

CASE 3098: Hearing called by the
OCC to consider revision of
RULE 701-E-4. (NORTHWEST N.M.)

CASE NO.
3098

Application,
TRANSCRIPTS,
SMALL Exhibits
ETC.

DRAFT

JMD/esr

August 28, 1964

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

CF Subj.

Rules & Regs

Amend Rule

701-E-4

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

CASE No. 3098

Order No. R-2764

[Signature]
IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION
UPON ITS OWN MOTION TO CONSIDER A
REVISION OF RULE 701-E-4.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
August 26, 1964, at Santa Fe, New Mexico, before Examiner
Elvis A. Utz.

NOW, on this _____ day of September, 1964, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That Rule 701-E-4 of the Commission Rules and Regulations
should be amended to establish a more current basic 40-acre Area
Allowable Factor for waterfloods in Northwest New Mexico.

(3) That a normal unit allowable of 70 barrels of oil per
day has been established in Northwest New Mexico for approximately
four years.

(4) That a basic 40-acre Area Allowable Factor of 70 barrels
of oil per day for waterfloods in Northwest New Mexico will afford

to the operators of waterflood projects in said area the opportunity to produce their just and equitable share of the market demand for crude oil from Northwest New Mexico and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That Rule 701-E-4 of the Commission Rules and Regulations is hereby amended to read in its entirety as follows:

"~~4~~. The basic 40-acre Area Allowable Factor for the counties of Lea, Eddy, Chaves, and Roosevelt shall be 42. The basic 40-acre Area Allowable Factor for the counties of San Juan, Rio Arriba, Sandoval, and McKinley ~~Counties~~ shall be 70."

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

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

PAN AMERICAN PETROLEUM CORPORATION

OIL AND GAS BUILDING P. O. BOX 1410

FORT WORTH 1, TEXAS

WILLIAM V. GRISHAM
DIVISION ENGINEER

August 21, 1964

File: GHF-322-986.510

Subject: Proposed Revision to NMOCC
Statewide Rule 701-E-4

Mr. A. L. Porter, Jr.,
Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Sir:

Case 3098 on the examiner hearing docket for August 26, 1964, is a hearing called on the Commission's own motion to consider a revision of Rule 701-E-4. The notice of hearing stated that the Commission proposes to consider an amendment to Rule 701-E-4 of the rules and regulations to provide a more current area allowable factor, approximately 70 BOPD, for waterfloods in northwestern New Mexico.

Pan American Petroleum Corporation supports the Commission's proposal for this amendment to Rule 701-E-4.

Yours very truly,

W. V. Grisham



SKELLY OIL COMPANY

TULSA 2, OKLAHOMA

PRODUCTION DEPARTMENT

C. L. BLACKSHER, VICE PRESIDENT

W. P. WHITMORE, MGR. PRODUCTION

W. D. CARSON, MGR. TECHNICAL SERVICES

ROBERT G. HILTZ, MGR. JOINT OPERATIONS

GEORGE W. SELINGER, MGR. CONSERVATION

August 12, 1964

Re: Case No. 1005

Mr. A. L. Porter, Jr.
Oil Conservation Commission
P. O. Box 2024
Santa Fe, New Mexico 87501

Dear Mr. Porter:

We note that the Commission has called a hearing to consider an amendment to Rule 701-B-4 of the Statewide Rules to provide a more current area allowable factor for waterfloods in Northwest New Mexico, and to this Skelly Oil Company wishes to go on record as favoring.

The early part of last year we called the staff's attention to this very problem, indicating that in effect the Commission was penalizing operators for initiating waterflood projects.

When the factor for New Mexico of 52 was adopted in November 1959, it was based on an average of all previous monthly allowables. However, since July 1960, the Northwest basic allowable has been 70 barrels, so that for the over four years time that this factor has been in existence it would appear justifiable that the proposed factor should be 70 barrels, and we therefore recommend and urge the Commission's adopting 70 barrels in lieu of the present 52 in Rule 701-B-4.

Respectfully submitted,

George W. Selinger

GWS:br

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 26, 1964

9 A. M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Elvis A. Utz, Alternate Examiner:

- CASE 3095: Application of Continental Oil Company for an amendment to Order No. R-2564, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an amendment to Order No. R-2564 to provide, among other things, the substitution of two wells in Units N and O for the presently authorized injection well in Unit K of Section 34, Township 28 North, Range 17 West, Table Mesa-Dakota Pressure Maintenance Project, Table Mesa Pool, San Juan County, New Mexico.
- CASE 3096: Application of Continental Oil Company for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of special pool rules, including a provision for 80-acre spacing and a gas-oil ratio of 6000 to 1 for the Maljamar-Abo Pool in Township 17 South, Range 32 East, Lea County, New Mexico.
- CASE 3097: Application of Continental Oil Company for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of special pool rules including a provision for 80-acre proration units for the Baish-Wolfcamp Pool in Sections 21 and 22, Township 17 South, Range 32 East, Lea County, New Mexico.
- CASE 3082: (Continued from the July 22, 1964 Examiner Hearing)
Application of Union Oil Company of California for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Devonian formation through perforations from 11,246 feet to 11,285 feet in its State-Gross Well No. 2 located in Unit G of Section 2, Township 12 South, Range 32 East, East Caprock Field, Lea County, New Mexico.
- CASE 3098: In the matter of the hearing called by the Oil Conservation Commission upon its own motion to consider a revision of Rule 701-E-4. In the above-styled cause, the Commission proposes to consider an amendment to Rule 701-E-4 of the Rules and Regulations to provide a more current area allowable factor for waterfloods in Northwest New Mexico. The proposed factor would be approximately 70 barrels per day.

CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

SYMBOLS

DL=Day Letter
NL=Night Letter
IT=International Letter Telegram

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at destination.

7 (29)

1964 AUG 24 11:15 PM

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K DVD195 PD-TLX DENVER COLO 24 212P MST
NEW MEXICO CONSERVATION COMMISSION
STATE LAND OFFICE BLDG SANTA FE NMEX

IN RE CASE NO. 3098, SINCLAIR OIL & GAS COMPANY SUPPORTS
THE PROPOSED AMENDMENT TO RULE 701 TO INCREASE
TO 70 BARRELS PER DAY THE AREA ALLOWABLE FACTOR FOR
WATER FLOODS IN NORTH WEST NEW MEXICO, AND RECOMMENDS
APPROVAL OF SUCH PROPOSED AMENDMENT
SINCLAIR OIL & GAS CO BY H C CALHOUN

3098 701-284 70

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

Case 3028

Heard 8-26-64

Res. 8-26-64

1. Amend Rule 70(E) in accordance
with recommendations ~~Exhibit 1~~.
N.V.A. of 70 instead of 54
Shutli. H.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

CASE No. 3098
Order No. R-2764

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION
UPON ITS OWN MOTION TO CONSIDER A
REVISION OF RULE 701-E-4.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on August 26, 1964, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 8th day of September, 1964, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That Rule 701-E-4 of the Commission Rules and Regulations should be amended to establish a more current basic 40-acre Area Allowable Factor for waterfloods in Northwest New Mexico.

(3) That a normal unit allowable of 70 barrels of oil per day has been established in Northwest New Mexico for approximately four years.

(4) That a basic 40-acre Area Allowable Factor of 70 barrels of oil per day for waterfloods in Northwest New Mexico will afford to the operators of waterflood projects in said area the opportunity to produce their just and equitable share of the market demand for crude oil from Northwest New Mexico and will otherwise prevent waste and protect correlative rights.

-2-

CASE No. 3098
Order No. R-2764

IT IS THEREFORE ORDERED:

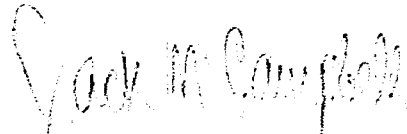
(1) That Rule 701-E-4 of the Commission Rules and Regulations is hereby amended to read in its entirety as follows:

"4. The basic 40-acre Area Allowable Factor for the counties of Lea, Eddy, Chaves, and Roosevelt shall be 42. The basic 40-acre Area Allowable Factor for the counties of San Juan, Rio Arriba, Sandoval, and McKinley shall be 70."

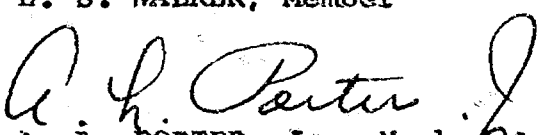
(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JACK M. CAMPBELL, Chairman


E. S. WALKER, Member


A. L. PORTER, Jr., Member & Secretary



esr/

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
August 26, 1964

EXAMINER HEARING

IN THE MATTER OF:

In the matter of the hearing called by the Oil Conservation Commission upon its own motion to consider a revision of Rule 701-E-4. In the above-styled cause, the Commission proposes to consider an amendment to Rule 701-E-4 of the Rules and Regulations to provide a more current area allowable factor for waterfloods in Northwest New Mexico. The proposed factor would be approximately 70 barrels per day.

Case No. 3098

BEFORE: ELVIS A. UTZ, Examiner.

TRANSCRIPT OF HEARING

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 243-6691



MR. UTZ: We will call Case 3098.

MR. DURRETT: In the matter of the hearing called by the Oil Conservation Commission upon its own motion to consider a revision of Rule 701-E-4.

If the Examiner please, Jim Durrett appearing for the Commission and its Staff. I have one witness, Mr. Dan Nutter, who I would like to swear at this time.

MR. UTZ: Let the record show there are no other appearances. You may swear the witness.

(Witness sworn.)

DAN NUTTER

called as a witness, having been first duly sworn on oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. DURRETT:

A Will you please state your name and position for the record?

A Dan Nutter, Chief Engineer for the Oil Conservation Commission.

Q Mr. Nutter, are you familiar with the subject matter in Case 3098 and the background involving this case?

A Yes, sir, I am.

Q Would you please present to the Examiner some of this

background and state the reason that this matter has come before the Examiner at this time?

A In October, 1959, at Roswell, New Mexico, the Commission had a hearing at which time testimony was heard from numerous parties relating to the revision of 701 governing waterfloods. The order that issued from that hearing was R-1525, dated November 9, 1959, which revised Rule 701 and established a system of prorationing for waterfloods. That system of prorationing is based on a project area theory and sets out basic area allowable factors for Southeast New Mexico and Northwest New Mexico.

The allowable factor at the time of the hearing in October, 1959, was based on the historic allowables for each of the respective areas as far back as ten years for Southeast New Mexico and as far back as practical for Northwest New Mexico.

The allowable factor for Southeast averaged out to be 42 barrels per day, and for Northwest, New Mexico, 52 barrels of oil per day. Prorationing of oil was instituted in San Juan Basin in December, 1957, the first month of prorationing at a basic allowable of 28 barrels. The Bisti Pool was being developed at that time and there was an oversupply of oil for the available market; in January the allowable was 11, February 13, March 10, April, 35, May, 50. The 50-barrel allowable was

dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

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possible because the Four Corners Pipeline to the West Coast had been completed after May of 1958. The allowables continued in the range of 50, 55 barrels until the time of the hearing in October, 1959, at which time Rule 701 was considered.

The 50-barrel average allowable, or in the range of 50 barrels average allowable, is what the area allowable factor for Northwest New Mexico was based on. This range of allowables continued until July of 1960, at which time the allowable for San Juan Basin, the basic allowable was raised to 70 barrels of oil per day. This normal unit allowable is in effect to this date and has not been changed since July of 1960.

At the time of the hearing of the case in which Order 1525 was entered it was suggested in the testimony that these area allowable factors should be reviewed from time to time and kept up-to-date. This is what we are doing today, considering the 70-barrel allowable which has been in effect in the San Juan Basin since 1960. I believe if the area allowable factors, as provided in 701, were to be changed to 70 barrels of oil per day for the San Juan Basin, that it would be in the interest of protection of correlative rights. It would be in the interest of providing the waterflood operators with a proportionate share of the market demand for oil in that area,

and I would recommend that it be so changed.

Q Am I correct, Mr. Nutter, that the reason that you are proposing this is to alleviate any possibility of penalizing waterflood operations?

A This is correct. In most cases the pressure maintenance projects are prorated on the basis of the current monthly allowable. Waterfloods are prorated on the area's allowable factor, which in this case is now 18 barrels lower than the normal unit allowable for the area.

Q Would it be your opinion that adoption of this proposed 70 barrels per day as the factor would result in allowing each operator in Northwest New Mexico, including waterflood operators, the opportunity to receive their just and equitable share of the oil?

A That is correct.

MR. DURRETT: If the Examiner please, that will conclude my examination of Mr. Nutter.

MR. UTZ: Any questions of the witness? The witness may be excused.

(Witness excused.)

MR. UTZ: Let the record show that there is one statement in the form of a telegram from Sinclair Oil and Gas Company by H. C. Calhoun, which concurs with the 70-barrel

dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

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rule change.

MR. DURRETT: If the Examiner please, the Commission has received a letter from Skelly Oil Company concurring in the proposed 70 barrels.

MR. UTZ: The case will be taken under advisement and the hearing adjourned.

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) SS

I, ADA DEARNLEY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

Witness my Hand and Seal this 1st day of September, 1964.

Ada Dearnley
NOTARY PUBLIC

My Commission Expires:

June 19, 1967.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 3088, heard by me on Aug. 26, 1964.

Glenn L. Wolf, Examiner
New Mexico Oil Conservation Commission