

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

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

CASE NO. 7962
Order No. R-7454

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION
COMMISSION ON ITS OWN MOTION TO CONSIDER CERTAIN AMENDMENTS TO
RULE 902 OF THE OIL AND GAS RULES AND REGULATIONS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on February 16, 1984, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 2nd day of March, 1984, 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 this matter came on for hearing before the Commission on September 22, 1983, and was taken under advisement.

(3) That because of the need to coordinate certain matters in this case with related matters in Case No. 8077, this case was readvertised and reopened on February 16, 1984.

(4) That the Oil Conservation Division hereinafter referred to as the Division, is proposing to amend its general Rule 902 RATABLE TAKE.

(5) That the 36th New Mexico Legislature amended Section 70-2-19 of the Oil and Gas Act to extend its common purchaser provisions to include casinghead gas in addition to gas produced from gas wells.

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(6) That said Rule 902 should be amended to track said Section 70-2-19 and bring casinghead gas under the common purchaser and ratable take provisions of said rule.

(7) That in Order No. R-7453 entered March 2, 1984, a category of hardship gas wells was established and permitted priority access to gas markets.

(8) That paragraph (a) of said Rule 902 should be amended to recognize the existence of such hardship gas wells.

(9) That said Rule 902 should be amended to read in its entirety as shown on Exhibit "A" attached to this order.

IT IS THEREFORE ORDERED:

(1) That Division Rule 902 is hereby amended to read in its entirety as shown on Exhibit "A" attached to this order.

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

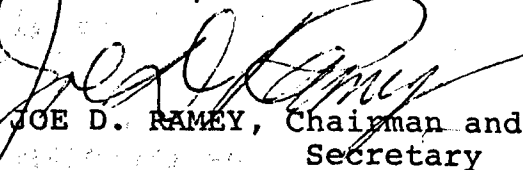
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member



ED KELLEY, Member



JOE D. RAMEY, Chairman and
Secretary

S E A L

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

(b) Any common purchaser taking gas produced from gas wells or casinghead gas produced from oil wells from a common source of supply shall take ratably under such rules, regulations and orders, concerning quantity, as may be promulgated by the Division consistent with this rule. The Division, in promulgating such rules, regulations and orders may consider the quality and the deliverability of the gas, the pressure of the gas at the

EXHIBIT "A"
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point of delivery, acreage attributable to the well, market requirements in the case of unprorated pools, and other pertinent factors.

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

Case _____ In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider certain amendments to Rule 902 of the Oil and Gas Rules and Regulations. The Commission will consider proposed amendments to Rule 902 to extend the coverage of this Marketable Take rule to include casing head gas produced from oil wells. This proposed rule change is in conformance with amendments made to the Oil and Gas Act by the New Mexico Legislature. Copies of the proposed rule changes are available for inspection during normal business hours at the main office of the Oil Conservation Division, State and Office Building Santa Fe, and at the Division's District Offices in Arterio, Aztec and Hobbs.