CASE 590

STATEMENT OF SHELL OIL COMPANY
IN REGARD TO PROPOSED GAS RULES
FOR BYERS-QUEEN FIELD
SEPTEMBER 17, 1953

Shell Oil Company is in general accord with the gas rules as proposed, except for one feature thereof.

We wish to direct attention to Rule 5, Proration Units, in connection with Rule 8 under Gas Allocation.

Rule 5 establishes a standard gas proration unit of 158 to 162 contiguous surface acres.

Rule 8 provides, however, that more than one standard proration unit may be assigned to a gas well provided not more than 640 acres are so assigned, and provided the other requirements of the Section are met.

As written, the rule would apparently leave to the discretion of the operator whether such additional acreage should be assigned to a well. Also, as written, there is no requirement that the well to which additional acreage is assigned should be shown to be capable of draining such additional acreage.

We feel that this rule could result in grave inequities. An operator with a single 160-acre tract could be offset or surrounded by one or more single ownership units of 640 acres. Such operator would have a single unit allowable. The offset operators, on the other hand, could each assign four standard units to their wells, and could each obtain a proportionably increased allowable, and could do this even without a showing that their wells would drain the acreage assigned to such wells.

It is our thought that it would be better to stay with a standard size unit for allowable purposes, unless, after a hearing, the Commission permits the assigning of additional acreage and allowable because of the circumstances existing in the particular case. We realize that there may be conditions under which additional acreage should be assigned to a well or wells, but feel that it should be permitted only after hearing, and not solely at the discretion of an operator. As to the size of the standard unit in this field, in view of the fact that the field has been developed to date on 160 spacing, we feel that 160 acres should constitute the standard unit therein.