

Entered March 4, 1969
A.S.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. 4040
Order No. R-1670-H

APPLICATION OF CITIES SERVICE OIL
COMPANY FOR THE INSTITUTION OF GAS
PRORATIONING IN THE BUFFALO VALLEY-
PENNSYLVANIAN GAS POOL, CHAVES
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 5, 1969, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 4th day of March, 1969, 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-2349, dated October 31, 1962, created the Buffalo Valley-Pennsylvanian Gas Pool, Chaves County, New Mexico, and promulgated temporary Special Rules and Regulations for same.

(3) That by Order No. R-2349-A, dated October 21, 1964, said temporary Special Rules and Regulations were made permanent.

(4) That the applicant, Cities Service Oil Company, seeks the limitation of gas production from said gas pool to reasonable market demand, and that the allowable production from the pool be allocated among the wells in the pool on a 100% surface acreage basis.

(5) That the applicant further proposes that the subject pool be governed by the General Rules and Regulations for the Prorated Gas Pools of Southeastern New Mexico insofar as said General Rules and Regulations are not inconsistent with the Special Rules and Regulations governing the subject pool.

(6) That there are five producing gas wells in the subject pool that have connections to a gas transportation facility.

(7) That a sixth well has been completed but has not yet been connected to a gas transportation facility.

(8) That the wells presently completed in the subject pool are capable of producing in excess of the reasonable market demand for gas from the pool.

(9) That four of the wells are connected to the Phillips Petroleum Company Pipeline System and one well is connected to the Southern Union Gas Company Pipeline System.

(10) That the evidence indicates that gas is not being taken ratably from all of the producing wells in the pool.

(11) That in order to prevent waste and protect correlative rights, the total allowable natural gas production from the gas wells producing from the subject pool should be restricted to reasonable market demand.

(12) That due to the lack of reservoir information, it is presently impracticable to attempt to compute recoverable tract reserves or recoverable pool reserves in the subject pool.

(13) That considering the available reservoir information, a 100% surface acreage formula is presently the most reasonable basis for allocating the allowable production among the wells delivering to the gas transportation facilities in the subject pool.

(14) That the adoption of a 100% surface acreage formula for allocating the allowable production in the subject pool will, insofar as is presently practicable, prevent drainage between producing tracts which is not equalized by counter-drainage.

(15) That the adoption of a 100% surface acreage formula for allocating the allowable production in the subject pool will,

insofar as is presently practicable, afford to the owner of each property in the subject pool the opportunity to produce his just and equitable share of the gas in the pool and to use his just and equitable share of the reservoir energy.

IT IS THEREFORE ORDERED:

(1) That the Buffalo Valley-Pennsylvanian Gas Pool in Chaves County, New Mexico, shall be prorated, effective May 1, 1969.

(2) That the subject pool shall be governed by the General Rules and Regulations for the Prorated Gas Pools of Southeastern New Mexico promulgated by Order No. R-1670, as amended, insofar as said General Rules and Regulations are not inconsistent with this order or the Special Rules and Regulations for the subject pool as hereinafter set forth, in which event the Special Rules shall apply.

SPECIAL RULES AND REGULATIONS
FOR THE
BUFFALO VALLEY-PENNSYLVANIAN GAS POOL

A. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2. Each well completed or recompleted in the Buffalo Valley-Pennsylvanian Gas Pool shall be located in the northwest quarter or the southeast quarter of the section and shall be located no nearer than 990 feet to the outer boundary of the quarter section nor nearer than 330 feet to any governmental quarter-quarter section line; provided, however, that any well drilling to or completed in said pool on or before October 31, 1962, is hereby excepted from the requirements of this rule.

RULE 5(A). Each well completed or recompleted in the Buffalo Valley-Pennsylvanian Gas Pool shall be located on a standard proration unit consisting of any two contiguous quarter sections of a single governmental section, being a legal subdivision (half section) of the United States Public Land Surveys. For purposes of these rules, a standard proration unit shall consist of 316 through 324 contiguous surface acres.

RULE 5(C). The Secretary-Director shall have authority to grant an exception to Rule 5(A) without notice and

hearing where an application has been filed in due form and where the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys, or where the following facts exist and the following provisions are complied with:

- (1) The non-standard unit consists of contiguous quarter-quarter sections or lots.
- (2) The non-standard unit lies wholly within a single governmental section.
- (3) The entire non-standard unit may reasonably be presumed to be productive of gas from the Buffalo Valley-Pennsylvanian Gas Pool.
- (4) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which any part of the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (5) In lieu of Paragraph 4 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, after a period of thirty days, no such operator has entered an objection to the formation of such non-standard unit.

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 8(A). The allowable production in the Buffalo Valley-Pennsylvanian Gas Pool shall be allocated as follows:

The pool allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in the proportion that each well's acreage factor bears to the total of the acreage factors for all non-marginal wells in the pool.

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C. GENERAL

RULE 25. The vertical limits of the Buffalo Valley-Pennsylvanian Gas Pool shall be the Pennsylvanian formation.

RULE 26. The first proration period for the Buffalo Valley-Pennsylvanian Gas Pool shall commence May 1, 1969, and shall terminate December 31, 1969. Subsequent proration periods shall be the six-month periods as provided in the General Rules.

IT IS FURTHER ORDERED:

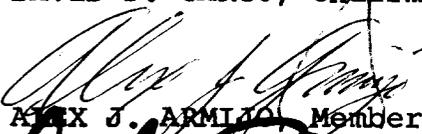
(1) That the Special Rules and Regulations for the Buffalo Valley-Pennsylvanian Gas Pool promulgated by Orders Nos. R-2349 and R-2349-A are hereby superseded.

(2) 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


DAVID F. CARGO, Chairman


ALEX J. ARMIJO, Member


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

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