

AMERADA PETROLEUM CORPORATION
P. O. Box 2040
Tulsa 2, Okla.

May 27, 1953

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

Dear Sir:

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

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

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

After Public Land Surveys insert:

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

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

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

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

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

RSC:vd
cc: Mr. R. R. Spurrier, Secretary
New Mexico Oil Conservation Comm.
P. O. Box 871
Santa Fe, New Mexico

Yours very truly,
AMERADA PETROLEUM CORPORATION
/s/ R. S. Christie

MINUTES OF THE GENERAL RULES SUBCOMMITTEE
ON GAS PRORATION
FOR LEA, EDDY, CHAVES, AND ROOSEVELT COUNTIES, NEW MEXICO
June 2, 1953

The meeting was called to order at 9:00 A. M. (MST). The Secretary called the roll and considered the Minutes of the previous meeting read as copies had been previously distributed. There were no corrections or objections. An attendance record of those present is attached.

With reference to the draft of adopted rules, four letters were received concerning comments and corrections, and were read to those present. Copies of these letters are attached. Since the letters from Shell, Humble, and Permian Pipeline Company pertained to omissions and errors made in making the draft of the adopted gas proration rules for the four county area, the corrected draft of rules was read without any objections. The corrected draft is also attached.

Proposed changes in the adopted rules on gas proration was distributed by the El Paso Natural Gas Company. El Paso stated that the adopted rules 602 and 603 conflict and allows a tract of less than 160 acres to have a top allowable, and that the adopted rule 603 (b) as now written would entitle a non-producing gas well to have an allowable.

A motion was made by El Paso that the adopted rule 603 (c) be modified to read as follows:

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

- (1) No more than 640 acres shall be assigned to any one well
- (2) All acreage in such units may reasonably be presumed to be productive of gas; and
- (3) the multiple unit so formed shall not have an over-all length or width exceeding 5280 feet; and

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

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

The motion was seconded by Continental Oil Company and was adopted by the following vote:

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

El Paso Natural Gas Company made a motion that the adopted rule 603 (b) be modified as follows:

The sentence reading , "The Commission shall include in the proration schedule all wells producing from any reservoir appearing on the proration schedule.", to be deleted and the following inserted, "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." The motion was seconded by Southern Union Gas Company. The motion was not carried by the following vote:

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

A motion was made by El Paso Natural Gas Company that the adopted Rule 604 (a) be modified such that the balancing dates be January 1, and July 1.

The motion was seconded by Southern Union Gas Company and was carried by the following vote:

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

A motion was made by Samedan Oil Corporation that final rules as corrected and adopted by the General Rules Subcommittee be submitted to the Advisory Committee and that the Subcommittee adjourn.

The motion was seconded by Phillips Petroleum Company and was carried unanimously.

Distributed:

N. M. Oil and Gas Engineering Committee
Hobbs, New Mexico
6-2-53.

June 2, 1953

<u>NAME</u>	<u>COMPANY</u>	<u>ADDRESS</u>
F. Norman Woodruff	El Paso Natural Gas Company	Houston, Texas
Ben R. Howell	" " " " "	El Paso, Texas
J. W. Bauleh, Jr.	" " " " "	Jal, New Mexico
A. A. Kemnitz	Samedan Oil Corporation	Hobbs, New Mexico
Ed Noble	" " "	Midland, Texas
Max E. Curry	Skelly Oil Company	Hobbs, New Mexico
E. W. Nestor	Shell Oil Company	" " "
Joe V. Peacock	Phillips Petroleum Company	Amarillo, Texas
William Randolph	Continental Oil Company	Hobbs, New Mexico
W. G. Abbott	Amerada Petroleum Corporation	Monument, New Mex.
C. M. Bumpass	Gulf Oil Corporation	Hobbs, New Mexico
J. D. Walker	" " "	Fort Worth, Texas
W. E. Ainsworth	Permian Basin Pipe Line Company	Omaha, Nebraska
E. R. Reynolds	Texas-Gulf Producing Company	Midland, Texas
J. M. Simpson	" " " "	" "
A. M. Wiederkehr	Southern Union Gas Company	Dallas, Texas
Quilman B. Davis	" " " "	" "
Kenneth J. Barr	Stanolind Oil & Gas Company	Hobbs, New Mexico
Frank V. Cooksey	Texas-Pacific Coal & Oil Company	Midland, Texas
W. B. Macey	Oil Conservation Commission	Santa Fe, New Mex.
George E. Trimble	Samedan Oil Corporation	Midland, Texas
S. J. Stanley	Oil Conservation Commission	Hobbs, New Mexico
Glenn Staley	N. M. Oil & Gas Engineering Committee	" " "
R. S. Dewey	Humble Oil & Refining Company	Midland, Texas
C. C. Wilson	Continental Oil Company	Hobbs, New Mexico

AMERADA PETROLEUM CORPORATION
P. O. Box 2040
Tulsa 2, Okla.

May 27, 1953

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

Dear Sir:

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

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After Public Land Surveys insert:

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

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RSC:vd

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

Yours very truly,
AMERADA PETROLEUM CORPORATION
/s/ R. S. Christie

SHELL OIL COMPANY
P. O. Box 1509
Midland, Texas

May 22, 1953

Samedan Oil Corporation
V.&J. Tower
Midland, Texas

Attention: Mr. George E. Trimble

Gentlemen:

We have examined the draft of the rules adopted by the General Rules Subcommittee of the Advisory Committee to the New Mexico Oil Conservation Commission on Case 521 and the proposed letter of transmittal that were attached to your letter of May 14, 1953, and we have no objection thereto except to the last sentence of the proposed letter where it is stated that it was the majority opinion of the General Rules Subcommittee that when gas proration is effected in the four county area applicable rules on a field by field basis should be formulated by hearing. We have no recollection of any resolution or motion to this effect being passed, and therefore suggest the deletion of that sentence if an examination of the minutes by you supports our recollection as stated above.

It is to be understood, of course, that our approval of the rules as being those adopted by the Subcommittee is not an approval by us of all of the matters contained in the rules, and that we may make suggestions as to changes therein before the Advisory Committee or before the Commission, if we see fit to do so. We believe that this proposition is satisfactorily covered in your letter of transmittal.

Very truly yours,

/s/ Richard L Hughston, Attorney

New Mexico Oil & Gas Engineering Committee
June 2, 1953
Hobbs, New Mexico

HUMBLE OIL & REFINING COMPANY
P. O. Box 2180
Houston 1, Texas

May 20, 1953

File 6-1

New Mexico Rules Correspondence

Mr. George E. Trimble
Samedan Oil Corporation
Midland, Texas

Dear Sir:

In reporting the correction concerning Paragraph (k) at the meeting of May 12, 1953, the minutes are correct insofar as they go. However, they do not include the following wording which was adopted as a rule at the April 30 meeting:

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

In order that these provisions shall not apply and the provisions of (i) shall be applicable as passed by the Committee, it will be necessary that the above rule be included in the General Rules recommended to the Advisory Committee.

Yours very truly,

/s/ S. F. Holmesly

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New Mexico Oil & Gas Engineering Committee
June 2, 1953
Hobbs, New Mexico

NORTHERN NATURAL GAS COMPANY

2223 Dodge Street
Omaha 1, Nebraska

May 26, 1953

Mr. George E. Trimble
Samedan Oil Corporation
502 V. J. Tower
Midland, Texas

In Re: General Rules for Gas Proation in Lea, Eddy,
Roosevelt and Chaves Counties, New Mexico

Dear George:

I have just had an opportunity to review the General Rules appended to your letter of May 14, 1953. In general they comport with our understanding of the action taken by the General Rules Subcommittee.

However, in order to clear up any misunderstanding that might exist, it is my thought that the first paragraph appearing on Page 1 of the General Rules for gas proration in the four counteis above mentioned should be modified somewhat. Obviously, all state-wide gas rules which were not modified by the General Rules Subcommittee would be applicable to the four-county area by virtue of their presently being in effect as state-wide rules. However, it was my understanding that the subcommittee did not pass on all state-wide gas rules, but only upon those which you have set forth in the General Rules for gas proration in the four-county area. Therefore, it would be my suggestion, that the first paragraph on Page 1 be modified to make clear to the Advisory Committee and to the New Mexico Oil Conservation Commission that rules which are not specifically covered in the General Rules for the four-county area were not considered by the subcommittee. I am sure that is what is intended. That way it is not possible for anyone to construe that those rules which were not acted upon by the subcommittee were in effect given tacit approval by the subcommittee. As you are well aware, such is not the case.

Thank you for sending us our copy as promptly as you did. I am sorry that I have been out of town for the past week and a half and therefore have not had an opportunity to go over these general rules for the four-county area until today. I am hopeful that my suggestions are not too late to be considered by yourself and Mr. Stanley when submitting the work of the General Rules Subcommittee to the Advisory Committee.

Very truly yours,

/s/ G. E. Stahl

GES:bb

cc: S. J. Stanley
New Mexico Oil Conservation Commission
P. O. Box 2045
Hobbs, New Mexico

Distributed by:
N.M. Oil & Gas Engineering Committee
Hobbs, New Mexico
6-2-53.

EL PASO NATURAL GAS COMPANY
Houston, Texas

June 2, 1953

PROPOSED CHANGES IN RULES FOR GAS PRORATION
DRAFTED BY THE GENERAL RULES SUBCOMMITTEE
OF THE ADVISORY COMMITTEE TO THE NEW MEXICO
OIL CONSERVATION COMMISSION ON CASE 521

RULE 506 (e)

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

RULE 601 ALLOCATION OF GAS PRODUCTION

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

(b) At such time as the Commission determines after due notice and hearing that allocation of gas production is necessary in a particular gas pool to prevent waste or to protect correlative rights, the Commission, after notice and hearing, shall consider the nominations of purchasers from such gas pool and other relevant data, and shall fix the allowable production of each pool, and shall allocate production among the gas wells in the pool upon a reasonable basis with due regard for correlative rights.

(c) The term "gas purchaser" as used herein, shall mean the "taker" of gas at the wellhead and it shall be the responsibility of said "taker" to submit the nomination. An Operator of a gas well who takes gas at the wellhead and uses such

gas for his own operations either on leases or in a fuel system or supplies gas to other operators for such purposes shall submit the nomination form.

RULE 603 ALLOCATION

(b) Well delivering to a gas transportation facility may produce during the ensuing proration month and shall include in the proration schedule of such pool any gas well which it finds is being unreasonably discriminated against by denial of access to a gas transmission facility which is reasonably capable of handling the type of gas produced by such well. The total allowable to be allocated....

(c) ...as defined in Rule 602 above shall be deemed to contain 160 acres. More than one proration unit may be assigned to a gas well and the allowables assigned said well may be increased proportionately provided that:

- (1) The unit of proration shall consist of no more than 640 acres.
- (2) Same as originally proposed (1).
- (3) Same as originally proposed (2).
- (4) Same as originally proposed (3).

(5) Exceptions to the provisions of this rule may be granted by the Commission after notice and hearing or after the Commission has been furnished waivers by all offset operators. The dates 7:00 A. M. January 1, and 7:00 A. M. July 1, shall be known as balancing dates and the periods of time bounded by these dates shall be known as gas proration periods. The amount of current gas allowable....

RULE 606 REPORTING OF PRODUCTION

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

Distributed by:

N.M. Oil & Gas Engineering Committee
Hobbs, New Mexico
6-2-53.