

Humble

SUGGESTED AMENDMENT TO SUBSECTION VI C
OF PROPOSED GENERAL RULES FOR GAS PRORATION.

(To be substituted for paragraph 4.)

4. Where not more than two proration units are assigned to a well, the well shall not be located closer than 660 feet to the longest boundary of the pooled units nor less than 1320 feet from the shortest boundary of the pooled units. Where three or more units are pooled the well shall not be located closer than 1320 feet ^{to} ~~of~~ the outer boundary of the pooled unit.

Fort Worth, Texas
August 10, 1953

Mr. E. W. Webb - Houston, Texas

NEW MEXICO GAS PRORATION RULES

A copy of subject rules, as adopted by the committee appointed to study this subject, are attached. The rules represent the majority opinion of the group, but probably do not entirely represent the thinking of any individual company serving on the committee. The proposed rules are believed to be reasonably acceptable in their present form, but for clarification the following changes are recommended:

Page 1

I Definitions of Gas Well - change to read:

"Gas well shall mean a well producing from a common source of supply which has been designated by the commission to be a gas pool."

The definition adopted by the committee is clumsily worded and ambiguous.

Added Definition:

Gas purchaser shall mean any "taker" of gas either at the wellhead or at any point on the lease where connection is made for gas transportation or utilization.

This definition replaces rule IV C.

II Paragraph A, lines 2 and 3

Change "sections" to "section".

Delete "(a), (b), (c), and".

The provisions of the sections deleted do not apply to these gas rules.

Sub-paragraph 2 (a) line 2

Change "660" to "1320".

This distance corresponds to gas spacing whereas the figure 660, which was copied with this wording from statewide rule 104(f), applies to oil proration units specifically.

III Oil Production from Defined Gas Pools

Delete entire paragraph.

Substitute the following:

"No well producing from any pool allocated under these rules shall be allowed to produce a greater daily amount of liquid hydrocarbons than the top unit oil allowable determined by statewide rule 505, unless, after hearing, the commission shall amend this rule as it applies to a particular pool in order to prevent waste or protect correlative rights."

The deleted provision not only is not necessary, but is contrary to the intent of the commission in regulating gas pools. Rules governing gas pools should regulate gas by setting gas allowables, not oil allowables. The liquid produced from wells in gas pools should be cleared as a matter of course through its gas allowable and periodic tests.

Page 2

IV Section C

Delete entire section.

This is remedied in definitions.

VI Paragraph B, line 8

Delete entire sentence beginning; "The Commission shall include ---." Substitute; "The Commission shall include in such proration schedule all wells completed in and capable of producing from any pool allocated under these rules."

The wording adopted by the committee is of no value for the purpose for which it was intended and was proposed by individuals who were "grinding their own axes" under the pretext that the wording is taken

Mr. E. W. Webb
Page 3

from the conservation statute, which is true but immaterial. Placing a well on the proration schedule is no insurance that the well will be connected. That is a matter of contract between the producer and purchaser. Furthermore, the wording would enable an operator utilizing all of his gas production on his own lease to have his wells left off the schedule.

Line 13

Delete sentence beginning "The total allowable ---".

Substitute the following:

"Such schedule shall set forth each well's current gas allowable, which shall be its fair and equitable share of the pool allowable, as determined under the provisions of rule VI C below; the amount of overproduction or underproduction accrued during the second preceding month; and the net allowable which shall be the current allowable plus said underproduction or less said overproduction from the second preceding month."

This wording substituted to cure defects believed to exist in last sentence of this rule recommended to be deleted as noted below.

The present wording is calculated to adjust nominations by actual production experience. The effect, however, would lead to confusion. For instance, if production (or takes) during a given month greatly exceeded the allowable, due to an unexpected surge of demand, that excess would be added to the allowable of the second succeeding month. The effect is to multiply the difficulties wrought by the vagaries of weather and market demand. Actually, these unknown factors should be handled by adjusting nominations, as that is the purpose of the supplemental nominations.

Section C, line 3

Change "amount" to "proportion".

Proportion makes the intent a little clearer.

Page 3

Line 2 after "shall be"

Delete rest of sentence, substitute therefor;
"construed to contain 160 acres, notwithstanding
variations therefrom within the limitations of rule
V above."

The committee apparently did not understand the
intent of the former wording, and it was changed for
brevity. The purpose of this language is to relieve
the commission of having to deal with small variations
(up to 2 acres) from the standard units for allowable
purposes. Units with 158 or 162 acres would be given
credit for 160 acres and be treated exactly like a tract
that contained precisely 160 acres.

.VI Sub-paragraph 4, line 2

Change "that" to "than".

Line 7

Change comma after "pooled" to a period. Delete
"and".

Page 4.

VIII A 2

Delete "and the immediately surrounding leases".

A 3

Delete.

IX Line 2

Substitute for word "submitted" the words "re-
ported on a form designated by the commission.

The word "submitted" is ambiguous and does not
indicate the intent of the rule. The substituted
wording gives the proper directions and indicates
exactly how the gas production is to be reported.

Mr. E. W. Webb
Page 5

In addition to the changes recommended for the gas rules and in connection therewith it is further recommended that definition No. 51 in the statewide rules be changed as follows:

Line 4

Change "seventh" to "sixth".

The definition would then read as follows:

"Proration period shall mean for oil the proration month and for gas six consecutive calendar months which shall begin at 7:00 a.m. on the first day of a calendar month and end at 7:00 a.m. on the first day of the sixth succeeding month." (Correction underscored).

The present wording would imply a 7-month proration period, whereas the wording just preceding it in the same definition definitely states the period should be six months. For consistency and clarity the change recommended above should be made.

Your approval of the rules as amended herein is recommended.

H. L. Johnston
Regional Manager
of Production
Southwestern Region

HLJ-MC
Enc

Carbon copies to:
HGD-
Div. Prod., M.
Dist. Prod., H.

EL PASO NATURAL GAS COMPANY

Tenth Floor Bassett Tower

El Paso, Texas

July 6, 1953

Advisory Committee on Gas Proration
New Mexico Oil Conservation Commission Case 521

Gentlemen:

Attached are two (2) copies of the final recommendations on rules for gas proration and gas pool designations as approved at our meeting of June 25, 1953. It is my intention to formally present the recommendations to the New Mexico Oil Conservation Commission at its meeting in Santa Fe on July 16. If the recommendations as written do not correctly reflect the action taken by the Committee on any points, please so advise me not later than July 10 in order that such revisions that are necessary can be made prior to submittal to the Commission.

In an informal discussion between Mr. R. R. Spurrier and Mr. Ben Howell, Mr. Spurrier indicated that if the recommendations are submitted to the Commission at the July meeting, a full discussion of them will be deferred until the August meeting.

As was stated several times at our various meetings, it is understood that although these recommendations are those of the Committee as a whole, the individual member companies are free to take whatever position they choose in any hearings on the subject before the Commission.

As your Chairman, I would like to take this opportunity to thank each member of the Committee for your cooperation, and to particularly thank Messrs. Staley and Stanley for the work which they did in providing a meeting place and taking care of the minutes of the meetings.

Very truly yours,

A. L. Hill

GENERAL RULES FOR GAS PRORATION
FOR USE IN DEFINED GAS FIELDS LOCATED IN
THE FOUR-COUNTY AREA COMPRISED OF
LEA, EDDY, CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO
RECOMMENDED BY THE ADVISORY COMMITTEE TO
THE OIL CONSERVATION COMMISSION OF NEW MEXICO ON CASE 521

I. DEFINITION OF A GAS WELL (Supersedes Statewide Definition 24)

GAS WELL shall mean a well producing gas or natural gas from a common source of gas supply from a gas pool determined by the Commission.

II. WELL SPACING; ACREAGE REQUIREMENTS FOR DRILLING TRACTS

A. (Supersedes Statewide Rule 104 (f))

The Secretary of the Commission shall have authority to grant an exception to the requirements of Statewide Rule 104, Sections (a), (b), (c), and (d), without notice and hearing where application has been filed in due form, and,

1. The necessity for the unorthodox location is based on topographical conditions, or is occasioned by the recompletion of a well previously drilled to another horizon, and,

2. (a) The ownership of all oil and gas leases within a radius of 660 feet of the proposed location is common with the ownership of the oil and gas leases under the proposed location, or,

(b) All owners of oil and gas leases within such radius consent in writing to the proposed location.

B. (Supersedes Statewide Rule 104 (k))

The provisions of Statewide Rule 104, Paragraph (k), shall not apply to gas pools located in Lea, Eddy, Chaves and Roosevelt Counties, New Mexico.

III. OIL PRODUCTION FROM DEFINED GAS POOLS

In a gas pool, as defined by the Oil Conservation Commission, each proration unit containing a well producing in excess of five barrels of crude oil per day shall be permitted to produce an oil allowable calculated by dividing the gas allowable as assigned to a gas well on the same unit size as said well by the gas-oil ration of said well. The maximum oil allowable which may be assigned said well shall be the top unit oil allowable as determined by Statewide Rule 505 unless, after hearing, the Commission shall amend this rule as it applies to a particular pool in order to prevent waste.

IV. GAS PRORATION (Supersedes Statewide Rule 602)

A. At such time as the Commission determines that allocation of gas production from gas wells producing from any pool in this four-county area is necessary to prevent waste or to protect correlative rights, the Commission, after notice and hearing, shall consider the nominations of gas purchasers from such gas pool and other relevant data, and shall fix the allowable production of such pool, and shall allocate production among the gas wells in such pool upon a reasonable basis with due regard for correlative rights. Unless special pool rules are adopted as provided in B. below, the general rules of this section shall apply to each gas pool allocated under these rules.

B. After notice and hearing, the Commission, in order to protect correlative rights, or prevent waste, or both, may promulgate special rules, regulations or orders pertaining to any gas pool.

C. The term "gas purchaser" as used in these rules, shall mean any "taker" of gas at the wellhead and it shall be the responsibility of said "taker" to submit a nomination.

V. PRORATION UNITS

For the purpose of gas allocation in the absence of special pool rules, a standard proration unit shall consist of between 158 and 162 contiguous surface acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys, provided, however, that a gas proration unit other than a legal quarter section may be formed after notice and hearing by the Commission, or after the Commission has been furnished waivers from all offsetting operators, if all acreage is contiguous and does not contain more than four legal quarter-quarter sections and/or lots. Any allocation unit containing less than 158 acres or more than 162 acres shall be a non-standard unit and its allowable shall be decreased or increased to that proportion of the standard unit allowable that the number of acres contained therein bears to 160 acres.

VI. GAS ALLOCATION (Supersedes Statewide Rule 602)

A. At least 30 days prior to the beginning of each gas proration period the Commission shall hold a hearing after due notice has been issued. The Commission shall cause to be submitted by each gas purchaser its nominations of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period by months from each gas pool from which it purchases gas. The Commission shall consider nominations of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period.

B. The Commission shall cause to be submitted each month supplemental nominations from purchasers of gas in like manner as the nominations described above, setting out changes, if any, which should be made due to fluctuations of market demand. The Commission shall hold a public hearing between the 15th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month. The Commission shall include in the proration schedule the gas wells in the pool delivering to a gas transportation facility, and shall include in the proration schedule of such pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well. The total allowable to be allocated to the pool shall be determined by the Commission in the following manner: The total allowable for a month shall be equal to the total market demand for that month plus the amount of any overproduction, or less the amount of any underproduction during the second preceding month.

C. The allocation to a pool remaining after subtracting the capacities of marginal units shall be divided and allocated ratably among the non-marginal units in the amount that the acreage contained in each unit bears to the

total acreage allotted to such non-marginal units; provided that for this purpose standard units shall be as defined in Rule V above. More than one proration unit or fractional parts thereof may be assigned to a gas well and the allowables assigned said well may be increased proportionately provided that:

1. No more than 640 acres shall be assigned to any one well,
2. All acreage in such units may reasonably be presumed to be productive of gas,
3. The multiple unit so formed shall not have an overall length or width exceeding 5,280 feet.
4. The well to which such additional units are assigned shall be located not closer to any boundary of such pooled units than the distance represented by 25% of the length of the longer of the two boundaries of said pooled unit which are adjacent to said first-mentioned boundary; provided further, that where three proration units are pooled the well shall not be located more than 1,320 feet from the nearest boundary of any unit so pooled, and,
5. Exceptions to the provisions of this rule may be granted by the Commission after notice and hearing or after the Commission has been furnished waivers by all offsetting operators.

VII. BALANCING OF PRODUCTION (Supersedes Statewide Rule 604)

A. Underproduction

The dates 7:00 A. M. January 1 and 7:00 A. M. July 1 shall be known as balancing dates and the periods of time bounded by these dates shall be known as gas proration periods. The amount of current gas allowable remaining unproduced at the end of each proration period shall be carried forward to and may be produced during the next succeeding proration period in addition to the normal gas allowable for such succeeding period; but whatever amount thereof is not made up within the first succeeding proration period shall be cancelled. If, at the end of the first succeeding proration period, a greater amount of allowable remains unproduced than was carried forward as underproduction, the amount carried forward to the second succeeding period shall be the total underproduction less the amount carried forward to the first succeeding period.

If it appears that such continued underproduction has resulted from inability of the well to produce its allowable, it may be classified as a marginal well and its allowable reduced to the well's ability to produce.

B. OVERPRODUCTION

A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If, at the end of the first succeeding proration period, the well is still overproduced, it shall be shut in and its current monthly allowable charged against said overproduction until the well is in balance. If, at any time, a well is overproduced an amount equaling six times its current monthly allowable, it shall be shut in until it is in balance.

The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut in upon a showing at public hearing after due notice that complete shut-in of the well would result in material damage to the well.

VIII. GRANTING OF ALLOWABLES

A. No gas well shall be given an allowable until Form C-104 has been filed together with a plat showing:

1. acreage attributed to said well,
2. the locations of all wells on the lease and the immediately surrounding leases producing from the same reservoir, and,
3. the lease ownership of said leases.

B. Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility or the date of filing of Form C-104 and plat described above, whichever date is the later.

IX. REPORTING OF PRODUCTION

The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be submitted to the Commission so as to reach the Commission on or before the twenty-fifth 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 gas produced. The full production of gas from each well shall be charged against the well's allowable regardless of what disposition has been made of the gas.

REVISIONS AND ADDITIONS TO ORDER NUMBER R-264 IN CASE 245
DESIGNATING, NAMING, DEFINING AND EXTENDING THE GAS POOLS
OF LEA, EDDY AND CHAVES COUNTIES, NEW MEXICO
RECOMMENDED BY THE ADVISORY COMMITTEE TO
THE OIL CONSERVATION COMMISSION OF NEW MEXICO ON CASE 521

1. It is recommended that the Jalco Gas Pool be extended to include all of sections 15, 16, 17, 20, 21, 22, 27, 28; the E/2 of Section 29; E/2 of Section 32; and all of Sections 33 and 34; all in Township 26 South, Range 37 East.
It is pointed out that the El Paso Natural Gas Company's Rhodes Unit (Storage) Area is located within the boundaries of the Jalco Gas Pool and production of gas from that area should not be restricted or affected by Jalco Gas Pool rules so long as the cumulative total input gas exceeds cumulative total withdrawals and, in addition, that during such period, Jalco Gas Pool rules apply to the storage area only subject to the Unit Agreements and Rule No-405.
2. It is recommended that the vertical limits designated in III (2) of Order No. R-264, "That the producing formation in the Eumont Gas Pool shall extend from the top of the Yates formation to a point 200 feet below the top of the Queen formation thereby including all of the Seven Rivers formation", be amended to read as follows: That the producing formation in the Eumont Gas Pool shall extend from the top of the Yates formation to the top of the Grayburg formation thereby including all of the Yates, Seven-Rivers, and Queen formations.
3. It is recommended that, whereas geologic evidence establishes that the present Terry-Blinebry Pool and the Blinebry Gas Pool are a common reservoir, the Blinebry Gas Pool be extended to include productive acreage presently included in the Terry-Blinebry Pool and other acreage indicated productive by development, to wit: All of Sections 1, 2, 3; E/2 of Section 4; E/2 of Section 9; N/2 of Section 10; N/2 of Section 11; all of Section 12, 13, 24, and 25; all in Township 21 South, Range 37 East, and that the designation Terry-Blinebry Pool be discontinued.
4. It is recommended that, inasmuch as the Blinebry Gas Pool, as recommended in 5 above, contains low ratio oil wells as well as condensate and gas wells, special rules for allocation be adopted.
5. It is recommended that the producing formation in the Blinebry Gas Pool shall be defined as that part of the Yeso formation included from the base of the upper Yeso sandy section which occurs at an averagedepth of 450 ft. below the Glorieta formation and which is the stratigraphic equivalent of the Clear Fork formation of West Texas to the top of the Drinkard sandy member or Tubb Sand.

6. It is recommended that the Justis Gas Pool for production from the Glorieta formation be designated as recommended by Gulf Oil Corporation in the Gas Pool Delineation Study of Southeastern Lea County, New Mexico.
The vertical limit is suggested as the 200 feet immediately below the Glorieta datum. The horizontal limits include the SW/4 of Section 1; SE/4 of Section 2; E/2 of Section 11; W/2 of Section 12; W/2 of Section 13; E/2 of Section 14; E/2 of Section 23; W/2 of Section 24; all in Township 25 South, Range 37 East.
7. It is recommended that for wells presently or subsequently completed as gas producers outside the boundaries of defined gas pools the burden for having same included in gas pools should be placed on the Operator as outlined in Rule 1122.

Note:

In reviewing designated gas pools, the subcommittee recognized the fact that within the area of designated gas pools and adjacent areas, there are a number of gas wells which are producing from the gas caps of oil reservoirs and subject to the oil proration rules pertaining thereto; and, therefore, that these wells will not be subject to the rules pertaining to gas pools.

Case 521 / 12
Cebm

MAGNOLIA PETROLEUM COMPANY

A SOCONY-VACUUM COMPANY
LEGAL DEPARTMENT

21
DALLAS 4, TEXAS

August 7, 1953

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO.

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Mr. R. R. Spurrier
Secretary of New Mexico Oil
Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Mr. Spurrier:

Magnolia Petroleum Company does not plan to be present on the hearing of Case 521 involving the rules for gas proration in Lea, Eddy, Chaves and Roosevelt Counties, New Mexico.

In an informal way we would like to point out two or three ways in which we think that the rules could be improved upon.

Rule III, on page 1, should be made clearer so that there can be no misunderstanding that a well producing less than five barrels of crude oil is unaffected thereby.

The existing wells should be exempted from the spacing requirements set out in Rule VI-C-4.

The last paragraph of Rule VII-B should be amended to provide that the Commission may allow over-production to be made up at a lesser rate than would be the case if the well were completely shut in, upon public hearing after due notice. The rest of the paragraph should be deleted. If this is not agreeable then other reasons for granting an exception to the rule other than "material damage to the well" should be set out in the paragraph. One of these reasons, if they are

To: Mr. R. R. Spurrier

-2-

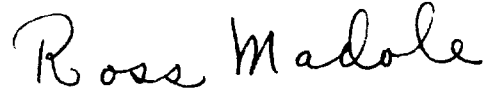
August 7, 1953

set out in the rule, should be that if the complete shut in of the well might subject the leases which are held by production from such well to possible termination by reason of such cessation of production, then the Commission, upon a hearing after due notice, could allow the overproduction to be made up at a lesser rate than would be the case if the well were completely shut in. No operator should be subjected to a possible suit for termination of his lease by reason of any such shut down ordered by the Commission.

These suggestions are submitted for your consideration. If any additional information is desired we will be glad to furnish the same upon request.

Kindest personal regards.

Yours very truly,

A handwritten signature in cursive script that reads "Ross Madole".

Ross Madole

RM:pb

cc: W. H. Speaker

GENERAL RULES FOR GAS PRORATION
FOR USE IN DEFINED GAS FIELDS LOCATED IN
THE FOUR-COUNTY AREA COMPRISED OF
LEA, EDDY, CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO
RECOMMENDED BY THE ADVISORY COMMITTEE TO
THE OIL CONSERVATION COMMISSION OF NEW MEXICO ON CASE 521

- I. DEFINITION OF A GAS WELL (Supersedes Statewide Definition 24)
GAS WELL shall mean a well producing gas or natural gas from a common source of gas supply from a gas pool determined by the Commission.
- II. WELL SPACING; ACREAGE REQUIREMENTS FOR DRILLING TRACTS
- A. [Supersedes Statewide Rule 104 (f)]
The Secretary of the Commission shall have authority to grant an exception to the requirements of Statewide Rule 104, Sections (a), (b), (c), and (d), without notice and hearing where application has been filed in due form, and,
1. The necessity for the unorthodox location is based on topographical conditions, or is occasioned by the recom-pletion of a well previously drilled to another horizon, and,
2. (a) The ownership of all oil and gas leases within a radius of 660 feet of the proposed location is common with the ownership of the oil and gas leases under the proposed location, or,
- (b) All owners of oil and gas leases within such radius consent in writing to the proposed location.
- B. [Supersedes Statewide Rule 104 (k)]
The provisions of Statewide Rule 104, Paragraph (k), shall not apply to gas pools located in Lea, Eddy, Chaves and Roosevelt Counties, New Mexico.
- III. OIL PRODUCTION FROM DEFINED GAS POOLS
In a gas pool, as defined by the Oil Conservation Commission, each proration unit containing a well producing in excess of five barrels of crude oil per day shall be permitted to produce an oil allowable calculated by dividing the gas allowable as assigned to a gas well on the same unit size as said well by the gas-oil ratio of said well. The maximum oil allowable which may be assigned said well shall be the top unit oil allowable as determined by Statewide Rule 505 unless, after hearing, the Commission shall amend this rule as it applies to a particular pool in order to prevent waste.
- IV. GAS PRORATION (Supersedes Statewide Rule 602)
- A. At such time as the Commission determines that allocation of gas production from gas wells producing from any pool in this four-county area is necessary to prevent waste or to protect correlative rights, the Commission, after notice and hearing, shall consider the nominations of gas purchasers from such gas pool and other relevant data, and shall fix the allow-

able production of such pool, and shall allocate production among the gas wells in such pool upon a reasonable basis with due regard for correlative rights. Unless special pool rules are adopted as provided in B. below, the general rules of this section shall apply to each gas pool allocated under these rules.

B. After notice and hearing, the Commission, in order to protect correlative rights, or prevent waste, or both, may promulgate special rules, regulations or orders pertaining to any gas pool.

C. The term "gas purchaser" as used in these rules, shall mean any "taker" of gas at the wellhead and it shall be the responsibility of said "taker" to submit a nomination.

V. PRORATION UNITS

For the purpose of gas allocation in the absence of special pool rules, a standard proration unit shall consist of between 158 and 162 contiguous surface acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys, provided, however, that a gas proration unit other than a legal quarter section may be formed after notice and hearing by the Commission, or after the Commission has been furnished waivers from all offsetting operators, if all acreage is contiguous and does not contain more than four legal quarter-quarter sections and/or lots. Any allocation unit containing less than 158 acres or more than 162 acres shall be a non-standard unit and its allowable shall be decreased or increased to that proportion of the standard unit allowable that the number of acres contained therein bears to 160 acres.

VI. GAS ALLOCATION (Supersedes Statewide Rule 602)

A. At least 30 days prior to the beginning of each gas proration period the Commission shall hold a hearing after due notice has been issued. The Commission shall cause to be submitted by each gas purchaser its nominations of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period by months from each gas pool from which ~~he~~^{it} purchases gas. The Commission shall consider nominations of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period.

B. The Commission shall cause to be submitted each month supplemental nominations from purchasers of gas in like manner as the nominations described above, setting out changes, if any, which should be made due to fluctuations of market demand. The Commission shall hold a public hearing between the 15th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month. The Commission shall include in the proration schedule the gas wells in the pool delivering to a gas transportation facility, and

shall include in the proration schedule of such pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well. The total allowable to be allocated to the pool shall be determined by the Commission in the following manner: The total allowable for a month shall be equal to the total market demand for that month plus the amount of any overproduction, or less the amount of any underproduction during the second preceding month.

C. The allocation to a pool remaining after subtracting the capacities of marginal units shall be divided and allocated ratably among the non-marginal units in the amount that the acreage contained in each unit bears to the total acreage allotted to such non-marginal units; provided that for this purpose standard units shall be as defined in Rule V above. More than one proration unit or fractional parts thereof may be assigned to a gas well and the allowables assigned said well may be increased proportionately provided that:

1. No more than 640 acres shall be assigned to any one well,

2. All acreage in such units may reasonably be presumed to be productive of gas,

3. The multiple unit so formed shall not have an overall length or width exceeding 5,280 feet,

4. The well to which such additional units are assigned shall be located not closer to any boundary of such pooled units than the distance represented by 25% of the length of the longer of the two boundaries of said pooled unit which are adjacent to said first-mentioned boundary; provided further, that where three proration units are pooled the well shall not be located more than 1,320 feet from the nearest boundary of any unit so pooled, and,

5. Exceptions to the provisions of this rule may be granted by the Commission after notice and hearing or after the Commission has been furnished waivers by all offsetting operators.

VII. BALANCING OF PRODUCTION (Supersedes Statewide Rule 604)

A. Underproduction

The dates 7:00 A. M. January 1 and 7:00 A. M. July 1 shall be known as balancing dates and the periods of time bounded by these dates shall be known as gas proration periods. The amount of current gas allowable remaining unproduced at the end of each proration period shall be carried forward to and may be produced during the next succeeding proration period in addition to the normal gas allowable for such succeeding period; but whatever amount thereof is not made up within the first succeeding proration period shall be cancelled. If,

at the end of the first succeeding proration period, a greater amount of allowable remains unproduced than was carried forward as underproduction, the amount carried forward to the second succeeding period shall be the total underproduction less the amount carried forward to the first succeeding period.

If it appears that such continued underproduction has resulted from inability of the well to produce its allowable, it may be classified as a marginal well and its allowable reduced to the well's ability to produce.

B. Overproduction

A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If, at the end of the first succeeding proration period, the well is still overproduced, it shall be shut in and its current monthly allowable charged against said overproduction until the well is in balance. If, at any time, a well is overproduced an amount equaling six times its current monthly allowable, it shall be shut in until it is in balance.

The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut in upon a showing at public hearing after due notice that complete shut-in of the well would result in material damage to the well.

VIII. GRANTING OF ALLOWABLES

A. No gas well shall be given an allowable until Form C-104 has been filed together with a plat showing:

1. acreage attributed to said well,
2. the locations of all wells on the lease and the immediately surrounding leases producing from the same reservoir, and,
3. the lease ownership of said leases.

B. Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility or the date of filing of Form C-104 and plat described above, whichever date is the later.

IX. REPORTING OF PRODUCTION

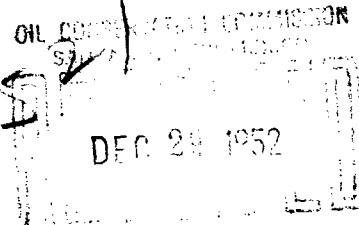
The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be submitted to the Commission so as to reach the Commission on or before the twenty-fifth day of the month next succeeding the month in which the gas was produced. The operator shall show on such report what disposition has been made of the gas produced. The full production of gas from each well shall be charged against the well's allowable regardless of what disposition has been made of the gas.

6. It is recommended that the Justis Gas Pool for production from the Glorieta formation be designated as recommended by Gulf Oil Corporation in the Gas Pool Delineation Study of Southeastern Lea County, New Mexico.
The vertical limit is suggested as the 200 feet immediately below the Glorieta datum. The horizontal limits include the SW/4 of Section 1; SE/4 of Section 2; E/2 of Section 11; W/2 of Section 12; W/2 of Section 13; E/2 of Section 14; E/2 of Section 23; W/2 of Section 24; all in Township 25 South, Range 37 East.
7. It is recommended that for wells presently or subsequently completed as gas producers outside the boundaries of defined gas pools the burden for having same included in gas pools should be placed on the Operator as outlined in Rule 1122.

Note:

In reviewing designated gas pools, the subcommittee recognized the fact that within the area of designated gas pools and adjacent areas, there are a number of gas wells which are producing from the gas caps of oil reservoirs and subject to the oil proration rules pertaining thereto; and, therefore, that these wells will not be subject to the rules pertaining to gas pools.

December 22, 1952



TO ALL EUNICE-MONUMENT POOL OPERATORS:

In compliance with the following letter, a meeting is being called
for 9:00 o'clock A.M., January 7th, 1953 at this office.

Glenn Staley, Director
N.M. Oil and Gas Engineering Committee

L E T T E R

NEW MEXICO
OIL CONSERVATION COMMISSION

P. O. Box 871
Santa Fe, New Mexico

December 18, 1952

Mr. Glenn Staley
New Mexico Oil and Gas Engineering Committee
Box 127
Hobbs, New Mexico

Dear Sir:

In preparation for the proration of gas in Southeastern New Mexico, we would appreciate very much your assistance in getting the oil and gas producers of the Eunice-Monument Pool together for a meeting in your office. We feel that the gasoline plant operators should be present also.

Sincerely,

/s/ R. R. Spurrier
Secretary - Director

N.M. Oil and Gas Engineering Committee
Hobbs, New Mexico
December 22, 1952

↓
*File: Southeast Gas
Proration - 1953*

OIL CONSERVATION COMMISSION

P. O. BOX 871
SANTA FE, NEW MEXICO

December 18, 1952

**Mr. Glenn Staley
New Mexico Oil and Gas Engineering Committee
Box 127
Hobbs, New Mexico**

Dear Glenn:

**In preparation for the proration of gas in
Southeastern New Mexico, we would appreciate very
much your assistance in getting the oil and gas producers
of the Monument Pool together for a meeting in your
office. We feel that the gasoline plant operators should
be present also. We suggest the date of January 6, 1953
but will leave that decision and arrangement to you.**

Sincerely,

**R. R. Spurrier
Secretary - Director**

RRS:lh

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RS

A.M.C. 750

< 15-1-1953 >

File: Southeast Gas
Production 1953

Case 521

JAN 12 1953

N O T I C E

A PRELIMINARY MEETING OF COMPANY REPRESENTATIVES AND ENGINEERS FOR THE EUNICE-MONUMENT AREA IS BEING CALLED FOR 9 A. M., JANUARY 27, 1953, AT THE OFFICE OF THE NEW MEXICO OIL & GAS ENGINEERING COMMITTEE, HOBBS, NEW MEXICO.

GLENN STALEY
DIRECTOR

MINUTES OF EUNICE-MONUMENT POOL OPERATORS MEETING

The meeting of the Eunice-Monument Pool Operators was held in the office of the New Mexico Oil and Gas Engineering Committee, January 7, 1953. The meeting had been called by Mr. R. R. Spurrier, State Geologist, by letter to all operators dated December 18, 1952. The following company representatives were present:

| <u>NAME</u> | <u>COMPANY</u> | <u>ADDRESS</u> |
|-----------------------|--------------------------------|------------------------|
| R. J. Aldridge, Jr. | The Atlantic Refining Company | Denver City, Texas |
| A. R. Ballou | Sun Oil Company | Dallas, Texas |
| D. H. Voss, Jr. | " " " | " " |
| E. E. Tucker | Tidewater Assoc. Oil Company | Midland, Texas |
| John Springer | " " " " | " " |
| Wesley Buice | Sunray Oil Corporation | " " |
| George D. Daly | The Atlantic Refining Company | " " |
| W. H. Hogan | " " " " | " " |
| H. F. Weaver | The Texas Company | Monument, New Mexico |
| R. T. O'Neil | Phillips Petroleum Company | Odessa, Texas |
| W. L. Phillips | " " " | " " |
| H. C. Webb | " " " | Bartlesville, Oklahoma |
| E. H. Foster | " " " | Amarillo, Texas |
| O. P. Nicola, Jr. | " " " | Bartlesville, Oklahoma |
| J. V. Peacock | " " " | Amarillo, Texas |
| J. W. Cole, Jr. | Gulf Oil Corporation | Fort Worth, Texas |
| D. C. Sears | " " " | Hobbs, New Mexico |
| C. M. Bumpass | " " " | " " " |
| Hugh Smith | Phillips Petroleum Company | " " " |
| George G. Todd | Dalport Oil Corporation | Dallas, Texas |
| W. A. Scott | Shell Oil Company | Hobbs, New Mexico |
| J. D. Savage | " " " | " " " |
| E. C. Hutchinson | Warren Petroleum Corporation | Monument, New Mexico |
| L. A. Walker | " " " | " " " |
| Dan O. Howard | " " " | Tulsa, Oklahoma |
| F. H. Wolfe | " " " | Seminole, Texas |
| H. E. Massey | Cities Service Oil Company | Hobbs, New Mexico |
| E. L. Patterson | Rowan Oil Company | Eunice, New Mexico |
| J. M. McMahan | Standard Oil Co. of Texas | Royalty, Texas |
| Prentice R. Watts | Southern Union Gas Company | Hobbs, New Mexico |
| A. M. Wiederkehr | " " " " | Dallas, Texas |
| John R. Rice | The Ohio Oil Company | Hobbs, New Mexico |
| W. M. Kearley | " " " " | " " " |
| W. B. Quesenbury, Jr. | Wilshire Oil Company, Inc. | Midland, Texas |
| N. M. Baird | American Republics Corporation | Houston, Texas |
| John S. Floster | " " " | " " |
| C. A. Shaid | " " " | Artesia, New Mexico |
| Frank Forsyth | " " " | Midland, Texas |
| W. C. Rigg | Phillips Petroleum Company | Hobbs, New Mexico |
| E. D. Dickey | Shell Oil Company | Midland, Texas |
| M. H. Cullender | Phillips Petroleum Company | Bartlesville, Oklahoma |
| Viles P. Sheldon | Charm Oil Company | Artesia, New Mexico |
| Peck Hardee | Texas-Pacific Coal & Oil Co. | Midland, Texas |
| John Yaronka | " " " " " | Hobbs, New Mexico |
| C. J. Ray, Jr. | The Texas Company | Fort Worth, Texas |
| A. E. Willis | " " " | " " " |

| <u>NAME</u> | <u>COMPANY</u> | <u>ADDRESS</u> |
|----------------------|----------------------------------|----------------------|
| K. D. McPeters | Stanolind Oil and Gas Company | Hobbs, New Mexico |
| K. J. Barr | " " " " " | " " " |
| D. L. Irion | Mid-Continent Petroleum Corp. | " " " |
| R. S. Christie | Amerada Petroleum Corporation | Tulsa, Oklahoma |
| W. G. Abbott | " " " | Monument, New Mexico |
| J. C. Blackwood | " " " | Midland Texas |
| R. E. Seifert | " " " | " " |
| D. C. Capps | " " " | Monument, New Mexico |
| R. E. Siverson | Sinclair Oil & Gas Company | Hobbs, New Mexico |
| C. C. Salter | " " " " | " " " |
| C. L. Quast | " " " " | Odessa, Texas |
| R. A. Scalapino | El Paso Natural Gas Company | Jal, New Mexico |
| Barton W. Ratliff | Skelly Oil Company | Hobbs, New Mexico |
| J. C. Cherry | Humble Oil and Refining Co. | " " " |
| Thomas F. Gray | Sun Oil Company | Odessa, Texas |
| A. L. Porter, Jr. | N.M. Oil Conservation Commission | Hobbs, New Mexico |
| W. B. Macey | " " " " | Santa Fe, New Mexico |
| R. R. Spurrier | " " " " | " " " " |
| L. A. Hanson | " " " " | Artesia, New Mexico |
| George H. Hirschfeld | N.M. Oil & Gas Eng. Committee | Hobbs, New Mexico |
| Glenn Staley | " " " " " | " " " |

The meeting was called to order by Mr. Spurrier at 9:30 A. M. He stated that the reason for calling the meeting was to enlist the cooperation of all oil operators and gas plant operators within the pool in the working out of some plan for the elimination in so far as is practicable the waste of natural gas that is being produced with the oil from the pool. Mr. Spurrier then turned the meeting over to Mr. William B. Macey, Chief Petroleum Engineer, of the Commission.

Mr. Macey called attention to the high Gas-Oil Ratios in certain portions of the pool. He also called attention to the inability of the gasoline plant located in the northern portion of the area to process all of the gas now being produced with the oil. The discussion that followed brought out existing reservoir conditions; the apparent existence of a gas cap or gas caps in various parts of the pool.

Mr. Dan Howard, an official of Warren Petroleum Corporation, gave an outline of plans his Company had for the expansion of the existing gasoline absorption plant located in north portion of the pool.

Mr. Christie and Mr. Blackwood of the Amerada Petroleum Corporation and Mr. Willig of The Texas Company discussed remedial work that had been done by the companies to eliminate high Gas-Oil Ratios and other operating practices.

The fluxiation in the volume of gas being delivered to the plant through the hours of the day and days of the month was discussed.

After listening to all who wished to discuss the various factors that entered into the problem it was decided that in order to give all interested parties an opportunity to study the situation and consult their engineers and records the meeting be adjourned and another meeting be called by the operators in the near future.

R. R. Spurrier, State Geologist
Chairman



PETROLEUM AND ITS PRODUCTS

GULF OIL CORPORATION

P. O. DRAWER 1290 · FORT WORTH 1, TEXAS

March 18, 1953

F. J. ADAMS

VICE-PRESIDENT

FORT WORTH
PRODUCTION DIVISION

C
Mr. Glenn Staley, Director
New Mexico Oil and Gas Engineering Committee
Box 127
Hobbs, New Mexico

Dear Mr. Staley:

O
P
Complying with the request of Mr. R. R. Spurrier, Secretary and Director of the New Mexico Oil and Gas Conservation Commission, this is to advise that Gulf Oil Corporation appoints Mr. E. E. Merkt, Jr., as its representative on the Industry Committee to study the proration of gas in Lea, Eddy, Chaves and Roosevelt Counties, New Mexico. Mr. Merkt, Technical Assistant to the Vice-President of the Company's Fort Worth Production Division, is located in our Fort Worth Office and all correspondence with regard to the Committee's activities should be directed to him at this address.

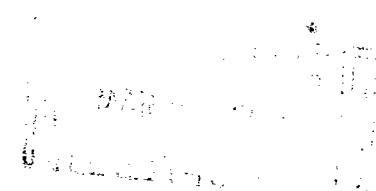
Y
It is presumed that all companies will inform you of their representatives shortly, and a meeting of the Committee scheduled for an early date. In connection with the latter, we shall appreciate as much advance notice as possible.

Yours very truly,



F. J. ADAMS

cc: Mr. R. R. Spurrier, Secretary
and Director
New Mexico Oil and Gas Conservation Commission
P. O. Box 871
Santa Fe, New Mexico



N. M. OIL & GAS ENGINEERING COMMITTEE
BOX 127
HOBBS, NEW MEXICO

March 18, 1953

TO:

El Paso Natural Gas Company
Southern Union Gas Company
Continental Oil Company
Gulf Oil Corporation
Humble Oil and Refining Company
Shell Oil Company
Phillips Petroleum Company
Texas-Pacific Coal and Oil Company
Samedan Oil Corporation


Gentlemen:

Mr. R. R. Spurrier, Director of the New Mexico Oil Conservation Commission has appointed your Company to serve on an Advisory Committee to assist the Commission in working out the means and methods for the proration of natural gas in Lea, Eddy, Chaves and Roosevelt Counties, New Mexico.

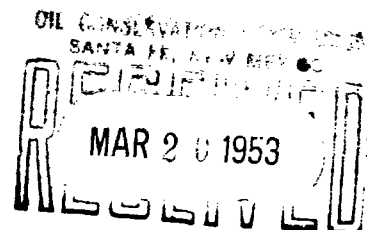
Each Company will please designate their representative to serve on this Committee.

The Company acting as Chairman (El Paso Natural Gas Company) has called the first meeting for March 24, 1953 at 10:00 A.M., at the office of the New Mexico Oil and Gas Engineering Committee, Hobbs, New Mexico.

Respectfully submitted,


Glenn Staley
Secretary

GS/no



OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

Case 521

March 19, 1953

C
Chas. F. Taylor - Area Prod. Supt.
Gulf Oil Corporation
Box 2167
Hobbs, New Mexico

O
C. C. Wilson - District Supt.
Continental Oil Company
Box CC
Hobbs, New Mexico

J. W. House - Division Supt.
Humble Oil and Refining Company
Box 1600
Midland, Texas

P
C. R. Bickel
Shell Oil Company
Box 1957
Hobbs, New Mexico

Y
Eugene Adair
Texas Pacific Coal and Oil Company
305 N. Leech
Hobbs, New Mexico

E. H. Foster - Landman
Phillips Petroleum Company
Box 1751
Amarillo, Texas

A. A. Kemnitz
Samedan Oil Corporation
Box 1637
Hobbs, New Mexico

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

Letter to Advisory Committee - Case 521

March 19, 1953

J. R. Cole
Southern Union Gas Company
132 E. Marcy Street
Santa Fe, New Mexico

C. L. Perkins - V. Pres.
El Paso Natural Gas Company
Box 1492
El Paso, Texas

New Mexico Oil and Gas Engineering Committee
Box 127
Hobbs, New Mexico

Oil Conservation Commission
S. J. Stanley
Box 2045
Hobbs, New Mexico

Gentlemen:

The foregoing Companies are hereby appointed as an Advisory Committee to the Oil Conservation Commission on Case 521. This letter will confirm the appointments made at the March 17, 1953 hearing. You will note that the Companies are appointed, not individuals. I feel that a lawyer, engineer or geologist acquainted with proration matters should be appointed from each Company to serve on the Committee.

The call of the hearing mentioned an order which would establish means and methods of gas proration in Lea, Eddy, Chaves and Roosevelt Counties. I believe that it is necessary first to determine whether proration is needed, and this will involve a great amount of study on the gas production statistics available.

It is suggested that the office of the New Mexico Oil and Gas Engineering Committee be used to obtain evidence of ratable take inequalities, if they do exist. The information is available in this office, but Hobbs is more centrally located for a meeting place. The Committee secretary should, I believe, call the first meeting of the Committee. It was stated at the hearing that a report from this Committee would be expected at the

OIL CONSERVATION COMMISSION

Letter to Advisory Committee - Case 521
P. O. BOX 871
SANTA FE, NEW MEXICO

March 1953, 19th

April 10, 1953 hearing in Santa Fe. It is probably true that a comprehensive report cannot be completed by that time, never the less, we would like to have a report at every monthly hearing until the final recommendations are made.

This Committee must be a working Committee. Members appointed to the Committee should be expected to devote considerable time working on this problem, and should be free to attend Committee meetings and hearings when necessary.

Very truly yours,

R. R. Spurrier
Secretary - Director

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ADVISORY COMMITTEE

GAS PRORATION

NEW MEXICO OIL CONSERVATION COMMISSION

Case # 521

A meeting of the Advisory Committee was held March 24, 1953, Hobbs, New Mexico, with the following representatives present:

(Not available at present time)

The purpose of the meeting was to discuss the need of gas proration.

R. R. Spurrier opened the meeting with a suggested line of study since a ratable take of gas and predetermined methods on the part of the Commission were non-existent. The requested points of study were outlined as follows:

1. The need of proration
2. Reservoir Energy
3. Flares
4. High Gas-Oil Ratios
5. Limiting Gas-Oil Ratios
6. Withdrawal of gas cap in an oil reservoir

Mr. Hill, El Paso Natural Gas Company, was introduced and was named the acting chairman of the Advisory Committee. Since the discussion of proration of gas was to commence with-out formulation of ideas on the part of the Commission and all representatives present, a statement was requested from each member present on the subject of the need of gas proration.

GULF Expressed the desire that now is the time to consider, study and develop rules and regulations pertaining to proration.

CONTINENTAL Requested time to consider the problem with the management, however, it was felt that the time has arrived for needed gas proration.

HUMELE Not only are we in need of gas proration but it is recommended that we advance a step further. The Oil Conservation Commission should head

gas proration to prevent present waste in reservoirs created by the gas problem. The nuisance factor at the outset of operations in the State has also changed economically.

EL PASO The probability exists of the completion of a new Pipe Line Company in this area. The present condition inaugurated and practiced by El Paso Gas pertaining to ratable take of gas will be greatly aggravated by other pipe-line-systems. We should study the problem to see if a correction is needed on ratable take under certain conditions of large gas withdrawals from associated oil pools. This protection is probably needed for the ultimate recovery of oil. It is suggested that sub-committees be appointed to study the different phases of the over-all problem. The poll of opinion was continued.

AMERADA Expressed the desire for proration.

PHILLIPS Proration is needed with emphasis on the study of associated and non-associated gas.

STANOLIND Requested time for investigation prior to issuance of a statement.

SOUTHERN UNION Requested time to study the problem prior to issuance of a statement.

SHELL The present system of gas production requires proration.

SAMELSON We are confronted with a specific instance of the general problem. A definite need of proration is needed in the State. Since a new gas pipe line system will be installed in this area I feel that should the State lag in gas proration the Federal Power Commission will be forced to act.

TEXAS PACIFIC & OIL Request time for further investigation of study

SPURRIER The unequal take of gas from a defined pool with respect to boundary lease lines could result in court action on the part of royalty owners. The numerous instances of dual completions embracing a 40 Acre tract, 80 acre, 120 or 160 acre tract will present a greater problem in the future. It must be remembered that the basic unit is 160 acre. I am greatly pleased over the reaction of the members present and their willingness to cooperate on this matter.

GULF Have the gas fields of the State and unit gas acreage been defined?

SPURRIER It is generally accepted that a unit allowable is based on a 160 acres, a quarter section in the form of a square within the section boundary.

GULF It is evident that spacing is needed.

EL PASO It is impossible to state with any degree of accuracy what sort of a balance will be needed to offset the problem of proration. I feel sure that we cannot hope for contractual position of equity in an existing pool and a balance will be lacking. Therefore, the rules and regulations should be of a flexible nature for our operation. It must be remembered that our major take is confined to residue gas and the "peaks" are filled with the use of dry gas. Permian Pipe Line's chief source of residue gas will be from the Sprayberry Trend with the anticipation of obtaining a dry-gas source in Lea County. Therefore we will need workable and feasible rules to govern proration. Furthermore an inter-exchange of three purchasers may be required for flexibility. El Paso's nomination or requirements are based on a six to 12 month period and we may need inter-exchange over a long period.

EL PASO: The Advisory Committee should nominate sub-committees to explore the various problems connected with gas proration - to study problems pertaining to the definition of a maximum ratio - classification of a gas well - etc.

HUMBLE: The Advisory Committee should discuss and work-out the general over-all plan of proration. A system of nominated gas on a monthly basis similiar to that of Texas should be discussed. The amount of production of gas should be adjusted up or down to realize ratable take. The State of New Mexico should set a period of perhaps six months (6) to adjust for over-production or under-production depending on the circumstance. Certainly over-production of gas associated with oil should be curtailed.

EL PASO: Should we appoint a sub-committee to study and define gas caps connected with oil reservoirs? A committee to study the problem of Gas-Oil Ratio Limit.

GULF: At one time the ratio of 50,000 to 1 limit was the definition.

EL PASO: Perhaps a committee should be designatad to study inequities.

SAMEDAN: The problem has been studied.

HUMBLE: We couldn't evaluate inequities with existing maps.

SPURRIER: Gas Pools are now defined since they are necessary to initiate proration. Continental Oil Company contributed to this study and definition. If necessary we can change their boundaries, if major discrepancies exist. The acreage factor has been discussed and perhaps we should include an acreage designation to be filed on Form C-101 (Notice of Intention to Drill) whenever a gas well is to be

drilled.

HUMBLE: The C-101 for drilling of a gas well should require a plat.

SPURRIER: It must be remembered that an acreage figure does not give a description or configuration of acreage in question.

HUMBLE: The shape of a tract has definite significance.

HUMBLE: Oil, wells in a gas reserve will present a problem especially with a gas reservoir producing a little oil.

EL PASO: Whenever this occurs, a provision should be made for the production of oil.

HUMBLE: A gas allowable should be nominated in this case and the production of oil should come from this figure.

SHELL: The problem should be divided into two main thoughts:

1. Associated Gas - Relegating itself to problem of conservation.
2. Non-Associated Gas - Ratable take

We should decide at the present time the method of approach in associated and non-associated gas.

EL PASO: The problem of associated gas is a problem of oil production. A method should be provided to prorate associated gas.

HUMBLE: Will a depth factor be considered on the 160 acre spacing?

SPURRIER: The problems of depth factor have not been extensively studied at the present time. The 160 acre unit, however, is a minimum spacing.

EL PASO: More specific rules will be needed to carry on gas proration.

SPURRIER: A general four-county-wide-rule should be adopted. We can deviate from the general rule when ever specific rules are required.

HUMBLE: It is recommended to establish committees to study:

- (1). Classification of pools - associated and non-associated.
- (2.) A Committee on Rules

EL PASO: It is recommended that a committee study the problem of limiting gas-oil ratio.

STANOLIND: It is recommended that one committee study both problems to establish a general over-all picture to establish the mechanics of proration. A certain company would consider gas proration based on pressure - and another would consider potential, etc. To divide and establish more than one committee would result in confusion.

PHILLIPS: There are certain factors which are basic to all pools. Acreage is an example. Consider the adoption of rules of the four counties on a statewide basis. The rules should be written on this basis. It is evident that the adopted rules will not be workable in each field but will be a basis for gas proration. Deviations for a pool can be initiated whenever necessary.

SHELL: It is recommended that the Commission adopt the rules and appoint sub-committee for the various problems of proration mechanics.

EL PASO: The Chairman recommended sub-committees be appointed for associated and non-associated gas. Combine the

rules for the entire conservation of gas in all types of reservoirs. Consider the various mechanics needed in the over-all program and divide the work.

EL PASO: Mississippi and Texas have similiar mechanics, therefore, we could benefit from their experience and work out similiar plans.

EL PASO: My purpose is to explore the Advisory Committee and if it is felt that the one group can operate more efficiently then that is the course we should follow.

EL PASO: One committee should be assigned the task of balancing-out the ratable take of gas from the various leases - a committee for associated oil to determine the gas-oil ratio limit, etc. The other committee should confine it's problems to the general rules.

PHILLIPS: I feel that a committee should be adopted to define a gas well.

EL PASO: The definition of a gas well should be determined by the Over-all Committee - also the problem of allowable- etc.

A vote was taken and it was unanimously agreed to study these problems with a committee

HUMBLE: I don't feel that a definite rigid definition of a gas well will apply from one field to another. It is recommended that the New Mexico Engineering Committee define the gas pools.

PHILLIPS: A committee should study the over-all picture of gas pools in the area and formulate a definition to define a gas pool. It is expected that it may vary for each pool.

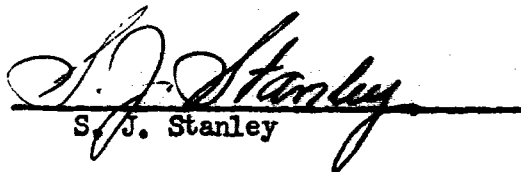
EL PASO: Presented a motion to appoint a committee to study the problem of proration.

SPURRIER: Once the findings of this committee establish the need of proration a State-wide hearing will be called. The case of proration will be wide open at each hearing to accept committee reports and discuss gas proration. It is the consensus of opinion of the Commission that gas proration is necessary.

It was adopted to divide the committee into two parts to study:

1. Definition of Pools
2. General Rules

It was recommended that each committee have a member outlined in the report of the Commission. Mr. Staley should be advised which person will be assigned to serve on the two committees representing the companies outlined in the letter from the Commission and in turn arrange the meeting. It was agreed to conduct a meeting of the Committees for March 31, 1953 at 10 A.M.


S. J. Stanley

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WESTERN UNION

1206 10-51

W. P. MARSHALL, PRESIDENT

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| | | | Humble Oil & Refining Company | |

Send the following message, subject to the terms on back hereof, which are hereby agreed to

(C O P Y)

Midland, Texas, March 20, 1953

Mr. Glenn Staley
c/o N. M. Oil & Gas Engineering Committee
Hobbs, New Mexico

Humble Company representative Advisory Committee on gas, J. W. House. Alternate
R. S. Dewey.

Humble Oil & Refining Company

By J. W. House

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

RECEIVED
MAR 23 1953

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2. In any event the Telegraph Company shall not be liable for damages for mistakes or delays in the transmission or delivery, or for the non-delivery, of any message, whether caused by the negligence of its servants or otherwise, beyond the actual loss, not exceeding in any event the sum of five thousand dollars, at which amount the sender of each message represents that the message is valued, unless a greater value is stated in writing by the sender thereof at the time the message is tendered for transmission, and unless the repeated message rate is paid or agreed to be paid and an additional charge equal to one-tenth of one per cent of the amount by which such valuation shall exceed five thousand dollars.

3. The Telegraph Company is hereby made the agent of the sender, without liability, to forward this message over the lines of any other company when necessary to reach its destination.

4. Except as otherwise indicated in connection with the listing of individual places in the filed tariffs of the Telegraph Company, the amount paid for the transmission of a domestic telegram or an incoming cable or radio message covers its delivery within the following limits: In cities or towns of 5,000 or more inhabitants where the Telegraph Company has an office which, as shown by the filed tariffs of the Telegraph Company, is not operated through the agency of a railroad company, within two miles of any open main or branch office of the Telegraph Company; in cities or towns of 5,000 or more inhabitants where, as shown by the filed tariffs of the Telegraph Company, the telegraph service is performed through the agency of a railroad company, within one mile of the telegraph office; in cities or towns of less than 5,000 inhabitants in which an office of the Telegraph Company is located, within one-half mile of the telegraph office. Beyond the limits above specified the Telegraph Company does not undertake to make delivery but will endeavor to arrange for delivery as the agent of the sender, with the understanding that the sender authorizes the collection of any additional charge from the addressee and agrees to pay such additional charge if it is not collected from the addressee. There will be no additional charge for deliveries made by telephone within the corporate limits of any city or town in which an office of the Telegraph Company is located.

5. No responsibility attaches to the Telegraph Company concerning messages until the same are accepted at one of its transmitting offices; and if a message is sent to such office by one of the Telegraph Company's messengers, he acts for that purpose as the agent of the sender.

6. The Telegraph Company will not be liable for damages or statutory penalties when the claim is not presented in writing to the Telegraph Company, (a) within ninety days after the message is filed with the Telegraph Company for transmission in the case of a message between points within the United States (except in the case of an intrastate message in Texas) or between a point in the United States on the one hand and a point in Alaska, Canada, Mexico, or St. Pierre-Miquelon Islands on the other hand, or between a point in the United States and a ship at sea or in the air, (b) within 95 days after the cause of action, if any, shall have accrued in the case of an intrastate message in Texas, and (c) within 180 days after the message is filed with the Telegraph Company for transmission in the case of a message between a point in the United States and a foreign or overseas point other than the points specified above in this paragraph; provided, however, that this condition shall not apply to claims for damages or overcharges within the purview of Section 415 of the Communications Act of 1934, as amended.

7. It is agreed that in any action by the Telegraph Company to recover the tolls for any message or messages the prompt and correct transmission and delivery thereof shall be presumed, subject to rebuttal by competent evidence.

8. Special terms governing the transmission of messages according to their classes, as enumerated below, shall apply to messages in each of such respective classes in addition to all the foregoing terms.

9. No employee of the Telegraph Company is authorized to vary the foregoing.

5-52

CLASSES OF SERVICE

DOMESTIC SERVICES

FULL RATE TELEGRAM

A full rate expedited service.

DAY LETTER (DL)

A deferred service at lower than the full rate

NIGHT LETTER (NL)

Accepted up to 2 A. M. for delivery not earlier than the following morning at rates substantially lower than the full rate telegram or day letter rates.

INTERNATIONAL SERVICES

FULL RATE (FR)

The standard fast service at full rates. May be written in any language that can be expressed in Roman letters, or in secret language. A minimum charge for 5 words applies.

LETTER TELEGRAM (LT)

Overnight plain language messages. Minimum charge for 22 words applies

SHIP RADIOGRAM

A service to and from ships at sea. Plain or secret language may be used. Minimum charge for 5 words applies.

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

March 26, 1953

**Mr. Glenn Staley
New Mexico Oil and Gas Engineering Committee
Box 127
Hobbs, New Mexico**

Dear Sir:

Reference is made to your telephone conversation of this morning with Mr. W. B. Macey, pertaining to your distribution of Committee reports on gas proration.

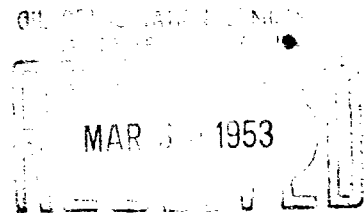
You are hereby authorized to reproduce and distribute to all interested parties, copies of any Committee reports obtained by you.

Very truly yours,

**R. R. Spurrier
Secretary - Director**

WBM:RRS:lh

C
O
P
Y



March 26, 1953

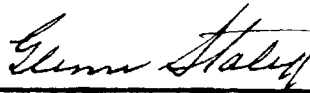
Mr. J. B. Holloway
Tide Water Associated Oil Company
Mellie Esperson Building
P. O. Box 1404
Houston 1, Texas

Dear Mr. Holloway:

In reply to your letter of March 23 regarding the Oil Conservation Commission Advisory Committee, Case 521, appointed March 17, 1953 in Santa Fe, New Mexico.

The first meeting of this Committee was held March 24 in Hobbs. The Minutes have not been mailed out. The understanding that this office has with the Director of the Oil Conservation Commission, Mr. R. R. Spurrier, is that all reports of the above Committee shall be mailed to the entire mailing list of this office in order that all operators have knowledge of Committee progress and have the benefit of any suggestions offered to the Commission prior to the hearing to be held April 16, 1953.

Very truly yours,


Glenn Staley

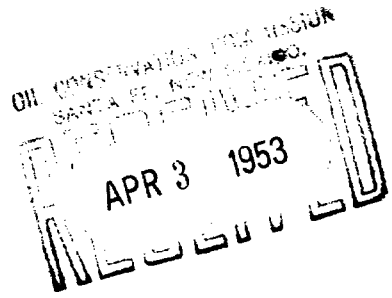
GS/no

cc: Mr. R. R. Spurrier
Mr. A. L. Hill

APR 1 1953

TO:

El Paso Natural Gas Company
Southern Union Gas Company - *et al.*
Continental Oil Company
Gulf Oil Corporation
Humble Oil & Refining Company
Shell Oil Company
Phillips Petroleum Company
Texas-Pacific Coal and Oil Company
Samedan Oil Corporation



Gentlemen:

At a meeting of the General Rules Subcommittee of the Advisory Committee to the Oil Conservation Commission of New Mexico on Case 521 regarding Gas Proration in Hobbs, New Mexico on March 31, 1953, two motions concerning general rules were made and passed. These motions were as follows:

1. That the General Rules Subcommittee recommend to the Advisory Committee that a rule be suggested to the New Mexico Conservation Commission which would include the filing of the following:
 - a. Monthly gas nominations;
 - b. Assignment of monthly gas allowables;
 - c. Reporting of gas production on a monthly basis;
 - d. The balancing of gas production against allowables over a specified proration period.
2. That the General Rules Subcommittee recommend to the Advisory Committee that a rule be suggested to the New Mexico Conservation Commission which would define a gas well.

It was agreed that each company represented on the Advisory Committee would study the above motions and submit their comments and opinions to the Samedan Oil Corporation, Chairman of the General Rules Subcommittee, on or before April 14, 1953. After all of these comments and opinions have been received, each company will be furnished a copy of them for additional study.

A meeting has been set for April 30, 1953, at 9:00 AM (MST) at the office of the New Mexico Oil and Gas Engineering Committee, Hobbs, New Mexico, at which time final rules will be formulated with reference to the motions set forth in this letter.

Respectfully submitted,

SAMEDAN OIL CORPORATION, Chairman
General Rules Subcommittee

By George E. Trimble

SOUTHERN UNION GAS COMPANY

BOX 1654

SANTA FE, NEW MEXICO

April 2, 1953

J. R. COLE
VICE PRESIDENT



Mr. R. R. Spurrier
Secretary - Director
Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Dick:

Reference is made to your letter of March 19, 1953, advising that our company has been appointed to serve on an Advisory Committee to the Oil Conservation Commission on Case #521.

This is to advise you that Mr. Van Thompson has been appointed to represent Southern Union Gas Company on this Advisory Committee.

Very truly yours,

A handwritten signature in dark ink, appearing to be "J. R. Cole".

JRC:JH:dc

cc: C.H. Zachry - Dallas
J. C. Reed - Dallas
Van Thompson - Dallas

El Paso Natural Gas Company

TENTH FLOOR BASSETT TOWER

El Paso, Texas

April 15, 1953

Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

In Re: Advisory Committee to the Oil Conservation
Commission on Case 521, concerning gas pro-
ration in Lea, Eddy, Chaves and Roosevelt
Counties, New Mexico.

Gentlemen:

As requested by Mr. R. R. Spurrier's letter dated March 19, 1953, the above-mentioned Advisory Committee met at the office of the New Mexico Oil and Gas Engineering Committee in Hobbs, New Mexico, at 10:00 A. M., March 24, 1953. As suggested by the Commission, a representative of the El Paso Natural Gas Company acted as chairman of this committee. Mr. Spurrier and other Commission personnel, Mr. Staley of the New Mexico Oil and Gas Engineering Committee, and representatives of each of the companies appointed to the Advisory Committee were present at this meeting.

A subcommittee was appointed for the study and determination of general rules on gas proration for submission to the Advisory Committee. Another subcommittee is to study and report as to any required revisions of present gas pool designations. Each committee consists of a representative from each of the companies represented on the Advisory Committee.

A meeting of each of these subcommittees was held in Hobbs, New Mexico, at 10:00 A. M., March 31, 1953. Samedan Oil Corp., represented by Mr. George E. Trimble, acted as chairman of the general rules subcommittee, which met at the office of the New Mexico Oil and Gas Engineering Committee. Gulf Oil Corp., represented by Mr. R. L. Boss, acted as chairman of the pool-definition subcommittee, which met at the Humble Recreation Hall. In each of these subcommittees, subjects for additional study were agreed upon and provisions made for future meetings.

The minutes of the initial Advisory Committee meeting, as well as the meetings of each of the subcommittees, have been furnished to the Commission. It is recommended that the hearing be kept open and continued until final report of the Advisory Committee.

Respectfully submitted,



A. L. Hill, Chairman
Gas Proration Advisory Committee

ALH:W:pc:mm

April 15, 1953

Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

In Re: Advisory Committee to the Oil Conservation
Commission on Case 521, concerning gas pro-
ration in Lea, Eddy, Chaves and Roosevelt
Counties, New Mexico.

Gentlemen:


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Respectfully submitted,



A. L. Hill, Chairman
Gas Proration Advisory Committee

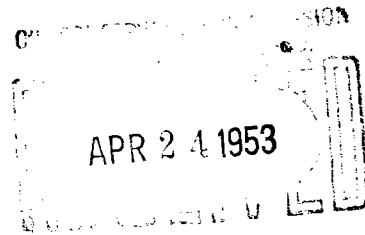
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Case 521

April 18, 1953

TO:

El Paso Natural Gas Company
Southern Union Gas Company
Continental Oil Company
Gulf Oil Corporation
Humble Oil and Refining Company
Shell Oil Company
Phillips Petroleum Company
Texas-Pacific Coal and Oil Company
Samedan Oil Corporation



Gentlemen:

With reference to the two motions made and passed at the March 31, 1953, meeting of the General Rules Subcommittee concerning gas proration in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico, attached are copies of suggested rules and/or opinions received thus far in reference to the above motions.

If and when the suggested rules and/or opinions are received from those companies not as yet heard from copies will be transmitted to each of you upon their receipt by your chairman.

At the regular monthly meeting of the New Mexico Oil Conservation Commission in Santa Fe, New Mexico, on April 16, 1953, Case Number 521 was continued for discussion. At that time Mr. R. R. Spurrier urged the Advisory Committee to complete their assignment as soon as possible. Therefore it is suggested that as soon as the enclosed suggested rules and/or opinions are studied and considered each company who has not already done so should draft a suggested rule or rules covering the motions that were made at the March 31, 1953 meeting of the general rules subcommittee.

In addition so that we might hasten the work of the general rules subcommittee, it is suggested that each company prepare an outline containing those factors that are felt necessary in the final set of rules that the general rules subcommittee will submit to the Advisory Committee. By doing this prior to the April 30, 1953 meeting of the general rules subcommittee it is possible that a discussion and outline of the final set of rules can be agreed upon for consideration of those companies making up the Advisory Committee.

Yours very truly,

SAMEDAN OIL CORPORATION, Chairman
General Rules Subcommittee

George E. Trimble

PROPOSED RULES ON GAS PRORATION AND ALLOCATION
STATE OF NEW MEXICO
GULF OIL CORPORATION

RULE 602 - ALLOCATION OF GAS PRODUCTION

(1) Gas Nominations

- (a) On or before the tenth day of each calendar month each gas purchaser shall submit to the Conservation Commission, in affidavit form and on forms furnished by the Commission, the estimated volume of gas which said purchaser will require from each pool during the next succeeding calendar month.

The term "gas purchaser" as used herein, shall mean the "taker" of gas at the wellhead and it shall be the responsibility of said "taker" to submit the nomination. An Operator of the gas well who takes gas at the well head and uses such gas for his own operations either on leases or in a fuel system shall submit the nomination form and likewise processing plants which operate field gathering systems and which are the takers of the gas at the wellhead will be responsible for submitting the nomination form.

(2) Statewide Hearing

Each month during the regularly scheduled monthly hearing established by the provisions of Rule 503 (b), the Commission shall determine:

- (a) The lawful market demand for gas to be produced from each pool during the following month.
- (b) The volume of gas that can be produced from each pool and each well therein during the following month, without waste.

(3) Monthly Gas Allowable:

Subsequent to the statewide hearing of the Commission and as soon thereafter as is practicable, the Commission shall fix the monthly allowable of gas to be produced from each pool and said allowable shall be either the lawful market demand from said pool or the volume that can be produced from said pool without waste, whichever is the smaller quantity.

(4) Allocation of allowables to prevent waste and protect correlative rights.

After the Commission finds, upon hearing, that the gas wells in any pool are capable of producing an accumulative volume of gas which is in excess of the current market demand for gas from said pool, or finds that allocation of allowables or the regulation of production of any well or wells is necessary to prevent waste and protect correlative rights, the Commission shall allocate the monthly pool allowable among all wells entitled to produce gas therefrom so as to give each well its fair share of the gas to be produced from the pool, provided that each well shall be restricted to the amount of gas that can be produced without waste. The volume of gas allocated to each well shall be regarded as the monthly allowable for such

well and each well's daily allowable shall be determined by dividing the monthly allowable by the number of days in the month. A gas proration schedule shall be issued by the Commission each month for each allocated gas pool and such schedule shall list each gas well in the pool and the allowable for each well.

(5) Computing and balancing overproduction and underproduction.

If during any month or months of a proration period an operator produced more gas or less gas than the assigned allowable, then the procedure for computing and balancing overproduction and underproduction shall be as follows:

(A) For the purpose of computing and balancing overproduction and underproduction in the various gas pools, the dates 7 a.m., March 1 and 7 a.m., September 1, are to be known as "Balancing Dates"; and the six months' periods beginning 7 a.m., March 1 and ending 7 a.m., September 1 and beginning 7 a.m., September 1 and ending 7 a.m., March 1, will be considered as separate entities and will be known as "balancing periods."

(1) UNDERPRODUCTION

(a) In the event there shall not be produced from any gas well in any gas pool during a balancing period as much gas as is allocated thereto under orders of the Commission, the operator of any such well shall be permitted to carry such underproduction forward to the next succeeding balancing period, as future allowable credit, to be produced during that period.

(b) The amount of underproduction to be carried forward into any new balancing period shall consist of actual underproduction that accrued in the balancing period immediately preceding such new balancing period and the accumulative well status, as to underproduction, will be adjusted on each balancing date accordingly.

(c) Underproduction as pertains to any well shall not be made up at a rate in excess of twice the daily average rate required to produce the normal current monthly allowable of the well.

(d) With respect to a producing well that has been accumulatively underproduced on each of two successive balancing dates, such well shall not be assigned a monthly allowable greater than the maximum monthly production had from such well during the immediately preceding balancing period; provided, however, that such limited allowable as is assigned such well hereunder may be adjusted to a value not to exceed the allowable accruing to such well under the allocation formula, upon certification to the Commission from the operator thereof that such well is producing gas in excess of the limited allowable assigned it.

(2) OVER PRODUCTION

(a) Each operator of each gas well in any gas pool may, subject to the hereinafter prescribed conditions, produce such well in excess of the monthly allowable allocated to such well provided that no well shall in any one month produce at a rate in excess of twice the daily average rate required to produce the normal current monthly allowable of the well.

(b) Any well overproduced as of a balancing date, and which well was also overproduced on the balancing date immediately preceding and remained overproduced for the entire period between the two balancing dates, shall be shut in until the overproduction existent as of the latter of such two balancing dates, is made up; this unless exception is had as provided for in the next succeeding paragraph hereof.

(c) The operator of a well which under the provisions of the immediately preceding paragraph would be required to be shut in may, if such operator is of the opinion that complete well shut in will materially damage his well, request a hearing before the Commission which hearing will be held only after due notice is given to all operators in the pool. If after consideration of the evidence submitted at such hearing the Commission finds that such well should not be completely shut in, the Commission may allow the over production charged against it to be made up at a lesser rate than it would be made up if the well were completely shut in.

(d) Except where complete well shut in is required to make up over production (see paragraph b and c above), overproduction existent as of any balancing date shall be made up during the balancing period immediately following, and may be made up at any time during such period; i.e., a specified fractional part of such over production need not be made up during each month of such balancing period, so long as all of such over production is made up during such balancing period.

SUGGESTED REVISION OF RULE 403

Natural Gas From Gas Wells To Be Measured
And Volumes Reported Monthly

All natural gas produced shall be accounted for by metering, and the gas production from each well shall be metered separately. The operator of each gas well shall report monthly to the Commission, on a form prescribed and furnished by the Commission, the volume produced from said well and the disposition or utilization of the volume produced. All volumes reported shall be computed at a base pressure of 10 inches per square inch above an assumed average barometric pressure of 14.4 pounds per square inch (15.025 psia) and a standard base temperature of 60 degrees Fahrenheit with correction for deviation from Boyle's Law whenever such gas is actually metered at a pressure of 100 pounds per square inch gauge or higher. All volumes are to be submitted to the Commission so as to reach the Commission Office on or before the 25th day of the month next succeeding the month in which the gas was produced.

DEFINITION OF A GAS WELL

The term "gas well" is any well (a) which produces non-associated gas, or (b) which produces associated gas at a gas-oil ratio of more than one hundred thousand (100,000) cubic feet of gas to each barrel of crude oil produced from the same horizon.

CONTINENTAL OIL COMPANY

April 13, 1953

Samedan Oil Corporation,
El Paso Natural Gas Company
Southern Union Gas Company
Gulf Oil Corporation
Humble Oil and Refining Company
Shell Oil Company
Phillips Petroleum Company
Texas Pacific Coal & Oil Company

Gentlemen:

In regard to the proposals made March 31, 1953, at the first meeting of the General Rules Subcommittee of the Committee on Means and Methods for the proration of gas in New Mexico, Continental Oil Company has the following comments:

1. The proposal for a system involving nominations, allowables and production reports on a monthly basis and the balancing of gas production and allowables on a six-months basis is entirely in accord with our position on these matters as far as fundamentals are concerned. The specific wording, of course, is subject to considerable change for clarification and refinement.

2. In accordance with our original stand which was voiced at the first meeting of the general committee on March 24, a rigid definition of a gas well is a step in the wrong direction. Such a definition would be applicable in either of two situations: (1) Wells in a gas cap and (2) wells in gas or gas condensate pools. In the former situation, an associated pool, properly defined, would be equitable treated under the present rules or perhaps by a slight modification thereof in that such gas cap wells would be allowed to produce only that amount of gas calculated by multiplying the oil allowable by the limiting gas/oil ratio. A slight modification could provide for equivalent volumetric withdrawal of the gas cap and the pooling of units for proportional allowable. The placing of a rigid gas-oil ratio definition together with separate treatment of the gas cap from the oil portion of a reservoir could only result in inequities. A near-gas well would be given greater flexibility of gas utilization than a "just-barely" gas well. Also the allowable liquid production and consequently the allowable reservoir volume voidage may vary to an unreasonable degree between two such wells which are direct offsets if the two are treated under separate rules providing for separate allocation systems.

The present definition of "casinghead gas" specifically includes gas cap gas so that this control may be exercised with only slight change of the rules.

In regard to gas wells in gas or gas condensate pools the definition should not be by wells but by reservoirs. The present definition of "gas well" as "a well producing gas or natural gas from a common source of gas supply as determined by the Commission" is quite proper, if not adequate. Furthermore, the definitions of "condensate" and "natural gas or gas" appear to support this view. The definitions could be clarified and perhaps be better correlated, but the intent to associate them is clear.

As each of you know, the characteristics of each reservoir is different from every other and the nature of each is governed by many factors other than gas-oil ratio. In reality, to properly classify reservoirs, it is necessary to study each separately, weighing the facts in a scientific manner and drawing conclusions based on sound engineering principles. A gas reservoir, actually, is a single phase reservoir existing in the gaseous state at reservoir conditions. Any departure from such classification is contrary to sound engineering and sound conservation principles. A gas reservoir, therefore, should be classified by the Commission based upon evidence presented at public hearing after sufficient engineering study has been made.

We hope to have suggested rules and modifications of present rules in readiness for your consideration at our next meeting on April 30.

Respectfully submitted

(Sgd) V.T. Lyon
Continental Oil Company
Member General Rules Subcommittee

New Mexico Oil & Gas Eng. Comm.
Hobbs, New Mexico
April 20, 1953

PROPOSED MODIFICATION OF DEFINITIONS AND RULES
(Submitted by Phillips Petroleum Company)
New Mexico Oil Conservation Commission Rules and Regulations

DEFINITION 24. GAS WELL shall mean

- (1) a well producing gas or natural gas from a pool classified by the Commission as a gas pool, and
- (2) a well with a gas-oil ratio above 100,000 cubic feet of gas per barrel of oil producing oil and/or gas from a pool classified by the Commission as an oil pool.

PROPOSED MODIFICATION OF RULES

New Mexico Oil Conservation Commission Rules and Regulations

RULE 102. NOTICE OF INTENTION TO DRILL OR RECOMPLETE

Prior to the commencement of operations, notice shall be delivered to the Commission of intention to drill any well for oil or gas on Form C-101. Prior to the commencement of recompletion operations, notice shall likewise be delivered to the Commission of intention to deepen or plug back to any common source of supply other than the existing production horizon.

Notice of intention to drill or recomplete shall be accompanied by a certified lease plat showing lease boundary lines, acreage attributable to the well or unit, the location of the proposed well with reference to property lines, and other wells on the unit.

RULE 104. WELL SPACING; ACREAGE REQUIREMENTS FOR DRILLING TRACTS

- (a) Same as set out in present rules.
- (b) Same as set out in present rules.
- (c) Same as set out in present rules.
- (d) Each well drilled in a defined gas pool shall be located on a tract conforming to the special pool rules and shall be located within the tract in accordance with the special pool rules, provided, however, that the Commission will, in order to protect the rights of the owner, grant exceptions to permit the drilling of wells on tracts smaller than the proration unit prescribed in the special pool rules.
- (e) Same as set out in present rules.
- (f) The Secretary of the Commission shall have authority to grant an exception to the requirements of (a), (b), (c), and (d) above without notice and hearing where application has been filed in due form and
 - (1) The necessity for the unorthodox location is based on topographical conditions, or is occasioned by the recompletion of a well previously drilled to another horizon, and
 - (2) a) The ownership of all oil and gas leases within a radius of 660 feet of the proposed location is common with the ownership of the oil and gas leases under the proposed location, or
 - b) All owners of oil and gas leases within such radius consent in writing to the proposed location.
- (g) Same as set out in present rules.

(h) Same as set out in present rules.

(i) If the drilling tract is within an allocated gas pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of acreage different from the proration unit prescribed in the special pool rules, the allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to the proration unit for the particular pool.

(j) Same as set out in present rules.

(k) Same as set out in present rules.

(l) Same as set out in present rules.

(m) Same as set out in present rules.

RULE 506. GAS - OIL RATIO LIMITATION

(a) In allocated pools containing a well or wells producing from a reservoir which contains both oil and gas, each proration unit shall be allowed to produce only that volume of oil and/or gas equivalent, at reservoir conditions, to the volume of oil and/or gas allowed to be produced as a top unit allowable for the pool. In the event the Commission has not set a gas-oil ratio limit for a particular oil pool, the limiting gas-oil ratio for the pool shall be 2,000 cubic feet of gas for each barrel of oil produced. All wells in an allocated pool shall be placed on the proration schedule.

(b) Same as set out in present rules.

(1) Same as set out in present rules.

(2) Any unit containing a well or wells producing from a reservoir which contains both oil and gas shall be permitted to produce only that volume of oil and/or gas equivalent, at reservoir conditions, to the volume of oil and/or gas allowed to be produced as a top unit allowable for the pool.

(3) Same as set out in present rules.

(4) Same as set out in present rules.

(c) Same as set out in present rules.

(d) Same as set out in present rules.

RULE 602. ALLOCATION OF GAS PRODUCTION

When the Commission finds, upon hearing, that production from any gas pool is in excess of the current market demand therefor, or finds that production from the reservoir should be regulated in order to prevent waste or protect correlative rights, the Commission shall promulgate such special pool rules and regulations as are necessary to allocate the allowable pool production among the connected wells in the pool upon a reasonable basis and recognizing correlative rights. The Commission shall include in the proration schedule for such pool any gas well which it finds is being unreasonably discriminated against, through denial or access to a gas transportation facility, which is reasonably capable of handling the tupe of gas produced by such well.

Such special pool rules and regulations shall not necessarily be limited to the following matters, but shall;

1. Delineate the pool limits,
2. Fix the standard proration unit,
3. Establish well location requirements within the standard proration unit,
4. Provide for exceptions to standard proration unit and well location requirements,
5. Provide for the filing of a certified plat setting out attributable acreage, well location, line measurements, etc.,
6. Establish an allocation formula,
7. Establish applicable well test rules,
8. Provide for the filing of nominations and the determination of the reasonable market demand for the pool,
9. Provide for the adjustment of allowable to satisfy the reasonable market demand as determined,
10. Establish the tolerance that will be allowed with respect to over or underproduction of the assigned allowable,
11. Provide for the filing of regular monthly production reports for each well in the field, and
12. Provide for further consideration of the special pool rules at any and all such times as may be necessary.

RULE 603. PRORATION PERIOD

The proration period for a gas pool shall be at least six months, and the reasonable market demand for each gas pool shall be determined for each month in the period, upon notice and hearing, at least thirty days prior to each proration period.

RULE 604. ADJUSTMENT OF ALLOWABLES

At such time as the actual production from a gas pool for each month is known, the net allowable for the pool shall be adjusted so as to satisfy the reasonable market demand as previously determined so that each gas proration unit shall have a reasonable opportunity to produce its fair share of the gas production from the pool and so that correlative rights shall be protected.

EXAMPLE

Special Pool Rules

1. Drilling and/or spacing units, 640 acres in size consisting of one section according to the U. S. Public Land Surveys, are hereby established for the development of the pool, which pool limits are described as follows:

(Description of pool limits as determined by the Commission upon hearing.)

Each well hereafter drilled in said pool, shall be drilled in the center of its unit, and in no event farther than 660 feet from the center of the unit, provided, however, that exceptions will be granted in accordance with Rule 104 (f) of the Commission.

Operators shall file with the Commission a certified plat for each well, which plat shall set out distinctly all of those things pertinent to the determination of the acreage credit claimed therefor.

2. Allocation Formula - A formula shall be, and is, hereby adopted for the purpose of allocating gas production to the wells in the pool, which formula shall consist of acreage and pressure as herein defined.

3. Acreage Factor - The acreage factor shall be the acreage attributable to the proration unit upon which the well is drilled. If two or more wells are drilled on a proration unit, the acreage attributable to each well shall be the total number of acres in the proration unit divided by the number of wells in the proration unit.

4. Pressure Factor - The pressure factor shall be the shut-in well-head pressure as determined at the end of a 24-hour shut-in period.

5. Allowable - The total allowable for the pool as determined by the Commission, after deductions have been made for wells which are incapable of producing their allowables as determined hereby, shall be distributed among the remaining wells in the pool on the following basis:

The allowable production of gas from individual wells shall be determined by the proportion that the product of acreage times pressure for the individual well bears to the summation of this product with respect to all other such wells in the pool.

6. Nominations - During each regularly scheduled hearing as established under Rule 503 (b) for the months of February and August, each person or persons having market demands on the pool shall submit to the Commission, nominations of those demands for each month of the proration period, April through September, and October through May, respectively.

After consideration of the above nominations, the Commission shall establish the reasonable market demand for the pool for each month of the following proration period.

7. Production - Production reports on all wells shall be reported in accordance with Rule 1110 of the Commission.

8. Total Allowable - The total allowable to be allocated to the wells in the pool shall be determined by the Commission in the following manner:

The total allowable for the current month shall be equal to the total market demand for the current month plus the total market demand for the preceding month less the net field status at the end of the second preceding month.

9. Underproduction and Overproduction - All underproduction and overproduction occurring during any month shall be carried as a credit in favor of the well or a charge against the well, as the case may be, and added to or subtracted from the well's allowable for the next month. When a well's overproduction exceeds three times its current monthly allowable, said well shall be immediately shut-in by the operator and no gas produced therefrom until all overproduction is made up. When a well connected to a market outlet has accumulated underproduction in excess of three times its current monthly allowable, such excess underproduction shall be cancelled unless otherwise ordered by the Commission.

(Note: The provisions concerning over and underproduction can be modified with respect to individual pools, depending upon the anticipated variation in production from the pool.)

10. Jurisdiction over this cause is hereby retained for the purpose of changing, modifying, adding to, or altering this order, if at any further hearing or from other evidence adduced before the Commission, it appears that such change, modification, addition, or alteration should be made.

SUBMITTED BY SOUTHERN UNION GAS CO.

April 10, 1953

Mr. George E. Trimble
SAMEDAN OIL CORPORATION, Chairman
General Rule Sub-Committee

Dear Sir:

Southern Union Gas Company's ideas as to the motions made and carried at the meeting on March 31, 1953, are set out below:

Motion 1.

A. On or before the twentieth day of each calendar month, each gas purchase shall file with the Commission nominations in the form of affidavits, stating the volume of gas which will be purchased by it from each pool in the field during the succeeding calendar day month. These nominations will conform to the actual volume of gas which the gas purchaser in good faith anticipates it will actually withdraw during the succeeding month.

B. Allowables for each gas well shall be fixed by the Commission on a monthly basis by determining a pool allowable production of gas which shall be divided and allocated to each gas well in each pool based on an allocation formula which shall include, but not be limited to, pressure, potential, and acreage. Due adjustments shall be made by the Commission for deficient wells so that the total pool allowable may be produced from both the deficient and non-deficient wells in the pool.

C. Gas produced from a gas well will be reported by the operator monthly on form C-115.

D. The balancing period shall be six months. Over and under production shall be balanced in accord with proration rules submitted by Humble.

Motion 11

The term "gas well" is any well which produces natural gas not associated or blended with crude petroleum oil at the time of production.

Yours very truly

(Sgd) A. M. Wiederkehr
Reservoir Engineer

AMW: bg

SUGGESTIONS FROM REPRESENTATIVES OF SHELL OIL COMPANY TO COMMITTEE FOR RECOMENDATION OF RULES FOR PRORATION OF GAS IN EDDY, LEA, CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO, TO NEW MEXICO OIL CONSERVATION COMMISSION.

Submitted by: Shell Oil Company

Associated Gas

The only suggestion that we have to make with reference to associated gas is that Number 24 of the definitions of the rules be changed to read as follows:

"24. Gas well shall mean a well producing gas or natural gas from the intervals which within a certain geographical area have been designated by the Commission as a non-associated gas pool."

The magnitude of the gas-liquid ratio should not be considered as a controlling factor in determining whether a well is a gas well or an oil well. Thus many gas condensate reservoirs have gas-liquid ratios considerably less than 100,000 cubic feet of gas per barrel of condensate which arbitrary factor is incorrectly considered by some as the dividing mark between an oil well and a gas well. A gas-liquid ratio of 50,000 to 1 in the Tubbs pool is not wasteful but such a gas-liquid ratio in the oil pools in the same area would constitute waste. Hence, we think any well in a defined oil pool should be prorated as an oil well regardless of its gas-liquid ratio.

Non-Associated Gas

Rule 605 should be amended to read as the Commission has suggested which is as follows, to-wit:

"RULE 605 - GAS PRORATION UNITS

"(a) Before issuing a proration schedule for an allocated gas pool, the Commission, after notice and hearing, shall fix the gas proration unit for that pool.

"(b) Proration Units of 160 acres are hereby established for all defined gas pools in Eddy, Lea, Chaves and Roosevelt Counties, New Mexico, and deviation there from may be had only upon Commission order, after notice and hearing.

"(c) A Normal Gas Proration Unit shall consist of approximately 160 surface contiguous acres which shall be a legal subdivision (quarter section) of the U.S. Public Land Survey.

"(d) Exception to Paragraph (c) above may be obtained after due notice and hearing where the acreage involved is 160 acres or less; the acreage is contiguous where the acreage lies wholly within a governmental Section."

Rule 606 should be added to read as follows:

"RULE 606 - AUTHORIZATION FOR THE PRODUCTION OF GAS

"(a) Gas proration periods shall be six months long and shall run from April 1 to September 30 inclusive and from October 1 to the following March 31 inclusive.

"(b) Each year at the regularly scheduled monthly hearings for February and August, the Commission shall determine the amount of gas to be produced from all allocated gas pools in Eddy, Lea, Chaves and Roosevelt Counties during the gas proration period which immediately follows the said determination. The Commission will consider all evidence of market demand and lease uses of gas and determine the amount of gas to be produced from all allocated gas pools in such counties during the following proration period. The amount so determined will be allocated among the gas pools in such counties in the manner provided in Rule 607; provided, however, that no part of said amount shall be allocated to any pool which is without a common purchaser market. Effective the first day of each proration period the Commission will issue a gas proration schedule for the gas pools so receiving allocations which such schedule will authorize the production of gas from the various units in accordance therewith. Any well completed on or after the first day of the proration period within a pool that appears on a proration schedule is authorized to produce such amounts of gas as said well may be capable

of producing without waste up to the top gas unit allowable determined in accordance with Rule 607. The allowable production for such well shall be effective at 7:00 A.M. on the date of completion, provided that Form C-104 is approved during the proration period in which the well is completed, otherwise the allowable will be effective at 7:00 A.M. on the first day of the proration period in which Form C-104 is approved and provided further a supplementary schedule is issued by the Commission establishing the effective date and the daily rate of production permitted the remainder of the proration period. A tabulation of supplementary gas proration schedules issued during any proration period shall be distributed by the fifth day of the month following their issuance.

"(c) No well shall be placed on the proration schedule until Form C-104 and Form C-110 have been filed with the Commission."

Rule 607 should be added substantially in the form proposed by the Commission. However, we suggest amendment to sub-paragraph (d) of the Commission's proposed rule and the addition of sub-paragraphs (j) and (k) to cover the matter of under-production and over-production. Rule 607, as suggested by us, would read as follows:

"RULE 607 - GAS PRORATION"

"(a) In allocated gas pools, the allocation between pools is in accordance with the top of the producing depth of the pool and the corresponding proportional factor set out below. The depth to the casing shoe or the top perforation in the casing, whichever is the higher in the first well completed in a pool determines the depth classification for the pool. Top unit allowables shall be calculated for each of the several ranges of depth in the following prorations.

"(b)

POOL DEPTH RANGE

**160 Acre Proportional
Factor**

| | |
|-------------------|------|
| 0 to 5,000 Feet | 1.00 |
| 5,000 to 6,000 " | 1.33 |
| 6,000 to 7,000 " | 1.77 |
| 7,000 to 8,000 " | 2.33 |
| 8,000 to 9,000 " | 3.00 |
| 9,000 " 10,000 " | 3.77 |
| 10,000 " 11,000 " | 4.67 |
| 11,000 " 12,000 " | 5.67 |
| 12,000 " 13,000 " | 6.75 |
| 13,000 " 14,000 " | 8.00 |

"(c) The 160-acre proportional factor shall be applied to pools developed on the normal statewide 160-acre spacing pattern.

"(d) Normal unit allowables shall be set by the Commission on a daily basis. However, such daily rates shall not control as to the time of production which, subject to the common purchasers' duty of rateable take may occur at any time within a proration period.

"(e) Top unit allowables for each range of depth shall then be determined by multiplying the normal unit allowable by the proportional factor for each depth range as set out in the table hereinabove; any fraction of a M. C. F. shall be regarded as a full M. C. F. for both normal and top unit allowables.

"(f) The top unit allowables hereinabove determined shall be assigned to the respective pools in accordance with each pool's depth range. Allowables to marginal units will be assigned in accordance with the nominations submitted by the operators on Form C-115. Such nominations must be based upon the ability of the well to produce without waste; otherwise the allowable will be assigned on the basis of the latest available production figures. The sum of the allocation to all marginal units plus the sum of the allocation to all non-marginal units in each pool shall constitute the allocation for each pool.

"(g) The allocation to each pool shall in turn be prorated or distributed to the respective units in each pool in accordance with the proration plan of the particular gas pool, whereby any such plan exists. Where no proration plan exists then the pool allocation shall be distributed or prorated to the respective marginal and non-marginal units therein as determined hereinabove.

"(h) Each proration period the distribution or proration to the respective units in each pool shall be changed in order to take into account all new wells which have been completed and were not in the proration schedule during the previous proration period.

"(i) The provision of Rule 104 (i) et seq. shall be adhered to where applicable in fixing top unit allowables.

"(j) In the event that there shall not be produced from any gas well in a pool during a proration period as much gas as is allocated thereto on the proration schedule for that period, the amount of such underproduction shall be carried forward to the next succeeding period. However, a well that has been accumulative underproduced on each of two successive proration periods because of its marginal capacity shall, during the following proration period not be assigned an allowable greater than the maximum production had from such well during the immediately preceding proration period; provided further, however, that such limited allowable as is assigned such a well hereunder may be adjusted to a value not to exceed the allowable accruing to such well under the allocation formula upon certification to the Commission from the operator thereof that such well is capable of producing gas in excess of the limited allowable assigned it.

"(k) Each operator of each gas well in a pool may produce such well in excess of the allowable allocated to such well provided that no well shall in any proration period produce an excess of one and one-fourth times its allowable for such period. Any well overproduced during a proration period shall be cut back during the succeeding proration period until the overproduction is made up."

Rule 1107 should be amended to read as follows:

"RULE 1107 - REQUEST FOR (OIL) (GAS) ALLOWABLE (Form C-104)

"It is necessary that this form be submitted by the operators before an initial allowable will be assigned to any completed oil well. Form C-104 is to be submitted in QUADRUPLICATE to the Commission office to which Form C-101 was sent. The allowable will be assigned effective 7:00 A.M. on the date of completion, provided completion report is filed during month of completion. The completion date shall be that date, in the case of an oil well, when oil is delivered into the stock tanks.

"Form C-110, Certificate of Compliance and Authorization to Transport Oil or Natural Gas, shall accompany Form C-104.

"When a gas well is involved, a plat certified by the operator as being correct on a scale on one inch equals 1,000 feet setting out acreage attributable to the well, the well locations and line measurements shall accompany and be attached to each copy of Form C-104."

Rule 902 should be amended by adding thereto the following additional sub-paragraph:

"(d) Subject to the other provisions of this rule each common purchaser that has a pipe line or lines connecting different gas pools to the same truck pipe line shall take from such pools rateably according to the ratios of the allocations made to such pools respectively on the proration schedule."

Rule 602 should be amended to show that it is to be applied whenever allocation of gas production is necessary to protect correlative rights as well as when such is necessary to prevent waste.

Distributed by:

N. M. OIL & GAS ENGINEERING COMMITTEE

April 20, 1953

Hobbs, New Mexico

PROPOSED RULES FOR GAS PRORATION AND ALLOCATION
LEA, EDDY, CHAVES, AND ROOSEVELT COUNTIES
NEW MEXICO

(Submitted by: Humble Oil and Refining Company)

RULE 1: Definition of Gas Well

Gas well shall mean a well producing with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil.

RULE 2:

Any gas well producing from a reservoir which contains both oil and gas shall be permitted to produce only that volume of gas equivalent to the applicable limiting gas-oil ratio multiplied by the top unit allowable currently assigned to the pool.

RULE 3: Purchaser Nominations

Purchasers of gas shall file with the Commission in the form of affidavits, stating the volume of gas which be purchased from each pool during the next proration period. Said nominations shall be filed on or before the 20th day of the month preceding the proration period and shall be adjusted monthly by filing supplemental nominations with the Commission on or before the 20th day of each calendar month in the form of affidavits, stating the volume of gas which will be purchased from each pool during the next succeeding calendar day month. These nominations will conform to the actual volume of gas which the gas purchaser in good faith anticipates it will actually withdraw during the proration period and the calendar day month. Said nominations shall be on forms prescribed by the Commission and shall state nominations for casinghead gas, associated gas well gas, and non-associated gas well gas.

In order to ascertain the market demand for units producing from non-associated gas reservoirs, the Commission shall consider nominations and actual production. Nominations for the subsequent months shall be adjusted by applying the difference between the latest monthly production total and the total nominations for that month to the total nominations for gas for said wells which have been submitted for the subsequent month.

RULE 4: Allocation of Gas and Unit Size

Allowables shall be assigned to a unit on a monthly basis, and the total of the allowables assigned to the unit on a monthly basis within the proration period shall be the allowable of the unit for the proration period. In setting allowables, the Commission may take into consideration any and all facts which it may deem pertinent for the purpose of preventing waste and protecting correlative rights of owners in each pool. Allowables for each gas well producing from a non-associated gas reservoir shall be fixed by the Commission by determining a pool allowable production of gas which shall be divided and allocated to each gas well in a pool in the amount that the acreage allocated to said well bears to the total acreage allocated to all wells in each pool, but due adjustment shall be made by the Commission for deficient wells so that the total pool allowable may be produced from both the deficient and non-deficient wells in the pool. For the purpose of allocating acreage and assignment of allowables to gas wells, the unit of proration for gas shall consist of such multiples of 40 acres as the operator elects, and no unit shall consist of less than 160 or more than 640 acres. The operator of a gas well or wells in a pool shall file with the Commission for approval a plat showing the location and the acreage assignable to the well.

RULE 5: Production Allowance for Gas Wells

Each operator shall regulate the production of gas from gas wells so that each well in each pool will produce during each calendar month approximately its proportion of its allowable for said pool and that all over and underproduction will be kept reasonably in balance among the gas wells in each pool. An operator of a gas well may produce a well in excess of the monthly allowable allocated to it and a purchaser may purchase said gas, provided that no waste is occasioned thereby and no well shall be permitted to produce in excess of twice the daily assigned allowable.

RULE 6: Balancing Over and Underproduction

For the purpose of computing and balancing overproduction and underproduction in a pool, the dates 7 A.M., March 1, and 7 A.M., September 1, are to be known as proration periods.

UNDERPRODUCTION

(1) In the event there shall not be produced from any gas well in the pool, during a proration period, as much gas as is allocated thereto under orders of the Commission, the operator of any such well shall be permitted to carry such underproduction forward to the next succeeding proration period, as future allowables credit, to be produced during that period.

(2) The amount of underproduction to be carried forward into any new proration period as allowed production during such new proration period, shall consist of the actual underproduction that accrued in the proration period immediately preceding such new proration period, and the accumulative well status, as to underproduction, will be adjusted on each proration date accordingly.

(3) Underproduction as pertains to any well shall not be made up at a rate in excess of twice the daily average rate required to produce the normal current monthly allowable of the well.

(4) With respect to a producing well that has been accumulatively underproduced on each of two successive balancing dates, such well shall not be assigned a monthly allowable greater than the maximum monthly production had from such well during the immediately preceding proration period; provided, however, that such limited allowable as is assigned such well hereunder may be adjusted to a value not to exceed the allowable accruing to such well under the allocation formula, upon certification to the Commission from the operator thereof that such well is producing gas in excess of the limited allowable assigned it.

OVERPRODUCTION

(1) Each operator of each gas well in the pool, may, subject to the hereinafter prescribed conditions, produce such well in excess of the monthly allowable allocated to such well, provided that no well shall in any one month produce at a rate in excess of twice the daily average rate required to produce the normal current monthly allowable of the well.

(2) Any well overproduced as of a balancing date, and which well was also overproduced on the balancing date immediately preceding and remained overproduced for the entire period between the two balancing dates, shall be shut-in until the overproduction, existent as of the later of such two balancing dates, is made up; this unless exception is had as provided for in the next succeeding paragraph hereof.

(3) The operator of a well which, under the provisions of the immediately preceding paragraph, would be required to be shut-in may, if such operator is of the opinion that complete well shut-in will materially damage his well, request a hearing before the Commission, which hearing will be held only after due notice is given to all operators in the field. If, after consideration of the evidence submitted at such hearing, the Commission finds that such well should not be completely shut-in, the Commission may allow the overproduction charged against it to be made up at a lesser rate than it would be made up if the well were completely shut-in.

(4) Except where well shut-in is required in making up overproduction (See Paragraphs (2) and (3) above), overproduction existent as of any balancing date shall be made up during the proration period immediately following, and may be made up at any time during such period; i. e., a specified fractional part of such overproduction need not be made up during each month of such proration period, so long as all of such overproduction is made up during such proration period.

SUGGESTED RULES FOR GAS PRORATION AND ALLOCATION IN
LEA, EDDY, CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO

(SUBMITTED BY SAMEAN OIL CORP.)

DEFINITION OF A GAS WELL

A gas well shall mean:

1. Any well producing natural gas only from a pool classified by the Commission as a gas pool, and
2. Any well in which the gas oil ratio exceeds One Hundred Thousand (100,000) cubic feet to one barrel of oil from a pool classified by the Commission as an oil pool.

NOMINATIONS AND ALLOWABLES

1. During each regularly scheduled hearing as established under Rule 503-B for the months of February and August each person or persons having market demands or classified gas pools shall submit to the Commission nominations in the form of affidavits stating the volume of gas which will be purchased from each classified gas pool for each month of the proration period, April 1 through September 30 and for the period of October 1 through March 31 of the following calendar year. These nominations will conform to the actual volume of gas which the gas purchaser in good faith anticipates it will actually withdraw during the months of the succeeding proration period.
2. After consideration of the above nominations, the Commission shall determine (a) The lawful market demand for gas to be produced from each classified gas pool during the months of the succeeding proration period; (and (b) The volume of gas that can be produced from such classified gas pool without waste. The Commission shall then fix the monthly allowables of gas to be produced from the pool at the lawful market demand or at the volume that can be produced from such pool without waste whichever is the **smaller** quantity. The monthly pool allowables shall be allocated among all wells entitled to produce gas therefrom so as to give each well its fair share of the gas to be produced from the pool so as to protect correlative rights, provided that each well shall be restricted to the amount of gas that can be produced from it without waste. The volume of gas so allocated to each well shall be regarded as the monthly allowables for such well.
3. For the purpose of computing and balancing overproduction and underproduction in a classified gas pool, the dates of 7 AM April 1 and 7 AM October 1 are to be known as proration periods.

UNDERPRODUCTION

1. In the event there shall not be produced from any gas well in the pool, during a balancing period, as much gas as is allocated thereto under orders of the Commission, the operator of any such well shall be permitted to carry such underproduction forward to the next succeeding balancing period, as future allowable credit, to be produced during that period.
2. The amount of underproduction to be carried forward into any new balancing period as allowed production during such new balancing period, shall consist of the actual underproduction that accrued in the balancing period immediately preceding such new balancing period, and the accumulative well status, as to underproduction, will be adjusted on each balancing date accordingly.

Page 2 Suggested Rules for Gas Proration

3. Underproduction as pertains to any well shall not be made up at a rate in excess of three times the daily average rate required to produce the normal current monthly allowable of the well.
4. With respect to a producing well that has been accumulatively under-produced on each of two successive balancing dates, such well shall not be assigned a monthly allowable greater than the maximum monthly production had from such well during the immediately preceding balancing period; provided, however, that such limited allowable as is assigned such well hereunder may be adjusted to a value to exceed the allowable accruing to such well under the allocation formula, upon certification to the Commission from the operator thereof that such well is producing gas in excess of the limited allowable assigned it.

OVERPRODUCTION

1. Each operator of each gas well in the pool, may, subject to the hereinafter prescribed conditions, produce such well in excess of the monthly allowable allocated to such well, provided that no well shall in any one month produce at a rate in excess of three times the daily average rate required to produce the normal current monthly allowable of the well.
2. Any well overproduced as of a balancing date, and which well was also overproduced on the balancing date immediately preceding and remained overproduced for the entire period between the two balancing dates, shall be shut-in until the overproduction, existent as of the later date of such two balancing dates, is made up; this unless exception is had as provided in the next succeeding paragraph hereof.
3. The operator of a well which, under the provisions of the immediately preceding paragraph, would be required to be shut-in may, if such operator is of the opinion that complete well shut in will materially damage his well, request a hearing before the Commission, which hearing will be held only after due notice is given to all operators in the field. If, after consideration of the evidence submitted at such hearing, the Commission finds that such well should not be completely shut in, the Commission may allow the overproduction charged against it to be made up at a lesser rate than it would be made up if the well were completely shut in.
4. Except where well shut in is required in making up overproduction (see 2 and 3 above), overproduction existent as of any balancing date shall be made up during the balancing period immediately following, and may be made up at any time during such period; i.e., a specified fractional part of such overproduction need not be made up during each month of such balancing period, so long as all of such overproduction is made up during such balancing period.

FILING OF REPORTS

Each producer, purchaser, pipe line company, gasoline plant operator, or carbon black operator producing or taking gas from a well or wells in a classified gas pool shall prepare and file monthly gas reports (Form C-111) with the Commission showing the disposition and acquisition of the total volume of gas withdrawn during the monthly period.

PAGE 3 Suggested Rules for Gas Proration

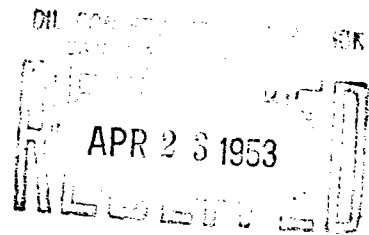
GAS PRORATION UNITS.

1. Before issuing a proration schedule for an allocated gas pool, the Commission, after notice and hearing, shall fix the gas proration unit for that pool.
2. Proration Units of 160 acres shall be established for all defined gas pools in Eddy, Lea, Chaves and Roosevelt Counties, and deviation therefrom may be had only upon Commission order, after notice and hearing.

New Mexico Oil & Gas Eng. Comm.
Hobbs, New Mexico
April 20, 1953

Case 521

April 21, 1953



C
O
P
Y

El Paso Natural Gas Company
Northern Union Gas Company
Continental Oil Company
Gulf Oil Corporation
Humble Oil & Refining Company
Shell Oil Company
Phillips Petroleum Company
Texas-Pacific Coal and Oil Company
Canadian Oil Corporation

Gentlemen:

Attached please find the comments and opinions of the Texas Pacific Coal and Oil Company with reference to the two motions made and passed at the March 11, 1953, meeting of the General Rules Sub-Committee on gas production in Lea, Boli, Chavez, and Roosevelt Counties, New Mexico, which were received this date.

To date all suggested rules and/or comments and opinions concerning the two motions have been received with the exception of the El Paso Natural Gas Company.

Very truly yours,

CANADIAN OIL CORPORATION, Chairman
General Rules Subcommittee

George E. Trimble

enclosure

Chairman, General Rules Sub-Committee
502 V - J Tower
Midland, Texas

Dear Sir:

With reference to the two motions made by Humble Oil and Refining Company before the General Rules Sub-Committee meeting at Hobbs, New Mexico, on March 31, 1953, the following comments and opinions are submitted:

1. Texas Pacific is of the opinion that the motion for the sub-committee to recommend to the Advisory Committee a rule on proration is premature. It is believed that further study is necessary to determine the specific needs for gas proration.
2. Texas Pacific voted for the motion recommending a rule be suggested which would define a gas well. Such a rule could classify a well as a gas well if it produces from a reservoir which contains both oil and gas and with a gas/oil ratio in excess of 100,000 cubic feet per barrel. Such a well's allowable could be assigned on a volumetric or some other equitable basis. Provisions in the rule should be made to classify a gas well that produces condensate and is not associated with an oil reservoir. Such a well should not be judged on its gas/oil ratio but on a distillation test of its liquid if it produces with a gas-liquid ratio of less than 100,000 cubic feet per barrel.

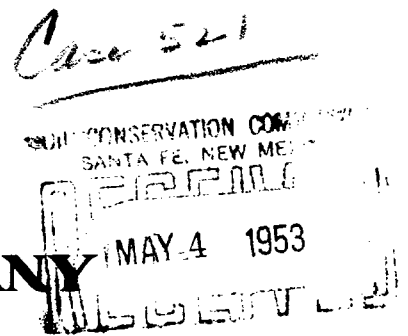
TEXAS PACIFIC COAL AND OIL COMPANY

Peck Hardee, Jr.
Peck Hardee, Jr.
Division Petroleum Engineer

PH/jg



SKELLY OIL COMPANY



PRODUCTION DEPARTMENT

J. S. FREEMAN
VICE PRESIDENT
E. A. JENKINS
GENERAL SUPERINTENDENT

TULSA 2, OKLAHOMA

April 30, 1953

W. P. WHITMORE
CHIEF PETROLEUM ENGINEER
G. W. SELINGER
PRORATION ATTORNEY
J. H. McCULLOCH
CHIEF CLERK

Mr. R. R. Spurrier
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Dear Sir:

The next Statewide hearing has been set for May 19, 1953, at which time the Commission will consider Case No. 521, which we believe is the Statewide Proration of Gas and likewise will consider Case No. 532.

We have received suggestions from a number of operators and additional suggestions have been coming in daily. Also a number of advisory and subcommittees have been considering these matters. It becomes apparent that considerable consideration has to be given by the various operators, and it is our belief that most operators will not be prepared for that statewide hearing which, incidentally, conflicts with the International Petroleum Exposition set from the 14th to the 23 of May. Insofar as our own company is concerned we would like to have additional time to thoroughly go into these matters, and we would earnestly recommend that these two cases be set for the June 16 hearings so as to allow the additional time for consideration of these important matters by all of the operators.

We, therefore, earnestly urge your continuing these matters from the May hearings to the June hearings, and advise all operators sufficiently before hand so that all can be properly advised in the matter. We would appreciate hearing from you in this regard.

Yours very truly,

George W. Selinger
George W. Selinger

GWS:dd

El Paso Natural Gas Company

TENTH FLOOR BASSETT TOWER

El Paso, Texas

May 16, 1953

ADDRESS REPLY TO:
1006 MAIN STREET — ROOM 1901
HOUSTON 2, TEXAS

Oil Conservation Commission

P. O. Box 871
Santa Fe, New Mexico

In Re: Advisory Committee to the Oil

Conservation Commission on Case 521,
concerning gas proration in Lea,
Eddy, Chaves, and Roosevelt Counties,
New Mexico.

Gentlemen:

The two subcommittees to the above mentioned advisory committee have continued their work since our report at the last Regular Hearing of the Commission on April 16, 1953.

The subcommittee investigating the need for revision of present gas-pool designations has completed its work, and its report has been forwarded to the Advisory Committee.

The subcommittee on general rules has drafted a set of recommendations on gas proration rules. These have been printed and distributed to the members of the subcommittee, who now have until May 26 in which to submit their approval or corrections to the Chairman of the subcommittee. Unless indicated corrections require another meeting of the subcommittee, the Chairman of the Advisory Committee is to be advised that the recommendations as distributed are the final recommendations of the subcommittee.

A meeting of the Advisory Committee will be called after final report is made by the general rules subcommittee, at which time action will be taken on the reports of both subcommittees. It is recommended that Case 521 be kept open and continued until final report of the Advisory Committee.

Respectfully submitted,

A. L. Hill
El Paso Natural Gas Company
Chairman, Gas Proration
Advisory Committee

ALH:W:pc

Case 521

May 16, 1953

Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

In Re: Advisory Committee to the Oil
Conservation Commission on Case 521,
concerning gas proration in Lea,
Eddy, Chaves, and Roosevelt Counties,
New Mexico.

Gentlemen:

The two subcommittees to the above mentioned advisory committee have continued their work since our report at the last Regular Hearing of the Commission on April 16, 1953.

The subcommittee investigating the need for revision of present gas-pool designations has completed its work, and its report has been forwarded to the Advisory Committee.

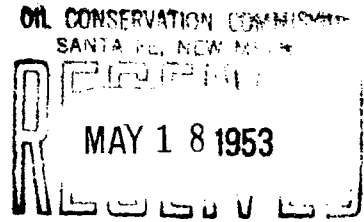
The subcommittee on general rules has drafted a set of recommendations on gas proration rules. These have been printed and distributed to the members of the subcommittee, who now have until May 26 in which to submit their approval or corrections to the Chairman of the subcommittee. Unless indicated corrections require another meeting of the subcommittee, the Chairman of the Advisory Committee is to be advised that the recommendations as distributed are the final recommendations of the subcommittee.

A meeting of the Advisory Committee will be called after final report is made by the general rules subcommittee, at which time action will be taken on the reports of both subcommittees. It is recommended that Case 521 be kept open and continued until final report of the Advisory Committee.

Respectfully submitted,

A. L. Hill
El Paso Natural Gas Company
Chairman, Gas Proration
Advisory Committee

ALH:W:pc



May 14, 1953

TO:

El Paso Natural Gas Company
Southern Union Gas Company
Continental Oil Company
Gulf Oil Corporation
Humble Oil and Refining Company
Shell Oil Company
Phillips Petroleum Company
Texas-Pacific Coal and Oil Company
Samedan Oil Corporation
Permian Basin Pipe Line Company

Gentlemen:

Attached, please find the final draft of rules adopted by the General Rules Subcommittee of the Advisory Committee to the New Mexico Oil Conservation Commission on Case 521 and a letter of transmittal to the Chairman of the Advisory Committee.

If there are no corrections to be made after your study of the above draft and letter, it is requested that you submit your approval in writing to the writer not later than ten days after receipt of the draft and letter, so that the report may be formally submitted to the Advisory Committee.

Yours very truly,

SAMEDAN OIL CORPORATION, Chairman
General Rules Subcommittee

BY: George E. Trimble

May 14, 1953

Mr. A. L. Hill
El Paso Natural Gas Company, Chairman
Advisory Committee to the New Mexico Oil Conservation Commission on Case 521
1006 Main Street
Houston, Texas

Dear Sir:

Pursuant to your request the General Rules Subcommittee has completed formulating a general set of rules for gas proration in Lea, Eddy, Roosevelt, and Chaves Counties, New Mexico and this report is attached for disposition by the Advisory Committee.

It is to be pointed out that these rules in no way are binding on the member companies, but were adopted by a majority vote of the General Rules Subcommittee. Also, it should be pointed out that these rules constitute a minimum basis for initiating a proration program for the four county area. It was the majority opinion of the General Rules Subcommittee that when gas proration is effected in the four county area applicable rules on a field by field basis should be formulated by hearing.

Yours very truly,

SAMEDAN OIL CORPORATION, Chairman
GENERAL RULES SUBCOMMITTEE

BY: /s/ George E. Trimble
George E. Trimble

GENERAL RULES FOR GAS PRORATION
IN
LEA, EDDY, ROOSEVELT, AND CHAVES COUNTIES, NEW MEXICO

All State-wide Gas Rules not modified by the General Rules Sub-Committee are applicable to the Four-County-Area.

DEFINITION OF A GAS WELL
(Modified definition #24 of State-Wide Rules)

GAS WELL shall mean a well producing gas or natural gas from a common source of gas supply from a gas pool determined by the Commission.

Modified State-wide Rule 104 (f)

(f) The Secretary of the Commission shall have authority to grant an exception to the requirements of (a), (b), (c), and (d), (refer to Rule 104-Oil Conservation Commission), above without notice and hearing where application has been filed in due form and

(1) The necessity for the unorthodox location is based on topographical conditions, or is occasioned by the recompletion of a well previously drilled to another horizon, and

(2) a) The Ownership of all oil and Gas leases within a radius of 660 feet of the proposed location is common with the ownership of the oil and gas leases under the proposed location, or

b) All owners of oil and gas leases within such radius consent in writing to the proposed location.

Suggested addition to State-wide Rule #506

RULE 506 (e)

In a gas pool, as defined by the Oil Conservation Commission, each proration unit containing an oil well producing in excess of five barrels of crude oil per day shall be permitted to produce an oil allowable calculated by dividing the gas allowable as assigned to a gas well on the same unit size as the oil well by the gas-oil ratio of the oil well. The maximum allowable which may be assigned such well shall be the top unit oil allowable as determined by Rule 505 unless, after hearing, the Commission shall amend this rule as it applies to a particular pool in order to prevent waste.

Modified State-wide Rule 601

RULE 601 ALLOCATION OF GAS PRODUCTION

(a) At such time as the Commission determines that allocation of gas production is necessary to prevent waste or to protect correlative rights the Commission, after notice and hearing, shall consider the nominations of purchasers from each gas pool and other relevant data, and shall fix the allowable production of each pool, and shall allocate production among the gas wells in the pool upon a reasonable basis with due regard for correlative rights. Unless special pool rules are adopted as provided in (b) below, the general rules of this section shall apply to each gas pool allocated under these rules.

(b) After notice and hearing, the Commission, in order to protect correlative rights, or prevent waste, or both, may promulgate special rules, regulations or orders pertaining to any gas pool.

(c) The term "gas purchaser" as used herein, shall mean the "taker" of gas at the wellhead and it shall be the responsibility of said "taker" to submit the nomination. An Operator of the gas well who takes gas at the well head and uses such gas for his own operations either on leases or in a fuel system shall submit the nomination form.

Modified State-wide Rule 602

RULE 602 PRORATION UNITS

For the purposes of gas allocation in the absence of special pool rules a standard proration unit shall consist of between 158 and 162 contiguous surface acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys. Any allocation unit containing less than 158 acres or more than 162 acres shall be a non-standard unit and its allowable shall be decreased or increased to that proportion of the standard unit allowable that the number of acres contained therein bears to 160 acres.

Modified State-wide Rule 603

RULE 603 - ALLOCATION

(a) At least 30 days prior to the beginning of each gas proration period the

See Corrected p. 3 - attached

Commission shall hold a hearing after due notice has been issued. The Commission shall cause to be submitted by the purchasers of gas their nominations of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period by months from each gas pool from which he purchases gas. The Commission shall consider nominations of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period.

(b) The Commission shall cause to be submitted each month supplemental nominations from purchasers of gas in like manner as the nominations described above setting out changes, if any, which should be made due to fluctuations of market demand. The Commission shall hold a public hearing between the 15th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month. The Commission shall include in the proration schedule all wells producing from any reservoir appearing on the proration schedule. The total allowable to be allocated to the wells in the pool shall be determined by the Commission in the following manner:

The total allowable for the current month shall be equal to the total market demand for the current month plus the total market demand for the preceding month less the net field status at the end of the second preceding month.

(c) The allocation to a pool remaining after subtracting the capacities of marginal units shall be divided and allocated ratably among the non-marginal units in the amount that the acreage contained in each unit bears to the total acreage allotted to such non-marginal units; provided that for this purpose standard units as defined in Rule 602 above shall be deemed to contain 160 acres. For the purpose of assignment of allowables to gas wells, the unit of proration shall consist of no less than 160 acres nor more than 640 acres. More than one proration unit may be assigned to a gas well and the allowables assigned said well may be increased proportionately provided that:

(1) All acreage in such units may reasonably be presumed to be productive of gas; and

(2) the multiple unit so formed shall not have an over-all length or width exceeding 5280 feet; and

(3) the well to which such additional units are assigned shall be located not closer to any boundary of such pooled units than the distance represented by 25% of the length of the longer of the two boundaries of said pooled unit which are adjacent to said first mentioned boundary. Provided further, that where three proration units are pooled the well shall not be located more than 1320 feet from the nearest boundary of any unit so pooled.

Modified State-wide Rule 604

RULE 604 BALANCING OF PRODUCTION

(a) Underproduction

The dates 7:00 A.M. March 1, and 7:00 A.M. September 1, shall be known as balancing dates and the periods of time bounded by these dates shall be known as gas proration periods. The amount of current gas allowable remaining unproduced at the end of each proration period shall be carried forward to and may be produced during the next succeeding proration period in addition to the normal gas allowable for such succeeding period, but whatever amount thereof is not made up within the first succeeding proration period shall be cancelled. If, at the end of the first succeeding proration period a greater amount of allowable remains unproduced than was carried forward as underproduction, the amount carried forward to the second succeeding period shall be the total underproduction less the amount carried forward to the first succeeding period.

If it appears that such continued underproduction has resulted from inability of the well to produce its allowable, it may be classified as a marginal well and its allowable reduced to the well's ability to produce.

(b) Overproduction

A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If at the

end of the first succeeding proration period the well is^{still}/overproduced it shall be shut in and its current monthly allowable charged against said overproduction until the well is in balance. If, at any time a well is overproduced as amount equalling six times its current monthly allowable, it shall be shut in until it is in balance.

The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut in upon a showing at public hearing after due notice that complete shut in of the well would result in material damage to the well.

Modified State-wide Rule #605

RULE 605 GRANTING OF ALLOWABLES

(a) No gas well shall be given an allowable until Form C-104 has been filed together with a plat showing (1) acreage attributed to said well and (2) the locations of all wells on the lease and the immediately surrounding leases producing from the same reservoir and (3) the lease ownership of said leases.

(b) Allowables to newly completed gas wells shall commence on the date of completion or the date of filing of Form C-104 and plat described above, whichever date is later.

Suggested Rule #606

RULE 606 REPORTING OF PRODUCTION

The production from each gas well shall be metered separately and the gas production therefrom shall be submitted to the Commission so as to reach the Commission on or before the twenty-fifth day of the month next succeeding the month on which the gas was produced.

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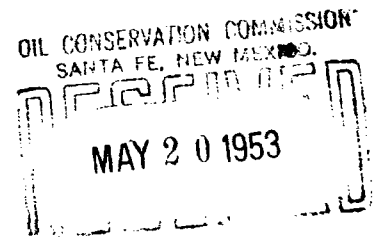
N.M. Oil and Gas Engineering Committee
Hobbs, New Mexico
5-14-53

Case 121

May 15, 1953

TO:

El Paso Natural Gas Company
Southern Union Gas Company
Continental Oil Company
Gulf Oil Corporation
Humble Oil and Refining Company
Shell Oil Company
Phillips Petroleum Company
Texas-Pacific Coal and Oil Company
Samedan Oil Corporation
Permian Basin Pipe Line Company



Gentlemen:

The attached corrected copy of General Rules for Gas Proration in Lea, Eddy, Roosevelt, and Chaves Counties, New Mexico, should be substituted for Page 3 of the original report, mailed May 14, 1953, to correct an omission occurring in the last sentence of Paragraph (b). The phrase "total allowable for the preceding month was omitted in the incorrect sentence. The incorrect sentence reads as follows:

The total allowable for the current month shall be equal to the total market demand for the current month plus the total market demand for the preceding month less the net field status at the end of the second preceding month.

Yours very truly,

SAMEDAN OIL CORPORATION, Chairman
General Rules Subcommittee

BY: George E. Trimble

Distributed by:
N.M. Oil and Gas Engineering Committee
Hobbs, New Mexico
5-18-53.

Commission shall hold a hearing after due notice has been issued. The Commission shall cause to be submitted by the purchasers of gas their nominations of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period by months from each gas pool from which he purchases gas. The Commission shall consider nominations of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period.

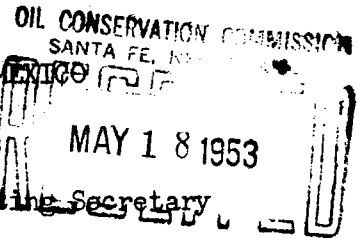
(b) The Commission shall cause to be submitted each month supplemental nominations from purchasers of gas in like manner as the nominations described above setting out changes, if any, which should be made due to fluctuations of market demand. The Commission shall hold a public hearing between the 15th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month. The Commission shall include in the proration schedule all wells producing from any reservoir appearing on the proration schedule. The total allowable to be allocated to the wells in the pool shall be determined by the Commission in the following manner,

The total allowable for the current month shall be equal to the total market demand for the current month plus the total market demand for the preceding month less the total allowable for the preceding month less the net field status at the end of the second preceding month.

(c) The allocation to a pool remaining after subtracting the capacities of marginal units shall be divided and allocated ratably among the non-marginal units in the amount that the acreage contained in each unit bears to the total acreage allotted to such non-marginal units; provided that for this purpose standard units as defined in Rule 602 above shall be deemed to contain 160 acres. For the purpose of assignment of allowables to gas wells, the unit of proration shall consist of no less than 160 acres nor more than 640 acres. More than one proration unit may be assigned to a gas well and the allowables assigned said well may be increased proportionately provided that:

(1) All acreage in such units may reasonably be presumed to be productive of gas: and

MINUTES OF THE GENERAL RULES SUB-COMMITTEE
ON GAS PRORATION
FOR LEA, EDDY, ROOSEVELT, AND CHAVES COUNTIES, NEW MEXICO
MAY 12, 1953



The meeting was called to order at 9:00 A.M. (MST). The Acting Secretary called a roll and read the minutes of the April 30, 1953 meeting with a correction noted as follows:

Paragraph (k), Page 5, which commences with the sentence "The provisions of (h), (i), and (j) above shall apply only to wells completed after the effective date of this rule, etc..." should be deleted from the record.

The attendance record of those present is attached.

A letter submitted by Wilshire Oil Corporation was read by the Chairman. This letter was attached to the April 30, 1953 Minutes.

A Draft of Proposed Rules as prepared by Continental Oil Company was distributed to the members present.

Discussion of the Sub-Committee commenced with Rule 506 of the Oil Conservation Commission.

A Motion made by Humble Oil and Refining Company follows:

Rule 506 (e)
In a gas pool, as defined by the Oil Conservation Commission, each proration unit containing an oil well producing in excess of five barrels of crude oil per day shall be permitted to produce an oil allowable calculated by dividing the gas allowable as assigned to a gas well on the same unit size as the oil well by the gas-oil ratio of the oil well. The maximum allowable which may be assigned such well shall be the top unit oil allowable as determined by Rule 505 unless, after hearing, the Commission shall amend this rule as it applies to a particular pool in order to prevent waste.

An amendment to the above motion was presented by Phillips Petroleum Company, to be added to the main motion as made by Humble. The words to be added to read as follows:

"provided that the gas produced from the well is saved and marketed."

The Phillips amendment was not carried by the following vote:

| | |
|----------------------------------|---------|
| El Paso Natural Gas Company | Nay |
| Southern Union Gas Company | Abstain |
| Continental Oil Company | Aye |
| Gulf Oil Corporation | Nay |
| Humble Oil & Refining Company | Nay |
| Shell Oil Company | Nay |
| Phillips Petroleum Company | Aye |
| Texas-Pacific Coal & Oil Company | Nay |
| Samedan Oil Corporation | Abstain |
| Permian Basin Pipe Line Company | Aye |

The vote on the main motion without the amendment was as follows:

| | |
|----------------------------------|-----|
| El Paso Natural Gas Company | Aye |
| Southern Union Gas Company | Aye |
| Continental Oil Company | Nay |
| Gulf Oil Corporation | Aye |
| Humble Oil & Refining Company | Aye |
| Shell Oil Company | Nay |
| Phillips Petroleum Company | Aye |
| Texas-Pacific Coal & Oil Company | Aye |
| Samedan Oil Corporation | Aye |
| Permian Basin Pipe Line Company | Aye |

The Continental Oil Company discussed their proposed rules as submitted at this meeting. Each member of the General Rules Sub-Committee then submitted their comments and opinions concerning the above proposed rules.

A motion was made by Humble Oil and Refining Company to adopt Continental Oil Company's Proposed Rules 601, 602, 603, 604, 605, and 606, except that in 601 (a) the words reading as follows to be deleted: "At such time as the Commission determines that allocation of gas production is necessary to prevent waste or to protect correlative rights", and in 601 (b) add Phillips' Proposed Rule #8 which reads as follows:

8. Total Allowable - The total allowable to be allocated to the wells in the pool shall be determined by the Commission in the following manner:

The total allowable for the current month shall be equal to the total market demand for the current month plus the total market demand for the preceding month less the net field status at the end of the second preceding month.

In Rule 603 (c) of Continental Oil Company's Proposed Rules the following sentence to be added after the 160-Acres in the sixth line of Paragraph (c): "For the purpose of assignment of allowables to gas wells; the Unit of Proration shall consist of no less than 160-Acres nor more than 640 Acres and that Paragraph 603 (c)

No. 3 be deleted. Pertaining to Continentals' Proposed Rule 604 the word "shall" in the phrase "it shall be classified" change to "may" to read "it may be classified". Permian Basin Pipe Line Company seconded the motion.

Phillips Petroleum Company made an amendment to the main motion that Paragraph No. 9 as proposed by Phillips with reference to Over and Under Production be substituted for the Rule 604 Sec. (a) and Sec. (b) as proposed by Continental. Permian Basin Pipe Line Company seconded the motion.

Gulf Oil Corporation added a third amendment to the original motion to the effect that a Section (c) be added to Rule 601 as proposed by Continental to read as follows:

"The term "gas purchasers", as used herein, shall mean the "taker" of gas at the well-head and it shall be the responsibility of said "taker" to submit the nomination. An operator of the gas well who takes gas at the well-head and uses such gas for his own operations either on leases or in a fuel system shall submit the nomination form and that the last sentence under Rule 601 (c) starting with "more than one proration unit....." be deleted and that Part #2 of Section "c" be deleted. Samedan Oil Corporation seconded the motion.

The meeting was adjourned for lunch.

The meeting was called to order at 1:15 P.M.

The original motion as made by Humble was withdrawn by the "maker" and with the consent of the "second" a new motion was made by Humble that the motion previously withdrawn be considered with the amendments, however, in voting on the motion and the three amendments that the Rules as proposed by Continental Oil Company with amendments be voted upon section-by-section for clarification.

With reference to Rule 601 (a) as proposed by Continental the motion to adopt this rule with the deletion of the words "At such time as the Commission determines that allocation of gas production is necessary to prevent waste or to protect correlative rights" was discussed. The motion was not carried by the following vote:

| | |
|-----------------------------|-----|
| El Paso Natural Gas Company | Nay |
| Southern Union Gas Company | Nay |

| | |
|----------------------------------|-----|
| Continental Oil Company | Aye |
| Gulf Oil Corporation | Nay |
| Humble Oil and Refining Company | Aye |
| Shell Oil Company | Aye |
| Phillips Petroleum Company | Aye |
| Texas-Pacific Coal & Oil Company | Nay |
| Samedan Oil Corporation | Aye |
| Permian Basin Pipe Line Company | Nay |

The Rule 601 (a) as proposed and written by Continental was adopted by the following vote:

| | |
|----------------------------------|-----|
| El Paso Natural Gas Company | Aye |
| Southern Union Gas Company | Aye |
| Continental Oil Company | Aye |
| Gulf Oil Corporation | Aye |
| Humble Oil and Refining Company | Nay |
| Shell Oil Company | Nay |
| Phillips Petroleum Company | Nay |
| Texas-Pacific Coal & Oil Company | Aye |
| Samedan Oil Corporation | Nay |
| Permian Basin Pipe Line Company | Aye |

Rule 601 (b) as proposed and written by Continental was adopted by unanimous vote.

The amendment made by Gulf to include a Section (c) under Rule 601 to read as follows: "The term "gas purchaser" as used herein, shall mean the "taker" of gas at the wellhead and it shall be the responsibility of said "taker" to submit the nomination. An Operator of the gas well who takes gas at the wellhead and user such gas for his own operations either on leases or in a fuel system shall submit the nomination form." was carried by the following vote:

| | |
|----------------------------------|---------|
| El Paso Natural Gas Company | Aye |
| Southern Union Gas Company | Aye |
| Continental Oil Company | Abstain |
| Gulf Oil Corporation | Aye |
| Humble Oil and Refining Company | Aye |
| Shell Oil Company | Aye |
| Phillips Petroleum Company | Aye |
| Texas-Pacific Coal & Oil Company | Abstain |
| Samedan Oil Corporation | Aye |
| Permian Basin Pipe Line Company | Aye |

Rule 602 as proposed and written by Continental was adopted by unanimous vote.

Rule 603 (a) as proposed and written by Continental was adopted by unanimous vote.

Rule 603 (b) as proposed by Continental and as amended to include Phillips' Rule #8 entitled "Total Allowable" to be added at the end of the section were voted upon and passed; carried by the following vote:

1. The amendment to add Phillips' Rule #8 (Total Allowable) was carried unanimously.

2. The amended motion was carried by nine ayes and one abstain by Southern Union Gas Company.

The Gulf Oil Corporation withdrew their original amendment with reference to Rule 603 (c) and stated that they would agree with the Rule 603 (c) proposed by Continental provided that the addition of the sentence proposed by Humble to be inserted following the words "160-Acres", (sixth line of Section (c)). The Humble addition reads as follows:

For the purpose of assignment of allowables to gas wells, the unit of proration shall consist of no less than 160 Acres nor more than 640 Acres. Humble agreed to withdraw their amended motion with reference to the deletion of Part 3 of Section (c).

To avoid any confusion in the adoption of Rule 603 (c) the following is a clarification of the proposed Rule:

(c) The allocation to a pool remaining after subtracting the capacities of marginal units shall be divided and allocated ratably among the non-marginal units in the amount that the acreage contained in each unit bears to the total acreage allotted to such non-marginal units; provided that for this purpose standard units as defined in Rule 602 above shall be deemed to contain 160 acres. For the purpose of assignment of allowables to gas wells, the unit of proration shall consist of no less than 160 acres nor more than 640 acres. More than one proration unit may be assigned to a gas well and the allowables assigned said well may be increased proportionately provided that:

(1) All acreage in such units may reasonably be presumed to be productive of gas; and

(2) the multiple unit so formed shall not have an over-all length or width exceeding 5280 feet; and

(3) the well to which such additional units are assigned shall be located not closer to any boundary of such pooled units than the distance represented by 25% of the length of the longer of the two boundaries of said pooled unit which are adjacent to said first mentioned boundary. Provided further that where three proration units are pooled the well shall not be located more than 1320 feet from the nearest boundary of any unit so pooled.

The vote on the adoption of the above Rule was as follows:

| | |
|----------------------------------|-----|
| El Paso Natural Gas Company | Yes |
| Southern Union Gas Company | No |
| Continental Oil Company | Yes |
| Gulf Oil Corporation | Yes |
| Humble Oil and Refining Company | Yes |
| Shell Oil Company | No |
| Phillips Petroleum Company | Yes |
| Texas-Pacific Coal & Oil Company | Yes |
| Samedan Oil Corporation | Yes |
| Permian Basin Pipe Line Company | Yes |

With reference to Rule 604 as proposed by Continental the amendment to substitute Rule #9 of the Suggested Phillips' Rules for Sections (a) and (b) as written by Continental was not carried by the following vote:

| | |
|------------------------------------|---------|
| El Paso Natural Gas Company | Nay |
| Southern Union Gas Company | Aye |
| Continental Oil Company | Abstain |
| Gulf Oil Corporation | Nay |
| Humble Oil and Refining Company | Nay |
| Shell Oil Company | Nay |
| Phillips Petroleum Company | Aye |
| Texas-Pacific Coal and Oil Company | Abstain |
| Samedan Oil Corporation | Aye |
| Permian Basin Pipe Line Company | Aye |

A motion was made by Humble to adopt Rule 604 as proposed by Continental as written with the exception that the word "may" be substituted for the word "shall" in the last sentence of Section (a). The motion was carried by a vote of nine ayes and one abstain by Permian Basin Pipe Line Company.

Rule 605 as proposed by Continental was adopted as written by the following vote:

| | |
|----------------------------------|---------|
| El Paso Natural Gas Company | Abstain |
| Southern Union Gas Company | Abstain |
| Continental Oil Company | Aye |
| Gulf Oil Corporation | Aye |
| Humble Oil and Refining Company | Aye |
| Shell Oil Company | Aye |
| Phillips Petroleum Company | Aye |
| Texas-Pacific Coal & Oil Company | Aye |
| Samedan Oil Corporation | Aye |
| Permian Basin Pipe Line Company | Abstain |

With reference to Rule 606 as proposed by Continental, the Gulf Oil Corporation amended the main motion by inserting the words "submitted to" in place of "reported each month to" in the second sentence of the above rule and inserting the words

"so as to reach the Commission on or before the 25th day of the month next succeeding the month in which the gas is produced." These words to be inserted after the word "Commission" as appearing in the second sentence of the above rule. The amendment and amended motion with reference to Rule 606 was carried unanimously.

This completes the unfinished business of adopting a general set of rules for Gas Proration in the Four-County-Area. Southern Union Gas Company made a motion which was seconded and stated to delete any adoption of State-Wide Rules as written from final report of the General Rules Sub-Committee. The motion was carried by nine ayes and one nay cast by Humble Oil and Refining Company.

A motion was made by Humble Oil and Refining Company stating that the Sub-Committee write the Rules adopted and submit to the Advisory Committee and dissolve the General Rules Sub-Committee.

An amendment was made by Samedan Oil Corporation which stated that in writing the final rules a recommendation should be made that the Sub-Committee recommend to the Advisory Committee that the rules be submitted at the May 19th Commission Hearing in Santa Fe, New Mexico. This amendment was not carried by the following vote:

| | |
|----------------------------------|--------|
| El Paso Natural Gas Company | No |
| Southern Union Gas Company | No |
| Continental Oil Company | Absent |
| Gulf Oil Corporation | No |
| Humble Oil and Refining Company | Absent |
| Shell Oil Company | No |
| Phillips Petroleum Company | Yes |
| Texas-Pacific Coal & Oil Company | No |
| Samedan Oil Corporation | Yes |
| Permian Basin Pipe Line Company | No |

An amendment was made by Permian Basin Pipe Line Company that the Rules Sub-Committee prepare a report of the final rules-submit the same to each member of the sub-committee-allow a 10 day waiting period for divergent views or acquiescence by the members of the sub-committee and thereby allow each member to study the final rules in toto.

The amendment was carried by the following vote:

| | |
|------------------------------------|--------|
| El Paso Natural Gas Company | Yes |
| Southern Union Gas Company | Yes |
| Continental Oil Company | Absent |
| Gulf Oil Corporation | Yes |
| Humble Oil and Refining Company | Absent |
| Shell Oil Company | No |
| Phillips Petroleum Company | No |
| Texas-Pacific Coal and Oil Company | Yes |
| Samedan Oil Corporation | No |
| Permian Basin Pipe Line Company | Yes |

The amended main motion was carried unanimously.

The meeting was adjourned.

S. J. Stanley
Acting Secretary

Distributed by:
N.M. Oil & Gas Engineering Committee
Hobbs, New Mexico
5-14-53.

ATTENDANCE RECORD

| <u>NAME</u> | <u>COMPANY</u> | <u>CITY</u> |
|--------------------|-----------------------------------|------------------------|
| George E. Trimble | Samedan Oil Corporation | Midland, Texas |
| Stanley J. Stanley | Oil Conservation Commission | Hobbs, New Mexico |
| Robert H. Regan | Magnolia Petroleum Company | Eunice, New Mexico |
| W. L. Morris | " " " | " " |
| H. A. DuPont | U. S. Geological Survey | Hobbs, New Mexico |
| Ed Noble | Samedan Oil Corporation | Midland, Texas |
| A. A. Kemnitz | " " " | Hobbs, New Mexico |
| W. G. Abbott | Amerada Petroleum Corporation | Monument, New Mexico |
| Max E. Curry | Skelly Oil Company | Hobbs, New Mexico |
| Kenneth J. Barr | Stanolind Oil & Gas Company | Hobbs, New Mexico |
| E. W. Nestor | Shell Oil Company | Hobbs, New Mexico |
| R. L. Hughston | Shell Oil Company | Midland, Texas |
| Peck Hardee Jr. | Texas-Pacific Coal & Oil Company | Midland, Texas |
| Glenn Staley | N. M. Oil & Gas Engineering Comm. | Hobbs, New Mexico |
| C. M. Bumpass | Gulf Oil Corporation | Hobbs, New Mexico |
| G. D. Walker | " " " | Fort Worth, Texas |
| W. C. Rigg | Phillips Petroleum Company | Hobbs, New Mexico |
| J. V. Peacock | " " " | Amarillo, Texas |
| E. H. Foster | " " " | " " |
| M. H. Cullender | " " " | Bartlesville, Oklahoma |
| G. E. Stahl | Permian Basin Pipeline Co. | Omaha, Nebraska |
| W. E. Ainsworth | " " " " | " " |
| Van Thompson | Southern Union Gas Company | Dallas, Texas |
| Quilman B. Davis | " " " " | " " |
| A. L. Hill | El Paso Natural Gas Company | Houston, Texas |
| F. Norman Woodruff | " " " " | " " |
| S. F. Holmesly | Humble Oil & Refining Company | Houston, Texas |
| R. S. Dewey | " " " " | Midland, Texas |
| K. C. Heald Jr. | " " " " | Hobbs, New Mexico |
| J. H. Vickery | Atlantic Refining Company | Midland, Texas |
| W. H. Hogan | " " " | " " |
| Elvis A. Utz | N. M. Oil Conservation Comm. | Santa Fe, New Mexico |
| Victor T. Lyon | Continental Oil Company | Fort Worth, Texas |
| W. B. Macey | N. M. Oil Conservation Comm. | Santa Fe, New Mexico |
| E. E. Tucker | Tidewater Associated Oil Co. | Midland, Texas |
| J. E. Springer | " " " " | " " |
| C. E. Hinkle | Humble Oil & Refining Company | Roswell, New Mexico |
| D. K. Spellman Jr. | The Ohio Oil Company | Midland, Texas |
| E. M. Wolf | Humble Oil & Refining Company | Houston, Texas |

RULE 601 ALLOCATION OF GAS PRODUCTION

(a) At such time as the Commission determines that allocation of gas production is necessary to prevent waste or to protect correlative rights the Commission, after notice and hearing, shall consider the nominations of purchasers from each gas pool and other relevant data, and shall fix the allowable production of each pool, and shall allocate production among the gas wells in the pool upon a reasonable basis with due regard for correlative rights. Unless special pool rules are adopted as provided in (b) below, the general rules of this section shall apply to each gas pool allocated under these rules.

(b) After notice and hearing, the Commission, in order to protect correlative rights, or prevent waste, or both, may promulgate special rules, regulations or orders pertaining to any gas pool.

PROPOSED RULE 602 PRORATION UNITS

For the purposes of gas allocation in the absence of special pool rules a standard proration unit shall consist of between 158 and 162 contiguous surface acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys. Any allocation unit containing less than 158 acres or more than 162 acres shall be a non-standard unit and its allowable shall be decreased or increased to that proportion of the standard unit allowable that the number of acres contained therein bears to 160 acres.

PROPOSED RULE 603 ALLOCATION

(a) At least 30 days prior to the beginning of each gas proration period the Commission shall hold a hearing after due notice has been issued. The Commission shall cause to be submitted by the purchasers of gas their nominations of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period by months from each gas pool from which he purchases gas. The Commission shall consider nominations of

purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period.

(b) The Commission shall cause to be submitted each month supplemental nominations from purchasers of gas in like manner as the nominations described above setting out changes, if any, which should be made due to fluctuations of market demand. The Commission shall hold a public hearing between the 15th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month. The Commission shall include in the proration schedule all wells producing from any reservoir appearing on the proration schedule.

(c) The allocation to a pool remaining after subtracting the capacities of marginal units shall be divided and allocated ratably among the non-marginal units in the amount that the acreage contained in each unit bears to the total acreage allotted to such non-marginal units; provided that for this purpose standard units as defined in Rule 602 above shall be deemed to contain 160 acres. More than one proration unit may be assigned to a gas well and the allowables assigned said well may be increased proportionately provided that:

(1) All acreage in such units may reasonably be presumed to be productive of gas; and

(2) the multiple unit so formed shall not have an over-all length or width exceeding 5280 feet; and

(3) the well to which such additional units are assigned shall be located not closer to any boundary of such pooled units than the distance represented by 25% of the length of the longer of the two boundaries of said pooled unit which are adjacent to said first mentioned boundary.

Provided further that where three proration units are pooled the well shall not be located more than 1320 feet from the nearest boundary of any unit so pooled.

D R A F T

PROPOSED RULE 604 BALANCING OF PRODUCTION

(a) Underproduction

The dates 7:00 A.M. March 1, and 7:00 A.M. September 1, shall be known as balancing dates and the periods of time bounded by these dates shall be known as gas proration periods. The amount of current gas allowable remaining unproduced at the end of each proration period shall be carried forward to and may be produced during the next succeeding proration period in addition to the normal gas allowable for such succeeding period, but whatever amount thereof is not made up within the first succeeding proration period shall be cancelled. If, at the end of the first succeeding proration period a greater amount of allowable remains unproduced than was carried forward as underproduction, the amount carried forward to the second succeeding period shall be the total underproduction less the amount carried forward to the first succeeding period.

If it appears that such continued underproduction has resulted from inability of the well to produce its allowable, it shall be classified as a marginal well and its allowable reduced to the well's ability to produce.

(b) Overproduction

A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If at the end of the first succeeding proration period the well is still overproduced it shall be shut in and its current monthly allowable charged against said overproduction until the well is in balance. If, at any time a well is overproduced as amount equalling six times its current monthly allowable, it shall be shut in until it is in balance.

The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut in upon a showing at public hearing after due notice that complete shut in of the well would result in material damage to the well.

(c) No gas well shall be produced at a daily rate which would constitute waste.

RULE 605 GRANTING OF ALLOWABLES

(a) No gas well shall be given an allowable until Form C-104 has been filed together with a plat showing (1) acreage attributed to said well and (2) the locations of all wells on the lease and the immediately surrounding leases producing from the same reservoir and (3) the lease ownership of said leases.

(b) Allowables to newly completed gas wells shall commence on the date of completion or the date of filing of Form C-104 and plat described above, whichever date is later.

RULE 606 REPORTING OF PRODUCTION

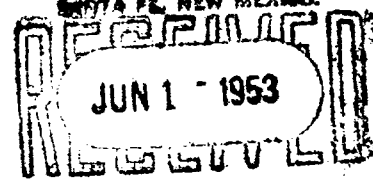
The production from each gas well shall be metered separately and the gas production therefrom shall be reported each month to the Commission on forms furnished by the Commission. The operator shall show on such form what disposition has been made of the gas produced. The full production of gas from each well shall be charged against the well's allowable regardless of what disposition has been made of the gas.

AMERADA PETROLEUM CORPORATION

BEACON BUILDING

P. O. BOX 2040

TULSA 2, OKLA.



May 27, 1953

Mr. A. L. Hill, Chairman
Advisory Committee on Gas Proration - New Mexico
El Paso Natural Gas Company
1006 Main Street
Houston, Texas

Dear Sir:

It is the opinion of the Amerada Petroleum Corporation that the proration of natural gas in the State of New Mexico and more particularly in the area of Lea, Eddy, Chaves and Roosevelt Counties is necessary for the prevention of physical waste and the protection of correlative rights.

Under this premise we have reviewed the recommendations of your subcommittees, working under the direction of the Advisory Committee appointed by the Commission, and concur in their recommendations with the following exceptions, to wit:

1. An amendment to Rule 506 providing for prorating an oil well completed in a gas reservoir is not necessary. The present rules provide a method of taking care of such a contingency.
2. Provision should be made to permit a tolerance in the size and shape of units, particularly in those areas already developed or where present oil wells can be dually completed for gas. We suggest that proposed Rule 602 be revised as follows:

After Public Land Surveys insert:

"Provided, however, that a gas proration unit other than a legal quarter section may be formed after notice and hearing by the Commission, or after the Commission has been furnished waivers from all offsetting operators, if such units comply with the following conditions:

- (1) All lands therein lie within the same section;
- (2) All acreage is contiguous and does not contain more than four legal quarter-quarter sections and/or lots.

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

May 20, 1953

Mr. Glenn Staley
Box 127
Hobbs N M

Dear Mr. Staley:

RE: OOC Case 521

I believe your committee acted as distributor for the minutes mentioned in the attached letter from Mr. Pennington. I will greatly appreciate it if you will have the requested copies sent to him.

Sincerely,

Elvis A. Ute

EAU:mr

cc: Mr. Fred Pennington
Magnolia Pipe Line Co.
Dallas 1 - Texas

C
O
P
Y

Mr. A. L. Hill

- 2 -

May 27, 1953

Where these general rules would result in a conflict with the present operating practices, hearings should be held to adopt special field rules.

With reference to the report of the Subcommittee on definition of pools, we are not in agreement with the statement that all the shallow gas wells in Townships 24 and 25 are producing from the Queen Sand. We presume this can be satisfactorily resolved when the various pools come up for hearing.

We would appreciate your consideration in the above matters when you make your report to the Commission.

Yours very truly,

AMERADA PETROLEUM CORPORATION

By R. S. Christie
R. S. Christie

RSC:vd

cc: Mr. R. R. Spurrier, Secretary ✓
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

62221 52

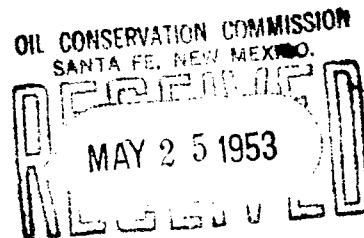
MIDLAND, TEXAS

502 V. & J. TOWER

May 21, 1953

TO:

El Paso Natural Gas Company
Southern Union Gas Company
Continental Oil Company
Gulf Oil Corporation
Humble Oil and Refining Company
Shell Oil Company
Phillips Petroleum Company
Texas-Pacific Coal and Oil Company
Samedan Oil Corporation
Permian Basin Pipe Line Company



Gentlemen:

There will be a meeting of the General Rules Subcommittee of the Advisory Committee to the New Mexico Oil Conservation Commission on Case 521 regarding gas proration on June 2, 1953 at 9:00 AM (MST) in the office of the New Mexico Oil and Gas Engineering Committee in Hobbs, New Mexico.

This meeting is called for the purpose of completing any unfinished business so that we can submit the rules which have been adopted by this committee to the Advisory Committee.

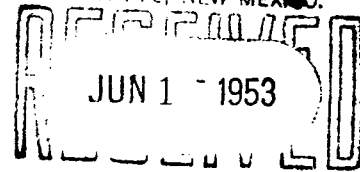
Very truly yours,

SAMEDAN OIL CORPORATION, Chairman
General Rules Subcommittee

By George E. Trimble
George E. Trimble

Case 521

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO.



May 21, 1953

TO: El Paso Natural Gas Company
Southern Union Gas Company
Continental Oil Company
Gulf Oil Corporation
Humble Oil and Refining Company
Shell Oil Company
Phillips Petroleum Company
Texas-Pacific Coal and Oil Company
Samedan Oil Corporation
Permian Basin Pipe Line Company

Gentlemen:

There will be a meeting of the General Rules Sub-Committee of the ~~Advisory Committee~~ to the New Mexico Oil Conservation Commission on Case 521 regarding gas proration on June 2, 1953 at 9:00 A. M. (MST) in the office of the New Mexico Oil and Gas Engineering Committee in Hobbs, New Mexico.

This meeting is called for the purpose of completing any unfinished business so that we can submit the rules which have been adopted by this Committee to the Advisory Committee.

Very truly yours,

SAMEDAN OIL CORPORATION, Chairman
General Rules Sub-Committee

BY: /s/ George E. Trimble

Distributed by:
N. M. Oil and Gas Engineering Committee
Hobbs, New Mexico
5-26-53.

June 12, 1953

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Re: Advisory Committee to the Oil
Conservation Commission on Case 521,
concerning gas proration in Lea, Eddy,
Chaves and Roosevelt Counties, New
Mexico.

Gentlemen:

The subcommittee on general rules met on
June 2, 1953, at Hobbs, New Mexico, at which time final
rules were proposed for presentation to the Advisory
Committee. As you were advised in our report at the last
regular hearing of the Commission, the subcommittee investigat-
ing the need for revision of present gas pool designations
has completed its work. The final report of both subcommittees
will be considered by the Advisory Committee at a meeting to
be called in the near future.

It is believed that the final report of the
Advisory Committee can be submitted to the Oil Conservation
Commission at their regular meeting in July.

Respectfully submitted,



A. L. Hill
El Paso Natural Gas Company,
Chairman, Gas Proration
Advisory Committee

ALH:W:c

Copy in

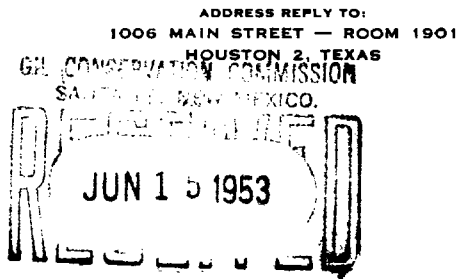
El Paso Natural Gas Company

TENTH FLOOR BASSETT TOWER

El Paso, Texas

June 12, 1953

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico



Re: Advisory Committee to the Oil
Conservation Commission on Case 521,
concerning gas proration in Lea, Eddy,
Chaves and Roosevelt Counties, New
Mexico.

Gentlemen:

The subcommittee on general rules met on June 2, 1953, at Hobbs, New Mexico, at which time final rules were proposed for presentation to the Advisory Committee. As you were advised in our report at the last regular hearing of the Commission, the subcommittee investigating the need for revision of present gas pool designations has completed its work. The final report of both subcommittees will be considered by the Advisory Committee at a meeting to be called in the near future.

It is believed that the final report of the Advisory Committee can be submitted to the Oil Conservation Commission at their regular meeting in July.

Respectfully submitted,



A. L. Hill
El Paso Natural Gas Company,
Chairman, Gas Proration
Advisory Committee

ALH:W:c

El Paso Natural Gas Company

TENTH FLOOR BASSETT TOWER

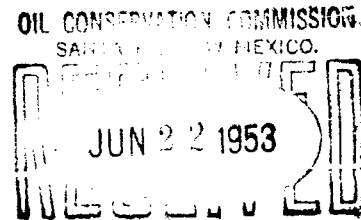
El Paso, Texas

June 18, 1953

Case 521
nom

ADDRESS REPLY TO:
1006 MAIN STREET — ROOM 1901
HOUSTON 2, TEXAS

Mr. R. R. Spurrier
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico



Dear Sir:

A meeting of the Advisory Committee to the New Mexico Oil Conservation Commission on Case 521, concerning gas proration in Lea, Eddy, Chaves and Roosevelt Counties, New Mexico, is hereby called for June 25, 1953, at 9:00 A. M. (MST), in the offices of the New Mexico Oil and Gas Engineering Committee in Hobbs, New Mexico.

This meeting is for the purpose of consideration of the final reports prepared by the two appointed sub-committees so that recommendations may be formulated by this Advisory Committee for presentation to the New Mexico Oil Conservation Commission.

Very truly yours,

A handwritten signature in cursive script, appearing to read "A. L. Hill".

A. L. Hill,
El Paso Natural Gas Company,
Chairman, Gas Proration
Advisory Committee

ALH:FNW:pc

Case 521

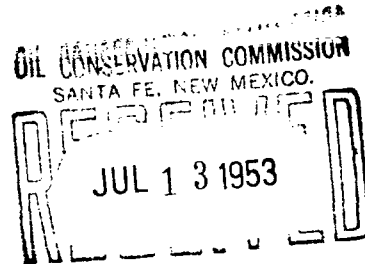
EL PASO NATURAL GAS COMPANY

Tenth Floor Bassett Tower

El Paso, Texas

July 6, 1953

Advisory Committee on Gas Proration
New Mexico Oil Conservation Commission Case 521



Gentlemen:

Attached are two (2) copies of the final recommendations on rules for gas proration and gas pool designations as approved at our meeting of June 25, 1953. It is my intention to formally present the recommendations to the New Mexico Oil Conservation Commission at its meeting in Santa Fe on July 16. If the recommendations as written do not correctly reflect the action taken by the Committee on any points, please so advise me not later than July 10 in order that such revisions that are necessary can be made prior to submittal to the Commission.

In an informal discussion between Mr. R. R. Spurrier and Mr. Ben Howell, Mr. Spurrier indicated that if the recommendations are submitted to the Commission at the July meeting, a full discussion of them will be deferred until the August meeting.

As was stated several times at our various meetings, it is understood that although these recommendations are those of the Committee as a whole, the individual member companies are free to take whatever position they choose in any hearings on the subject before the Commission.

As your Chairman, I would like to take this opportunity to thank each member of the Committee for your cooperation, and to particularly thank Messrs. Staley and Stanley for the work which they did in providing a meeting place and taking care of the minutes of the meetings.

Very truly yours,

A. L. Hill

GENERAL RULES FOR GAS PRORATION
FOR USE IN DEFINED GAS FIELDS LOCATED IN
THE FOUR-COUNTY AREA COMPRISED OF
LEA, EDDY, CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO
RECOMMENDED BY THE ADVISORY COMMITTEE TO
THE OIL CONSERVATION COMMISSION OF NEW MEXICO ON CASE 521

I. DEFINITION OF A GAS WELL (Supersedes Statewide Definition 24)

GAS WELL shall mean a well producing gas or natural gas from a common source of gas supply from a gas pool determined by the Commission.

II. WELL SPACING; ACREAGE REQUIREMENTS FOR DRILLING TRACTS

A. (Supersedes Statewide Rule 104 (f))

The Secretary of the Commission shall have authority to grant an exception to the requirements of Statewide Rule 104, Sections (a), (b), (c), and (d), without notice and hearing where application has been filed in due form, and,

1. The necessity for the unorthodox location is based on topographical conditions, or is occasioned by the recompletion of a well previously drilled to another horizon, and,

2. (a) The ownership of all oil and gas leases within a radius of 660 feet of the proposed location is common with the ownership of the oil and gas leases under the proposed location, or,

(b) All owners of oil and gas leases within such radius consent in writing to the proposed location.

B. (Supersedes Statewide Rule 104 (k))

The provisions of Statewide Rule 104, Paragraph (k), shall not apply to gas pools located in Lea, Eddy, Chaves and Roosevelt Counties, New Mexico.

III. OIL PRODUCTION FROM DEFINED GAS POOLS

In a gas pool, as defined by the Oil Conservation Commission, each proration unit containing a well producing in excess of five barrels of crude oil per day shall be permitted to produce an oil allowable calculated by dividing the gas allowable as assigned to a gas well on the same unit size as said well by the gas-oil ration of said well. The maximum oil allowable which may be assigned said well shall be the top unit oil allowable as determined by Statewide Rule 505 unless, after hearing, the Commission shall amend this rule as it applies to a particular pool in order to prevent waste.

IV. GAS PRORATION (Supersedes Statewide Rule 602)

A. At such time as the Commission determines that allocation of gas production from gas wells producing from any pool in this four-county area is necessary to prevent waste or to protect correlative rights, the Commission, after notice and hearing, shall consider the nominations of gas purchasers from such gas pool and other relevant data, and shall fix the allowable production of such pool, and shall allocate production among the gas wells in such pool upon a reasonable basis with due regard for correlative rights. Unless special pool rules are adopted as provided in B. below, the general rules of this section shall apply to each gas pool allocated under these rules.

B. After notice and hearing, the Commission, in order to protect correlative rights, or prevent waste, or both, may promulgate special rules, regulations or orders pertaining to any gas pool.

C. The term "gas purchaser" as used in these rules, shall mean any "taker" of gas at the wellhead and it shall be the responsibility of said "taker" to submit a nomination.

V. PRORATION UNITS

For the purpose of gas allocation in the absence of special pool rules, a standard proration unit shall consist of between 158 and 162 contiguous surface acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys, provided, however, that a gas proration unit other than a legal quarter section may be formed after notice and hearing by the Commission, or after the Commission has been furnished waivers from all offsetting operators, if all acreage is contiguous and does not contain more than four legal quarter-quarter sections and/or lots. Any allocation unit containing less than 158 acres or more than 162 acres shall be a non-standard unit and its allowable shall be decreased or increased to that proportion of the standard unit allowable that the number of acres contained therein bears to 160 acres.

VI. GAS ALLOCATION (Supersedes Statewide Rule 602)

A. At least 30 days prior to the beginning of each gas proration period the Commission shall hold a hearing after due notice has been issued. The Commission shall cause to be submitted by each gas purchaser its nominations of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period by months from each gas pool from which it purchases gas. The Commission shall consider nominations of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period.

B. The Commission shall cause to be submitted each month supplemental nominations from purchasers of gas in like manner as the nominations described above, setting out changes, if any, which should be made due to fluctuations of market demand. The Commission shall hold a public hearing between the 15th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month. The Commission shall include in the proration schedule the gas wells in the pool delivering to a gas transportation facility, and shall include in the proration schedule of such pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well. The total allowable to be allocated to the pool shall be determined by the Commission in the following manner: The total allowable for a month shall be equal to the total market demand for that month plus the amount of any overproduction, or less the amount of any underproduction during the second preceding month.

C. The allocation to a pool remaining after subtracting the capacities of marginal units shall be divided and allocated ratably among the non-marginal units in the amount that the acreage contained in each unit bears to the

total acreage allotted to such non-marginal units; provided that for this purpose standard units shall be as defined in Rule V above. More than one proration unit or fractional parts thereof may be assigned to a gas well and the allowables assigned said well may be increased proportionately provided that:

1. No more than 640 acres shall be assigned to any one well,
2. All acreage in such units may reasonably be presumed to be productive of gas,
3. The multiple unit so formed shall not have an overall length or width exceeding 5,280 feet.
4. The well to which such additional units are assigned shall be located not closer to any boundary of such pooled units than the distance represented by 25% of the length of the longer of the two boundaries of said pooled unit which are adjacent to said first-mentioned boundary; provided further, that where three proration units are pooled the well shall not be located more than 1,320 feet from the nearest boundary of any unit so pooled, and,
5. Exceptions to the provisions of this rule may be granted by the Commission after notice and hearing or after the Commission has been furnished waivers by all offsetting operators.

VII. BALANCING OF PRODUCTION (Supersedes Statewide Rule 604)

A. Underproduction

The dates 7:00 A. M. January 1 and 7:00 A. M. July 1 shall be known as balancing dates and the periods of time bounded by these dates shall be known as gas proration periods. The amount of current gas allowable remaining unproduced at the end of each proration period shall be carried forward to and may be produced during the next succeeding proration period in addition to the normal gas allowable for such succeeding period; but whatever amount thereof is not made up within the first succeeding proration period shall be cancelled. If, at the end of the first succeeding proration period, a greater amount of allowable remains unproduced than was carried forward as underproduction, the amount carried forward to the second succeeding period shall be the total underproduction less the amount carried forward to the first succeeding period.

If it appears that such continued underproduction has resulted from inability of the well to produce its allowable, it may be classified as a marginal well and its allowable reduced to the well's ability to produce.

B. OVERPRODUCTION

A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If, at the end of the first succeeding proration period, the well is still overproduced, it shall be shut in and its current monthly allowable charged against said overproduction until the well is in balance. If, at any time, a well is overproduced an amount equaling six times its current monthly allowable, it shall be shut in until it is in balance.

The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut in upon a showing at public hearing after due notice that complete shut-in of the well would result in material damage to the well.

VIII. GRANTING OF ALLOWABLES

A. No gas well shall be given an allowable until Form C-104 has been filed together with a plat showing:

1. acreage attributed to said well,
2. the locations of all wells on the lease and the immediately surrounding leases producing from the same reservoir, and,
3. the lease ownership of said leases.

B. Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility or the date of filing of Form C-104 and plat described above, whichever date is the later.

IX. REPORTING OF PRODUCTION

The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be submitted to the Commission so as to reach the Commission on or before the twenty-fifth 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 gas produced. The full production of gas from each well shall be charged against the well's allowable regardless of what disposition has been made of the gas.

REVISIONS AND ADDITIONS TO ORDER NUMBER R-264 IN CASE 245
DESIGNATING, NAMING, DEFINING AND EXTENDING THE GAS POOLS
OF LEA, EDDY AND CHAVES COUNTIES, NEW MEXICO
RECOMMENDED BY THE ADVISORY COMMITTEE TO
THE OIL CONSERVATION COMMISSION OF NEW MEXICO ON CASE 521

1. It is recommended that the Jalco Gas Pool be extended to include all of sections 15, 16, 17, 20, 21, 22, 27, 28; the E/2 of Section 29; E/2 of Section 32; and all of Sections 33 and 34; all in Township 26 South, Range 37 East.
It is pointed out that the El Paso Natural Gas Company's Rhodes Unit (Storage) Area is located within the boundaries of the Jalco Gas Pool and production of gas from that area should not be restricted or affected by Jalco Gas Pool rules so long as the cumulative total input gas exceeds cumulative total withdrawals and, in addition, that during such period, Jalco Gas Pool rules apply to the storage area only subject to the Unit Agreements and Rule No-405.
2. It is recommended that the vertical limits designated in III (2) of Order No. R-264, "That the producing formation in the Eumont Gas Pool shall extend from the top of the Yates formation to a point 200 feet below the top of the Queen formation thereby including all of the Seven Rivers formation", be amended to read as follows: That the producing formation in the Eumont Gas Pool shall extend from the top of the Yates formation to the top of the Grayburg formation thereby including all of the Yates, Seven-Rivers, and Queen formations.
3. It is recommended that, whereas geologic evidence establishes that the present Terry-Blinebry Pool and the Blinebry Gas Pool are a common reservoir, the Blinebry Gas Pool be extended to include productive acreage presently included in the Terry-Blinebry Pool and other acreage indicated productive by development, to wit: All of Sections 1, 2, 3; E/2 of Section 4; E/2 of Section 9; N/2 of Section 10; N/2 of Section 11; all of Section 12, 13, 24, and 25; all in Township 21 South, Range 37 East, and that the designation Terry-Blinebry Pool be discontinued.
4. It is recommended that, inasmuch as the Blinebry Gas Pool, as recommended in 5 above, contains low ratio oil wells as well as condensate and gas wells, special rules for allocation be adopted.
5. It is recommended that the producing formation in the Blinebry Gas Pool shall be defined as that part of the Yesso formation included from the base of the upper Yesso sandy section which occurs at an averagedepth of 450 ft. below the Glorieta formation and which is the stratigraphic equivalent of the Clear Fork formation of West Texas to the top of the Drinkard sandy member or Tubb Sand.

6. It is recommended that the Justis Gas Pool for production from the Glorieta formation be designated as recommended by Gulf Oil Corporation in the Gas Pool Delineation Study of Southeastern Lea County, New Mexico.
The vertical limit is suggested as the 200 feet immediately below the Glorieta datum. The horizontal limits include the SW/4 of Section 1; SE/4 of Section 2; E/2 of Section 11; W/2 of Section 12; W/2 of Section 13; E/2 of Section 14; E/2 of Section 23; W/2 of Section 24; all in Township 25 South, Range 37 East.
7. It is recommended that for wells presently or subsequently completed as gas producers outside the boundaries of defined gas pools the burden for having same included in gas pools should be placed on the Operator as outlined in Rule 1122.

Note:

In reviewing designated gas pools, the subcommittee recognized the fact that within the area of designated gas pools and adjacent areas, there are a number of gas wells which are producing from the gas caps of oil reservoirs and subject to the oil proration rules pertaining thereto; and, therefore, that these wells will not be subject to the rules pertaining to gas pools.

EL PASO NATURAL GAS COMPANY
Tenth Floor Bassett Tower
El Paso, Texas

July 6, 1953

Advisory Committee on Gas Proration
New Mexico Oil Conservation Commission Case 521

Gentlemen:

Attached are two (2) copies of the final recommendations on rules for gas proration and gas pool designations as approved at our meeting of June 25, 1953. It is my intention to formally present the recommendations to the New Mexico Oil Conservation Commission at its meeting in Santa Fe on July 16. If the recommendations as written do not correctly reflect the action taken by the Committee on any points, please so advise me not later than July 10 in order that such revisions that are necessary can be made prior to submittal to the Commission.

In an informal discussion between Mr. R. R. Spurrier and Mr. Ben Howell, Mr. Spurrier indicated that if the recommendations are submitted to the Commission at the July meeting, a full discussion of them will be deferred until the August meeting.

As was stated several times at our various meetings, it is understood that although these recommendations are those of the Committee as a whole, the individual member companies are free to take whatever position they choose in any hearings on the subject before the Commission.

As your Chairman, I would like to take this opportunity to thank each member of the Committee for your cooperation, and to particularly thank Messrs. Staley and Stanley for the work which they did in providing a meeting place and taking care of the minutes of the meetings.

Very truly yours,

A. L. HILL

GENERAL RULES FOR GAS PRORATION FOR
USE IN DEFINED GAS FIELDS LOCATED IN THE
FOUR-COUNTY AREA COMPRISED OF LEA, EDDY,
CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO
RECOMMENDED BY THE ADVISORY
COMMITTEE TO THE OIL CONSERVATION COMMISSION OF
NEW MEXICO ON CASE 521

I. DEFINITION OF A GAS WELL (Supersedes Statewide Definition 24)

GAS WELL shall mean a well producing gas or natural gas from a common source of gas supply from a gas pool determined by the Commission.

II. WELL SPACING; ACREAGE REQUIREMENTS FOR DRILLING TRACTS

A. (Supersedes Statewide Rule 104 (f))

The Secretary of the Commission shall have authority to grant an exception to the requirements of Statewide Rule 104, Sections (a), (b), (c), and (d), without notice and hearing where application has been filed in due form, and,

1. The necessity for the unorthodox location is based on topographical conditions, or is occasioned by the recompletion of a well previously drilled to another horizon, and,

2. (a) The ownership of all oil and gas leases within a radius of 660 feet of the proposed location is common with the ownership of the oil and gas leases under the proposed location, or,

(b) All owners of oil and gas leases within such radius consent in writing to the proposed location.

B. (Supersedes Statewide Rule 104 (k)

The provisions of Statewide Rule 104, Paragraph (k), shall not apply to gas pools located in Lea, Eddy, Chaves and Roosevelt Counties, New Mexico.

III. OIL PRODUCTION FROM DEFINED GAS POOLS

rule 20
In a gas pool, as defined by the Oil Conservation Commission, each proration unit containing a well producing in excess of five barrels of crude oil per day shall be permitted to produce an oil allowable calculated by dividing the gas allowable as assigned to a gas well on the same unit size as said well by the gas-oil ration of said well. The maximum oil allowable which may be assigned said well shall be the top unit oil allowable as determined by Statewide Rule 505 unless, after hearing, the Commission shall amend this rule as it applies to a particular pool in order to prevent waste.

IV. GAS PRORATION (Supersedes Statewide Rule 602)

A. At such time as the Commission determines that allocation of gas production from gas wells producing from any pool in this four-county area is necessary to prevent waste or to protect correlative rights, the Commission, after notice and hearing, shall consider the nominations of gas

purchasers from such gas pool and other relevant data, and shall fix the allowable production of such pool, and shall allocate production of such pool, and shall allocate production among the gas wells in such pool upon a reasonable basis with due regard for correlative rights. Unless special pool rules are adopted as provided in B. below, the general rules of this section shall apply to each gas pool allocated under these rules.

- B. After notice and hearing, the Commission, in order to protect correlative rights, or prevent waste, or both, may promulgate special rules, regulations or orders pertaining to any gas pool.
- C. The term "gas purchaser" as used in these rules, shall mean any "taker" of gas at the wellhead and it shall be the responsibility of said "taker" to submit a nomination.

V. PRORATION UNITS

For the purpose of gas allocation in the absence of special pool rules, a standard proration unit shall consist of between 158 and 162 contiguous surface acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys, provided, however, that a gas proration unit other than a legal quarter section may be formed after notice and hearing by the Commission, or after the Commission has been furnished waivers from all offsetting operators, if all acreage is contiguous and does not contain more than four legal quarter-quarter sections and/or lots. Any allocation unit containing less than 158 acres or more than 162 acres shall be a non-standard unit and its allowable shall be decreased or increased to that proportion of the standard unit allowable that the number of acres contained therein bears to 160 acres.

VI. GAS ALLOCATION (Supersedes Statewide Rule 602)

- A. At least 30 days prior to the beginning of each gas proration period the Commission shall hold a hearing after due notice has been issued. The Commission shall cause to be submitted by each gas purchaser its nominations of the amount of gas which each in good faith actually desires to purchase within the ensuing proration period by months from each gas pool from which it purchases gas. The Commission shall consider nominations of purchasers, actual production, and such other factors as may be deemed applicable in determining the amount of gas that may be produced without waste within the ensuing proration period.
- B. The Commission shall cause to be submitted each month supplemental nominations from purchasers of gas in like manner as the nominations described above, setting out changes, if any, which should be made due to fluctuations of market demand. The Commission shall hold a public hearing between the 15th and 20th days of each month to determine the reasonable market demand for gas for the ensuing proration month and shall issue a proration schedule setting out the amount of gas which each well may produce during the ensuing proration month. The Commission shall include in the

proration schedule the gas wells in the pool delivering to a gas transportation facility, and shall include in the proration schedule of such pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well. The total allowable to be allocated to the pool shall be determined by the Commission in the following manner: The total allowable for a month shall be equal to the total market demand for that month plus the amount of any overproduction, or less the amount of any underproduction during the second preceding month.

- C. The allocation to a pool remaining after subtracting the capacities of marginal units shall be divided and allocated ratably among the non-marginal units in the amount that the acreage contained in each unit bears to the total acreage allotted to such non-marginal units; provided that for this purpose standard units shall be as defined in Rule V above. More than one proration unit or fractional parts thereof may be assigned to a gas well and the allowables assigned said well may be increased proportionately provided that:

1. No more than 640 acres shall be assigned to any one well,
2. All acreage in such units may reasonably be presumed to be productive of gas,
3. The multiple unit so formed shall not have an overall length or width exceeding 5,280 feet.
4. The well to which such additional units are assigned shall be located not closer to any boundary of such pooled units that the distance represented by 25% of the length of the longer of the two boundaries of said pooled unit which are adjacent to said first-mentioned boundary; provided further, that where three proration units are pooled the well shall not be located more than 1,320 feet from the nearest boundary of any unit so pooled, and,
5. Exceptions to the provisions of this rule may be granted by the Commission after notice and hearing or after the Commission has been furnished waivers by all offsetting operators.

VII. BALANCING OF PRODUCTION (Supersedes Statewide Rule 604)

A. Underproduction

The dates 7:00 A.M. January 1 and 7:00 A.M. July 1 shall be known as balancing dates and the periods of time bounded by these dates shall be known as gas proration periods. The amount of current gas allowable remaining unproduced at the end of each proration period shall be carried forward to and may be produced during the next succeeding proration period in addition to the normal gas allowable for such succeeding period; but whatever amount thereof is not made up within the first succeeding proration period shall be cancelled. If, at the end of the first succeeding proration period, a greater amount of allowable remains unproduced than was carried forward as underproduction, the amount carried forward to

the second succeeding period shall be the total underproduction less the amount carried forward to the first succeeding period.

If it appears that such continued underproduction has resulted from inability of the well to produce its allowable, it may be classified as a marginal well and its allowable reduced to the well's ability to produce.

B. OVERPRODUCTION

A well which has produced a greater amount of gas than was allowed during a given proration period shall have its allowable for the first succeeding proration period reduced by the amount of such overproduction and such overproduction shall be made up within the first succeeding proration period. If, at the end of the first succeeding proration period, the well is still overproduced, it shall be shut in and its current monthly allowable charged against said overproduction until the well is in balance. If, at any time, a well is overproduced an amount equaling six times its current monthly allowable, it shall be shut in until it is in balance.

The Commission may allow overproduction to be made up at a lesser rate than would be the case if the well were completely shut in upon a showing at public hearing after due notice that complete shut-in of the well would result in material damage to the well.

VIII. GRANTING OF ALLOWABLES

A. No gas well shall be given an allowable until Form C-104 has been filed together with a plat showing:

1. Acreage attributed to said well,
2. The locations of all wells on the lease and the immediately surrounding leases producing from the same reservoir, and,
3. The lease ownership of said leases.

B. Allowables to newly completed gas wells shall commence on the date of connection to a gas transportation facility or the date of filing of Form C-104 and plat described above, whichever date is the later.

IX. REPORTING OF PRODUCTION

The monthly gas production from each gas well shall be metered separately and the gas production therefrom shall be submitted to the Commission so as to reach the Commission on or before the twenty-fifth 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 gas produced. The full production of gas from each well shall be charged against the well's allowable regardless of what disposition has been made of the gas.

leave gas (no lift)

REVISIONS AND ADDITIONS TO ORDER NUMBER R-264 IN
CASE 245 DESIGNATING, NAMING, DEFINING AND EXTEND-
ING THE GAS POOLS OF LEA, EDDY AND CHAVES COUNTIES
NEW MEXICO RECOMMENDED BY THE ADVISORY COMMITTEE
TO THE OIL CONSERVATION COMMISSION OF NEW MEXICO
ON CASE 521

1. It is recommended that the Jalco Gas Pool be extended to include all of sections 15, 16, 17, 20, 21, 22, 27, 28; the E/2 of Section 29; E/2 of Section 32; and all of Sections 33 and 34; all in Township 26 South, Range 37 East.
It is pointed out that the El Paso Natural Gas Company's Rhodes Unit (Storage) Area is located within the boundaries of the Jalco Gas Pool and production of gas from that area should not be restricted or affected by Jalco Gas Pool rules so long as the cumulative total input gas exceeds cumulative total withdrawals and, in addition, that during such period, Jalco Gas Pool rules apply to the storage area only subject to the Unit Agreements and Rule No. 405.
2. It is recommended that the vertical limits designated in III (2) of Order No. R-264, "That the producing formation in the Eumont Gas Pool shall extend from the top of the Yates formation to a point 200 feet below the top of the Queen formation thereby including all of the Seven Rivers formation", be amended to read as follows: That the producing formation in the Eumont Gas Pool shall extend from the top of the Yates formation to the top of the Grayburg formation thereby including all of the Yates, Seven-Rivers, and Queen formations.
3. It is recommended that, whereas geologic evidence establishes that the present Terry-Blinebry Pool and the Blinebry Gas Pool are a common reservoir, the Blinebry Gas Pool be extended to include productive acreage presently included in the Terry-Blinebry Pool and other acreage indicated productive by development to wit: All of Sections 1, 2, 3; E/2 of Section 4; E/2 of Section 9; N/2 of Section 10; N/2 of Section 11; all of Section 12, 13, 24, and 25; all in Township 21 South, Range 37 East, and that the designation Terry-Blinebry Pool be discontinued.
4. It is recommended that, inasmuch as the Blinebry Gas Pool, as recommended in 5 above, contains low ratio oil wells as well as condensate and gas wells, special rules for allocation be adopted.
5. It is recommended that the producing formation in the Blinebry Gas Pool shall be defined as that part of the Yeso formation included from the base of the upper Yeso sandy section which occurs at an average depth of 450 ft. below the Glorieta formation and which is the stratigraphic equivalent of the Clear Fork formation of West Texas to the top of the Drinkard sandy member or Tubb Sand.

6. It is recommended that the Justis Gas Pool for production from the Glorieta formation be designated as recommended by Gulf Oil Corporation in the Gas Pool Delineation Study of Southeastern Lea County, New Mexico.
The vertical limit is suggested as the 200 feet immediately below the Glorieta datum. The horizontal limits include the SE/4 of Section 1; SE/4 of Section 2; E/2 of Section 11; W/2 of Section 12; W/2 of Section 13; E/2 of Section 14; E/2 of Section 23; W/2 of Section 24; all in Township 25 South, Range 37 East.
7. It is recommended that for wells presently or subsequently completed as gas producers outside the boundaries of defined gas pools the burden for having same included in gas pools should be placed on the Operator as outlined in Rule 1122.

Note:

In reviewing designated gas pools, the subcommittee recognized the fact that within the area of designated gas pools and adjacent areas, there are a number of gas wells which are producing from the gas caps of oil reservoirs and subject to the oil proration rules pertaining thereto; and, therefore, that these wells will not be subject to the rules pertaining to gas pools.

New Mexico Oil & Gas Engineering Committee
July 9, 1953
Hobbs, New Mexico

El Paso Natural Gas Company

TENTH FLOOR BASSETT TOWER

El Paso, Texas

ADDRESS REPLY TO:
1006 MAIN STREET — ROOM 1901
HOUSTON 2, TEXAS

July 6, 1953

Advisory Committee on Gas Proration
New Mexico Oil Conservation Commission Case 521

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Very truly yours,



A. L. Hill

GENERAL RULES FOR GAS PRORATION
FOR USE IN DEFINED GAS FIELDS LOCATED IN
THE FOUR-COUNTY AREA COMPRISED OF
LEA, EDDY, CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO
RECOMMENDED BY THE ADVISORY COMMITTEE TO
THE OIL CONSERVATION COMMISSION OF NEW MEXICO ON CASE 521

I. DEFINITION OF A GAS WELL (Supersedes Statewide Definition 24)
GAS WELL shall mean a well producing gas or natural gas from a common source of gas supply from a gas pool determined by the Commission.

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A. [Supersedes Statewide Rule 104 (f)]

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1. The necessity for the unorthodox location is based on topographical conditions, or is occasioned by the recom-
pletion of a well previously drilled to another horizon, and,

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able production of such pool, and shall allocate production among the gas wells in such pool upon a reasonable basis with due regard for correlative rights. Unless special pool rules are adopted as provided in B. below, the general rules of this section shall apply to each gas pool allocated under these rules.

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shall include in the proration schedule of such pool any well which it finds is being unreasonably discriminated against through denial of access to a gas transportation facility which is reasonably capable of handling the type of gas produced by such well. The total allowable to be allocated to the pool shall be determined by the Commission in the following manner: The total allowable for a month shall be equal to the total market demand for that month plus the amount of any overproduction, or less the amount of any underproduction during the second preceding month.

C. The allocation to a pool remaining after subtracting the capacities of marginal units shall be divided and allocated ratably among the non-marginal units in the amount that the acreage contained in each unit bears to the total acreage allotted to such non-marginal units; provided that for this purpose standard units shall be as defined in Rule V above. More than one proration unit or fractional parts thereof may be assigned to a gas well and the allowables assigned said well may be increased proportionately provided that:

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at the end of the first succeeding proration period, a greater amount of allowable remains unproduced than was carried forward as underproduction, the amount carried forward to the second succeeding period shall be the total underproduction less the amount carried forward to the first succeeding period.

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REVISIONS AND ADDITIONS TO ORDER NUMBER R-264 IN CASE 245
DESIGNATING, NAMING, DEFINING AND EXTENDING THE GAS POOLS
OF LEA, EDDY AND CHAVES COUNTIES, NEW MEXICO
RECOMMENDED BY THE ADVISORY COMMITTEE TO
THE OIL CONSERVATION COMMISSION OF NEW MEXICO ON CASE 521

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EL PASO NATURAL GAS COMPANY
EL PASO, TEXAS

July 14, 1953

**Honorable R. R. Spurrier
Secretary, Oil Conservation Commission
Santa Fe, New Mexico**

Dear Mr. Spurrier:

On behalf of the Advisory Committee appointed by the Commission to suggest gas proration rules for use in southeastern New Mexico, the undersigned as Chairman wishes to report that your Advisory Committee has met and has given careful consideration to drafting suggested rules and other recommendations.

After numerous meetings and much discussion, the attached rules and recommendations are submitted as suggestions approved by a majority of the Committee.

The Committee was not unanimous on many points and no member of the Committee is precluded from submitting its own ideas or suggestions to the Commission. The Committee did not reach an agreement as to when and how these proposed rules should be made applicable to designated gas pools in the four-county area.

The Committee wishes to express its appreciation for the useful assistance and helpful advice given by Mr. Hacey, Mr. Stanley and other members of the Commission's staff, and for the valuable use of the New Mexico Oil and Gas Engineering Committee's facilities which were furnished so generously by Mr. Staley.



A. L. Hill, Chairman

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