

Entered May 22, 1973
A.P.

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. 4962
Order No. R-4538

NOMENCLATURE

APPLICATION OF AMOCO PRODUCTION
COMPANY FOR SPECIAL POOL RULES,
ROOSEVELT COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 9, 1973, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 22nd day of May, 1973, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, 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 Order No. R-4304, dated May 24, 1972, created the Peterson-Pennsylvanian Gas Pool, Roosevelt County, New Mexico.

(3) That the applicant, Amoco Production Company, seeks the redesignation of said Peterson-Pennsylvanian Gas Pool as the Peterson-Pennsylvanian Associated Pool and the promulgation of special rules and regulations therefor to provide for the classification of oil wells and gas wells, spacing and well location requirements for oil wells and gas wells, a special gas-oil ratio limit, and an allocation formula for withdrawals from the gas wells and oil wells.

(4) That while the said Peterson-Pennsylvanian Gas Pool is presently classified as a gas pool, the evidence adduced indicates it is in fact an associated oil and gas reservoir.

(5) That said Peterson-Pennsylvanian Gas Pool should be reclassified and designated the Peterson-Pennsylvanian Associated Pool and special rules and regulations should be promulgated therefore.

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(6) That the reservoir characteristics of the subject pool indicate that the gas area can be efficiently and economically drained and developed on 320-acre spacing, and that the oil area can be efficiently and economically drained and developed on 160-acre spacing.

(7) That the reservoir characteristics of the subject pool presently available justify the definition of a gas well in said pool as a well producing liquids with an API gravity of 60° or more or with a gas-liquid ratio of 25,000 or more cubic feet of gas per barrel of liquid hydrocarbons.

(8) That the reservoir characteristics of the subject pool presently available justify the establishment of a gas-liquid ratio limitation of 4,000 cubic feet of gas per barrel of liquid hydrocarbons.

(9) That special rules and regulations providing for 320-acre gas well spacing and 160-acre oil well spacing should be promulgated for the subject pool in order to prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, prevent reduced recovery which might result from the drilling of too few wells, and otherwise prevent waste and protect correlative rights.

(10) That the special rules and regulations should provide for the classification of a gas well as a well producing liquids with an API gravity of 60° or more or with a gas-liquid ratio of 25,000 or more cubic feet of gas per barrel of liquid hydrocarbons and should provide for a gas-liquid ratio of 4,000 cubic feet of gas per barrel of liquid hydrocarbons in order to afford to the owner of each property in the pool the opportunity to produce his just and equitable share of the oil or gas, or both, and for this purpose to use his just and equitable share of the reservoir energy.

(11) That the depth bracket allowable for oil wells in the subject pool should be 427 barrels of oil per day in accordance with Rule 505 of the Commission Rules and Regulations.

(12) That the temporary special rules and regulations should establish proration rules for gas wells in order to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That effective June 1, 1973, the Peterson-Pennsylvanian Gas Pool is hereby classified as an associated oil and gas reservoir and redesignated the Peterson-Pennsylvanian Associated Pool with vertical limits comprising the Pennsylvanian formation

and horizontal limits comprising the following-described area:

TOWNSHIP 5 SOUTH, RANGE 33 EAST, NMPM
Section 18: SE/4
Section 19: All

(2) That, effective June 1, 1973, Special Rules and Regulations for the Peterson-Pennsylvanian Associated Pool, Roosevelt County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
PETERSON-PENNSYLVANIAN ASSOCIATED POOL

RULE 1. Each well completed or recompleted in the Peterson-Pennsylvanian Associated Pool or in the Pennsylvanian formation within one mile thereof, and not nearer to or within the limits of another designated Pennsylvanian pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. (a) Each gas well shall be located on a standard unit containing 320 acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the United States Public Land Surveys.

(b) Each oil well shall be located on a standard unit containing 160 acres, more or less, consisting of a governmental quarter section.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a standard proration unit for the well under the applicable provisions of Rule 2 above and contains less acreage than a standard unit.

- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the standard proration unit for the well in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each oil well shall be located within 150 feet of the center of the quarter-quarter section. Each well drilled in a known gas productive area and to which is dedicated 320 acres shall be located no nearer than 660 feet to the nearest side boundary of the tract nor nearer than 1980 feet to the nearest end boundary of the tract.

RULE 5. A well shall be classified as a gas well if it produces liquids with an API gravity of 60° or more or if it has a gas-liquid ratio of 25,000 or more cubic feet of gas per barrel of liquid hydrocarbons. Any well completed in and capable of producing from the Peterson-Pennsylvanian Associated Pool and not classified as a gas well shall be classified as an oil well.

RULE 6. That the limiting gas-oil ratio shall be 4,000 cubic feet of gas for each barrel of oil produced.

RULE 7. An oil well which has 160 acres dedicated to it shall be permitted to produce only that amount of gas determined by multiplying the top unit oil allowable for the pool by the limiting gas-liquid ratio for the pool. In the event there is more than one oil well on a 160-acre oil proration unit, the operator may produce the allowable assigned to the 160-acre unit from the wells on the unit in any proportion.

A gas well shall be permitted to produce that amount of gas obtained by multiplying the top unit oil allowable for the pool by the limiting gas-liquid ratio for the pool and by a fraction, the numerator of which is the number of acres dedicated to the particular gas well and the denominator of

which is 160. In the event there is more than one gas well on a 320-acre gas proration unit, the operator may produce the amount of gas assigned to the unit from the wells on the unit in any proportion.

RULE 8. The operator of each newly completed well shall cause a gas-liquid ratio test to be taken on the well upon recovery of all load oil from the well, provided however, that in no event shall the test be commenced later than 30 days from the date of first production unless the well is connected to a gas-gathering facility and is producing under a temporary gas allowable assigned in accordance with Rule 11. Any well which is shut in shall be exempted from the gas-liquid ratio test requirement so long as it remains shut in. The initial gas-liquid ratio test shall be taken in the manner prescribed by Rule 9. If the gas-liquid ratio is 2,000 cubic feet of gas per barrel of liquid hydrocarbons, or more, the operator shall not produce the well until beneficial use can be made of the gas.

RULE 9. Gas-liquid ratio tests shall be taken on all wells during the months of March and September of each year. The initial gas-liquid ratio test shall suffice as the first semi-annual test. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of such tests shall be filed on Commission Form C-116 on or before the 10th day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the appropriate district office of the Commission a test schedule for its wells specifying the time each of its wells is to be tested. Copies of the test schedule shall also be furnished to all offset operators. The Commission District supervisor may grant exceptions to the above test requirements where it is demonstrated that wells produce no liquids.

Special tests shall also be taken at the request of the Secretary-Director and may also be taken at the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Commission and offset operators.

RULE 10. An initial shut-in pressure test shall be taken on each gas well and shall be reported to the Commission on Form C-125.

RULE 11. Any well completed after the effective date of these rules shall receive an allowable only upon receipt by the appropriate Commission district office of Commission Forms C-104 and C-116, properly executed. The District Supervisor of the Commission's district office is hereby authorized

to assign a temporary gas allowable to wells connected to a gas transportation facility during the recovery of load oil, which allowable shall not exceed the number of cubic feet of gas obtained by multiplying the daily top unit allowable for the pool by the limiting gas-liquid ratio for the pool.

RULE 12. The initial balancing date shall be 7 o'clock a.m. January the first, 1974. Subsequently, the date 7:00 a.m. January the first of each year shall be known as the balancing date, the twelve months following this date shall be known as the gas proration period.

RULE 13. Any gas 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. 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. 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, provided that such overproduction shall be compensated for during such succeeding period. Any well which has not compensated for the overproduction carried into a gas proration period by the end of such proration period shall be shut in until such overproduction is compensated for. If, at any time, a well is overproduced an amount equalling three times its current monthly allowable, it shall be shut in during that month and each succeeding month until the well is overproduced less than three times its current monthly allowable.

RULE 16. The 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 compensated for.

RULE 17. The Commission may allow overproduction to be compensated for at a lesser rate than would be the case if the well were completely shut in upon a showing after notice and hearing that complete shut in of the well would result in material damage to the well or reservoir.

RULE 18. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the produced gas.

RULE 19. Each purchaser or taker of gas shall submit a report to the Commission so as to reach the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken. Such report shall be filed on Form C-111 with the wells being listed in the same order as they are listed on the appropriate proration schedule.

RULE 20. Failure to comply with any provision of these rules shall result in the immediate cancellation of allowable assigned to the affected well. No further allowable shall be assigned until all rules and regulations have been complied with. The Secretary-Director shall notify the operator of the well and purchaser in writing of the date of allowable cancellation and the reason therefor.

RULE 21. All transporters or users of gas shall file gas well-connection notices with the Commission as soon as possible after the date of connection.

RULE 22. Allowables to wells whose classification has changed from oil to gas or from gas to oil as the result of a gas-liquid ratio test shall commence on the first day of the month following the month in which such test was reported, provided that a plat (Form C-102) showing the acreage dedicated to the well and the location of all wells on the dedicated acreage has been filed.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Peterson-Pennsylvanian Associated Pool or in the Pennsylvanian formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the appropriate district office of the Commission in writing of the name and location of the well on or before June 1, 1973.

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing oil wells in the Peterson-Pennsylvanian Associated Pool shall have dedicated thereto 160 acres and existing gas wells in said pool shall have dedicated thereto 320 acres, in accordance

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with the foregoing pool rules or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 160 acres to an oil well or 320 acres to a gas well or to obtain a non-standard unit approved by the Commission within 60 days from the date of this order shall subject the well to cancellation of allowable.

Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Peterson-Pennsylvanian Associated Pool as an oil well or in the Pennsylvanian formation within one mile thereof as an oil well shall receive no more than a standard 40-acre allowable for the depth of this pool.

(3) That the first operator in the subject pool to obtain a gas connection shall immediately notify the Santa Fe office of the Commission of such connection.

(4) That this cause shall be reopened one year from the date of said gas connection to permit operators in the subject pool to appear and show cause why the special rules promulgated herein should remain in effect.

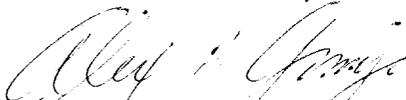
(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



I. R. TRUJILLO, Chairman



ALEX J. ARMIJO, Member



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

S E A L

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