

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. 589
Order No. R-375-A

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION FOR ALL
OPERATORS AND INTERESTED PARTIES IN THE
JUSTIS GAS POOL TO SHOW CAUSE WHY THE RULES
AND REGULATIONS AS SET OUT IN ORDER R-356,
WITH ANY ESSENTIAL AMENDMENTS, SHOULD NOT
BE PUT INTO EFFECT.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a. m. , on October 27, 1953,
at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico,
hereinafter referred to as the "Commission".

NOW, on this 10th day of November, 1953, the Commission, a quorum
being present, having considered the testimony adduced, the exhibits received,
the statements of interested parties, the official records of this Commission and
other pertinent data, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given, the Commission has jurisdiction of this cause.
- (2) That the Commission, for the purpose of preventing waste and drainage and for the protection of correlative rights, entered Order R-356, establishing certain general or "stand-by" rules and regulations relating to the proration of gas well gas, proration units, well spacing, and other related matters in the gas pools of Eddy, Lea, Chaves and Roosevelt Counties, New Mexico, applicable in all cases only after special rules for each gas pool shall have been promulgated.
- (3) That thereafter, after due notice and hearing, Order R-375 was duly entered by the Commission. Order R-375 adopted the general or "stand-by" rules promulgated by Order R-356 as the Special Rules and Regulations of the Justis Gas Pool, heretofore established. R-375 was entered pending a further order in the premises, said order to be entered only after all interested parties were afforded the opportunity to be heard in the matter.
- (4) That as a result of such hearing and in consideration of the testimony adduced Special Pool rules should be promulgated for the Justis Gas Pool, heretofore

established, described and classified as a gas pool. That the Special pool rules should approximate the general rules and regulations promulgated by Order R-356 insofar as the same are applicable to the Justis Gas Pool, and should conform, generally with the provisional special rules of Order R-375.

(5) That in order for the Commission to evaluate and delineate the actual productive limits of the Justis Gas Pool all operators of oil and gas wells within the defined limits of the Justis Gas Pool should supply certain Geological and Reservoir data to the Commission.

(6) That pending further study and orders, the allocation of gas in the Justis Gas Pool should be calculated on the basis of 100 per cent acreage, based upon the standard 160 acre proration unit, which unit is limited to a regular quarter section subdivision of the U. S. Public Land Surveys and consisting of not less than 158 nor more than 162 acres, substantially in the form of a square, with provision for deviation therefrom particularly in cases of wells heretofore completed where the impracticability of unitization is apparent.

(7) That an adequate gas well testing procedure should be adopted as soon as possible so that operators, purchasers and the Commission can determine the fairness and feasibility of an allocation factor for the pool which employs the factors of deliverability, pressure, or any other factor relating to gas well productivity.

IT IS THEREFORE ORDERED:

That Special Pool Rules applicable to the Justis Gas Pool, be and the same hereby are promulgated and are as follows:

SPECIAL RULES AND REGULATIONS
FOR THE JUSTIS GAS POOL
LEA COUNTY, NEW MEXICO

WELL SPACING AND ACREAGE REQUIREMENTS FOR DRILLING TRACTS.

RULE 1. Any well drilled a distance of one mile or more from the outer boundary of the Justis Gas Pool shall be classified as a wildcat well. Any well drilled less than one mile from the outer boundary of the Justis Gas Pool shall be spaced, drilled, operated and prorated in accordance with the Regulations in effect in the Justis Gas Pool.

RULE 2. Each well drilled or recompleted within the Justis Gas Pool shall be located on a tract consisting of not less than a quarter section of approximately 160 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys.

RULE 3. Each well drilled within the Justis Gas Pool shall not be drilled closer than 660 feet to any outer boundary line of the tract nor closer than 330 feet to a quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to a well drilling to or capable of producing from the same pool.

RULE 4. The Secretary of the Commission shall have authority to grant exception to the requirements of Rule 3 without Notice and Hearing where application has been filed in due form and 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.

Applicants shall furnish all operators within a 1320 foot radius of the subject well a copy of the application to the Commission, and applicant shall include with his application a written stipulation that all operators within such radius have been properly notified. The Secretary of the Commission shall wait at least 10 days before approving any such unorthodox location, and shall approve such unorthodox location only in the absence of objection of any offset operators. In the event an operator objects to the unorthodox location the Commission shall consider the matter only after proper notice and hearing.

RULE 5. The provision of Statewide Rule 104 Paragraph (k), shall not apply to the Justis Gas Pool located in Lea County, New Mexico.

GAS PRORATION

RULE 6. The Commission after notice and hearing, shall consider the nominations of gas purchasers from the Justis Gas Pool and other relevant data and shall fix the allowable production of the Justis Gas Pool, and shall allocate production among the gas wells in the Justis Gas Pool upon a reasonable basis with due regard to correlative rights.

PRORATION UNITS

RULE 7. (a) For the purpose of gas allocation in the Justis Gas Pool, 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 as outlined in Paragraph (b). 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.

(b) The Secretary of the Commission shall have authority to grant an exception to Rule 7 (a) without Notice and Hearing where application has been filed in due form and where the following facts exist and the following provisions are complied with:

1. The non-standard unit consists of less acreage than a standard proration unit.

Case No. 589 2. The acreage assigned to the non-standard unit lies wholly
Order No. 91-375-A within a legal quarter section and contains a well capable of producing gas into a
gas transportation facility on the date of this order.

Case No. 589 2. The acreage assigned to the non-standard unit lies wholly
within a legal quarter section and contains a well capable of producing gas into a
gas transportation facility on the date of this order.

3. The operator receives written consent in the form of waivers
from all operators in the adjoining 160 acre proration units.

GAS ALLOCATION

RULE 8. At least 30 days prior to the beginning of each gas proration period
the Commission shall hold a hearing after due notice has been given. The Commission
shall cause to be submitted by each gas purchaser its "Preliminary Nominations" of
the amount of gas which each in good faith actually desires to purchase within the ensuing
proration period, by months, from the Justis Gas Pool. The Commission shall con-
sider 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 9. 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 the
Justis Gas Pool. 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
Justis Gas Pool delivering to a gas transportation facility, or lease gathering system
and shall include in the proration schedule of the Justis Gas Pool any well which it
finds is being unreasonably discriminated against through denial of access to a gas
transportation facility, which is reasonably capable of handling the type of gas produced
by such well. The total allowable to be allocated to the pool each month shall be equal
to the sum of the supplemental nominations together with any adjustment which the
Commission deems advisable. 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.

BALANCING OF PRODUCTION

RULE 10. 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 11. 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.

GRANTING OF ALLOWABLES

RULE 12. 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 13. Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility, as determined from an affidavit furnished to the Commission (Box 2045, Hobbs, New Mexico) by the purchaser, or the date of filing of Form C-104 and Form C-110 and the plat described above, whichever date is the later.

REPORTING OF PRODUCTION

RULE 14. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be submitted to the Commission on Form C-115 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.

DEFINITIONS

RULE 15. 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.

RULE 16. 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.

PROVIDED FURTHER that all operators of gas wells shall submit to the Hobbs office of this Commission (Box 2045) on or before January 1, 1954 a copy of either an electric log or sample log of each well (if available), whether oil or gas, that they operate within the defined limits of the Justis Gas Pool. Attached to each log shall be a detailed report showing well elevation, total depth, plug back depth, depth of production string, interval of perforations and open hole and estimation of formation tops as indicated by the log. Any operator of any well hereafter completed or recompleted within the defined limits of the Justis Gas Pool shall also submit to the Hobbs office of the Commission, the logs and information detailed above, within 30 days following such completion or recompletion.

In the event that the Commission deems it advisable to obtain additional information from wells producing outside the defined limits of the Justis Gas Pool the Secretary of the Commission is hereby authorized to issue a directive to operators in order to obtain the desired information.

PROVIDED FURTHER that as soon as possible a testing procedure for all gas wells shall be adopted by the Commission. Said procedure shall contain adequate tests in order to determine the feasibility of employing any well potential, deliverability or pressure factors in allocating gas.

PROVIDED FURTHER that those operators who desire approval of Commission of gas-oil dual completions under the provisions of Statewide Rule 112-A should also comply with the provisions of Rules 2, 3 and 4 of this order before approval will be granted.

PROVIDED FURTHER that in order to inaugurate gas prorationing and allocation in the Justis Gas Pool on January 1, 1954 the Commission shall consider the nominations of purchasers for the proration period beginning January 1, 1954 at the regular hearing of the Commission on November 19, 1953 and shall require each

Case No. 589
Order No. R-375-A

purchaser of gas from the Justis Gas Pool to submit with each "supplemental" nomination a list of the wells and their location from which gas is to be purchased commencing January 1, 1954. In this instance the list of wells shall pertain solely to those wells which are gas wells and are not on the oil proration schedule.

PROVIDED FURTHER that in the event an operator has a producing well on acreage which does not conform to the provisions of Rule 2 or Rule 7 and an exception to Rule 7 is to be requested of this Commission, the necessary information requested under Rule 12 should be complied with pending Commission action. In this instance the Proration Manager is directed to assign to the well only that acreage attributable to the well lying within the quarter section upon which the well is located. In the event the unorthodox unit is approved after notice and hearing and an increase in total acreage is permitted then the total allowable assigned the well shall be adjusted and made retroactive to the 1st day of the proration period or the 1st day the well produced into a gas transportation facility if the well was not productive prior to January 1, 1954.

PROVIDED FURTHER that copies of Form C-115, Monthly Production Report, submitted in compliance with Rule 14 shall be distributed by the operator as follows: Original to Oil Conservation Commission, Box 871, Santa Fe; two copies to Oil Conservation Commission, Box 2045, Hobbs, New Mexico.

IT IS FURTHER ORDERED that nothing in this Order, or Order No. R-375, heretofore issued by the Commission, shall be construed as re-classifying any well now prorated on the oil proration schedule as a gas well, and any such reclassification hereafter made shall only be made after due notice and hearing.

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, Member and Secretary

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