Mr. Spurrier  
Page 2

requirement of 640 acre spacing for gas might be justified in any initial gas wells drilled within a new gas pool, at least until adequate engineering data could be presented to justify a smaller spacing. Since the meeting of the San Juan Basin Operator's Committee, I have found that at least one other executive member present at the meeting also voted against Section 104 (b) desiring clarification of the same portion of the section.

Very truly yours,

  
Paul H. Umbach

PHU:mc

# STANOLIND OIL AND GAS COMPANY

FAIR BUILDING

FORT WORTH, TEXAS

C. F. BEDFORD  
DIVISION PRODUCTION SUPERINTENDENT

November 10, 1949

File: JEF-8611-310.21

Subject: Proposed New Statewide  
Rules, New Mexico

New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

TO THE HONORABLE THE OIL CONSERVATION COMMISSION  
IN AND FOR THE STATE OF NEW MEXICO:

In accordance with the statement made  
by you at the November 1, 1949 hearing, we are  
herewith submitting the suggestions of Stanolind  
Oil and Gas Company with respect to changes in  
the draft of the proposed rules and regulations  
for the conservation of oil and gas in the State  
of New Mexico.

Very truly yours,



Attachment  
BRL/lp

STANOLIND OIL AND GAS COMPANY'S SUGGESTED  
CHANGES FOR THE GENERAL RULES AND REGULATIONS  
FOR THE CONSERVATION OF OIL AND GAS IN  
THE STATE OF NEW MEXICO  
\*\*\*\*\*

DEFINITIONS

Casinghead Gas: Suggest that the last sentence be deleted entirely. We feel that this sentence adds nothing to the definition in that "gas cap" gas is covered by the first sentence.

Cubic Foot of Gas or Standard Cubic Foot of Gas: Suggest that the pressure base be stated as "four (4) ounces per square inch (.25 psia) above the average barometric pressure of 14.4 pounds per square inch (14.65 psia) -----". We realize that the Commission, as well as the USGS, currently requires gas to be reported at this pressure base; however, for the sake of uniformity with other States, we respectfully urge that the Commission consider the 14.65 psia pressure base for adoption under these General Rules.

C - DRILLING

Rule 104. Well Spacing (Par. B): We wish to urge the Commission to adopt 640 acres as the proration unit for natural gas. We feel that past experience has shown that, in general, 640 acre gas well spacing has proven satisfactory. When and if future development, accompanied by sound reservoir data, indicates that this unit size is too large, then special rules can be adopted, after hearing, which will provide for a smaller unit. We doubt the wisdom of those who would advocate 160 acre units which, in their words, "could be expanded in multiples of 160 acres when engineering data becomes available". To us, this seems to be a negative approach and we seriously doubt that, once a spacing pattern for a gas pool is established, one could go back and successfully obtain a spacing requiring a larger unit of gas proration.

Rule 107. Casing and Tubing Requirements: Suggest that the first paragraph be clarified. As it now reads it (1) Disallows dual completions and (2) Possibly requires intermediate casing in all wells. In the third paragraph, we feel that specifying the method of restricting the end of the tubing should be left to the operator as there are innumerable ways of accomplishing this.

We offer the following as substitutes for the first paragraph and for the last sentence of the third paragraph:

1st. Par.: All wells drilled for oil or natural gas shall be required to set sufficient surface casing to adequately protect surface waters in the area and shall be completed with a string of casing set and cemented at a point not higher than the top of the pay zone to be produced.

3rd Par. (last sentence): The bottom end of the tubing shall be restricted in such a manner as to prevent loss of pressure bombs or other devices.

Rule 114. Safety Regulation: Suggest deletion of the sentence, "All pits and other hazards shall be adequately protected by a legal fence." This is vague and puts an undue burden on the operator.

#### D - ABANDONMENT AND PLUGGING OF WELLS

Rule 202: Suggest that portion of the first paragraph, "and extending at least four feet above mean ground level" be deleted entirely. We realize that this is a USGS requirement but we can see no reason for inserting it into the General Rules, as we consider such a marker a hazard.

#### E - OIL PRODUCTION OPERATING PRACTICES

Rule 301: Suggest that a blanket exception to this order be made for non-allocated pools.

Rule 308: Suggest that this be reworded as follows: "Operators shall report monthly on Form C-115, the amount or percentage of water produced by each well making two per cent (2%) or more water as determined by periodic tests."



**HUMBLE OIL & REFINING COMPANY**  
MIDLAND, TEXAS

November 18, 1949

File: 6-1  
Re: Proration - New  
Mexico

Mr. G. C. Staley  
Lea County Operators Committee  
Hobbs, New Mexico

Dear Glenn:

With reference to your telephone conversation with Mr. J. W. House, the suggestion is made for amplifying the 6th paragraph of Rule 503 to read:

"Unless application is filed for back allowable within 90 days after the occurrence of the shortage, no back allowable for such shortage shall be granted. Unless the justification for back allowable is the continuing failure of purchaser or transporter to run assigned oil allowable, the back allowable filed for and occurring in any one month will be authorized for production and purchase on not more than three consecutive monthly proration schedules."

Yours very truly,

HUMBLE OIL & REFINING COMPANY

J. W. HOUSE

*R. S. Dewey*  
By: R. S. Dewey

RSD/rs

250 gals  
acid  
1286  
refined oil

NOTICE FOR PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

The State of New Mexico by its Oil Conservation Commission hereby gives public notice pursuant to law of a public hearing to be held November 1, 1949, beginning at 10:00 o'clock A.M. of that day in the City of Santa Fe, New Mexico, in the Senate Chambers.

STATE OF NEW MEXICO TO:

All named parties in the following cases,  
and notice to the public:

Case 189

*Suggestions deadline 11-15-49*  
In the matter of the application of the Oil Conservation Commission upon its own motion to revise the rules and regulations of the Commission to conform with the provisions of Chapter 168 of the New Mexico Laws of 1949, and to consider Committee recommendation and take testimony in the premises. This is a readvertisement.

Case 197

*Adversement*  
In the matter of the application of Jones and Watkins applicants, for an order approving an unorthodox location for a well 1205 feet west of the east line and 740 feet south of the north line (NE/4 NE/4) of Section 10, Township 19 South, Range 29 East, N.M.P.M., Turkey Track Pool, Eddy County, New Mexico.

Case 198

*Adversement of 150 - otherwise = same as now.*  
In the matter of the application of Amerada Petroleum Corporation for an order establishing proration units and uniform spacing of wells for the common source of supply discovered in Amerada-State BTB #1 well, in NW/4 NW/4 of Section 26, Township 12 South, Range 33 East, N.M.P.M., Bagley Area, Lea County, New Mexico.

Case 199

*Adversement of 150 - otherwise = same as now.*  
In the matter of the application of Roland Rich Woolley for an order approving an unorthodox location 1345 feet east of the west line and 1295 feet south of the north line of Section 3, Township 17 South, Range 30 East, N.M.P.M., Square Lake Pool, Eddy County, New Mexico.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico, on October 13, 1949.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*R. R. Spurrier*  
R. R. SPURRIER, SECRETARY



GEORGE L. REESE, JR.  
DON G. MCCORMICK  
S. M. RUTHERFORD, III

REESE AND MCCORMICK  
ATTORNEYS AT LAW  
BUJAC BUILDING  
CARLSBAD, NEW MEXICO

December 16, 1949

RECEIVED  
DEC 19 1949  
U.S. DEPT. OF THE INTERIOR

Mr. R. R. Spurrier  
State Geologist  
Santa Fe, New Mexico

Dear Dick:

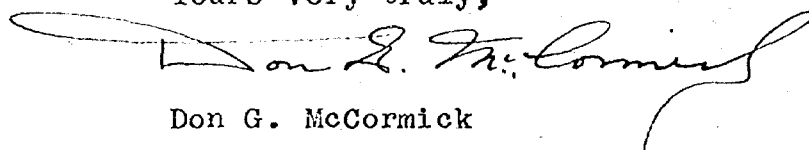
It has occurred to me that I should mention to you something which I neglected to cover in my previous letter concerning the new rules and regulations of the Oil Conservation Commission.

It is my understanding that in the past it has been the practice of the Commission to enter ex parte orders naming and classifying pools. Also after pools are so named it has been the practice to enter ex parte orders extending or contracting the boundaries of pools. The nomenclature committee has made a practice of making recommendations to the Commission, and these recommendations are usually followed in respect to pools.

In my opinion, it will be necessary for public hearings to be held by the Commission in the future to take any action in respect to designating or altering a pool. However, all pools now established are legally established by virtue of their being included in the appendix of the new rules since public hearings were held in regard to the new rules.

Therefore, it is my advice that in the future no pools be established or altered without a public hearing.

Yours very truly,

  
Don G. McCormick

DGM:bb

cc: Mr. Glenn Staley  
Proration Office  
Hobbs, New Mexico

Mr. R. S. Dewey  
Humble Oil Company  
Midland, Texas

GEORGE L. REESE, JR.  
DON G. MCCORMICK  
S. M. RUTHERFORD, III

REESE AND MCCORMICK

ATTORNEYS AT LAW  
BUJAC BUILDING  
CARLSBAD, NEW MEXICO

December 14, 1949

Mr. Glenn Staley  
Proration Office  
Hobbs, New Mexico

Dear Glenn:

It is my opinion that the form of our state-wide proration order will have to be altered to conform with our new rules and regulations. Since the new rules do not go into effect until 1 January, 1950, it follows that the proration order for January, 1950, which will be issued some time this month will not be affected by the new rules, but the order for February, 1950, and following months should be altered.

I do not presume to know nearly as much about this business as you and others who have been in the game so long, and I offer these suggestions in that spirit.

As you know, it is now contemplated and provided in Rule 503 of the new rules that a public hearing will be held each month to set the allowable production for the succeeding calendar month. Therefore, on 24 January, 1950, the first such hearing will be held, assuming that the Commission signs the order which I have submitted to them respecting the dates.

It appears to me that to carry out the intent of the law and of the rules and regulations the Commission must receive evidence as to the demand for oil and then determine the total amount to be produced in the state for the following month. It must also allocate the total production among the various pools. I firmly believe that this is a necessary function of the Commission but that the Commission can probably delegate to the Lea County operators the mechanical task of dividing the allowable production among the producing units in each pool.

I realize that this method would be a departure from the previous practices, but I feel that it is essential in order to avoid the possibility of violation of the Sherman Anti-Trust Act. You will recall that this matter is now the subject of some study by Mr. Wallace Hawkins, Hiram Cow and others.

Mr. Glenn Staley  
December 14, 1949  
Page 2

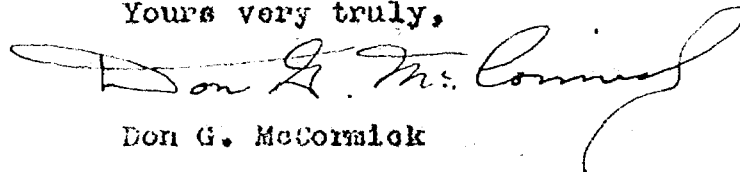
I believe that the order actually issued by the Commission and signed by the Commission must, therefore, contain in the substance the "summary allocation to Southeastern New Mexico" as it appears in the proration schedule prepared by your office.

I also believe that much of the text of the proration order should be omitted and reference merely made to the rules of the Commission. In other words, the state-wide proration order as heretofore repeats many of the definitions and rules which are now embodied in our permanent rules and regulations, and I see no necessity for this. In any event, the phraseology of many of these rules has been changed.

As stated above, the suggestions I am now making need not be put into effect until the proration hearing is held in January, 1950. Prior to that time, I feel that it would be wise if you and other representatives of the Lea County Operators committee would explore this situation thoroughly in conjunction with attorneys for the Oil Conservation Commission so that a model state-wide proration order could be drafted.

Please be assured that I will be willing to co-operate with you in every way to the end that the Commission laws may be as well observed in the future as they have in the past.

Yours very truly,



Don G. McCormick

DCM:bb

cc: Mr. R. R. Spurrier ✓

Mr. Robert S. Dewey

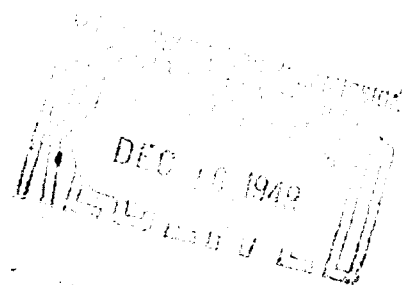
Mr. George A. Graham

Mr. Hiram Dow

GEORGE L. REESE, JR.  
DON G. MCCORMICK  
S. M. RUTHERFORD, III

REESE AND MCCORMICK  
ATTORNEYS AT LAW  
BUJAC BUILDING  
CARLSBAD, NEW MEXICO

December 14, 1949



Mr. R. R. Spurrier  
State Geologist  
Santa Fe, New Mexico

Dear Dick:

In connection with the adoption of the new rules and regulations pursuant to Order No. 850, dated 9 December, 1949, I have some suggestions to make.

Rule 1304 provides for the numbering of orders issued after 1 January, 1950. All orders pertaining to allocation of oil or gas should be prefixed with the letter "A" and numbered consecutively, starting with No. 1. Therefore, your first order pertaining to allocation issued after 1 January should start with No. A-1. In like manner all other orders of the Commission issued after 1 January should start with No. R-1. There will be some orders issued between 9 December, 1949, and 1 January, 1950, which will use the old numbering system, and these orders, of course, will remain in full force and effect although they are not mentioned in Order No. 850, nor are they repealed by it.

Chapter 139 of the New Mexico Session Laws of 1947 now appearing in the pocket part of the 1941 Code as Section 3-718 et seq, provides that all rules and regulations of any commission or agency of the State of New Mexico which are of general applicability must be filed with the librarian of the Supreme Court Library of the State of New Mexico or they shall be void and unenforcible. Therefore, a complete set of the new rules and regulations should be so filed as soon as possible after 1 January, 1950. This is extremely important, as the failure to file these rules would preclude the Commission from enforcing its orders.

Rule 503 provides that the Commission shall meet between the 20th and 25th of each month for the purpose of setting the allowable production for the State for the following month. It also provides that notice of the exact time and place of such meetings shall be established in January of each year and notice given of

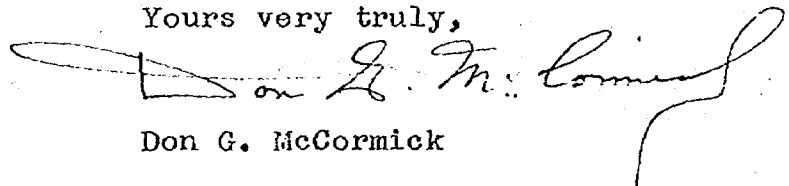
Mr. R. R. Spurrier  
December 14, 1949  
Page 2

such settings by publication made on or before 10 January of each year.

The state-wide proration order for the month of January, 1950, will necessarily be made some time this month. Therefore, Rule 503 will not affect the state-wide proration order which will be issued for January. However, it is necessary that between the 1st and 10th of January the dates for all the hearings on allocation for the balance of the year 1950 be set by the Commission. I have drafted and am enclosing a proposed form of order setting these dates. Also, I have drafted and am enclosing a notice to be published between 1 January and 10 January. Publication should be made in one newspaper in Santa Fe and in one newspaper in Eddy, Lea and Chaves Counties. I understand that you will be out of your office the first week in January, so I suggest that you take steps to see that the enclosed order is actually entered and notice published as set forth above.

I have some suggestions to make about the form of the state-wide proration order, and I am writing a letter to Mr. Glenn Staley on this subject, a copy of which is enclosed for your files.

Yours very truly,



Don G. McCormick

DGM:bb

Enclosures

cc: Mr. Glenn Staley  
Proration Office  
Hobbs, New Mexico

Mr. Robert S. Dewey  
Humble Oil Company  
Midland, Texas

Mr. George A. Graham  
State Land Office  
Santa Fe, New Mexico

Mr. Hiram Dow  
Attorney at Law  
Roswell, New Mexico

ATWOOD, MALONE & CAMPBELL  
LAWYERS

JEFF D. ATWOOD  
ROSS L. MALONE, JR.  
JACK M. CAMPBELL

J.P. WHITE BUILDING  
ROSWELL, NEW MEXICO

November 12, 1949

Mr. R. R. Spurrier, Secretary-Director  
New Mexico Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Dear Dick:

At the time of the hearing on the proposed new rules and regulations, the Commission requested comments concerning matters not included in the record made at the hearing. I have no specific suggestions to make but offer these comments for whatever they may be worth to the Commission.

1. I feel that the suggestion which I read into the record concerning the authority to continue to produce or market oil or gas in compliance with existing rules and regulations for the period between the adoption of the rules and the obtaining of a special order, should certainly be included in the new rules and regulations. I believe that I suggested at that time a period of twenty or thirty days, during which proper application could be made for a special rule. It now occurs to me that that period of time may have been too short, both for the operator and the Commission, as there will undoubtedly be a great deal of work to be done by the Commission immediately following the promulgation of the new rule and regulation. I would like to suggest a period of sixty days grace during which present legal operations could continue even though they might violate the new rules and regulations.

2. I believe that the Commission should make the changes suggested with regard to Rule 104 to the effect that the word "lot" should be used in Paragraph "A". I presume that those who objected to Paragraph "B" have offered a suggestion for 160-acre gas well spacing somewhat along the same lines as the oil well spacing rule.

3. I feel that the Commission should include in the rules and regulations, either under Rule 1 or Rule 2, a definite statement as to the authority of the Commission to grant exceptions after proper notice and hearing. I believe this matter was suggested at the hearing and is a part of the transcript.



Page 2  
Letter to R. R. Spurrier  
November 12, 1949

4. It occurs to me that the rules and regulations should include a rather thorough index in order that persons unacquainted with the rules and regulations of the Commission may readily find information which they may be seeking without the necessity of contacting the Commission. I believe that work which the Commission might spend on such an index would be worth while and result in a saving of time in the future.

I have received a copy of the letter of Paxton Howard to you, but have not had an opportunity to study it carefully. The comments from Shell Pipe Line Corporation, which he enclosed, are largely self-explanatory.

Please be assured that I have been advised by the members of the Legal Advisory Committee that they will be glad to assist the Commission in any way in the final completion of these rules and regulations.

Very truly yours,

*Jack M. Campbell*  
Jack M. Campbell

JMC:bk

cc: Mr. Paxton Howard

Mr. Ray Lynch

Mr. Willis L. Lea, Jr.

Mr. Eugene T. Adair

PROTEST

In the Matter of the  
Application of the Oil  
Conservation Commission  
to conform with the Pro-  
visions of Chapter 168 of  
the New Mexico Laws of 1949  
and to consider committee  
recommendations and to take  
testimony in the premises.

Before the  
Oil Conservation Commission  
of the  
State of New Mexico  
Case No. 189

Carbonic Chemicals Corporation protests:

1. The inclusion of the carbon dioxide industry for regulation within the general rules and regulations for the conservation of oil and gas in the State of New Mexico as are now being proposed in the above entitled and numbered matter now pending and that said industry should be specifically excluded therefrom by a separate rule which might be numbered 9 and made to read as follows:

RULE 9. NOT APPLICABLE TO CARBON DIOXIDE.

None of the following rules shall apply to the production, processing or otherwise dealing with carbon dioxide, unless and until, after a full hearing with ample notice thereof to the carbon dioxide industry, such rule or rules shall be found necessary and specifically adopted for application to such industry.

2. That proposed rule number 407 should not be adopted and should be specifically stricken from the proposal.

As grounds for this protest, we call the Commission's attention to the fact that the carbon dioxide industry was specifically omitted from the call and notice of the hearing as published and the proposal has by accident just come to the attention of this protestant long after what appears to have been a preliminary hearing on the proposed regulations. Even a cursory reading of the proposed regulations indicates to anyone familiar with the carbon dioxide industry that many, if not most, of such proposed rules are entirely unfitted for application to that industry and proposed rule number 407

undertaking to make all these rules "insofar as is applicable  
----also apply to carbon dioxide, carbon dioxide wells, carbon  
dioxide reservoirs, etc." and if adopted would leave the carbon  
dioxide industry in continual doubt as to whether any given rule  
might be held to be applicable to that industry and would also  
leave the industry in continuous danger of innocently violating  
some rule which the Commission might later determine to be  
applicable. It is thought that the safe thing to do is to be  
specific in these proposed regulations in omitting the carbon  
dioxide industry from them entirely and that some such rule as  
that proposed above as number 9 would be effective to that end.  
Then after the oil and gas industry have had their hearing in  
which the carbon dioxide industry would have little interest,  
if the Commission feels it necessary or advisable, a later con-  
ference with our industry could be called and conducted. In  
such a conference the petroleum industry would have little or  
no interest.

Respectfully submitted,

CARBONIC CHEMICALS CORPORATION

By R. L. Harrison  
Secretary  
Vice President

# STANOLIND OIL AND GAS COMPANY

FAIR BUILDING

FORT WORTH, TEXAS

December 2, 1949

JOHN R. EVANS  
DIVISION MANAGER

*Rule Case*

Mr. R. R. Spurrier  
Oil and Gas Conservation Commission  
Santa Fe, New Mexico

Dear Sir:

A copy of Mr. Paul H. Umbach's letter of November 9, 1949, to you has been referred to my attention. In this letter, he explains the vote taken by the San Juan Basin Operators Committee on gas well spacing in the San Juan Basin. I have been advised that Mr. Dudley Cornell, Chairman of the San Juan Operators Committee, had stated at the hearing before the Commission on November 1, 1949, that the members of the Operators Committee were unanimously in favor of less than 640 acre spacing.

In view of the misunderstanding which appears to have occurred, I should appreciate it very much if you would make Mr. Umbach's letter to you a part of the record of the hearing which was held at Santa Fe on November 1, 1949. We have already expressed the position of our Company with reference to well spacing by means of a letter dated November 10, 1949, from our Mr. C. F. Bedford.

Very truly yours,

*John R. Evans*  
John R. Evans

These Rules and Regulations shall become effective at 7 P.M. on \_\_\_\_\_. An exception from these Rules and Regulations is hereby granted for a period of twenty days from said effective date, however, as to all ~~now~~ presently existing oil and/or gas wells that have been in the past, and are presently <sup>or the products thereof utilized,</sup> operated in a manner differing from the requirements <sup>but in compliance with former orders of the Commission:</sup> hereof. If, during said twenty day period, the operator of any such well files with the Commission an application for a permanent exception for such well or wells from the requirements of these Rules and Regulations, the temporary exception hereby granted shall continue in force until such time as the Commission has heard and has issued its order on such application for permanent exception.

DEFINITIONS.

SOUTHERN UNION GAS CO. (Willis Lea)

Adjusted Allowable: Change to read as follows: "shall mean the allowable production a well or proration unit receives after all adjustments are made."

This change would permit back allowable adjustments and any other adjustments authorized by the statute.

Allocated Pool: Insert "or proration units" after "various wells".

Allowable Production: Add "or from the respective wells or proration units therein" after "allocated pool."

Back Allowable: Insert "well" after "given".

Bradenhead Gas Well: Delete the word "underlying" and add "tapped by the same well bore" after "reservoir".

Common Purchaser for Natural Gas: Substitute "a" for "each", and delete "from which it purchases." Add "et seq," after statutory reference "Section 14(d)".

These changes are suggested in order to conform with definition for Common Purchaser for Oil and to be grammatically correct.

Common Purchaser For Oil: Add "et seq," after statutory reference "Section 14 (a)".

Cubic Foot of Gas or Standard Cubic Foot of Gas: Substitute "15.025 pounds per square inch absolute" for ten (10) ounces per square inch above the average barometric pressure of 14.4 pounds per square inch (15.025 p.s.i.a.).

Gas-Oil Ratio: Insert "casinghead" after "ratio of the".

Gas-Oil Ratio Adjustment: Insert "proration" after "high gas-oil ratio".

Gas Well: Change to read as follows: "shall mean a well producing natural gas from a pool classified by the Commission as a gas pool (except to the extent that the Commission expressly finds particular well(s) therein to be oil well(s) and any other well which the Commission finds to be a gas well."

Illegal Gas: Change to read as follows: "shall mean natural gas produced from a gas well in excess of (1) the allowable production as determined by the Commission, plus (2) any additional quantities authorized pursuant to the statute to be produced. (See: Sec. 15(a), Chap. 168, 1949 Session Laws).

Illegal Oil: Insert "production" after "allowable" and change the reference to "Sec. 15 (a)".

Illegal Product: Delete "of" and insert "derived in whole or in part from" after "product".

Minimum Allowable: Insert ", and authorized by the Commission," after "from time to time".

Multiple Completion: Change heading to "Multiple Zone Completion" and insert a comma (,) after "supply".

DEFINITIONS (CONTINUED)      DIST. RE. JUNE 1949. (Mills Lea)

The change in heading is suggested in order to conform with Rules 112 and 304.

Natural Gas or Gas: Insert "gas or" after "combustible", and insert ", or both gas and vapor," after "vapor".

Delete everything after "naturally" and add "underground stratum, which is produced from a well classified by the Commission as a gas well."

Official Gas-Oil Ratio Tests: Insert "or direction" after "order".

Oil Wells: Change to read as follows: "shall mean a well producing oil from a pool classified by the Commission as an oil pool (except to the extent that the Commission expressly finds particular well(s) therein to be gas well(s) and any other well which the Commission expressly finds to be an oil well."

Overage or Over Production: Insert "by a given well or proration unit" after "produced."

Producers: Add reference as follows: (See: Sec. 26(f), Chap. 168, 1949 Session Laws.)

Proration Period: Delete the word "succeeding".

Shortage or Under Production: Insert "well or" after "given".

Top Unit Allowable for Gas: It is suggested that this definition be deleted because there is no reason for a top unit allowable for gas. If the definition is not deleted, we suggest that "well" be substituted for "producing unit".

Top Unit Allowable for Oil: Substitute "proration" for "calendar".

Unit of Proration For Gas: Add "(or proration unit)" after "Proration" in heading.

Unit of Production for Oil: Add "(or proration unit)" after "Proration" in heading. Make provision for "Lots" consistently with provisions of Rule 104 as adopted.

#### DEFINITIONS

Bottom Hole or Subsurface Pressure shall mean the gauge pressure in pounds per square inch under conditions existing at or near the producing horizon.

Casinghead Gas shall mean any gas or vapor, or both gas and vapor, indigenous to and produced from a pool classified as an oil pool by the Commission. This also includes gas-cap gas produced from such an oil pool.

Deep Pool shall mean a common source of supply which is situated 5000 feet or more below the surface.

Gas Lift shall mean any method of lifting liquid to the surface by injecting gas into a well from which oil production is obtained.

High Gas-Oil Ratio Proration Unit shall mean a unit with at least one producing oil well with a gas-oil ratio in excess of the limiting gas-oil ratio for the same pool.

Multiple Completion shall mean the completion of any well so as to permit the production from more than one common source of supply with the production from such common sources of supply completely segregated.

Shortage or Under Production shall mean the amount of oil or the amount of natural gas during a proration period by which a given proration unit failed to produce an amount equal to that authorized on the proration schedule.

Shut-in Pressure shall mean the gauge pressure in pounds per square inch at the well head when the well is completely shut in. Not to be confused with bottom hole pressure.

HUMBLE OIL & REFINING COMPANY

R. S. Dewey



GENERAL COMMENT:

The last draft of the tentative general rules did not include a section on orders and rules rescinded. However, it is assumed that the final order will include such a list. Considerable care should be exercised in preparing this list since some necessary portions of such orders may have been overlooked as was done in the last two paragraphs of Rule 312 or that certain portions might be desirable to retain as separate orders.

GULF OIL CORPORATION  
S. G. Sanderson

GENERAL COMMENT:

That part of this draft entitled "General Rules Relating to CO<sub>2</sub> Gas in New Mexico" should appear in the "Appendix" rather than in the body of the rules and regulations.

It was pointed out that in the last paragraph of the "Special Rules and Regulations for the Buayeros Field, Harding County, New Mexico", pertaining to "Production Casing String" - - - the operator drill more than two-thirds of the distance through the horizon from which he intends to produce - - this seems rather questionable.

HUMBLES OIL & REFINING COMPANY  
R. S. Dewey

GENERAL COMMENT:

Provision should be added specifically saving special rules and regulations of the Commission which it is intended will remain in effect.

A provision should be added affording to all operators a period of grace within which they may comprehend and commence to comply with the new rules. Probably this would be best accomplished by a provision fixing an effective date a specified period after adoption of the Commission's order.

Appendices A et seq., will have to be prepared and attached.

SOUTHERN UNION GAS COMPANY  
Willis Lea

RULE 2. Promulgation of Rules, should be amended to conform with the statute. The law specifies the manner in which notice of hearing is to be given and the necessary information to be contained therein. The Commission is bound by the statute in the manner of notice and can only prescribe within statutory limitations.

MAGNOLIA PETROLEUM COMPANY

William E. McKellar, Jr.

RULE 2: Insert "revocation" after "including" and substitute "extension" for "exception" in the first line to comply with Section 17 of the Act. Also delete the phrase, "under the provisions of Rule 1," in the third line to prevent unnecessary limitation on the Commission.

Add the following: "The Commission may grant exceptions to these rules, after notice and hearing, when the granting of such exceptions will not result in waste but will protect correlative rights or prevent undue hardships."

SOUTHERN UNION GAS CO.

Willis Lea

**RULE 3:**

Change heading to conform with heading for Rule 2, as follows:  
"Promulgation of Emergency Rules, Regulations or Orders" and  
insert "revoking" after "making" in the second line.

SOUTHERN UNION GAS CO.  
Willis Lea

**RULE 8. FORMS UPON REQUEST**

Forms for written notices, requests and reports required by the Commission will be furnished upon request. These forms shall be of such nature as prescribed by the Commission to cover proposed work and to report the results of completed work. For information on forms covering applications and reports required, see Appendix.

TO ALL OIL & REFINING COMPANIES

R. S. Dewey

RULE 101. PLUMBING DEAD

Last paragraph ---

\*Both Forms---for one wall bond and blanket bond form---are available from the Commission's office at Santa Fe.

MOBILE OIL & REFINING CO.

R. S. Dewey

RULE 101:

Insert "in the amount of \$10,000.00" after "blanket bond" in the thirteenth line of the first paragraph and delete the last sentence of such paragraph. It is doubtful that Sec. 9(1) of the Act would permit a bond in excess of \$10,000.00.

SOUTHERN UNION GAS CO.  
Willis Lea

RULE 104. ~~PROPOSED~~

A. Each well drilled for oil shall be located on a tract consisting of approximately 40 surface contiguous acres substantially in the form of a square or on a governmental quarter-quarter section or lot in accordance with the legal subdivision of the U. S. Public Land Surveys containing not less than 36 acres.

B. Each well drilled for gas subsequent to the order adopting this rule shall be located on a tract consisting of approximately 640 surface contiguous acres substantially in the form of a square or on a governmental section in accordance with the legal subdivision of the U. S. Public Land Surveys containing not less than 600 acres and shall not be drilled closer than 990 feet to any boundary line of the tract or closer than 1930 feet to the nearest well drilling to or capable of producing from the same pool. Provided, that in presently producing gas pools accessible to established gas transportation facilities not controlled by orders heretofore or hereafter made, each well drilled for gas shall be located on a tract consisting of at least 160 surface contiguous acres substantially in the form of a square in accordance with the legal subdivisions of the U. S. Public Land Surveys or a square equivalent to a tract of 160 acres and shall not be drilled closer than 600 feet to any boundary line of the tract or closer than 990 feet to a well drilling to or capable of producing from the same pool.

C. Wells drilled for oil subsequent to this order not in conflict with the two preceding paragraphs, natural gas wells commenced prior to the adoption of this rule, and oil wells recompleted as gas wells are orthodox locations.

- - - - -Provided, however, the Secretary of the Commission shall have authority to grant an exception to Rule 104 without notice and hearing where application has been filed in due form and the necessity for the unorthodox location is based on topographical conditions provided the ownership of all oil and gas leases within a radius of 660 feet from an oil well and within a radius of 1930 feet from a gas well to the proposed location is common with the ownership of the oil and gas leases under the proposed location, or that each lessee of oil and gas leases within such radii consent in writing to the proposed location.

HOOVER OIL & REFINING COMPANY

R. S. Dewey

I am, as requested, submitting in writing the suggestion that paragraph "A" under Rule 104 not be changed, as we have been operating over 20 years under substantially the same as shown under 1 (a) in statewide proration order 798:

"The unit of proration shall consist of 40 acres or lot in accordance with the legal subdivisions of the United States Public Lands Surveys, on which is at least one producing well. No well shall be drilled closer to any unit boundary line than 330 feet or less than 660 feet from any other well except upon petition, notice and hearing as provided by law, provided such unorthodox well location will create neither waste nor hazards conducive to waste."

If it is felt that "for oil" should be inserted after the fourth word so that it

RULE 104 (Continued)

would read "the unit of proration for oil, etc." to differentiate from a gas unit, I agree.

B. M. MOHRE  
Roswell, N. M.

Under Rule 104, entitled "Well Spacing, the Engineering Committee suggested changing the footage under Section B of Rule 104 to read 990 feet from boundary lines instead of 1320 feet and 1980 feet to the nearest well instead of 2640 feet as was proposed in the latest draft. These changes are not objectionable to Sun Oil Company.

At the hearing on November 1st, the operators in the San Juan Basin requested that the statewide rule regarding the gas unit should be 160 acres. Sun Oil Company feels that it would be more practicable to set up gas units on a statewide basis, on the basis of 640 acres, and if conditions so warrant it at a later date, it will be possible to reduce the size of units. It is our feeling that it is more practicable to start developing new gas fields on the basis of 640 acres than it is on a smaller acreage pattern. If the San Juan operators desire 160 acre units, they should have a hearing before the Board and have such units adopted for this field under a special order.

SUN OIL COMPANY

A. R. Ballou

RULE 104: Well Spacing - Change to read as follows:

(Southern Union Gas Co.  
Willis Lea)

A. Each well drilled for oil subsequent to the order adopting this rule shall be located on a designated drilling unit of forty (40) acres of land, more or less, in the form of a square except for normal variations in legal subdivisions of the United States Land Surveys or on a governmental quarter-quarter section (or lot), and shall not be located closer than three hundred thirty (330) feet to any boundary line of such unit, or closer than six hundred sixty (660) feet to the nearest well drilling to or capable of producing from the same pool.

B. Each well drilled for gas subsequent to the order adopting this rule shall be located on a designated drilling unit of one hundred sixty (160) acres of land, more or less, in the form of a square except for normal variations in legal subdivisions of the United States Land Surveys, and shall not be located closer than nine hundred ninety (990) feet to any boundary line of the designated drilling unit, or closer than nineteen hundred eighty (1980) feet to the nearest well drilling to or capable of producing from the same pool.

C. Wells drilled not in conflict with the two preceding paragraphs, natural gas wells commenced prior to the adoption of this rule, and oil wells re-completed as gas wells are orthodox locations.

RULE 104 (Continued)

D. The Commission may grant an exception to Rule 104 whenever the Commission shall determine, after notice and a hearing, and the facts clearly support the determination, that the unit is partly outside the pool, or, for some other reason, a well so located on the unit would be non-productive, or topographical conditions are such as to make the drilling at such location unduly burdensome, or that such exception is necessary to prevent waste or the confiscation of property. Application for an exception shall be accompanied by a plat or sketch drawn to the scale of not smaller than one (1) inch equalling 1320 feet, accurately showing (1) the drilling unit for which the exception is requested; (2) all other completed, drilling and permitted wells located on such unit and (3) lands adjacent to the proposed drilling unit showing the well(s) located thereon within a radius of 660 feet for oil tests and 1980 feet for gas tests. The application shall be verified by some person acquainted with the facts, stating that all facts therein stated are within the knowledge of the affiant true and that the accompanying plat is accurately drawn to scale and correctly reflects pertinent and required data. In addition to the published notice elsewhere herein required ten (10) days written notice of the date fixed for the hearing shall be given by the Commission by mailing, by registered mail, to all persons who are adjacent owners at the time of filing the application, and the names and addresses of such owners shall be given in the application; provided, however, the Secretary of the Commission shall have authority to grant an exception to Rule 104, without notice and hearing, where the necessity for an unorthodox location is due to topographical conditions and an application has been filed in due form showing that the ownership of all oil and gas leases within a radius of 660 feet for oil tests, and 1980 feet for gas tests, of the proposed well location is common with the ownership of the oil and gas leases under the proposed well location, or showing that all owners of oil and gas leases within such radius consent in writing to the proposed location.

E. In filing Form C-101, Notice of Intention to Drill, the surface distance must be shown between the proposed location and other wells within a radius of 660 feet for oil tests, and 1980 feet for gas tests.

SOUTHERN UNION GAS COMPANY

Willis Lea



RULE 107. CASING AND TUBING REQUIREMENTS

First Paragraph--

All wells drilled for oil or natural gas shall be completed with a string of casing which shall be properly cemented at a sufficient depth adequately to protect the oil or natural gas-bearing stratum to be produced. In addition thereto, such other casing shall be used in order to seal off all oil, gas and water stratum which may be encountered in the well, except the one or ones to be produced.

HUMBLE OIL & REFINING COMPANY

R. S. Dewey

RULE 107 - CASING AND TUBING REQUIREMENTS

It is felt that the first sentence of the second paragraph, requiring that "Sufficient cement shall be used on surface casing to fill the annular space back of the casing to the bottom of the cellar or to the surface of the ground", should not be made a general rule in that in many large areas in Eddy County no potable surface waters are encountered, thus, there is no need for cementing surface casing to the bottom of the cellar. If this rule were enforced it is estimated that in our own Eddy County operators it would be necessary to use four or five times the volume of cement now required by the U.S.G.S. and the Oil Conservation Commission in cementing our surface casing strings.

GRAYBURG OIL COMPANY

R. J. Hoard, Vice President

RULE 109: Substitute "usual" for "necessary" in the second line.

SOUTHERN UNION GAS CO.

Willis Lea

RULE 111. Deviation Tests:

This rule should be modified to exclude relatively shallow (3,500' or less) cable tool holes.

GRAYBURG OIL CO.  
R. J. Heard

RULE 111 - Deviation Tests

In accordance with the first paragraph of this rule, it is mandatory that the well be straightened if for any 500' interval the angularity from vertical exceeds 5°. We have not so far had any great difficulty in maintaining our drilling operations in New Mexico with angularities less than the limitations shown. However, we have had considerable trouble in other states and in some cases it was impossible to maintain a 5° limitation. There is no reason to believe that eventually the same condition will not be encountered in New Mexico. Therefore, it is suggested that an operator be given an alternative, such as submitting a directional survey to show that the wells penetration into the producing formation is within the limits of the property lines.

GULF OIL CORPORATION  
S. G. Sanderson

Rule 12. COMPLETION OF WELL

First Paragraph - -

The multiple zone completion of any well including a bradenhead gas well may be permitted only by order of the Commission upon hearing.

NOBLE OIL REFINING CO.

R. S. Dewey

RULE 114: Delete the last sentence reading as follows:

"All pits and other hazards shall be adequately protected by a legal fence."

SOUTHERN UNION GAS COMPANY

Willis Lea

RULE 115. Well and Lease Plugging

Provides that the Christmas tree fitting or well head connection have a working pressure of at least the equivalent of the calculated or known pressure in the reservoir. We always prefer to have general rules rather broad and it is our opinion that the rules should provide that such fittings shall be adequate to withstand pressures to be encountered. On the other hand, if it is desired to have a definite rating which would be considered safe, it is believed that it would be entirely adequate if the requirement was changed to the effect that such fittings shall have a test pressure of at least 150% of the calculated or known reservoir pressure. This is suggested due to the fact that in many cases the pressure encountered at the well head is substantially less than the reservoir pressure.

GULF OIL CORPORATION  
S. G. Sanderson

RULE 116. NOTIFICATION OF FIRES, BREAKS, LEAKS, AND BLOW OUTS.

Last sentence of the paragraph --

The report hereby required as to oil losses shall be necessary only in case such oil loss exceeds one hundred (100) barrels in the aggregate.

MOBILE OIL REFINING CO.

R. S. Doney

RULE 116. NOTIFICATION OF FIRES, BREAKS, LEAKS, AND BLOW OUTS.

This rule requires all persons owning or operating any pipe line to notify the Commission immediately concerning any fires or breaks in the lines. Reports are not required as to oil lease line breaks where the oil lost is less than 100 barrels. In all probability, the Commission intended to exempt all line breaks where the loss was less than 100 barrels, and not restrict the exemption only to lease lines. Rule 116 should be so amended to clarify its intent.

MAGNOLIA PETROLEUM COMPANY

William E. McKellar, Jr.

RULE 117. WELL LOCATIONS, COMPLETION, AND RECOVERY REPORTS.

should have the last sentence stricken out and the following sentence inserted in its place, "For the purpose of interpreting this rule, any hole drilled by an "owner" as defined by the Commission shall be presumed to be a well drilled for oil or gas." This wording would help an Oil or Gas Inspector in case he found an owner violating the Rules and Regulations of the Commission and the owner wanted to claim that he wasn't drilling for oil or gas.

OIL CONSERVATION COMMISSION



**RULE 201. NOTICE**

Notice of intention to plug shall be filed with the Commission by the owner or his agent prior to the commencement of plugging operations, on a form prescribed by the Commission, which notice shall state the name and location of the well and name of the operator, and contain an affidavit that the owner or his agent has notified all offset leasees and property owners, giving the name of such leasees and owners and the location of their leases. In case of a newly completed dry hole in which no casing, except surface casing has been run, the operator may commence plugging by giving reasonable notice, and securing the approval of the Commission as to the plugging operations are to begin. He shall, however, file the regular notification form. See Rule 1103.

HUMBLE OIL & MINING CO.

R. B. Dewoy

**RULE 201. Notice of Intention to Plug**

Provides that an affidavit be submitted that the owner has notified all offset leasees and property owners. In plugging wells in newly developed areas, such a provision is no particular hardship. However, in plugging in old depleted areas and particularly when offset leases may have been plugged out, it may be extremely difficult to locate all offset property owners, since many times in such cases the royalty has been widely distributed. In view of the qualifications in the last sentence of Rule 201 for the plugging of newly completed dry holes, it is believed it would be reasonable to limit the notification required in the first sentence to leasees only.

GULF OIL CORPORATION  
S. G. Sandersen

RULE 203: Insert "Operator and the" after "desired by the" in the second line.

SOUTHERN UNION GAS COMPANY

Willis Lea

RULE 204: Delete the words "liable and" in the second line and insert  
"to the Commission" after "responsible" in the third line.

SOUTHERN UNION GAS COMPANY

Willis Lea

RULE 301. Gas-Oil Ratio Tests. It is recommended that the wording of proposed Rule 301 be amended to read as follows:

"Each operator shall take a gas-oil ratio test within thirty (30) days following the completion or recompletion of an oil well and, after the discovery of a new pool, each operator shall take an annual gas-oil ratio test during the month which contains the anniversary date of the discovery well, or at such other periods which the Commission may designate. During such tests, each well shall be produced at a rate equal to or not exceeding its allowable by more than 25 percent. No well shall be given an allowable greater than the amount of oil produced on official test during a 24-hour period.

"Each test shall be conducted under the method and conditions as outlined in Appendix B attached hereto and the results of such test shall be reported on Form G-116, Gas-Oil Ratio Test, on or before the 15th day of the month following the month during which such test is made.

"The Commission will drop from the Proration Schedule any proration unit for failure to make or report such test as herein provided until such time as a satisfactory test has been made and reported, or satisfactory explanation given."

MAGNOLIA PETROLEUM CO.  
William E. McKellar, Jr.

RULE 301. I have talked to a number of the oil producers in Eddy County relative to the Gas Oil Ratio Law of New Mexico which I understand has not been enforced by the Oil Conservation Commission, in certain producing districts. A number of the producers have talked to Justin Newman relative to this matter. I was advised by Mr. Newman that there is to be a hearing in Santa Fe relative to requiring operators to take a Gas Oil Ratio on their oil wells. Everybody that I have talked to feels that the Gas Oil Ratio Law is a good thing if the law is flexible enough whereby it will not penalize the oil producer from producing the maximum amount of oil production from small wells particularly in areas such as the Old Artesia Field District where the field has been largely depleted. I also believe that we should not be compelled to take Gas Oil Ratios on wells that are on the pump. Every producer that I have talked to feels the same way.

I can see where taking Gas Oil Ratios in a new district or in an old district where deeper production has been encountered can be very beneficial to the various operators because it would help them to conserve the gas by cutting down the Gas Oil Ratio on producing the oil. It is my understanding also that the fields such as Loco Hills and Maljamar that have Pressure Maintenance Plants will not be required to run Gas Oil Ratio test. The majority of the wells in the Loco Hills fields are being produced with gas lift equipment and the gas used in lifting this oil is taken off of the separators and returned to the Pressure Maintenance Plant for compression. If a Gas Oil Ratio test were run on the wells in Loco Hills the Gas Oil Ratio would appear to be much higher than it really is due to the fact that gas is injected to lift the oil. For this reason, I don't believe that the Loco Hills pool should be required to run Gas Oil Ratio test.

DIXON & YATES OIL CO.  
Martin Yates III

RULE 301. The operators here in Artesia have had considerable discussion in the last few days relative to the gas and oil ratio program.

It is my understanding there has been such a law for some time in the State of New Mexico. However, it has not been enforced in Eddy County.

I understand that there has been a meeting called in Santa Fe for November 1st regarding a program of enforcement of this law. Inasmuch as we will be unable to have a representative present, we would like to voice our opinion regarding this matter.

Personally, we think that the gas and oil ratio program is desirable in highly productive fields or heavy producing horizons and its enforcement would increase the life of the gas reservoirs. However, we think the law should be interpreted or written in such a way that it will be variable and would not include old stripper fields or pumping fields where the wells are not making the allowable and the bottom hole pressure is so low that the wells would not flow. In other words, the only reason we pump wells is because we do not have enough bottom hole pressure to flow them. The exception naturally is where gas lift is used.

We had in mind the Old Artesia Field, as it is shallow production and very few wells make the allowable. This field has been producing for many years with no gas conservation program whatsoever and should an unreasonable gas and oil ratio rule be enforced at this time, it appears that it would just be an added expense to the operators and should some of the wells be required to conserve gas that are now pumping, there is a possibility that a little five or ten barrel well may be reduced in its allowable to less than this amount and, naturally, this would make it unprofitable to attempt to operate.

In some of the old wells in the Old Artesia Field that are pumping, if it should be necessary to maintain an excessive gas pressure on the formation, the production would decrease materially.

However, should a deeper production horizon be discovered in the old field where a gas and oil ratio program will be beneficial to the majority of the operators, we feel that it should be supported and probably all the operators would support such a program.

We sincerely hope that you will be able to work out some sort of a program on this ruling that will not work a hardship on the oil producers in the old pools that have never had a program prior to this time and it seems that should one be enforced now it would serve no useful purpose if the gas reservoir has been pretty much depleted.

ROBERT E. MOORE  
J. R. Lund

RULE 301. Substitute "Report" for "Test" after Gas Oil Ratio in the third line.

SOUTHERN UNION GAS COMPANY  
Willis Lea

RULE 304:

Insert the word "zone" after "multiple" in the first line.

SOUTHERN UNION GAS COMPANY

Willis Lea

RULE 308. SALT OR SULFUR WATER

Operators shall report monthly on Form C-115, the amount or percentage of water produced with the oil by each well making two percent (2%) or more water, in accordance with periodic tests.

HUMBLE OIL & REFINING COMPANY

R. S. Dewey

RULE 309. COMMON TANKAGE

Oil shall not be transported from a lease until it has been received and measured in tanks located on the lease. At the option of the operator, common tankage may be used to receive the production from as many as 8 units of the same basic lease, provided adequate tankage and other equipment is installed so that the production from each well can be accurately determined at reasonable intervals.

HUMBLE OIL & REFINING CO.

R. S. Dewey



RULE 310:

Delete "or" after "than" in the fifth line.

SOUTHERN UNION GAS COMPANY

Willis Lea

**RULE 312. TREATING PLANT**

The last two paragraphs of Rule 312 as contained in the final draft of the Engineer's Report, were omitted when the draft was reproduced and notice of the November 1 meeting was mailed. Attached to this letter you will find the two paragraphs omitted which should be made a part of Rule 312.

"Such permit, if granted, shall be valid for one (1) year, shall be revocable at the discretion of the Commission at any time after hearing is had on 10 days' notice and shall entitle the treating plant operator to an approved Certificate of Compliance and Authorization to Transport Oil, Commission Form C-110, for the total amount of products secured from tank bottoms and other waste oils processed. Any operating treating plant shall, on or before the 15th day of each calendar month, file at the nearest office of the Commission, a monthly report on Commission Form C-111, which report when fully completed and approved by an authorized agent of the Commission, may be used to support a Commission Form C-110 for the net oil on hand at the end of the reported period. In no event shall Commission Form C-110 be issued for moving the products of a treating plant without supporting Commission Form C-118 being completed and approved.

None of the provisions of this rule are applicable to the recovery of wash-in oil, creek oil, or pit oil where such oil is picked up and re-turned to the lease on which produced or where such oil is disposed of by owner to an authorized transporter and accounted for on Commission Form C-110. Before any person other than owner shall pick up, reclaim, or salvage wash-in oil, creek oil, or pit oil, a permit to do so shall be obtained from owner or operator of lease and from the duly authorized agent of the Commission. Application for permit shall state the name and location of the lease, the number of well or wells from which the oil was produced, or the source of such oil and the name of the owner, operator or manager.

HUBBLE OIL & REFINING COMPANY

R. S. Dewey

RULE 314 - should be added to the Rules and should be captioned as follows: EMULSION, BASIC SEDIMENTS, AND TANK BOTTOMS: Wells producing oil shall be operated in such a manner as will reduce as much as practicable the formation of emulsion and B.S. These substances and tank bottoms shall not be allowed to pollute streams or cause surface damage. If tank bottoms are to be removed to surface pits, the pits shall be fenced and the fence shall be kept in good repair.

OIL CONSERVATION COMMISSION

RULE 401. Method of Determining Natural Gas Well Potentials

It is believed three rates will be quite adequate at this stage. In the event gas well potentials later become important, either for proration or for ratable take, it will be necessary to greatly amplify this rule.

GULF OIL CORP.

S. G. Sanderson

**RULE 403. NATURAL GAS FROM GAS WELLS TO BE REPORTED**

All natural gas produced shall be accounted for by metering or other method approved by the Commission and reported to the Commission by common purchaser of the gas. Gas produced from a gas well and delivered to a gas transportation facility shall be reported by the owner or operator of the gas transportation facility. Gas produced from a gas well, and required to be reported under this rule, which is not delivered to and reported by a gas transportation facility, shall be reported by the operator of the well.

HUMBLE OIL & REFINING COMPANY

R. S. Dewey

RULE 404. NATURAL GAS UTILIZATION.

Under this rule you state that "After the completion of a natural gas well, no gas from such well shall be used for the manufacture of carbon black." There is an implication under this rule that the use of natural gas in the manufacture of carbon black is waste, which I believe is unfair to the carbon black industry and not in accordance with the oil and gas law passed by the latest session of the Legislature. I would like to suggest that this rule be amended so that it would then read "After the completion of a natural gas well, no gas from such well shall be used for the manufacture of carbon black without a permit from the Oil Conservation Commission."

I would like to point out that there is a conflict between Rule 404 and Rule 1125, in that Rule 404 says you cannot use natural gas in the manufacture of carbon black, whereas Rule 1125 states that each operator of a carbon black plant within the State of New Mexico shall furnish for each calendar month the monthly volume or volumes received from each lease or operator delivering natural gas directly to such plant, together with the production in pounds of carbon black or other products produced.

In general, I would like to make the following observation. It strikes me that this Rule 404 is a hangover from the old days and is a reflection of the propaganda that was instigated by the pipeline companies in their efforts to outlaw the carbon black industry. In recent years conditions have changed considerably, in that the different State Legislatures have passed legislation favorable to the carbon black industry, and as a result they have been permitted to compete with pipeline companies in an open market for gas in their operations. I think, without a doubt, that this has proved very beneficial to the operators and royalty owners, as well as the states in which the carbon black industry operates. In other words, when you eliminate competition the value of your product is bound to suffer.

CABOT CARBON COMPANY

E. L. Green, Jr.

**RULE 503. APPORTIONMENT OF PRODUCTION, PRORATION AND TRANSPORTATION**

The Commission shall set between 15, 20th and 25th of each month for the purpose of setting the normal unit allowable for the state for the following calendar month.

The exact date, time and place of each meeting shall be established in January of each year and notice given of each meeting by publication made on or before January 10 of each year.

The Commission will consider all evidence of market demand for oil and determine the amount of oil to be produced from all oil pools during the following month. The amounts so determined will be allocated among the various pools in accordance with existing regulations and among the various units in each pool in accordance with regulations governing each pool. In allocated pools, effective the first day of each proration period, the Commission will issue a proration schedule which will authorize the production of oil from the various units in strict accordance with the schedule and the purchase and transportation of oil so produced. Allowable for wells completed after the first day of the proration period will become effective from the date of well completion. A supplementary order will be issued by the Commission to the operator of a newly completed or recompleted well, and to the purchaser or transporter of the oil from a newly completed or recompleted well, establishing the effective date of completion, the amount of production permitted during the remainder of the proration period, and the authority to purchase and transport same from said well.

A marginal unit shall be permitted to produce any amount of crude petroleum which it is capable of producing up to and including the top unit allowable for that particular pool for the particular proration period; provided the operator of such unit shall file with the Commission for a supplemental order covering the increase above the amount shown on the proration schedule. The Commission shall issue such supplemental order setting forth the daily amount of crude petroleum which such unit shall be permitted to produce for the particular proration period and shall furnish such supplemental order to the operator of the unit and a copy thereof to the transporter authorized to transport crude petroleum from the unit.

Current oil shortages may be made up or unavoidable and lawful overages compensated for during the second proration period next following the proration period in which such shortages or overages occurred.

All legal and authorized back allowable available for purchase will be published in the monthly proration schedule. No back allowable will be placed in the proration schedules unless request is made by producer and proof is shown that shortage is legal and should be considered as back allowable. There are only three justifications for back allowable, namely: (1) failure of purchaser or transporter to run assigned oil allowable, (2) mechanical failures affecting the producing well during the proration period, (3) gathering engineering data. Unless application is filed for back allowable within 60 days after the occurrence of the shortage, no back allowable for such shortage shall be granted.

RULE 503 (Continued)

In order to preclude premature abandonment, a common purchaser within its purchasing area is authorized and directed to make 100 percent purchases from units of settled production producing ten (10) barrels or less daily of crude petroleum in lieu of ratable purchases or takings. Provided, however, where such purchaser's takings are curtailed below ten barrels per unit of crude petroleum daily, then such purchaser is authorized and directed to purchase equally from all such units within its purchasing area regardless of their producing ability insofar as they are capable of producing.

HUMBLE OIL & REFINING COMPANY

R. S. Dewey



**RULE 506. GAS-OIL RATIO LIMITATION**

In allocated pools containing a well or wells producing from a reservoir which contains both oil and gas each proration unit shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the top unit oil allowable for the depth of the pool and currently assigned to the pool. In the event the Commission has not set a gas-oil ratio limit for a particular oil pool the limiting gas-oil ratio shall be two thousand cubic feet of gas for each barrel of oil produced. In allocated pools, all producing wells, whether oil or casinghead gas, shall be placed on the oil proration schedule.

Unless heretofore or hereafter specifically exempted after hearing by the Commission, a gas-oil ratio limit shall be placed on all allocated oil pools, and all units having a gas-oil ratio exceeding the limit for the pool shall be penalized in accordance with the following formulas:

Paragraphs No. 3,4,5,6,7, and 9 remain the same; paragraph 8 should be omitted. Paragraph 8 begins as follows: "All gas produced in allocated oil pools specifically exempted from gas-oil ratio limitations - - -".

HUMBLES OIL & REFINING COMPANY

R. S. Dewey

**RULE 506:** Insert the word "casinghead" before "gas" in the second and third lines. Insert the word "oil" before "pools" in the eighth line. Delete the last sentence of the first paragraph because the Commission will simply classify as an oil well any well which should be on the oil proration schedule.

- (b) Insert the word "casinghead" before "gas" in the second and third lines.
- (c) Insert the word "casinghead" before "gas" in the second line.
- (d) Insert the word "casinghead" before "gas" in the first line.

SOUTHERN UNION GAS COMPANY

Willis Lea

RULE 601: Insert the words "the allowable" after ", and shall allocate" in the fifth line. Also add statutory reference at end of rule as follows: (See: Sec. 12(c) et seq., Chap. 168, 1949 Sessions Laws.)

SOUTHERN UNION GAS COMPANY

Willis Lea

RULE 602: Insert "for an allocated gas pool" after "period" in the first line.

SOUTHERN UNION GAS COMPANY

Willis Lea

RULE 603: Insert the word "production" after "allowable" in the second line. Substitute "well" for "proration unit" appearing in the fourth and fifth lines. Add a new sentence at the end of the present rule, as follows: "In protecting correlative rights the Commission may give equitable consideration to acreage, pressure, open flow, porosity, permeability, deliverability and quality of the gas and to such other pertinent factors as may exist."

While some reference is made in the Statutes to "proration units" to prevent the drilling of unnecessary wells gas proration is authorized by the Statute on a well basis.

SOUTHERN UNION GAS COMPANY

Willis Lea

RULE 604. Gas Proration Units - Delete, authorized by Statute,  
see comments under Rule 603.

Suggest that this is a proper place for a rule conforming with  
Statute eliminating storage gas from gas proration regulation;  
"Rule 604. Storage Gas Exempted - The above rules shall not  
apply to any well(s) or pool(s) used for storage and withdrawal  
from storage of gas originally produced pursuant to Chap. 168,  
1949 Session Laws, or the rules, regulations or orders of the  
Commission.

SOUTHERN UNION GAS COMPANY

Willis Lea

RULE 701: Subtitute the words "pressure maintenance" for the words  
"Maintaining reservoir pressure."

SOUTHERN UNION GAS COMPANY

Willis Lea

RULE 803. Substitute "well or wells" for "proration unit" in the last line.

SOUTHERN UNION GAS COMPANY

Willis Lea

RULE 902.     Substitute "rule" for "act" in the fifteenth line.

SOUTHERN UNION GAS COMPANY

Willis Lea



RULE 908. NOTICE OF INTENTION TO PLUG WELL.

There are some operators who would like to strike out the sentence, "Failure to file notice before plugging shall constitute grounds for forfeiture of bond." For the protection of the Commission, this should be in the Rules and Regulations, since it is already in the law.

OIL CONSERVATION COMMISSION

RULE 909, REPORT ON RESULTS OF PLU MIND TEST, should have the following sentence just before the final sentence. "It shall also state whether or not the pits have been covered and the location cleared of junk." By having this in the Rules, the Oil and Gas Inspector may be saved some time and expense, since it will sometimes save him a trip to a location that hasn't been cleared of junk.

OIL CONSERVATION COMMISSION

RULE 1101: Insert the words ", casinghead gas" after "natural gas"  
in the fifth line.

SOUTHERN UNION GAS COMPANY

Willie Lea

RULE 1105 should be omitted.

HUMBLE OIL & REFINING COMPANY

R. S. Doney

RULE 1105 - Notice of Intention to Shoot or Chemically Treat Well, and  
RULE 1106 - Notice of Intention to Test Casing Shut Off.

It is our understanding that the Commission is considering complete elimination of these two paragraphs or greatly simplifying the requirements. We see no objection to their elimination; however, in the event these two rules are retained, it is believed that simple notice should be sufficient, rather than the requirement that operations be held up until approved copies have been returned.

GULF OIL CORPORATION

S. G. Sanderson

RULE 1106 should be omitted.

HUMBLE OIL & REFINING COMPANY

R. S. Dewey

RULE 1106 - SEE GULF OIL CORPORATION'S COMMENTS ON RULE 1105

RULE 1108. Notice of Intention to Plug Well

Has the same objection as previously expressed for Rule 201. It is believed that the notice should be limited to lessees only.

GULF OIL CORPORATION

S. G. Sanderson

RULE 1114: Insert the word "well" after "oil" in the second line and insert the words "in an allocated pool" after "gas well" in the third line.

Change the third paragraph to read as follows: "The allowable of oil wells will be assigned, effective 7:00 A.M., on the date of completion. The effective date of initial allowable of a gas well in an allocated pool will be determined by the special rule(s) for such pool."

RULE 1116: Substitute "condensate" for the term "liquid hydrocarbons" where it appears.

In the seventh line of the first paragraph add after the words "operating unit" the words "or gas well"; likewise, in the second line and fourth line of the second paragraph.

In the twelfth line of the second paragraph change the word "dry" to "natural".

RULE 1118: Change the term "liquid hydrocarbons" wherever it appears to the defined term "condensate".

RULE 1120: In this rule the word "condensate" should be deleted since it is a defined term meaning liquids recovered at the surface--therefore, not properly included in referring to the output of gasoline plant.

The last sentence of this rule relates only to injections into and withdrawals from natural gas storage and was probably intended as a separate rule having no relationship to the gasoline plant reports.

RULE 1121: Change the term "liquid hydrocarbons" to the defined term "condensate" in the fourth line.

SOUTHERN UNION GAS COMPANY

Willis Lea

RULE 1126. INJECTION REPORT (FORM C-120)

See Section I, Rules 701, 702, 703 and 704.

HUEBLE OIL & REFINING COMPANY

R. S. Dewey

RULE 1126. INJECTION REPORT (FORM C-120)

Since Form C-120 will require all of the information now reported on Form C-115, it is our suggestion that, to avoid duplication, whenever Form C-120 is required, the operator be allowed to file Form C-120 in lieu of Form C-115.

GRAYBURG OIL CO.

R. J. Heard



RULE 1127. Pipe Line Data Required. This rule should be amended to exempt oil gathering lines. Apparently, the Commission intended to exclude oil gathering lines from the provisions of Rule 1127, and the rule should be amended to clarify this meaning.

MAGNOLIA PETROLEUM CO.  
William E. McKellar, Jr.

RULE 1201 et seq.,: Since these rules are recognized to be properly the subject of additional work, it is suggested that they not be included until they are in comprehensive form. For example, much of the substance of Rules 1201 and 1205 is already included in Rule 2. Moreover, under Rule 1206 it seems proper that all of Section 19 of the Statute rather than a part be reproduced.

SOUTHERN UNION GAS COMPANY

Willis Lea

RULE 1206. Provides 20 Days After Entry of Any Order for Filing an Application for Re-Hearing

The 20 days is the statutory requirement so that the Commission probably could not require less than that time. However, in the event orders of the Commission are delayed in distribution, some interested parties might not be actually notified of the entry until too late. It is suggested that this period be extended to 30 days.

GULF OIL CORPORATION  
S. G. Sanderson

SEE SOUTHERN UNION'S COMMENTS - RULE 1201, etc.

APPENDIX B

NOTE: The official rules adopted by Order No. 359 had attached under Appendix C all of the forms described in Rule 1103. However, these forms are not set out in this printed edition in order to conserve space.

All of such forms are available at the office of the Commission in Santa Fe, or at any of the district offices.

### SUPPLEMENT

In this supplement appear certain rules of the Commission which were not rescinded by Order No. 850, adopting the foregoing rules and regulations. Copies of other orders not set forth in this supplement, but which are still in effect although not included in the foregoing rules and regulations, may be obtained from the Commission office in Santa Fe.

### Order No. 33

Adopted, June 12, 1936, being a proration plan for the Monument pool, Lea County.

Sec. 1. The total allowable production of oil in the Monument field shall be allocated within the field by productive units. Units shall not be allocated more oil than they can produce without unreasonable waste.

Sec. 2. Productive units shall be classified as marginal and non-marginal units, a marginal unit being one that cannot produce the acreage unit allowable, and a non-marginal unit one with a daily potential equal to or larger than the acreage unit allowable. Marginal units shall be allocated approximately the amount of oil they can produce.

Sec. 3. The total allocation to marginal units shall be deducted from the total daily field allowable and the resulting number of barrels shall be designated as the total daily non-marginal field allowable.

Sec. 4. Regular units for allocation shall consist of 40-acre tracts in a square, and of tracts having an area of from 39 to 40 acres according to the surveys of the United States Government.

Sec. 5. If a productive tract, according to Government surveys, consists of more than 40 acres, the allocation to such special unit for both acreage unit allowable and bottom hole pressure allowable shall be in the ratio of its area in acres to 40 acres.

Sec. 6. When the area of a productive tract is less than 39 acres, such shall be considered a fractional unit. If the area in acres of a fractional unit according to the official plats of the United States Government is exactly a whole number, the allocation to such fractional unit for both acreage unit allowable and bottom hole pressure allowable shall be in the ratio of that number of acres to 40 acres. If the area in acres of a fractional unit, according to Government survey plats, is not a whole number, the allocation to such fractional unit compared to a regular unit, shall be in the ratio of the next larger whole number of acres to 40 acres.

Sec. 7. Eighty (80) per cent of the total daily non-marginal field allowable shall be allocated equally to the non-marginal productive units, except as otherwise noted herein. This allocation to each unit shall be designated as unit allowable.

Sec. 8. Twenty (20) per cent of the daily non-marginal field allowable shall be prorated to the different non-marginal units on the basis of the static bottom hole pressures of the wells. The average of the three lowest static bottom

### SUPPLEMENT

In this supplement appear certain rules of the Commission which were not rescinded by Order No. 650, adopting the foregoing rules and regulations. Copies of other orders not set forth in this supplement, but which are still in effect although not included in the foregoing rules and regulations, may be obtained from the Commission office in Santa Fe.

### Order No. 33

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Sec. 2. Productive units shall be classified as marginal and non-marginal units, a marginal unit being one that cannot produce the acreage unit allowable, and a non-marginal unit one with a daily potential equal to or larger than the acreage unit allowable. Marginal units shall be allocated approximately the amount of oil they can produce.

Sec. 3. The total allocation to marginal units shall be deducted from the total daily field allowable and the resulting number of barrels shall be designated as the total daily non-marginal field allowable.

Sec. 4. Regular units for allocation shall consist of 40-acre tracts in a square, and of tracts having an area of from 39 to 40 acres according to the surveys of the United States Government.

Sec. 5. If a productive tract, according to Government surveys, consists of more than 40 acres, the allocation to such special unit for both acreage unit allowable and bottom hole pressure allowable shall be in the ratio of its area in whole number of acres to 40 acres.

Sec. 6. When the area of a productive tract is less than 39 acres, such tract shall be considered a fractional unit. If the area in acres of a fractional unit, according to the official plats of the United States Government, is exactly a whole number, the allocation to such fractional unit for both acreage unit allowable and bottom hole pressure allowable shall be in the ratio of that number of acres to 40 acres. If the area in acres of a fractional unit, according to Government survey plats, is not a whole number, the allocation to such fractional unit as compared to a regular unit, shall be in the ratio of the next larger whole number of acres to 40 acres.

Sec. 7. Eighty (80) per cent of the total daily non-marginal field allowable shall be allocated equally to the non-marginal productive units, except as otherwise noted herein. This allocation to each unit shall be designated as the acreage unit allowable.

Sec. 8. Twenty (20) per cent of the daily non-marginal field allowable shall be prorated to the different non-marginal units on the basis of the static bottom hole pressures of the wells. The average of the three lowest static bottom hole

pressures shall be obtained, and this pressure shall be designated as the deduction pressure; provided, however, that if the average of the three lowest pressures is less than eighty (80) per cent of the highest unit static bottom hole pressure for the field, the deduction pressure shall be eighty (80) per cent of the said highest unit static bottom hole pressure. This deduction pressure shall be subtracted from the actual bottom hole pressure for each unit. The results obtained for all the non-marginal units shall be added together and the sum shall be divided into the total bottom hole pressure allowable for the field. The quotient obtained shall be designated the bottom hole pressure factor. To obtain the bottom hole pressure allowable for each unit, this factor shall be multiplied by the difference between the bottom hole pressure for the unit, and the established deduction pressure. Units having a lower bottom hole pressure than the established deduction pressure, as defined above, shall be considered as having the deduction pressure, and such units shall be allocated only the acreage unit allowable. Where there are more than one producing well on a unit, the applied bottom hole pressure for that unit shall be the average of the bottom hole pressures of all the wells. This pressure shall be used in computing the allocation to the unit as though there was only one well on the unit. The sum of the acreage unit allowable and the bottom hole pressure allowable shall be the total allocation for each non-marginal unit.

Sec. 9. Wells completed during a pressure survey period of three months shall be allocated the non-marginal unit allowable for Lea County during the balance of the period.

Sec. 10. The pressures of pumping wells can be taken at six-month intervals instead of three month intervals if the operator so desires. If the mechanical condition of a well is such that the bottom hole pressure cannot be taken the allocation to that unit shall be the acreage unit allowable for the field.

Sec. 11. The Umpire shall notify the operator of the day and hour that a well is to be shut in for bottom hole pressure test. The bottom hole pressure shall be measured not less than 24 hours nor more than 36 hours following said specified time. Notice to the operator shall be given by the Umpire not less than 24 hours before the time for the well to be shut in. The well shall produce its regular allocation during the 24-hour period ending at the time the well is shut in.

Sec. 12. When it is unsafe for the Protraction Umpire or his representative to determine a static bottom hole pressure because of the mechanical condition of a well, that unit shall automatically receive the acreage unit allowable.

Sec. 13. The pressure shall be measured as near as possible to a point in the well 250 feet below sea level. When it is impossible to determine the pressure at this point the pressure may be adjusted from the actual point of determination to 250 feet below sea level, according to the static head of the fluid at the point at which the pressure is determined; provided that, when due to the mechanical condition of the well, it is impossible to determine the pressure closer than 150 feet from a point 250 feet below sea level, the well shall be considered not to be in condition to determine the static pressure, and it shall receive the acreage unit allowable until it is put in such condition that the pressure can be determined.

Sec. 14. Static bottom hole pressures shall be taken prior to August 1, 1936 and these pressures shall be used in making allocations for the period August 1-October 31, 1936. A similar procedure shall be followed for subsequent three-month periods.

Sec. 15. This order shall become effective August 1, 1936, at which time it shall revoke Order No. 22 of the Commission, adopted March 25, 1936. It shall remain in force until revoked by order of the Commission.

Section 16. Allocations to the Monument field as a whole shall be determined according to the plan of Order No. 1 of the Commission, "General State Proration Order", adopted June 29, 1935. Allocations for the field and the wells therein shall be included in "General State Proration Orders" of the Commission, prepared by the Proration Engineer for Lea and Eddy Counties, as authorized by the Commission in Order No. 1. This order supersedes any provisions of Order No. 1 with which it is in conflict.

Sec. 17. C. G. Staley, Proration Engineer for Lea and Eddy Counties and Deputy of the New Mexico Oil Conservation Commission, is hereby specifically authorized to determine the static bottom hole pressure and the allocations to each unit in the Monument field in accordance with this order.

OIL CONSERVATION COMMISSION

S/ CLYDE TINGLEY, GOVERNOR

S/ FRANK VESELY, COMMISSIONER OF PUBLIC LANDS

S/ E. H. WELLS, STATE GEOLOGIST

Order No. 398

Adopted, September 12, 1941, supercoding previous orders and being a proration plan for the Hobbs field.

Sec. 1. The total allowable production of oil in the Hobbs field shall be allocated within the field by productive units. Units shall not be allocated more oil than they can produce without waste.

Sec. 2. Productive units shall be classified as marginal and non-marginal, a marginal unit being one that cannot produce the acreage unit allowable, and a non-marginal unit one with an average daily potential production equal to or larger than the acreage unit allowable. Marginal units shall be allocated approximately the amount of oil they can produce.

Sec. 3. The total allocation to marginal units shall be deducted from the total daily field allowable and the resulting number of barrels shall be designated as the total daily non-marginal field allowable.

Sec. 4. As far as possible, the field shall be divided into forty (40) acre tracts in the form of a square, constituting regular subdivisions of sections according to the Government surveys. Each such tract shall be considered a unit for the purposes of proration hereunder. If it should develop that there are tracts of land owned by individual operators or lease holders constituting less than a unit as above defined or in such form as not to constitute a unit as above defined, then the Commission in its discretion may create and outline fractional units or units of a form other than a square. However, no well shall be drilled closer to any unit boundary line than 330 feet or less than 660 feet from any other well except upon petition, notice and hearing as provided by law, provided such unorthodox well location will create neither waste nor hazards conducive to waste.



Sec. 5. The following 40-acre units not in the form of a square shall be considered as regular units for proration purposes:

Walker Terry G, N-1/2 SW-1/4 SE-1/4 and N-1/2 SE-1/4 SE-1/4  
Sec. 10, T. 19S., R. 33E.

Walker Terry C-a, S-1/2 SW-1/4 SE-1/4 and S-1/2 SE-1/4 SE-1/4  
Sec. 10, T. 19S., R. 33E.

Repollo Group B, N-1/2 NE-1/4 NE-1/4 and N-1/2 NE-1/4 NE-1/4,  
Sec. 15, T. 19S., R. 33E.

Repollo Group B-a, S-1/2 NW-1/4 NE-1/4 and S-1/2 NE-1/4 NE-1/4,  
Sec. 15, T. 19S., R. 33E.

Stanolind State C, N-1/2 NE-1/4 NW-1/4 and N-1/2 NW-1/4 NW-1/4,  
Sec. 15, T. 19S., R. 33E.

Stanolind State C-a, S-1/2 NW-1/4 NW-1/4 and S-1/2 NE-1/4 NW-1/4,  
Sec. 15, T. 19S., R. 33E.

Sec. 6. Eighty (80) per cent of the non-marginal field allowable shall be allocated among the various units without reference to their producing ability or pressures; all forty (40) acre units participating equally and each fractional unit receiving allocation as compared to the allocation of a forty (40) acre unit, in the ratio that its area in acres bears to forty (40) acres. This allocation to each unit shall be designated as the acreage unit allowable.

Sec. 7. The remaining twenty (20) per cent of the daily non-marginal field allowable shall be prorated to the different non-marginal units on the basis of the static bottom hole pressure of the wells. For computation purposes, the bottom hole pressures for all the wells shall be added together, and this sum shall be divided into the total number of barrels to be allocated to the field according to bottom hole pressures. The quotient obtained shall be designated the bottom hole pressure factor. To obtain the bottom hole pressure allowance for each well, or unit, this factor shall be multiplied by the bottom hole pressure of the unit. The sum of the unit acreage allowance and the bottom hole pressure allowance shall be the total allocation for each non-marginal unit.

Sec. 8. The Commission each six months shall determine the bottom hole pressure of each well in the field, provided that for each well in which the bottom hole pressure cannot be determined for mechanical reasons, such well shall have assigned to it the bottom hole pressure of the nearest well in which a bottom hole pressure is taken, or if equidistant from two or more wells in which bottom hole pressures are taken such well shall have assigned to it the average of the bottom hole pressures of said equidistant wells.

Sec. 9. The Commission shall notify the operator of the day and hour that a well is to be shut in for bottom hole pressure test. The bottom hole pressure shall be measured not less than 24 hours nor more than 36 hours following said specified time. Notice to the operator shall be given by the Commission not less than 24 hours before the time for the well to be shut in. The well shall produce its regular allocation during the 24-hour period ending at the time the well is shut in.

Sec. 10. Pressures shall be taken as nearly as possible at a common datum level of 400 feet below sea level and all pressures shall be adjusted to that datum, and correction shall be made in gas or oil depending on the medium in which the bottom

hole pressure gauge is stopped.

Sec. 11. Wells completed during a proration period occurring between bottom hole pressure surveys will be allocated the average non-marginal unit allowable for the field until static bottom hole pressures can be taken. Then these pressures shall be used in determining their allowable for the following periods.

Section 2 of Order No. 835

Relating to gas-oil ratios.

NOTE: Order No. 835 was adopted September 8, 1949. Section 2 of Order No. 835 is still in effect. Sub-paragraph A of Section 2, set out the gas-oil ratios as the same now appear in the Appendix of the foregoing rules.

Sub-paragraph B of Section 2, is as follows:

(b) No limiting gas-oil ratio shall be applied in Hardy, Penrose-Skelly, Langlie-Mattix, Rhodes Oil Pool, Cooper-Jal, and South Eunice pools in Lea County, (see Order 633) and Scanlon in Eddy County, now primarily gas reservoirs. 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 pools shall be put to beneficial use so as not to constitute waste, except as to proration units in said pools for which there are not facilities for the marketing or application to beneficial use of the gas produced therefrom. As to such proration units the limiting gas-oil ratio in effect immediately prior to the effective date of the order herein shall apply. As to said pools, gas-oil ratio tests shall be required only when the Commission within its discretion may from time to time indicate.

Order No. 748

Relating to spacing in the Kutz Canyon-Fulcher Basin gas pools, adopted June 22, 1948.

WHEREFORE, IT IS ORDERED that, effective on the date of this order, the following rules and regulations shall apply to wells hereafter drilled or completed or recompleted to the Pictured Cliff pool in the Kutz Canyon-Fulcher Basin area, defined below, in addition to the Commission's applicable rules, regulations and orders heretofore or hereafter adopted to the extent not in conflict herewith:

Section 1. No well shall be drilled or completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved, unless

- (a) such well be located on a designated drilling unit of not less than one hundred sixty (160) acres of land, more or less, according to legal subdivisions of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed, or approved for completion, in the pool;
- (b) such drilling unit be in the shape of a square except for normal variations in legal subdivisions of the United States Lands Surveys; and

- (c) such well be located on its drilling unit at a distance from the unit boundaries of not less than nine hundred ninety feet (990); provided, if such proposed new well is to be an offset to any then producing gas well completed in the pool, or the drilling of which has authorized prior to the effective date of this order, located on an adjoining unit in which the interests are not identical with those in the unit proposed to be drilled, such proposed well may be located and drilled offsetting the existing well and as close to the common unit boundary line as the well to be so offset.

Section 2. Any provision herein to the contrary notwithstanding, the Commission may, and in proper cases will, on petition or on its own motion, by order entered after notice and hearing to the extent required by law, grant exceptions and permit drilling locations to become effective, thereby authorizing the drilling or completion of wells in the pool not conforming to the requirements of Section 1 above if the Commission shall find that the property sought to be drilled would be deprived

of an opportunity to produce gas from the pool in the absence of such exception, and shall also find one or more of the following conditions to exist:

- (a) that consolidation or pooling of the property sought to be drilled with necessary adjoining land, notwithstanding diligent efforts made in good faith, is impossible or impractical;
- (b) that the property sought to be drilled is located within a then developed portion of the pool and its non-conforming size or shape is due to the adjoining developed properties in the pool;
- (c) that because of the nature of the terrain, location of the proposed well at a lesser distance from one of the outer boundaries of its drilling unit should be permitted; or
- (d) that by reason of the location of the property to be drilled along the southwest or northeast flank of the developed portion of the area, it appears improbable that gas can be produced in paying quantities if the well conforms to Section 1, in which case the Commission may modify the requirements of Section 1 as to such well to the extent it deems necessary.

Irrespective of such findings, if the Commission shall find that by reason of all circumstances an exception is proper in the prevention of waste, or undue drainage between properties, or otherwise in the exercise by the Commission of its jurisdiction over the spacing of wells or its other powers conferred by law, express or implied.

IT IS FURTHER ORDERED that, in accordance with recommendations of the Northwestern New Mexico Nomenclature Committee approved and adopted by this Commission, the Pictured Cliff gas producing pool in the Kutz Canyon-Fulcher Basin area, to which this order applies, is defined to include the ~~land within the boundaries of the~~

Township 27 North, Range 10 West  
Sec. 5 W/2  
Secs. 4 & 5 All

Township 28 North, Range 10 West  
Secs. 7 & 8 All  
Sec. 15 W/2  
Secs. 16, 17, 18, 19 All  
20, 21 W/2  
Sec. 22 W/2  
Sec. 27 All  
Secs. 28, 29, 30, 31 All  
32, 33 W/2  
Sec. 34

Township 28 North, Range 11 West  
Secs. 9, 10, 11, 12, 13 All  
14, 15, 16, 22, 23, 24, 25, 26 All

Township 29 North, Range 11 West  
Secs. 6, 7, 8, 16, 17, 18, 19 All  
20, 21, 22, 26, 27, 28, 29, 30, All  
31, 32, 33, 34, 35, 36 All

Township 29 North, Range 12 West  
Secs. 1, 2, 3, 4, 5, 6, 10,  
10, 11, 12, 13, 14, 15, 23, All  
24, 25

Township 29 North, Range 13 West  
Sec. 1 All

Township 30 North, Range 12 West  
Sec. 19 All  
Sec. 20 S/2  
Secs. 26, 27, 28, 29 All  
30, 31, 32, 33, 34, 35  
36

Township 30 North, Range 13 West  
Secs. 24, 25, 36 All

All additional lands located within one-half (1/2) mile of any land in the pool as defined or as it may be extended shall conform to these rules and regulations; provided, however, that such pool shall in no event be extended so as to include any lands now or hereafter included by the Commission in some other producing area formally designated as an oil or gas pool in the Pictured Cliffs, provided, further, by order of this Commission the pool may be redesignated from time to time so as to embrace other lands in the vicinity which are believed, on the basis of additional developments, to be capable of producing gas from the Kutz Canyon-Fulcher Basin pool, whether or not such other lands shall have been at one time included in another designated field or pool producing from the Pictured Cliffs.

Entered and adopted by the Oil Conservation Commission this 22 day of June, 1948.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

/s/ Thomas J. Mabry  
CHAIRMAN

MEMBER

/s/ R. R. Spurrier  
SECRETARY

Order No. 799

Relating to spacing in the Blanco gas pool, San Juan County, adopted  
February 25, 1949.

**THEREFORE, IT IS ORDERED** that, effective on the date of this order, the following rules and regulations shall apply to wells hereafter drilled or completed or re-completed to the Mesaverde pool in the Blanco area, defined below, in addition to the Commission's applicable rules, regulations and orders heretofore or hereafter adopted to the extent not to conflict herewith:

**Section 1.** No well shall be drilled or completed or recompleted, and no Notice of Intention to Drill or drilling permit shall be approved, unless

- (a) such well be located on a designated drilling unit of not less than three hundred twenty (320) acres of land, more or less, according to legal subdivisions of the United States Land Surveys, in which unit all the interests are consolidated by pooling agreement or otherwise and on which no other well is completed, or approved for completion, in the pool;
- (b) such drilling unit be in the shape of a rectangle except for normal variations in legal subdivisions of the United States Land Surveys, the north half, south half, east half or west half of each section of land constituting a drilling unit;
- (c) such well shall be located 330 feet from the center of either the northeast or southwest quarter of the section subject to variation of 200 feet for topographic conditions. Further tolerance shall be allowed by the Commission only in cases of extremely rough terrain where compliance would necessarily increase drilling costs.

**Section 2.** The special rules and regulations for the Blanco (Mesaverde) pool contained herein shall be limited in their application to the present 4200-5100 foot productive horizon where the productive sands are contained between the top of the Cliff House Sand and the base of the Point Lookout Sand of the Mesaverde.

**Section 3. Proration Units:** The proration unit shall consist of 320 acres or (a) a legal U. S. General Land Office Survey half-section and (b) the approximate 320 acre unit shall follow the usual legal sub-divisions of the General Land Office Section Surveys and (c) where proration units lie along the edge of field boundaries described in Section 1 above, exceptions shall be permissible in that contiguous tracts of approximately 320 acres, following regular U.S.G.L.O. sub-divisions, may be classed as proration units.

- A. The pooling of properties or parts thereof shall be permitted, and if not agreed upon may be required in any case when and to the extent that the smallness or shape of a separately owned tract would, under the enforcement of the uniform spacing plan of proration units, otherwise deprive or tend to deprive the owner of such tract of the opportunity to recover his just and equitable share of the crude petroleum oil and natural gas in the pool; provided, that the owner of any tract that is smaller than the drilling unit established for the field, shall not be deprived of the right to drill on and produce from such tract if same can be done without waste; but in such case the allowable production from such tract, as compared with the allowable production therefrom if such tract were a full unit, shall be in the ratio of the area of such tract to the area of a full unit of 320 acres.

#### Section 4. Casing and Cementing Programs

##### A. Surface Pipe

The surface pipe shall be set through the shallow potable water bearing beds to a minimum depth of 250 feet and a sufficient amount of cement shall be used to circulate the cement behind the pipe to the bottom of the collar. This surface casing shall stand cemented for at least 24 hours before drilling plug or initiating tests. The surface casing shall be tested after drilling plug by bailing the hole dry. The hole shall remain dry for one hour to constitute satisfactory proof of a water shut-off. In lieu of the foregoing test the cement job shall be tested by building up pressure of 1,000 psi, closing the valves, and allowing to stand thirty minutes. If the pressure does not drop more than 100 lbs. during that period, the test shall be considered satisfactory. This test shall be made both before and after drilling the plug. In this regard all fresh waters and waters of present or probable future value for domestic, commercial or stock purposes shall be confined to their respective strata and shall be adequately protected by methods approved by the Commission. Special precaution shall be taken in drilling and abandoning wells to guard against any loss of artesian potable water from the strata in which it occurs and the contamination of artesian potable water by objectionable water, oil or gas. The Commission shall be notified at least 24 hours prior to the conducting of any test.

##### B. Production String

The production string shall be set on top of the Cliff House Sand with a minimum of 100 sacks of cement and shall stand cemented not less than 36 hours before testing the casing. This test shall be made by building up a pressure of 1,000 psi, closing the valves, and allowing to stand thirty minutes. If the pressure does not drop more than 100 lbs. during that period, the test shall be considered satisfactory.

##### C. General

All cementing shall be done by the pump and plug method. Bailing tests may be used on all casing and cement tests, and drill stem tests may be used on cement tests in lieu of pressure tests. In making bailing test, the well shall be bailed dry and remain approximately dry for thirty minutes. If any string of casing fails while being tested by pressure or by bailing tests hereinafter required, it shall be re-cemented and re-tested or an additional string of casing should be run and cemented. If an additional string is used the same test shall be made as outlined for the original string. In submitting Form C-101, "Notice of Intention

to Drill", the number of sacks of cement to be used on each string of casing shall be stated.

Rules 6,8,9,10,11,12 and 14 of Order No. 4 of the Commission, effective 8/12/35, should be followed.

**Section 5. Tubing:** Any completed well which produces any oil shall be tubed. This tubing shall be set as near the bottom of the hole as practicable, but in no case shall tubing perforations be more than 250 feet from the bottom. The bottom of the tubing shall be restricted to an opening of less than 1' or bull-plugged in order to prevent the loss of pressure bombs or other measuring devices.

**Section 6. Special Equipment:** Any well which produces oil shall be equipped with a meter setting of adequate size to measure efficiently the gas, with this meter setting to be installed on the gas vent or discharge line. Well-head equipment for all wells shall be installed and maintained in first class condition, so that static, bottom hole pressures and surface pressures may be obtained at any time by a duly authorized agent of the Commission. Valves shall be installed so that pressures may be readily obtained on the casing and also on the tubing, wherever tubing is installed. All connections subject to well pressure and all well-head fittings shall be of first class material, rated at 2,000 psi working pressure and maintained in gas tight condition. Bradenheads rated at 2,000 psi shall be installed on all production string and bradenhead connections maintained in gas tight condition. There shall be at least one valve on each bradenhead. Operators shall be responsible for maintaining all equipment in first class condition and shall repair or replace equipment where gas leakage occurs.

**Section 7. Safety Requirements:** Drilling boilers shall not be set closer than 200 feet to any well or tank battery. All electrical equipment shall be in first class condition and properly installed.

**Section 8. Shooting of Wells:** Wells shall not be shot or chemically treated until the permission of the Commission is obtained. Each well shall be shot or treated in such manner as will not cause injury to the sand or result in water entering the oil or gas sand, and necessary precautions shall be taken to prevent injury to the casing. If shooting or chemical treating results in irreparable injury to the well or to the oil or gas sand, the well shall be properly plugged and abandoned. (See Rule 42 Order No. 4, Effective 8/12/35)

**Section 9. Testing of Pays:** All wells drilled through the Point Lookout Pay will be tested by means of separate back pressure tests in accordance with the methods adopted by the U. S. Bureau of Mines (Monograph 7) of (a) the Cliff House Pay (b) the Point Lookout Pay (c) both pays commingled with a minimum of three stabilized readings from a total minimum of three different sized orifices.

- A. Wells which penetrated the Cliff House pay only will take minimum of three stabilized tests covering a total of three different sized orifices.
- B. The foregoing tests shall be taken either in the process of completion, or in drilling, or by means of packer separations between the Point Lookout and Cliff House pays after completion. All tests should be certified and filed with the Commission, and the Commission shall be notified at least 24 hours prior to conducting any test.
- C. Annual back pressure tests, using total of three different sized orifices, shall be taken in June, July or August on each completed well. Each test must be stabilized and plotted as a straight line function on logarithmic paper as outline in U. S. Bureau of Mines Monograph 7.
- D. Within six months of the effective date of this order, and every six

months thereafter, there shall be a meeting of all operators within the Blanco-Mesaverde pool in the Commission Offices in Santa Fe, New Mexico, to present and discuss new information and data gathered subsequent to the effective date of this order. The Commission may discontinue these meetings when in its opinion, the pool has reached a stage of development where such meetings are unnecessary.

Section 10. Protection of Mineral Deposits: Since the Monofee coal beds bear some gas and since these coal beds are of non-commercial value, Rule 20, Order No. 4 of the Commission dated 8/12/35 shall not apply to this field.

Section 11. Gas Wastage: Mesaverde gas shall not be flared since this is principally a gas reservoir and any well not connected to a commercial or domestic taker shall be shut-in until such market is obtained. Wells in this field shall be permitted to produce and market gas, as long as such can be done without waste, equitably between proration units for the field.

Section 12. Bradenhead Gas: Bradenhead gas shall not be used either directly or expansively in engines, pumps or torches, or otherwise wasted. It may be used for lease and development purposes and for the development of nearby leases, except as prohibited above. Wells shall not be completed as Bradenhead gas wells unless special permission is obtained from the Commission.

Section 13. Any provision herein to the contrary notwithstanding, the Commission may, and in proper cases will, on petition or on its own motion, by order entered after notice and hearing to the extent required by law, grant exceptions and permit drilling locations to become effective, thereby authorizing the drilling or completion of wells in the pool not conforming to the requirements of Sections 1 through 12 above if the Commission shall find that the property sought to be drilled would be deprived of an opportunity to produce gas from the pool in the absence of such exception, or irrespective of such findings, if the Commission shall find that by reason of all circumstances an exception is proper in the prevention of waste, or undue drainage between properties, or otherwise in the exercise by the Commission of its jurisdiction over the spacing of wells or its other powers conferred by law express or implied.

IT IS FURTHER ORDERED that, in accordance with recommendations of the Northwestern New Mexico Nomenclature Committee approved and adopted by this Commission, the Mesaverde gas producing pool in the Blanco area, to which this order applies, is defined to include the following described land in San Juan County, New Mexico;

Township 29 North, Range 9 West  
All of sections 3, 4, 5, 10, 11, 14 and 15

Township 30 North, Range 9 West  
Sec. 7, S/2; Sec. 8, S/2; all of sections 16, 17, 18, 19, 20, 21, 22, 27, 28, 29, 30, 32, 33 and 34.

All additional lands located within one-half (1/2) mile of any land in the pool as defined or as it may be extended shall conform to these rules and regulations; provided, however, that such pool shall in no event be extended so as to include any lands now or hereafter included by the Commission in some other producing area formally designated as an oil or gas pool in the Mesaverde, provided, further, by order of this Commission the pool may be redesignated from time to time so as to embrace other lands in the vicinity which are believed, on the basis of additional developments, to be capable of producing gas from the Blanco pool, whether or not such other lands shall have been at one time included in another designated field or pool producing from Mesaverde.



Entered and adopted by the Oil Conservation Commission this 25 day of February, 1949.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

/s/ THOMAS J. HARRY, CHAIRMAN  
/s/ GUY SHEPARD, MEMBER  
/s/ R. R. SPURRIER, SECRETARY.

Order No. 562

Relating to Loco Hills Pressure Maintenance Association, Inc., adopted March 24, 1944.

IT IS THEREFORE ORDERED:

That the order herein shall be known as the:

"LOCO HILLS PRESSURE MAINTENANCE PLAN ORDER"

Section 1. (a) The project herein shall be known as the Loco Hills Pressure Maintenance Plan and shall hereinafter be referred to as the Project.

(b) The Loco Hills Pressure Maintenance Association, Inc., shall hereinafter be referred to as the Association.

Section 2. That the Project area shall be:

Township 17 South, Range 29 East: S $\frac{1}{2}$ S $\frac{1}{2}$  of Section 32, S $\frac{1}{2}$ SW $\frac{1}{4}$  of Section 35, and S $\frac{1}{2}$  of Section 36.  
Township 17 South, Range 30 East: NE $\frac{1}{4}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$ , and S $\frac{1}{2}$  of Section 31 and W $\frac{1}{2}$  and W $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 32.  
Township 18 South, Range 29 East: All of Sections 1, 2, 3, 4, 5, and E $\frac{1}{2}$  of Section 6, all of Sections 8, 9, 10, 11, NE $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$  of Section 12, NE $\frac{1}{4}$  of Section 14, NE $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 15, N $\frac{1}{2}$  of Section 16, and the N $\frac{1}{2}$  of Section 17.  
Township 18 South, Range 30 East: NE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 5, all of Section 6, and W $\frac{1}{2}$  of Section 7.

Section 3. (a) That the input wells now in use and hereby authorized are as follows:

Premier Pet. Corp.	Beeson F-7	NENE 31-17-30
Aston & Fair	Scheurich St. 4	NESW 32-17-30
Franklin Pet. Corp.	Coppedge 4	NWNE 5-18-30
Franklin Pet. Corp.	Yates 6	SWNE 6-18-30
Yates, et al	Yates 1	NWSW 6-18-30
Franklin Pet. Corp.	Bollard B-1	NWNE 1-18-29
Sallee & Yates	State 4	NWNE 2-18-29
Continental Oil Co.	State H-2	SESE 2-18-29
Continental Oil Co.	Travis 1	SESE 3-18-29

S. P. Yates	Brainard 3	DECE	3-18-29
Sandora Bros.	Guy P-1	DECE	9-18-29
Sandora Bros.	Miller 1	DECE	5-18-29
Mo-Tex	Yates 3	DECE	5-18-29
Gordon Cone	Langford 1	DECE	9-18-29
Stroup & Yates	Travis 4	DECE	17-18-29

(b) That the use of any of said input wells may be discarded with consent of the Commission, and, with the approval of the respective well owners, the Association, through its secretary or other authorized agent, may select other input wells within the Project area by application to the Commission for its consideration of approval administratively without further notice and formal hearing thereupon.

(c) That any gas well within the Project with the consent of the owner may be used for cycling in the project upon application by the Association, through its secretary or other authorized agent, to the Commission for its consideration of approval administratively without further notice and formal hearing thereupon.

Section 4. That the top unit allowable rate of withdrawal of crude oil per day per proration unit, including back allowables within the Project area, shall be not less than 20 barrels nor over 40 barrels. The Association, through its secretary or other authorized agent, not later than the 25th of the month, shall make application to the Commission for its approval for the maximum rate of withdrawal within the limits named for the ensuing proration month. Such application shall be considered and acted upon by the Commission administratively without further notice and formal hearing thereupon.

Section 5 (a) That the limiting gas-oil ratio in cubic feet per barrel for the Loco Hills Field shall be 2000.

(b) That the system of gas-oil ratio control shall be of volumetric control whereby the current oil allowable for a proration unit under any applicable proration order is adjusted by reason of exceeding said limiting ratio in accordance with the following formula:

(c) Any proration unit with a gas-oil ratio in excess of said limiting ratio shall be permitted to produce daily that total volume of oil which, when multiplied by the gas-oil ratio of that unit, will result in a total gas volume that does not exceed the current top unit allowable times said limiting gas-oil ratio.

(d) A marginal unit, even though it be a gas well, shall be permitted to produce the same total volume of gas which it would be permitted to produce if it were a non-marginal unit.

(e) The production of gas from a gas well for cycling as provided in 3 (c) above is excepted from this section.

Section 6. That the following orders are hereby repealed: 339, 540, 484 and order 250 insofar as said latter order is in conflict with the order herein.

Order No. 485

Relating to Indijan Cooperative Engineering Project, closed  
November 14, 1942.

IT IS HEREBY ORDERED:

1. That this project shall hereafter be known as the Heljarar Cooperative Reorganizing Agreement.

II. That the cooperative area referred to in Section 2 of the findings herein consists of the following tracts: Section 14 to 23 inclusive, and Sections 26 to 35, inclusive, in Twp. 17S. Ryo. 32E., N.M.P.M., Lea County, New Mexico.

The committed area referred to in Section 2 of the Findings herein is described as follows:

The H<sub>2</sub>, Sec. 14; H<sub>2</sub> Sec. 16; all Sec. 17,  
18, 19, 20, 21, 22, 27, 28, 29 and 30.  
The H<sub>2</sub>, H<sub>2</sub>Sec, H<sub>2</sub>Sec, Sec. 23;  
S<sub>2</sub> H<sub>2</sub>, S<sub>2</sub> Sec. 26; H<sub>2</sub>, H<sub>2</sub>Sec, Sec. 31;  
H<sub>2</sub>, S<sub>2</sub> Sec. 33; H<sub>2</sub>, H<sub>2</sub>Sec, Sec. 34; H<sub>2</sub>  
Sec. 35, all in Typ. 179. Rep. 328., H.E.P.H.

As the committed area within the boundaries of the cooperative area is enlarged as in Section 2 of the findings herein, the Operators' Committee shall notify the Commission promptly in writing as to such enlarged committed area named subject to the approval of the Commission administratively without further notice and formal hearing; provided, however, that any extension of the cooperative area and of the committed area beyond the limits of the cooperative area as set out in Section II of the order herein shall be upon formal petition, notice and hearing as provided by law.

III. There shall be no unitization of oil but the gas shall be utilized in the manner set out in Section 3 of the findings herein.

IV. That the management of said project shall be by the Operators' Committee as set out in Section 4 of the findings herein. Any change of membership of said Operators' Committee should be transmitted promptly in writing to the Commission.

V. That the in-pit wells referred to in Section 5 of the findings herein are hereby authorized for use as such and are more particularly described as follows:

Meljamar Oil & Gas Corp.	Wm. Mitchell	B-12	S.M.S.E.	Sec. 19	- 178 -	32E
" " " "	" "	B-4	S.M.S.E.	" 20	" "	"
" " " "	" "	A-8	S.M.S.E.	" 20	" "	"
" " " "	Baish	A-3	S.M.S.E.	" 21	" "	"
" " " "	"	A-1	H.B.S.E.	" 21	" "	"
" " " "	"	B-6	S.M.S.E.	" 21	" "	"
Carpenter Drilling Company	Simon	A-H	S.M.S.E.	" 29	" "	"
" " "	Simon	B-H	S.M.S.E.	" 29	" "	"

Koveness Oil Company	E-15	SIGNAL	Sec. 23	- 173	- 325
" " "	E-29	SIGNAL	" 23	" "	"
" " "	E-9	SIGNAL	" 27	" "	"
" " "	E-11	SIGNAL	" 27	" "	"
Wayne Cockburn Miller	A-6	SIGNAL	" 26	" "	"

The selection of other in-put wells within the area committed and for the further area to be committed within the cooperative area described in Section II of the order herein shall be submitted to the Commission for its consideration of approval administratively without further notice and formal hearing thereupon.

VI. That said 13 in-put wells described in Section V of the order herein are hereby assigned the top allowable for one year beginning with the effective date of this order. Thereafter, said in-put wells if further used as such shall have such allowable for such period of time as determined by the Commission administratively; likewise, other in-put wells authorized to be selected as provided in Section V of the order herein shall have such allowable for such period of time as field tests to the Commission may seem advisable.

Sixty percent of the allowable lost by in-put wells shall be redistributed to all the other top allowable proration units within the committed area by dividing the above mentioned amount lost through the use of in-put wells by the number of top allowable producing wells in the committed area and the amount so determined would be added to the regular top allowable for each well. If the operators subject to said agreement do not desire to produce such excess allowable during any month the Operators' Committee would in that event notify the Commission before the allowable for such month is fixed and not later than the 25th day of the month preceding.

VII. That the proration units within the committed area shall not exceed the production of 44 barrels of oil daily should the current allowable in the future exceed that amount; subject, however, to the right of the Operators' Committee to petition the Commission administratively, by the 25th day of the month before the fixing of any monthly allowable, to change or modify such maximum allowable for the committed area.

VIII. That this order shall become effective on the first day of the proration month next succeeding the month in which said Order is adopted.

#### Order No. 659

Relating to the Grayburg Cooperative and Unit Agreement of Eddy County, New Mexico, issued June 7, 1946.

#### **FINDINGS:**

**SECTION A.** The Grayburg Cooperative and Unit Agreement of Eddy County, New Mexico, is a repressuring and pressure maintenance project in which several wells are either now being used or anticipated to be used as input wells. Such use incurs lost allowable for such wells and such lost allowable

should be permitted to be taken from other wells on the same basic lease.

SECTION B. Said project consists entirely of lands under United States Government leases or permits and is defined as follows:

N.M.P.M., Eddy County, New Mexico:

N.P. 173, Range 24E  
Sec. 13, 24;  
Secs. 23 to 26, inclusive, all;

T.M. 173, Range 30E  
Sec. 18, all  
Sec. 19, all  
Sec. 20, all

SECTION C. The following wells are now being used as in-put wells and are capable of producing the top unit allowable:

Grayburg-U.S. 9B, N.M.S. Sec. 26, N.P. 173, R. 29E.  
Western-U.S. 126, N.M.S. Sec. 25, 173, 29E.

IT IS THEREFORE ORDERED THAT:

SECTION 1. The two in-put wells specifically described in the foregoing findings shall be permitted to produce lost allowables as top unit allowable wells from other wells in other proration units upon the same basic lease within said project. In addition thereto said wells shall be permitted in the same manner to make up back allowables from May 1, 1946, not to exceed the maximum back allowable rate currently prescribed by the Commission.

SECTION 2. Any other in-put well may be permitted by the Commission administratively through its authorized agent and without hearing to produce allowable lost in the use as an in-put well from other wells upon other proration units within the same basic lease. A satisfactory showing shall be made by the operator as to the rating of such in-put well as marginal or non-marginal immediately prior to the time it was first used as an in-put well for the purpose of determining the amount of allowable to which such in-put well may be entitled.

SECTION 3. Termination of the permission to take allowable lost by any in-put well from other wells upon the same basic lease shall be accomplished in the same manner as prescribed above for the obtaining of such permission.

SECTION 4. Application to produce allowable lost by any in-put well from other wells upon the same basic lease shall be by the operator upon Form C-102 in triplicate showing all pertinent data for the purpose herein as follows:

Description of the in-put well, the name and number of the basic lease, each well upon the same basic lease from which a part of the in-put well allowable is to be produced. When said C-102 is approved as herein indicated, it shall constitute the permit. Application to terminate such permit may be made in the same manner as far as pertinent to the purpose and when approved as herein indicated shall constitute the termination of such permit.

should be permitted to be taken from other wells on the same basic lease.

SECTION B. Said project consists entirely of lands under United States Government leases or permits and is defined as follows:

N.H.P.M., Eddy County, New Mexico:

TWP. 17S, Range 29E  
Sec. 13, 3 $\frac{1}{2}$   
Secs. 23 to 26, inclusive, all;

TWP. 17S, Range 30E  
Sec. 18, all  
Sec. 19, all  
Sec. 30, all

SECTION C. The following wells are now being used as in-put wells and are capable of producing the top unit allowable:

Grayburg-U.S. 9B, LEASE Sec. 26, Twp. 17S, R. 29E.  
Western-U.S. 120, SAME Sec. 25, 17S, 29E.

IT IS THEREFORE ORDERED THAT:

SECTION 1. The two in-put wells specifically described in the foregoing findings shall be permitted to produce lost allowables as top unit allowable wells from other wells in other proration units upon the same basic lease within said project. In addition thereto said wells shall be permitted in the same manner to make up back allowables from May 1, 1946, not to exceed the maximum back allowable rate currently prescribed by the Commission.

SECTION 2. Any other in-put well may be permitted by the Commission administratively through its authorized agent and without hearing to produce allowable lost in the use as an in-put well from other wells upon other proration units within the same basic lease. A satisfactory showing shall be made by the operator as to the rating of such in-put well as marginal or non-marginal immediately prior to the time it was first used as an in-put well for the purpose of determining the amount of allowable to which such in-put well may be entitled.

SECTION 3. Termination of the permission to take allowable lost by any in-put well from other wells upon the same basic lease shall be accomplished in the same manner as prescribed above for the obtaining of such permission.

SECTION 4. Application to produce allowable lost by any in-put well from other wells upon the same basic lease shall be by the operator upon Form C-102 in triplicate showing all pertinent data for the purpose herein as follows:

Description of the in-put well, the name and number of the basic lease, said in-put well's rating as marginal or non-marginal, the description of each well upon the same basic lease from which a part of the in-put well allowable is to be produced. When said C-102 is approved as herein indicated, it shall constitute the permit. Application to terminate such permit may be made in the same manner as far as pertinent to the purpose and when approved as herein indicated shall constitute the termination of such permit.

Both the permit and the termination thereof must be effective as of the beginning of a proration month. When any such C-102 as mentioned in this section is thus approved the distribution thereof shall be as follows:

The Commission shall retain one copy at Santa Fe, New Mexico  
One copy shall be transmitted to the operator.  
One copy shall be transmitted to the Proration Office, Hobbs,  
New Mexico.

SECTION 5. When any in-put well is permitted to produce its allowable from other wells upon other proration units in the same basic lease, the operator shall send monthly to the Proration Office in time for inclusion in the proration schedule, a nomination showing the desired distribution of the in-put well allowable in even number of barrels to each of the other wells upon other proration units.

SECTION 6. The effective date of this order shall be July 1, 1945.

Order No. 333

Relating to Culbertson-Irvin Pressure Maintenance Project, issued  
July 25, 1941.

IT IS THEREFORE ORDERED:

1. That the portion of the Langlie Pool in Lea County, which is referred to in petitioner's petition, is hereby defined as including the following tracts of land, to-wit:

W/2 of the W/2, Section 3, Township 25S,  
Range 37E. N.H.P.M.

2. That the proposed plan as set out in petitioner's petition shall hereafter be designated as the "Culbertson & Irvin - Liberty Royalties Lease Project in NE Langlie Area."

3. That the plan set forth in the petitioner's petition is hereby approved in its general aspects.

4. That the use of said well No. 3 as an input well for gas in accordance with the plan set out in the petitioner's petition is hereby authorized.

5. That so long as said well #3 shall be used as a gas input well in accordance with the proposals set out in the petitioner's petition, said well No. 3 is hereby authorized to produce its present production, as determined by official test, from wells Nos. 1 and 2, or either of them, as may be advisable; provided that said allowable for well No. 3 shall not at any time exceed the Langlie Pool unit top allowable for any particular month and provided further that the production of such allowable for said well No. 3, through said wells Nos. 1 and 2, or either of them, shall in no wise effect the allowable assigned to the latter two wells.

6. That this order shall become effective on the first day of the proration month succeeding the month during which the Commission is notified by

the petitioner that the plan proposed in petitioner's petition is ready to go into operation and confirmation thereof by an authorized agent of the Commission.

Order No. 340

Relating to Langlie Unitized Repressuring Project, issued January 28, 1941.

IT IS THEREFORE ORDERED:

1. That that portion of the Langlie Pool in Lea County, New Mexico, which is referred to in Paragraph 1 of petitioners' petition, is hereby defined as including the following tracts of land, to-wit:

S/2 of SW/4 of Section 4; and the S/2 of SE/4 and the SE/4 of SW/4 of Section 5; and the E/2 and the E/2 of the NW/4 of Section 8; and the W/2 of Section 9, all in Township 25 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

2. That the proposed plan for conserving the reservoir energy in the said field as referred to in the petition and as incorporated in the "Langlie Area Unitization Agreement", shall hereafter be known as the Langlie Unitized Repressuring Project.

3. (a) That for the purpose of proration the total amount of oil now or hereafter allocated to the developed forty-acre units within the participating area shall be allocated to the participating area as a unit. In determining the total allocation in the participating unit as set out hereinbefore, those wells capable of producing the Langlie Pool top allowable upon the effective date of this order and those wells thereafter so capable, shall hereafter be considered as capable of producing the Langlie Pool current monthly top allowable throughout the life of the Project. The allowable for any marginal well shall not be decreased during the life of the Project, provided however that in no event shall the allowable for such wells exceed the current top allowable for the Langlie Pool.

Any well used as an input well shall then and thereafter be given the top allowable for the Langlie Pool. The use of any input well shall first be approved by the regulatory body having jurisdiction in the instant case.

(b) That permissible back allowable accumulated in favor of all of the units in said area are similarly allocated to the unit as a whole, with similar permission to produce same from the wells best adapted for the purpose.

4. That this order shall become effective on the first day of the month succeeding the month in which the Secretary of the Interior shall approve said Langlie Unitized Repressuring Project.



Order No. 779

Relating to spacing in the Crossroads Pool, Lea County, issued July 27, 1948.

IT IS THEREFORE ORDERED:

SECTION 1. That the Mid-Continent, Sawyer No. 1 well, located in the center of the SW $\frac{1}{4}$ SE $\frac{1}{4}$  section 27, is producing from the Devonian formation, a new common source of supply not heretofore discovered and produced in the State, and that the probable area for such production is as follows:

West half of section 26,  
All of section 27,  
East half of section 28,  
East half of section 33,  
All of section 34,  
West half of section 35,  
All in Township 9 South,  
Range 36 East,  
Lea County, New Mexico

That this order is meant to cover all of the Devonian formation common source of supply productive in the Mid-Continent, Sawyer No. 1, located in the center of the SW $\frac{1}{4}$ SE $\frac{1}{4}$  section 27, and any well drilled within, or outside the area spaced herein, to the same common source of supply as an extension thereof, shall be drilled on the pattern provided for herein.

SECTION 2. That 80-acre spacing and drilling units be established as hereinafter provided for the production of oil and gas from the Devonian formation underlying the area as hereinabove set forth.

SECTION 3. That each governmental quarter section be divided into two rectangular spacing units by a line drawn through such quarter section, all as shown on a plat attached hereto, and made a part hereof, and marked Exhibit "A", with the wells to be drilled, one in the center of the northeast quarter and one in the center of the southwest quarter of each quarter section, all as shown on Exhibit "A"; however, if surface conditions justify, locations may be made within a radius of 150 feet from the centers thereof, provided further, however, that the units within a quarter section, as established by this order as shown on Exhibit "A", may be changed by agreement of the operators within said quarter section upon proper showing to the Commission.

SECTION 4. That the allowable be assigned on the basis of proration units as herein established, and any proration unit of less than the normal one-half of a governmental quarter section as the result of an exception granted by the Commission after notice and hearing, shall be assigned an allowable in proportion to the assignable acreage of that unit as it bears to the normal one-half of a governmental quarter section.

SECTION 5. That the daily oil allowable of a normal unit of one-half of a quarter section assigned to the discovery well and all other wells hereafter drilled and produced in accordance with the terms of this order shall be the proportional factor of 6.75 times top allowable until such time as the Commission may issue such further and additional orders as may be deemed necessary.

SECTION 6. All rules, regulations and orders heretofore issued by this Commission which may conflict herewith are superseded, only with respect to Devonian formation production below 12,000 feet in the Crossroads Pool.

SECTION 7. That this order shall become effective on August 16, 1949.

SECTION 8. The Commission retains jurisdiction in this case for the purpose of issuing such further and additional orders as may be necessary to meet changed conditions, preclude inequities, and preserve correlative rights; all upon the motion of the Commission or upon the petition of any interested operator upon a public hearing, after notice as provided by law.

Order No. 346

Relating to spacing in the Hightower Pool, Lea County, issued November 18, 1949.

IT IS THEREFORE ORDERED:

1. That the Amerada-State BTB No. 1 well located in the center of NW/4 NW/4 of section 26, Township 12 south, Range 33 east, N.M.P.M. is producing oil from the Devonian formation, a newly discovered common source of supply not heretofore discovered and produced in New Mexico, and that the probable area for such production is as follows:

All of sections 22, 23, 26 and 27, in Township 12 south, Range 33 east, N.M.P.M. (Hightower pool) Lea County, New Mexico.

2. That it is the intent of this order to cover all of the Devonian formation common source of supply within the area designated herein, and upon any regular additions to the Hightower pool which may from time to time be made, and that any well within said designated area to the same common source of supply shall be drilled on the pattern herein provided,

3. That 80-acre spacing and drilling units be established as hereinafter provided, for the production of oil and gas from the Devonian formation underlying the area as hereinabove described.

4. That each governmental quarter section be divided into two equal rectangular spacing units by a line drawn north-south through such quarter section, and with wells to be drilled in the center of the northwest and southeast forty acre tracts of each such spacing unit, with a tolerance of not in excess of 150 ft. provided, however, that the units within may be changed by agreement of operators within any quarter section of the designated area upon proper showing before the Commission.

5. That allowable shall be assigned on the basis of proration units as herein established, and any proration unit of less than the normal one-half of a governmental quarter section as the result of an exception granted by the Commission after notice and hearing, shall be assigned an allowable in proportion that the acreage thereof bears to the 80-acre spacing unit - or one-half of a quarter section.

6. That the daily oil allowable for an 80-acre unit provided for herein shall be assigned to the Amerada-State BTB No. 1 well, the discovery well, located in the approximate center of NW/4 NW/4 of section 26, Township 12 south,

Range 33 east, N.M.P.M., Lea County, New Mexico and to all other wells hereafter drilled and produced in accordance with the provisions of this order based upon the proportional factor of 4.67 times the regular top allowable until such time as the Commission may issue such further and additional orders as may be deemed necessary herein.

7. All rules, regulations and orders heretofore issued by this Commission which may conflict herewith are superseded, only with respect to the Devonian formation production at the approximate depth of 10,090 ft.-10,200 ft. in the Hightower pool.

8. That this Order shall be in full force and effect from and after December 1, 1949.

9. That the Commission retains jurisdiction of this case for the purpose of issuing such further and additional orders as may soon necessary to meet changed conditions, preclude inequities and preserve correlative rights; all upon the motion of the Commission or upon the petition of any interested operator upon public hearing, after notice as provided by law.

C O R R E C T I O N   O R D E R

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO  
SANTA FE, NEW MEXICO

IN THE MATTER OF THE APPLICATION OF THE  
OIL CONSERVATION COMMISSION UPON ITS OWN  
MOTION FOR AN ORDER CORRECTING ORDER  
NUMBER 850, ISSUED IN CASE NUMBER 189.

CASE NO. 189  
ORDER NO. R-117

NUNC PRO TUNC ORDER OF THE COMMISSION

BY THE COMMISSION:

It appearing to the Commission that the order heretofore entered in Case Number 189, called by the Oil Conservation Commission of New Mexico upon its own motion for the purpose of considering Rules and Regulations, is not a correct memorial of the judgment as rendered and announced by this Commission in that Order Number 708 approving the Scheurich Unit Agreement was included in the list of orders relating to approval of unit agreements which were not repealed and rescinded by said Order Number 850, as said Order was rendered and announced by the Commission.

WHEREAS through inadvertence and a clerical error, said Order Number 708 was omitted from Order Number 850, Paragraph 1, Sub-section b., being the list of orders relating to unit agreements; not repealed or rescinded by Order Number 850.

THEREFORE, IT IS HEREBY ORDERED, that the order heretofore entered by this Commission in Case Number 189 on the 9th day of December, 1949, be, and the same hereby is corrected to conform to the actual judgment and order announced and rendered by the Commission by modifying Paragraph 1, Sub-section b., Order Number 850, to read as follows:

1. b. Orders relating to approval of unit agreements numbers 570, 583, 603, 602, 628, 629, 648, 655, 656, 676, 677, 684, 706, 708, 717, 731, 737, 755, 759, 772, 774, 786, 794, 796, 836, and said order in all other respects is hereby ratified and confirmed, and,

IT IS FURTHER ORDERED, that this order correcting the record of said order be entered nunc pro tunc as of the 9th day of December, 1949, that being the date when said order was originally made and entered.

DONE at Santa Fe, New Mexico, this 20<sup>th</sup> day of November, 1951.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Edwin L. Mechem*  
EDWIN L. MECHEM, Chairman

*Guy Shepard*  
GUY SHEPARD, Member

*R. R. Spurrer*  
R. R. SPURRER, Secretary

# AFFIDAVIT OF PUBLICATION

State of New Mexico,  
County of Lea.

I, Robert L. Summers  
Publisher

Of the Hobbs Daily News-Sun, a  
daily newspaper published at Hobbs,  
New Mexico, do solemnly swear that  
the clipping attached hereto was  
published once a week in the regular  
and entire issue of said paper, and  
not in a supplement thereof for a

period of One time  
weeks.

beginning with the issue dated  
October 16, 1949

and ending with the issue dated  
October 16, 1949

Robert L. Summers  
Publisher.

Sworn and subscribed to before me

this 17 day of  
October, 1949.  
Betty Beryl  
Notary Public.

My commission expires  
January 25, 1953  
(Seal)

This newspaper is duly qualified  
to publish legal notices or ad-  
vertisements within the mean-  
ing of Section 3, Chapter 167,  
Laws of 1937, and payment of  
fees for said publication has  
been made.

## LEGAL NOTICE Oct. 16, 1949

### NOTICE FOR PUBLICATION STATE OF NEW MEXICO OIL CONSERVATION COMMISSION

The State of New Mexico by  
its Oil Conservation Commission  
hereby gives public notice pursu-  
ant to law of a public hearing to  
be held November 1, 1949, begin-  
ning at 10:00 o'clock a. m. of that  
day in the City of Santa Fe, New  
Mexico, in the Senate Chambers.  
STATE OF NEW MEXICO TO:

All named parties in the  
following cases, and notice  
to the public:

#### Case 189

In the matter of the application  
of the Oil Conservation Commis-  
sion upon its own motion to re-  
vise the rules and regulations of  
the Commission to conform with  
the provisions of Chapter 168 of  
the New Mexico Laws of 1949,  
and to consider Committee rec-  
ommendation and take testimony  
in the premises. This is a readver-  
tisement.

#### Case 198

In the matter of the application  
of Amerada Petroleum Corpora-  
tion for an order establishing pro-  
portion units and uniform spacing  
of wells for the common source of  
supply discovered in Amerada-  
State BTB No. 1 well, in NW 1/4-  
NW 1/4 of Section 26, Township  
12 South, Range 33 East, N. M.  
P. M., Bagley Area, Lea County,  
New Mexico.

Given under the seal of the Oil  
Conservation Commission of New  
Mexico, at Santa Fe, New Mexico,  
on October 13, 1949.

STATE OF NEW MEXICO,  
OIL CONSERVATION  
COMMISSION,

(SEAL) R. R. Spurrier,  
Secretary.

October 13, 1949

HOBBS NEWS SUN  
Hobbs, New Mexico

RE: Cases 189 and 190  
Notice of Publication

Gentlemen:

Please publish the enclosed notice once, immediately. Please proofread the notice carefully, and send a copy of the paper carrying such notice, to this office.

UPON COMPLETION OF THE PUBLICATION, PLEASE SEND PUBLISHER'S AFFIDAVIT IN DUPLICATE.

For payment please submit statement in duplicate, accompanied by signed voucher, which is enclosed.

Very truly yours,

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

R. R. Spurrer  
Secretary-Director

RRS:bw  
encl.

NOTICE FOR PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

The State of New Mexico by its Oil Conservation Commission hereby gives public notice pursuant to law of a public hearing to be held November 1, 1949, beginning at 10:00 o'clock A.M. of that day in the City of Santa Fe, New Mexico, in the Senate Chambers.

STATE OF NEW MEXICO TO:

All named parties in the following cases,  
and notice to the public:

Case 189

In the matter of the application of the Oil Conservation Commission upon its own motion to revise the rules and regulations of the Commission to conform with the provisions of Chapter 168 of the New Mexico Laws of 1949, and to consider Committee recommendation and take testimony in the premises. This is a readvertisement.

Case 196

In the matter of the application of Amerada Petroleum Corporation for an order establishing proration units and uniform spacing of wells for the common source of supply discovered in Amerada-State B7B #1 well, in NW/4, NW/4 of Section 26, Township 12 South, Range 33 East, N.M.P.M., Bagley Area, Lea County, New Mexico.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico, on October 13, 1949.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

R. R. SPURRIER, SECRETARY

October 12, 1942

CARLSBAD CURRENT AFFAIRS  
Carlsbad, New Mexico

RE: Cases 189, 197 and 199  
Notice of Publication

Gentlemen:

Please publish the enclosed notice once, immediately. Please proofread the notice carefully, and send a copy of the paper carrying such notice, to this office.

UPON COMPLETION OF THE PUBLICATION, PLEASE SEND PUBLISHER'S AFFIDAVIT IN DUPLICATE.

For payment please submit statement in duplicate, accompanied by signed voucher, which is enclosed.

Very truly yours,

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

R. R. Spurrier  
Secretary-Director

RRS:bw  
encl.



October 13, 1949

SANTA FE NEW MEXICAN  
Santa Fe, New Mexico

RE: Cases 189, 197, 198 and 199  
Notice of Publication

Gentlemen:

Please publish the enclosed notice once, immediately. Please proof-read the notice carefully, and send a copy of the paper carrying such notice, to this office.

UPON COMPLETION OF THE PUBLICATION, PLEASE SEND PUBLISHER'S AFFIDAVIT IN DUPLICATE.

For payment please submit statement in duplicate, accompanied by signed voucher, which is enclosed.

Very truly yours,

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

R. R. Spurrer  
Secretary-Director

RRS:bw  
encl.

October 13, 1949

Mr. Al Greor  
P. O. Box 337  
Aztec, New Mexico

Dear Al:

Enclosed herewith is a copy of Notice of Publication, covering Cases 189, 197, 198 and 199, in connection with the hearing to be held in Santa Fe, on November 1, 1949.

Very truly yours,

R. R. Spurrier  
Secretary-Director

RUS:bw  
encl.

October 13, 1949

Oil Conservation Commission  
205 Booker Building  
Artesia, New Mexico

Gentlemen:

Enclosed herewith is a copy of Notice of Publication, covering Cases 189, 197, 198 and 199, in connection with the hearing to be held in Santa Fe, on November 1, 1949.

Very truly yours,

R. R. Spurrier  
Secretary-Director

RRS:bw  
encl.

October 13, 1949

Mr. Glenn Staley  
Lea County Operators Committee  
Drawer I  
Hobbs, New Mexico

Dear Mr. Staley:

Enclosed herewith is a copy of Notice of Publication, covering Cases 189, 197, 198 and 199, in connection with the hearing to be held in Santa Fe, on November 1, 1949.

Very truly yours,

R. R. Spurrier  
Secretary-Director

RRS:bw  
encl.

P.S. This Notice should go to the entire mailing list.

October 13, 1949

Oil Conservation Commission  
P. O. Box 1545  
Hobbs, New Mexico

Gentlemen:

Enclosed herewith is a copy of Notice of Publication, covering Cases 189, 197, 198 and 199, in connection with the hearing to be held in Santa Fe, on November 1, 1949.

Very truly yours,

R. R. Spurr  
Secretary-Director

RRS:bw  
encl.

September 30, 1949

Oil Conservation Commission  
P. O. Box 1545  
Hobbs, New Mexico

Gentlemen:

We are enclosing herewith, copy of transcript of hearing held by the Oil Conservation Commission on September 7, 1949. This is in connection with Case No. 189.

Very truly yours,

R. R. Spurrier  
Secretary-Director

RRS:bw  
onal.

September 30, 1949

Oil Conservation Commission  
205 Booker Building  
Artesia, New Mexico

Gentlemen:

We are enclosing herewith, copy of transcript of hearing held by the Oil Conservation Commission on September 7, 1949. This is in connection with Case No. 189.

Very truly yours,

R. R. Spurrier  
Secretary-Director

RRS:lw  
encl.

September 30, 1949

Mr. Glenn Staley  
Lea County Operators Committee  
Drawer I  
Hobbs, New Mexico

Dear Mr. Staley:

We are enclosing herewith, copy of transcript of hearing held by the Oil Conservation Commission on September 7, 1949. This is in connection with Case No. 189.

Very truly yours,

R. R. Spurrier  
Secretary-Director

RRS:bw  
encl.



NOTICE FOR PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

The State of New Mexico by its Oil Conservation Commission hereby gives public notice pursuant to law of a public hearing to be held September 7, 1949, beginning at 10:00 o'clock A.M. of that day in the City of Santa Fe, New Mexico, in the Senate Chambers.

STATE OF NEW MEXICO TO:

The Advisory Committee, appointed May 6, 1949 for revision of general rules and regulations of the Oil Conservation Commission which revision became necessary by reason of the enactment of Chapter 168 of the New Mexico Laws of 1949, as follows:

Charles C. Cragin, Box 1492, El Paso, Texas  
Al Willig, Box 1720, Fort Worth, Texas  
✓ Glenn Staley, Drawer I, Hobbs, New Mexico ✓  
Bob Christie, Box 1348, Fort Worth, Texas  
Ralph Gray, Box 517, Artesia, New Mexico  
Lloyd Gray, Box 661, Tulsa, Oklahoma  
✓ R. S. Dewey, Box 1600, Midland, Texas ✓  
✓ James Murray, Box 1577, Hobbs, New Mexico ✓  
✓ J. R. Cole, Box 1654, Santa Fe, New Mexico ✓  
A. T. Hannett, First National Bank Bldg., Albuquerque, New Mexico  
Elvis A. Utz, Oil Conservation Commission, Santa Fe, New Mexico

The Lea County Operators Committee, and J. W. House, its Chairman, and A. L. Decker, its Secretary and

Raymond Lamb, Wilson Oil Company, Artesia, New Mexico  
C. F. Bedford, Stanolind Oil & Gas Company, Fort Worth, Texas  
W. G. Ricketts, Amerada Petroleum Corporation, Tulsa, Oklahoma  
H. B. Hurley, Continental Oil Company, Fort Worth, Texas  
D. A. Powell, Drilling & Exploration Company, Hobbs, New Mexico  
S. G. Sanderson, Gulf Oil Corporation, Tulsa, Oklahoma  
J. N. Dunlevy, Skelly Oil Company, Hobbs, New Mexico  
Harry Leonard, Roswell, New Mexico

the Executive Committee thereof.

The San Juan Basin Operators:

✓ Dudley Cornell, Chairman, First National Bank Bldg., Albuquerque, New Mexico  
Scott R. Brown, Secretary, 102½ N. Court St., Farmington, New Mexico

and

B. B. Bradish, 2933 Monte Vista Blvd., Albuquerque, New Mexico  
P. B. English, Farmington, New Mexico

Paul Umbach, Korber Building, Albuquerque, New Mexico  
Clifford Smith, Dallas, Texas  
Joe S. Hartman, Aztec, New Mexico

the Executive Committee thereof.

Southern Union Production Company, Burt Building, Dallas, Texas  
El Paso Natural Gas Company, El Paso, Texas  
Lea County Water Company, Hobbs, New Mexico

and all other operators in oil and gas or either of them, and notice to the public;

Case 189

In the matter of the application of the Oil Conservation Commission upon its own motion to revise the rules and regulations of the Commission to conform with the provisions of Chapter 168 of the New Mexico Laws of 1949, and to consider Committee recommendation and take testimony in the premises.

Given under the seal of the Oil Conservation Commission, at Santa Fe, New Mexico on August 19, 1949.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

R. R. SPURRIER, SECRETARY

SEAL

September 21, 1949

Dear Mr. Greeson:

I took 18 pages of this to Santa Fe with me yesterday. They read it and kept the letters.

I tried to finish it up last night so that I could send it to them special delivery to get it for their meeting today.

I worked until 15 till 4 this morning and only had 50 pages finished. I was too tired to finish it. Will you explain to Mr. Spurrier that I did try to finish the work.

The quotation on page 54 could not be copied because the Oil Conservation office has that letter.

Margaret Barwell

October 13, 1949

FARMINGTON TIMES HUSTLER  
Farmington, New Mexico

RE: Case 189  
Notice of Publication

Gentlemen:

Please publish the enclosed notice once, immediately. Please proofread the notice carefully, and send a copy of the paper carrying such notice, to this office.

UPON COMPLETION OF THE PUBLICATION, PLEASE SEND PUBLISHER'S AFFIDAVIT IN DUPLICATE.

For payment please submit statement in duplicate, accompanied by signed voucher, which is enclosed.

Very truly yours,

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

R. R. Spurrier  
Secretary-Director

RRS:hw  
encl.

NOTICE FOR PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

The State of New Mexico by its Oil Conservation Commission hereby gives public notice pursuant to law of a public hearing to be held November 1, 1949, beginning at 10:00 o'clock A.M. of that day in the City of Santa Fe, New Mexico, in the Senate Chambers.

STATE OF NEW MEXICO TO:

All named parties in the following case,  
and notice to the public:

Case 189

In the matter of the application of the Oil Conservation Commission upon its own motion to revise the rules and regulations of the Commission to conform with the provisions of Chapter 168 of the New Mexico laws of 1949, and to consider Committee recommendation and take testimony in the premises. This is a readvertisement.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico, on October 13, 1949.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

R. R. SPURRIER, SECRETARY

189

Case 189

hearing Nov. 1, 1949.

BEFORE THE  
OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO

PROCEEDINGS

The following matter came on for consideration before a hearing of the Oil Conservation Commission of the State of New Mexico, pursuant to legal notice, at Santa Fe, New Mexico, on November 1, 1949, at 10:00 A. M.

NOTICE OF PUBLICATION  
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

The State of New Mexico by its Oil Conservation Commission hereby gives public notice pursuant to law of a public hearing to be held November 1, 1949, beginning at 10:00 o'clock A.M. of that day in the City of Santa Fe, New Mexico, in the Senate Chambers.

STATE OF NEW MEXICO TO:

All named parties in the following cases,  
and notice to the public:

Case 189

In the matter of the application of the Oil Conservation Commission upon its own motion to revise the rules and regulations of the Commission to conform with the provisions of Chapter 168 of the New Mexico Laws of 1949, and to consider Committee recommendation and take testimony in the premises. This is a readvertisement.

Case 197

In the matter of the application of Jones and Watkins applicants, for an order approving an unorthodox location for a well 1205 feet west of the east line and 740 feet south of the north line (NE/4 NE/4) of Section 10, Township 19 South, Range 29 East, N.M.P.M., Turkey Track Pool, Eddy County, New Mexico.

Case 198

In the matter of the application of Amerada Petroleum Corporation for an order establishing proration units and uniform spacing of wells for the common source of supply discovered in Amerada-State BTB #1 well, in NW/4 NW/4 of Section 26, Township 12 South, Range 33 East, N.M.P.M., Bagley Area,

Lea County, New Mexico.

Case 199

In the matter of the application of Roland Rich Woolley for an order approving an unorthodox location 1345 feet east of the west line and 1295 feet south of the north line of Section 3, Township 17 South, Range 30 East, N.M.P.M., Square Lake Pool, Eddy County, New Mexico.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico, on October 13, 1949.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

/s/ R. R. Spurrier  
R. R. SPURRIER, Secretary

BEFORE:

Honorable Thomas J. Mabry,  
Governor and Chairman  
Honorable Guy Shepard,  
Member

REGISTER:

Elvis R. Utz  
Santa Fe, New Mexico  
For the New Mexico Oil Conservation Commission

Frank C. Barnes  
Santa Fe, New Mexico  
For the New Mexico Oil Conservation Commission

Justin Newman  
Artesia, New Mexico  
For the New Mexico Oil Conservation Commission

Vilas P. Sheldon  
Artesia, New Mexico  
For the New Mexico Oil Conservation Commission

G. T. Pearson  
Fort Worth, Texas  
For Continental Oil Company

E. L. Shafer  
Hobbs, New Mexico  
For Continental Oil Company

Clarence B. Folsom, Jr.  
Socorro, New Mexico  
For Petroleum Engineering Dept., N. M. S. M.



E. E. Kinney  
Artesia, New Mexico  
For the New Mexico Bureau of Mines

Raymond Lane  
Artesia, New Mexico  
For Wilson Oil Company

Milton H. Barber  
Socorro, New Mexico  
For Petroleum Engineering Dept., N. M. S. M.

M. T. Smith  
Midland, Texas  
For Shell Oil Company

Wm. E. Bates  
Midland, Texas  
For The Texas Company

Geo. E. Kendrick  
Jal, New Mexico  
El Paso Natural Gas Company

J. W. Baulch  
Jal, New Mexico  
El Paso Natural Gas Company

C. D. Borland  
Hobbs, New Mexico  
For Gulf Oil Corporation

E. J. Gallagher  
Hobbs, New Mexico  
For Gulf Oil Corporation

J. P. Sanderson  
Tulsa, Oklahoma  
For Gulf Oil Corporation

Lloyd L. Gray  
Tulsa, Oklahoma  
For Gulf Oil Corporation

Russell G. Lowe  
Tulsa, Oklahoma  
For Gulf Oil Corporation

R. S. Blynn  
Hobbs, New Mexico  
For the New Mexico Oil Conservation Commission

J. N. Dunlavey  
Hobbs, New Mexico  
For Skelly Oil Company

M. G. Krouskop  
Loco Hills, New Mexico  
For Grayburg Oil Company

W. H. Mills  
Maljamar, New Mexico  
For Kewanee Oil Company

G. L. Shoemaker  
Midland, Texas  
Stanolind Oil Purchasing Company

F. G. White  
Brownfield, Texas  
For Magnolia Pipe Line Co.

Jack G. Coates  
Midland, Texas  
For Cities Service Oil Company

Vernon Turner  
Magnolia, Arkansas  
For McAlester Fuel Company

Max K. Watson  
Amarillo, Texas  
Natural Gas Consultant

B. M. Keohane  
Roswell, New Mexico  
For himself

Joseph S. Hartman  
Aztec, New Mexico  
For himself

W. M. Ports  
Artesia, New Mexico  
For Southeast Engineering Co.

M. H. Soyster  
Hobbs, New Mexico  
For the U. S. Geological Survey

Foster Morrell  
Roswell, New Mexico  
For the U. S. Geological Survey

John A. Frost  
Artesia, New Mexico  
For the U. S. Geological Survey

Glenn Staley  
Hobbs, New Mexico  
For Lea County Operators

Paul N. Colliston  
Kermit, Texas  
For Amon G. Carter Foundation

J. R. Cole  
Santa Fe, New Mexico  
For Southern Union Gas Company

Roy O. Yarbrough  
Hobbs, New Mexico  
For the New Mexico Oil Conservation Commission

M. L. Patterson  
Odessa, Texas  
For Phillips Petroleum Company

O. P. Nicola  
Bartlesville, Oklahoma  
For Phillips Petroleum Company

Raymond A. Lynch  
Midland, Texas  
For Phillips Petroleum Company

Paxton Howard  
Midland, Texas  
For Shell Oil Company

Frank R. Lovering  
Hobbs, New Mexico  
For Shell Oil Company

R. S. Dewy  
Midland, Texas  
For Humble Oil Company

J. W. House  
Midland, Texas  
For Humble Oil Company

Jack M. Campbell  
Roswell, New Mexico  
For himself

A. R. McQuiddy  
Roswell, New Mexico  
For New Mexico Oil & Gas Association

J. A. Seth  
Santa Fe, New Mexico  
For Stanolind Oil & Gas Company

Clarence E. Cardwell, Jr.  
Midland, Texas  
For The Atlantic Refining Company

G. H. Gray  
Midland, Texas  
For Sinclair Oil & Gas Co.

D. V. Kitley  
Midland, Texas  
For The Ohio Oil Company

B. R. Luscomb, Jr.  
Ft. Worth, Texas  
For Stanolind Oil & Gas Company

J. K. Smith  
Fort Worth, Texas  
For Stanolind Oil & Gas Company

C. F. Bedford  
Fort Worth, Texas  
For Stanolind Oil & Gas Co.

Ralph L. Hendrickson  
Hobbs, New Mexico  
For Stanolind Oil & Gas Company

O. A. McCracken, Jr.  
Houston, Texas  
For American Republics Corporation

W. B. Macey  
Artesia, New Mexico  
For American Republics Corporation

C. C. Cragin  
El Paso, Texas  
For El Paso Natural Gas Company

Ben R. Howell  
El Paso, Texas  
For El Paso Natural Gas Company

Quilman B. Davis  
Dallas, Texas  
For Southern Union Gas Company

A. R. Ballou  
Dallas, Texas  
For Sun Oil Company

E. P. Keeler  
Dallas, Texas  
For Magnolia Petroleum Company

F. S. Wright, Jr.  
Midland, Texas  
For Magnolia Petroleum Company

Wm. E. McKellar, Jr.  
Dallas, Texas  
For Magnolia Petroleum Company

R. L. Denton  
Midland, Texas  
For Magnolia Petroleum Company

Carl Barnhart  
Midland, Texas  
For Amerada Petroleum Corporation

W. G. Rickett  
Tulsa, Oklahoma  
For Amerada Petroleum Corporation

C. V. Millikan  
Tulsa, Oklahoma  
For Amerada Petroleum Corporation

Harvey Hardison  
Midland, Texas  
For Standard Oil Company of Texas

John M. Kelly  
Roswell, New Mexico  
For Independent

P. D. Gromimon, Jr.  
Fort Worth Texas  
For The Texas Company

MR. SHEPARD: Let the record show that the Protest of the Carbonic Chemicals Corporation has been made a part of the record of this hearing.

GOVERNOR MABRY: The meeting will come to order. Mr. Graham, let us know what we have here.

MR. GRAHAM: Will the Commission determine what order it wishes the cases to be heard?

GOVERNOR MABRY: Case 197 is suggested.

(Mr. Graham reads the Notice of Publication in Case 197.)

MR. McCORMICK: Come forward, Mr. Jones.

MR. JONES: I am representing myself and Jones and Watkins.

MR. GRAHAM: You will be your own witness.

MR. JONES: I have a witness with me.

GOVERNOR MABRY: We thought, gentlemen, it might expedite the matter to get these cases out of the way before we go into the rules, which you are all more or less interested in.

<sup>TS</sup>  
W. W. PORCH, having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. JONES:

MR. McCORMICK: Your name is J. L. Jones?

MR. JONES: That's right.

MR. McCORMICK: You are one of the partners of Jones and Watkins?

MR. JONES: Yes, sir.

MR. McCORMICK: Go ahead and state your position.

MR. JONES: We drilled a well which was supposed to have been in the northwest of the northeast quarter of Section 10, and by a mistake of an engineer, a Mr. Bullock, who was working for the engineering company at that time, he moved it and got the location 740 feet from the south line and 1205 feet west of the east line, and that was a mistake--it was made--and unknowingly to me until after the well had been drilled and completed. There is no brass stob in that particular area. There is a location corner there to be used. Not being familiar with that Mr. Bullock made this mistake--and I think it was an honest mistake--and naturally we would like to get the approval of the State of New Mexico to produce this well.

GOVERNOR MABRY: How far off are you from the--

MR. JONES: We are too close to our west line. The property adjoining this, however, all belongs to the firm of Jones and Watkins, of whom I am a partner. Mr. Porch, who is representing the engineering company, can give all that information as to the exact location of the well.

GOVERNOR MABRY: Very well.

MR. GRAHAM: May I ask a question?

MR. JONES: Yes, sir.

MR. GRAHAM: You own the lease upon which you intended to drill?

MR. JONES: That's right.

MR. GRAHAM: Also the lease upon which the actual location was made?

MR. JONES: That's right. They are all under the same lease number, and those are owned by me and Mr. Watkins.

MR. GRAHAM: What is the adjoining lease situation?

MR. JONES: The adjoining lease situation to the north, and we are not crowding the line, is owned by R. E. McKee. And the lease to the south and east--no the lease to the south and to the west of us--is owned by Jones and Watkins. The lease to the east is owned by Harry Leonard of Roswell. We are crowding the west line, in fact it is offsetting our own lease.

MR. GRAHAM: It offsets your own lease?

MR. JONES: That's right. Mr. Por<sup>ts</sup>ch, will you give the--

MR. GRAHAM: Go ahead and give your testimony.

A. What Mr. Jones has given insofar as the location is concerned is correct to the best of my knowledge. Mr. Bullock, the engineer who was working for our firm, The Southeast Engineering Company, of whom I am partial owner, this man was sent to the field among the first locations made. He has since left the company, but as Mr. Jones says, I believe it was an honest mistake.

GOVERNOR MABRY: Just a moment, I don't know who might be interested in this, but can you hear? It is pretty difficult in this old hall, isn't it? I suggest if anybody is interested in this case that they pull up a chair and get close where they can hear these witnesses. Nobody interested, of course it is all right. Go ahead.

MR. PORCH (continuing): This man was sent to the field to make this location, and I questioned him as to the location when he came back and made the certified plat. Mr. Jones says there is no general land office stakes in that area, and I believe he made the location as best he could. Later, however, there seemed

MR. McCORMICK: Mark that as Exhibit 1, please.

MR. SHELDON: I would like to introduce Exhibit 1 which is a map showing the 160 acres in question and all surrounding acreage and the wells. And I would like to introduce as Exhibit 2 a copy of the letter from the Oil and Gas Supervisor of the Geological Survey.

GOVERNOR MABRY: Will you give us the substance. It will be in the record.

MR. SHELDON: It says they have no objection.

GOVERNOR MABRY: Is it recommended, or do they have no objection?

MR. SHELDON: No objection is offered. The drilling of this well may afford opportunity for additional recovery.

GOVERNOR MABRY: All right.

MR. SHELDON: It is on Federal land. That is all I have to offer. If there are any questions?

GOVERNOR MABRY: Any questions of this witness, gentlemen? Anyone?

MR. GRAHAM: One question. On what particular 40 will this location be?

MR. SHELDON: It will be in the northeast quarter. That is stated, Mr. McCormick, on the map.

MR. McCORMICK : Yes, I don't see the section numbers on here.

MR. GRAHAM: Will you come up and point this out to us, please.

MR. SHELDON: It is in Section 3. I am sorry.

(Off the record discussion)

MR. SHELDON: It is the northeast of the northwest of Section 3.

MR. McCORMICK: I think that is all.

GOVERNOR Mabry: If there are no other questions and no objections, this will also be taken under advisement.

MR. SHELDON: Thank you, sir.



(Off the record discussion.)

GOVERNOR MABRY: The rules are coming up and will be gone through one at a time, and I have asked the other member of the Commission, Mr. Spurrier is absent because of a death in the family, and I am going to ask if I can be excused. We will go through the rules, and objections will be noted as to any rule or a portion of a rule, and then we will get in a huddle in the Commission and go into the thing more fully. If there should be any great number of objections, I would like to know about it and hear you, but I have other commitments, and with your permission, and unless somebody thinks it is very important, I will go ahead and take care of other matters and let Mr. Shepard, with the aid of counsel, take the Hearing, and to make a record as to objections and as to specific rules and parts of rules so that we can without much delay determine what we will do about it. I guess it is all right.

(Governor leaves the Hearing.)

MR. SHEPARD: Will you read the next case, Mr. Graham?

(Mr. Graham reads the Notice of Publication in Case No. 189.)

MR. GRAHAM: This is a continuance from the September 7th meeting.

MR. McCORMICK: Mr. Campbell, do you have something to offer in evidence at this time?

MR. CAMPBELL: My name is Jack M. Campbell. I am Chairman of the Legal Advisory Committee to the Commission, and on behalf of that Committee and the Engineering Committee appointed by the Commission to study these rules, I desire to offer into evidence Exhibit 1, which is a report, dated October 14, 1949, as joint report of the Engineering Committee and the Legal Advisory Committee to the Commission. I would like to state in

connection with this Exhibit that it does not contain all of the rules and regulations, which must be promulgated by the Commission, in that the order by which these rules would be promulgated was not set out in it, and the rescission of existing orders and the retention of existing orders is not contained in this particular report. But it is offered as the joint report of those two Committees.

MR. McCORMICK: Exhibit 1 will be received in evidence. And, gentlemen, at this time on behalf of the Land Commission and Mr. Shepard, I would like to make a few preliminary remarks for record. Following the enactment of Chapter 168 of the Laws of 1949, the Commission appointed an Engineering Committee, of which Mr. Dewey of Midland, Texas, was the Chairman. This Committee was requested to draft proposed rules and regulations. After that Committee made its preliminary report, a hearing, which might be called an interim hearing, was held here after due notice on the 7th of September. All interested parties were given an opportunity to make suggestions and objections at that time, and then the Engineering Committee was requested to prepare its final draft. The Engineering Committee later had a meeting with the Legal Committee, also appointed by the Commission of which Mr. Jack M. Campbell was the Chairman. And Exhibit 1 is the final recommendation of the two joint Committees. The purpose of this meeting is to hear the final objections and suggestions to the proposed rules, and it isn't contemplated that there will be another hearing after this. Now, gentlemen, I think it would expedite matters if we would go over these rules one by one, and if there are no objections, it will be noted. Now, we do not care or desire to have suggestion or objections to be made as to matters of punctuation or grammar,

because the final draft will be thoroughly checked for that. And we will save some time if we will just stick to the fundamentals. Also, I think it is well to bear in mind that these are only general rules and regulations, and that special rules and orders and regulations can be adopted at particular pools, which take precedence over the general rules. So if you believe that some particular rule here would work adversely to one situation you have in mind, that is not necessarily grounds for revising the general rules, because if it is of sufficient importance, a special rule can be made for that which will take precedence over the general rule. The purpose of having general rules is to have something which applies Statewide until the special rule or exception is made to apply to a particular situation. So with that preliminary statement, we will now go over the proposed rules one by one. Mr. Shepard, will you take over now, please?

MR. SHEPARD: Let's make all our suggestions and objections as brief as possible. We want everyone to be heard, but let's kind of try to refrain altogether from foolish arguments and get through as quickly as we can. Is there any objection to the definitions?

MR. DAVIS: My name is Quilman B. Davis of the Southern Union Gas Company. First, I am kind of lost here today. <sup>Willis</sup> Lewis Leg, who has studied the regulations and done considerable work on them, will be here at noon and perhaps will have some other statements to make. But since we intend to just go down the line with these, I have one or two suggestions in the definitions. First, as a matter of clarification, "adjusted allowable," we suggest it be changed to read, <sup>"</sup>adjusted allowable shall mean the allowable production of the regular proration units after

all adjustments are made or applied," eliminating the rest of that sentence. I think it will clarify that statement just a little bit if we eliminate gas oil ratio adjustment are adjusted to protect correlative rights. Shall I just go down the line with these suggestions.

MR. SHEPARD: Yes, go right ahead. Just a minute, Mr. Davis, will you come around here so that the reporter can get it.

MR. DAVIS: The next suggestion that we have was under the allowable production definition. We would suggest that it read as follows: "Allowable production shall mean that number of barrels of oil or standard cubic feet of natural gas authorized to be produced from the respective wells or proration units of an allocated pool." We would add the language, "wells or proration units," and then eliminate "authorized by the Commission," because I think perhaps those proration schedules would take care of that. The next is back allowable.. We would suggest back allowable shall mean the authorized accumulative under production or shortage for a given well or proration unit.

MR. McCORMICK: What is the difference?

MR. DAVIS: Well, it was our thought you might have a well without necessarily having a proration unit. It would have over or under shortage on production, in other words, a well and proration unit not necessarily being synonymous. As a matter of explanation, we didn't receive a copy of these rules that the Legal Committee went over until we arrived here. And after I got back from Dallas, we went over them pretty thoroughly. Now, this is just a question I am raising on bottom hole or sub-surface pressure. Perhaps you can tell me whether I am right or wrong. Where it says, "pounds per square inch," should it be gauge or absolute or whether it makes any difference.

MR. McCORMICK: I don't understand what you mean.

MR. DAVIS: In other words, you say "shall mean the pressure in pounds per square inch," is that square inch gauge or absolute?

A VOICE: It should be gauge.

MR. McCORMICK: You mean after the word "inch," you should insert "gauge"?

A VOICE: Before "pressure" put "gauge."

MR. McCORMICK: All right.

MR. DAVIS: The definition for Bradenhead gas well, we would eliminate the word "underlying" as being a restrictive word which I don't believe was intended. It says, "successfully cased off from an underlying oil or gas reservoir." It seems to us it would be sufficient to say "from an oil or gas reservoir" without reference to the word "underlying," being a very restrictive word, and I don't believe it is desirable in the definition.

MR. McCORMICK: It would be underlying the well, wouldn't it?

(Off the record discussion.)

MR. DAVIS: Common purchaser for natural gas. We would eliminate each, on the third line, "within each common source of supply." We would make it "within a common source of supply."

A VOICE: It has been written here from the statute.

MR. McCORMICK: Yes, it is, we can't change that.

MR. DAVIS: Then, "from which it purchases," being the last four words of that sentence, we would strike that. I don't think that is in the statute.

MR. McCORMICK: That is in the statute, too. That is an exact copy of the statutory definition.

MR. DAVIS: Well, I will pass over that. I don't know what happened there. I might suggest this is just probably a matter of form that the Committee will take care of, but where we refer

(see Section 14 (d)), Chapter 168, Session Laws 1949). It might be a good idea to say, Section 14 d and other subsections under that. Just add the words et cetera. That is just a suggestion. Since we are referring to a Section of the Act, it might be a good idea to go ahead and show that other subsections do affect them. We were wondering on the next page the definition of cubic foot of gas, or standard cubic foot of gas, why it wouldn't be better to just say for the purpose of these rules a standard cubic foot shall mean a volume of gas contained in a cubic foot of space and computed at a base pressure of 15.025 Psi absolute without going back to the 10 ounces, above the average barometric pressure of 14.4. I don't know myself just what the barometric pressure is.

MR. SHEPARD: Nobody knows what that is except some of the gas engineers anyway.

MR. DAVIS: From our standpoint, it would seem clearer if you eliminated that part and just said 14.4 pounds.

(Discussion.)

MR. SHEPARD: Mr. Davis, Mr. Gray just informed me that the Engineering Committee had a meeting last night and made a few last minute changes. It might save some time if we had them state their changes. Some of the things they have changed might eliminate some of your recommendations.

MR. DAVIS: I think it would be a good idea,

MR. SHEPARD: Mr. Dewey, will you come forward?

MR. DEWEY: Mr. Commissioner, the Engineering Committee had the first opportunity last evening to review the printed recommendations of the Legal Committee and the Engineering Committee, and the first opportunity to go over Exhibit 1, and had certain suggestions relative to changes that in their opinion might be

made. I would appreciate the opportunity to present them.

MR. SHEPARD: Go right ahead.

MR. DEWEY: The question has been raised here relative to why a definition for bradenhead gas well needs to be included in the rules and regulations due to the fact that no mention has been made of a bradenhead gas well in the law. If you will refer to Rule 112, it is our thought that under multiple zone completions that it might be well to amplify the first sentence to read as follows: The multiple zone completion of any well--and these are the words to be inserted--including a bradenhead gas well, may be permitted only by order of the Commission upon Hearing. That is one recommendation.

MR. McCORMICK: Do mean that any well that was going to install a bradenhead would have to get a permit from the Commission?

MR. DEWEY: If it was going to be produced and operated as a source continuous gas supply, we think it should. It is a form of multiple zone completion.

MR. McCORMICK: Only if it is a multiple zone completion.

MR. DEWEY: As a matter of fact, we believe it is a type of multiple zone completion, and that properly it should be included in the rules covering multiple zone completions.

(Discussion.)

Under the definition for casinghead gas, we recommend that the Commission consider adding after the word "indigenous" in the first line or after the word "to" at the first of the second line the three words "and produced from," so that it will read "casinghead gas will mean any gas or vapor or both gas and vapor indigenous to and produced from a pool classified as an oil pool by the Commission." This definition of casinghead gas has rather unique meaning in these rules in that it defines a gas well when

it is produced from the gas cap of an oil pool.

MR. McCORMICK: Do you recommend any change on that last sentence?

MR. DEWEY: No, sir, we do not. Referring to Rule 506, gas-oil ratio limitation, it our recommendation that in the last sentence of the first paragraph the word "natural," the third word in the line, "natural," be changed to "casinghead," and the word "oil" be inserted before "proration" in the next to the last word. So that the last sentence would read "in allocated pools or producing wells, whether oil or casinghead gas, shall be placed on the oil proration schedule." While I am discussing Rule 506, I would like to suggest another change, which doesn't have anything to do with casinghead gas particularly. But I should like to add this limiting clause at the first of the second paragraph: "Unless heretofore or hereafter specifically exempted after Hearing by the Commission," and then last of the sentence remains the same. And then further on down in the eighth paragraph, we recommend that it be stricken entirely. That paragraph currently reads: "All gas produced in allocated oil pools specifically exempted from gas-oil ratio limitations shall be marketed unless specific exemption is obtained from the Commission." We think that the change would be preferable to drop that. There seems to be some question of conflict between the two thoughts. We were trying to clarify the meaning. The definition for gas-lift. We suggest that the word "the" be changed to "a" in the second line. In the definition gas-oil ratio. We suggest the insertion be made, insert the word "high" before gas-oil ratio and the insertion "proration unit." It should read, "high gas-oil ratio proration unit shall mean proration unit with at least one producing oil well" and so forth. The multiple completion



definition. We recommend the insertion of the word "common" before source of supply, so that the definition shall read, "multiple completion shall mean the completion of any well so as to promote the production from more than one common source of supply with the production from such common sources of supply completely segregated." Under the definition shortage or underproduction, we suggest changing the wording by striking out the words in the last line, "to equal the amount," and to substitute the words, "amount equal to that authorized." And then it would read, "shortage or underproduction shall mean the amount of oil or the amount of natural gas during the proration period, by which given proration unit failed to produce an amount equal to that authorized on the proration schedule." In the shut-in pressure definition, we suggest that a change in wording be made so that the definition will read as follows: "Shut-in pressure shall mean" -- then insert the wording "gauge pressure" and delete the word "noted" following "pressure" and insert "in pounds per square inch." The definition would then read, "Shut-in pressure shall mean the gauge pressure in pounds per square inch at the well head when the well is completely shut-in." Not to be confused with bottom hole pressure. Likewise, in the definition on the first page of bottom hole or sub-surface pressure, we suggest that the word "gauge" be inserted before "pressure" so that the definition would read, "Bottom hole or sub-surface pressure shall mean the gauge pressure in pounds per square inch under conditions existing at or near the producing horizon." Under the definition of deep pool, we suggest a change of wording or a change of language such that the definition will read, "Deep pool shall mean a common source of supply situated below 5,000 feet. Under unit of

proration for gas, we suggest a change in the definition to read, "Unit of proration for gas shall consist of such geographical area as may be prescribed by order of the Commission." I think that is all the suggested changes we have in the definitions.

(Discussion)

MR. DEWEY: In Rule 8 we noticed that the word "natural" should be in there. It is just a misspelling of the word.

(Further discussion about the deep pool definition.)

MR. DEWEY: Under Rule 101 in the last paragraph, we suggest a change there so that that line will read, or that last paragraph will read, "Both forms--for one well bond and blanket form bond--are available from the Commission's office in Santa Fe." We thought we ought to put a verb in there. We didn't attempt to change the meaning. Under Rule 104, well spacing, we have a suggested change in the language. It merely a rearrangement of the wording.

MR. MCCORMICK: Which paragraph, Mr. Dewey?

MR. DEWEY: It is Rule 104 and paragraph a. I will read the suggested change. Each well drilled for oil shall be located on a tract of approximately 40 surface, contiguous acres substantially in the form of a square, and here is where the change comes in, or on a governmental quarter quarter section in accordance with the legal subdivisions of the United States Public Land Surveys containing not less than 36 acres. It is just a change in the arrangement of the words there so that in accordance with the legal subdivision of the United States Public Land Surveys will apply to the last part of it--and apply only to the governmental quarter quarter section.

(Discussion.)

MR. MORRELL: Anything more or less than 40 acres is a thought. I will check that for you at noon and give you the official dope on it.

(Further Discussion.)

MR. DEWEY: In paragraph b under Rule 104, the same change is contemplated, or a comparative change is contemplated in the wording so that paragraph--a change is contemplated in the wording of that paragraph so that the words, "in accordance with legal subdivision of the United States Public Land Surveys," would be inserted the word, "sections," rather than where it is. I will read the pertinent part of it as it would read after the correction was made: "Each well drilled for gas subsequent to the order adopting this rule shall be located on a tract consisting of approximately 640 surface, contiguous acres substantially in the form of a square, or on a governmental section in accordance with legal subdivision of the United States Public Land Surveys containing not less than 600 acres." There would be no further change in the paragraph.

(Discussion)

MR. DEWEY: We suggested a change in the distance from 1320 to 990 and from 2640 to 1980. Was there anything else in that paragraph, Lloyd? Going to paragraph c we thought there was a good deal of unnecessary language in there. We couldn't see just why it was needed, and we wanted to ask some of the members of the Gas Committee why it was necessary to put in particularly about gas pools accessible to established gas transportation facilities not controlled by orders heretofore or hereafter made. We didn't think that added a great deal to it in our interpretation of it. That might be a reason behind the words we didn't catch. Our thought was that part of it could read, "provided," and then strike out the next part of it, "provided each

well drilled for gas shall be located on a tract consisting of at least 160 surface, contiguous acres," and eliminate the wording after that. Does anybody know the reason to keep the current wording?

A VOICE: Wasn't that designed to take care of the 640-acre spacing in the San Juan Basin?

MR. CAMPBELL: Yes, sir, it was to eliminate Lea County from the 640-acre Statewide spacing, because a pattern had already been established at 160 acres there. Mr. Neal, who suggested that, isn't here. I don't recall any discussion on that particular wording. I don't think there had been any.

MR. DEWEY: We thought this part of it could be dropped without losing anything from it. We may have been mistaken in that. The part that reads as follows, we thought could be stricken, "that in presently producing gas pools accessible to established gas transportation facilities, not controlled by orders heretofore or hereafter made." We thought that part of it might be dropped without harm.

A VOICE: Wouldn't that come in conflict with the first part?

MR. MCCORMICK: Yes, it would, there would be no distinction.

MR. DEWEY: If that is the case, that is probably why it was written that way.

(Further Discussion.)

MR. DEWEY: We have no objection to its being in there except that we didn't think it served too good a purpose, but if it has a purpose, we will pass over this.

(Reporter's Note: The above discussion had to do with paragraph b of Rule 104, rather than paragraph c as stated by Mr. Dewey.)

MR. DEWEY: Under paragraph c we suggest the insertion after the

word, "drilled," of the following words, "for oil subsequent to this order." Paragraph c would then read, "Wells drilled for oil subsequent to this order not in conflict with the two preceding paragraphs, and so on through. Now coming to the next page in the second paragraph, we weren't able to determine the precise meaning of the word--of the three subdivisions there, 1, 2 a and b. And it was our thought that the wording there might well be changed to clarify the meaning. We thought we could read that in several different ways and get different interpretations out of it.

MR. McCORMICK: What are your suggested changes?

MR. DEWEY: We had a good many of them suggested, but we never arrived at a good wording. We didn't know whether our interpretation--our interpretation was that there was just one valid reason for an unorthodox location, and that was due to topographical conditions, and that 2 a and b were really part of one. And we weren't sure about this radius of 660 feet, whether it shouldn't be changed to read 330 feet for oil and 990 feet for gas, or whether it should be left at 660 feet.

MR. McCORMICK: The purpose of that was to allow applications for unorthodox locations purely on topographical reasons to be handled by the Secretary without a hearing. But where they wanted to crowd the line in order to get some oil that they couldn't get by drilling in an orthodox location, then they would have to have a hearing, and any interested parties would be given an opportunity to object.

MR. DEWEY: Mr. McCormick, in that case, wouldn't it be preferable it should read as follows under 1, "The necessity for the unorthodox location is based on topographical conditions, and provided the ownership of all oil and gas leases within a radius of

660 feet or some other footage of the proposed location is common with the ownership of the oil and gas leases under the proposed location." That is, that the last part of that is part of the proviso.

MR. McCORMICK: That is what it was intended to be. It is conjunctive there. You would have to comply with 1 and 2a and b.

MR. DEWEY: That was one thing that wasn't clear to us, that the two were conjunctive, and the only reason that it could be automatically granted were the conditions set out, and it hinged on the prime basic fact of the topographical situation. That clarifies that if it can be reworded to do that.

MR. McCORMICK: I think we can change the wording to do that.

(Discussion.)

MR. McCORMICK: I suggest that the Engineering Committee do make a final recommendation on that after you have consulted.

MR. DEWEY: You want us to try and reword this?

MR. McCORMICK: If you do make a recommendation for changing the wording, give it to us in writing.

MR. DEWEY: Under Rule 107, casing and tubing requirements. Towards the end of the first paragraph, currently it reads, "except the one to be produced." That is the end of the sentence in the first paragraph. We suggest that the change be made to read, "except the one or ones to be produced." With the thought in mind in that case, that in case of a multiple zone completion there may be more than one producing source of supply. And the change is made to incorporate that provision of allowing two zones to produce under the multiple zone system.

MR. SHEPARD: We will stand adjourned until 1:30, and then we will start in again.

(Adjournment for the noon hour.)

(Mr. Dewey indicated the following correction: under Rule 116 where it says "leases" in the next to the last line the first word should be changed to "lessees.")

MR. SHEPARD: The meeting will come to order. I would suggest we let Mr. Dewey go ahead and suggest what he has. We will not make any comment on that until he gets through, and then we will go through it section by section and invite all comments and suggestions anyone cares to make.

MR. CAMPBELL: Mr. Commissioner, may I make a suggestion. There are a great many changes that can be suggested with regard to the usage of certain words and that sort of thing, and there are some that are substantive that people want to be heard on in this Hearing. Might I suggest the Commission consider the possibility of holding the record open on changes involving mere usage of words and let those be submitted by letter. But any individual that feels that there is something not clear insofar as phraseology is concerned, and the Commission hear only the matters that relate to the substance of the regulations in this open Hearing.

MR. SHEPARD: I think that is a very good suggestion. Go ahead, Bob.

MR. DEWEY: All right. Under Rule 201, notice we would like to change the word in the fifth line from "leases" to "lessees," and we would like to change the last number in that paragraph from 908 to 1108, that is, see Rule 1108 instead of 908. Under Rule 308, we make this suggestion, that the rule read as follows: "Operators shall report monthly on Form C-115 the amount or percentage of water produced without oil by each well making 2 per cent or more water in accordance with

periodic tests." We don't anticipate that they will have to get out every month and make a new test, but they should be made at more or less regular intervals. In Rule 309, we suggest that the title be changed from "Central Tank Batteries" to "Common Tankage," and that in the third line that "central tank battery" be changed to the words "common tankage." The thought being that a tank battery is not necessarily in the center of a lease, and the common tankage may be anywhere on the lease. It is common tankage for eight units rather than a central tank battery. In Rule 312, treating plant, we think that this draft of the proposed rules inadvertently deleted the last two paragraphs that were in the former rules about treating plants, and that they should be included in the rules and regulations as finally adopted.

MR. CAMPBELL: You mean you plan to use Rule 313 in the previous draft as it is in that draft?

MR. DEWEY: Yes, we think that inadvertently they forgot the last two paragraphs.

MR. CAMPBELL: It is the balance of one paragraph and another one.

MR. DEWEY: That's right. Just carry it through completely as it was in the former draft. In Rule 403, we suggest that the title be changed to read "Natural Gas from Gas Wells to be Measured" rather than "metered." And the text be changed in the first line to read, "All natural gas produced shall be accounted for by metering or by other methods approved by the Commission," and so on. We would like to suggest to the Commission that in the final adoption and publishing of the general rules and regulations that the special rules and regulations that are still in force shall all be published in the Appendix to the General Rules. And in that connection,



these General Rules relating to carbon dioxide in New Mexico would also be placed in the Appendix. We would like also to call your attention to the fact that the Committee has made no effort to modify the current General Rules relating to carbon dioxide in New Mexico. There is one point on the last part of those carbon dioxide rules in the last paragraph that might all be considered for change, and that is "drilling depth." I think that comes in the last paragraph, in the last sentence, "In no case shall the operator drill no more than two-thirds of the distance through the horizon which he intends to produce." I want to call that to the Commission's attention. We don't know how it got into the other rules. Under Rule 503, Authorization for Production and Purchase and Transportation, we suggest a change in the wording or rearrangement of the wording rather than a change. We think it is a clarification. In the eighth line the words "purchase and transportation" be deleted at that point, and that after the word "schedule" instead of a period, the sentence be completed to read, "and the purchase and transportation of oil so produced." I will read the rule as we suggest it, "The Commission will consider all evidence of market demand for oil to be produced from all oil pools during the following month. The amount so determined will be allocated among the various pools in accordance with existing regulations and among the various units, and each pool in accordance with regulations governing each pool. In allocated pools, effective the first day of each proration period, the Commission will issue a proration schedule which will authorize the production--now the change comes at this point--of oil from the various units in strict accordance with schedule and purchase and transportation of oil so produced."

I would like to suggest that in the fifth line from the bottom of that same paragraph that the words "or of the natural gas" be stricken from the text so that that sentence will read now, "A supplementary order will be issued by the Commission to the operator of a newly completed or recompleted well and to the purchaser or transporter of the oil from a newly completed or recompleted well, establishing the effective date of completion, the amount of production permitted during the remainder of the proration period, and the authority to purchase and transport same from said well." On the following page in the first paragraph, we would like to have the Commission consider the striking out of the last sentence entirely, "No purchase in excess of the production set forth on the monthly proration schedule is authorized for any proration period from a proration unit having gas-oil ratio adjustment." We don't see that that is needed. In the third paragraph on that page, we would like to change the word "four" about in the middle of the paragraph to "three," because there are three methods enumerated below, and there are four justifications set out, but only three of them enumerated. We would like to change that to three.

(Discussion.)

MR. DEWEY: In the last part of that same paragraph, we would like to change the wording slightly. Take the last sentence in that paragraph, "Unless application was filed for back allowable within 60 days after the occurrence of the shortage, no back allowable for such shortage shall be granted." That is the way it should read. There is a grammatical mistake in the third line from the bottom of the paragraph. Well should be area. Going to Rule 506--well, we discussed Rule 506 previously.

Going to Rule 1105 and Rule 1106, we recommend that both rules be stricken completely from the text. We don't think that the Commission requires that information. It has been furnished in the past, but we understand they don't contemplate it will be necessary to furnish that information in the future. Coming to Rule 1126, we would like to change that so that it reads, "See Section 1, Rules 701, 702, 703, and 704."

I would like to ask other members of the Committee if I have overlooked anything in going through this thing that we should discuss or present to the Commission at this time.

(No response.)

MR. DEWEY: If not, I think that is all we have.

MR. LLOYD GRAY: There might be some question in the Committee about whether there should a lot, when we were talking about those quarter quarter sections in the spacing deal.

MR. DEWEY: It is a very controversial subject.

MR. GRAY: On my copy I have a "lot" put in there. I thought you might poll the Committee and see if it was the general consensus.

(Mr. Dewey polls the Committee on that question.)

MR. DEWEY: I will have to retract what I said about lots in that connection. I will re-read the rule then the way it should be. Do you remember the number of that, Lloyd?

MR. LLOYD GRAY: 104, wasn't it?

(Further discussion.)

MR. McCORMICK: I would like to suggest we go to all the other rules first and come back to Rule 104. That is the most controversial of all. Then we can gauge our time better.

MR. DEWEY: Are there any other questions the Committee has?

(Discussion as to Part C.)

MR. SHEPARD: Let's start in then on miscellaneous rules. We

will go through them and take any objection you may have.

But as to phraseology and wording, I would suggest that everybody submit that in writing. I don't believe it is hardly fair to take up the time now in arguing ~~over~~ phraseology of these rules. Rule 1, anybody have anything to offer on Rule 1?

MR. LYNCH: My name is R. A. Lynch, representing Phillips Petroleum Company. I would suggest we add a sentence to either Rule 1 or Rule 2 to make it clear that in proper cases the Commission may call a Hearing for the purpose of granting an exception or for the purpose of granting a particular exception to any of these rules. That would save adding on to each rule, except where the Commission grants an exception. I would suggest the following wording, "The Commission may grant exceptions to these rules, after notice of hearing, when the granting of such exceptions will not result in waste, but will protect correlative rights or prevent undue hardship."

MR. SHEPARD: Anybody else? OK, Rule 3.

MR. McKELLAR: My name is William E. McKellar, representing Magnolia Petroleum Company. This states that notice will be given in the manner and form as will be prescribed by the Commission. The statute states the manner in which the notice shall be given. I think the rule should track the statute. The Commission has discretion only as between the two methods laid down in the statute.

MR. LEE: My name is Lee<sup>a</sup>. I represent Southern Union. Just another technical point under the statute, I think, but it is good. The statute says, "including revocation, change, renewal, or extension in lieu of the word exception." I am adding the point that the word "revocation" is included in the statute instead of the word "exception." The statute uses the word "extension."

Another point. In the third line, there is a qualifying phrase, under the provisions of Rule 1, which seems unnecessarily restrictive.

(Reporter's Note: Mr. Lee is referring to Rule 2.)

MR. SHEPARD: Any one else? OK, Rule 3. Any one have anything to say? On Rule 3?

MR. DAVIS: I think perhaps the word "revoking" should be added there. The statute reading, required the making or revoking, and so forth. In the second line.

MR. SHEPARD: I wish that everyone that wants to change the phraseology would please submit it in writing. We will probably be here a month if we don't. Anybody else have anything to say on Rule 3. Rule No. 4? Rule 5? Rule 6? 7? 8? 9? Ok, going to C, Drilling, Rule 101? 102? 103? 105? We will come back to 104. 106? 107? 108? 109? 110? 111?

MR. LLOYD GRAY: It seems to me that five degrees and absolutely requiring straightening of the hole is a little bit too restrictive. There are times when it is almost impossible to keep a hole within five degrees, and under special circumstances, I think an operator should have some alternative, such as submitting a directional survey showing that the bottom of his hole is only going to be proper.

MR. SMITH: My name is J. K. Smith, Stanolind Oil & Gas Company. I would like to suggest the first three lines in Rule 111 be stricken. I think that might take care of the situation. The Commission could still control it by directional surveys.

MR. SHEPARD: Anyone else? OK, 112? 113? 114? 115?

MR. LLOYD GRAY: I believe that the requirement that the operating pressure, or working pressure, be at least equivalent to bottom hole pressure is a little bit unnecessary. Many times we have

wells with a high bottom hole pressure and a very low surface pressure. It appears to me we should have fittings that would withstand the pressures that we are going to have to operate with.

MR. LOVERING: I don't believe it is possible for anyone to anticipate with any degree of accuracy what pressures they will have to operate under. Reservoir conditions change within a given pool and make a big difference in operating pressures from well to well. I think in view of the safety required that we should pay heed to those blow outs and fires and what not that cause so much waste on the Gulf Coast, and I think we should follow suit and have added protection, and there is no other way to get it.

MR. LLOYD GRAY: I think I would agree there should be some definite figure put in there, putting in a working pressure which is normally half the test pressure I believe is a little bit on the conservative side. The only thing I would suggest is that the test pressure of the fittings be at least 150 per cent of the bottom hole pressure.

(Discussion.)

MR. LEE: I want to go back to Rule 114. I just noticed the last sentence in the first paragraph requiring some kind of legal fence. I just want to inquire what a legal fence is, if we know.

MR. SHEPARD: It was defined by statute.

MR. LEE: Where has it got to go, though? What I am really concerned about is the provision in one section of the statute to the effect that it waives the liability for personal injuries, property damage that some individual might assert against someone for violating rules of the Commission. It strikes me that this provision in attempting to eliminate some physical hazards

might be imposing actual hazards of liability against those of us engaged in drilling wells. We can't tell from this where the fence is supposed to be. I was talking about the last sentence of the first paragraph of Rule 114, which reads, "All pits and other hazards shall be adequately protected by a legal fence." And at the same time, pointing out that this was a little bit ambiguous, you couldn't know exactly what requirement is imposed upon you, coupled with the fact that the statute undertakes in one section to preserve the rights of people against us drilling wells when we violate a rule of the Commission. I suggest that unless we know more about what this means than I know about it that we could safely afford to delete that sentence. It may be that the fence had to go completely around the rig, or perhaps just around the pit. It says, all pits and other hazards shall be adequately protected by a legal fence. I just think we ought to strike that.

MR. SHEPARD: Rule 116?

MR. McKELLAR: This provision here as to pipelines, where you have to report on leaks and breaks in the pipeline, is there any minimum there. If you lose 50 barrels of oil in your field gathering lines, would it be necessary to report that? They provide a hundred barrel minimum pertaining to lease lines, but nothing said about a minimum as pertaining to gathering lines. It would help our pipeline if they would clarify that. If we lose five or ten barrels of oil, you don't want to be bothered by a report coming in on that, do you?

MR. SHEPARD: Anybody else have anything on 114? We go to 116?

MR. McKELLAR: That comment was pertaining to 116.

MR. SHEPARD: OK, anybody else? 117? OK, a Abandonment and Plugging of Wells, Rule 201?

MR. LLOYD GRAY: I don't know hardly how it should be changed,

but the requirement there that you have to notify all offsets, I think they mean lessees. They say leases and property owners. That could be a terrible obligation to notify all property owners, particularly on a wildcat and when you have got a rig still over the location, and even in old completed areas where the offset leases might have been abandoned after being used for years and divided up as to royalty interest. It might be very difficult to notify all property owners.

MR. SHEPARD: Anybody else on 201? 202? 203? 204?

e Oil Production Operating Practices, Rule 301?

MR. KEELER: My name is E. P. Keeler with Magnolia. Rule 301 among other things, provides for an annual gas-oil ratio test to be taken on the anniversary month of the completion of the discovery well. No provision is made in the rules for the filing of the results of such tests with the Commission, and also no provision is made in regard to a deadline as to when those reports should be filed. We believe that there should be some deadline in there. For example, possibly the fifteenth day--the report should be submitted by the fifteenth day of the month following the month in which the tests were taken, or any other date, just so it is definite. And also in the last sentence, which reads, "The Commission will drop from the proration schedule any proration unit for failure to make such test as hereinabove described until such time as a satisfactory test has been made, or satisfactory explanation given." We think there should also be some phrase in there that it can also be dropped from the schedule for failure to report such tests to the Commission as are provided.

CHAIRMAN SHEPARD: Anybody else? Rule 302? 303? 304? 305?  
306? 307? 308? 309? 310? 311? 312? F. Natural Gas



Production Operating Practice 401?

MR. LLOYD GRAY: Commenting on Rule 312, I think there in a typographical error we fail to show the last two paragraphs of it. It is much shorter than it should be.

CHAIRMAN SHEPARD: Rule 401? 402? 403? 404? 405? 406?  
We will skip the CO<sub>2</sub> and go down to 501, Regulation of Pools.  
502?

MR. McKELLAR: You can only produce, as I understand it, 125 per cent of the daily allowable in any one day. I want to test this. You can only produce this 125 per cent of the daily allowable in the event you are behind with your daily allowable, is that the intent of the Committee?

MR. DEWEY: It was our intention that that was the maximum rate that you were allowed to produce. We could give you an authorization to over produce beyond the schedule, but to catch up and balance out at the end of the month, you could produce nothing to exceed 125 per cent.

MR. LOVERING: That ruling is going to have to work both ways. You will have to be able to make up production, and you will have to make up anticipated reductions of production due to testing and so forth. I think that has got to work both ways.

MR. McKELLAR: Under that interpretation, should it be possible to say on the 25th of the month you have produced your oil for the month, then the question would be can you run that pipeline on through the end of the month, or would it be hot oil. Under my interpretation, you couldn't.

MR. SHEPARD: Anybody else? 503? 504? 505? 506? 507?  
No. II, Gas proration and Allocation. Rule 601? 602? 603?  
604? Rule 701? 702? 703? 704? J. Oil Purchasing and  
Transporting. 801? 802? 803? K. Gas Purchasing and

Transporting. Rule 901? 902? L. Refining. Rule 1101?

1102? 1103? 1104? 1105? 1106? 1108?

MR. LLOYD GRAY: On No. 8 I would have the same comment as I had on 201. It might be a burden to have to notify all the property owners.

MR. SHEPARD: 1109? 1110? 1111? 1112? 1113? 1114? 1115?  
1116? 1117? 1118? 1119? 1120? 1121? 1122? 1123? 1124?  
1125? 1126? 1127? N. 1201? 1202? 1203? 1204? 1205? 1206?

MR. CAMPBELL: Mr. Commissioner, before getting to well spacing, I have a proposed paragraph that I would like to submit for the record, which would not be a part of the rules or regulations, but which would be part of the general order by which the rules and regulations are promulgated. I think this situation might arise where oil or gas is being produced now under authority from the Commission by special rule in many cases, where that special rule may be rescinded under the new order, and in the interim period between the time these new rules go into effect, and the time they can come in and make application and get a new exception, there is a danger such oil will be illegally produced. For instance, if he is using gas for gas-lift, and it isn't going to a gasoline plant, because no plant is available, he will have to get an exception under the rules, and probably will be able to. But there is an interim period, and we feel he should be protected in the sale of the oil, which is already legally being produced, but technically illegally would be produced by these rules going into effect, and before he could get an exception. So, I would like to submit this. I have it written, and you won't have to take it in the record. It reads as follows: "These rules and regulations shall become effective at 7 a.m. on \_\_\_\_\_ date, and exception from these

rules and regulations is hereby granted for a period of twenty days from said effective date, however, as to all presently existing oil and oil-gas wells that have been in the past and are presently operated or the products thereof utilized in a manner differing from the requirements herein, but in compliance with former rules of the Commission, if during said twenty day period the operator of any such well files with the Commission an application for a permanent exception for such well or wells from the requirements of these rules and regulations, a temporary exception hereby granted shall continue in force until such time as the Commission has heard and has issued its order on such application for a permanent exception."

MR. SMITH: Mr. Commissioner, I would like before we go into this well spacing also, I would like to call attention to Rule 202 on the question of requiring a marker to be set up when a well is plugged. I would like to interpose our objection to the marker. We consider it a hazard. It might conceivably be held we would be required to put a legal fence around a four-foot marker.

MR. SHEPARD: Well, let's revert to Rule 104.

MR. CORNELL: My name is Dudley Cornell. I am Chairman of the San Juan Basin Operators' Committee. The Committee includes small and large operators in the San Juan Basin, and I believe we include all of the producers of natural gas in the Basin. To adopt an engineering factor of safety, let's say that our membership includes 90 per cent of the producers of natural gas. We desire to protest the provisions of Section 104 (b), which provides for a 640 acre State spacing rule. We sent notices to our entire membership, giving about three weeks' notice of a meeting yesterday on this and received a number

of letters back, and I have not contacted one single operator, large or small, in the San Juan Basin, who is in favor of the 640 acre spacing. At our meeting yesterday, we had present on our executive committee Paul Umbach, of Stanolind Oil & Gas, B. B. Frobish of Skelly Oil, Paul English, Dudley Cornell, Scott Brown of Western Natural Gas, and Joe Hartman, land owner of Aztec, and the vote was unanimous to oppose this spacing requirement. As a substitute we would suggest a 160 acres for the spacing order. It would simply mean that you skip down through the first part of this section and tie in to the last part where each well drilled for gas shall be located on a tract consisting of at least a 160 acres. I believe the revision would be very simple. Doubtless, the purpose of a Statewide order is to cover the majority of your conditions and situations and have a minimum of exception leases. Now, in setting this State order at 640, you are requiring an exception for the majority of your locations in the San Juan Area at least. You have a State order entered for 160-acre spacing in Fulcher Basin and Kutz Canyon, in which there are approximately 95 wells. After considerable testimony a year ago, another order was entered establishing 320-acre spacing for the Blanco Field. It seems to me to establish a State rule of 640 you are putting a burden of proof on the majority of the situations, requiring your small operators, especially, to come in and make application to adjust all locations where it isn't necessary. We had several independent operators, who expressed a desire to supplement my remarks. I haven't prepared any technical evidence here. I believe that simply a glance at the map of Kutz Canyon and Fulcher Basin will show there is a narrow belt of production with a northwest southeast trend, and with a 640-acre

spacing approximately in the center of the sections, you probably wouldn't have had gas production or deliverability of over five or six million in the State combined, we feel sure, if you had followed a pattern of that sort. Actually, we don't see that any further rule is necessary. We think that your first well if you have a new gas field developed, a Hearing can be held and a special order entered for that well, based on the field conditions, and the test of the well, and pressures, such testimony as the Commission has. I think the majority of the members I have contacted are opposed to any of the spacing orders of that sub-paragraph b, but have no objection to 160-acre spacing.

CHAIRMAN SHEPARD: Anybody else care to comment on Rule 104?

MR. MADDOX: I am an independent operator in San Juan County, New Mexico. I have two large blocks of acreage up there. One tract in particular is 805 acres. I have owned it for the past 30 years, upon which geological information shows this land to be favorably located. It is so situated I could get 360 locations in the form of a square in one 320, but I wouldn't be permitted under 640-acre spacing to have any locations. I feel that that 640-acre location in the San Juan Basin at the present time when we are in initial stages of development up there, and we haven't the engineering data we will probably accumulate in the years to come, and until we do have that and the definite proof that the wells will be pulling from one another on 160-acre spacing, I think it should remain at 160-acre spacing.

MR. ENGLISH: Can we find out who asked for the 640-acre spacing?

CHAIRMAN SHEPARD: We will try and find out, Paul, and let you know.

MR. LLOYD GRAY: I could answer your question. The matter came up in a Committee meeting, and it was the consensus of opinion that 640 was reasonable under the circumstances. I think when we are making general rules, we ought to consider the statute, and I think the Statute says we avoid the drilling of unnecessary wells. And so, we have come on a 40-acre spacing for oil wells, and I think when we consider the mobility of gas as compared to oil, and the different viscosity of gas as compared to oil that most of the engineers will agree that the recovery is reasonable on a 640-acre spacing if 40 acres is satisfactory for oil. As I see it, this is a general picture. If there is local conditions which would indicate that such wasn't the case, you should come in and get a special order.

MR. ENGLISH: Mr. Chairman, who does he represent?

MR. SHEPARD: The Gulf Oil Corporation.

MR. KEOHANE: On Rule 104 with the change where it says, "or lot," I believe containing not less than 36 acres could be drilled. In the north of Lea County in 16-37 and 16-38, we have a series of lots that run across the north side of the township that run 52 acres. I wonder if the Engineering Committee gave any thought to the fact that they would be allowed to run 52/46 inasmuch as your recovery is based on the oil under your acreage?

MR. SHEPARD: Anyone else?

MR. MORRELL: Mr. Chairman, I am inclined to agree with Mr. Keohane that the limitation of 36 acres could and should be deleted from paragraph a of Rule 104. Otherwise, when you read it, you can't drill a well on a lot less than 36 acres. With respect to 640-acre units for gas under sub-paragraph b, I have heard considerable discussion pro and con.

The only con that I have received was that it would be easier to reduce the size of the gas unit by starting with the 640 than it would be to increase it if you started with 160. There is some question of merit though in that position. Actually, at the present time, we are in essence providing for 160 acres for existing facilities in Lea County. We have in the San Juan Basin a 160-unit field, and another a multiple, just two. A 320 acre field. We had a hearing in a case this morning for a 80-acre spacing on an oil well, which was a multiple of 40. If the gas unit was 160, it could be multiples of 160 on a special order. Actually, the size of spacing units involves economics as well as waste, in other words, the cost of drilling. This waste there is whether or not additional wells are warranted. At a shallow depth a 160 acres is satisfactory, or even in some cases that may be too broad. So I am inclined, personally, so far as the Federal acreage is concerned to go along with the 160-acre gas spacing for Statewide rule with permission to upon request and hearing make it any multiple. Now, I do not concur in the figure of 660 feet to a boundary line of a 160-acre gas unit as set forth in the middle line of paragraph b. The Survey has made a definite aim to arrive at uniform spacing for several years. After a series of letters to large number of operators of Lea County, we got that ironed out. And some operators who were drilling 660 feet locations on a 160-acre spacing are now drilling the 990. We have it in effect. I judge some fifty gas wells were drilled on that spacing in Lea County. It is my suggestion that 990 be written into the regulations, and if conditions warrant 660, let that be the exception. Under Rule 104, sub-paragraph d, in the last paragraph, reference is made to adjusting allocation to acreage on

a proportion to the uniform spacing pattern whether the exception is granted. Why should it be limited only to an exception, and if we take the 36 acres out of paragraph a and make all acreage or allowables on an acreage--direct acreage proportional basis. Now, we should recognize that for years we have been getting along very finely in New Mexico without worrying about it. And it has recently only come up after some production was found below 5,000 feet below the surface. Now, we are getting up into multiples of three, four, five and six times the normal 40-acre unit allowable. The ratio is increasing. The thought I had to offer to the Commission here is, why not presently let well enough alone and let present conditions ride with regard to production above 5,000 feet for the shallow pools. But below 5,000 feet make your allocation on a direct acreage proportion to 40 acres. I heard one comment that that would swamp the proration office in getting out the monthly schedule, but I see no difficulty there. When the operator comes in with a well completion notice, he will state his acreage, and it would be set up on the books on a percentage basis and would be right there. It would not be difficult, and it certainly is to me necessary to protect the correlative rights involved. I have in mind in particular this same matter Mr. Keohane mentioned on the Texas line on the east side of Lea County. It happens to be that the majority those are Federal lots, so we are directly interested in that. The last paragraph of 104, sub-paragraph d, under the subject of Well Spacing, mentions allowable, but when we get over to proration and allocation, we find nothing restated regarding that adjustment. I think something should be added to sub-paragraph g, possibly Rule 503, for the adjustment of allocation in direct proportion to the



acreage of that unit to 40 acres. A suggestion has also been made that in connection with definitions, some of the definitions have been in effect and attempt to make a rule. We have definitions for top unit allowable. If they remain under definitions, I think they should be restated under the sections on proration, which is where we should look to find out what the unit of proration is. One other comment is of a general nature. In the next to the last draft of the proposed rules and regulations, there is a list of special orders heretofore issued, which are continued in effect with the issuance of proposed rules and regulations. One I have noted appears to me to require inclusion is Order 784, which is your latest gas-oil ratio order, from which you have taken and put in the proposed regulations in the appendix the list of top-limit gas-oil ratio pools. That Order 784 also specifically exempted certain pools-- Hardy, Rhodes, Cooper-Jal, Langlie-Mattix--, and said they were primarily gas pools. That should be restated here so that there would be no hiatus here with respect to those fields. We want El Paso to keep on taking gas and want to take care of the situation Mr. Campbell brought into the Hearing. That is all I have right now.

MR. McCORMICK: Mr. Morrell, I understood that the Engineering Committee suggested that they place limiting gas-oil ratios on all pools at this time. I may be mistaken about that, but I understood you wanted to start over from scratch and put gas-oil ratios on all pools and let them file exceptions.

MR. LLOYD GRAY: As I understood it in our meeting last night, we wanted to exempt pools that heretofore or hereafter have been exempted by order of the Commission after hearing.

Now, there are several of those pools; like Cooper-Jal and

Penrose-Skelly.

MR. CAMPBELL: I would like to call your attention to a matter that will undoubtedly arise. I think if you will refer to that Order 784, the justification for exempting those pools from any gas-oil ratio limits was that they were gas reservoirs. We now have gas provisions in the act, and persons operating in those pools perhaps should consider the effect of declaring that those are not oil reservoirs but are gas reservoirs and might now be subject to the regulations under the gas section of the statute.

CHAIRMAN SHEPARD: Anybody else.

MR. HARTMAN: I am just a land owner up in San Juan County, and I have talked to quite a number of people up there, and I have yet to hear one of them say that they thought that 640 acres was the right spacing for a gas well. I know there are instances up there if it took a full section to drill a well, there would be 50 or 60 people to sign a lease. And I know you couldn't get 50 or 60 to agree, and you would just stop the drilling. It seems to me down in Lea and Eddy County you have 160 acre spacing, why should we be discriminated against in San Juan County? I know further than that there are oil pools up there that have been found on a 40-acre piece of ground, and if this rule of a full section had been in force, that 40-acres of oil would never have been found. We are very much opposed to 640 acre limitations of drilling up there.

MR. ENGLISH: May I ask a question? Who wants 640-acre spacing?

CHAIRMAN SHEPARD: That is what we are trying to find out.

MR. ENGLISH: That is what I would like to find out. It looks like the Government wants 640 acres, and they don't have one damn dime invested in the deal. I would like to find out what they do want.

CHAIRMAN SHEPARD: Anybody else?

MR. LYNCH: I represent Phillips Petroleum Company. We recommend that the Commission not adopt any Statewide rule with reference to spacing of gas wells, but that the matter be left to the discretion of the Commission to be prescribed by special field rules after notice and hearing in each field.

CHAIRMAN SHEPARD: Anybody else?

MR. LYNCH: There is one little inconsistency I might point out. We have skipped over it. Rule 1125 with reference to carbon black forms, it includes a report of the monthly volume of natural gas delivered to the Carbon Black Plant. I believe Rule 44 prohibits the use of natural gas from gas wells for the manufacture of carbon black. I think there is an inconsistency there.

MR. COMPTON: I represent The Texas Company. In discussing the general rules I find even the Committee that has worked on this apparently is not entirely sure what rules are being rescinded or canceled. I believe, for example, it is the intention of the Committee that we maintain the Eunice-Monument proration unit. If that is true, it is also necessary we maintain the portion of Order 72, which defines the boundary line between Monument and Eunice. With that thought in mind, it might be well for the operators to check all the old rules and be sure all the old rules which we now have of a special nature are not rescinded by the general rules.

MR. LOVERING: I would like to have another word on this Rule 104. We recommend that the basic unit for gas wells be established. We recommend for that unit 160 acres, which can be amended for any particular pool upon evidence and engineering data. The question arises on not how many acres a man has in his parcel.

or plot of ground, it is a question of how many wells would adequately drain that reservoir. That would depend upon the porosity and permeability in the gross section of your reservoir. Surely, there is a big difference between an 8 billion foot well and a 200 million foot well. In some cases 160 acres will adequately drain it; in others, 320 or 640. It might be 1,000 acres with the right type of permeability like you have in Arabia, where you can drain a field adequately by having one well to every 2 or 3 thousand acres. Those conditions vary a whole lot and could exist here. We are in favor of establishing a basic unit, and I go along with Foster Morrell with the idea of increasing it in multiples for particular field when engineering data indicate it should be done. In the interests of economy, both in the cost of drilling and in producing that gas, and also in regard to ultimate production and the waste of the products thereof.

MR. ENGLISH: Mr. Commissioner, when I went up in the San Juan Basin, we were drilling wells wherever we damn pleased, and everybody got a well, and everybody seemed to be happy. For some unknown reason, they have got an idea now without anybody being able to tell you why that only the Pictured Cliffs was any good. We fought all over about the damn Mesa Verde. We finally find out that 320 acres might be a good idea. The other day when we were having all of our trouble about a pipeline out of here, the Government picks up the figures that the Stanolind had issued to us about 3 million feet to the acre in the Blanco Field, and they took that figure, and we have had a Hell of a time getting a pipeline out of the San Juan Basin because we had 3 million feet instead 30 million feet. Now they come back and said you used the blackest figure we had. Thirty

million is what we want. We got 320 acres in that field. Here comes somebody that comes along and says 640-acre spacing. Why not one well to a township? Then we wouldn't have to drill very many wells. I don't know what the Hell you are hunting for. The other time they were hunting we found out they were trying to work some sub-surface structure. I am not interested in it. Now you want 640-acre spacing. Next month it will be one to a township. Let's just drill one to a township, and I will go some place else and forget about the San Juan Basin. That is the way I feel about it. Everybody that doesn't have money invested just has got a lot of damn talk, but the people that have got a lot of money in the ground are trying to sell their gas.

CHAIRMAN SHEPARD: Anybody else?

MR. LYNCH: Mr. Chairman, although these proposed rules might not be perfect, I think we are all under a debt of gratitude to these two Committees, the Engineering Committee and the Legal Committee. I think our appreciation should be expressed to them.

CHAIRMAN SHEPARD: On behalf of the whole Commission, I want to express our deepest appreciation to these two Committees. They have worked practically all the year, even before the drawing up of this gas law, which started most of this thing, and I think they are really entitled to a vote of thanks, not only from the Commission but from the whole Industry. And I hope that you people will get your written suggestions just as soon as possible so that we can close these rules up. We will call November 15th the deadline. Have them in by then because they will all be completed.

MR. LYNCH: Mr. Chairman, you don't want written reports or

recommendations made here?

CHAIRMAN SHEPARD: No. Anything that might be left out here today.

MR. McCORMICK: I do think that the Engineering Committee should make a memorandum on those changes you have suggested, because they won't be clear from the record, I don't think. And anyone else who has a particular matter on phraseology should submit it, because it isn't easy to get those matters down by interlineation as we have tried to do here today. Your suggestions should be sent to the Commission here in Santa Fe.


MR. MORRELL: Would it be in order to second the Motion on the good work of the Committee?

CHAIRMAN SHEPARD: Well, if there is nothing further, we will stand adjourned.

STATE OF NEW MEXICO )  
COUNTY OF BERNALILLO ) SS

I HEREBY CERTIFY That the attached transcript of  
hearings before the Oil Conservation Commission is a true  
record of the same to the best of my knowledge, skill, and  
ability.

DONE at Albuquerque, N. M., November 8, 1949.

  
E. E. GREESON  
Notary Public

My Commission Expires 8-4-52.