

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

CASE No. 3711 (Reopened)
Order No. R-3320

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION COMMISSION UPON ITS OWN MOTION TO CONSIDER THE AMENDMENT OF RULE 509 OF THE COMMISSION RULES AND REGULATIONS AND COMMISSION FORM C-109 TO PERMIT THE PRODUCTION OF THE BONUS DISCOVERY OIL ALLOWABLE ASSIGNED TO MULTIPLE DISCOVERY WELLS TO BE PRODUCED FROM ANY DISCOVERY ZONE IN ANY PROPORTION; AND TO FURTHER AMEND SAID RULE TO PERMIT APPLICATIONS FOR THE BONUS DISCOVERY ALLOWABLE TO BE HEARD ON DOCKETS OTHER THAN THE REGULAR POOL NOMENCLATURE DOCKET IN INSTANCES WHERE THE APPLICANT WILL PRESENT THE EVIDENCE; AND IN THE MATTER OF SAID CASE BEING REOPENED ON THE MOTION OF THE COMMISSION TO HEAR ADDITIONAL TESTIMONY REGARDING THE AMENDMENT OF RULE 509 OF THE COMMISSION RULES AND REGULATIONS; AMONG OTHER THINGS, CONSIDERATION OF THE ASSIGNMENT OF AN OIL DISCOVERY ALLOWABLE TO EACH ZONE OF A MULTIPLE DISCOVERY WELL BASED ON THE DEPTH OF SAID ZONE FROM THE SURFACE OF THE GROUND.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 17, 1968, at Hobbs, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 25th day of April, 1968, 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 Rule 509 of the Commission Rules and Regulations, adopted August 26, 1966, provides for the assignment of oil discovery allowables to discovery wells and the manner in which the application therefor is to be heard.

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(3) That Case 3711, originally heard January 24, 1968, was called by the Oil Conservation Commission upon its own motion to consider the amendment of Rule 509 of the Commission Rules and Regulations and Commission Form C-109 to permit the production of the bonus discovery allowable assigned to multiple discovery wells to be produced from any discovery zone in any proportion; and to further amend said rule to permit applications for the bonus discovery allowable to be heard on dockets other than the regular pool nomenclature docket in instances where the applicant will present the evidence.

(4) That Case 3711 has been reopened by the Oil Conservation Commission on its own motion, prior to the issuance of an order in said Case 3711, to hear testimony regarding the amendment of Rule 509 of the Commission Rules and Regulations to allow the assignment of an oil discovery allowable to each zone of a multiple discovery well based on the depth of said zone from the surface of the ground.

(5) That in order to provide that oil discovery allowables be more equitably distributed and to further stimulate the search and exploration for new sources of oil within the boundaries of New Mexico, Rule 509 of the Commission Rules and Regulations should be amended to allow the assignment of an oil discovery allowable to each zone of a multiple discovery well based on the depth of said zone from the surface of the ground.

(6) That waste would not be prevented nor correlative rights adequately protected if the Commission were to permit the production of the oil discovery allowable assigned to multiple discovery wells to be produced from any zone in any proportion; that the discovery allowable assigned to any zone in a multiple discovery well, therefore, should not be produced from any other zone.

(7) That to enable the Commission to more efficiently and effectively administer Rule 509, said rule should be amended to allow applications for oil discovery allowables to be heard on dockets other than regular pool nomenclature dockets in those instances when the applicant will present evidence.

IT IS THEREFORE ORDERED:

(1) That Rule 509 of the Commission Rules and Regulations, OIL DISCOVERY ALLOWABLE, is hereby amended by deleting therefrom

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all of the second paragraph of said Rule 509, said paragraph commencing with the words "A multiply completed well"

(2) That Rule 509 of the Commission Rules and Regulations, OIL DISCOVERY ALLOWABLE, is hereby amended by deleting therefrom all of the third paragraph of said Rule 509, said paragraph commencing with the words "Oil discoveries made"

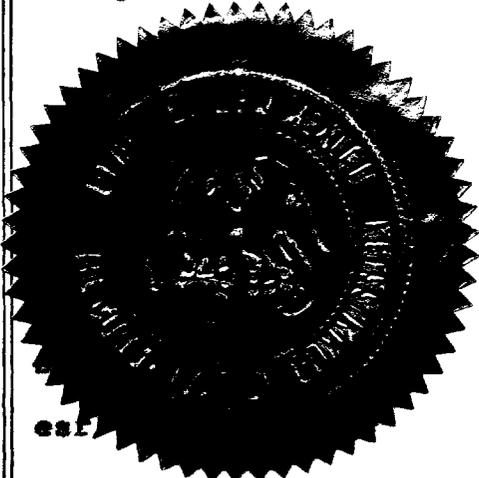
(3) That the sixth paragraph of Rule 509 of the Commission Rules and Regulations, OIL DISCOVERY ALLOWABLE, commencing with the words "If, in the opinion" is hereby amended to read in its entirety as follows:

If, in the opinion of the Commission staff, good cause exists to bring the pool on for hearing as a discovery, and no objection has been received from any other operator, the pool will be placed on the first available hearing docket for inclusion by the staff in its regular pool nomenclature case. If the staff is not in agreement with the applicant's contention that a new pool has been discovered, or if, within ten days after receiving a copy of the application another operator files with the Commission an objection to the creation of a new pool and the assignment of a discovery allowable, the applicant will be so notified, and he will be expected to present the evidence supporting his case. Or, if the applicant so desires, the application may be set for separate hearing on other than the nomenclature docket for presentation of evidence by the applicant.

(4) That this order shall become effective at 7:00 o'clock a.m. on May 1, 1968.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

David F. Cargo
DAVID F. CARGO, Chairman

Gayton B. Hays
GAYTON B. HAYS, Member

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