

Ex 2

BEFORE THE COMMISSION
OIL CONSERVATION AND
SANT FE COUNTY
CASE NO. 1164

CASE 1164

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.

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. 727
Order No. R-610

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON
ITS OWN MOTION FOR AN ORDER
AMENDING, REVISING OR ABROGATING
EXISTING RULES AND REGULATIONS OF
THE OIL CONSERVATION COMMISSION,
AND/OR PROMULGATING RULES AND
REGULATIONS RELATING TO GAS POOL
DELINEATION, GAS PRORATION AND
OTHER RELATED MATTERS AFFECTING
OR CONCERNING THE BLINEBRY GAS
POOL, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a. m. on June 16, 1954, and was successively continued to October 20, 1954, at which time it came on for final hearing at Hobbs, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission".

NOW, on this 11th., day of April, 1955, the Commission, a quorum being present, having considered the record and the testimony entered at said hearing, and being fully advised in the premises,

FINDS:

(1) That due notice of the time and place of hearing and the purpose thereof having been given as required by law, the Commission has jurisdiction of this case and the subject matter thereof.

(2) That under date of February 17, 1953, the Commission did issue its Order No. R-264 creating the Blinebry Gas Pool. That Order R-264, as amended by Order R-264-A, as further amended by Order R-464, did define the vertical and horizontal limits of the Blinebry Gas Pool and that by subsequent orders, the Commission extended the horizontal limits of the Blinebry Gas Pool.

(3) That under date of September 28, 1953, the Commission issued Order R-372 and under date of November 10, 1953, the Commission issued Order 372-A, which orders provided rules, definitions and procedures to be followed in prorating gas in the Blinebry Gas Pool; and by subsequent orders issued after due notice and hearing, the Commission did allocate the production of gas in said pool commencing January 1, 1954.

(4) That the producing capacity of gas wells in the Blinebry Gas Pool is in excess of the market demand for gas produced from said pool.

(5) That, in order to prevent waste, it is necessary to allocate and prorate the production of gas among the gas wells in the Blinebry Gas Pool in accordance with the provisions of this order.

(6) That the protection and proper recognition of correlative rights as such rights are defined by Section 26 (h), Chapter 168, New Mexico Session Laws of 1949, require that the production of gas be prorated in accordance with the terms and provisions of this order.

(7) That the Rules and Regulations hereinafter set forth in this order are in all respects in the interests of conservation and provide for the allocation of allowable production among the gas wells in the Blinebry Gas Pool on a reasonable basis and give appropriate recognition to correlative rights.

(8) That the production of oil from the Blinebry Oil Pool is a salvage operation and should be administered as such.

(9) That the horizontal limits of the Blinebry Gas Pool, the Blinebry Oil Pool and the Terry-Blinebry Oil Pool should be redefined as set forth in Exhibits "A", "B" and "C", attached hereto and made a part hereof.

(10) That the vertical limits of the Blinebry Gas Pool should be defined as set out in Commission Order R-464 and as hereinafter repeated.

(11) That one gas well in the Blinebry Gas Pool will effectively and efficiently drain an area of 160 acres. Due to the complex nature of the Blinebry Gas and associated reservoirs, gas proration units in excess of 160 acres should not be permitted pending further reservoir information.

(12) That, in order to prevent waste, a "no-flare" rule should be adopted to prohibit the flaring, venting or otherwise wasting of casinghead gas or any other type of gas produced in the Blinebry Gas Pool, the Blinebry Oil Pool or the Terry-Blinebry Oil Pool.

(13) That semi-annual bottom-hole pressure surveys should be conducted in portions of the Blinebry Gas Pool and in the entire Terry-Blinebry Oil Pool to ascertain the pressure differential which exists between that portion of the common source of supply known to contain dry gas and the rim of the reservoir which is known

to contain a commercial accumulation of oil.

(14) That, in order to classify wells in the Blinebry Gas Pool and the Blinebry Oil Pool, semi-annual gas-liquid ratio tests and semi-annual determinations of the gravity of that liquid hydrocarbon produced from wells in said pools should be conducted in the Blinebry Oil Pool and the Blinebry Gas Pool.

(15) That, in the interests of conservation, the special rules hereinafter set forth governing the production of gas from the Blinebry Gas Pool and the production of oil from the Blinebry Oil Pool and the Terry-Blinebry Oil Pool should be adopted.

IT IS THEREFORE ORDERED:

(1) That the horizontal limits of the Blinebry Gas Pool, the Blinebry Oil Pool and the Terry-Blinebry Oil Pool shall be the areas described in Exhibits "A", "B" and "C", attached hereto and made a part hereof.

(2) That the vertical limits of the Blinebry Gas Pool and the Blinebry Oil Pool shall extend from a point 75 feet above the "Blinebry Marker" to a point 300 feet below the "Blinebry Marker".

(3) That special pool rules applicable to the Blinebry Gas Pool should be, and the same hereby are promulgated as follows:

SPECIAL RULES AND REGULATIONS FOR THE
BLINEBRY GAS POOL

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 Blinebry Gas Pool shall be classified as a wildcat well. Any well drilled less than one mile outside the boundary of the Blinebry Gas Pool shall be spaced, drilled, operated and prorated in accordance with the regulations in effect in the Blinebry Gas Pool. *Same as 586 + 520*

RULE 2: Each well drilled or recompleted within the Blinebry Gas Pool on a standard proration unit after the effective date of this rule shall be drilled not closer than 660 feet to any boundary line of the tract nor closer than 330 feet to a quarter-quarter section line or subdivision inner boundary line. Any well drilled to and producing from the Blinebry Gas Pool prior to the effective date of this order at a location conforming to the spacing requirements effective at the time said well was drilled shall be considered to be located in conformance with this rule. *Same as 586 + 520*

RULE 3: The Director 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 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. Applicant shall include with his application a list of names and addresses of all operators within such radius, together with a stipulation that proper notice has been given said operators at the addresses given. The Director of the Commission shall wait at least 20 days before approving any such unorthodox location, and shall approve such unorthodox location only in the absence of objection of any offset operator. In the event an operator objects to the unorthodox location, the Commission shall consider the matter only after proper notice and hearing.

RULE 4: The provisions of Statewide Rule 104, Paragraph (k), shall not apply to the Blinebry Gas Pool located in Lea County, New Mexico.

Gas Proration:

RULE 5: (A) That acreage allocated to a gas well for proration purposes shall be known as the gas proration unit for that well. For the purpose of gas allocation in the Blinebry Gas Pool, a standard proration unit shall consist of between 158 and 162 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Survey; provided, however, that 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.

(B) The Director of the Commission shall have authority to establish a non-standard gas proration unit by administrative action (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, without exception.

1. The non-standard proration unit will consist of contiguous quarter-quarter sections and/or lots, with a common side between any two adjacent quarter-quarter sections and/or lots.

2. The non-standard proration unit will lie wholly within a single governmental quarter section.

3. The entire non-standard proration unit may be reasonably assumed to be productive of gas from the Blinebry Gas Pool.

4. The length or width of the non-standard gas proration unit will not exceed 2640 feet.

5. The applicant presents written consent in the form of waivers from:

(a) All operators owning interests in the quarter section in which the non-standard gas proration unit is to be situated, which interest is not included in the proposed non-standard gas proration unit.

5201 586

(b) All operators owning interests within 1500 feet of the well to which such non-standard gas proration unit is to be dedicated.

6. In lieu of the provisions of subparagraph 5 under Paragraph (B) of this rule, applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to form such non-standard gas proration unit. The Director of the Commission may approve such application for administrative approval of a non-standard gas proration unit if, after a period of 30 days following the mailing of said notice, no operator has entered an objection to the formation of such non-standard gas proration unit.

(C) The allowable production from any non-standard gas proration unit as compared with the allowable production therefrom if such tract were a standard unit shall be in the ratio the area of such non-standard proration unit bears to a standard proration unit of 160 acres. Any gas proration unit containing between 158 and 162 acres shall be considered to contain 160 acres for the purpose of computing allowables.

RULE 6: Acreage dedicated to a gas well in the Blinebry Gas Pool shall not be simultaneously dedicated to an oil well in the Blinebry Oil Pool.

*576
520*

RULE 7: In the event an oil well in the Blinebry Oil Pool is reclassified as a gas well in the Blinebry Gas Pool, the operator of such well will be afforded the opportunity to form a non-standard proration unit for the well; provided, however, that until such unit is formed, such well shall be allocated a gas allowable commensurate with the acreage contained in the unit formerly dedicated to the oil well in the Blinebry Oil Pool.

*576
520*

RULE 8: In the event such reclassification should cause the occurrence of two gas wells producing from the Blinebry Gas Pool within a single proration unit, the sum total of the allowables allocated to the two wells shall be equivalent to that volume of gas allocated to a single proration unit; provided, however, that the operator of such wells shall have the option to determine the proportion of the assigned allowable to be produced by each individual well.

*576
520*

RULE 9: The dual completion of a well so as to produce gas from the Blinebry Gas Pool and oil from the Blinebry Oil Pool is hereby prohibited.

*576
520*

RULE 10: (a) The Commission after notice and hearing shall consider the nominations of gas purchasers from the Blinebry Gas Pool and other relevant data and shall fix the allowable production of gas from the Blinebry Gas Pool.

*576
520*

(b) The allowable assigned any well capable of producing its normal gas allowable shall be the same proportion of the total remaining allowable allocated to said pool, after deducting allowables of marginal wells, that the number of acres contained in the gas proration unit for that well bears to the acreage contained in all gas proration units assigned to non-marginal wells in the Blinebry Gas Pool.

RULE 11: 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 "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 Blinebry 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 12: In the event a gas purchaser's market shall have increased or decreased, purchaser may file with the Commission prior to the 10th day of the month a "Supplemental" nomination showing the amount of gas the purchaser in good faith actually desires to purchase during the ensuing proration month from the Blinebry Gas Pool. "Supplemental Nominations" shall be submitted on a form prescribed by the Commission. The Commission shall hold a public hearing between the 13th 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) A summary of the total pool allocation for that month showing nominations and adjustments made for underage or overage applied from a previous month.
- (b) A tabulation of the net allowable and production for the second preceding month, together with a cumulative overage or underage computation.
- (c) A tabulation of the current and net allowables for the preceding month.
- (d) A tabulation of current monthly allowables for the ensuing proration month.
- (e) A tabulation of the acreage assigned each well together with a tabulation of the acreage factor assigned each well. For the purposes of allocation, a proration unit of 160 acres shall be assigned an acreage factor of 1.00; a proration unit of 80 acres a factor of 0.50, etc.

The Commission shall include in the proration schedule the gas wells in the Blinebry Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Blinebry 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 preliminary or supplemental nominations (whichever is applicable), together with any adjustment which the Commission deems advisable.

If, during a proration month, the acreage assigned a well is increased, the operator shall notify the Proration Manager in writing (Box 2045, Hobbs, New Mexico) of such increase. The increased allowable assigned the gas proration unit for the well shall be effective on the first day of the month following receipt of the notification by the Proration Manager.

Balancing of Production:

RULE 13: 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 bound 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 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.

If at the end of a proration period a marginal well has produced more than the total allowable assigned a non-marginal unit of corresponding size, the marginal well shall be reclassified as a non-marginal well and its allowable adjusted accordingly.

If during a proration period a marginal well is reworked or recompleted in such a manner that its productive capacity is increased to the extent that it should be reclassified as a non-marginal well, the reclassification shall be effective on the first day of the proration month following the date of recompletion.

The Proration Manager may reclassify a well at any time if production data or deliverability tests reflect the need for such a reclassification.

RULE 14: 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 of Allowables

RULE 15: 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 16: 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 17: The monthly gas production from each 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 gas produced.

Each purchaser or taker of gas in the Blinebry Gas Pool shall submit a report to the Commission so as to reach the Commission on or before the 20th day of the month next succeeding the month in which the gas was purchased or taken.

Such report shall be filed on either Form C-111 or Form C-114 (whichever is applicable) with the wells being listed in approximately the same order as they are listed on the proration schedule.

Forms C-111 and C-114 referred to herein shall be submitted in duplicate, the original being sent to the Commission at Box 871, Santa Fe, New Mexico, the other copy being sent to Box 2045, Hobbs, New Mexico.

Forms C-115 shall be submitted in accordance with Rule 1114 of the Commission's Rules and Regulations.

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, compressors, combustion engines and other similar lease equipment shall not be charged against the well's allowable. The production of intermediate or low-pressure gas derived from the staging of the well fluids need not be charged against the well's gas allowable, provided that said intermediate or low-pressure gas is utilized in accordance with the provisions of Order R-464.

RULE 18: A gas well in the Blinebry Gas Pool shall mean a well producing from within the vertical and horizontal limits of the Blinebry Gas Pool which:

(a) Produces liquid hydrocarbons possessing a gravity greater than 51^o API, or,

(b) Produces liquid hydrocarbons possessing a gravity of less than 51° API, but with a producing gas-liquid ratio in excess of 32,000 cubic feet of gas per barrel of liquid hydrocarbon.

RULE 19: A well producing from within the horizontal and vertical limits of the Blinebry Gas Pool and not classified as a gas well as defined in Rule 18, shall be classified as an oil well in the Blinebry Oil Pool.

RULE 20: Any well drilled and completed in good faith prior to the effective date of this order, which well is situated within the horizontal boundaries of the Blinebry Gas Pool as herein defined but which produces gas from a depth interval exceeding the vertical limits of the Blinebry Gas Pool as herein defined, is hereby validated and shall be classified as a gas well in the Blinebry Gas Pool, provided that said well conforms to the definition of a gas well in said pool as set out in Rule 18 of this section of this order, and provided that the well is classified as a gas well in the Blinebry Gas Pool under the rules, regulations and orders in effect on the day immediately preceding the effective date of this order.

RULE 21: 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 a connection is made to facilitate the transportation or utilization of gas. It shall be the responsibility of the "taker" to submit a nomination as provided in Rules 11 and 12.

RULE 22: The Proration Manager may reclassify a well under Rules 18 or 19 if production data, gas-oil ratio tests or other evidence reflects the need for such reclassification.

For proration purposes, the effective date of such reclassification shall be the first day of the next succeeding six months gas proration period.

The Proration Manager will notify the operator of the reclassified well of such reclassification and the effective date thereof; provided, however, that operator may appeal such reclassification to the Director of the Commission in writing.

RULE 23: No gas, either dry gas or casinghead gas, shall be flared, vented or otherwise wasted in the Blinebry Gas Pool at any time after ninety (90) days dating from May 1, 1955, or ninety (90) days from the date of completion of a well in said pool, whichever is the later.

Any operator desiring to obtain an exception to the foregoing provision of this rule shall submit to the Director of the Commission an application for such exception accompanied by a sworn statement setting forth the facts and circumstances which justify such exception. The Director is hereby authorized to grant such exception when the granting of such is necessary to protect correlative rights, prevent waste, or to prevent undue hardship on the applicant. The Director shall (a) grant the exception within 15 days following receipt of the application and statement, or (b) set the application for hearing before the Commission at a regularly scheduled

monthly hearing; provided, however, that no such applicant shall incur any penalty by reason of a delay in setting the application for hearing. Public notice of the hearing of the application shall be published in the manner provided by law.

Should the Director grant an exception to the provision of Rule 23, notification of such exception shall be distributed to the Commission's regular mailing list.

RULE 24: Bottom-hole pressure tests will be conducted semi-annually during the months of May and October on all gas wells located to the north of an east-west line coinciding with the north lines of Sections 21, 22, 23 and 24, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico; such wells to be producing from within the vertical and horizontal boundaries of the Blinebry Gas Pool and classified as gas wells under the rules contained in this order. Results of such tests will be reported to the Commission on Form C-124 on or before the 25th day of June and the 25th day of November of each calendar year.

All bottom-hole pressure tests, except tests on dually completed wells producing from the Blinebry Gas Pool, will be conducted in accordance with Rule 302 of the Rules of the Commission. Shut-in period will be 48 hours, datum elevation will be 2400 feet subsea, (-2400), and base temperature will be 100 degrees Fahrenheit.

Bottom-hole pressures on dually completed wells producing gas from the Blinebry Gas Pool may be calculated from a 72-hour shut-in pressure at the well-head, provided that an accurate determination of the fluid level in the hole is made employing sonic or other methods of equivalent accuracy. The gravity of the fluid in the hole shall be that gravity determined by averaging the gravities of those fluids produced on official test in the Blinebry Gas Pool during the regular semi-annual gas-liquid ratio and gravity testing period next preceding the subject bottom-hole pressure test period. The gravity to be employed in the calculation of bottom-hole pressures during a particular testing period shall be determined by the Commission. All interested operators shall be duly notified of such determination by the Commission.

RULE 25: Gas-liquid ratio tests and determinations of the gravity of that liquid hydrocarbon recovered from wells in the Blinebry Gas Pool shall be conducted semi-annually during the months of May and October on all wells located in and producing from the Blinebry Gas Pool. Results of such tests will be reported to the Commission on Form C-116 on or before the 15th day of June and the 15th day of November of each calendar year.

RULE 26: At no time will the horizontal boundaries of the Blinebry Gas Pool conflict with or overlap the horizontal boundaries of the Terry-Blinebry Oil Pool.

RULE 27: The horizontal limits of the Blinebry Gas Pool shall be those limits set forth in Exhibit "A" attached hereto and made a part hereof.

PROVIDED FURTHER, That special pool rules applicable to the Blinebry Oil Pool be, and the same hereby are promulgated as follows:

SPECIAL RULES FOR THE BLINEBRY OIL POOL

RULE 1: No gas, either dry gas or casinghead gas, shall be flared, vented or otherwise wasted in the Blinebry Oil Pool at any time after ninety (90) days dating from May 1, 1955, or ninety (90) days from the date of completion of a well in said pool, whichever is the later.

Any operator desiring to obtain an exception to the foregoing provision of this rule shall submit to the Director of the Commission an application for such exception accompanied by a sworn statement setting forth the facts and circumstances which justify such exception. The Director is hereby authorized to grant such exception when the granting of such is necessary to protect correlative rights, prevent waste, or prevent undue hardship on the applicant.

The Director shall (a) grant the exception within 15 days following receipt of the application and statement, or (b) set the application for hearing before the Commission at a regularly scheduled monthly hearing; provided, however, that no such applicant shall incur any penalty by reason of a delay in setting the application for hearing. Public notice of the hearing of the application shall be published in the manner provided by law.

Should the Director grant an exception to the provisions of Rule 1, notification of such exception shall be distributed to the Commission's regular mailing list.

RULE 2: An oil well in the Blinebry Oil Pool shall mean a well producing from within the vertical and horizontal limits of the Blinebry Oil Pool which:

(a) Produces liquid hydrocarbons possessing a gravity of less than 51° API, or,

(b) Produces liquid hydrocarbons possessing a gravity of greater than 51° API, but with a producing gas-liquid ratio not exceeding 32,000 cubic feet of gas per barrel of liquid hydrocarbon.

RULE 3: A well producing from within the vertical and horizontal limits of the Blinebry Oil Pool, and not classified as an oil well under 2, shall be classified as a gas well in the Blinebry Gas Pool.

RULE 4: The Proration Manager may reclassify a well under Rules 2 and 3 when production data, gas-oil ratio tests or other evidence reflects the need for such reclassification.

For proration purposes, the effective date of such reclassification shall be the first day of the next succeeding six-months gas proration period.

The Proration Manager shall notify the operator of the reclassified well of such reclassification and the effective date thereof; provided, however, that the operator of a reclassified well may appeal such reclassification to the Secretary-Director of the Commission in writing.

RULE 5: The limiting gas-oil ratio for oil wells in the Blinebry Oil Pool shall be 6,000 cubic feet of gas per barrel of oil. The provision of this rule shall become effective on May 1, 1955.

RULE 6: Acreage dedicated to an oil well producing from the Blinebry Oil Pool shall not be simultaneously dedicated to a gas well producing from the Blinebry Gas Pool.

RULE 7: The dual completion of a well to produce oil from the Blinebry Oil Pool and gas from the Blinebry Gas Pool is hereby prohibited.

RULE 8: The dual completion of a well to cause said well to be classified as an oil well in the Blinebry Oil Pool and an oil well in any other oil or gas pool as designated by the Commission is hereby prohibited.

RULE 9: Gas-liquid ratio tests and determinations of the gravity of that liquid hydrocarbon recovered from wells in the Blinebry Oil Pool shall be conducted semi-annually during the months of May and October on all wells located in and producing from the Blinebry Oil Pool. Results of such tests shall be submitted to the Commission on Form C-116, on or before the 15th day of June and the 15th day of November of each calendar year.

RULE 10: In the event an oil well in the Blinebry Oil Pool shall be reclassified as a gas well in the Blinebry Gas Pool, operator of such a well shall be afforded the opportunity to form a standard or non-standard gas proration unit for such well under the rules applicable to the Blinebry Gas Pool; provided, however, that until such unit is formed, such well shall be allocated a gas allowable commensurate with the acreage contained in the proration unit formerly dedicated to the oil well in the Blinebry Oil Pool.

RULE 11: The horizontal limits of the Blinebry Oil Pool shall be those limits set forth in Exhibit "B" attached hereto and made a part hereof.

PROVIDED FURTHER, That special rules applicable to the Terry-Blinebry Oil Pool be, and the same hereby are promulgated as follows:

SPECIAL RULES FOR THE TERRY-BLINEBRY OIL POOL

RULE 1: At no time will the horizontal boundaries of the Terry-Blinebry Oil Pool conflict with or overlap the horizontal boundaries of the Blinebry Gas Pool.

RULE 2: No gas, either dry gas or casinghead gas, shall be flared, vented or otherwise wasted in the Terry-Blinebry Oil Pool at any time after ninety days (90) dating from May 1, 1955, or ninety (90) days from the date of completion of a well in the said pool, whichever is the later.

Any operator desiring to obtain an exception to the foregoing provision of this rule shall submit to the Director of the Commission an application for such exception accompanied by a sworn statement setting forth the facts and circumstances which justify such exception. The Director is hereby authorized to grant such exception when the granting of such is necessary to protect correlative rights, prevent waste, or prevent undue hardship on the applicant.

The Director shall (a) grant the exception within 15 days following receipt of the application and statement, or (b) set the application for hearing before the Commission at a regularly scheduled monthly hearing; provided, however, that no such applicant shall incur any penalty by reason of a delay in setting the application for hearing. Public notice of the hearing of the application shall be published in the manner provided by law.

Should the Director grant an exception to the provisions of Rule 2, notification of such exception shall be distributed to the Commission's regular mailing list.

RULE 3: Bottom-hole pressure tests shall be conducted semi-annually during the months of May and October on all flowing oil wells producing from within the limits of the Terry-Blinebry Oil Pool. Results of such tests shall be reported to the Commission on Form C-124 on or before the 25th day of June and the 25th day of November of each calendar year.

Bottom-hole pressure tests will be conducted in accordance with Rule 302 of the Rules of the Commission. Shut-in time will be 48 hours; datum elevation will be 2400 feet subsea (-2400), and base temperature will be 100 degrees Fahrenheit.

RULE 4: The limiting gas-oil ratio for oil wells in the Terry-Blinebry Oil Pool shall be 6,000 cubic feet of gas per barrel of oil. The provision of this rule shall become effective on May 1, 1955.

RULE 5: The dual completion of a well to cause said well to be classified as an oil well in the Terry-Blinebry Oil Pool and an oil well in any other oil or gas pool as designated by the Commission is hereby prohibited.

RULE 6: The horizontal limits of the Terry-Blinebry Oil Pool shall be those limits set forth in Exhibit "C" attached hereto and made a part hereof.

PROVIDED FURTHER, That for gas allocation purposes and assignment of allowables, the provisions of this order shall become effective on May 1, 1955, unless otherwise stated in this order.

It is recognized that many wells will be reclassified and reassigned as a result of the provisions of this order and that the time involved in the reclassification of wells may cause certain inequities; therefore, the Proration Manager is hereby directed to take such action as he deems advisable to prevent inequitable withdrawals.

PROVIDED FURTHER, That in filing Form C-101, "Notice of Intention To Drill or Recomplete", all operators shall strictly comply with the provisions of Commission Rule 104, paragraph (e).

PROVIDED FURTHER, That failure to comply with the provisions of this order or the rules contained herein shall result in the cancellation of allowable assigned to the affected well. No further allowable shall be assigned to the affected well until all rules and regulations are complied with. The Proration Manager shall notify the operator of the well and the purchaser in writing of the date of allowable cancellation and the reason therefor.

PROVIDED FURTHER, That a hearing shall be held on November 16, 1955, at which time the Commission shall hear testimony and receive evidence and shall revise the rules set forth in this order in accordance with testimony and evidence presented at said hearing, if such be necessary.

EXHIBIT "A"

Horizontal Limits of Blinbry Gas Pool

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

- Sec. 3: Lots 13, 14, 15 and 16, S/2
- Sec. 4: Lots 1, 2, 7, 8, 9, 10, 15 and 16, S/2
- Sec. 9: All
- Sec. 10: All
- Sec. 11: SW/4
- Sec. 14: W/2
- Sec. 15: All
- Sec. 16: All
- Sec. 21: All
- Sec. 22: All
- Sec. 23: All
- Sec. 26: W/2
- Sec. 27: All
- Sec. 28: All
- Sec. 33: All
- Sec. 34: All
- Sec. 35: All
- Sec. 36: All

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM

- Sec. 1: All
- Sec. 2: All
- Sec. 3: All
- Sec. 4: All
- Sec. 9: All

EXHIBIT "A" (continued)

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM (continued)

Sec. 10: All
Sec. 11: All
Sec. 12: All
Sec. 13: All
Sec. 14: All
Sec. 15: All
Sec. 22: All
Sec. 23: All
Sec. 24: All
Sec. 25: All

EXHIBIT "B"

Horizontal Limits of Blinebry Oil Pool

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Sec. 3: Lots 13, 14, 15 and 16, S/2
Sec. 4: Lots 1, 2, 7, 8, 9, 10, 15 and 16, S/2
Sec. 9: All
Sec. 10: All
Sec. 11: SW/4
Sec. 14: W/2
Sec. 15: All
Sec. 16: All
Sec. 21: All
Sec. 22: All
Sec. 23: All
Sec. 26: W/2
Sec. 27: All
Sec. 28: All
Sec. 33: All
Sec. 34: All
Sec. 35: All
Sec. 36: All

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM

Sec. 1: All
Sec. 2: All
Sec. 3: All
Sec. 4: All
Sec. 9: All
Sec. 10: All
Sec. 11: All

EXHIBIT "B" (continued)

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM

Sec. 12: All
Sec. 13: All
Sec. 14: All
Sec. 15: All
Sec. 22: All
Sec. 23: All
Sec. 24: All
Sec. 25: All

EXHIBIT "C"

Horizontal Limits of Terry-Blinebry Oil Pool

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM

Sec. 32: SE/4
Sec. 33: S/2
Sec. 34: S/2

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Sec. 1: Lots 9, 10, 11, 12, 13, 14, 15 & 16, S/2
Sec. 2: All
Sec. 3: Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11 & 12
Sec. 4: Lots 3, 4, 5, 6, 11, 12, 13 and 14
Sec. 11: N/2, SE/4
Sec. 12: All
Sec. 13: All
Sec. 14: E/2
Sec. 24: All
Sec. 25: All
Sec. 26: E/2

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

S E A L

/ir

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. 586
Order No. R-372-A

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION FOR ALL
OPERATORS AND INTERESTED PARTIES IN THE
BLINEBRY 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 28, 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-372 was duly entered by the Commission. Order R-372 adopted the general or "stand-by" rules promulgated by Order R-356 as the Special Rules and Regulations of the Blinebry Gas Pool, heretofore established. R-372 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 Blinebry 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 Blinebry Gas Pool, and should conform, generally with the provisional special rules of Order R-372.

(5) That in order for the Commission to evaluate and delineate the actual productive limits of the Blinebry Gas Pool all operators of gas wells within the defined limits of the Blinebry 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 Blinebry 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 Blinebry Gas Pool, be and the same hereby are promulgated and are as follows:

SPECIAL RULES AND REGULATIONS
FOR THE BLINEBRY 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 Blinebry Gas Pool shall be classified as a wildcat well. Any well drilled less than one mile from the outer boundary of the Blinebry Gas Pool shall be spaced, drilled, operated and prorated in accordance with the Regulations in effect in the Blinebry Gas Pool

RULE 2. Each well drilled or recompleted within the Blinebry 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 Blinebry 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 operator. 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 Blinebry 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 Blinebry Gas Pool and other relevant data and shall fix the allowable production of the Blinebry Gas Pool, and shall allocate production among the gas wells in the Blinebry 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 Blinebry 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.

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 Blinebry 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 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 Blinebry 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 Blinebry Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Blinebry 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 those wells located within the defined limits of the Blinebry Gas Pool which produce oil and receive an oil allowable on the oil proration schedule shall be prorated as oil wells pending further study and that "preliminary" and "supplemental" nominations, as outlined in Rules 8 and 9 above, shall pertain only to gas wells which are not assigned an oil allowable.

PROVIDED FURTHER that all operators of oil or 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 Blinebry 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 Blinebry 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 Blinebry 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 the 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 Blinebry 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 purchaser of gas from the Blinebry 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 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-372, 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

S E A L

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW
MEXICO FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 586
Order No. R-372

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION FOR AN
ORDER ESTABLISHING POOL RULES FOR THE
BLINEBRY GAS POOL, LEA COUNTY, NEW
MEXICO, SAID RULES BEING CONCERNED WITH
WELL SPACING, GAS PRORATION AND ALLOCATION,
PRORATION UNITS, POOL DELINEATION AND OTHER
RELATED MATTERS INSOFAR AS THEY PERTAIN TO
THE GENERAL RULES FOR GAS PRORATION AS SET
FORTH IN ORDER NO. R-356 IN CASE 521.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a. m. on September 17, 1953, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 28th day of September, 1953, the Commission, a quorum being present, having considered the statements of interested persons and the official records of the office 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 production records of gas wells producing within the Blinebry Gas Pool as heretofore designated, classified and defined, indicate the necessity for proration of gas-well gas for the prevention of waste and the protection of correlative rights.

(3) That Order No. 356, heretofore issued by the Commission, and containing appropriate general rules relative to gas-well spacing, gas proration and gas allocation, appearing to be satisfactorily applicable to the Blinebry Gas Pool, should be considered as the special rules and regulations for said pool pending further order of the Commission.

IT IS THEREFORE ORDERED:

That the rules and regulations relating to gas-well spacing, gas proration and gas allocation, as set out in Order R-356, be, and the same hereby are made

the special rules and regulations of the Blinebry Gas Pool pending further order of the Commission after notice and hearing.

IT IS FURTHER ORDERED:

That all parties interested in said Blinebry Pool and the rules therefor be, and they and each of them are hereby ordered to show cause at 9 o'clock a. m. on October 28, 1953, at Santa Fe, New Mexico, why the rules and regulations referred to hereinabove, with any essential amendments, shall not be put into effect as of November 1, 1953.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Member and Secretary

S E A L

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE NEW MEXICO OIL
CONSERVATION COMMISSION FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 727
Order No. R-610-A

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION FOR AN ORDER
AMENDING, REVISING OR ABROGATING EXISTING
RULES AND REGULATIONS OF THE OIL CONSERVA-
TION COMMISSION, AND/OR PROMULGATING RULES
AND REGULATIONS RELATING TO GAS POOL DE-
LINEATION, GAS PRORATION AND OTHER RELATED
MATTERS AFFECTING OR CONCERNING THE BLINEBRY
GAS POOL, LEA COUNTY, NEW MEXICO.

NUNC PRO TUNC ORDER OF THE COMMISSION

BY THE COMMISSION:

It appearing to the Commission that Order R-610, dated April 11, 1955, does not define the horizontal limits of the Blinebry Gas Pool, the Blinebry Oil Pool and the Terry-Blinebry Oil Pool in a manner which indicates the true horizontal extent of these pools, the Commission

FINDS:

(1) That Exhibit "A", Exhibit "B" and Exhibit "C" of said order should be revised to redefine the horizontal limits of the Blinebry Gas Pool, the Blinebry Oil Pool and the Terry-Blinebry Oil Pool.

IT IS THEREFORE ORDERED:

That Order R-610, as the same appears in the records of the Commission, and the original of said order, be amended in the following respects and particulars:

(1) That Exhibit "A" of Order R-610, be changed to read as follows:

EXHIBIT "A"

Horizontal limits of Blinebry Gas Pool:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Sec. 3: Lots 13, 14, 15 and 16, S/2
Sec. 4: Lots 1, 2, 7, 8, 9, 10, 15 and 16, S/2
Sec. 9: All
Sec. 10: All
Sec. 11: SW/4
Sec. 14: W/2
Sec. 15: All
Sec. 16: All
Sec. 21: All

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM (continued)

Sec. 22: All
Sec. 23: All
Sec. 25: W/2
Sec. 26: All
Sec. 27: All
Sec. 28: All
Sec. 33: All
Sec. 34: All
Sec. 35: All
Sec. 36: All

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM

Sec. 1: All
Sec. 2: All
Sec. 3: All
Sec. 4: All
Sec. 9: All
Sec. 10: All
Sec. 11: All
Sec. 12: All
Sec. 13: All
Sec. 14: All
Sec. 15: All
Sec. 22: All
Sec. 23: All
Sec. 24: All
Sec. 25: All
Sec. 36: NE/4

Township 22 South, Range 38 East, NMPM

Sec. 7: W/2
Sec. 18: W/2
Sec. 19: All
Sec. 30: All
Sec. 31: All

Township 23 South, Range 38 East, NMPM

Sec. 6: N/2

(2) That Exhibit "B" of Order R-610, be changed to read as follows:

EXHIBIT "B"

Horizontal Limits of Blinebry Oil Pool:

Township 21 South, Range 37 East, NMPM

Sec. 3: Lots 13, 14, 15 and 16, S/2
Sec. 4: Lots 1, 2, 7, 8, 9, 10, 15 and 16, S/2
Sec. 9: All
Sec. 10: All
Sec. 11: SW/4
Sec. 14: W/2
Sec. 15: All
Sec. 16: All
Sec. 21: All
Sec. 22: All
Sec. 23: All
Sec. 25: W/2

Township 21 South, Range 37 East, NMPM (Continued)

Sec. 26: All
Sec. 27: All
Sec. 28: All
Sec. 33: All
Sec. 34: All
Sec. 35: All
Sec. 36: All

Township 22 South, Range 37 East, NMPM

Sec. 1: All
Sec. 2: All
Sec. 3: All
Sec. 4: All
Sec. 9: All
Sec. 10: All
Sec. 11: All
Sec. 12: All
Sec. 13: All
Sec. 14: All
Sec. 15: All
Sec. 22: All
Sec. 23: All
Sec. 24: All
Sec. 25: All
Sec. 36: NE/4

Township 22 South, Range 38 East, NMPM

Sec. 7: W/2
Sec. 18: W/2
Sec. 19: All
Sec. 30: All
Sec. 31: All

Township 23 South, Range 38 East, NMPM

Sec. 6: N/2

(3) That Exhibit "C" of Order R-610, be changed to read as follows:

EXHIBIT "C"

Horizontal Limits of Terry-Blinebry Oil Pool:

Township 20 South, Range 38 East, NMPM

Sec. 32: SE/4
Sec. 33: S/2
Sec. 34: S/2

Township 21 South, Range 37 East, NMPM

Sec. 1: Lots 9, 10, 11, 12, 13, 14, 15 and 16, S/2
Sec. 2: All
Sec. 3: Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, and 12
Sec. 4: Lots 3, 4, 5, 6, 11, 12, 13 and 14
Sec. 11: N/2, SE/4
Sec. 12: All
Sec. 13: All
Sec. 14: E/2
Sec. 24: All

IT IS FURTHER ORDERED:

That the corrections and changes set forth in this order be entered nunc pro tunc as of April 11, 1955, the date of said Order R-610.

DONE at Santa Fe, New Mexico, on this 27th day of May, 1955.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

S E A L

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. 727
Order No. R-610-B

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON
ITS OWN MOTION FOR AN ORDER
AMENDING, REVISING OR ABROGATING
EXISTING RULES AND REGULATIONS OF
THE OIL CONSERVATION COMMISSION,
AND/OR PROMULGATING RULES AND
REGULATIONS RELATING TO GAS POOL
DELINEATION, GAS PRORATION AND
OTHER RELATED MATTERS AFFECTING
OR CONCERNING THE BLINEBRY GAS POOL,
LEA COUNTY, NEW MEXICO.

NUNC PRO TUNC ORDER OF THE COMMISSION

BY THE COMMISSION:

It appearing to the Commission that Order R-610, dated April 11, 1955, does not define a gas well in the Blinebry Gas Pool and an oil well in the Blinebry Oil Pool in a manner which clearly states the intent of the Commission, the Commission

FINDS:

(1) That Rule 18 of the Special Rules and Regulations for the Blinebry Gas Pool and Rule 2 of the Special Rules and Regulations for the Blinebry Oil Pool should be re-worked to eliminate the possibility of confusion resulting from a misinterpretation of these rules as presently stated in said order.

IT IS THEREFORE ORDERED:

That Order R-610, as the same appears in the records of the Commission, and the original of said order, be amended in the following respects and particulars:

(1) That Rule 18 of the Special Rules and Regulations for the Blinebry Gas Pool be stricken, and the following rule be substituted therefor;

RULE 18: A gas well in the Blinebry Gas Pool shall mean a well producing from within the vertical and horizontal limits of the Blinebry Gas Pool which:

- (a) Produces liquid hydrocarbons possessing a gravity of 51° API, or greater, or,

- (b) Produces liquid hydrocarbons possessing a gravity of less than 51° API, but with a producing gas-liquid hydrocarbon ratio of 32,000 cubic feet of gas or more, per barrel of liquid hydrocarbon.

(2) That Rule 2 of the Special Rules and Regulations for the Blinebry Oil Pool be stricken, and the following rule be substituted therefor:

RULE 2: An oil well in the Blinebry Oil Pool shall mean a well producing from within the vertical and horizontal limits of the Blinebry Oil Pool which:

- (a) Produces liquid hydrocarbons possessing a gravity of less than 51° API, with a producing gas-liquid hydrocarbon ratio of less than 32,000 cubic feet of gas per barrel of liquid hydrocarbon.

IT IS FURTHER ORDERED:

That the corrections and changes set forth in this order be entered nunc pro tunc as of April 11, 1955, the date of said Order R-610.

DONE at Santa Fe, New Mexico, on this 13th day of June, 1955.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, CHAIRMAN

E. S. WALKER, MEMBER

W. B. MACEY, MEMBER and SECRETARY

S E A L

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW
MEXICO FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 727
Order R-610-C

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION UPON ITS OWN MOTION TO CON-
SIDER AN ORDER AMENDING, REVISING OR
ABROGATING EXISTING RULES AND REGULATIONS
OF THE OIL CONSERVATION COMMISSION, AND/OR
PROMULGATING RULES AND REGULATIONS RELATING
TO GAS POOL DELINEATION, GAS PRORATION AND
OTHER RELATED MATTERS AFFECTING OR CONCERNING
THE BLINEBRY GAS POOL, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on November 16, 1955, and again on December 14, 1955 at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission".

NOW on this 9th day of January, 1956, the Commission, a quorum being present, haveing considred the records and testimony adduced and being fully advised in the prem-ises,

FINDS:

- (1) That the Commission has continued jurisdiction, acquiring same at the initial hearing on June 16, 1954.
- (2) That due notice of the time and place of hearing and the purpose thereof has been given as required by law.
- (3) That no evidence was presented to justify revising the provisions of Order No. R-610, as amended by Orders R-610-A and R-610-B.

IT IS THEREFORE ORDERED:

That order R-610, as amended by Order R-610-A and R-610-B, which constitutes the Special Rules and Regulations for the Blinebry Gas Pool, the Blinebry Oil Pool and the Terry-Blinebry Oil Pool, be and the same are continued in full force and effect until further order of the Commission.

Case No. 727

That a hearing shall be held on November 13, 1956, at which time the Commission shall hear testimony and receive evidence and shall revise the rules set forth in this order in accordance with testimony and evidence received at said hearing if such be necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JCHN F. SIMMS, Chairman

E. S. WALKER, Member

W. B. MACEY, Member & Secretary

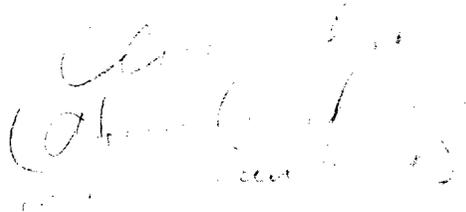
S E A L

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. 588
Order No. R-374-A

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION FOR ALL
OPERATORS AND INTERESTED PARTIES IN THE
AMANDA 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 26, 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-374 was duly entered by the Commission. Order R-374 adopted the general or "Stand-by" rules promulgated by Order R-356 as the Special Rules and Regulations of the Amanda Gas Pool, heretofore established. R-374 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 Amanda 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 Amanda Gas Pool, and should conform, generally with the provisional special rules of Order R-374.

(5) That in order for the Commission to evaluate and delineate the actual productive limits of the Amanda Gas Pool all operators of oil and gas wells within the defined limits of the Amanda 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 Amanda 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 Amanda Gas Pool, be and the same hereby are promulgated and are as follows:

SPECIAL RULES AND REGULATIONS
FOR THE AMANDA 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 Amanda Gas Pool shall be classified as a wildcat well. Any well drilled less than one mile from the outer boundary of the Amanda Gas Pool shall be spaced, drilled, operated and prorated in accordance with the Regulations in effect in the Amanda Gas Pool.

RULE 2. Each well drilled or recompleted within the Amanda 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 Amanda 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 Amanda 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 Amanda Gas Pool and other relevant data and shall fix the allowable production of the Amanda Gas Pool, and shall allocate production among the gas wells in the Amanda 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 Amanda 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.

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 Amanda 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 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 Amanda 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 Amanda Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Amanda 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 those wells located within the defined limits of the Amanda Gas Pool which produce oil and receive an oil allowable on the oil proration schedule shall be prorated as oil wells pending further study and that "preliminary" and "supplemental" nominations as outlined in Rules 8 and 9 above, shall pertain only to gas wells which are not assigned an oil allowable.

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 Amanda 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 Amanda 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 Amanda 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 the 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 Amanda 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 purchaser of gas from the Amanda 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-374, 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 re-classification 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

S E A L

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW
MEXICO FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 588
Order No. R-374

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION FOR AN ORDER
ESTABLISHING POOL RULES FOR THE AMANDA
GAS POOL, LEA COUNTY, NEW MEXICO, SAID
RULES BEING CONCERNED WITH WELL SPACING,
GAS PRORATION AND ALLOCATION, PRORATION
UNITS, POOL DELINEATION AND OTHER RELATED
MATTERS INSOFAR AS THEY PERTAIN TO THE
GENERAL RULES FOR GAS PRORATION AS SET
FORTH IN ORDER NO. R-356 IN CASE 521.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a. m. on September 17, 1953, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 28th day of September 1953, the Commission, a quorum being present, having considered the statements of interested persons, and the official records of the office 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 production records of gas wells producing within the Amanda Gas Pool as heretofore designated, classified and defined, indicate the necessity for proration of gas-well gas for the prevention of waste and the protection of correlative rights.

(3) That Order No. 356, heretofore issued by the Commission, and containing appropriate general rules relative to gas-well spacing, gas proration and gas allocation, appearing to be satisfactorily applicable to the Amanda Gas Pool, should be considered as the special rules and regulations for said pool pending further order of the Commission.

IT IS THEREFORE ORDERED:

That the rules and regulations relating to gas-well spacing, gas proration and gas allocation, as set out in Order R-356, be, and the same hereby are made

-2-

Case No. 588

Order No. R-374

the special rules and regulations of the Amanda Gas Pool pending further order of the Commission after notice and hearing.

IT IS FURTHER ORDERED:

That all parties interested in said Amanda Pool and the rules therefor be, and they and each of them are hereby ordered to show cause at 9 o'clock a.m., on October 26, 1953, at Santa Fe, New Mexico, why the rules and regulations referred to hereinabove, with any essential amendments, shall not be put into effect as of November 1, 1953.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Secretary and Member

S E A L

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. 585
Order No. R-371-A

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION FOR ALL
OPERATORS AND INTERESTED PARTIES IN THE
ARROW 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 28, 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-371 was duly entered by the Commission. Order R-371 adopted the general or "stand-by" rules promulgated by Order R-356 as the Special Rules and Regulations of the Arrow Gas Pool, heretofore established. R-371 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 Arrow 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 Arrow Gas Pool, and should conform, generally with the provisional special rules of Order R-371.

(5) That in order for the Commission to evaluate and delineate the actual productive limits of the Arrow Gas Pool all operators of oil and gas wells within the defined limits of the Arrow 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 Arrow Gas Pool should be calculated on the basis of 100 per cent acreage, based upon the standard 160 acres 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 Arrow Gas Pool, be and the same hereby are promulgated and are as follows:

SPECIAL RULES AND REGULATIONS
FOR THE ARROW 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 Arrow Gas Pool shall be classified as a wildcat well. Any well drilled less than one mile from the outer boundary of the Arrow Gas Pool shall be spaced, drilled, operated and prorated in accordance with the Regulations in effect in the Arrow Gas Pool.

RULE 2. Each well drilled or recompleted within the Arrow 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 Arrow 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 Arrow 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 Arrow Gas Pool and other relevant data and shall fix the allowable production of the Arrow Gas Pool, and shall allocate production among the gas wells in the Arrow 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 Arrow 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 standard proration unit.

2. The acreage assigned 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 Arrow 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 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 Arrow 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 Arrow Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Arrow 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

Case No. 585
Order No. R-371-A

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 those wells located within the defined limits of the Arrow Gas Pool which produce oil and receive an oil allowable on the oil proration schedule shall be prorated as oil wells pending further study and that "preliminary" and "supplemental" nominations, as outlined in Rules 8 and 9 above, shall pertain only to gas wells which are not assigned an oil allowable.

PROVIDED FURTHER that all operators of oil or 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 Arrow 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 of Yates, Seven Rivers and Queen as indicated by the log. Any operator of any well hereafter completed or recompleted within the defined limits of the Arrow 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 Arrow 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 the 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 Arrow 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 purchaser of gas from the Arrow 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-371, 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, Secretary and Member

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW
MEXICO FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 585
Order No. R-371

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION FOR AN ORDER
ESTABLISHING POOL RULES FOR THE ARROW GAS
POOL, LEA COUNTY, NEW MEXICO, SAID RULES
BEING CONCERNED WITH WELL SPACING, GAS
PRORATION AND ALLOCATION, PRORATION UNITS,
POOL DELINEATION AND OTHER RELATED MATTERS
INSOFAR AS THEY PERTAIN TO THE GENERAL RULES
FOR GAS PRORATION AS SET FORTH IN ORDER NO.
R-356 IN CASE 521.



ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a. m. on September 17, 1953, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 28th day of September, 1953, the Commission, a quorum being present, having considered the statements of interested persons, and the official records of the office 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 production records of gas wells producing within the Arrow Gas Pool as heretofore designated, classified and defined, indicate the necessity for proration of gas-well gas for the prevention of waste and the protection of correlative rights.

(3) That Order No. 356, heretofore issued by the Commission, and containing appropriate general rules relative to gas-well spacing, gas proration and gas allocation, appearing to be satisfactorily applicable to the Arrow Gas Pool, should be considered as the special rules and regulations for said pool pending further order of the Commission.

IT IS THEREFORE ORDERED:

That the rules and regulations relating to gas-well spacing, gas proration and gas allocation, as set out in Order R-356, be, and the same hereby are made

-2-

Case No. 585

Order No. R-371

the special rules and regulations of the Arrow Gas Pool pending further order of the Commission after notice and hearing.

IT IS FURTHER ORDERED:

That all parties interested in said Arrow Pool and the rules therefor be, and they and each of them are hereby ordered to show cause at 9 o'clock am., on October 28, 1953, at Santa Fe, New Mexico, why the rules and regulations referred to hereinabove, with any essential amendments, shall not be put into effect as of November 1, 1953.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Member & Secretary

S E A L

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. 583
Order No. R-369-A

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

Langmat
()

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 **10** 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-369 was duly entered by the Commission. Order R-369 adopted the general or "Stand-by" rules promulgated by Order R-356 as the Special Rules and Regulations of the Langmat Gas Pool, heretofore established. R-369 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 Langmat 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 Langmat Gas Pool, and should conform, generally with the provisional special rules of Order R-369.

(5) That in order for the Commission to evaluate and delineate the actual productive limits of the Langmat Gas Pool all operators of oil and gas wells within the defined limits of the Langmat 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 Langmat 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 Langmat Gas Pool, be and the same hereby are promulgated and are as follows:

SPECIAL RULES AND REGULATIONS
FOR THE LANGMAT 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 Langmat Gas Pool shall be classified as a wildcat well. Any well drilled less than one mile from the outer boundary of the Langmat Gas Pool shall be spaced, drilled, operated and prorated in accordance with the Regulations in effect in the Langmat Gas Pool.

RULE 2. Each well drilled or recompleted within the Langmat 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 Langmat 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 Langmat 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 Langmat Gas Pool and other relevant data and shall fix the allowable production of the Langmat Gas Pool, and shall allocate production among the gas wells in the Langmat 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 Langmat 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.

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 Langmat 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 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 Langmat 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 Langmat Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Langmat 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

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 those wells located within the defined limits of the Langmat Gas Pool which produce oil and receive an oil allowable on the oil proration schedule shall be prorated as oil wells pending further study and that "preliminary" and "supplemental" nominations, as outlined in Rules 8 and 9 above, shall pertain only to gas wells which are not assigned an oil allowable.

PROVIDED FURTHER that all operators of oil or gas wells shall submit to the Hobbs office of the 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 Langmat 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 of Yates, Seven Rivers and Queen as indicated by the log. Any operator of any well hereafter completed or recompleted within the defined limits of the Langmat 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 Langmat 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 the 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 Langmat 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 purchaser of gas from the Langmat 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-369, 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

S E A L

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW
MEXICO FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 583
Order No. R-369

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION FOR AN ORDER
ESTABLISHING POOL RULES FOR THE LANGMAT
GAS POOL, LEA COUNTY, NEW MEXICO, SAID
RULES BEING CONCERNED WITH WELL SPACING,
GAS PRORATION AND ALLOCATION, PRORATION
UNITS, POOL DELINEATION AND OTHER RELATED
MATTERS INSOFAR AS THEY PERTAIN TO THE
GENERAL RULES FOR GAS PRORATION AS SET
FORTH IN ORDER NO. R-356 IN CASE 521.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a. m. on September 17, 1953, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

Now, on this 28th day of September, 1953, the Commission, a quorum being present, having considered the statements of interested persons, and the official records of the office 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 production records of gas wells producing within the Langmat Gas Pool as heretofore designated, classified and defined, indicate the necessity for proration of gas-well gas for the prevention of waste and the protection of correlative rights.

(3) That Order No. 356, heretofore issued by the Commission, and containing appropriate general rules relative to gas-well spacing, gas proration and gas allocation, appearing to be satisfactorily applicable to the Langmat Gas Pool, should be considered as the special rules and regulations for said pool pending further order of the Commission

IT IS THEREFORE ORDERED:

That the rules and regulations relating to gas-well spacing, gas proration and gas allocation, as set out in Order R-356, be, and the same hereby are made the

-2-

Case No. 583
Order No. R-369

special rules and regulations of the Langmat Gas Pool pending further order of the Commission after notice and hearing.

IT IS FURTHER ORDERED:

That all parties interested in said Langmat Pool and the rules therefor be, and they and each of them are hereby ordered to show cause at 9 o'clock a. m. on October 27, 1953, at Santa Fe, New Mexico, why the rules and regulations referred to hereinabove, with any essential amendments, shall not be put into effect as of November 1, 1953.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Member & Secretary

S E A L

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. 582
Order No. R-368-B

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON ITS
OWN MOTION FOR ALL OPERATORS
AND INTERESTED PARTIES IN THE
JALCO GAS POOL TO SHOW CAUSE WHY
THE RULES AND REGULATIONS AS SET
OUT IN ORDER NO. R-356, WITH ANY
ESSENTIAL AMENDMENTS, SHOULD NOT
BE PUT INTO EFFECT.



ORDER OF THE COMMISSION FOR RE-HEARING

This case came on for consideration upon petition of Texas Pacific Coal and Oil Company for re-hearing on Orders R-368 and R-368-A heretofore entered by the Commission.

NOW, on this 7th day of December, 1953, the Commission, a quorum being present, having fully considered said application for re-hearing.

IT IS HEREBY ORDERED:

That the above-entitled matter be reopened and a re-hearing in said cause be held January 21, 1954, at 9 o'clock a.m. on said day at Santa Fe, New Mexico, or at such time as the Commission may designate after due notice, at which time and place all interested parties may appear.

IT IS FURTHER ORDERED: That Orders R-368 and R-368-A (relating to the Jalco Gas Pool) shall remain in full force and effect until further order of the Commission.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Edwin L. Mechem, Chairman

E. S. Walker, Member

R. R. Spurrier, Member and Secretary

S E A L

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 582
Order No. R-368-A

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON ITS
OWN MOTION FOR ALL OPERATORS
AND INTERESTED PARTIES IN THE
JALCO 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 26, 1953, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this ~~TEN~~ 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 the 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-368 was duly entered by the Commission. Order R-368 adopted the general or "Stand-by" rules promulgated by Order R-356 as the Special Rules and Regulations of the Jalco Gas Pool, heretofore established. R-368 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 Jalco 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 Jalco Pool, and should conform, generally with the provisional special rules of Order R-368.

(5) That in order for the Commission to evaluate and delineate the actual productive limits of the Jalco Gas Pool all operators of oil and gas wells within the defined limits of the Jalco 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 Jalco 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.

(8) That the area within the exterior boundaries of the Jalco Gas Pool known and described as the "Rhodes Storage Area" should be exempt from the Special Rules and Regulations applicable to the Jalco Gas pool provided acceptable reports of operations in said storage area are regularly filed,

IT IS THEREFORE ORDERED:

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

SPECIAL RULES AND REGULATIONS
FOR THE JALCO 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 Jalco Gas Pool shall be classified as a wildcat well. Any well drilled less than one mile from the outer boundary of the Jalco Gas Pool shall be spaced, drilled, operated and prorated in accordance with the Regulations in effect in the Jalco Gas Pool.

RULE 2. Each well drilled or recompleted within the Jalco 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 Jalco 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 Jalco 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 Jalco Gas Pool and other relevant data and shall fix the allowable production of the Jalco Gas Pool, and shall allocate production among the gas wells in the Jalco 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 Jalco 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, except 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.
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 Jalco 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 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 Jalco 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 Jalco Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Jalco 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 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 those wells located within the defined limits of the Jalco Gas Pool which produce oil and receive an oil allowable on the oil proration schedule shall be prorated as oil wells pending further study and that "preliminary" and "supplemental" nominations, as outlined in Rules 8 and 9 above, shall pertain only to gas wells which are not assigned an oil allowable.

PROVIDED FURTHER that all operators of oil or gas wells shall submit to the Hobbs office of the 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 Jalco 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 of Yates, Seven Rivers and Queen as indicated by the log. Any operator of any well hereafter completed or recompleted within the defined limits of the Jalco 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 Jalco 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 the provisions of these rules contained herein shall not apply to those wells involved in the Rhodes Storage Area. Provided, however, that operators in the Rhodes Storage Area shall submit semi-annual reports, corresponding with the Jalco Gas Pool proration period, said reports shall contain statistical information showing the amount of gas injected and withdrawn from storage during each period and the cumulative amount of gas injected and withdrawn at the end of the proration period.

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 the 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 Jalco 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 purchaser of gas from the Jalco 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 first 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-368, 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

S E A L

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW
MEXICO FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 582
Order No. R-368

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION FOR AN
ORDER ESTABLISHING POOL RULES FOR THE
JALCO GAS POOL, LEA COUNTY, NEW MEXICO,
SAID RULES BEING CONCERNED WITH WELL
SPACING, GAS PRORATION AND ALLOCATION,
PRORATION UNITS, POOL DELINEATION AND
OTHER RELATED MATTERS INsofar AS THEY
PERTAIN TO THE GENERAL RULES FOR GAS
PRORATION AS SET FORTH IN ORDER NO. R-356
IN CASE 521.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a. m. on September 17, 1953, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 28th day of September, 1953, the Commission, a quorum being present, having considered the statements of interested persons, and the official records of the office 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 production records of gas wells producing within the Jalco Gas Pool as heretofore designated, classified and defined, indicate the necessity for proration of gas-well gas for the prevention of waste and the protection of correlative rights.

(3) That Order No. 356, heretofore issued by the Commission, and containing appropriate general rules relative to gas-well spacing, gas proration and gas allocation, appearing to be satisfactorily applicable to the Jalco Gas Pool, should be considered as the special rules and regulations for said pool pending further order of the Commission.

IT IS THEREFORE ORDERED:

That the rules and regulations relating to gas-well spacing, gas proration and gas allocation, as set out in Order R-356, be, and the same hereby are made the special rules and regulations of the Jalco Gas Pool pending further order of the Commission after notice and hearing.

IT IS FURTHER ORDERED:

That all parties interested in said Jalco Pool and the rules therefor be, and they and each of them are hereby ordered to show cause at 9 o'clock a. m., on October 26, 1953, at Santa Fe, New Mexico, why the rules and regulations referred to hereinabove, with any essential amendments, shall not be put into effect as of November 1, 1953.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Member and Secretary

S E A L

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. 673
ORDER NO. R-520

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION UPON
ITS OWN MOTION FOR AN ORDER
AMENDING, REVISING OR ABROGATING
EXISTING RULES AND REGULATIONS OF
THE OIL CONSERVATION COMMISSION,
AND/OR PROMULGATING RULES AND
REGULATIONS, RELATING TO GAS POOL
DELINEATION, GAS PRORATION, AND
OTHER RELATED MATTERS, AFFECTING
OR CONCERNING THE JALCO, LANGMAT,
EUMONT, AND ARROW GAS POOLS, LEA
COUNTY, NEW MEXICO.

R-520-A (Amended)
Chapman
J. G. ...

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m., on March 17, 1954, April 15, 1954, May 10, 1954, and May 11, 1954, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission".

NOW, on this 12th day of August, 1954, the Commission, a quorum being present, having considered the records and testimony adduced and being fully advised in the premises,

FINDS:

(1) That due notice of the time and place of hearing and the purpose thereof having been given as required by law, the Commission has jurisdiction of this case and the subject matter thereof.

(2) That under date of February 17, 1953, the Commission issued its Order No. R-264 creating the Jalco, Langmat, Arrow, and Eumont Gas Pools. That Order R-264 defined the vertical and horizontal limits of the Langmat, Jalco, Eumont and Arrow gas pools and that by subsequent orders the Commission extended the horizontal limits of the Jalco and Eumont Gas Pools and extended the vertical limits of the Eumont gas pool.

(3) That under date of September 28, 1953, the Commission issued its Orders Nos. R-368, R-369, R-370 and R-371 and under date of November 10, 1953, the Commission issued its Orders Nos. R-368-A, R-369-A, R-370-A and R-371-A, providing rules, definitions and procedures to be followed in prorating gas in the Jalco, Langmat, Eumont, and Arrow gas pools; and by subsequent orders issued after due notice and hearing, the Commission allocated production of gas in said pools commencing January 1, 1954.

(4) That the Eumont and Arrow Gas Pools are separate gas reservoirs and should be defined vertically and horizontally as set forth in this order; that the Jalco and Langmat Gas Pools are in fact one common gas reservoir, and said reservoir should be designated the "Jalco Gas Pool" and delineated as set forth in this order.

(5) That the producing capacity of the gas wells in the Jalco, Eumont and Arrow Gas Pools is greater than the market demand for gas from each of such pools.

(6) That for the prevention of waste it is necessary to allocate and prorate the gas production among the gas wells in the Jalco, Eumont and Arrow Gas Pools in accordance with provisions of this order.

(7) That the protection and proper recognition of correlative rights as such rights are defined by Section 26 (h) Chapter 168, New Mexico Session Laws of 1949, require that the gas production from the Jalco, Eumont and Arrow gas pools be prorated in accordance with the terms and provisions of this order.

(8) That the Rules and Regulations hereinafter set forth in this order are in all respects in the interests of conservation and provide for the allocation of the allowable production among the gas wells in the Jalco, Eumont and Arrow gas pools upon a reasonable basis and give appropriate recognition to correlative rights.

(9) That one gas well in the Jalco, Eumont and Arrow Gas Pools can efficiently drain 640 acres.

(10) That for the prevention of waste, a limiting gas-oil ratio of 10,000-to-1 should be assigned to the units in the following pools namely: Cooper-Jal Oil Pool, Langlie-Mattix Oil Pool, South Eunice Oil Pool, Penrose-Skelly Oil Pool, Leonard Oil Pool, South Leonard Oil Pool, Hardy Oil Pool, Rhodes Oil Pool, Jalco Gas Pool, Arrow Gas and Eumont Gas Pool.

(11) To prevent waste, the vertical limits of the following oil pools, namely: Eunice-Monument Oil Pool, Arrowhead Oil Pool, South Eunice Oil Pool, Langlie-Mattix Oil Pool, Cooper-Jal Oil Pool, Rhodes Oil Pool, Eaves Oil Pool, Hardy Oil Pool, Penrose-Skelly Oil Pool, Leonard Oil Pool, South Leonard Oil Pool, should be redefined as provided hereinafter in this order so that the vertical limits of the said oil pools will not conflict with the vertical limits of overlying gas pools.

(12) That the horizontal limits of the oil pools named in Finding No. 11 should be defined as hereinafter set forth in this order.

(13) That the Falby-Yates Oil Pool should be abolished.

(14) That in the interests of conservation, the special rules hereinafter set forth governing the production of oil from wells completed within the vertical and horizontal limits of the Jalco, Eumont and Arrow gas pools should be adopted.

(15) That for the prevention of waste and the protection of correlative rights, the special rules contained in this order should be adopted to govern the production of oil from wells completed or recompleted in such a manner that the bore hole of the well is open in both the upper gas pools and the underlying oil pools.

(16) That for the prevention of waste a "no-flare" rule should be adopted to prohibit the flaring, venting, or wasting of casinghead gas or any other type of gas in any of the gas or oil pools referred to and affected by this order.

IT IS THEREFORE ORDERED:

(1) That the Jalmat Gas Pool be and the same hereby is created. The vertical limits of the Jalmat Gas Pool shall extend from the ~~top of the Pensilla formation~~ to a point 100 feet above the base of the Seven Rivers formation, thereby including all of the Yates formation. The horizontal limits of the Jalmat Gas Pool shall be the area as described in Exhibit "A" attached hereto and made a part hereof.

(2) That the vertical limits of the Eumont Gas Pool, heretofore created, shall extend from the top of the Yates formation to the base of the Queen formation, thereby including all of the Yates, Seven Rivers and Queen formations. The horizontal limits of the Eumont Gas Pool shall be the area as described in Exhibit "B" attached hereto and made a part hereof.

(3) That the vertical limits of the Arrow Gas Pool, heretofore created, shall extend from the top of the Yates formation to the base of the Queen formation, thereby including all of the Yates, Seven Rivers and Queen formations. The horizontal limits of the Arrow Gas Pool shall be the area as described in Exhibit "C" attached hereto and made a part hereof.

(4) That the vertical limits of the Eunice-Monument Oil Pool, heretofore created, shall include all of the Grayburg and San Andres formations. The horizontal limits of the Eunice-Monument Oil Pool shall be the area as described in Exhibit "D" attached hereto and made a part hereof.

(5) That the vertical limits of the Arrowhead Oil Pool shall include all of the Grayburg formation.

(6) That the vertical limits of the following oil pools, heretofore created, defined and described shall extend from a point 100 feet above the base of the Seven Rivers formation to the base of the Queen formation.

Cooper-Jal Oil Pool
South Eunice Oil Pool
Langlie-Mattix Oil Pool

(7) That the horizontal limits of the Cooper-Jal Oil Pool shall be the area as described in Exhibit "E" attached hereto and made a part hereof.

(8) That the horizontal limits of the Langlie-Mattix Oil Pool shall be the area as described in Exhibit "F" attached hereto and made a part hereof.

(9) That the horizontal limits of the South Eunice Oil Pool shall be the area as described in Exhibit "G" attached hereto and made a part hereof.

(10) That no gas, either dry gas or casinghead gas, shall be flared or vented in the following pools unless specifically authorized by order of the Commission after notice and hearing:

Eunice-Monument Oil Pool
South Eunice Oil Pool
Hardy Oil Pool
Penrose-Skelly Oil Pool
Cooper-Jal Oil Pool
Arrowhead Oil Pool
Langlie-Mattix Oil Pool
Rhodes Oil Pool
Leonard Oil Pool
South Leonard Oil Pool
Eaves Oil Pool
Arrow Gas Pool
Eumont Gas Pool
Jalmat Gas Pool

This rule shall become effective November 1, 1954. Any operator desiring to obtain exception from the provisions of this rule shall apply for hearing prior to September 15, 1954. All operators shall file Form C-110, in duplicate, designating thereon the disposition of all dry gas or casinghead gas from each well in each pool listed above. Within 15 days after completion of any oil or gas well within the boundaries of the above listed pools, the operator shall file Form C-110 designating the disposition of gas from the well.

Failure to comply with the provisions of this rule within the prescribed time limits will result in the suspension of any further allowable. Extraction plants processing any gas from any of the above designated pools shall comply with the "no-flare" provisions of this rule, provided however, that the restriction may be lifted when mechanical difficulties arise or when the gas flared is of no commercial value.

(11) That oil wells producing from the following named pools shall be allowed to produce a volume of gas each day not exceeding the daily normal unit oil 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: Cooper-Jal Oil Pool, Langlie-Mattix Oil Pool, South Eunice Oil Pool, Penrose-Skelly Oil Pool, Leonard Oil Pool, South Leonard Oil Pool, Hardy Oil Pool and Rhodes Oil Pool.

(12) That the Falby-Yates Oil Pool as heretofore created, defined and described, shall be abolished and all oil wells presently producing from the Falby-Yates Oil Pool shall be governed by the applicable rules of the Jalmat Gas Pool.

(13) That that portion of the Rhodes Storage Area lying within the defined limits of the Jalmat Gas Pool shall be exempted from the applicable provisions of the Jalmat Gas Pool Rules. The Rhodes Storage Area shall include the following described area:

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM
Sec. 4: W/2 NW/4, SE/4 SE/4, W/2 SE/4, SW/4;
Sec. 5: All
Sec. 6: NE/4 NW/4, NE/4, SE/4 SE/4, N/2 SE/4
Sec. 7: NE/4 NE/4
Sec. 8: N/2, N/2 S/2, SE/4 SW/4, S/2 SE/4
Sec. 9: All
Sec. 10: W/2 NW/4, SE/4 NW/4, S/2

TOWNSHIP 26 SOUTH, RANGE 37 EAST, NMPM

Secs. 15 & 16: All
Sec. 17: E/2 NW/4, E/2
Sec. 20: E/2
Secs. 21 & 22: All
Sec. 23: SW/4 NW/4, SW/4
Secs. 26, 27 and 28: All
Sec. 29: E/2 NE/4

That special pool rules applicable to the Jalmat Gas Pool be, and the same hereby are promulgated as follows:

SPECIAL RULES AND REGULATIONS FOR
THE JALMAT GAS POOL

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 Jalmat Gas Pool shall be classified as a wildcat well. Any well drilled less than one mile outside the boundary of the Jalmat Gas Pool shall be spaced, drilled, operated and prorated in accordance with the regulations in effect in the Jalmat Gas Pool.

RULE 2. Each well drilled or recompleted within the Jalmat Gas Pool on a standard proration unit after the effective date of this rule shall be drilled not closer than 1980 feet to any boundary line of the tract nor closer than 330 feet to a quarter-quarter section line or subdivision inner boundary line. Any well drilled to and producing from the Jalmat Gas Pool prior to the effective date of this order at a location conforming to the spacing requirements effective at the time said well was drilled shall be considered to be located in conformance with this rule.

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 the recompletion of a well previously drilled to another horizon.

Applicants shall furnish all operators within a 1980-foot radius of the subject well a copy of the Application to the Commission, and applicant shall include with his application a list of names and addresses of all operators within such radius, together with a stipulation that proper notice has been given said operators at the addresses given. The Secretary of the Commission shall wait at least 20 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 4. The provisions of Statewide Rule 104, Paragraph (k), shall not apply to the Jalmat Gas Pool located in Lea County, New Mexico.

GAS PRORATION

RULE 5. (a) The acreage allocated to a gas well for proration purposes shall be known as the gas proration unit for that well. For the purpose of gas allocation in the Jalmat Gas Pool, a standard proration unit shall consist of between 632 and 648 contiguous surface acres substantially in the form of a square which shall be a legal subdivision

(section) of the U. S. Public Land Surveys with a well located at least 1980 feet from the nearest property lines; provided, however, that a non-standard gas proration unit may be formed after notice and hearing by the Commission, or under the provision of Paragraph (b) of this Rule.

The allowable production from any non-standard gas proration unit as compared with the allowable production therefrom if such tract were a standard unit shall be in the ratio of the area of such non-standard proration unit expressed in acres to 640 acres. Any gas proration unit containing between 632 and 648 acres shall be considered to contain 640 acres for the purpose of computing allowables.

In establishing a non-standard gas proration unit the location of the well with respect to the two nearest boundary lines thereof shall govern the maximum amount of acreage that may be assigned to the well for the purpose of gas proration; provided, however, that any well drilled to and producing from the Jalmat Gas Pool, as defined herein, 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 granted a tolerance not exceeding 330 feet with respect to the required distances from the boundary lines. The maximum acreage which shall be assigned with respect to the well's location shall be as follows:

*Height must be 586
610*

<u>Location</u>	<u>Maximum Acreage</u>
660' - 660' <i>or less?</i>	160 acres
660' - 1980' <i>660' - 1980'</i>	320 acres

(b) The Secretary of the Commission shall have authority to grant an exception to Rule 5 (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 gas proration unit consists of contiguous quarter-quarter sections and/or lots.

2. The non-standard gas proration unit lies wholly within a single governmental section.

3. The entire non-standard gas proration unit may reasonable be presumed to be productive of gas.

4. The length or width of the non-standard gas proration unit does not exceed 5280 feet.

5. The applicant presents written consent in the form of waivers from (a) all operators owning interests in the ~~section~~ 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 (b) all operators owning interests within 1500 feet of the well to which such gas proration unit is proposed to be allocated.

6. In lieu of paragraph 5 of this rule, the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to form such non-standard gas proration unit. The Secretary of the Commission may approve the application if, after a period of (30) days following the mailing of said notice, no operator has made objection to formation of such non-standard gas proration unit.

Revised
RULE 6. (a) The Commission after notice and hearing, shall consider the nominations of gas purchasers from the Jalmat Gas Pool and other relevant data and shall fix the allowable production of the Jalmat Gas Pool.

(b) The allowable assigned to any well capable of producing its normal gas allowable in the Jalmat Gas Pool shall be the same proportion of the total remaining allowable allocated to said pool after deducting allowables of marginal wells that the number of acres contained in the gas proration unit for that well bears to the acreage contained in all gas proration units assigned to non-marginal wells in the Jalmat Gas Pool.

RULE 7. 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 Jalmat 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.

Revised
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 Jalmat 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) a summary of the total pool allocation for that month showing nominations, and adjustments made for underage or overage applied from a previous month, (b) a tabulation of the net allowable, and production for the second preceding month together with a cumulative overage or underage computation, (c) a tabulation of the current and net allowables for the preceding month, (d) a tabulation of current monthly allowables for the ensuing proration month, and (e) a tabulation of the acreage assigned each well together with a tabulation of the acreage factor assigned each well. For the purpose of allocation a proration unit of 640 acres shall be assigned an acreage factor of 4.00; a proration unit of 160 acres a factor of 1.00, etc.

"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 Jalmat Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Jalmat 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 preliminary or supplemental nominations (whichever is applicable), together with any adjustment which the Commission deems advisable.

If during a proration month the acreage assigned a well is increased the operator shall notify the Proration Manager in writing (Box 2045, Hobbs, New Mexico) of such increase. The increased allowable assigned the gas proration unit for the well shall be effective on the first day of the month following receipt of the notification by the Proration Manager.

BALANCING OF PRODUCTION

Revised
RULE 9. 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 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.

If at the end of a proration period a marginal well has produced more than the total allowable assigned a non-marginal unit of corresponding size, the marginal well shall be reclassified as a non-marginal well and its allowable adjusted accordingly.

If during a proration period a marginal well is reworked or recompleted in such a manner that its productive capacity is increased to the extent that it should be reclassified as a non-marginal well, the reclassification shall be effective on the first day of the proration month following the date of recompletion.

The Proration Manager may reclassify a well at any time if production data or deliverability tests reflect the need for such a reclassification.

Revised
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 OF ALLOWABLES.

Revised
RULE 11. No gas well shall be given an allowable until Form G-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 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 13. The monthly gas production from each 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 20th 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.

Each purchaser or taker of gas in the Jalmat Gas Pool shall submit a report to the Commission so as to reach the Commission on or before the 20th day of the month next succeeding the month in which the gas was purchased or taken.

Such report shall be filed on either Form C-111 or Form C-114 (whichever is applicable) with the wells being listed in approximately the same order as they are listed on the proration schedule.

Forms C-111 and C-114 referred to herein shall be submitted in duplicate, the original being sent to the Commission at Box 871, Santa Fe, New Mexico, the other copy being sent to Box 2045, Hobbs, New Mexico.

Form C-115 shall be submitted in accordance with Rule 1114 of the Commission's Rules and Regulations.

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, compressors, combustion engines and other similar lease 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 100,000 cubic feet of gas per barrel of oil.

RULE 15. A well producing from the Jalmat Gas 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.

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

RULE 18. Oil wells producing from the Jalmat Gas Pool shall be allowed to produce a volume of gas each day not exceeding the daily normal unit oil 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.

PROVIDED FURTHER, After the effective date of this order no well shall be completed or recompleted in such a manner that the producing zone of the overlying gas pool and the producing zone of the underlying oil pool are both open in the same well bore unless specifically authorized by order of the Commission after notice and hearing. Dual completions may be effected in accordance with the provisions of Rule 112-A of the Commission's Rules and Regulations.

Any well presently completed in such a manner that the well bore is open to both the overlying gas pool and the underlying oil pool shall be assigned to either the gas pool or the oil pool by the Commission staff. Any operator of any well completed in such a manner shall submit to the Commission office at Hobbs, New Mexico, all pertinent well completion data on Form C-105, together with electric logs, sample logs, drill stem test records, etc. All data shall be submitted in duplicate on or before September 15, 1954. Failure of any operator to submit the required data will result in cancellation of Form C-110 and subsequent cancellation of allowables.

If the operator is not satisfied with the well's assignment he may apply for a hearing on the matter in accordance with Commission Rule 1203.

PROVIDED FURTHER, Gas-Oil Ratio Tests shall be taken in accordance with the provisions of Rule 301 of the Commission's Rules and Regulations.

Gas-Oil Ratio Tests shall be taken in all oil or gas pools in accordance with the attached schedule, (Exhibit H). This schedule supersedes the annual Gas-Oil Ratio test schedule previously issued only where applicable.

The operator of any oil or gas well who has submitted Form C-116 to the Commission during 1954 in compliance with the 1954 Annual Gas-Oil Ratio test schedule previously adopted is exempted from the requirement of taking another Gas-Oil Ratio test during 1954. If the test previously submitted is not complete the Proration Manager shall so advise the operator and the operator shall submit the required test in conformance with the Gas-Oil Ratio test schedule as outlined in Exhibit "H" attached hereto and made a part hereof.

PROVIDED FURTHER, That for gas allocation purposes and assignment of allowables the combination of the Jalco and Langmat gas pools to the Jalmat Gas Pool shall be effective September 1, 1954.

It is recognized that a great many wells will be reclassified and reassigned as a result of the provisions of this order and that the time involved in the reclassification may cause certain inequities; therefore, the Proration Manager is hereby directed to take such action as he deems advisable to prevent inequitable withdrawals.

PROVIDED FURTHER, That in filing Form C-101 "Notice of Intention to Drill or Recomplete" all operators shall strictly comply with the provisions of Rule 104, paragraph (e).

PROVIDED FURTHER, That failure to comply with the provisions of this order or the rules contained herein shall result in the cancellation of allowable assigned to the affected well. No further allowable shall be assigned to the affected well until all rules and regulations are complied with. The Proration Manager shall notify the operator of the well and the purchaser in writing of the date of allowable cancellation and the reason therefor.

Order R-586

PROVIDED FURTHER, That special pool rules applicable to the Eumont Gas Pool be, and the same hereby are promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE EUMONT GAS POOL

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 regulations in effect in the Eumont Gas Pool.

RULE 2. Each well drilled or recompleted within the Eumont Gas Pool on a standard proration unit after the effective date of this rule shall be drilled not closer than 1980 feet to any boundary line of the tract nor closer than 330 feet to a quarter-quarter section line or subdivision inner boundary line. Any well drilled to and producing from the Eumont Gas Pool prior to the effective date of this order at a location conforming to the spacing requirements effective at the time said well was drilled shall be considered to be located in conformance with this rule.

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 the recompletion of a well previously drilled to another horizon.

Applicants shall furnish all operators within a 1980 foot radius of the subject well a copy of the application to the Commission, and applicant shall include with his application a list of names and addresses of all operators within such radius, together with a stipulation that proper notice has been given said operators at the addresses given. The Secretary of the Commission shall wait at least 20 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 4. The provision of Statewide Rule 104, Paragraph (k), shall not apply to the Eumont Gas Pool located in Lea County, New Mexico.

GAS PRORATION

RULE 5. (a) The acreage allocated to a gas well for proration purposes shall be known as the gas proration unit for that well. For the purpose of gas allocation in the Eumont Gas Pool, a standard proration unit shall consist of between 632 and 648 contiguous surface acres substantially in the form of a square which shall be a legal subdivision (section) of the U. S. Public Land Surveys with a well located at least 1980 feet from the nearest property lines; provided, however, that 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.

The allowable production from any non-standard gas proration unit as compared with the allowable production therefrom if such tract were a standard unit shall be in the ratio of the area of such non-standard proration unit expressed in acres to 640 acres. Any gas proration unit containing between 632 and 648 acres shall be considered to

contain 640 acres for the purpose of computing allowables.

In establishing a non-standard gas proration unit the location of the well with respect to the two nearest boundary lines thereof shall govern the maximum amount of acreage that may be assigned to the well for the purposes of gas proration; provided, however, that any well drilled to and producing from the Eumont Gas Pool, as defined herein, 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 granted a tolerance not exceeding 330 feet with respect to the required distances from the boundary lines. The maximum acreage which shall be assigned with respect to the well's location shall be as follows:

<u>Location</u>	<u>Maximum Acreage</u>
660' - 660'	160 acres
660' - 1980'	320 acres

(b) The Secretary of the Commission shall have authority to grant an exception to Rule 5 (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 gas proration unit consists of contiguous quarter-quarter sections and/or lots.
2. The non-standard gas proration unit lies wholly within a single governmental section.
3. The entire non-standard gas proration unit may reasonably be presumed to be productive of gas.
4. The length or width of the non-standard gas proration unit does not exceed 5280 feet.
5. The applicant presents written consent in the form of waivers from (a) all operators owning in the ~~sections~~ sections 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 (b) all operators owning interests within 1500 feet of the well to which such gas proration unit is proposed to be allocated.
6. In lieu of paragraph 5 of this rule, the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to form such non-standard gas proration unit. The Secretary of the Commission may approve the application if, after a period of 30 days following the mailing of said notice, no operator has made objection to formation of such non-standard gas proration unit.

RULE 6. (a) The Commission after notice and hearing, shall consider the nominations of gas purchasers from the Eumont Gas Pool and other relevant data and shall fix the allowable production of the Eumont Gas Pool.

RULE 6. (continued)

(b) The allowable assigned to any well capable of producing its normal gas allowable in the Eumont Gas Pool shall be the same proportion of the total remaining allowable allocated to said pool after deducting allowables of marginal wells that the number of acres contained in the gas proration unit for that well bears to the acreage contained in all gas proration units assigned to non-marginal wells in the Eumont Gas Pool.

RULE 7. 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 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) a summary of the total pool allocation for that month showing nominations, and adjustments made for underage or overage applied from a previous month, (b) a tabulation of the net allowable, and production for the second preceding month together with a cumulative overage or underage computation, (c) a tabulation of the current and net allowables for the preceding month (d) a tabulation of current monthly allowables for the ensuing proration month, and (e) a tabulation of the acreage assigned each well together with a tabulation of the acreage factor assigned each well. For the purpose of allocation a proration unit of 640 acres shall be assigned an acreage factor of 4.00; a proration unit of 160 acres a factor of 1.00, etc.

"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 preliminary or supplemental nominations (which ever is applicable) together with any adjustment which the Commission deems advisable.

If during a proration month the acreage assigned a well is increased the operator shall notify the Proration Manager in writing (Box 2045, Hobbs, New Mexico) of such increase. The increased allowable assigned the gas proration unit for the well shall be effective on the first day of the month following receipt of the notification by the proration Manager.

BALANCING OF PRODUCTION

RULE 9. 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 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.

If at the end of a proration period a marginal well has produced more than the total allowable assigned a non-marginal unit of corresponding size, the marginal well shall be reclassified as a non-marginal well and its allowable adjusted accordingly.

If during a proration period a marginal well is reworked or recompleted in such a manner that its productive capacity is increased to the extent that it should be reclassified as a non-marginal well, the reclassification shall be effective on the first day of the proration month following the date of recompletion.

The Proration Manager may reclassify a well at any time if production data or deliverability tests reflect the need for such a reclassification.

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 OF ALLOWABLES.

RULE 11. 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 12. 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 13. 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-116 so as to reach the Commission on or before the 20th 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.

Each purchaser or taker of gas in the Eumont Gas Pool shall submit a report to the Commission so as to reach the Commission on or before the 20th day of the month next succeeding the month in which the gas was purchased or taken.

Such report shall be filed on either Form C-111 or Form C-114 (whichever is applicable) with the wells being listed in approximately the same order as they are listed on the proration schedule.

Forms C-111 and C-114 referred to herein shall be submitted in duplicate, the original being sent to the Commission at Box 871, Santa Fe, New Mexico, the other copy being sent to Box 2045, Hobbs, New Mexico.

Form C-115 shall be submitted in accordance with Rule 1114 of the Commission's Rules and Regulations.

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 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 100,000 cubic feet of gas per barrel of oil.

RULE 15. A well producing from the Eumont Gas 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.

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

RULE 18. Oil wells producing from the Eumont Gas Pool shall be allowed to produce a volume of gas each day not exceeding the daily normal unit oil 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.

PROVIDED FURTHER, That special pool rules applicable to the Arrow Gas Pool be, and the same hereby are promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE ARROW GAS POOL

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 Arrow Gas Pool shall be classified as a wildcat well. Any well drilled less than one mile outside the boundary of the Arrow Gas Pool shall be spaced, drilled, operated and prorated in accordance with the regulations in effect in the Arrow Gas Pool.

RULE 2. Each well drilled or recompleted within the Arrow Gas Pool on a standard proration unit after the effective date of this rule shall be drilled not closer than 1980 feet to any boundary line of the tract nor closer than 330 feet to a quarter-quarter section line or subdivision inner boundary line. Any well drilled to and producing from the Arrow Gas Pool prior to the effective date of this order at a location conforming to the spacing requirements effective at the time said well was drilled shall be considered to be located in conformance with this rule.

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 the recompletion of a well previously drilled to another horizon.

Applicants shall furnish all operators within a 1980 foot radius of the subject well a copy of the application to the Commission, and applicant shall include with his application a list of names and addresses of all operators within such radius, together with a stipulation that proper notice has been given said operators at the addresses given. The Secretary of the Commission shall wait at least 20 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 4. The provisions of Statewide Rule 104, Paragraph (k), shall not apply to the Arrow Gas Pool located in Lea County, New Mexico.

GAS PRORATION

RULE 5. (a) The acreage allocated to a gas well for proration purposes shall be known as the gas proration unit for that well. For the purpose of gas allocation in the Arrow Gas Pool, a standard proration unit shall consist of between 632 and 648 contiguous surface acres substantially in the form of a square which shall be a legal subdivision (section) of the U. S. Public Land Surveys with a well located at least 1980 feet from the nearest property lines; provided, however, that a non-standard proration unit may be formed after notice and hearing by the Commission, or under the provisions of Paragraph (b) of this Rule.

The allowable production from any non-standard gas proration unit as compared with the allowable production therefrom if such tract were a standard unit shall be in the ratio of the area of such non-standard proration unit expressed in acres to 640 acres. Any gas proration unit containing between 632 and 648 acres shall be considered to contain 640 acres for the purpose of computing allowables.

In establishing a non-standard gas proration unit the location of the well with respect to the two nearest boundary lines thereof shall govern the maximum amount of acreage that may be assigned to the well for the purpose of gas proration; provided,

however, that any well drilled to and producing from the Arrow Gas Pool, as defined herein, 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 granted a tolerance not exceeding 330 feet with respect to the required distances from the boundary lines. The maximum acreage which shall be assigned with respect to the well's location shall be as follows:

<u>Location</u>	<u>Maximum Acreage</u>
660' - 660'	160 acres
660' - 1980'	320 acres

(b) The Secretary of the Commission shall have authority to grant an exception to Rule (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 gas proration unit consists of contiguous quarter-quarter sections and/or lots.
2. The non-standard gas proration unit lies wholly within a single governmental section.
3. The entire non-standard gas proration unit may be reasonably presumed to be productive of gas.
4. The length or width of the non-standard gas proration unit does not exceed 5280 feet.
5. The applicant presents written consent in the form of waivers from (a) all operators owning interests in the ~~quarter~~ sections 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 (b) all operators owning interests within 1500 feet of the well to which such gas proration unit is proposed to be allocated.
6. In lieu of paragraph 5 of this rule, the applicant may furnish proof of the fact that said offset operators were notified by registered mail of this intent to form such non-standard gas proration unit. The Secretary of the Commission may approve the application if, after a period of 30 days following said notice, no operator has made objection to formation of such non-standard gas proration unit.

RULE 6. (a) The Commission after notice and hearing, shall consider the nominations of gas purchasers from the Arrow Gas Pool and other relevant data and shall fix the allowable production of the Arrow Gas Pool.

(b) The allowable assigned to any well capable of producing its normal gas allowable in the Arrow Gas Pool shall be the same proportion of the total remaining allowable allocated to said pool after deducting allowables of marginal wells that the number of acres contained in the gas proration unit for that well bears to the acreage contained in all gas proration units assigned to non-marginal wells in the Arrow Gas Pool.

RULE 7. 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 Arrow 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 Arrow 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) a summary of the total pool allocation for that month showing nominations, and adjustments made for underage or overage applied from a previous month, (b) a tabulation of the net allowable, and production for the second preceding month together with a cumulative overage or underage computation, (c) a tabulation of the current and net allowables for the preceding month, (d) a tabulation of current monthly allowables for the ensuing proration month, and (e) a tabulation of the acreage assigned each well together with a tabulation of the acreage factor assigned each well. For the purpose of allocation a proration unit of 640 acres shall be assigned an acreage factor of 4.00; a proration unit of 160 acres a factor of 1.00 etc.

"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 Arrow gas pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of the Arrow 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 preliminary or supplemental nominations (whichever is applicable) together with any adjustment which the Commission deems advisable.

If during a proration month the acreage assigned a well is increased the operator shall notify the Proration Manager in writing (Box 2045, Hobbs, New Mexico) of such increase. The increased allowable assigned the gas proration unit for the well shall be effective on the first day of the month following receipt of the notification by the Proration Manager.

BALANCING OF PRODUCTION

RULE 9. 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.

continued

If it appears that such/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.

If at the end of a proration period a marginal well has produced more than the total allowable assigned a non-marginal unit of corresponding size, the marginal well shall be reclassified as a non-marginal well and its allowable adjusted accordingly.

If during a proration period a marginal well is reworked or recompleted in such a manner that its productive capacity is increased to the extent that it should be reclassified as a non-marginal well, the reclassification shall be effective on the first day of the proration month following the date of recompletion.

The Proration Manager may reclassify a well at any time if production data or deliverability tests reflect the need for such a reclassification.

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 OF ALLOWABLES

RULE 11. 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 12. 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 13. 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 20th 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.

Each purchaser or taker of gas in the Arrow Gas Pool shall submit a report to the Commission so as to reach the Commission on or before the 20th day of the month next succeeding the month in which the gas was purchased or taken.

Such report shall be filed on either Form C-111 or Form C-114 (whichever is applicable) with the wells being listed in approximately the same order as they are listed on the proration schedule.

Form C-111 and C-114 referred to herein shall be submitted in duplicate, the original being sent to the Commission at Box 871, Santa Fe, New Mexico, the other copy being sent to Box 2045, Hobbs, New Mexico.

Form C-115 shall be submitted in accordance with Rule 1114 of the Commission's Rules and Regulations.

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, compressors, combustion engines and other similar lease 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 100,000 cubic feet of gas per barrel of oil.

RULE 15. A well producing from the Arrow Gas 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.

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

RULE 18. Oil wells producing from the Arrow Gas Pool shall be allowed to produce a volume of gas each day not exceeding the daily normal unit oil 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.

EXHIBIT "A"

Horizontal limits of the Jalmat Gas Pool

Township 21 South, Range 36 East
All of Section 31
SW/4 of Section 32
All of Secs. 33 and 34

Township 22 South, Range 35 East
E/2 of Section 13

TOWNSHIP 22 South, RANGE 36 East
All of Secs. 3 through 10, inclusive
W/2 Sec. 11

Township 22 South, Range 36 East

W/2 Section 14
All of Secs. 15 through 18, Inclusive
NE/4 of Sec. 19
All of Secs. 20 through 23, inclusive
W/2 Sec. 24
All of Secs. 25 through 29, inclusive
All of Secs. 32 through 36, inclusive

Township 22 South, Range 37 East

SW/4 Sec. 31

Township 23 South, Range 36 East

All of Secs. 1 through 4, inclusive
N/2 and SE/4 Sec. 5
E/2 Sec. 8
All Secs. 9 through 16, inclusive
NE/4 Sec. 17
All Secs. 21 through 27, inclusive
E/2 Sec. 28
E/2 Sec. 33
All Secs. 34, 35 and 36

Township 23 South, Range 37 East

All Secs. 6, 7, S/2 Sec. 8
All Secs. 17 through 21, inclusive
All of Secs. 28 through 33, inclusive

Township 24 South, Range 36 East

All of Secs. 1, 2 and 3
E/2 Sec. 4
NE/4 Sec. 9
N/2, SE/4 Sec. 10
All of Secs. 11 through 14, inclusive
E/2 Sec. 15
All Secs. 22 through 26, inclusive
E/2 Sec. 27
E/2 Sec. 34
All Secs. 35 and 36

Township 24 South, Range 37 East

All of Secs. 5, 6, 7 and 8
W/2 Sec. 9
W/2 Sec. 16
All of Secs. 17 through 23, inclusive
All of Secs. 26 through 35, inclusive

Township 25 South, Range 36 East

All of Sec. 1
N/2 Sec. 2
All of Secs. 12, 13, 24 and 25
NE/4 Sec. 36

Township 25 South, Range 37 East
All Sec. 2 through 33, inclusive
W/2 Sec. 34

Township 26 South, Range 37 East
W/2 Sec. 3
All Secs. 4 through 9, Inclusive
W/2 Sec. 10
All of Secs. 15 through 22, inclusive
All Secs. 27, 28 and 29
N/2, SE/4 Sec. 30
E/2 Sec. 31
All of Secs. 32, 33 and 34

EXHIBIT "B"

Horizontal limits of the Eumont Gas Pool

Township 19 South, Range 36 East
All of Secs. 12, 13, 14, 23, 24, 25, 26,
E/2 Sec. 27
E/2 Sec. 34
All of Secs. 35 and 36

Township 19 South, Range 37 East
W/2 Sec. 4
E/2 Sec. 5
All of Secs. 7, 8, 17, 18, 19, 20
W/2 Sec. 9
W/2 Sec. 21
W/2 Sec. 27
All of Secs. 28, 29, 30, 31, 32, 33 and 34

Township 20 South, Range 36 East
All of Secs. 1, 2
E/2 Sec. 3
E/2 Sec. 10
All of Secs. 11, 12, 13 and 14
NE/4 Sec. 15
N/2 and SE/4 Sec. 23
All of Secs. 24 and 25
E/2 Sec. 26
E/2 Sec. 35
All of Sec. 36

Township 20 South, Range 37 East
W/2 Sec. 2
All of Secs. 3 through 10 inclusive
W/2 Sec. 11
All of Secs. 15 through 22 inclusive
S/2 Sec. 23
All of Secs. 26 through 35, inclusive
W/2 Sec. 36

Township 21 South, Range 35 East

All of Sec. 1
SE/4 Sec. 2
NE/4 Sec. 11
All of Sec. 12
All of Secs. 13 and 24

Township 21 South, Range 36 East

All of Secs. 1 through 21, inclusive
N/2 and SW/4 Sec. 22
W/2 Sec. 27
All of Secs. 28, 29 and 30
N/2 and SE/4 Sec. 32

Township 21 South, Range 37 East

All of Secs. 7 and 18

EXHIBIT "C"

Township 21 South, Range 36 East

SE/4 Sec. 24
All Sec. 25
E/2 Sec. 26
NE/4 and S/2 Sec. 35
All Sec. 36

Township 22 South, Range 36 East

All of Secs. 1 and 2
NE/4 Sec. 11
All of Sec. 12
N/2 and SE/4 Sec. 13

Township 22 South, Range 37 East

W/2 Sec. 7
All Sec. 18
N/2 Sec. 19

EXHIBIT "D"

Horizontal limits of the Eunice-Monument Oil Pool

Township 19 South, Range 36 East

E/2 Sec. 12
All of Sec. 13
All Secs. 23 through 27, inclusive
All Secs. 34, 35 and 36

Township 19 South, Range 37 East

SW/4 Sec. 3
S/2 Sec. 4
All of Secs. 7 and 8
W/2 Sec. 9
W/2 Sec. 16
All Secs. 17 through 21, inclusive
S/2 Sec. 27
All Secs. 28 through 34, inclusive

Township 20 South, Range 36 East

All Secs. 1, 2 and 3
All Secs. 10 through 14, inclusive
E/2 Sec. 15
All Secs. 23 through 26, inclusive
E/2 Sec. 27
All Secs. 35 and 36

Township 20 South, Range 37 East

All Secs. 3 through 10, inclusive
All Secs. 15 through 21, inclusive
W/2 Sec. 22
All Secs. 29 through 33, inclusive

Township 21 South, Range 35 East

All Secs. 1, 12, 13, 24
E/2 Sec. 25

Township 21 South, Range 36 East

SW/4 Sec. 1
All of Secs. 2 through 11, inclusive
W/2 Sec. 12
W/2 Sec. 13
All Sec. 14 through 22, inclusive
NW/4 Sec. 23
W/2 Sec. 27
All Secs. 28, 29 and 30
N/2 and SE/4 Sec. 32
All Sec. 33
W/2 Sec. 34

EXHIBIT "E"

Horizontal limits of the Cooper-Jal Oil Pool

Township 23 South, Range 36 East

All of Secs. 4, 5, 8, 9, 15, 16, 17
20, 21, 22, 27, 28, 33 and 34

Township 24 South, Range 36 East

W/2 Sec. 2
All of Secs. 3 and 4
N/2 Sec. 9
All Sec. 10
W/2 Sec. 11
SW/4 Sec. 13
All Secs. 14 and 15
All Secs. 22, 23
NW/4 and W/2 SW/4 Sec. 24
W/2 Sec. 25
All Secs. 26, 27, 34 and 35
W/2 Sec. 36

Township 25 South, Range 36 East
All Secs. 1, 2, 3, 11, 12, 13, 14
23, 24, 25, 26 and 36

Township 25 South, Range 37 East
SW/4 Sec. 6
W/2 Sec. 7
W/2 Sec. 18
W/2 and W/2 E/2 Sec. 19
W/2 Sec. 30
All Sec. 31
SW/4 Sec. 32

EXHIBIT "F"

Horizontal limits of the Langlie-Mattix Oil Pool

Township 23 South, Range 36 East
All of Secs. 1, 2, 3, 10, 11, 12, 13, 14
23, 24, 25, 26, 35 and 36

Township 23 South, Range 37 East
W/2 Sec. 6
All of Secs. 7, 18, 19
W/2 W/2 Sec. 26
All Sec. 27
S/2 Sec. 28
All Secs. 29 through 35, inclusive

Township 24 South, Range 36 East
All Sec. 1
E/2 Sec. 2
E/2 Sec. 11
All Sec. 12
N/2 and SE/4 Sec. 13
E/2 and E/2 SW/4 Sec. 24
E/2 Sec. 25
E/2 Sec. 36

Township 24 South, Range 37 East
All of Secs. 2 through 11, inclusive
All of Secs. 14 through 23, inclusive
SW/4 Sec. 25
All Secs. 26 through 35, inclusive
W/2 Sec. 36

Township 25 South, Range 37 East
All of Secs. 2 through 5, inclusive
N/2 and SE/4 Sec. 6
E/2 Sec. 7
All of Secs. 8 through 11, inclusive
W/2 Sec. 13
All Secs. 14 through 17, inclusive
E/2 Sec. 18

Township 25 South, Range 37 East
E/2 E/2 Sec. 19
All Secs. 20 through 23, inclusive
W/2 Sec. 24
All Sec. 25
All Secs. 26 through 29, inclusive
E/2 Sec. 30
N/2, SE/4 Sec. 32
All Secs. 33, 34, and 35
W/2 Sec. 36

Township 26 South, Range 37 East
NW/4 Sec. 1
NE/4 Sec. 2

EXHIBIT "G"

Horizontal limits of the South Eunice Oil Pool

Township 21 South, Range 35 East
E/2 Sec. 36

Township 21 South, Range 36 East
All Sec. 31
SW/4 Sec. 32

Township 22 South, Range 35 East
E/2 Sec. 1

Township 22 South, Range 36 East
W/2 Sec. 3
All Secs. 4 through 10, inclusive
SW/4 Sec. 11
W/2 Sec. 14
All Secs. 15 through 23, inclusive
All Secs. 25 through 29, inclusive
E/2 Sec. 30
NE/4 Sec. 31
All Secs. 32 through 36, inclusive

EXHIBIT "H"

GAS-OIL RATIO TEST SCHEDULE

NAME OF POOL	GOR LIMIT	TEST PERIOD			DEADLINE FOR FILING FORM C-116
<u>Oil Pools</u>					
Arrowhead	3500	Nov.	Dec.		January 15, 1955
Cooper-Jal	10000	Sept.			October 15, 1954
Eunice	6000	Oct.	Nov.	Dec.	January 15, 1955
Monument	3000	July	Aug.	Sept.	October 15, 1954
South Eunice	10000	Sept.	Oct.		November 15, 1954
Hardy	10000	Sept.	Oct.		November 15, 1954
Langlie-Mattix	10000	Sept.			October 15, 1954
Leonard	10000	Sept.			October 15, 1954
South Leonard	10000	Sept.			October 15, 1954
Penrose-Skelly	10000	Sept.	Oct.	Nov.	December 15, 1954
Rhodes	10000	Sept.	Oct.		November 15, 1954

Gas Pools

Arrow	10000	Oct.	Nov.		December 15, 1954
Eumont	10000	Oct.	Nov.	Dec.	January 15, 1955
Jalmat	10000	Sept.	Oct.	Nov.	December 15, 1954

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

W. B. MACEY, MEMBER AND SECRETARY

S E A L

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. 584
Order No. R-370-B

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON
ITS OWN MOTION FOR AN ORDER
ESTABLISHING POOL RULES FOR THE
EUMONT GAS POOL, LEA COUNTY,
NEW MEXICO, SAID RULES BEING
CONCERNED WITH WELL SPACING, GAS
PRORATION AND ALLOCATION, PRORATION
UNITS, POOL DELINEATION AND OTHER
RELATED MATTERS INsofar AS THEY PER-
TAIN TO THE GENERAL RULES FOR GAS
PRORATION AS SET FORTH IN ORDER NO.
R-356 IN CASE 521.

ORDER OF THE COMMISSION FOR RE-HEARING

BY THE COMMISSION:

This cause came on for consideration upon motion and application of
Me-Tex Supply Company for a re-hearing on Order No. R-370-A, entered
November 10, 1953, insofar as the said order affects movant-applicant.

NOW, on this 7th day of December, 1953, the Commission, a quorum
being present, having fully considered said motion and application,

IT IS HEREBY ORDERED:

That the above-entitled matter be reopened and a re-hearing had upon
the allegations of said motion-petition at 9 o'clock a. m. on January 21, 1954, at
Santa Fe, New Mexico, or at such other time as the Commission may designate
after due notice, at which time and place all interested parties may appear.

IT IS FURTHER ORDERED: That Order No. R-370-A shall be and
remain in full force and effect until further order of the Commission.

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

S E A L

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. 584
Order No. R-370-A

THE APPLICATION OF THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION FOR ALL
OPERATORS AND INTERESTED PARTIES IN THE
EUMONT 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 28, 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-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. R-370 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 Eumont 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 Eumont Pool, and should conform, generally with the provisional special rules of Order R-370.

(5) That in order for the Commission to evaluate and delineate the actual productive limits of the Eumont Gas Pool all operators of oil and gas wells within the defined limits of the Jalco 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 Eumont 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 Eumont Gas Pool, be and the same hereby are 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. *Small as 520* Any well drilled a distance of one mile or more from the outer boundary of the Eumont Gas Pool shall be classified as a wildcat well. Any well drilled less than one mile from the outer boundary of the Eumont Gas Pool shall be spaced, drilled, operated and prorated in accordance with the Regulations in effect in the Eumont Gas Pool.

RULE 2. *changed in 520* Each well drilled or recompleted within the Eumont 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 Eumont 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 Eumont 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 Eumont Gas Pool and other relevant data and shall fix the allowable production of the Eumont Gas Pool, and shall allocate production among the gas wells in the Eumont 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 Eumont 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.
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 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 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 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 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 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 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 those wells located within the defined limits of the Eumont Gas Pool which produce oil and receive an oil allowable on the oil proration schedule shall be prorated as oil wells pending further study and that "preliminary" and "supplemental" nominations, as outlined in Rules 8 and 9 above, shall pertain only to gas wells which are not assigned an oil allowable.

PROVIDED FURTHER that all operators of a gas well 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) that operate within the defined limits of the Eumont 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 of Yates, Seven Rivers and Queen as indicated by the log. Any operator of any well hereafter completed or recompleted within the defined limits of the Eumont 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 Eumont 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 the 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 Eumont 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 purchaser of gas from the Eumont 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-370, 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

S E A L

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW
MEXICO FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 584
Order No. R-370

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON
ITS OWN MOTION FOR AN ORDER
ESTABLISHING POOL RULES FOR
THE EUMONT GAS POOL, LEA
COUNTY, NEW MEXICO, SAID RULES
BEING CONCERNED WITH WELL SPACING,
GAS PRORATION AND ALLOCATION, PRO-
RATION UNITS, POOL DELINEATION AND
OTHER RELATED MATTERS INSOFAR AS
THEY PERTAIN TO THE GENERAL RULES
FOR GAS PRORATION AS SET FORTH IN
ORDER NO. R-356 IN CASE 521.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a. m. on September 17, 1953, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 28th day of September, 1953, the Commission, a quorum being present, having considered the statements of interested persons, and the official records of the office 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 production records of gas wells producing within the Eumont Gas Pool as heretofore designated, classified and defined, indicate the necessity for proration of gas-well gas for the prevention of waste and the protection of correlative rights.

(3) That Order No. 356, heretofore issued by the Commission, and containing appropriate general rules relative to gas-well spacing, gas proration and gas allocation, appearing to be satisfactorily applicable to the Eumont Gas Pool, should be considered as the special rules and regulations for said pool pending further order of the Commission.

IT IS THEREFORE ORDERED:

That the rules and regulations relating to gas-well spacing, gas proration and gas allocation, as set out in Order R-356, be, and the same hereby are made the special rules and regulations of the Eumont Gas Pool pending further order of the Commission after notice and hearing.

IT IS FURTHER ORDERED:

That all parties interested in said Eumont Pool and the rules therefor be, and they and each of them are hereby ordered to show cause at 9 o'clock a.m. on October 28, 1953, at Santa Fe, New Mexico, why the rules and regulations referred to hereinabove, with any essential amendments, shall not be put into effect as of November 1, 1953.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Member & Secretary

S E A L

ORDER R-520

RULE 6. (a) The Commission after notice and hearing, shall consider the nominations of gas purchasers from the Jalmat Gas Pool and other relevant data and shall fix the allowable production for the Jalmat Gas Pool.

(b) Each well shall be assigned an acreage factor determined by dividing the acreage assigned to the well by 160 acres.

The allowable to be assigned to each marginal well shall be equal to the maximum production during any month of the preceding gas proration period.

(c) 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.

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 Jalmat Gas Pool. The Commission shall hold a public hearing between the 13th 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 along with such other information as is necessary to show the allowable-production status of each well on the schedule. "Supplemental Nominations" shall be submitted on a Form C-121-A as prescribed by the Commission.

The Commission shall include in the proration schedule the gas wells in the Jalmat Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule 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 preliminary or supplemental nominations (whichever is applicable), together with any adjustment which the Commission deems advisable. A monthly allowable shall be assigned to each well entitled to an allowable in the pool by allocating the pool allowable among all such wells in accordance with the procedure set out in Rule 6 provided, however, that the allowable assigned to any well shall not exceed the well's known producing ability. A well, the allowable of which is so limited, shall be classified as a marginal well and shall not be permitted to accumulate underproduction, and any underproduction accrued to a well prior to its classification as a marginal well shall be cancelled. Any well classified as a marginal well shall be removed from such classification in instances where the production of the well evidences that the

classification is no longer applicable.

The Director may reclassify a well at any time the well's production data deliverability test data or other evidence as to the well's producing ability justify such reclassification. The reclassification of a marginal well resulting from reconditioning or recompletion work shall be effective as of the first day of the proration month following the completion of such remedial or recompletion operations.

Effective January 1, 1958, and at the beginning of each subsequent gas proration period, any well which had an underproduced status at the beginning of the preceding gas proration period and which did not produce its allowable during at least one month of such preceding gas proration period shall be classified as a marginal well unless prior to the end of said preceding gas proration period, the operator or other interested party presents satisfactory evidence to the Commission showing that the well should not be so classified.

If during a proration month the acreage assigned to a well is increased the operator shall notify the Director in writing (Box 2045, Hobbs, New Mexico) of such increase. The increased allowable assigned the gas proration unit for the well shall be effective on the first day of the month following receipt of the notification by the Director.

BALANCING OF PRODUCTION

RULE 9. 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.

RULE 10. Underproduction: Any non-marginal 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.

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 gas, if any, to be cancelled.

RULE 11. Overproduction: 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 made up during such succeeding period. Any well which has not made up the overproduction carried into a gas proration period by the end of such gas proration period shall be shut-in until such overproduction is made up. If, at any time, a well is overproduced an amount equaling six times its current monthly allowable it shall be shut-in until the required amount of overproduction is made up.

Allowable assigned to a well during any one month of a gas proration period in excess of the production for such month shall be applied against the overproduction carried into such period in determining the amount of gas, if any, not made up.

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.

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. 1054
Order No. R-846

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION UPON
ITS OWN MOTION FOR AN ORDER
PROMULGATING RULES AND
REGULATIONS AFFECTING AND
CONCERNING THE BALLARD-PICTURED
CLIFFS GAS POOL IN SAN JUAN
COUNTY, NEW MEXICO: MATTERS
TO BE CONSIDERED IN THE ABOVE
STYLED CAUSE BEING GAS POOL
DELINEATION AND DEFINITION, GAS
PRORATION, GAS WELL SPACING, GAS
WELL ALLOWABLES, GAS PRORATION
UNITS AND RELATED MATTERS INCLUDING
THE POSSIBLE COMBINATION OF THE
BALLARD-PICTURED CLIFFS GAS POOL
WITH OTHER GAS POOLS PRODUCING
FROM THE PICTURED CLIFFS FORMATION.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 18, 1956, May 17, 1956 and June 12, 1956 at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission".

NOW, on this 18th day of July, 1956, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing 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 by Order R-577 and subsequent orders, the Commission created, defined, and extended the Ballard-Pictured Cliffs Gas Pool for the production of gas from the Pictured Cliffs formation.

(3) That the producing capacity of the gas wells in the Ballard-Pictured Cliffs Gas Pool is greater than the market demand for gas from said pool and that, for the purpose of preventing waste and protecting correlative rights, appropriate rules and procedures should be adopted to

provide a method of allocating gas among proration units in the Ballard-Pictured Cliffs Gas Pool.

(4) That the evidence adduced at the hearing indicates that certain extensions should be made to the boundaries of said Ballard-Pictured Cliffs Gas Pool, and further, that part of the acreage included in said extensions lies within the horizontal limits of the Fulcher Kutz-Pictured Cliffs Gas Pool, as defined by the Commission.

(5) That the vertical limits of the Ballard-Pictured Cliffs Gas Pool and the Fulcher Kutz-Pictured Cliffs Gas Pool are the same, being the Pictured Cliffs formation, and that to extend the Ballard-Pictured Cliffs Gas Pool in accordance with the evidence adduced at the hearing will require the deletion of certain acreage from the horizontal limits of the Fulcher Kutz Gas Pool, and that said deletion should be made.

IT IS THEREFORE ORDERED:

(1) That the horizontal limits of the Ballard-Pictured Cliffs Gas Pool be and the same hereby are defined as that area described in Exhibit "A" attached hereto and made a part hereof.

(2) That the horizontal limits of the Fulcher Kutz-Pictured Cliffs Gas Pool be and the same hereby are contracted by deletion of that area described in Exhibit "B" attached hereto and made a part hereof.

(3) That special pool rules applicable to the Ballard-Pictured Cliffs Gas Pool be and the same hereby are promulgated, as follows:

SPECIAL RULES AND REGULATIONS
FOR THE BALLARD-PICTURED CLIFFS GAS POOL

Well Spacing and Acreage Requirements for Drilling Tracts:

NO
29
RULE 1: Any well drilled a distance of one mile or more from the outer boundary of the Ballard-Pictured Cliffs Gas Pool and not within the boundaries of another designated pool shall be classified as a wildcat well. Any well drilled less than one mile from the outer boundary of said Ballard-Pictured Cliffs Gas Pool and not nearer to or within the boundaries of another designated pool, shall be spaced, drilled, operated, and prorated in accordance with the regulations in effect in the Ballard-Pictured Cliffs Gas Pool.

NO
29
RULE 2: Each well drilled or recompleted within the Ballard-Pictured Cliffs 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.

NO
29
RULE 3: Any well drilled within the defined limits of the Ballard-Pictured Cliffs Gas Pool shall be located on a designated drilling tract consisting of not less than a quarter section which is a legal subdivision of the U. S. Public Land Surveys, such quarter section to contain approximately 160 contiguous acres and to be substantially in the form of a square. Such well shall be located at least 990 feet from the

outer boundary of said quarter section, provided, however, that a tolerance of 200 feet is permissible.

RULE 4: The Secretary-Director of the Commission shall have authority to grant exception to the requirements of Rules 2 and 3 where application has been filed in due form and such exception is required because of conditions resulting from previously drilled wells in the area or, in the case of Rule 3, the necessity for exception is based upon topographic conditions.

Applicants shall furnish all operators of leases offsetting the lease containing subject well a copy of the application to the Commission, and applicant shall include with his application a list of names and addresses of all such operators, together with a written statement that all such operators have been properly notified by registered mail. The Secretary-Director of the Commission shall wait at least 20 days before approving any such exception and shall approve such exception only in the absence of objection of any offset operators. In the event an operator objects to the exception, 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 Ballard-Pictured Cliffs Gas Pool.

Gas Proration and Allocation:

RULE 6: (A) The acreage allocated to a gas well for proration purposes shall be known as the gas proration unit for that well. For the purpose of gas allocation in the Ballard-Pictured Cliffs Gas Pool, a standard proration unit shall consist 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; provided, however, that a non-standard proration unit may be formed after notice and hearing by the Commission or under the provision of paragraph (B) of this rule.

The allowable production from any non-standard gas proration unit as compared with the allowable production therefrom if such tract were a standard unit shall be in the ratio which the area of the non-standard proration unit bears to a standard proration unit of 160 acres, subject to the provisions of Rule 9 of this order. Any gas proration unit containing between 158 and 162 acres shall be considered to contain 160 acres for the purpose of computing allowables.

(B) The Secretary of the Commission shall have authority to grant an exception to Rule 6 (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 proposed non-standard proration unit consists of less than 160 acres or where the unorthodox size or shape of the tract is due to a variation in legal subdivision of the U. S. Public Land Surveys.

2. The non-standard gas proration unit consists of contiguous quarter-quarter sections and/or lots.

3. The non-standard gas proration unit lies wholly within a single governmental section.

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

5. The applicant presents written consent in the form of waivers from:

(a) 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.

(b) All operators owning interests in acreage offsetting the non-standard unit.

6. In lieu of paragraph 5 of this rule, the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to form such non-standard gas proration unit. The Secretary of the Commission may approve the application if, after a period of 30 days following the mailing of said notice, no operator has made objection to formation of such non-standard gas proration unit.

RULE 7: 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 "Preliminary Nominations" of that quantity of gas which each purchaser in good faith actually desires to purchase within the ensuing proration period, by months, from the Ballard-Pictured Cliffs 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 from said pool within the ensuing proration period. "Preliminary Nominations" shall be submitted on Form C-121-A as prescribed by the Commission.

RULE 8: In the event a gas purchaser's market shall have increased or decreased, purchaser may file with the Commission prior to the 10th day of the month a "Supplemental Nomination" showing the amount of gas the purchaser actually in good faith desires to purchase during the ensuing proration month from the Ballard-Pictured Cliffs Gas Pool. The Commission shall hold a public hearing between the 13th and 20th days of each month to determine the reasonable market demand for gas from said pool 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. "Supplemental Nominations" shall be submitted on Form C-121-A as prescribed by the Commission.

Included in the monthly proration schedule shall be (a) a summary of the total pool allocation for that month showing nominations, and adjustments made for underage or overage applied from a previous month, (b) a tabulation of the net allowable and production for the second preceding month together with a cumulative overage or underage computation, (c) a tabulation of the current and net allowables for the preceding month, (d) a tabulation of current monthly allowable for the ensuing proration month, and (e) a tabulation of the acreage and deliverabilities assigned each well, and the factors assigned each well for use in calculating individual well allowables. The Commission shall include in the proration schedule the gas wells in the Ballard-Pictured Cliffs Gas Pool delivering to a gas transportation facility, or lease gathering system, and shall include in the proration schedule of said pool any well which the Commission 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 said pool each month shall be equal to the sum of the preliminary or supplemental nominations, whichever is applicable, together with any adjustment which the Commission deems advisable.

If, during a proration month, the acreage assigned a well is increased, the operator shall notify the Secretary-Director in writing of such increase. The increased allowable assigned the gas proration unit for the well shall become effective on the first day of the month following receipt of the notification by the Director. All communications shall be mailed to the Director, at Box 871, Santa Fe, New Mexico.

RULE 9: The monthly gas allocation to the Ballard-Pictured Cliffs Gas Pool shall be divided and allocated among the wells connected to a gas transportation facility in the following manner:

The product obtained by multiplying each well's acreage factor by the calculated deliverability (expressed as MCF per day) for that well shall be known as the "AD" factor for that well. The acreage factor shall be determined to the nearest hundredth of a unit by dividing the acreage within the proration unit by 160. The "AD" factor shall be computed to the nearest whole unit.

Non Marginal

A tentative allocation shall be made by dividing seventy-five percent (75%) of the pool allocation among the wells in the proportion that each well's "AD" factor bears to the sum of the "AD" factors of all wells in the pool.

The remaining twenty-five percent (25%) of the pool allocation shall be divided among wells in the proportion that each well's acreage factor bears to the sum of the acreage factors of all wells in the pool.

First Marginal wells

When the tentative allowable received by a well is in excess of its known producing ability, the well shall be classed as a marginal well and its allowable limited to its known producing ability. The sum of the difference between the tentative allowables and the limited allowables of all marginal wells on the proration schedule shall be reallocated to the non-marginal wells by application of the same formula. If such reallocation shall result in placing any other well within the marginal classification, the difference between the tentative allowable and the limited allowable of such marginal well shall be redistributed by application of the same formula until no well has received an allowable in excess of its known producing ability.

Any well having a calculated allowable less than that of the largest allowable assigned a marginal well shall be assigned an allowable equal to the largest marginal allowable; provided that the allowable so assigned shall not be greater than the well's ability to produce. If the allowable so assigned is greater than the well's ability to produce, the well shall be limited to its ability to produce. All wells with allowables so assigned shall be classified as marginal wells.

10/9

~~RULE 10: The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of Order R-333-C & D.~~

This should be deleted and a comment on page 3rd Para page.

Balancing of Production:

RULE 11: Underproduction: The hours of 7 o'clock a.m., M. S. T., February 1, and 7 o'clock a.m., M. S. T., August 1, shall be known as balancing dates and the periods of time bound by these dates shall be known as gas proration periods. In order to effectively administer the prorationing of gas in the Ballard-Pictured Cliffs Gas Pool, it is advisable to have a portion of each proration period include both summer and winter months. Therefore, the first proration period shall commence on October 1, 1956, and shall continue for a period of 10 months until August 1, 1957. Future proration periods shall commence on the dates set out above. 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; provided, however, that whatever amount thereof is not made up within the first succeeding proration period shall be cancelled.

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 level of the well's ability to produce.

If at the end of a proration period a marginal well has produced more than the total allowable assigned a non-marginal unit of corresponding size and deliverability, such marginal well shall be reclassified as a non-marginal well and its allowable prorated accordingly.

If during a proration period a marginal well is reworked or recompleted in such manner that its productive capacity is increased to an extent that said well should be reclassified as a non-marginal well, the reclassification shall be effective on the first day of the proration month following the date of recompletion.

The Secretary-Director may reclassify a well at any time if production data or deliverability tests reflect the need for such reclassification.

RULE 12: 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 any time a well is overproduced an amount equivalent to six times its current monthly allowable, said well shall be shut-in during the current month.

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 if, upon public hearing after due notice, it is shown that complete shut-in of the well would result in material damage to said well.

Granting of Allowables:

RULE 13: No gas well shall be given an allowable until Form C-104 and Form C-110 have been filed, together with a plat (C-128) showing acreage attributed to said well and the locations of all wells on the lease.

RULE 14: Allowables to newly completed gas wells shall commence:

- (a) on the date of connection to a gas transportation facility, such date to be determined from an affidavit furnished to the Commission (Box 697, Aztec, New Mexico) by the purchaser, or

(b) the latest filing date of Form C-104, C-110 and C-128, or

(c) a date 45 days prior to the date upon which the well's initial deliverability and shut-in pressure test is reported to the Commission on Form C-122-A in conformance with the provisions of R-333-C & D,

whichever date is the later.

No well shall be assigned an allowable unless a deliverability test, or a potential test taken in conformance with the provisions of Order R-333-C & D has been submitted.

Deliverability tests shall be taken and calculated in conformance with Order R-333-C & D, the provisions of Rule 10 of this order, and the testing schedule provision of Order R-333-C & D.

A change in a well's deliverability due to retest or test after recompletion or workover shall become effective:

(a) On the date of reconnection after workover, such date to be determined from Form C-104 as filed by the operators, or

(b) A date 45 days prior to the date upon which a well's initial deliverability and shut-in pressure test is reported to the Commission on Form C-122-A in conformance with the provisions of R-333-C & D, or

(c) A date 45 days prior to the receipt and approval of Form C-104 by the Commission's office (Box 697, Aztec, New Mexico); (Form C-104 shall specify the exact nature of the workover or remedial work; if the nature of the work cannot be explained on Form C-104, in that event, Form C-103 shall also be filed in accordance with Rule 1106 of the Commission's Statewide Rules and Regulations.

Form C-128 (Gas Well Plat) shall be submitted by the operator at any time there is a change in the acreage dedicated to said well);

whichever date is later.

The annual 1955 deliverability tests, or initial deliverability tests where applicable, shall be used in calculating allowables for the proration period commencing October 1, 1956. Subsequent annual tests shall be used in calculating allowables for proration periods commencing during the next ensuing year.

Reporting of Production:

RULE 15: The monthly gas production from each well in the Ballard-Pictured Cliffs Gas Pool shall be metered separately and the production shall be reported to the Commission on Form C-115, and such report shall be postmarked on or before the 24th day of the month immediately following the month in which the gas reported was produced. The operator shall show on such report the disposition of the gas produced.

Each purchaser or taker of gas in the Ballard-Pictured Cliffs Gas Pool shall submit a report to the Commission, and such report shall be postmarked on or before the 15th day of the month immediately following the month in which the gas was purchased or taken. Such report shall be filed on either Form C-111 or Form C-114, whichever is applicable, and the wells shall be listed in approximately the same order as they are found listed in the proration schedule.

Forms C-111 and C-114 as referred to herein shall be submitted in triplicate, the original being sent to the Commission at Box 871, Santa Fe, New Mexico; remaining copies will be sent to Box 697, Aztec, New Mexico and Box 2045, Hobbs, New Mexico, respectively.

Forms C-115 shall be submitted in accordance with Rule 1114 of the Commission's Rules and Regulations.

The full production of gas from each well, including drilling gas, shall be charged against the well's allowable regardless of the disposition of the gas; provided, however, that gas used on the lease and in maintaining the producing ability of the well shall not be charged against the allowable, but will be reported on Form C-115.

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 to facilitate the transportation or utilization of gas. It shall be the responsibility of said "taker" to submit a nomination in accordance with Rules 7 and 8 of this order.

RULE 17: No gas, either dry gas or casinghead gas, produced from the Ballard-Pictured Cliffs Gas Pool, except that gas used for "drilling-in" purposes, shall be flared or vented unless specifically authorized by order of the Commission after notice and hearing.

PROVIDED FURTHER, That in filing Form C-101, "Notice of Intention to Drill", or USGS Form 9-331-a, (whichever is applicable), all operators shall strictly comply with the applicable provisions of Rule 104 (b). Accompanying the above form shall be a plat (Form C-128) of the acreage contained in the proration unit, together with a complete list of all working interest owners designating the acreage they hold within the communitized area dedicated to the well.

PROVIDED FURTHER, That failure to comply with the provisions of this order or the rules contained herein shall result in the cancellation of allowable assigned to the affected well. No further allowable shall be assigned to the affected well until all rules and regulations are complied with. The Secretary-Director shall notify the operator of the well and the purchaser, in writing, of the date of allowable cancellation and the reason therefor.

PROVIDED FURTHER, That all transporters of gas or users of gas shall file with the Commission a list of all wells within each pool connected to their gas transportation facility as of September 1, 1956, and shall furnish connection notices thereafter, in accordance with the provisions of Rule 14, as soon as possible after the date of connection.

The list required above shall contain the name of the operator, lease name, well number, unit, and location of the well (Section, Township and Range). Connection notices shall indicate the date of connection in addition to the above-listed data.

EXHIBIT "A"

HORIZONTAL LIMITS OF THE BALLARD-PICTURED CLIFFS GAS POOL:

TOWNSHIP 25 NORTH, RANGE 8 WEST, NMPM

All Sections 2 and 3;
N/2 and SE/4 Section 4;
N/2 Section 5;
N/2 and SE/4 Section 10;
All Sections 11 and 12;
N/2 Section 13;
N/2 and SE/4 Section 14;

TOWNSHIP 26 NORTH, RANGE 8 WEST, NMPM

NW/4 Section 5;
All Sections 6 and 7;
S/2 Section 15;
S/2 Section 16;
All Sections 17, 18, 19, 20, 21, 22, and 23;
All Sections 26, 27, 28, 29, 30 and 31;
All Sections 32, 33, 34, and 35;

TOWNSHIP 26 NORTH, RANGE 9 WEST, NMPM

All Sections 1, 2, 3 and 4;
NE/4 Section 5
All Sections 9, 10, 11, 12, 13, 14, 15 and 16;
NE/4 Section 21;
N/2 Section 22;
All Sections 23 and 24;

TOWNSHIP 27 NORTH, RANGE 9 WEST, NMPM
SW/4 Section 26;
All Section 27;
SE/4 Section 28;
All Section 33, 34 and 35;
W/2 Section 36;

EXHIBIT "B"

DELETION OF A PORTION OF THE HORIZONTAL LIMITS OF THE FULCHER KUTZ-
PICTURED CLIFFS GAS POOL

TOWNSHIP 27 NORTH, RANGE 9 WEST, NMPM
S/2 and NW/4 of Section 27
SE/4 of Section 28

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN F. SIMMS, Chairman

E. S. WALKER, Member

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

S E A L

ir/