

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 521
Order No. R-356

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION UPON ITS OWN MOTION FOR AN
ORDER ESTABLISHING MEANS AND METHODS
FOR THE PRORATION OF NATURAL GAS IN LEA,
EDDY, CHAVES AND ROOSEVELT COUNTIES,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m., on March 17, 1953, April 16, 1953, May 19, 1953, June 16, 1953, July 16, 1953, and August 20, 1953, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 28th day of September, 1953, the Commission, a quorum being present, having considered the testimony adduced and the exhibits received in the hearings, 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 the cause and the subject matter thereof.

(2) That for the prevention of waste and protection of correlative rights proper special Rules and Regulations relating to the proration of gas-well gas produced in the gas pools of Lea, Eddy, Chaves and Roosevelt Counties, New Mexico, should be promulgated.

IT IS THEREFORE ORDERED:

SECTION A. That the following rules pertaining to gas well spacing in defined gas pools and acreage requirements for drilling tracts within the defined limits of gas pools in Eddy, Lea, Chaves and Roosevelt Counties, be and the same hereby are adopted effective immediately.

I. WELL SPACING; ACREAGE REQUIREMENTS FOR DRILLING TRACTS.

RULE 1. The Secretary of the Commission shall have authority to grant an exception to the requirements of Statewide Rule 104, Sections (a), (b), (c), and (d),

without notice and hearing where application has been filed in due form, and,

(a) When the necessity for the unorthodox location is based on topographical conditions, or is occasioned by the recompletion of a well previously drilled to another horizon, and

(b) When either one of the following is applicable:

1. When the ownership of all oil and gas leases within a radius of 1320 feet of the proposed location is common with the ownership of the oil and gas leases under the proposed location.

2. When all owners of oil and gas leases within such radius consent in writing to the proposed location.

(The above provisions of Rule 1 supersede Rule 104 (f).)

RULE 2. The provisions of Statewide Rule 104 Paragraph (k), shall not apply to gas pools located in Lea, Eddy, Chaves and Roosevelt Counties, New Mexico.

SECTION 1. That the following rules shall apply to defined gas pools in Eddy, Lea, Chaves and Roosevelt Counties only after hearings are held and an order issued on each individual pool. These rules shall be considered as "standby rules" and shall be used as a guide in establishing pool rules.

II. GAS PRORATION.

RULE 3. At such time as the Commission determines that allocation of gas production from gas wells producing from any pool in this four-county area is necessary to prevent waste or to protect correlative rights, the Commission, after notice and hearing, shall consider the nominations of gas purchasers from such gas pool and other relevant data, and shall fix the allowable production of such pool, and shall allocate production among the gas wells in such pool upon a reasonable basis with due regard to correlative rights. Unless special pool rules are adopted as provided in Rule 4 below, the general provisions of this rule shall apply to each gas pool allocated under this rule.

RULE 4. After notice and hearing, the Commission, in order to protect correlative rights, or prevent waste, or both, may promulgate special rules, regulations or orders pertaining to any gas pool.

(The above provisions of Rules 3 and 4 supersede Statewide Rule 602)

III. PRORATION UNITS.

RULE 5. For the purpose of gas allocation in the absence of special pool rules a standard proration unit shall consist of between 158 and 162 contiguous surface acres

substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys; provided, however, that a gas proration unit other than a legal quarter section may be formed after notice and hearing by the Commission, or after the Commission has been furnished waivers from all offsetting operators, if all acreage is contiguous and does not contain more than four legal quarter-quarter sections and/or lots. Any allocation unit containing less than 158 acres or more than 162 acres shall be a non-standard unit and its allowable shall be decreased or increased to that proportion of the standard unit allowable that the number of acres contained therein bears to 160 acres. Any standard proration unit consisting of between 158 and 162 contiguous surface acres shall be considered as containing 160 acres for the purpose of gas allocation.

IV. GAS ALLOCATION.

RULE 6. At least 30 days prior to the beginning of each gas proration period the Commission shall hold a hearing after due notice has been given. The Commission shall cause to be submitted by each gas purchaser its "Preliminary Nominations" of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period, by months, from each gas pool from which it purchases gas. The Commission shall consider the "Preliminary Nominations" of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period. "Preliminary Nominations" shall be submitted on a form prescribed by the Commission.

RULE 7. Each month, the Commission shall cause to be submitted by each gas purchaser its "Supplemental Nominations" of the amount of gas which each in good faith actually desires to purchase within the ensuing proration month from each gas pool from which it purchases gas. The Commission shall hold a public hearing between the 15th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month, and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month. Included in the monthly proration schedule shall be a tabulation of allowable and production for the second preceding month together with an adjusted allowable computation for the second preceding month. Said adjusted allowable shall be computed by comparing the actual allowable assigned with the actual production. In the event the allowable assigned is greater than the actual production, the allowables assigned the top allowable units shall be reduced proportionately, and in the event the allowable assigned is less than the production then the allowables assigned the top allowable units shall be increased proportionately. "Supplemental Nominations" shall be submitted on a form prescribed by the Commission.

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

The total allowable to be allocated to the pool each month shall be equal to the sum of the supplemental nominations together with any adjustment which the Commission deems advisable.

RULE 8. The allocation to a pool remaining after subtracting the capacities of marginal units shall be divided and allocated ratably among the non-marginal units in the proportion that the acreage contained in each unit bears to the total acreage allotted to such non-marginal units; provided that for this purpose standard units shall be as defined in Rule 5 above. More than one proration unit or fractional parts thereof may be assigned to a gas well and the allowables assigned said well may be increased proportionately, provided that:

- a. No more than 640 acres shall be assigned to any one well.
- b. All acreage in such units may reasonably be presumed to be productive of gas.
- c. The multiple unit so formed shall not have an overall length or width exceeding 5,280 feet.
- d. Where not more than two proration units are assigned to a well, the well shall not be located closer than 660 feet to the longest boundary of the pooled units nor less than 1320 feet from the shortest boundary of the pooled units. Where three or more units are pooled the well shall not be located closer than 1320 feet to the outer boundary of the pooled unit.
- e. Exceptions to the provisions of this rule may be granted by the Commission after notice and hearing or after the Commission has been furnished waivers by all offsetting operators.

(The above provisions of Rules 6, 7 and 8 supersede Statewide Rule 602)

V. BALANCING OF PRODUCTION.

RULE 9. Underproduction: The dates 7:00 A.M. January 1 and 7:00 A.M. July 1 shall be known as balancing dates and the periods of time bounded by these dates shall be known as gas proration periods. The amount of current gas allowable remaining unproduced at the end of each proration period shall be carried forward to and may be produced during the next succeeding proration period in addition to the normal gas allowable for such succeeding period; but whatever amount thereof is not made up within the first succeeding proration period shall be cancelled. If, at the end of the first succeeding proration period, a greater amount of allowable remains unproduced than was carried forward as underproduction, the amount carried forward to the second succeeding period shall be the total underproduction less the amount carried forward to the first succeeding period.

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

RULE 10. Overproduction: A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If, at the end of the first succeeding proration period, the well is still overproduced, it shall be shut in and its current monthly allowable charged against said overproduction until the well is in balance. If, at any time, a well is overproduced an amount equaling six times its current monthly allowable, it shall be shut in until it is in balance.

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

(The above provisions of Rules 9 and 10 supersede Statewide Rule 604)

VI. GRANTING OF ALLOWABLES.

RULE 11. No gas well shall be given an allowable until Form C-104 and Form C-110 have been filed together with a plat showing acreage attributed to said well and the locations of all wells on the lease.

RULE 12. Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility or the date of filing of Form C-104 and Form C-110 and the plat described above, whichever date is the later.

VII. REPORTING OF PRODUCTION.

RULE 13. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be submitted to the Commission so as to reach the Commission on or before the twentieth day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the gas produced. The full production of gas from each well shall be charged against the well's allowable regardless of what disposition has been made of the gas; provided, however, that gas used on the lease for consumption in lease houses, treaters, combustion engines and other similar lease equipment shall not be charged against the well's allowable.

VIII. DEFINITIONS.

RULE 14. A gas well shall mean a well producing gas or natural gas from a common source of gas supply from a gas pool determined by the Commission.

(The above Rule supersedes Statewide Definition A-24)

RULE 15. The term "gas purchaser" as used in these rules, shall mean any "taker" of gas either at the wellhead or at any point on the lease where connection is made for gas transportation or utilization. It shall be the responsibility of said "taker" to submit a nomination.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Secretary

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