

Correspondence

Sept. 1939

OF SERVICE

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(19)

WESTERN UNION

1201

SYMBOLS

DL=Day Letter

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Received at

VE2 16 XC=HOBBS NMEX 27 758A

SEP 27 AM 6

CARL LIVINGSTON=

STATE LAND OFFICE

BE IN SANTAFE TONIGHT TO GO OVER MATTERS DISCUSSED TOMORROW

JUDGE SETH WILL BE IN TOWN=

GLENN STALEY.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

September 7, 1939

Honorable Glenn Staley
Proration Umpire
Hobbs, New Mexico

Re: Case No. 15, Committee on Rules, for the purposes of working out suggested rules to be presented to the Commission relating to:
(a) Certification of legality of production of oil; (b) back allowables.

My dear Glenn:

Pursuant to the conference held Sunday in your office with regard to the proration schedule of the Commission, herewith please find a suggested revision of the first two pages of the monthly proration schedule in the form of a preface, signed as the Oil Conservation Commission by the Secretary, the Honorable Frank Worden, setting forth the substance of orders of the Commission for bimonthly allowables and making reference to other orders which have been passed by the Commission and still other orders promulgating rules or similar rules that will be necessary to adopt, for which purpose Case 15 was initiated and the hearing thereupon recessed pending a report to the Commission by the Committee on suggested rules.

The revision of those first two pages assumes as follows: That instead of issuing a new schedule for each bimonthly period, one schedule will be issued for both bimonthly periods for the purposes of simplification, and further assumes for its legal basis the adoption by order of the Commission under Case 15 in recess of pertinent rules referred to hereinbelow. Allowables for wells completed during the second bimonthly period are included in a separate proration sheet.

Heretofore the allowable for export purposes only for the Artesia-Grayburg-Jackson-Maljammar area has been by one order for the whole month. This is really not in strict conformity with General State Proration Order No. 1, which provides:

"At the end of each half month period thereafter, the distribution in each field shall be changed in order to take into account all new wells which have been completed and were not in the schedule during the previous half month period."

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Therefore, I have suggested the breaking up of the Artesia-Grayburg-Jackson-Maljamar export order, if and when used, into bimonthly periods.

All that goes in the preface to the monthly proration schedule must have for sound legality the basis of an order legally adopted by the Commission, as, for instance, paragraph 1 on the third page of the suggested revised preface is authorized by General State Proration Order No. 1, in this:

"In these provisions, the term 'Unit' shall mean forty acres upon which there is at least one producing well, and the term 'Marginal Unit' is a Unit that will not produce the top unit allowable for the field."

Paragraph No. 2 on the third page of the suggested revised preface to the monthly proration schedule must have as a basis a rule adopted by an order of the Commission under Case 15 in recess. The recessed hearing of Case No. 15, Division (a) thereof, authorizes the adoption of the rule wherein the Commission may certify as to the authorization of production. The adoption by the Commission of the bimonthly proration schedule as the authorization of production therein shown greatly simplifies the matter and should be established by order as a rule of the Commission.

The amount of back allowables to be run during the two current bimonthly periods should be shown in a separate column in the monthly proration schedule, which likewise should be adopted as a rule of the Commission. In other words, a column is to be provided for current allowables and a separate column for back allowables for use when back allowables are permitted. That brings us down to the matter of legally authorizing back allowables in the rules which the Committee on such rules is in the process of devising as suggestions to the Commission when it resumes its hearing from the recessed hearing in Case 15, Division (b) thereof, pertaining to the adoption of rules relating to the making up of back allowables.

Inasmuch as the plan of a combined monthly proration schedule, embracing both the first and second bimonthly periods, is being worked on for purposes of simplification, obviously the allowables for those wells completed during the first bimonthly period cannot be shown in the current monthly proration schedule. As discussed with you in the recent conference at Hobbs, the allowables for such wells can be shown in a supplemental proration schedule. Therefore, paragraph 3 on the third page of the suggested revised preface to the monthly

Honorable Glenn Staley

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proration schedule becomes necessary and should be authorized by a rule adopted by order of the Commission in recessed Case No. 15.

In logical sequence, there should be a suitable preface, signed by the Commission, to accompany the supplemental proration schedule in question, a suggested form of which is also enclosed.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

CBL:ik
Encls.

September 8, 1939

Honorable J. O. Seth
Santa Fe, New Mexico

Re: Case No. 15, Committee on Rules, for the
purposes of working out suggested rules to
be presented to the Commission relating to:
(a) Certification of legality of production
of oil; (b) back allowables.

My dear Judge Seth:

Regarding rules being worked upon by the Committee on Rules in the above captioned matter, enclosed please find carbon copy of the letter of even date to Mr. Glenn Staley, Proration Umpire, at Hobbs, together with a copy of suggested revised preface to the bimonthly proration schedule. The preface presumes the adoption of certain rules by order of the Commission as a legal basis for the preface. These matters are more fully explained in the carbon copy of the letter to Mr. Staley.

It was desired by Mr. Staley to have the suggested revised preface to accompany the set of rules which he is to draft and submit to the various members of the committee for study. Fearing that some of the fundamental points might possibly be overlooked, I have therefore taken the liberty to point out some of these to Mr. Staley in the letter to him.

The preface as suggested may need further revision. Your suggestions will be infinitely valuable and profoundly appreciated.

As soon as Mr. Staley sends me a copy of his draft of the rules, they will be submitted to you for your suggestions.

Very truly yours,

OIL CONSERVATION COMMISSION

By _____
Carl B. Livingston
Attorney

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