

Entered January 1, 1982
JRR

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

CASE NO. 7436
Order No. R-6869

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO ON ITS OWN
MOTION FOR THE PURPOSE OF CONSIDERING
ADOPTION OF A RULE NUMBER FOR THE
DEFINITIONS SECTION OF THE OIL
CONSERVATION DIVISION RULES AND
REGULATIONS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on December 3 and 22, 1981, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 7th day of January, 1982, 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 Oil Conservation Division (Division) has from time-to-time adopted and/or amended definitions applicable to its Rules and Regulations (oil and gas).
- (3) That such definitions do not currently carry a rule number.
- (4) That for continued proper filing of rules with the State Records Center, said definitions should be assigned a rule number.
- (5) That assignment of rule number 0.1 to said definitions and re-adoption of said definitions as shown on Exhibit "A" to this order will facilitate the Division's ability to carry out its statutory mandates.

-2-

Case No. 7436

Order No. R-6869

IT IS THEREFORE ORDERED:

(1) That the Definitions to the Division Rules and Regulations (oil and gas) as heretofore adopted and amended are hereby re-adopted and designated as Division Rule 0.1, all as shown on Exhibit "A" to this Order.

(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


EMERY C. ARNOLD, Chairman

ALEX J. ARMIJO, Member


JOE D. RAMEY, Member & Secretary

S E A L

RULE 0.1 DEFINITIONS

ADJUSTED ALLOWABLE shall mean the allowable production a well or proration unit receives after all adjustments are made.

ALLOCATED POOL is one in which the total oil or natural gas production is restricted and allocated to various wells therein in accordance with proration schedules.

ALLOWABLE PRODUCTION shall mean that number of barrels of oil or standard cubic feet of natural gas authorized by the Division to be produced from an allocated pool.

AQUIFER shall mean a geological formation, group of formations, or a part of a formation that is capable of yielding a significant amount of water to a well or spring.

BACK ALLOWABLE shall mean the authorization for production of any shortage or underproduction resulting from pipeline prorationing.

BARREL shall mean 42 United States Gallons measured at 60 degrees Fahrenheit and atmospheric pressure at the sea level.

BARREL OF OIL shall mean 42 United States Gallons of oil, after deductions for the full amount of basic sediment, water and other impurities present, ascertained by centrifugal or other recognized and customary test.

BOTTOM HOLE OR SUBSURFACE PRESSURE shall mean the gauge pressure in pounds per square inch under conditions existing at or near the producing horizon.

BRADENHEAD GAS WELL shall mean any well producing gas through wellhead connections from a gas reservoir which has been successfully cased off from an underlying oil or gas reservoir.

CARBON DIOXIDE GAS shall mean noncombustible gas composed chiefly of carbon dioxide occurring naturally in underground rocks.

CASINGHEAD GAS shall mean any gas or vapor or both gas and vapor indigenous to and produced from a pool classified as an oil pool by the Division. This also includes gas-cap gas produced from such an oil pool.

COMMISSION shall mean the Oil Conservation Commission.

COMMON PURCHASER FOR NATURAL GAS shall mean any person now or hereafter engaged in purchasing from one or more producers gas produced from gas wells within each common source of supply from which it purchases.

COMMON PURCHASER FOR OIL shall mean every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipelines.

COMMON SOURCE OF SUPPLY See Pool.

CONDENSATE shall mean the liquid recovered at the surface that results from condensation due to reduced pressure or temperature of petroleum hydrocarbons existing in a gaseous phase in the reservoir.

CONTIGUOUS shall mean acreage joined by more than one common point, that is, the common boundary must be at least one side of a governmental quarter-quarter section.

CONVENTIONAL COMPLETION shall mean a well completion in which the production string of casing has an outside diameter in excess of 2.875 inches.

CORRELATIVE RIGHTS shall mean the opportunity afforded, as far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as can be practically obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for such purpose to use his just and equitable share of the reservoir energy.

CUBIC FOOT OF GAS OR STANDARD CUBIC FOOT OF GAS, for the purpose of these rules, shall mean that volume of gas contained in one cubic foot of space and computed at a base pressure of 10 ounces per square inch above the average barometric pressure of 14.4 pounds per square inch (15.025 psia), at a standard base temperature of 60 degrees Fahrenheit.

DEEP POOL shall mean a common source of supply which is situated 5000 feet or more below the surface.

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.

DIVISION shall mean the Oil Conservation Division of the New Mexico Energy and Minerals Department.

EXEMPTED AQUIFER shall mean an aquifer that does not currently serve as a source of drinking water, and which cannot now and will not in the foreseeable future serve as a source of drinking water because: (1) it is hydrocarbon producing; (2) it is situated at a depth or location which makes the recovery of water for drinking water purposes economically or technologically impractical; or, (3) it is so contaminated that it would be economically or technologically impractical to render that water fit for human consumption.

FIELD means the general area which is underlaid or appears to be underlaid by at least one pool; and field also includes the underground reservoir or reservoirs containing such crude petroleum oil or natural gas, or both. The words field and pool mean the same thing when only one underground reservoir is involved; however, field unlike pool may relate to two or more pools.

GAS LIFT shall mean any method of lifting liquid to the surface by injecting gas into a well from which oil production is obtained.

GAS-OIL RATIO shall mean the ratio of the casinghead gas produced in standard cubic feet to the number of barrels of oil concurrently produced during any stated period.

GAS-OIL RATIO ADJUSTMENT shall mean the reduction in allowable of a high gas-oil ratio unit to conform with the production permitted by the limiting gas-oil ratio for that particular pool during a particular proration period.

GAS TRANSPORTATION FACILITY shall mean a pipeline in operation serving gas wells for the transportation of natural gas, or some other device or equipment in like operation whereby natural gas produced from gas wells connected therewith can be transported or used for consumption.

GAS WELL shall mean a well producing gas or natural gas from a gas pool, or a well with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil producing from an oil pool.

HIGH GAS-OIL RATIO PRORATION UNIT shall mean a unit with at least one producing oil well with a gas-oil ratio in excess of the limiting gas-oil ratio for the pool in which the unit is located.

ILLEGAL GAS shall mean natural gas produced from a gas well in excess of the allowable determined by the Division.

ILLEGAL OIL shall mean crude petroleum oil produced in excess of the allowable as fixed by the Division.

ILLEGAL PRODUCT shall mean any product of illegal gas or illegal oil.

INJECTION OR INPUT WELL shall mean any well used for the injection of air, gas, water, or other fluids into any underground stratum.

LIMITING GAS-OIL RATIO shall mean the gas-oil ratio assigned by the Division to a particular oil pool to limit the volumes of casinghead gas which may be produced from the various oil producing units within that particular pool.

LOAD OIL is any oil or liquid hydrocarbon which has been used in remedial operation in any oil or gas well.

LOG OR WELL LOG shall mean a systematic detailed and correct record of formations encountered in the drilling of a well.

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

MARKET DEMAND PERCENTAGE FACTOR shall mean that percentage factor of 100 percent or less as determined by the Division 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.

MINIMUM ALLOWABLE shall mean the minimum amount of production from an oil or gas well which may be advisable from time to time to the end that production will repay reasonable lifting cost and thus prevent premature abandonment and resulting waste.

MULTIPLE COMPLETION (COMBINATION) shall mean a multiple completion in which two or more common sources of supply are produced through a combination of two or more conventional diameter casing strings cemented in a common well-bore, or a combination of small diameter and conventional diameter casing strings cemented in a common well-bore, the conventional diameter strings of which might or might not be a Multiple Completion (Conventional).

MULTIPLE COMPLETION (CONVENTIONAL) shall mean a completion in which two or more common sources of supply are produced through one or more strings of tubing installed within a single casing string, with the production from each common source of supply completely segregated by means of packers.

MULTIPLE COMPLETION (TUBINGLESS) shall mean a completion in which two or more common sources of supply are produced through an equal number of casing strings cemented in a common well-bore, each such string of casing having an outside diameter of 2.875 inches or less, with the production from each common source of supply completely segregated by use of cement.

NATURAL GAS OR GAS shall mean any combustible vapor composed chiefly of hydrocarbons occurring naturally in a pool classified by the Division as a gas pool.

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.

OFFICIAL GAS-OIL RATIO TEST shall mean the periodic gas-oil ratio test made by order of the Division by such method and means and in such manner as prescribed by the Division.

OIL, CRUDE OIL, OR CRUDE PETROLEUM OIL shall mean any petroleum hydrocarbon produced from a well in the liquid phase and which existed in a liquid phase in the reservoir.

OIL WELL shall mean any well capable of producing oil and which is not a gas well as defined herein.

OPERATOR shall mean any person or persons who, duly authorized, is in charge of the development of a lease or the operation of a producing property.

OVERAGE OR OVERPRODUCTION shall mean the amount of oil or the amount of natural gas produced during a proration period in excess of the amount authorized on the proration schedule.

OWNER means the person who has the right to drill into and to produce from any pool, and to appropriate the production either for himself or for himself and another.

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.

PERSON means any natural person, corporation, association, partnership, receiver, trustee, guardian, executor, administrator and fiduciary of any kind.

POOL means any underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separated from any other zone in the structure, is covered by the word "pool" as used herein. "Pool" is synonymous with "common source of supply" and with "common reservoir."

POTENTIAL shall mean the properly determined capacity of a well to produce oil, or gas, or both, under conditions prescribed by the Division.

PRESSURE MAINTENANCE shall mean the injection of gas or other fluid into a reservoir, either to maintain the existing pressure in such reservoir or to retard the natural decline in the reservoir pressure.

PRODUCER shall mean the owner of a well or wells capable of producing oil or natural gas or both in paying quantities.

PRODUCT means any commodity or thing made or manufactured from crude petroleum oil or natural gas, and all derivatives of crude petroleum oil or natural gas, including refined crude oil, crude tops, topped crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil, treated crude oil, fuel oil, residuum, gas oil, naphtha, distillate, gasoline, kerosene, benzine, wash oil, lubricating oil, and blends or mixtures of crude petroleum oil or natural gas or any derivative thereof.

PRORATION DAY shall consist of 24 consecutive hours which shall begin at 7 a.m. and end at 7 a.m. on the following day.

PRORATION MONTH shall mean the calendar month which shall begin at 7 a.m. on the first day of such month and end at 7 a.m. on the first day of the next succeeding month.

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

PRORATION SCHEDULE shall mean the order of the Division 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.

RECOMPLETE shall mean the subsequent completion of a well in a different pool from the pool in which it was originally completed.

SECONDARY RECOVERY shall mean a method of recovering quantities of oil or gas from a reservoir which quantities would not be recoverable by ordinary primary depletion methods.

SHALLOW POOL shall mean a pool which has a depth range from 0 to 5000 feet.

SHORTAGE OR UNDERPRODUCTION shall mean the amount of oil or the amount of natural gas during a proration period by which a given proration unit failed to produce an amount equal to that authorized in the proration schedule.

SHUT-IN PRESSURE shall mean the gauge pressure noted at the wellhead when the well is completely shut in, not to be confused with bottom hole pressure.

TANK BOTTOMS shall mean that accumulation of hydrocarbon material and other substances which settles naturally below crude oil in tanks and receptacles that are used in handling and storing of crude oil, and which accumulation contains in excess of two (2%) percent of basic sediment and water; provided, however, that with respect to lease production and for lease storage tanks, a tank bottom shall be limited to that volume of the tank in which it is contained that lies below the bottom of the pipeline outlet thereto.

TEMPORARY ABANDONMENT shall mean a state or period of suspended operations during which continuous drilling, production, injection, storage, or work-over operations have not taken place. Such period shall be 60 days for drilling wells and six months for all other classes of wells.

TOP UNIT ALLOWABLE FOR GAS shall mean the maximum number of cubic feet of natural gas, for the proration period, allocated to a gas producing unit in an allocated gas pool.

TOP UNIT ALLOWABLE FOR OIL shall mean the maximum number of barrels for 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.

TREATING PLANT shall mean any plant constructed for the purpose of wholly or partially or being used wholly or partially for reclaiming, treating, processing, or in any manner making tank bottoms or any other waste oil marketable.

TUBINGLESS COMPLETION shall mean a well completion in which the production string of casing has an outside diameter of 2.875 inches or less.

UNDERGROUND SOURCE OF DRINKING WATER shall mean an aquifer which supplies water for human consumption or which contains ground water having a total dissolved solids concentration of 10,000 mg/l or less and which is not an exempted aquifer.

UNIT OF PRORATION FOR GAS shall consist of such multiples of 40 acres as may be prescribed by special pool rules issued by the Division.

UNIT OF PRORATION FOR OIL shall consist of one 40-acre tract or such multiples of 40-acre tracts as may be prescribed by special pool rules issued by the Division.

UNORTHODOX WELL LOCATION shall mean a location which does not conform to the spacing requirements established by the rules and regulations of the Division.

WASTE, in addition to its ordinary meaning, shall include:

- (a) Underground Waste as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas.
- (b) Surface Waste as those words are generally understood in the oil and gas business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of natural gas of any type or in any form or crude petroleum oil, or any product thereof, but including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage, or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating or producing, well or wells, or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil or natural gas, in excess of the reasonable market demand.
- (c) The production of crude petroleum oil in this state in excess of the reasonable market demand for such crude petroleum oil. Such excess production causes or results in waste which is prohibited by the Oil and Gas Act. The words "reasonable market demand" as used herein with respect to crude petroleum oil, shall be construed to mean the demand for such crude petroleum oil, for reasonable current requirements for current consumption and use within or outside of the state, together with the demand for such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both such crude petroleum oil and products.
- (d) The non-ratable purchase or taking of crude petroleum oil in this state. Such non-ratable taking and purchasing causes or results in waste, as defined in paragraphs (a), (b), and (c) of this definition and causes waste by violating Section 70-2-16 of the Oil and Gas Act.
- (e) The production in this state of natural gas from any gas well or wells, or from any gas pool, in excess of the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of gas transportation facilities for such type of natural gas. The words "reasonable market demand," as used herein with respect to natural gas, shall be construed to mean the demand for natural gas for reasonable current requirements, for current consumption and for use within or outside the state, together with the demand for such amounts as are necessary for building up or maintaining reasonable storage reserves of natural gas or products thereof, or both such natural gas and products.

