

DOCKET: REGULAR HEARING - WEDNESDAY - OCTOBER 14, 1970

OIL CONSERVATION COMMISSION - 9 A.M. - MORGAN HALL, STATE LAND OFFICE BUILDING,
SANTA FE, NEW MEXICO

ALLOWABLE: (1) Consideration of the oil allowable for November and December, 1970;

(2) Consideration of the allowable production of gas for November, 1970, from fifteen prorated pools in Lea, Eddy, Roosevelt and Chaves Counties, New Mexico. Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba and Sandoval Counties, New Mexico, for November, 1970.

CASE 4436: (THIS CASE WILL BE HEARD BEFORE THE FULL COMMISSION OR BY EXAMINER DANIEL S. NUTTER)

Application of El Paso Natural Gas Company for the amendment of the General Rules and Regulations governing the prorated gas pools of New Mexico and the amendment of the Special Rules and Regulations governing the Tapacito-Pictured Cliffs and Basin-Dakota Gas Pools located in Rio Arriba, San Juan, and Sandoval Counties, New Mexico. Applicant, in the above-styled cause, seeks the amendment of the General Rules and Regulations governing the prorated gas pools of Northwest and Southeast New Mexico and the Special Rules and Regulations governing the Tapacito-Pictured Cliffs and Basin-Dakota Gas Pools located in Rio Arriba, San Juan, and Sandoval Counties, to permit substantial changes in the method of classifying marginal wells, and the assignment of allowable to marginal wells governed by the aforesaid rules and regulations, as well as a substantial change in the balancing of production procedure required by said rules. Copies of the proposed amendments will be circulated by way of the Commission's general mailing list and will be available upon request made to the Commission at its Santa Fe office.

* * * * *

THE FOLLOWING CASES WILL BE HEARD BEFORE DANIEL S. NUTTER, EXAMINER, OR ELVIS A. UTZ, ALTERNATE EXAMINER, IN THE OIL CONSERVATION COMMISSION CONFERENCE ROOM ON THE SECOND FLOOR OF SAID BUILDING AT 9:30 A.M.

CASE 4437: Southeastern New Mexico nomenclature case calling for the creation, abolishment and extension of certain pools in Lea and Roosevelt Counties, New Mexico.

(a) Create a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the East Corbin-Wolfcamp Pool. The discovery well is the Phillips Petroleum Company Lea No. 23 located in Unit P of Section 30, Township 17 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
SECTION 30: SE/4

(Case 4437 continued)

(b) Create a new pool in Rossevelt County, New Mexico, classified as a gas pool for Pennsylvanian production and designated as the East New Hope-Pennsylvanian Gas Pool. The discovery well is the H. L. Brown, Jr., Mary Martin No. 1 located in Unit P of Section 29, Township 6 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 6 SOUTH, RANGE 34 EAST, NMPM
SECTION 29: S/2

(c) Abolish the Warren-Abo Pool in Lea County, New Mexico, described as:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
SECTION 25: S/2
SECTION 26: SE/4
SECTION 35: NE/4
SECTION 36: N/2

TOWNSHIP 20 SOUTH, RANGE 39 EAST, NMPM
SECTION 30: S/2

(d) Extend the Dk-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
SECTION 25: S/2
SECTION 26: SE/4
SECTION 35: NE/4
SECTION 36: N/2

TOWNSHIP 20 SOUTH, RANGE 39 EAST, NMPM
SECTION 30: S/2

(e) Extend the North Baum-Upper Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 13 SOUTH, RANGE 32 EAST, NMPM
SECTION 25: SE/4

(f) Extend the Lea-Bone Springs Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM
SECTION 36: SW/4

DOCKET; EXAMINER HEARING - WEDNESDAY - DECEMBER 2, 1970

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Elvis A. Utz, Alternate Examiner:

CASE 4436: (Continued from the October 14, 1970, Examiner Hearing)

Application of El Paso Natural Gas Company for the amendment of the General Rules and Regulations governing the prorated gas pools of New Mexico and the amendment of the Special Rules and Regulations governing the Tapacito-Pictured Cliffs and Basin-Dakota Gas Pools located in Rio Arriba, San Juan, and Sandoval Counties, New Mexico. Applicant, in the above-styled cause, seeks the amendment of the General Rules and Regulations governing the prorated gas pools of Northwest and Southeast New Mexico and the Special Rules and Regulations governing the Tapacito-Pictured Cliffs and Basin-Dakota Gas Pools located in Rio Arriba, San Juan, and Sandoval Counties, to permit substantial changes in the method of classifying marginal wells, and the assignment of allowable to marginal wells governed by the aforesaid rules and regulations, as well as a substantial change in the balancing of production procedure required by said rules. Copies of the proposed amendments will be circulated by way of the Commission's general mailing list and will be available upon request made to the Commission at its Santa Fe office.

Re: Hobbs
E.A. Utz
CASE 4465: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the revision of Rule 1216 of the Commission Rules and Regulations to permit matters involving the limiting of total production of gas from a gas pool to be heard before an examiner.

Dismissed
CASE 4466: Application of Reserve Oil and Gas Company for a non-standard gas proration unit and dual dedication of acreage, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard gas proration unit comprising the NW/4 of Section 17, Township 25 South, Range 37 East, Jalmat Gas Pool, Lea County, New Mexico, to be dually dedicated to its Woolworth "B" Well No. 1, a gas well, located 330 feet from the North line and 990 feet from the West line of said Section 17, and to Jalmat oil wells in said quarter section.

CASE 4467: Application of Gulf Oil Corporation for commingling of production, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rules 303 and 309 of the Commission Rules and Regulations to commingle, prior to measurement, production from the Hobbs (Grayburg-San Andres) and Hobbs-Blaine Pools on its W. D. Grimes NCT-B Lease in Section 33, Township 18 South, Range 38 East, Lea County, New Mexico. Applicant further seeks authority to commingle, prior to measurement, the aforesaid production with the Hobbs (Grayburg-San Andres) production from its W. D. Grimes NCT-A Lease in Section 32, said Township and Range. Allocation of production to each lease and pool would be on the basis of well tests.

- CASE 4468: Application of Continental Oil Company for a dual completion and water injection, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Langlie Jack Unit Well No. 16 located in Unit M, Section 21, Township 24 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of gas from the Jalmat Gas Pool and the injection of water into the Langlie-Mattix Pool for secondary recovery purposes through parallel strings of tubing.
- CASE 4469: Application of Anadarko Production Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Teas Yates Unit Area comprising 1200 acres, more or less, of Federal lands in Township 20 South, Ranges 33 and 34 East, Lea County, New Mexico.
- CASE 4470: Application of Anadarko Production Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in its Teas Yates Unit Area, Teas Yates-Seven Rivers Pool, Lea County, New Mexico, by the injection of water through ten wells into the Yates formation.
- CASE 4471: Application of H. L. Brown, Jr. for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill an undesignated Morrow test well at an unorthodox gas well location 660 feet from the South line and 1980 feet from the East line of Section 19, Township 19 South, Range 30 East, Eddy County, New Mexico. The E/2 of said Section 19 would be dedicated to said well.

Gulf Oil Company - U.S.

EXPLORATION AND PRODUCTION DEPARTMENT
ROSWELL DISTRICT

Juan Chacin
DISTRICT MANAGER
M. I. Taylor
DISTRICT PRODUCTION
MANAGER
P. E. Wyche
DISTRICT EXPLORATION
MANAGER
H. A. Rankin
DISTRICT SERVICES MANAGER

P. O. Drawer 1938
Roswell, New Mexico 88201

October 8, 1970

Case 4436

Oil Conservation Commission
State of New Mexico
Post Office Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. A. L. Porter, Jr.

Re: Case 4436, Application of El Paso Natural Gas
Company for Amendment of the General Rules and
Regulations Governing the Prorated Gas Pools
of Northwest and Southeast New Mexico

Gentlemen:

Gulf Oil Corporation objects to El Paso's application for amendment of the General Rules and Regulations for the prorated gas pools, and recommends that the existing rules remain in effect. We believe the existing rules protect the correlative rights of operators to a greater degree than would the proposed amendment.

We believe that the determination of a well's capability by using the most recent three months would penalize the producer. There have been many instances in the past when wells capable of producing their allowable are cut back during part of a proration period by the purchaser with the idea of producing the gas sometime during the next balancing period. In our opinion, under El Paso's proposal the producer would constantly be on the defensive in trying to retain his fair share of the allowable.

El Paso proposes that a well will not be reclassified marginal if prior to the end of a gas proration period the operator or other interested party presents satisfactory evidence to the Commission showing that the well should not be so classified. We do not receive the production figures from the purchaser until after the middle of a month; therefore, it would be impossible to average the production for the last three months of a proration period and protest to the Commission prior to the end of a proration period. Therefore, if we do not use the last three months for averaging the production, what three months do we use? El Paso proposes that the latest three months be used. It appears that wells would constantly be reclassified because at the end of each month a new three-month period has elapsed. It appears to us that the producer would be at least one month behind in being able to protest reclassification because production figures are almost two weeks late and by the time the Commission notifies the producer of the reclassification to



A DIVISION OF GULF OIL CORPORATION

DOCKET ADDED

DATE 11-19-70

October 8, 1970


marginal status, a month could elapse.

It should also be pointed out that gas contracts provide that the purchaser will provide compression or lower line pressure to allow a well to produce its allowable. The existing rules allow sufficient time for the producer to notify the purchaser and for the purchaser to install compression without a well losing its fair share of the allowable. We do not believe the proposed amendment provides ample time to make changes without losing allowable.

Gulf recommends that the existing rules remain unchanged, as they have proved to be workable and best protect correlative rights.

Yours very truly,

GULF OIL CORPORATION



M. I. Taylor

JHH:sz

NEW MEXICO OIL CONSERVATION COMMISSION
P. O. BOX 2088
SANTA FE, NEW MEXICO

GAS NOMINATIONS FOR NOVEMBER, 1970

SOUTHEAST POOLS

Atoka-Pennsylvanian	609,000 Mcf
Bagley-Lower Pennsylvanian	35,000 Mcf
Bagley-Upper Pennsylvanian	40,000 Mcf
Blinebry	1,575,700 Mcf
Bluitt-San Andres	64,107 Mcf
Buffalo Valley-Pennsylvanian	419,400 Mcf
Crosby-Devonian	141,000 Mcf
Eumont	4,154,500 Mcf
Indian Basin-Morrow	273,900 Mcf
Indian Basin-Upper Pennsylvanian	5,867,000 Mcf
Jalmat	2,749,500 Mcf
Justis	167,900 Mcf
Monument McKee-Ellenburger	233,700 Mcf
Todd-Lower San Andres	52,000 Mcf
Tubb	<u>1,754,500 Mcf</u>
TOTAL	19,417,307 Mcf

NORTHWEST POOLS

Basin-Dakota	19,093,700 Mcf
Blanco-Mesaverde	18,921,200 Mcf
Aztec-Pictured Cliffs	1,153,300 Mcf
Ballard-Pictured Cliffs	1,253,400 Mcf
Blanco-Pictured Cliffs, South.	3,212,700 Mcf
Fulcher Kutz-Pictured Cliffs	533,900 Mcf
Kutz-Pictured Cliffs, West	325,900 Mcf
Tapacito-Pictured Cliffs	830,700 Mcf
Devils Fork-Gallup	74,100 Mcf
Devils Fork-Gallup - Estimate	<u>81,500 Mcf</u>
TOTAL PURCHASER NOMINATIONS	45,508,900 Mcf
TOTAL ON DEVILS FORK-GALLUP - ESTIMATE	45,516,500 Mcf
TOTAL ADJUSTED NOMINATIONS - BOTH AREAS	54,933,907 Mcf

EXHIBIT A
GAS ALLOWABLE HEARING
OCTOBER 14, 1970

KA029 SSC085

1970 OCT 13 AM 9 58

(944)

K RWA008 HO PDB=ROSWELL NMEX 13 940A MDT=

A L PORTER JR=

70 OCT 13 AM 10 27

OIL CONSERVATION COMMISSION STATE LAND OFFICE BLDG
SANTA FE NMEX=

RE: CASE #4436 EXAMINER HEARING OCTOBER 14, 1970 THIS IS
OUR ENTRY OF APPEARANCE IN BEHALF OF PAN AMERICAN
PETROLEUM CORPORATION WITH GUY BELL, ESQUIRE IN THE
APPLICATION OF EL PASO NATURAL GAS COMPANY RE AMENDMENT
OF GENERAL AND SPECIAL RULES AND REGULATIONS CLASSIFYING
MARGINAL WELLS, ETC=

ATWOOD MALONE MANN AND COOTER BY CHARLES F MALONE=

DOCKET MAILED

ROBERT L. BAYLESS

PETROLEUM CLUB PLAZA BUILDING

P. O. BOX 1541

FARMINGTON, NEW MEXICO 87401

10 11 01
DEC 2 1970



December 1, 1970

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Attn: Elvis A. Utz
Gas Engineer

Dear Sir:

As an independent oil and gas producer I have viewed with some alarm the recent trend in gas purchasing in the San Juan Basin and feel that your suggested revision as set forth in your Memorandum of November 17, is a reasonable compromise for Gas Poration and wish to indicate my support for this proposal.

Yours very truly,



Robert L. Bayless

RLB/eah

ARTS & OIL & GAS COMPANY

2000 FIRST NATIONAL BANK BUILDING
DALLAS, TEXAS 75202

LAND DEPARTMENT
KENNETH A. SWANSON, MANAGER

January 11, 1971

Mrs. Ida Rodriguez
c/o New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 4436,
December 2, 1970

Dear Ida:

Enclosed is the Transcript of the captioned hearing which
you recently loaned to us.

Thank you very much for your assistance.

Sincerely,

Kenneth

KAS:bb

Enclosure

91 JAN 13 PM 1 16



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87801

GOVERNOR
DAVID F. CARGO
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

December 28, 1970

Mr. Richard S. Morris
Montgomery, Federici, Andrews, Hannahs
& Morris
Attorneys at Law
Post Office Box 2307
Santa Fe, New Mexico

Re: Case No. 4436
Order No. R-4085

Applicant:
EL PASO NATURAL GAS COMPANY

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x

Artesia OCC

Aztec OCC x

Other All appearances

PAN AMERICAN PETROLEUM CORPORATION

OIL AND GAS BUILDING

P. O. BOX 1410

FORT WORTH, TEXAS—76101

D. L. RAY
DIVISION ENGINEER

November 25, 1970

File: PEH-558-986.510.1

Subject: Case No. 4436
El Paso Natural Gas Company's
Proposed Changes in Order R-1670,
General Rules and Regulations for
Prorating Gas Pools - New Mexico

ADDRESSEE LIST ATTACHED

Gentlemen:

Reference is to a hearing on the above subject Case No. 4436, held at the New Mexico Oil Conservation Commission in Santa Fe on October 14, 1970. In the event the New Mexico Oil Conservation Commission feels that it should adopt the rule changes as proposed by El Paso, we feel that certain changes will make the El Paso proposal more workable for the operators, the purchasers and the New Mexico Oil Conservation Commission. Attached you will find a copy of Pan American's suggested changes to the El Paso proposal. For ready reference our proposed changes are underlined.

Yours very truly,

REMc:mc
Attachments*D. L. Ray*
by SJB

ADDRESSEE LIST

GAS RULE CHANGES NEW MEXICO
CASE NO. 4436

Amerada Division
Amerada Hess Corporation
Box 2040
Tulsa, Oklahoma 74102
Attn: Richard Hocker

Amerada Division
Amerada Hess Corporation
Box 591
Midland, Texas 79701
Attn: Sydney Smith

Atlantic Richfield Company
Box 2819
Dallas, Texas 75221

Aztec Oil & Gas Company
2000 First National Bank Bldg.
Dallas, Texas 75202

Chevron Oil Company
P. O. Box 599
Denver, Colorado
Attn: John Cameron

Clinton Oil Company
217 N. Water
Wichita, Kansas 67202
Attn: Virgil Krutsinger

Continental Oil Company
Box 460
Hobbs, New Mexico 88240

El Paso Natural Gas Company
Box 1492
El Paso, Texas 79948
Attn: F. N. Woodruff

Humble Oil & Refining Company
Box 2180
Houston, Texas 77001

Mobil Oil Corporation
Box 633
Midland, Texas 79701
Attn: W. B. Simmons, Jr.

New Mexico Oil Conservation Commission
Box 2088
Santa Fe, New Mexico
Attn: Mr. D. S. Nutter

Southern Union Gas Company
Fidelity Union Tower Building
Dallas, Texas 75201

Texas Pacific Oil Company
1700 One Main Place
Dallas, Texas 75250
Attn: R. B. Freels

CASE 4436

PAN AMERICAN PETROLEUM CORPORATION'S SUGGESTED CHANGES
TO EL PASO NATURAL GAS COMPANY'S
PROPOSED CHANGES TO ORDER R-1670 - GENERAL RULES
AND REGULATIONS FOR PRORATED GAS POOLS - NEW MEXICO

NORTHWEST NEW MEXICO

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 9(B). The allowable to be assigned to each marginal well shall be the actual average monthly producing ability of said well as determined from said well's average daily producing ability as set out in Section E, Rules (16(A) and 16(B).

D. BALANCING OF PRODUCTION

RULE 15(B). 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 six times its average monthly allowable; provided, however, that special authority to produce up to 500 MCF per month may be assigned any such shut-in well upon proper showing to the Secretary-Director of the Commission that such authority is necessary to avoid undue hardship.

E. CLASSIFICATION OF WELLS

RULE 16(A). The Commission may classify as a marginal well any well which had an underproduced status at the beginning of the preceding gas proration period and which at the end of said period, is not capable of producing its average monthly allowable. This capability shall be determined by comparing the average monthly allowable for the preceding gas proration period with the average monthly producing ability for the third, fourth, and fifth months of the preceding gas proration period (See 16(B) below). A well will not be

(RULE 16(A) - continued from Page 1)

classified marginal if, prior to the end of a gas proration period, the operator or other interested party presents satisfactory evidence to the Commission showing that the well should not be so classified.

RULE 16(B). Each gas purchaser shall furnish to the Commission and to the operator, prior to the 10th day of the month following the last month of each proration period, the actual average daily producing ability for the most recent three months available for each prorated gas well (including marginal wells) to which it is connected. The actual average daily producing ability shall be the total gas production for the third, fourth, and fifth month of the preceding gas proration period, divided by the actual number of days produced during the same three months.

Upon receipt of this information from the gas purchaser, the Commission will calculate the average monthly producing ability by multiplying the daily average producing ability by 30.4, which is the average number of days in a month for the entire year.

RULE 16(C). ~~[Old Rule 16(B)]~~. The Secretary-Director may re-classify 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 justifies such reclassification.

RULE 18. If, at the end of a proration period, the most recent average monthly producing ability of a marginal well is greater than the average monthly allowable for said proration period (See Rule 16(A) and 16(B) above), the marginal well shall be reclassified as a non-marginal well and its allowable and net status adjusted accordingly.

Tapacito-PC - Special Pool Rules - Order R-1670, delete Rule 15(B) and Rule 16(A).
Basin Dakota - Order R-1670-C, delete Rule 16(A).

SOUTHEAST NEW MEXICO

C. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 10(A). The allowable to be assigned to each marginal well shall be the actual average monthly producing ability of said well as determined from said well's average daily producing ability as set out in Section E, Rules 16(A) and 16(B).

D. BALANCING OF PRODUCTION

RULE 15(A). 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. Said overproduction shall be made up during the succeeding gas proration period. Any well which has not made up the overproduction carried into a gas proration period by the end of said proration period shall be shut-in until such overproduction is made up. Provided, however, that special authority to produce up to 500 MCF per month may be assigned any such shut-in well upon proper showing to the Secretary-Director of the Commission that such authority is necessary to avoid undue hardship; provided further, that any well produced in excess of the monthly rate of production authorized by the Secretary-Director shall be shut in until all 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 six times its average monthly allowable; provided, however, that special authority to produce up to 500 MCF per month may be assigned

(RULE 15(A) - continued from page 3)

any such shut-in well upon proper showing to the Secretary-Director of the Commission that such authority is necessary to avoid undue hardship.

E. CLASSIFICATION OF WELLS

RULE 16(A). The Commission may classify as a marginal well any well which had an underproduced status at the beginning of the preceding gas proration period and which at the end of said period, is not capable of producing its average monthly allowable. This capability shall be determined by comparing the average monthly allowable for the preceding gas proration period with the average monthly producing ability for the third, fourth, and fifth months of the preceding gas proration period. (See 16(B) below).

A well will not be classified marginal if, prior to the end of a gas proration period, the operator or other interested party presents satisfactory evidence to the Commission showing that the well should not be so classified.

RULE 16(B). Each gas purchaser shall furnish to the Commission and to the operator, prior to the 10th day of the month following the last month of each proration period, the actual average daily producing ability for the most recent three months available for each prorated gas well (including marginal wells) to which it is connected. The actual average daily producing ability shall be the total gas production for the third, fourth, and fifth month of the preceding gas proration period, divided by the actual number of days produced during the same three months. Upon receipt of this information from the gas purchaser, the Commission will calculate the average

(RULE 16(B) - continued from page 4)

monthly producing ability by multiplying the daily average producing ability by 30.4, which is the average number of days in a month for the entire year.

RULE 16(C). [Old Rule 16(B)]. 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 justifies such reclassification.

RULE 18. If, at the end of a proration period, the most recent average monthly producing ability of a marginal well is greater than the average monthly allowable for said proration period (See Rule 16(A) and 16(B) above), the marginal well shall be reclassified as a non-marginal well and its allowable and net status adjusted accordingly.

KA062 NSC277

1970 DEC 1 PM 4 03

NS MDA097 NP PD=MIDLAND TEX 1 303P CST=

NEW MEXICO OIL CONSERVATION COMM=

STATE LAND OFFICE BLDG SANTA FE NMEXX

ATTN A L PORTER:

IN RE CASE #4436 APPLICATION OF ELPASO NATURAL GAS
COMPANY FOR THE AMENDMENT OF THE GENERAL RULES AND
REGULATIONS GOVERNING PRORATED GAS FIELDS HUMBLE OIL AND
REFINING COMPANY PREFERS THE CURRENT STATEWIDE RULES
WITH THE SUGGESTED REVISIONS OF POOL ALLOWABLE
CALCULATION PROCEDURE AS PROPOSED IN THE NOVEMBER 17 1970
MEMORADUM OF THE NEW MEXICO OIL CONSERVATION COMMISSION.

✓

WE SEE NO PROBLEMS WITH THE CURRENT NEW MEXICO GAS PRO-RATION PROCEDURES CONCERNING THE CLASSIFICATION OF GAS WELLS BETWEEN MARGINAL AND PRO-RATED STATUS. WE DO RECOGNISE SEVERAL IMPROVEMENTS IN THE PROCEDURE OUTLINED IN THE COMMISSIONS MEMORANDUM THAT SHOULD IMPROVE BALANCING OF OVER AND UNDER PRODUCTION. WE FEEL THE PROPOSED ADMINISTRATIVE CHANGE IN THE METHOD OF CALCULATION OF ALLOWABLE SHOULD BE GIVEN A FAIR TRIAL TO ELIMINATE NORTHWESTERN NEW MEXICO GAS PRO-RATION PROBLEMS THAT HAVE PRECIPITATED THIS HEARING. THE CHANGES AS RECOMMENDED BY EL PASO NATURAL GAS AT THE

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OCTOBER 14 1970 HEARING SHOULD NOT BE ADOPTED AT THIS TIME FOR THE FOLLOWING REASONS .

1. IT WOULD BE A VERY DRASTIC CHANGE FROM THE PRESENT RULES.

2. THE PURCHASER WOULD GAIN CONSIDERABLE CONTROL OVER THE SETTLING OF ALLOWABLES FOR INDIVIDUAL WELLS.

3. TAKE OR PAY PROVISIONS IN MANY GAS CONTRACTS BETWEEN PRODUCERS AND PURCHASERS WOULD BE MATERIALLY AFFECTED.

4. A LARGE NUMBER OF WELLS WOULD UNNECESSARILY BE MADE MARGINAL.

5. ADMINISTRATIVE WORK LOAD OF ALL CONCERNED WOULD

4

(325).

BE INCREASED.

9 THEREFORE HUMBLE OIL AND REFINING COMPANY
RESPECTFULLY RECOMMENDS NO CHANGE IN THE GENERAL GAS
PRO-RATION RULES AND THE ADOPTION OF THE PROPOSED
ADMINISTRATIVE CHANGES IN ALLOWABLE CALCULATIONS AS
PROPOSED BY THE COMMISSION STAFF.

L H BYRD HUMBLE OIL AND REFINING CO MIDLAND TEX