

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

ORDER NO. AG-1

GAS PRORATION ORDER
FOR PERIOD JANUARY 1, 1954 THROUGH JUNE 30, 1954

The Commission held public hearing at Santa Fe, New Mexico on November 19, 1953 at 9 o'clock a. m., pursuant to legal notice for the purpose of setting the allowable production of gas from the following nine (9) gas pools in Lea County, New Mexico for the six month period, January 1, 1954 through June 30, 1954:

Amanda, Arrow, Blinebry, Byers-Queen,
Eumont, Jalco, Justis, Langmat and Tubb.

NOW, on this day the Commission, a quorum being present, having considered the nominations of purchasers, the capacity of producing wells, and being otherwise fully advised in the premises,

FINDS:

(1) The total nominations of purchasers of gas produced from the above listed nine (9) gas pools for the period January 1, 1954 through June 30, 1954 is 49,163,888 MCF. The individual pool nominations, which total 49,163,888 MCF are as follows:

AMANDA	181,000
ARROW	654,962
BLINEBRY	3,832,813
BYERS-QUEEN	193,370
EUMONT	14,154,009
JALCO	9,808,806
JUSTIS	378,593
LANGMAT	17,038,720
TUBB	2,921,615

(2) The potential producing capacity of all gas wells in the nine (9) gas pools listed above is in excess of the nominations of purchasers of gas and in order to prevent waste and protect correlative rights, the production of gas from the above listed nine (9) gas pools should be limited and allocated and distributed during the six month proration period commencing January 1, 1954.

(3) That all the producing gas wells, together with the expected completed or recompleted wells in the nine (9) gas pools listed above can produce a total of 49,163,888 MCF without causing waste within the six month proration period commencing January 1, 1954, and an allocation based upon such production would be reasonable and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) For the six month proration period commencing January 1, 1954 the total allowable production to be assigned the nine (9) allocated gas pools in Lea County be and the same hereby are as follows:

ORDER NO. G-1

AMANDA	181,000 MCF
ARROW	654,962 MCF
BLINEBRY	3,832,813 MCF
BYERS-QUEEN	193,370 MCF
EUMONT	14,154,009 MCF
JALCO	9,808,806 MCF
JUSTIS	378,593 MCF
LANGMAT	17,038,720 MCF
TUBB	2,921,615 MCF

(2) The allocation hereby set for said six month proration period in the nine (9) allocated pools in Lea County, New Mexico shall be in accordance with Orders Nos. 368-A through 376-A inclusive, and the Commission's Rules and Regulations.

(3) The total allowable production for each pool as set forth shall be allocated on a monthly basis in accordance with Schedule "A", attached hereto and said schedule shall be adjusted monthly to meet changes in market conditions as reflected by purchasers supplemental nominations and actual gas production, in accordance with Orders Nos. 368-A through 376-A inclusive.

The foregoing order shall remain effective until further order of the Commission.

DONE at Santa Fe, New Mexico, this 24th day of November, 1953.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

R. R. SPURRIER, Member and Secretary

S E A L

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	TOTAL
AMANDA	<u>31,000</u>	<u>28,000</u>	<u>31,000</u>	<u>30,000</u>	<u>31,000</u>	<u>30,000</u>	<u>181,000</u>
ARROW	<u>121,449</u>	<u>93,233</u>	<u>142,821</u>	<u>107,722</u>	<u>94,997</u>	<u>94,740</u>	<u>654,962</u>
BLINEBRY	<u>820,320</u>	<u>677,076</u>	<u>922,163</u>	<u>571,889</u>	<u>414,369</u>	<u>426,996</u>	<u>3,832,813</u>
BYERS-QUEEN	<u>33,760</u>	<u>30,160</u>	<u>33,260</u>	<u>31,990</u>	<u>32,710</u>	<u>31,490</u>	<u>193,370</u>
EUMONT	<u>2,734,570</u>	<u>2,494,793</u>	<u>2,633,282</u>	<u>2,249,856</u>	<u>2,065,222</u>	<u>1,976,286</u>	<u>14,154,009</u>
JALCO	<u>2,030,192</u>	<u>1,555,596</u>	<u>2,909,317</u>	<u>1,505,725</u>	<u>858,871</u>	<u>949,105</u>	<u>9,808,806</u>
JUSTIS	<u>83,682</u>	<u>66,702</u>	<u>100,669</u>	<u>55,490</u>	<u>34,411</u>	<u>37,639</u>	<u>378,593</u>
LANGMAT	<u>3,528,708</u>	<u>2,754,662</u>	<u>4,929,995</u>	<u>2,621,570</u>	<u>1,534,222</u>	<u>1,669,563</u>	<u>17,038,720</u>
TUBB	<u>605,480</u>	<u>517,823</u>	<u>596,384</u>	<u>439,286</u>	<u>381,176</u>	<u>381,466</u>	<u>2,921,615</u>
TOTAL							<u>49,163,886</u>

All figures in MCF @ 60° F & 15.025 P.S.I.A.

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

ORDER NO. AG-1-A

**SUPPLEMENTARY GAS PRORATION ORDER FOR
MONTH OF JANUARY, 1954**

The Commission held public hearing at Santa Fe, New Mexico on December 17, 1953 at 9 o'clock a. m., pursuant to legal notice, for the purpose of setting the allowable production of gas from the following nine gas pools in Lea County, New Mexico, for the month of January, 1954:

Amanda, Arrow, Blinebry, Byers-Queen, Eumont, Jalco,
Justis, Langmat and Tubb

NOW, on this day the Commission, a quorum being present, having considered the supplementary nominations of purchasers, the capacity of producing wells, and being otherwise fully advised in the premises,

FINDS:

(1) The total nominations of purchasers of gas produced from the above listed nine gas pools for the month of January, 1954 is 12,299,763 MCF. The individual pool nominations, which total 12,299,763 MCF, are as follows:

Amanda	31,000
Arrow	135,391
Blinebry	973,425
Byers-Queen	8,760
Eumont	3,040,253
Jalco	2,629,478
Justis	130,109
Langmat	4,655,871
Tubb	695,476

(2) The potential producing capacity of all gas wells in the nine gas pools listed above is in excess of the nominations of purchasers of gas and in order to prevent waste and protect correlative rights, the production of gas from the above listed nine gas pools should be limited, allocated and distributed during the month of January, 1954.

(3) That all the producing gas wells, together with the expected completed or recompleted wells in the nine gas pools listed above, can produce a total of 12,299,763 MCF without causing waste during the month of January 1954, and an allocation based upon such production would be reasonable and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) For the month of January, 1954 the total allowable production to be assigned the nine allocated gas pools in Lea County, New Mexico, be and the same hereby is as follows:

- (a) Extension of Blanco-Mesaverde Pool to include Sections 22, 27, 31, 32, 33 and 34 in Township 27 North, Range 5 West.
- (b) Extension of Fulcher-Kutz - Pictured Cliffs Pool to include Sections 5 and 6 in Township 27 North, Range 8 West.
- (c) Extension of South Blanco-Pictured Cliffs Pool to include Sections 1, 11 and 12 in Township 26 North, Range 7 West, and Section 36 in Township 27 North, Range 7 West.
- (d) Extension of the Aztec-Pictured Cliffs Pool to include S/2 Section 3 in Township 30 North, Range 11 West.

CASE 629: Southeastern New Mexico nomenclature case, involving creations of new pools, extensions to or deletions from existing pools, as follows:

- (a) Creation of the Big Eddy-Brushy Canyon(Delaware) Pool for oil production in Eddy County, New Mexico, described as:

Township 20 South, Range 29 East
Sections 27, 28, 33 and 34, all

- (b) Creation of the Big Eddy-Lower Delaware Pool for oil production in Eddy County, New Mexico, described as:

Township 20 South, Range 31 East
Sections 22, 23, 26 and 27

- (c) Extension of the Dollarhide-Drinkard Pool boundary in Lea County, New Mexico, to include following:

Township 24 South, Range 38 East,
S/2 Section 19;
W/2 Section 31

- (d) Extension of the Dollarhide-Fusselman Pool boundary in Lea County, New Mexico, to include therein:

Township 25 South, Range 38 East
NW/4 Section 5

- (e) Extension of the Gladiola-Wolfcamp Pool boundary in Lea County, New Mexico, to include therein:

Township 12 South, Range 38 East
SW/4 Section 19;
W/2 Section 30

- (f) Extension of the Lazy 'J' Pool boundary in Lea County, New Mexico, to include therein:

Township 13 South, Range 33 East
SE/4 Section 21

- (g) Extension of the Teague-Ellenburger Pool boundary in Lea County, New Mexico, to include therein:

Township 23 South, Range 37 East
NW/4 Section 35

- (h) Extension of the Teas Pool boundary in Lea County, New Mexico, to include therein:

Township 20 South, Range 33 East
SE/4 Section 14; W/2 Section 14;
E/2 Section 15

- (i) Extension of the Empire Pool boundary in Lea County, New Mexico, to include therein:

Township 17 South, Range 28 East
N/2 Section 31

- (j) Extension of the Artesia Pool boundary in Eddy County, New Mexico, to include therein:

Township 18 South, Range 28 East
N/2 N/2 Section 13

- (k) Deletion from the Nichols Pool boundary in Eddy County, New Mexico, of the following area:

Township 18 South, Range 28 East
N/2 N/2 Section 13

DOCKET: REGULAR HEARING SEPTEMBER 17, 1953

New Mexico Oil Conservation Commission 9 a.m. Mabry Hall, Santa Fe, N.M.

FIRST: Consideration of the allowable for the month of October, 1953.

CONTINUED CASES

CASE 330: This case is concerned with Stanolind's application for proration of natural gas in the Blanco-Mesaverde Pool, San Juan County, New Mexico, and has been successively continued to permit the compilation of production data.

CASE 377: Under terms of Order R-172 the Oil Conservation Commission requested that Benson & Montin appear to show cause why a 160-acre spacing pattern should not be instituted for Pictured Cliffs wells in the Gallegos Unit Area, San Juan County, to supersede the temporary 320-acre spacing earlier granted.

CASE 565: Gulf's application for permission to deviate its Lillie No. 2 well, drilling at a surface location 750' S of N line and 560' E of W line, 23-24S-37E; this directional drilling contemplated because of geologic trends established in obtaining production from its Lillie No. 1 well 241' to the northwest, and to result, if effected, in the well's being bottomed at a point equivalent to a surface location 662.3' S of N line and 329.5' E of W line of Section 24.

NEW CASES

CASE 574: R. J. Palmer's application for order prohibiting Greenbrier Oil Company from removing, taking or interfering with tubing, casing and other equipment in Palmer No. 1 Well, NE/4 SW/4 SE/4 1-24N-2W, NMPM.

CASE 575: Tide Water's application for dual completion of its A. B. Coates C-1 Well, SE/4 NW/4 24-25S-37E, to permit production of gas from Paddock and gas from Seven Rivers.

CASE 576: Stanolind's application for approval of Buffalo Unit Area embracing 6,127.07 acres of land in Townships 18 and 19 S, Range 33 E, Lea County, New Mexico.

CASE 577: Application of Oil Conservation Commission for order changing the designated producing zone in the Hobbs Pool from the San Andres zone to the Grayburg - San Andres zone.

CASE 578: Application of Oil Conservation Commission for order revising Rule 1105 of Section 'M' (Reports) of the Rules and Regulations.

CASE 579: Application of the Oil Conservation Commission for an order creating the Falby-Yates Pool and deleting certain areas from the Cooper-Jal and Langlie-Mattix Pools in Lea County, and setting forth such changes as follows:

- (a) Creating the Falby-Yates Pool for oil production from the Yates, including:

Township 24 S, Range 36 E, NMPM
E/2 SE/4 Section 23;
NE/4 NW/4, NE/4 NE/4, S/2 N/2, S/2 Section 24;
N/2 Section 25; E/2 NE/4 Section 26

Township 24 S, Range 37 E, NMPM
W/2 Section 19 and NW/4 Section 30

- (b) Deleting the following area from the Cooper-Jal Pool:

Township 24 S, Range 36 E, NMPM
E/2 SE/4 Section 23;
NE/4 NW/4, S/2 NW/4, SW/4 Section 24;
NW/4 Section 25; E/2 NE/4 Section 26

- (c) Deleting the following area from the Langlie-Mattix Pool:

Township 24 S, Range 36 E, NMPM
NE/4 NE/4, S/2 NE/4, SE/4 Section 24;
NE/4 Section 25

Township 24 S, Range 37 E, NMPM
NE/4 NW/4, S/2 NW/4, SW/4 Section 19;
NW/4 Section 30

CASE 580: General nomenclature case for southeastern New Mexico, providing for creation and extension of pools as follows:

- (a) Creation of the Anderson Ranch-Wolfcamp Oil Pool in Lea County to include:

Township 16 S, Range 32 E, NMPM
SW/4 Section 1; S/2 Section 2;
All Section 11; W/2 Section 12;
W/2 NW/4 Section 13; N/2 Section 14

- (b) Creation of Littman-San Andres Oil Pool in Lea County to include:

Township 21 S, Range 38 E, NMPM
All Section 16 lying within New Mexico

- (c) Creation of Drickey-Queen Oil Pool in Chaves County to include:

Township 14 S, Range 31 E, NMPM
All Section 15

- (d) Creation of the Lone-Wolfcamp Oil Pool in Chaves County to include:

Township 7 S, Range 31 E, NMPM
All Section 7

- (e) Extension of Dollarhide-Queen Pool in Lea County to include:

Township 24 S, Range 38 E, NMPM
W/2 Section 31; S/2 Section 29

- (f) Extension of Drinkard Pool boundary in Lea County to include:

Township 22 S, Range 38 E, NMPM
E/2 Section 18

- (g) Extension of Gladiola Pool boundary in Lea County to include:

Township 12 S, Range 37 E, NMPM
S/2 Section 24

- (h) Extension of Moore-Devonian Pool boundary in Lea County to include:

Township 11 S, Range 32 E, NMPM
S/2 Section 13

CASE 581: General nomenclature case for northwestern New Mexico, providing for the following extensions and deletions:

- (a) Extension of Blanco-Mesaverde Pool boundary in San Juan County to include:

Township 31 N, Range 10 W, NMPM
All Sections 1 - 12, incl.

Township 31 N, Range 9 W, NMPM
All Sections 14 - 17, incl.

Township 32 N, Range 10 W, NMPM
All Sections 8, 17, 20, 34 and 35

Township 32 N, Range 11 W, NMPM
All Sections 19, 20, 21, 28 and 29

- (b) Extension of Fulcher Kutz-Pictured Cliffs Pool boundary in San Juan County to include:

Township 27 N, Range 8 W, NMPM
All Section 7

- (c) Deletion from the Fulcher Kutz-Pictured Cliffs Pool boundary of the following area:

Township 28 N, Range 11 W, NMPM
All Section 26

* * *

The following Cases 582-590, inclusive, are all brought up by the Oil Conservation Commission on its own motion for establishment of individual pool rules for each pool named, the rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521:

- CASE 582: ✓ Affecting the Jalco Gas Pool, Lea County, as set forth in note above.
- CASE 583: Affecting the Langmat Gas Pool, Lea County, as set forth in note above.
- CASE 584: Affecting the Eumont Gas Pool, Lea County, as set forth in note above.
- CASE 585: Affecting the Arrow Gas Pool, Lea County, as set forth in note above.
- CASE 586: Affecting the Blinebry Gas Pool, Lea County, as set forth above.
- CASE 587: Affecting the Tubb Gas Pool, Lea County, as set forth above.
- CASE 588: Affecting the Amanda Gas Pool, Lea County, as set forth above.
- CASE 589: Affecting the Justis Gas Pool, Lea County, as set forth above.
- CASE 590: Affecting the Byers-Queen Gas Pool, Lea County, as set forth above.

1-24-54

T. P. introduced these items as
exhibits retaining number as
shown.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

Case No. 582

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON ITS
OWN MOTION FOR ALL OPERATORS
AND INTERESTED PARTIES IN THE
JALCO GAS POOL TO SHOW CAUSE
WHY THE RULES AND REGULATIONS
AS SET OUT IN ORDER R-356, WITH
ANY ESSENTIAL AMENDMENTS, SHOULD
NOT BE PUT INTO EFFECT.

REQUEST FOR DOCUMENTS

Comes now the applicant, Texas Pacific Coal and Oil
Company, and respectfully requests the Commission to make
available to the applicant at the re-hearing the following
documents from the Commission's files:

1. Rules and regulations of the Commission with
amendments thereto. ✓
1-15 Order (No 226)
2. Transcripts, including all original exhibits,
covering the following hearings covering Case No. 245,
EX. 2(a) ✓ EX. 2(b) ✓ EX. 2(c) ✓ EX. 2(d) ✓ 2(e) ✓ 2(f) ✓
December 22, 1950; March 20, 1951; April 24, 1951; May 23,
Docket 1 Tr. Docket 2 Tr.
1951 and July 24, 1951. *2 j (Order R-264)*
3. Docket of March 17, 1953. ✓
4. Transcript of hearing, including all original
exhibits, on March 17, 1953, in Case No. 521. ✓
5. Docket of April 16, 1953. ✓
6. Docket of May 19, 1953. ✓
7. Docket of June 16, 1953. ✓
8. Docket of July 16, 1953. ✓
9. Letter of transmittal dated July 16, 1953, from
A. L. Hill, Chairman of the Advisory Committee, to R. R.
Advisory Committee report

Spurrier.

10. Transcript of hearing, including all original exhibits, on July 16, 1953.
11. Docket of August 20, 1953. ✓
12. Transcript of hearing, including all original exhibits, on Case No. 521-245 on August 20, 1953.
13. Order No. R-356 in Case No. 521 dated August 28, 1953, with correction thereto dated September 21, 1953. ✓
14. Docket of September 17, 1953. ✓
15. Transcript of hearing, including all original exhibits, on September 17, 1953.
16. Order No. R-368 in Case No. 582 dated September 28, 1953. ✓
17. Docket of October 15, 1953. ✓
18. Transcript of hearing, including all original exhibits, of October 26, 1953 in Case No. 582. ✓ *Case 7 file 18(a) - Copy of Contract E.P.O.*
19. Commission directive dated October 30, 1953, directed to the operators in the nine pools, requesting them to submit nominations on preliminary forms available at the Hobbs district office. ✓
20. Memorandum of W. B. Macey to the Commission in Cases Nos. 582 through 590, dated October 30, 1953. ✓
21. Order No. R-368-A in Case No. 582. ✓
22. Application for re-hearing in Case No. 582. ✓
23. Order No. R-368-B granting re-hearing in Case No. 582. *23(a) Motion to Amend errors. 23(c) Motion excepting portions of R-368-B*
24. Order No. R-264-A consolidating Cases Nos. 245 and 521. ✓
25. Transcript of hearing, including all original exhibits, in Case No. 583 covering the Langmat pool. ✓
26. Orders No. R-369 and R-369-A in Case No. 583. ✓
27. Docket of November 19, 1953. ✓

28. Transcript of hearing, including all original exhibits, of November 19, 1953, for the purpose of setting the allowable production of gas and the preliminary nominations for gas for the first six months of 1954. ✓

29. Docket of December 17, 1953. ✓

30. Transcript of hearing, including all original exhibits, of December 17, 1953, covering the supplemental nominations for January, 1954. ✓

31. Copy of the allowable order of December, 1953, containing the allowable for the first six months of 1954, and the January allowable for 1954. ✓

Applicant further requests that the above enumerated documents be authenticated or prepared in such other manner which will be accepted by the Commission when the said documents are introduced into evidence.

WHEREFORE, applicant requests the above enumerated documents to be prepared in the manner requested and made available to the applicant at the re-hearing.

John F. Russell
Attorney for Applicant,
Texas Pacific Coal and Oil Company,
P. O. Box 513
Roswell, New Mexico

32. Map of Dea County showing oil & gas designation.
33. Map (as above) showing T-P leases.
34. Map showing Jiles & Lingard gas pools. (overlaid)
35. Cross section of typical Elmer Monument well
36. " " " " South Elmer Pool well
37. " " " " Cooper-Jack Pool well
38. " " " " Rhodes Pool well
39. " " " " Eaves Pool well
40. " " " " Fally-Yates well
41. " " " " Largie-Mottis well
42. " " " " (over 70 (1-15-44) (over)

Exhibit

43. Contour map of NM, showing
the stream (in red) - contoured on Yates

44. Cross section ^{A-A'} (Crossing John Wright line)

45. " " B-B'

46. " " C-C'

47. " " E-E'

48. " " F-F'

49. " " G-G'

50. " " H-H'

51. " " J-J'

52. " " K-K'

53. " " L-L'

{ 54. Transcript of Stanley J. St. Leger's letter of
May 1-21 in re allowable land

55. St. Leger's letter, January 1907

56. Graph not shown by St. L.

57. Feb. gas allowable order

CCC -

EX 1 - J. H. Colby's letter - 1-19-07

EX 2 - letter to C. H. Jones - 1-19-07

EX 3 - Production records Crosson lease

EX 4 - All Crosson lease John Wright

- CASE 596: El Paso Natural's application for compulsory unitization of the E/2 of Section 32, Township 30 North, Range 8 West, San Juan County; or, in the alternative, for approval of an unorthodox drilling unit of 280 acres in E/2 of said section.
- CASE 597: El Paso Natural's application for permission to drill an LPG storage well in NE NE 16-15N-17W, McKinley County, after washing out a storage cavity to an approximate depth of 800 feet in the Chinle formation.
- CASE 598: Application of Oil Conservation Commission for revision of Rule 104 (b) pertaining in part to well-spacing in San Juan, Rio Arriba, Sandoval and McKinley Counties, and for a revision of Orders R-59, R-46 and R-110 pertaining to spacing of gas wells to be drilled to the Pictured Cliffs and Mesaverde formations.
- CASE 599: Southeastern New Mexico nomenclature case, concerned with creation of new pools and extension of existing pools, all in Lea County:
- (a) Creation of the East Hobbs-Seven Rivers Oil Pool for Seven Rivers production, described as:

Township 18 S, Range 38 E, NMPM
All Section 25
 - (b) Extension of Crossroads Pool to include S/2 22-9S-36E.
 - (c) Extension of Denton-Wolfcamp Pool to include N/2 Sect. 26 and all Sect. 36, Township 14 S, Range 37 E; and E/2 10-15S-37E.
 - (d) Extension of Lovington-Paddock Pool to include S/2 25-16S-36E.
 - (e) Extension of Lynch Pool to include E/2 35-20S-34E.
- CASE 600: Northwestern New Mexico nomenclature case, providing for extensions of existing pools in San Juan and Rio Arriba Counties:
- (a) Extension of Blanco-Mesaverde Pool to include:

Township 29 N, Range 6 W, NMPM
Sections 19 - 36, incl., all

Township 30 N, Range 6 W, NMPM
Sections 23 and 24, all

Township 28 N, Range 6 W, NMPM
Partial Sections 7 - 12, incl., all;
Sections 13 - 18, incl., all

New Mexico Oil Conservation Commission 9 a.m. Mabry Hall, Santa Fe, New Mexico

FIRST: Consideration of the allowable for the month of November 1953.

CONTINUED CASES

CASE 565: Gulf's application to deviate its Lillie No. 2 Well, drilling at a surface location 750' S of N line and 560' E of W line, 23-24S-37E; this directional drilling contemplated because of geologic trends established in obtaining production from its Lillie No. 1 Well 241' to the NW, and to result, if effected, in the well's being bottomed at a point equivalent to a surface location 662.3' S of N line and 329.5' E of W line of Section 23.

CASE 579: Application of the Oil Conservation Commission for an order creating the Falby-Yates Pool and deleting certain areas from the Cooper-Jal and Langlie-Mattix Pools in Lea County. (This case was continued from the September 17 hearing to await results of bottom-hole pressure surveys then in progress.)

NEW CASES

CASE 556: (Re-hearing) Phillips' request for permission to effect an oil-oil dual completion of its Fort No. 1 Well, NE NE 34-14S-37E. Originally heard on July 16, this case was set up for re-hearing upon proper petition from Phillips Petroleum Company and by issuance of Oil Conservation Commission Order R-350-A.

CASE 557: (Re-hearing) Phillips' request for permission to effect an oil-oil dual completion of its Fonzo No. 1 Well, NW NW 35-14S-37E. This case also was first heard on July 16, and is being re-heard on Phillips' petition (Oil Conservation Commission Order R-351-A).

CASE 593: Stanolind's application for dual completion of its State 'E', Tract 17, Well No. 1, SW SE 1-17S-36E. (Oil from Paddock and gas from Queen formation.)

CASE 594: Atlantic Pipe Line Company's application for permission to operate a temporary portable treating plant on its Leach Tank Farm (Hobbs) for processing, treating and reclaiming of approximately 25,000 barrels of basic sediment and water accumulated in tanks thereon, in accordance with Rule 312.

CASE 595: El Paso Natural's application for compulsory unitization of the E/2 of Section 32, Township 31 North, Range 10 West, San Juan County; or, in the alternative, for approval of an unorthodox drilling unit of 240 acres in E/2 of said section.

Township 29 N, Range 7 W, NMPM
Sections 20 - 29, incl., all;
Sections 32 - 36, incl., all

- (b) Extension of Aztec-Pictured Cliffs Pool to include 3-29N-10W.
- (c) Extension of West Kutz-Pictured Cliffs Pool to include N/2
24-28N-13W.

NOTICE

All interested operators are asked to note that by Commission order special gas pool hearings have been scheduled as follows all at 9 a.m., Mabry Hall, Santa Fe:

October 26, 1953

Jalco
Tubb
Amanda

October 27, 1953

Langmat
Justis
Byers-Queen

October 28, 1953

Eumont
Arrow
Blinebry

NEW MEXICO
OIL CONSERVATION COMMISSION

Box 871
Santa Fe, New Mexico

Directive: To all operators in the Eumont, Jalco, Langmat, Blinebry, Tubb, Justis, Arrow, Amanda and Byers-Queen Pools.

Pending issuance of final orders in Cases 582 through 590 pertaining to pool rules for the above listed gas pools all operators should take immediate steps to perform the following, if applicable:

1. All purchasers or takers of gas in the above listed 9 pools should submit nominations on "Preliminary" Nomination Forms. These forms are available at our Hobbs district office (Box 2045, Hobbs, New Mexico). These forms should be mailed to the Santa Fe office (Box 871) of the Commission together with a list of all wells (showing well location) which the nominations cover. It should be noted that only those gas wells which are not on the oil proration schedule should be included in the list and the list should include any wells to which connection is to be made by January 1, 1954.

2. All operators of gas wells in any of the above pools should comply with Rule 11 of Order R-356. In connection with the submission of plats only those plats which contain acreage of 160 acres (a quarter section) will be approved. If an operator contemplates that he will be able to execute a Communitization Agreement by January 1, 1954 then the plat should so state.

3. If an operator contemplates a request for an unorthodox gas unit then immediate steps should be taken to apply to the Commission for such approval so that it can be considered at the regular hearing of this Commission on December 17.

It should be noted that the final orders in these cases can not be issued until the hearing transcripts are received. Therefore, any of the provisions of this directive may be changed. Upon receipt of orders each operator should check to see that they have complied with each provision of the order.

This directive is designed solely to help operators comply with the rules.

October 30, 1953

Case 582
CPNG #2

GAS WELL DELIVERABILITY TESTING RULES
AND PROCEDURES FOR THE JALCO FIELD,
LEA COUNTY, NEW MEXICO.

SECTION A. TYPE OF GAS WELL TESTS REQUIRED:

(1) THE INITIAL POTENTIAL TESTS: An "open flow" test and a "shut-in pressure" test shall be made immediately upon completion of each gas well.

(2) ORIGINAL DELIVERABILITY, AND SHUT-IN PRESSURE TESTS:

A Deliverability (flow) and a shut-in pressure test shall be made and completed on each gas well within thirty (30) days after the first delivery of gas therefrom into a pipeline, and following a minimum of seven (7) days continuous production. Report of such tests shall be made to the Commission upon official Form C-122-A, marked "Original", within the month next after such tests are completed.

(3) ANNUAL DELIVERABILITY, AND SHUT-IN PRESSURE TESTS:

Annual deliverability tests and shut-in pressure tests are required to be made during the period from October 1 through December 31 of each year of all producing wells; provided, however, that for new wells the original deliverability and shut-in pressure tests thereof are in lieu of the annual tests for the year in which such well or wells are completed; results of these annual tests are required to be filed with the Commission on Form C-122-A, marked "Annual", within the month next after completion of such tests. These deliverability tests shall be accepted in lieu of the annual potential tests previously required by the Commission.

(4) SCHEDULE OF TESTS:

Within thirty (30) days after the effective date of this Order and at least sixty (60) days before the beginning of subsequent annual deliverability test periods, the pipeline companies receiving gas from wells to be tested shall, in cooperation with their respective operators, submit a testing schedule for the annual deliverability and shut-in pressure tests for all wells connected to their respective pipeline systems; such test schedules shall be promptly filed with the Commission for approval, and, if approved, the Commission shall furnish each operator, as identified by lists of names and addresses furnished by the respective pipe line companies, with a copy of such schedule as approved by the Commission, or a part thereof pertinent to such operator's wells, immediately, in the first instance and thereafter at least thirty (30) days before the beginning of the annual deliverability test period of each succeeding year. In any case where Original deliverability and shut-in pressure tests for new wells are to serve as the first annual tests, then and in that event the operator shall notify the Commission in writing at least five (5) days before the commencement of the tests.

In event changes for substantial reasons are necessary in the annual test schedule, the Commission shall be notified fifteen (15) days before tests are scheduled to commence.

(5) WHO MAY WITNESS TESTS: Any Initial Potential Test, Original or Annual Deliverability and shut-in pressure test may be witnessed by any or all of the following: a competent representative of the Commission, an offset operator, a representative of the pipe line company taking gas from an offset operator, or a representative of a pipe line company taking gas from the well under test.

Deliverability tests required hereinabove in Paragraphs (2) and (3) of this section shall determine the calculated deliverability of each gas well, which shall be reported to the Commission by converting actual deliverability against existing line pressures to the calculated deliverability at a pressure equal to eighty (80) percent of the shut-in pressure of each well in the manner hereinafter specified below. Such calculated deliverability so determined, and hereinafter so referred to, shall not be considered as the actual deliverability of any well into a gas transportation facility, but shall be used by the Commission as an index to determine the well's ability to produce at assumed line pressures, as compared to other wells in the pool under like conditions.

SECTION B. PROCEDURES FOR TESTS:

(1) ORIGINAL DELIVERABILITY AND SHUT-IN PRESSURE TESTS:

The procedure and method for the original deliverability and shut-in pressure tests is hereinbelow described under annual deliverability tests.

(2) THE ANNUAL DELIVERABILITY AND SHUT-IN PRESSURE TESTS:

(a) These tests shall be taken by unrestrictedly producing the well into the pipeline. The daily flowing rate shall be determined from an average of two (2) consecutive producing days, following a minimum of seven (7) consecutive days continuous production. All such production during the seven (7) day conditioning period plus the deliverability test period shall be at working well head pressures not in excess of seventy-five (75) per cent of the previous annual seven (7) day shut-in pressure of such well if such previous annual shut-in pressure information is available; otherwise, the seven (7) day initial potential shut-in pressure of such well shall be used.

The working well head pressure (P_w) of any well under test shall be determined to be the two (2) day average tubing pressure if the well is flowing through the casing; or the two (2) day average casing pressure if the well is flowing through the tubing.

To obtain the shut-in pressure of a well under test the well shall be shut-in immediately after the two (2) day deliverability test for the full period of three (3) consecutive days. Such shut-in pressure shall be measured within the next succeeding twenty-four (24) hours following the three (3) day shut-in period aforesaid.

All well-head pressures as well as the following meter pressure tests which are to be taken at the end of the two (2) day deliverability test period, as required hereinabove shall be taken with a dead-weight gauge.

Orifice meter charts shall be used to obtain the average differential and flowing meter pressures, which pressures are to be used for calculating the average two (2) deliverability volume of flow by using the Basic Orifice Meter Formula $Q_h = C \sqrt{h_w P_f}$. Orifice meter charts shall be changed, and so arranged as to reflect upon a single chart the flow data of gas from each well for the full two (2) day deliverability test period. Corrections shall be made for pressure base, measured flowing temperature, specific gravity and supercompressibility (super-expansibility); provided however, that if the specific gravity of gas from any well under test is not available, then and in that event an estimated specific gravity may be assumed therefor, based upon that of gas from nearby wells, the specific gravity of which has been actually determined by measurement.

The basic orifice flow factor (flow coefficient), pressure base factor, flowing temperature factor, and specific gravity factor shall be determined by the use of the respective tables published in "Gas Measurement Committee Report No. 2" (revised, 1948) of the American Gas Association, New York 17, New York. The tables for the aforementioned factors and the method of computation of gas volumes through orifice flow meters contained in the aforesaid Report No. 2, are hereby approved.

Correction shall be made for supercompressibility (deviation from Boyle's law) for flowing meter pressures in excess of 100 psig. by the use of Simplified Supercompressibility Tables, compiled from C.N.G.A. Bulletins TS-402 and TS-461, published by John P. Squiers Company, Dallas, Texas; or California Natural Gasoline Association, Los Angeles, California, Bulletin TS-402 for flowing meter pressures from 100 to 500 psig. and bulletin TS-461, *ibid.*, for flowing meter pressures in excess of 500 psig. Any other tables prepared and based on the above mentioned California Natural Gasoline Association Bulletins may be used if approved by the Commission.

When supercompressibility (superexpansibility) correction is made for a gas containing either nitrogen, carbon dioxide or hydrogen sulfide in excess of 2 per cent. The pseudocritical pressure and temperature properties of such gas shall be corrected by the use of Table V of the above mentioned TS-402 for pressure 100-500 psig and TS-461 for pressures in excess of 500 psig.

Deliverability pressure, as used herein for the Jalco Pool, is an arbitrary pressure applied to each well and used in the process of comparing the abilities of wells in this formation to produce against a back

pressure equal to eighty (80) percent of the three (3) day shut-in pressure of the respective individual wells.

The "deliverability" of gas at the "deliverability pressure" for any well shall be calculated from test data obtained from the tests hereinabove required by use of the following formula:

$$D = Q \left(\frac{P_c^2 - P_d^2}{P_c^2 - P_w^2} \right)^n$$

where:

D = Deliverability at the deliverability pressure, P_d . (MCF/D at standard condition of 15.025 psia and 60° F).

Q = Daily flow rate in MCF/D at wellhead pressure (P_w).

P_c = Shut-in casing (or tubing) wellhead pressure psia.

P_d = Deliverability pressure; 80% of the individual well 72 hour shut-in pressure.

P_c . psia

P_w = Average static wellhead pressure, as determined from 48 hour flow period. psia (casing pressure if flowing through the tubing, or tubing pressure if flowing through the casing).

n = Slope of the individual well's most recent back pressure test curve.

(b) in the event it is impossible to measure accurately the pressure of the static column of gas due to packer or bridges in the well bore, then the working wellhead pressure, P_w , shall be determined by adding the calculated pressure drop due to friction in the flowing column of gas to the actual flowing wellhead pressure. The method of determining the loss of pressure due to friction shall be specified on the test data sheet, C-122-A.

(c) The original and annual deliverability and shut-in pressure tests as required hereinabove shall be reported upon Commission Form C-122-A and filed with the Commission as provided hereinabove.

(d) All charts relative to original or annual deliverability tests shall be identified by the words "test Chart No. 1" (2,3,4, etc.), and any or all charts or photostats thereof shall be made available to the Commission upon its request.

Deliverability tests required hereinabove in Paragraphs (2) and (3) of this section shall determine the calculated deliverability of each gas well, which shall be reported to the Commission by converting actual deliverability against existing line pressures to the calculated deliverability at a pressure equal to eighty (80) percent of the shut-in pressure of each well in the manner hereinafter specified below. Such calculated deliverability so determined, and hereinafter so referred to, shall not be considered as the actual deliverability of any well into a gas transportation facility, but shall be used by the Commission as an index to determine the well's ability to produce at assumed line pressures, as compared to other wells in the pool under like conditions.

SECTION B. PROCEDURES FOR TESTS:

(1) ORIGINAL DELIVERABILITY AND SHUT-IN PRESSURE TESTS:

The procedure and method for the original deliverability and shut-in pressure tests is hereinbelow described under annual deliverability tests.

(2) THE ANNUAL DELIVERABILITY AND SHUT-IN PRESSURE TESTS:

(a) The daily flowing volume shall be calculated from the rate indicated at the end of the 48 hour flow period. No change shall be made in the choke setting or orifice size during said flow period which shall follow a minimum of seven (7) consecutive days continuous production.

The working wellhead pressure (P_w) of any well under test shall be the pressure at the end of the 48 hour deliverability test period. Said pressure shall be the casing pressure if the well is producing through the tubing or the tubing pressure if the well is producing through the casing.

To obtain the shut-in pressure of a well under test the well shall be shut-in immediately after the two (2) day deliverability test for the full period of three (3) consecutive days. Such shut-in pressure shall be measured within the next succeeding twenty-four (24) hours following the three (3) day shut-in period aforesaid.

All wellhead pressures as well as the flowing meter pressure tests which are to be taken at the end of the two (2) day deliverability test period, as required hereinabove shall be taken with a dead-weight gauge.

Orifice meter charts shall be used to obtain the differential and flowing meter pressures, which pressures are to be used for calculating the daily volume of flow by using the Basic Orifice Meter Formula $Q_h = C \sqrt{h_w p_f}$. Orifice meter charts shall be changed, and so arranged as to reflect upon a single chart the flow data of gas from each well for the full two (2) day deliverability test period. Corrections shall be made for pressure base, measured flowing temperature, specific gravity and supercompressibility (superexpansibility); provided however, that if the specific gravity of gas from any well under test is not available, then and in that event an estimated specific gravity may be assumed therefor, based upon that of gas from nearby wells, the specific gravity for which has been actually determined by measurement.

The basic orifice flow factor (flow coefficient), pressure base factor, flowing temperature factor, and specific gravity factor shall be determined by the use of the respective tables published in "Gas Measurement Committee Report No. 2" (revised, 1948) of the American Gas Association, New York 17, New York. The tables for the aforementioned factors and the method of computation of gas volumes through

orifice flow meters contained in the aforesaid Report No. 2, are hereby approved.

Correction shall be made for supercompressibility (deviation from Boyle's law) for flowing meter pressures in excess of 100 psig. by the use of Simplified Supercompressibility Tables, compiled from C.N.G.A. Bulletins TS-402 and TS-461, published by John P. Squiers Company, Dallas, Texas; or California Natural Gasoline Association, Los Angeles, California, Bulletin TS-402 for flowing meter pressures from 100 to 500 psig. and Bulletin TS-461, *ibid.*, for flowing meter pressures in excess of 500 psig. Any other tables prepared and based on the above mentioned California Natural Gasoline Association Bulletins may be used if approved by the Commission.

When supercompressibility (superexpansibility) correction is made for a gas containing either nitrogen, carbon dioxide or hydrogen sulfide in excess of 2 percent. The pseudocritical pressure and temperature properties of such gas shall be corrected by the use of Table V of the above mentioned TS-402 for pressure 100-500 psig and TS-461 for pressures in excess of 500 psig.

Deliverability pressure, as used herein for the Jalco Pool, is an arbitrary pressure applied to each well and used in the process of comparing the abilities of wells in this formation to produce against a back pressure equal to eighty (80) per cent of the three (3) day shut-in pressure of the respective individual wells.

The "deliverability" of gas at the "deliverability pressure" for any well shall be calculated from test data obtained from the tests hereinabove required by use of the following formula:

$$D = Q \left(\frac{P_c^2 - P_d^2}{P_c^2 - P_w^2} \right)^n$$

where:

D = Deliverability at the deliverability pressure, P_d . (MCF/D at standard condition of 15.025 psia and 60° F).

Q = Daily flow volume in MCF/D at wellhead pressure (P_w).

P_c = Shut-in casing (or tubing) wellhead pressure psia.

P_d = Deliverability pressure; 80% of the individual well 72 hour shut-in pressure, P_c ; psia.

P_w = The static wellhead pressure, as determined at the end of the 48 hour flow period. psia (casing pressure if flowing through the tubing, or tubing pressure if flowing through the casing).

n = Slope of the individual well's most recent back pressure test curve.

(b) In the event it is impossible to measure accurately the pressure of the static column of gas due to packer or bridges in the well bore, then the working wellhead pressure, P_w , shall be determined by adding the calculated pressure drop due to friction in the flowing column of gas to the actual flowing wellhead pressure. The method of determining the loss of pressure due to friction shall be specified on the test data sheet.

(c) The original and annual deliverability and shut-in pressure tests as required hereinabove shall be reported upon a modified Commission Form C-122-A and filed with the Commission as provided hereinabove.

(d) All charts relative to original or annual deliverability tests shall be identified by the words "test Chart No. 1" (2,3,4 etc.), and any or all charts or photostats thereof shall be made available to the Commission upon its request.

Amended
No 582

Me-Tex Supply Company desires to intervene in this cause which is for the establishment of spacing and production regulations for gas wells in the Jalco Pool. Me-Tex Supply Company is an interested party by reason of the fact that they are the owners of gas wells located in the Eumont Gas Pool in Lea County, New Mexico and said Eumont Gas Pool is served by the same gas transportation facilities that serve the Jalco Pool.

The rules and regulations proposed to be placed into effect in the Jalco Pool permit the production of more than one allowable from a gas well to which more than 160 acres has been dedicated by the owner thereof. That the Commission has no jurisdiction or power under the laws of New Mexico to permit the production of more than one allowable from a production unit and such allowable must be produced from a well located upon such production unit. That the proposed rules and regulations, if placed into effect, would be and are designed to unlawfully and unequitably increase the gas supply available in the Jalco Pool to meet the nominations of the transportation facilities serving, thereby resulting in a decrease of the nominations of such gas transportation facilities in the Eumont Pool to the detriment of the Me-Tex Supply Company.

That until the Commission establishes, after notice and hearing, the gas allowable for each pool connected to the same gas transportation facilities, it is impossible for the interested parties to determine whether or not an equitable distribution of the purchases of such gas transportation facility has been made between pools as required by the laws of the State of New Mexico, and for such reason this hearing should be dismissed or continued until such time as the Commission, after notice and hearing, has fixed the allowable gas production for pools served by the same gas transportation facilities.

WHEREFORE, Me-Tex Supply Company prays that this hearing be dismissed or continued until such time as the Commission has fixed, after notice and hearing, the allowable gas production from the gas pools served by the same gas transportation facilities.

*Ed. J. Hall, Dallas Co.
1 Ed. J. Hall, Dallas Co.
552
1st witness*

PRORATION FORMULAE

TYPES OF FORMULAE

There were 157 different prorated reservoirs in Texas in March, 1953. A study was made to determine what type formulae were most popular and the results showed the following:

<u>Proration Method</u>	<u>No. Reservoirs</u>
100% acreage X BHP	63
75% acreage + 25% per well	15
100% acreage	14
50% acreage X RP + 50% potential	14
2/3 acreage X RP + 1/3 potential	10
100% acreage X RP	9
2/3 acreage + 1/3 BHP	6
2/3 acreage X BHP + 1/3 per well	5
2/3 acreage + 1/3 per well	4
50% acreage + 25% potential + 25% per well	4
50% acreage X RP + 25% pot. + 25% per well	3
100% acreage X deliverability	2
75% acreage X RP + 25% potential	2
50% acreage + 50% potential	2
100% net acre feet	1
50% acreage + 50% per well	1
100% acreage X potential	1
50% acreage X BHP + 50% per well	1

CASE 582

STATEMENT OF SHELL OIL COMPANY
IN REGARD TO PROPOSED GAS RULES
FOR JALCO FIELD
SEPTEMBER 17, 1953

Shell Oil Company is in general accord with the gas rules as proposed, except for one feature thereof.

We wish to direct attention to Rule 5, Proration Units, in connection with Rule 8 under Gas Allocation.

Rule 5 establishes a standard gas proration unit of 158 to 162 contiguous surface acres.

Rule 8 provides, however, that more than one standard proration unit may be assigned to a gas well provided not more than 640 acres are so assigned, and provided the other requirements of the Section are met.

As written, the rule would apparently leave to the discretion of the operator whether such additional acreage should be assigned to a well. Also, as written, there is no requirement that the well to which additional acreage is assigned should be shown to be capable of draining such additional acreage.

We feel that this rule could result in grave inequities. An operator with a single 160-acre tract could be offset or surrounded by one or more single ownership units of 640 acres. Such operator would have a single unit allowable. The offset operators, on the other hand, could each assign four standard units to their wells, and could each obtain a proportionably increased allowable, and could do this even without a showing that their wells would drain the acreage assigned to such wells.

It is our thought that it would be better to stay with a standard size unit for allowable purposes, unless, after a hearing, the Commission permits the assigning of additional acreage and allowable because of the circumstances existing in the particular case. We realize that there may be conditions under which additional acreage should be assigned to a well or wells, but feel that it should be permitted only after hearing, and not solely at the discretion of an operator. As to the size of the standard unit in this field, in view of the fact that the field has been developed to date on 160 spacing, we feel that 160 acres should constitute the standard unit therein.

PERMIAN BASIN PIPELINE COMPANY

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

Case No. 582	Case No. 583	Case No. 584	Case No. 585
Order No. R-368	Order No. R-369	Order No. R-370	Order No. R-371
Case No. 586	Case No. 587	Case No. 589	Case No. 590
Order No. R-372	Order No. R-373	Order No. R-375	Order No. R-376

DEFINITIONS FOR INCLUSION WITHIN
NEW MEXICO OIL CONSERVATION COMMISSION RULES AND REGULATIONS

"Deliverability" Shall be deemed to be the ability of a gas well to produce gas against 80% of said gas wells shut-in pressure under stabilized flow conditions expressed in MCF per day. (Deliverability and shut-in pressure tests shall be taken in accordance with rules and regulations established by the Commission).

"Acreage Factor" Shall be deemed to mean the number of acres permitted by the Commission to be attributed to a gas well for proration purposes divided by the number of acres established by the Commission as a standard proration unit. A standard proration unit for the purpose of illustration is assumed to contain 160-acres. Expressed as a mathematical formula, said acreage factor may be set forth as follows:

$$\text{Acreage Factor} = \frac{\text{No. of Acres Attributable}}{160}$$

METHOD FOR DETERMINING MONTHLY CURRENT ALLOW-
ABLE FOR EACH GAS WELL WITHIN ANY GAS POOL.

1. Determine, in accordance with rules and regulations of the Commission, the total pool allowable to be allocated during the month under consideration to the participating wells within that pool.
2. Multiply the Acreage Factor for each well by its deliverability.
3. Summate the products determined in Item 2.
4. Determine the pool proration factor for the month by dividing the total pool current monthly allowable (Item 1.) by the summation of Acreage

Factor times Deliverability products (Item 3.)

5. Determine each wells current monthly allowable by multiplying the pool proration factor (Item 4.) by the product of Deliverability times Acreage Factor (Item 2.)

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION

1201

SYMBOLS

DL=Day Letter

NL=Night Letter

LT=Letter Telegram

VLT=Victory Ltr.

W. P. MARSHALL, PRESIDENT

1953 SEP 16 PM 4 04
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The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt at point of destination

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R R SPURRIER, DIRECTOR NEW MEXICO OIL CONSERVATION COMMISSION
NEW MEXICO STATE CAPITOL BLDG SANTA FE NMEX=

NORTHERN NATURAL GAS COMPANY, SOLE PURCHASER FROM PERMIAN
BASIN PIPELINE COMPANY RESPECTFULLY REQUESTS THE NEW MEXICO
OIL CONSERVATION COMMISSION TO POSTPONE, AT LEAST UNTIL
THE OCTOBER HEARING, CASES 582 THROUGH 590=

JOHN M HANLEY VICE PRESIDENT PERMIAN BASIN
PIPELINE CO=

WPM

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION

W. P. MARSHALL, PRESIDENT

1201

SYMBOLS

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1953 SEP 16 PM 7 29

NEW MEXICO OIL CONSERVATION COMMISSION=

ATTN WILLIAM B MACEY MABRY HALL SANTA FE NMEX:

=DEAR MR MACEY; SAMEDAN OIL CORPORATION DESIRING T MAKE
A MORE THOROUGH RESERVOIR STUDY OF ITS LEASES IN THE
LANG-MAT GAS FIELD LEA COUNTY NEW MEXICO, REQUESTS THAT
THE SHOW-CAUSE HEARING ON THE LANG-MAT GAS FIELD BE
POSTPONED UNTIL THE OCTOBER HEARING OR ANY OTHER DATE IN
OCTOBER APPROPRIATE TO THE COMMISSION=

=SAMEDAN OIL CORPN ED NOBEL 502 V&J TOWER=.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

MEMORANDUM

To: The Oil Conservation Commission

From: W. B. Macey

Subject: Cases 582 through 590: General rules for the prorationing of gas in the Jalco, Langmat, Eumont, Arrow, Amanda, Blinebry, Tubb, Justis and Byers-Queen Gas Pools.

In accordance with Mr. Spurrier's request, following are my recommendations pertaining to the above listed Cases held in Santa Fe, on October 26 through 28. In order to evaluate the basic recommendations the following history of these cases should be observed.

1. The Commission originated hearings on a general four county area (Lea, Eddy, Chaves and Roosevelt Counties) on March 17, 1953 under Case 521. The purpose of this hearing was to establish means and methods of prorating gas in this four county area. In April, 1953 this Case was consolidated with Case 245 in accordance with Order No. 264 issued in Case 245. (Case 245 and subsequent Order R-264 established the defined limits and producing intervals of gas pools in Southeast New Mexico.) As a result of the March 17th hearing, the Commission appointed a Committee to propose suggested rules in Case 521 and suggested revisions in Case 245. The final report of the committee, containing recommendations in both Case 245 and Case 521 was made on August 20, 1953 and on August 28, 1953 the Commission issued Order R-356 in Case 321 outlining "Stand-by" rules for the four-county area. (No additional order has been issued in Case 245 as yet). The Commission then advertised nine gas pool cases for hearing on September 17, 1953, the Commission's advertisement requesting an order establishing pool rules and other related matters insofar as they were set forth in Order R-356. Some testimony was received at this time and as a result of these hearings, Orders were issued in each Case requesting operators and other interested parties to show cause why the rules as outlined in Order R-356 should not be put in effect on November 1, 1953. The hearings were conducted on October 26, 27 and 28 with extensive testimony being given in each case. The testimony and evidence given in these hearings is the basis for the following recommendations. Since the Rules as outlined in Order R-356 are numerical in sequence the following comments and recommendations will be made in the same numerical order.

Rule 1: The recommended provisions of Rule 1 should be changed since they apply solely to a defined gas pool. The rule provides an exception to some of the provisions of statewide Rule 104. The exception however, should only apply to paragraph (a) and paragraph (d) of the Rule 104 since they are solely concerned with gas pools in particular. Also a further provision should be included as sub-paragraph (c) of the Rule to provide as follows:

(c) When the well is located upon a tract of not less than a quarter section of approximately 160 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Survey.

Rule 2: The provisions of this rule should be placed in effect in all nine pools.

Rule 3: An appropriate revision of Rule 3, pertinent to each pool name should be inserted in each set of pool rules.

Rule 4: This provision should be set forth in each set of pool rules.

Rule 5: This Rule and a portion of Rule 8 pertaining to Proration units and the formation of unorthodox gas units should be amended in such a manner to limit the standard proration unit to a legal quarter section of approximately 160 acres and allowing exceptions thereto only after notice and hearing. Exceptions should be limited to only extreme cases where Communitization is impractical because of the presence of a well which has been producing for considerable length of time, or where acreage is so situated that well locations can be adequately placed so as to insure adequate unit drainage in spite of the unorthodox unit and the correlative rights of everyone are protected. Furthermore, a policy of not approving unorthodox units where another unorthodox unit is formed thereby (thus starting a chain reaction) should be strictly adhered to. It is recognized that this policy which in effect promotes the formation of communitization or pooling agreements will cause some more work on the part of everyone concerned but the inequities which could arise from a large number of unorthodox units far out-weighs the work involved.

Since it is contemplated that the proration period in each pool will start January 1, 1954, it is entirely possible that a great number of Communitization Agreements will be delayed in execution until after the start of the proration period or after the completion of the well. Therefore, it is recommended that each pool order contain a provision outlining a policy which would allow the total acreage formed by the agreement, and thus dedicated to a well, be made retroactive to the first day of the proration period or the first day the well produces, whichever date is the later, provided, that the executed Communitization Agreement is in force and effect on the last day of the proration period.

Rules 6 and 7: The provisions of these rules should be placed into effect in each pool as outlined.

Rule 8: The first sentence of Rule 8 should be included as the last paragraph and the remaining provisions of the rule deleted from all pool rules. This will require the re-numbering of Rules 9 through 15. The reason for the deletion of that portion of Rule 8 is outlined in my remarks under Rule 5.

Rules 9 through 15: The provisions of these rules should be incorporated in each set of pool rules without any changes.

Further Recommendations:

It is further recommended that the Commission place in the hands of all operators, "preliminary" nomination forms so that the Commission may consider the nominations for each of the 9 pools for the first six month period of 1954 at the regular November hearing on November 19th. Instructions should be sent out with the forms stating that the nominations should apply to only those wells which are considered gas wells and which are not on the oil proration schedule.

Initially each purchaser or taker of gas should also include with his nominations the well or wells from which he desires to purchase gas January 1, 1954. This would allow the Commission staff an opportunity to check to see that each well to be listed on the schedule is known beforehand and that the well is not also listed on the oil proration schedule.

In this connection I believe it also advisable to point out that a provision should be inserted in each pool order stating that the Commission will continue to prorate those oil wells which lie within the productive limits of defined gas pools as oil wells pending a complete study and redesignation of some of the oil wells and possibly a re-definition of both oil pools and gas pools. In order to facilitate this study, all operators in all of the producing pools should be required to submit to the Commission an electric log or sample log, if available, on each well producing from the same zone within the defined limits of each gas pool.

It is also recommended that an Order be entered immediately in Case 245 outlining the recommended changes in pool nomenclature as made by the sub-committee in this case at previous hearings. It is also suggested that as soon as this Order is entered, the Hobbs office sent out Form C-123 requesting pool extensions which have not yet been made so that a hearing can be held in December to consider these pool extensions.

Due to the fact that considerable testimony was entered by the Pipeline Companies in the 9 pool cases requesting some form of a deliverability formula it is recommended that the Commission, through its staff, take immediate steps to outline an adequate gas well testing program to govern all gas wells in south-eastern New Mexico. In connection with this, the Commission should supply adequate tables and forms in order that any deliverability formula can be properly evaluated after the necessary well tests are performed. In this connection each pool order should contain a provision that well tests in that particular pool should be made in accordance with testing procedure approved by the Commission.

It is also recommended that the Commission carefully consider the advisability of refusing to approve any subsequent dual completions (gas-oil or gas-gas) where the recompletion information shows that the well is not located upon a standard 160 acre proration unit. It should also be noted that some operators might construe approval of a dual to mean also approval of an unorthodox gas unit.

With reference to the Rhodes storage area of the Jalco Pool, a provision should be inserted in the order pertaining to the Jalco Pool which states that those storage wells in the Rhodes Unit Area should not be governed by the pool rules. Provided, however, that the operator of the storage area submits periodic reports of storage and withdrawal of gas from the unit area.

With particular reference to the Blinebry Pool a study should be made immediately on the withdrawals of gas and oil from this reservoir and a determination made after proper notice and hearing of some volumetric withdrawal formula.

October 30, 1953

BEFORE THE
OIL CONSERVATION COMMISSION

Santa Fe, New Mexico
September 17, 1953

In the Matter of:

Cases Nos.

The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Jalco gas pool, Lea County, New Mexico, said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521,

582, ✓

The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Langmat gas pool, Lea County, New Mexico, said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521,

583, ✓

The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Humont gas pool, Lea County, New Mexico, said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521,

584, ✓

The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Arrow gas pool, Lea County, New Mexico, said rules being concerned with well spacing, gas

585, ✓

proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521,

The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Blinbry gas pool, Lea County, New Mexico, said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521,

586, ✓

The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Tubb gas pool, Lea County, New Mexico, said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521,

587, ✓

The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Amanda gas pool, Lea County, New Mexico, said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521,

588, ✓

The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Justis gas pool, Lea County, New Mexico, said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521,

589, ✓

The application of the Oil Conservation Commission upon its own motion for an order establishing pool rules for the Byers-Queen

gas pool, Lea County, New Mexico, said rules being concerned with well spacing, gas proration and allocation, proration units, pool delineation and other related matters insofar as they pertain to the general rules for gas proration as set forth in Order R-356 in Case 521.

and

590

(Consolidated)

TRANSCRIPT OF HEARING

(Notice of Publication read by Mr. Graham)

MR. STAHL: My name is Stahl, representing Permian Basin Pipeline Company. In behalf of the Permian Basin Pipeline Company, I would like to move that the cases be continued until the October hearing for this very good reason. I believe that we just got our notice that these cases were set about a week ago and we just haven't had enough time. If this motion is not granted, I would like to have an opportunity to make a further proposal.

MR. SPURRIER: Anyone else? Mr. Bickel.

MR. BICKEL: C. E. Bickel with Shell Oil Company. With respect to the field in Cases 582, 583, 584, 586, 587 and 590, I would like to read for the record, the following:

Shell Oil Company is in general accord with the gas rules as proposed, except for one feature thereof.

We wish to direct attention to Rule 5, Proration Units, in connection with Rule 8 under Gas allocation.

Rule 5 establishes a standard gas proration unit of 158 to 162 contiguous surface acres.

Rule 8 provides, however, that more than one standard pro-

ration unit may be assigned to a gas well provided not more than 640 acres are so assigned, and provided the other requirements of the Section are met.

As written, the rule would apparently leave to the discretion of the operator whether such additional acreage should be assigned to a well. Also, as written, there is no requirement that the well to which additional acreage is assigned should be shown to be capable of draining such additional acreage.

We feel that this rule could result in grave inequities. An operator with a single 160-acre tract could be offset or surrounded by one or more single ownership units of 640 acres. Such operator would have a single unit allowable. The offset operators, on the other hand, could each assign four standard units to their wells, and could each obtain a proportionably increased allowable, and could do this even without a showing that their wells would drain the acreage assigned to such wells.

It is our thought that it would be better to stay with a standard size unit for allowable purposes, unless, after a hearing, the Commission permits the assigning of additional acreage and allowable because of the circumstances existing in the particular case. We realize that there may be conditions under which additional acreage should be assigned to a well or wells, but feel that it should be permitted only after hearing, and not solely at the discretion of an operator. As to the size of the standard unit in this field, in view of the fact that the field has been

developed to date on 160 acre spacing, we feel that 160 acres should constitute the standard unit therein.

MR. SPURRIER: Anyone else? Mr. Davis.

MR. DAVIS: Quilman Davis, representing Southern Union Gas Company. First, we would like to concur with Mr. Stahl's motion to have these consolidated cases continued until the October hearing. We have found several inconsistent provisions in these rules in addition to the ones submitted by Shell and we feel that additional time should be given before the Commission voiced any objections or any suggested changes and after more time than a thirty or forty minute hearing.

MR. SPURRIER: Anyone else? Judge Foster.

JUDGE FOSTER: E. H. Foster, representing Phillips Petroleum Company. We don't feel that any real purpose can be accomplished by continuing these cases. It is our thought in the matter that the only way to start prorating is to just start.

We have given a good deal of thought to this matter I believe, in the Advisory Committee. We have come up with some rules that are imperfect of course, but, the only way I know to really get something accomplished is to put these rules into effect and then with respect to each particular field, let those that are interested in that field come in and demonstrate to the Commission wherein they feel that the rule should be changed and modified.

Now, the Shell, I think, has made a suggestion here that has a good deal of merit. We realize, I think all of us on the Advisory Committee that the establishment of the unit the way

that it is proposed might work some hardship in some fields. Of course it is perfectly obvious to me that you don't want to establish 160 acre standard proration units in any field when a well will efficiently and economically drain a greater area but, we could spend a month here trying to determine what the drainage area of a well is, in any particular area and by losing a lot of valuable time and I've always observed that we can see a lot further out of the back of a wagon than we can out of the front of it because all you do there is just see where you've been instead of finding out where you're going. (Laughter)

Now, if you want to get proration started, why you've got to put in some set of rules and then you will have something to shoot at and it will be my suggestion to the Commission, for whatever it may be worth, based on what little experience I've had in gas proration matters that you just put these rules into effect and if they don't work or if the operators in the particular field can come in and demonstrate what they want, and there will be instances where they will do just that, why, then you can change them or modify them to suit the particular circumstances in that field. But, if you try and work out a perfect set of rules here for these different fields, it will be a year or two before you get any proration started in any of these fields.

MR. SPURRIER: We have two motions before the Commission now. Mr. Campbell.

MR. CAMPBELL: Jack M. Campbell, Roswell, New Mexico. I would like to make a statement in behalf of Texas Pacific Coal

and Oil Company.

It is our feeling that the Commission, in adopting the rules which they adopted in a standby capacity, acted properly and that the orderly way to proceed is to hold pool hearings to determine whether proration is required in each gas pool. It may be that the statute is wrong in that regard but we feel that that is what the statute requires the Commission to do. We feel that there has not been ample time with regard to particular fields and that the Commission must know that we cannot possibly put field rules in effect in nine (9) gas pools in New Mexico upon a hearing lasting a few minutes.

We feel that in the interest of orderly procedure however, the Commission should and may have in mind some method of procedure by which the pools can be brought up for hearing at an early date in order that the necessary evidence can be obtained and offered by the interested parties.

We still maintain that gas proration can be put into effect in New Mexico only by pool and that the Commission must find that there is a gas pool and properly define it. They must find that proration is necessary in that gas pool and they then must adopt rules, either the standby rules that they have in effect now, or special rules for that pool.

We join in the motion for continuance of these cases with the idea in mind that there will be individual gas pool hearings to establish proration where it is considered by the Commission necessary.

MR. SPURRIER: Anyone else? Mr. Hinkle.

MR. HINKLE: Clarence Hinkle, representing Humble Oil and Refining Company. The Humble would like to endorse the statements made by Mr. Foster in behalf of Phillips Petroleum Company. Humble feels, as Phillips, that it is going to take considerable time to put proration into effect in these pools if we go ahead and have a long hearing for the adoption of the field rules in each of these pools.

We believe that proration can be put into effect successfully by the use of the general rules which have been adopted by the Commission. Practically, we do not believe that a good and equitable set of special rules can be adopted until you have a proration schedule and until you have some field experience. There may be some rule that could be adopted by you cannot adopt a full set of rules unless you have some experience in connection with the field.

We believe that the Commission should go ahead and take necessary steps at the present time to call for the plats that are necessary and to call for nominations at the earliest possible time.

MR. SPURRIER: Any one else? Mr. Hiltz.

MR. HILTZ: R. G. Hiltz for Stanolind. I would just like to state that we feel that the rules that were adopted by the Commission on the recommendation of the Industry Advisory Committee are based on sound principles and experience in other areas.

We believe that they are workable and equitable and we believe that they should be adopted however, we have no objection to the cases being continued to get additional information on the fields, on individual fields.

MR. SPURRIER: Anyone else? Mr. Halloway.

MR. HALLOWAY: Halloway for Tidewater Associated Oil Company. We would like to concur in the statement made by Mr. Hinkle. I'd also like to ask a question in behalf of myself.

With reference to the proration unit which states that it shall be in substantially the form of a square, which will be a legal subdivision quarter section of U. S. Public Land Survey. I talked to some that sat in on these committees or sub-committees and find that they were of the opinion that if you had 160 acres whether it was a quarter section or not, provided it was contiguous, would make a proration unit. I want to get that clear, I want to know how to file these plats.

MR. SPURRIER: Well, the general rules states Mr. Halloway, that it shall be in the form of a square for substantially a quarter section.

MR. HALLOWAY: Rule 104, is that right?

MR. SPURRIER: That's right.

MR. HALLOWAY: Now, what is going to happen if you deviate from that, that's what I want to know?

MR. MACEY: Every neighbor that you have will have to do the same thing.

MR. HALLOWAY: Well, that brings this question then. Is the Commission prepared to force units. We have an instance or

two where we have invited our neighbors in and they didn't want to join. Where does that leave us, or our neighbors, or the Commission?

MR. MACEY: Well, it's a drilling block. I believe we have forced them in the past and I believe if you ask for it, we will try again.

The reason that rule was drawn as it is, there are some here who remember - 1949 -, was because an irregular tract immediately creates several more irregular tracts and to keep it under control we feel that it should remain in the form of a square.

MR. HALLOWAY: That's a very neat way to handle it. It's going to bring a lot of problems about. I asked the question a few months ago at a hearing, as to what was going to happen to a great number of wells, gas wells,, that have previously been completed on 40, 80 or 120 acres and I was, I believe Mr. Macey, advised that they'd just be forced to reduce to acreage they had. But, there is no provision made to take care of similar circumstances in the future.

MR. MACEY: Mr. Halloway, the rule that you are quoting says that a standard proration unit, this is in the absence of special rules for the pool, a standard unit is a legal quarter section. It also provides for an exception to that by getting waivers from offsets for other than the acreage conforming to a legal quarter section. In fact it provides that you can get it approved without going to a hearing by getting waivers from the offset operators. If you don't get the waivers, you can come up for a hearing. I

frankly think that the Commission has to insist on standard acreage basis and make that the rule and allow for the exception to be approved proportionately.

MR. HALLOWAY: My question was only to guide me as I stated, Because I am going to be called upon to tell someone to form these plats that we must submit and I didn't want to file plats that wouldn't be acceptable to the Commission and if we have contiguous acreage we think is productive and they just don't want to join of course, we won't get the benefit of that acreage and that was the reason for my question.

MR. MACEY: I think basically that if you've got 160 acres in the northeast quarter or southwest quarter of the section that you've got a standard unit. If you've got four contiguous lots of 40 acre tracts then you can get an exception provided you get approval from your offset operators or after a hearing. It further provides that you can form abnormal units greater than standard units. It's an automatic procedure in here but I believe it probably ought to be after notice and hearing specifically.

MR. HALLOWAY: There's a great many cases in our company. In fact in a case we just had - we have 400 acres. We own the E/2 of Section 24 and additional 80 acres all contiguous. From the time we drilled our well we invited our neighbors to join us and they were interested, and I just wondered how to file a plat in a case like that.

MR. MACEY: You can get relief from that by simply making application to the Commission for approval.

MR. SPURRIER: Anyone else? Mr. Howell

MR. HOWELL: I am Ben Howell, representing El Paso Natural Gas. There are a number of pools that are mentioned here that I am informed we don't have any connection with and of course not interested in so we are not speaking as to those. There are some pools on which we don't think proration should be imposed at this time. There is one pool that I am informed has four wells as listed here. We see no good purpose for imposing proration rules on that pool and we think that as to each pool that the field around each pool should be developed and a determination made pool by pool.

MR. SPURRIER: Anyone else? Mr. Dipple.

MR. DIPPLE: I am Harry Dipple representing Continental Oil Company. We want to concur entirely in everything that Judge Foster said in behalf of Phillips and in what Mr. Hinkle said in behalf of Humble and urge the Commission to put these proration rules into effect at the earliest possible time.

MR. SPURRIER: Anyone else? Mr. Christie.

MR. CHRISTIE: R. S. Christie, representing Amerada Petroleum Corporation. We just want to concur on what Judge Foster has said and the Humble representative and some of the others and further suggest that the Commission enlist the help of the New Mexico Oil and Gas Engineering Committee to help formulate these different pool rules.

MR. SPURRIER: Anyone else? If there is no one else to

be heard, we will take the case under advisement and we'll recess to hear the rest of the cases at 9 o'clock in the morning.

(RECESS)

####

I, Virginia M. Chavez, hereby certify that the above and foregoing transcript of proceedings in Cases 582 through 590, inclusive, Consolidated, taken before the Oil Conservation Commission on September 17, 1953, at Santa Fe, New Mexico, is true and correct to the best of my knowledge skill and ability.

Dated at Santa Fe, New Mexico, this 19th day of October, 1953.

Virginia M. Chavez
Notary and Reporter

GAS PURCHASE AGREEMENT

THIS AGREEMENT, made and entered into this _____ day of _____, 1953, by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation with offices at El Paso, Texas, hereinafter referred to as "Buyer", and _____, with offices at _____, hereinafter referred to as "Seller";

W I T N E S S E T H:

That, for and in consideration of the sum of One and No/100 Dollars (\$1.00) cash in hand paid to Seller by Buyer, the receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter set out, Buyer and Seller do hereby contract, covenant and agree with each other as follows:

ARTICLE I

Availability of Gas

Seller covenants and represents that it is the owner of or has interest in valid and subsisting oil and gas mining leases covering lands in Lea County, New Mexico, said leases being described in Exhibit "A", attached hereto and made a part hereof.

ARTICLE II

Purchase and Sale

Section 1. For the term of this agreement, and subject to the exceptions and reservations herein contained, Seller hereby agrees to sell and deliver to Buyer, and Buyer agrees to purchase and receive from Seller, in the usual conduct of its business,

merchantable gas from all gas wells now located or hereafter drilled or recompleted on the acreage and within the depths covered hereby, while and so long as such premises are subject to the oil and gas leases now owned by Seller, or any extensions or renewals thereof, in accordance with the terms and conditions hereinafter set forth

Such gas wells on the acreage covered hereby as are completed at the date hereof and are capable of producing gas covered by the terms of this contract shall be connected by Buyer not later than ninety (90) days from the effective date of this agreement, and the provisions of Article XI hereof shall become effective as to each such well at the expiration of such ninety (90) day period or on the date of connection, whichever date is earlier. New gas wells subject to this agreement, and completed or recompleted after the effective date hereof, shall be connected by Buyer to its gathering system not later than sixty (60) days after receipt by Buyer of notice from Seller that such well has been completed or recompleted, and the provisions of Article XI hereof shall become effective as to each such well at the expiration of such sixty (60) day period or on the date of connection, whichever date is earlier.

Section 2. The point of delivery for all gas sold and delivered hereunder shall be at the mouth of the well, or at the outlet of Seller's separator, if installed.

Section 3. Seller reserves sufficient gas for the development and operation of its leases covered hereby, and so much other gas as the lessors in said leases are entitled to use under the

respective terms of the oil and gas mining leases under which Seller is operating

Seller shall not be required, except in its sole judgement and discretion, to drill, rework, recondition, recomplete or repair any well now or hereafter capable of producing gas subject to this agreement, and Seller shall not be obligated to maintain in force and effect any of the said leases, or any right, title or interest thereunder. Seller shall have the sole right to determine when any well will be abandoned.

Section 4. Title to and ownership of the gas delivered hereunder, as well as title to and ownership of all gasoline and other hydrocarbons which are in a gaseous state at the time of delivery, shall pass to and absolutely vest in Buyer at the point of delivery, as hereinabove provided.

Section 5. The term "gas well", as used herein, shall mean any well classified respectively as such by any regulatory body having jurisdiction or, in the absence of such classification, any well so classified respectively by mutual agreement of the parties hereto.

Section 6. Unless it elects to do so, Buyer shall not be obligated to purchase any gas subject to this agreement which is not "merchantable gas" at the point of delivery. "Merchantable gas", as used herein, shall mean gas containing not more than one thousand (1,000) grains total sulphur per one hundred (100) cubic feet, nor more than five percent (5%) of carbon dioxide, and having a gross heating value of not less than nine hundred fifty

(950) British thermal units per cubic foot of gas at a temperature of sixty degrees (60°) Fahrenheit, when saturated with water vapor and at an absolute pressure equivalent to thirty inches (30") of mercury at thirty-two degrees (32°) Fahrenheit. Such gas shall be reasonably free from objectionable liquids. Except as provided in Article VI hereof, Seller shall never be required to treat gas to render it merchantable.

Buyer shall have the right to refuse to take gas from any well if it fails to meet any of the above specifications, and in the event Buyer shall not commence taking gas from any such well within ninety (90) days after receipt of notification from Seller that gas from such well is available, the well and the acreage allocation unit upon which it is located shall thereafter be considered released from the terms of this agreement.

ARTICLE III

Right-of-Way

Section 1. Seller grants to Buyer so far as Seller has the right to do so, right-of-way on said premises and other lands controlled by Seller for Buyer's gathering pipe lines and other equipment as may be necessary, right of ingress and egress to and from said premises, and the further right to do thereon acts necessary or convenient for the carrying out of the terms of this agreement.

Section 2. All equipment placed on said premises by Buyer shall be and remain its property and shall be subject to removal by it at any time.

ARTICLE IV

Regulation

Buyer shall have the right to regulate the flow of gas at the point of delivery insofar as the fluctuating demand of Buyer's market is concerned, but such regulation shall be subject to control by Seller insofar as the ability of any well or wells to produce and, insofar as possible, well or reservoir damage by excessive rates of withdrawal are concerned.

ARTICLE V

Delivery Pressure

Section 1 Buyer shall take gas hereunder at natural flowing pressures at the point of delivery, and shall have the right to operate its high pressure gathering system at pressures not to exceed six hundred pounds (600#) per square inch gauge. In the event any well becomes incapable of producing at least one million one hundred thousand (1,100,000) cubic feet of gas per day at a flowing pressure of six hundred pounds (600#) per square inch gauge, or at the existing pressure of Buyer's high pressure gathering system, whichever is lower, Buyer agrees either to lower immediately the pressure on its gathering system to the extent necessary to permit delivery of gas from such well in such quantity, or to install immediately sufficient compression facilities to permit the delivery of gas in such quantity from such well at the operating pressure of Buyer's gathering system, and thereafter Buyer shall maintain such compression facilities in operation to the extent necessary to enable such well to deliver into Buyer's

gathering system the volume of gas which Buyer has herein contracted to take from such well.

Buyer shall not discontinue taking gas from any well covered hereby so long as such well will produce at a wellhead flowing pressure of at least one hundred pounds (100#) per square inch gauge.

Buyer shall have the right to refuse to take gas from any well producing at a wellhead flowing pressure of less than one hundred pounds (100#) per square inch gauge, but Seller shall have the right to install compression facilities necessary to permit any such well to produce at said pressure in which event Buyer shall be obligated to continue to purchase gas from such well in accordance with the terms hereof. In the event Seller does not elect to install compression facilities as above provided, and Buyer fails or refuses to commence taking gas from any such well within ninety (90) days after receipt of notification from Seller that gas from such well is available, such well and the acreage allocation unit on which it is located shall thereafter be considered released from this agreement.

Section 2. Buyer shall have the right to operate its gathering system for gas produced from depths greater than five thousand (5,000) feet from the surface of the earth at working pressures as high as eight hundred fifty pounds (850#) per square inch gauge as long as such wells are capable of producing their respective allowances against such higher pressures.

In applying the provisions of Section 1 above to wells producing from depths greater than five thousand (5,000) feet from the surface of the earth, one million seven hundred fifty thousand (1,750,000) shall be substituted for the figure one million one hundred thousand (1,100,000) appearing therein.

ARTICLE VI

Drips and Separators

Seller agrees to install all drips, separators and other devices that may be found necessary to separate crude oil, liquid hydrocarbons and/or water in its liquid state from the gas so that such oil, liquid hydrocarbons and/or water in its liquid state may be kept from entering Buyer's pipe line, all oil and liquid hydrocarbons so separated being the property of Seller.

ARTICLE VII

Meters

Section 1. Buyer, at its sole cost and expense, shall install, maintain and operate at each point of delivery a standard type orifice meter for the measuring of the quantity of gas delivered hereunder. Orifice meters shall be installed and operated in accordance with the specifications prescribed in Gas Measurement Committee Report No. 2, dated May 6, 1935, of the Natural Gas Department of the American Gas Association. Buyer shall cause the charts on such meter to be changed daily or weekly, as may be agreed upon by the parties hereto. The respective meter, meter readings and meter charts shall be accessible, at all reasonable times to inspection and examination by Seller.

Section 2. From time to time and at least once in each three (3) months, the accuracy of Buyer's measuring equipment shall be verified by and at the expense of Buyer. If either party at any time shall notify the other that it desires a special test of any meter, the other party shall cooperate to secure an immediate verification of the accuracy of such meter and joint observation of any adjustments. Buyer shall give notice to Seller of the time of all tests, in order that Seller may conveniently have its representative present. Reading, calibration and adjustment of Buyer's ~~meters~~ and changing of charts shall be done only by Buyer.

Section 3. If, upon any test, the percentage of inaccuracy shall be two percent (2%) or more, the registration of such meter shall be corrected at the rate of such inaccuracy for any period which is definitely known or agreed upon, but in case the period is not definitely known or agreed upon, then for a period extending back one-half (1/2) of the time elapsed since the date of the last calibration. Following any test, metering equipment found inaccurate shall be immediately restored by Buyer as closely as possible to a condition of accuracy. If, for any reason, any meter is out of service and/or out of repair so that the amount of gas delivered cannot be estimated or computed from the reading thereof, the amount of gas delivered through the period such meter is out of service and/or out of repair shall be estimated and agreed upon by the parties hereto upon the basis of the best data available, using the first of the following methods which is feasible:

a. By correcting the error if the percentage of error is

ascertainable by calibration test or mathematical calculation.

b. By using the registration of Seller's check meter if installed and accurately registering.

c. By estimating the quantity of delivery by deliveries during preceding periods under similar conditions when the meter was registering accurately.

Section 4. Seller may, at its option and expense, install and operate a check meter to check Buyer's meter, but measurement of gas for the purpose of this agreement shall be by Buyer's meter, except as hereinabove specifically provided to the contrary.

ARTICLE VIII

Gas Measurement

Section 1. The unit of measurement for all purposes hereunder except for the computation of volumes for the application of the price provisions of Article XII hereof shall be one thousand (1,000) cubic feet at a base temperature of sixty (60) degrees Fahrenheit and at a base pressure of fifteen and twenty-five thousandths pounds (15.025#) per square inch absolute.

The unit of measurement for computation of volume for the application of the price provisions of Article XII hereof shall be one thousand (1,000) cubic feet at a base temperature of sixty (60) degrees Fahrenheit and at a base pressure of fourteen and sixty-five hundredths pounds (14.65#) per square inch absolute.

Section 2. The volumes of gas delivered hereunder shall be computed in accordance with the specifications prescribed in Gas Measurement Committee Report No. 2, dated May 6, 1935, of the Natural Gas Department of the American Gas Association as supplemented and modified to the date hereof, applied in a practical and appropriate manner, and proper correction shall be made for deviation of the gas from Boyle's Law in accordance with Bulletin

TS-402 or Bulletin TS-461 (whichever is applicable) of the California Natural Gasoline Association.

Section 3. For the purpose of measurement, the average absolute atmospheric (barometric) pressure shall be assumed to be thirteen and two-tenths pounds (13.2#) to the square inch, irrespective of the actual elevation or location of the delivery point above sea level or of variations in such barometric pressure from time to time. For meters of the orifice type, the following factors shall be given due consideration:

a. The temperature of the gas flowing through Buyer's meter shall be obtained by the use of a recording thermometer so installed by Buyer that it may properly record the temperature of such gas. The arithmetical average of the hourly temperature shall be used to make proper computations of volume hereunder.

b. The specific gravity of the natural gas shall be determined by Buyer each three (3) months (joint tests if desired by Seller) on or as near the first of each three (3) months' period as practicable, by means of an Edwards Balance or by such other method as may be agreed upon by the parties hereto. Such test shall determine the specific gravity to be used in computations for the measurement of gas deliveries during such three (3) months' period.

Buyer shall give notice to Seller of the time of all tests (including gasoline content tests) of gas delivered hereunder or of any equipment used in measuring or determining the nature or quality of such gas, in order that Seller may conveniently have

its representative present. Should Seller not be satisfied with any such test, it shall so notify Buyer and Buyer shall perform such retests as may be necessary to assure an accurate test.

ARTICLE IX

Gasoline Content Tests

Tests for the determination of gasoline content of the gas sold hereunder shall be made by Buyer each three (3) months, on or as near the first of each three (3) months' period as practicable. The Natural Gasoline Association of America standard charcoal method, or such other method as may be agreed upon, shall be used in making such tests. The content so determined shall be adjusted to the pressure base of fourteen and sixty five hundreths pounds (14.65#) per square inch absolute.

ARTICLE X

Billing and Payment

Section 1. On or before the tenth (10th) day of each calendar month, Buyer shall render to Seller a statement accompanied by charts, showing the amount of gas purchased by Buyer hereunder during the preceding calendar month, and payment for such gas shall be made by Buyer to Seller on or before the twenty-fifth (25th) day of the calendar month in which such statement is rendered. Any errors in such charts, statement or payment shall be promptly reported to Buyer, and Buyer shall make proper adjustment thereof within thirty (30) days after final determination of the correct volume and/or values involved.

Section 2. Seller agrees to pay or cause to be paid all taxes and assessments imposed on Seller with respect to the gas delivered

hereunder prior to its delivery to Buyer, and Buyer agrees to pay or cause to be paid all taxes and assessments imposed upon Buyer with respect to the gas delivered hereunder after its receipt by Buyer. Neither party shall be responsible or liable for any taxes or other statutory charges levied or assessed against any of the facilities of the other party used for the purpose of carrying out the provisions of this contract.

All existing taxes, up to the present respective rates thereof, now imposed on the parties hereto with respect to the gas delivered hereunder shall not be considered as "additional tax" under the following provisions of this Section.

Any sales, transaction, occupation, service, production, severance, gathering, transmission, export or excise tax, assessment or fee levied, assessed or fixed by the United States, the State of Texas, or other governmental authority and taxes of a similar nature or equivalent in effect (not including income, excess profits, capital stock, franchise or general property taxes) in respect of or applicable to the gas taken hereunder by Buyer in addition to or greater than those, if any, being levied, assessed or fixed on the date of this agreement in respect of or applicable to the gas taken hereunder by Buyer, and which Seller may be liable for, either directly or indirectly, or through any obligation to reimburse others, are hereinafter collectively referred to as an "additional tax". It is expressly understood and agreed between the parties hereto that Buyer shall, subject to the conditions hereinafter set forth, pay to Seller three-fourths (3/4)

of any such "additional tax". Should Seller so become liable for any such "additional tax", Seller shall notify Buyer immediately. Within ninety (90) days after the end of each calendar month, Seller shall prepare and submit to Buyer a statement setting forth the amount of such "additional tax" that it has paid during such calendar month, and within thirty (30) days after submission of such statement, adjustment between the parties hereto shall be made by Buyer reimbursing Seller to the extent of three-fourths (3/4) of the amount of such "additional tax" as hereinabove defined which Seller shall have so paid. The tax reimbursement herein provided for shall apply to the total amount of money Seller is required to pay for virtue of such "additional tax" but shall not apply to any delinquent interest or penalty payments that may be applicable to such "additional tax". Taxes applicable to any royalty, overriding royalty, production payment or similar interest shall be considered to be covered by the provisions of this Section 2 only if the reimbursement made by Buyer to Seller with respect thereto is passed on by Seller to the owner of such royalty, overriding royalty, production payment or similar interest.

Section 3. Seller shall return to Buyer all charts after they have been inspected. Seller shall have access to Buyer's records and books at all reasonable hours so far as they affect the gas sold hereunder.

ARTICLE XI

Quantity

Section 1. Subject to the exceptions contained hereinafter

in this Article XI, Buyer agrees to purchase and take, or failing to take, nevertheless to pay for, a daily average minimum of five hundred fifty thousand (550,000) cubic feet of gas per day from each of Seller's wells located on a "maximum gas allocation unit" (as that term is hereinafter defined in Section 6 below), except as such minimum may be reduced under either of the conditions outlined in a and b below:

a. If any such well is located upon less than a maximum gas allocation unit, the applicable minimum for such well shall be reduced proportionately.

b. In the event any such well becomes incapable of producing a daily stabilized rate of at least one million one hundred thousand (1,100,000) cubic feet per day at a flowing pressure of one hundred pounds (100#) per square inch gauge, the minimum for such well shall be reduced so that Buyer shall not be obligated to take or pay for a daily average minimum of gas from such well greater than fifty percent (50%) of such well's daily stabilized producing capacity at such one hundred pound (100#) flowing pressure.

Section 2. In applying the provisions of Section 1 above to wells producing from depths greater than five thousand (5,000) feet from the surface of the earth, eight hundred seventy-five thousand (875,000) shall be substituted for the figure five hundred fifty thousand (550,000) appearing therein, and one million seven hundred fifty thousand (1,750,000) shall be substituted for the figure one million one hundred thousand (1,100,000) appearing therein.

Section 3. Buyer agrees, insofar as practicable, to take ratably from each allocation unit connected to its system in the Lea County area, based upon (1) the well acreage allocation, (2) the ability of individual wells to deliver into Buyer's gathering system in accordance with the provisions of Section 1 of Article V hereof, (3) whether or not the well is producing from depths greater than five thousand (5,000) feet from the surface of the earth, and (4) the allowable limits that may be set from time to time by governmental authorities having proper jurisdiction thereof.

Section 4. At the request of Seller, when any required approval has been obtained by Seller from all governmental authorities having jurisdiction in the premises, the daily average minimum of five hundred fifty thousand (550,000) cubic feet of gas per well required to be taken by Buyer shall be increased proportionately up to a maximum of two million two hundred thousand (2,200,000) cubic feet of gas per well per day, in the case of any well located on a tract consisting of more than one hundred sixty (160) acres, up to but not exceeding a total of ~~six~~ hundred forty (640) acres. All such tracts shall meet the requirements of Section 6 below.

In applying the provisions of this Section 4 to wells producing from depths greater than five thousand (5,000) feet from the surface of the earth, eight hundred seventy-five thousand (875,000) shall be substituted for the figure five hundred fifty thousand (550,000) appearing therein, and three million five hundred thousand (3,500,000) shall be substituted for the figure two million two hundred thousand (2,200,000) appearing therein.

Section 5. Said minimum average shall be averaged over each calendar year, or the applicable portion thereof if the well is, or could be, connected to Buyer's system for only a part of the calendar year under consideration.

Section 6. For the purpose of this agreement, a "maximum gas allocation unit" is hereby defined to be a tract or portion of a tract under one lease or operated under a unified working interest which contains at least one hundred sixty (160) acres. In designating a maximum unit or fractional portion thereof, section lines may be disregarded so long as the unit acreage is under the same lease or unit of unitized working interests forming a continuous block whose longest boundary dimension does not exceed five thousand two hundred eighty (5,280) feet.

Section 7. In the event Buyer shall fail to take from any well during any calendar year, or applicable portion thereof, the daily average minimum as above defined, and such failure is not due to physical non-availability of gas, causes within the control of Seller or force majeure intervention, then within thirty (30) days after the end of such calendar year, Buyer shall pay Seller for the difference between the average minimum quantity required to be taken from such well and the amount actually taken by Buyer from such well during such calendar year. Payment shall be made at the weighted average price paid by Buyer for gas from such well during such calendar year.

During the next four (4) years following that in which Buyer failed to take the gas so paid for, all gas taken by Buyer from

such well during any year which is in excess of the daily average minimum for such well for such year shall be known as "make-up gas", and such "make-up gas" shall be without charge to Buyer (except as hereinafter provided) until such excess is equal to the amount of gas previously paid for but not taken (and not having been made up) during the preceding four (4) years. In the event Buyer is unable to make up gas within the four (4) year period herein specified, Seller shall be under no obligation to return to Buyer money previously paid for gas not so made up.

Section 8. Wells requiring tests to determine their open flow capacity and their daily stabilized producing capacity shall be tested by Buyer annually, and such test shall determine the daily average minimum for such well during the succeeding twelve (12) months' period. Buyer shall give notice to Seller of the time of all such tests, in order that Seller may conveniently have its representative present. In the absence of agreement of the parties as to the manner and method of conducting such tests, such tests shall be conducted in the manner and under the rules prescribed by the New Mexico Oil Conservation Commission to the extent that such rules, if any, are applicable, and if not applicable, then under the rules prescribed by the Railroad Commission of Texas for such tests.

Section 9. In the event that any governmental authority having proper jurisdiction in the premises should establish rules allocating gas withdrawals from the wells covered hereby, to the extent that Seller should be unable for that reason to deliver from

any particular well the minimum amount of gas Buyer is obligated to take from such well, and at the same time Seller owns or operates a well or wells covered hereby which can by virtue of such allocation be produced at a rate higher than the minimum Buyer is obligated to take from such well or wells, Buyer agrees upon request of Seller to increase its takes of gas from wells having such higher allocation, up to the maximum of such allocation, for the purpose of offsetting takes from wells having allocations lower than Buyer's minimum allocation hereunder.

The provisions of this Section 9 shall not become applicable unless allocation rules so established are field wide in scope.

ARTICLE XII

Price

Section 1. Buyer shall pay Seller for the gas contracted hereunder in accordance with the following schedule:

a. For gas from wells having sufficient pressure to deliver gas into Buyer's high pressure gathering system either against the working pressure therein, or against a pressure of six hundred pounds (600#) per square inch gauge, whichever is lower:

(1) For the five (5) year period from the effective date hereof, nine and one-half cents ($9\frac{1}{2}\phi$) per thousand (1,000) cubic feet.

(2) For the next five (5) year period ten and one-half cents ($10\frac{1}{2}\phi$) per thousand (1,000) cubic feet.

(3) For the next five (5) year period eleven and one-half cents ($11\frac{1}{2}\phi$) per thousand (1,000) cubic feet.

(4) For the remainder of the term hereof, the fair market price at the commencement of such period for gas of similar quality and pressure within the area described in Section 4 of this ARTICLE XII, but not less than twelve and one-half cents (12½¢) per thousand (1,000) cubic feet.

b. For all gas which must be compressed by Buyer before it will enter Buyer's high pressure gathering system against a pressure of six hundred pounds (600#) per square inch gauge, or at the existing pressure of Buyer's high pressure gathering system, whichever is lower, the above listed prices shall be reduced point four four six seven cent (.4467¢) per thousand (1,000) cubic feet. Buyer shall take such gas at pressures as low as one hundred pounds (100#) per square inch gauge.

Section 2. Buyer agrees to make payment to Seller on the basis of the schedule set out in "Basis of Settlement for Gasoline and Additional Products", attached hereto as Exhibit "B", for all natural gasoline contained in all the gas purchased hereunder, irrespective of whether such gas is processed for extraction of said gasoline.

In the event Buyer processes (or causes to be processed) the gas purchased hereunder for the extraction of other liquid or liquefiable petroleum products, Buyer shall pay Seller for such other products on the basis of the schedule set out in "Basis of Settlement for Gasoline and Additional Products", attached hereto marked Exhibit "B" and hereby made a part hereof.

Buyer agrees to pay Seller at all times for such gasoline and other products at the highest price, and on the most favorable basis, being used by Buyer in paying and settling with other sellers furnishing gas to the plant in which Seller's gas is being processed.

Section 3. Payment for the gas sold hereunder shall be made directly to Seller at _____

Seller hereby assumes the responsibility and liability for making payments to the lessors and royalty owners for the proportionate amounts due them on account of all deliveries hereunder.

Section 4. If at any time or times after the date of this agreement, Buyer shall purchase from any other seller gas from "dry gas" or "gas-distillate" wells within Lea or Eddy Counties, New Mexico, or Cochran, Hockley, Yrakum, Gaines, Andrews, Ector, Winkler, Crane or Ward Counties, Texas, at a price per thousand (1,000) cubic feet higher than the price at the time payable hereunder, Buyer agrees that the price payable to Seller for gas hereunder shall be immediately increased to equal such higher price paid to such other seller, and such higher price ~~hereunder~~ shall continue in effect so long as, but only so long as, any such higher price is paid to such other seller. In determining whether the price payable under such other contract or agreement is "higher" than the price payable for gas under this agreement, due consideration shall be given to the provisions of this agreement as compared with such other contract or agreement as to quantity

and quality of gas, delivery pressures, gathering and compressing arrangements, provisions regarding measurement of gas and all other pertinent factors.

ARTICLE XIII

Title

Seller hereby warrants the title to the gas, the Seller's right to sell such gas, and that the gas is free from all liens and adverse claims.

ARTICLE XIV

Consideration

It is specifically agreed that the consideration paid and the payments to be made hereafter, according to the terms hereof, in all respects support each and every covenant, right, privilege and option hereof.

ARTICLE XV

Indemnification

Neither Seller nor Buyer shall be held responsible or liable for damages for the acts or conduct of the other.

ARTICLE XVI

Force Majeure

Except for Buyer's obligations to make payments for gas delivered hereunder, neither party hereto shall be liable for any failure to perform the terms of this agreement when such failure is due to "force majeure" as hereinafter defined. The term "force majeure" as employed in this agreement shall mean acts of God, strikes, lockouts or industrial disturbances, civil disturbances,

arrests and restraint from rulers and people, interruptions by government or court orders, present and future valid orders of any regulatory body having proper jurisdiction, acts of the public enemy, wars, riots, blockades, insurrections, inability to secure right-of-way, inability to secure labor or materials, including inability to secure materials as a result of allocations promulgated by authorized governmental agencies, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or pipe lines, partial or entire failure of gas supply, or any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming force majeure. Nothing herein contained, however, shall be construed to require either party to settle a strike against its will.

ARTICLE XVII

Successors and Assigns

This agreement shall bind and benefit the parties hereto and their respective successors and assigns, provided that no conveyance or transfer of any interest of either party shall be binding upon the other party until such other party has been furnished with written notice and true copy of such conveyance or transfer; provided, further, that either Buyer or Seller, or both, may assign its right, title and interest in, to and by virtue of this agreement, including any and all extensions, renewals, amendments and supplements thereto, to a trustee or trustees, individual or corporate, as security for bonds or other obligations or securities, without

such trustee or trustees assuming or becoming in any respect obligated to perform any of the obligations of the assignor, and if any such trustee be a corporation, without its being required by the parties hereto to qualify to do business in the State of New Mexico.

ARTICLE XVIII

Governmental Regulation

Subject to the provisions of Article XIX hereof, it is expressly agreed that this agreement and the respective obligations of Buyer and Seller hereunder are subject to present and future valid laws, orders, rules and regulations of duly constituted governmental authorities having jurisdiction.

ARTICLE XIX

Term

This agreement shall be effective from the date hereof, and shall remain in force for a period of twenty (20) years from the date of first delivery of gas hereunder, and thereafter from month to month until sixty (60) days notice in writing of termination is given by either party to the other.

ARTICLE XX

Notices

Notices to be given hereunder shall be deemed sufficiently given and served when and if deposited in the United States Mail, postage prepaid and registered, addressed to Seller at _____, or to Buyer at _____, P. O. Box 1492, El Paso, Texas, as the case may be, or to such

other address as either party shall respectively hereafter designate in writing.

Routine communications, including monthly statements and payments, shall be considered as duly delivered when mailed by either registered mail or ordinary first class mail, postage prepaid, and shall be sent to the above designated address, or to such other address as either party shall respectively hereafter designate in writing.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be duly executed, in duplicate originals, on this the day and year first above written.

Attest:

Attest:

"Buyer"

EL PASO NATURAL GAS COMPANY

By _____

"Seller"

By _____

EXHIBIT "A"

This Exhibit "A" is attached to and made a part of agreement between EL PASO NATURAL GAS COMPANY AND _____, dated _____, 1953:

Submitted by
E. H. Foster
(Phillips Petroleum Co.)

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

Case No. 521
Order No. _____

MEANS AND METHODS FOR THE PROMOTION
AND ALLOCATION OF NATURAL GAS IN THE
JALCO GAS POOL, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a. m. on the _____ day of _____, 1953, at Santa Fe, New Mexico, before the Oil Conservation Commission, hereinafter referred to as the "Commission", and

WHEREAS Section 69-203, New Mexico Statutes, 1941, Ann., defines waste in subsection (e) thereof as follows:

"The production in this state of natural gas from any gas well or wells, or from any gas pool, in excess of the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of gas transportation facilities for such type of natural gas. The words 'reasonable market demand', as used herein with respect to natural gas, shall be construed to mean the demand for natural gas for reasonable current requirements, for current consumption and for use within or outside the state, together with the demand for such amounts as are necessary for building up or maintaining reasonable storage reserves of natural gas or products thereof, or both such natural gas and products."

and

WHEREAS Section 69-210, New Mexico Statutes, 1941, Ann., provides that:

"The commission is hereby empowered, and it is its duty, to prevent the waste prohibited by this act and to protect correlative rights, as in this act provided. To that end, the commission is empowered to make and enforce rules, regulations and orders, and to do whatever may be reasonably necessary to carry out the purposes of this act, whether or not indicated or specified in any section hereof."

and

WHEREAS Section 69-211, New Mexico Statutes, 1941 Ann., provides in part as follows:

"Included in the power given to the commission is the authority . . . to limit and prorate production of . . . natural gas as in this act provided; . . . to require showing locations of gas wells; . . . to require wells to be drilled, operated and produced in such manner as to prevent injury to

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neighboring leases or properties; . . . to fix the spacing of wells; . . . to determine whether a particular well or pool is a gas or oil well, or a gas or oil pool, as the case may be, and from time to time to classify and re-classify wells and pools accordingly; . . . to determine the limits of any pool or pools producing . . . natural gas and from time to time redetermine such limits".

and

WHISTLER Section 69-213(c), (d), (e), New Mexico Statutes, 1941 Ann., provides as follows:

"(c) whenever, to prevent waste, the total allowable natural gas production from gas wells producing from any pool in this state is fixed by the commission in an amount less than that which the pool could produce if no restrictions were imposed, the commission shall allocate the allowable production among the gas wells in the pool delivering to a gas transportation facility upon a reasonable basis and recognizing correlative rights, 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. In protecting correlative rights the commission may give equitable consideration to acreage, pressure, open flow, porosity, permeability, deliverability and quality of the gas and to such other pertinent factors as may from time to time exist, and in so far as is practicable, shall prevent drainage between producing tracts in a pool which is not equalized by the counter-drainage. In allocating production pursuant to the provisions of section 12(c) the commission shall fix proration periods of not less than six (6) months. It shall determine reasonable market demand and make allocations of production during each such period, upon notice and hearing, at least 30 days prior to the beginning of each proration period. In so far as is feasible and practicable, gas wells having an allowable in a pool shall be regularly produced in proportion to their allowables in effect for the current proration period. Without approval of the commission or one of its duly authorized agents, no natural gas well or pool shall be allowed to produce natural gas in excess of the allowable assigned to such source during any proration period; Provided, that during an emergency effecting a gas transportation facility a gas well or pool having high deliverability into such facility under prevailing conditions may produce and deliver in excess of its allowable for the period of emergency, not exceeding ten (10) days, without penalty. The commission may order subsequent changes in allowables for wells and pools to make fair and reasonable adjustment for overage resulting from the emergency. The provisions of this subsection shall not apply to any wells or pools used

for storage and withdrawal from storage of natural gas originally produced not in violation of this act or of the rules, regulations or orders of the commission.

"(d) In fixing the allowable of a pool under section 12(c) herein, the commission shall consider nominations of purchasers but shall not be bound thereby and shall so fix pool allowables as to prevent unreasonable discrimination between pools served by the same gas transportation facility by a purchaser purchasing in more than one pool.

"(e) Natural gas produced from gas wells within the allowable as determined as provided in section 12(c) above shall herein be referred to as 'legal gas', and natural gas produced in excess of such allowable shall be 'illegal gas'."

and

Article Section 69-213(f), New Mexico Statutes, 1941 Ann., provides as follows:

"After the effective date of any rule, regulation or order fixing the allowable production, no person shall produce more than the allowable production applicable to him, his wells, leases or properties determined as in this act provided, and the allowable production shall be produced in accordance with the applicable rules, regulations or orders."

Now, on this _____ day of _____, 1953, the Commission, a quorum being present, having considered the records and the testimony adduced, and being fully advised in the premises,

FINDS:

(1) That due notice having been given as required by law, the Commission has jurisdiction in the case and the persons and subject matter thereof.

(2) That a new gas pool should be and the same is hereby created, designated for gas production and denominated the JALCO GAS POOL, located in Lea County, New Mexico, and described as follows:

Township 21 South, Range 35 East, N20W
E/2 Sec. 12; E/2 Sec. 13; E/2 Sec. 24.

Township 21 South, Range 36 East, N20W
E/2 Sec. 7; E/2 Sec. 18; E/2 and SE/4 Sec. 19; SW/4 Sec. 20;
All Secs. 29 thru 32 incl.

Township 22 South, Range 36 East, N20W
All Secs. 5 thru 8 incl.; All Sec. 17; N/2 and SE/4 Sec. 18; NE/4
Sec. 19; All Sec. 20; NE/4 Sec. 28; All Sec. 29 and 32, SW/4 Sec. 33.

Township 23 South, Range 36 East, N20W
All Sec. 4; N/2 and SE/4 Sec. 5; E/2 Sec. 8; All Sec. 9; All Sec.
16; SE/4 Sec. 17; All Sec. 21; W/2 Sec. 27; E/2 Sec. 28; E/2 Sec.
33; E/2 and SE/4 Sec. 34.

Township 24 South, Range 36 East, N20W
All Sec. 3; E/2 Sec. 4; SE/4 Sec. 9; E/2 and SE/4 Sec. 10; E/2
Sec. 11; All Sec. 14; E/2 Sec. 15; All Secs. 22 and 23; E/2 Sec. 25;
All Sec. 26; E/2 Sec. 27; E/2 Sec. 34; All Secs. 35 and 36.

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Township 24 South, Range 37 East, N44W
S/2 Sec. 31

Township 25 South, Range 36 East, N44W
All Sec. 1; N/2 Sec. 2; All Secs. 12, 13, 24 and 25; NE/4 Sec. 36.

Township 25 South, Range 37 East, N44W
All Secs. 6 and 7; SW/4 Sec. 8; E/2 and NW/4 Sec. 16; All Secs. 17
thru 21 incl.; All Secs. 28 thru 33 incl.; W/2 Sec. 34.

Township 26 South, Range 37 East, N44W
W/2 Sec. 3; All Secs 4 thru 9 incl.; E/2 Sec. 10; All Secs. 18
and 19; W/2 Sec. 29; E/2 and NW/4 Sec. 30; NE/4 Sec. 31; NW/4
Sec. 32.
All of Secs. 15, 16, 17, 20, 21, 22, 27, 28; the E/2 of Sec. 29;
E/2 Sec. 32; and all of Secs. 33 and 34.

all in Lea County, New Mexico.

(3) That the producing formation in the Jalco Gas Pool shall extend from the top of the Yates formation to a point 100 feet above the base of the Seven Rivers formation.

(4) That the wells located in the Jalco Pool are located in a common reservoir producing from a common source of supply.

(5) That waste is occurring in production of gas in the Jalco Gas Pool in that natural gas is being produced from the pool in excess of reasonable market demand and in excess of the capacity of gas transportation facilities in the pool for the type of gas produced from the pool.

(6) That the withdrawal of natural gas from the Jalco Gas Pool is non-uniform, disproportionate and unratable and that in order to protect correlative rights and afford each producer in the pool an equal opportunity to produce his fair share of the gas, it is necessary to fix the daily allowable production and the method of allocation of natural gas being produced from the pool and to limit the production of natural gas in the pool to the reasonable market demand and to the capacity of the gas transportation facilities operating in the pool.

(7) That the Jalco Gas Pool as delineated in this order is a gas pool.

(8) That in order to prevent waste in the production of gas in the Jalco Gas Pool, the total allowable natural gas production from the gas wells producing gas in the pool shall be fixed at an amount less than that which the pool could produce if no restrictions were imposed.

(9) That the method of prorating and allocating the total monthly allowable production of gas among all of the wells in the field delivering gas to a gas transportation facility, in the proportion that the acreage of the individual well bears to the summation of the acreage assigned to all such wells in the pool after deductions have been made for wells which are incapable of producing their allowables, is a reasonable basis, recognizes correlative rights and prevents waste.

IT IS THEREFORE ORDERED:

Effective September 1, 1953, at 7 o'clock a. m., the following special rules and regulations, in addition to such of the Commission's general rules and regulations as are not in conflict herewith, be and the same are hereby adopted to govern the location, completion and operation of gas wells in the Jalco Gas Pool, Lea County, New Mexico.

RULE 1. PRORATION UNIT. The standard proration unit shall be a full section of approximately 640 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (section) of the U. S. Public Land Survey. The minimum proration unit shall consist of not less than a quarter section of approximately 160 surface contiguous acres substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Survey, provided that the Commission may, in order to prevent waste or prevent the confiscation of property, grant exceptions to permit the drilling of wells on tracts smaller than 160 acres.

RULE 2. SPACING REQUIREMENTS. Each well hereafter drilled in this pool shall be drilled near the center of the proration unit, and in no event less than 1320 feet from the nearest boundary line in the case of a standard proration unit, and in no event less than 660 feet from the nearest boundary line of a minimum proration unit, provided, however, that the Secretary of the Commission shall have authority to grant exceptions to these requirements 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.
- (3) Whenever such exception is granted, the Commission may take such action as will offset any advantage which the person securing the exception may obtain over other producers by reason of the unorthodox location.

RULE 3. DRILLING AND RECOMPLETION NOTICE. Prior to the commencement of any drilling operations, notice shall be delivered to the Commission of intention to drill a well in the pool. Prior to the commencement of recompletion operations notice shall likewise be delivered to the Commission of intention to deepen or plug back any existing well as a producing well in the pool. Such 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 lease or unit.

RULE 4. WELLS OUTSIDE POOL BOUNDARIES. Any gas well which is drilled less than one mile from the outer boundaries of this pool and to the same common source of supply as this pool, shall be spaced, drilled, operated and prorated in accordance with these rules.

RULE 5. ACREAGE FACTOR. The acreage factor shall be the acreage attributable to the proration unit upon which the well is drilled. If the well is drilled on a unit consisting of less than 640 acres, the allowable production from such tract, as compared with the allowable production therefrom if such tract contained 640 acres shall be in the ratio of the acreage in the tract to 640 acres.

In determining attributable acreage, only that acreage reasonably considered to lie within the productive limits of the pool shall be considered. The attributable acreage shall be computed to the nearest full acre. A fraction of an acre of less than one-half ($1/2$) shall not be counted, and a fraction of an acre of one-half ($1/2$) or more shall be counted as one acre.

RULE 6. ALLOCATION FORMULA. The total monthly allowable production of gas for the pool, 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 in the proportion that the acreage of the individual well bears to the summation of the acreage assigned to all such wells in the pool.

Each well capable of production shall be considered to be a gas well and be assigned a gas allowable in accordance with these rules. Any well in the pool which produces oil in addition to gas shall be permitted to produce its gas allowable, provided that in so doing it does not produce more oil than it would be permitted to produce under Statewide rule 505. Any well producing oil in addition to gas and not permitted to produce its full gas allowable under this rule shall not be permitted to accumulate underproduction.

After the completion of a gas well in the pool, no gas from such well shall be (1) permitted to escape to the air, (2) used expansively in engines or pumps and then vented, (3) used to gas lift oil wells unless all gas produced therefrom is processed in a gasoline plant, or beneficially used thereafter without waste, or (4) used for the manufacture of carbon black.

RULE 7. NOMINATIONS. On or before the fourteenth (14th) day of January and July of each year, each taker of gas at the wellhead shall submit, on the form provided by the Commission, a nomination for the amount of gas which each in good faith actually desires to produce for each month during the six-month proration period, March through August, and September through February, respectively.

In determining the market demand for each month of the six-month proration period, the Commission shall take into account the nominations submitted but shall not be bound thereby.

RULE 8. TOTAL ALLOWABLE. The total allowable to be allocated for each month 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 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.

RULE 9. PRODUCTION REPORTS. 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 so as to reach the Commission Office on or before the fifteenth (15th) day of the month next succeeding the month in which the gas was produced. 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.

RULE 10. OVER AND UNDER 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 an amount equal to 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 11. DEFINITION OF A GAS WELL. A gas well shall mean a well producing gas from a common source of gas supply defined by the Commission in this order as constituting a gas pool.

IT IS FURTHER ORDERED that this cause be held open on the docket for such other and further orders as may be necessary.

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XII. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Justis Gas Pool and described as follows:

Township 25 South, Range 37 East, NMPM

SW/4 of Sec. 1; SE/4 Sec. 2; E/2 Sec. 11; W/2 Sec. 12; W/2 Sec. 13; E/2 Sec. 14; E/2 Sec. 23; W/2 Sec. 24,

(2) That the producing formation in the Justis Gas Pool shall be the 200 feet immediately below the Glorieta datum,

V. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Tubb Gas Pool and described as follows:

Township 21 South, Range 37 East, NMPM
SW/4 and Lots 3, 4, 5, 6, 11, 12, 13 and 14 of Sec. 2; All of Sec. 3; SE/4 and Lots 1, 2, 7, 8, 9, 10, 15 and 16 of Sec. 4; E/2 Sec. 8; All Secs. 9 and 10; W/2 Sec. 11; W/2 Sec. 14; All Secs. 15, 16 and 17; E/2 Sec. 19; All Secs. 20 thru 23; incl.; W/2 Sec. 25; All Secs. 26 thru 29 incl.; E/2 Sec. 30; E/2 Sec. 31; All Secs. 32 thru 36 incl.

Township 22 South, Range 37 East, NMPM
All Secs. 1 thru 5 incl.; E/2 Sec. 6; All Secs. 8 thru 16 incl.; E/2 Sec. 21; All Secs. 22, 23 and 24.

Township 22 South, Range 38 East, NMPM
W/2 Sec. 6; W/2 Sec. 7; W/2 Sec. 18; W/2 Sec. 19.

(2) That the producing formation in the Tubb Gas Pool shall extend from the top of the Tubb sand to a point 225 feet below the top of the Tubb sand.

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VI. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Blinebry Gas Pool and described as follows:

Township 21 South, Range 37 East, NMPM
S/2 Sec. 10; S/2 Sec. 11; All Secs. 14, 15, 22, 23, 26, 27, 34, 35
and 36.

All of Secs. 1, 2, 3; E/2 Sec. 4; E/2 Sec. 9; N/2 Sec. 10; N/2
Sec. 11; All Secs. 12, 13, 24 and 25.

Township 22 South, Range 37 East, NMPM
All Secs. 1, 2, 3, 4, 10, 11, 12, 13, 14, 23, 24 and 25.

Township 22 South, Range 38 East, NMPM
W/2 Sec. 6; W/2 Sec. 7; W/2 Sec. 18; All Secs. 19, 30 and 31.

(2) 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 feet 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.

124

VII. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Amanda Gas Pool and described as follows:

Township 22 South, Range 37 East, NMPM
All Sec. 25.

(2) That the producing formation in the Amanda Gas Pool shall be known as the Amanda zone of the lower Permian encountered at an approximate depth of 7050 feet.

for

VIII. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Monument-McKee Gas Pool and described as follows:

Township 19 South, Range 36 East, NMPM
All of Sec. 36.

Township 19 South, Range 37 East, NMPM
All of Sec. 31.

Township 20 South, Range 36 East, NMPM
All of Sec. 1.

Township 20 South, Range 37 East, NMPM
All of Sec. 6

(2) That the producing formation in the Monument-McKee Gas Pool shall be the McKee sand of the Simpson formation.

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IX. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Byers-Queen Gas Pool and described as follows:

Township 18 South, Range 38 East, NMPM
All of Secs. 29, 30, 31 and 32.

(2) That the producing formation in the Byers-Queen Gas Pool shall be the Queen formation.

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X. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Maljamar-Queen Gas Pool and described as follows:

Township 17 South, Range 32 East, NMPM
SW/4 and W/2 SE/4 Sec. 15; All of Sec. 16; NE/4 Sec. 21; NW/4
and W/2 NE/4 Sec. 22.

(2) That the producing formation in the Maljamar-Queen Gas Pool shall be the Queen formation.

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XI. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Vandagriff-Keyes Gas Pool and described as follows:

Township 17 South, Range 28 East, NMPM
S/2 Sec. 3; S/2 and NW/4 Sec. 4; All of Sec. 5; NE/4 Sec. 8;
All of Secs. 9 and 10.

(2) That the producing formation in the Vandagriff-Keyes Gas Pool shall be the Queen formation encountered at an approximate depth of 1400 feet.

I. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Jalco Gas Pool and described as follows:

Township 21 South, Range 35 East, NMPM
E/2 Sec. 12; E/2 Sec. 13; E/2 Sec. 24.

Township 21 South, Range 35 East, NMPM
W/2 Sec. 7; W/2 Sec. 18; W/2 and SE/4 Sec. 19; SW/4 Sec. 20; All
Secs. 29 thru 32 inc.

Township 22 South, Range 36 East, NMPM
All Secs. 5 thru 8 incl.; All Sec. 17; N/2 and SE/4 Sec. 18; NE/4
Sec. 19; All Sec. 20; NW/4 Sec. 28; All Sec. 29 and 32; SW/4 Sec. 33.

Township 23 South, Range 36 East, NMPM
All Sec. 4; N/2 and SE/4 Sec. 5; E/2 Sec. 8; All Sec. 9; All Sec.
16; NE/4 Sec. 17; All Sec. 21; W/2 Sec. 27; E/2 Sec. 28; E/2 Sec.
33; W/2 and SE/4 Sec. 34.

Township 24 South, Range 36 East, NMPM
All Sec. 3; E/2 Sec. 4; NE/4 Sec. 9; N/2 and SE/4 Sec. 10; W/2
Sec. 11; All Sec. 14; E/2 Sec. 15; All Secs. 22 and 23; S/2 Sec.
25; All Sec. 26; E/2 Sec. 27; E/2 Sec. 34; All Secs. 35 and 36.

Township 24 South, Range 37 East, NMPM
S/2 Sec. 31

Township 25 South, Range 36 East, NMPM
All Sec. 1; N/2 Sec. 2; All Secs. 12, 13, 24 and 25; NE/4 Sec. 36.

Township 25 South, Range 37 East, NMPM
All Secs. 6 and 7; SW/4 Sec. 8; S/2 and NW/4 Sec. 16; All Secs. 17
thru 21 incl.; All Secs. 28 thru 33 incl.; W/2 Sec. 34.

Township 26 South, Range 37 East, NMPM
W/2 Sec. 3; All Secs. 4 thru 9 incl.; W/2 Sec. 10; All Secs. 18
and 19; W/2 Sec. 29; E/2 and NW/4 Sec. 30; NE/4 Sec. 31; NW/4
Sec. 32.
All of Secs. 15, 16, 17, 20, 21, 22, 27, 28; the E/2 of Sec. 29;
E/2 Sec. 32; and all of Secs. 33 and 34.

(2) That the producing formation in the Jalco Gas Pool shall extend from the top of the Yates formation to a point 100 feet above the base of the Seven Rivers formation.

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II. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Langmat Gas Pool and described as follows:

Township 21 South, Range 36 East, NMPM
W/2 Sec. 28; All Secs. 33 and 34.

Township 22 South, Range 36 East, NMPM
All Secs. 3, 4, 9 and 10; SW/4 Sec. 11; W/2 Sec. 14; All Secs. 15 and 16; All Secs. 21, 22 and 23; All Secs. 25, 26, 27; S/2 and NE/4 Sec. 28; N/2 and SE/4 Sec. 33; All Secs. 34, 35, and 36.

Township 22 South, Range 37 East, NMPM
SW/4 Sec. 31.

Township 23 South, Range 36 East, NMPM
All Secs. 1, 2 and 3; All Secs. 10 thru 15 incl.; All Secs. 22 thru 26 incl.; E/2 Sec. 27; NE/4 Sec. 34; All Secs. 35 and 36.

Township 23 South, Range 37 East, NMPM
All Secs. 6, 7, 18 and 19; W/2 Sec. 29; All Secs. 30 and 31; W/2 Sec. 32.

Township 24 South, Range 36 East, NMPM
All Secs. 1 and 2; E/2 Sec. 11; All Secs. 12, 13, 24; N/2 Sec. 25.

Township 24 South, Range 37 East, NMPM
All Secs. 5 thru 8 incl.; W/2 Sec. 9; W/2 Sec. 16; All Sec. 17 thru 21 incl.; All Secs. 28, 29 and 30; N/2 Sec. 31; All Secs. 32 and 33; SW/4 Sec. 34.

Township 25 South, Range 37 East, NMPM
W/2 Sec. 3; All Secs. 4 and 5; N/2 and SE/4 Sec. 8; All Sec. 9; W/2 and SE/4 Sec. 10; All Sec. 15; NE/4 Sec. 16; All Sec. 22; N/2 Sec. 27.

(2) That the producing formation in the Langmat Gas Pool shall extend from the top of the Yates formation to a point 100 feet above the base of the Seven Rivers formation.

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III (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Eumont Gas Pool and described as follows:

Township 19 South, Range 38 East, NMPM
SE/4 Sec. 13; S/2 Sec. 23; S/2 and NE/4 Sec. 24; All Secs. 25 and 26; E/2 Sec. 27; E/2 Sec. 34; All Secs. 35 and 36.

Township 19 South, Range 37 East, NMPM
SE/4 Sec. 7; SW/4 Sec. 8; All Secs. 17 thru 20 incl.; W/2 Sec. 21; W/2 Sec. 27; All Secs. 28 thru 34 incl.

Township 20 South, Range 36 East, NMPM
All Secs. 1 and 2; E/2 Sec. 3; E/2 Sec. 10; All Secs. 11 thru 14 incl.; NE/4 Sec. 15; N/2 and SE/4 Sec. 23; All Sec. 24 and 25; E/2 Sec. 26; E/2 Sec. 35; All Sec. 36.

Township 20 South, Range 37 East, NMPM
All Secs. 3 thru 9 incl.; W/2 Sec. 10; W/2 Sec. 15; All Secs. 16 thru 20 incl.; W/2 and NE/4 Sec. 21; NW/4 Sec. 22; W/2 Sec. 29; All Secs. 30, 31 and 32; W/2 Sec. 33.

Township 21 South, Range 35 East, NMPM
SE/4 and Lots 1, 2, 7, 8, 9, 10, 15 and 16 of Sec. 1.

Township 21 South, Range 36 East, NMPM
SW/4 Sec. 1; S/2 and Lots 11, 12, 13 and 14 of Sec. 2; S/2 and Lots 3, 4, 5, 6, 9, 10, 11, 12, 13, 14, 15 and 16 of Sec. 3; All Sec. 4, 5 and 6; E/2 Sec. 7; All Secs. 8 thru 11 incl; W/2 Sec. 12; NW/4 Sec. 13; N/2 and SW/4 Sec. 14; All Secs. 15, 16 and 17; E/2 Sec. 18; NE/4 Sec. 19; N/2 and SE/4 Sec. 20; All Sec. 21; W/2 and NE/4 Sec. 22; E/2 Sec. 28.

(2) 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.

220

IV. (1) That a new pool be, and the same hereby is created, designated for gas production, denominated the Arrow Gas Pool and described as follows:

Township 21 South, Range 36 East, NMPM
SE/4 Sec. 24; All Sec. 25; S/2 and NE/4 Sec. 35; All Sec. 36.

Township 22 South, Range 36 East, NMPM
All Secs. 1 and 2; NE/4 Sec. 11; All Sec. 12; N/2 and SE/4 Sec. 13.

Township 22 South, Range 37 East, NMPM
W/2 Sec. 7; All Sec. 18; N/2 Sec. 19.

(2) That the producing formation in the Arrow 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.

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"B"
EXHIBIT "A"

BASIS OF SETTLEMENT FOR GASOLINE AND ADDITIONAL PRODUCTS

Attached to and made a part of agreement dated _____, 19____ by and between EL PASO NATURAL GAS COMPANY, Buyer, and _____, Seller.

PRICE: The Buyer shall pay to Seller for the gasoline contained in the gas delivered hereunder a price computed on the following basis:

- (a) When the average price of Grade 26/70 natural gasoline, or its substantial equivalent, is less than 2¢ per gallon, 15% of the value of the gasoline contained in said gas.
- (b) When the average price of Grade 26/70 natural gasoline, or its substantial equivalent, is 2¢ but less than 3¢ per gallon, 20% of the value of the gasoline contained in said gas.
- (c) When the average price of Grade 26/70 natural gasoline, or its substantial equivalent, is 3¢ but less than 4¢ per gallon, 25% of the value of the gasoline contained in said gas.
- (d) When the average price of Grade 26/70 natural gasoline, or its substantial equivalent, is 4¢ but less than 5¢ per gallon, 30% of the value of the gasoline contained in said gas.
- (e) When the average price of Grade 26/70 natural gasoline, or its substantial equivalent, is 5¢ or more per gallon, 33-1/3% of the value of the gasoline contained in said gas.

The value of the gasoline contained in a thousand cubic feet of gas shall be determined by multiplying the gasoline content (determined as hereinabove provided) by the average sales price of Grade 26/70 natural gasoline, or its substantial equivalent, as quoted in the National Petroleum News for the North Texas District during each settlement period.

ADDITIONAL PRODUCTS: Buyer shall, with reference to all additional products, compensate Seller by paying Seller for gas delivered under this contract, in addition to the sum of money otherwise provided to be paid therefor, a sum to be computed by multiplying the actual average net sales price of additional products, hereinafter defined, by the quantity of additional products, actually saved and sold from the plant attributable to gas delivered by Seller to Buyer, and multiplying the result by whichever of the following percentages is applicable, to wit:

15% when said average net sales price of additional products is 2¢ or less per gallon.

20% when said average net sales price of additional products is more than 2¢ but less than 4¢ per gallon;

25% when said average net sales price of additional products is 4¢ or more per gallon but less than 6¢;

33-1/3% when said average net sales price of additional products is 6¢ or more per gallon.

The "average net sales price of additional products" shall be the average net sales price per gallon f.o.b. plant of additional products saved and sold during the settlement period involved. As to any of such additional products that Buyer removed from said plant for its own use at points away from the plant same shall be deemed to have been sold f.o.b. the plant at the same price per gallon at which actual sales to others f.o.b. the plant of like material during the settlement period. In the event there should be no actual sales of additional products from the plant to others during any settlement period, then the average net sales price which Buyer shall use in computing payment to Seller for any of such additional products used by Buyer, as aforesaid, shall be the weighted average net sales price of three (3) other manufactures, f.o.b. their plants, of like material in the same general area during such settlement period. The "quantity of additional products actually saved and sold from Buyer's plant attributable to gas delivered by Seller to Buyer" shall, for the purpose of this computation, be that percentage of such additional products actually saved and sold from the plant, expressed in gallons, which the total gasoline content (determined as hereinabove provided) of the gas delivered by Seller to the plant bears to the total gasoline content of all gas delivered to the plant (determined in a like manner). By the term "additional products" is meant all products other than and in addition to residue gas and natural gasoline not in excess of 26 R.V.P. currently being manufactured in Buyer's plant.

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

000
Plat #2
1-22-54
Ch. 582

January 19, 1954

Cities Service Oil Company
Hobbs, New Mexico

Gentlemen:

Reference is made to our discussion of December, 1953 pertaining to the use of gas from your Closson, Closson A and Closson B leases in Sections 6, 18 and 20 of Township 22 South, Range 36 East, Lea County, New Mexico, by the United Carbon Company.

An examination of our records reveals that the following wells are producing from the Jalco Gas Pool and must be produced and prorated in accordance with the rules and regulations governing the Jalco Gas Pool.

Closson, Well #1, NW/4 SE/4 Section 6,
Township 22 South, Range 36 East,

Closson A, Well #1-A, NE/4 NE/4 Section
18, Township 22 South, Range 36 East,

Closson A, Well #3-A, NE/4 SE/4 Section
18, Township 22 South, Range 36 East, and

Closson B, Well #6-B, SW/4 NW/4 Section
20, Township 22 South, Range 36 East.

Two wells operated by Cities Service and located in the Closson lease are not producing from the productive limits of the Jalco Pool and are therefore not subject to proration at this time. Please bear in mind that there is a possibility that these wells may be prorated in the future. These wells are as follows:

Closson #4, SE/4 SE/4 Section 6, Township
22 South, Range 36 East, and

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OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

Cities Service Oil Company, p. 2
January 19, 1954

Closson #8, NE/4 NE/4 Section 6, Township
22 South, Range 36 East.

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The reason that these two wells are not considered as producing from the Jalco Pool is because our records reveal that they produce from a zone in the lower Seven Rivers and the Jalco Gas Pool is defined as being productive from the Yates and all but the lower 100 feet of the Seven Rivers. The #4 Closson is producing from a 50 foot section (2500'-3589') the top of the zone 3500' being 89' above the base of the Seven Rivers. The #8 Closson is producing from a 22' interval (3502' - 3524') being 98 feet above the base of the Seven Rivers.

Your January production will be considered as being produced against your allowable assigned. Please furnish our Hobbs office the required plats and well information as required by Order No. R-368-A. We are instructing the Proration Department to assign the allowable on these 4 wells effective January 1, 1954.

We are enclosing a copy of a letter being sent to the United Carbon Company.

Very truly yours,

W. B. Macey
Chief Engineer

WBM:vmc

cc: United Carbon Company, Inc. ✓
Eunice, New Mexico

Oil Conservation Commission
P. O. Box 2045
Hobbs, New Mexico

Fletcher A. Catron, Attorney
Santa Fe, New Mexico

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 582

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON ITS
OWN MOTION FOR ALL OPERATORS
AND INTERESTED PARTIES IN THE
JALCO GAS POOL TO SHOW CAUSE
WHY THE RULES AND REGULATIONS
AS SET OUT IN ORDER R-356, WITH
ANY ESSENTIAL AMENDMENTS, SHOULD
NOT BE PUT INTO EFFECT.

PRAECIPE FOR SUBPOENA

Comes now the applicant, Texas Pacific Coal and Oil Company and respectfully requests the Commission to issue a subpoena pursuant to the provisions of Section 69-207, New Mexico Statutes Annotated, 1941.

Applicant requests that the subpoena be directed to the El Paso Natural Gas Company, directing that company to make available to the Commission and to the applicant, at the time of rehearing, the following:

1. An employee who is qualified to testify as to the following:
 - a. The amount of dry gas which it will take under their contract with applicant in 1954 if there is no proration of gas in the Jalco Pool; and the amount of dry gas which it will take in 1954 under said contract if there is proration of gas in the Jalco Pool.
 - b. Volume of gas by total and average by wells (Texas Pacific Coal and Oil Company wells only) taken by El Paso Natural Gas Company from said gas wells now located in the Jalco Pool during 1951, 1952 and 1953.
 - c. Volume of gas, average by wells nominated for the first six months of 1954 (per well per unit).
 - d. Requirements of gas well gas for last six months of 1954, so far as known for the Jalco Pool (per well per unit).
 - e. Estimated average reduction in take during 1954 from Jalco gas wells, as a result of recent Spraberry and other connections made or to be made outside the State of New Mexico, as compared with 1952 and 1953.

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2. That the Exhibits Nos. 1, 2 and 3 introduced by El Paso Natural Gas Company at the hearing in Case No. 521 on August 20, 1953 be brought down to the date of December 31, 1953, and be made available to the applicant at the rehearing.

Applicant further states that the above requested information is or may be essential for the proper presentation of applicant's case on rehearing.

WHEREFORE, applicant prays that the subpoena as requested be issued by the Commission.

(signed) John F. Russell
Attorney for Applicant, Texas
Pacific Coal and Oil Company,
P. O. Box 513
Roswell, New Mexico.

THE OIL CONSERVATION COMMISSION
OF NEW MEXICO

CASE NO. 582
ON REHEARING

SUBPOENA DUCES TECUM

STATE OF NEW MEXICO TO:

A. L. HILL, AS AGENT AND EMPLOYEE
OF EL PASO NATURAL GAS COMPANY, A
CORPORATION, P. O. BOX 1492, EL
PASO, TEXAS.

GREETINGS:

You are hereby commanded to appear at 9 o'clock a.m. on
January 21, 1954, at Mabry Hall, State Capitol, Santa Fe, New Mexico,
before the Oil Conservation Commission of New Mexico, to then and there
testify in the matter of rehearing in Cause No. 582, wherein Texas
Pacific Coal & Oil Company is Petitioner, and have you then and there
such memoranda and records as may be necessary or useful in testifying
upon the matters and things set out in attached copy of Praeceptum.

HEREIN FAIL NOT.

DONE at Santa Fe, New Mexico, on this 13th day of January,
1954, under the seal of the New Mexico Oil Conservation Commission.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

R. R. Spurrier,
Member of said Commission

S E A L

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 582

THE APPLICATION OF THE OIL
CONSERVATION COMMISSION ON ITS
OWN MOTION FOR ALL OPERATORS
AND INTERESTED PARTIES IN THE
JALCO GAS POOL TO SHOW CAUSE
WHY THE RULES AND REGULATIONS
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 - b. Volume of gas by total and average by wells (Texas Pacific Coal and Oil Company wells only) taken by El Paso Natural Gas Company from said gas wells now located in the Jalco Pool during 1951, 1952 and 1953.
 - c. Volume of gas, average by wells nominated for the first six months of 1954 (per well per unit).
 - d. Requirements of gas well gas for last six months of 1954, so far as known for the Jalco Pool (per well per unit).
 - e. Estimated average reduction in take during 1954 from Jalco gas wells, as a result of recent Spraberry and other connections made or to be made outside the State of New Mexico, as compared with 1952 and 1953.

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2. That the Exhibits Nos. 1, 2 and 3 introduced by El Paso Natural Gas Company at the hearing in Case No. 521 on August 20, 1953 be brought down to the date of December 31, 1953, and be made available to the applicant at the rehearing.

Applicant further states that the above requested information is or may be essential for the proper presentation of applicant's case on rehearing.

WHEREFORE, applicant prays that the subpoena as requested be issued by the Commission.

(signed) John F. Russell
Attorney for Applicant, Texas
Pacific Coal and Oil Company,
P. O. Box 513
Roswell, New Mexico.

JOHN F. RUSSELL

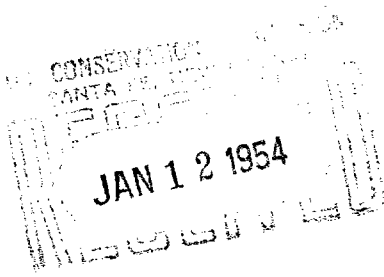
ATTORNEY-AT-LAW

SUITE 424 J. P. WHITE BLDG.

P. O. BOX 513

ROSWELL, NEW MEXICO

January 11, 1954



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

Dear Mr. Spurrier:

I am enclosing herewith a Praecipe for Subpoena
in Case No. 582, and will appreciate your issuing
the Subpoena as requested.

Very truly yours,

John F. Russell
John F. Russell *J.F.*

JFR/djk
Encls.