

CASE No.

4989

Application,

Transcripts,

Small Exhibits

ETC.

dearnley, meier & associates

209 SIMMS BLDG., P.O. BOX 1092, PHONE 243-6691, ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST, ALBUQUERQUE, NEW MEXICO 87108

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
MORGAN HALL, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

June 20, 1973

IN THE MATTER OF:

The hearing called by the Oil
Conservation Commission upon its
own motion to consider the
amendment of the general rules
governing prorated gas pools in
Northwest and Southeast New Mexico
as promulgated by Order No. R-1670,
as amended.

Case No. 4989

BEFORE: State Geologist, A. L. Porter, Jr.,
Secretary-Director

I. R. Trujillo,
Member

TRANSCRIPT OF HEARING

1 MR. PORTER: The hearing will come to order. The
2 Commission will take up Case 4989, which was continued
3 from the June 6th, 1973 Examiner Hearing.

4 MR. CARR: Case 4989: In the matter of the hearing
5 called by the Oil Conservation Commission upon its own
6 motion to consider the amendment of the general rules
7 governing prorated gas pools in Northwest and Southeast
8 New Mexico as promulgated by Order No. R-1670, as amended.

9 MR. PORTER: I would like to ask for appearances
10 in this case.

11 MR. CARR: The Oil Commission has one witness.

12 MR. PORTER: Are there any other appearances in
13 Case 4989?

14 MR. LYONS: Darrell Lyons, appearing for Michael
15 Grace.

16 MR. PORTER: Do you have a witness?

17 MR. LYONS: I don't.

18 MR. PORTER: Does anyone want to put on testimony
19 in this case?

20 (No response)

21 MR. PORTER: Mr. Carr, you may proceed.

22 * * * *

23 DANIEL NUTTER,

24 was called as a witness, and after being duly sworn according
25 to law, testified as follows:

DIRECT EXAMINATION

BY MR. CARR:

Q Will you please state your name and occupation for the record, please?

A Dan Nutter, Chief Engineer for the New Mexico Oil Conservation Commission.

Q Are you familiar with the proposed change in Rule 15 of the general rules governing prorated gas pools in Southeast and Northwest New Mexico?

A Yes, I am.

Q Is the proposed change prepared in the form of an exhibit?

A Yes. It has been identified as Staff Exhibit Number Two in Case 4989.

Q Would you read the changes and refer to your exhibit, and indicate what the proposed change is, and what the anticipated effect of such change will be?

A Yes, sir. We have also prepared what has been identified as Staff Exhibit Number One in this case, which is a reprint of Rule 15-A through 15-E for Northwest New Mexico and 15-A through 15-D for Southeast New Mexico.

In essence, the two rules are identical. The numbering systems are not the same, and we are proposing one Rule 15-A through 15-G be adopted now which would

1 be identical for both Northwest and Southeast New
2 Mexico.

3 Rule 15-A would read as follows: "Overproduction:
4 Any well which has an overproduced status as of the
5 end of a gas proration period shall carry such
6 overproduction forward into the next gas proration
7 period. Said overproduction shall be made up during
8 the succeeding gas proration period. Any well which
9 has not made up the overproduction carried into a gas
10 proration period by the end of said period shall be
11 shut in until such overproduction is made up."

12 That contains no change whatsoever from Rule 15-A
13 in Northwest New Mexico and 15-A in Southeast New Mexico.

14 Rule 15-B of the proposed rule reads as follows:
15 "If, during any month, it is discovered that a well
16 is overproduced in an amount exceeding six times its
17 average monthly allowable for the preceding twelve
18 months (or, in the case of a newly connected well or
19 a well in a newly prorated pool, six times its average
20 monthly allowable for the months available), it shall
21 be shut in during that month and during each succeeding
22 month until it is overproduced in an amount less than
23 six times its average monthly allowable, as determined
24 hereinabove."

25 Now, the exhibit says, "Less than six times".

1 I would propose that "less than" be stricken on the
2 exhibit, and that it read, "until it is overproduced
3 in an amount six times or less". In other words,
4 insert the words "or less" after "times".

5 Now, Rule 15-B as proposed takes the place of a
6 portion of Rule 15-B in the Northwest, and it takes
7 the place of a portion of the second paragraph of
8 Rule 15-A in the Southeast. There has been some
9 revision made to the rule which at the present time
10 states that a well shall be shut in during that month,
11 and it doesn't make any reference to the month, it
12 just says "if at any time". So we have inserted the
13 words "if, during any month...", "it shall be shut in
14 during that month". This is the clarifying point.

15 In the second place, the word "exceeding" in the
16 second line of Exhibit Two replaces the word "qualifying"
17 in the present rule. The old rule says, "if it is
18 discovered that a well is overproduced in an amount
19 equaling six times its average monthly allowable...".
20 Very seldom would a well be overproduced six times
21 equaling its allowable. So the word "equaling" would
22 be replaced by the word "exceeding".

23 Next, it would not be six times its average
24 monthly allowable for the preceding proration period,
25 but it would be six times its average monthly allowable

1 for the preceding twelve months. Now, this would be
2 a continuing thing, the machines can keep account of
3 the wells' allowables on a running average of twelve
4 months.

5 Since we have gone to twelve-month proration
6 periods rather than the six-month proration periods
7 before, it is conceivable that you could be looking
8 at a well that becomes six times overproduced of its
9 allowable-- Under your present rule, you would be
10 comparing that well's allowable for its overproduction
11 with the allowable calculated as the average allowable
12 during the preceding proration unit, which would
13 include the month of January the year before, or
14 twenty-four months prior to the time you are talking
15 about shutting the well in.

16 In this day and age of increased market demand
17 for gas, the more current you can keep calculations
18 of the overproduction of wells, the better off you are.
19 So we want to keep running an average on this rather
20 than referring back to a proration period that has
21 gone by almost two years before in which you are
22 computing this well's average allowable.

23 Also we are clarifying this in the case of a
24 newly connected well or a well in a newly prorated
25 pool. Now, we have also heretofore taken the well

1 and compared that with a like well under similar
2 circumstances to compute whether it was overproduced
3 six times its allowable or not.

4 So what we would be doing here is taking the
5 available months of production that we have and making
6 a determination on the production versus the allowable
7 for the available period of time which this well would
8 reach a six times overproduced status. "It shall be
9 shut in during that month and during each succeeding
10 month until it is overproduced in an amount six times
11 or less its average monthly allowable as determined
12 hereinabove."

13 Now, Rule 15-C that is proposed is the same as
14 Rule 15-C in the Northwest and 15-B in the Southeast,
15 with a minor change: "Allowable assigned to a well
16 during any one month of a gas proration period in
17 excess of the production for the same month shall be
18 applied against the overproduction chargeable to
19 such well in determining the amount of overproduction
20 which must be made up pursuant to the provisions of
21 Rules 15 (A) or 15 (B) above."

22 Currently that rule says that the allowable
23 assigned to any one well for one month in excess of
24 production for the same month shall be applied against
25 the overproduction carried into such a period in

1 determining the amount of overproduction, if any,
2 is to be made up. So that is saying that you are
3 going to take underproduction of allowables and charge
4 only the overproduction that was carried into a
5 proration period under the existing rule, and this is
6 not the case.

7 You apply your underproduction against any
8 overproduction, not only overproduction that was carried
9 into the proration period. So this will clarify the
10 manner in which this has been operated during all these
11 years.

12 Rule 15-D as proposed is identical to Rule 15-A--
13 to a portion of 15-A and 15-B in Northwest New Mexico
14 and the first and second paragraphs of 15-A in the
15 Southeast. There is no change, no substantive change.
16 It states: "The Secretary-Director of the Commission
17 shall have authority to permit a well which is subject
18 to shut-in, pursuant to Rules 15 (A) or 15 (B) above,
19 to produce up to 500 MCF of gas per month upon proper
20 showing to the Secretary-Director that complete shut-in
21 would cause undue hardship, provided however, such
22 permission shall be rescinded for any well produced
23 in excess of the monthly rate authorized by the
24 Secretary-Director."

25 To get into the historical reason for that rule,

1 it was a number of years ago that this was adopted,
2 and in some cases, there was the feeling that certain
3 lessors may not regard production that was overproduction
4 and made in advance of the allowable as being applicable
5 to a month and to a month in the future, and if the
6 well was completely shut in with no production
7 whatsoever, that lease may be subject to cancellation.

8 This is probably not the case, but in order to
9 provide 500 MCF to be produced from a well to be sure
10 the well is not concealed during a shut-in, this
11 proration was made.

12 Rule 15-E as proposed is similar to Rule 15-D
13 of the Northwest, and Rule 15-C of the Southeast.
14 The rule contains no substantive change, and states
15 as follows: "The Commission may allow overproduction
16 to be made up at a lesser rate than permitted under
17 Rules 15 (A), 15 (B) or 15 (D) above upon a showing
18 at public hearing that the same is necessary to avoid
19 material damage to the well."

20 Rule 15-F is substantially identical to Rule 15-E
21 for Northwest New Mexico, and Rule 15-D for Southeast.
22 The rule states: "Any allowable accruing to a well
23 at the end of a gas proration period due to the
24 cancellation of underage in the pool and the
25 redistribution thereof shall be applied against the

1 well's overproduction."

2 Now, Rule 15-E in the Northwest and 15-D in the
3 Southeast say that this allowable accruing to the
4 well as a result of cancellation and redistribution
5 would be applied to overproduction carried into the
6 proration period.

7 This is not the case, it is applicable to all
8 overproduction accruing to a well. So we have clarified
9 that.

10 Rule 15-G is entirely new material, and it reads
11 as follows: "The Secretary-Director of the Commission
12 shall have authority to grant a pool-wide moratorium
13 of up to three months on the shutting in of gas wells
14 in a pool during periods of high-demand emergency
15 upon proper showing that such emergency exists, and
16 that a significant number of the wells in the pool
17 are subject to shut-in pursuant to the provisions
18 of Rules 15 (A) or 15 (B) above. No moratorium beyond
19 the aforementioned three months shall be granted
20 except after notice and hearing."

21 In this day and age, we are faced with more
22 frequently occurring situations where there is
23 emergency demand for gas, and substantial portions of
24 a pool have been ordered shut in for overproduction.

25 This provides administrative relief for--

1 limited relief for a period of time where the
2 Secretary-Director can grant a moratorium. We feel
3 this is justified, and provided it's under a limited
4 period of time, no inequities nor extreme violations
5 of correlative rights would occur.

6 The overproduction would be continued to be
7 carried against the wells. Once the moratorium was
8 removed, the wells would be shut in again.

9 I believe that's all I have.

10 MR. CARR: Mr. Examiner, I offer Exhibits One
11 and Two.

12 MR. PORTER: Without objection, the exhibits will
13 be admitted.

14 (Whereupon OCC Staff Exhibits One and Two,
15 respectively, were admitted in evidence.)

16 MR. CARR: I have nothing further.

17 * * * *

18 CROSS EXAMINATION

19 BY MR. PORTER:

20 Q Mr. Nutter, as I understand it, the two main changes
21 you are recommending here today are that the Secretary-
22 Director would be empowered on a pool-wide basis to
23 declare up to a ninety-day moratorium on the shutting
24 in of gas wells.

25 A Yes.

1 Q And the other one is that instead of averaging the
2 allowable for an entire proration period, you would
3 take it on a six-month current basis.

4 A Twelve months.

5 Q I mean twelve months. The most current twelve months,
6 or if a well has been on for less than twelve months,
7 you would take the number of months available?

8 A Yes, either on production or on proration.

9 Q In all cases, you would have at least two months to
10 compare?

11 A Yes, you would always have two months.

12 Q In other words, if a well went on in January, you would
13 use the January and February allowable, and if it
14 became six times overproduced that amount, it would
15 be shut in?

16 A Yes, sir.

17 MR. PORTER: Are there any questions of the witness?

18 MR. LYONS: I have a couple of questions.

19 * * * *

20 CROSS EXAMINATION

21 BY MR. LYONS:

22 Q First of all, you talked about the allowable for any
23 of the periods. In the event that there would be
24 re-classification of the wells oftener than once a
25 year, would this be an amended allowable rather than

1 a yearly allowable?

2 A The machine would take the well's allowable that was
3 assigned to it, and determine whether it was overproduced
4 or not. The wells are classified only once a year at
5 the present time, and I think, were the Commission to
6 follow these recommendations, that this would provide
7 for classifications of wells of a marginal status
8 more than once a year.

9 But a marginal well has no allowable, it is
10 permitted to produce what it can.

11 Q What I want to know is if these other rules were to
12 be made effective by the Commission, would Rule 15-B
13 and 15-G be in fact amended to take into account new
14 prorations to each of the wells when other wells are
15 put on a marginal basis?

16 A You calculate the most recent twelve-month's allowable
17 assigned to any well to determine its overproduced
18 status.

19 Each month, the pool allowable is computed, and
20 the marginal wells are deducted before the top unit
21 allowable is determined.

22 MR. PORTER: Mr. Nutter, I am sure that this will
23 be taken up in the next case, but more frequent
24 classifications-- re-classifications of wells going from
25 non-marginal to marginal would have a tendency to increase

dearnley, meier & associates

200 SIMMS BLDG., P.O. BOX 1082, PHONE 243-6691, ALBUQUERQUE, NEW MEXICO 87103
1210 FIRST NATIONAL BANK BLDG. EAST, ALBUQUERQUE, NEW MEXICO 87108

- 1 the allowable for non-marginal wells.
- 2 A Yes, theoretically it would.
- 3 Q (By Mr. Lyons) You talked about a significant number
- 4 of rules. Then, I think in your remarks you said
- 5 substantial number. Do you have any definition of
- 6 significant and substantial?
- 7 A No, I think this is one of the things the Secretary-
- 8 Director is going to have to have under his discretion.
- 9 If a pipe line company notifies him and informs him
- 10 that they have an emergency situation where they need
- 11 some gas, I think he probably will consider a lesser
- 12 number of wells in a pool being a substantial number
- 13 than if the pipe line company says they have to have
- 14 some gas because there is an emergency in some dining
- 15 room where they want to light some flares.
- 16 I think it will depend on the circumstances of
- 17 the demand.
- 18 Q You would rather just leave it to the Director at that
- 19 time?
- 20 A Yes. It's something you can't pin down. I can't say
- 21 twenty percent of the wells or two percent of the wells.
- 22 Q In 15-B in parentheses, you bring in newly connected
- 23 wells or wells in newly prorated pools, and indicate
- 24 that as they come on the proration program, only the
- 25 monthly allowables available would be used. Do you

dearnley, meier & associates

209 SIMMS BLDG., P.O. BOX 1092, PHONE 243-6691, ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG., EAST ALBUQUERQUE, NEW MEXICO 87108

1 think this rule would be prejudice against those
2 wells that are producing greater amounts at this time?

3 A No, I think it would actually help wells stay out of
4 trouble and keep current, and be able to realize what
5 the situation is that is developing with regard to the
6 status of those wells.

7 Q I notice there is a difference in Rule 15-A as it
8 applies in the second paragraph to Southeastern New
9 Mexico. It says, "Six times the average monthly
10 allowable for a unit of corresponding size". That has
11 been omitted in the new rule. What effect will that
12 have in the application of the new rule as it is applied
13 from the old rule?

14 A Well, you don't need that anymore, because you used to
15 have to compare a new well with another well that had
16 a full production history, and you won't do that anymore.

17 You will just look at the well you are looking at,
18 and compare the well's production with its allowable
19 for the available period of time, so you don't have to
20 compare a new well to a well of like deliverability
21 and acreage.

22 Q So you will take the months available at the end of a
23 proration unit?

24 A No, you keep a running tab on the wells and the months
25 that are available, whether it's one month or eight

1 months, when that well becomes overproduced, six times
2 overproduced, it will be shut in.

3 Q But they still would have twelve months to bring it
4 back in line?

5 A No, they would be subject to shut in only for the period
6 of time that it takes them to get from six times or
7 less overproduced.

8 MR. LYONS: I have no further questions.

9 MR. PORTER: Does anyone else have any questions
10 of Mr. Nutter?

11 MR. ARNOLD: Yes.

12 * * * *

13 CROSS EXAMINATION

14 BY MR. ARNOLD:

15 Q Mr. Nutter, insofar as where you propose you would
16 grant the Secretary-Director the authority to grant a
17 moratorium for three months, would that apply to
18 individual wells or to the pools in general?

19 A This is pool-wide. It would be either pool-wide or
20 not at all.

21 Q So if someone comes in and asks for five wells in a
22 pool to be put back on production, the only way it
23 could be done would be if the whole pool was put back
24 on production?

25 A Right, it would be all wells. There would be no

1 preferential treatment at all.

2 MR. PORTER: Mr. Arnold, based on situations that
3 have occurred in the past, I anticipate the Secretary-Director
4 will be only called upon in cases of extreme cold when the
5 demand for gas is greatest.

6 Does anyone else have any questions of Mr. Nutter?

7 (No response)

8 MR. PORTER: If not, he may be excused.

9 (Witness excused.)

10 MR. PORTER: Are there any statements in this case?

11 MR. GILES: R. B. Giles, with Amoco Production
12 Company. We wholeheartedly support the proposed three-month
13 moratorium. We believe that that gives flexibility where
14 and when it is needed.

15 MR. PORTER: We also have a letter from Mr. R. J.
16 McGary of Southern Union Gas Company, which will be included
17 in the record favoring the proposed rule suggestion by Mr.
18 Nutter.

19 We have a telegram from Phillips Petroleum Company
20 supporting the rule and recommendations.

21 Does anyone else have anything to offer in this
22 case?

23 (No response)

24 MR. PORTER: The Commission will take the case
25 under advisement.

1 STATE OF NEW MEXICO)
 2) ss
 3 COUNTY OF BERNALILLO)

4 I, RICHARD E. McCORMICK, a Certified Shorthand
 5 Reporter, in and for the County of Bernalillo, State of New
 6 Mexico, do hereby certify that the foregoing and attached
 7 Transcript of Hearing before the New Mexico Oil Conservation
 8 Commission was reported by me; and that the same is a true
 9 and correct record of the said proceedings to the best of
 10 my knowledge, skill and ability.

11 
 12 CERTIFIED SHORTHAND REPORTER
 13
 14
 15
 16
 17
 18
 19
 20
 21
 22
 23
 24
 25

dearnley, meier & associates reporting services

209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 87103
 1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

I N D E XWITNESSPAGE

DANIEL NUTTER

Direct Examination by Mr. Carr	4
Cross Examination by Mr. Porter	12
Cross Examination by Mr. Lyons	13
Cross Examination by Mr. Arnold	17

E X H I B I T SEXHIBITADMITTEDOFFERED

OCC Staff #1	Reprint of Rule 15	12	4
OCC Staff #2	Changes	12	4

dearnley, meier & mc cormick

209 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
OIL CONSERVATION COMMISSION CONFERENCE ROOM
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
Wednesday, June 6, 1973

EXAMINER HEARING

IN THE MATTER OF:

In the matter of the
hearing called by the Oil
Conservation Commission upon
its own motion to consider the
amendment of the general rules
governing prorated gas pools in
Northwest and Southeast New
Mexico as promulgated by Order
No. R-1670, as amended.

Case No. 4989

BEFORE: Richard L. Stamets
Examiner

TRANSCRIPT OF HEARING

1 MR. STAMETS: Call next Case 4989.

2 MR. CARR: Case 4989, in the matter of the hearing
3 called by the Oil Conservation Commission upon its own
4 motion to consider the amendment of the general rules
5 governing prorated gas pools in Northwest and Southeast
6 New Mexico as promulgated by Order No. R-1670, as
7 amended.

8 MR. STAMETS: At this time we will take a short
9 recess and about five minutes. At that time we will
10 see whether or not we want to proceed with this case
11 before the lunch hour or not.

12 (Whereupon, a recess was taken.)

13 MR. STAMETS: The hearing will come to order, please.
14 Call for appearances in this case.

15 MR. LINES: Farrell Lines. I'm an attorney from
16 Albuquerque, and I'm appearing on behalf of Michael
17 Grace.

18 MR. STAMETS: We will go ahead and take appearances
19 at this time. Any other appearances in this case?

20 MR. CARR: We have one appearance with the Oil
21 Conservation Commission. We have an appearance and one
22 witness.

23 MR. STAMETS: Mr. Lines, we will give you five
24 minutes to appear. Whenever you are ready to go, just
25 let me know.

1 MR. LINES: All right.

2 (Whereupon, a five-minute recess was taken.)

3 MR. STAMETS: The hearing will come to order, please.
4 At the request of one of the parties, we are going to
5 recess the hearing at this time and reconvene at about
6 1:15.

7 (Whereupon, a luncheon recess was taken.)

8 MR. STAMETS: The hearing will come to order, please.
9 I regret the delay. When we had adjourned, we had two
10 appearances: Mr. Farrell Lines for Mr. Michael P. Grace.
11 Mr. Bill Carr for the Oil Conservation Commission.

12 Are there any other entries or interested parties
13 who will appear in this case? I guess we are ready to
14 proceed then.

15 MR. LINES: Your Honor, before we go, I would like
16 to make a motion at this time that the proceedings be
17 continued until next month due to the fact that we only
18 had an opportunity to get a copy of the Proposed Order
19 just before lunch.

20 We really haven't had time to go over it well. I'm
21 not sure that we are in opposition to anything that is
22 here, but it is very difficult in one hour to see what
23 has been done.

24 We thought perhaps you might just be adding another
25 two letters to your existing order. In that case it would

1 have been very easy to follow what was done. However,
2 since the entire rule has been restructured from beginning
3 to end, I haven't been able to see what is in and what
4 is not in.

5 Although not wanting to delay or harrass in any way,
6 as I mentioned, we are not sure if we are opposed.
7 Therefore, we would like adequate time to look this over
8 and see what has happened.

9 MR. STAMETS: So you would like to see the hearing
10 continued?

11 MR. LINES: Yes, sir. We certainly would, if possible.

12 MR. STAMETS: Mr. Carr, do you have any --

13 MR. CARR: Well, I think if we would continue it,
14 we ought to continue it first on our own motion to the
15 full Commission. The Commission is scheduled to meet the
16 20th. We are also scheduled to have a Commission hearing
17 on the 28th.

18 If it's impossible to go the 20th, we could on our
19 motion carry it back to the 28th.

20 MR. STAMETS: Mr. Lines, there is a hearing scheduled
21 for the 20th of this month before the full forum; and
22 I believe we will go ahead and continue this case until
23 that date. We do have copies of the proposed rules
24 available for any interested party, and that would
25 provide adequate time for your review.

1 MR. CARR: And the record should show that copies
2 have been made available to all people who have made
3 appearances in this case.

4 MR. NUTTER: And there will be no further advertise-
5 ment.

6 MR. LINES: Tell us the place and the time.

7 MR. CARR: Nine o'clock the 20th in Morgan Hall
8 here in this building.

9 MR. LINES: Thank you very much.

10 MR. PORTER: I might suggest, Mr. Examiner, that at
11 that time there will be some other rules on the docket.

12 MR. STAMETS: Mr. Lines, I would suggest that you
13 go by the office and talk to Mrs. Rodriguez and get a
14 copy of the docket or the advertisement for that
15 particular day.

16 MR. LINES: Do you already have copies of the other
17 rules?

18 MR. STAMETS: I think they will be proposed by a
19 company and not by us, and so I don't think we do have
20 such.

21 MR. LINES: I don't think it would be necessary
22 though if --. Thank you.

23 MR. STAMETS: Anything further?

24 MR. PORTER: You should let the record show that
25 copies of the proposed charge were circulated here today.

dearnley, meier & mc cormick

209 SIMMS BLDG., P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

PAGE 7

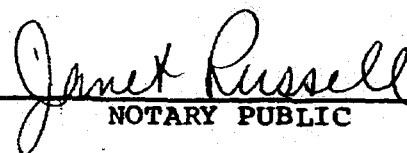
1 MR. STAMETS: Yes, sir. Okay. The hearing will be
2 concluded.

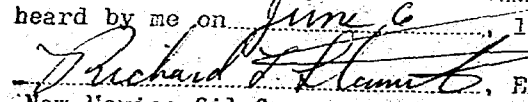
3 (Whereupon, the hearing was adjourned.)

4
5 * * * * *
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1 STATE OF NEW MEXICO)
) ss
 2 COUNTY OF BERNALILLO)

3 I, JANET RUSSELL, a Notary Public, in and for the
 4 County of Bernalillo, State of New Mexico do hereby certify
 5 that the foregoing and attached Transcript of hearing before
 6 the New Mexico Oil Conservation Commission was reported by
 7 me; and that the same is a true and correct record of the
 8 said proceedings to the best of my knowledge, skill and
 9 ability.

10 
 11 NOTARY PUBLIC

12
 13
 14
 15 I do hereby certify that the foregoing is
 16 a complete record of the proceedings in
 the Examiner hearing of Case No. 4989
 heard by me on June 6, 1973.
 17 
 18 Richard F. Plante, Examiner
 New Mexico Oil Conservation Commission
 19
 20
 21
 22
 23
 24
 25

dearnley, meier & mc cormick

200 SIMMS BLDG. • P.O. BOX 1002 • PHONE 243-6891 • ALBUQUERQUE, NEW MEXICO 87103
 1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

June 29, 1973

GOVERNOR
BRUCE KING
CHAIRMAN
LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

Mr. Farrell L. Lines
Attorney at Law
1011 Simms Building
Albuquerque, New Mexico 87101

Re: Case No. 4989
Order No. R-4569
Applicant:
OCC

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x
Artesia OCC x
Aztec OCC x

Other Mr. Bart Giles, Amoco - Denver,
Phillips Petroleum Co. - Odessa, Texas
Southern Union Gas Company - Dallas, Texas

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

CASE NO. 4989
Order No. R-4569

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION
OF NEW MEXICO UPON ITS OWN MOTION
FOR THE PURPOSE OF CONSIDERING THE
AMENDMENT OF RULE 15 OF THE GENERAL
RULES GOVERNING PRORATED GAS POOLS IN
NORTHWEST NEW MEXICO AND SOUTHEAST NEW
MEXICO AS PROMULGATED BY COMMISSION
ORDER NO. R-1670, AS AMENDED.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 20, 1973, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 28th day of June, 1973, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the Commission, by Order No. R-1670, as amended, has heretofore promulgated rules and regulations governing the prorated gas pools of Northwest New Mexico and Southeast New Mexico.
- (3) That Rules 15(A) through 15(E) of the Northwest New Mexico Prorated Gas Pool Rules as promulgated by said order and Rules 15(A) through 15(D) of the Southeast New Mexico Prorated Gas Pool Rules prescribe certain procedures for the making up of overproduction of the allowable by gas wells.
- (4) That in order to clarify the aforesaid procedure and in order to ease the administrative burden to both the Commission and the owners of gas wells, the overproduction make-up rules described in Finding No. 3 should be amended to provide that a well should be shut in to make up overproduction if it is overproduced in an amount exceeding six times its average monthly allowable for the preceding twelve months (or, in the case of a newly connected well or a well in a newly operated pool, six times its average monthly allowable for the months available).

-2-

Case No. 4989
Order No. R-4569

(5) That in order to ensure a supply of gas during temporary periods of emergency high-demand, provision should be made for the Secretary-Director of the Commission to have authority to grant a pool-wide moratorium of up to three months on the shutting in of gas wells in a pool during any such bonafide emergency.

IT IS THEREFORE ORDERED:

(1) That Rules 15(A) through 15(E) of the Rules and Regulations governing Prorated Gas Pools In Northwest New Mexico as promulgated by Commission Order No. R-1670, as amended, and Rules 15(A) through 15(D) of the Rules and Regulations governing Prorated Gas Pools in Southeast New Mexico as promulgated by said Order No. R-1670, as amended, are hereby superseded in their entirety by the following:

"RULE 15 (A) 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. Said overproduction shall be made up during the succeeding gas proration period. Any well which has not made up the overproduction carried into a gas proration period by the end of said period shall be shut in until such overproduction is made up.

"RULE 15 (B) If, during any month, it is discovered that a well is overproduced in an amount exceeding six times its average monthly allowable for the preceding twelve months (or, in the case of a newly connected well or a well in a newly prorated pool, six times its average monthly allowable for the months available), it shall be shut in during that month and during each succeeding month until it is overproduced in an amount six times or less its average monthly allowable, as determined hereinabove.

"RULE 15 (C) 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 chargeable to such well in determining the amount of overproduction which must be made up pursuant to the provisions of Rules 15 (A) or 15 (B) above.

"RULE 15 (D) The Secretary-Director of the Commission shall have authority to permit a well which is subject to shut-in, pursuant to Rules 15 (A) or 15 (B) above, to produce up to 500 MCF of gas per month upon proper showing to the Secretary-Director that complete shut-in would cause undue hardship, provided however, such permission shall be rescinded for any well produced in excess of the monthly rate authorized by the Secretary-Director.

-3-

Case No. 4989
Order No. R-4569

"RULE 15 (E) The Commission may allow overproduction to be made up at a lesser rate than permitted under Rules 15 (A), 15 (B) or 15 (D) above upon a showing at public hearing that the same is necessary to avoid material damage to the well.

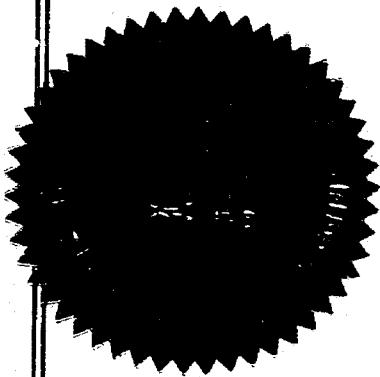
"RULE 15 (F) Any allowable accruing to a well at the end of a gas proration period due to the cancellation of underage in the pool and the redistribution thereof shall be applied against the well's overproduction.

"RULE 15 (G) The Secretary-Director of the Commission shall have authority to grant a pool-wide moratorium of up to three months on the shutting in of gas wells in a pool during periods of high-demand emergency upon proper showing that such emergency exists, and that a significant number of the wells in the pool are subject to shut-in pursuant to the provisions of Rules 15 (A) or 15 (B) above. No moratorium beyond the aforementioned three months shall be granted except after notice and hearing."

(2) That the effective date of this order shall be 7:00 a.m. July 1, 1973.

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

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



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. Trujillo
I. R. TRUJILLO, Chairman

ALEX J. ARMSTRONG, Member

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

S E A L

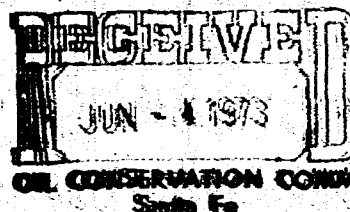
dr/

Telegram

western union

am

NO AGENCY SANA
0



NO AGENCY SANA
00352(1647)(2-17645E152)06/01/73 1647
ICS IPMBNGZ CSP
9153378611 TDBN ODESSA TX 57 06-01 0447P EST
PMS NEW MEXICO OIL CONSERVATION COMMISSION, DLR
ATTN AL PORTER JR SECRETARY DIRECTOR STATE LAND OFFICE BLDG PO
BOX 2088
SANTA FE NM 87501
RE CASE NUMBER 47070 PHILLIPS PETROLEUM COMPANY HEREBY SUPPORTS
THE PROPOSED AMENDMENT OF THE GENERAL RULES GOVERNING PRORATED
GAS POOLS IN NORTHWEST AND SOUTHEAST NEW MEXICO AS PROMULGATED
BY ORDER #R1670 AS AMENDED SAID AMENDMENTS BEING THOSE PROPOSED
IN THE DOCKET ANNOUNCEMENT FOR THE SUBJECT CASE
FF LOVERING MANAGER SOUTHWESTERN DISTRICT PHILLIPS PETROLEUM
CO ROOM 711 PHILLIPS BLDG ODESSA TX 79761

853P

RECEIVED
JUN - 4 1973
OIL CONSERVATION COMM.
Santa Fe



June 19, 1973

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. A. L. Porter, Secretary-Director

Dear Mr. Porter:

Southern Union Gas Company wishes to advise the Commission that they support the Commission upon its motion (Case #4989) as follows:

In the matter of the hearing called by the Oil Conservation Commission upon its own motion to consider the amendment of the general rules governing prorated gas pools in Northwest and Southeast New Mexico as promulgated by Order No. R-1670, as amended. Rule 15 of the aforesaid general rules would be amended to provide that if a well is overproduced in an amount exceeding six times its average monthly allowable for the preceding twelve months (or, in the case of a newly connected well or a well in a newly prorated pool, six times its average monthly allowable for the months available), it shall be shut in during that month and each succeeding month until it is overproduced in an amount less than six times its average monthly allowable, as determined above.

Rule 15 would be further amended to permit the Secretary-Director of the Commission to grant a pool-wide moratorium of up to three months on the shutting in of gas wells during periods of high demand emergency if a significant number of the wells in the pool are subject to being shut in.

Very truly yours,

R. J. McCrary, Manager
Purchases & Prorations Dept.

RJM:sbr

cc: Mr. Oran L. Haseltine

DOCKET: REGULAR HEARING - WEDNESDAY - JUNE 20, 1973

OIL CONSERVATION COMMISSION - 9 A.M. - MORGAN HALL, STATE LAND OFFICE
BUILDING, SANTA FE, NEW MEXICO

C ✓
CASE 4990: In the matter of the hearing called by the Oil Conservation Commission of New Mexico upon its own motion to consider the application of Thriftway Company, operator of a petroleum refinery in Bloomfield, New Mexico, for certification to the Commissioner of Public Lands as a small business enterprise within the state not having an adequate supply of charge stocks and eligible to be granted a preference, pursuant to Chapter 34, New Mexico Laws of 1967, for the purchase of state royalty oil. The Commission will consider the application and such pertinent evidence as may be submitted concerning the capacity of the refinery, the source and grade of all refinery charge stocks currently available to the applicant, the minimum amount and grade of additional refinery charge stocks needed to meet existing refinery commitments or existing refinery capacity, and the efforts made by applicant to purchase refinery charge stocks on the open market.

✓
CASE 4991: Application of El Paso Natural Gas Company for the amendment of the prorated gas pool rules promulgated by Order No. R-1670, as amended. Applicant, in the above-styled cause, seeks the amendment of the General Rules and Regulations for the Prorated Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Commission Order No. R-1670, as amended. Applicant proposes:

1. That Rule 9 (B) of the Northwest New Mexico Gas Proration Rules and 10 (A) of the Southeast New Mexico Gas Proration Rules each be amended to provide that the monthly allowable assigned to a marginal well would be equal to its latest available monthly production.
2. That Rule 13 of the Northwest New Mexico and Southeast New Mexico Gas Proration Rules be amended to provide that the proration period would be the 12-month period from 7:00 a.m. April 1 of each year to 7:00 a.m. April 1 of the following year. (The current proration period, due to terminate at 7:00 a.m. January 1, 1974, would be extended to 7:00 a.m. April 1, 1974).
3. That Rule 16 (A) of the Northwest New Mexico and Southeast New Mexico Gas Proration Rules be amended to provide that each proration period consist of four classification periods for the purpose of classifying wells marginal, each such classification period being of three months duration; and to provide that after production data is available for the last month of each such classification period, any well which had an underproduced status at the beginning of the gas proration period would be classified marginal

(Case 4991 continued from Page 1)

if its highest single month's production during the classification period is less than its average monthly allowable for the classification period, unless within 15 days after receipt of notice of classification of a well as marginal, the operator of the well or other interested person presents satisfactory evidence to the Commission showing that the well is not of marginal character and should not be so classified.

Applicant, in addition to the above-requested specific rule changes, further requests such additional word changes in other orders and/or Rules of the Commission (including but not limited to Order No. R-333-F-1) as may be necessary to effectuate the substantive rule changes proposed herein.

Consolidated for Hearing
CASE 4992: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Corinne Grace and the Travelers Indemnity Company and all other interested parties to appear and show cause why the Ranger Lake Wells Nos. 1 and 3 located in Unit N of Section 11, Township 12 South, Range 34 East, Lea County, New Mexico should not be plugged and abandoned in accordance with a Commission-approved plugging program.

*Capitol 10/1/67
435 am
5460 PP*

*C101 12/66 TD 5315 5269 PBD 25495 csg compl 1-7-67
C-101 8/66 TD 10407 Perm PBD 10406 30495 csg compl 1-7-67*

CASE 4993: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Corinne Grace and the Travelers Indemnity Company and all other interested parties to appear and show cause why the T. P. State Well No. 1 located in Unit A of Section 17, Township 10 South, Range 33 East, Lea County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

*Capitol 12-1968
am prod
58600*

C101 12/68 TD 10424 PBD 4489 25495 csg compl 2/69 13600 2/69 last prod

CASE 4994: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Glenn Petroleum Corporation and United States Fire Insurance Company and all other interested parties to appear and show cause why the Crosby Well No. 1 located in Unit O of Section 26, Township 7 South, Range 30 East, Chaves County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

*total extremely
C101 6-28-71 TD 3720 25495 csg made small amt of oil in test*

CASE 4995: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Glenn Petroleum Corporation and United States Fire Insurance Company and all other interested parties to appear and show cause why the Sanders Well No. 1 located in Unit N of Section 25, Township 7 South, Range 30 East, Chaves County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

C101 9-24-71 TD 280 12-4-71: 8 278' circ

*Dismissed
case has been
P.D.A.*

CASE 4996: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit C. H. Brockett Inc. and the Indemnity Company and all other interested parties to appear and show cause why the Lazy J State "A" Well No. 1 located in Unit A of Section 3, Township 14 South, Range 33 East, Lea County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 4997: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Jal Fishing Tool Company and United States Fidelity & Guarantee Company and all other interested parties to appear and show cause why the H. Whitten Well No. 1 located in Unit C of Section 4, Township 24 South, Range 36 East, Lea County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 4998: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit E. P. Campbell and Aetna Casualty and Surety Company and all other interested parties to appear and show cause why the E. P. Campbell Christmas Well No. 1 located in Unit C of Section 6, Township 23 South, Range 36 East, Lea County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 4999: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Standard Production Company and Aetna Life & Casualty and all other interested parties to appear and show cause why the Brown Lease Wells Nos. 1, 2, 3, 4, 5, and 5-A, located in Units F, D, C, F, E, and E, respectively, of Section 25, Township 25 South, Range 36 East, Lea County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program, and why the location of Well No. 6 in Unit L and No. 7 in Unit M of said Section 25 should not be cleaned and levelled.

*Cour
wt
5006
cont to
1st exam
by in
Dec.*

CASE 5000: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Aztec Oil and Gas Company and United States Fidelity and Guaranty Company and all other interested parties to appear and show cause why the Aztec Totah Unit Wells Nos. 17 and 18, located in Unit E of Section 20, and Unit H of Section 19, respectively, Township 29 North, Range 13 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5001: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Tamanaco Oil Corporation and Continental Casualty Company and all other interested parties to appear and show cause why the El Poso Ranch "N" Well No. 11 located in Unit N of Section 11, Township 28 North, Range 1 East, Rio Arriba County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

- CASE 5002: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Tamanaco Oil Corporation and Continental Casualty Company and all other interested parties to appear and show cause why the Pound Ranch "B" Well No. 27 located in Unit B of Section 27, Township 28 North, Range 1 East, Rio Arriba County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5003: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Dan M. Lockie and Hartford Fire Insurance Company Group and all other interested parties to appear and show cause why the Dan M. Lockie, Gersbach Com #1 located in Unit J of Section 3, Township 29 North, Range 16 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5004: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Pettus and Associates and United States Fidelity and Guaranty Company and all other interested parties to appear and show cause why the Pettus and Associates, Hunt Well No. 1 located in Unit K of Section 3, Township 29 North, Range 16 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5005: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Pettus and Associates and United States Fidelity and Guaranty Company and all other interested parties to appear and show cause why the Pettus and Associates, Don Stock Well No. 1 located in Unit E of Section 3, Township 29 North, Range 16 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5006: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Aztec Oil and Gas Company and United States Fidelity and Guaranty Company and all other interested parties to appear and show cause why the Southeast Cha Cha Unit Well No. 1 located in Unit M of Section 32, Township 29 North, Range 13 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- copying 5000*

CASE 4989: (Continued from the June 6, 1973, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission upon its own motion to consider the amendment of the general rules governing prorated gas pools in Northwest and Southeast New Mexico as promulgated by Order No. R-1670, as amended.

Rule 15 of the aforesaid general rules would be amended to provide that if a well is overproduced in an amount exceeding six times its average monthly allowable for the preceding twelve months (or, in the case of a newly connected well or a well in a newly prorated pool, six times its average monthly allowable for the months available), it shall be shut in during that month and each succeeding month until it is overproduced in an amount less than six times its average monthly allowable, as determined above.

Rule 15 would be further amended to permit the Secretary-Director of the Commission to grant a pool-wide moratorium of up to three months on the shutting in of gas wells during periods of high demand emergency if a significant number of the wells in the pool are subject to being shut in.

NEW MEXICO OIL CONSERVATION COMMISSION

PROPOSED AMENDED RULE 15 - OVERPRODUCTION
ORDER R- 1670, AS AMENDED:

RULES AND REGULATIONS GOVERNING PRORATED GAS POOLS IN NEW MEXICO

RULE 15 (A) 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. Said overproduction shall be made up during the succeeding gas proration period. Any well which has not made up the overproduction carried into a gas proration period by the end of said period shall be shut in until such overproduction is made up.

RULE 15 (B) If, during any month, it is discovered that a well is overproduced in an amount exceeding six times its average monthly allowable for the preceding twelve months (or, in the case of a newly connected well or a well in a newly prorated pool, six times its average monthly allowable for the months available), it shall be shut in during that month and during each succeeding month until it is overproduced in an amount less than six times its average monthly allowable, as determined hereinabove.

RULE 15 (C) 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 chargeable to such well in determining the amount of overproduction which must be made up pursuant to the provisions of Rules 15 (A) or 15 (B) above.

RULE 15 (D) The Secretary-Director of the Commission shall have authority to permit a well which is subject to shut-in, pursuant to Rules 15 (A) or 15 (B) above, to produce up to 500 MCF of gas per month upon proper showing to the Secretary-Director that complete shut-in would cause undue hardship, provided however, such permission shall be rescinded for any well produced in excess of the monthly rate authorized by the Secretary-Director.

RULE 15 (E) The Commission may allow overproduction to be made up at a lesser rate than permitted under Rules 15 (A), 15 (B) or 15 (D) above upon a showing at public hearing that the same is necessary to avoid material damage to the well.

RULE 15 (F) Any allowable accruing to a well at the end of a gas proration period due to the cancellation of underage in the pool and the redistribution thereof shall be applied against the well's overproduction.

RULE 15 (G) The Secretary-Director of the Commission shall have authority to grant a pool-wide moratorium of up to three months on the shutting in of gas wells in a pool during periods of high-demand emergency upon proper showing that such emergency exists, and that a significant number of the wells in the pool are subject to shut-in pursuant to the provisions of Rules 15 (A) or 15 (B) above. No moratorium beyond the aforementioned three months shall be granted except after notice and hearing.

FARRELL L. LINES
Attorney at Law
1011 Simms Building
Fourth and Gold, S.W.
Albuquerque, New Mexico 87101

Telephone 243-3549
Area Code 505

June 15, 1973

Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

ATTENTION: William F. Carr

RE: Michael Grace

Dear Bill:

Thank you very much for your letter of June 8
enclosing the items that will be of importance to my clients.

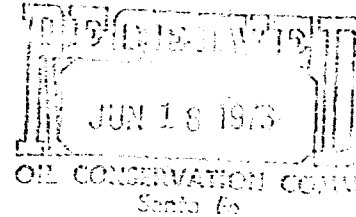
I will be in contact with you the day before the
scheduled hearing to determine the approximate time that each
of the cases will be heard. I appreciate your assistance and
look forward to seeing you again next week.

Very truly yours,

Farrell

FARRELL L. LINES

FLL:dm



OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

June 8, 1973

C
O
P
Y

Mrs. Corinne Grace
P. O. Box 1418
Carlsbad, New Mexico 88220

Dear Mrs. Grace:

I have taken this opportunity to send you several items that I believe will be of interest to you on June 20, 1973, at the Oil Conservation Commission hearing.

Circled on the enclosed docket are three cases in which I believe the Graces have an interest: Case 4989, Case 4992 and Case 4993. We have decided to set Cases 4992 and 4993 before the full Commission instead of an examiner as reflected in my June 7 letters.

Also enclosed, for your information, is the application filed by El Paso Natural Gas in Case 4991, docketed for June 20, 1973.

Very truly yours,

WILLIAM F. CARR
General Counsel

WFC/dr

enclosures:

Docket for June 20, 1973, Hearing
El Paso Natural Gas application in Case 4991

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

June 8, 1973

Mr. Michael P. Grace II
P. O. Box 1418
Carlsbad, New Mexico 88220

Dear Mr. Grace:

I have taken this opportunity to send you several items that I believe will be of importance to you on June 20, 1973, at the Oil Conservation Commission hearing.

Circled on the enclosed docket are three cases in which I believe you have an interest: Case 4989, Case 4992 and Case 4993. I have also enclosed copies of the certified letters I sent to Mrs. Grace concerning the June 20 show cause hearings. Since the time these letters were written, we have decided to set these cases before the full Commission instead of an examiner.

Also enclosed, for your information, is the application filed by El Paso Natural Gas in Case 4991, docketed for June 20, 1973.

Very truly yours,

WILLIAM F. CARR
General Counsel

WFC/dr

enclosures:

Copies June 7, 1973, letters to Mrs. Grace
Docket for June 20, 1973, Hearing
El Paso Natural Gas application in Case 4991

C
O
P
Y

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 6, 1973

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for July, 1973, from seventeen prorated pools in Lea, Eddy, Roosevelt and Chaves Counties, New Mexico;
- (2) Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico for July, 1973.

CASE 4982: Application of Brunson and McKnight for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Ojo Chiso Unit Area comprising 5,120 acres, more or less, of Federal and State lands in Township 22 South, Range 34 East, Lea County, New Mexico.

CASE 4983: Application of Gulf Oil Corporation for simultaneous well dedication and non-standard locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of two wells to a standard 640-acre gas proration unit comprising all of Section 35, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, said wells being the W. A. Ramsay (NCT-A) Wells Nos. 20 and 7 at non-standard locations in the center of Units E and N, respectively, of said Section 35.

CASE 4749: (Reopened)

In the matter of Case No. 4749 being reopened pursuant to the provisions of Order No. R-4338, which order established special rules and regulations for the Humble City-Strawn Pool, Lea County, New Mexico, including a provision for 80-acre proration units. All interested parties may appear and show cause why said pool should be developed on other than 40-acre units.

CASE 4984: Application of Monsanto Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Miller Federal Well No. 1 located in Unit G of Section 3, Township 21 South, Range 27 East, Eddy County, New Mexico, in such a manner as to produce gas from undesignated Atoka gas pool and from the Burton Flat-Morrow Gas Pool through the casing-tubing annulus, and tubing, respectively.

CASE 4967: (Continued and readvertised from the May 9, 1973 Examiner Hearing)

Application of John M. Etcheverry for dissolution of a standard proration unit and the creation of two non-standard proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks

(Case 4967 continued from page 1)

the dissolution of the standard 160-acre proration unit comprising the SW/4 of Section 29, Township 14 South, Range 34 East, West Tres Papalotes-Pennsylvanian Pool, Lea County, New Mexico, dedicated to the Mark Production Company Etcheverry Well No. 1 located in Unit L of said Section 29, and the creation of two non-standard 80-acre proration units, one comprising the N/2 and the other the S/2 of the SW/4 of said Section 29; the first unit would be dedicated to the aforesaid Etcheverry Well No. 1 and the second unit would be dedicated to a well proposed to be drilled in Unit M of said Section 29.

CASE 4985: Application of Union Oil Company of California for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Pipeline Deep Unit Area comprising 3,862 acres, more or less, of federal lands in Township 19 South, Range 34 East, Lea County, New Mexico.

CASE 4986: Application of Dalport Oil Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Queen formation underlying the E/2 of Section 17, Township 12 South, Range 31 East, Chaves County, New Mexico, to be dedicated to a well to be drilled in Unit G of said Section 17. Also to be considered will be the cost of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, the establishment of charges for supervision of said well, and the designation of applicant as operator.

CASE 4987: Application of Texaco Inc. for down-hole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Blinebry, Tubb, and Drinkard Oil Pools in the wellbore of its A. H. Blinebry Well No. 20 located in Unit E of Section 20, Township 22 South, Range 38 East, Lea County, New Mexico.

CASE 4988: Application of Texaco Inc. for down-hole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Tubb and Drinkard Oil Pools in the wellbore of its A. H. Blinebry Well No. 28 located in Unit A of Section 29, Township 22 South, Range 38 East, Lea County, New Mexico.

CASE 4989: In the matter of the hearing called by the Oil Conservation Commission upon its own motion to consider the amendment of the general rules governing prorated gas pools in Northwest and Southeast New Mexico as promulgated by Order No. R-1670, as amended. Rule 15 of the aforesaid general rules would be amended to provide that if a well is

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 6, 1973

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nuttér, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for July, 1973, from seventeen prorated pools in Lea, Eddy, Roosevelt and Chaves Counties, New Mexico;
- (2) Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico for July, 1973.

CASE 4982: Application of Brunson and McKnight for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Ojo Chiso Unit Area comprising 5,120 acres, more or less, of Federal and State lands in Township 22 South, Range 34 East, Lea County, New Mexico.

CASE 4983: Application of Gulf Oil Corporation for simultaneous well dedication and non-standard locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of two wells to a standard 640-acre gas proration unit comprising all of Section 35, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, said wells being the W. A. Ramsay (NCT-A) Wells Nos. 20 and 7 at non-standard locations in the center of Units E and N, respectively, of said Section 35.

CASE 4749: (Reopened)

In the matter of Case No. 4749 being reopened pursuant to the provisions of Order No. R-4338, which order established special rules and regulations for the Humble City-Strawn Pool, Lea County, New Mexico, including a provision for 80-acre proration units. All interested parties may appear and show cause why said pool should be developed on other than 40-acre units.

CASE 4984: Application of Monsanto Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Miller Federal Well No. 1 located in Unit G of Section 3, Township 21 South, Range 27 East, Eddy County, New Mexico, in such a manner as to produce gas from undesignated Atoka gas pool and from the Burton Flat-Morrow Gas Pool through the casing-tubing annulus, and tubing, respectively.

CASE 4967: (Continued and readvertised from the May 9, 1973 Examiner Hearing)

Application of John M. Etcheverry for dissolution of a standard proration unit and the creation of two non-standard proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks

(Case 4989 continued from page 2)

overproduced in an amount exceeding six times its average monthly allowable for the preceding twelve months (or, in the case of a newly connected well or a well in a newly prorated pool, six times its average monthly allowable for the months available), it shall be shut in during that month and each succeeding month until it is overproduced in an amount less than six times its average monthly allowable, as determined above.

Rule 15 would be further amended to permit the Secretary-Director of the Commission to grant a pool-wide moratorium of up to three months on the shutting in of gas wells during periods of high demand emergency if a significant number of the wells in the pool are subject to being shut in.

CASE 4966: (Continued from the May 23, 1973 Examiner Hearing)

Application of Read & Stevens, Inc. for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the N/2 of Section 36, Township 12 South, Range 30 East, Chaves County, New Mexico, to be dedicated to a well to be drilled to the Queen formation in Unit B of said Section 36, in the Southeast Chaves Queen Gas Area. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a 200 percent charge for risk involved in drilling said well.

(GENERAL RULES AND REGULATIONS -
NORTHWESTERN NEW MEXICO - Cont'd.)

RULE 14 (A). 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.

RULE 14 (B). 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 15 (A). (As Amended by Order No. R-2404-A, March 11, 1963, and Order No. R-4085, January 1, 1971.) 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. Said overproduction shall be made up during the succeeding gas proration period. Any well which has not made up the overproduction carried into a gas proration period by the end of said proration period shall be shut in until such overproduction is made up, provided, however, that special authority to produce up to 500 MCF per month may be assigned any such shut-in well upon proper showing to the Secretary-Director of the Commission that such authority is necessary to avoid undue hardship; provided further, that said special authority shall be rescinded for any well produced in excess of the monthly rate of production authorized by the Secretary-Director.

RULE 15 (B). (As Amended by Order No. R-2404-A, March 11, 1963, and Order No. R-4085, January 1, 1971.) If, at any time, a well is overproduced in an amount equaling six times its average monthly allowable for the preceding proration period, (or, in the case of a new well, six times the average monthly allowable for a well of like deliverability and acreage) it shall be shut in during that month and each succeeding month until it is overproduced less than six times its average monthly allowable for the preceding proration period, provided, however, that special authority to produce up to 500 MCF per month may be assigned any such shut-in well upon proper showing to the Secretary-Director of the Commission that such authority is necessary to avoid undue hardship; provided further, that said special authority shall be rescinded for any well produced in excess of the monthly rate of production authorized by the Secretary-Director.

RULE 15 (C). 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.

RULE 15 (D). (As Amended by Order No. R-2404-A, March 11, 1963.) The Commission may allow overproduction to be made up at a lesser rate than permitted under Rule 15(A) or 15(B) upon a showing at public hearing that shut in under Rule 15(A) or 15(B) would result in material damage to the well.

RULE 15 (E). 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.

E. CLASSIFICATION OF WELLS

RULE 16 (A). (As Amended by Order No. R-4085, January 1, 1971.) After the production data is available for the last month of each gas proration period, any well which had an underproduced status at the beginning of said period shall be classified marginal if its highest single month's production is less than its average monthly allowable for said period, unless, within 15 days after the close of said period, the operator or other interested person presents satisfactory evidence to the

(No

RUL
margi
data,
produc

RUL
shall
any ur
tion as

RUL

1971.)
has pr
a non-
margin
and it
the we
period
classif
to non
accrui
reclas

RUL
shall
reconn
deliver
ability
well.

RUL
shall
reconn
deliver
ability
well.

RUL
be clas

F.

RUL
1972.)
meter
reports
Rule 1
reach
next s
duced.
has bee

RUL
the des
a repo
on or
month

RUL
1972.)
being 1
on the

RUL
1972.)
triplica
office,
Aztec 2

RUL
1961.)
specific
may be
chart-r
applica

1. I
more ti

R. W. Byram & Co., - May, 1972

(GENERAL RULES AND REGULATIONS -
SOUTHEASTERN NEW MEXICO - Cont'd.)

shall be known as the gas proration period.

RULE 14 (A). 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.

RULE 14 (B). 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 15 (A). (As Amended by Order No. R-3233, May 8, 1967, and by Order No. R-4085, January 1, 1971.) 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. Said overproduction shall be made up during the succeeding gas proration period. Any well which has not made up the overproduction carried into a gas proration period by the end of said proration period shall be shut in until such overproduction is made up, provided, however, that special authority to produce up to 500 MCF per month may be assigned any such shut-in well upon proper showing to the Secretary-Director of the Commission that such authority is necessary to avoid undue hardship; provided further, that said special authority shall be rescinded for any well produced in excess of the monthly rate of production authorized by the Secretary-Director.

If, at any time, a well is overproduced in an amount equaling six times its average monthly allowable for the preceding proration period, (or, in the case of a new well, six times the average monthly allowable for a unit of corresponding size) it shall be shut in during that month and each succeeding month until it is overproduced less than six times its average monthly allowable for the preceding proration period, provided, however, that special authority to produce up to 500 MCF per month may be assigned any such shut-in well upon proper showing to the Secretary-Director of the Commission that such authority is necessary to avoid undue hardship; provided further, that said special authority shall be rescinded for any well produced in excess of the monthly rate of production authorized by the Secretary-Director.

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

STAFF EXHIBIT NO. 1
CASE NO. 4989
Submitted by ACC STAFF
Hearing Date 4/6/73

Page 42 New Mexico

(GENERAL RULES AND REGULATIONS -
SOUTHEASTERN NEW MEXICO - Cont'd.)

RULE 15 (B). Allowable assigned to a well 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.

RULE 15 (C). (As Amended by Order No. R-4085, January 1, 1971.) The Commission may allow overproduction to be made up at a lesser rate than permitted under Rule 15 (A) or 15 (B) upon a showing at public hearing that shut in under Rule 15 (A) or 15 (B) would result in material damage to the well.

RULE 15 (D). 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.

E. CLASSIFICATION OF WELLS

RULE 16 (A). (As Amended by Order No. R-4085, January 1, 1971.) After the production data is available for the last month of each gas proration period, any well which had an underproduced status at the beginning of said period shall be classified marginal if its highest single month's production is less than its average monthly allowable for said period, unless, within 15 days after the close of said period, the operator or other interested person presents satisfactory evidence to the Commission showing that the well is not of marginal status and should not be so classified.

RULE 16 (B). The Secretary-Director may allow overproduction to be made up at a lesser rate than permitted under Rule 15 (A) or 15 (B) upon a showing at public hearing that shut in under Rule 15 (A) or 15 (B) would result in material damage to the well.

RULE 17. A well which is classified as a marginal well shall not be permitted to accumulate underproduction. Any underproduction accrued to a well prior to its classification as a marginal well shall be cancelled.

RULE 18. (As Amended by Order No. R-4085, January 1, 1971.) If, at the end of a proration period, a well has produced more than the total allowable assigned to a non-marginal unit of corresponding size, the well shall be reclassified as a non-marginal well. Any underproduction cancelled as the result of such reclassification shall be reinstated upon reclassification of the well to marginal status. All uncompensated-for overproduction to the well while marginal shall be chargeable upon reclassification to non-marginal.

ATIONS -
CO - Cont'd.)

on: Any non-marginal well which
s of the end of a gas proration
y such underproduction forward
period and may produce such
the allowable assigned during
allowable carried forward into
naining unproduced at the end
ll be cancelled.

ring any one month of a gas
e allowable assigned to a well
against the underproduction
mining the amount of allowable,

by Order No. R-2404-A, March
085, January 1, 1971.) Over-
s an overproduced status as of
shall carry such overproduction
on period. Said overproduction
ceeding gas proration period.
up the overproduction carried
the end of said proration period
production is made up, provided,
to produce up to 500 MCF per
shut-in well upon proper show-
of the Commission that such
ndue hardship; provided further,
all be rescinded for any well
y rate of production authorized

by Order No. R-2404-A, March
5, January 1, 1971.) If, at any
an amount equaling six times
for the preceding proration
new well, six times the average
like deliverability and acreage)
unit and each succeeding month
h six times its average monthly
ation period, provided, however,
up to 500 MCF per month may
ell upon proper showing to the
mission that such authority is
hip; provided further, that said
nded for any well produced in
production authorized by the

igned to a well during any one
od in excess of the production
lied against the overproduction
termining the amount of over-
been made up.

by Order No. R-2404-A, March
ay allow overproduction to be
permitted under Rule 15(A) or
hearing that shut in under Rule
material damage to the well.
accrued to a well at the end of
ncellation of underage and the
applied against the overpro-
n period.

LS

by Order No. R-4085, January
data is available for the last
eriod, any well which had an
inning of said period shall be
t single month's production is
wable for said period, unless,
f said period, the operator or
satisfactory evidence to the

(No

RUI
margi
data,
produc

RUI
shall
any ur
tion as

RUL
1971.)
has pr
a non-
margin
and it
the we
period
classif
to non
accrui
reclas:

RUL
shall
reconn
deliver
ability
well.

RUL
be clas

F.

RUL
1972.)
meter
reports
Rule 1
reach
next si
duced.
has bei

RUL
the de
a repo
on or
month

RUL
1972.)
being 1
on the

RUL
1972.)
triplic
office,
Aztec 2

RUL
1961.)
specifi
may b
chart-g
applica

1. I
more II

R. W. Byram & Co., - May, 1972

(GENERAL RULES AND REGULATIONS -
SOUTHEASTERN NEW MEXICO - Cont'd.)

shall be known as the gas proration period.

RULE 14 (A). 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 under-
production 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.

RULE 14 (B). 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 allow-
able, if any, to be cancelled.

RULE 15 (A). (As Amended by Order No. R-3233, May 8,
1967, and by Order No. R-4085, January 1, 1971.) Over-
production: 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. Said overproduction
shall be made up during the succeeding gas proration period.
Any well which has not made up the overproduction carried into
a gas proration period by the end of said proration period shall
be shut in until such overproduction is made up, provided, how-
ever, that special authority to produce up to 500 MCF per
month may be assigned any such shut-in well upon proper
showing to the Secretary-Director of the Commission that such
authority is necessary to avoid undue hardship; provided further,
that said special authority shall be rescinded for any well
produced in excess of the monthly rate of production authorized
by the Secretary-Director.

If, at any time, a well is overproduced in an amount equaling
six times its average monthly allowable for the preceding
proration period, (or, in the case of a new well, six times the
average monthly allowable for a unit of corresponding size)
it shall be shut in during that month and each succeeding month
until it is overproduced less than six times its average monthly
allowable for the preceding proration period, provided, how-
ever, that special authority to produce up to 500 MCF per month
may be assigned any such shut-in well upon proper showing
to the Secretary-Director of the Commission that such authority
is necessary to avoid undue hardship; provided further, that
said special authority shall be rescinded for any well produced
in excess of the monthly rate of production authorized by the
Secretary-Director.

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

566 EXHIBIT NO. 1
CASE NO. 4989
Submitted by OCC Staff
Hearing Date 6/6/72

Page 42 New Mexico

SECTION II

(GENERAL RULES AND REGULATIONS -
SOUTHEASTERN NEW MEXICO - Cont'd.)

RULE 15 (B). 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 over-
production, if any, which has not been made up.

RULE 15 (C). (As Amended by Order No. R-3233, May 8,
1967.) The Commission may allow overproduction to be made up
at a lesser rate than permitted under Rule 15 (A) upon a showing
at public hearing that shut in under Rule 15 (A) would result in
material damage to the well.

RULE 15 (D). 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 over-
production carried into said proration period.

E. CLASSIFICATION OF WELLS

RULE 16 (A). (As Amended by Order No. R-4085, January
1, 1971.) After the production data is available for the last
month of each gas proration period, any well which had an under-
produced status at the beginning of said period shall be classified
marginal if its highest single month's production is less than
its average monthly allowable for said period, unless, within
15 days after the close of said period, the operator or other
interested person presents satisfactory evidence to the Com-
mission showing that the well is not of marginal character
and should not be so classified.

RULE 16 (B). The Secretary-Director may reclassify a
marginal or non-marginal well at any time the well's production
data, deliverability data, or other evidence as to the well's pro-
ducing ability justifies such reclassification.

RULE 17. A well which is classified as a marginal well
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.

RULE 18. (As Amended by Order No. R-4085, January 1,
1971.) 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. (If the well
has been classified as marginal for one proration period only,
any underproduction cancelled as the result of such classifi-
cation shall be reinstated upon reclassification back to non-
marginal status. All uncompensated-for overproduction accruing
to the well while marginal shall be chargeable upon reclassifi-
cation to non-marginal.)

RULE 19. A well
shall be classified
reconnection to a
deliverability data
ability indicates the
well.

RULE 20. All
be classified as no

F. REPORTING
RULE 21 (A).
1972.) The mon
metered separat
reported to the C
Rule 1115 of the
reach the Commi
next succeeding
operator shall sh
made of the gas pr

RULE 21 (B).
designated gas pr
report to the Com
or before the 15th
in which the gas w

RULE 21 (C).
1972.) Such repo
being listed in app
on the proration se

RULE 21 (D).
1972.) Form C-
duplicate, the ori
Fe office, the othe
office.

G. GENERAL
RULE 22. No
duced from the
flared or vented

RULE 23. Fail
order or the rules
tion of allowable
allowable shall be
and regulations at
notify the operat
of the date of all

RULE 24. All
well connection

NEW MEXICO OIL CONSERVATION COMMISSION

PROPOSED AMENDED RULE 15 - OVERPRODUCTION
ORDER R- 1670, AS AMENDED:

RULES AND REGULATIONS GOVERNING PRORATED GAS POOLS IN NEW MEXICO

RULE 15 (A) 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. Said overproduction shall be made up during the succeeding gas proration period. Any well which has not made up the overproduction carried into a gas proration period by the end of said period shall be shut in until such overproduction is made up.

RULE 15 (B) If, during any month, it is discovered that a well is overproduced in an amount exceeding six times its average monthly allowable for the preceding twelve months (or, in the case of a newly connected well or a well in a newly prorated pool, six times its average monthly allowable for the months available), it shall be shut in during that month and during each succeeding month until it is overproduced in an amount ~~less than~~ six times its average monthly allowable, as determined hereinabove.

RULE 15 (C) 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 chargeable to such well in determining the amount of overproduction which must be made up pursuant to the provisions of Rules 15 (A) or 15 (B) above.

RULE 15 (D) The Secretary-Director of the Commission shall have authority to permit a well which is subject to shut-in, pursuant to Rules 15 (A) or 15 (B) above, to produce up to 500 MCF of gas per month upon proper showing to the Secretary-Director that complete shut-in would cause undue hardship, provided however, such permission shall be rescinded for any well produced in excess of the monthly rate authorized by the Secretary-Director.

RULE 15 (E) The Commission may allow overproduction to be made up at a lesser rate than permitted under Rules 15 (A), 15 (B) or 15 (D) above upon a showing at public hearing that the same is necessary to avoid material damage to the well.

RULE 15 (F) Any allowable accruing to a well at the end of a gas proration period due to the cancellation of underage in the pool and the redistribution thereof shall be applied against the well's overproduction.

RULE 15 (G) The Secretary-Director of the Commission shall have authority to grant a pool-wide moratorium of up to three months on the shutting in of gas wells in a pool during periods of high-demand emergency upon proper showing that such emergency exists, and that a significant number of the wells in the pool are subject to shut-in pursuant to the provisions of Rules 15 (A) or 15 (B) above. No moratorium beyond the aforementioned three months shall be granted except after notice and hearing.

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
Stamp	EXHIBIT NO. 2
CASE NO.	9989
Submitted by	acc stamp
Hearing Date	4/6/73

NEW MEXICO OIL CONSERVATION COMMISSION

PROPOSED AMENDED RULE 15 - OVERPRODUCTION
ORDER R- 1670, AS AMENDED:

RULES AND REGULATIONS GOVERNING PRORATED GAS POOLS IN NEW MEXICO

RULE 15 (A) 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. Said overproduction shall be made up during the succeeding gas proration period. Any well which has not made up the overproduction carried into a gas proration period by the end of said period shall be shut in until such overproduction is made up.

RULE 15 (B) If, during any month, it is discovered that a well is overproduced in an amount exceeding six times its average monthly allowable for the preceding twelve months (or, in the case of a newly connected well or a well in a newly prorated pool, six times its average monthly allowable for the months available), it shall be shut in during that month and during each succeeding month until it is overproduced in an amount ~~less than~~ six times its average monthly allowable, as determined hereinabove.

RULE 15 (C) 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 chargeable to such well in determining the amount of overproduction which must be made up pursuant to the provisions of Rules 15 (A) or 15 (B) above.

RULE 15 (D) The Secretary-Director of the Commission shall have authority to permit a well which is subject to shut-in, pursuant to Rules 15 (A) or 15 (B) above, to produce up to 500 MCF of gas per month upon proper showing to the Secretary-Director that complete shut-in would cause undue hardship, provided however, such permission shall be rescinded for any well produced in excess of the monthly rate authorized by the Secretary-Director.

RULE 15 (E) The Commission may allow overproduction to be made up at a lesser rate than permitted under Rules 15 (A), 15 (B) or 15 (D) above upon a showing at public hearing that the same is necessary to avoid material damage to the well.

RULE 15 (F) Any allowable accruing to a well at the end of a gas proration period due to the cancellation of underage in the pool and the redistribution thereof shall be applied against the well's overproduction.

RULE 15 (G) The Secretary-Director of the Commission shall have authority to grant a pool-wide moratorium of up to three months on the shutting in of gas wells in a pool during periods of high-demand emergency upon proper showing that such emergency exists, and that a significant number of the wells in the pool are subject to shut-in pursuant to the provisions of Rules 15 (A) or 15 (B) above. No moratorium beyond the aforementioned three months shall be granted except after notice and hearing.

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
Stamp	EXHIBIT NO. 2
CASE NO.	9989
Submitted by	acc stamp
Hearing Date	4/6/73

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

CASE NO. 4989
Order No. R-4569

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO UPON ITS
OWN MOTION FOR THE PURPOSE OF CONSI-
DERING THE AMENDMENT OF RULE 15 OF THE
GENERAL RULES GOVERNING PRORATED GAS
POOLS IN NORTHWEST NEW MEXICO AND
SOUTHEAST NEW MEXICO AS PROMULGATED BY
COMMISSION ORDER NO. R-1670, AS AMENDED.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 20, 1973,
at Santa Fe, New Mexico, before the Oil Conservation Commission of
New Mexico, hereinafter referred to as the "Commission."

NOW, on this _____ day of _____, 19____, the Commission,
a quorum being present, having considered the testimony presented
and the exhibits received at said hearing, and being fully advised
in the premises,

FINDS:

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

(2) That the Commission, by Order No. R-1670, as amended,
has heretofore promulgated rules and regulations governing the
prorated gas pools of Northwest New Mexico and Southeast New
Mexico.

(3) That Rules 15(A) through 15(E) of the Northwest New
Mexico Prorated Gas Pool Rules as promulgated by said order and
Rules 15(A) through 15(D) of the Southeast New Mexico Prorated Gas
Pool Rules prescribe certain procedures for the making up of over-
production of the allowable by gas wells.

(4) That in order to clarify the aforesaid procedure and in
order to ease the administrative burden to both the Commission
and the owners of gas wells, the overproduction make-up rules
described in Finding No. 3 should be amended to ~~provide~~ ^{provide} that a
well should be shut in to make up overproduction if it is over-
produced in an amount exceeding six times its average monthly

-2-

Case No. _____

Order No. _____

~~allowable~~

allowance for the preceding twelve months (or, in the case of a newly connected well or a well in a newly operated pool, six times its average monthly allowable for the months available).

(5) That in order to ensure a supply of gas during temporary periods of emergency high-demand, provision should be made for the Secretary-Director of the Commission to have authority to grant a pool-wide moratorium of up to three months on the shutting in of gas wells in a pool during any such bonafide emergency.

IT IS THEREFORE ORDERED:

(1) That Rules 15(A) through 15(E) of the Rules and Regulations governing Prorated Gas Pools in Northwest New Mexico as promulgated by Commission Order No. R-1670 as amended, and Rules 15(A) through 15(D) of the Rules and Regulations governing Prorated Gas Pools in Southeast New Mexico as promulgated by said Order No. R-1670, as amended, are hereby superseded in their entirety by the following:

"RULE 15 (A) 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. Said overproduction shall be made up during the succeeding gas proration period. Any well which has not made up the overproduction carried into a gas proration period by the end of said period shall be shut in until such overproduction is made up.

"RULE 15 (B) If, during any month, it is discovered that a well is overproduced in an amount exceeding six times its average monthly allowable for the preceding twelve months (or, in the case of a newly connected well or a well in a newly prorated pool, six times its average monthly allowable for the months available), it shall be shut in during that month and during each succeeding month until it is overproduced in an amount six times or less its average monthly allowable, as determined hereinabove.

-3-

Case No. _____

Order No. _____

"RULE 15 (C) 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 chargeable to such well in determining the amount of overproduction which must be made up pursuant to the provisions of Rules 15 (A) or 15 (B) above.

"RULE 15 (D) The Secretary-Director of the Commission shall have authority to permit a well which is subject to shut-in, pursuant to Rules 15 (A) or 15 (B) above, to produce up to 500 MCF of gas per month upon ~~upon~~ proper showing to the Secretary-Director that complete shut-in would cause undue hardship, provided however, such permission shall be rescinded for any well produced in excess of the monthly rate authorized by the Secretary-Director.

"RULE 15 (E) The Commission may allow overproduction to be made up at a lesser rate than permitted under Rules 15 (A), 15 (B) or 15 (D) above upon a showing at public hearing that the same is necessary to avoid material damage to the well.

"RULE 15 (F) Any allowable accruing to a well at the end of a gas proration period due to the cancellation of underage in the pool and the redistribution thereof shall be applied against the well's overproduction.

"RULE 15 (G) The Secretary-Director of the Commission shall have authority to grant a pool-wide moratorium of up to three months on the shutting in of gas wells in a pool during periods of high-demand emergency upon proper showing that such emergency exists, and that a significant number of the wells in the pool are subject to shut-in pursuant to the provisions of Rules 15 (A) or 15 (B) above. No moratorium beyond the aforementioned three months shall be granted except after notice and hearing."

(2) That the effective date of this order shall be 7:00 a.m. July 1, 1973.

(3) Jurisdiction etc.

DONE at Santa Fe, New Mexico etc.