

SECRET

Case Number
4798

Application

Transcripts

Small Exhibits

ETC.

dearnley, meier & mc cormick

200 SIMMS BLDG. P.O. BOX 1092 PHONE 243-6691 ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST ALBUQUERQUE, NEW MEXICO 87108

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
STATE LAND OFFICE
SANTA FE, NEW MEXICO
Wednesday, August 23, 1972 at 10:30 A. M.

EXAMINER HEARING

IN THE MATTER OF:

The hearing called by the Oil Conservation
Commission on its own motion to consider
revision of Rule 701-E of the Commission
Rules and Regulations to provide for
unrestricted allowables for water flood
projects and to eliminate the necessity
of response for administrative approval
of additional injection wells.

Case No. 4798

BEFORE: RICHARD L. STAMETS, Examiner

TRANSCRIPT OF HEARING

PROCEEDINGS

1 MR. STAMETS: The hearing will come to order,
2 please. Call next case, number 4798.

3 MR. HATCH: Case 4798, in the matter of the hearing
4 called by the Oil Conservation Commission on its own motion
5 to consider revision of Rule 701-E of the Commission Rules and
6 Regulations to provide for unrestricted allowables for water
7 flood projects and to eliminate the necessity of response for
8 administrative approval of additional injection wells.

9 I have one witness, Mr. Nutter who will testify in
10 the three cases here and I will swear him for the entire three
11 cases.

12 (Whereupon, Mr. Daniel S. Nutter was called to the
13 stand and sworn.)
14

MR. DANIEL S. NUTTER

15
16 having been first duly sworn according to law, upon his oath,
17 testified as follows:
18

DIRECT EXAMINATION

19 BY MR. GEORGE HATCH:

20 Q Mr. Nutter, would you identify yourself for the Examiner,
21 please?

22 A Daniel S. Nutter, Chief Engineer for the New Mexico Oil
23 Conservation Commission.

24 Q Among your duties as the chief engineer, do you have the
25

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1 duty to review rules, regulations and orders of the
2 Commission and to make recommendations concerning any
3 changes?

4 A Yes, sir, that is among my duties.

5 Q Are you familiar with case 4798 and what it proposes?

6 A Yes, I am.

7 Q Would you explain to the Examiner the purpose of your
8 recommendations in case 4798?

9 A To provide a little background I would like to refer to
10 Commission Order Number R-1525 which was adopted by the
11 Commission November 9, 1959. This order concerned water
12 flood projects and did establish a procedure for the pro-
13 rationing of these water flood projects. Among the
14 findings contained in Order Number R-1525 was finding
15 number 5. I might state that prior to the issuance of
16 Order Number 1525 capacity allowables had been permitted
17 to many water flood projects. Finding number 5 then
18 found that unrestricted water flood production has contri-
19 buted to decreased normal unit allowable for the southeast
20 New Mexico which in turn has been a factor in the decline
21 of primary exploration and development. So, the Commission
22 found at that time that the capacity type water floods
23 had captured an undue proportion of the total market demand
24 for oil from the state and that as a result allowables
25 had been depressed causing a decrease in exploration for

1 new oil. So, in order to bring these water floods under
2 some practical controls, 1525 was established or amended.
3 Rule 701 provided for the definition of water flood
4 project areas and a determination of allowables for those
5 project areas. We feel that in this day of expanding
6 demand and declining production that these restrictions
7 are no longer necessary on water flood projects and that
8 while it is my personal opinion that the prorationing of
9 water flood projects can be conducted without causing any
10 damage to the water flood projects, which is also backed
11 up by a finding in Order Number R-1525, although this can
12 be accomplished, I don't think there is any necessity for
13 the continued proration of these water flood projects.
14 So, I have here a proposed Rule 701 which amends Section
15 E of 701 that has been identified there as Exhibit Number
16 1 in Case Number 4798 and here is--I would like to read
17 into the record those portions of it which are different
18 from 701 as it is now. Paragraph 1 of 701 defines what
19 a water flood project is. This definition remains the
20 same. Simply defined, a water flood project is a project
21 in which sufficient water is injected into a producing
22 horizon in sufficient quantities and under sufficient
23 pressure to stimulate the production of oil from other
24 wells in the area, and shall be limited to those areas in
25 which the wells have reached an advanced state of

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1 depletion and are regarded as what is commonly
2 referred to as "stripper" wells. Paragraph number 2 is
3 a change from the present paragraph number 2 and I will
4 read what a project area is defined as here. 701-E-2
5 would read as follows: "The project area of a water flood
6 project shall comprise the proration units owned or
7 operated by a given operator upon which injection wells
8 are located plus all proration units owned or operated
9 by the same operator which directly or diagonally offset
10 the injection tracts and have producing wells completed
11 on them in the same formation; provided however, that
12 additional proration units not directly nor diagonally
13 offsetting an injection tract may be included in the
14 project area if, after notice and hearing, it has been
15 established that such additional units have wells
16 completed thereon which have experienced a substantial
17 response to water injection." The only change in that
18 definition of a project area is that it says that it is
19 the proration units upon which injection wells are
20 located and the offsetting tracts owned and operated by
21 the same operator. Now, this has not been--owned and
22 operated by the same operator--has not been in the
23 definition prior to now, but it has been an unwritten
24 rule that we have limited the projects to ownership and
25 operation by the same operator. This spells it out and

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clarifies that portion of it. Three represents a substantial change because Rule E-3 in the old Rule 701 determines how the allowable is established. We will start off reading paragraph 3 with this definition of allowable. "The allowable assigned to wells in a water flood project area shall be equal to the ability of the wells to produce and shall not be subject to the top unit allowable for the pool nor to the market demand percentage factor." That is the crux of the whole case right there. It goes on to say "All production from a water flood project area containing wells producing in excess of top unit allowable for the pool shall be identified as water flood production on the monthly Commission Form C-115." The purpose of this of course would be to show that there is some reason for the assignment of allowable in excess of top unit allowable on that 115. "Each and every well producing in excess of top unit allowable for the pool into common facilities with wells not included in the water flood project area shall be tested once each month and the results of such tests shall be included on the monthly Commission Form C-120 filed for said project." That paragraph at this point simply says each and every well outside a prorated water flood project area which is producing under common facilities with wells inside a prorated water flood project area shall be tested once

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1 each month and the results of such tests included on
2 the monthly form C-120 instead of requiring tests to be
3 made on wells outside the project area producing with
4 wells inside the project area. This would only require
5 that wells that are producing in excess of top unit
6 allowable would be tested each month and the results
7 shown on 120. This would be to establish the well is
8 capable of making the production that is attributed to it
9 if it is in excess of top unit allowable. "The Secretary-
10 Director is empowered to grant an exception to the fore-
11 going requirement without notice and hearing when an
12 application therefor is filed in due form, and the facts
13 presented justify such exception." This is the same.
14 "Nothing herein contained shall be construed as prohibi-
15 ting the assignment of special allowables to wells in
16 buffer zones after notice and hearing. Special allowables
17 may also be assigned in the limited instances where it is
18 established at a hearing that it is imperative for the
19 protection of correlative rights to do so." That is the
20 same as it is now. Now, the present rules also provide
21 for an operator to get administrative approval for expan-
22 sion of the project. I will read the oil rule. "In
23 order for a well in a water flood project to be eligible
24 for administrative approval for conversion to water
25 injection, it must be established to the satisfaction of

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the Secretary-Director of the Commission that the proposed water injection well has experienced a substantial response to water injection or is directly offset by a producing well which has experienced such response and that the proposed injection well is located on a water injection pattern which will result in a thorough and efficient sweep of oil by the water flood." The purpose for this provision in this order as established by number R-1525 back in 1959 was actually to slow down the growth and development of the water flood projects so that they wouldn't just all blossom out all at once and overload the market with excess amount of oil. Again we feel that this is not necessary anymore, so it is proposed that the requirement for response before an additional well be placed on injection be removed from the order. So paragraph E-4 reads as follows: "Water flood projects shall be expanded and additional wells placed on injection only upon authority from the Commission after notice and hearing or by administrative approval.

"To obtain such administrative approval, operators shall submit in triplicate an application in accordance with Rule 701-B above. The application shall also state the order number which originally authorized the water flood project, and shall set forth all the facts pertinent to the need for placing additional well(s) on

1 water injection. A copy of the application shall also be
 2 sent to each operator offsetting the proposed injection
 3 well.

4 "The Secretary-Director may, if in his opinion there
 5 is need for conversion of the additional well and said
 6 well is on a water flood injection pattern which will
 7 result in a thorough and efficient sweep of oil, authorize
 8 such injection without notice and hearing, provided that
 9 no offset operator objects to the proposed injection well
 10 within fifteen (15) days. The Secretary-Director may
 11 grant immediate approval to the proposal upon receipt of
 12 waivers of objection from all operators offsetting the
 13 proposed injection well." There would be no 5 in this
 14 rule. That in essence is the proposed amendment as I
 15 offer Exhibit Number 1 which was the proposed amendment.
 16 I also have Exhibit Number 2 in this case which is the
 17 revised Form C-120 which used to provide that wells in
 18 the project area producing under common facilities with
 19 wells outside the project area would be tested each month.
 20 This revised Form C-120 has a place for testing and
 21 reporting the tests and this area of the form is iden-
 22 tified as being wells producing in excess of top unit
 23 allowable which are producing in common facilities with
 24 wells outside the project area. Then it provides a little
 25 space for reporting those well tests.

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1 Q Do you have anything further to add in case 4798?
2 A No, I think not.
3 Q Mr. Nutter, do you have a recommendation for the effective
4 date of this rule change?
5 A Yes, sir. As you will recall the Commission recently
6 revised its proration oil system and that change in that
7 order, I believe it is 4338--
8 Q Would it be 4348?
9 A That order is effective September the 1st. Now, at the
10 time that order was written this case had been set up,
11 but these amendments of course could not be included in
12 the portion of 701 that had to be amended by the oil
13 proration order. So, it is suggested that, if possible,
14 this order if it is adopted amending Rule 701-E be made
15 effective also September 1st, if it is at all possible and
16 that it supersede the portion of 701-E that is contained
17 in Order Number R-4348 to be effective September the 1st.
18 In other words, we want to revise Rule 701-E but we want
19 the revision to be in effect at the same time those
20 previous revisions were in effect, but this would super-
21 sede the other one.

22 MR. HATCH: I would like for the Examiner to take
23 note of Order 4 and Order 5 of Order Number R-4348 which amended
24 701-E-3 and 701-E-4 and of course under the present recommenda-
25 tions of Mr. Nutter there would be a conflict.

1 THE WITNESS: I would also point out that Commission's
2 allowable order which was entered by the Commission on
3 August 18 of 1972 establishing a 100 per cent market demand
4 factor until further notice effective September the 1st, 1972
5 provides that allowables to water flood projects shall be
6 assigned in accordance with Rule 701-E so Rule 701-E, whatever
7 it says, effective September the 1st would be the manner in
8 which these allowables to water flood projects would be assigned.
9 I am now proposing that in going to capacity allowables for
10 water flood projects that we not assign allowables. Allow-
11 ables would still have to be assigned to the wells, but equal
12 to wells' capacity.

13 MR. HATCH: I have no further questions.

14 MR. EXAMINER: Are there any questions of the witness?

15 Under this revised 701-E-2, would this permit the
16 Commission to consolidate previously approved water flood
17 projects?

18 THE WITNESS: If they are owned by a single
19 operator. It has been critical that we not consolidate these
20 projects that are on different tracts until now because you
21 had to take allowable off of one lease and transfer it to
22 another lease. You can't take--if there is a difference in
23 ownership, even though the working interest is the same, it is
24 not affording protection on royalties to owners to transfer
25 allowable from one man's lease over to another man's lease.

1 However, the wells on a given lease will be assigned allow-
2 ables and one operator could consolidate a number of different
3 leases into one water flood project because even though the
4 lease ownership is different as far as royalty or overriding
5 royalty, there will be no transfer of allowable across lease
6 lines.

7 THE EXAMINER: There may be cases where an operator
8 wishes to consolidate and somewhere they wish not to.

9 THE WITNESS: This is correct.

10 THE EXAMINER: Either instance will be allowed?

11 THE WITNESS: Right.

12 THE EXAMINER: Are there any other questions of the
13 witness? You may be excused.

14 We will take the case under advisement. Are there
15 any statements in case 4798?

16 MR. SIMMONS: W. B. Simmons appearing for Mobil Oil
17 Corporation. Mobil Oil Corporation is an operator of water
18 flood projects in New Mexico and recommends the Commission
19 amend Rule 701-E of the Rules and Regulations to provide for
20 unrestricted allowables for water flood projects and eliminate
21 the necessity of response or administrative approval of addi-
22 tional injection wells. Mobil supports this proposal.

23 THE EXAMINER: Any other statements? We will take
24 the case under advisement and call the next case 4799.

25

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I N D E X

WITNESS

MR. DANIEL S. NUTTER

PAGE

Direct Examination by Mr. George Hatch

3

E X H I B I T S

Exhibit Number 1 -
Proposed Rule 701

PAGE

Exhibit Number 2 -
Revised Form C-120

10

10

1 STATE OF NEW MEXICO)
2 : ss.
3 COUNTY OF BERNALILLO)

4 I, MARCIA J. HUGHES, Court Reporter, do hereby certify
5 that the above and foregoing pages are a true and correct
6 transcript of the proceedings had before the New Mexico Oil
7 Conservation Commission on Wednesday, August 23, 1972.

8 *Marcia J. Hughes*
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25

August 23, 1972
Richard L. Starnes
41778

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 REVISION OF
RULE 701 E OF THE COMMISSION RULES AND
REGULATIONS TO PROVIDE FOR UNRESTRICTED
ALLOWABLES FOR WATERFLOOD PROJECTS AND
TO ELIMINATE THE NECESSITY OF RESPONSE
FOR ADMINISTRATIVE APPROVAL OF ADDI-
TIONAL INJECTION WELLS.

CASE NO. 4798
Order No. R-4381

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 23, 1972, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 30th day of August, 1972, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, 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 701-E of the Commission Rules and Regulations provides for establishment of "Area Allowable Factors" for wells in water flood projects and limits the total daily production from wells in the designated water flood project area to that number of barrels obtained by multiplying the number of proration units in the water flood project area times the Area Allowable Factor.

(3) That the aforesaid system utilizing Area Allowable Factors was adopted by the Commission by Order No. R-1525, dated November 9, 1959, after finding....."that unrestricted production in water flood projects has had a significant and adverse impact on the market available for primary oil produced in New Mexico,and that unrestricted water flood production has contributed to decreased normal unit allowables.....which in turn have been a factor in the decline of primary exploration and development."

(4) That there has been a significant change in the overall market demand outlook for crude oil from the State of New Mexico, and the Commission, by Order No. R-4348, dated July 20, 1972, revised its oil proration system to adopt depth bracket allowables and to provide for the establishment of market demand percentage factors.

(5) That the Commission, by Order No. A-261, dated August 18, 1972, after finding that the reasonable market demand for crude petroleum oil from the Counties of Lea, Eddy, Chaves, Roosevelt, San Juan, Rio Arriba, McKinley, and Sandoval exceeds the ability of the oil wells in the said counties to produce without causing underground waste, established, until further order of the Commission, a 100 percent market demand factor to be applicable to the depth bracket allowable assigned to all wells in the State of New Mexico.

(6) That while the Commission still concurs with its previous finding that....."reasonable curtailment of production in water flood projects does not result in a loss of ultimate oil recovery," to continue to limit production from said projects under present market conditions serves no purpose and should be discontinued.

(7) That Rule 701-E of the Commission Rules and Regulations should be amended to provide for the assignment of allowables to wells in a water flood project area equal to the ability of the wells to produce and that said allowables should not be subject to the depth bracket allowable for the pool nor to the market demand percentage factor.

(8) That Rule 701-E of the Commission Rules and Regulations provides that for a well to be eligible for administrative approval for conversion to water injection, said well must have experienced a substantial response to water injection or is directly offset by a producing well which has experienced such response.

(9) That the foregoing requirement for well response to obtain administrative approval for conversion to water injection no longer serves a useful purpose and should be deleted.

(10) That Rule 701-E of the Commission Rules and Regulations should be amended in accordance with the above findings.

(11) That Commission Form C-120 should be revised to provide for the testing and reporting of wells producing in excess of top unit allowable into common facilities with wells outside the water flood project area.

(12) That under present market conditions and in the foreseeable future, the adoption of the foregoing proposed amendments and revision will not cause waste nor violate correlative rights.

IT IS THEREFORE ORDERED:

(1) That Rule 701-E of the Commission Rules and Regulations is hereby amended to read in its entirety as follows:

"E. Water Flood Projects

1. Water flood projects are defined as those projects in which water is injected into a producing horizon in sufficient quantities and under sufficient pressure to stimulate the production of oil from other wells in the area, and shall be limited to those areas in which the wells have reached an advanced state of depletion and are regarded as what is commonly referred to as "stripper" wells.
2. The project area of a water flood project shall comprise the proration units owned or operated by a given operator upon which injection wells are located plus all proration units owned or operated by the same operator which directly or diagonally offset the injection tracts and have producing wells completed on them in the same formation; provided however, that additional proration units not directly nor diagonally offsetting an injection tract may be included in the project area if, after notice and hearing, it has been established that such additional units have wells completed thereon which have experienced a substantial response to water injection.
3. The allowable assigned to wells in a water flood project area shall be equal to the ability of the wells to produce and shall not be subject to the depth bracket allowable for the pool nor to the market demand percentage factor.

All production from a water flood project area from wells producing in excess of top unit allowable for the pool shall be identified as water flood production on the monthly Commission Form C-115.

Each and every well producing in excess of top unit allowable for the pool into common facilities with wells not included in the water flood project area shall be tested once each month and the results of such tests shall be included on the monthly Commission Form C-120 filed for said project.

The Secretary-Director is empowered to grant an exception to the foregoing requirement without notice and hearing when an application therefor is filed in due form, and the facts presented justify such exception.

Nothing herein contained shall be construed as prohibiting the assignment of special allowables to wells in buffer zones after notice and hearing. Special allowables may also be assigned in the limited instances where it is established at a hearing that it is imperative for the protection of correlative rights to do so.

4. Water flood projects shall be expanded and additional wells placed on injection only upon authority from the Commission after notice and hearing or by administrative approval.

To obtain such administrative approval, operators shall submit in triplicate an application in accordance with Rule 701-B above. The application shall also state the order number which originally authorized the water flood project, and shall set forth all the facts pertinent to the need for placing additional well(s) on water injection. A copy of the application shall also be sent to each operator offsetting the proposed injection well.

The Secretary-Director may, if in his opinion there is need for conversion of the additional well and said well is on a water flood injection pattern which will result in a thorough and efficient sweep of oil, authorize such injection without notice and hearing, provided that no offset operator objects to the proposed injection well within fifteen (15) days. The Secretary-Director may grant immediate approval to the proposal upon receipt of waivers of objection from all operators offsetting the proposed injection well.

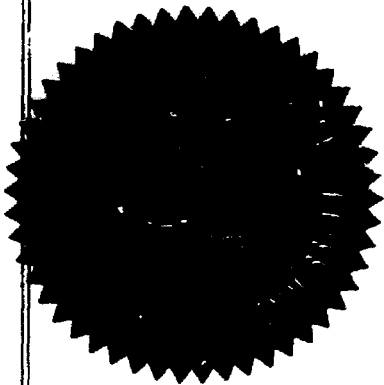
(2) That Commission Form C-120, Monthly Injection Report, is hereby revised as shown on Exhibit 1 attached hereto and made a part hereof.

(3) That this order shall be effective September 1, 1972, and that the amendments to Rule 701-E of the Commission Rules and Regulations contained herein shall supersede the amendments to Rules 701 E-3 and 701 E-4 contained in Order No. R-4348 dated July 20, 1972.

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

-5-
CASE NO. 4798
Order No. R-4381

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



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Bruce King
BRUCE KING, Chairman

Alex J. Armijo
ALEX J. ARMIJO, Member

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

S E A L

dr/

Submit this report in triplicate to the District Office, Oil Conservation Commission.

Company _____ Pool _____

County _____ Month _____

[illegible][illegible][illegible]

Remarks: _____ NAME _____

TITLE _____

Exhibit No. 1
Order No. R-4381

DOCKET: EXAMINER HEARING-- WEDNESDAY - AUGUST 23, 1972
9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 4775: (Continued from the July 26, 1972 Examiner Hearing)

Application of Continental Oil Company for amendment of special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks amendment of the special rules and regulations governing the Blinebry Pool, Lea County, New Mexico, to provide for annual bottom-hole pressure, gas-oil ratio, and gas-liquid tests in the pool. Applicant further seeks the designation of oil areas and gas areas in the pool with allowables within each area equalized on a per-acre basis and total withdrawals from the gas area to be volumetrically equivalent to the total withdrawals from the oil area.

Applicant further seeks to extend the vertical limits of the Blinebry Pool down to the top of the Tubb Pool.

Also to be considered by the Commission on its own motion will be amendment of the special rules and regulations to require that intermediate or low-pressure gas be charged against a well's allowable; elimination of the requirement to conduct bottom-hole pressure, gas-oil ratio, and gas-liquid tests; and to require that all gas production be reported on Form C-111.

CASE 4779: (Continued from the July 26, 1972, Examiner Hearing)

Application of Merrion & Bayless for a non-standard proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard gas proration unit comprising the SE/4 of Section 35, Township 30 North, Range 12 West, within one mile of Flora Vista-Mesaverde Pool, San Juan County, New Mexico, to be dedicated to its Carnahan Well No. 1 located in Unit P of said Section 35.

CASE 4798: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider revision of Rule 701 E of the Commission Rules and Regulations to provide for unrestricted allowables for water-flood projects and to eliminate the necessity of response for administrative approval of additional injection wells.

CASE 4799: In the matter of the hearing called by the Oil Conservation Commission on its own motion to amend Rule 306 of the Commission Rules and Regulations to incorporate therein the provisions of Order No. R-4070 which regulate the flaring or venting of casinghead gas.

- CASE 4807: In the matter of the hearing called by the Oil Conservation Commission on its own motion for the amendment of Rule 104 C. I of the Commission Rules and Regulations to permit the drilling of development oil wells as close as 330 feet to another well on the same unit drilling to or capable of producing from the same pool.
- CASE 4800: Application of Mobil Oil Corporation for waterflood expansion and capacity allowable, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to expand its Bridges State Waterflood Project, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico, by the addition of its Bridges State Wells Nos. 12 and 174 located, respectively, in Unit P of Section 26 and Unit J of Section 15, Township 17 South, Range 34 East.
- Applicant further seeks the assignment of capacity allowable to said Well No. 12.
- CASE 4801: Application of The Petroleum Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Parkway West Unit Area comprising 3840 acres, more or less, of State lands in Sections 20, 21, 22, 27, 28, and 29 of Township 19 South, Range 29 East, Eddy County, New Mexico.
- CASE 4802: Application of Crown Central Petroleum Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Grayburg formation in the open-hole interval from 4011 feet to 4083 feet in its Fred Turner Well No. 2 located in Unit O of Section 6, Township 20 South, Range 38 East, Skaggs (Grayburg) Pool, Lea County, New Mexico.
- CASE 4803: Application of Yates Petroleum Corporation to directionally drill and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to re-enter a dry hole having an unorthodox surface location 1980 feet from the North line and 660 feet from the East line of Section 25, Township 18 South, Range 25 East, Eddy County, New Mexico, and to directionally drill in such a manner as to bottom the well in the West Atoka-Morrow Gas Pool at an unorthodox bottom hole location 500 feet from the North line and 600 feet from the East line of said Section 25. The N/2 of said Section 25 to be dedicated to the well.
- CASE 4804: Application of Dugan Production Corporation for downhole commingling and a non-standard proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks as an exception to Rule 303 of the Commission Rules and Regulations, authority to commingle oil production from the Amarillo-Gallup Oil Pool and gas from the

(Case 4804 continued)

Basin-Dakota Pool in the wellbore of its Fullerton Well No. 1 located 1850 feet from the North and West lines of Section 34, Township 28 North, Range 13 West, San Juan County, New Mexico. Applicant further seeks approval for a non-standard 160-acre gas proration unit for the Basin-Dakota Pool comprising the NW/4 of said Section 34 to be dedicated to the subject well.

CASE 4805: Application of W. C. Montgomery for a non-standard proration unit, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval for an 80-acre non-standard oil proration unit comprising the NE/4 NE/4 of Section 20 and the NW/4 NW/4 of Section 21, Township 8 South, Range 38 East, Bluit-San Andres Associated Pool, Roosevelt County, New Mexico, to be dedicated to a well to be drilled in the NE/4 NE/4 of said Section 20.

CASE 4806: Southeastern New Mexico nomenclature case calling for an order for the creation, extension, contraction and abolishment of certain pools in Lea, Chaves, Eddy and Roosevelt Counties, New Mexico.

(a) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Cisco production and designated as the Boyd-Cisco Gas Pool. The discovery well is the David Fasken Arco "9" Morrison No. 1 located in Unit B of Section 9, Township 19 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM
SECTION 9: N/2

(b) Create a new pool in Chaves County, New Mexico, classified as an oil pool for Queen production and designated as the South Lucky Lake-Queen Pool. The discovery well is the Dalport Oil Corporation Todhunter Federal No. 1 located in Unit F of Section 22, Township 15 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM
SECTION 22: SE/4 NW/4

(c) Create a new pool in Lea County, New Mexico, classified as a gas pool for Devonian production and designated as the East Ranger Lake-Devonian Gas Pool. The discovery well is the Union Texas Petroleum Corporation Shall State Cox No. 1 located in Unit E of Section 6, Township 13 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 13 SOUTH, RANGE 35 EAST, NMPM
SECTION 6: W/2

(d) Abolish the Penrose Skelly-Grayburg Pool in Lea County,
New Mexico, described as:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM

SECTION 13: E/2
SECTION 24: E/2
SECTION 25: NE/4 and E/2 SE/4

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

SECTION 4: Lots 3, 4, 5, 6, 11, 12
13, 14 and SW/4
SECTION 7: S/2
SECTION 8: S/2 and NE/4
SECTION 9: W/2
SECTION 16: S/2 and NW/4
SECTION 17: All
SECTION 18: All

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

SECTION 19: All
SECTION 20: All
SECTION 21: All
SECTION 27: All
SECTION 28: All
SECTION 29: All
SECTION 30: All
SECTION 31: All
SECTION 32: All
SECTION 33: All
SECTION 34: All
SECTION 35: All

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM

SECTION 2: All
SECTION 3: All
SECTION 4: All
SECTION 5: All
SECTION 6: E/2
SECTION 7: NE/4
SECTION 8: All
SECTION 9: All
SECTION 10: All
SECTION 11: All
SECTION 14: All
SECTION 15: All
SECTION 16: All
SECTION 17: E/2

(Case 4806 continued)

(e) Extend the vertical limits of the Langlie-Mattix Pool in Lea County, New Mexico, to include the Grayburg formation. Also, extend said Langlie Mattix Pool to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
SECTION 13: E/2
SECTION 24: E/2
SECTION 25: NE/4 and E/2 SE/4

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
SECTION 4: Lots 3, 4, 5, 6, 11, 12,
13, 14 and SW/4
SECTION 7: S/2
SECTION 8: S/2 and NE/4
SECTION 9: W/2
SECTION 16: S/2 and NW/4
SECTION 17: All
SECTION 18: All
SECTION 19: All
SECTION 20: All
SECTION 21: All

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
SECTION 27: All
SECTION 28: All
SECTION 29: All
SECTION 30: All
SECTION 31: All
SECTION 32: All
SECTION 33: All
SECTION 34: All
SECTION 35: All

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
SECTION 2: All
SECTION 3: All
SECTION 4: All
SECTION 5: All
SECTION 6: E/2
SECTION 7: NE/4
SECTION 8: All
SECTION 9: All
SECTION 10: All
SECTION 11: All
SECTION 14: All
SECTION 15: All
SECTION 16: All
SECTION 17: E/2

(f) Contract the Bagley-Pennsylvanian Pool in Lea County, New Mexico, by the deletion of the following described area:

TOWNSHIP 11 SOUTH, RANGE 33 EAST, NMPM
SECTION 35: N/2 NW/4

(g) Extend the North Bagley-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 11 SOUTH, RANGE 33 EAST, NMPM
SECTION 35: N/2 NW/4

(h) Contract the Bough-Permo Pennsylvanian Pool in Lea County, New Mexico, by the deletion of the following described area:

TOWNSHIP 9 SOUTH, RANGE 36 EAST, NMPM
SECTION 17: NW/4

(i) Extend the North Benson Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM
SECTION 26: S/2 SW/4

(j) Extend the Bluit-San Andres Associated Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 38 EAST, NMPM
SECTION 8: NW/4

(k) Extend the South Carlsbad-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 27 EAST, NMPM
SECTION 7: W/2
SECTION 18: N/2

(l) Extend the South Carlsbad-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 27 EAST, NMPM
SECTION 7: S/2
SECTION 18: N/2

(m) Extend the Dos Hermanos-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 30 EAST, NMPM
SECTION 22: All
SECTION 27: All

(n) Extend the South Empire-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
SECTION 6: S/2

(o) Extend the Fowler-Upper Yaso Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM
SECTION 10: SE/4
SECTION 11: SW/4

(p) Extend the Golden Lane-Strawn Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 29 EAST, NMPM
SECTION 4: Lot 9, 10, 11, 12, 13, 14,
15 and 16

(q) Extend the Grayburg-Jackson Pool in Eddy County New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM
SECTION 9: S/2

(r) Extend the Hardy-Blinebry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
SECTION 2: SW/4

(s) Extend the McDonald-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 13 SOUTH, RANGE 36 EAST, NMPM
SECTION 33: SE/4

(t) Extend the Sand Dunes-Cherry Canyon Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM
SECTION 26: NW/4 NE/4

(u) Extend the Sulimar-Queen Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM
SECTION 27: SE/4 SE/4
SECTION 34: NE/4 NE/4

(v) Extend the Vada-Pennsylvanian Pool in Roosevelt County, New Mexico, to include therein:

(v continued from page 7 - Case 4806)

TOWNSHIP 8 SOUTH, RANGE 34 EAST, NMPM
SECTION 34: SE/4

(w) Extend the Vest Ranch-Queen Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 30 EAST, NMPM
SECTION 21: SE/4

(x) Extend the Washington Ranch-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 25 SOUTH, RANGE 24 EAST, NMPM
SECTION 27: All
SECTION 35: W/2

TOWNSHIP 26 SOUTH, RANGE 24 EAST, NMPM
SECTION 3: All
SECTION 4: E/2

CASE 4786: (Continued from August 9, 1972, Examiner Hearing).

Application of Highland Production Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Delaware formation in the open-hole interval from 4378 feet to 4418 feet in its Russell Federal Well No. 6 located in Unit K of Section 20, Township 26 South, Range 32 East, East Mason-Delaware Pool, Lea County, New Mexico.

R4348 Effective Date

(4)
(5)

PROPOSED RULE CHANGE
RULE 701

9-1-72

Substituted

This change

E. Water Flood Projects

1. Water flood projects are defined as those projects in which water is injected into a producing horizon in sufficient quantities and under sufficient pressure to stimulate the production of oil from other wells in the area, and shall be limited to those areas in which the wells have reached an advanced state of depletion and are regarded as what is commonly referred to as "stripper" wells.

Would allow consideration of old floods in one pool.

2. The project area of a water flood project shall comprise the proration units owned or operated by a given operator upon which injection wells are located plus all proration units owned or operated by the same operator which directly or diagonally offset the injection tracts and have producing wells completed on them in the same formation; provided however, that additional proration units not directly nor diagonally offsetting an injection tract may be included in the project area if, after notice and hearing, it has been established that such additional units have wells completed thereon which have experienced a substantial response to water injection.
3. The allowable assigned to wells in a water flood project area shall be equal to the ability of the wells to produce and shall not be subject to the top unit allowable for the pool nor to the market demand percentage factor.

All production from a water flood project area containing wells producing in excess of top unit allowable for the pool shall be identified as water flood production on the monthly Commission Form C-115.

Each and every well producing in excess of top unit allowable for the pool into common facilities with wells not included in the water flood project area shall be tested once each month and the results of such tests shall be included on the monthly Commission Form C-120 filed for said project.

The Secretary-Director is empowered to grant an exception to the foregoing requirement without notice and hearing when an application therefor is filed in due form, and the facts presented justify such exception.

Nothing herein contained shall be construed as prohibiting the assignment of special allowables to wells in buffer zones after notice and hearing. Special allowables may

BEFORE EXAMINER STAMPS
CH. COMMISSIONER OF COMMISSION
EXHIBIT NO. 1
CASE NO. 4798
Submitted by
Date 8/72

also be assigned in the limited instances where it is established at a hearing that it is imperative for the protection of correlative rights to do so.

4. Water flood projects shall be expanded and additional wells placed on injection only upon authority from the Commission after notice and hearing or by administrative approval.

To obtain such administrative approval, operators shall submit in triplicate an application in accordance with Rule 701-B above. The application shall also state the order number which originally authorized the water flood project, and shall set forth all the facts pertinent to the need for placing additional well(s) on water injection. A copy of the application shall also be sent to each operator offsetting the proposed injection well.

The Secretary-Director may, if in his opinion there is need for conversion of the additional well and said well is on a water flood injection pattern which will result in a thorough and efficient sweep of oil, authorize such injection without notice and hearing, provided that no offset operator objects to the proposed injection well within fifteen (15) days. The Secretary-Director may grant immediate approval to the proposal upon receipt of waivers of objection from all operators offsetting the proposed injection well.

Form C-120
(Revised 9-1-72)

County _____ Month _____

[illegible][illegible][illegible]

Remarks: _____ NAME _____

_____ TITLE _____

DRAFT

GMH/dr

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:

PLS EXPEDITE

RECORDS CENTER

CASE NO. 4798

Order No. R-4381

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION COMMISSION ON ITS
OWN MOTION TO CONSIDER REVISION OF
RULE 701 E OF THE COMMISSION RULES AND
REGULATIONS TO PROVIDE FOR UNRESTRICTED
ALLOWABLES FOR WATERFLOOD PROJECTS AND
TO ELIMINATE THE NECESSITY OF RESPONSE
FOR ADMINISTRATIVE APPROVAL OF ADDI-
TIONAL INJECTION WELLS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on Aug. 23, 1972,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of August, 1972, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, 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 701-E of the Commission Rules and Regulations
provides for establishment of "Area Allowable Factors" for wells
in water flood projects and limits the total daily production
from wells in the designated water flood project area to that
number of barrels obtained by multiplying the number of proration
units in the water flood project area times the Area Allowable
Factor.

(3) That the aforesaid system utilizing Area Allowable Factors was adopted by the Commission by Order No. R-1525, dated November 9, 1959, after finding...that unrestricted production in water flood projects has had a significant and adverse impact on the market available for primary oil produced in New Mexico,.....and that unrestricted water flood production has contributed to decreased normal unit allowables.....which in turn have been a factor in the decline of primary exploration and development."

(4) That there has been a significant change in the overall market demand outlook for crude oil from the State of New Mexico, and the Commission, by Order No. R-4348, dated July 20, 1972, revised its oil proration system to adopt depth bracket allowables and to provide for the establishment of market demand percentage factors.

(5) That the Commission, by Order No. A-261, dated August 18, 1972, after finding that the reasonable market demand for crude petroleum oil from the Counties of Lea, Eddy, Chaves, Roosevelt, San Juan, Rio Arriba, McKinley, and Sandoval exceeds the ability of the oil wells in the said counties to produce without causing underground waste, established, until further order of the Commission, a 100 percent market demand factor to be applicable to the depth bracket allowable assigned to all wells in the State of New Mexico.

(6) That while the Commission still concurs^{with} its previous finding that....."reasonable curtailment of production in water flood projects does not result in a loss of ultimate oil recovery," to continue to limit production from said projects under present market conditions serves no purpose and should be discontinued.

-3-
CASE NO. 4798
Order No. R-

(7) That Rule 701-E of the Commission Rules and Regulations should be amended to provide for the assignment of allowables to wells in a water flood project area equal to the ability of the wells to produce and that said allowables should not be subject to the depth bracket allowable for the pool nor to the market demand percentage factor.

(8) That Rule 701-E of the Commission Rules and Regulations provides that for a well to be eligible for administrative approval for conversion to water injection, said well must have experienced a substantial response to water injection or is directly offset by a producing well which has experienced such response.

(9) That the foregoing requirement for well response to obtain administrative approval for conversion to water injection no longer serves a useful purpose and should be deleted.

(10) That Rule 701-E of the Commission Rules and Regulations should be amended ^{in accordance with the above findings.} ~~to read in its entirety as follows.~~ (under)

~~4~~
CASE NO. 4798
Order No. R-

(11) That Commission Form C-120 should be revised to provide for the testing and reporting of wells producing in excess of top unit allowable into common facilities with wells outside the water flood project area.

(12) That under present market conditions and in the foreseeable future, the adoption of the foregoing ^{proposed} amendments and revision will not cause waste nor violate correlative rights.

IT IS THEREFORE ORDERED:

(1) That Rule 701-E of the Commission Rules and Regulations is hereby amended to read in its entirety as follows:

"E. Water Flood Projects

1. Water flood projects are defined as those projects in which water is injected into a producing horizon in sufficient quantities and under sufficient pressure to stimulate the production of oil from other wells in the area, and shall be limited to those areas in which the wells have reached an advanced state of depletion and are regarded as what is commonly referred to as "stripper" wells.
2. The project area of a water flood project shall comprise the proration units owned or operated by a given operator upon which injection wells are located plus all proration units owned or operated by the same operator which directly or diagonally offset the injection tracts and have producing wells completed on them in the same formation; provided however, that additional proration units not directly nor diagonally offsetting an injection tract may be included in the project area if, after notice and hearing, it has been established that such additional units have wells completed thereon which have experienced a substantial response to water injection.

-5-
CASE NO. 4798
Order No. R-

3. The allowable assigned to wells in a water flood project area shall be equal to the ability of the wells to produce and shall not be subject to the depth bracket allowable for the pool nor to the market demand percentage factor.

All production from a water flood project area ~~from~~ ~~containing~~ wells producing in excess of top unit allowable for the pool shall be identified as water flood production on the monthly Commission Form C-115.

Each and every well producing in excess of top unit allowable for the pool into common facilities with wells not included in the water flood project area shall be tested once each month and the results of such tests shall be included on the monthly Commission Form C-120 filed for said project.

The Secretary-Director is empowered to grant an exception to the foregoing requirement without notice and hearing when an application therefor is filed in due form, and the facts presented justify such exception.

Nothing herein contained shall be construed as prohibiting the assignment of special allowables to wells in buffer zones after notice and hearing. Special allowables may also be assigned in the limited instances where it is established at a hearing that it is imperative for the protection of correlative rights to do so.

~~6~~
CASE NO. 4798
Order No. R-

4. Water flood projects shall be expanded and additional wells placed on injection only upon authority from the Commission after notice and hearing or by administrative approval.

To obtain such administrative approval, operators shall submit in triplicate an application in accordance with Rule 701-B above. The application shall also state the order number which originally authorized the water flood project, and shall set forth all the facts pertinent to the need for placing additional well(s) on water injection. A copy of the application shall also be sent to each operator offsetting the proposed injection well.

The Secretary-Director may, if in his opinion there is need for conversion of the additional well and said well is on a water flood injection pattern which will result in a thorough and efficient sweep of oil, authorize such injection without notice and hearing, provided that no offset operator objects to the proposed injection well within fifteen (15) days. The Secretary-Director may grant immediate approval to the proposal upon receipt of waivers of objection from all operators offsetting the proposed injection well.

(2) That Commission Form C-120, Monthly Injection Report, is hereby revised as shown on Exhibit 1 attached hereto and made a part hereof.

~~7~~-
CASE NO. 4798
Order No. R-

1
2 (3) That this order shall be effective September 1, 1972,
3 and that the amendments to Rule 701-E of the Commission Rules
4 and Regulations contained herein shall supersede the amendments
5 to rules 701 E-3 and 701 E-4 contained in Order No. R-4348
6 dated July 20, 1972.

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

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

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Submit this report in triplicate to the District Office, Oil Conservation Commission.

[illegible][illegible][illegible]

I hereby certify that the above information is true and complete to the best of my knowledge and belief.

NAME _____

NAME _____

TITLE _____

(1)

heard by 9am
Stamets
Aug 23, 1972

Case 4798

Finds:
~~Findings~~

Records
Center

(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 701E of the Commission Rules and Regulations provides for establishment of "Area Allowance Factors" for wells in water flood projects and limits the total ^{daily} production from wells in the designated water flood project area to that number of barrels obtained by multiplying the number of production units in the water flood project area times the Area Allowance Factor.

the aforesaid system utilizing
(3) That, ~~with~~ ^{the} Area Allowance Factors ~~was~~ ^{was} adopted by the Commission by Order No. R-1525, ^{dated} November 9, 1959, after finding "that unrestricted production in water flood projects has had a significant and adverse impact on the market available for primary oil produced in New Mexico, ... and that unrestricted water flood production has contributed to decreased normal unit allowances which in turn have been a factor in the decline of primary exploration and development."

(2)

(4) That there has been a significant change in the overall market demand outlook for crude oil from the State of New Mexico, and the Commission, by Order No. R-4348, dated July 20, 1972, revised its oil production ~~restriction~~ system to adopt provide depth bracket allowances and to provide for the establishment of market demand percentage factors.

(5) That the Commission, by Order No. A-261, dated August 18, 1972, after finding that the ^{reasoned} market demand for crude petroleum oil from the Counties of Lea, Eddy, Chaves, Roosevelt, San Juan, Rio Arriba, McKinley, and Sandoval exceeds the ability of the oil wells in the said Counties to produce without causing ~~waste~~ underground waste, established, ~~to that the Commission~~ a 100 percent market demand factor to be applicable to ^{the depth bracket allowance assigned to} all wells in the State of New Mexico.

until further order of the Commission;

(6) That while the Commission ~~has the opinion~~ ^{still concurs} ~~to believe~~ ^{with} that its previous finding that "... reasonable curtailment of production in water flood projects does not result in a loss of ultimate ~~production~~ oil recovery," to continue to limit production from said projects ~~to~~ under present market conditions serves no purpose and should be discontinued.

(7) That Rule 701-E of the Commission Rules and Regulations should be amended to provide

for the assignment of allowances to wells in a water plant project area equal to the ability of the wells to produce and that said allowances should not be subject to the ~~specified~~ depth bracket allowance for the pool nor to the market demand percentage factor.

(8) That Rule 701-E of the Commission Rules and Regulations provides that for a well to be eligible for administrative approval for conversion to water injection, said well must have experienced a substantial response to water injection or is directly ~~or indirectly~~ affected by a ~~well~~ producing well which has experienced such response.

(9) That the foregoing requirement for well response ~~prior~~ to obtain administrative approval for conversion to water injection no longer serves a useful purpose and should be deleted.

(10) That Rule 701-E of the Commission Rules and Regulations should be amended to read in its entirety as follows:

4

~~PROPOSED RULE CHANGE~~
~~RULE 701~~

" E. Water Flood Projects

1. Water flood projects are defined as those projects in which water is injected into a producing horizon in sufficient quantities and under sufficient pressure to stimulate the production of oil from other wells in the area, and shall be limited to those areas in which the wells have reached an advanced state of depletion and are regarded as what is commonly referred to as "stripper" wells.
2. The project area of a water flood project shall comprise the proration units owned or operated by a given operator upon which injection wells are located plus all proration units owned or operated by the same operator which directly or diagonally offset the injection tracts and have producing wells completed on them in the same formation; provided however, that additional proration units not directly nor diagonally offsetting an injection tract may be included in the project area if, after notice and hearing, it has been established that such additional units have wells completed thereon which have experienced a substantial response to water injection.
3. The allowable assigned to wells in ^{depth bracket} a water flood project area shall be equal to the ability of the wells to produce and shall not be subject to the ~~top unit~~ allowable for the pool nor to the market demand percentage factor.

All production from a water flood project area containing wells producing in excess of top unit allowable for the pool shall be identified as water flood production on the monthly Commission Form C-115.

Each and every well producing in excess of top unit allowable for the pool into common facilities with wells not included in the water flood project area shall be tested once each month and the results of such tests shall be included on the monthly Commission Form C-120 filed for said project.

The Secretary-Director is empowered to grant an exception to the foregoing requirement without notice and hearing when an application therefor is filed in due form, and the facts presented justify such exception.

Nothing herein contained shall be construed as prohibiting the assignment of special allowables to wells in buffer zones after notice and hearing. Special allowables may

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That, under present mineral conditions and in the foreseeable future, amendment and provision will not cause waste nor violate correlative rights.

also be assigned in the limited instances where it is established at a hearing that it is imperative for the protection of correlative rights to do so.

4. Water flood projects shall be expanded and additional wells placed on injection only upon authority from the Commission after notice and hearing or by administrative approval.

To obtain such administrative approval, operators shall submit in triplicate an application in accordance with Rule 701-B above. The application shall also state the order number which originally authorized the water flood project, and shall set forth all the facts pertinent to the need for placing additional well(s) on water injection. A copy of the application shall also be sent to each operator offsetting the proposed injection well.

The Secretary-Director may, if in his opinion there is need for conversion of the additional well and said well is on a water flood injection pattern which will result in a thorough and efficient sweep of oil, authorize such injection without notice and hearing, provided that no offset operator objects to the proposed injection well within fifteen (15) days. The Secretary-Director may grant immediate approval to the proposal upon receipt of waivers of objection from all operators offsetting the proposed injection well. "

- (12) That Commission Form A-120 should be ^{revised} ~~amended~~ to provide for ^{the testing and} ~~reporting~~ of wells producing in excess of ^{unit} ~~top~~ allowance into ~~common~~ facilities with wells outside the water flood project area.

IT IS THEREFORE ORDERED:

- (1) That Rule 701-E of the Commission Rules and Regulation is hereby amended to read in its entirety as follows:

" E. Water Flood Projects

1. Water flood projects are defined as those projects in which water is injected into a producing horizon in sufficient quantities and under sufficient pressure to stimulate the production of oil from other wells in the area, and shall be limited to those areas in which the wells have reached an advanced state of depletion and are regarded as what is commonly referred to as "stripper" wells.
2. The project area of a water flood project shall comprise the proration units owned or operated by a given operator upon which injection wells are located plus all proration units owned or operated by the same operator which directly or diagonally offset the injection tracts and have producing wells completed on them on the same formation; provided however, that additional proration units not directly nor diagonally offsetting an injection tract may be included in the project area if, after notice and hearing, it has been established that such additional units have wells completed thereon which have experienced a substantial response to water injection.

- 6
3. The allowable assigned to wells in ^{depth bracket} a water flood project area shall be equal to the ability of the wells to produce and shall not be subject to the ~~top unit~~ allowable for the pool nor to the market demand percentage factor.

All production from a water flood project area containing wells producing in excess of top unit allowable for the pool shall be identified as water flood production on the monthly Commission Form C-115.

Each and every well producing in excess of top unit allowable for the pool into common facilities with wells not included in the water flood project area shall be tested once each month and the results of such tests shall be included on the monthly Commission Form C-120 filed for said project.

The Secretary-Director is empowered to grant an exception to the foregoing requirement without notice and hearing when an application therefor is filed in due form, and the facts presented justify such exception.

Nothing herein contained shall be construed as prohibiting the assignment of special allowables to wells in buffer zones after notice and hearing. Special allowables may

also be assigned in the limited instances where it is established at a hearing that it is imperative for the protection of correlative rights to do so.

4. Water flood projects shall be expanded and additional wells placed on injection only upon authority from the Commission after notice and hearing or by administrative approval.

To obtain such administrative approval, operators shall submit in triplicate an application in accordance with Rule 701-B above. The application shall also state the order number which originally authorized the water flood project, and shall set forth all the facts pertinent to the need for placing additional well(s) on water injection. A copy of the application shall also be sent to each operator offsetting the proposed injection well.

The Secretary-Director may, if in his opinion there is need for conversion of the additional well and said well is on a water flood injection pattern which will result in a thorough and efficient sweep of oil, authorize such injection without notice and hearing, provided that no offset operator objects to the proposed injection well within fifteen (15) days. The Secretary-Director may grant immediate approval to the proposal upon receipt of waivers of objection from all operators offsetting the proposed injection well.

- (Monthly Injection Report,)*
- (2) That Commission Form C-120, is hereby revised as shown on Exhibit 1 attached hereto and made a part hereof
- (3) That this order shall be effective September 1, 1972, and that the ~~revisions~~ amendments to Rules 701-E of the Commission Laws and Regulations contained herein shall supersede the amendments to Rules 701E-3 and 701E-4 contained in Order No R-4348 dated July 20, 1972.
- (4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

[REDACTED]