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April 26, 1943

At a meeting of the Lea County Operators Committee called on April 12, 1943, and held in Santa Fe on April 26, 1943, representatives of twenty-three operators were present of approximately ninety-eight operators who are members of the Lea County Operators Committee. The operators were polled and a majority of those present agreed that the following recommendations be presented to the Conservation Commission at its hearing called to consider "The application of the Lea County Operators Committee for a permanent gas-oil ratio order for the various fields located in Lea County; including a plan to permit the transfer of allowable from high gas-oil ratio wells to low gas-oil ratio wells, to prevent waste and to protect property rights", to be held at Santa Fe, April 27, 1943:

1. That a permanent gas-oil ratio order be promulgated.
2. That such permanent gas-oil ratio order provide for no exceptions without due notice and public hearing.
3. That no limiting gas-oil ratio be applied in Hardy, Penrose, Skelly, Mattix, Langlie, Rhodes, Lynn, Cooper and Jal Fields, for the following reasons:

(a) Two types of waste must be considered -- subsurface and surface. All fields mentioned above are nearing depletion and adequate reservoir energy exists to produce the remaining recoverable oil without subsurface waste. (See Exhibit "A" attached).

(b) In the case of the sand belt fields, namely, Hardy, Penrose, Skelly, Mattix, Langlie and Rhodes, approximately 55% of the gas is being utilized at present, and plans are completed and priorities have been granted for the equipment to make possible the utilization of approximately 10% of the gas, which will bring the total to approximately 65%. *an additional*

(c) The Lynn, Cooper and Jal Fields have a very active water drive. There are several wells which have high gas-oil ratios, but when the volume of fluid lifted is considered, the ratios are quite low considering the existing conditions in the reservoirs. Both from a geological study and results of remedial work, it can be stated that oil, gas and water are so closely associated within the reservoir that the segregation of one from the other two is very hazardous. Attempted remedial work in the three dolomitic limestone fields has usually proven unsuccessful and ultimately led to the abandonment of the well.

4. That the following limiting ratios be set for the other fields in Lea County, to-wit:

<u>POOL OR AREA</u>	<u>GAS-OIL RATIO LIMIT</u>
Arrowhead	3500
Corbin	2000
Eaves	4000
Eunice	6500
Halfway	2000
Hobbs	2500
Lynch	2000
Maljamar	4000
Monument	4000
North Lynch	2000
North Maljamar	2000
Skaggs	5000 6000
South Eunice	7000
South Lovington	2000
South Maljamar	2000
Vacuum	2000
West Eunice	2000
New and undesignated pools	2000

Wells in newly discovered or undesignated pools shall be allowed to produce with a limiting gas-oil ratio of 2,000 cubic feet per barrel for purposes of allocation until a hearing shall have been called and testimony presented upon which a ratio can be set. Such hearing shall be called and rules issued within six months after the completion of the discovery well or upon the completion of ten producing wells in the new pool, whichever occurs first.

No substantial subsurface waste exists in the fields listed above. In order to accomplish progress in the elimination of surface waste a mathematical approach was used in determining the limiting ratios. These limiting ratios were set so as to affect approximately the same percentage of units in each field.

5. That testing procedure for measuring gas-oil ratios, appended hereto as Exhibit "B", be adopted as Rules and Regulations of the Commission and not included as part of the gas-oil ratio order.

6. It is further recommended that in order to reduce the volume of gas produced, that the transfer of allowable from high to low gas-oil ratio units be permitted in all Lea County fields under the following provisions:

(a) Transfer of allowable will be permitted only after application to and approval by the Commission. The application shall show 48-hour individual tests of production of oil, gas and water of the well from which transfer is requested and the well or wells receiving the transferred allowable. Such tests shall have been made within 30 days of date of submitting request for transfer. A plat of the wells involved shall be attached and also a statement of the amount of allowable to be transferred

to each such well. A copy of the application shall be furnished all offset operators by the applicant at the time same is submitted to the Conservation Commission.

(b) Permits to transfer shall be in force for a period of one year from date of approval, unless rescinded by the Commission. Renewals or changes may be obtained at the discretion of the Commission only upon submission of the information as shown in (a) above.

(c) Transfer of oil from one unit to another or others will be permitted only within contiguous abutting portions of the same basic lease or unitized area provided the areas involved shall not exceed 200 acres.

(d) Transfers of allowable oil can be made only to a unit or units with a lower gas-oil ratio.

(e) The amount of allowable transferred shall be the marginal or adjusted allowable for the unit, whichever is the smaller.

(f) No unit shall be permitted to produce an allowable in excess of the allowable for two units.

Test data supporting the above recommendations are submitted as Exhibit "C".