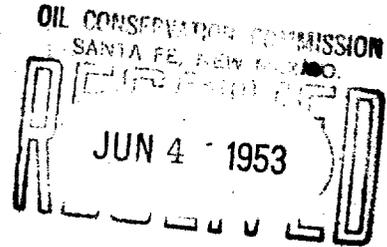


BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO



CASE 532: Application of Commission on its own motion for order revising Rule 502 of the Commission's Rules and Regulations pertaining to the rate of producing wells and establishment of a daily and monthly tolerance.

TRANSCRIPT OF HEARING

May 19, 1953

Date

BEFORE: Honorable Ed. L. Mechem, Governor
Honorable E. S. Walker, Land Commissioner
Honorable R. R. Spurrier, Director, OCC

STATE OF NEW MEXICO)

ss

COUNTY OF BERNALILLO)

I HEREBY CERTIFY That the within transcript of proceedings before the Oil Conservation Commission is a true record of the same to the best of my knowledge, skill, and ability.

DONE at Albuquerque, N. M., this 2nd day of
June 1953.

A handwritten signature in cursive script that reads "E. E. Gresson".

E. E. Gresson
Notary - Reporter

My Comm. Ex:
August 4, 1956

COMMISSIONER SPURRIER: The next case on the docket is Case 532.

(Mr. Graham reads the call of the case.)

MR. MACEY: Mr. Spurrier, before there is any comment on the proposed revision, which I think everyone has a copy of, I would like to read a letter into the record which Mr. Porter, our proration manager, has addressed to the Commission. And I think it quickly sums up what the Commission's staff position is in this matter:

"I have the following suggestions to make concerning the proposed revision of Rule 502:

"In paragraph I, I believe it would be desirable to leave the daily tolerance as it now at 125% of top unit allowable for the pool in which the well is located, or 10 barrels whichever is greater. Instead of limiting the tolerance to 125% of the daily allowable assigned the unit, or 10 barrels above the daily unit allowable whichever is greater. In Committee Meetings leading up to the formulation of this rule there was considerable discussion of this point and it was brought to our attention that many stripper wells are produced only two or three times a week for maximum efficiency in production. Thus, a well with an allowable of 8 barrels might produce 16 barrels every second day.

"I would also add the following paragraph:

"V. All producers and transporters shall be required to maintain legal storage records in such form as may be prescribed by the Commission.

"With the adoption of Commission Order R-98,A which became effective July 1, 1952 it was assumed that all producers would set up legal storage records. A starting point for such records was established by the Commission's Memorandum of July 23, 1952 declaring oil in storage as reported by operator's monthly report (Form C-115) at 7:00 A.M., July 1, 1952 to be legal unrun allowable oil. That such records are not being maintained by many producers, however, is evidenced by the fact that a considerable number of leases were shown to be over-produced as of March 31, 1953, by amounts ranging from a few barrels in excess of the monthly tolerance on some leases to several times the monthly tolerance on others.

"This condition, I think, indicates either misunderstanding or disregard of two key points in our present rules, (1) No provision is made for the making up of under-production, except that production may be balanced from day to day during the current month, and (2) any over-production including the allowed monthly tolerance must be compensated for during the following month.

"A great deal of the above mentioned over-production represents consistent over-production of top allowable wells, but some of it is merely the result of the producer's failure to nominate marginal wells for as much allowable as they are capable of producing.

"Realizing that our records are subject to error, we would welcome a periodic check up by any producer or transporter. Among other advantages, I can think of no better way to get a free audit of our books.

"Yours very truly, Oil Conservation Commission,
A. L. Porter, Jr., Proration Manager."

MR. SHAVER: Mr. Chairman, Charlie Shaver, representing the Humble Oil & Refining Company.

I would like to make a statement in support of this proposed revision of Rule 502.

As I understand the revision, it really makes one material change in the present rules as they are now written. And that is to spell out what is a common practice in the industry and has been a common practice in the industry for the past several years. That practice is that if an operator produces in excess of a monthly allowable assigned to a unit from causes beyond its control, he can cut back the next month and take care of the excess by under-production.

Now, I understand, subject to correction, that the

books of the Commission are kept so as to permit over-production in one month and then make up for this over-production by an under-production in the following month. Now, this rule just actually fits what is actually done today and spelled it out in written form, which we think is very desirable.

The rule also has all the safeguards necessary to prevent the running of hot oil, as you will see there in "IV. GENERAL."

And the only thing in it that I see that might be considered unusual is the fifteen day requirement to report excess production. This seems to me to be an appropriate safeguard against an operator taking advantage of the latitude permitted now under the present practice of making up over-production by under-production in a designated period of time.

And we favor the adoption of the proposed revision of Rule 502, and respectfully urge adoption by the Commission.

COMMISSIONER SPURRIER: Anyone else?

MR. HILL: R. G. Hill, for Stanolind.

I recall we didn't see a copy of the proposed revision until last night, and in order to give our organization, both producing department and pipe line department, time to review it, since it does represent a considerable

change, I would like to recommend the Commission continue this hearing until the June 16th hearing.

COMMISSIONER SPURRIER: Anyone else?

MR. TRIMBLE: George Trimble for Samadan.

I would like to concur in the statement as just made by Mr. Hill.

MR. LYONS: B. T. Lyons with Continental Oil Company.

We concur with Stanolind and Samadan and feel in order for our operators to have a chance to look this thing over, it would be better to continue the matter until June the 16th.

COMMISSIONER SPURRIER: Mr. Holloway.

MR. HOLLOWAY: J. R. Holloway of Tidewater Oil Associated.

Tidewater would like to concur with the recommendation made by Humble, and would like to have the record so show, because we have no one here on the engineering of it.

MR. WILSON: Wilson Oil Company concurs also.

COMMISSIONER SPURRIER: Mr. Foster.

MR. FOSTER: Mr. Chairman, E. H. Foster, representing Phillips Petroleum Company.

We concur with the Humble recommendation.

MR. WALKER: Don Walker with Gulf Oil Corporation.

I would like to concur with Humble's recommendation.

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MR. CHRISTIE: R. S. Christie with Amerada.

We would also like to concur with Humble's recommendation.

COMMISSIONER SPURRIER: Anyone else?

(Off the record.)

COMMISSIONER SPURRIER: Mr. Hall.

MR. HALL: I would like to concur with Stanolind.

MR. MACEY: I would like to introduce the proposed revision, together with Mr. Porter's letter, and a copy of a form which the Commission uses at the present time in keeping its books balanced.

COMMISSIONER SPURRIER: Is there objection to the introduction of these exhibits? If not, they will be received and the case will be continued to June the 16th.

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