

CASE 1164

BEFORE THE
COMMISSION
CASE 1164
FILE NO. 2

RECOMMENDATIONS OF INDUSTRY
COMMITTEE APPOINTED TO
REVIEW GAS PRORATION PROCEDURE

Your Industry Committee, appointed to review gas proration procedure, recommends to the Commission that they incorporate in each of the applicable pool rules the following items:

1. The Commission shall classify wells in the prorated gas pools of the San Juan Basin as marginal or non-marginal as of 8-1-56 and on each balancing date thereafter.

The classification of wells in the prorated gas pools of Southeast New Mexico shall continue under the system outlined in the existing pool rules, provided however, that the classification system outlined herein shall be put into effect in the prorated gas pools of Southeastern New Mexico on January 1, 1958.

2. All wells which the Commission classifies as marginal shall remain marginal except in instances where the production of the well evidences that the well is no longer marginal.

All underage accrued to a well prior to its classification as a marginal well shall be cancelled at the time such well is classified as marginal.

3. A well which had an underproduced status at the start of a 6-month gas proration period and which does not make its allowable during at least one of such months shall be classified as marginal unless prior to the end of said proration period the operator or any other interested party presents satisfactory evidence to the Commission showing that the well should not be so classified.

A marginal well shall be given an allowable equal to the maximum volume of gas produced during any month of said preceding 6-month proration period.

4. A volume of gas equal to the total pool overage or underage accrued to all non-marginal wells on the 8-1-56 balancing date for the San Juan Basin prorated gas pools shall be allocated to the wells in the pool classified as non-marginal wells on that date in such a manner that the net pool status is zero. The adjustment to the net status of each well shall be made in the proportion that each well's proration factor or factors bears to the total proration factor or factors for the pool in accordance with the appropriate proration formula.

5. Any over/under production accrued during any one month during a balancing period shall be applied against the under/over production carried into said balancing period.

6. The Commission should amend existing rules in the San Juan Basin prorated gas pools so as to provide in such rules an administrative procedure for exception of marginal wells from the requirement of taking an annual deliverability test.

PROPOSED ADDITION TO RULE 701
(New proposed rule to be Rule 701 (c))

(c) The Secretary-Director of the Oil Conservation Commission shall have authority to grant an exception to the requirements of Rule 701 (a) above without notice and hearing for salt water disposal wells when the disposal ^{horizontal formation} zone is to be one that is non-productive of oil or gas ^{in the area}.

Applicants shall:

- (1) determine that the salt water or other waters contain minerals in such an amount as to be unfit for domestic, stock, irrigation or other general uses, and may be disposed of by injection into ^{formations} that are non-productive of oil or gas within a radius of two miles of the proposed ^{injection} well, and,
- (2) determine that the disposal ^{formation} zone if it contains water that the water is mineralized by processes of nature to such a degree that the water is unfit for domestic, stock, irrigation or other general uses, and,
- (3) determine that the disposal ^{formation} zone is below the base of the Triassic formation in Lea County, only, and,
- (4) Case the disposal well and cement the casing in such a manner that there will be no danger to oil, gas or fresh water reservoirs, and,
- (5) submit in triplicate to the Commission at Santa Fe on the form entitled "Application to Dispose of Salt Water by Injection into a ^{porous} ~~proven~~ formation not productive of oil or gas", and,
- (6) at the same time send a copy of the above application form to all offset operators, the N. M. State Engineer Office at Santa Fe, and to the surface owner of the land on which the well is located.

If any objection is made to the Commission that the proposed plan as contained on the application will cause damage to oil, gas or fresh water resources, then a hearing will be held on the application. If no objection is received within 15 days from the date the Commission receives the application, then an administrative order may be processed. The Commission may waive the 15 day waiting period if waivers are received from all offset operators, and the surface owners, and no objection is made by the New Mexico State Engineer's Office.