

*Entered July 20, 1972  
O.S.P.*

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION ON ITS OWN MOTION FOR  
THE AMENDMENT OF CERTAIN RULES AND  
REGULATIONS OF THE COMMISSION PER-  
TAINING TO OIL PRORATION.

CASE NO. 4737  
Order No. R-4348

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 16, 1972, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 20th day of July, 1972, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

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

(2) That the Rules and Regulations of the New Mexico Oil Conservation Commission presently require bi-monthly oil allowable hearings, the issuance of an oil allowable proration schedule on a bi-monthly basis, the establishment of proportional (depth) factors for each oil pool, and the establishment of waterflood project allowables based partly upon said proportional (depth) factors.

(3) That in order to more equitably allocate the allowable production and to ease the administrative burdens of allocating said production, Rules 503, 505, 701-E, 1104, and 1121 of the New Mexico Oil Conservation Commission Rules and Regulations should be amended to establish depth bracket allowables for the oil pools of New Mexico based on a 100 percent market demand factor; to adopt a procedure for the establishment of market demand factors of less than 100 percent when necessary; to permit the adoption of special depth bracket allowables of more than or less than the regular depth bracket allowables for pools after notice and hearing; to provide for the issuance of oil proration schedules and supplements thereto as necessary.

(4) That each pool which has heretofore been assigned a proportional factor for allowable purposes by special pool rules

and regulations should have assigned to it the appropriate depth bracket allowable for its depth range.

(5) That pools located on the state line having fixed allowables commensurate to fixed allowables assigned to wells in Texas should not be subject to the aforesaid depth bracket allowables and market demand percentage factors, but should continue to receive their present top unit allowable.

(6) That pools which have wells on primary production which are currently producing top unit allowable as presently determined should have assigned to them depth bracket allowables equivalent to their current top unit allowable.

IT IS THEREFORE ORDERED:

(1) That Section A, DEFINITIONS, of the Commission Rules and Regulations is hereby amended as follows:

A. That the definition of Marginal Unit is amended to read in its entirety:

"MARGINAL UNIT shall mean a proration unit which is incapable of producing top unit allowable for the pool in which it is located."

B. That the definition of Non-Marginal Unit is amended to read in its entirety:

"NON-MARGINAL UNIT shall mean a proration unit which is capable of producing top unit allowable for the pool in which it is located, and to which has been assigned a top unit allowable."

C. That the definition of Penalized Unit is added to read in its entirety:

"PENALIZED UNIT shall mean a proration unit to which, because of an excessive gas-oil ratio, an allowable has been assigned which is less than top unit allowable for the pool in which it is located and also less than the ability of the well(s) on the unit to produce."

D. That the definition of Proration Period is amended to read in its entirety:

"PRORATION PERIOD shall mean for oil the proration month and for gas the twelve-month period which shall begin at 7 a.m. January 1 of each year and end at 7 a.m. on January 1 of the succeeding year."

- E. That the definition of Proration Schedule is amended to read in its entirety:

"PRORATION SCHEDULE shall mean the order of the Commission authorizing the production, purchase, and transportation of oil, casinghead gas, and natural gas from the various units of oil or of natural gas in allocated pools."

- F. That the definition of Market Demand Percentage Factor is added to read in its entirety:

"MARKET DEMAND PERCENTAGE FACTOR shall mean that percentage factor of 100 percent or less as determined by the Commission at an oil allowable hearing, which, when multiplied by the depth bracket allowable applicable to each pool, will determine the top unit allowable for that pool."

- G. That the definition of Depth Bracket allowable is added to read in its entirety:

"DEPTH BRACKET ALLOWABLE shall mean the basic oil allowable assigned to a pool and based on its depth, unit size, or special pool rules, which, when multiplied by the market demand percentage factor in effect, will determine the top unit allowable for the pool."

- H. That the definition of Top Unit Allowable for oil is amended to read in its entirety:

"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. The top unit allowable for a pool shall be determined by multiplying the applicable depth bracket allowable by the market demand percentage factor in effect."

- (2) That Rule 503 of the Commission Rules and Regulations is hereby amended to read in its entirety:

"RULE 503. AUTHORIZATION FOR PRODUCTION OF OIL

(a) Except as provided below, the daily top unit allowable for any oil pool shall be 100 percent of the depth bracket allowable for the pool determined pursuant to the provisions of Rule 505.

(b) Every other month the Commission shall, within five days prior to the end of the month, make a determination as to the likelihood of the total producing capacity of all oil wells in the state being in excess of anticipated reasonable market demand for crude petroleum oil from this state.

If the Commission determines that such capacity may be in excess of the anticipated reasonable market demand, and that a market demand factor of less than 100 percent may be necessary to prevent waste, then it shall immediately institute proper proceedings for a hearing to be held before the 20th day of the following month to determine actual reasonable market demand for the next two succeeding months.

(c) At said hearing the Commission shall consider all evidence of market demand for crude petroleum oil from this state, and if it is determined that the market demand percentage factor should be less than 100 percent, an order shall be issued establishing the market demand factor for the ensuing two-month period and setting a date for the next market demand hearing.

(d) The market demand factor thus established shall be multiplied by the applicable depth bracket allowable for each well and each pool to determine its top unit allowable. Any fraction of a barrel shall be regarded as a full barrel in determining top unit allowable.

Upon initial establishment of a market demand factor, and from time to time thereafter, the Commission shall issue a proration schedule authorizing the production of oil from the various proration units in the various pools in the state. Any well completed or recompleted after the issuance of said schedule and for which Form C-104 has been approved, shall, by supplement to the schedule, be authorized a daily allowable equal to the ability of the well to produce up to and including the top unit allowable in effect. The allowable for such well shall become effective at 7:00 a.m. on the date of completion, provided Form C-104 is submitted and approved within ten days following date of completion; otherwise the allowable shall be effective on the date the C-104 is approved. (As provided in Rule 1104, "date of completion" is the date when new oil is delivered into the stock tanks.)

(e) A non-marginal unit is defined as being a proration unit which is capable of producing top unit allowable for the pool in which it is located and to which has been assigned a top unit allowable. Any such non-marginal unit shall be permitted to produce said top unit allowable without waste and subject to the provisions of Rules 301, 502, and 506, and all other applicable rules. Top unit allowable will be assigned only to those units which by tests have demonstrated their ability to produce top unit allowable.

A marginal unit is defined as being a proration unit which is incapable of producing top unit allowable for the pool in which it is located as evidenced by well test, production history, or other report or form filed by the operator with the Commission. Any such marginal unit shall be permitted to produce any amount of oil which it is capable of producing without waste up to top unit allowable for the pool, subject to the provisions of Rules 301, 502, and 506, and all other applicable rules, provided that an allowable has been assigned to the unit to authorize such production.

A penalized unit is defined as being a proration unit to which, because of an excessive gas-oil ratio, an allowable has been assigned which is less than top unit allowable for the pool and also less than the ability of the well(s) on the unit to produce. Such penalized allowable shall be determined in accordance with the procedure set forth in Rule 506. In calculating a penalized allowable, any fraction of a barrel shall be regarded as a full barrel.

(f) Any change in the allowable assigned to any unit--non-marginal, marginal, or penalized, shall be accomplished through issuance of a new proration schedule or by supplement to a previously issued proration schedule. A periodic tabulation of all supplements to the current proration schedule shall be made and distributed by the Commission.

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

(h) 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 Rule 505 of the Commission Rules and Regulations is hereby amended to read in its entirety:

"RULE 505. DEPTH BRACKET ALLOWABLES

(a) Subject to the market demand percentage factor determined pursuant to the provisions of Rule 503, the daily oil allowable for each oil pool in the state shall be equal to the appropriate depth bracket allowable below. The depth of the casing shoe or the top perforation in the casing, whichever is higher, in the first well completed in the pool shall determine the depth classification for the pool. Daily oil allowables for each of the several ranges of depth and spacing patterns shall be as follows:

POOL DEPTH RANGE		DEPTH BRACKET ALLOWABLE		
		40 Acres	80 Acres	160 Acres
0 to	4,999 feet	80 bbls.	160 bbls.	
5,000 to	5,999 "	107 "	187 "	347 bbls.
6,000 to	6,999 "	142 "	222 "	382 "
7,000 to	7,999 "	187 "	267 "	427 "
8,000 to	8,999 "	230 "	310 "	470 "
9,000 to	9,999 "	275 "	355 "	515 "
10,000 to	10,999 "	320 "	400 "	560 "
11,000 to	11,999 "	365 "	445 "	605 "
12,000 to	12,999 "	410 "	490 "	650 "
13,000 to	13,999 "	455 "	535 "	695 "
14,000 to	14,999 "	500 "	580 "	740 "
15,000 to	15,999 "	545 "	625 "	785 "
16,000 to	16,999 "	590 "	670 "	830 "
17,000 to	17,999 "	635 "	715 "	875 "

(b) The 40-acre depth bracket allowables shall apply to all undesignated wells not governed by special pool rules and to all pools developed on the normal 40-acre statewide spacing unit.

(c) The 80-acre and 160-acre depth bracket allowables shall apply to wells governed by applicable special pool rules promulgated by the Commission as an exception to the normal 40-acre statewide spacing unit.

(d) The Commission may, where the same is deemed advisable, assign to a given pool a special depth bracket allowable

at variance to the depth bracket allowable normally assigned to a pool of similar depth and spacing. Such special allowable may be more or less than the regular depth bracket allowable and shall be assigned only after notice and hearing.

In assigning a lesser than regular depth bracket allowable, the Commission may consider, among other pertinent factors, reservoir damage, casinghead gas production and disposition, water production and disposition, transportation facilities, the prevention of surface or underground waste, and the protection of correlative rights.

Assignment of a greater than regular depth bracket allowable shall be made only after sufficient reservoir information is available to ensure that said allowable can be produced without damage to the reservoir and without causing surface or underground waste. The Commission shall also consider the availability of crude oil transportation and marketing facilities, casinghead gas transportation, processing, and marketing facilities, water disposal facilities, the protection of correlative rights, and other pertinent factors."

(4) That the first paragraph of Rule 701 E-3 is hereby amended to read in its entirety:

"3. The maximum allowable assigned to any water flood project area shall be determined by multiplying the number of proration units in the project area times the basic Area Allowable Factor (as determined in subparagraph 4 below) times a depth factor (as determined by dividing the applicable depth bracket allowable in Rule 505 by 80 in 40-acre pools or by 160 in 80-acre pools). The allowable assigned to any water flood project area in which there are proration units containing more than one well shall be increased by an amount of oil equal to 0.333 times the basic Area Allowable Factor times the above depth factor for each such additional well on the proration unit; provided however, that the additional allowable for any such proration unit shall not exceed the basic Area Allowable Factor times the above depth factor."

(5) That Rule 701 E-4 is hereby amended to read in its entirety:

"4. The Commission shall, in its Statewide Oil Proration Order, establish basic 40-acre and 80-acre Area Allowable Factors for water floods in

the State of New Mexico. Such water flood allowable factors shall be equal to the 0-4999 foot depth bracket allowable times the market demand percentage allowable, provided however, in no event shall said water flood allowable factors be less than 42 for 40-acre pools or 84 for 80-acre pools in Southeast New Mexico or 70 for 40-acre pools or 140 for 80-acre pools in Northwest New Mexico."

(6) That Rule 1104 (2) of the Commission Rules and Regulations is hereby amended to read in its entirety:

"(2) The allowable assigned to an oil well shall be effective at 7:00 o'clock a.m. on the date of completion, provided that Form C-104 is received by the Commission and approved within ten days following date of completion; otherwise the allowable shall be effective on the date the C-104 is approved. Date of completion shall be that date when new oil is delivered into the stock tanks."

(7) That Rule 1121 of the Commission Rules and Regulations is hereby amended to read in its entirety:

"RULE 1121. PURCHASER'S NOMINATION FORMS (Form C-121 and Form C-121-A)

Unless requested otherwise by the Secretary-Director of the Commission, one copy of Form C-121, Crude Oil Purchaser's Nomination, shall be submitted to the Santa Fe office of the Commission not later than the 20th day of each odd-numbered month. Nominations shall be filed by each person expecting to purchase oil from producing wells in New Mexico during the second and third succeeding two months. As an example, nominations submitted by the 20th day of July shall indicate the amount of oil the purchaser desires to purchase daily during September and October.

One copy of Form C-121-A, Purchaser's Gas Nomination, shall be submitted to the Santa Fe office of the Commission by the first day of the month during which the Commission will consider at the gas allowable hearing the nominations for the purchase of gas from producing wells in New Mexico during the succeeding month. As an example, purchaser's nominations to take gas from a pool during the month of August would be considered by the Commission at a hearing during July, and should be submitted to the Santa Fe office of the Commission by July 1.

In addition to the monthly gas nominations, twelve-months nominations shall be filed in accordance with the appropriate pool rules."



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(8) That Commission Form C-121, Crude Oil Purchaser's Nomination, is hereby revised as shown on Exhibit 1 attached hereto and made a part hereof.

(9) That each pool which has heretofore been assigned a proportional factor for allowable purposes is hereby assigned the appropriate depth bracket allowable for its depth range.

(10) That the following pools located on the state line are hereby assigned special allowables as indicated which shall not be subject to the market demand percentage factors prescribed in Rule 503 as amended herein:

<u>Pool</u>	<u>County</u>	<u>Daily Top Unit Allowable</u>
Bronco-Wolfcamp	Lea	125 bbls.
Bronco Siluro-Devonian	Lea	227 "
Dollarhide-Drinkard	Lea	91 "
Dollarhide-Devonian	Lea	100 "
North Mason-Delaware	Lea and Eddy	93 "
South Carter-San Andres	Lea	44 "

(11) That in accordance with finding No. 6, the following pools are hereby assigned allowables as indicated which shall be subject to the market demand percentage factors prescribed in Rule 503 as amended herein:

<u>Pool</u>	<u>County</u>	<u>Daily Top Unit Allowable</u>
Crossroads-Devonian	Lea	540 bbls.
South Hospah-Lower Sand	McKinley	100 "
Humble City-Strawn	Lea	534 "
Mescalero-Devonian	Lea	302 "
Moore-Devonian	Lea	374 "
East Morton Wolfcamp	Lea	454 "
Vacuum-Abo Reef	Lea	240 "

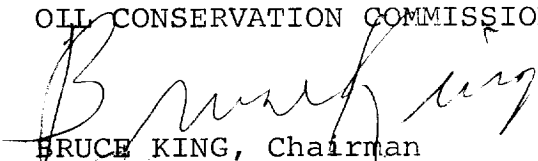
(12) That the effective date of this order shall be September 1, 1972.


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


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DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
BRUCE KING, Chairman

  
ALEX J. ARMIJO, Member

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

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