

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION ON ITS OWN MOTION TO AMEND RULES 0.1, 106, 111, 117, 118, 301, 303, 309-C, 503, 505, 506, 509, 1100, 1113, 1122, and 1304 OF THE GENERAL RULES AND REGULATIONS FOR THE NEW MEXICO OIL CONSERVATION DIVISION.

CASE NO. 9768
Order No. R-9011

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on September 21, 1989, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 16th day of October, 1989, 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 THAT:

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

(2) The Division is preparing to republish its rule book.

(3) There are a number of grammatical and syntactical errors contained in the Division rules which should be corrected.

(4) The definition of proration period needs to be amended to provide flexibility to the Division to establish proration periods.

(5) The proposals do not substantively change the rules, but do make them more correct and should be adopted.

(6) The rule changes should become effective October 16, 1989.

IT IS THEREFORE ORDERED THAT:

(1) Division rules numbers 0.1, 106, 111, 117, 118, 301, 303, 309-C, 503, 505, 506, 509, 1100, 1113, 1122 and 1304 are

-2-

Case No. 9768
Order No. R-9011

hereby amended to read as shown on Exhibit "A" attached to and made a part of this order.

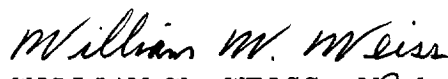
(2) The effective date of this order and amended Rules shall be October 16, 1989.

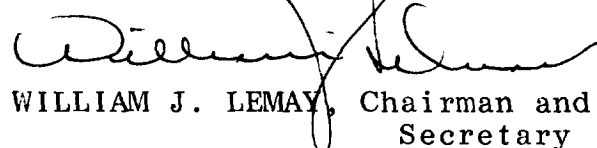
(3) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

WILLIAM R. HUMPHRIES, Member


WILLIAM W. WEISS, Member


WILLIAM J. LEMAY, Chairman and
Secretary

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A - DEFINITIONS

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

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

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 the succeeding year or other period designated by general or special order of the Division.

SHORTAGE OR UNDERPRODUCTION shall mean 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.

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

- (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 a 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.

RULE 106. SEALING OFF STRATA

(c) All water shall be shut off and excluded from the various oil- and gas-bearing strata which are penetrated. Water shut-offs shall ordinarily be made by cementing casing.

RULE 111. DEVIATION TESTS AND DIRECTIONAL DRILLING

(b) Except as provided in Paragraph (c) below, no well shall be intentionally deviated without special permission from the Division. Permission to deviate toward the vertical to straighten a crooked hole, to deviate toward the vertical or in an indeterminate direction to sidetrack junk in the hole, or to drill a relief well to control a blow-out shall be obtained from the appropriate District Office of the Division on Division Form C-103 with copies of said Form C-103 being furnished to all offset operators. Upon request from the Division Director, any well which was deviated in an indeterminate direction or toward the vertical shall be directionally surveyed. In addition, a directional survey of the entire well bore must be made on any well which was deviated in a predetermined direction, except toward the vertical. The District Office of the Division shall be notified of the approximate time all directional surveys are to be conducted. All directional surveys run on any well which was intentionally deviated in any manner for any reason must be filed with the Division upon completion of the well. The Division will not assign an allowable to a well until the operator has submitted an affidavit that all such directional surveys have been filed.

RULE 117. WELL LOG, COMPLETION AND WORKOVER REPORTS

Within 20 days after the completion of a well drilled for oil or gas, or the recompletion of a well into a different common source of supply, a completion report shall be filed with the Division on Form C-105. For the purpose of this rule, any hole drilled or cored below fresh water or which penetrates oil- or gas-bearing formations or which is drilled by an "owner" as defined herein shall be presumed to be a well drilled for oil or gas.

RULE 118. HYDROGEN SULFIDE GAS - PUBLIC SAFETY

B. Producing operations should be conducted with due consideration and guidance from American Petroleum Institute (API) publication "Conducting Oil and Gas Production Operations Involving Hydrogen Sulfide" (RP-55). The operator of a lease producing, or a gas processing plant handling H_2S , or any other related facility where H_2S gas is present in concentrations of

100 PPM or more shall take reasonable measures to forewarn and safeguard persons having occasion to be on or near the property. In addition to training operator's employees in H₂S safety such measures may include, but are not necessarily limited to, posting of warning signs, fencing of surface installations, installation of safety devices and wind direction indicators, and maintaining tanks, thief hatches and gaskets, valves and piping in condition so as to prevent avoidable loss of vapors. Where release of hydrogen sulfide is unavoidable, the operator shall burn or vent the gas stream in such a manner as to avoid endangering human life.

RULE 301. GAS-OIL RATIO AND PRODUCTION TESTS

(c) In the case of special tests taken between regular gas-oil ratio surveys, the gas-oil ratio shall become effective for proration purposes upon the date Form C-116, reporting the results of such test, is received by the Division. A special test does not exempt any well from the regular survey.

(g) The results of productivity tests taken during survey periods shall be filed with the Division on Form C-116 (with the word "Exempt" inserted in the column normally used for reporting gas production) not later than the 10th of the month following the close of the survey period for the pool in which the well is located. Unless Form C-116 is filed within the required time limit, no further allowable will be assigned the affected well until Form C-116 is filed.

RULE 303. SEGREGATION OF PRODUCTION FROM POOLS

B. SURFACE COMMINGLING

The Division Director shall have the authority to grant an exception to Rule 303-A to permit the commingling in common facilities of the commonly owned production from two or more common sources of supply, without notice and hearing, provided that the liquid hydrocarbon production from each common source of supply is to be accurately measured or determined prior to such commingling in accordance with the applicable provisions of the Division "Manual for the Installation and Operation of Commingling Facilities," then current.

Applications for administrative approval to commingle the production from two or more common sources of supply shall be filed in triplicate with the Santa Fe Office of the Division. The application must contain detailed data as to the gravities of the liquid hydrocarbons, the values thereof, and the volumes of the liquid hydrocarbons production from each pool, as well as the expected gravity and value of the commingled liquid hydrocarbons production; a schematic diagram of the proposed installation; a plat showing the location of all wells on the applicant's lease and the pool from which each well is producing. The application shall also state specifically whether the actual commercial value of such commingled production will be less than the sum of the values of the production from each common source of supply and, if so, how much less.

Where State or Federal lands are involved, applicant shall furnish evidence that the Commissioner of Public Lands for the State of New Mexico or the Regional Supervisor of the United States Bureau of Land Management has consented to the proposed commingling.

- (j) A statement that all offset operators and, in the case of a well on federal land, the United States Bureau of Land Management have been notified in writing of the proposed commingling.

RULE 309-C ADMINISTRATIVE APPROVAL, OFF-LEASE STORAGE

- 6. Where State or Federal lands are involved, the applicant shall furnish evidence that the Commissioner of Public Lands for the State of New Mexico or the Regional Supervisor of the United States Bureau of Land Management has consented to the proposed off-lease storage.

RULE 503. AUTHORIZATION FOR PRODUCTION OF OIL

(c) At said hearing the Division 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 and setting a date for the next market demand hearing.

RULE 505. DEPTH BRACKET ALLOWABLES

(d) The Division may, where the same is deemed appropriate, 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.

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RULE 506. GAS-OIL RATIO LIMITATION

(1) Any proration unit which, on the basis of the latest official gas-oil ratio test, has a gas-oil ratio in excess of the limiting gas-oil ratio and has the capacity to produce above the top casinghead gas volume calculated by Rule 506 (a) for the pool in which it is located shall be permitted to produce daily that number of barrels of oil which shall be determined by multiplying the current top unit allowable by a fraction, the numerator of which shall be the limiting gas-oil ratio for the pool and the denominator of which shall be the official test gas-oil ratio of the well, and the proration unit will be designated non-marginal.

RULE 509. OIL DISCOVERY ALLOWABLE

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If, in the opinion of the Division staff, good cause exists to bring the pool on for hearing as a discovery, and no objection has been received from any other operator, the pool will be placed on the first available hearing docket for inclusion by the staff in its regular pool nomenclature case. If the staff is not in agreement with the applicant's contention that a new pool has been discovered, or if, within ten days after receiving a copy of the application another operator files with the Division an objection to the creation of a new pool and the assignment of a discovery allowable, the applicant will be so notified, and he will be expected to present the evidence supporting his case. Or, if the applicant so desires, the application may be set for separate hearing on other than the nomenclature docket for presentation of evidence by the applicant.

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EXHIBIT "A"
Page No. 5
CASE NO. 9768
ORDER NO. R-9011

The total discovery allowable attributable to each zone in the well shall be produced over a two-year period commencing with the time of authorization. The well's daily allowable for each pool receiving the discovery allowable shall not exceed the daily top unit allowable for the pool plus the total pool discovery allowable divided by 730 days (731 days if a leap year is included).

RULE 1100. GENERAL

Form C-123 Request for the Creation of a New Pool

RULE 1113. REFINER'S MONTHLY REPORT (Form C-113)

Every refiner of crude petroleum oil within the State of New Mexico shall furnish for each calendar month Refiner's Monthly Report, Form C-113, containing the information and data indicated by such form respecting crude petroleum oil and products involved in such refiner's operation during each month. Such report for each month shall be filed in DUPLICATE and be postmarked on or before the 15th day of the next succeeding month.

RULE 1122. MULTIPOINT AND ONE POINT BACK PRESSURE TEST FOR GAS WELL (Form C-122)

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The above forms shall be submitted to the appropriate district office of the Division in accordance with the provisions of the "Manual for Back-Pressure Testing of Natural Gas Wells," or "Gas Well Testing Manual for Northwest New Mexico", Rule 401 of the Division Rules and Regulations, and applicable special pool rules and proration orders. These forms shall be submitted in DUPLICATE except Form C-122-A which shall be submitted in TRIPLICATE.

RULE 1304. NUMBERING OF DIVISION ORDERS

All orders of the Division made after January 1, 1950, pertaining to the allocation of production of oil and gas are prefixed with the letter "A" or "AG" in the case of gas pools and are numbered consecutively, commencing with the number 1,

EXHIBIT "A"
Page No. 6
CASE NO. 9768
ORDER NO. R-9011

i.e., the first allocation order issued after January 1, 1950, is No. A-1, the next A-2, etc. or AG-1 and AG-2.

EXHIBIT "A"
Page No. 7
CASE NO. 9768
ORDER NO. R-9011