

CASE NO.

7436

APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,

ETC.

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO

22 December 1981  
COMMISSION HEARING

IN THE MATTER OF:

The Commission will consider the  
adoption of a rule number for the  
definition section of the Divi-  
sion's Rules.

CASE  
7436

BEFORE: Mr. Ramey  
Mr. Arnold

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

W. Perry Pearce, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

1  
2 MR. RAMEY: We'll call next Case 7436.

3 MR. HALL: The Commission will consider  
4 the adoption of a rule number for the definition section of  
5 the Division's Rules.

6 MR. RAMEY: This case was heard on  
7 December 3rd. Because of an error in advertising it was re-  
8 opened on this date.

9 Does anyone have anything to add in  
10 Case 7436?

11 If not, the Commission will take the  
12 case under advisement.

13  
14 (Hearing concluded.)  
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that  
the foregoing Transcript of Hearing before the Oil Conserva-  
tion Division was reported by me; that the said transcript  
is a full, true, and correct record of the hearing, prepared  
by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.

Rt. 1 Box 199-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

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STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
3 December 1981

COMMISSION HEARING

IN THE MATTER OF:

The Commission will consider the  
adoption of a Rule Number for the  
Definitions Section of the  
Division's Rules.

CASE  
7436

BEFORE: Commissioner Ramey  
Commissioner Arnold

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

W. Perry Pearce, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

Commission:  
For the ~~Applicants~~

J. Scott Hall, Esq.  
ENERGY & MINERALS DEPT.  
Santa Fe, New Mexico 87501

## A P P E A R A N C E S

For Amoco Production Co.:

Clyde Mote, Esq.  
AMOCO PRODUCTION COMPANY  
Houston, Texas

As Chairman of the  
Regulatory Practices  
Committee for the New  
New Mexico Oil and Gas  
Association:

W. Thomas Kellahin, Esq.  
KELLAHIN & KELLAHIN  
500 Don Gaspar  
Santa Fe, New Mexico 87501

(REPORTER'S NOTE: All other interested  
parties who made comments or asked  
questions during these hearings are  
listed on the Commission roster for  
3 December 1981.)

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I N D E X

RICHARD L. STAMETS

Direct Examination by Mr. Pearce

E X H I B I T S

Division Exhibit One

1  
2 MR. RAMEY: We'll call next Case 7436.

3 MR. HALL: The Commission will consider  
4 the adoption of a Rule Number for the Definitions Section of  
5 the Division's Rules.

6 MR. PEARCE: May it please the Commission,  
7 I am W. Perry Pearce, appearing on behalf of the New Mexico  
8 Oil Conservation Division.

9 I have one witness who has been pre-  
10 viously sworn. I would like the record to reflect that fact,  
11 and with the Commission's permission, we will proceed with  
12 the presentation of this matter.

13 MR. RAMEY: You may proceed.

14 MR. PEARCE: Thank you, sir.

15  
16 RICHARD L. STAMETS

17 being called as a witness and being previously sworn upon his  
18 oath, testified as follows, to-wit:

19  
20 DIRECT EXAMINATION

21 BY MR. PEARCE:

22 Q Mr. Stamets, with regard to the case  
23 which has just been called, 7436, would you briefly summarize  
24 for the Commission the intention of the Division's proposal  
25 in this matter?



1  
2 A Yes. In one form or another the Divi-  
3 sion has been in business since 1935 and has adopted its  
4 rules and regulations under the appropriate statutes. We  
5 have put these out in various rule books over the years and  
6 the rules have been contained in special orders written by  
7 the Commission and written by the Division.

8 In recent years the State Records Center  
9 has been created and they want the rules submitted to them  
10 in a particular format. And up until -- up until this time  
11 we have been grandfathered in, exempted in, whatever. They  
12 have allowed us to file our rules in the pre-existing format.

13 But at this stage we have arrived at a  
14 point where we must re-submit our rules to them in their  
15 existing format, and one of the things that is required is  
16 that anything that's submitted to them as a rule must have  
17 a rule number, and right now the definitions, which are es-  
18 sentially rules, have no rule number, and so what we're pro-  
19 posing here today is that the definitions be given a rule  
20 number and probably a short introductory sentence that says  
21 what they are and what they're for, so that we will be able  
22 to submit these in the newly required style and format.

23 Q Mr. Stamets, do we at this time have  
24 a suggestion as to the appropriate numbering system to be  
25 assigned to these definitions?

1  
2 A Well, to be consistent, they would pro-  
3 bably be called Rule 1401.

4 Q Mr. Stamets, at this time do you have  
5 anything further in regard to this matter?

6 A No.

7 MR. PEARCE: May it please the Commis-  
8 sion, that concludes our presentation on this.

9 We tender the witness if there are ques-  
10 tions at this time.

11 MR. RAMEY: Any questions of the witness?  
12 You may be excused, and the Case 7436 will be readvertised  
13 and reopened on December 22nd.

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15 (Hearing concluded.)  
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## C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that  
the foregoing Transcript of Hearing before the Oil Conserva-  
Commission  
tion ~~Commission~~ was reported by me; that the said transcript  
is a full, true, and correct record of the hearing, prepared  
by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION COMMISSION

CASE NO. 7436  
Order No. R-6869

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO ON ITS OWN  
MOTION FOR THE PURPOSE OF CONSIDERING  
ADOPTION OF A RULE NUMBER FOR THE  
DEFINITIONS SECTION OF THE OIL  
CONSERVATION DIVISION RULES AND  
REGULATIONS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on December 3 and 22, 1981, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 7th day of January, 1982, 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 the Oil Conservation Division (Division) has from time-to-time adopted and/or amended definitions applicable to its Rules and Regulations (oil and gas).
- (3) That such definitions do not currently carry a rule number.
- (4) That for continued proper filing of rules with the State Records Center, said definitions should be assigned a rule number.
- (5) That assignment of rule number 0.1 to said definitions and re-adoption of said definitions as shown on Exhibit "A" to this order will facilitate the Division's ability to carry out its statutory mandates.

-2-

Case No. 7436  
Order No. R-6869

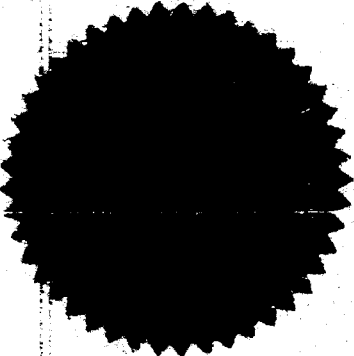
IT IS THEREFORE ORDERED:

(1) That the Definitions to the Division Rules and Regulations (oil and gas) as heretofore adopted and amended are hereby re-adopted and designated as Division Rule 0.1, all as shown on Exhibit "A" to this Order.

(2) 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



*Emery C. Arnold*  
EMERY C. ARNOLD, Chairman

ALEX J. ARMIJO, Member

*Joe D. Ramey*  
JOE D. RAMEY, Member & Secretary

S E A L

#### ARTICLE 0.1 DEFINITIONS

**ADJUSTED ALLOWABLE** shall mean the allowable production a well or proration unit receives after all adjustments are made.

**ALLOCATED POOL** is one in which the total oil or natural gas production is restricted and allocated to various wells therein in accordance with proration schedules.

**ALLOWABLE PRODUCTION** shall mean that number of barrels of oil or standard cubic feet of natural gas authorized by the Division to be produced from an allocated pool.

**AQUIFER** shall mean a geological formation, group of formations, or a part of a formation that is capable of yielding a significant amount of water to a well or spring.

**BACK ALLOWABLE** shall mean the authorization for production of any shortage or underproduction resulting from pipeline prorationing.

**BARREL** shall mean 42 United States Gallons measured at 60 degrees Fahrenheit and atmospheric pressure at the sea level.

**BARREL OF OIL** shall mean 42 United States Gallons of oil, after deductions for the full amount of basic sediment, water and other impurities present, ascertained by centrifugal or other recognized and customary test.

**BOTTOM HOLE OR SUBSURFACE PRESSURE** shall mean the gauge pressure in pounds per square inch under conditions existing at or near the producing horizon.

**WELLHEAD GAS WELL** shall mean any well producing gas through wellhead connections from a gas reservoir which has been successfully cased off from an underlying oil or gas reservoir.

**CARBON DIOXIDE GAS** shall mean noncombustible gas composed chiefly of carbon dioxide occurring naturally underground rocks.

**WELLHEAD GAS** shall mean any gas or vapor or both gas and vapor indigenous to and produced from a pool classified as an oil pool by the Division. This also includes gas-cap gas produced from such an oil pool.

**COMMISSION** shall mean the Oil Conservation Commission.

**COMMON PURCHASER FOR NATURAL GAS** shall mean any person now or hereafter engaged in purchasing from one or more producers gas produced from gas wells within each common source of supply from which it purchases.

**COMMON PURCHASER FOR OIL** shall mean every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipelines.

**COMMON SOURCE OF SUPPLY** See Pool.

**CONDENSATE** shall mean the liquid recovered at the surface that results from condensation due to reduced pressure or temperature of petroleum hydrocarbons existing in a gaseous phase in the reservoir.

**CONTIGUOUS** shall mean acreage joined by more than one common point, that is, the common boundary must be at least one side of a governmental quarter-quarter section.

**CONVENTIONAL COMPLETION** shall mean a well completion in which the production string of casing has an inside diameter in excess of 2.875 inches.

**RELATIVE RIGHTS** shall mean the opportunity afforded, as far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, both, in the pool, being an amount, so far as can be practically determined, and so far as can be practically obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, for such purpose to use his just and equitable share of the reservoir energy.

**CUBIC FOOT OF GAS OR STANDARD CUBIC FOOT OF GAS**, for the purpose of these rules, shall mean that volume of gas contained in one cubic foot of space and computed at a base pressure of 10 ounces per square inch above the average barometric pressure of 14.4 pounds per square inch (15.025 psia), at a standard base temperature of 60 degrees Fahrenheit.

**DEEP POOL** shall mean a common source of supply which is situated 5000 feet or more below the surface.

**DEPTH BRACKET ALLOWABLE** shall mean the basic oil allowable assigned to a pool and based on its depth, unit size, or special pool rules, which, when multiplied by the market demand percentage factor in effect, will determine the top unit allowable for the pool.

**DIVISION** shall mean the Oil Conservation Division of the New Mexico Energy and Minerals Department.

**EXEMPTED AQUIFER** shall mean an aquifer that does not currently serve as a source of drinking water, and which cannot now and will not in the foreseeable future serve as a source of drinking water because: (1) it is hydrocarbon producing; (2) it is situated at a depth or location which makes the recovery of water for drinking water purposes economically or technologically impractical; or, (3) it is so contaminated that it would be economically or technologically impractical to render that water fit for human consumption.

**FIELD** means the general area which is underlaid or appears to be underlaid by at least one pool; and field includes the underground reservoir or reservoirs containing such crude petroleum oil or natural gas, both. The words field and pool mean the same thing when only one underground reservoir is involved; however, field unlike pool may relate to two or more pools.

**LIFT** shall mean any method of lifting liquid to the surface by injecting gas into a well from which production is obtained.

**GAS-OIL RATIO** shall mean the ratio of the casinghead gas produced in standard cubic feet to the number of barrels of oil concurrently produced during any stated period.

**GAS-OIL RATIO ADJUSTMENT** shall mean the reduction in allowable of a high gas-oil ratio unit to conform with the production permitted by the limiting gas-oil ratio for that particular pool during a particular production period.

**TRANSPORTATION FACILITY** shall mean a pipeline in operation serving gas wells for the transportation of natural gas, or some other device or equipment in like operation whereby natural gas produced from wells connected therewith can be transported or used for consumption.

**WELL** shall mean a well producing gas or natural gas from a gas pool, or a well with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil producing from an oil pool.

**GAS-OIL RATIO PRODUCTION UNIT** shall mean a unit with at least one producing oil well with a gas-oil ratio in excess of the limiting gas-oil ratio for the pool in which the unit is located.

**EXCESS GAS** shall mean natural gas produced from a gas well in excess of the allowable determined by the Division.

**EXCESS OIL** shall mean crude petroleum oil produced in excess of the allowable as fixed by the Division.

**EXCESS PRODUCT** shall mean any product of illegal gas or illegal oil.

**INJECTION OR INPUT WELL** shall mean any well used for the injection of air, gas, water, or other fluids into any underground stratum.

**LIMITING GAS-OIL RATIO** shall mean the gas-oil ratio assigned by the Division to a particular oil pool to limit the volumes of casinghead gas which may be produced from the various oil producing units within that particular pool.

**PROD OIL** is any oil or liquid hydrocarbon which has been used in remedial operation in any oil or gas well.

**DRILL LOG** shall mean a systematic detailed and correct record of formations encountered in the drilling of a well.

MARGINAL UNIT shall mean a proration unit which is incapable of producing top unit allowable for the pool in which it is located.

MARKET DEMAND PERCENTAGE FACTOR shall mean that percentage factor of 100 percent or less as determined by the Division at an oil allowable hearing, which, when multiplied by the depth bracket allowable applicable to each pool, will determine the top unit allowable for that pool.

MINIMUM ALLOWABLE shall mean the minimum amount of production from an oil or gas well which may be visible from time to time to the end that production will repay reasonable lifting cost and thus prevent premature abandonment and resulting waste.

MULTIPLE COMPLETION (COMBINATION) shall mean a multiple completion in which two or more common sources of supply are produced through a combination of two or more conventional diameter casing strings cemented in a common well-bore, or a combination of small diameter and conventional diameter casing strings cemented in a common well-bore, the conventional diameter strings of which might or might not be a Multiple Completion (Conventional).

MULTIPLE COMPLETION (CONVENTIONAL) shall mean a completion in which two or more common sources of supply are produced through one or more strings of tubing installed within a single casing string, with the production from each common source of supply completely segregated by means of packers.

MULTIPLE COMPLETION (TUBINGLESS) shall mean a completion in which two or more common sources of supply are produced through an equal number of casing strings cemented in a common well-bore, each such string having an outside diameter of 2.875 inches or less, with the production from each common source of supply completely segregated by use of cement.

NATURAL GAS OR GAS shall mean any combustible vapor composed chiefly of hydrocarbons occurring naturally in a pool classified by the Division as a gas pool.

NATURAL UNIT shall mean a proration unit which is capable of producing top unit allowable for the pool in which it is located, and to which has been assigned a top unit allowable.

PERIODIC GAS-OIL RATIO TEST shall mean the periodic gas-oil ratio test made by order of the Division by such method and means and in such manner as prescribed by the Division.

RESERVOIR OIL, OR CRUDE PETROLEUM OIL shall mean any petroleum hydrocarbon produced from a well in the liquid phase and which existed in a liquid phase in the reservoir.

WELL shall mean any well capable of producing oil and which is not a gas well as defined herein.

MANAGER shall mean any person or persons who, duly authorized, is in charge of the development of a well or the operation of a producing property.

OVERPRODUCTION shall mean the amount of oil or the amount of natural gas produced during a proration period in excess of the amount authorized on the proration schedule.

OWNER means the person who has the right to drill into and to produce from any pool, and to appropriate production either for himself or for himself and another.

REDUCED UNIT shall mean a proration unit to which, because of an excessive gas-oil ratio, an allowable has been assigned which is less than top unit allowable for the pool in which it is located and also less than the ability of the well(s) on the unit to produce.

TRUSTEE means any natural person, corporation, association, partnership, receiver, trustee, guardian, administrator, and fiduciary of any kind.

ZONE means any underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separated from any other zone of a structure, is covered by the word "pool" as used herein. "Pool" is synonymous with "common source of supply" and with "common reservoir."

CAPACITY shall mean the properly determined capacity of a well to produce oil, or gas, or both, under conditions prescribed by the Division.



**PRESSURE MAINTENANCE** shall mean the injection of gas or other fluid into a reservoir, either to maintain the existing pressure in such reservoir or to retard the natural decline in the reservoir pressure.

**PRODUCER** shall mean the owner of a well or wells capable of producing oil or natural gas or both in paying quantities.

**PRODUCT** means any commodity or thing made or manufactured from crude petroleum oil or natural gas, and all derivatives of crude petroleum oil or natural gas, including refined crude oil, crude tops, topped crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil, treated crude oil, fuel oil, residue, gas oil, naphtha, distillate, gasoline, kerosene, benzine, wash oil, lubricating oil, and blends or mixtures of crude petroleum oil or natural gas or any derivative thereof.

**PRORATION DAY** shall consist of 24 consecutive hours which shall begin at 7 a.m. and end at 7 a.m. on the following day.

**PRORATION MONTH** shall mean the calendar month which shall begin at 7 a.m. on the first day of such month and end at 7 a.m. on the first day of the next succeeding month.

**PRORATION PERIOD** shall mean for oil the proration month and for gas the twelve-month period which shall begin at 7 a.m. on January 1 of each year and end at 7 a.m. on January 1 of the succeeding year.

**PRORATION SCHEDULE** shall mean the order of the Division authorizing the production, purchase, and transportation of oil, casinghead gas, and natural gas from the various units of oil or of natural gas in leased pools.

**RE-COMPLETE** shall mean the subsequent completion of a well in a different pool from the pool in which it originally completed.

**SECONDARY RECOVERY** shall mean a method of recovering quantities of oil or gas from a reservoir which quantities would not be recoverable by ordinary primary depletion methods.

**SHALLOW POOL** shall mean a pool which has a depth range from 0 to 5000 feet.

**SHORTAGE OR UNDERPRODUCTION** shall mean the amount of oil or the amount of natural gas during a proration period by which a given proration unit failed to produce an amount equal to that authorized in the proration schedule.

**SHUT-IN PRESSURE** shall mean the gauge pressure noted at the wellhead when the well is completely shut in, to be confused with bottom hole pressure.

**SLEDDING BOTTOMS** shall mean that accumulation of hydrocarbon material and other substances which settles wholly below crude oil in tanks and receptacles that are used in handling and storing of crude oil, which accumulation contains in excess of two (2%) percent of basic sediment and water; provided, however, that with respect to lease production and for lease storage tanks, a tank bottom shall be limited to that volume of the tank in which it is contained that lies below the bottom of the pipeline outlet pipe.

**STALEN ABANDONMENT** shall mean a state or period of suspended operations during which continuous drilling, production, injection, storage, or work-over operations have not taken place. Such period shall be 60 days for drilling wells and six months for all other classes of wells.

**UNIT ALLOWABLE FOR GAS** shall mean the maximum number of cubic feet of natural gas, for the proration period, allocated to a gas producing unit in an allocated gas pool.

**UNIT ALLOWABLE FOR OIL** shall mean the maximum number of barrels for oil daily for each calendar month stated on a proration unit basis in a pool to non-marginal units. The top unit allowable for a pool shall be determined by multiplying the applicable depth bracket allowable by the market demand percentage in effect.

**WASTE PLANT** shall mean any plant constructed for the purpose of wholly or partially or being used wholly or partially for reclaiming, treating, processing, or in any manner making tank bottoms or any waste oil marketable.

STRINGLESS COMPLETION shall mean a well completion in which the production string of casing has an outside diameter of 2.875 inches or less.

UNDERGROUND SOURCE OF DRINKING WATER shall mean an aquifer which supplies water for human consumption which contains ground water having a total dissolved solids concentration of 10,000 mg/l or less which is not an exempted aquifer.

UNIT OF PRORATION FOR GAS shall consist of such multiples of 40 acres as may be prescribed by special rules issued by the Division.

UNIT OF PRORATION FOR OIL shall consist of one 40-acre tract or such multiples of 40-acre tracts as may be prescribed by special pool rules issued by the Division.

UNUSUAL WELL LOCATION shall mean a location which does not conform to the spacing requirements established by the rules and regulations of the Division.

Waste, in addition to its ordinary meaning, shall include:

- (a) Underground Waste as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas.
- (b) Surface Waste as those words are generally understood in the oil and gas business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of natural gas of any type or in any form or crude petroleum oil, or any product thereof, but including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage, or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating or producing, well or wells, or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil or natural gas, in excess of the reasonable market demand.
- (c) The production of crude petroleum oil in this state in excess of the reasonable market demand for such crude petroleum oil. Such excess production causes or results in waste which is prohibited by the Oil and Gas Act. The words "reasonable market demand" as used herein with respect to crude petroleum oil, shall be construed to mean the demand for such crude petroleum oil, for reasonable current requirements for current consumption and use within or outside of the state, together with the demand for such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both such crude petroleum oil and products.
- (d) The non-ratable purchase or taking of crude petroleum oil in this state. Such non-ratable taking and purchasing causes or results in waste, as defined in paragraphs (a), (b), and (c) of this definition and causes waste by violating Section 70-2-16 of the Oil and Gas Act.
- (e) The production in this state of natural gas from any gas well or wells, or from any gas pool, in excess of the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of gas transportation facilities for such type of natural gas. The words "reasonable market demand," as used herein with respect to natural gas, shall be construed to mean the demand for natural gas for reasonable current requirements, for current consumption and for use within or outside the state, together with the demand for such amounts as are necessary for building up or maintaining reasonable storage reserves of natural gas or products thereof, or both such natural gas and products.

The following proposed amendment of Rule 105 is in response to recent problems experienced as a result of "off site" disposal of drilling fluids:

**"RULE 105. PIT FOR CLAY, SHALE, AND DRILL CUTTING**

In order to assure a supply of proper material for mud-laden fluid to confine oil, gas, or water to their native strata during the drilling of any well, operators shall provide before drilling is commenced an adequate pit for the accumulation of drill cuttings. Drilling fluids and drill cuttings must be disposed of at the well site in a manner to prevent contamination to surface or subsurface waters. Removal of drilling fluids or drill cuttings for offsite disposal will be permitted only by approval of the appropriate Division district supervisor."

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO  
OCD 7437  
CASE 7437 EXHIBIT No. 1

DOCKET: COMMISSION HEARING - THURSDAY - DECEMBER 3, 1981

9 A.M. - OIL CONSERVATION COMMISSION - MORGAN HALL  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the following cases. Copies of all rule changes and forms as presently proposed are available for inspection during normal business hours at the main office of the Oil Conservation Division, State Land Office Building, Santa Fe, and at the Division's District Offices in Artesia, Aztec, and Hobbs.

- CASE 7433: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the designation of two crude petroleum oil producing areas and the amendment of the Oil Conservation Division's Rules and Regulations governing the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Pursuant to Section 30-16-48, NMSA 1978 Comp. the Commission would designate Chaves, De Baca, Eddy, Lea, and Roosevelt Counties, and Cibola, McKinley, Rio Arriba, Sandoval, San Juan, and Valencia Counties as Crude Petroleum Oil Producing Areas. Further, in order to facilitate oil theft investigation and provide an improved audit trail for the movement of liquid hydrocarbons, the Commission will consider certain amendments to the Division's Rules relating to the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Specifically, the Commission will consider the amendment of Division Rules 310, 311, 312, 1110, 1117, and 1118, and the adoption of new Rules 709, 710, 804, and 1133. Also to be considered will be the revision of existing Forms C-117-A and C-117-B governing the acquisition, movement, and disposition of tank bottoms, sediment oil, waste oil and other miscellaneous hydrocarbons, and the adoption of a new Form C-133, Authorization To Move Produced Water.
- CASE 7434: The Commission will consider the amendment of Division Rule 112-A to permit the Division's District Supervisors to approve the multiple completion of wells under certain specified conditions and to delete the requirement for notice to offset operators. Form C-107, Application For Multiple Completion, would also be revised. Also to be considered will be the amendment of Rule 303-C to permit the Division Director to approve the downhole commingling, under certain specified conditions, of two or more oil zones, or gas zones, or oil zones and gas zones in the wellbore of a single well.
- CASE 7435: The Commission will consider the amendment of Rule 104 of the Oil Conservation Division Rules and Regulations. Specifically, the Commission will consider the amendment of Rule 104 F to permit the Division Director to approve unorthodox gas well locations for geological reasons under certain specified conditions in Lea, Chaves, Eddy, and Roosevelt Counties, and the amendment of Rule 104 B Section III to require the dedication of 160 acres to wells projected as gas wells in presumed or known gas producing formations and areas outside Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval Counties.
- CASE 7436: The Commission will consider the adoption of a Rule Number for the Definitions Section of the Division's Rules.
- CASE 7437: The Commission will consider the amendment of Division Rule 105 to prescribe certain requirements governing the disposition of drill cuttings and drilling fluids.
- CASE 7438: The Commission will consider the amendment of Division Rule 1204 to require applicants for hearings to make a reasonable effort to provide notice of hearings to adversely affected persons or, in the alternative, to adversely affected operators.

DOCKET NO. 38-81 FOR THE EXAMINER HEARING TO BE HELD ON DECEMBER 2, 1981, WILL BE MAILED UNDER SEPARATE COVER.

Dockets Nos. 1-82 and 2-82 are tentatively set for January 6 and January 20, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - TUESDAY - DECEMBER 22, 1981

OIL CONSERVATION COMMISSION - 9 A.M.  
ROOM 205, STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO

CASE 7390: (Continued and Readvertised)

Application of Harvey E. Yates Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through the Ordovician formation underlying the W/2 of Section 18, Township 9 South, Range 27 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

(The following cases have been continued from December 3, 1981 Commission Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the following cases. Copies of all rule changes and forms as presently proposed are available for inspection during normal business hours at the main office of the Oil Conservation Division, State Land Office Building, Santa Fe, and at the Division's District Offices in Artesia, Aztec, and Hobbs.

CASE 7433: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the designation of two crude petroleum oil producing areas and the amendment of the Oil Conservation Division's Rules and Regulations governing the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Pursuant to Section 30-16-48, NMSA 1978 Comp. the Commission would designate Chaves, De Baca, Eddy, Lea, and Roosevelt Counties, and Cibola, McKinley, Rio Arriba, Sandoval, San Juan, and Valencia Counties as Crude Petroleum Oil Producing Areas. Further, in order to facilitate oil theft investigation and provide an improved audit trail for the movement of liquid hydrocarbons, the Commission will consider certain amendments to the Division's Rules relating to the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Specifically, the Commission will consider the amendment of Division Rules 310, 311, 312, 1110, 1117, and 1118, and the adoption of new Rules 709, 710, 804, and 1133. Also to be considered will be the revision of existing Forms C-117-A and C-117-B governing the acquisition, movement and disposition of tank bottoms, sediment oil, waste oil and other miscellaneous hydrocarbons, and the adoption of a new Form C-133, Authorization To Move Produced Water.

CASE 7434: The Commission will consider the amendment of Division Rule 112-A to permit the Division's District Supervisors to approve the multiple completion of wells under certain specified conditions and to delete the requirement for notice to offset operators. Form C-107, Application For Multiple Completion, would also be revised. Also to be considered will be the amendment of Rule 303-C to permit the Division Director to approve the downhole commingling, under certain specified conditions, of two or more oil zones, or gas zones, or oil zones and gas zones in the wellbore of a single well.

CASE 7435: The Commission will consider the amendment of Rule 104 of the Oil Conservation Division Rules and Regulations. Specifically, the Commission will consider the amendment of Rule 104 to permit the Division Director to approve unorthodox gas well locations for geological reasons under certain specified conditions in Lea, Chaves, Eddy, and Roosevelt Counties, and the amendment of Rule 104 B Section III to require the dedication of 160 acres to wells projected as gas wells in presumed or known gas producing formations and areas outside Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval Counties.

CASE 7436: The Commission will consider the adoption of a Rule Number for the Definitions Section of the Division's Rules.

Page 2

COMMISSION HEARING - TUESDAY - DECEMBER 22, 1981

CASE 7437: The Commission will consider the amendment of Division Rule 105 to prescribe certain requirements governing the disposition of drill cuttings and drilling fluids.

CASE 7438: The Commission will consider the amendment of Division Rule 1204 to require applicants for hearings to make a reasonable effort to provide notice of hearings to adversely affected persons or, in the alternative, to adversely affected operators.

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Docket No. 42-81

DOCKET: EXAMINER HEARING - MONDAY - DECEMBER 28, 1981

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

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

CASE 7450: Application of Kenai Oil and Gas Inc. for a unit agreement, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Ojito Unit Area, comprising 6425 acres, more or less, of Federal and fee lands in Townships 24 and 25 North, Ranges 1 and 2 West.

(1)

*H. J. [unclear]*  
In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the following cases. ~~the~~ Copies of all rule changes and forms as presently proposed are available for inspection during normal business hours at the main office of the Oil Conservation Division, ~~the~~ Land Office Building, Santa Fe, and at the Division's District Offices in Cortina, Aztec, and Hobbs.

All means Lea, Chavez, Roswell, Edley, San Juan, Sandoval, Rio Arriba, McKinley, Union, and Quay

(3)

Case 7435

The Commission will consider the amendment of Rule 104 of the Oil Conservation Division Rules and Regulations, <sup>specifically,</sup> ~~the~~ Commission will consider the amendment of Rule 104 F to permit the Division Director to approve ~~certain~~ <sup>unorthodox</sup> gas well locations for geological reasons under certain specified conditions, <sup>in Lea, Chaves, Eddy, and Roosevelt Counties,</sup> and the amendment of Rule 104 B Section III to require the dedication of 160 acres to wells projected as gas wells in ~~known or~~ <sup>known</sup> gas producing formations and areas outside Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval Counties.

Case 7436

<sup>all</sup> The Commission will consider the adoption of a Rule Number for the Definitions Section of the Division's Rules.

Case 7437

<sup>all</sup> The Commission will consider the amendment of Rule Division Rule 105 to prescribe certain requirements governing the disposition of drill cuttings.



③

Case 7435

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HERB  
DICK

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO ON ITS OWN  
MOTION FOR THE PURPOSE OF CONSIDERING  
ADOPTION OF A RULE NUMBER FOR THE  
DEFINITIONS SECTION OF THE OIL  
CONSERVATION DIVISION RULES AND  
REGULATIONS.

CASE No 7436  
Order No R. 6869

*[Signature]*

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on December 3, ~~1981~~ 1981, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 8th day of January, 1982 ~~December, 1981~~, 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

HERB  
DICK

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO ON ITS OWN  
MOTION FOR THE PURPOSE OF CONSIDERING  
ADOPTION OF A RULE NUMBER FOR THE  
DEFINITIONS SECTION OF THE OIL  
CONSERVATION DIVISION RULES AND  
REGULATIONS.

CASE No 7436  
Order No R.6869

*[Signature]*

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on December 3, 1981, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 8th day of January, 1982, 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 the Oil Conservation Division (Division) has from time-to-time adopted and/or amended definitions applicable to its Rules and Regulations (oil and gas).

(3) That such definitions do not currently carry a rule number.

(4) That for continued proper filing of rules with the State Records Center, said definitions should be assigned a rule number.

(5) That assignment of rule number <sup>O.I.</sup>~~1401~~ to said definitions and re-adoption of said definitions as shown on Exhibit "A" to this order will facilitate the Division's ability to carry out its statutory mandates.

IT IS THEREFORE ORDERED:

(1) That the Definitions to the Division Rules and Regulations (oil and gas) as heretofore adopted and amended are hereby re-adopted and designated as Division Rule <sup>O.I.</sup>~~1401~~, all as shown on Exhibit "A" to this Order.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the <sup>Commission</sup>~~Division~~ may deem necessary.

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

her in above designated.

STATE OF NEW MEXICO

OIL CONSERVATION <sup>COMMISSION</sup> ~~DIVISION~~

~~JOE D. RAMEY,~~

~~Director~~

ARNOLD Chairman

ARMINO member

RAMEY Member & Secretary

S E A L

0.1  
✓ That is 0.1  
RULE 1402: DEFINITIONS

ADJUSTED ALLOWABLE shall mean the allowable production a well or proration unit receives after all adjustments are made.

ALLOCATED POOL is one in which the total oil or natural gas production is restricted and allocated to various wells therein in accordance with proration schedules.

ALLOWABLE PRODUCTION shall mean that number of barrels of oil or standard cubic feet of natural gas authorized by the Division to be produced from an allocated pool.

AQUICLUDER shall mean a geological formation, group of formations, or a part of a formation that is capable of yielding a significant amount of water to a well or spring.

BACK ALLOWABLE shall mean the authorization for production of any shortage or underproduction resulting from pipeline prorationing.

BARREL shall mean 42 United States Gallons measured at 60 degrees Fahrenheit and atmospheric pressure at the sea level.

BARREL OF OIL shall mean 42 United States Gallons of oil, after deductions for the full amount of basic sediment, water and other impurities present, ascertained by centrifugal or other recognized and customary test.

BOTTOM HOLE OR SUBSURFACE PRESSURE shall mean the gauge pressure in pounds per square inch under conditions existing at or near the producing horizon.

BRADENHEAD GAS WELL shall mean any well producing gas through wellhead connections from a gas reservoir which has been successfully cased off from an underlying oil or gas reservoir.

CARBON DIOXIDE GAS shall mean noncombustible gas composed chiefly of carbon dioxide occurring naturally in underground rocks.

CASINGHEAD GAS shall mean any gas or vapor or both gas and vapor indigenous to and produced from a pool classified as an oil pool by the Division. This also includes gas-cap gas produced from such an oil pool.

COMMISSION shall mean the Oil Conservation Commission.

COMMON PURCHASER FOR NATURAL GAS shall mean any person now or hereafter engaged in purchasing from one or more producers gas produced from gas wells within each common source of supply from which it purchases.

COMMON PURCHASER FOR OIL shall mean every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipelines.

COMMON SOURCE OF SUPPLY See Pool.

CONDENSATE shall mean the liquid recovered at the surface that results from condensation due to reduced pressure or temperature of petroleum hydrocarbons existing in a gaseous phase in the reservoir.

CONTIGUOUS shall mean acreage joined by more than one common point, that is, the common boundary must be at least one side of a governmental quarter-quarter section.

CONVENTIONAL COMPLETION shall mean a well completion in which the production string of casing has an outside diameter in excess of 2.875 inches.

CORRELATIVE RIGHTS shall mean the opportunity afforded, as far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for such purpose to use his just and equitable share of the reservoir energy.

Exhibit "A"  
Order R-

Page 1

CUBIC FOOT OF GAS OR STANDARD CUBIC FOOT OF GAS, for the purpose of these rules, shall mean that volume of gas contained in one cubic foot of space and computed at a base pressure of 10 ounces per square inch above the average barometric pressure of 14.4 pounds per square inch (15.025 psia), at a standard base temperature of 60 degrees Fahrenheit.

DEEP POOL shall mean a common source of supply which is situated 5000 feet or more below the surface.

DEPTH BRACKET ALLOWABLE shall mean the basic oil allowable assigned to a pool and based on its depth, unit size, or special pool rules, which, when multiplied by the market demand percentage factor in effect, will determine the top unit allowable for the pool.

DIVISION shall mean the Oil Conservation Division of the New Mexico Energy and Minerals Department.

EXEMPTED AQUIFER shall mean an aquifer that does not currently serve as a source of drinking water, and which cannot now and will not in the foreseeable future serve as a source of drinking water because: (1) it is hydrocarbon producing; (2) it is situated at a depth or location which makes the recovery of water for drinking water purposes economically or technologically impractical; or, (3) it is so contaminated that it would be economically or technologically impractical to render that water fit for human consumption.

FIELD means the general area which is underlaid or appears to be underlaid by at least one pool; and field also includes the underground reservoir or reservoirs containing such crude petroleum oil or natural gas, or both. The words field and pool mean the same thing when only one underground reservoir is involved; however, field unlike pool may relate to two or more pools.

GAS LIFT shall mean any method of lifting liquid to the surface by injecting gas into a well from which oil production is obtained.

GAS-OIL RATIO shall mean the ratio of the casinghead gas produced in standard cubic feet to the number of barrels of oil concurrently produced during any state period.

GAS-OIL RATIO ADJUSTMENT shall mean the reduction in allowable of a high gas-oil ratio unit to conform with the production permitted by the limiting gas-oil ratio for that particular pool during a particular proration period.

GAS TRANSPORTATION FACILITY shall mean a pipeline in operation serving gas wells for the transportation of natural gas, or some other device or equipment in like operation whereby natural gas produced from gas wells connected therewith can be transported or used for consumption.

GAS WELL shall mean a well producing gas or natural gas from a gas pool, or a well with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil producing from an oil pool.

HIGH GAS-OIL RATIO PRORATION UNIT shall mean a unit with at least one producing oil well with a gas-oil ratio in excess of the limiting gas-oil ratio for the pool in which the unit is located.

ILLEGAL GAS shall mean natural gas produced from a gas well in excess of the allowable determined by the Division.

ILLEGAL OIL shall mean crude petroleum oil produced in excess of the allowable as fixed by the Division.

ILLEGAL PRODUCT shall mean any product of illegal gas or illegal oil.

INJECTION OR INPUT WELL shall mean any well used for the injection of air, gas, water, or other fluids into any underground stratum.

LIMITING GAS-OIL RATIO shall mean the gas-oil ratio assigned by the Division to a particular oil pool to limit the volumes of casinghead gas which may be produced from the various oil producing units within that particular pool.

LOAD OIL is any oil or liquid hydrocarbon which has been used in remedial operation in any oil or gas well.

LOG OR WELL LOG shall mean a systematic detailed and correct record of formations encountered in the drilling of a well.

Exhibit "A"  
Order R -

Page 2

MARGINAL UNIT shall mean a proration unit which is incapable of producing top unit allowable for the pool in which it is located.

MARKET DEMAND PERCENTAGE FACTOR shall mean that percentage factor of 100 percent or less as determined by the Division at an oil allowable hearing, which, when multiplied by the depth bracket allowable applicable to each pool, will determine the top unit allowable for that pool.

MINIMUM ALLOWABLE shall mean the minimum amount of production from an oil or gas well which may be advisable from time to time to the end that production will repay reasonable lifting cost and thus prevent premature abandonment and resulting waste.

MULTIPLE COMPLETION (COMBINATION) shall mean a multiple completion in which two or more common sources of supply are produced through a combination of two or more conventional diameter casing strings cemented in a common well-bore, or a combination of small diameter and conventional diameter casing strings cemented in a common well-bore, the conventional diameter strings of which might or might not be a Multiple Completion (Conventional).

MULTIPLE COMPLETION (CONVENTIONAL) shall mean a completion in which two or more common sources of supply are produced through one or more strings of tubing installed within a single casing string, with the production from each common source of supply completely segregated by means of packers.

MULTIPLE COMPLETION (TUBINGLESS) shall mean a completion in which two or more common sources of supply are produced through an equal number of casing strings cemented in a common well-bore, each such string of casing having an outside diameter of 2.875 inches or less, with the production from each common source of supply completely segregated by use of cement.

NATURAL GAS OR GAS shall mean any combustible vapor composed chiefly of hydrocarbons occurring naturally in a pool classified by the Division as a gas pool.

NON-MARGINAL UNIT shall mean a proration unit which is capable of producing top unit allowable for the pool in which it is located, and to which has been assigned a top unit allowable.

OFFICIAL GAS-OIL RATIO TEST shall mean the periodic gas-oil ratio test made by order of the Division by such method and means and in such manner as prescribed by the Division.

OIL, CRUDE OIL, OR CRUDE PETROLEUM OIL shall mean any petroleum hydrocarbon produced from a well in the liquid phase and which existed in a liquid phase in the reservoir.

OIL WELL shall mean any well capable of producing oil and which is not a gas well as defined herein.

OPERATOR shall mean any person or persons who, duly authorized, is in charge of the development of a lease or the operation of a producing property.

OVERAGE OR OVERPRODUCTION shall mean the amount of oil or the amount of natural gas produced during a proration period in excess of the amount authorized on the proration schedule.

OWNER means the person who has the right to drill into and to produce from any pool, and to appropriate the production either for himself or for himself and another.

PENALIZED UNIT shall mean a proration unit to which, because of an excessive gas-oil ratio, an allowable has been assigned which is less than top unit allowable for the pool in which it is located and also less than the ability of the well(s) on the unit to produce.

PERSON means any natural person, corporation, association, partnership, receiver, trustee, guardian, executor, administrator and fiduciary of any kind.

POOL means an underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separated from any other zone in the structure, is covered by the word "pool" as used herein. "Pool" is synonymous with "common source of supply" and with "common reservoir."

POTENTIAL shall mean the properly determined capacity of a well to produce oil, or gas, or both, under conditions prescribed by the Division.



**PRESSURE MAINTENANCE** shall mean the injection of gas or other fluid into a reservoir, either to maintain the existing pressure in such reservoir or to retard the natural decline in the reservoir pressure.

**PRODUCER** shall mean the owner of a well or wells capable of producing oil or natural gas or both in paying quantities.

**PRODUCT** means any commodity or thing made or manufactured from crude petroleum oil or natural gas, and all derivatives of crude petroleum oil or natural gas, including refined crude oil, crude tops, topped crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil, treated crude oil, fuel oil, residuum, gas oil, naphtha, distillate, gasoline, kerosene, benzine, wash oil, lubricating oil, and blends or mixtures of crude petroleum oil or natural gas or any derivative thereof.

**PRORATION DAY** shall consist of 24 consecutive hours which shall begin at 7 a.m. and end at 7 a.m. on the following day.

**PRORATION MONTH** shall mean the calendar month which shall begin at 7 a.m. on the first day of such month and end at 7 a.m. on the first day of the next succeeding month.

**PRORATION PERIOD** shall mean for oil the proration month and for gas the twelve-month period which shall begin at 7 a.m. on January 1 of each year and end at 7 a.m. on January 1 of the succeeding year.

**PRORATION SCHEDULE** shall mean the order of the Division authorizing the production, purchase, and transportation of oil, casinghead gas, and natural gas from the various units of oil or of natural gas in allocated pools.

**RECOMPLETE** shall mean the subsequent completion of a well in a different pool from the pool in which it was originally completed.

**SECONDARY RECOVERY** shall mean a method of recovering quantities of oil or gas from a reservoir which quantities would not be recoverable by ordinary primary depletion methods.

**SHALLOW POOL** shall mean a pool which has a depth range from 0 to 5000 feet.

**SHORTAGE OR UNDERPRODUCTION** shall mean the amount of oil or the amount of natural gas during a proration period by which a given proration unit failed to produce an amount equal to that authorized in the proration schedule.

**SHUT-IN PRESSURE** shall mean the gauge pressure noted at the wellhead when the well is completely shut in, not to be confused with bottom hole pressure.

**TANK BOTTOMS** shall mean that accumulation of hydrocarbon material and other substances which settles naturally below crude oil in tanks and receptacles that are used in handling and storing of crude oil, and which accumulation contains in excess of two (2%) percent of basic sediment and water; provided, however, that with respect to lease production and for lease storage tanks, a tank bottom shall be limited to that volume of the tank in which it is contained that lies below the bottom of the pipeline outlet thereto.

**TEMPORARY ABANDONMENT** shall mean a state or period of suspended operations during which continuous drilling, production, injection, storage, or work-over operations have not taken place. Such period shall be 60 days for drilling wells and six months for all other classes of wells.

**TOP UNIT ALLOWABLE FOR GAS** shall mean the maximum number of cubic feet of natural gas, for the proration period, allocated to a gas producing unit in an allocated gas pool.

**TOP UNIT ALLOWABLE FOR OIL** shall mean the maximum number of barrels for oil daily for each calendar month allocated on a proration unit basis in a pool to non-marginal units. The top unit allowable for a pool shall be determined by multiplying the applicable depth bracket allowable by the market demand percentage factor in effect.

**TREATING PLANT** shall mean any plant constructed for the purpose of wholly or partially or being used wholly or partially for reclaiming, treating, processing, or in any manner making tank bottoms or any other waste oil marketable.

TUBINGLESS COMPLETION shall mean a well completion in which the production string of casing has an outside diameter of 2.875 inches or less.

UNDERGROUND SOURCE OF DRINKING WATER shall mean an aquifer which supplies water for human consumption or which contains ground water having a total dissolved solids concentration of 10,000 mg/l or less and which is not an exempted aquifer.

UNIT OF PRORATION FOR GAS shall consist of such multiples of 40 acres as may be prescribed by special pool rules issued by the Division.

UNIT OF PRORATION FOR OIL shall consist of one 40-acre tract or such multiples of 40-acre tracts as may be prescribed by special pool rules issued by the Division.

UNORTHODOX WELL LOCATION shall mean a location which does not conform to the spacing requirements established by the rules and regulations of the Division.

WASTE, in addition to its ordinary meaning, shall include:

- (a) Underground Waste as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas.
- (b) Surface Waste as those words are generally understood in the oil and gas business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of natural gas of any type or in any form or crude petroleum oil, or any product thereof, but including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage, or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating or producing, well or wells, or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil or natural gas, in excess of the reasonable market demand.
- (c) The production of crude petroleum oil in this state in excess of the reasonable market demand for such crude petroleum oil. Such excess production causes or results in waste which is prohibited by the Oil and Gas Act. The words "reasonable market demand" as used herein with respect to crude petroleum oil, shall be construed to mean the demand for such crude petroleum oil, for reasonable current requirements for current consumption and use within or outside of the state, together with the demand for such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both such crude petroleum oil and products.
- (d) The non-ratable purchase or taking of crude petroleum oil in this state. Such non-ratable taking and purchasing causes or results in waste, as defined in paragraphs (a), (b), and (c) of this definition and causes waste by violating Section 70-2-16 of the Oil and Gas Act.
- (e) The production in this state of natural gas from any gas well or wells, or from any gas pool, in excess of the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of gas transportation facilities for such type of natural gas. The words "reasonable market demand," as used herein with respect to natural gas, shall be construed to mean the demand for natural gas for reasonable current requirements, for current consumption and for use within or outside the state, together with the demand for such amounts as are necessary for building up or maintaining reasonable storage reserves of natural gas or products thereof, or both such natural gas and products.

ALL CASES FOR CONSIDERATION  
BY THE C.A. MOTION TO CONSIDER AMENDMENT  
OF RULE 1204