

LEA COUNTY OPERATORS COMMITTEE

MINUTES OF A MEETING OF LEA COUNTY OPERATORS COMMITTEE HELD AT SANTA FE, NEW MEXICO MARCH 4 1940

A special meeting of the Lea County Operators Committee was convened by A. M. McCorkle, Chairman, in the La Fonda Hotel at Santa Fe, New Mexico, 2:00 p.m. March 4, 1940.

The following persons were present:

Honorable A. Andreas	State Geologist and Conservation Commissioner	
Hale B. Soyster	U.S.G.S. - Washington, D. C.	
Ernest A. Hanson	U.S.G.S. - Roswell, New Mexico	
E. C. Arnold	U.S.G.S. - Roswell, New Mexico	
Glenn Staley	Lea County Operators Committee	
R. S. Christie	Amerada Petroleum Corp	Fort Worth, Texas.
Edgar Kraus	Atlantic Refining Co.	Carlsbad, New Mexico.
Frank Gray	Anderson-Frithard Oil Corp.	Hobbs, New Mexico.
Weston Payne	Anderson-Frithard Oil Corp.	Oklahoma City, Okla.
J. S. Noland	Barnsdall Oil Company	Tulsa, Oklahoma.
M. M. Fleetwood, Jr	Barnsdall Oil Company	Tulsa, Oklahoma.
A. B. Gibson	Cities Service Oil Co	Hobbs, New Mexico.
H. B. Hurley	Continental Oil Company	Fort Worth, Texas.
H. L. Johnston	Continental Oil Company	Hobbs, New Mexico.
R. Van A. Mills	Continental Oil Company	Fort Worth, Texas.
E. W. Kimball	Continental Oil Company	Ponca City, Oklahoma.
E. P. Keeler	Continental Oil Company	Hobbs, New Mexico.
J. H. Curtis	Culbertson & Irwin	Hobbs, New Mexico.
	& R. K. Stovall	Jal. New Mexico.
R. K. Stovall	Culbertson & Irwin	Jal. New Mexico.
	& R. K. Stovall	Midland, Texas.
Wallace W. Irwin	Culbertson & Irwin, Inc.	Midland, Texas.
J. P. Cusack	J. P. Cusack, Inc. (& Noble)	Hobbs, New Mexico.
D. A. Powell	Drilling & Exploration Co	El Paso, Texas.
C. C. Cragin	El Paso Natural Gas	Artesia, New Mexico.
Bert Aston	Franklin Petroleum Corp	Artesia, New Mexico.
V. S. Welch	Flynn Welch & Yates	Odessa, Texas.
George P. Livermore	Great Western Prod., Inc.	Odessa, Texas.
R. C. DeWoody	Great Western Prod., Inc.	Tulsa, Oklahoma.
L. L. Gray	Gulf Oil Corporation	Midland, Texas.
J. W. House	Humble Oil & Refining Co.	Midland, Texas.
R. S. Dewey	Humble Oil & Refining Co.	Dallas, Texas.
J. E. Warren	Carl B. King Drilling Co.	Roswell, New Mexico.
Harry Leonard	Leonard Oil Company	Dallas, Texas.
Raymond M. Myers	Magnolia Petroleum Company	Kermit, Texas.
Ed Downing	Magnolia Petroleum Company	Hobbs, New Mexico.
Honorable Jas. M. Murray	Me-Tex Company	Hobbs, New Mexico.
T. B. Sudderth	Me-Tex Company	Fort Worth, Texas.
R. F. Windfohr	Nash & Windfohr	Houston, Texas.
J. B. Wheeler	The Ohio Oil Company	Houston, Texas.
J. J. Trommer	The Ohio Oil Company	Hobbs, New Mexico.
W. E. Trumbull	The Ohio Oil Company	Hobbs, New Mexico.
Glenn Bish	The Ohio Oil Company	Fort Worth, Texas.
Neville G. Penrose		Amarillo, Texas.
E. H. Foster	Phillips Petroleum Co.	Bartlesville, Oklahoma.
D. R. McKeithan	Phillips Petroleum Co.	Amarillo, Texas.
O. W. Daniels	Phillips Petroleum Co.	Midland, Texas.
Paul N. Colliston	Phillips Petroleum Co.	Odessa, Texas.
H. F. Chapman	Phillips Petroleum Co.	

F. M. Brigance
J. B. Kennedy
G. C. Rae
George W. Selinger
J. M. Dunlavey
M. Albertson
H. J. Kauler
R. G. Schuchle
J. B. Headley
G. H. Card
R. W. Tesch
Rex E. Rader
F. E. Heath
H. E. Cole, Jr.
A. E. Willig
A. J. Holland
C. G. Campbell
O. E. Hedrick
Howard P. Holmes
J. C. Clower

Rowan Drilling Company
Repollo Oil Company
Skelly Oil Co. (& Getty)
Skelly Oil Co. (& Getty)
Skelly Oil Co. (& Getty)
Shell Oil Co. Inc.
Shell Oil Co. Inc.
Shell Oil Co. Inc.
Southern Petroleum Expl'n
Stanolind Oil and Gas Co.
Stanolind Oil and Gas Co.
Stanolind Oil and Gas Co.
Sun Oil Company
The Texas Company
The Texas Company
The Texas Company
Texas-Pacific Oil Co.
Texas-Pacific Oil Co.
Two States Oil Company

Fort Worth, Texas
Midland, Texas.
Tulsa, Oklahoma.
Tulsa, Oklahoma.
Hobbs, New Mexico.
Houston, Texas.
Midland, Texas.
Midland, Texas.
Roswell, New Mexico
Fort Worth, Texas.
Fort Worth, Texas.
Hobbs, New Mexico.
Dallas, Texas.
Fort Worth, Texas.
Fort Worth, Texas.
Hobbs, New Mexico.
Midland, Texas.
Midland, Texas.
Dallas, Texas.
Sunice, New Mexico.

At the beginning of the meeting the Chairman announced that the Gas/Oil Ratio hearing had been recessed from March 4 until March 5 to permit the operators to review and discuss suggested rules to be submitted to the New Mexico Oil Conservation Commission for a gas/oil ratio order for the fields located in Lea County, New Mexico which had been worked up by the Engineering Advisory Committee and the Operators Sub-Advisory Committee at the different meetings these groups have held during the past two or three months.

The proposed rules were read by L. L. Gray, then typed and a copy furnished to each person present.

After considerable discussion and numerous changes, a motion was adopted by a majority of the operators present accepting the revised rules and authorizing R. S. Dewey to submit same to the New Mexico Oil Conservation Commission at hearing called for 10:00 a.m. March 5, 1940.

On motion duly made, seconded, and adopted by a majority of the operators present, the following paragraph was stricken from the original recommendations:

"In order to analyze reservoir conditions and for the purpose of setting or revising maximum permitted Gas/Oil ratio in the various pools and undesignated areas a static BFP survey shall be conducted annually in all fields possible."

and by the same motion Glenn Staley Umpire was instructed to make bottom hole pressure surveys annually or periodically, as required

The meeting was adjourned at 1:10 a.m. March 5, 1940

Copy of "PROPOSED ORDER FOR GAS/OIL RATIO" and suggested maximum gas/oil ratios for the various pools in Lea County pending completion of gas/oil ratio tests now under way, which were submitted to the Commission by R. S. Dewey at the hearing of March 5, 1940, is attached hereto.

Chairman

PROPOSED ORDER FOR GAS/OIL RATIO

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1. The gas/oil ratio of a unit regardless of the number of wells thereon, as applied in this order shall be the total output gas less the total input gas divided by the barrels of oil produced.

2. A marginal unit is one incapable of producing the acreage allowable for the pool in which the well is located.

3. The normal oil allowable of a non-marginal unit is the allowable it will receive before the gas/oil ratio adjustment is applied.

4. A standard gas/oil ratio test shall be made on each well or unit in accordance with the rules set out in Order 237 once each year. The tests shall be made not more than 60 days prior to the effective date* for the pool in which the well or unit is located, as shown in Exhibit A attached.

5. A standard gas/oil ratio test shall be made within 30 days after the completion of a new well, remedial work, work-over, clean-out, acidation, or any changes which effect subsurface producing conditions. The effective date of such tests shall be the beginning of the next succeeding 15-day proration period except that the Commission must be notified that the well or unit is ready for test at least five days before the beginning of such proration period. Tests shall not be required due to changes in choke opening or in subsurface pumping equipment unless requested by the owner or operator of the well or unit. All wells included in this section shall be retested on the next regular survey either annual or semi annual.

6. A standard gas/oil ratio test shall be made at the discretion of the Commission or its duly authorized deputy on any well or unit whenever a written request is submitted to the Commission or its duly authorized deputy by any operator in the pool in which the well or unit is located. Also, tests may be made on any wells selected by the Commission or the Proration Umpire for any reason whatsoever. The effective date of such tests shall be the same as provided in Paragraph 5 above.

7. A standard gas/oil ratio test shall be made semi annually on all wells tested in accordance to Paragraphs 4 and 5 above that had a

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gas/oil ratio in excess of 100% of the maximum gas/oil ratio in which the well is located. For wells located in the same field prior to the effective date for the term in which the well is located as shown in Exhibit A attached.

8. The gas allowance of each well shall be calculated based on the gas/oil ratio in excess of the maximum gas/oil ratio in which the well or unit is located shall be calculated as follows: provided the maximum gas/oil ratio permitted each pool and the maximum gas/oil ratio in Exhibit A attached.

9. The application of the gas/oil ratio shall be as follows:

(a) The oil allocation shall be determined to the various pools and the pools within the County in the same manner as prior to February 1, 1940.

(b) In each pool, the oil allocation shall be determined to the extent of oil allocated to marginal and non-marginal units. The oil allocation shall be determined from the balance shall be determined to the extent of oil allocated to marginal and non-marginal. The balance of oil shall be distributed actually to marginal and non-marginal units. The oil allocation shall be determined to the extent of oil allocation higher than the pool average gas/oil ratio shall be the maximum gas/oil ratio of the pool controlled by the maximum gas/oil ratio for the pool (as determined in sub-paragraph (a) of this section) divided by the gas/oil ratio of the well. The oil allocation shall be determined to the extent of oil exceeding its capacity to produce.

(c) In the pools and fields, the oil allocation shall be calculated in the normal manner according to the provisions of the Commission for that Field. Each unit having an allowable less than or less than the average unit allowable for the pool shall be allowed to produce an amount of gas equal to the product of the maximum gas/oil ratio of the pool multiplied by the average unit allowable, provided that the oil allowable of which has been realized by high gas/oil ratio shall not exceed the allowable as determined by the production formula for that particular field.

Any unit having an allowable greater than the average unit allowable for that field shall be allowed to produce only that amount of gas determined by the product of the maximum gas/oil ratio and the oil

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allowable assigned to it by the proration formula for that pool

From the pool allocation shall be deducted the amount of oil allocated to marginal and wells penalized for high gas/oil ratio. The remaining oil shall be distributed to the remaining unpenalized wells in accordance with the pool proration plan.

10. Legal overage and shortage shall be handled as in the past. That is, the adjusted oil allowable shall be the current oil allowable plus approved shortage or the current allowable less the overage, whichever applies in the particular case.

11. In order to encourage repressuring or the maintenance of reservoir pressure, the volume of gas injected into the reservoir may be deducted from the output gas in determining the net gas/oil ratio. The exact manner of applying this section shall be determined after a public hearing before the Commission.

12. When remedial work has been completed on a unit back allowable will be granted from the date of starting such work for a period not exceeding 60 days calculated on the basis of the standard gas/oil ratio test made subsequent to remedial work.

13. In any reservoir within a pool in Lea County in this State the content of which is designated by the Commission as predominantly gas, the wells producing therefrom shall not be subject to the gas/oil ratio adjustment provided for herein for oil wells; provided that no such well or unit shall be permitted to produce more oil than the normal allowable of a unit in Lea County.

14. Units producing gas only from a reservoir not designated as a gas reservoir, as provided in Section 13 above, shall be allowed to produce only as much gas as would result in a reservoir voidage on a volumetric basis equal to that voided by an oil well producing with a maximum gas/oil ratio permitted for that reservoir.

15. Marginal units produced primarily for gas sale in a reservoir, as described in Section 14 above, shall be permitted to produce a volume not to exceed that permitted in Section 14 above.

16. Wells in newly discovered or undesignated pools shall be allowed to produce with a limiting gas/oil ratio of 2,000 cubic feet per barrel for purposes of allocation until a hearing shall have been called and testimony presented upon which a ratio can be set. Such hearing shall be called and rules

issued within six months after the completion of the discovery well or upon the completion of ten producing wells in the new pool, whichever occurs first.

17. For the purpose of establishing limiting gas/oil ratios the pool designation and boundaries now used by the Commission and Proration Office shall be continued, except: That a new pool area, ARROWHEAD, is designated comprising parts of the former Eunice, South Eunice and Penrose Pools and described as follows: E/2 Sec. 34; all Sec. 35 and 36, T. 21S., R. 36 E.; also E/2 Sec. 3 and 14 and all Sec. 1, 2, 11, 12, 13 and 24, T. 22 S., R. 36 E.; and NW/4 S/2 Section 7, W/2 Sec. 17 and 20; all Secs. 18 and 19, T. 22 S., R. 37 E., and that a SOUTH PENROSE and NORTH PENROSE pool be formed by dividing the present Penrose Pool, the limits of each being described as follows: NORTH PENROSE All Sec. 1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 15 and 16 and NE/4 Sec. 7; also E/2 Sec. 17, T. 22 S., R. 37 E. SOUTH PENROSE All Sec. 21, 22, 23, 24, 25, 26, 27, 28, 29 and 30 and E/2 Sec. 20, T. 22 S., R. 37 E., all in Lea County, New Mexico.

18. The gas/oil ratio adjustment shall be based on the last standard gas/oil ratio test of the unit except that wells now producing shall be penalized on the basis of the gas/oil ratio listed on notarized Form C-104A until standard gas/oil ratio survey becomes effective for the pool as shown in Exhibit A, attached.

19. In any case where it appears that serious inequities as to property rights, or irreparable damage to a well or wells may be caused by the application of the gas/oil ratio adjustments above defined, the Commission shall postpone application of such penalties upon proper application for a hearing from the party or parties who may be injured, until such time as a hearing has been held and a decision reached. The decision of the Commission as a result of such hearing shall be retroactive to the date at which the gas/oil ratio adjustment became effective as to other wells in the field.

20. The above suggested rules and regulations shall, upon presentation of appropriate evidence, before this Commission in hearings called at the request of any operator and in accordance with the provisions of Section 5, Chapter 72 of the Session Laws of 1935, be subject to such exception and modification in particular cases as the Commission may deem advisable or necessary to prevent waste or confiscation of property.

*Effective date as referred to herein shall mean the date the standard gas/oil ratio tests shall be used in the various pools to adjust the oil allowable for gas/oil ratio as listed in Exhibit A.

EXHIBIT A

	Maximum Gas-Oil Ratio	Effective Date	
		Annual Survey	Semi-Annual Survey
Arrowhead	5 000	June 1	Dec 1
Cooper	10 000	July 1	Jan 1
Corbin		Aug 1	Feb 1
Eaves	7 000	Aug 1	Feb 1
Eunice	7 000	May 1	Nov 1
Half Way		Aug 1	Feb 1
Hardy	5 000	June 1	Dec 1
Hobbs	4 000	July 1	Jan 1
Jal	10 000	July 1	Jan 1
Langlie	7 000	July 1	Jan 1
Lynch		Aug 1	Feb 1
North Lynch		Aug 1	Feb 1
Lynn	5 000	July 1	Jan 1
Mattix	7 000	June 1	Dec 1
Monument	5 000	Apr 1	Oct 1
No. Penrose	7 000	June 1	Dec 1
So. Penrose	7 000	June 1	Dec 1
Rhodes		July 1	Jan 1
Skaggs	5 000	June 1	Dec 1
Skelly	7 000	June 1	Dec 1
So. Eunice	7 000	May 1	Nov 1
West Eunice		May 1	Nov 1
So. Lovington	2 000	Aug 1	Feb 1
Vacuum	2 000	Aug 1	Feb 1
Artesia		Sept 1	Mar 1
Grayburg Jackson		Sept 1	Mar 1
Leonard		Sept 1	Mar 1
Loco Hills		Sept 1	Mar 1
Maljamar		Sept 1	Mar 1
Red Lake		Sept 1	Mar 1
Robinson		Sept 1	Mar 1
Shugart		Sept 1	Mar 1
Barker		Sept 1	Mar 1
Getty		Sept 1	Mar 1
Non-designated wells or pools	2 000	Sept 1	Mar 1

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6. A standard gas-oil ratio test shall be made at the discretion of the Commission or its duly authorized deputy on any well or unit whenever a written request is submitted to the Commission or its duly authorized deputy by any operator in the pool in which the well or unit is located. Also, tests may be made on any wells selected by the Commission or the Proration Umpire for any reason whatsoever. The effective date of such tests shall be the same as provided in paragraph 5 above.