

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

ORDER NO. A-77-(B)

EMERGENCY ORDER OF THE COMMISSION

BY THE COMMISSION:

Heretofore on April 3, 1956, a telegram of same date was received by the Oil Conservation Commission of New Mexico from Cities Service Oil Company informing the Commission of a labor strike in their East Chicago Refinery, said shut down being effective at 10:30 a.m., on Tuesday, April 3, 1956.

Thereafter, on April 5, 1956, the Commission received a second telegram from said Cities Service Oil Company stating that the Company had notified all transporters receiving crude oil from leases for the Company's accounts in Kansas, Oklahoma, Texas, New Mexico and Louisiana of these events, and that until further notice said transporters are to run from leases connected for the account of Cities Service Company an amount of oil equal to sixty percent of actual daily average runs made in February, 1956. Properties under waterflood are to be exempted.

NOW, on this 14th day of April, 1956, the Commission, a quorum being present, having considered this situation and other available facts and data,

FINDS:

1. That following a shut down in the form of a labor strike in the East Chicago Refinery of the Cities Service Oil Company, the Cities Service Oil Company by telegram dated April 5, 1956, notified the Commission of its intention to reduce the normal take of crude oil from its connections in the State of New Mexico to 60% of the average daily runs in February, 1956, said reduction to be effective April 1, 1956.
2. That Cities Service Oil Company purchases crude oil from wells located in Lea, Eddy, and Chaves Counties, New Mexico, said oil being transported by the Texas-New Mexico Pipeline Company, and that many of the wells to which said pipeline is connected are marginal wells.
3. That under the provisions of Rule 503 (f) of the Commission's Rules and Regulations any operator affected by pipeline prorationing has the right to make application to the Commission for authorization to have any shortage or underproduction resulting from pipeline prorationing included in subsequent proration schedules, and that this right is limited to wells which are capable of producing top unit allowable.
4. That marginal wells are not afforded the opportunity to make up any underproduction caused by "pipeline prorationing" due to the nature of their productive capacity.
5. That Cities Service Oil Company's proposal to reduce the take from all wells to 60% of the actual daily average runs made in February, 1956, effective April 1, 1956, will impair correlative rights and is conducive to waste.

Order No. A-77-(B)

6. That the evidence available to the Commission indicates that the overall reduction in takes by Cities Service Oil Company can be made from proration units assigned top unit allowables on the April proration schedule.

7. That due to the facts, conditions, and circumstances enumerated above, the Commission finds that an emergency exists requiring the issuance of this order.

IT IS THEREFORE ORDERED:

1. That during the effective period of this order Cities Service Oil Company shall not reduce its take from any marginal proration unit to which an allowable has been assigned under the terms and provisions of Order No. A-77.

2. That in the event of pipeline prorationing by any common purchaser during such period, said common purchaser shall not reduce its take from any marginal proration unit to which an allowable has been assigned under the terms and provisions of Order No. A-77.

3. That this Order is issued pursuant to the provisions of Section 65-3-20, NMSA, 1953 Comp.


4. That the subject matter of this order will come on for hearing before the Commission at Mabry Hall, State Capitol, Santa Fe, New Mexico, at 9:00 a.m., April 18, 1956, at the time of the regular Oil Allowable hearing, provided however, that should Cities Service Oil Company be unwilling to waive ten days' notice as provided by the Commission's rules, the said hearing will be set at a later date to be designated by the Commission.

5. This order amends and supersedes Order No. A-77-(A), heretofore issued by this Commission on April 6, 1956.

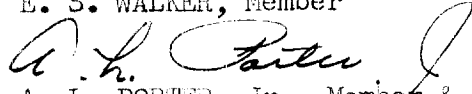
PROVIDED, HOWEVER, That nothing in this order shall be construed as denying any operator the right to apply for back allowable pursuant to the terms of Rule 503 (f) of the Commission's Rules and Regulations.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JOHN F. SIMMS, Chairman


E. S. WALKER, Member


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

S E A L

brp/