

Entered August 30, 1972
R.L.

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 TO CONSIDER REVISION OF
RULE 701 E OF THE COMMISSION RULES AND
REGULATIONS TO PROVIDE FOR UNRESTRICTED
ALLOWABLES FOR WATERFLOOD PROJECTS AND
TO ELIMINATE THE NECESSITY OF RESPONSE
FOR ADMINISTRATIVE APPROVAL OF ADDI-
TIONAL INJECTION WELLS.

CASE NO. 4798
Order No. R-4381

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 23, 1972, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 30th day of August, 1972, 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 of the Commission Rules and Regulations provides for establishment of "Area Allowable Factors" for wells in water flood projects and limits the total daily production from wells in the designated water flood project area to that number of barrels obtained by multiplying the number of proration units in the water flood project area times the Area Allowable Factor.
- (3) That the aforesaid system utilizing Area Allowable Factors was adopted by the Commission by Order No. R-1525, dated November 9, 1959, after finding....."that unrestricted production in water flood projects has had a significant and adverse impact on the market available for primary oil produced in New Mexico,and that unrestricted water flood production has contributed to decreased normal unit allowables.....which in turn have been a factor in the decline of primary exploration and development."
- (4) That there has been a significant change in the overall market demand outlook for crude oil from the State of New Mexico, and the Commission, by Order No. R-4348, dated July 20, 1972, revised its oil proration system to adopt depth bracket allowables and to provide for the establishment of market demand percentage factors.

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(5) That the Commission, by Order No. A-261, dated August 18, 1972, after finding that the reasonable market demand for crude petroleum oil from the Counties of Lea, Eddy, Chaves, Roosevelt, San Juan, Rio Arriba, McKinley, and Sandoval exceeds the ability of the oil wells in the said counties to produce without causing underground waste, established, until further order of the Commission, a 100 percent market demand factor to be applicable to the depth bracket allowable assigned to all wells in the State of New Mexico.

(6) That while the Commission still concurs with its previous finding that....."reasonable curtailment of production in water flood projects does not result in a loss of ultimate oil recovery," to continue to limit production from said projects under present market conditions serves no purpose and should be discontinued.

(7) That Rule 701-E of the Commission Rules and Regulations should be amended to provide for the assignment of allowables to wells in a water flood project area equal to the ability of the wells to produce and that said allowables should not be subject to the depth bracket allowable for the pool nor to the market demand percentage factor.

(8) That Rule 701-E of the Commission Rules and Regulations provides that for a well to be eligible for administrative approval for conversion to water injection, said well must have experienced a substantial response to water injection or is directly offset by a producing well which has experienced such response.

(9) That the foregoing requirement for well response to obtain administrative approval for conversion to water injection no longer serves a useful purpose and should be deleted.

(10) That Rule 701-E of the Commission Rules and Regulations should be amended in accordance with the above findings.

(11) That Commission Form C-120 should be revised to provide for the testing and reporting of wells producing in excess of top unit allowable into common facilities with wells outside the water flood project area.

(12) That under present market conditions and in the foreseeable future, the adoption of the foregoing proposed amendments and revision will not cause waste nor violate correlative rights.

IT IS THEREFORE ORDERED:

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

"E. Water Flood Projects

1. Water flood projects are defined as those projects in which water is injected into a producing horizon in sufficient quantities and under sufficient pressure to stimulate the production of oil from other wells in the area, and shall be limited to those areas in which the wells have reached an advanced state of depletion and are regarded as what is commonly referred to as "stripper" wells.
2. The project area of a water flood project shall comprise the proration units owned or operated by a given operator upon which injection wells are located plus all proration units owned or operated by the same operator which directly or diagonally offset the injection tracts and have producing wells completed on them in the same formation; provided however, that additional proration units not directly nor diagonally offsetting an injection tract may be included in the project area if, after notice and hearing, it has been established that such additional units have wells completed thereon which have experienced a substantial response to water injection.
3. The allowable assigned to wells in a water flood project area shall be equal to the ability of the wells to produce and shall not be subject to the depth bracket allowable for the pool nor to the market demand percentage factor.

All production from a water flood project area from wells producing in excess of top unit allowable for the pool shall be identified as water flood production on the monthly Commission Form C-115.

Each and every well producing in excess of top unit allowable for the pool into common facilities with wells not included in the water flood project area shall be tested once each month and the results of such tests shall be included on the monthly Commission Form C-120 filed for said project.

The Secretary-Director is empowered to grant an exception to the foregoing requirement without notice and hearing when an application therefor is filed in due form, and the facts presented justify such exception.

Nothing herein contained shall be construed as prohibiting the assignment of special allowables to wells in buffer zones after notice and hearing. Special allowables may also be assigned in the limited instances where it is established at a hearing that it is imperative for the protection of correlative rights to do so.

4. Water flood projects shall be expanded and additional wells placed on injection only upon authority from the Commission after notice and hearing or by administrative approval.

To obtain such administrative approval, operators shall submit in triplicate an application in accordance with Rule 701-B above. The application shall also state the order number which originally authorized the water flood project, and shall set forth all the facts pertinent to the need for placing additional well(s) on water injection. A copy of the application shall also be sent to each operator offsetting the proposed injection well.

The Secretary-Director may, if in his opinion there is need for conversion of the additional well and said well is on a water flood injection pattern which will result in a thorough and efficient sweep of oil, authorize such injection without notice and hearing, provided that no offset operator objects to the proposed injection well within fifteen (15) days. The Secretary-Director may grant immediate approval to the proposal upon receipt of waivers of objection from all operators offsetting the proposed injection well.

(2) That Commission Form C-120, Monthly Injection Report, is hereby revised as shown on Exhibit 1 attached hereto and made a part hereof.

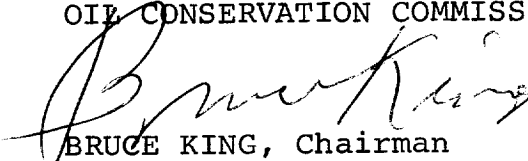
(3) That this order shall be effective September 1, 1972, and that the amendments to Rule 701-E of the Commission Rules and Regulations contained herein shall supersede the amendments to Rules 701 E-3 and 701 E-4 contained in Order No. R-4348 dated July 20, 1972.

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

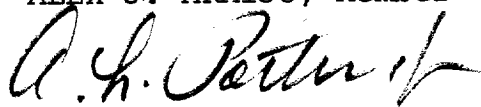
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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


BRUCE KING, Chairman


ALEX J. ARMIJO, Member


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

S E A L

dr/

Submit this report in triplicate to the District Office, Oil Conservation Commission.

Company _____ Pool _____

County _____ Month _____

[illegible][illegible][illegible]

ereby certify that the above information is true and complete to the best of my knowledge and belief.

Remarks: _____ NAME _____

TITLE _____

Exhibit No. 1
Order No. R-4381