

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:

CASES 330 and 330-A
(Consolidated)
ORDER NO. R-128-C

THE APPLICATION OF STANOLIND OIL
AND GAS COMPANY FOR AN ORDER
AMENDING ORDER R-110 RELATING TO
THE BLANCO-MESAVERDE GAS POOL,
SAN JUAN AND RIO ARriba COUNTIES,
NEW MEXICO.

AND ALSO:

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION UPON ITS OWN MOTION FOR AN
ORDER PROMULGATING RULES AND REGULATIONS
AFFECTING AND CONCERNING THE BLANCO-
MESAVERDE GAS POOL, SITUATED IN SAN JUAN
AND RIO ARriba COUNTIES, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

These causes came on for hearing at 9 o'clock a.m. on April 15, 1954 and June 21, 1954, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 16th day of December, 1954, the Commission, a quorum being present, having considered the testimony adduced and the exhibits received at said hearings, 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 these cases and the subject matter thereof.
- (2) That under the date of February 25, 1949, the Commission issued its Order 799 creating the Blanco-Mesaverde Gas Pool. That Order 799 defined the vertical and horizontal limits of the Blanco-Mesaverde Gas Pool, and that by subsequent orders the Commission extended the horizontal limits of the Blanco-Mesaverde Gas Pool.
- (3) That under the date of November 9, 1951, the Commission issued Order No. R-110, amending and revising Order 799, to provide for 320 acre proration units, drilling and pipe cementing procedures, well spacing, and other pertinent rules.

-2-

Order No. R-128-C

(4) That the producing capacity of the gas wells in the Blanco-Mesaverde Gas Pool is greater than the market demand of gas from the Blanco-Mesaverde Gas Pool.

(5) That for the purpose of preventing waste and for the protection of correlative rights Order R-110 should be amended to provide a method of allocating gas between proration units in the Blanco-Mesaverde Gas Pool.

IT IS THEREFORE ORDERED:

(1) That Order R-110, dated November 9, 1951 is hereby amended to read as follows:

Section 15: Gas Proration and Allocation

RULE 1. (a) The acreage allocated to a gas well for proration purposes shall be known as the Gas Proration Unit for that well. For the purpose of Gas Allocation in the Blanco-Mesaverde Gas Pool, a standard proration unit shall consist of between 316 and 324 contiguous surface acres, substantially in the form of a rectangle which shall be a legal subdivision (half section) of the U. S. Public Land Surveys; provided however, that a non-standard gas proration unit may be formed after notice and hearing or under the provisions of paragraph (b) of this rule. Any proration unit containing less than 316 acres or more than 324 acres shall be a non-standard proration unit. The allowable production from any non-standard proration unit as compared with the allowable production therefrom if such tract were a standard unit shall be in the ratio of the area of such non-standard proration unit expressed in acres to 320 acres. Any gas proration unit containing between 316 and 324 acres shall be considered to contain 320 acres for the purpose of computing allowables.

(b) The Secretary of the Commission shall have authority to grant an exception to Rule 1 (a) without Notice and Hearing where application has been filed in due form and where the following facts exist and the following provisions are complied with;

1. The non-standard gas proration unit consists of contiguous quarter-quarter sections and/or lots.

2. The non-standard gas proration unit lies wholly within a single governmental section.

3. The entire non-standard gas proration unit may reasonably be presumed to be productive of gas.

4. The applicant presents written consent in the form of waivers from (a) all operators owning interests in the section in which any part of the non-standard gas proration unit is situated and which acreage is not included in said non-standard gas proration unit, and (b) all operators owning interests in acreage offsetting the non-standard gas proration unit.

-3-

Order No. R-128-C

5. In lieu of paragraph 4 of this rule, the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to form such non-standard gas proration unit. The Secretary of the Commission may approve the application if, after a period of 30 days following the mailing of said notice, no operator has made objection to formation of such non-standard gas proration unit.

RULE 2. At least 30 days prior to the beginning of each gas proration period the Commission shall hold a hearing after due notice has been given. The Commission shall cause to be submitted by each gas purchaser its "Preliminary Nominations" of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period, by months from the Blanco-Mesaverde Gas Pool. The Commission shall consider the "Preliminary Nominations" of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste from the pool within the ensuing proration period. "Preliminary Nominations" shall be submitted on a Form C-121-A as prescribed by the Commission.

RULE 3. 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 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. "Supplemental Nominations" shall be submitted on a Form C-121-A as prescribed by the Commission.

Included in the monthly proration schedule shall be (a) a summary of the total pool allocation for that month showing nominations, and adjustments made for underage or overage applied from a previous month, (b) a tabulation of the net allowable and production for the second preceding month together with a cumulative overage or underage computation, (c) a tabulation of the current and net allowables for the preceding month, (d) a tabulation of current monthly allowable for the ensuing proration month, and (e) a tabulation of the acreage and deliverabilities assigned each well, and the factors assigned each well for use in calculating individual well allowables. 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 of the Blanco-Mesaverde Gas Pool 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.

-4-

Order No. R-128-C

If during a proration month the acreage assigned 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.

RULE 4. The monthly allocation to the Blanco-Mesaverde Gas Pool shall be divided and allocated among the wells connected to a gas transportation facility in the following manner:

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.

(1) A tentative allocation shall be made by dividing seventy-five percent (75%) of the pool allocation among the wells in the proportion that each well's "AD factor" bears to the sum of all the "AD factors" in the pool.

(2) The remaining twenty-five (25%) of the pool allocation shall be divided among the wells in the proportion that each well's acreage factor bears to the sum of all the acreage factors in the pool.

When the tentative allowable received by a well is in excess of its known producing ability the well shall be classed as a marginal well and its allowable limited to its known producing ability. The sum of the difference between the tentative allowables and the limited allowables of all marginal wells on the proration schedule shall be reallocated to the non-marginal wells by application of the same formula. If such reallocation shall result in placing any other well within the marginal classification, the difference between the tentative allowable and the limited allowable of such marginal well shall be redistributed by application of the same formula until no well has received an allowable in excess of its known producing ability.

RULE 5.

The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of Order R-333-A; provided however, that the deliverability pressure shall be determined as follows:

"Deliverability pressure", as used herein shall be equal to fifty (50) per cent, of the seven (7) day shut-in pressure of the respective individual wells.

BALANCING OF PRODUCTION

RULE 6. Underproduction: 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 bounded by these dates shall be known as gas proration periods. In order to effectively administer the prorationing of gas in the Blanco-Mesaverde Gas Pool, it is advisable to have a portion of each proration period include both summer and winter months. Therefore 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

-5-

Order No. R-128-C

above. The amount of current gas allowable remaining unproduced at the end of each proration period shall be carried forward to and may be produced during the next succeeding proration period in addition to the normal gas allowable for such succeeding period; but whatever amount thereof is not made up within the first succeeding proration period shall be cancelled.

If it appears that such continued underproduction has resulted from inability of the well to produce its allowable, it may be classified as a marginal well and its allowable reduced to the well's ability to produce.

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

If during a proration period a marginal well is reworked or recompleted in such a manner that its productive capacity is increased to the extent that it should be reclassified as a non-marginal well, the reclassification shall be effective on the first day of the proration month following the date of recompletion.

The Director may reclassify a well at any time if production data or deliverability tests reflect the need for such a reclassification.

RULE 7. Overproduction: A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If, at any time, a well is overproduced an amount equaling six times its current monthly allowable, it shall be shut-in during the current month.

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.

GRANTING OF ALLOWABLES

RULE 8. No gas well shall be given an allowable until Form C-104 and Form C-110 have been filed together with a plat showing acreage attributed to said well and the locations of all wells on the lease.

RULE 9. Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, as determined from an affidavit furnished to the Commission (Box 697, Aztec, New Mexico) by the purchaser, or the date of filing of Form C-104 and Form C-110 and the plat described above, whichever date is the later.

No well shall be assigned an allowable unless either a deliverability test, or a potential test taken in conformance with the provisions of Order R-333-A has been submitted.

In assigning allowables to newly completed wells in the absence of deliverability test data the open flow potential test taken in conformance with Order R-333-A may be used in approximating the wells deliverability. In this instance an assumed deliverability equal to 20% of the volume of gas produced on the initial potential test will be used. The allowable thus established using an assumed deliverability shall be a tentative allowable and upon submission of a deliverability test the allowables previously assigned the well shall be recalculated using the deliverability test data.

Deliverability tests shall be taken and calculated in conformance with Order R-333-A, the provisions of Rule 5 of this order and the testing schedule provisions of Order R-333-A.

Deliverability tests taken during 1954 shall be used in calculating allowables for the proration period commencing March 1, 1955. Subsequent annual tests shall be used in calculating allowables for proration periods commencing during the next ensuing year.

REPORTING OF PRODUCTION

RULE 10. The monthly gas production from each well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the gas produced.

Each purchaser or taker of gas in the Blanco-Mesaverde Gas Pool shall submit a report to the Commission so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas was purchased or taken.

Such report shall be filed on either Form C-111 or Form C-114 (whichever is applicable) with the wells being listed in approximately the same order as they are listed on the proration schedule.

Forms C-111 and C-114 referred to herein shall be submitted in triplicate, the original being sent to the Commission at Box 871, Santa Fe, New Mexico, the other copies being sent to Box 697, Aztec, New Mexico and Box 2045, Hobbs, New Mexico.

Form C-115 shall be submitted in accordance with Rule 1114 of the Commission's Rules and Regulations.

The full production of gas from each well shall be charged against the well's allowable regardless of what disposition has been made of the gas, provided however, that gas used in maintaining the producing ability of the well shall not be charged against the well's allowable.

RULE 11. The term "gas purchaser" as used in these rules, shall mean any "taker" of gas either at the wellhead or at any point on the lease where connection is made for gas transportation or utilization. It shall be

-7-

Order No. R-128-C

the responsibility of said "taker" to submit a nomination.

RULE 12. No gas, either dry gas or casinghead gas, produced from the Blanco-Mesaverde Gas Pool except that gas used for "drilling-in" purposes, shall be flared or vented unless specifically authorized by order of the Commission after notice and hearing.

PROVIDED FURTHER, That in filing Form C-101 "Notice of Intention to Drill or Recomplete" or USGS Form 3-391-a (whichever is applicable), all operators shall strictly comply with the provisions of Order R-110 and the applicable provisions of Order R-397. Accompanying the above form shall be a plat of the acreage contained in the proration unit together with a complete list of all working interest owners designating the acreage they hold within the communitized area dedicated to the well.

PROVIDED FURTHER, That failure to comply with the provisions of this order or the rules contained herein shall result in the cancellation of allowable assigned to the affected well. No further allowable shall be assigned to the affected well until all rules and regulations are complied with. The Director shall notify the operator of the well and the purchaser in writing of the date of allowable cancellation and the reason therefor.

PROVIDED FURTHER, That the provisions of Statewide Rule 104 (k) shall not apply to the Blanco-Mesaverde Gas Pool.

PROVIDED FURTHER, That all transporters of gas or users of gas shall file with the Commission a list of all wells connected to their gas transportation facility as of February 1, 1955, and shall furnish connection notices thereafter in accordance with the provisions of Rule 9 as soon as possible after the date of connection.

The list requested above shall contain the name of the operator, lease name, well number, unit, and location of the well (Section, Township and Range). Connection notices shall contain the date of connection in addition to the above listed data.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

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EDWIN L. MECHEM, Chairman

E S Walker

E. S. WALKER, Member

W. B. Macey

W. B. MACEY, Member and Secretary

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Entered December 17, 1954

W. B. Macey

