

May 9, 1940

Mr. R. D. Curtis  
Barnsdall Oil Company  
Petroleum Building  
Tulsa, Oklahoma

Re: Case No. 14, revising, modifying and  
amending existing proration plan for  
Monument Field, Lea County, New Mexico.

Dear Mr. Curtis:

As requested in your letter of May 7, enclosed  
please find copy of statement of the Skelly Oil  
Company in connection with the above captioned hearing.

Very truly yours,

OIL CONSERVATION COMMISSION

By \_\_\_\_\_  
Carl B. Livingston  
Attorney

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New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Case 14 - Monument Field

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Gentlemen:

REPLY TO STATEMENT OF SKELLY OIL COMPANY

RE: MONUMENT FIELD.

Barnsdall Oil Company, having just received copy of statement filed by Skelly Oil Company with reference to the proration formula to be fixed for the Monument Field, Lea County, New Mexico, respectfully wishes to make reply thereto.

In the interests of brevity and simplicity, six quotations from the statement of Skelly Oil Company are hereinafter set forth, and each of said six quotations are immediately followed by the reply.

1. Skelly Oil Company statement: "Of the twenty-seven operators in the field only the Barnsdall Oil Company expressed dissatisfaction with the present proration formula."

Reply: This is an erroneous statement. The record will clearly show that Barnsdall Oil Company was joined by Gulf Oil Corporation and by Cities Service Oil Company, and that even Stanolind Oil & Gas Company and Shell Petroleum Company agree that the present formula is not the best one, although such companies disagree with the first named companies with regard to the most desirable remedy.

2. Skelly Oil Company statement: "We would like to point out that said evidence had nothing to say about waste."

Reply: The record is replete with uncontradicted testimony that drainage causes waste and that drainage is occurring in the Monument Field. It is elementary that the use of reservoir energy to move oil from one tract to another is a wasteful use of that energy, and that in the process of migration some of the oil is forever lost to recovery methods.

3. Skelly Oil Company statement: "The matter of drainage is one of equity only."

Reply: The fact that drainage causes waste is uncontrovertible as above set forth. In addition, the equitable treatment of producers is of equal importance with the prevention of waste.

4. Skelly Oil Company statement: "The true test of equity, in the absence of positive individual tract ascertainment of oil in place, is whether or not such proration order is reasonable."

Reply: It is generally acknowledged that it is impossible to "positively ascertain" the amount of oil in place under any individual tract, (but it is certainly possible to prevent the drainage of the oil from one tract to another.) As long as drainage is existing, and the evidence shows that it is, the proration formula which permits that drainage cannot be reasonable.

5. Skelly Oil Company statement: "What is a truer test of any order of the Commission than the fact that it meets the approval of almost every operator in this field?"

Reply: If "almost every operator" in any field owned edge properties with low bottom hole pressures and could drain oil from underneath the better properties high on the structure, such operators might very easily approve the proration plan which would permit such drainage of the other man's oil. That stamp of approval would not make the proration formula reasonable or legal.

6. Skelly Oil Company statement: "Any change in the present order would naturally injure some operators and benefit other operators."

Reply: If this statement means that a change in the present order would "injure" some operators by depriving them of the opportunity to drain oil from their neighbors, and would "benefit" other operators by stopping the drainage of their oil by their neighbors, we not only agree with the statement as quoted, but reiterate the fact that such result is exactly what we are seeking.

We respectfully urge that the Commission avail itself of the information set forth in the testimony so that it may promulgate a proration order for the Monument Field which will stop drainage across property lines and thereby do equity between operators and eliminate waste.

Respectfully submitted,

BARNSDALL OIL COMPANY

By   


Dated: May 13, 1940