



STATE OF NEW MEXICO  
**ENERGY AND MINERALS DEPARTMENT**  
 OIL CONSERVATION DIVISION

TONY ANAYA  
 GOVERNOR

March 25, 1986

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 SANTA FE, NEW MEXICO 87501  
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Mr. Paul Cooter  
 Rodey, Dickason, Sloan,  
 Akin & Robb  
 Post Office Box 1357  
 Santa Fe, New Mexico

Re: CASE NO. 8792  
 ORDER NO. R-8173

Applicant:

Northwest Pipeline Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced  
 Commission order recently entered in the subject case.

Sincerely,

R. L. STAMETS  
 Director

RLS/fd

Copy of order also sent to:

Hobbs OCD       X        
 Artesia OCD       X        
 Aztec OCD       X      

Other John Nance, H. L. Kendrick

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**NORTHWEST PIPELINE CORPORATION**   
ONE OF THE WILLIAMS COMPANIES

LAND DEPARTMENT

976-85

P. O. BOX 8900  
SALT LAKE CITY, UTAH 84108-0900  
801-584-6669  
801-584-7215

December 3, 1985

*Case 8792*

Dick Stamets  
Director, New Mexico Oil Conservation Division  
Energy and Minerals Department  
State Land Office Building  
P. O. Box 2088  
Santa Fe, NM 87501

Re: Case 8749  
Proposed Changes to Statewide and  
Proration Rules

Dear Dick:

Attached please find a copy of the document that you requested from me at the hearing on the subject case. This attachment lists all statewide rules and all proration rules that I could find that mentions 'gas purchasers' or 'gas transporter' or derivatives thereof. Where Northwest Pipeline feels that the word purchaser should actually be transporter or vice versa, I have lined out the word to be deleted and added in brackets the word to be added. For example, in Statewide Rule 403 on lines 2 and 3, I have lined out the words "common purchaser" and added in brackets the words "transporter".

I have used the definition in the Proration Rules of Gas Purchaser as the definition for Gas Transporter. Thus I have made the edit makings on this definition. I also added a new definition of Gas Purchaser.

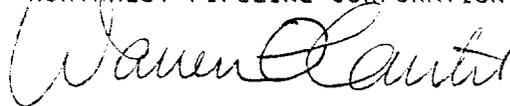
Please note that I have tried to list all rules that contain the words 'gas purchaser' or 'gas transporter' regardless of whether I am suggesting a change in the language. For example, in Statewide Rules 601 and 902, no changes are suggested.

Dick Stamets  
December 3, 1985  
Page -2-

I hope this will be of benefit to you as you advertize this hearing.  
If you have any questions regarding these changes, please call me.

Sincerely,

NORTHWEST PIPELINE CORPORATION

A handwritten signature in cursive script that reads "Warren O. Curtis".

Warren O. Curtis  
Manager, Land/Proration

WOC:js

Enclosures

## STATEWIDE RULES

### RULE 403. NATURAL GAS FROM GAS WELLS TO BE MEASURED

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All natural gas produced shall be accounted for by metering or other method approved by the Division and reported to the Division by the ~~common purchaser~~ [transporter] of the gas. Gas produced from a gas well and delivered to a gas transportation facility shall be reported by the owner or operator of the gas transportation facility. Gas produced from a gas well and required to be reported under this rule, which is not delivered to and reported by a gas transportation facility, shall be reported by the operator of the well.

### RULE 601. ALLOCATION OF GAS PRODUCTION

When the Division determines that allocation of gas production in a designated gas pool is necessary to prevent waste, the Division, after notice and hearing, shall consider the nominations of purchasers from that gas pool and other relevant data, and shall fix the allowable production of that pool, and shall allocate production among the gas wells in the pool delivering to a gas transportation facility upon a reasonable basis and recognizing correlative rights. The Division shall include in the proration schedule of such pool any gas 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.

### RULE 902. RATABLE TAKE

(a) Any person now or hereafter engaged in purchasing from one or more producers, gas produced from gas wells shall be a common purchaser thereof within each common source of supply from which it purchases, and as such it shall purchase gas lawfully produced from gas wells with which its gas transportation facilities are connected in the pool and other gas wells with which its gas transportation facilities are connected in the pool and other gas lawfully produced within the pool and tendered to a point on its gas transportation facilities. Such purchases shall be made without unreasonable discrimination in favor of one producer against another in the price paid, the quantities purchased, the bases of measurement or the gas transportation facilities afforded for gas of like quantity, quality and pressure available from such wells. In the event any such person is likewise a producer, he is prohibited to the same extent from discriminating in favor of himself on production from gas well in which he has an interest, direct or indirect, as against other production from gas wells in the same pool. For the purpose of this rule reasonable differences in prices paid or facilities afforded, or both, shall not constitute unreasonable discrimination if such differences bear a fair relationship to differences in quality, quantity or pressure of the gas available or to the relative lengths of time during which such gas will be available to the purchaser. The provisions of this subsection shall not apply (1) to any wells or pools used for storage and withdrawal from storage of natural gas originally produced not in violation of the rules, regulations or orders of the Division, (2) to purchases of casinghead gas from oil wells, and (3) to persons purchasing gas principally for use in the recovery or production of oil or gas.

(b) Any common purchaser taking gas produced from gas wells from a common source of supply shall take ratably under such rules, regulations and orders, concerning quantity, as may be promulgated by the Division consistent

with this rule. The Division, in promulgating such rules, regulations and orders may consider the quality and the deliverability of the gas, the pressure of the gas at the point of delivery, acreage attributable to the well, market requirements in the case of unprorated pools, and other pertinent factors.

(c) Nothing in this rule shall be construed or applied to require, directly or indirectly, any person to purchase gas of a quality or under a pressure or under any other condition by reason of which such gas cannot be economically and satisfactorily used by such purchaser by means of his gas transportation facilities then in service.

#### RULE 1100. GENERAL

##### D. Written Notices, Requests, Permits, and Reports

Form C-104	Request for Allowable and Authorization to Transport Oil and Natural Gas
Form C-111	Gas <del>Purchaser's</del> [Transporter's] Monthly Report (Sheet 1 and Sheet 2)
Form C-121-A	Purchaser's Gas Nomination

#### RULE 1104. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS (Form C-104)

(1) Form C-104 completely filled out by the operator of the well must be filled in QUINTUPLICATE before an allowable will be assigned to any newly completed or recompleted well. (A recompleted well shall be considered one which has been deepened or plugged back to produce from a different pool than previously.) Form C-104 must be accompanied by a tabulation of all deviation tests taken on the well as provided by Rule 111.

(2) The allowable assigned to an oil well shall be effective at 7:00 o'clock a.m. on the date of completion, provided the Form C-104 is received by the Division during the month of completion. Date of completion shall be that date when new oil is delivered into the stock tanks.

Unless otherwise specified by special pool rules, the allowable assigned to a gas well shall be effective 7:00 o'clock a.m. on the date of connection to a gas transportation facility, as evidenced by an affidavit of connection from the purchaser to the Division, or the date of receipt of Form C-104 by the Division, whichever date is later.

(3) No allowable will be assigned to any well until a standard unit for the pool in which the well is completed has been dedicated by the owner, or a non-standard unit has been approved by the Division, or a standard unit has been communitized or pooled and dedicated to the well.

(4) No allowable will be assigned to any well until all forms and reports due have been received by the Division and the well is otherwise in full compliance with these rules.

(5) Form C-104 with Sections I, II, III, and IV, completely filled out shall be filed in QUINTUPLICATE by the operator of the well in the event there is a change or ownership of any producing well, injection well, or disposal

well, or a change of transporter (oil, condensate, casinghead gas, or dry gas), a change in pool designation, lease name, or well number, or any other pertinent change in condition of any such well. When filing Form C-104 form change of ownership, the new operator shall file the form in the above manner, and shall give the name and address of the previous as well as the present operator. The Form C-104 will not be approved by the Division unless the new operator has an approved bond in compliance with Rule 101.

(6) Whenever there is a temporary change in transporter and oil is to be moved from the lease by anyone other than the regular transporter authorized by an approved Form C-104, the operator shall notify the appropriate District Office or the Division in writing within three days after the oil is moved, furnishing such information as may be required by the District Office. The operator shall furnish copies of the notification to the regular transporter and to the temporary transporter. This paragraph is intended to deal primarily with authorized batch movements of oil by the operator for use as load oil, frac oil, etc.; eventual sale of this oil is governed by Rules 503 and 1126.

RULE 111. ~~GAS PURCHASER'S~~ [TRANSPORTER'S] MONTHLY REPORT (Form C-111)

Form C-111, ~~Gas Purchaser's~~ [Transporter's] Monthly Report, shall be filed monthly in accordance with the rules below. It shall be postmarked on or before the 15th day of the month to report all gas taken during the preceding month. One copy shall be filed with the appropriate District Office of the Division and two copies with the Santa Fe Office of the Division. One additional copy shall also be sent to the Hobbs Office of the Division. Information on Sheet No. 2 of Form C-111 shall be itemized by pools, by operators, and by leases, in alphabetical order.

Form C-111 shall be filed each month by the operator of any gas gathering system, gas transportation system, recycling system, fuel system, gas lift system, gas drilling operation, etc. The form shall cover all natural gas, casinghead gas, and carbon dioxide gas taken into any such system during the preceding month and shall show the source of the gas and the disposition thereof.

Form C-111 shall also be filed each month by the operator of any gasoline plant, cycling plant, or other plant at which gasoline, butane, propane, kerosene, oil, or other products are extracted from gas within the State of New Mexico. The form shall cover all natural gas, casinghead gas, and carbon dioxide gas taken by any such plant during the preceding month and shall show the source of the gas and the disposition thereof. If a plant operator owns more than one plant in a given Division District, Sheet No. 1 of Form C-111 shall be filed for each such plant. In preparing Sheet No. 2, the plant operator shall consolidate all requisitions for all plants in the District, itemized in the order described in the first paragraph of this rule.

Where gas is taken by the producer and utilized by him for any of the above uses, the producer shall file Form C-111 itemizing such gas. The producer shall also include this gas on the Operator's Monthly Report, Form C-115. Gas used on the lease from which it was produced for consumption in lease houses, treators, compressors, combustion engines, and other similar equipment, or gas which is flared, shall also be included on the Form C-115 but is not to be included on the Form C-111.

**RULE 1121. PURCHASER'S NOMINATION FORMS (Form C-121 and Form C-121-A)**

Unless requested otherwise by the Division Director, one copy of Form C-121, Crude Oil Purchaser's Nomination, shall be submitted to the Santa Fe Office of the Division not later than the 20th day of each odd-numbered month. Nominations shall be filed by each person expecting to purchase oil from producing wells in New Mexico during the second and third succeeding two months. As an example, nominations submitted by the 20th day of July shall indicate the amount of oil the purchaser desires to purchase daily during September and October.

One copy of Form C-121-A, Purchaser's Gas Nomination, shall be submitted to the Santa Fe Office of the Division by the first day of the month during which the Division will consider at the gas allowable hearing the nominations for the purchase of gas from producing wells in New Mexico during the succeeding month. As an example, purchaser's nominations to take gas from a pool during the month of August would be considered by the Division at a hearing during July, and should be submitted to the Santa Fe office of the Division by July 1.

GENERAL RULES FOR THE PRORATED  
GAS POOLS OF NEW MEXICO

A. DEFINITIONS

GAS PURCHASER: The term "gas purchaser" as used in these rules shall mean the purchaser of the gas from the gas well or GPU. In the event that two or more purchasers purchase from a particular well the "gas purchaser" shall be the purchaser of the largest percentage interest in the gas well or GPU.

GAS PURCHASER [TRANSPORTER]: The term "gas purchaser [transporter]" as used in these rules shall mean any "first taker" of gas either at the wellhead, at any other point on the lease, or at any other point authorized by the Division where connection is made for gas transportation or utilization (other than that necessary for maintaining the producing ability of the well).

B. NOMINATIONS AND PRORATION SCHEDULE

RULE 3(a) NOMINATIONS: Each month each gas purchaser shall file with the Division its nomination for the amount of gas which it actually in good faith desires to 'take [purchase]' during the ensuing proration month from each gas pool regulated by this order. One copy of such nomination for each pool shall be submitted to the Division's Santa Fe Office on Form C-121-A by the first day of the month during which the Division will consider at its allowable hearing the nominations for the succeeding month. The Division shall consider at its monthly gas allowable hearing the 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 during the ensuing month. ~~(If more than one "gas purchaser" is involved, for example: in the case of a split connection, traded gas, or when the producer gathers his own gas and delivers it to another purchaser at a central delivery point, the purchasers may mutually agree to authorize one of the purchasers to file the whole nomination. This agreement between the purchasers involved should be indicated by a formal letter, with a copy being sent to the Division Director.)~~

RULE 3(b)1 SCHEDULE: The Division will issue a proration schedule setting out the amount of gas which each GPU may produce during such ensuing month, along with such other information as is necessary to show the allowable-production status of each GPU on the schedule. When a nomination for a given month is not received, the previous month's nomination may be used by the Division in place of the nomination.

RULE 3(b)2 PRORATION OF ALL GAS WELLS WITHIN A POOL: The Division shall include in the proration schedule the gas wells in the gas pools regulated by this order delivering to a gas purchaser, 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.

### C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5 HOW ALLOWABLES ARE CALCULATED: The total allowable to be allocated to each gas pool regulated by this order each month shall be equal to the sum of all gas purchaser's nominations for that pool, together with any adjustment which the Division deems advisable. A monthly allowable shall be assigned to each GPU entitled to an allowable by allocating the pool allowable among all such GPUs in that pool in accordance with the procedure set forth in these rules.

RULE 5(b)1 NEW CONNECTS ASSIGNMENT OF ALLOWABLES: Allowables to newly completed gas wells shall commence:

(A) In pools where acreage is the only proration factor, on the date of first delivery of gas to a gas purchaser [transporter] as demonstrated by an affidavit furnished by the purchaser [transporter] to the appropriate Division district office, or the approval date of Form C-102 and Form C-104, whichever is later; or,

(B) In pools where acreage and deliverability are proration factors:

- 1) An acreage factor allowable will be assigned the later of:
  - a) The date of first delivery of gas to a gas purchaser [transporter] as demonstrated by an affidavit furnished by the purchaser [transporter] to the appropriate Division district office.
  - b) The approval date of Form C-102 and Form C-104.
- 2) A deliverability factor allowable will be assigned the later of:
  - a) The date of first delivery.
  - b) 90 days prior to the date of receipt of the deliverability test on Form C-122-A at the appropriate Division district office.

### F. CLASSIFICATION OF WELLS

RULE 13(a) RECLASSIFICATION TO MARGINAL: After the production data is available for the last month of each classification period, any GPU which had an underproduced status at the beginning of the proration period may be classified marginal if its highest single month's production during the classification period is less than its average monthly allowable during the prior ~~twelve~~ [four] months; however, the operator of any GPU so classified, or other interested party, shall have 30 days after receipt of notification of marginal classification in which to submit satisfactory evidence to the Division that the GPU is not of marginal character and should not be so classified.

## 6. REPORTING OF PRODUCTION

RULE 15(a) C-111 REPORT (GAS PURCHASER'S [TRANSPORTER'S] MONTHLY REPORT): Each gas purchaser [transporter] in each of the designated gas pools regulated by this order shall submit a report, as required by General Rule 1111, to the Division so as to reach the Division on or before the 15th day of the month next succeeding the month in which the gas was taken. Such report shall be filed on Form C-111 with the wells being listed in approximately the same order as they are listed on the proration schedule. Form C-111 referred to herein shall be submitted in triplicate, the original being sent to the Division's Santa Fe office; the second copy to the Hobbs district office; and the third copy, if needed for wells in such district, to either the Artesia or Aztec district office as appropriate.

RULE 15(c) REPORTING OF PRODUCTION (DAYS CRITERIA): Upon approval by the Director of the Oil Conservation Division as to the specific program to be used, any producer or purchaser [transporter] of gas may be permitted to report metered production of gas on a chart-period basis; provided the following provisions shall be applicable to each gas well:

(1) Reports for a month shall include not less than 24 nor more than 32 reported days.

(2) Reported days may include as many as the last 7 days of the previous month but no days of the succeeding month.

(3) The total of the monthly reports for a year shall include not less than 360 nor more than 368 reported days.

(4) For purposes of these rules, the term "month" shall mean "calendar month" for those reporting on a calendar month basis, and shall mean "reporting month" for those reporting on a chart-period basis in accordance with the exception provided in this rule.

## H. GENERAL

RULE 19 NON-COMPLIANCE OF RULES AND REGULATIONS: Failure to comply with the provisions of these rules shall result in the cancellation of allowable assigned to the affected GPU. No further allowable shall be assigned to the affected GPU until all rules and regulations are complied with. The Director shall send written notice to the operator of the GPU and to the purchaser of the date of allowable cancellation and the reason therefore.

RULE 18 GAS WELL DELIVERY NOTICES: All purchasers [transporters] or users of gas shall file gas well delivery notices with the Division within 30 days after the date of first delivery or redelivery in accordance with the provisions of Rule 5(b)1.

RULE 19 NOTICE OF MARGINAL WELL SHUT-IN: Purchasers shall notify the Director any time it is necessary to shut in marginal wells. Such notice shall be made within 30 days following the end of such month and shall include data as may be required by the Director. This report shall not include wells shut in for required testing, connection of new wells, or wells shut in by the operator.