

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 532
Order No. R-354

THE MATTER OF THE REVISED APPLICATION
OF THE OIL CONSERVATION COMMISSION OF
NEW MEXICO UPON ITS OWN MOTION FOR AN
ORDER AUTHORIZING THE REVISION, MODIFI-
CATION AND AMENDMENT OF VARIOUSLY
NUMBERED RULES IN SECTIONS 'G', 'A' AND
'M' OF THE RULES AND REGULATIONS OF THE
COMMISSION (REVISED, JAN. 1, 1953) WITH
PARTICULAR REFERENCE TO RULE 502, RELATING
TO RATE OF PRODUCING WELLS AND DAILY AND
MONTHLY TOLERANCES, ETC.; AND RULE 503,
RELATING TO PRODUCTION AUTHORIZATION, AND
INCLUDING THEREIN THE MATTER OF SO-CALLED
'BACK ALLOWABLE'; THE INSERTION OF A WORKING
DEFINITION OF THE TERM, 'BACK ALLOWABLE'
WITHIN SECTION 'A' OF SAID RULES; THE ADDITION
TO SECTION 'M' RELATING TO FORMS OF SAID RULES
AND REGULATIONS OF SUCH OTHER AND ADDITIONAL
REQUIRED FORMS AS MAY APPEAR NECESSARY OR
CONVENIENT AS A RESULT OF ANY REVISION,
MODIFICATION OR AMENDMENT OF ANY OF THE
RULES AFORESAID; THE AMENDMENT OF, DELETION
FROM OR ADDITION TO ANY CONFLICTING SECTION,
DEFINITION, PHRASE OR CLAUSE IN ORDER R-98-A,
OR ANY OTHER ORDER PREVIOUSLY ISSUED BY THE
COMMISSION BEARING ON THE FOREGOING MATTERS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on regularly for hearing on May 19, 1953, June 16, 1953 and July 16, 1953 at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 28th day of August, 1953, the Commission, a quorum being present, having considered the testimony adduced at the hearings and being fully advised in the premises,

FINDS:

(1) That due public notice having been given in compliance with law, the Commission has jurisdiction to change, modify or amend its rules.

(2) That Rules 502 and 503 of the Commission's Rules and Regulations, revised January 1, 1953 should be amended as hereinafter set out, and,

IT IS THEREFORE ORDERED:

(1) That Rule 502, be, and the same hereby is amended to read as follows:

"502 Permissible tolerance in production volumes allowed for oil wells.

I. Daily Tolerance

(a) It is recognized that oil wells located on units capable of producing their allowables may overproduce one day and underproduce another. No unit capable of producing its allowable, except for the purpose of testing, in the process of completing or recompleting a well, or for tests made for the purpose of obtaining scientific data, shall produce any day more than 125% of the daily top unit allowable for the pool in which the same is located. (Subject to the foregoing, any underproduction may be made up by production from the same unit within the same month, and in like manner any overproduction shall be adjusted or balanced by underproduction from the same unit, within the same proration period.)

(b) It is also recognized that certain wells must, as a matter of practicality, be produced at daily rates in excess of 125% of the daily top unit allowable for the pool in which such wells are located. The Secretary of the Commission is hereby given authority to grant exceptions to the provisions of paragraph (a) above, without formal hearing, where application is filed in due form setting out the reasons for such requested exception; applicants for such exceptions shall, at the time of filing, also furnish each operator in the pool in which the subject well is located, a copy of such application. Included in any application for exception or attached thereto, filed under authority hereof, shall be a formal written statement by the applicant that every operator in the pool in which the subject well is located has been served with a copy of such application. The Secretary of the Commission shall wait at least ten days after receipt, before approving any such application, and shall approve the same only in absence of objection from any operator, interested party, or in his discretion. In event the Secretary, for any reason fails to approve such application, the Commission, after notice, will hear and determine the matter.

II. Monthly Tolerance

No unit shall produce in any one proration period more than its monthly allowable, plus a tolerance of not to exceed 5 days allowable production. This permissive tolerance of overproduction from a unit shall be adjusted or balanced by corresponding underproduction from the same unit during the next succeeding proration period. Overproduction within the permitted tolerance shall be considered as oil produced against the allowable assigned to the unit for the next succeeding proration period.

III. Production in excess of monthly allowable, plus tolerance.

Oil produced from any unit in excess of the assigned monthly allowable plus the permissive proration period tolerance shall be "illegal oil" as defined in the Oil Conservation Law, unless (a) such excess oil be produced as a result of mistake or error; (b) mechanical failure beyond the immediate control of the operator, or, (c) resulting from essential tests of the unit within the purview of Oil Conservation Commission Rules. Whenever production from any unit for a proration period is in excess of the assigned allowable, plus the permitted tolerance authorized herein, and the cause of such excess reasonably falls within (a), (b) or (c) of this paragraph, the producer or operator shall briefly set forth the cause of such excess production together with a proposed plan of adjustment thereof, upon all copies of the operators monthly report (Form C-115) for the month in which such excess production occurs. Such excess production shall be considered as oil produced against the allowable assigned to the unit for the following proration period, and it may be transported from the lease tanks only as and when the unit accrues daily allowable to offset such excess production.

IV. General.

The tolerance permitted on a daily or monthly basis as provided herein-above shall not be construed to increase the allowable of a producing unit or to grant authority to any operator to market or to any transporter to transport any quantity of oil in excess of the unit's allowable.

The possession of a quantity of oil in lease storage at the end of any proration period in excess of five days allowable plus any unrun allowable oil shall be construed as a violation of this Rule, unless reported in the manner and within the time provided for filing C-115's provided by Section III above.

V. Storage Records.

All producers and all transporters of oil are required to maintain adequate records showing unrun allowable oil in storage at the end of each proration period. Such storage oil shall be the amount of oil in tanks from which oil is measured and delivered to the transporter.

(2) That Rule 503, be, and the same hereby is amended, by adding thereto a paragraph following paragraph (e) thereof, to be known as 503 (f), to read as follows:

"(f) In the event it becomes necessary for any transporter of crude petroleum to resort to pipeline proration in New Mexico, such transporter shall, as soon as possible and not later than 24 hours after the effective date thereof, notify the Commission of its decision to so prorate; upon receipt of such notice from such transporter, the Commission may take such emergency action, as may be deemed proper, and/or upon its own motion, after notice, hold a hearing for

the purpose of considering any action within its authority, to preserve and protect correlative rights.

In case of pipeline proration any operator affected thereby has the right to make application to the Commission for authorization to have any shortage or underproduction resulting therefrom included in subsequent proration schedules. Such applications shall be made upon a form hereby authorized to be prescribed by the Commission and filed therewith within thirty days after the close of the first proration period in which such pipeline proration shortage occurred, and such authorization shall be limited in any event to wells capable of producing the daily top unit allowable for such period.

In approving any such application the Commission shall determine the period of time during which such shortage shall be made up without injury to the well or pool, and shall include the same in the regularly approved proration schedules following the conclusion of pipeline proration."

(3) That Rules 502 and 503 as set out above supercede any conflicting Rule, Order or parts of Orders.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Secretary

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