

Entered August 26, 1966
A.P.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

CASE No. 3425
Order No. R-3105

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION
ON ITS OWN MOTION TO CONSIDER ALL
ASPECTS OF THE POSSIBLE ADOPTION OF
A BONUS DISCOVERY ALLOWABLE FOR THE
STATE OF NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on July 13, 1966, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 26th day of August, 1966, 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 reason to believe that a discovery allowable will stimulate the search and exploration for new sources of oil within the boundaries of New Mexico.

(3) That the adoption of the rules hereinafter designated and of related Commission Form C-109, all as hereinafter set out, is in the interest of conservation.

IT IS THEREFORE ORDERED:

(1) That Section "G" of the Rules and Regulations of the Commission entitled "OIL PRORATION AND ALLOCATION" is hereby amended to include Rule 509 as follows:

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RULE 509. OIL DISCOVERY ALLOWABLE

In addition to the normally assigned allowable, an oil discovery allowable may be assigned to a well completed as a bona fide discovery well in a new common source of supply. Said oil discovery allowable shall be in the amount of 5 barrels for each foot of depth of said well from the surface of the ground to the top of the perforations in the new pool or the depth of the casing shoe, whichever is higher. In counties where there is no other current oil production, and in any county when the discovery is the deepest oil production in the county, the oil discovery allowable shall be 10 barrels per foot of depth.

A multiply completed well shall be eligible to receive an oil discovery allowable for each new oil pool discovered, provided that the discovery allowable for the uppermost pool shall be based on the depth from the surface of the ground to the top of the perforations, and the discovery allowable for each lower pool shall be based on the distance from the bottom of the perforations in the next higher newly discovered oil pool to the top of the perforations in said lower pool or to the casing shoe, if applicable.

Oil discoveries made in old producing wells drilled deeper or previously abandoned dry holes shall receive discovery allowables in accordance with the above, except that the depth measurement shall be from the point actual formation drilling was commenced rather than from the surface of the ground. However, any abandoned dry hole which is re-entered and drilled deeper and a discovery made within one year from the date of abandonment, may receive a discovery allowable based on the depth as measured from the surface of the ground.

Date of discovery to determine the well which should properly receive the oil discovery allowable for any new pool shall be the date the well is completed and new oil is run into stock tanks, provided however, any operator drilling through and discovering a new oil pool in the course of drilling to a lower horizon may file an affidavit of such discovery within seven days after drill stem tests were made of said pool, accompanying said affidavit with all available pool data. If, prior to completion of said well, another operator claims discovery of a similar pool and there are reasonable grounds to believe the pools are one and the same, no discovery allowable will be assigned to either well

until after the initial well for which the affidavit was filed has been completed. If at that time the operator of the initial well makes formal application for the discovery allowable in said pool, it will be determined after hearing which well shall receive the discovery allowable.

To obtain an oil discovery allowable, the owner of a discovery well shall file two copies of Commission Form C-109, Application for Discovery Allowable and Creation of a New Pool, with the appropriate District Office of the Commission and one with the Santa Fe office. Each copy of said form shall be accompanied by the following:

1. A map depicting all wells within a two-mile radius of the discovery well. All producing oil and gas wells and the formations from which they are producing or have produced are to be clearly shown as well as all dry holes and the depths to which they were drilled. Maps shall be on a scale one inch equals 1,000 feet and shall also indicate the names of all lessees of record in the depicted area.
2. A complete electrical log of the subject well with the tops and bottoms of producing formations in the subject well and in nearby wells identified thereon.
3. If application is based on horizontal separation, a sub-surface structural map of the producing formation(s) for which the discovery allowable is sought, showing seismic or geological interpretation of the subject structure and any troughs, faults, pinch-outs, etc., which separate the subject well from nearby wells producing from the same formation(s).
4. A geological cross-section prepared from electrical logs of the subject well and nearby wells establishing horizontal as well as vertical separation from other wells depicted on the plat which are producing or have produced from the discovery formation(s).
5. A summary of all available reservoir data including bottom hole pressure data, fluid levels, core analyses, reservoir liquid characteristics and any other

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pertinent data on the subject reservoir as well as other nearby reservoirs which may help establish whether the subject well is in fact a discovery.

If, in the opinion of the Commission staff, good cause exists to bring the pool on for hearing as a discovery, and no objection has been received from any other operator, the pool will be placed on the first available hearing docket for inclusion by the staff in its regular pool nomenclature case. If the staff is not in agreement with the applicant's contention that a new pool has been discovered, or if another operator objects to the creation of a new pool and the assignment of an oil discovery allowable, the applicant will be so notified, and he will be expected to present the evidence supporting his case at the nomenclature hearing.

Effective date of a well's discovery allowable will be 7:00 a.m. on the first day of the month next succeeding the month in which the Commission approves the discovery.

The total discovery allowable attributable to each zone in the well shall be produced over a two-year period commencing with the time of authorization. The well's daily allowable for each pool receiving the discovery allowable shall not exceed the daily top unit allowable for the pool plus the total pool discovery allowable divided by 730 days (731 days if a leap year is included).

A discovery well shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio for the pool multiplied by the top unit allowable for the pool plus the daily oil discovery allowable. In addition to all other statewide rules not specifically excepted herein, the provisions of Commission Rule 502 relating to daily tolerance, monthly tolerance, and underproduction and overproduction, shall apply to oil discovery allowables as well as to regular allowables for discovery wells.

Nothing herein contained shall be construed as prohibiting the Commission from curtailing the discovery allowables of wells during times of depressed market demand, provided however, such discovery allowables shall be reinstated for production at the earliest possible date. Further, when it appears reservoir damage or waste might result from production of the oil discovery allowable within the normal two-year period, the Commission may, after notice and hearing, extend said period.

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(2) That Section "M" of the Rules and Regulations of the Commission entitled "REPORTS" is hereby amended to include Rule 1109 as follows:

RULE 1109: APPLICATION FOR DISCOVERY ALLOWABLE AND CREATION OF A NEW POOL (Form C-109)

Form C-109, when applicable, shall be filed in accordance with Rule 509.

(3) That Form C-109, Application for Discovery Allowable and Creation of a New Pool, (a copy of which is attached hereto and made a part hereof as Exhibit "A") is hereby approved.

(4) That Rule 1100-D of the Commission Rules and Regulations is hereby amended to include Form C-109, Application for Discovery Allowable and Creation of a New Pool.

(5) That the provisions of this order shall be limited to oil pools discovered after September 1, 1966.


(6) 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


JACK M. CAMPBELL, Chairman


GUYTON B. HAYS, Member


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

S E A L

esr/

NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION FOR DISCOVERY ALLOWABLE AND CREATION OF A NEW POOL

Note: This form is to be filed and attachments made in accordance with the provisions of Rule 509. If discovery is claimed for more than one zone, separate forms must be filed for each.

OPERATOR		ADDRESS	
LEASE NAME		WELL NO.	COUNTY
WELL LOCATION UNIT LETTER _____; WELL IS LOCATED _____ FEET FROM THE _____ LINE AND _____ FEET FROM THE _____ LINE OF SECTION _____, TOWNSHIP _____, RANGE _____, NMPM			
SUGGESTED POOL NAMES (List in order of preference) 1. _____ 2. _____ 3. _____			
NAME OF PRODUCING FORMATION		PERFORATIONS	DATE OF FILING FORM C-104
WAS "AFFIDAVIT OF DISCOVERY" PREVIOUSLY FILED FOR THIS WELL IN THIS POOL?		IF YES, GIVE DATE OF FILING	DATE WELL WAS SPUDDED
TOTAL DEPTH		PLUGGED BACK DEPTH	DEPTH CASING SHOE
		TUBING DEPTH	ELEVATION (State whether Gr., DF, RKB, RT, etc.)
OIL WELL POTENTIAL (TEST TO BE TAKEN ONLY AFTER ALL LOAD OIL HAS BEEN RECOVERED) _____ BBLs, OIL PER DAY BASED ON _____ BBLs IN _____ HOURS; _____ BBLs WATER PER DAY BASED ON _____ BBLs IN _____ HOURS; GAS PRODUCTION DURING TEST: _____ MCF; RATIO: _____ METHOD OF PRODUCING: _____ CHK. SIZE _____			

NEAREST PRODUCTION TO THIS DISCOVERY (INCLUDES PAST AND PRESENT OIL OR GAS PRODUCING AREAS AND ZONES WHETHER THIS DISCOVERY IS BASED ON HORIZONTAL OR VERTICAL SEPARATION):

POOL NAME	NAME OF PRODUCING INFOR.	TOP OF PAY	BOTTOM OF PAY	CURRENTLY PRODUCING?
HORIZONTAL DISTANCE AND DIRECTION FROM SUBJECT DISCOVERY WELL TO THE NEAREST WELL IN THIS POOL.		VERTICAL DISTANCE FROM SUBJECT DISCOVERY ZONE TO PRODUCING INTERVAL THIS POOL.		
NEAREST COMPARABLE PRODUCTION (INCLUDES PAST AND PRESENT OIL OR GAS PRODUCTION FROM THIS PAY OR FORMATION ONLY):				
POOL NAME		TOP OF PAY	BOTTOM OF PAY	CURRENTLY PRODUCING?
HORIZONTAL DISTANCE AND DIRECTION FROM SUBJECT DISCOVERY WELL TO THE NEAREST WELL IN THIS COMPARABLE POOL.				

IS "COUNTY DEEP" DISCOVERY ALLOWABLE REQUESTED FOR SUBJECT DISCOVERY WELL?	IF YES, GIVE NAME, LOCATION, AND DEPTH OF NEXT DEEPEST OIL PRODUCTION IN THIS COUNTY
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IS THE SUBJECT WELL A MULTIPLE COMPLETION?	IS DISCOVERY ALLOWABLE BEING REQUESTED FOR ANY OTHER ZONE(S)?	IF YES, NAME ALL SUCH FORMATIONS
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LIST ALL OPERATORS OWNING LEASES WITHIN ONE MILE OF THIS WELL (ATTACH ADDITIONAL SHEET IF NECESSARY)

NAME	ADDRESS

ATTACH EVIDENCE THAT ALL OF THE ABOVE OPERATORS HAVE BEEN FURNISHED A COPY OF THIS APPLICATION. ANY OF SAID OPERATORS WHO INTENDS TO OBJECT TO THE DESIGNATION OF THE SUBJECT WELL AS A DISCOVERY WELL ELIGIBLE TO RECEIVE A DISCOVERY ALLOWABLE MUST NOTIFY THE APPROPRIATE DISTRICT OFFICE AND THE SANTA FE OFFICE OF THE COMMISSION OF SUCH INTENT IN WRITING WITHIN TEN DAYS AFTER RECEIVING A COPY OF THIS APPLICATION.

REMARKS:

CERTIFICATION

I HEREBY CERTIFY THAT ALL RULES AND REGULATIONS OF THE NEW MEXICO OIL CONSERVATION COMMISSION HAVE BEEN COMPLIED WITH RESPECT TO THE SUBJECT WELL, AND THAT IT IS MY OPINION THAT A BONA FIDE DISCOVERY OF A HITHERTO UNKNOWN COMMON SOURCE OF OIL SUPPLY HAS BEEN MADE IN SAID WELL. I FURTHER CERTIFY THAT THE DISCOVERY ALLOWABLE FOR THE SUBJECT WELL, IF AUTHORIZED, WILL BE PRODUCED FROM THE SUBJECT ZONE IN THIS WELL ONLY. FURTHER, THAT THE INFORMATION GIVEN HEREIN AND ATTACHED HERETO IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE AND BELIEF.

Signature

Date