

CASE 4053: Application of EL PASO  
PRODUCTS FOR SPECIAL POOL RULES,  
SAN JUAN COUNTY, NEW MEXICO.

- dse Number

4053

Application

Transcripts.

Small Exhibits

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
February 26, 1969  
EXAMINER HEARING

IN THE MATTER OF:

Application of El Paso Products  
Company for special pool rules,  
San Juan County, New Mexico.

Case No. 4053

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: Case 4053.

MR. HATCH: Case 4053. Application of El Paso Products Company for special pool rules, San Juan County, New Mexico.

MR. UTZ: I see by the files that you are properly represented by attorneys at law, namely Mr. Charlie Spann.

MR. MASON: My name is John Mason, representing El Paso Products Company. They are represented by local counsel Charles Spann of Grantham, Spann & Sanchez of Albuquerque, who has filed a written appearance. We will have one witness, Mr. M. L. Ayers.

(Whereupon, Applicant's Exhibits 1 through 4 were marked for identification.)

(Witness sworn.)

M. L. AYERS

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. MASON:

Q Mr. Ayers, would you please state for the record your name, your place of residence, by whom and in what

capacity you are employed.

A My name is M. L. Ayers, A-y-e-r-s. I am Chief Reservoir Engineer for El Paso Products Company, located in Odessa, Texas.

Q Have you previously testified before this Commission?

A Yes, sir, I have.

Q Your qualifications as a reservoir engineer are a matter of record?

A Yes, sir.

MR. MASON: The qualifications of the witness acceptable?

MR. UTZ: Yes, sir, they are, if he will just spell his name again.

THE WITNESS: A-y-e-r-s.

Q (By Mr. Mason) Now, are you familiar with this application, Mr. Ayers?

A Yes, sir.

Q Would you please state briefly what El Paso is seeking by this application?

A We are requesting eighty acre spacing for oil wells and three hundred twenty acres spacing for gas wells in the Gallegos-Gallup Pool, San Juan County, New Mexico.

Q Mr. Ayers, where is the Gallegos-Gallup Pool located and when was the discovery wells drilled?

A The Gallegos-Gallup Pool is located about fifteen miles south of the town of Farmington, New Mexico in San Juan County. It was discovered by Skelly Oil Company with the completion of the Navajo B No. 1 as a gas well in September, 1954. Navajo B No. 1 is located in the southeast quarter of Section 14, Township 26 north, Range 12 west. The producing formation was a Gallup sand occurring at a depth of about fifty-two hundred feet. The oil zone in this field which was discovered by El Paso Products Company with the completion of the Sullivan F No. 1 in March, 1957. The Sullivan F No. 1 is located in the southeast quarter of the southwest quarter of Section 32, Township 27 north, Range 12 west.

Q That was discovered when, Mr. Ayers, the Sullivan F No. 1?

A In March, 1957.

Q Would you please describe the geology of this pool?

A The Gallup sand in the Gallegos Pool consist of four separate zones of sand development, each separated from

the other by shell streaks. Each zone is a separate stratigraphic trap and has an up-dip gas cap associated with the oil column. Gross thickness of each sand zone is about forty-five feet. The only structure of the field is regional dip and regional dip in this area is to the northeast, about one hundred feet per mile. Porosity in the upper zones averages about four and a half percent. Porosity in the deepest zones averages 8.6 percent. The permeability of the deepest zones averages one and a half millidarcies, while the three upper zones have average permeabilities of less than one half millidarcy.

Q How was this pool developed, Mr. Ayers?

A The development drilling progressed at a rapid rate during the years of 1958 and 1959 and ninety-nine wells were eventually completed in the pool. The map identified as El Paso Exhibit No. 1 shows the ownership, lease names and locations of these wells. Twenty-four wells were completed in the gas cap and the other seventy-five were completed in the oil zone. Most of the oil wells were drilled on eighty-acre spacing and most of the gas wells were drilled on three hundred twenty-acre spacing. The three half sections that are shaded in yellow on Exhibit 1 show the three wells that are presently capable

of producing in excess of the forty-acre gas allowable. Because of the tightness of the producing sands, all wells required hydraulic fracture treatments at completion.

Q Now, would you explain the performance history of this pool?

A The oil wells experienced a drastic decline in all productivity within a first few months of production. The production decline curve identified as El Paso Exhibit No. 2 shows the production history of the Gallegos-Gallup Pool. The same data is shown in tablet form in El Paso Exhibit No. 3. The first sale of gas well gas into a high pressure system which was operated at between four hundred fifty and five hundred pounds began during July, 1958. All other wells were connected to a low pressure system which is operated at twenty pounds and they were connected no later than January 1, 1960, when a no flare order became effective for the fields. The extremely short drop in oil producing rate for this well indicated that the recovery mechanism was extremely inefficient with an ultimate recovery from the oil zone of something like five percent of the original oil in place. Various operators in the field decided to operate under state-wide rules and thereby produced the gas wells at restricted allowables,



based on forty-acre spacing hoping that the expansion of the gas from the gas cap would benefit recovery of the oil from the oil zone.

Q Has this pool ever been unitized for operating purposes?

A Yes, it has. The benefit to this oil zone from the gas cap turned out to be very small and the operators decided to try a pilot waterflood to test the feasibility of the water injection for further improving oil recovery. The field was unitized on February 1, 1963 so that the risk and expense of the pilot waterflood could be shared on an equitable basis. Skelly Oil Company was unit operator. Water injection began in six wells on the double five spot pattern, but water breakthrough in the northeast southwest direction soon caused the injection pattern to be modified to a line drive, which was also oriented in the northeast southwest direction. After injecting a volume of about one million three hundred seventy thousand barrels of water without any oil production increase, the pilot test was considered a failure and the injection of water was discontinued on December 13, 1966. The unit then was dissolved on November 1, 1967, and the leases and wells were

then returned to their original owners.

Q What is the present operating status of this pool, Mr. Ayers?

A During November of 1968, twelve oil wells and fifteen gas wells for a total of twenty-seven wells were still producing from the fields. The remaining seventy-two wells were either inactive or had been plugged and abandoned. The oil zone in this pool is very near depleted but the gas zone has some significant remaining reserves. El Paso Products Company has three gas wells capable of producing in excess of the forty-acre allowable with a two thousand limiting ratio, which under the present method of allowable calculation, grants an allowable of one hundred eighty-eight MCF per day per well. Now, the three wells that we have that are capable of producing in excess of this are the Dell High Taylor No. 4 well, which is located in the southeast of the northeast of Section 17, Township 26 north, Range 11 west; it has a producing capability of about two hundred eighty-one MCF per day. A second well is the Nelson A No. 1 which is located in the southeast of the northwest of Section 9, Township 26 north, Range 12 west. This well has a producing capacity of about four hundred six MCF per

day. Our third well is the Sullivan A No. 1, located in the northwest of the northeast of Section 10, Township 26 north, Range 12 west, and it has a producing capability of about three hundred fifty-four MCF per day. There are no other wells to the best of my knowledge in the field capable of producing a forty-acre allowable or in excess of it.

Q Mr. Ayers, have you prepared any rules or portions thereof which you deem would accomplish the results sought by this hearing, which you would like to propose at this time?

A Yes, sir.

MR. MASON: Mr. Examiner, we have about a page and a half of proposed rules which would accomplish this. Would you like for these to be read into the record or would it be sufficient to offer these in evidence?

MR. UTZ: You might state where you go these rules.

MR. MASON: Okay.

THE WITNESS: There are three other fields in the general area in San Juan and Rio Arriba Counties that also produce from the Gallup formation and have the type rules that we are requesting now. These three fields are

the Angel's Peak, the Devil's Fork, and the Escrito and in each case they have established eighty-acre oil well spacing or eighty-acre proration units for oil wells and three hundred twenty proration units for gas wells and the definition of a gas well being that the well produces a thirty thousand or greater gas-oil ratio is classified as a gas well; anything less than thirty thousand, classified as an oil well.

MR. UTZ: Are you sure about Devils Fork having these rules?

THE WITNESS: The eighty-acre oil well spacing and three twenty-acre gas well spacing, yes, sir.

MR. UTZ: The rules are different aren't they; it's a volumetric pool?

THE WITNESS: Insofar as the method of calculation of allowables is concerned, that's correct, it is different.

MR. UTZ: What you are saying is that some of the rules in the Devils Fork Pool rules are the same as these?

THE WITNESS: Yes, sir. The eighty-acre oil well spacing and the three twenty-acre gas well spacing and the thirty thousand ratio defining a gas well.

MR. UTZ: Are you familiar with the Angels Peak

rules in their entirety?

THE WITNESS: Yes, sir. I have a copy of them with me.

MR. UTZ: Would those rules suffice for this pool?

THE WITNESS: Yes, sir.

Q (By Mr. Mason) The rules that we have proposed certainly are not the complete rules, but we propose that the Commission in its discretion and judgement adopt whatever rules might be necessary for administrative purposes.

Do you have any suggestions to make with respect to the testing of these wells, Mr. Ayers?

A We don't have a specific recommendation due to the extreme lateness in the productive life of the field. We feel like the testing needs to be as elaborate as in the Angel Peak and Devil's Fork and Escrito. As I recall the rules in those three pools require quarterly testing. We don't see that that would serve a useful purpose in the Gallegos. We would suggest either annual or semi-annual. If the testing is annual, we would recommend it be during the summer months; if it's semi-annual, we would recommend it be done in the spring and fall, just for convenience.

Q Would the adoption of these field rules that you have proposed for the Gallegos-Gallup Field that you have requested here today violate the correlative rights of any other producer?

A No, sir, they would not.

Q Is there anything more which you would like to add?

A Well, I would just like to summarize and to impress upon the Commission the advanced stage of depletion of the reservoir. If you refer back to Exhibit 3, you will notice that the cumulative oil production to January 1, 1969, one million four hundred three thousand nine hundred thirty-five barrels and twenty-seven million three hundred eighty-six thousand MCF of gas. Now, I have estimated what I think the remaining reserves are for the entire pool and it would be in the order of one hundred thousand barrels of liquid; in the order of four billion feet of gas. If this is correct, then, the cumulative oil production to date represents 92.5 percent of the ultimate oil recovery and the cumulative gas production to date represents 86.7 percent of the ultimate gas recovery, so there is very little

remaining reserves and what little remains, though, is basically in the gas cap.

MR. MASON: We would like to offer El Paso Exhibits 1 through 3 into the record.

MR. UTZ: Was the map Exhibit 1?

THE WITNESS: Yes, sir. It is so noted in the lower portion.

MR. UTZ: Oh, I see.

MR. MASON: One through four, I'm sorry.

MR. UTZ: Without objection, Exhibits 1 through 4 will be entered into the record of this case.

(Whereupon, Applicant's Exhibits 1 through 4 were received in evidence.)

CROSS EXAMINATION

BY MR. UTZ:

Q What did you say you calculated the ultimate gas production at?

A The ultimate gas recovery will be about 31.5 billion cubic feet. 27.3 or 27.4 has been produced to date.

Q Now, I have the capacity of your Sullivan No. 1 well. Would you give me the other two?

A Yes, sir. The Dell High Taylor No. 4 is about 281 MCF per day. The Nelson A No. 1, 406 MCF per day, and the Sullivan A was 354. One other thing that I might mention, we still have two wells tied into the high pressure system and, of course, we are hopeful to get them connected over to the low pressure system, but this does require FPC approval and so we have been delayed on that and the Nelson A is one of those wells, so its productivity should be increased above the figure I have cited here today, when we can change it from a 250 pound system to a 20 pound system. The high pressure system was cut in half roughly pressure-wise about two or three years ago.

Q Would your, under your two thousand and one, eighty-acre and three twenty-acre spacing, would your allowable be about three twenty-six a day?

A The allowable for a three twenty --

Q No, it would be a million three hundred four.

A It would be a million three hundred twelve, according to my calculations.

Q Well, we are close. Three twenty-six would be for eighty-acres, right?



A Eighty acres would be six fifty-six. No, I'm sorry, it would one sixty-four barrels of oil per day.

Q Times two thousand?

A Times two thousand would be three hundred twenty-eight.

Q Now, how many other gas wells are active in this pool?

A There is fifteen, I believe. Let me check that number. Yes, sir, there is fifteen gas wells active at this time.

Q How many oil wells?

A Twelve.

Q These gas wells are classified, in your opinion, in accordance with your proposed rules thirty-two thousand?

A Thirty thousand.

Q Thirty thousand?

A Yes, sir.

Q Now, how about the capacity of the other gas wells; how do they compare with yours?

A I can read you each one, if you wish.

Q Well, I am interested in knowing how close these wells might be able to come to producing this kind of an

allowable.

A Well, of course, there is only three that can produce over the forty-acre allowable now and those are ours. I have the -- I took for the last quarter of 1968, the last three months and I attempted to average both the oil production and gas production for every currently producing well in the field and there are no wells, except these three, that can even make a forty-acre allowable, so they are just a bunch of real weak wells. Now, admittedly, we are asking for more allowables than we can produce from any well in the field, but, at the same time, it seemed the only proper approach to the problem. In other words, we considered maybe just having a simpler request for rule change and just go to a higher limiting ratio, but search of the literature indicated that the Commission was kind of reluctant in the past to go to limiting ratios above two thousand and since the wells have been drilled on eighty-acre and three twenty-acre spacing, it seemed more appropriate to go ahead and attack the problem from this fashion. I also discussed this over the telephone with Dan Nutter and this was his recommendation to use this approach.

Q Actually, it don't look like you need any more than an eighty-acre allowable for these gas wells, do you?

A We would prefer to have at least one sixty, I think. For example, I'm not sure how much the Nelson A would be producing when it gets tied into the 20 pound system.

Q Well, the thing you really want is three twenty-acre spacing for your gas well?

A Well, in principal, we think it's right. We admit that there is more allowable there than we can produce, but we can't see any harm in having more allowable than what can be produced. It's just facing the facts of how the wells have been drilled as we see it, but admittedly the only thing we are trying to achieve is to get a higher allowable and, of course, it's certainly a highly deserved increase we feel, because the gas cap has been restricted for eleven or twelve years now.

Q It's your contention that the producing of these wells at full capacity will not harm the future recovery of the oil in the pool?

A It certainly is. Over three-fourths of the oil wells have been plugged, so I don't see how there could possibly be any danger of any harm.

Q Is the oil coming from the same zone? As I recall in the past, seems like we had three stacked pools here actually?

A Four.

Q Four zones?

A Yes, sir.

Q And the GOR's were somewhat different in each zone, were they not?

A We feel like all four reservoirs were separate, but they were similar in many respects. Each had its own column and each had its associated gas cap and in each case the acre feet of volume were spaced between the gas cap and the oil zone; it was just about the same, about one to one ratio. Of course, the three upper ones were not as productive as the deepest zones; the deepest zone had the higher porosity and the higher permeability and so, therefore, they performed better, but in many respects, other than that, they were basically the same.

Q Each well has been completed in all zones?

A Not necessarily. You can find many cases where the wells were just perforated in the lower zone only because it was the better zone. You can find many cases where all four zones were perforated or you can find other cases where

just two zones were perforated, but it was all considered one common source of supply, of course, all Gallup age. If more than one zone was perforated, it was commingled in the well bore so it would be impossible to say how the performance has varied between the zones. We do not have the data to interpret that.

Q With the failure of the waterflood pilot project, the probability of getting ninety-two and a half percent of the oil out of this pool is probably pretty remote?

A I think you misunderstood me when I cited that figure. I meant to infer that of all of the ultimate recovery that could be obtained from the field, ninety-two percent had been obtained now. Ultimate recovery is going to represent 5:1 or 5.15 percent of the original oil in place, but the stage of depletion to get this ultimate recovery oil-wise exceeds ninety-two percent and exceeds eighty-six percent for gas.

Q What you are saying is you got ninety-two and a half percent of all you are going to get out?

A When we get it all out there is still going to be ninety-five percent of it down there. Performance-wise, this is the poorest recovery of any reservoir I have ever

studied, but we are comforted a little bit by thinking that we are giving it every possible chance to do better by restricting the gas cap and by trying pilot water. We see no chance of doing anything now to further recover.

Q Are there any other questions of the witness? Now, in order to classify these wells at the present time, is it your suggestion to immediately take a GOR test or take the last available GOR test? What is the last available GOR test?

A I'm not certain. I think that the testing has been on an annual basis and I would assume the last GOR test would have been last summer and it probably would be well to take new ones at this time, at least for the wells that would be affected by the change in rules, and certainly, again, we think that you should also have the right to retest a well if there is a need for it and when we get the Nelson A tied into the lower pressure system, that well should be retested at that time, I would think. We would be glad to do any testing, you know, within reason on the three wells that are concerned with this problem. We just didn't want to, in general terms of the rules, put a burden on all these other wells that are stripper stage of production test-wise.

Q All producing gas wells will have to be tested to be classified, won't they?

A I don't know. I'm not that familiar with the Commission procedure.

Q It's pretty hard not to, I would say. Would you think thirty days would be enough time to test all the wells for classification purposes?

A Yes, sir, I would think so.

MR. UTZ: As a matter of interest, I looked at the November production for this pool and I had twelve wells over thirty thousand producing GOR.

Are there any questions of the witness? The witness may be excused. Do you have another --

MR. MASON: No, this completes our case. Thank you.

MR. UTZ: Statements in this case? The case will be taken under advisement.

I N D E X

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STATE OF NEW MEXICO     )  
                                       ) ss  
 COUNTY OF BERNALILLO    )

I, GLENDA BURKS, Court Reporter in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

Glenda Burks  
 Court Reporter

I do hereby certify that the foregoing is  
 a complete record of the proceedings in  
 the case of Case No. 4053  
 heard by me on Feb. 24, 1969.  
Shirley D. [Signature], Secretary  
 New Mexico Oil Conservation Commission

March 14, 1969

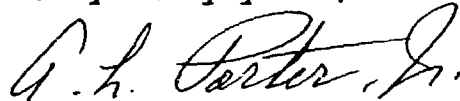
Mr. John Mason  
El Paso Products Company  
Post Office Box 3986  
Odessa, Texas 79760

Re: Case No. 4053  
Order No. R-3707  
Applicant:  
El Paso Products Company

Dear Sir:

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

Very truly yours,



A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x

Artesia OCC       

Aztec OCC x

Other \_\_\_\_\_

**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:**

**CASE No. 4053  
Order No. K-3707**

**APPLICATION OF EL PASO PRODUCTS  
COMPANY FOR SPECIAL POOL RULES,  
SAN JUAN COUNTY, NEW MEXICO.**

**ORDER OF THE COMMISSION**

**BY THE COMMISSION:**

This cause came on for hearing at 9 a.m. on February 26, 1969, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 14th day of March, 1969, 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 the applicant, El Paso Products Company, seeks the promulgation of special rules and regulations for the Gallegos-Gallup Oil Pool, San Juan County, New Mexico, including provisions for the classification of oil and gas wells, 80-acre spacing for oil wells, and 320-acre spacing for gas wells.

(3) That while said Gallegos-Gallup Oil Pool is presently classified as an oil pool, the evidence adduced indicates that it is in fact an "associated" reservoir.

(4) That the reservoir characteristics of the subject pool indicate that the gas area can be efficiently and economically drained and developed on 320-acre spacing, and that the oil area can be efficiently and economically drained and developed on 80-acre spacing.

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(5) That the reservoir characteristics of the subject pool presently available justify the definition of a gas well as a well producing with a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons.

(6) That special rules and regulations providing for 320-acre gas well spacing and 80-acre oil well spacing should be promulgated for the subject pool in order to prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, prevent reduced recovery which might result from the drilling of too few wells, and otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That Special Rules and Regulations for the Gallegos-Gallup Oil Pool, San Juan County, New Mexico, are hereby promulgated as follows, effective May 1, 1969:

**SPECIAL RULES AND REGULATIONS  
FOR THE  
GALLEGOS-GALLUP OIL POOL**

RULE 1. Each well completed or recompleted in the Gallup formation within the boundary of the Gallegos-Gallup Oil Pool or within one mile thereof, and not nearer to nor within the boundaries of another designated Gallup pool, shall be drilled, spaced, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. (a) Each gas well shall be located on a tract consisting of approximately 320 acres which may reasonably be presumed to be productive of gas from said pool, and which shall comprise any two contiguous quarter sections of a governmental section, being a legal subdivision (half section) of the United States Public Land Surveys. For purposes of these rules, a unit consisting of between 315 and 324 contiguous surface acres shall be considered a standard gas unit.

RULE 2. (b)

1. The District Supervisor shall have the authority to approve a non-standard unit as an exception to Rule 2 (a) without notice and hearing when the unorthodox size or shape of the unit

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is necessitated by a variation in the legal subdivision of the United States Public Land Surveys and the non-standard unit is not less than 75% nor more than 125% of a standard unit.

2. The District Supervisor may approve the non-standard unit by:

- (a) Accepting a plat showing the proposed non-standard unit and the acreage to be dedicated to the non-standard unit, and
- (b) Assigning an allowable to the non-standard unit.

3. The Secretary-Director of the Commission shall have authority to grant an exception to Rule 2 (a) without notice and hearing where an application has been filed in due form and when the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys and the non-standard unit is less than 75% or more than 125% of a standard unit, or where the following facts exist and the following provisions are complied with:

- (a) The proposed non-standard proration unit consists of less acreage than a standard proration unit;
- (b) The non-standard gas proration unit consists of contiguous quarter-quarter sections and/or lots;
- (c) The non-standard gas proration unit lies wholly within a single governmental section;
- (d) The entire non-standard gas proration unit may reasonably be presumed to be productive of gas from the designated gas pool;
- (e) The applicant presents written consent in the form of waivers from:
  - (1) All operators owning interests outside the non-standard gas proration unit but in the same section in which any part of the non-standard gas proration unit is situated, and
  - (2) All operators owning interests in acreage offsetting the non-standard gas proration unit.
- (f) In lieu of subparagraph (e) of this rule, the applicant may furnish proof of the fact that said offset operators

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were notified by registered mail of his intent to form such non-standard gas proration unit. (This notification to offset operators should consist of the same information that is furnished to the Commission). The Secretary-Director of the Commission may approve the application if, after a period of 30 days following the mailing of said notice, no operator has made objection to formation of such non-standard gas proration unit.

RULE 2. (c) The allowable assigned to any such non-standard gas proration unit shall bear the same ratio to a standard allowable in said pool as the acreage in the unit bears to 320 acres.

RULE 3. (a) Each oil well shall be located on a unit containing approximately 80 acres, which may reasonably be presumed to be productive of oil from said pool, and which consists of the N/2, S/2, E/2, or W/2 of a governmental quarter section. For purposes of these rules, a unit consisting of between 79 and 81 contiguous surface acres shall be considered a standard unit. Nothing contained herein shall be construed as prohibiting the drilling of an oil well on each of the quarter-quarter sections in the 80-acre unit.

RULE 3. (b) For good cause shown, the Secretary-Director may grant an exception to the requirements of Rule 3 (a) without notice and hearing when an application has been filed in due form, and where the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys, or where the following facts exist and the following provisions are complied with:

- (1) The non-standard unit is to consist of a quarter-quarter section or lot.
- (2) The non-standard unit consists of not more than 81 acres.
- (3) The entire non-standard unit may reasonably be presumed to be productive of oil from said pool.
- (4) The applicant presents written consent in the form of waivers from all offset operators.
- (5) In lieu of paragraph (4) of this rule, the applicant may furnish proof of the fact that all of the offset operators were notified by registered or

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certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if, after a period of 30 days, no operator has entered an objection to the formation of such non-standard unit.

RULE 3. (c) The District Supervisor shall have authority to approve non-standard oil proration units without notice and hearing and without administrative approval by the Secretary-Director if such unit consists of two contiguous quarter-quarter sections or lots comprising less than 79 acres lying within a governmental quarter section and the non-standard unit is necessitated by a variation in the United States Public Land Surveys.

RULE 3. (d) The allowable assigned to any such non-standard oil proration unit shall bear the same ratio to a standard allowable in said pool as the acreage in the unit bears to 80 acres.

RULE 4. (a) Each well, oil or gas, shall be located no nearer than 790 feet to any quarter section line and each such well shall be located no nearer than 330 feet to a governmental quarter-quarter section line or subdivision inner boundary line. Any well drilled to and producing from the Gallegos-Gallup Oil Pool prior to the effective date of this order at a location conforming to the well location requirements in effect at the time the well was drilled shall be considered to be located in conformance with this rule.

RULE 4. (b) The Secretary-Director shall have authority to grant an exception to Rule 4 (a) without notice and hearing when the application has been filed in due form and the Secretary-Director determines that good cause exists for granting such exception. However, such an unorthodox location, if approved, may necessitate an allowable adjustment.

Applicants shall furnish all offset operators and all operators within the section in which the subject well is located a copy of the application to the Commission, and the applicant shall include with his application a list of the names and addresses of all such operators together with a stipulation that proper notice has been given said operators at the addresses listed. The Secretary-Director of the Commission shall wait at least 20 days before approving any such unorthodox location, and only in the absence of objection from an offset operator may such application be approved.

**RULE 5.** A well shall be classified as a gas well if it has a gas-liquid ratio of 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more. A well shall be classified as an oil well if it has a gas-liquid ratio of less than 30,000 cubic feet of gas per barrel of liquid hydrocarbons. The simultaneous dedication of any acreage to both an oil well and a gas well is strictly prohibited.

**RULE 6.** The gas-liquid ratio limitation shall be 2,000 cubic feet of gas per barrel of liquid hydrocarbons produced.

**RULE 7.** An oil well which has 80 acres dedicated to it shall be permitted to produce an amount of gas determined by multiplying the top unit oil allowable for said pool by the limiting gas-liquid ratio for the pool, (2,000). In the event there is more than one oil well on an 80-acre oil proration unit, the operator may produce the allowable assigned to the 80-acre unit from said wells in any proportion.

A gas well shall be permitted to produce that amount of gas obtained by multiplying the top unit oil allowable for the pool by 2,000 and by a fraction, the numerator of which is the number of acres dedicated to the particular gas well and the denominator of which is 80. In the event there is more than one gas well on a 320-acre gas proration unit, the operator may produce the amount of gas assigned to the unit from said wells in any proportion.

**RULE 8.** The operator of each newly completed well shall cause a gas-liquid ratio test to be taken on said well upon recovery of all lead oil from the well, provided however, that in no event shall the test be commenced later than 30 days from the date of first production unless the well is connected to a gas-gathering facility and is producing under a temporary gas allowable assigned in accordance with Rule 11. Provided further, that any well which is shut-in shall be exempted from the aforesaid gas-liquid ratio test requirement so long as it remains shut-in. The initial gas-liquid ratio test shall be taken in the manner prescribed by Rule 9. If the gas-liquid ratio is 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more, the operator shall not produce the well until beneficial use can be made of the gas.

No gas shall be flared or vented from any well classified as an oil well more than 60 days after the well begins to produce. Any operator that desires to obtain an exception to



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the foregoing provisions for a well classified as an oil well shall submit to the Secretary-Director of the Commission an application for such exception with a statement setting forth the facts and circumstances justifying it. The Secretary-Director is hereby authorized to grant such an exception if he determines that the granting of it is reasonably necessary. If the Secretary-Director declines to grant administrative approval of the requested exception, the matter shall be set for hearing if the operator so requests.

RULE 9. Gas-liquid ratio tests shall be taken on all wells in the pool, and on all wells producing from the Gallup formation within one mile of the boundaries of the pool which are not within another designated Gallup pool, during the month of April, 1969, and annually thereafter. An initial gas-liquid ratio test taken after April 1, 1969, shall suffice as the first annual test. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of such tests shall be filed on Commission Form C-116 on or before the 10th day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the Aztec office of the Commission a test schedule for its wells, specifying the time each of its wells is to be tested. Copies of the test schedule shall also be furnished to all offset operators.

Special tests shall also be taken at the request of the Secretary-Director and may also be taken at the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Commission and offset operators.

RULE 10. An initial shut-in pressure test shall be taken on each gas well and shall be reported to the Commission on Form C-125.

RULE 11. Any well completed after the effective date of this order shall receive an allowable only upon receipt by the Commission's Aztec office of Commission Forms C-104 and C-116, all properly executed. The District Supervisor of the Commission's Aztec office is hereby authorized to assign a temporary gas allowable to wells connected to a gas transportation facility during the recovery of load oil, which allowable shall not exceed the number of cubic feet of gas obtained by multiplying the daily top unit allowable for the pool by 2,000.

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RULE 12. The initial gas proration period shall be from 7 o'clock a.m. on May 1, 1969, to 7 o'clock a.m. on February 1, 1970. Subsequently, the dates 7 o'clock a.m. February the first and 7 o'clock a.m. August the first shall be known as balancing dates, and the periods of time bounded by these dates shall be known as the gas proration periods for the Gallegos-Gallup Oil Pool.

RULE 13. Any gas well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

RULE 14. Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

RULE 15. Any well which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period, provided that such overproduction shall be compensated for during such succeeding period. Any well which has not compensated for the overproduction carried into a gas proration period by the end of such proration period shall be shut-in until such overproduction is compensated for. If, at any time, a well is overproduced an amount equalling three times its current monthly allowable, it shall be shut-in during that month and each succeeding month until the well is overproduced less than three times its current monthly allowable.

RULE 16. The allowable assigned to a well during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been compensated for.

RULE 17. The Commission may allow overproduction to be compensated for at a lesser rate than would be the case if the well were completely shut-in upon a showing after notice and hearing that complete shut-in of the well would result in material damage to the well and/or reservoir.

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**RULE 18.** The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the produced gas.

**RULE 19.** Each purchaser or taker of gas shall submit a report to the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken. Such report shall be filed on Form C-111 with the wells being listed in approximately the same order as they are listed on the oil proration schedule.

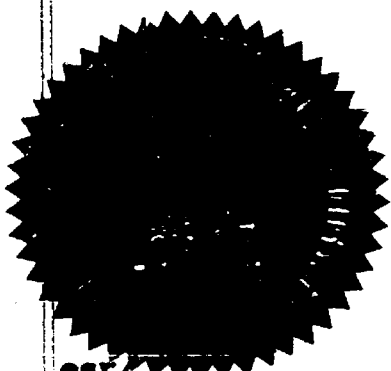
**RULE 20.** Failure to comply with any provision of this order or the rules contained herein shall result in the immediate cancellation of allowable assigned to the affected well. No further allowable shall be assigned until all rules and regulations have been complied with. The District Supervisor shall notify the operator of the well and the purchaser in writing of the date of allowable cancellation and the reason therefor.

**RULE 21.** All transporters or users of gas shall file gas well-connection notices with the Commission as soon as possible after the date of connection.

**RULE 22.** Allowables to wells whose classification has changed from oil to gas or from gas to oil as the result of a gas-liquid ratio test shall commence on the first day of the month following the month in which such test was reported, provided that a plat (Form C-102) showing the acreage dedicated to the well and the location of all wells on the dedicated acreage have been filed.

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

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



STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*David F. Cargo*  
DAVID F. CARGO, Chairman

*Alex J. Armijo*  
ALEX J. ARMILJO, Member

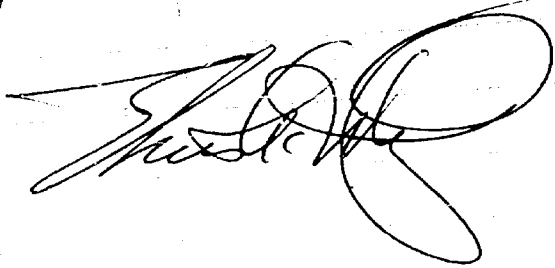
*A. L. Porter, Jr.*  
A. L. PORTER, Jr., Member & Secretary

Case 4053

Heard 2-26-69

Rec. 3-4-69.

Grant E. P. Products request  
for special port rules in Galligo  
- Gallup oil Pool. Grant am  
GDR requirement order as in  
Angels Peak Gallup. R-1410C)  
No changes in this order is  
needed

A large, stylized handwritten signature, possibly reading "J. P. Products", is written in dark ink.

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:

CASE No. 1641  
Order No. R-1410-C

APPLICATION OF W. R. WEAVER  
FOR THE PROMULGATION OF SPECIAL  
RULES AND REGULATIONS GOVERNING  
THE DRILLING, SPACING, AND PRO-  
DUCTION OF WELLS IN THE ANGELS  
PEAK-GALLUP OIL POOL, SAN JUAN  
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on July 13, 1960, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 16th day of September, 1960, 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 by Order No. R-1410-A, temporary Rules and Regulations were promulgated governing the Angels Peak-Gallup Oil Pool in San Juan County, New Mexico, which Order provided for 80-acre proration units for all wells in said pool, with a limiting gas-oil ratio of 4,000 to 1.
- (3) That said Order No. R-1410-A provided that this Case (No. 1641) be reopened in July of 1960 for further consideration of the temporary Special Rules and Regulations set forth in said Order, and for consideration of any other rules and regulations which might be necessary for the efficient operation of the pool.
- (4) That while the said Angels Peak-Gallup Pool is presently classified as an oil pool, the evidence adduced at this hearing as well as at previous hearings clearly indicates that it is in fact an "associated" reservoir, producing oil from

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an oil-saturated sand overlain by a gas-cap being contained in common and contiguous gas-saturated sand.

(5) That the parties appearing at the hearing on July 13, 1960, proposed that 80-acre proration units be established for wells in the pool which would be classified as oil wells, and that operators be permitted to assign up to 320 acres to wells which would be classified as gas wells. Further, the parties proposed that the limiting gas-liquid ratio for the pool be set at 4,000 to 1.

(6) That the parties also proposed that any well in the pool producing with a gas-liquid ratio of 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more, be classified as a gas well, and that any well producing with a gas-liquid ratio of less than 30,000 cubic feet of gas per barrel of liquid hydrocarbons be classified as an oil well.

(7) That the applicants further proposed that the gas allocation formula be based on 75 per cent acreage times deliverability plus 25 per cent acreage.

(8) That the parties failed to prove that there is a general correlation between the deliverabilities of the gas wells in the Angels Peak-Gallup Oil Pool and the recoverable gas in place under the tracts dedicated to such gas wells.

(9) That the evidence establishes that the gas area in the pool can be efficiently and economically drained and developed on 320-acre proration units, and it further establishes that the oil area in the pool can be efficiently and economically drained and developed on 80-acre proration units.

(10) That neither from an engineering nor an economic standpoint did the parties establish any necessity for a limiting gas-oil ratio in excess of the Statewide provision of 2,000 to 1.

(11) That the parties also proposed that at any time a gas well is overproduced six times its current allowable, it should be shut-in until it is overproduced less than six times its current allowable.

(12) That permitting a gas well to become overproduced in an amount equal to six times its current allowable prior to shutting the well in might cause oil to migrate up-structure, thereby causing physical waste.

IT IS FURTHER ORDERED:

(1) That Commission Order No. R-1410-A be and the same is hereby superseded, effective October 1, 1960.

(2) That Special Rules and Regulations for the Angels Peak-Gallup Oil Pool be and the same are hereby promulgated as hereinafter set forth, effective October 1, 1960.

(3) That all operators having wells classified as gas wells pursuant to these rules shall file new acreage dedication plats (Commission Form C-128) with the Aztec District Office of the Commission prior to November 1, 1960.

(4) That a Case is hereby docketed for the Regular Commission Hearing in April, 1962, in order that the Commission can, at that time, determine whether the Special Rules and Regulations hereinafter set forth have been effective in preventing significant movement of the gas-oil contact. Should conditions warrant such action, the Commission might decide to re-examine these Special Rules and Regulations prior to April, 1962.

SPECIAL RULES AND REGULATIONS FOR THE  
ANGELS PEAK-GALLUP OIL POOL

RULE 1. Each well completed or recompleted in the Gallup formation within the boundary of the Angels Peak-Gallup Oil Pool or within one mile thereof, and not nearer to nor within the boundaries of another designated Gallup pool, shall be drilled, spaced, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. (a) Each gas well completed or recompleted in the Angels Peak-Gallup Oil Pool shall be located on a tract consisting of approximately 320 acres which may reasonably be presumed to be productive of gas from said pool, and which shall comprise any two contiguous quarter sections of a single governmental section, being a legal subdivision (half section) of the United States Public Lands Survey. For purposes of these Rules, a unit consisting of between 316 and 324 surface contiguous acres shall be considered a standard gas unit. Nothing contained herein shall be construed as prohibiting the drilling of a gas well on each quarter section in the 320-acre unit.

RULE 2. (b) For good cause shown, the Secretary-Director may grant an exception to the requirements of Rule 2(a) without notice and hearing where an application has been filed in due form, and where the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States

Public Lands Survey, or where the following facts exist and the following provisions are complied with:

(1) The non-standard unit consists of contiguous quarter-quarter sections or lots.

(2) The non-standard unit consists of not more than 324 acres and lies wholly within a single governmental section.

(3) The entire non-standard unit may reasonably be presumed to be productive of gas from said pool.

(4) The applicant presents written consent in the form of waivers from all offset operators, and from all operators owning interests in the section in which any part of the non-standard unit is situated and which acreage is not included in the non-standard unit.

(5) In lieu of Paragraph 4 of this Rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if, after a period of 30 days, no such operator has entered an objection to the formation of the non-standard unit.

RULE 2. (c) The District Supervisor shall have authority to approve non-standard gas proration units without notice and hearing and without administrative approval by the Secretary-Director if such unit consists of less than 316 surface contiguous acres and the non-standard unit is necessitated by a variation in the United States Public Lands Survey.

RULE 2. (d) The allowable assigned to any such non-standard gas proration unit shall bear the same ratio to a standard allowable in said pool as the acreage in the unit bears to 320 acres.

RULE 3. (a) Each oil well completed or recompleted in the Angels Peak-Gallup Oil Pool shall be located on a unit containing approximately 80 acres, which may reasonably be presumed to be productive of oil from said pool, and which consists of the N/2, S/2, E/2 or W/2 of a single governmental quarter section. For purposes of these Rules, a unit consisting of between 79 and 81 surface contiguous acres shall be considered a standard unit. Nothing contained herein shall be construed as prohibiting the drilling of an oil well on each of the quarter-quarter sections in the 80-acre unit.

RULE 3. (b) For good cause shown, the Secretary-Director may grant an exception to the requirements of Rule 3(a) without notice and hearing where an application has been filed in due form, and where the unorthodox size or shape of the tract is due



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Order No. R-1410-C

to a variation in the legal subdivision of the United States Public Lands Survey, or where the following facts exist and the following provisions are complied with:

(1) The non-standard unit is to consist of a single quarter-quarter section or lot.

(2) The non-standard unit consists of not more than 81 acres.

(3) The entire non-standard unit may reasonably be presumed to be productive of oil from said pool.

(4) The applicant presents written consent in the form of waivers from all offset operators.

(5) In lieu of Paragraph 4 of this Rule, the applicant may furnish proof of the fact that all of the offset operators were notified by registered mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if, after a period of 30 days, no operator has entered an objection to the formation of such non-standard unit.

RULE 3. (c) The District Supervisor shall have authority to approve non-standard oil proration units without notice and hearing and without administrative approval by the Secretary-Director if such unit consists of two contiguous quarter-quarter sections or lots comprising less than 79 acres lying within a single governmental quarter section and the non-standard unit is necessitated by a variation in the United States Public Lands Survey.

RULE 3. (d) The allowable assigned to any such non-standard oil proration unit shall bear the same ratio to a standard allowable in said pool as the acreage in the unit bears to 80 acres.

RULE 4. (a) Each well, oil or gas, completed or recompleted in the Angels Peak-Gallup Oil Pool shall be located no nearer than 790 feet to any quarter section line and each such well shall be located no nearer than 330 feet to a governmental quarter-quarter section line or subdivision inner boundary line. Any well drilled to and producing from the Angels Peak-Gallup Pool prior to the effective date of this Order at a location conforming to the well location requirements in effect at the time the well was drilled shall be considered to be located in conformance with this Rule.

RULE 4. (b) The Secretary-Director shall have authority to grant an exception to Rule 4 (a) without notice and hearing when the application has been filed in due form and the Secretary-Director determines that good cause exists for granting such exception. However, such an unorthodox location, if approved, may necessitate an allowable adjustment.

Applicants shall furnish all offset operators and all operators within the section in which the subject well is located, a copy of the application to the Commission, and the applicant shall include with his application a list of the names and addresses of all such operators together with a stipulation that proper notice has been given said operators at the addresses listed. The Secretary-Director of the Commission shall wait at least 20 days before approving any such unorthodox location, and only in the absence of objection from an offset operator may such application be approved.

RULE 5. A well in the Angels Peak-Gallup Oil Pool shall be classified as a gas well if it has a gas-liquid ratio of 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more. A well in said pool shall be classified as an oil well if it has a gas-liquid ratio of less than 30,000 cubic feet of gas per barrel of liquid hydrocarbons. The simultaneous dedication of any acreage to both an oil well and a gas well is strictly prohibited.

RULE 6. The gas-liquid ratio limitation for the Angels Peak-Gallup Oil Pool shall be 2,000 cubic feet of gas per barrel of liquid hydrocarbons produced.

RULE 7. Any oil well in the Angels Peak-Gallup Oil Pool which has 80 acres dedicated to it shall be permitted to produce an amount of gas determined by multiplying the top unit oil allowable for said pool by the limiting gas-liquid ratio for the pool, (2,000). In the event there is more than one oil well on an 80-acre oil proration unit, the operator may produce the allowable assigned to the 80-acre unit from said wells in any proportion.

Any gas well in the Angels Peak-Gallup Oil Pool shall be permitted to produce that amount of gas obtained by multiplying the top unit oil allowable for the pool by 2,000 by a fraction, the numerator of which is the number of acres dedicated to the particular gas well and the denominator of which is 80. In the event there is more than one gas well on a 320-acre gas proration unit, the operator may produce the amount of gas assigned to the unit from said wells in any proportion.

RULE 8. The operator of each newly completed well in the Angels Peak-Gallup Oil Pool shall cause a gas-liquid ratio test to be taken on said well upon recovery of all load oil from the well, provided however, that in no event shall the test be commenced later than 30 days from the date of first production unless the well is connected to a gas-gathering facility and is producing under a temporary gas allowable assigned in accordance with Rule 11. Provided further, that any well which is shut-in shall be exempted from the aforesaid gas-liquid ratio test requirement so long as it remains shut-in. The initial gas-liquid ratio test shall be taken in the manner prescribed by Rule 9. If the gas-liquid ratio is 30,000 cubic feet of gas per barrel of

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liquid hydrocarbons, or more, the operator shall not produce the well until beneficial use can be made of the gas.

No gas shall be flared or vented from any well classified as an oil well more than 60 days after the well begins to produce. Any operator that desires to obtain an exception to the foregoing provisions for a well classified as an oil well shall submit to the Secretary-Director of the Commission an application for such exception with a statement setting forth the facts and circumstances justifying it. The Secretary-Director is hereby authorized to grant such an exception if he determines that the granting of it is reasonably necessary. If the Secretary-Director declines to grant administrative approval of the requested exception, the matter shall be set for hearing if the operator so requests.

RULE 9. Gas-liquid ratio tests shall be taken on all wells in the Angels Peak-Gallup Oil Pool, and on all wells producing from the Gallup formation within one mile of the boundaries of the Angels Peak-Gallup Oil Pool which are not within another designated Gallup oil pool, during the months of January, April, July, and October of each year. The initial gas-liquid ratio test shall suffice as the first quarterly test. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of such tests shall be filed on Commission Form C-116 on or before the 10th day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the Aztec office of the Commission a test schedule for its wells, specifying the time each of its wells is to be tested. Copies of the test schedule shall also be furnished to all offset operators.

Special tests shall also be taken at the request of the Secretary-Director and may also be taken at the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Commission and offset operators.

RULE 10. An initial shut-in pressure test shall be taken on each gas well and shall be reported to the Commission on Form C-125.

RULE 11. Any well completed in the Angels Peak-Gallup Oil Pool after the effective date of this Order shall receive an allowable only upon receipt by the Commission's Aztec Office of Commission Forms C-104, C-110, and C-116, all properly executed. The District Supervisor of the Commission's Aztec Office is hereby authorized to assign a temporary gas allowable to wells connected to a gas transportation facility during the recovery of load oil, which allowable shall not exceed the number of cubic feet of gas obtained by multiplying the daily top unit allowable for the Angels Peak-Gallup Oil Pool by 2,000.

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RULE 12. The initial gas proration period shall be from 7 o'clock a.m. on October 1, 1960, to 7 o'clock a.m. on February 1, 1961. Subsequently, the dates 7 o'clock a.m. February the first and 7 o'clock a.m. August the first shall be known as balancing dates, and the periods of time bounded by these dates shall be known as the gas proration periods for the Angels Peak-Gallup Oil Pool.

RULE 13. Any gas well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

RULE 14. Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

RULE 15. Any well which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period, provided that such overproduction shall be compensated for during such succeeding period. Any well which has not compensated for the overproduction carried into a gas proration period by the end of such proration period shall be shut-in until such overproduction is compensated for. If, at any time, a well is overproduced an amount equalling three times its current monthly allowable, it shall be shut-in during that month and each succeeding month until the well is overproduced less than three times its current monthly allowable.

RULE 16. The allowable assigned to a well during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been compensated for.

RULE 17. The Commission may allow overproduction to be compensated for at a lesser rate than would be the case if the well were completely shut-in upon a showing after notice and hearing that complete shut-in of the well would result in material damage to the well and/or reservoir.

RULE 18. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas was produced. The

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operator shall show on such report what disposition has been made of the produced gas.

RULE 19. Each purchaser or taker of gas shall submit a report to the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken. Such report shall be filed on either Form C-111 or Form C-114 (whichever is applicable) with the wells being listed in approximately the same order as they are listed on the oil proration schedule.

RULE 20. Failure to comply with any provision of this Order or the Rules contained herein shall result in the immediate cancellation of allowable assigned to the affected well. No further allowable shall be assigned until all Rules and Regulations have been complied with. The District Supervisor shall notify the operator of the well and the purchaser in writing of the date of allowable cancellation and the reason therefor.

RULE 21. All transporters or users of gas shall file gas well-connection notices with the Commission as soon as possible after the date of connection.

RULE 22. Allowables to wells whose classification has changed from oil to gas or from gas to oil as the result of a gas-liquid ratio test shall commence on the first day of the month following the month in which such test was reported, provided that a plat (Form C-128) showing the acreage dedicated to the well and the location of all wells on the dedicated acreage have been filed.

RULE 23. The vertical limits of the Angels Peak-Gallup Oil Pool shall be the Gallup formation.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

JOHN BURROUGHS, Chairman

MURRAY E. MORGAN, Member

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

S E A L

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BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE No. 3246  
Order No. R-2935

APPLICATION OF PAUL DeCLEVA  
FOR AN AMENDMENT TO ORDER  
NO. R-2691, LEA COUNTY, NEW  
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on May 12, 1965, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 13th day of July, 1965, 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 the applicant, Paul DeCleva, seeks amendment of Order No. R-2691 to establish special rules and regulations governing the Mesa-Queen Pool in Lea County, New Mexico.

(3) That the applicant seeks the promulgation of rules classifying wells as gas wells or oil wells, establishing spacing units for gas wells and oil wells, and establishing proration rules for gas wells.

(4) That the applicant also seeks the assignment of a retroactive gas allowable to his Tidewater State Well No. 1 located 660 feet from the North line and 660 feet from the

West line of Section 17, Township 16 South, Range 32 East, NMPM, Lea County, New Mexico, said allowable to be computed under the proposed rules from the effective date of Order No. R-2691.

(5) That the reservoir characteristics of the subject pool indicate that the gas area can be efficiently and economically drained and developed on 160-acre spacing, and that the oil area can be efficiently and economically drained and developed on 40-acre spacing.

(6) That the reservoir characteristics of the subject pool presently available justify the definition of a gas well as a well producing with a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons.

(7) That the reservoir characteristics of the subject pool presently available justify the establishment of a gas-liquid ratio limitation of 5,000 cubic feet of gas per barrel of liquid hydrocarbons.

(8) That temporary special rules and regulations providing for 160-acre gas well spacing and 40-acre oil well spacing should be promulgated for the subject pool in order to prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, prevent reduced recovery which might result from the drilling of too few wells, and otherwise prevent waste and protect correlative rights.

(9) That the temporary special rules and regulations should provide for the classification of a gas well as a well producing with a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons and should provide for the establishment of a gas-liquid ratio of 5,000 cubic feet of gas per barrel of liquid hydrocarbons in order to afford to the owner of each property in the pool the opportunity to produce his just and equitable share of the oil or gas, or both, and for this purpose to use his just and equitable share of the reservoir energy.

(10) That the temporary special rules and regulations should establish proration rules for gas wells in order to prevent waste and protect correlative rights.

(11) That this case should be reopened in January, 1966, at which time the operators in the subject pool should be required

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to establish that a gas-liquid ratio limitation of 5,000 cubic feet of gas per barrel of liquid hydrocarbons will effectively maintain the gas-oil contact in the subject pool, and that the special rules and regulations should be continued in effect.

(12) That the applicant has not established that the assignment of a retroactive allowable to his Tidewater State Well No. 1 would prevent waste or protect correlative rights.

(13) That the applicant's request for the assignment of a retroactive allowable to his Tidewater State Well No. 1 should be denied.

IT IS THEREFORE ORDERED:

That, effective July 1, 1965, Order No. R-2691 is hereby amended to promulgate temporary Special Rules and Regulations for the Mesa-Queen Pool as follows:

SPECIAL RULES AND REGULATIONS  
FOR THE  
MESA-QUEEN POOL

RULE 1. Each well completed or recompleted in the Mesa-Queen Pool or in the Queen formation within one mile thereof, and not nearer to or within the limits of another designated Queen pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. (a) Each gas well shall be located on a standard unit containing 160 acres, more or less, consisting of a governmental quarter section.

RULE 2. (b) Each oil well shall be located on a standard unit containing 40 acres, more or less, consisting of a governmental quarter-quarter section.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 (a) without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Lands Survey, or the following facts exist and the following provisions are complied with:



- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a governmental quarter section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the quarter section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well, oil or gas, shall be located no nearer than 330 feet to any quarter-quarter section line.

RULE 5. A well shall be classified as a gas well if it has a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons. A well shall be classified as an oil well if it has a gas-liquid ratio of less than 30,000 cubic feet of gas per barrel of liquid hydrocarbons. The simultaneous dedication of any acreage to an oil well and a gas well is prohibited.

RULE 6. The gas-liquid ratio limitation shall be 5,000 cubic feet of gas per barrel of liquid hydrocarbons.

RULE 7. An oil well which has 40 acres dedicated to it shall be permitted to produce an amount of gas determined by multiplying the top unit oil allowable for the pool by the limiting gas-liquid ratio for the pool. In the event there is more than one oil well on a 40-acre oil proration unit, the operator may produce the allowable assigned to the 40-acre unit from the wells on the unit in any proportion.

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A gas well shall be permitted to produce that amount of gas obtained by multiplying the top unit oil allowable for the pool by the limiting gas-liquid ratio for the pool and by a fraction, the numerator of which is the number of acres dedicated to the particular gas well and the denominator of which is 40. In the event there is more than one gas well on a 160-acre gas proration unit, the operator may produce the amount of gas assigned to the unit from the wells on the unit in any proportion.

RULE 8. The operator of each newly completed well shall cause a gas-liquid ratio test to be taken on the well upon recovery of all load oil from the well, provided however, that in no event shall the test be commenced later than 30 days from the date of first production unless the well is connected to a gas-gathering facility and is producing under a temporary gas allowable assigned in accordance with Rule 11. Any well which is shut in shall be exempted from the gas-liquid ratio test requirement so long as it remains shut in. The initial gas-liquid ratio test shall be taken in the manner prescribed by Rule 9. If the gas-liquid ratio is 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more, the operator shall not produce the well until beneficial use can be made of the gas.

No gas shall be flared or vented from any well classified as an oil well more than 60 days after the well begins to produce or 60 days after the effective date of these rules, whichever is later. Any operator that desires to obtain an exception to the foregoing provisions for a well classified as an oil well shall submit to the Secretary-Director of the Commission an application for such exception with a statement setting forth the facts and circumstances justifying it. The Secretary-Director is hereby authorized to grant such an exception if he determines that the granting of it is reasonably necessary. If the Secretary-Director declines to grant administrative approval of the requested exception, the matter shall be set for hearing if the operator so requests.

RULE 9. Gas-liquid ratio tests shall be taken on all wells during the months of January, April, July, and October of each year. The initial gas-liquid ratio test shall suffice as the first quarterly test. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of such tests shall be filed on Commission Form C-116 on or before the 10th day of the following month. At least 72 hours prior to

commencement of any such gas-liquid ratio tests, each operator shall file with the Hobbs Office of the Commission a test schedule for its wells, specifying the time each of its wells is to be tested. Copies of the test schedule shall also be furnished to all offset operators.

Special tests shall also be taken at the request of the Secretary-Director and may also be taken at the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Commission and offset operators.

RULE 10. An initial shut-in pressure test shall be taken on each gas well and shall be reported to the Commission on Form C-125.

RULE 11. Any well completed after the effective date of these rules shall receive an allowable only upon receipt by the Commission's Hobbs Office of Commission Forms C-104 and C-116, properly executed. The District Supervisor of the Commission's Hobbs Office is hereby authorized to assign a temporary gas allowable to wells connected to a gas transportation facility during the recovery of load oil, which allowable shall not exceed the number of cubic feet of gas obtained by multiplying the daily top unit allowable for the pool by the limiting gas-liquid ratio for the pool.

RULE 12. Balancing dates shall be 7 o'clock a.m. January the first and 7 o'clock a.m. July the first, and the periods of time bounded by these dates shall be gas proration periods.

RULE 13. Any gas well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

RULE 14. Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

RULE 15. Any well which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period, provided that such overproduction shall be compensated for during such succeeding period. Any well which has not compensated for the overproduction carried into a gas proration period by the end of such proration period shall be shut in until such overproduction is compensated for. If, at any time, a well is overproduced an amount equalling three times its current monthly allowable, it shall be shut in during that month and each succeeding month until the well is overproduced less than three times its current monthly allowable.

RULE 16. The allowable assigned to a well during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been compensated for.

RULE 17. The Commission may allow overproduction to be compensated for at a lesser rate than would be the case if the well were completely shut in upon a showing after notice and hearing that complete shut in of the well would result in material damage to the well or reservoir.

RULE 18. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the produced gas.

RULE 19. Each purchaser or taker of gas shall submit a report to the Commission so as to reach the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken. Such report shall be filed on Form C-111 with the wells being listed in the same order as they are listed on the oil proration schedule.

RULE 20. Failure to comply with any provision of these rules shall result in the immediate cancellation of allowable assigned to the affected well. No further allowable shall be assigned until all rules and regulations have been complied with. The Secretary-Director shall notify the operator of the well and

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purchaser in writing of the date of allowable cancellation and the reason therefor.

RULE 21. All transporters or users of gas shall file gas well-connection notices with the Commission as soon as possible after the date of connection.

RULE 22. Allowables to wells whose classification has changed from oil to gas or from gas to oil as the result of a gas-liquid ratio test shall commence on the first day of the month following the month in which such test was reported, provided that a plat (Form C-102) showing the acreage dedicated to the well and the location of all wells on the dedicated acreage has been filed.

IT IS FURTHER ORDERED:

(1) That all operators shall, prior to August 1, 1965, file with the Commission Form C-102 for each well showing the acreage dedicated to the well.

(2) That all operators shall take new gas-oil ratio tests on all wells and file the results thereof with the Commission on Form C-116 prior to August 1, 1965; that the daily tolerance provision of Commission Rule 502 I is hereby waived for the purpose of testing wells at the allowable rate authorized by these rules.

(3) That this case shall be reopened at an examiner hearing in January, 1966, at which time the operators in the subject pool shall show cause why the gas-liquid ratio limitation of 5,000 cubic feet of gas per barrel of liquid hydrocarbons should not be reduced and why the special rules and regulations promulgated by this order should not be discontinued.

(4) That the applicant's request for assignment of a retroactive gas allowable to his Tidewater State Well No. 1 is hereby denied.

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

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DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

GUYTON B. HAYS, Member

A. L. PORTER, JR., Member & Secretary

S E A L

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BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE No. 3543  
Order No. R-3211  
NOMENCLATURE

APPLICATION OF TENNECO OIL COMPANY  
FOR A POOL CONTRACTION, NEW POOL  
CREATION, AND SPECIAL POOL RULES,  
RIO ARriba COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 22, 1967,  
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 30th day of March, 1967, 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 the applicant, Tenneco Oil Company, seeks the  
contraction of the horizontal limits of the South Blanco-Tocito  
Oil Pool by the deletion of that portion of said pool contained  
in Sections 18, 19, 20, and 21, Township 26 North, Range 5 West,  
NMPM, Rio Arriba County, New Mexico.

(3) That the applicant also seeks the creation of the  
Tapacito-Gallup Associated Pool with vertical limits comprising  
the Gallup Sand and horizontal limits comprising all of Sections  
16 through 23, Township 26 North, Range 5 West, NMPM, Rio Arriba  
County, New Mexico,

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(4) That the applicant further proposes that certain special rules and regulations for the said Tapacito-Gallup Associated Pool be established whereby a well in said pool would be classified as an oil well unless it produces with a gas-oil ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons, in which event it would be classified as a gas well. Applicant further proposes that 80-acre proration units be established for oil wells in the pool and that 320-acre proration units be established for gas wells in the pool, with a limiting gas-oil ratio for oil wells of 2000 to 1.

(5) That reservoir information presently available establishes that the South Blanco-Tocito Oil Pool, Rio Arriba County, New Mexico, as presently designated, encompasses more than one separate common source of supply and the horizontal limits of said pool should, in order to prevent waste and protect correlative rights, be contracted by deleting the following:

TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM

Section 18: N/2 and SE/4

Section 19: NE/4

Section 20: N/2

Section 21: N/2

(6) That reservoir information presently available establishes that the proposed new pool encompasses a separate common source of supply and in order to prevent waste and protect correlative rights, the Tapacito-Gallup Associated Pool should be created with vertical limits as proposed by the applicant and horizontal limits as follows:

TAPACITO-GALLUP ASSOCIATED POOL

RIO ARRIBA COUNTY, NEW MEXICO

TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM

All of Sections 16 through 23

(7) That the evidence indicates that the gas area in the proposed Tapacito-Gallup Associated Pool can be efficiently and economically drained and developed on 320-acre proration units, and it further indicates that the oil area in the said proposed pool can be efficiently and economically drained and developed on 80-acre proration units.



IT IS THEREFORE ORDERED:

(1) That, effective April 1, 1967, the horizontal limits of the South Blanco-Tocito Oil Pool, Rio Arriba County, New Mexico, are hereby contracted by the deletion therefrom of the following-described area:

TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM

Section 18: N/2 and SE/4

Section 19: NE/4

Section 20: N/2

Section 21: N/2

(2) That, effective April 1, 1967, a new pool in Rio Arriba County, New Mexico, classified as an associated reservoir for the production of oil and gas from the Gallup Sand, is hereby created and designated the Tapacito-Gallup Associated Pool with vertical limits comprising said Gallup Sand and horizontal limits as follows:

TAPACITO-GALLUP ASSOCIATED POOL

RIO ARRIBA COUNTY, NEW MEXICO

TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM

Sections 16 through 23: All

(3) That, effective April 1, 1967, special rules and regulations for the Tapacito-Gallup Associated Pool, Rio Arriba County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS

FOR THE

TAPACITO-GALLUP ASSOCIATED POOL

RULE 1. Each well completed or recompleted in the Gallup Sand within the boundary of the Tapacito-Gallup Associated Pool or within one mile thereof, and not nearer to nor within the boundaries of another designated Gallup pool, shall be drilled, spaced, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. (a) Each gas well shall be located on a tract consisting of approximately 320 acres which may reasonably be presumed to be productive of gas from said pool, and which shall comprise any two contiguous quarter sections of a governmental section, being a legal subdivision (half section) of the United

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States Public Land Surveys. For purposes of these rules, a unit consisting of between 316 and 324 contiguous surface acres shall be considered a standard gas unit.

RULE 2. (b) For good cause shown, the Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 (a) without notice and hearing where an application has been filed in due form, and where the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys, or where the following facts exist and following provisions are complied with:

- (1) The non-standard unit consists of contiguous quarter-quarter sections or lots.
- (2) The non-standard unit consists of not more than 324 acres and lies wholly within a governmental section.
- (3) The entire non-standard unit may reasonably be presumed to be productive of gas from said pool.
- (4) The applicant presents written consent in the form of waivers from all offset operators, and from all operators owning interests in the section in which any part of the non-standard unit is situated and which acreage is not included in the non-standard unit.
- (5) In lieu of paragraph (4) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if, after a period of 30 days, no such operator has entered an objection to the formation of the non-standard unit.

RULE 2. (c) The District Supervisor shall have authority to approve non-standard gas proration units without notice and hearing and without administrative approval by the Secretary-Director if such unit consists of less than 316 contiguous surface acres and the non-standard unit is necessitated by a variation in the United States Public Land Surveys.

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RULE 2. (d) The allowable assigned to any such non-standard gas proration unit shall bear the same ratio to a standard allowable in said pool as the acreage in the unit bears to 320 acres.

RULE 3. (a) Each oil well shall be located on a unit containing approximately 80 acres, which may reasonably be presumed to be productive of oil from said pool, and which consists of the N/2, S/2, E/2, or W/2 of a governmental quarter section. For purposes of these rules, a unit consisting of between 79 and 81 contiguous surface acres shall be considered a standard unit. Nothing contained herein shall be construed as prohibiting the drilling of an oil well on each of the quarter-quarter sections in the 80-acre unit.

RULE 3. (b) For good cause shown, the Secretary-Director may grant an exception to the requirements of Rule 3 (a) without notice and hearing when an application has been filed in due form, and where the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys, or where the following facts exist and the following provisions are complied with:

- (1) The non-standard unit is to consist of a quarter-quarter section or lot.
- (2) The non-standard unit consists of not more than 81 acres.
- (3) The entire non-standard unit may reasonably be presumed to be productive of oil from said pool.
- (4) The applicant presents written consent in the form of waivers from all offset operators.
- (5) In lieu of paragraph (4) of this rule, the applicant may furnish proof of the fact that all of the offset operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if, after a period of 30 days, no operator has entered an objection to the formation of such non-standard unit.

RULE 3. (c) The District Supervisor shall have authority to approve non-standard oil proration units without notice and hearing

and without administrative approval by the Secretary-Director if such unit consists of two contiguous quarter-quarter sections or lots comprising less than 79 acres lying within a governmental quarter section and the non-standard unit is necessitated by a variation in the United States Public Land Surveys.

RULE 3. (d) The allowable assigned to any such non-standard oil proration unit shall bear the same ratio to a standard allowable in said pool as the acreage in the unit bears to 80 acres.

RULE 4. (a) Each well, oil or gas, shall be located no nearer than 790 feet to any quarter section line and each such well shall be located no nearer than 330 feet to a governmental quarter-quarter section line or subdivision inner boundary line. Any well drilled to and producing from the Tapacito-Gallup Associated Pool prior to the effective date of this order at a location conforming to the well location requirements in effect at the time the well was drilled shall be considered to be located in conformance with this rule.

RULE 4. (b) The Secretary-Director shall have authority to grant an exception to Rule 4 (a) without notice and hearing when the application has been filed in due form and the Secretary-Director determines that good cause exists for granting such exception. However, such an unorthodox location, if approved, may necessitate an allowable adjustment.

Applicants shall furnish all offset operators and all operators within the section in which the subject well is located a copy of the application to the Commission, and the applicant shall include with his application a list of the names and addresses of all such operators together with a stipulation that proper notice has been given said operators at the addresses listed. The Secretary-Director of the Commission shall wait at least 20 days before approving any such unorthodox location, and only in the absence of objection from an offset operator may such application be approved.

RULE 5. A well shall be classified as a gas well if it has a gas-liquid ratio of 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more. A well shall be classified as an oil well if it has a gas-liquid ratio of less than 30,000 cubic feet of gas per barrel of liquid hydrocarbons. The simultaneous dedication of any acreage to both an oil well and a gas well is strictly prohibited.

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RULE 6. The gas-liquid ratio limitation shall be 2,000 cubic feet of gas per barrel of liquid hydrocarbons produced.

RULE 7. An oil well which has 80 acres dedicated to it shall be permitted to produce an amount of gas determined by multiplying the top unit oil allowable for said pool by the limiting gas-liquid ratio for the pool, (2,000). In the event there is more than one oil well on an 80-acre oil proration unit, the operator may produce the allowable assigned to the 80-acre unit from said wells in any proportion.

A gas well shall be permitted to produce that amount of gas obtained by multiplying the top unit oil allowable for the pool by 2,000 and by a fraction, the numerator of which is the number of acres dedicated to the particular gas well and the denominator of which is 80. In the event there is more than one gas well on a 320-acre gas proration unit, the operator may produce the amount of gas assigned to the unit from said wells in any proportion.

RULE 8. The operator of each newly completed well shall cause a gas-liquid ratio test to be taken on said well upon recovery of all load oil from the well, provided however, that in no event shall the test be commenced later than 30 days from the date of first production unless the well is connected to a gas-gathering facility and is producing under a temporary gas allowable assigned in accordance with Rule 11. Provided further, that any well which is shut-in shall be exempted from the afore-said gas-liquid ratio test requirement so long as it remains shut-in. The initial gas-liquid ratio test shall be taken in the manner prescribed by Rule 9. If the gas-liquid ratio is 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more, the operator shall not produce the well until beneficial use can be made of the gas.

No gas shall be flared or vented from any well classified as an oil well more than 60 days after the well begins to produce. Any operator that desires to obtain an exception to the foregoing provisions for a well classified as an oil well shall submit to the Secretary-Director of the Commission an application for such exception with a statement setting forth the facts and circumstances justifying it. The Secretary-Director is hereby authorized to grant such an exception if he determines that the granting of it is reasonably necessary. If the Secretary-Director declines to grant administrative approval

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of the requested exception, the matter shall be set for hearing if the operator so requests.

RULE 9. Gas-liquid ratio tests shall be taken on all wells in the pool, and on all wells producing from the Gallup Sand within one mile of the boundaries of the pool which are not within another designated Gallup pool, during the months of January and July of each year. The initial gas-liquid ratio test shall suffice as the first semi-annual test. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of such tests shall be filed on Commission Form C-116 on or before the 10th day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the Aztec office of the Commission a test schedule for its wells, specifying the time each of its wells is to be tested. Copies of the test schedule shall also be furnished to all offset operators.

Special tests shall also be taken at the request of the Secretary-Director and may also be taken at the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Commission and offset operators.

RULE 10. An initial shut-in pressure test shall be taken on each gas well and shall be reported to the Commission on Form C-125.

RULE 11. Any well completed after the effective date of this order shall receive an allowable only upon receipt by the Commission's Aztec Office of Commission Forms C-104 and C-116, all properly executed. The District Supervisor of the Commission's Aztec Office is hereby authorized to assign a temporary gas allowable to wells connected to a gas transportation facility during the recovery of load oil, which allowable shall not exceed the number of cubic feet of gas obtained by multiplying the daily top unit allowable for the pool by 2,000.

RULE 12. The initial gas proration period shall be from 7 o'clock a.m. on April 1, 1967, to 7 o'clock a.m. on February 1, 1968. Subsequently, the dates 7 o'clock a.m. February the first and 7 o'clock a.m. August the first shall be known as balancing dates, and the periods of time bounded by these dates shall be known as the gas proration periods for the Tapacito-Gallup Associated Pool.

RULE 13. Any gas well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

RULE 14. Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

RULE 15. Any well which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period, provided that such overproduction shall be compensated for during such succeeding period. Any well which has not compensated for the overproduction carried into a gas proration period by the end of such proration period shall be shut-in until such overproduction is compensated for. If, at any time, a well is overproduced an amount equalling three times its current monthly allowable, it shall be shut-in during that month and each succeeding month until the well is overproduced less than three times its current monthly allowable.

RULE 16. The allowable assigned to a well during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been compensated for.

RULE 17. The Commission may allow overproduction to be compensated for at a lesser rate than would be the case if the well were completely shut-in upon a showing after notice and hearing that complete shut-in of the well would result in material damage to the well and/or reservoir.

RULE 18. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the produced gas.

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RULE 19. Each purchaser or taker of gas shall submit a report to the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken. Such report shall be filed on Form C-111 with the wells being listed in approximately the same order as they are listed on the oil proration schedule.

RULE 20. Failure to comply with any provision of this order or the rules contained herein shall result in the immediate cancellation of allowable assigned to the affected well. No further allowable shall be assigned until all rules and regulations have been complied with. The District Supervisor shall notify the operator of the well and the purchaser in writing of the date of allowable cancellation and the reason therefor.

RULE 21. All transporters or users of gas shall file gas well-connection notices with the Commission as soon as possible after the date of connection.

RULE 22. Allowables to wells whose classification has changed from oil to gas or from gas to oil as the result of a gas-liquid ratio test shall commence on the first day of the month following the month in which such test was reported, provided that a plat (Form C-102) showing the acreage dedicated to the well and the location of all wells on the dedicated acreage have been filed.

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

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

GUYTON B. HAYS, Member

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

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BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 1544  
Order No. R-1286

THE APPLICATION OF THE OIL CONSERVATION  
COMMISSION UPON ITS OWN MOTION AT THE  
REQUEST OF CERTAIN OPERATORS TO DETERMINE  
WHETHER ALL WELLS IN THE GALLEGOS-GALLUP  
OIL POOL SHOULD BE GRANTED AN EXCEPTION  
TO RULE 502 I (a) OF THE COMMISSION RULES  
AND REGULATIONS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on  
November 13, 1958, at Santa Fe, New Mexico, before the Oil  
Conservation Commission of New Mexico, hereinafter referred to  
as the "Commission."

NOW, on this 21<sup>st</sup> day of November, 1958, the Commission,  
a quorum being present, having considered the application, and  
the evidence adduced, 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 certain operators in the Gallegos-Gallup Oil Pool  
have requested that all wells in said pool be granted an exception  
to the daily tolerance provisions of Rule 502 I (a) of the Com-  
mission Rules and Regulations.
- (3) That a preponderance of the evidence indicates that  
waste of casinghead gas can be prevented by granting all wells in  
said pool an exception to Rule 502 I (a) by permitting operators  
to utilize the "slug" method of production.
- (4) That all wells presently drilled or hereafter completed  
in the Gallegos-Gallup Oil Pool should be granted an exception to  
the daily tolerance provisions of Rule 502 I (a) of the Commission  
Rules and Regulations and should be allowed to produce at a daily  
rate not to exceed 200 per cent of the daily top unit allowable for  
said pool.

-2-

Case No. 1544

Order No. R-1286

IT IS THEREFORE ORDERED:

That all wells presently drilled or hereafter completed in the Gallegos-Gallup Oil Pool are hereby granted an exception to the daily tolerance provisions of Rule 502 I (a) of the Commission Rules and Regulations and may be produced at a daily rate not to exceed 200 per cent of the daily top unit allowable for said pool.

PROVIDED HOWEVER, That in the event casinghead gas gathering facilities are established in the Gallegos-Gallup Oil Pool, a hearing will be called to determine whether the pool exception to Rule 502 I (a) granted by this order should be continued.

PROVIDED FURTHER, That nothing contained herein shall be construed as authorizing the production of wells in said pool in excess of the monthly tolerance set forth in Rule 502 II of the Commission Rules and Regulations.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

MURRAY E. MORGAN, Member

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

S E A L

ir/

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF THE STATE OF NEW  
MEXICO FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 1490  
Order No.R-1239

THE APPLICATION OF THE OIL  
CONSERVATION COMMISSION UPON  
ITS OWN MOTION FOR AN ORDER  
CREATING AND EXTENDING CERTAIN  
POOLS IN SAN JUAN AND RIO ARriba  
COUNTIES, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on August 13, 1958, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 14<sup>th</sup> day of August, 1958, 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 there is need for the creation of a new pool in San Juan County, New Mexico, for the production of oil from the Gallup formation, said pool to bear the designation Gallegos-Gallup Oil Pool. Said Gallegos-Gallup Oil Pool was discovered by Skelly Oil Company's Navajo "B" Well No. 1, located in the NE/4 SE/4 Section 14, Township 26 North, Range 12 West, NMPM. It was completed September 15, 1954. The top of the perforations is at 5010 feet.

(3) That there is need for certain extensions to the Aztec-Pictured Cliffs Pool, the Bisti-Lower Gallup Oil Pool, and the Horseshoe-Gallup Oil Pool, all in San Juan County, New Mexico, to the Tapacito-Pictured Cliffs Pool, the Escrito-Gallup Oil Pool, and the South Blanco-Tocito Oil Pool, all in Rio Arriba County, New Mexico, and to the South Blanco-Pictured Cliffs Pool and the Blanco-Mesaverde Pool, both in San Juan and Rio Arriba Counties, New Mexico.

IT IS THEREFORE ORDERED:

(a) That a new pool in San Juan County, New Mexico, classified as an oil pool for Gallup production, be and the same is hereby created and designated as the Gallegos-Gallup Oil Pool, consisting of the following described area:

Order No. R-1239

TOWNSHIP 26 NORTH, RANGE 11 WEST, NMPM

Section 6: SW/4  
Section 7: All  
Section 8: S/2 & NW/4  
Section 9: SW/4  
Section 16: N/2  
All of sections 17 & 18  
Section 19: N/2  
Section 20: N/2  
Section 21: N/2

TOWNSHIP 26 NORTH, RANGE 12 WEST, NMPM

Section 1: S/2  
Section 2: S/2  
Section 3: S/2 & NW/4  
All of sections 4 & 5  
Section 6: NE/4  
Section 8: N/2 & SE/4  
All of sections 9, 10, 11, 12 & 13  
Section 14: E/2  
Section 24: N/2

TOWNSHIP 27 NORTH, RANGE 12 WEST, NMPM

Section 30: SW/4  
Section 31: All  
Section 32: S/2  
Section 33: SW/4

TOWNSHIP 27 NORTH, RANGE 13 WEST, NMPM

Section 25: S/2  
Section 35: NE/4  
Section 36: N/2 & SE/4

(b) That the Aztec-Pictured Cliffs Pool in San Juan County, New Mexico, as heretofore classified, defined, and described, be and the same is hereby extended to include therein:

TOWNSHIP 30 NORTH, RANGE 12 WEST, NMPM

Section 2: SE/4

(c) That the South Blanco-Pictured Cliffs Pool in San Juan and Rio Arriba Counties, New Mexico, as heretofore classified, defined, and described, be and the same is hereby extended to include therein:

TOWNSHIP 24 NORTH, RANGE 3 WEST, NMPM

Section 17: SE/4

TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM

All of sections 4, 5 & 6  
Section 7: N/2 & SE/4  
All of sections 8 & 9  
Section 23: SE/4  
Section 24: SW/4

TOWNSHIP 26 NORTH, RANGE 6 WEST, NMPM

Section 1: All  
Section 2: N/2  
Section 12: N/2

TOWNSHIP 27 NORTH, RANGE 5 WEST, NMPM

All of sections 31 & 32

Case No. 1490  
Order No. R-1239

TOWNSHIP 27 NORTH, RANGE 6 WEST, NMPM

Section 2: S/2  
Section 11: E/2  
Section 12: W/2  
Section 13: NW/4  
Section 16: All  
Section 17: S/2  
All of sections 35 & 36

TOWNSHIP 27 NORTH, RANGE 7 WEST, NMPM

Section 4: All  
Section 5: NE/4

(d) That the Tapacito-Pictured Cliffs Pool in Rio Arriba County, New Mexico, as heretofore classified, defined, and described, be and the same is hereby extended to include therein:

TOWNSHIP 25 NORTH, RANGE 3 WEST, NMPM

Section 9: SE/4  
Section 16: NE/4

(e) That the Blanco-Mesaverde Pool in San Juan and Rio Arriba Counties, New Mexico, as heretofore classified, defined, and described, be and the same is hereby extended to include therein:

TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM

Section 8: W/2

TOWNSHIP 26 NORTH, RANGE 7 WEST, NMPM

Section 11: All

TOWNSHIP 27 NORTH, RANGE 8 WEST, NMPM

Section 32: S/2  
Section 33: W/2

(f) That the Bisti-Lower Gallup Oil Pool in San Juan County, New Mexico, as heretofore classified, defined, and described, be and the same is hereby extended to include therein:

TOWNSHIP 24 NORTH, RANGE 10 WEST, NMPM

Section 3: SW/4  
Section 10: NW/4

TOWNSHIP 26 NORTH, RANGE 13 WEST, NMPM

Section 29: N/2 NW/4 & NW/4 NE/4

(g) That the Escrito-Gallup Oil Pool in Rio Arriba County, New Mexico, as heretofore classified, defined, and described, be and the same is hereby extended to include therein:

TOWNSHIP 24 NORTH, RANGE 7 WEST, NMPM

Section 15: SW/4 SE/4  
Section 22: NW/4

(h) That the Horseshoe-Gallup Oil Pool in San Juan County, New Mexico, as heretofore classified, defined, and described, be and the same is hereby extended to include therein:

TOWNSHIP 30 NORTH, RANGE 16 WEST, NMPM

Section 4: NE/4 SW/4

-4-

Case No. 1490  
Order No. R-1239 \*

(i) That the South Blanco-Tocito Oil Pool in Rio Arriba County, New Mexico, as heretofore classified, defined, and described, be and the same is hereby extended to include therein:

TOWNSHIP 26 NORTH, RANGE 6 WEST, NMPM  
Section 11: W/2 SW/4

IT IS FURTHER ORDERED:

That the effective date of this order and of all the creations and extensions included herein shall be September 1, 1958.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

MURRAY E. MORGAN, Member

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

S E A L

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BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE No. 1569  
Order No. R-1427

APPLICATION OF THE OIL CON-  
SERVATION COMMISSION ON ITS OWN  
MOTION TO CONSIDER THE PROMUL-  
GATION OF AN ORDER PROHIBITING  
THE FLARING OF CASINGHEAD GAS  
FROM OIL WELLS IN SAN JUAN, RIO  
ARRIBA, MCKINLEY, AND SANDOVAL  
COUNTIES, NEW MEXICO

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on December 17, 1958, March 18, 1959, and June 9, 1959, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 25th day of June, 1959, 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 evidence presented in this case conclusively establishes that a very substantial quantity of casinghead gas produced from oil wells in San Juan, Rio Arriba, McKinley, and Sandoval Counties, New Mexico, is presently being flared or vented.

(3) That the evidence presented further indicates that in a number of areas in said Counties the present production of casinghead gas is relatively small, and it is neither economically feasible to gather this gas nor to reinject it.

(4) That the evidence presented further indicates that in certain other areas in said Counties a large percentage of the produced casinghead gas is necessary for the operation and maintenance of the leases.

-2-

Case No. 1569

Order No. R-1427

(5) That there is no necessity at the present time for the promulgation of an order prohibiting the flaring or venting of casinghead gas in any areas in said Counties other than the Gallegos-Gallup Oil Pool and the Bisti-Lower Gallup Oil Pool.

(6) That there is a definite need for the promulgation of an order prohibiting the flaring or venting of casinghead gas in the Gallegos-Gallup Oil Pool and the Bisti-Lower Gallup Oil Pool, so as to eliminate what is clearly preventable waste.

(7) That operators in the Gallegos-Gallup Oil Pool and the Bisti-Lower Gallup Oil Pool have been met with certain delays in their efforts to make beneficial use of the produced casinghead gas, and therefore, in order to provide them sufficient time to procure sales for, or beneficial disposition of, such casinghead gas, any order prohibiting the flaring or venting of gas in the Gallegos-Gallup Oil Pool and the Bisti-Lower Gallup Oil Pool should be effective December 31, 1959.

(8) That every newly completed well in said Pools should be given ninety days to make beneficial use of the produced casinghead gas.

IT IS THEREFORE ORDERED:

That except when authorized by or pursuant to the following provisions of this order, no casinghead gas shall be flared or vented from any well in the Gallegos-Gallup Oil Pool and the Bisti-Lower Gallup Oil Pool after December 31, 1959; provided however, that any well completed in said pools after September 30, 1959, shall be given ninety days in which to make beneficial use of the produced casinghead gas.

Any operator who desires to obtain an exception to the foregoing provisions of this order shall submit to the Secretary-Director an application for such exception with a statement setting forth the facts and circumstances justifying such exception. The Secretary-Director is hereby authorized to grant such an exception if he determines that the granting of the exception is reasonably necessary to prevent waste or to prevent undue hardship on the applicant. If the Secretary-Director declines to grant administrative approval of the requested exception, the matter shall be set for hearing if the operator so requests.

The flaring or venting of casinghead gas from any well in violation of any provision of this order will result in suspension of any further allowable for said well.



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Case No. 1569

Order No. R-1427

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

JOHN BURROUGHS, Chairman

MURRAY E. MORGAN, Member

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

S E A L

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EVERETT M. GRANTHAM  
CHARLES C. SPANN  
MAURICE SANCHEZ  
R. RUSSELL RAGER

GRANTHAM, SPANN, SANCHEZ & RAGER  
ATTORNEYS AT LAW  
BANK OF NEW MEXICO BUILDING  
ALBUQUERQUE, NEW MEXICO 87101

January 17, 1969

POST OFFICE BOX 1031  
ALBUQUERQUE, N. M. 87103  
TELEPHONE 243-3525  
AREA CODE 505

Mr. A. L. Porter, Jr.  
New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: Application by El Paso Products Company  
for an Order Promulgating Special Rules  
and Regulations Governing the Spacing and  
Production of Wells in the Gallegos-Gallup  
Pool, San Juan County, New Mexico.

Dear Mr. Porter:

Would you please enter our appearance as New Mexico counsel  
for El Paso Products Company in the above entitled proceeding.

Very truly yours,

GRANTHAM, SPANN, SANCHEZ & RAGER

By:

CCS:rr

DOCKET MAILED

Date 2-13-69

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 26, 1969

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

The following cases will be heard before Elvis A. Utz, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 4052: Application of Mobil Oil Corporation for a pool creation and discovery allowable, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the creation of the Lightcap-Pennsylvanian Pool in Chaves County, New Mexico, comprising the NE/4 NE/4 of Section 7, Township 8 South, Range 30 East, and for the assignment of approximately 35,650 barrels of oil discovery allowable to the discovery well, its C. L. O'Brien Well No. 1 located in Unit A of said Section 7.

CASE 4036: (Continued from the February 5, 1969, Examiner Hearing)  
Application of Mobil Oil Corporation for a dual completion, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its C. L. O'Brien Well No. 1 located in Unit A of Section 7, Township 8 South, Range 30 East, Chaves County, New Mexico, to produce oil from an undesignated Pennsylvanian oil pool and the Lightcap (Devonian) Pool through parallel strings of tubing.

CASE 4053: Application of El Paso Products Company for special pool rules, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special rules for the Gallegos-Gallup Pool, San Juan County, New Mexico, including provisions for the classification of oil and gas wells, 80-acre spacing for oil wells, and 320-acre spacing for gas wells.

CASE 4054: Application of Amerada Petroleum Corporation for an unorthodox oil well location and amendment to Order No. R-2197, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a producing oil well at an unorthodox location 1250 feet from the West line and 2220 feet from the South line of Section 28, Township 24 South, Range 37 East, in its Langlie Mattix Woolworth Unit Waterflood Project, Langlie-Mattix Pool, Lea County, New Mexico. Applicant also seeks the amendment of Order No. R-2197, which order authorized said waterflood project, to establish an administrative procedure whereby said project could be expanded to include additional lands and injection wells and producing wells at orthodox and unorthodox locations as may be necessary to complete an efficient injection and producing pattern without the necessity of showing well response.

- CASE 4055: Application of Albert Gackle for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Seven Rivers formation in the open-hole interval from approximately 3290 feet to 3620 feet in his George Etz Well No. 3 located in Unit N of Section 27, Township 23 South, Range 36 East, Jalmat Pool, Lea County, New Mexico.
- CASE 4056: Application of Albert Gackle for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Lower Queen formation in the perforated interval from approximately 3642 feet to 3699 feet in his Sinclair "A" State Well No. 5 located in Unit I of Section 23, Township 23 South, Range 36 East, Langlie-Mattix Pool, Lea County, New Mexico.
- CASE 4057: Application of Charles B. Read for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special rules for the Quail-Queen Pool, Lea County, New Mexico, including a provision for 80-acre spacing and proration units.
- CASE 4058: Application of Hiram W. Keith and Dalton Haines for salt water disposal, Lea County, New Mexico. Applicants, in the above-styled cause, seek authority to dispose of produced salt water into the Seven Rivers formation in the open-hole interval from approximately 3874 feet to 3951 feet in their State Well No. 2 located in Unit K of Section 16, Township 21 South, Range 34 East, West Wilson Pool, Lea County, New Mexico.
- CASE 4059: Application of Hiram W. Keith and Dalton Haines for salt water disposal, Eddy County, New Mexico. Applicants, in the above-styled cause, seek authority to dispose of produced salt water into the Delaware formation in the open-hole interval from approximately 4030 feet to 4158 feet in their Eddy "AGA" State Well No. 2 located 660 feet from the North line and 1650 feet from the West line of Section 36, Township 26 South, Range 31 East, North Mason-Delaware Pool, Eddy County, New Mexico.
- CASE 4060: Application of Sidney Lanier for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Yates-Seven Rivers formations in the open-hole interval from approximately 3402 feet to 3650 feet in his I. B. Ogg "A" Well No. 5 located in Unit J of Section 35, Township 24 South,

(Case 4060 continued)

Range 36 East, Jalmat Yates-Seven Rivers Pool, Lea County, New Mexico.

CASE 4061: Application of Millard Deck Oil 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 Seven Rivers and Queen formations in the open-hole interval from approximately 3752 feet to 3872 feet in its Atha Well No. 1 located in Unit M of Section 31, Township 21 South, Range 36 East, South Eunice Pool, Lea County, New Mexico.

CASE 4062: Application of Kersey & Company for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Queen formation in the perforated interval from approximately 1835 feet to 1870 feet in the Bass Well No. 3 located in Unit F of Section 12, Township 19 South, Range 28 East, East Millman Queen-Grayburg Pool, Eddy County, New Mexico.

CASE 4063: Application of Kerr-McGee Corporation for the creation of a new gas pool and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new pool for the production of gas from the Morrow formation by its Nix Well No. 1 located in Unit L of Section 11, Township 19 South, Range 26 East, Eddy County, New Mexico, and for the promulgation of special pool rules therefor, including a provision for 640-acre spacing.

CASE 4064: Application of Atlantic Richfield Company for salt water disposal, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation in the perforated interval from approximately 4207 feet to 4286 feet in its Tucker Well No. 4 located in Unit O of Section 23, Township 7 South, Range 32 East, Chaveroo-San Andres Pool, Roosevelt County, New Mexico.

CASE 4065: Application of Humble Oil & Refining Company for an unorthodox oil well location and reclassification of a water well to an oil well, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to have its New Mexico State "S" Water Source Well No. 4 (CP-427), located at an unorthodox oil well location 650 feet from the West line and 175 feet from the

South line of Section 2, Township 22 South, Range 37 East, Lea County, New Mexico, reclassified as an oil well for the production of oil an undesignated San Andres Oil Pool and authority to produce same as an oil well.

**CASE 4066:** Application of Humble Oil & Refining Company for the consolidation of two non-standard gas proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the consolidation of two existing non-standard 320-acre gas proration units into one standard 640-acre unit comprising all of Section 26, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be dedicated to its New Mexico State "G" Wells Nos. 2 and 4 located in Units P and G, respectively, of said Section 26. Applicant further seeks authority to produce the allowable assigned to said unit from either of said wells in any proportion.

**CASE 4067:** Application of Benson-Montin-Greer Drilling Corporation for special pool rules, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the La Plata-Gallup Pool, San Juan County, New Mexico, including a provision for 160-acre spacing and proration units. Applicant further requests that said special rules provide that the unit allowable for a 160-acre unit in said pool be allocated on the basis of four times the normal unit allowable for Northwest New Mexico, and that no credit be given for depth factors. Applicant further requests that said special rules be limited in their application to the exterior boundaries of the La Plata-Mancos Unit Area.

**CASE 4068:** Application of Martin Yates III for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Delaware formation in its Yates & Hanson McCord Well No. 1 located in Unit E of Section 22, Township 23 South, Range 26 East, Dark Canyon Field, Eddy County, New Mexico. Applicant further seeks a procedure whereby its Cordie King Well No. 2 located in Unit K of said Section 22 may be approved for the disposal of salt water without the requirement of notice and hearing.

Examiner Hearing  
February 26, 1969

- CASE 4045: (Continued from the February 5, 1969 Examiner Hearing)  
Application of H & S Oil Company for an amendment to Order No. R-3357, as amended by Order No. R-3357-A, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-3357, as amended by Order No. R-3357-A, which order authorized the H & S West Artesia Unit Unit Waterflood Project. Applicant proposes to substitute the Roach Drilling Company-Leonard Well No. 18 located in Unit D of Section 17 as a water injection well in said project in lieu of the Cities Service-Mell Well No. 17 located in Unit M of Section 8, both in Township 18 South, Range 28 East, Artesia Pool, Eddy County, New Mexico.
- CASE 4069: Application of Union Oil Company of California for the creation of a new pool, assignment of discovery allowable, and the promulgation of special pool rules, Lea County, New Mexico.
- Applicant, in the above-styled cause, seeks the creation of a new Devonian oil pool for its Midway State Well No. 1 located in Unit F of Section 12, Township 17 South, Range 36 East, Lea County, New Mexico, and for the assignment of an oil discovery allowable in the amount of approximately 57,380 barrels to said well. Applicant further seeks the promulgation of special pool rules for said pool, including a provision for 80-acre proration units.
- CASE 4070: Application of C. E. LaRue and B. N. Muncy, Jr., for salt water disposal, Lea County, New Mexico. Applicants, in the above-styled cause, seek authority to dispose of produced salt water into the salt and Yates formations in the open-hole interval from approximately 1254 feet to 3000 feet in the La Rue-Muncy John "B" Well No. 2 located in Unit A of Section 35, Township 17, South, Range 32, East, Maljamar Grayburg-San Andres Pool, Lea County, New Mexico.





[illegible]

GALLEGOS GALLUP CTD  
NOVEMBER

IV

20

					ALLOWABLE	MEX	PRODUCTION	WATER	MCF GAS	PURCHASER	DAYS PROD.	NO. OF WELLS	E	VOL:	CUM. O/P	PIPELINE	RUNS	STORAGE
WELL	UL	S	T	R					PRODUCTION									
NAVAJO	42	61	2		318	F	214	566	11	1213	30	1				PER	381	141
LSE	TOTAL				318		214	11	1213	EPG								
NAVAJO	32	61	2		195	F	63	53,773	3	3389	30	1				PER	204	142
LSE	TOTAL				195		63	3	3389	EPG								
NAVAJO	11	12	61	2	30	S												
LSE	TOTAL				90	F	6	266,332		1586	30	2				PER		102
OIL	12	61	2		120		6			1586	EPG							
H. RAND	14	26	11		120	S		0										
LSE	TOTAL				120													
COMP	TOTAL				1443		377	14	6666			11					585	782
TEENNECO	OIL	CC																
BERGER	12	61	1		120	F												
1822	32	61	1		30	F				728	16							
2023	22	61	1		60	F	72			217								
4C22	22	61	1		210	EX	72	3,018		945	EPG					PER		240
LSE	TOTAL				210		72			945								240
COMP	TOTAL				5763		2248	90	65820			49		284			2599	4031
POOL	TOTAL																	
HOGBACK	DAKOTA	FACTOR	0	TO	5M													
W.C. IMBT	18	0																
NAVAJO	18	29	16		750	D	474			NOO	30							
1F18	22	91	16		3000	EX	359				30							
2G18	22	91	16		3000		946				30							
3B18	22	91	16		3000						30							

12 over 30,000  
14 over Prod.  
23 under 30,000

CASE 4053

EXHIBIT 3

EL PASO PRODUCTS COMPANY

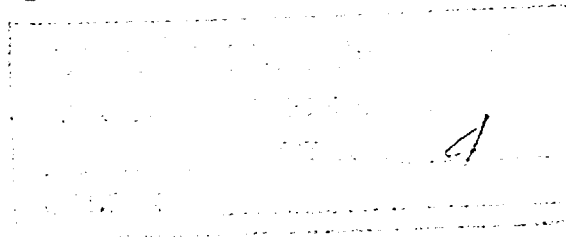
PRODUCTION STATISTICS OF GALLEGOS-GALLUP POOL,  
SAN JUAN COUNTY, NEW MEXICO

<u>Year</u>	<u>Oil Prod.--bbl</u>	<u>Gas Prod.--MCF</u>	<u>Active Wells</u>
		458,000	26
1957	62,940	3,800,000	79
1958	446,110	3,260,000	87
1959	256,900	3,860,000	92
1960	146,960	3,437,000	94
1961	111,070	2,844,000	94
1962	88,585	2,368,000	85
1963	80,530	2,390,000	87
1964	67,925	1,691,000	64
1965	45,940	1,293,000	62
1966	37,390	978,000	48
1967	31,225	1,007,000	27
1968	28,360		
	<u>1,403,935</u>	<u>27,386,000</u>	

10.0. 10.0. 10.0.  
192.5  
5.15  
192.5  
BEFORE EXAMINER USE  
OR FOR OTHER NON COMPLIANCE  
EXHIBIT NO. 3  
CASE NO. \_\_\_\_\_

PROPOSED RULES GALLEGOS-GALLUP POOL  
SAN JUAN COUNTY, NEW MEXICO  
CASE 4053  
EXHIBIT 4  
EL PASO PRODUCTS COMPANY

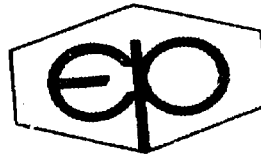
- Rule 1. Each gas well completed or recompleted in the Gallegos-Gallup Pool shall be located on a tract consisting of approximately 320 acres which may reasonably be presumed to be productive of gas from said pool, and which shall comprise any two contiguous quarter sections of a single governmental section, being a legal subdivision (half-section) of the United States Public Land Survey. For purposes of the Rules, a unit consisting of between 316 and 324 surface contiguous acres shall be considered a standard gas unit. Nothing contained herein shall be construed as prohibiting the drilling of a gas well on each quarter section in the 320-acre unit.
- Rule 2. Each oil well completed or recompleted in the Gallegos-Gallup Pool shall be located on a unit containing approximately 80 acres, which may reasonably be presumed to be productive of oil from said pool, and which consists of the N/2, S/2, E/2 or W/2 of a single governmental quarter section. For purposes of these Rules, a unit consisting of between 79 and 81 surface contiguous acres shall be considered a standard unit. Nothing contained herein shall be construed as prohibiting the drilling of an oil well on each of the quarter-quarter sections in the 80-acre unit.
- Rule 3. A well in the Gallegos-Gallup Pool shall be classified as a gas well if it has a gas-liquid ratio of 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more. A well in said pool shall be classified as an oil well if it has a gas-liquid ratio of less than 30,000 cubic feet of gas per barrel of liquid hydrocarbons. The simultaneous dedication of any acreage to both an oil well and a gas well is strictly prohibited.
- Rule 4. The gas-liquid ratio limitation for the Gallegos-Gallup Pool shall be 2,000 cubic feet of gas per barrel of liquid hydrocarbons produced.



Rule 5. Any oil well in the Gallegos-Gallup Pool which has 80 acres dedicated to it shall be permitted to produce an amount of gas determined by multiplying the top unit oil allowable for said pool by the limiting gas-liquid ratio for the pool, (2,000). In the event there is more than one oil well on an 80-acre oil proration unit, the operator may produce the allowable assigned to the 80-acre unit from said wells in any proportion.

Any gas well in the Gallegos-Gallup Pool shall be permitted to produce that amount of gas obtained by multiplying the top unit oil allowable for the pool by 2,000 by a fraction, the numerator of which is the number of acres dedicated to the particular gas well and the denominator of which is 80. In the event there is more than one gas well on a 320-acre gas proration unit, the operator may produce the amount of gas assigned to the unit from said wells in any proportion.

EL PASO PRODUCTS COMPANY



January 15 1969

4053  
Case 4043

Mr. A. L. Porter, Jr.  
New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Dear Mr. Porter:

Enclosed herewith in triplicate is our application for special field rules on the Gallegos-Gallup Pool in San Juan County, New Mexico.

We would like to request that this be sent for examiner hearing in Santa Fe on February 26, 1969. Please advise if this can be heard on this date.

Yours very truly,

EL PASO PRODUCTS COMPANY

*Roland L. Hamblin*

Roland L. Hamblin  
Manager, Land Department

RLH:ann

Enclosures

cc: M. L. Ayers - El Paso Products Company  
John Mason - El Paso Products Company  
Charles Spann  
Grantham, Spann and Sanchez  
P. O. Box 1031  
Albuquerque, New Mexico

DOCKET MAILED

Date \_\_\_\_\_

# EL PASO PRODUCTS COMPANY

69 JAN 17 AM 8 23



January 15, 1969

## BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

APPLICATION BY EL PASO PRODUCTS COMPANY  
FOR AN ORDER PROMULGATING SPECIAL RULES  
AND REGULATIONS GOVERNING THE SPACING  
AND PRODUCTION OF WELLS IN THE GALLEGOS-  
GALLUP POOL, SAN JUAN COUNTY, NEW MEXICO.

No. 4043

EL PASO PRODUCTS COMPANY, a Corporation with offices in the ABC Bank Building in Odessa, Texas, an owner and operator of certain wells in the Gallegos-Gallup Pool in San Juan County, New Mexico, hereby respectfully requests the Commission to call a hearing and establish special rules and regulations to govern the spacing and production of wells in the Gallegos-Gallup Pool in San Juan County, New Mexico.

The Gallegos-Gallup Pool is classified as an oil pool but contains a high degree of associated gas. It was first established on August 14, 1958, by Commission Order No. R-1239. The Gallegos-Gallup Pool has subsequently been enlarged by subsequent nomenclature orders. No special field rules have been adopted for said pool and it is governed by state wide spacing, however, on November 21, 1958, the Commission, by Order No. R-1286, granted an exception to the daily tolerance provisions of Rule 502I(a) and allowed the operators in said pool to produce their wells at a daily rate not to exceed 200% of the daily top unit allowable. Also, the Commission has prohibited the flaring of casinghead from said pool effective as of December 31, 1959. This action was taken by the Commission on June 25, 1959, by Order No. R-1427.

Application for Hearing  
Gallegos Gallup Pool  
January 15, 1969  
Page Two

The oil zone of the Gallegos Gallup Pool has been developed on 80 acres and the gas-cap zone on 320 acres. It is our belief that the pool has been fully developed and that it is rapidly approaching depletion. Several of the wells in the gas-cap zone are over-produced.

Therefore, we request that this matter be heard at the earliest possible examiner hearing. We will request at the hearing the following:

- (1) That the wells in the Gallegos-Gallup Pool be classified as oil wells or gas wells with all wells having a gas-oil ratio of 30,000 to 1 being classified as gas wells and all wells having a gas-oil ratio of less than 30,000 to 1 being classified as oil wells.
- (2) That oil wells be spaced on 80 acres.
- (3) That gas wells be spaced on 320 acres.

Although it is not required, a copy of this application has been sent to the following whom we believe to be all of the interested parties (See attached list).

EL PASO PRODUCTS COMPANY

By

Roland L. Hummelin

Attorney-in-Fact

RLH:ann



LIST OF INTERESTED PARTIES  
GALLEGOS-GALLUP POOL

Gruy Management Service Company  
2501 Cedar Springs Road  
Dallas, Texas 75201

Gulf Oil Corporation  
P. O. Box 1938  
Roswell, New Mexico 88201  
Attn: M. I. Taylor

Husky Oil Company  
P. O. Box 380  
Cody, Wyoming 82414

Pan American Petroleum Corporation  
P. O. Box 480  
Farmington, New Mexico  
Attn: L. O. Speer

Skelly Oil Company  
P. O. Box 1650  
Oil Center Building  
Tulsa, Oklahoma  
Attn: George W. Sellinger

Tenneco Oil Company  
P. O. Box 1714  
Durango, Colorado  
Attn: R. E. Siverson

DRAFT

GMH/esr  
3-6-69

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

(9)

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

RECORDS CENTER & LAW LIBRARY

CASE No. 4053

Order No. R- 3707

*ma*  
*adp*  
APPLICATION OF EL PASO PRODUCTS  
COMPANY FOR SPECIAL POOL RULES,  
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 26, 1969,  
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this \_\_\_\_\_ day of March, 1969, 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 the applicant, El Paso Products Company, seeks the  
promulgation of special rules and regulations for the Gallegos-  
Gallup Oil Pool, San Juan County, New Mexico, including provisions  
for the classification of oil and gas wells, 80-acre spacing for  
oil wells, and 320-acre spacing for gas wells.

(3) That while said Gallegos-Gallup Oil Pool is presently  
classified as an oil pool, the evidence adduced indicates that  
it is in fact an "associated" reservoir.

80-acre spacing.

*see under*  
↓

(5) That the reservoir characteristics of the subject pool presently available justify the definition of a gas well as a well producing with a gas-liquid ratio of 30,000 or more cubic feet of gas per barrel of liquid hydrocarbons.

(6) That special rules and regulations providing for 320-acre gas well spacing and 80-acre oil well spacing should be promulgated for the subject pool in order to prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, prevent reduced recovery which might result from the drilling of too few wells, and otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That Special Rules and Regulations for the Gallegos-Gallup Oil Pool, San Juan County, New Mexico, are hereby promulgated as follows, effective May 1, 1969, 1969:

SPECIAL RULES AND REGULATIONS  
FOR THE  
GALLEGOS-GALLUP OIL POOL

RULE 1. Each well completed or recompleted in the Gallup formation within the boundary of the Gallegos-Gallup Oil Pool or within one mile thereof, and not nearer to nor within the boundaries of another designated Gallup pool, shall be drilled, spaced, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. (a) Each gas well shall be located on a tract consisting of approximately 320 acres which may reasonably be presumed to be productive of gas from said pool, and which shall comprise any two contiguous quarter sections of a governmental section, being a legal subdivision (half section) of the United

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States Public Land Surveys. For purposes of these rules, a unit consisting of between 316 and 324 contiguous surface acres shall be considered a standard gas unit.

RULE 2. (b) ~~For good cause shown, the Secretary-Director~~

1. The District Supervisor ~~of the appropriate district office of the Commission~~ shall have the authority to approve a non-standard unit as an exception to Rule ~~2(a)~~ without notice and hearing when the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the U. S. Public Land Surveys and the non-standard unit is not less than 75% nor more than 125% of a standard unit.

2. The District Supervisor ~~of the appropriate district office of the Commission~~ may approve the non-standard unit by:

(a) Accepting a plat showing the proposed non-standard unit and the acreage to be dedicated to the non-standard unit, and

(b) Assigning an allowable to the non-standard unit.

3. The Secretary-Director of the <sup>(2(a))</sup> Commission shall have authority to grant an exception to Rule ~~2(a)~~ without notice and hearing where an application has been filed in due form and when the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the U. S. Public Land Surveys and the non-standard unit is less than 75% or more than 125% of a standard unit, or where the following facts exist and the following provisions are complied with:

(a) The proposed non-standard proration unit consists of less acreage than a standard proration unit;

(b) The non-standard gas proration unit consists of contiguous quarter-quarter sections and/or lots;

(c) The non-standard gas proration unit lies wholly within a single governmental section;

(d) The entire non-standard gas proration unit may reasonably be presumed to be productive of gas from the designated gas pool;

(e) The applicant presents written consent in the form of waivers from:

(1) All operators owning interests outside the non-standard gas proration unit but in the same section in which any part of the non-standard gas proration unit is situated, and

(2) All operators owning interests in acreage offsetting the non-standard gas proration unit.

(f) In lieu of subparagraph (e) of this rule, the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to form such non-standard gas proration unit. (This notification to offset operators should consist of the same information that is furnished to the Commission). The Secretary-Director of the Commission may approve the

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Order No. R-~~3211~~

(c)

RULE 2. ~~(a)~~ The allowable assigned to any such non-standard gas proration unit shall bear the same ratio to a standard allowable in said pool as the acreage in the unit bears to 320 acres.

RULE 3. (a) Each oil well shall be located on a unit containing approximately 80 acres, which may reasonably be presumed to be productive of oil from said pool, and which consists of the N/2, S/2, E/2, or W/2 of a governmental quarter section. For purposes of these rules, a unit consisting of between 79 and 81 contiguous surface acres shall be considered a standard unit. Nothing contained herein shall be construed as prohibiting the drilling of an oil well on each of the quarter-quarter sections in the 80-acre unit.

RULE 3. (b) For good cause shown, the Secretary-Director may grant an exception to the requirements of Rule 3 (a) without notice and hearing when an application has been filed in due form, and where the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys, or where the following facts exist and the following provisions are complied with:

- (1) The non-standard unit is to consist of a quarter-quarter section or lot.
- (2) The non-standard unit consists of not more than 81 acres.
- (3) The entire non-standard unit may reasonably be presumed to be productive of oil from said pool.
- (4) The applicant presents written consent in the form of waivers from all offset operators.
- (5) In lieu of paragraph (4) of this rule, the applicant may furnish proof of the fact that all of the offset operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if, after a period of 30 days, no operator has entered an objection to the formation of such non-standard unit.

RULE 3. (c) The District Supervisor shall have authority to approve non-standard oil proration units without notice and hearing

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and without administrative approval by the Secretary-Director if such unit consists of two contiguous quarter-quarter sections or lots comprising less than 79 acres lying within a governmental quarter section and the non-standard unit is necessitated by a variation in the United States Public Land Surveys.

RULE 3. (d) The allowable assigned to any such non-standard oil proration unit shall bear the same ratio to a standard allowable in said pool as the acreage in the unit bears to 80 acres.

RULE 4. (a) Each well, oil or gas, shall be located no nearer than 790 feet to any quarter section line and each such well shall be located no nearer than 330 feet to a governmental quarter-quarter section line or subdivision inner boundary line. Any well drilled to and producing from the Gallegos-Gallup Oil Pool prior to the effective date of this order at a location conforming to the well location requirements in effect at the time the well was drilled shall be considered to be located in conformance with this rule.

RULE 4. (b) The Secretary-Director shall have authority to grant an exception to Rule 4 (a) without notice and hearing when the application has been filed in due form and the Secretary-Director determines that good cause exists for granting such exception. However, such an unorthodox location, if approved, may necessitate an allowable adjustment.

Applicants shall furnish all offset operators and all operators within the section in which the subject well is located a copy of the application to the Commission, and the applicant shall include with his application a list of the names and addresses of all such operators together with a stipulation that proper notice has been given said operators at the addresses listed. The Secretary-Director of the Commission shall wait at least 20 days before approving any such unorthodox location, and only in the absence of objection from an offset operator may such application be approved.

RULE 5. A well shall be classified as a gas well if it has a gas-liquid ratio of 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more. A well shall be classified as an oil well if it has a gas-liquid ratio of less than 30,000 cubic feet of gas per barrel of liquid hydrocarbons. The simultaneous dedication of any acreage to both an oil well and a gas well is strictly prohibited.

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RULE 6. The gas-liquid ratio limitation shall be 2,000 cubic feet of gas per barrel of liquid hydrocarbons produced.

RULE 7. An oil well which has 80 acres dedicated to it shall be permitted to produce an amount of gas determined by multiplying the top unit oil allowable for said pool by the limiting gas-liquid ratio for the pool, (2,000). In the event there is more than one oil well on an 80-acre oil proration unit, the operator may produce the allowable assigned to the 80-acre unit from said wells in any proportion.

A gas well shall be permitted to produce that amount of gas obtained by multiplying the top unit oil allowable for the pool by 2,000 and by a fraction, the numerator of which is the number of acres dedicated to the particular gas well and the denominator of which is 80. In the event there is more than one gas well on a 320-acre gas proration unit, the operator may produce the amount of gas assigned to the unit from said wells in any proportion.

RULE 8. The operator of each newly completed well shall cause a gas-liquid ratio test to be taken on said well upon recovery of all load oil from the well, provided however, that in no event shall the test be commenced later than 30 days from the date of first production unless the well is connected to a gas-gathering facility and is producing under a temporary gas allowable assigned in accordance with Rule 11. Provided further, that any well which is shut-in shall be exempted from the aforesaid gas-liquid ratio test requirement so long as it remains shut-in. The initial gas-liquid ratio test shall be taken in the manner prescribed by Rule 9. If the gas-liquid ratio is 30,000 cubic feet of gas per barrel of liquid hydrocarbons, or more, the operator shall not produce the well until beneficial use can be made of the gas.

No gas shall be flared or vented from any well classified as an oil well more than 60 days after the well begins to produce. Any operator that desires to obtain an exception to the foregoing provisions for a well classified as an oil well shall submit to the Secretary-Director of the Commission an application for such exception with a statement setting forth the facts and circumstances justifying it. The Secretary-Director is hereby authorized to grant such an exception if he determines that the granting of it is reasonably necessary. If the Secretary-Director declines to grant administrative approval

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of the requested exception, the matter shall be set for hearing if the operator so requests.

*22* *taken after April 1, 1969*

RULE 9. Gas-liquid ratio tests shall be taken on all wells in the pool, and on all wells producing from the Gallup ~~and~~ *formation* within one mile of the boundaries of the pool which are not within another designated Gallup pool, during the months of ~~April, May, June, July, and August~~ *April, May, June, July, and August* ~~July of each year.~~ The initial gas-liquid ratio test shall suffice as the first ~~semi~~-annual test. Tests shall be 24-hour tests, being the final 24 hours of a 72-hour period during which the well shall be produced at a constant normal rate of production. Results of such tests shall be filed on Commission Form C-116 on or before the 10th day of the following month. At least 72 hours prior to commencement of any such gas-liquid ratio tests, each operator shall file with the Aztec office of the Commission a test schedule for its wells, specifying the time each of its wells is to be tested. Copies of the test schedule shall also be furnished to all offset operators.

Special tests shall also be taken at the request of the Secretary-Director and may also be taken at the option of the operator. Such special tests shall be taken in accordance with the procedures outlined hereinabove, including notification to the Commission and offset operators.

RULE 10. An initial shut-in pressure test shall be taken on each gas well and shall be reported to the Commission on Form C-125.

RULE 11. Any well completed after the effective date of this order shall receive an allowable only upon receipt by the Commission's Aztec Office of Commission Forms C-104 and C-116, all properly executed. The District Supervisor of the Commission's Aztec Office is hereby authorized to assign a temporary gas allowable to wells connected to a gas transportation facility during the recovery of load oil, which allowable shall not exceed the number of cubic feet of gas obtained by multiplying the daily top unit allowable for the pool by 2,000.

RULE 12. The initial gas proration period shall be from 7 o'clock a.m. on ~~April 1, 1969~~ *April 1, 1969*, to 7 o'clock a.m. on February 1, *1970*. Subsequently, the dates 7 o'clock a.m. February the first and 7 o'clock a.m. August the first shall be known as balancing dates, and the periods of time bounded by these dates shall be known as the gas proration periods for the Gallegos-Gallup Oil Pool.



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RULE 13. Any gas well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

RULE 14. Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

RULE 15. Any well which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period, provided that such overproduction shall be compensated for during such succeeding period. Any well which has not compensated for the overproduction carried into a gas proration period by the end of such proration period shall be shut-in until such overproduction is compensated for. If, at any time, a well is overproduced an amount equalling three times its current monthly allowable, it shall be shut-in during that month and each succeeding month until the well is overproduced less than three times its current monthly allowable.

RULE 16. The allowable assigned to a well during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been compensated for.

RULE 17. The Commission may allow overproduction to be compensated for at a lesser rate than would be the case if the well were completely shut-in upon a showing after notice and hearing that complete shut-in of the well would result in material damage to the well and/or reservoir.

RULE 18. The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the produced gas.

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CASE No. ~~2842~~ 4053  
Order No. ~~RM2222~~

RULE 19. Each purchaser or taker of gas shall submit a report to the Commission on or before the 15th day of the month next succeeding the month in which the gas was purchased or taken. Such report shall be filed on Form C-111 with the wells being listed in approximately the same order as they are listed on the oil proration schedule.

RULE 20. Failure to comply with any provision of this order or the rules contained herein shall result in the immediate cancellation of allowable assigned to the affected well. No further allowable shall be assigned until all rules and regulations have been complied with. The District Supervisor shall notify the operator of the well and the purchaser in writing of the date of allowable cancellation and the reason therefor.

RULE 21. All transporters or users of gas shall file gas well-connection notices with the Commission as soon as possible after the date of connection.

RULE 22. Allowables to wells whose classification has changed from oil to gas or from gas to oil as the result of a gas-liquid ratio test shall commence on the first day of the month following the month in which such test was reported, provided that a plat (Form C-102) showing the acreage dedicated to the well and the location of all wells on the dedicated acreage have been filed.

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

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

ALEX J. ARMIJO, Member

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

S E A L

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