

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. 308
ORDER NO. R-98 A

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION OF NEW MEXICO ON ITS OWN MOTION
FOR AN ORDER (a) REVISING AND AMENDING
SECTIONS 'G', 'H', 'J', 'M', 'N' AND 'O' OF
ORDER NO. 850; AND (b) PERMITTING THE
ADOPTION OF SUCH OTHER CHANGES AND AMEND-
MENTS IN OTHER RULES NECESSARY AND PROPER
TO GIVE FULL FORCE AND EFFECT TO THE REVISIONS
AND AMENDMENTS CONTEMPLATED.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 10 a.m. September 20, 1951, October 23, 1951, December 20, 1951, January 22, 1952, and February 21, 1952, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 24th day of June, 1952, 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 public notice has been given as required by law, and the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the Commission has experienced difficulty in the proper administration of Sections 'G', 'H', 'J', 'M', 'N' and 'O' of Order No. 850 and realized the need for a revision of these sections.
- (3) That the Commission has appointed committees representing a cross-section of the oil industry of New Mexico to study revisions of Order No. 850, and that these committees have made a study of Sections 'G', 'H', 'M', 'N' and 'O' of Order No. 850, and these reports and recommendations are a part of the record in this case.
- (4) That the following revisions to Order No. 850 will result in a more efficient and economic administration of the conservation laws of the state of New Mexico.

IT IS THEREFORE ORDERED:

- I. That the definitions contained in Order No. 850, Section 'A', be changed as follows:
 1. That Definition No. 4, 'Back Allowable,' be deleted.
 2. That Definition No. 41 be amended as follows: 'Overage or overproduction shall mean the amount of oil or the amount of natural gas during a proration period in excess of the amount authorized on the proration schedule.'

3. That Definition No. 56 be amended as follows: '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 on the proration schedule.

II. That the following provisions of Section 'G', Oil Proration and Allocation, be eliminated from Order No. 850.

1. Rule 503 (e) relative to current oil shortages; and
2. Rule 503 (f) relative to back allowables.

III. That Section 'G' of Order No. 850, Oil Proration and Allocation, be amended and revised in accordance with the following:

1. RULE 501. REGULATION OF OIL POOLS.

(a) To prevent waste, the Commission shall prorate and distribute the allowable production among the producers in a pool upon a reasonable basis and recognizing correlative rights.

(b) After notice and hearing, the Commission, in order to prevent waste and protect correlative rights, may promulgate special rules, regulations or orders pertaining to any pool.

2. RULE 502. RATE OF PRODUCING WELLS.

It is recognized that producing units capable of producing their daily allowable may overproduce one day and underproduce another. Such deficiencies as may occur may be made up by excess production from the same unit, or such excess production may be adjusted by underproduction; provided, however:

(a) That no producing unit, except for the purpose of testing in the process of completing or recompleting a well and for draw-down tests, shall produce during any day more than 125 per cent of the daily top unit allowable for the pool in which the unit is located, or ten (10) barrels, whichever is greater.

(b) That no producing unit shall produce in any one month more than its monthly allowable plus an amount equal to one day's allowable production. The tolerance so allowed shall not be construed to increase the allowable of a producing unit or to grant authority to any producer to market or to any transporter to transport any quantity of oil in excess of the unit's allowable. The allowed monthly tolerance of overproduction shall be adjusted for during the following month. The possession of a quantity of oil in lease storage at the end of any month in excess of one day's allowable plus any unrun allowable oil shall be construed as a violation of this rule.

3. RULE 503. AUTHORIZATION FOR PRODUCTION OF OIL

(a) The Commission shall meet between the 15th and 20th of each month at open hearing for the purpose of determining the amount of oil to be produced from all oil pools for the following calendar month.

(b) Within ten (10) days after the effective date of this order, the Commission shall establish the exact date, time and place of such meetings for the remainder of the calendar year, and give notice thereof by publication. The Commission shall likewise establish the exact date, time and place of all other such meetings and give notice thereof by publication on or before the 10th day of January of each year.

(c) The Commission will consider all evidence of market demand of oil and determine the amount of oil to be produced from all oil pools during the following month. The amounts so determined will be allocated among the various pools in accordance with existing regulations and among the various units in each pool in accordance with regulations governing each pool. In allocated pools, effective the first day of each proration period, the Commission will issue a proration schedule which will authorize the production of oil from the various units in strict accordance with the schedule. Any well completed on or after the first day of the proration period is authorized to produce such amount of oil as said well may be capable of producing without waste up to top unit allowable determined in accordance with Rule 504. The allowable production for such well shall be effective at 7:00 a.m. on the date of completion, provided Form C-104 is approved during the proration period in which the well is completed; otherwise, the allowable will become effective at 7:00 a.m. on the first day of the proration period in which Form C-104 is approved; and provided further, a supplementary proration schedule is issued by the Commission establishing the effective date, and the daily rate of production permitted the remainder of the proration period.

(d) A marginal unit shall be permitted to produce any amount of oil which it is capable of producing without waste up to and including the top unit allowable for the pool in which such unit is located subject to the provisions of Rule 301 and Rule 506; provided the owner of such unit shall file with the Commission written application setting forth the daily amount of oil such unit is capable of producing; and provided further a supplementary proration schedule is issued by the Commission setting forth the daily allowable rate of production for such unit and the effective date thereof, which shall be the date on which said application is received in the office of the Commission.

(e) A tabulation of supplementary proration schedules issued during any proration period will be listed in the next proration schedule.

4. RULE 504. AUTHORIZATION FOR PRODUCTION OF OIL WHILE COMPLETING, RECOMPLETING, OR TESTING AN OIL WELL.

(a) In the event an operator does not have sufficient lease storage to hold oil produced from a well during the process of its drilling, completing, recompleting, or testing, the operator of said well shall be permitted to produce from said well an amount of oil as may be necessary to drill, complete, recomplete, or test said well; provided, however, that the operator of said well shall file with the Commission a written application stating the circumstances at said well and setting forth therein the estimated amount of oil to be produced during the aforementioned process of operations, and provided further that said application is approved by the Commission. Oil produced during the process of drilling, completion, or recompletion, or testing a well shall be charged against the allowable production of said well.

(b) No well shall be placed on the proration schedule until Forms C-104 and C-110 have been filed with the Commission.

5. RULE 505. OIL PRORATION

(a) In allocated pools, the allocation between pools is in accordance with the top of the producing depth of the pool and the corresponding proportional factor set out below. The depth to the casing shoe or the top perforation in the casing, whichever is the higher, in the first well

completed in a pool determines the depth classification for the pool. Top unit allowables shall be calculated for each of the several ranges of depth in the following proportions.

| (b) | POOL DEPTH RANGE | 40-ACRE PROPOR- TIONAL FACTOR | 80-ACRE PROPORTIONAL FACTOR |
|-----|--------------------|----------------------------------|-----------------------------------|
| | 0 to 5,000 Feet | 1.00 | |
| | 5,000 to 6,000 " | 1.33 | 2.33 |
| | 6,000 to 7,000 " | 1.77 | 2.77 |
| | 7,000 to 8,000 " | 2.33 | 3.33 |
| | 8,000 to 9,000 " | 3.00 | 4.00 |
| | 9,000 to 10,000 " | 3.77 | 4.77 |
| | 10,000 to 11,000 " | 4.67 | 5.67 |
| | 11,000 to 12,000 " | 5.67 | 6.67 |
| | 12,000 to 13,000 " | 6.75 | 7.75 |
| | 13,000 to 14,000 " | 8.00 | 9.00 |

(c) The 40-acre proportional factor shall be applied to pools developed on the normal statewide 40-acre spacing pattern.

(d) The above 80-acre proportional factor shall hereafter be applied to all pools developed on an 80-acre spacing pattern, which the Commission hereafter authorizes as an exception to the normal statewide 40-acre spacing pattern.

(e) Normal unit allowable shall be set by the Commission.

(f) Top unit allowables for each range of depth shall then be determined by multiplying the normal unit allowable by the proportional factor for each depth range as set out in the table hereinabove; any fraction of a barrel shall be regarded as a full barrel for both normal and top unit allowables.

(g) The top unit allowables hereinabove determined shall be assigned to the respective pools in accordance with each pool's depth range. Allowables to marginal units other than those affected by gas-oil ratios will be assigned in accordance with the nominations submitted by the operators on Form C-115. Such nominations must be based upon the ability of the well to produce without waste; otherwise the allowable will be assigned on the basis of the latest available production figures. The sum of the allocation to all marginal units plus the sum of the allocation to all non-marginal units in each pool shall constitute the allocation for each pool.

(h) The allocation to each pool shall in turn be prorated or distributed to the respective units in each pool in accordance with the proration plan of the particular pool, where any such plan exists. Where no proration plan exists, then the pool allocation shall be distributed or prorated to the respective marginal and non-marginal units therein as determined hereinabove.

(i) Each calendar month the distribution or proration to the respective units in each pool shall be changed in order to take into account all new wells which have been completed and were not in the proration schedule during the previous calendar month; with the exception that any newly completed or recompleted well on which Form C-104 is approved on or after the 20th of the month is authorized to produce that quantity of oil which said well is capable of producing without waste up to the top unit allowable for the pool in which said well is located, and a supplementary proration schedule will be issued setting forth the daily rate of production for said well and the effective date thereof.

(j) The provision of Rule 104 (h) et seq. shall be adhered to where applicable in fixing top unit allowables.

6. RULE 506. GAS-OIL RATIO LIMITATION

(a) In allocated pools containing a well or wells producing from a reservoir which contains both oil and gas, each proration unit shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the top unit oil allowable for the pool. In the event the Commission has not set a gas-oil ratio limit for a particular oil pool, the limiting gas-oil ratio shall be 2,000 cubic feet of gas for each barrel of oil produced. In allocated oil pools all producing wells, whether oil or casinghead gas, shall be placed on the oil proration schedule.

(b) Unless heretofore or hereafter specifically exempted by order of the Commission issued after hearing a gas-oil ratio limitation shall be placed on all allocated oil pools, and all proration units having a gas-oil ratio exceeding the limit for the pool shall be penalized in accordance with the following formula:

(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 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 gas-oil ratio test of the well.

(2) Any unit containing a well or wells producing from a reservoir which contains both oil and gas shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the top unit allowable currently assigned to the pool.

(3) A marginal unit shall be permitted to produce the same volume of gas which it would be permitted to produce if it were a non-marginal unit.

(4) All gas produced with the current oil allowable determined in accordance with this rule shall be deemed to have been lawfully produced.

(c) All proration units to which gas-oil ratio adjustments are applied shall be so indicated in the proration schedule with adjusted allowables stated.

(d) Limiting gas-oil ratios for allocated pools are hereby adopted and are listed under Appendix A attached hereto. In cases of new pools, the limit shall be 2,000 cubic feet per barrel until such time as changed by order of the Commission issued after a hearing. Upon petition, notice and hearing according to law, the Commission will determine or re-determine the specific gas-oil ratio limit which is applicable to a particular allocated oil pool.

7. RULE 507. UNITIZED AREAS.

After petition, notice and hearing, the Commission may grant approval for the combining of contiguous developed proration units into a unitized area.

IV. That Section 'H' (Gas Proration and Allocation) of Order No. 850 be retained in its present form.

V. That Section J, 'Oil Purchasing and Transporting,' be amended and revised in accordance with the following:

1. RULE 801. ILLEGAL SALE PROHIBITED

The sale or purchase or acquisition, or the transporting, refining, processing, or handling in any other way, of crude petroleum oil or of any product of crude petroleum produced in excess of the amount allowed by any statute of this state, or by any rule, regulation, or order of the Commission made thereunder, is prohibited.

2. RULE 802. RATABLE TAKE; COMMON PURCHASER

(a) Every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipe lines shall be a common purchaser thereof, and shall, without discrimination in favor of one producer as against another in the same field, purchase all oil tendered to it which has been lawfully produced in the vicinity of, or which may be reasonably reached by pipelines through which it is transporting oil, or the gathering branches thereof, or which may be delivered to the pipeline or gathering branches thereof by truck or otherwise, and shall fully perform all the duties of a common purchaser. If any common purchaser shall not have need for all such oil lawfully produced within a field, or if for any reason it shall be unable to purchase all such oil, then it shall purchase from each producer in a field ratably, taking and purchasing the same quantity of oil from each well to the extent that each well is capable of producing its ratable portions; provided, however, nothing herein contained shall be construed to require more than one pipe line connection for each producing well. In the event any such common purchaser of oil is likewise a producer or is affiliated with a producer, directly or indirectly, it is hereby expressly prohibited from discriminating in favor of its own production or in favor of the production of an affiliated producer as against that of others and the oil produced by such common purchaser or by the affiliate of such common purchaser shall be treated as that of any other producer for the purposes of ratable taking.

(b) It shall be unlawful for any common purchaser to unjustly or unreasonably discriminate as to the relative quantities of oil purchased by it in various fields of the state; the question of the justice or reasonableness to be determined by the Commission, taking into consideration the production and age of the wells in the respective fields and all other factors. It is the intent of this rule that all fields shall be allowed to produce and market a just and equitable share of the oil produced and marketed in the state, insofar as the same can be effected economically and without waste.

(c) In order to preclude premature abandonment, the common purchaser within its purchasing area is authorized and directed to make 100 per-cent purchases from units of settled production producing ten (10) barrels or less daily of crude petroleum in lieu of ratable purchases or takings. Provided, however, where such purchaser's takings are curtailed below ten (10) barrels per unit of crude petroleum daily, then such purchaser is authorized and directed to purchase equally from all such units within its purchasing area, regardless of their producing ability insofar as they are capable of producing.

**3. RULE 803. PRODUCTION AND TRANSPORTATION
OF CONDENSATE**

The operator of a gas well in a gas pool may produce from such well the amount of condensate which such well is capable of producing without waste, provided that said operator shall file with the Commission a written application setting forth the estimated amount of condensate to be produced from such well; and provided further, that a proration schedule or supplementary proration schedule is issued setting forth the amount of condensate to be produced from such well during each proration period.

VI. That Section 'M' Reports, be amended and revised in accordance with the following:

1. RULE 1101. ADDITIONAL INFORMATION MAY BE REQUIRED

These rules shall not be taken or construed to limit or restrict the authority of the Oil Conservation Commission to require the furnishing of such additional reports, data or other information relative to production, transportation, storing, refining, processing, or handling of crude petroleum oil, natural gas or products in the State of New Mexico as may appear to it to be necessary or desirable, either generally or specifically, for the prevention of waste and the conservation of natural resources of the State of New Mexico.

**2. RULE 1102. BOOKS AND RECORDS TO BE KEPT TO
SUBSTANTIATE REPORTS**

All producers, transporters, storers, refiners, gasoline or extraction plant operators and initial purchasers of natural gas within the State of New Mexico shall make and keep appropriate books and records for a period not less than five years, covering their operations in New Mexico, from which they may be able to make and substantiate the reports required by this order.

3. RULE 1103. WRITTEN NOTICES, REQUESTS, PERMITS AND REPORTS

The forms hereinafter mentioned and attached to these rules in the Appendix are hereby adopted and made a part of these rules for all purposes and the same shall be used for the purposes shown on each of the several forms and in accordance with the Rules requiring the use of said forms and the instructions printed thereon, which instructions are a part of this rule. They are:

- Form C-101 - Notice of Intention to Drill or Recomplete
- Form C-102 - Miscellaneous Notices
- Form C-103 - Miscellaneous Reports on Wells
- Form C-104 - Request for (oil) (gas) Allowable
- Form C-105 - Well Record
- Form C-110 - Certificate of Compliance and Authorization to Transport Oil or Natural Gas
- Form C-111 - Monthly Gas Report (Acquisition and Disposition)
- Form C-112 - Transporter's and Storer's Monthly Report
- Form C-113 - Refiner's Monthly Report
- Form C-114 - Gasoline and Other Extraction Plant Monthly Report
- Form C-115 - Operator's Monthly Report (Oil, Condensate and Gas)
- Form C-116 - Gas-Oil Ratio Report
- Form C-117 - Tank Cleaning Permit

Form C-118 - Treating Plant Report
Form C-119 - Carbon Black Plant Monthly Report
Form C-120 - Injection Report
Form C-121 - Crude Oil Purchaser's Nomination
Form C-122 - Back Pressure Data Sheet
Form C-123 - Request for the Extension of an Existing Pool or
the Creation of a New Pool

4. RULE 1104. NOTICE OF INTENTION TO DRILL OR RECOMPLETE

Before beginning drilling, and before beginning recompletion operations, the owner or operator of the well shall give notice thereof by filing with the Commission in QUINTUPLICATE Form C-101. A copy of the notice will be returned by the Commission to the applicant, on which will be noted the Commission's approval with any modifications considered advisable, or the rejection of the plan submitted. Drilling or recompletion operations shall not begin until this approval is obtained and until a bond has been submitted and approved as required by Rule 101.

The information required on Form C-101 includes name and number of the well, exact location, status of land (whether state or privately owned), type drilling equipment to be used, drilling contractor, formation to be completed in and approximate depth, casing program, and any other pertinent information. In case of recompletions the details shall be fully explained under the "Remarks" column. In the case of wildcat locations a plat made by a registered surveyor, registered in the State of New Mexico, or a surveyor approved by the Commission, showing and certifying the location of the well, must be submitted with Form C-101. (Note: on State land, the State Land Office requires 2 copies of Form C-101. Therefore submit 7 copies).

5. RULE 1105. MISCELLANEOUS NOTICES.

Form C-102, 'Miscellaneous Notices,' shall be filed by the operator in TRIPPLICATE, with the District Office of the Commission, and approval obtained from the District Office of the Commission before starting operations leading to a proposed change in drilling plan, before plugging a well, before squeezing operations are begun, before gun perforating, before temporarily abandoning well, before plugging back, before acidizing, before drilling to a greater depth than indicated on Form C-101 before setting a liner, before shooting with nitroglycerin, and before starting any other similar operations not specifically covered herein. A copy of this notice giving decision of the Commission will be returned to the owner.

In the case of well-plugging operations, the notice shall give a detailed statement of the proposed work, including length and depth of plugs, plans for mudding, cementing, shooting, testing and removing casing; and the date of the proposed plugging operations. Before plugging any well, the owner shall give notice to all adjoining lessees and representatives of such adjoining lessees may be present to witness the plugging, if they so desire, but plugging shall not be delayed because of inability to deliver notice to adjoining lessees. Failure to file notice before plugging shall constitute grounds for forfeiture of bond. If not previously filed, a complete log of the well on Form C-105 shall accompany the notice of intention to plug the well.

6. RULE 1106. MISCELLANEOUS REPORTS ON WELLS. (FORM C-103)

Form C-103, Miscellaneous Reports on Wells, shall be filed by the operator in TRIPPLICATE with the District Office of the Commission within ten days after the work specified is completed. This report shall cover the work outlined on Form C-102 and shall include a detailed account of

the manner in which the work was performed. Specific information as to the exact information to be contained on Form C-103 with respect to each operation is as follows:

(a) Report on Beginning Drilling Operations

Within ten days after drilling or recompletion operations are begun, the owner of the well shall file with the Commission a report on Form C-103, Miscellaneous Reports on Wells.

(b) Report on Result of Test of Casing Shut-Off

A report on the result of test of casing shut-off shall be filed with the Commission in TRIPLICATE on Form C-103, Miscellaneous Reports on Wells, within ten days after the completion of work. It shall indicate any changes made in the approved plan outlined previously on Form C-101. It shall also give a detailed report of the method used and of the results obtained and any other pertinent information.

(c) Report on Results of Plugging Well

Within ten days after plugging a well, a record of the work done shall be filed with the Commission in TRIPLICATE on Form C-103, Miscellaneous Reports on Wells, by the owner. The report shall include the date the work was started and the date it was completed; a detailed account of the manner in which the work was performed; the nature and quantities of materials used in plugging, and the depths and lengths of the various plugs; records of any tests or measurements made; the amount, size and depth of all casing left in the well; the volume and gravity of mud-laden fluid used; pressure retained in mudding; a complete record of any shooting done, and names, addresses and positions of all those in charge of the work. The report shall also state whether or not the pits have been filled and leveled and the location cleared of junk.

(d) Report of Result of Shooting or Chemical Treatment of Well

Within 20 days after the shooting or chemical treatment of a well, report shall be filed with the Commission in TRIPLICATE on Form C-103, Miscellaneous Reports on Wells, by the owner giving the size and depth of the shot, or amount of chemical used, and the daily production of oil, gas and water before and after shooting or chemical treatment.

(e) Miscellaneous Report on Wells

Form C-103, Miscellaneous Reports on Wells, shall be used for reports of various operations, such as:

- (1) Change of Drilling Plan
- (2) Repairing or Deepening Well
- (3) Pulling or Altering Casing
- (4) Plugging Back
- (5) Re-Drilling
- (6) Perforating Casing

or of any other similar operations not specifically covered herein.

The report with respect to such operation shall be filed with the Commission within ten days after such operation is completed.

The status prior to and results of the work completed shall be given in detail.

7. RULE 1107. REQUEST FOR (OIL) (GAS) ALLOWABLE (FORM C-104)

It is necessary that this form be submitted by the operators before an initial allowable will be assigned to any completed oil well. Form C-104 is to be submitted in QUADRUPLICATE to the Commission office to

which Form C-101 was sent. The allowable will be assigned effective 7:00 a.m. on the date of completion, provided completion report is filed during month of completion. The completion date shall be that date, in the case of an oil well, when oil is delivered into the stock tanks.

Form C-110, Certificate of Compliance and Authorization to Transport Oil or Natural Gas, shall accompany Form C-104.

8. RULE 1108. WELL RECORD FORM (FORM C-105)

Within 20 days after the completion of a well the owner shall file in QUINTUPLICATE with the Commission Form C-105. The well record shall not be kept confidential by the Commission unless so requested in writing by the owner of the well. Upon such request the Commission will keep the report confidential for 90 days from the date of the completion of the well; provided, however, that the report or data therein when pertinent may be introduced in any public hearing before the Commission or any court regardless of the request that the report be kept confidential. If the C-105 is not received by the Commission in the specified 20 days the well will be dropped from the proration schedule. (Note: On State Land submit one additional copy of C-105).

9. RULE 1109. CERTIFICATE OF COMPLIANCE AND AUTHORIZATION TO TRANSPORT OIL OR NATURAL GAS - FORM C-110

(a) Each producer of crude petroleum oil or natural gas and each producer of liquid hydrocarbons from a gas well shall execute, in QUADRUPLICATE, and file with the Commission Form C-110, setting forth fully therein the data and information indicated by such form covering each well from which crude petroleum oil, natural gas or liquid hydrocarbons is produced.

(b) Whenever there shall occur a change in operating ownership of any producing well or whenever there shall occur a change of transporter from any producing well, Form C-110 shall be executed and filed in accordance with the instructions appearing on such forms; except that in the case of a temporary change in transporter involving less than the allowable for one proration period the producer may, in lieu of filing a new application, notify the Commission, and the transporter then authorized by letter, of the estimated amount of crude petroleum, dry gas or liquid hydrocarbons to be moved by temporary transporter and the name of such temporary transporter and a copy of such notice shall also be furnished such temporary transporter. In no instance shall the temporary transporter move any greater quantity of crude petroleum oil or natural gas than the estimated amount shown in said notice.

10. RULE 1110. MONTHLY GAS REPORT (ACQUISITION AND DISPOSITION) - (FORM C-111)

All gas produced from natural gas wells and all casinghead gas produced which is taken into fuel system or other system (except gas taken into a gasoline or other extraction plant gathering system which is required to be reported on Form C-114), shall be reported monthly on Monthly Gas Report, Form C-111. Where such natural or casinghead gas is taken by the producer, then the producer shall make such report. In case said gas is taken at the well by any person other than the producer, then such person taking said gas shall make the report. Form C-111 shall be filed on or before the 15th of the month for all of said gas taken during the preceding month, and shall be submitted in DUPLICATE.

11. RULE 1111. TRANSPORTER'S AND STORER'S MONTHLY REPORT (FORM C-112)

(a) Each transporter and/or storer of crude petroleum oil and liquid hydrocarbons within the State of New Mexico shall file for each

calendar month a Transporter's and Storer's Monthly Report, Form C-112, containing complete information and data indicated by such form respecting stocks of crude petroleum oil and liquid hydrocarbons on hand and receipts and deliveries of crude petroleum oil and liquid hydrocarbons by pipe line and trucks within the State of New Mexico, and receipts and deliveries from leases to storers or refiners; between transporters within the State; between storers and refiners within the State.

(b) Form C-112 shall be filed in DUPLICATE on or before the 15th day of the next succeeding month.

12. RULE 1112. 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 a 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 operations during each month. Such report for each month shall be filed on or before the 15th day of the next succeeding month, in DUPLICATE.

13. RULE 1113. GASOLINE OR OTHER EXTRACTION PLANT MONTHLY REPORT - (FORM C-114)

Each operator of a gasoline plant, cycling plant or any other plant at which gasoline, butane, propane, kerosene, oil, or other liquid products are extracted from gas within the State of New Mexico, shall furnish for each calendar month a Gasoline or Other Extraction Plant Monthly Report, Form C-114, containing the information indicated by such form respecting gas and products involved in the operation of each such plant during each month. Each purchaser of gas shall report monthly the source or sources and amounts from each source of gas injected into natural gas storage reservoir together with the gross amount of gas which is withdrawn during the month from natural storage. Such report for each month shall be filed on or before the 15th day of the next succeeding month in DUPLICATE.

14. RULE 1114. OPERATOR'S MONTHLY REPORT - (FORM C-115)

Operator's Monthly Report, Form C-115, shall be filed on each producing lease within the State of New Mexico for each calendar month, setting forth complete information and data indicated on said form. Each report for each month shall be filed for the next succeeding month - on or before the 18th.

Daily Well Nominations as reported on Form C-115 shall apply to the next succeeding month. Top allowable units will be indicated by entering a T in the nomination column. Units that are incapable of producing top allowable, will be nominated for the actual amount of oil that they are capable of producing daily.

The reports on this form shall be filed by the producer as follows: the original to the Oil Conservation Commission, Santa Fe; one copy to the proration office at Hobbs; one copy to the district office in which district the lease is located; and one copy to each transporter involved. (NOTE: On state leases the State Land Office, Santa Fe, New Mexico, requires one copy of Form C-115.)

15. RULE 1115. GAS-OIL RATIO TEST (FORM C-116)

A gas-oil ratio test shall be made and reported on Form C-116 as prescribed in Rule 301, Gas-Oil Ratio Test. This form shall be

submitted in DUPLICATE, one copy being sent to the Hobbs district office and one copy to the Oil Conservation Commission, Santa Fe, New Mexico.

16. RULE 1116. TANK CLEANING PERMIT (FORM C-117)

(a) Form C-117 shall be used pursuant to Rule 311.

(b) Tank cleaning permit is not necessary in the following cases:

(1) Where "tank bottoms" are to be used on operators lease roads or fire walls.

(2) Where merchantable oil is reclaimed by operator and disposed of through a duly authorized transporter as shown on Form C-110 filed with the Commission.

(3) Where there is a transfer of "tank bottoms" from one tank to another located in the same tank battery, provided there is no change in the custody or control of the "tank bottoms."

(4) Where there is the reclaiming of pipe line break oil or the treating of "tank bottoms" at a pipe line station, crude oil storage terminal or refinery, or to the treating by a gasoline plant operator of oil and other catchings collected in traps and drips in the gas-gathering lines connected to gasoline plants and in scrubbers at such plants.

17. RULE 1117. TREATING PLANTS. (FORM C-118)

Form C-118 shall be used in accordance with Rule 312.

18. RULE 1118. CARBON BLACK PLANT MONTHLY REPORT. (FORM C-119)

Each operator of carbon black plant within the State of New Mexico shall file for each calendar month, the monthly volume of gas received by him from a gasoline extraction plant or plants, and a monthly volume or volumes of gas received by him from each lease and lease operator delivering natural gas directly to such plant, together with the opening and closing stocks, the production and deliveries of carbon black or other products produced. Such reports containing information as required by the form shall be prepared and filed in DUPLICATE on Form C-119, "Carbon Black Monthly Report," on or before the 15th day of the next succeeding month.

19. RULE 1119. INJECTION REPORT (FORM C-120)

Form C-120 shall be used for reports required under Rule 701, et seq.

20. RULE 1120. CRUDE OIL PURCHASER'S NOMINATION (FORM C-121)

Form C-121 shall be used by crude oil purchasers for nomination of purchases, and shall be submitted to the Commission not later than 5 days prior to said Commission's statewide proration hearing on nominations for the succeeding month. One copy of Form C-121 shall be mailed to Oil Conservation Commission, Santa Fe, New Mexico.

21. RULE 1121. BACK PRESSURE DATA SHEET (FORM C-122)

Form C-122 shall be submitted in TRIPPLICATE to the Oil Conservation Commission, Santa Fe, New Mexico, and shall be used to show back pressure data as required under the provisions of Rule 401.

22. RULE 1122. REQUEST FOR THE EXTENSION OF AN EXISTING POOL OR THE CREATION OF A NEW POOL.
(FORM C-123)

Form C-123 shall be used when a well is completed outside the boundaries of any pool producing from the same formation and shall be submitted in TRIPLICATE to the Proration Office at Hobbs not later than twenty (20) days after completion of well, and shall accompany Form C-105.

VII. That Section 'N', Rules on Procedure, be amended and revised as follows.

1. RULE 1201. NECESSITY FOR HEARINGS.

Except as provided in some general rule herein, before any rule, regulation or order, including revocation, changes, renewal or extension thereof shall be made by the Commission, a public hearing shall be held at such time and place as may be prescribed by the Commission.

2. RULE 1202. EMERGENCY ORDERS

In case an emergency is found to exist by the Commission, which, in its judgment, requires the making of a rule, regulation or order without first having a hearing, such emergency rule, regulation or order shall have the same validity as if a hearing with respect to the same had been held after due notice. Such emergency rule, regulation or order shall remain in force no longer than 15 days from its effective date, and in any event, it shall expire when the rule, regulation or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation or order becomes effective.

3. RULE 1203. METHOD OF INITIATING A HEARING

The Commission upon its own motion and the Attorney General on behalf of the State and any operator, producer or any other person having a property interest may institute proceedings for a hearing. If the hearing is sought by the Commission it shall be on motion of the Commission and if by any other person it shall be by application. The application in TRIPLICATE shall state (1) the name or general description of the common source or sources of supply affected by the order sought, unless the same is intended to apply to and affect the entire state, in which event the application shall so state, and (2) briefly the general nature of the order, rule or regulation sought, and (3) any other matter required by a particular rule or rules.

An application shall be signed by the person seeking the hearing or by his attorney. Unless required by a specific rule, an application need not be verified.

4. RULE 1204. METHOD OF GIVING NOTICE FOR HEARINGS.

Notice of a hearing before the Commission shall be given by personal service on the person affected or by publication once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any land, oil or gas or other property which may be affected shall be situated.

5. RULE 1205. CONTENTS OF NOTICE FOR HEARING.

Such notice shall be issued in the name of "The State of

New Mexico" and shall be signed by two members of the Commission or by the Secretary of the Commission and the seal of the Commission shall be impressed thereon.

The notice shall specify the number and style of the case and the time and place of hearing and shall briefly state the general nature of the order or orders, rule or rules, regulation or regulations to be promulgated or effected. The notice shall also state the name of the petitioner or applicant if any and unless the contemplated order, rule or regulation is intended to apply to and affect the entire State it shall specify or generally describe the common source or sources of supply which may be affected by such order, rule or regulation.

6. RULE 1206. SERVICE OF NOTICE

Personal service of the notice of hearing may be made by any agent of the Commission or by any person over the age of 18 years in the same manner as is provided by law for the service of summons in civil actions in the district courts of this state. Such service shall be complete at the time of such personal service or on the date of publication, as the case may be. Proof of service shall be by the affidavit of the person making personal service or of the publisher of the newspaper in which publication is had. Service of the notice shall be made at least 10 days before the hearing.

7. RULE 1207. PREPARATION OF NOTICES.

After a motion or application is filed with the Commission the notice or notices required shall be prepared by the Commission and service and publication thereof shall be taken care of by the Commission without cost to the applicant.

8. RULE 1208. CONTINUANCE OF HEARING WITHOUT NEW SERVICE

Any hearing before the Commission had after due notice may be continued to a specified time and place without the necessity of notice of the same being again served or published. In the event of such continuance, a record thereof shall be made in the minutes of the hearing at which the continuance was ordered.

9. RULE 1209. CONDUCT OF HEARINGS.

Hearings before the Commission shall be conducted without rigid formality. A transcript of testimony shall be taken and preserved as a part of the permanent records of the Commission. Any person testifying in response to a subpoena issued by the Commission and any person seeking to testify in support of an application or motion or in opposition thereto shall be required to do so under oath. However, unsworn comments and observations by any interested party will be invited and made a part of the record. Comments and observations by representatives of operators' committees, the United States Geological Survey, the United States Bureau of Mines, the New Mexico Bureau of Mines and other competent persons are welcomed. Two members of the Commission constitute a quorum for the transaction of business and for the holding of hearings, but one member of the Commission may conduct a hearing for the purpose of receiving testimony only.

10. RULE 1210. STATUTORY POWERS AS TO WITNESSES, RECORDS, ETC.

The Commission or any member thereof has statutory power to subpoena witnesses and to require the production of books, papers, records, etc. A subpoena will be issued by the Commission for attendance at a hearing upon the written request of any person interested in the subject matter of the hearing. In case of the failure of a person to comply with the subpoena issued

by the Commission, an attachment of the person may be issued by the district court of any district in the state, and such court has powers to punish for contempt. Any person guilty of swearing falsely at any hearing may be punished for contempt.

11. RULE 1211. RULES OF EVIDENCE.

Full opportunity shall be afforded all interested parties at a hearing to present evidence and to cross-examine witnesses. In general, the rules of evidence applicable in a trial before a court without a jury shall be applicable, providing that such rules may be relaxed, where, by so doing, the ends of justice will be better served. No order shall be made which is not supported by some competent legal evidence.

12. RULE 1212. REHEARINGS.

Within 20 days after entry of any order or decision of the Commission, any person affected thereby may file with the Commission an application for rehearing in respect of any matter determined by such order or decision, setting forth the respect in which such order or decision is believed to be erroneous. The Commission shall grant or refuse any such application in whole or in part within 10 days after the same is filed and failure to act thereon within such period shall be deemed a refusal thereof and a final disposition of such application. In the event the rehearing is granted, the Commission may enter such new order or decision after rehearing as may be required under the circumstances.

13. RULE 1213. CHANGES IN FORMS AND REPORTS

Any changes in the forms and reports or rules relating to such forms and reports shall be made only by order of the Commission issued after due notice and hearing.

VIII. That Section 'O', Rules on Administration, be amended and revised as follows:

1. RULE 1301. DISTRICT OFFICES.

To expedite administration of the work of the Commission and enforcement of its rules and regulations, the State shall be divided into four districts as follows:

| | |
|------------|--|
| District 1 | Lea, Roosevelt, Curry, De Baca and Chaves Counties, with office at Hobbs |
| District 2 | Eddy, Otero, Dona Ana and Lincoln Counties with office at Artesia |
| District 3 | San Juan, Rio Arriba, McKinley and Sandoval Counties, with office at Aztec |
| District 4 | Balance of state, office of the Oil Conservation Commission, Santa Fe |

Each district office shall be under the charge of an oil and gas inspector, a deputy oil and gas inspector or a member of the Commission. Unless otherwise specifically required, all matters pertaining to the Commission shall be taken care of through the district office of the district in which the land that is affected lies.

2. RULE 1302. WHERE TO FILE REPORTS AND FORMS.

All reports and forms required by the rules to be filed with the Commission shall be filed in the number and at the time specified on each such printed report or form. However, all copies of reports and forms required to be filed with the Commission shall, except as hereinafter stated, be filed at the district office of the district in which the land that is the subject matter of the report lies. All plugging bonds shall be filed directly in the Commission Office at Santa Fe. A list of all plugging bonds in force and approved shall be kept in each district office.

3. RULE 1303. DUTIES AND AUTHORITY OF FIELD PERSONNEL

Oil and gas inspectors, deputy oil and gas inspectors, scouts, engineers and geologists duly appointed by the Commission have the authority and duty to enforce the rules and regulations of the Commission. Only oil and gas inspectors and their deputies shall have discretion to allow minor deviations from requirements of the rules as to field practices where, by so doing, waste will be prevented or burdensome delay or expenses on the part of the operator will be avoided.

4. RULE 1304. NUMBERING OF COMMISSION ORDERS.

All orders of the Commission made after 1 January 1950 pertaining to allocation of the production of oil or gas shall be prefixed with the letter "A" and shall be numbered consecutively, commencing with No. 1 - i.e., the first allocation order issued after 1 January 1950 shall be No. A-1, and the next shall be No. A-2.

All other orders of the Commission made after 1 January 1950 shall be prefixed with the letter "R" and shall be consecutively numbered, commencing with the number 1 - i.e., the first such order issued after 1 January 1950 shall be No. R-1, and the next shall be No. R-2.

IX Provided further, that this order shall be effective July 1, 1952.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



EDWIN L. MECHEM, Chairman



GUY SHEPARD, Member



R. R. SPURRTER, Secretary

S E A L

APPENDIX B

GAS-OIL RATIOS ESTABLISHED PURSUANT TO RULE 506

| <u>POOL</u> | <u>GAS-OIL RATIO LIMIT</u> |
|----------------------------|----------------------------|
| Acme | 2000 |
| Aid | 2000 |
| Anderson | 2000 |
| Arrowhead | 3500 |
| Artesia | 2000 |
| Bagley Pennsylvanian | 2000 |
| Bagley Silouro Devonian | 2000 |
| Baish | 2000 |
| Barber | 2000 |
| Benson | 2000 |
| Black River | 2000 |
| Blinebry | 2000 |
| Bluit San Andres | 2000 |
| Bough | 2000 |
| Bowers | 2000 |
| Brunson | 2000 |
| Burton | 2000 |
| Caprock | 2000 |
| Caprock, East Devonian | 2000 |
| Cary | 2000 |
| Cass | 2000 |
| Caudill Pennsylvanian | 2000 |
| Cedar Hill, Yates | 2000 |
| Chisum | 2000 |
| Chisum San Andres | 2000 |
| Corbin | 2000 |
| Crossroads | 2000 |
| Crossroads - Penn. | 2000 |
| Crossroads - Slaughter | 2000 |
| Daughterity | 2000 |
| Dayton | 2000 |
| Denton | 2000 |
| Denton (Wolfcamp) | 2000 |
| Dollarhide - West | 2000 |
| Dollarhide, West Drinkard | 2000 |
| Dollarhide, West Devonian | 2000 |
| Dollarhide, West Fusselman | 2000 |
| Drinkard | 2000 |
| Drinkard, South | 2000 |
| Dublin - Devonian | 2000 |
| Eaves | 2000 |
| Echol - Devonian | 2000 |
| Empire | 2000 |
| Eunice-Monument | |
| Eunice Portion | 6000 |
| Monument | 3000 |
| Eunice, South | 2000 |
| Forest | 2000 |
| Fowler | 2000 |
| Fren | 2000 |
| Garett | 2000 |
| Getty | 2000 |
| Gladiola | 2000 |
| Gladiola - Wolfcamp | 2000 |
| Grayburg-Jackson | 4000 |
| Grayburg Keely | 2000 |
| Halfway | 2000 |
| Hardy | 2000 |
| Hare | 2000 |

| <u>POOL</u> | <u>GAS-OIL RATIO LIMIT</u> |
|-------------------------------|----------------------------|
| Hare, South | 2000 |
| Henshaw | 2000 |
| High-Lonesome | 2000 |
| Hightower | 2000 |
| Hightower-Permo-Pennsylvanian | 2000 |
| Hobbs | 3500 |
| Hobbs, Drinkard | 2000 |
| Hobbs, East, Blinebry | 2000 |
| Hobbs, San Andres | 2000 |
| House | 2000 |
| House, San Andres | 2000 |
| King-Wolfcamp | 2000 |
| Knowles | 2000 |
| Leo | 2000 |
| Leonard | 2000 |
| Leonard, South | 2000 |
| Lightcap | 2000 |
| Loco Hills | 3000 |
| Loco Hills, Queen | 2000 |
| Lovington | 2000 |
| Lovington, Abo | 2000 |
| Lovington, East Penn. | 2000 |
| Lovington, West | 2000 |
| Lusk | 2000 |
| Lusk, West | 2000 |
| Lynch | 2000 |
| Lynch, North | 2000 |
| Malaga | 2000 |
| Maljamar | 3000 |
| Maljamar, Devonian | 2000 |
| Maljamar, East | 2000 |
| Maljamar, North | 2000 |
| Maljamar, South | 2000 |
| Maljamar, Paddock | 2000 |
| McCormack | 2000 |
| McMillian | 2000 |
| McMillian, Seven Rivers | 2000 |
| Mescalero - Penn. | 2000 |
| Millman Grayburg | 2000 |
| Monument, Abo | 2000 |
| Monument, Blinebry | 2000 |
| Monument, Paddock | 2000 |
| Moore, Devonian | 2000 |
| Nadine | 2000 |
| New Hope | 2000 |
| Nichols | 2000 |
| Paddock | 2000 |
| P.C.A. | 2000 |
| Pearsall | 2000 |
| Penrose - Skelly | 2000 |
| Premier | 2000 |
| Red Lake | 2000 |
| Roberts | 2000 |
| Robinson | 2000 |
| Russell | 2000 |
| Santo Nino | 2000 |
| San Simon | 2000 |
| Saunders | 2000 |

| POOL | GAS-OIL RATIO LIMIT |
|----------------------------|---------------------|
| Saunders, South | 2000 |
| Sawyer | 2000 |
| Shugart | 2000 |
| Shugart, North | 2000 |
| Skaggs | 2000 |
| Square Lake | 2000 |
| Teague | 2000 |
| Teague - Devonian | 2000 |
| Teague - Ellenburger | 2000 |
| Teas | 2000 |
| Terry - Blinebry | 2000 |
| Tulk, Wolfcamp | 2000 |
| Tulk, North Wolfcamp | 2000 |
| Turkey Track | 2000 |
| Turkey Track, East | 2000 |
| Turkey Track, West | 2000 |
| Turkey Track, Seven Rivers | 2000 |
| Twin Lakes | 2000 |
| Vacuum | 2000 |
| Wantz-Abo | 2000 |
| Warren, Drinkard | 2000 |
| Warren, McKee | 2000 |
| Warren, North McKee | 2000 |
| Watkins | 2000 |
| Watkins, Grayburg | 2000 |
| Weir | 2000 |
| Wilson | 2000 |
| Wilson, North | 2000 |
| Wilson, West | 2000 |
| Young | 2000 |