

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

November 10, 1954

**Neal & Girand
Neal Building
Hobbs, New Mexico**

Attention: Mr. W. D. Girand, Jr.

**Re: Exceptions to Order No. R-520
Entered in Case No. 673 on
Behalf of Me-Tex Supply Company**

Gentlemen:

After considering your application for proposed exceptions in the above matter, it is the opinion of this Commission that such exceptions should not be considered without notice and hearing before the Commission.

Please advise if you desire the proposed exceptions to Order No. R-520, set for hearing.

Very truly yours,

**W. B. MACEY,
Secretary and Director**

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

PROPOSED ORDER OF THE OIL CONSERVATION COMMISSION
IN REGARD TO CASE NO. 584 AND COMPANION CASES.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9:00 o'clock A.M. on October 28, 1953 at Santa Fe, New Mexico and from month to month thereafter until final hearing on May 10, 1954, 9:30 A.M. at Santa Fe, New Mexico before the Oil Conservation Commission of New Mexico, hereafter referred to as the "Commission".

NOW, on this the _____ day of _____, 1954, the Commission, a quorum being present, having considered the testimony adduced, the exhibits received, 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 wells, 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-370 was duly entered by the Commission. Order R-370 adopted the general or stand-by rules promulgated by Order R-356 as the special rules and regulations of the Eumont Gas Pool, heretofore established. Order R-370 was entered pending a further order in the premises, said order to be entered only after all interested parties were afforded an opportunity to be heard in the matter.

(4) That thereafter the Commission continued to take testimony and hear statements of all interested parties through the 11th day of May, 1954, and as a result of such hearings and after consideration of the testimony adduced, determined that special pool rules should be promulgated for the Eumont Gas Pool, heretofore established, described and classified as a gas pool.

(5) That pending further study and orders the allocation of gas in the Eumont Gas Pool should be calculated on the basis of 100% acreage, based upon 160 acre proration units, which unit is limited to 160 acres within any section of the U. S. Public Land Surveys and such unit to consist of not less than 158 nor more than 162 acres substantially in the form of a square insofar as the creation of units for the production of gas from existing gas wells. And further, requiring the creation of standard 160 acre proration units 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 on all units established for the drilling of gas wells from and after the effective date of this Order and provided further, that provision for deviation therefrom, particularly in cases of

wells heretofore completed, where the impracticability of unitization is apparent.

(6) 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 Eumont Gas Pool be and the same are hereby promulgated and are as follows:

SPECIAL RULES AND REGULATIONS
FOR THE EUMONT 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 outside the boundary of the Eumont Gas Pool shall be classified as a wildcat well. Any well drilled less than one mile outside the boundary of the Eumont Gas Pool shall be spaced, drilled, operated and prorated in accordance with the rules and regulations in effect in the Eumont Gas Pool.

RULE 2. Each well drilled within the Eumont Gas Pool after the effective date of this Order shall be drilled not closer than 660 feet to any boundary line of the proration unit, nor closer than 330 feet to a quarter-quarter section or subdivision inner boundary within said unit, nor closer than 1,320 feet to a well drilling to or capable of producing from the same pool. Any well drilled to and producing from the Eumont Gas Pool, as defined, prior to the

effective date of this Order at a location conforming with the spacing requirements effective at the time said well was drilled, shall be considered to be located in conformance with this rule and such well or wells shall be entitled to a full unit allowable irrespective of the available acreage assignable to said well; provided, however, the operator shall assign contiguous acreage within the legal section to such existing well or wells as is owned and controlled by said operator to the extent required for a standard proration unit where possible.

RULE 3. The Secretary of the Commission shall have authority to grant exception to the requirements of Rule 2 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 recompletion of a well previously drilled to another horizon.

Applicant shall furnish all operators within a 1,320 foot radius of the proposed well a copy of the application to the Commission. The application shall include a list of names and addresses of all operators within such radius together with proof that notice has been given said operators at the addresses given. The Secretary of the Commission shall approve such unorthodox location at the expiration of ten days from the receipt of said application, providing no objections to the granting of said application have been received from operators owning off-set property within a 1,320 foot radius; however, in the event objections in writing have been received by the Commission from an operator owning off-set property within a 1,320 foot radius to the granting of the

unorthodox location, then the Commission shall assign the application a case number and after due notice and hearing, consider the application.

RULE 4. The provisions of state-wide Rule 104 Paragraph (k) shall not apply to the Eumont Gas Pool located in Lea County, New Mexico.

GAS PRORATION RULE

RULE 5. (a) The acreage allocated to a gas well for proration purposes shall be known as the gas proration unit for that well. In the Eumont Gas Pool a standard proration unit shall consist of between 158 and 162 contiguous surface acres, substantially in the form of a square, and located within a single designated section of the U. S. Public Land Surveys, provided, however, that any well drilled to and producing from the Eumont Gas Pool, as defined, prior to the effective date of this order at a location conforming with the spacing requirements in effect at the time said well was drilled, shall be entitled to a full unit allowable irrespective of the available acreage assignable to said well; provided further, however, the operator shall assign all acreage owned to such existing well or wells as is owned and controlled by said operator within the regular section of the U. S. Public Land Surveys to the extent of the acreage required to form a standard proration unit.

A non-standard gas proration unit may be formed after notice and hearing by the Commission or under the provisions of Paragraph (b) of this rule.

Any gas proration unit containing between 158 and 162 acres shall be considered to contain 160 acres for the purpose of computing allowables.

Not more than one allowable shall be assigned to any well bore irrespective of the number of acres assigned by the operator to the unit.

(b) The Secretary of the Commission shall have authority to grant an exception to Rule 5 (a) without notice or hearing where application has been filed in due form and where the following facts are found by the Secretary to exist and the applicant has complied with the following provisions:

1. The non-standard gas proration unit consists of contiguous quarter-quarter sections or lots lying wholly within a designated section of U. S. Public Land Surveys.

2. The entire non-standard gas proration unit may reasonably be presumed to be productive of gas.

3. The length or width of the non-standard gas proration unit does not exceed 5,280 feet.

4. The applicant presents written consents in form of waivers from (1) all operators owning interests in the section in which any part of the non-standard gas proration unit is situated and which acreage is not included in said non-standard gas proration unit; and (2) all operators owning interest within 1,500 feet of the wellsite at which said gas proration unit is proposed to be allocated or applicant may furnish proof of notice to all operators owning interest in the section as well as operators owning interest within 1,500 feet of the wellsite of applicant's intent

to form such non-standard gas proration unit. In such case the Secretary of the Commission shall defer action on said application until the expiration of ten days from the date of the receipt of said application and in the event no formal protest in writing giving the reasons therefor have been filed with the Commission, the Secretary may approve the application without notice or hearing.

RULE 6. (a) The Commission, after notice and hearing, shall consider the nominations of gas purchasers from the Eumont Gas Pool and other gas pools as well as other relative data and shall fix the allowable production of the Eumont Gas Pool and shall allocate the allowable production among the gas wells in the Eumont Gas Pool upon a reasonable basis with due regard to the total nominations for gas and with due regard to correlative rights.

(b) The maximum allowable assigned to any well shall be fixed by first deducting allowables assigned to marginal wells and the remainder of the gas allowable within the Eumont Pool to be allocated to the remaining gas wells in proportion that the number of acres contained in the gas proration unit for the particular well bears to the allowable fixed per 160 acre unit, except as to those designated gas wells being operated and produced by operators on the 1st day of January, 1952 as gas wells, such wells to receive full unit allowable regardless of the number of acres attributable to the proration unit assigned to said well.

RULE 7. At least 30 days prior to the beginning of each gas proration period the Commission shall hold 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 Eumont Gas Pool. 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 8. In the event a gas purchaser's market shall have increased or decreased, he may file with the Commission prior to the 10th day of the month a supplemental nomination, showing the amount of gas he actually in good faith desires to purchase during the ensuing proration month from the Eumont 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 that 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 Eumont Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Eumont 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 gas proration units as established by the Commission.

RULE 9. Underproduction: The dates 7:00 A.M., January 1st and 7:00 A.M., July 1st, 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 under-production, the

amount carried forward to the second succeeding period shall be the total under-production less the amount carried forward to the first succeeding period.

If it appears that such continued under-production 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, and has not been in balance since the end of the preceding proration period, then 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 ALLOWABLES

RULE 11. No gas well completed and producing on January 1, 1954, 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 the operator has furnished the Commission with all of the gas well testing data now required or hereafter required by the Commission in order to establish the productivity of the well or on the date of the filing of Form C-104 and Form C-110 together with plat described in Rule 11, however, should the operator of a newly completed gas well or wells fail to procure a connection to a gas transportation facility within the second proration period after the date of completion of the well, then and in that event the allowable attributable to such newly completed gas well or wells shall be cancelled as to the first proration period allowable and in no event shall any newly completed gas well be allowed a gas allowable covering a greater proration period than the period in which a connection with a gas transportation facility is obtained and the proration period immediately preceding the date of connection, providing the well was completed within said period.

RULE 13. The monthly gas production from each well shall be metered separately and the gas production therefrom shall be reported 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 flow production of gas from each gas 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 and combustion engines for pumping equipment, shall not be charged against the well's allowable.

DEFINITIONS

RULE 14. A gas well shall mean a well producing with a gas-oil ratio in excess of 10,000 cubic feet of gas per barrel of oil.

RULE 15. A well producing from the Eumont Pool and not classified as a gas well, as defined in Rule 14, shall be classified as an oil well.

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.

GENERAL PROVISION

RULE 17. No gas, either dry gas or casinghead gas, produced from the Eumont Pool shall be flared or vented unless specifically authorized by order of the Commission after due notice and hearing.

RULE 18. Oil wells producing from the Eumont Pool shall be allowed to produce a volume of gas each day not exceeding the daily normal unit allowable multiplied by 10,000; provided, however, that such well shall not be allowed to produce oil in excess of the normal unit allowable as ordered by the Commission under the provisions of Rule 505.