

MINUTES OF THE HOBBS POOL GENERAL
COMMITTEE MEETING HELD AT SANTA FE,
NEW MEXICO ON DECEMBER 10th, 1936.

MEMBERS PRESENT:

T. J. Slavik	Gulf Oil Corp.
Lloyd L. Gray	Gulf Oil Corp.
G. S. Bays	Stanolind Oil & Gas Co.
M. Albertson	Shell Petroleum Corp.
F. E. Heath	Sun Oil Company
J. P. Cusack	J. P. Cusack, Inc.
E. A. Wahlstrom	Stanolind Oil & Gas Co.
Glenn Bish	Ohio Oil Co.
H. L. Johnston	Continental Oil Co.
P. M. Colliston	Continental Oil Co.
James Murray, Sr.	A. P. Correspondent
B. A. Bowers	Walker Oil Corp.
W. E. Hubbard	Humble Oil & Refining Co.
G. L. Shoemaker	Shell Pet. Corp.
L. W. Biddick	Samedan
A. A. Kemnitz	Samedan
E. H. Wells	State Geologist
J. W. Jordan	Repollo Oil Co.
Jack H. Rankin	Repollo Oil Co.
C. B. Williams	The Texas Co.
B. D. Bodie	Empire Oil & Ref. Co.
W. E. Cunningham	Oil Well Drilling Co.
Luther A. Neal	Landreth Production Corp.
Leo A. Manning	Geo. F. Getty Oil Co.
Ernest A. Hanson	U. S. Geological Survey
Harvey Hardison	The California Co.
Lucius M. Lamar	The California Co.
R. S. Christie	Amerada Petroleum Corp.
C. N. Millikan	Amerada Petroleum Corp.
Edgar Kraus	Atlantic Refining Co.
Herman R. Crile	Oil Well Drilling Co.
F. J. Vesely	State of New Mexico
J. N. Dunlavey	Skelly Oil Co.

Mr. McCorkle asked Mr. Hubbard to preside, minutes of the last meeting read and accepted as read.

Mr. Hubbard:

You have had the expense report, that would take the place of any treasurer's report. That is the only report on finances ever had. Any reports of standing committees and special committees?

As you know, every year the Hobbs Agreement must be signed again if to remain in effect. That time is now here. I would like to throw the whole subject open to discussion. Sincerely hope we can adjust any difficulties we have. I will entertain any motions or discussions you gentlemen may desire.

Mr. McCorkle:

I want to say I have here a copy of the two plans that were circulated last year. I can give each operator a copy if they would

like to see them.

(Mr. McCorkle distributes agreements.)

Mr. Hubbard:

Anybody here who wishes to make any statement concerning either of these plans or any other plan acceptable for the coming year?

Mr. Wanlstrom:

As far as Stanolind is concerned, not necessary to say anything. We are consistent not to see potentials used in any plan in the Hobbs pool.

Mr. Hubbard:

You have any specific plan in mind?

Mr. Wanlstrom:

Not particularly no.

Mr. Hubbard:

Think it might be well for discussion on that point. Rather an important step. Have you any ideas on the subject, Mr. Gray?

Mr. Gray:

No, I haven't. Not very much to discuss until something put on the board as evidence that the plan should be changed. We have been going along five and one-half years operating on the present plan. It is rather a major step to jump from that to any other. Must have something to shoot at before I could discuss it.

Mr. Hubbard:

It might be well to make a discussion revolve around some definite point, have someone make a motion concerning the recommended plan for 1937. Then we could have general discussion.

Mr. Wanlstrom:

I make a motion the Hobbs Operators adopt an acreage plan of proration presented.

Mr. Bowers:

Second the motion.

Mr. Hubbard:

The motion is now open for discussion.

Mr. Cusack:

Put to a vote first as to sentiment.

Mr. Hubbard:

Have discussion first. After voted on, no discussion submitted.

Mr. Albertson:

I would like to ask Mr. Wahlstrom whether he would outline the reasons which indicate to him the acreage plan is more reasonable, equitable, and desirable than the present plan.

Mr. Wahlstrom:

Would request the operators here to check back into the records of hearings held before the Commission in regard to the fields. There is no mention made of potentials in any of these hearings. No company requested consideration of potentials in any form in other fields in Lea County. At the present time there are two standards of proration in the Lea County fields, Potential at Hobbs and acreage in the other pools. Operators should get a system and accept one or the other in all fields.

Mr. Bodie:

Isn't it true the other fields have more similarity between themselves they do in regard to the Hobbs Pool. Isn't it true all wells of the other fields prorated principally on well acreage basis alone, more or less have uniform potentials close together?

Mr. Wahlstrom:

I don't believe that is true.

Mr. Heath:

When we consider the question before us, we cannot afford to pass on without consideration of what was behind us in this particular field. The time we first had proration in the Hobbs field, no company or individual felt the acreage system of proration a proper system. We set up the system here, operated under it and controlled the field, which is today one of the outstanding fields as far as conservation and progress is concerned. I believe it might be quite valuable for all of us to consider that certain equities have been established under

this method, royalty owners receive royalties under this method. A great deal of questions and troubles arise from any drastic change as a complete removal of the present plan and the adoption of a new plan. Should very carefully consider any step from the present plan or any large step away from it. I feel if at this meeting, if we find we cannot agree, it would be well for us not to try to settle it here, but go at it on a proper basis and see after analysis of the matter very carefully we cannot agree on some plan.

Mr. Hubbard:

Will ask Mr. Milligan if he cares to make a statement concerning this matter.

Mr. Milligan:

The only objection in continuing the present plan in question is it is inconsistent to the rest of Lea County, but so far as I know there is no State in the country that has followed any particularly consistent rule on establishing the equalization of various pools and distribution within the various pools on one common basis, even as closely as here.

I think the fact you have an established method here, I don't see a thing wrong with the method, I think had the other pools been brought in and had to be prorated at the time of the Hobbs Pool, I think that would have been some system similar to the Hobbs Pool.

As far as the potential factor is concerned, have and still feel the potential factor comes nearer to approaching an equitable basis of proration. I have not held to the potential method in other fields of the State of New Mexico, not because I did not feel it right, but rather because of the abuses of the wells to obtain better potentials, and therefore perhaps from an equity stand, inequitable potentials. To put that potential method similar to Hobbs into effect in new pools under development would probably result in a waste which ultimately would be a greater proportion than the waste involved under a potential method, which would probably bring to ultimate recovery a better relationship between units of the fields.

Hobbs was developed in most part at a time when we either did

not know now or did not take advantage, if we did know, of means of establishing such inequitable potentials, and there are some later wells which have probably lost. But all in all not a major portion of the field by any means, and while it brings in a certain amount of inequitable proration, it is less than changing the present proration method to the same basis established in the rest of the pools in Lea County.

I think a study of the history of the pressures primarily have shown that the units of low capability produced, generally speaking, have had greater withdrawal than apportionate reserves as evidenced by the pressure.

Some two years ago, we put into Hobbs bottom hole pressure adjustment for those potentials and those pressure adjustments resulted in larger adjustments of potentials both ways, which is on the same theory in Hobbs as we had in effect in Monument field at the present time, and since we have put in that bottom hole pressure adjustment, there has been less divergents between low potential units and high potential units, as class individual. Exceptions both ways, but less divergent than those existed to the time bottom hole pressure was put into adjustment.

It may be we want to change the method of adjustment, either up or down, perhaps some other things to bring better equity, and by looking over the condition of the field as a whole, it seems to me the field is in excellent condition from a conservation standpoint, at the present time, as a result of the progress of the present proration agreement, and while we have no specific evidence as to what would happen to the condition of the pool if we make a major change in the proration agreement and allocation method, I think from the history we have had from various conditions in other fields that would be comparable to Hobbs, the evidence is in favor that we would upset the equilibrium much more in making a major change in the agreement as suggested than we would by maintaining the present allocation system.

Mr. Hubbard:

Were you through?

Mr. Milligan:

Don't know anything else to say.

Mr. Bodie:

The matter of acreage now would very likely undo what we have done during the past to establish equal bottom hole pressures.

Mr. Dewey:

I want Mr. Wahlstrom or Mr. Milligan to enlighten me whether either the operators or commission run any legal dangers on potentials due to the fact the only test case we have ever had on proration in New Mexico on the Hobbs Field, and am under the impression the case made upheld 75 potentials and 25 acreage, the case of the Stanolind in the Federal Court. Don't know what the legal implications are.

Mr. Lamar:

Don't remember that case. The only standard in the law reasonable says the tendency of any plan shall be to give each operator his proportionate total recoverable oil there. As to each of these two plans giving the operator that, I don't know.

Mr. Dewey:

That decision was before the present law was placed on the Statute book.

Mr. Wahlstrom:

That was a drainage case. The proration features not defined. The Stanolind did not get on the stand.

Mr. Lamar:

Think one possible legal feature. Prior to the time the New Mexico Commission acted on this matter under the present statute, it was purely a voluntary agreement, and by all of us signing the agreement through a course of several years, we may have assumed some legal responsibility to maintain a somewhat similar proposition in regard to the royalty owners. In other words, if we change around, some royalty owners may pop up and say what about these past years. Before it was voluntary. Don't know the law, but it strikes me there is an element of danger in that.

Mr. Hubbard:

Tell me for point of information whether two plans that aren't wholly dissimilar could both be called reasonable by the Court?

Mr. Lamar:

Yes, no question about that. The Commission can adopt one reasonable plan in Monument and another in Hobbs and still another for Jal. Things are not so completely cut and dried that you cannot do that.

Mr. Hubbard:

Possibly would apply to plans in a single pool?

Mr. Lamar:

Yes, I think so.

Mr. Hubbard:

In the case of Hobbs or Monument?

Mr. Lamar:

Yes.

Mr. Hubbard:

Any other discussion on this important question?

Mr. Bowers:

One point I want to bring out. Don't if anybody thought about it. The plan that was first used in Hobbs was conceived under the old idea or practice of Law of Capture. Had not heard anything about anything else and doubtless under that would consider the equity fair plan of arrangement in New Mexico. We have graduated from that and worked around to a ~~xx~~ view point more of an effort to locate the oil in place and there is a difference considering those plans under those two conceptions as I see it.

Mr. Hubbard:

Does that agree with your ideas, Mr. Lamar?

Mr. Lamar:

Don't know if the statement was to agree or not. There is a difference on the plan of allocation placed to two different theories. A pretty hard matter to draw the line.

Mr. Hubbard:

Any of our arbitrary features hard to draw any line.

Designation of any ideas of two plans equally successful in business. One man runs his business under one plan and runs it successfully and another man runs his business under another plan, and there is a difference of the conception of oil recovered, whether making an effort to get the oil in place or following the old practice of getting all you can.

Mr. Wanlistrom:

The old agreement based entirely on law of capture and since new law enacted recoverable oil in place have two entirely different standards of proration than in the past.

Mr. Milligan:

Don't think that follows. Don't think that evidence a change is necessary. Under the so called system of law of capture which so far has not been drilled under a uniform method protected the best we knew how. We know to establish too great potential is running hazard during completion and great expense. Running danger of bring wells too rapidly on to water or gas and other conditions familiar to all of us. Put those things into effect and we establish our allocation on basis of the capacity of the well to produce. Since then however with our conservation measures, they permit us to establish potential and when established determine the ultimate recovery from that unit by our practice even at hobbs. What is the difference what we do to bring well on to water, drilling too deep or too much acid, we still get just as much oil, does not change potential.

Material good is had to produce that well just as long as we can get oil out at the potential established at completion. It is not the fault of the potential method when applied to particularly new fields. The potential method not wrong, but the abuses of it result in excessive waste under the whole potential method. It results in waste out of proportion of inequities established by allocation basis of potential.

Hobbs was developed at the time we did not have knowledge to take advantage of those things we are so prone to do to give us that unfair advantage relative to units at the present time, so I don't see that the hobbs agreement which has been in effect and established and then the field developed under one condition, which condition of development is entirely different than that we had to go through in developing the other fields. If the same system of allocation used in the other fields as in Hobbs, certain amount in Hobbs due to recent development.

Mr. Hubbard:

Want to ask an Engineering question based strictly on waste. It is your opinion if the total outlet of the field were held down very low, it is possible that anyone of a great number of proration plans might satisfy the simple condition preventing waste?

Mr. Milligan:

Yes, with certain modifications, which are bound to come in.

Mr. Bowers:

I believe that is true. That is extremely true the rate of withdrawal is very slow if a very small percent of the field produce almost under any plan to eliminate waste. The total withdrawal of ordinary physical conditions of the field so slow and constant as not to trap oil at a later recoverable date.

Mr. Hubbard:

The reason I ask that is this. We have a great many pools in Texas where they apparently have considerable difficulty to prove underground waste in the field. In great many cases, inequities very close but at the same time they cannot prove waste.

Mr. Milligan:

Inequity in allocation but not waste. I think probably if we would go to the acreage plan, I don't know if it would create waste, but it would establish greater inequities to units than that which exists at the present time.

Mr. Hubbard:

Any other discussion? Call for a question or discussion.
Expect we have all forgotten the motion.

Mr. Williams:

One point. I agree in general with Mr. Milligan's discussion of the question that a radical change would cause some radical readjustments in the reservoir conditions and this matter of ratable takings or rate of recoverable oil in place is based on the pool being a common reservoir and our development of the Hobbs plan has heretofore been directed along that line to recover the proper amount of oil from the reservoir or the oil in place. That was the reason of course for adopting the bottom hole pressure correction to the potential factor, and as I understand it, the units in the field which would gain by changing now to the acreage plan have been penalized, as you might call it, due to that bottom hole pressure correction, and I am not sure what the bottom hole pressure map shows. I have not seen recent map, but I assume the continued drop in the bottom hole pressure wells on those units have reduced the allowables and if you increase the rate of taking from those units from that existing present plan, there would still be further and greater drop in the bottom hole pressures in those wells which would, in my opinion, tend to cause drainage to those units from higher pressure units, contrary to shooting it in our development heretofore, so that I think it would be dangerous to make a radical change unless we were very sure such a change would be directed toward equalizing or holding up bottom hole pressures in low pressure areas, rather than increasing the drop.

Another thing I think should not be lost sight of which is this. That Hobbs, as we all agree, has been operated in a very efficient manner and I think this has been due to the cooperative action of operators in that pool. It seems to me the operators in the Hobbs pool made a wholehearted effort to conserve reservoir energy for the benefit of the pool as a whole than generally applies to oil fields all over. So I believe it is highly important if possible to do so, if we reach some unanimous agreement in order to continue the good work. I would very

much dislike to see us have to go ahead under some plan where there would not be a unit agreement. I think another thing comes in along that line. The water encroachment has generally come in on the South west portion of the pool, but nevertheless due to conservation efforts, wells which first started making water are still producing oil, and as yet we have not had any portion of that field flooded out and the wells lost.

We had one well which was among the first making water in a large percentage and that well by efforts of ourselves and others restrained the water and is now producing its allowable with a very small percentage of water, which possibly may be due to a slight leak in the packer. Tested that packer several times but are not able to get complete shut off. That percentage has not increased and indicates it may be a slight leak. So I believe that any radical change in the method of proration in the handling of the pool might easily result in great danger of encroachment of the water than what we have now.

Mr. Hubbard:

Wonder if it is the opinion of this group that it would be in order to have a test vote. Have had the question very well discussed I think certainly from both sides. We quite often, as you know, have test votes. Sometimes they show an impasse reached and another motion is in order. We have a motion before the house.

Mr. Lamar:

Want to ask Mr. Williams a question. Do you think the map units which have been situated under the present plan have perhaps gained a more healthy reservoir condition that lost?

Mr. Williams:

That is my opinion. Of course we only know what has been accomplished under our present method of operating the field. In our own case, I believe there is no question that the cooperative efforts of operators to control the gas-oil ratio and control water benefited our lease. I think it must have benefited others who have had water encroachment.

Mr. Bowers:

I believe probably the greatest benefit had out of that plan is the benefits primarily accrued under the plan through this slow rate of withdrawal.

Mr. Hardison:

Has anyone said the present plan is inequitable as between units?

Mr. Hubbard:

I don't believe so.

Mr. Rankin:

We think the present plan is inequitable in resulting in withdrawals between units.

Mr. Wahlstrom:

The Stanolind believes they have not gotten their share of oil in place today.

Mr. Rankin:

Can show you proof here.

Mr. Bowers:

Want to say we have received very good and considerate treatment by the operators and have met our requirements. Have not anything to kick about, but do want to go on record saying that for the last two years, have been fully convinced that an acreage method of withdrawal is more equitable than the one in effect.

Mr. Hubbard:

Almost comes down to the question now the different members present are going to vote on this motion.

Mr. Kraus:

Not necessarily so. Take the Atlantic. Our general conviction to restrict the production of fields, the acreage plan is more equitable, cheaper to operate and supervise and will give substantial equity, but in view of the fact that the Hobbs Agreement has been in force as long as it has and it seems to be the agreement under the old plan, we would probably vote to continue the present plan.

Mr. Lamar:

Want to point out in my opinion, acreage is a very large factor in the present plan, not only 25% straight factor and is ultimately one of the two elements in the potential factor. It is stated in the formula that the adoption of a unit is a certain size. Take an average potential. In case more than one well does actually produce, the acreage is not considered, 75% factor, gives you a very large total place of acreage in the present plan.

Mr. Bowers:

Supposing a man had in East Texas a well drilled on a three acre tract, another man on a ten acre tract, and another 20 acre tract. The potential under a plan 25-75 would allow him to produce twice as much as the man on the 20 acre tract. Would you feel that an equitable justification that ratio of production.

Mr. Lamar:

Sure hate to get into East Texas. I made the assumption that ultimately applies in this situation to equal size of tracts.

Mr. Bowers:

There is a certain point where that is equitable. Potential can throw your ratio of acreage completely out of kilter.

Mr. Gray:

In the Hobbs pool, we have established two pay zones in certain areas and in some three or four and in some five actual zones, all entirely separate from each other. In general, wells around each pool produce from one or occasionally two of those pays. Certain wells have pressure of approximately one thousand pounds. Other wells, incidentally the one with one thousand pounds is producing from one pay zone. Other wells producing from more than one pay zone the bottom hole pressure is thirteen hundred and some pounds open to three of the zones. The actual flowing pressure of the well with more than one zone open exceeds shut in pressure of the single zone. Under an acreage plan, both of those wells allowed the same amount of production. I cannot see how it is possible to keep drainage from one to another in that

condition where all allowed to produce the same amount.

Mr. Hubbard:

I would like to revert back to that statement of Mr. Lamar's. It is highly important and gives me an idea. It is conceivable that where spacing restrictions such as only one well produce in forty acres, and it does because we have unit proration, it is conceivable that your 75 potential plus 25 acreage in Hobbs can be looked upon $A \times P - A$ which conceivably might have more acreage in the formula than the API formula. We have a situation in West Texas the allowable we prorate on a potential basis and have a marginal low acreage 50-50, that part gives potential approximately half the total allowable. Think that a very important point. I am not sure what I said about $A \times P - A$ is true, but it is a possibility.

Mr. Lamar:

Believe it is true.

Mr. Hubbard:

I would say so. Any more discussion? It might be well to have a vote on this motion if the group is ready for it. Don't want to cut down this discussion at all however.

Question.

Mr. Hubbard:

You have heard motion, better vote down the list.

Amerada	No.
Atlantic	No.
Continental	No.
Empire	No.
Getty	No.
Gulf	No.
Humble	No.
Landreath	No.
Magnolia	Not present
Mid-Continent	Not present
Ohio	No.

Oil Well	No.
Repollo	Yes.
Samedan	No.
Shell	Not voting
Skelly	No
Stanolind	Yes
Sun	No
California	No
Texas	No
Texas & Pacific	No.
Tide Water	Not present.
Twin-States-Sun	No.
Walker	Yes.

Mr. Hubbard:

We have three yes, one not voting, one absent.

Mr. Albertson:

Want to make an explanation. We are evenly balanced on interests concerned and we would vote anyway necessary to make an unanimous plan.

Mr. Bodie:

Take that to mean to vote with the majority?

Mr. Albertson:

No, reserving our vote for the moment.

Mr. Hubbard:

That motion has been killed, any other motions?

Mr. Williams:

How many voted no?

Mr. Hubbard:

Have not figured the percent. That will be done. Seventeen voted no. The meeting is ready for another motion and discussion. Any statement anyone wishes to make about the course of this motion?

Mr. Milligan:

May I suggest the Stanolind have made their position clear,

but the Repollo stated their position quickly. Do you care to elaborate on it?

Mr. Rankin:

The Repollo favors any plan which does away entirely with potential, and takes the acreage factor as much as it can approaching one hundred percent.

Mr. Hardison:

For what reason?

Mr. Rankin:

The inequities existing between fields. We have several wells that have daily allowable far in excess of given potential.

Mr. Gray:

That would prove the other way. I don't think that is well founded engineering practice.

Mr. Milligan:

I don't quite get that.

Mr. Gray:

There are certain wells in the field that have a daily allowable and can produce far in excess of the assigned potential due to the present plan in force. Wells have actual potential of several thousands of barrels per day.

Mr. Bowers:

On actual test can produce several barrels, and assigned much less.

Mr. Gray:

Favor the use of bottom hole pressure for potentials.

Mr. Rankin:

We favor any plan that approaches 100% straight acreage total against potentials of any kind.

Mr. Bayes:

There were seventeen operators voted for the continuation of the present plan, fourteen operators for material advantage and the other three have no material advantage.

Mr. Hubbard:

That may be quite true. It seems to me as long as this meeting was called, I believe to discuss whether or not the present plan be continued for another year, it might be well to have a motion on that particular point. It might be the voting would not quite agree with the voting on the first motion. Wonder if it would **not** be well to have that in a form of a motion.

Mr. Bowers:

I make a motion that the old plan be continued for 1937.

Mr. Hubbard:

Have a motion that the present Hobbs plan be continued for 1937 for a test vote.

Mr. Biddick:

Second the motion.

Mr. Hubbard:

A motion made and seconded that the present plan be continued.
Any discussion?

Mr. Hardison:

I believe it possible in a new plan adopted to take care of any inequities which may be caused by present method of correcting potentials by bottom hole pressure. I believe that is the only thing holding up the plan.

Mr. Hubbard:

Do you not feel it would be helpful to have this vote?

Mr. Hardison:

I do. Question

Mr. Hubbard:

Amerada	Yes
Atlantic	Yes
Continental	Yes
Empire	Yes
Getty	Yes
Gulf	Yes

Humble	Yes
Landreath	Yes
Magnolia	Do not care to vote
Mid-Continent	Not present
Ohio	Yes
Oil Well	Yes
Repollo	No
Samedan	Yes
Shell	Yes
Skelly	Yes
Stanolihd	No
Sun	Yes
California	Yes
Texas	Yes
Texas-Pacific	Yes
Tide Water	Yes. This morning would have voted for Acreage
Walker	No.

Mr. Hubbard:

This vote came out exactly the reverse order of the previous vote. We know at least how the group stands on this question. We have made some progress certainly. I think Mr. Hardison made a suggestion that possibly certain inequities of the present plan could and should be worked out by a different use of bottom hole pressure.

Mr. Hardison:

I believe the present correction adopted two or three years ago at that time we felt that sooner or later there would be some inequities show up and we figured it would probably be necessary to make some changes in those corrections.

Mr. Bowers:

Did not you make a change last year in the factor applicable to bottom hole pressures?

Mr. Rankin:

Changed from 1000 lbs. to 2/3

Mr. Milligan:

Reduced adjustment a little.

Mr. Hardison:

No doubt by changing that some equitable correction could be made in wiping potentials out entirely.

Mr. Rankin:

Regardless of how we reduce this reduction, we still have these old potentials established during the years have not declined, and seems that they should be.

Dr. Wells made a statement off the record.

Mr. Hubbard:

I wonder if there is a possibility of reconciling our differences here as there are a few voted no on the second motion. There are three nos to second motion and three yes on first motion. Would like to ask in turn those who voted no on the second motion if they feel from what they have heard this morning whether or not there is a possibility of reconciling what differences we have had this morning. The Stanolind?

Mr. McCorkle:

Mr. Wahlstrom is doing all the taling for the Stanolind so far. We have in the past as the records show, never been in favor of the present plan, although we voted for it in the spirit of harmony. I would like to hear from Mr. Wahlstrom if he has any further remarks.

Mr. Wahlstrom:

I don't believe I have anything further to say. Definitely no.

Mr. McCorkle:

He has stated already we were not in favor of the continuance of potentials in any form.

Mr. Hubbard:

Will ask Sinclair?

Mr. Rankin:

Not present.

Mr. Hubbard:

Mr. Bowers?

Mr. Bowers:

Whenever an agreement can be reached, we will not block it. Solong as there is a plan for straight acreage, expect to support it.

Mr. Hubbard:

There appears to be considerable portion of acreage in the Hobbs plan. Some opposed to the continuation of the use of potentials. Frankly, don't know what to do about it. You heard what Dr. Wells said on the question. That he will consider certainly a majority vote, but he cannot indicate what weight will be given to it. Wonder if anybody has a suggestion what to do in this emergency. It seems to me to be somewhat serious.

Mr. Milligan:

Stanolind and Repollo are the principal opposers and wonder if either one or both are willing to discuss the thing further or whether they want to sit on their present position and throw the thing before the Commission.

Mr. Hubbard:

Tried to bring that point out and it struck me they did not want potentials in the formula.

Mr. Milligan:

That may be. I may want 100% or are we willing to discuss it or sit tight on the two positions and take before the Commission. Stanolind and Repollo taking the position they do not want to discuss any further. That is one thing.

Mr. Hankin:

We are not iron bound in saying we won't consider any other plan. However I think the reason for all discrepancies and various variation are due to the establishment of these potentials. I think any in plan that acreage should be given a great deal of consideration and potential no consideration.

Mr. Hubbard:

Can I interpret your remarks to mean you do not wish to continue the discussion as to whether or not potentials remain or that

you are willing to discuss some other factor put in to take its place?

Mr. Rankin:

True.

Mr. McCorkle:

We agree with Mr. Rankin. We dislike being arbitrary or to take an arbitrary position but I feel Mr. Rankin has stated the position well.

Mr. Milligan:

Neither of you willing to discuss any agreement with anything about potentials in it?

Mr. Hubbard:

Yes. That answers your question Mr. Milligan.

Mr. Cusack:

If you eliminate potential, what other factor enters into it except acreage?

Mr. Hubbard:

Marginal factor, bottom hole pressure factor.

Mr. Cusack:

What would you apply bottom hole pressure factor in?

Mr. Hubbard:

Probably by such engineering committee.

May I understand it is the wish of this group or not for the record to go to the Commission as made or does anybody feel we should have further discussion?

Mr. Lamar:

Is the plan which has so far been proposed identical to the one of last year?

Mr. McCorkle:

That is a copy of the present plan.

Mr. Lamar:

In the main, is the plan exactly the same or any changes. Wonder if it is necessary to prepare something for the Commission or do you want last year's plan?

Mr. Hubbard: As I understand it, the exact copy of the present plan.

Mr. Milligan:

Probably some minor changes if we were to continue the plan.

Mr. Hubbard:

Seems to me we have two courses open. Go on and discuss this matter or turn over this vote and record to the Commission for their decision. Anybody any motion to make in that regard in line with statements of the Sinclair and Stanolind?

Mr. Kraus:

In view of the success in prorating Hobbs field in the past with a voluntary agreement approved by the Commission and in view of possible changes in the Administration this coming year, I move that the operators attempt first to reach an agreement that will be unanimous and present such unanimous agreement to the Commission rather than go before the Commission as a divided body.

Mr. Bowers:

Second.

Mr. Hubbard:

You have heard the motion made and seconded, any discussion?

Mr. Lamar:

What is your idea, form a group committee to try to reach some agreement or thrashing out the trouble here as we did before going before the Commission.

Mr. Hardison:

We have a definite statement that two operators would not consider anything other than straight acreage with bottom hole pressure correction.

Mr. McCorkle:

We would not consider any potential.

Mr. Hubbard:

Taken strictly on bottom hole pressure marginal allowance.

Mr. Hardison:

Marginal allowance practically the same as acreage. Seems to me that is the use of having units.

Mr. Hubbard:

That is true.

Mr. Rankin:

I think taking the factor of bottom hole pressure, if we made corrections in a small degree with bottom hole pressures, you will get the factor of ultimate recovery on time.

Mr. Hubbard:

Gentlemen, we have this motion. I don't think we have discussed everything in connection with this question. Would like to ask Repollo and Stanolind if they would object to discussing it some more. Stanolind and Repollo do not object.

Motion carried.

Mr. Hubbard:

Leaves wide open for further discussion. There are other factors that can be used.

Mr. Hardison:

Could we recess?

Mr. Lamar:

Move we recess until 2:00 o'clock.

Mr. Rankin:

Second.

Motion carried.

Meeting called to order at 2:15 P.M.

Mr. Hubbard:

I would like to say this, I believe the oil industry or any portion of the oil industry should be able to manage itself in its business if possible. Of course with that in view, we are having further session this afternoon. You recall some progress was made this morning. We found out where we stood and what the differences are. This afternoon, I do hope some real progress may be made in working out a satisfactory solution to this. May be in the form of some kind of a compromise. Don't know how it would be done. The chair is open to any suggestions anyone might offer.

Mr. Albertson:

I make a motion the chairman appoint a committee of three. This committee to canvass the situation and see whether anything can be worked out acceptable to the entire group. This committee to be chosen of the companies who neither gain nor lose with either the acreage or potential plan.

Mr. Kraus:

I think sometimes that not accurate. Wells have interest that do not appear. For example, the Atlantic has an interest in the Ohio wells.

Mr. Sanderson:

Some of us here now that were not here this morning. Would you briefly outline the results of this morning?

Mr. Hubbard:

First had motion to the effect that the Hobbs plan for 1937 should ignore potential and be based upon acreage with not the intention necessary to have acreage alone. No potential used in proration formula. After a great deal of discussion a vote was taken and there were three in favor of the motion, one not voting, seventeen opposed. When that motion was out of the way, a second motion was made to the effect that the present Hobbs Agreement or plan 2-A should be adopted for 1937 and the vote for that was the exact reverse of the first motion. Seventeen in favor, three opposed, one not voting. Also in each case, three not present. That is about the position at which we closed at noon. Would like to say Dr. Wells made a statement to the effect, off the record, that the Commission might or might not insist upon a hundred percent majority for any plan the operators offered. In other words, The Commission is not necessarily bound by law to accept any plan because it was 100 percent from the operators. We closed at noon at substantially that position. Finally a motion was passed to the effect we would continue this afternoon with more discussion with the attempt to find some way out of the dilemma. The Sinclair and Stanolind expressed themselves very clear to the effect that they would not enter into a discussion if the use of potentials in the formula was to be considered.

That is the situation we are in now.

You heard Mr. Albertson's motion, is there a second to it?

Mr. Lamar:

Second.

Mr. Hubbard:

I take that to mean that a committee of three be appointed and they will approach the Stanolind and the Sinclair in a small group and discuss the whole matter.

Mr. Albertson:

Their obligation to canvass the situation to see whether a means can be found to get a hundred percent agreement.

Mr. Hubbard:

I am sure we could get an unbiased committee and it might expedite matters. Have the committee report back here say four o'clock. Wonder if it is all right with Stanolind or Repollo to enter into a discussion?

Mr. McCorkle:

O.I. With Stanolind.

Mr. Hubbard:

Mr. McCorkle, I wonder this, if at that meeting you would be disposed to have Mr. Wahlstrom simply show what your position is in regard to your apparent losses under the present system. Not with the idea of furnishing ammunition to some other camp.

Mr. McCorkle:

I feel such information that we have all the other operators should have. They have been getting our records from the Hobbs Umpire office.

Mr. Hubbard:

I don't think the situation is entirely hopeless. If this committee were to ask specific questions, you could answer them or not as you chose and I don't see how it could not be information for that particular committee alone.

Mr. McCorkle:

I feel our position on this matter has been consistent for a number of years.

Mr. Hubbard:

True.

Mr. McCorkle:

We certainly don't like to take an arbitrary position, neither do we want to embarrass the Commission, but we have made our thoughts along this line known a number of years.

Mr. Williams:

Question.

Mr. Hubbard:

You have heard the motion made and seconded, all in favor say yes.

Mr. Sanderson:

If you vote for this motion, it does not indicate you are binding yourself to agree to the findings of the committee?

Mr. Albertson:

The Committee will report back to the general group.

Mr. Hubbard:

Seems there might be some little thing ironed out very quickly while it would take all afternoon in a group like this. All in favor say yes.

Motion carried.

Mr. Hubbard:

I expect that should close the matter for the time being. We all perhaps need to put more study on the question. Might have to have a little help in getting this committee. On this committee I would like to appoint-----

Mr. Heath:

Make a motion the chair adjourn this meeting and the committee will be notified.

Mr. Hubbard:

Meeting adjourned until 4:30 P. M.

Mr. Sanderson:

We are very seriously involved in this matter and don't know if our position is understood.

We have attempted to find what was the correct answer to this matter and it goes without saying that we are for potential and for the present basis. As I say, we have attempted to find the correct answer for this problem. In investigating, we find with this proration on one hundred percent acreage basis, which I understand is one of the plans presented this morning, provides that sixty-five percent of the wells whose allowable would be increased by this new plan, would be wells which are now producing from one zone in the field. We know we have two definite zones and perhaps three producing zones in the major part of the field.

It seems to us unfair and inequitable to arbitrarily assign the same allowable to wells producing in one zone in this field as wells producing in two or three. We find in terms of barrels increase that under the acreage plan, 88½% increase would occur to wells which are producing from the single zone.

We find that considering the bottom hole pressure that 78% of the wells in the areas which have bottom hole pressure of less than the average bottom hole pressure would be increased under the acreage plan and only 22% lose. We feel to increase these wells that now have less than average bottom hole pressure for the field would result in additional gas coming out of solution and in the end would result in waste, which would be contrary to the law and conservation.

We also feel to increase the allowable from wells that now have bottom hole pressure less than the average, would also cause drainage across boundary lines which we think also would be unfair. We think also it would increase the fingering of water which would not be to the best interests of the field.

For these reasons we feel very strongly the potential factor we now have should be continued. I make this statement so you know our position in the matter.

Mr. Hubbard:

Thank you Mr. Sanderson.

Mr. Hubbard:

Mr. Hubbard called meeting to order at 4:30.

I believe the committee is ready to report.

Mr. Kraus:

A committee consisting of myself, Mr. Albertson and Mr. Bowers met with the Stanolind and Repollo representatives, and we found no basis of agreement acceptable. No plan found at the time to be presented which would meet with the unanimous consent of all operators. The Committee therefore can report nothing but failure to bring about any compromise or modification. Can only recommend therefore, if thought advisable, that the voting and discussion of this general group be made known to the Commission. Other than that, no report.

Mr. Hubbard:

Would you make that in a form of a motion, nothing more be done by this group except report the procedure of the day to the Commission.

Mr. Kraus:

Move in view of the findings of the committee that the operators here assembled make no further attempt to present an unanimous agreement on Hobbs proration to the Oil Conservation Commission.

Mr. Bodie:

Amend that, we present as a majority agreement for the Commission the present agreement.

Mr. Kraus:

Would not be agreement, but plan approved by the majority.

Mr. Hubbard:

Mean by that, give them results of votes this morning?

Mr. Kraus:

Included that in my recommendation in the motion. The acceptance of the report by the committee would automatically cause that to be done.

Mr. Lamar:

Suggest further amendment that the chairman prepare a memorandum in writing to the Commission very briefly stating the facts mentioned here as a result of the vote.

Mr. Williams:

Make a suggestion we have copy of the minutes of the meeting today. I would suggest the minutes of the meeting today be presented to the Commission to show what has been done.

Mr. Hubbard:

Would you wish to incorporate that in this particular motion. Would you like that an amendment or a separate motion.

Mr. Williams:

Either way. Would like to have the Commission have the advantage of our discussion and that the minutes of the meeting today be given to the Commission for whatever consideration they want to give them.

Mr. Hubbard:

Wonder if that is in such form if the motion be made with amendments. Somewhat indefinite now as to form.

Mr. Kraus:

Accept amendments.

Mr. Hardison:

The minutes of today's meeting would not be very connected because the discussion has been haphazard and if presented should be proof read.

Mr. Hubbard:

We have a motion before us.

Dr. Wells:

Mr. Chairman, don't know whether I am being helpful or not. There is a hearing tomorrow before the Commission, and the Commission acts largely on the testimony presented at the regular hearing. That might be worthy of thought.

Mr. Kraus:

I would like to clear the record of all motions made and start

over again with one single motion. I move that the report of the Committee be accepted.

Mr. Bodie:

Second the motion.

Motion carried.

Mr. Lamar:

Before making motion, will say my idea to get before the Commission in as concrete form as possible the gist of what happened could be accomplished by a simple statement in writing by you stating the facts or supplemented with minutes of the meeting and in view of the difficulty of preparing the minutes, will offer my motion in this form. I move that the temporary acting chairman of this meeting be authorized to prepare a statement in writing showing the results of the votes on the two suggested plans this morning and stating that efforts were made to adjust the difficulties and these efforts were not successful and the temporary chairman present this motion to the Commission.

Mr. Bodie:

Second the motion.

Motion carried.

Mr. Hubbard:

I think that is about all.

Mr. Williams:

I appreciate Dr. Wells' statement, but I think it should be borne in mind that heretofore this has been a cooperative agreement and if we continue this cooperative agreement, it would be quite in order to present the Commission a copy of the minutes of our meeting today showing the effort which has been made as shown by the minutes to arrive at some cooperative agreement. Seems to me if the Commission given only the votes, it would not give them as broad an aspect of the thing as they would get if they get the minutes if shown the reasons taken by different companies by these votes. They could hardly analyze these votes without the discussion. Make a motion a copy of the

minutes, after being read and checked for errors, be presented as evidence at the hearing. You would have them prepared and offered into the records when prepared.

Dr. Wells:

The point I am trying to bring out, Miss Kahn mentioned it, I knew a complete draft could not be ready by tomorrow. The Commission is more or less bound by the testimony presented at the hearing and testimony where the witnesses are sworn in. Certainly the Commission will be glad to have a transcript of these minutes. Want to make a further explanation of something mentioned this morning, as far as an unanimous agreement is concerned and other possibilities along that line. The Commission could approve or adopt an agreement that was agreed upon or a plan by the Operators and take as its own, and could say the Commission could adopt as its own with or without changes where as a majority or minority in that case, their own plan. There is nothing which says they cannot adopt as their own, one presented by operators.

Mr. Williams:

What I had more or less in mind was your statement this morning that the Commission would not necessarily require an unanimous agreement.

Mr. Bodie:

Second motion.

Mr. McCorkle:

It always has been customary to furnish the Commission with copies of things.

Motion carried.

Mr. Hardison:

In Mr. Lamar's motion was it also included the presentation of the present plan?

Mr. Hubbard:

No.

Mr. Hardison:

Should it be presented as evidence tomorrow, the old plan which we recommend the renewal of.

Mr. Hubbard:

That will probably be essential.

Mr. Lamar:

First tell the Commission what happened and second tell the Commission which we as a majority would like them to do.

Mr. Hubbard:

I will take it upon myself, if you think it necessary, that a copy of the present plan will be furnished to the Commission.

Meeting adjourned.

ROSE M. KAHN
Reporter.