

BROOKHAVEN OIL COMPANY

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June 15, 1954.

Charles Spurrer

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New Mexico Oil Conservation Commission
State Capitol
Santa Fe, New Mexico

Att: Mr. R. R. Spurrer, Secretary

Dear Sirs:

Enclosed herewith is Summary Statement made by the undersigned as President of Brookhaven Oil Company and Dacresa Corporation relative to Case No. 330 (Consolidated with Case 330-A). We request that this Summary Statement be included in the testimony of this case scheduled for hearing before your Commission June 21, 1954.

Very truly yours,

BROOKHAVEN OIL COMPANY
DACRESA CORPORATION

Thos B Scott Jr
Thos. B. Scott, Jr.
President

TBS:ms

Enc. - Summary Statement

CC: Gov. Edwin L. Mechem, Chairman
Mr. E. S. Walker, Member

SUMMARY STATEMENT TO NEW MEXICO OIL AND GAS CONSERVATION COMMISSION
BY THOS. B. SCOTT, JR., PRESIDENT
OF BROOKHAVEN OIL COMPANY AND DAGRESA CORPORATION
JUNE 21, 1954.

IN CASE NO. 330 (CONSOLIDATED WITH CASE 330-a) - CONCERNING GAS POOL
DELINEATION AND DEFINITION, GAS PRORATION, GAS WELL
SPACING, GAS PRORATION UNITS, AND RELATED MATTERS
FOR THE BLANCO MESAVERDE GAS POOL.

QUALIFICATIONS

The undersigned, Thos. B. Scott, Jr., has testified before and made statements previously to the Oil and Gas Conservation Commission. The undersigned is a graduate of Harvard College, Class of 1918, with concentration in mathematics and studies in engineering and geology. The undersigned has been in the oil and gas producing and pipeline business continuously since 1919, both in the field and in executive positions; i.e. two years with the Empire Gas & Fuel Co. in Oklahoma and Kansas, seventeen years with the Standard Oil Company (New Jersey) and its subsidiaries in Oklahoma, Kansas, Argentina, Bolivia, and executive offices in New York, and thereafter to the present (15 years) as head or manager of independent oil and gas producing companies and operations.

STATEMENT

1. PREMISES OF CONSERVATION AND PROHIBITION OF WASTE

- a. The law of capture prevails despite the requirements of proration and ratable take laws.
- b. Ratable take, proration, and conservation laws came into being primarily because of surplus available recoverable production, and thus the necessity to stabilize the market by curtailing production to market demand, to avoid surface waste and at the same time to protect correlative rights.
- c. Proration must be based on recoverable oil or gas and not on the theoretical content of the formation.
- d. The effective methods to prorate oil are different than the effective methods to prorate gas because of the differences between the two products.
- e. A primary requirement of ratable take or proration is that there must be uniform spacing of wells so that the drainage area will have the same cubic measure. In the event that this is impractical (which is not so in this case), production must be proportionate to the varying size of the drainage area. For instance, the New Mexico Oil and Gas Conservation Commission has ordered 320 acre spacing in this common source of supply, and if some wells are drilled and produced on 160 acre spacing, these latter wells should be produced one-half of the allowable formula for those wells drilled and produced on 320 acre spacing. In this case there should be no compensation for wells drilled on larger spacing than 320 acres.

f. Correlative rights must be protected.

2. The undersigned advocates for the Blanco Mesaverde Pool a proration order based on a formula of deliverability similar or along the lines of the Basic Proration Order for the Hugoton Gas Field, issued by the State Corporation Commission of the State of Kansas (Docket No. C-144) and to all intents and purposes, approved by the Railroad Commission of Texas and the Corporation Commission of the State of Oklahoma in the same field.

In the recent discussions had by the San Juan Basin Operators and Engineering Committee, there seems to be some consensus of opinion whereby the formula based on the following would be agreeable to the vast majority of the operators.

- a. Maximum production of any well to be 25% of its open flow.
- b. Minimum production of any well, if it is able to deliver, 250 MCF per day times "acreage" (see "d" below).
- c. 25% of the outlet will be allocated on an acreage basis, that is, if the total outlet is 400,000 MCF per day, 100,000 MCF per day will be divided by the number of wells producing and connected to the pipe line, each well on a 320 acre unit.
- d. After deducting from the total outlet the acreage factor (c) and any surplus outlet allowed for minimum wells above the acreage factor, the balance of the outlet (75% of the total) will be based on deliverability times "acreage". Here the word "acreage" is meant as a normal factor of one, in other words, if the spacing is 320 acres, you divide the actual acreage of each well by 320 acres.

The undersigned, as a compromise, is willing to approve such a proration formula of 75% deliverability times acreage plus 25% acreage if such is advocated by the New Mexico Oil and Gas Conservation Commission and the majority of the operators.

The undersigned has computed the allocation of the actual production to different potential wells for the months of December 1953, January 1954 and February 1954 if the above compromised formula were in effect. The results of this computation seem to show the following:

- a. A stipulation whereby no well could produce more than 25% of its open flow will have little effect on very few wells. Whatever effect there is will be pertinent to about as many small wells as large wells.
- b. Relative to the minimum allowable of 250 MCF times acreage per well, this stipulation will probably double the actual outlet of these minimum wells, approximately three-fourths of the minimum being allocated to the acreage factor, and approximately one-fourth to the deliverability factor.

3. OWNERSHIP OIL AND GAS PROPERTIES

The undersigned have an interest in 195 producing wells in the San Juan Basin of New Mexico (San Juan and Rio Arriba Counties), of which 37 are producing from the Mesaverde formation. On the undersigned's properties are 17 drilling wells, of which 12 are drilling to the Mesaverde formation. As to lease, royalty and overriding royalty acreage, the undersigned have 5,696 net lease acres, of which 1,580 are producing, and 10,288 net royalty and overriding royalty acres, of which 2,680 are producing.

4. We submit no engineering data because we feel that many companies will submit more than enough fundamental information on which the Commission can rely.

BROOKHAVEN OIL COMPANY
DAGRESA CORPORATION



President

6/21/54.