

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. 5264
Order No. R-1670-T

APPLICATION OF EL PASO NATURAL GAS
COMPANY FOR THE AMENDMENT OF ORDER
NO. R-1670, BLANCO MESAVERDE POOL,
SAN JUAN AND RIO ARriba COUNTIES,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 13 and August 14, 1974, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 14th day of November, 1974, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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 the Blanco Mesaverde Pool, located in San Juan and Rio Arriba Counties, New Mexico, was created by Commission Order No. 799, dated February 25, 1949.

(3) That the Blanco Mesaverde Pool is governed by special rules and regulations, promulgated by the Commission in Order No. R-1670, as amended, which provide for 320-acre proration units and well locations in the NE/4 and SW/4 of each governmental section, and for the assignment of allowable to each proration unit in the pool based on the amount of acreage in the unit and the deliverability of the unit well.

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(4) That the applicant, El Paso Natural Gas Company, seeks an order amending said Order No. R-1670 to permit the optional drilling of an additional well on each 320-acre proration unit in the Blanco Mesaverde Pool; to determine the deliverability of each proration unit upon which an additional well is drilled by adding the deliverabilities of the two wells; to permit the production of the allowable assigned to a proration unit containing two wells from both wells in any proportion; to consider both wells on a proration unit as one well for purposes of balancing underproduction or overproduction; to report the production of each well on the unit as well as the total unit production; and to compare the unit production against the unit allowable for determining whether a unit should be classified marginal or non-marginal.

(5) That the Blanco Mesaverde Pool has been developed for approximately 20 years on 320-acre proration units.

(6) That to change the unit size now in said pool would disturb the equities under many of the existing proration units.

(7) That the proration unit size in the Blanco Mesaverde Pool should continue to be 320 acres.

(8) That Section 65-3-10, New Mexico Statutes Annotated, 1953 Compilation, empowers the Commission to prevent waste of hydrocarbons and to protect the correlative rights of the owners of each interest in said hydrocarbons.

(9) That Section 65-3-5, New Mexico Statutes Annotated, 1953 Compilation, confers jurisdiction on the Commission over all matters relating to the conversion of oil and gas.

(10) That "waste" is defined by Section 65-3-3, New Mexico Statutes Annotated, 1953 Compilation.

(11) That the evidence reveals that the Blanco Mesaverde Pool is not a homogeneous, uniform reservoir.

(12) That the producing formation of the Blanco Mesaverde Pool is comprised of various overlapping, interconnecting, and lenticular sands of relatively low permeability, many of which are not being efficiently drained by existing wells in the pool but which could be more efficiently and economically drained and developed by the drilling of additional wells pursuant to the rule changes proposed by the applicant.

(13) That infill drilling will substantially increase recoverable reserves from the Blanco Mesaverde Pool.

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(14) That infill drilling will result in greater ultimate recovery of the reserves under the various proration units in the pool.

(15) That infill drilling in the Blanco Mesaverde Pool will result in more efficient use of reservoir energy and will tend to ensure greater ultimate recovery of gas from the pool, thereby preventing waste.

(16) That if infill drilling is implemented in the Blanco Mesaverde Pool, each operator will be afforded the opportunity to produce, without waste, his just and equitable share of the gas from the Pool, and his correlative rights, as defined by Section 65-3-29, New Mexico Statutes Annotated, 1953 Compilation, therefore, will not be impaired.

(17) That both wells on a proration unit should be produced so long as it is economically feasible to do so.

(18) That the application should be approved.

IT IS THEREFORE ORDERED:

(1) That the Special Rules for the Blanco Mesaverde Pool in San Juan and Rio Arriba Counties, New Mexico, as promulgated by Order No. R-1670, as amended, are hereby amended to permit the optional drilling of a second well on each proration unit; to provide that the deliverability of a proration unit containing two wells shall be the sum of the deliverabilities of each of the wells; to provide that the unit allowable may be produced from both of the wells in any proportion; to consider both wells on the proration unit as one well for purposes of balancing underproduction or overproduction; to provide for the reporting of production from each well individually and to require the reporting of total production from the unit; and to compare the unit production against the unit allowable in determining whether a unit should be classified marginal or non-marginal.

(2) That Rule 2 of the Special Rules for the Blanco Mesaverde Pool, as promulgated by Order No. R-1670, as amended, is hereby amended to read in its entirety as follows:

"RULE 2 (A). The initial well drilled on a proration unit shall be located 990 feet from the outer boundary of either the Northeast or Southwest quarter of the section, subject to a variation of 200 feet for topographic conditions. Further tolerance shall be allowed by the Commission only in cases of extremely rough terrain where compliance would necessarily increase drilling costs.

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"RULE 2 (B). The second well drilled on a proration unit shall be located in the quarter section of the unit not containing a well, and shall be located with respect to the unit boundaries as described in Rule 2 (A) above.

"The plats (Form C-102) accompanying the Application for Permit to Drill (OCC Form C-101 or Federal Form 9-331-C) for the second well on a proration unit shall have outlined thereon the boundaries of the unit and shall show the location of the first well on the unit as well as the proposed new well.

"RULE 2 (C). In the event a second well is drilled on any proration unit, both wells shall be produced for so long as it is economically feasible to do so."

(3) That the Special Rules for the Blanco Mesaverde Pool as promulgated by Order No. R-1670, as amended, are hereby amended by the addition of the following Special Rule 9:

RULE 9 (A). The product obtained by multiplying each proration unit's acreage factor by the calculated deliverability (expressed as MCF per day) for the well(s) on the unit shall be known as the AD Factor for the unit. The acreage factor shall be determined to the second decimal place by dividing the acreage within the proration unit by 320, subject to the acreage tolerances provided in Rule 5 (A). The AD Factor shall be computed to the nearest whole number.

RULE 9 (B). The monthly allowable to be assigned to each marginal proration unit shall be equal to its latest available monthly production.

RULE 9 (C). The pool allowable remaining each month after deducting the total allowable assigned to marginal proration units shall be allocated among the non-marginal units entitled to an allowable in the following manner:

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

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

RULE 9 (D). The current deliverability tests, taken in accordance with the "Gas Well Testing Procedures-San Juan Basin, New Mexico," shall be used in calculating allowables for the proration units in the pool for the 12-month period beginning April 1 of the following year.

RULE 9 (E). When calculating the allowable for a proration unit containing two wells, in accordance with Rule 9 of these rules, the deliverability of both wells shall be added in calculating the AD Factor and the unit allowable may be produced from both wells.

(4) That said Special Rules for the Blanco Mesaverde Pool are hereby amended by the addition of the following Special Rule 10 (C):

RULE 10 (C). The calculated deliverability at the "deliverability pressure" shall be determined in accordance with the provisions of the current "Gas Well Testing Rules and Procedures - San Juan Basin, New Mexico."

No well shall be eligible for reclassification to "Exempt Marginal" status unless it is located on a marginal proration unit.

(5) That said Special Rules for the Blanco Mesaverde Pool are hereby amended by the addition of the following Special Rule 12:

RULE 12. The full production of gas from each well, including drilling gas, shall be charged against the proration unit's allowable regardless of the disposition of the gas; provided, however, that gas used in maintaining the producing ability of the well shall not be charged against the allowable.

(6) That said Special Rules for the Blanco Mesaverde Pool are hereby amended by the addition of the following Special Rule 14:

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RULE 14 (A). Underproduction: Any non-marginal proration unit 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.

RULE 14 (B). Production during any one month of a gas proration period in excess of the allowable assigned to a proration unit for such month shall be applied against the underproduction carried into such period in determining the amount of allowable, if any, to be cancelled.

(7) That said Special Rules for the Blanco Mesaverde Pool are hereby amended by the addition of the following Special Rule 15:

RULE 15 (A). Overproduction: Any proration unit 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 unit which has not made up the overproduction carried into a gas proration period by the end of said period shall not be produced until such overproduction is made up.

RULE 15 (B). If, during any month, it is discovered that a proration unit is overproduced in an amount exceeding six times its average monthly allowable for the preceding twelve months (or, in the case of a newly connected well, six times its average monthly allowable for the months available), it shall not be produced that month nor each succeeding month until it is overproduced in an amount six times or less its average monthly allowable, as determined hereinabove.

RULE 15 (C). Allowable assigned to a proration unit during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction chargeable to such unit in determining the amount of overproduction which must be made up pursuant to the provisions of Rules 15 (A) or 15 (B) above.

RULE 15 (D). The Secretary-Director of the Commission shall have authority to permit a well which is subject to shut-in, pursuant to Rules 15 (A) or 15 (B) above, to produce up to 500 MCF of gas per month upon proper showing to the Secretary-Director that complete shut-in would cause undue hardship, provided however, such permission shall be rescinded for any well produced in excess of the monthly rate authorized by the Secretary-Director.

RULE 15 (E). The Commission may allow overproduction to be made up at a lesser rate than permitted under Rules 15 (A), 15 (B), or 15 (D) above upon a showing at public hearing that the same is necessary to avoid material damage to the well.

RULE 15 (F). Any allowable accruing to a proration unit at the end of a gas proration period due to the cancellation of underage in the pool and the redistribution thereof shall be applied against the unit's overproduction.

RULE 15 (G). The Secretary-Director of the Commission shall have authority to grant a pool-wide moratorium of up to three months on the shutting in of gas wells in a pool during periods of high-demand emergency upon proper showing that such emergency exists, and that a significant number of the wells in the pool are subject to shut-in pursuant to the provisions of Rules 15 (A) or 15 (B) above. No moratorium beyond the aforementioned three months shall be granted except after notice and hearing.

(8) That said Special Rules for the Blanco Mesaverde Pool are hereby amended by the addition of the following Section E:

E. CLASSIFICATION OF UNITS

RULE 16 (A). The proration period (as defined in Rule 13) shall be divided into four classification periods of three months each, commencing on April 1, July 1, October 1, and January 1. After the production data is available for the last month of each classification period, any unit which had an underproduced status at the beginning of the proration period shall be classified marginal if its highest single month's production during the classification period is less than its average

monthly allowable during said classification period; provided however, that the operator of any unit so classified, or other interested party, shall have 15 days after receipt of notification of marginal classification in which to submit satisfactory evidence to the Commission that the unit is not of marginal character and should not be so classified.

RULE 16 (B). The Secretary-Director may reclassify a marginal or non-marginal proration unit at any time the unit's production data, deliverability data, or other evidence as to the unit's producing ability justifies such reclassification.

RULE 17. A proration unit which is classified as marginal shall not be permitted to accumulate underproduction, and any underproduction accrued to the unit prior to its classification as marginal shall be cancelled.

RULE 18. If, at the end of a proration period, a marginal proration unit has produced more than the total allowable for the period, assigned to a non-marginal unit of like deliverability and acreage, the marginal unit shall be reclassified non-marginal and its allowable and net status adjusted accordingly. (If the unit has been classified as marginal for one proration period only, or a portion of one proration period only, any underproduction cancelled as the result of such classification shall be reinstated upon reclassification back to non-marginal status. All uncompensated-for overproduction accruing to the unit while marginal shall be chargeable upon reclassification to non-marginal.)

RULE 19. A proration unit containing a well which has been reworked or recompleted shall be classified non-marginal as of the date of reconnection of the well to a pipeline until such time as production data, deliverability data, or other evidence as to the unit's producing ability indicates that the unit should be classified marginal.

RULE 20. All proration units not classified marginal shall be classified non-marginal.

(9) That said Special Rules for the Blanco Mesaverde Pool are hereby amended by the addition of the following Special Rule 21 (A):

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"RULE 21 (A). The monthly gas production from each well shall be metered separately and the gas production therefrom shall be reported to the Commission on Form C-115 in accordance with Rule 1115 of the Commission's Rules and Regulations, so as to reach the Commission on or before the 24th day of the month next succeeding the month in which the gas reported was produced. The operator shall show on such report what disposition has been made of the gas produced. The sum of the production from both wells on the proration unit shall also be reported for multiple-well units."

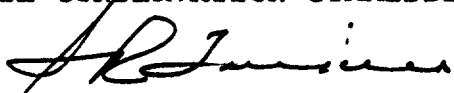
(10) That said Special Rules for the Blanco Mesaverde Pool are hereby amended by the addition of the following Special Rule 23:

RULE 23. 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 proration unit. No further allowable shall be assigned to the affected unit until all rules and regulations are complied with. The Secretary-Director shall notify the operator of the unit and the purchaser, in writing, of the date of allowable cancellation and the reason therefor.


(11) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

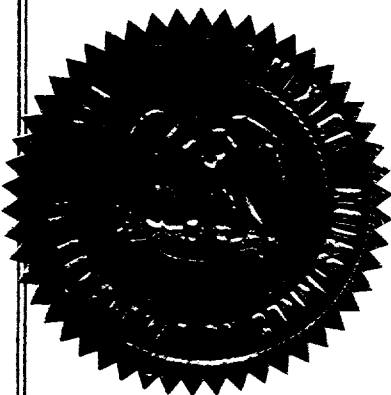
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman

ALEX J. ARMILLO, Member


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



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OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
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I. R. TRUJILLO
CHAIRMAN

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SECRETARY - DIRECTOR

November 19, 1974

Mr. William Federici
Montgomery, Federici, Andrews,
Hannahs & Buell
Attorneys at Law
Post Office Box 2307
Santa Fe, New Mexico

Re: CASE NO. 5264
ORDER NO. R-1670-T-A
Applicant:
El Paso Natural Gas Co.

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.
A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC	<u> x </u>
Artesia OCC	<u> </u>
Aztec OCC	<u> x </u>

Other All other interested parties