

*Statement*

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

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BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION COMMISSION  
ON ITS OWN MOTION TO CONSIDER THE  
PROMULGATION OF STATEWIDE RULES GOVERN-  
ING THE OPERATION OF WATER FLOOD PRO-  
JECTS INCLUDING THE ASSIGNMENT OF PRO-  
JECT OR UNIT ALLOWABLES.

CASE No. 1787

TO: THE HONORABLE OIL CONSERVATION COMMISSION

STATEMENT SUBMITTED BY TEXACO INC. IN THE  
ABOVE MATTER.

Comes now Texaco Inc. and respectfully submits for the Commission's  
consideration the following Statement:

Texaco Inc. as an interested party and participant in the above  
matter takes this opportunity to make further comment on the rules proposed  
at the hearing held on this matter recommending changes in Rule 701. Our  
comments are made in the light of our position expressed at the close of the  
hearing whereby the Commission was informed that Texaco was not convinced  
that there was a need for altering the present Rule 701, except to provide  
administrative procedures which would work to the benefit of the Commission  
and the operators. It was further stated that if, however, the Commission  
finds it advisable to adopt the rules proposed by the Commission's staff,  
it should include provisions for exceptions to cover those instances where  
waste or the impairment of correlative rights can be shown to be imminent  
if the restrictions of the staff's proposed rules are imposed.

It is obvious from our statement that Texaco does not favor unrea-  
sonable, arbitrary restrictions on water floods. The Humble proposed rule  
changes, being more restrictive than the staff's proposals, are in Texaco's  
estimation unreasonable and impractical from an operational standpoint. As  
an example of the unreasonableness, the Commission is referred to the first  
paragraph of Section D of Humble's proposed rules whereby it is required

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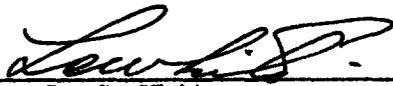
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1 that a proration unit be "substantially or totally enclosed" by injection  
2 wells before such proration unit can be considered within a project area for  
3 allowable purposes. Assuming that this rule would require that the produc-  
4 ing unit be offset by three injection wells, and that is our understanding  
5 of the intent, it is immediately obvious that those producing wells on the  
6 edge of a pool having only two possible offsetting injection wells on the  
7 normal pattern would never be included within a project area. Texaco feels  
8 that the suggestion of Cities Service Oil Company that the proposed rules  
9 define a project area as consisting of all the productive wells on a lease  
10 or unitized tract has merit, and we suggest that the Commission give full  
11 consideration to this means of regulation. It would provide the flexibility  
12 which would be desirable for operating the bulk of the waterfloods in the  
13 State of New Mexico.

14 All of which is respectfully submitted.

15 TEXACO INC.

16 BY GILBERT, WHITE AND GILBERT

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