

*Entered April 25, 1957*

*A.F.P.*

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE NO. 1164  
Order No. R-967

APPLICATION OF THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO UPON ITS  
OWN MOTION FOR AN ORDER REVISING THE  
SPECIAL RULES AND REGULATIONS FOR ALL  
PRORATED GAS POOLS IN THE STATE OF  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on October 17, 1956, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 23<sup>rd</sup> day of April 1957, the Commission, a quorum being present, having considered the application and the evidence adduced and being fully advised in the premises,

FINDS:

(1) That due notice of the time and place of hearing and the purpose thereof having been given as required by law, the Commission has jurisdiction of this case and the subject matter thereof.

(2) That, in order to promote a more efficient gas prorationing procedure in the State of New Mexico, the special pool rules for every prorated gas pool in the state should be clarified and revised in accordance with the recommendations of the special industry advisory committee appointed by the Commission to study the problem.

IT IS THEREFORE ORDERED:

(1) That Commission Order R-128-D dated October 13, 1955, amending the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool as set forth in Commission Order R-110, dated November 9, 1951, be and the same is hereby amended as follows:

RULE 3 - R-128-D

In the event a gas purchasers' market shall have increased or decreased, he may file with the Commission prior to the 10th day of the month a "Supplemental Nomination," showing the amount of gas he actually in good faith desires to purchase during the ensuing proration month from the Blanco-Mesaverde Gas Pool. The Commission

shall hold a public hearing between the 13th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month along with such other information as is necessary to show the allowable-production status of each well on the schedule. "Supplemental Nominations" shall be submitted on a Form C-121-A as prescribed by the Commission.

The Commission shall include in the proration schedule the gas wells in the Blanco-Mesaverde Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility, which is reasonably capable of handling the type of gas produced by such well.

The total allowable to be allocated to the pool each month shall be equal to the sum of the preliminary or supplemental nominations (whichever is applicable), together with any adjustment which the Commission deems advisable. A monthly allowable shall be assigned to each well entitled to an allowable in the pool by allocating the pool allowable among all such wells in accordance with the procedure set out in Rule 4 provided, however, that the allowable assigned to any well shall not exceed the well's known producing ability. A well, the allowable of which is so limited, shall be classified as a marginal well and shall not be permitted to accumulate underproduction, and any underproduction accrued to a well prior to its classification as a marginal well shall be cancelled. Any well classified as a marginal well shall be removed from such classification in instances where the production of the well evidences that the classification is no longer applicable.

Effective August 1, 1956, and after the production data is available for the last month of each succeeding gas proration period, any well which had an underproduced status at the beginning of the preceding gas proration period and which did not produce its allowable during at least one month of such preceding gas proration period may be classified as a marginal well unless prior to the end of said preceding gas proration period, the operator or other interested party presents satisfactory evidence to the Commission showing that the well should not be so classified. However, a well which in any month of said proration period has demonstrated its ability to produce its allowable for said proration period shall not be classified as a marginal well.

The director may reclassify a marginal or non-marginal well at any time the wells production data, deliverability data, or other evidence as to the wells producing ability justify such re-classification.

A well which has been reworked or recompleted shall be classified as a non-marginal well as of the day of reconnection to a pipeline until such time as production data, deliverability data or other evidence as to the wells producing ability indicates that the well is improperly classified.

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If during a proration month the acreage assigned to a well is increased the operator shall notify the Director in writing (Box 871, Santa Fe, New Mexico) of such increase. The increased allowable assigned the gas proration unit for the well shall be effective on the first day of the month following receipt of the notification by the Director. The Commission may assign minimum allowables in order to prevent the premature abandonment of wells.

If at the end of a proration period a marginal well has produced more than the total allowable for the period assigned a non-marginal well of like deliverability and acreage, the marginal well shall be reclassified as a non-marginal well and its allowable and net status adjusted accordingly.

All wells not classified as marginal wells shall be classified as non-marginal wells.

#### RULE 4 - R-128-D

The product obtained by multiplying each well's acreage factor by the calculated deliverability (expressed as MCF per day) for that well shall be known as the AD Factor for that well. The acreage factor shall be determined to the nearest hundredth of a unit by dividing the acreage within the proration unit by 320. The "AD Factor" shall be computed to the nearest whole unit.

The allowable to be assigned to each marginal well shall be equal to the maximum production during any month of the preceding gas proration period.

The pool allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in the following manner:

- (1) Seventy-five percent (75%) of the pool allowable remaining to be allocated to non-marginal wells shall be allocated among such wells in the proportion that each well's "AD Factor" bears to the total "AD Factor" for all non-marginal wells in the pool.
- (2) Twenty-five percent (25%) of the pool allowable remaining to be allocated to non-marginal wells shall be allocated among such wells in the proportion that each well's acreage factor bears to the total acreage factor for all non-marginal wells in the pool.

#### RULE 5 - R-128-D

The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of Order R-333-C & D.

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The Secretary of the Commission shall have authority to allow exceptions to the annual deliverability test requirement for marginal wells in those instances where the deliverability of the well is of such volume as to have no significance in the determination of the well's allowable. Application for such exceptions may be submitted in writing by the operator of the well and, if granted, may be revoked by the Secretary of the Commission at any time by requesting the well to be scheduled and tested in accordance with Order R-333-C and D.

#### BALANCING OF PRODUCTION

##### RULE 5-A - R-128-D

The dates 7:00 a.m., February 1, and 7:00 a.m., August 1, shall be known as balancing dates and the periods of time between these dates shall be known as gas proration periods. The first proration period shall commence March 1, 1955 and shall continue for a period of 11 months and future proration periods shall commence on the dates outlined above.

##### RULE 6 - R-128-D

Underproduction: Any non-marginal well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable if any, to be cancelled.

##### RULE 7 - R-128-D

Overproduction: Any well which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period, provided that such overproduction shall be made up during such succeeding period. Any well which has not made up the overproduction carried into a gas proration period by the end of such gas proration period shall be shut-in until such overproduction is made up. If, at any time, a well is overproduced an amount equaling six times its current monthly allowable it shall be shut-in during that month and each succeeding month until the well is overproduced less than 6 times its current monthly allowables.

Allowable assigned to a well during any one month of a gas proration period in excess of the production of the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been made up.

The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut-in upon a showing at public hearing after due notice that complete shut-in of the well would result in material damage to the well.

Any allowable accrued to a well at the end of a proration period due to the cancellation of underage and redistribution thereof shall be applied against the overproduction carried into said proration period.

RULE 9 - (Second Paragraph) R-128-D

No well shall be assigned an allowable unless a deliverability test taken in conformance with Order R-333-C & D has been submitted, except in the case of a marginal well which has been exempt from testing in accordance with Rule 5 of this order.

(2) That the Special Rules and Regulations for the Fulcher Kutz-Pictured Cliffs, Aztec-Pictured Cliffs, and South Blanco-Pictured Cliffs Gas Pool as set forth in Commission Order R-565-C, dated October 13, 1955; and the Special Rules and Regulations for the West Kutz-Pictured Cliffs Gas Pool as set forth in Commission Order R-566-D, dated October 13, 1955; and the Special Rules and Regulations for the Ballard Pictured Cliffs Pool as set forth in Commission Order R-846, dated July 18, 1956, be and the same are hereby amended as follows:

RULE 8 - R-565-C, R-566-D, and R-846

In the event a gas purchaser's market shall have increased or decreased, he may file with the Commission prior to the 10th day of the month a "Supplemental Nomination," showing the amount of gas he actually in good faith desires to purchase during the ensuing proration month from the Fulcher-Kutz, West Kutz, Aztec, South Blanco and Ballard Pictured Cliffs Gas Pool. The Commission shall hold a public hearing between the 13th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month along with such other information as is necessary to show the allowable-production status of each well on the schedule. "Supplemental Nominations" shall be submitted on a Form C-121-A as prescribed by the Commission.

The Commission shall include in the proration schedule the gas wells in the Fulcher-Kutz, West Kutz, Aztec, South Blanco and Ballard Pictured Cliffs Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility, which is reasonably capable of handling the type of gas produced by such well.

The total allowable to be allocated to the pool each month shall be equal to the sum of the preliminary or supplemental nominations (whichever is applicable), together with any adjustment

which the Commission deems advisable. A monthly allowable shall be assigned to each well entitled to an allowable in the pool by allocating the pool allowable among all such wells in accordance with the procedure set out in Rule 9 provided, however, that the allowable assigned to any well shall not exceed the well's known producing ability. A well, the allowable of which is so limited, shall be classified as a marginal well and shall not be permitted

~~to accumulate underproduction, and any underproduction accrued to~~

a well prior to its classification as a marginal well shall be cancelled. Any well classified as a marginal well shall be removed from such classification in instances where the production of the well evidences that the classification is no longer applicable.

Effective August 1, 1956, and after the production data is available for the last month of each succeeding gas proration period, any well which had an underproduced status at the beginning of the preceding gas proration period and which did not produce its allowable during at least one month of such preceding gas proration period may be classified as a marginal well unless prior to the end of said preceding gas proration period, the operator or other interested party presents satisfactory evidence to the Commission showing that the well should not be so classified. However, a well which in any month of said proration period has demonstrated its ability to produce its allowable for said proration period shall not be classified as a marginal well.

The director may reclassify a marginal or non-marginal well at any time the wells production data, deliverability data, or other evidence as to the wells producing ability justify such re-classification.

A well which has been reworked or recompleted shall be classified as a non-marginal well as of the day of reconnection to a pipeline until such time as production data, deliverability data or other evidence as to the wells producing ability indicates that the well is improperly classified.

If during a proration month the acreage assigned to a well is increased the operator shall notify the Director in writing (Box 871, Santa Fe, New Mexico) of such increase. The increased allowable assigned the gas proration unit for the well shall be effective on the first day of the month following receipt of the notification by the Director. The Commission may assign minimum allowables in order to prevent the premature abandonment of wells.

If at the end of a proration period a marginal well has produced more than the total allowable for the period assigned a non-marginal well of like deliverability and acreage, the marginal well shall be reclassified as a non-marginal well and its allowable and net status adjusted accordingly.

All wells not classified as marginal wells shall be classified as non-marginal wells.

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RULE 9 - R-565-C, R-566-D and R-846

The product obtained by multiplying each well's acreage factor by the calculated deliverability (expressed as MCF per day) for that well shall be known as the AD Factor for that well. The acreage factor shall be determined to the nearest hundredth of a unit by dividing the acreage within the proration unit by 160. The "AD Factor" shall be computed to the nearest whole unit.

The allowable to be assigned to each marginal well shall be equal to the maximum production during any month of the preceding gas proration period.

The pool allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in the following manner:

- (1) Seventy-five percent (75%) of the pool allowable remaining to be allocated to non-marginal wells shall be allocated among such wells in the proportion that each well's "AD Factor" bears to the total "AD Factor" for all non-marginal wells in the pool.
- (2) Twenty-five percent (25%) of the pool allowable remaining to be allocated to non-marginal wells shall be allocated among such wells in the proportion that each well's acreage factor bears to the total acreage factor for all non-marginal wells in the pool.

RULE 10 - R-565-C, R-566-D & R-846

The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of Order R-333-C & D.

The Secretary of the Commission shall have authority to allow exceptions to the annual deliverability test requirement for marginal wells in those instances where the deliverability of the well is of such volume as to have no significance in the determination of the well's allowable. Application for such exceptions may be submitted in writing by the operator of the well and, if granted, may be revoked by the Secretary of the Commission at any time by requesting the well to be scheduled and tested in accordance with Order R-333-C and D.

BALANCING OF PRODUCTION

RULE 10 A - R-565-C, R-566-D & R-846

The dates 7:00 a.m., February 1, and 7:00 a.m., August 1, shall be known as balancing dates and the periods of time between these dates shall be known as gas proration periods. The first proration period shall commence October 1, 1956 and shall continue for a period of 10 months and future proration periods shall commence on the dates outlined above.

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RULE 11 - R-565-C, R-566-D, & R-846

Underproduction: Any non-marginal well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

RULE 12 - R-565-C, R-566-D & R-846

Overproduction: Any well which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period, provided that such overproduction shall be made up during such succeeding period. Any well which has not made up the overproduction carried into a gas proration period by the end of such gas proration period shall be shut-in until such overproduction is made up. If, at any time, a well is overproduced an amount equaling six times its current monthly allowable it shall be shut-in during that month and each succeeding month until the well is overproduced less than 6 times its current monthly allowable.

Allowable assigned to a well during any one month of a gas proration period in excess of the production of the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been made up.

The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut-in upon a showing at public hearing after due notice that complete shut-in of the well would result in material damage to the well.

Any allowable accrued to a well at the end of a proration period due to the cancellation of underage and redistribution thereof shall be applied against the overproduction carried into said proration period.

RULE 14 - R-565-C, R-566-D, & R-846

No well shall be assigned an allowable unless a deliverability test taken in conformance with Order R-333-C & D has been submitted, except in the case of a marginal well which has been exempt from testing in accordance with Rule 10 of this order.

(3) That the Special Rules and Regulations for the Eumont and Jalmat Gas Pools as set forth in Order R-520, dated August 12, 1954, and the Special Rules and Regulations for the Tubb, Byers-Queen and Justis Gas Pools as set forth in Order R-586, dated April 11, 1955 be and the same are amended as follows:

RULE 6 - R-520 and R-586

(a) The Commission after notice and hearing, shall consider the nominations of gas purchasers from the Eumont, Jalmat, Tubb, Byers-Queen and Justis Gas Pools and other relevant data and shall fix the allowable production for the Eumont, Jalmat, Tubb, Byers-Queen and Justis Gas Pools.

(b) For the purposes of proration, each well shall be assigned an acreage factor determined by dividing the acreage assigned to the well by 160 acres.

The allowable to be assigned to each marginal well shall be equal to the maximum production during any month of the preceding gas proration period.

(c) The pool allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in the proportion that each well's acreage factor bears to the total of the acreage factors for all non-marginal wells in the Pool.

RULE 8 - R-520 and R-586

In the event a gas purchaser's market shall have increased or decreased, he may file with the Commission prior to the 10th day of the month a "Supplemental Nomination," showing the amount of gas he actually in good faith desires to purchase during the ensuing proration month from the Eumont, Jalmat, Tubb, Byers-Queen and Justis Gas Pools. The Commission shall hold a public hearing between the 13th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month, and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month along with such other information as is necessary to show the allowable-production status of each well on the schedule. "Supplemental Nominations" shall be submitted on a Form C-121-A as prescribed by the Commission.

The Commission shall include in the proration schedule the gas wells in the Eumont, Jalmat, Tubb, Byers-Queen and Justis Gas Pools delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility, which is reasonably capable of handling the type of gas produced by such well.

The total allowable to be allocated to the pool each month shall be equal to the sum of the "preliminary or "Supplemental Nominations" (whichever is applicable), together with any adjustment which the Commission deems advisable. A monthly allowable shall be assigned to each well entitled to an allowable in the pool by allocating the pool allowable among all such wells in accordance

with the procedure set out in Rule 6 provided, however, that the allowable assigned to any well shall not exceed the well's known producing ability. A well, the allowable of which is so limited, shall be classified as a marginal well and shall not be permitted to accumulate underproduction, and any underproduction accrued to a well prior to its classification as a marginal well shall be cancelled. Any well classified as a marginal well shall be removed from such classification in instances where the production of the well evidences that the classification is no longer applicable.

Effective January 1, 1958, and after the production data is available for the last month of each succeeding gas proration period, any well which had an underproduced status at the beginning of the preceding gas proration period and which did not produce its allowable during at least one month of such preceding gas proration period may be classified as a marginal well unless prior to the end of said preceding gas proration period, the operator or other interested party presents satisfactory evidence to the Commission showing that the well should not be so classified. However, a well which in any month of said proration period has demonstrated its ability to produce its allowable for said proration period shall not be classified as a marginal well.

The director may reclassify a marginal or non-marginal well at any time the wells production data, deliverability data, or other evidence as to the wells producing ability justify such reclassification.

A well which has been reworked or recompleted shall be classified as a non-marginal well as of the day of reconnection to a pipeline until such time as production data, deliverability data, or other evidence as to the wells producing ability indicates that the well is improperly classified.

If during a proration month the acreage assigned to a well is increased the operator shall notify the Director in writing (Box 2045, Hobbs, New Mexico) of such increase. The increased allowable assigned the gas proration unit for the well shall be effective on the first day of the month following receipt of the notification by the Director.

The Commission may assign minimum allowables in order to prevent the premature abandonment of wells.

If at the end of a proration period a marginal well has produced more than the total allowable for the period assigned a non-marginal unit of corresponding size, the marginal well shall be reclassified as a non-marginal well and its allowable and net status adjusted accordingly.

All wells not classified as marginal wells shall be classified as non-marginal wells.

BALANCING OF PRODUCTION

RULE 8-A - R-520 and R-586

The dates 7:00 a.m., January 1, and 7:00 a.m. July 1, shall be known as balancing dates and the periods of time bounded by these dates shall be known as gas proration periods.

RULE 9 - R-520 and R-586

Underproduction: Any non-marginal well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

RULE 10 - R-520 and R-586

Overproduction: Any well which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period, provided that such overproduction shall be made up during such succeeding period. Any well which has not made up the overproduction carried into a gas proration period by the end of such proration period shall be shut-in until such overproduction is made up. If at any time, a well is overproduced an amount equaling six times its current monthly allowable it shall be shut-in during that month, and each succeeding month until the well is overproduced less than 6 times its current monthly allowable.

Allowable assigned to a well during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been made up.

The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut-in upon a showing at public hearing after due notice that complete shut-in of the well would result in material damage to the well.

Any allowable accrued to a well at the end of a proration period due to the cancellation of underage and the redistribution thereof shall be applied against the overproduction carried into said proration period.

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(4) That the Special Rules and Regulations for the Blinebry Gas Pool as set forth in Order R-610, dated April 11, 1955, as amended by Order R-610-A, dated May 27, 1955, Order R-610-B, dated June 13, 1955, Order R-610-C, dated January 9, 1956, and Order R-610-D, dated February 26, 1957, be and the same are amended as follows:

RULE 10 - R-610

(a) The Commission after notice and hearing, shall consider the nominations of gas purchasers from the Blinebry Gas Pool and other relevant data and shall fix the allowable production for the Blinebry Gas Pool.

(b) For purposes of proration, each well shall be assigned an acreage factor determined by dividing the acreage assigned to the well by 160 acres.

The allowable to be assigned to each marginal well shall be equal to the maximum production during any month of the preceding gas proration period.

(c) The pool allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in the proportion that each well's acreage factor bears to the total of the acreage factors for all non-marginal wells in the pool.

RULE 12 - R-610

In the event a gas purchaser's market shall have increased or decreased, he may file with the Commission prior to the 10th day of the month a "Supplemental Nomination," showing the amount of gas he actually in good faith desires to purchase during the ensuing proration month from the Blinebry Gas Pool. The Commission shall hold a public hearing between the 13th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month, and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month along with such other information as is necessary to show the allowable-production status of each well on the schedule. "Supplemental Nominations" shall be submitted on a Form C-121-A as prescribed by the Commission.

The Commission shall include in the proration schedule the gas wells in the Blinebry Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility, which is reasonably capable of handling the type of gas produced by such well.

The total allowable to be allocated to the pool each month shall be equal to the sum of the preliminary or supplemental nominations (whichever is applicable), together with any adjustment which the Commission deems advisable. A monthly allowable shall be assigned to each well entitled to an allowable in the pool by allocating the pool allowable among all such wells in accordance with the

procedure set out in Rule 10 provided, however, that the allowable assigned to any well shall not exceed the well's known producing ability. A well, the allowable of which is so limited, shall be classified as a marginal well and shall not be permitted to accumulate underproduction, and any underproduction accrued to a well prior to its classification as a marginal well shall be cancelled. Any well classified as a marginal well shall be removed from such classification in instances where the production of the well evidences that the classification is no longer applicable.

Effective January 1, 1958, and after the production data is available for the last month of each succeeding gas proration period, any well which had an underproduced status at the beginning of the preceding gas proration period and which did not produce its allowable during at least one month of such preceding gas proration period may be classified as a marginal well unless prior to the end of said preceding gas proration period, the operator or other interested party presents satisfactory evidence to the Commission showing that the well should not be so classified. However, a well which in any month of said proration period has demonstrated its ability to produce its allowable for said proration period shall not be classified as a marginal well.

The director may reclassify a marginal or non-marginal well at any time the wells production data, deliverability data, or other evidence as to the wells producing ability justify such reclassification.

A well which has been reworked or recompleted shall be classified as a non-marginal well as of the day of reconnection to a pipeline until such time as production data, deliverability data, or other evidence as to the wells producing ability indicates that the well is improperly classified.

If during a proration month the acreage assigned to a well is increased the operator shall notify the Director in writing (Box 2045, Hobbs, New Mexico) of such increase. The increased allowable assigned the gas proration unit for the well shall be effective on the first day of the month following receipt of the notification by the Director.

The Commission may assign minimum allowables in order to prevent the premature abandonment of wells.

If at the end of a proration period a marginal well has produced more than the total allowable for the period assigned a non-marginal unit of corresponding size, the marginal well shall be reclassified as a non-marginal well and its allowable and net status adjusted accordingly.

All wells not classified as marginal wells shall be classified as non-marginal wells.

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## BALANCING OF PRODUCTION

### RULE 12-A - R-610

The dates 7:00 a.m., January 1, and 7:00 a.m., July 1, shall be known as balancing dates and the periods of time bounded by these dates shall be known as gas proration periods.

### RULE 13 - R-610

Underproduction: Any non-marginal well which has an under-produced status as of the end of a gas proration period shall be allowed to carry underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

### RULE 14 - R-610

Overproduction: Any well which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period, provided that such overproduction shall be made up during such succeeding period. Any well which has not made up the overproduction carried into a gas proration period by the end of such gas proration period shall be shut-in until such overproduction is made up. If, at any time, a well is overproduced an amount equaling six times its current monthly allowable it shall be shut-in during that month, and each succeeding month until the well is overproduced less than 6 times its current monthly allowable.

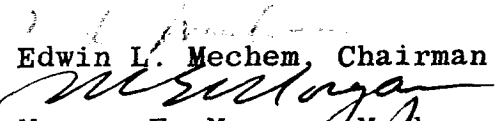
Allowable assigned to a well during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been made up.

The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut-in upon a showing at public hearing after due notice that complete shut-in of the well would result in material damage to the well.


Any allowable accrued to a well at the end of a proration period due to the cancellation of underage and the redistribution thereof shall be applied against the overproduction carried into said proration period.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
Edwin L. Mechem, Chairman

  
Murray E. Morgan, Member

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

S E A L