

CORRECTED DRAFT

Midland, Texas
502 V. & J. Tower

June 1, 1953

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

Dear Sir:

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

It is to be pointed out that these rules in no way are binding on the member companies, but were adopted by a majority vote of the General Rules Sub-Committee.

Yours very truly,

SAMEDAN OIL CORPORATION, Chairman
General Rules Sub-Committee

/s/ By: George E. Trimble

GHT:kb
enclosure

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

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

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

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

Modified State-wide Rule 104 (f)

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

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

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

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

Modified State-wide Rule 104 (k)

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

Suggested addition to State-wide Rule #506

RULE 506 (e)

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

Modified State-wide Rule 601

RULE 601 ALLOCATION OF GAS PRODUCTION

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

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

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

Modified State-wide Rule 602

RULE 602 PRORATION UNITS

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

Modified State-wide Rule 603

RULE 603 - ALLOCATION

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

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

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

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

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

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

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

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

Modified State Wide Rule 604

RULE 604 BALANCING OF PRODUCTION

(a) Underproduction

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

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

(b) Overproduction

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

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

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

Modified State-Wide Rule #605

RULE 605 GRANTING OF ALLOWABLES

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

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

Suggested Rule #606

RULE 606 REPORTING OF PRODUCTION

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