

**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 FOR
THE PURPOSE OF CONSIDERING:**

**CASE NO. 1439
Order No. R-1193**

**THE APPLICATION OF THE OIL CONSERVATION
COMMISSION UPON ITS OWN MOTION FOR AN
ORDER INSTITUTING GAS PRORATIONING AND
PROMULGATING RULES AND REGULATIONS FOR
THE TAPACITO-PICTURED CLIFFS POOL IN SAN
JUAN COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on May 14, 1958, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 10th day of June, 1958, the Commission, a quorum being present, having considered the evidence adduced and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That by Order R-794 and subsequent orders, the Commission created, defined, and extended the Tapacito-Pictured Cliffs Pool for the production of gas from the Pictured Cliffs formation.

(3) That the producing capacity of the gas wells in the Tapacito-Pictured Cliffs Pool is greater than the market demand for gas from said pool and that, for the purpose of preventing waste and protecting correlative rights, appropriate rules and procedures should be adopted to provide a method of allocating gas among proration units in the Tapacito-Pictured Cliffs Pool.

(4) That finding No. 3 and finding No. 4 of Order No. R-794-E regarding well spacing in the Tapacito-Pictured Cliffs Pool should be incorporated in this order by reference.

(5) That the proration unit for the Tapacito-Pictured Cliffs Pool should be a tract of 160 acres, more or less, substantially in the form of a square which comprises a legal subdivision (quarter-section) of the United States Public Lands Surveys.

IT IS THEREFORE ORDERED:

(1) That finding No. 3 and finding No. 4 of Order No. R-794-E be and the same are hereby incorporated herein by reference.

(2) That special rules and regulations applicable to the Tapacito-Pictured Cliffs Pool be and the same are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE TAPACITO-PICTURED CLIFFS POOL

Acreage Requirements for Drilling Tracts and Proration Units:

RULE 1. Any well drilled to the Pictured Cliffs formation within one mile of the boundary of the Tapacito-Pictured Cliffs Pool and not nearer to nor within the boundaries of another designated Pictured Cliffs pool, shall be spaced, drilled, operated, and prorated in accordance with the regulations in effect in the Tapacito-Pictured Cliffs Pool.

RULE 2 (A) Wells shall be drilled on a tract consisting of approximately 160 surface contiguous acres substantially in the form of a square which shall be a legal sub-division (quarter section) of the United States Public Land Surveys.

The acreage allocated to a gas well for proration purposes shall be identical with the drilling tract prescribed above and shall be known as the gas proration unit for the well.

Non-standard drilling tracts and proration units may be formed after notice and hearing or under the provisions of paragraph (B) of this rule. A non-standard unit shall be assigned an "Acreage Factor" for proration purposes to be determined by dividing the acreage in the non-standard unit by 160-acres.

Any unit containing between 158 and 162 acres shall be considered to contain 160 acres for purposes of these rules.

(B) The Secretary-Director of the Commission shall have authority to grant an exception to Rule 2 (A) without notice and hearing where application has been filed in due form and where the following facts exist and the following provisions are complied with:

1. The proposed non-standard unit consists of less than 160 acres or where the unorthodox size or shape of the tract is due to a variation in legal subdivision of the U. S. Public Land Surveys.
2. The non-standard unit consists of contiguous quarter-quarter sections and/or lots.
3. The non-standard unit lies wholly within a single governmental section.

4. The entire non-standard unit may reasonably be presumed to be productive of gas.

5. The applicant presents written consent in the form of waivers from:

(a) All operators owning acreage in the quarter section in which any part of the non-standard unit is situated and which acreage is not included in said non-standard unit.

(b) All operators owning interests in acreage offsetting the non-standard unit.

6. In lieu of sub-paragraph 5 of this rule, the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to form such non-standard unit. The Secretary of the Commission may approve the application if, after a period of 30 days following the mailing of said notice, no operator has made objection to formation of such non-standard unit.

Well Location Requirements:

RULE 3 (A) Wells shall be located at least 790 feet from the outer boundaries of the drilling tract and no closer than 25 feet from any quarter-quarter section line or subdivision inner boundary.

(B) The Secretary-Director of the Commission shall have authority to grant exception to Rule 3 (A) without notice and hearing where the application has been filed in due form and where the following facts exist and the following provisions are complied with:

1. The necessity for the unorthodox location is based on topographical conditions, and

2. (a) The ownership of all oil and gas leases within a radius of 790 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

(c) In lieu of paragraph 2 (b) of this rule the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to drill an unorthodox location. The Secretary-Director of the Commission may approve the application if, after a period of twenty days following the mailing of said notice, no operator has made objection to the drilling of the unorthodox location.

RULE 4. When filing Form C-101, "Notice of Intention to Drill", or USGS Form 9-331-a, (whichever is applicable), all operators shall strictly comply with the applicable provisions of Rule 104. Accompanying the above form shall be a plat (Form C-128) of the acreage contained in the unit showing the ownership of the dedicated acreage.

Deliverability Test Requirements

RULE 5. The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of Order R-333-C and D, as amended by Order R-333-E.

The Secretary of the Commission shall have authority to allow exceptions to the annual deliverability test requirement for marginal wells where the deliverability of a well is of such volume as to have no significance in the determination of the well's allowable. Application for such exceptions may be submitted in writing by the operator of the well and, if granted, may be revoked by the Secretary of the Commission at any time by requesting the well to be scheduled and tested in accordance with Order R-333-C and D as amended by Order R-333-E.

Nominations of Purchasers

RULE 6. The Commission shall hold a hearing, at least 30 days prior to the beginning of each gas proration period, to consider the "Preliminary 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 from said pool during the ensuing gas proration period.

Each gas purchaser in the Tapacito-Pictured Cliffs Pool shall, at least 5 days prior to said hearing, submit a "Preliminary Nomination" for the quantity of gas which it in good faith actually desires to purchase during the ensuing proration period, by months, from the Tapacito-Pictured Cliffs Pool.

RULE 7. In the event a gas purchaser's market shall have increased or decreased, he shall file with the Commission prior to the 10th day of the month preceding the month for which the change in nominations is desired, a "Supplemental Nomination," showing the amount of gas he actually in good faith desires to purchase during the ensuing month from the Tapacito-Pictured Cliffs Pool. The Commission shall hold a public hearing between the 13th and 20th day of each month to determine the reasonable market demand for gas for the ensuing month.

Proration Schedule

RULE 8. The proration schedule shall set out the amount of gas which each well may produce during the month together with such other information as is necessary to show the allowable-production status of each well on the schedule.

The Commission shall include in the proration schedule all gas wells subject to these rules which are delivering gas to a gas transportation facility, or lease gathering system, and any well which the Commission finds is being discriminated against through denial of access to a gas transportation facility.

Allocation of Gas

RULE 9. The total allowable to be allocated to the pool each month shall be equal to the sum of the purchasers' nominations together with any adjustment which the Commission deems advisable. A monthly allowable shall be assigned to each well entitled to an allowable in the pool by allocating the pool allowable among all such wells in accordance with the procedure set out in Rule 10; provided, however, that the allowable assigned to any well shall not exceed its known producing ability. Wells with allowables so limited shall be classified as marginal wells as provided in Rule 21, 24, and 25 of this order.

RULE 10. The product obtained by multiplying each well's acreage factor by the calculated deliverability (expressed as MCF per day) for that well shall be known as the AD factor for that well. The acreage factor shall be determined to the nearest hundredth of a unit by dividing the acreage within the proration unit by 160. The "AD Factor" shall be computed to the nearest whole unit.

The allowable to be assigned to each marginal well shall be equal to the maximum production of said well during any month of the preceding six months.

The pool allowable remaining each month after deducting the total allowable assigned to marginal wells shall be allocated among the non-marginal wells entitled to an allowable in the following manner:

- (1) Seventy-five percent (75%) of the pool allowable remaining to be allocated to non-marginal wells shall be allocated among such wells in the proportion that each well's "AD Factor" bears to the total "AD Factor" for all non-marginal wells in the pool.

(2) Twenty-five percent (25%) of the pool allowable remaining to be allocated to non-marginal wells shall be allocated among such wells in the proportion that each well's acreage factor bears to the total acreage factor for all non-marginal wells in the pool.

The annual 1957 deliverability tests, or initial deliverability tests where applicable, shall be used in calculating allowables for the proration period commencing August 1, 1958. Subsequent annual tests shall be used in calculating allowables for proration periods commencing during the next ensuing year.

Granting of Allowables:

RULE 11. No gas well shall be given an allowable until Form C-104 and Form C-110 have been filed, together with a plat (C-128) showing acreage attributed to said well and the locations of all wells on the lease.

RULE 12. Allowables to newly completed gas wells shall commence:

(a) on the date of connection to a gas transportation facility, such date to be determined from an affidavit furnished to the Commission (1000 Rio Brazos Road, Aztec, New Mexico) by the purchaser, or

(b) the latest filing date of Form C-104, C-110 and C-128, or

(c) a date 45 days prior to the date upon which the well's initial deliverability and shut-in pressure test is reported to the Commission on Form C-122-A in conformance with the provisions of R-333-C & D as amended by R-333-E,

whichever date is the later.

RULE 13. No well shall be assigned an allowable unless a deliverability test taken in conformance with the provisions of Order R-333-C & D as amended by R-333-E has been submitted, except as provided in Rule 5 above.

RULE 14. A change in a well's deliverability due to retest or test after recompletion or workover shall become effective:

(a) On the date of reconnection after workover, such date to be determined from Form C-104 as filed by the operators, or

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(b) A date 45 days prior to the date upon which a well's initial deliverability and shut-in pressure test is reported to the Commission on Form C-122-A in conformance with the provisions of R-333-C & D as amended by R-333-E, or

(c) A date 45 days prior to the receipt and approval of Form C-104 by the Commission's office (1000 Rio Brazos Road, Aztec, New Mexico); (Form C-104 shall specify the exact nature of the workover or remedial work; if the nature of the work cannot be explained on Form C-104, in that event, Form C-103 shall also be filed in accordance with Rule 1106 of the Commission's Statewide Rules and Regulations;

whichever date is later.

RULE 15: If the acreage assigned to a well is changed, the operator shall immediately notify the District Supervisor and Secretary-Director in writing of such change. The revised allowable shall become effective on the first day of the month following receipt of the notification provided a revised Form C-128 has been filed with the Commission prior to that date.

RULE 16. The Commission may assign minimum allowables to individual wells in order to prevent premature abandonment.

Proration Periods

RULE 17. 7:00 o'clock a.m. Mountain Standard Time, February 1, and 7:00 o'clock a.m. Mountain Standard Time August 1, shall be the balancing dates and the periods of time between these dates shall be the gas proration periods for the Tapacito-Pictured Cliffs Pool. The first proration period shall commence August 1, 1958.

Balancing of Production

RULE 18. Underproduction: Any non-marginal well which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward into the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period. Any allowable carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.

Production during any one month of a gas proration period in excess of the allowable assigned to a well for such month shall be applied against the underproduction carried into such period in determining the amount of allowable if any, to be cancelled.

RULE 19. Overproduction: Any well which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period, provided that such overproduction shall be made up during such succeeding period. Any well which has not made up the overproduction carried into a gas proration period by the end of such period shall be shut-in until all such overproduction is made up. If at any time a well is overproduced in an amount equaling six times its average monthly allowable for the last six months, it shall be shut-in during that month and each succeeding month until it is overproduced less than 6 times its average monthly allowable for the last six months.

Allowable assigned to a well during any one month of a gas proration period in excess of the production during the month shall be applied against the overproduction carried into such period in determining the amount of overproduction if any, which has not been made up.

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.

Any allowable assigned to a well at the end of a proration period, as a result of the cancellation of underproduced allowable and the reassignment thereof, shall be applied against the well's overproduction carried into said proration period.

RULE 20. The full production of gas from each well, including drilling gas, shall be charged against the well's allowable regardless of the disposition of the gas; provided, however, that gas used on the lease and in maintaining the producing ability of the well shall not be charged against the allowable.

Classification of Wells

RULE 21. A well shall be classified as marginal if it has failed for six consecutive months to produce its average monthly allowable for the six months immediately preceding such reclassification provided such failure was not occasioned by curtailment to compensate for overproduction, unless prior to such reclassification the operator or other interested party presents satisfactory evidence showing that the well should not be classified as marginal. However, a well shall not be classified as marginal if, during any one month of the six month period, said well has demonstrated its ability to produce its six months average allowable.

RULE 22. If at any time a marginal well demonstrates its ability to sustain production at a rate equal to the non-marginal allowable for a well of like deliverability and acreage, the marginal well shall be reclassified as non-marginal and its allowable and net status adjusted accordingly.

RULE 23. A well which has been reworked or recompleted shall be classified as a non-marginal well as of the day of reconnection to a pipeline until such time as production data, deliverability data, or other evidence as to the well's producing ability indicates that the well is improperly classified.

RULE 24. The Secretary-Director may reclassify a marginal or non-marginal well at any time the well's production data, deliverability data, or other evidence as to the well's producing ability justify such reclassification.

All wells not classified as marginal wells shall be classified as non-marginal wells.

RULE 25. A marginal well shall not be permitted to accumulate underproduction, and any underproduction accrued to a well prior to its classification as a marginal well shall be cancelled at the time of such reclassification.

Reporting of Production

RULE 26. The gas production from each well in the Tapacito-Pictured Cliffs Pool shall be metered separately and shall be reported to the Commission on Form C-115. Such report shall be postmarked on or before the 24th day of the month immediately following the month in which the gas reported was produced. The operator shall show on such report the disposition of the gas produced.

Each purchaser or taker of gas in the Tapacito-Pictured Cliffs Pool shall submit a report to the Commission, and such report shall be postmarked on or before the 15th day of the month immediately following the month in which the gas was purchased or taken. Such report shall be filed on either Form C-111 or Form C-114, whichever is applicable, and the wells shall be listed in approximately the same order as they are listed in the proration schedule.

Forms C-111 and C-114 as referred to herein shall be submitted in triplicate, the original being sent to the Commission at Box 871, Santa Fe, New Mexico; remaining copies will be sent to the Commission at 1000 Rio Brazos Road, Aztec, New Mexico, and Box 2045, Hobbs, New Mexico, respectively.

Forms C-115 shall be submitted in accordance with Rule 1114 of the Commission's Rules and Regulations.

The total production from any gas well in the Tapacito-Pictured Cliffs Pool shall be reported on Form C-115 regardless of the disposition of the gas.

General Provisions

RULE 27. The term "gas purchaser" as used in these rules shall mean any "taker" of gas either at the wellhead or at any point on the lease where connection is made to facilitate the transportation or utilization of gas. It shall be the responsibility of said "taker" to submit a nomination in accordance with Rules 6 and 7 of this order.

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RULE 28. No gas, either dry gas or casinghead gas, produced from the Tapacito-Pictured Cliffs Pool, except that gas used for drilling purposes or for maintaining the productivity of a well, shall be flared or vented unless specifically authorized by order of the Commission after notice and hearing.

RULE 29. The failure to comply with the provisions of this order or the rules contained herein shall result in the cancellation of allowable assigned to the affected well. No further allowable shall be assigned to the affected well until all rules and regulations are complied with. The Secretary-Director shall notify the operator of the well and the purchaser, in writing, of the date of allowable cancellation and the reason therefor.

RULE 30. All transporters or users of gas in the Tapacito-Pictured Cliffs Pool shall file with the Commission a list of all wells located in said pool, or within one mile of the boundaries thereof, which have been connected to a gas transportation facility as of July 1, 1958. The list required above shall contain the name of the operator, lease name, well number, unit, and location of the well (Section, Township, and Range).

Transporters or users of gas shall also file gas well connection notices in accordance with Rule 12 as soon as possible after the date of connection. The vertical and horizontal limits of the Tapacito-Pictured Cliffs Pool are as set forth in Exhibit "A" attached hereto and made a part hereof.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



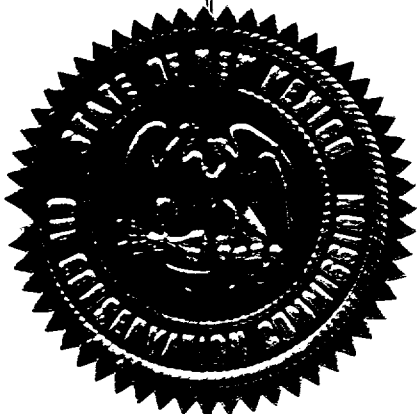
EDWIN L. MECHEM, Chairman



MURRAY E. MORGAN, Member



A. L. PORTER, Jr., Member & Secretary



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EXHIBIT "A"

Vertical and Horizontal Limits of the Tapacito-Pictured Cliffs
Pool

VERTICAL LIMITS

PICTURED CLIFFS FORMATION

HORIZONTAL LIMITS

TOWNSHIP 25 NORTH, RANGE 3 WEST, NMPM

Section 1:	SW/4
Section 2:	S/2
Section 3:	All
Section 4:	All
Section 5:	N/2
Section 9:	N/2
Section 10:	All
Section 11:	All
Section 15:	N/2

TOWNSHIP 26 NORTH, RANGE 3 WEST, NMPM

Section 7:	S/2
Section 8:	All
Section 17:	All
Section 18:	All
Section 19:	All
Section 20:	All
Section 28:	All
Section 29:	All
Section 30:	All
Section 32:	All
Section 33:	All
Section 34:	W/2

TOWNSHIP 26 NORTH, RANGE 4 WEST, NMPM

Section 3:	S/2
Section 4:	S/2
Section 5:	All
Section 6:	All
Section 7:	N/2
Section 8:	All
Section 9:	All
Section 10:	All
Section 11:	S/2
Section 13:	All
Section 14:	All
Section 15:	All
Section 16:	All
Section 17:	E/2
Section 22:	E/2
Section 23:	All
Section 24:	All

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TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM
Section 1: E/2

TOWNSHIP 27 NORTH, RANGE 4 WEST, NMPM
Section 30: W/2
Section 31: All
Section 32: All
Section 33: W/2

TOWNSHIP 27 NORTH, RANGE 5 WEST, NMPM
Section 25: S/2
Section 26: S/2
Section 35: E/2
Section 36: All