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SKELLY OIL COMPANY

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TULSA, OKLAHOMA

SANTA FE, N. M.

PRODUCTION DEPARTMENT
H. M. STALCUP, VICE PRESIDENT
J. S. FREEMAN, ASSISTANT

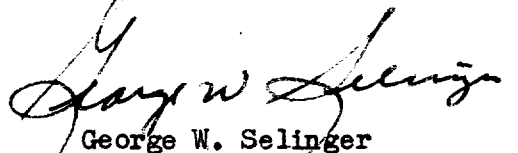
December 20, 1939

Mr. Frank Worden, Land Commissioner
Santa Fe, New Mexico

Dear Sir:

Although the time limit for the filing of statements in the Hobbs matter has probably expired by this time, I trust you will permit me to file a supplemental statement to cover a point involving packer wells, to which the Commission's attention was directed during the hearing.

Yours very truly,


George W. Selinger

GWS/mb
cc-Mr. Livingston
Mr. Dunlavey

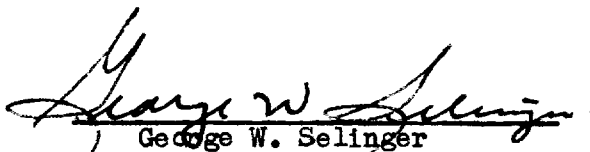
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SUPPLEMENTAL STATEMENT

SKELLY OIL COMPANY -- GEORGE F. GETTY, INC.

The hearing proved that accurate evidence such as thickness of pay, porosity and permeability to compute the oil in place is not available. Also, while bottom hole pressures give some measure of the equity of the allocation formula, still they should not be given undue weight owing to several factors since the pressures represent only the locality around the bore hole; that over seventy wells have packers set and do not produce from the zones in which they had established their potential flows, and are given artificially adjusted pressures which are not based upon the pool bottom hole pressures of their particular producing formation. Therefore, these artificial potentials should not by any means be given any additional weight in the allocation formula. The fact that the packers may have conserved gas or energy has nothing to do with a fair analysis of equity in the field. The presence of these seventy packer wells prevent any real knowledge of bottom hole pressures or valid adjustments of present potentials, so that potential cannot be given too much weight.

Respectfully submitted,


George W. Selinger



SKELLY OIL COMPANY

TULSA, OKLAHOMA

PRODUCTION DEPARTMENT
H. M. STALCUP, VICE PRESIDENT
J. S. FREEMAN, ASSISTANT

December 18, 1939

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DEC 20 8 55 AM '39

SANTA FE, N. M.

Mr. Frank Worden, Land Commissioner
Santa Fe, New Mexico

Dear Mr. Worden:

In line with the request of the Commission that producers and operators in the Hobbs pool file statements, on behalf of the Skelly Oil Company and George F. Getty, Inc. we are attaching three copies of statement which we would like to have considered part of the record.

Very truly yours,

George W. Selinger

GMS/mb

cc-Carl B. Livingston
State Capitol
Santa Fe, New Mexico
Mr. Dunlavey

STATEMENT

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DEC 20 8 55 AM '39

The Skelly Oil Company and George F. Getty, Inc. each are ^{SANTA FE, N. M.} producers in the Hobbs pool, having six units and four units respectively, and therefore have a vital interest in the proration formula in the Hobbs pool.

In the past hearings of the Hobbs pool the Commission have permitted all of the operators to express themselves to the Commission. This year, due to pressure of time, the Commission are permitting written statements for the record.

If the Commission will recall, and the record being the best evidence will show that an announcement was made requesting opening statements from those operators that were not satisfied with the present proration formula. Of the twenty-five operators in the pool only the Stanolind, Gulf, and, later during the trial, the Cities Service, companies expressed dissatisfaction with the present proration formula in the Hobbs pool. This should indicate that with representatives of all the operators being present only three companies have expressed dissatisfaction. Perhaps one or two others by their written statements may have some slight grievance against the present plan, but the point to emphasize to the Commission is the fact that by and large the vast majority of the operators seek no change and favor neither the contemplated change advocated by the Stanolind on one side, nor the Gulf-Cities Service on the other side.

✓ A great deal of technical and engineering evidence has been presented to the Commission by both companies advocating an opposite change in the present plan. We would like to point out that neither had anything to say about waste and the whole controversy narrowed down to the one proposition of equity, that is, which operator should get how much oil. Specifically the matter of drainage is one of equity as expressed above. The true test of equity, in the absence of positive individual tract ascertainment of oil in place, is whether or not any order is reasonable. What is a truer test of the reasonableness of any order of the Commission than that which meets the approval of the majority so governed. In this case the Commission may well know whether or not the present order is an equitable and reasonable one by the mere fact that on its face an overwhelming majority of the operators are satisfied with the present order.

✓ It should be, of course, quite obvious to the Commission that any change in the present plan would benefit some and injure other operators. While the Stanolind advocate a plan that would at the same time benefit them and injure the Gulf and Cities Service; and the Gulf-Cities Service plan would benefit themselves and injure the Stanolind, the changing from one position to the other would drag in other operators and injure them.

The Commission are faced with two extreme plans as compared with the present plan which is one that certainly appears a moderate one acceptable to the majority of operators over a period of months. Properties have been operated on the present plan, and operators have gone along and they certainly are entitled to have this matter settled once and for all. Operators look to the Commission for the stabilization they certainly are entitled to for the protection of operators, lessees and landowners - be they individuals, state or federal government.

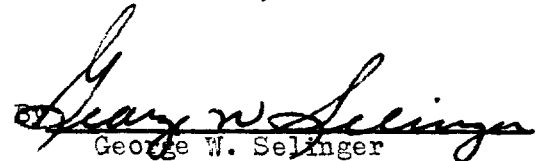
One matter over which there can be no controversy as very ably put by a witness for the Gulf, is that the Hobbs pool has been prorated and managed in a far better way than most of the oil pools in the United States. With this in mind why should the Commission change a plan that has worked so satisfactorily these many months.

In conclusion, therefore, we most sincerely urge the Commission to retain the present proration formula in the Hobbs pool because it is a practicable and reasonable proration formula.

Respectfully submitted,

SKELLY OIL COMPANY

GEORGE F. GETTY, INC.

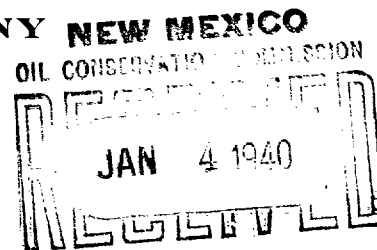

George W. Selinger

THE ATLANTIC REFINING COMPANY NEW MEXICO

PETROLEUM PRODUCTS

P. O. Box 808
Carlsbad, New Mexico

Jan. 2, 1940



DOMESTIC PRODUCING DEPT.

IN REPLY REFER TO FILE

Statement:

**The Atlantic Refining Company's
Position Concerning Hobbs Proration**

The Oil Conservation Commission
Santa Fe, New Mexico

Gentlemen:

The Atlantic holdings at Hobbs are relatively small. The acreage either held in our name or in which we have an interest not disclosed in the proration schedules is so situated on the structure and is so distributed in high and low potential areas that methods of proration or percentages assigned to different factors in the proration formula make little difference in the resulting participation by our company.

In principal, however, the Atlantic has always favored either a high percentage or 100 per cent. factor assigned to acreage in any proration formula, because such formulae then become much easier to administrate, permit more efficient completion and production methods, and save equipment and testing costs. It is our belief, also, that such proration plans result in substantial equity if ultimate yields are considered. In principal, we also believe that other things should be considered in a proration plan besides merely the purely legal or engineering phases. The cost and ease of administering any plan should be considered. The result of sudden changes on royalty holders' income and the possible political effects of such sudden changes must also be considered.

At Hobbs, specifically, we believe that substantial equity has been accomplished and is now being done under the present plan, but certain minor changes appear desirable. We believe that administration of the proration plan at Hobbs has resulted in very efficient operation for the field as a whole, that the field is not being over-produced, that the gas-oil ratios are not excessive, and that the field may be set up as a model of proper proration, conservation, and administration. We feel that at the present rates of withdrawal, which are exceedingly low, no substantial drainage is occurring from one portion of the field to any other. In the low pressure areas the permeability is so low that movement into such areas is not readily possible.

✓ The minor changes suggested would be those relating to the determination of the adjusted potential as used in the present formula. As both the Gulf

and the Stanolind admitted, the method of determining the adjusted potential for packer wells should be changed, and this feature should be retroactive to the time that packers were set in any wells. It is suggested that potentials of packer wells be declined by the average decline in potentials of the field rather than by the present method of declining them according to the average pressure decline of the field. It is also suggested that increasing potentials even though they are conceded to be merely adjusted potentials should not increase and that in the calculations of adjusted potentials no potential ever be permitted to increase; that if such increase does occur, the potential be fixed at the former figure. It is also suggested to the Commission that no special allowable be permitted to any unit in the field. Such concessions were made by the operators before proration was put entirely into the hands of the State in order to obtain unanimous approval. Under the present administration through the State no such special allowable is desirable or necessary.

This written statement is respectfully submitted to the Commission in lieu of any verbal statement at the hearing held December 6th, 7th, and 8th, 1939, in Santa Fe, and is submitted with the purpose only of acquainting the Commission with the general opinion among operators, especially those who took no definite side during the controversial hearing.

Yours very truly,

The Atlantic Refining Company
By

EK:T

Edgar Kraus

(COPY)

J. P. CUSACK
Box 208
Midland, Texas

February 10, 1940

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

Dear Governor Miles:

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

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

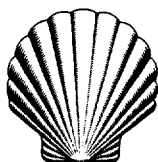
We have now before us your Case No. 19, Order No. 235, the same being with reference to oil-gas ratios which you have placed in effect as of February 1, using as a gauge the December gas-oil ratios as turned in by the operators.

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

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

Respectfully submitted,
J.P.CUSACK, INC. by J.P.Cusack, President

SHELL OIL COMPANY
INCORPORATED
FORMERLY
SHELL PETROLEUM CORPORATION

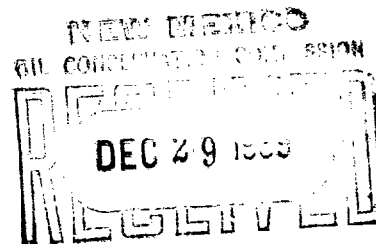


PETROLEUM BUILDING

MIDLAND, TEXAS
December 27, 1939

HEAD OFFICE
SHELL BUILDING
ST. LOUIS, MO.

CABLE ADDRESS SHELPETCO ST. LOUIS



New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Gentlemen:

At the close of the Hobbs and Monument hearings recently held in Santa Fe, you invited all interested operators who had not expressed themselves during the hearing to write you their views. Although we do not wish to become involved in the arguments of either the Stanolind or Gulf Companies, we thought we might avail ourselves of the opportunity you offered to express a belief in a principle, for whatever help our opinion may be to you in weighing the evidence presented. Since our properties at Hobbs and Monument lie in both the high and low pressure and high and low potential areas, we would neither gain nor lose if either the Stanolind or Gulf plan is adopted. Our opinion, therefore, is based on principle rather than any self interest.

For the types of fields presently producing in Lea County, we believe that giving the greatest weight to the acreage factor when allocating allowables between leases results in the most equitable division of the oil in place under each lease and the most efficient and least wasteful recovery of the oil in the reservoir. Therefore, in the present instance, if a change is made in the proration formula at Hobbs, it should increase the acreage factor above sixty percent rather than reduce it.

When emphasis is placed on the use of potentials in proration formulas, it leads to wasteful practices such as too deep penetration, excessive shooting and acidizing, high gas-oil ratios, early and rapid water encroachment and frequently to false potentials when taken by unscrupulous operators. It requires the construction of unnecessary tanks

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Proration

and in pumping fields the installation of expensive, heavy-duty equipment not required under normal production practice. For these and other practical reasons, we and most operators believe in minimizing the influence of potentials in the allocating of allowables.

Very truly yours,

SHELL OIL COMPANY, Incorporated

By: H. J. Kemler
General Manager- West Texas

HJK:br
cc: Judge J.O. Seth
Santa Fe, New Mexico