

# Correspondence

*2<sup>nd</sup> Hearing*

Case No. 19

1940 - 1941

October 4, 1941

Honorable Glenn Staley  
Proration Office  
Hobbs, New Mexico

Re: Case #19, Order #237.

My dear Glenn:

As requested, enclosed please find a copy of  
the above captioned order.

With kindest personal regards.

Cordially yours,

Oil Conservation Commission

By

Carl B. Livingston  
Chief Clerk & Legal Advisor

CBL:MS

March 27, 1940

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Y  
  
Honorable Glenn Staley  
Proration Umpire  
Hobbs, New Mexico

My dear Mr. Staley:

Enclosed please find copy of Gas-Oil  
Ratio Order No. 250 as an order of temporary  
nature revising Order No. 238 of temporary  
nature, pending the adoption of a final order.

Yours very truly,

OIL CONSERVATION COMMISSION

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

CBL:ik  
Enc.

SETH AND MONTGOMERY  
ATTORNEYS AND COUNSELORS AT LAW

J. O. SETH  
A. K. MONTGOMERY

III SAN FRANCISCO ST.  
SANTA FE, NEW MEXICO

March 11, 1940.

Oil Conservation Commission,  
Santa Fe, New Mexico.

Gentlemen:

In connection with the proposed revision of the gas-oil ratio regulations and particularly paragraph 9 (c) thereof, I am taking the liberty of bringing to your attention the following:

This proposed rule number 9 (c), for application in Hobbs and Monument Pools, reads in part as follows:

" In the Hobbs and Monument Pools, the proration schedule shall be calculated in the normal manner, according to the order of the Commission for that field. Each unit having an allowable equal to or less than the average unit allowable for the pool shall be allowed to produce an amount of gas equal to the production of the permitted maximum gas-oil ratio of the pool, multiplied by the average unit allowable, provided that a unit, the oil allowable of which has been penalized by high gas-oil ratio, shall not exceed the allowable as determined by the proration formula for that particular field."

The above is as recommended by the majority of the operators affected. Only three or four operators favored a gas allowable for each unit, equal to the field maximum allowable of gas-oil ratio, multiplied by the barrels allowed to each unit, as computed in the schedule, before applying any penalty.

The state conservation law provides that each operator is entitled to his share of the reservoir energy in the opportunity guaranteed him to produce his proportional share of the recoverable reservoir oil. In both the Hobbs and Monument hearings, it was brought out by undisputed evidence, that permeability is the measure of the energy required to produce oil; low permeability requires more energy than high permeability areas within the reservoir, and that the energy requirements to produce oil are inversely proportional to the permeability of the reservoir. Thus, if one area be five times more permeable than another, it would require only one-fifth the amount of reservoir energy to produce.

Generally units of less than average allowable are less than average permeability and will require more than average the amount of gas to produce. The least energy that should be allowed such unit would be the average as covered by the recommended rule. Actually it has been shown by uncontradicted

evidence that it is entitled to a greater amount of energy than the average by that amount of allowable it has been given under the average. The reason for recommending an allowable of gas production, based on the field average, is to comply with the anti-waste provision of the statute. This compromise might be proven to conflict with the provisions of the law, if an operator could prove that this gave him only the average field gas allowable, when his just share of reservoir energy was necessarily more than the average, would be discriminatory. The rule as recommended should more nearly fulfill the requirements of the law, therefore, than the rule supported by the minority of the operators.

Very truly yours,

A handwritten signature in cursive script, appearing to read "J. S. ...".

JOS:IG



# CONTINENTAL OIL COMPANY

Hobbs, New Mexico  
February 29, 1940

New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Gentlemen:

Referring to Case No. 19, Order No. 238, of January 13, 1940, limiting gas/oil ratios in Lea County Fields, this order placed a maximum permissible gas/oil ratio of 1000 in the Skaggs Field. The Hardy Field, joining the Skaggs Field on the south, was given a maximum permissible gas/oil ratio of 5000. The Monument Pool, which is adjacent to the Skaggs Field on the west, was given a maximum permissible gas/oil ratio of 5000. The Eunice Field, which is adjacent to the Skaggs Field on the southwest, was given a maximum permissible gas/oil ratio of 7000.

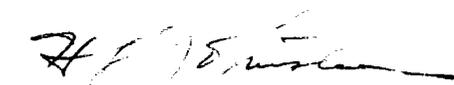
In view of the unusually low ratio set for the Skaggs Field, which appears to be inconsistent with the maximum permissible ratios placed on adjacent fields, it appears that an inequitable condition exists, which unduly

penalizes the Continental Oil Company.

Your attention is called to the similarity of formations and producing conditions in the three Skaggs Field wells and those in the wells in the north end of the adjacent Hardy Field.

In the light of these facts and in order to make an equitable adjustment of the permissible gas/oil ratios, we request that you set a permissible gas/oil ratio of 5000 for the Skaggs Field.

Respectfully submitted,



H. L. Johnston  
Superintendent N. M. Dist.  
Texas-New Mexico Division  
Production and Drlg. Dept.

HLJ:SC

July 8, 1940

Franklin Petroleum Corporation  
607 Franklin Building  
Oklahoma City, Oklahoma

ATTENTION: LaDana Lucas.

Gentlemen:

Reference is made to your request dated July 5 for copy of Gas-Oil Ratio Order No. 238.

That order is no longer in existence. I assume that you desire the existing order which is Order No. 250, supplemented by Emergency Order No. 259, which latter is being revived for every bimonthly prorotation period until the Commission can adopt a final order after the gas-oil ratio surveys have been completed.

Very truly yours,

OIL CONSERVATION COMMISSION

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

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Encls.

FRANKLIN PETROLEUM CORPORATION

STATE LAND OFFICE

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SANTA FE, N. M.

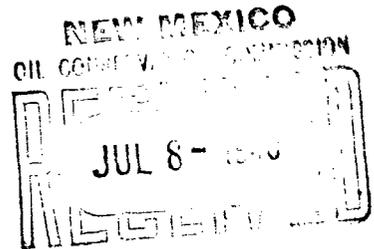
WIRT FRANKLIN, PRESIDENT  
R. W. FAIR, VICE PRESIDENT  
BERT ASTON, SECRETARY-TREAS.

607 Franklin Building  
Oklahoma City, Oklahoma  
July 5, 1940

Oil Conservation Commission  
Santa Fe, New Mexico

Gentlemen:

Will you please send us copy of the  
Oil-Gas Ratio Order No. 238, and  
oblige.



Yours truly,

FRANKLIN PETR. CORP.

By *Ladara Lucas*

LL:AB

The application of the gas-oil adjustment shall be as follows:

(a) The oil allocation shall be distributed to the various pools in the same manner used prior to Feb. 1, 1940.

(b) In each pool, except Hobbs & Monument, the amount of oil allocated to marginal units shall be deducted from the pool allocation. Each other unit shall be given a percentage rating based upon its relative to the maximum gas-oil ratio times 100 divided by the gas-oil ratio of the unit shall be its rating, provided that all non-marginal units shall be gas-oil ratios less than the maximum shall be rated at 100. Each well shall be allocated an amount of oil from the total non-marginal proratable oil in the proportion its rating bears to the sum of ratio of all non-marginal units in the pool.

(c) In the Hobbs or Monument Pools the proration schedule shall be calculated in the general manner according to the Order of the Commission or that pool. From the total oil allocated to the pool there shall be deducted the amount of oil allocated to marginal units. Wells allocated average ton allowable or more shall be rated as in paragraph (b) above. Wells allocated less than average shall be rated by the following fraction.

$$\frac{\text{Post average oil allowable} \times 100 \times \text{Max Pool Gas Oil Rates.}}{\text{Unit oil allowable} \times \text{Unit Gas oil Ratio.}}$$

Provided that no unit shall be rated greater than 100.

The allowable of each unit shall be multiplied by its rating (a) and the difference between the sums of these products B. and the total original allowable for the pool (c) shall be divided by the sum of the ratings B. The resulting factor E. Shall be again multiplied by the rating of each well and the product F. added to the previous product. G. The sum of the two products shall be the allowable H. of the well.

	A	G	F	E
50	50%	25	8	33
40	60%	24	14	32
30	80%	24	13	37
<u>20</u>	<u>100%</u>	<u>20</u>	<u>16</u>	<u>36</u>
140 (c)	290%	93 (B)		140
				0.162 (E)
	290			47.0
				<u>290</u>

March 15, 1940

Honorable Roy Yarbrough  
State Oil & Gas Inspector  
Hobbs, New Mexico

Dear Mr. Yarbrough:

Enclosed please find copy of Emergency  
Order No. 248 of the Commission, which is self-  
explanatory, promulgated for the purpose of  
granting temporary relief in certain meritorious  
cases.

Very truly yours,

OIL CONSERVATION COMMISSION

By \_\_\_\_\_  
Commissioner of Public Lands

By \_\_\_\_\_  
State Geologist

CBL:ik  
Enc.

March 15, 1940

Honorable Glenn Staley  
Proration Umpire  
Hobbs, New Mexico

Dear Mr. Staley:

Enclosed please find copy of Emergency Order No. 248 of the Commission, which is self-explanatory, promulgated for the purpose of granting temporary relief in certain meritorious cases.

Very truly yours,

OIL CONSERVATION COMMISSION

By \_\_\_\_\_  
Commissioner of Public Lands

By \_\_\_\_\_  
State Geologist

CB:lk  
Enc.

J. P. CUSACK

Box 208  
Midland, Texas

February 10, 1940

Honorable John A. Miles  
Chairman, Conservation Commission  
Hobbs, New Mexico

Dear Governor Miles:

Supplementing my statement before the Commission with reference to the Hobbs proration plan, which testimony was offered on or about December 12 in behalf of J. P. Cusack, Inc., I feel that the more equitable plan would be on a flat basis. However, should the Commission, after reviewing the testimony, feel that the present plan of 60 per cent acreage and 40 per cent potential should be the most equitable, then I feel that the Commission should take into consideration the bottom hole pressure, which all companies without exception have admitted is in error. This being the fact, according to their findings, then the equitable position to take would be to go back to the original potentials which occurred sometime in 1934 and predicate the present allowables upon that basis (that is, 60 per cent to be given to the acreage factor, which is a 40 acre unit, and 40 per cent to be given to the potentials as of on or about 1934.)

Referring to my statement before the Commission, in which I pointed out that by reason of bottom hole pressures, due to water drive, wells in 1934 that had approximately 16,000 barrel potential have increased by reason of the plan in force and effect; namely, bottom hole pressuring, to a potential of approximately 26,000 barrels. As stated before the Commission, it is preposterous that a well after producing five years at a given potential of 16,000 barrels, considering depletion, would still have a potential better by 10,000 barrels than its original given potential.

We have now before us your Case No. 19, Order No. 235, the same being with reference to oil-gas ratios which you have placed in effect as of February 1, using as a gauge the December gas-oil ratios as turned in by the operators.

While I do not wish to take exception to this provision, it seems to me that, before any plan as to gas and oil ratios can be rightfully placed, it should be upon actual gas-oil ratio tests. My reason for this objection is due to the fact that, as I have found it over a period of time in the oil and gas business, affidavits don't particularly give the facts. To be more explicit, I am inclined to believe that affidavits are used mostly for a selfish purpose. It appears, then, that those that have turned in affidavits setting forth gas-oil ratios which possibly are in error would be gaining an advantage and those who have turned in affidavits that definitely fit the position in the case are being penalized.

My suggestion, then, would be that the gas-oil ratios be withheld until such time as the actual tests on all wells and each individual pool have been taken.

Respectfully submitted,