

Case No.

146

Application, Transcript,
Small Exhibits, Etc.

ADDRESS

PLEASE USE IN FURTHER OF APPLICATION OF NEW
NAMES Old Dom. Comm. for an order amending,
repealing & clarifying existing regulations.

DATE

WESTERN UNION

JOSEPH L. SEAN
PRESIDENT

1941

SYMBOLS

DL - Day Letter

NL - Night Letter

LC - Deferred Call

NY - Call Night Letter

Map Indication

DVA 125 PD=GK DALLAS TEX 27 1134A:

OIL CONSERVATION COMMISSION=

STATE OF NEW MEXICO SF=

REFERENCE HEARING JULY 29 CASE 146 APPLICATION FOR ORDER
CLARIFYING EXISTING REGULATIONS RESPECTING TRANSPORTATION
OF CRUDE PETROLEUM IN NEW MEXICO AND FACILITIES PURCHASING
TRANSPORTATION AND HANDLING THEREOF BY PIPELINES THIS
COMPANY APPROVES AND URGES ADOPTION OF ORDER PROPOSED TO
ALL LEA COUNTY OPERATORS BY LEA COUNTY OPERATORS COMMITTEE
WITH ITS LETTER OF JULY 13 1948=

THE ATLANTIC REFINING CO BY JOHN MARSTON=

292146 13 148=

APPROPRIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE



WESTERN UNION

1201

SYMBOLS	
DL	Day Letter
NL	Night Letter
LC	Deferred Cable
NET	Cable Radio Letter
Rtg. Radiogram	

DVA 102 PD=GK DALLAS TEX 27 1134A=

JUL 27 11 34

OIL CONSERVATION COMMISSION=

STATE OF NEW MEXICO SF=

REFERENCE HEARING JULY 29 CASE *file* 146 APPLICATION FOR ORDER
CLARIFYING AND AMENDING COMMISSION ORDER 712 THIS COMPANY
APPROVES AND URGES ADOPTION OF AMENDMENT TO ORDER 712
PROPOSED TO ALL LEA COUNTY OPERATORS BY LEA COUNTY OPERATORS
COMMITTEE WITH ITS LETTER OF JULY 13 1948=

THE ATLANTIC REFINING CO BY JOHN MARSTON=

29 156 712 712 12 1948

THIS COMPANY WILL APPRECIATE SUGGESTIONS FROM ALL PATRONS CONCERNING THE SERVICE

LEA COUNTY OPERATORS COMMITTEE

DRAWER I

HOBBS, NEW MEXICO

Fort Worth, Texas
July 7, 1948

File: GHC-815-310.17

Re: Proposed Order Pertaining to the
Transportation of Crude Petroleum
Within the Boundaries of the State
of New Mexico, and to Facilitate
the Purchasing, Transportation and
Handling of Crude Petroleum by the
Various Pipe Line Companies and
Transporters Within the State of
New Mexico

Mr. S. G. Sanderson
Gulf Oil Corporation
Tulsa, Oklahoma

Mr. H. B. Hurley
Continental Oil Company
Fort Worth, Texas

Mr. J. N. Dunlavey
Skelly Oil Company
Hobbs, New Mexico

Mr. M. C. Brunner
Shell Oil Company
Midland, Texas

Mr. W. E. Hubbard
Humble Oil & Refining Co.
Houston, Texas

Mr. D. A. Powell
Drilling & Exploration, Ltd.
Hobbs, New Mexico

Mr. F. C. Wilson
Wilson Oil Company
Santa Fe, New Mexico

Mr. Harry Leonard
Box 872
Roswell, New Mexico

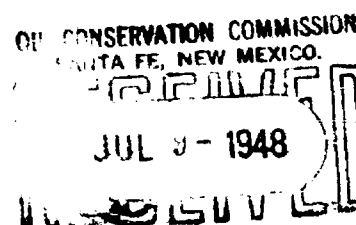
Gentlemen:

In our letter of June 30, 1948, File: GHC-807-310.17, to Messrs. House, Brunner and Dunlavey, regarding proposed amendment to the New Mexico Oil Conservation Commission Order No. 712, we advised that a meeting of the Executive Committee would be held in Fort Worth on Monday, July 12. We are transmitting herewith for your review and information the Sub-committee's proposed order on the above-captioned subject which will also be considered at the July 12th meeting.

The proposed order was formulated by a sub-committee consisting of Messrs. R. S. Dewey of Humble, Frank Gardner of Sinclair, M. T. Smith of Shell, J. N. Dunlavey of Skelly and C. G. Staley of the Lea County Operators Committee. The sub-committee, in forwarding the proposed order, has suggested that it be reviewed by attorneys of the companies who are familiar with the New Mexico statutes in order that all phrasing would be in keeping with those statutes.

For your consideration before the meeting is held on July 12, the writer has the following comments to make on the proposed order:

In Section 2, where the word "well" or "wells" is used, it is believed that the word "unit" or "units" should be used. It is also



believed that the following sentence in Section 4 of the proposed order - "After one succeeding month shortages will be considered back allowable and will be permitted to be made up at a rate not greater than ten (10) barrels per unit per day, except as otherwise ordered by the Commission" - should be deleted. In its place the following proposed order should be issued to control production, and to supersede Order No. 52, effective February 1, 1937 entitled "Method of Producing Flowing Wells". This proposed order was included in Mr. Dewey's letter of transmittal of the transportation order and also suggested by Mr. W. E. Hubbard.

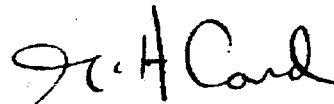
"The owner or operator of any lease or wells shall not produce from any well during any calendar month any more oil than the allowable production for such well as shown by the proration schedule, provided, however, that such owners or operators shall be permitted to balance the production for each well during the calendar month, provided, further, that the amount of oil which such owner or operator shall be permitted to produce from any well on any one day in order to balance the production within the calendar month as herein provided, shall not exceed the allowable production for such well for each day by more than 25 percent of such allowable. In no event should shortages, when authorized, be produced in such manner or in such amount as to result in the production in any one day from any well of an amount in excess of 125 percent of the daily allowable."

Similarly, Section 2(c) Order 546 should possibly be revised downward to 125 percent or the maximum production percentage suggested by Mr. Hubbard be revised upward to 150 percent.

The proposed order (dated 6-24-48) under Section 6 should state that Sections 1 and 3 of Order 235 are deleted, inasmuch as the proposed order (Case 146) covers these provisions. This would leave Section 2 and 4 of Order 235 in effect until such time as a new order is prepared controlling production rates.

We wish that you would kindly advise by wire whether or not you will be able to attend the meeting on July 12.

Yours very truly,



G. H. CARD

GHC:gp
Attch.

cc: J. W. House
J. O. Seth
C. G. Staley

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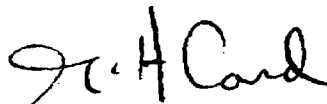
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Yours very truly,



G. H. CARD

GHC:gp

Attch.

cc: J. W. House

J. O. Seth

C. G. Staley

C
O
P
Y

June 3, 1948

Mr. F. C. Brown
Shell Pipe Line Corporation
Houston 2, Texas

Dear Mr. Brown:

We wish to amend our letter of May 26 and give you the date of the hearing also. Case No. 146 will be heard on June 15, 1948 at 10:00 o'clock in the Senate Chambers, Santa Fe.

Very truly yours,

C
O
P
Y

May 26, 1948

Mr. Glenn Staley
Los County Operators Committee
Hobbs, New Mexico

Dear Mr. Staley:

So many of the operators have requested copies of the revised pipe line correction order that I am mailing you a copy in the event you wish to distribute it again.

Also attached is Mid-Continent's petition for deep allowable.

Both of these cases are included in the June 15 hearing.

Yours truly,

C
O
P
Y

May 26, 1948

Mr. F. C. Brown
Shell Pipe Line Corporation
Houston, Texas

717 Shell Bldg.
Box 2648

Dear Mr. Brown:

We are enclosing two copies of the latest revision to pipe line correction order, as you requested several days ago. Also enclosed is the first order proposed by the Lea County Operators Committee and distributed by them.

Hearing for Case No. 146 has been set for 10:00 o'clock a.m. in the Senate Chambers, Santa Fe, New Mexico.

Very truly yours,

OIL CONSERVATION COMMISSION

Chief Clerk

Enc. - 2

May 17, 1948

Bellevue

MEMORANDUM:

Long distance telephone call from F. C. Brown,
c/o Shell Pipe Line Corporation, 717 Shell Building,
Houston, Texas, Box 2648. He wants a special notice
of pipe line correction order together with a corrected
copy of the proposed order as suggested by the Operator's
Committee.

George Graham



SHELL PIPE LINE CORPORATION

SHELL BUILDING

HOUSTON 2, TEXAS

April 22, 1948

TELEPHONE CAPITOL 1181

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO.

RECEIVED
APR 26 1948

Mr. R. R. Spurrier
Secretary and Director
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

In Re: The application of the New Mexico Oil Conservation Commission, upon its own motion, to promulgate and adopt an order which will clarify present existing regulations, as pertaining to the transportation of crude petroleum within the boundaries of the State of New Mexico, and to facilitate the purchasing, transportation, and handling of crude petroleum by the various pipe line companies and transporters within the State of New Mexico.

Dear Mr. Spurrier:

We have for study and consideration, copy of a proposed Order of the Commission captioned as above.

Will you please advise the date and place of such hearing if it has been decided; or if not known at this time, will you kindly advise us when this information has been determined.

Yours very truly,

SHELL PIPE LINE CORPORATION

By 

PCB

vnk

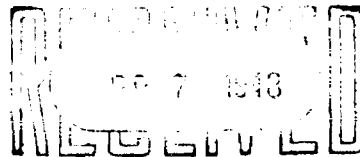
LEA COUNTY OPERATORS COMMITTEE

DRAWER I

HOBBS, NEW MEXICO

April 2, 1948

**OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO.**



Members

**Oil Conservation Commission
Santa Fe, New Mexico**

Gentlemen:

On March 30, 1948, representatives of the pipe line and crude oil purchasing companies met at the office of the Lea County Operators, to discuss the existing Commission Orders which pertained to the gathering and transportation of crude petroleum within the boundaries of the State of New Mexico, and the various Commission rulings and interpretations of various sections of these Orders. The following representatives were present:

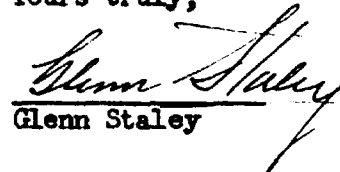
Wm. E. Bates	The Texas Company	Midland, Texas
F. B. Whitaker, Jr.	Texas New Mex. Pipe Line	Midland, Texas
H. L. Garrett	Atlantic Pipe Line	Hobbs, New Mexico
F. G. White	Magnolia Pipe Line	Brownfield, Texas
E. T. Corbett	Humble Pipe Line	Midland, Texas
Jack W. Stackpole	Stanolind Oil Purchasing	Midland, Texas
A. H. Lamm	Devonian Oil Company	Seminole, Texas
J. B. Wright	Magnolia Pipe Line Co.	Brownfield, Texas
S. B. Fowler	Wood River Oil & Rfg. Co.	Midland, Texas
G. C. Watson	Phillips Pet. Co.	Hobbs, New Mexico
M. G. Langhorne	" " "	Midland, Texas
M. T. Smith	Shell Oil Co. Inc.	Midland, Texas
M. R. Griffin	Sinclair Prairie Oil Co.	Midland, Texas
Harve H. Mayfield	Magnolia Pet. Co.	Midland, Texas
A. B. Gilbert	Magnolia Pet. Co.	Buckeye, New Mexico
O. H. Berhill	Magnolia Pipe Line	Midland, Texas
A. W. Butler	" " "	Midland, Texas
R. L. Denton	Magnolia Pet. Co.	Midland, Texas
O. V. Adkins	Cities Service Oil Co.	Midland, Texas
F. D. Gardner	Sinclair Prairie Oil	Midland, Texas

Attached hereto is a proposed draft of an Order to replace Order #539 and Order #235. This proposed Order contains no changes, but attempts to clarify for those concerned with the gathering and transporting of crude oil within the State of New Mexico what is required of them under existing Orders.

Page 2
Oil Conservation Commission

It is the desire of this group that this Order or a similar Order be adopted by the Commission at an early date in order to facilitate the gathering and transporting of crude oil in the State.

Yours truly,


Glenn Staley

CGS:gi
Enc.

146

✓

✓

AGENDA FOR HEARING OF JULY 29, 1948

✓ CASE NO. 153

In the matter of the application of Repollo Oil Company for bonus discovery allowable under Commission Order No. 573, for well No. 5, Phillips "A" lease, located in the SW/4 SW/4 section 31, T.19 S, R.37E, N.M.P.M., Lea County, New Mexico.

✓ CASE NO. 152

In the matter of the application of Grayburg Oil Company of New Mexico and Western Production Company, Inc, for an order granting permission to drill twenty-eight unorthodox locations on leases within the boundaries of the Grayburg Cooperative and Unit Area in T.17 S, R.29 and 30 E, N.M.P.M., in the Grayburg-Jackson pool, Eddy County, New Mexico.

✓ CASE NO. 154

In the matter of the application of Magnolia Petroleum Company, a corporation of Dallas, Texas, for approval of the Foster Unit Area and Agreement, covering and including the following described lands: Lots 1 and 2, S $\frac{1}{2}$ SE $\frac{1}{4}$ section 33; Lots 1,2,3,4, and 5, S $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ section 34; Lots 1,2,3,4, and 5, S $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$, section 35; Lots 1,2,3, and 4, S $\frac{1}{2}$ S $\frac{1}{2}$ section 36, T. 20 $\frac{1}{2}$ S, R. 22 E; S $\frac{1}{2}$ section 13, S $\frac{1}{2}$ section 14; all sections 27,23,24,25,26,27,28,33,34,35 and 36, T. 20 S, R. 23E; Lots 1,2,3,4, and 5, S $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ section 31; Lot 4, SW $\frac{1}{4}$ SW $\frac{1}{4}$ section 32, T. 20 $\frac{1}{2}$ S, R. 23E; Lots 3 and 4, E $\frac{1}{2}$ SW $\frac{1}{4}$ section 18; Lots 1,2,3, and 4, E $\frac{1}{2}$ W $\frac{1}{2}$ section 19; Lots 1,2,3, and 4, E $\frac{1}{2}$ W $\frac{1}{2}$ section 30; Lots 1,2,3, and 4, E $\frac{1}{2}$ W $\frac{1}{2}$ section 31, T. 20 S, R. 24 E, N.M.P.M. containing 10,289.50 acres, more or less, in Eddy County, New Mexico.

✓ CASE NO. 155

In the matter of the application of the New Mexico Oil Conservation Commission, at the request of the Lea County Operators Committee for an order clarifying and amending Commission Order No. 52, dated February 1, 1937, and relating to rules and regulations for Lea County pools.

CASE NO. 156

In the matter of the application of the New Mexico Oil Conservation Commission, at the request of the Lea County Operators Committee for an order amending Commission Order No. 712 of August 4, 1947, and known as the Lea-Eddy-Chaves Counties New Mexico Gas-Oil Ratio Order.

✓ Case No. 110 (continued); Case No. 104 in which Commission retained jurisdiction and upon further motion of the Oil Conservation Commission; Hardin-Houston, Hobbs, New Mexico; Walter Famariss, Hobbs, New Mexico; Lea County Operators Committee:

In the matter of an order or orders of general application regulating tank cleaning, plants processing tank bottoms, and the reclaiming of waste oil.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Graham

Case No. 146

BY MR. C. D. THOMAS, representing the Sinclair Prairie Oil Co.:

As a purchaser of crude petroleum in the State of New Mexico our interest in this order is as a purchaser. We would like to suggest that certain changes be made in the proposed order. First, in paragraph 1, which reads, "That any common purchaser is authorized to make 100 percent purchases from all wells, classified as marginal wells on the monthly State Proration Order." We would like to suggest that it be changed to, "That any common purchaser is authorized to purchase 100 percent of the production from all wells classified as marginal wells on the monthly State Proration Order," leaving out the comma after the words "all wells" in the second line.

The last sentence in paragraph 1 now reads, "No amount of crude petroleum other than that, as set forth on the State Proration Order for any month, will be purchased from a well or wells having Gas-Oil Ratio adjustments." We would like to suggest that the words "other than" be deleted and the words, "in excess of that" be substituted.

The first sentence in paragraph 2 now reads in part, "That current shortages may be made up the following month," and we suggest that it be changed to read, "That current shortages may be made up the month following that in which the shortages occurred. At the end of the paragraph the last sentence reads, "There are only two logical reasons which justify back allowable, namely: Failure of pipe line company or transporter to run up-allowable (including temperature corrections made by such transporters and mechanical difficulties occurring during any producing period.)" I believe there were two reasons to be stated, and that a correction is needed.

In paragraph 3: As I interpret that paragraph any well completed, for example on the first day of the month, would not receive an allowable until the 16th. This being true, it would be our suggestion that the allowable be effective from the day of completion.

MR. STALEY:

That suggestion has been made.

MR. THOMAS: I believe paragraph 4 is but a statement of statutory regulation and for that reason could be eliminated.

One more suggestion: Paragraph 6 reads, "That Commission Orders No. 235 and No. 539 shall be superseded by this order." I wonder if it is not supplemental rather than superseded.

MR. SETH: For Stanolind Oil & Gas Company:

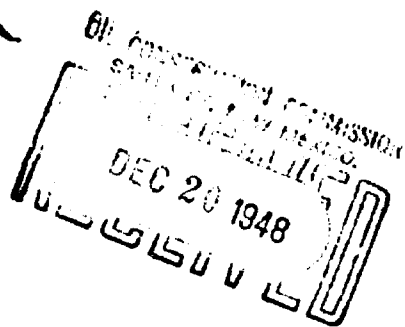
We object to paragraph 5, which apparently allows a well to produce the entire allowable in a day. We don't believe that is good practice. It seems to allow the purchaser of 100 percent of the assigned allowable to run it all in a 24 hour period, for instance.

COMMISSIONER MILES:

That will be changed.

MR. SETH:

I think the whole paragraph should be left out as it applies to production rather than transportation.



TO ALL OPERATORS:

ATTACHED HERETO ARE ORDERS # 788, 792, 795 and 801, ALSO SUPPLEMENT
14.

PLEASE NOTE THAT ORDER #788 WAS PUBLISHED IN ERROR (Wrong Heading),
SO PLEASE DESTROY ALL COPIES RECEIVED PRIOR TO THIS DATE.

GLENN STALEY

LEA COUNTY OPERATORS COMMITTEE
HOBBS, NEW MEXICO
December 13, 1948

NOTICE OF PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

The State of New Mexico by its Oil Conservation Commission hereby gives notice, pursuant to law, of the following public hearings to be held May 5, 1949, beginning at 10:00 o'clock A.M. on that day in the City of Santa Fe, New Mexico, in the Senate Chambers.

STATE OF NEW MEXICO TO:

All named parties in the following cases, and notice to the public:

Case 176

In the matter of the application of the Oil Conservation Commission upon its own motion to reconsider Order 788 issued in Case No. 146 relating to transportation of crude petroleum, and to amend or restate, such order or any part thereof. (This is a readvertisement of Case 176, heretofore published.)

Case 177

In the matter of the amended application of the Oil Conservation Commission upon its own motion to rescind, revise, change or amend Order No. 573, which became effective as of June 1, 1944 and generally known as the "Bonus Discovery Allowable Order", and to rescind, revise or amend Section 4 of Order 798, effective November 19, 1948, which amends and supercedes previous Statewide Proration Order No. 637.

Case 181

In the matter of the application of the R. Olsen Oil Company for an order authorizing an unorthodox well location for a gas well in the center of SW $\frac{1}{4}$ of Section 11, Township 24 South, Range 36 East, in the Cooper-Jal Pool, Lea County, New Mexico.

Case 182

In the matter of the application of V.S. Welch, Carper Drilling Company and Max W. Coll for an order permitting an unorthodox well location, 1330 feet south of the north line and 1310 feet approximately west of the east line (NW corner SE $\frac{1}{4}$ NE $\frac{1}{4}$) of Section 36, Township 16 South, Range 30 East, N.M.P.M., in the Square Lake Pool, Eddy County, New Mexico.

Case 183

In the matter of the application of Red Lake Oil Company, a co-partnership composed of Nell Gillespie, Van Philip Welch, Jr., Marjorie Nell Welch and Robert

Hill Welch, by V. S. Welch, guardian of Van Philip Welch, Jr., Marjorie Nell Welch and Robert Hill Welch, minors, and manager at Artesia, New Mexico of the Red Lake Oil Company, for an order permitting and approving an unorthodox well location 1687 feet south of the north line and 1580 feet west of the east line of Section 29, in Township 17 South, Range 28 East, N.M.P.M., in the Red Lake Pool, Eddy County, New Mexico.

Case 184

In the matter of the application of Kewanee Oil Company for an order granting permission to drill two "five spot" unorthodox well locations, identified as Well 27-B located 1295 feet north of the south line and 1245 feet west of the east line (SE $\frac{1}{4}$ SE $\frac{1}{4}$) of Section 25, and Well 28-B, located 1295 feet north of the south line and 2615 feet west of the east line (SW $\frac{1}{4}$ SW $\frac{1}{4}$) of Section 25, all in Township 17 South, Range 32 East, N.M.P.M., in the Maljamar Pool, Lea County, New Mexico.

Case 185

In the matter of the application of Buffalo Oil Company for an order granting permission to drill an unorthodox well location designated as Well No. 21-A to be located 25 feet north and 25 feet east of the southwest corner of the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 21 in Township 17 South, Range 32 East, and for permission to plug back Well No. 15-A on the same forty acre tract and produce the same from the Yates sand, said tract being in the Maljamar Pool, Lea County, New Mexico.

Case 186

In the matter of the application of Bassett & Collier for an order granting permission to drill an unorthodox location designated as Well No. 6, Williams Estate Fee, located 990 feet south of the north line and 2623 feet west of the east line of Section 25, Township 18 South, Range 26 East, N.M.P.M., in the Dayton Pool, Eddy County, New Mexico.

Given under the seal of the Oil Conservation Commission of New Mexico, at Santa Fe, New Mexico, on April 21, 1949.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


R. R. SPURR, Secretary

SEAL

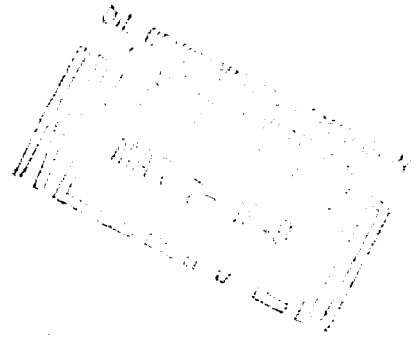
NEW MEXICO
OIL CONSERVATION COMMISSION

GOVERNOR THOMAS J. MABRY
CHAIRMAN
LAND COMMISSIONER JOHN E. MILES
MEMBER
STATE GEOLOGIST R. R. SPURRIER
SECRETARY AND DIRECTOR



P. O. BOX 871
Santa Fe, New Mexico

P. O. Box 1545
Hobbs, N. M.
March 3, 1949



Mr. R. R. Spurrier
Oil Conservation Commission
Santa Fe, N. M.

Dear Dick:

As result of conference just concluded with Glenn Staley and Foster Morrell, I was asked to write you and request that the Commission set up for its next hearing the matter of eliminating from Order No. 788 the last clause of Paragraph ③ which reads "provided that a supplemental order is issued authorizing such production."

Glenn says that this required the Proration Office to issue something like sixty letters ^{in two weeks} a month to the pipe lines authorizing the increased production from marginal units, and has resulted in over-nomination by producers of marginal units. He suggests that this wording be eliminated and that the monthly proration order include an authorization for pipe lines to take up to and including top allowable from marginal wells.

Regarding the bonus allowable question, this is in the hands of the Executive Committee of Lea County Operators and the Proration Office is not directly involved. Glenn will notify Mr. Card of the probable hearing date and ask that he inform you if he wants it brought up.

Very truly yours,

H. M. Staley
Engineer

HNS/s
cc Glenn Staley

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY THE
OIL CONSERVATION COMMISSION OF THE STATE
OF NEW MEXICO FOR THE PURPOSE OF CONSIDERING:

CASE NO. 146

ORDER NO. 788

THE APPLICATION OF THE NEW MEXICO OIL
CONSERVATION COMMISSION, UPON ITS OWN MOTION,
TO PROMULGATE AND ADOPT AN ORDER WHICH WILL
AMEND AND CLARIFY PRESENT EXISTING REGULATIONS,
AS PERTAINING TO THE TRANSPORTATION OF CRUDE
PETROLEUM WITHIN THE BOUNDARIES OF THE STATE
OF NEW MEXICO, AND TO FACILITATE THE PURCHASING,
TRANSPORTATION, AND HANDLING OF CRUDE PETROLEUM
BY THE VARIOUS PIPE LINE COMPANIES AND TRANSPORTERS
WITHIN THE STATE OF NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 10:00 o'clock a.m., July 15 and continued to July 29, 1948 at Santa Fe, New Mexico, before the Oil Conservation Commission of the State of New Mexico, hereinafter referred to as the "Commission."

NOW, on the 10th day of September, 1948, the Commission having before it for consideration the testimony adduced at the hearing of said case, and being fully advised in the premises;

IT IS THEREFORE ORDERED:

1. That the New Mexico Oil Conservation Commission will meet monthly, as soon as practicable after the announcement of the Bureau of Mines of the market demand for New Mexico, and at such meeting will consider the announcement of the Bureau of Mines and other evidence of market demand, and will determine the amount of oil to be produced from all pools in the State of New Mexico during the following calendar month. The amount so determined will be allocated among the various pools in the State in accordance with existing regulations and among the various units in each pool, in accordance with the regulations governing each pool. Effective the first day of each month, the Commission or its duly authorized agent will issue a monthly proration schedule. This monthly proration schedule will authorize the production, purchase and transportation of oil from the various units in strict accordance with the schedule. Allowables for wells completed after the first day of the month will become effective from the date of well completion. For proration purposes, a well is completed on the day the first oil is delivered into the lease stock tank or tanks. A supplementary order will be issued by the Commission or its duly authorized agent to the operator of the newly completed well, and to the purchaser or transporter of the oil from the completed well, establishing the effective date of completion, the amount of production permitted during the month, and the authority to purchase and transport same from said well.

2. That any common purchaser is authorized to purchase 100 percent of the allowable from all units classified as marginal units on the monthly proration order. A marginal unit is a unit that is incapable of producing the State top unit allowable for that particular month. Any amount of crude petroleum, up to and including top unit allowable for that particular month, may be purchased from a marginal unit, provided that a supplemental order is issued authorizing such production.

3. That no purchase in excess of the production set forth on the monthly proration order is authorized for any month from a unit having gas-oil ratio adjustments.

4. That current shortages may be made up the month following the month in which such shortages occurred, and if overage occurs, which is unavoidable and lawful, then such overage should be compensated the month following the month in which such overages occurred. All legal and authorized back allowable available for purchase will be published in the monthly proration order. No back allowable will be placed in the monthly proration order unless request is made by producer and proof is shown that shortage is legal and should be considered as back allowable. There are only three justifications for back allowable, namely; (1) failure of purchaser or transporter to run assigned allowable as adjusted for temperature corrections made by transporter, and (2) mechanical failures affecting the producing well during the proration period, and (3) gathering engineering data.

5. That when and if it becomes necessary for any common purchaser to purchase crude petroleum at a ratable take (less than amount assigned on monthly proration schedule), that any common purchaser is authorized and directed to make 100 percent purchases from units of settled production producing ten barrels or less daily of crude petroleum within its purchasing area and ordinarily served by it in lieu of ratable purchases or takings, in order to preclude premature abandonment.

Provided, however, where such purchaser's takings are curtailed below ten barrels per unit of crude petroleum daily, then said purchaser is authorized and directed to purchase equally from all such units within said area and ordinarily served by it regardless of their producing ability insofar as they are capable of producing.

6. That Commission Orders No. 235 and No. 539 shall be superseded by this Order.

7. That this order shall become effective on the first day of the proration month next succeeding the month in which said order is adopted.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

THOMAS J. MABRY, Chairman

John E. Miles
JOHN E. MILES, Member

R. R. Spurrier
R. R. SPURRIER, Secretary

Santa Fe office

Case No. 146

BY MR. C. D. THOMAS, representing the Sinclair Prairie Oil Co.:

As a purchaser of crude petroleum in the State of New Mexico our interest in this order is as a purchaser. We would like to suggest that certain changes be made in the proposed order. First, in paragraph 1, which reads, "That any common purchaser is authorized to make 100 percent purchases from all wells, classified as marginal wells on the monthly State Proration Order." We would like to suggest that it be changed to, "That any common purchaser is authorized to purchase 100 percent of the production from all wells classified as marginal wells on the monthly State Proration Order," leaving out the comma after the words "all wells" in the second line.

The last sentence in paragraph 1 now reads, "No amount of crude petroleum other than that, as set forth on the State Proration Order for any month, will be purchased from a well or wells having Gas-Oil Ratio adjustments." We would like to suggest that the words "other than" be deleted and the words, "in excess of that" be substituted.

The first sentence in paragraph 2 now reads in part, "That current shortages may be made up the following month," and we suggest that it be changed to read, "That current shortages may be made up the month following that in which the shortages occurred. At the end of the paragraph the last sentence reads, "There are only two logical reasons which justify back allowable, namely: Failure of pipe line company or transporter to run ~~allowable~~ (including temperature corrections made by such transporters and mechanical difficulties occurring during any producing period.)" I believe there were two reasons to be stated, and that a correction is needed.

In paragraph 3: As I interpret that paragraph any well completed, for example on the first day of the month, would not receive an allowable until the 16th. This being true, it would be our suggestion that the allowable be effective from the day of completion.

MR. STALEY:

That suggestion has been made.

MR. THOMAS: I believe paragraph 4 is but a statement of statutory regulation and for that reason could be eliminated.

One more suggestion: Paragraph 6 reads, "That Commission Orders No. 235 and No. 539 shall be superseded by this order." I wonder if it is not supplemental rather than superseded.

MR. SETH; For Stanolind Oil & Gas Company:

We object to paragraph 5, which apparently allows a well to produce the entire allowable in a day. We don't believe that is good practice. It seems to allow the purchase of 100 percent of the assigned allowable to run it all in a 24 hour period, for instance.

COMMISSIONER MILES:

That will be changed.

MR. SETH:

I think the whole paragraph should be left out as it applies to production rather than transportation.

We don't understand the use of the words "stop-cocking" here.

MR. SPURRIER:

I think that point has been discussed lately. Stop-cocking might apply to gas waste.

MR. G. W. SELINGER, Representing Skelly Oil Company:

I would like to agree with Judge Seth in saying that paragraph 5 should be stricken out. It deals purely with a producing problem and has no place in a pipe line order. We would like to see the entire paragraph 5 stricken.

MR. SPURRIER:

Any one else?

MR. R. S. DEWEY, representing Humble Oil & Refining Company:

We think the language in paragraph 1 is objectionable. We would prefer that proration schedules be adhered to regarding production of marginal wells and think some can be worked out whereby a well, if short of allowable in any month, may be permitted to make it up the following month. We would like to see proration schedules adhered to, and production covered by adequate proration schedules. As mentioned before, paragraph 5 is very objectionable from a conservation standpoint. We think conservation would be much better served where each well produces daily very nearly its scheduled allowable. We do not think paragraph 5 has any place in this order and we do not think the production of all the allowable from any well in a limited time should be permitted, but think it should extend over the month. We would like to see wells produce uniformly every month, and I think "stop-cocking" is merely a misnomer. I do not think stop-cocking means shutting the well in. We would like to see paragraph 5 deleted entirely.

MR. THOMAS:

I have one more suggestion for a change in paragraph 2. The second sentence reads: "After one succeeding month, shortages will be considered back allowable and will be permitted to be made up at a rate not greater than 10 barrels per day." I would like to suggest that the words "per unit" be inserted between the words "barrels" and "per" so that it would read, "at a rate not greater than 10 barrels per unit per day."

MR. SPURRIER:

Any one else?

I think paragraph 1 was written with the thought in mind that producers are prone to over nominate a marginal well; and it is one of the big causes here in New Mexico that, whereas the allowable may be 135,000 barrels per day, the actual production is only 128,000 barrels; and while I do not contradict, or feel there is anything wrong about Mr.

Dewey's comments, I hope that somewhere in our order we may correct the situation whereby we lose from 5½ to 12 percent of our allowable. In other words, that we may bring our allowable, as set by the Commission, and production to the same figure.

COMMISSIONER MILES:

Mr. Staley?

MR. STALEY:

For the benefit of those not familiar with this proposed clarification, I note that it is an application by the Commission upon its own motion to adopt an order to clarify existing regulations. One of the pipe line companies has discussed with me the difficulty they were having with the Federal Petroleum Board in regard to the New Mexico orders to the pipe lines under which this oil is gathered and transported into the State of Texas. One of the things the pipe lines have been up against is that an operator may have a well on proration schedule for, say, 20 barrels per day. The well may make 30 barrels for several days shortly after it is deparaffined; but the pipe line under our present order is not permitted to take more than 20 barrels, as it is over production of a marginal well.

Where is that stated?

MR. STALEY:

The Commission has authorized the pipe lines to run any amount up to top allowable but not to exceed the allowable. It is my suggestion that the representatives of the pipe lines sit down with the Commission and go over the orders and the various interpretations of those orders, and prepare something that will protect the pipe lines so there will be no confusion in regard to the Commission's monthly proration orders when it comes to transporting this oil across the line so that all oil transported is within the order.

MR. SETH: The operators should be included in that too. I think this order should be further considered by the operators and the pipe lines.

MR. STALEY:

I think so too.

COMMISSIONER MILES:

Mr. Lamb? Mr. Morrell?

MR. MORRELL:

This is one time when I don't have to say anything because it is entirely within the jurisdiction of the Commission.

MR. SPURRIER:

Perhaps it is not out of the way

for me to make a suggestion. I hope to receive comments from you operators and pipe line people. Suppose we hold this case open and set a definite time limit, during which time any operator, pipe line company, or purchaser may submit suggestions amending this order. Judge Seth has suggested we bring it up July 15th and if that suggestion is agreeable the Commission could continue the case to the definite date of the next hearing, July 15th, which will be held in this room at 10:00 o'clock a. m.

Does anyone have any further suggestions?

COMMISSIONER MILES:

Before we close this case I want to state that I certainly appreciate the cooperation and consideration always extended to this Commission by the operators and pipe line companies. We all appreciate it. They have always been most cooperative. And I also want to say to Mr. Staley that his comments and advice in handling the problems that have come before the Commission have been most helpful to me and, I think, to the rest of the Commission.

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SKELLY OIL COMPANY

PRODUCTION DEPARTMENT
J. S. FREEMAN, VICE PRESIDENT

TULSA 2, OKLAHOMA

June 17, 1948



Mr. R. R. Spurrier, State Geologist
Oil Conservation Commission
Santa Fe, New Mexico

Re: Case No. 146
Transportation, Purchasing,
Handling of Crude Oil

Dear Sir:

As announced by the Commission at its recent hearing, we are submitting our suggestions for the proposed order as follows with reference to the proposed order recently submitted to all parties concerned:

1. Paragraph No. 1
First Sentence:

"That any common purchaser is authorized to purchase 100 percent of the production from all wells classified as marginal wells on the monthly State Proration Order".

Last Sentence:

"No amount of crude petroleum in excess of that set forth on the State Proration Order for any month, will be purchased from a well or wells having Gas-Oil Ratio adjustments".

2. Paragraph No. 2
First Sentence:

"That current shortages may be made up the month following the month in which such shortages occurred, and if overage occurs, which is unavoidable and lawful, then such overage should be compensated the month following the month in which such overages occurred".

Second Sentence:

"After one succeeding month, shortages will be considered back allowable and will be permitted to be made up at a rate not greater than 10 barrels per unit per day, except as otherwise ordered by the Commission".

Cont.

June 17, 1948

Mr. R. R. Spurrier
Santa Fe, New Mexico

3. Paragraph No. 3
Second Sentence:

"Allowables for wells completed after the first of the month be effective from the date of completion, that is, production of the first oil from the well and shall be included in the next monthly production schedule. A supplement shall be issued by the Commission or its duly authorized agent to the operator of the newly completed well, and to the purchaser of the oil from the newly completed well indicating the allowable and the amount to be run from said well.

Remaining Sentences:
To be Stricken

4. Paragraph No. 4

Remain as written.

5. Paragraph No. 5

Entire paragraph be stricken.

6. Paragraph No. 6

Be renumbered Paragraph 5.

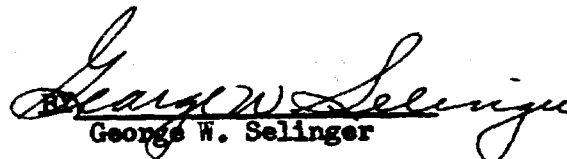
"That Commission Orders No. 235 and No. 539 shall be amended by this order".

7. Paragraph No. 7

Be renumbered paragraph 6, and remain as written.

Respectfully submitted

SKELLY OIL COMPANY


George W. Selinger

cc: Mr. J.N. Dunlavy

Mr. R. S. Dewey, Chairman, Humble Oil & Refg. Co., Midland, Texas
Mr. Frank Gardner, Sinclair Prairie Oil Co., Box 1470, Midland, Texas
Mr. M. T. Smith, Shell Oil Company, Midland, Texas
Mr. J. M. Dunlavey, McKelly Oil Company, Hobbs, New Mexico

The above committee has been appointed to make a study of the Oil Conservation Commission's proposed order pertaining to the transportation of crude petroleum oil within the boundaries of the State of New Mexico, copy of which is attached hereto.

This committee is requested to meet at the offices of the Lea County Operators, Hobbs, New Mexico, June 24th, at 10:00 o'clock A.M., at which time suggested amendments to the above order that were submitted to the Oil Conservation Commission at the hearing held in Santa Fe, June 15, 1948, will be available ^{for} ~~to~~ study.

George S. Card,
Chairman

By Glenn Staley

Copy: R.R. Spurrier

LEA COUNTY OPERATORS COMMITTEE
HOBBS, NEW MEXICO
June 17, 1948

Remanded

PROPOSED
BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

146

IN THE MATTER OF THE HEARING CALLED BY THE
OIL CONSERVATION COMMISSION OF THE STATE
OF NEW MEXICO FOR THE PURPOSE OF CONSIDERING:

Graham. Set for 15 June
RS

CASE NO. _____

ORDER NO. _____

THE APPLICATION OF THE NEW MEXICO OIL
CONSERVATION COMMISSION, UPON ITS OWN MOTION,
TO PROMULGATE AND ADOPT AN ORDER WHICH WILL
CLARIFY PRESENT EXISTING REGULATIONS, AS
PERTAINING TO THE TRANSPORTATION OF CRUDE
PETROLEUM WITHIN THE BOUNDARIES OF THE STATE
OF NEW MEXICO, AND TO FACILITATE THE PURCHASING,
TRANSPORTATION, AND HANDLING OF CRUDE PETROLEUM
BY THE VARIOUS PIPE LINE COMPANIES AND TRANSPORTERS
WITHIN THE STATE OF NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 10 o'clock A. M., _____, at
Santa Fe, New Mexico, before the Oil Conservation Commission of the State of New
Mexico, hereinafter referred to as the "Commission".

NOW, on the _____ day of _____ 1948, the Commission having
before it for consideration the testimony adduced at the hearing of said case, and
being fully advised in the premises:

IT IS THEREFORE ORDERED:

1. That any common purchaser is authorized to make 100 percent purchases from
all wells, classified as marginal wells on the monthly State Proration Order. A
marginal well is a well that is not capable of producing the State top allowable for
any particular month. Any amount of crude petroleum, up to and including top allowable
for that particular month, may be purchased from a marginal well, whether or not the
amount produced and purchased was published as such in the monthly Proration Order.
Attention is called to purchases made in fields or pools having limiting Gas Oil
Ratios. No amount of crude petroleum other than that, as set forth on the State
Proration Order for any month, will be purchased from a well or wells having Gas-Oil
Ratio adjustments.

2. That current shortages may be made up the following month, and if overage
occurs, which is unavoidable and lawful, than such overage should be compensated the
following month by reduced allowables. After one succeeding month, shortages will
be considered back allowable and will be permitted to be made up at a rate not
greater than 10 barrels per day. All legal and authorized back allowable to be
purchased will be published in the Monthly Proration Order. No back allowable will
be placed on the Monthly Proration Order unless request is made by producer and
proof is shown that shortage is legal and should be considered as back allowable.
There are only two logical reasons which justify back allowable, namely: Failure
of Pipe Line Company or transporter to run assigned allowable (including temperature
corrections made by such transporters and mechanical difficulties occurring during
any producing period.

3. That a current monthly proration schedule shall be issued, effective the first day of each month. Allowables for wells completed between the first and sixteenth of each month shall be included in a supplementary proration schedule to the current monthly proration schedule. This supplement shall be issued on the sixteenth of each month. Such monthly proration schedule and such supplementary proration schedule shall each constitute the certificate of the Commission authorizing thereunder;

- (a) The production of oil from the various units in accordance with such respective schedules;
- (b) The purchase of oil so produced by the purchasing companies; and
- (c) The transportation of oil so produced by the various pipe line companies, or purchasers.

4. That when and if it becomes necessary for any common purchaser to purchase crude petroleum at a ratable take (less than amount assigned on monthly proration schedule), that any common purchaser is authorized and directed to make 100 percent purchases from wells of settled production producing ten barrels or less daily of crude petroleum within its purchasing area and ordinarily served by it in lieu of ratable purchases or takings, in order to preclude premature abandonment.

PROVIDED, HOWEVER, where such purchaser's takings are curtailed below ten barrels daily per well of crude petroleum, then said purchaser is authorized and directed to purchase equally from all such wells within said area and ordinarily served by it regardless of their producing ability insofar as they are capable of producing.

5. That the method of producing (stop cooking) has been sanctioned and approved by the Commission in order to conserve reservoir energy. The purchaser or transporter of crude petroleum may run a part, or 100% of the assigned allowable for any given proration period, at any time during proration period, as oil is produced during proration period.

3. That Commission Orders No. 235 and No. 539 shall be superseded by this Order.

7. That this order shall become effective on the first day of the proration month next succeeding the month in which said order is adopted.

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

STATE OF NEW MEXICO

OIL CONSERVATION COMMISSION

THOMAS J. MABRY, CHAIRMAN

JOHN E. MILES, MEMBER

R. R. SPURRIER, SECRETARY