

Case No.

6

Application, Transcript,
Small Exhibits, Etc.

*For filing
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where it is filed.)*

THIS MEMORANDUM OF AGREEMENT made and entered into as of the 1st day of January, 1936, by and between the undersigned owners and operators of oil and gas leases in what is known as the Hobbs Oil Pool or Field in Lea County, New Mexico, covering lands in Townships 18 and 19 South, Ranges 37 and 38 East, joined herein by the Commissioner of Public Lands of the State of New Mexico, representing the mineral interests of said State in the lands belonging to the State and affected by this agreement, all of the parties herein acting pursuant to the provisions of Section 12 of Chapter 72 of the laws of New Mexico enacted at the 1935 Regular Session of the Legislature of the State of New Mexico.

WITNESSETH THAT WHEREAS the State of New Mexico is the owner of certain of the lands embraced in the said Hobbs Pool and the other parties hereto are the owners respectively of producing oil and gas leases and/or oil and gas leases upon lands located in the present and probable oil and gas producing area in said field, and said field contains a large potential oil and gas producing area now capable of producing large quantities of oil, and the parties hereto recognize that the daily quantity of oil that can be produced from said field for a considerable period of time will be largely in excess of the amount that can be marketed and transported through the available transportation and marketing facilities from said field. It is the consensus of opinion of all parties hereto that a program of unrestrained drilling and production would result in a serious waste of gas above ground and a waste of both oil and gas underground and that an extensive storage program would be necessitated resulting in large loss to the operators and others interested, including the State of New Mexico. It is, therefore, believed to be in the interest of all parties hereto and of all royalty owners in the land involved, and in the interest of the furtherance of conservation and the prevention of waste of oil and gas that the equitable outlet of oil from said field to market be prorated on a fair and equitable basis as herein after outlined among the several parties hereto owning and operating oil and gas leases in the said pool.

~~IT IS HEREBY CERTIFIED THAT~~

3 For convenience and brevity the full names of the parties are not set out.

(a) As far as possible, the field shall be divided into forty (40) acre tracts in the form of a square, constituting regular subdivisions of sections according to the Government surveys. Each such tract shall be considered a unit for the purposes of proration hereunder. If it should develop that there are tracts of land owned by individual operators or lease holders constituting less than a unit as above defined or in such form as not to constitute a unit as above defined, then the ~~General Committee~~ ^{Commission} ~~hereinafter constituted is hereby authorized to~~ ^{shall} create and outline fractional units or units of a form other than a square, and ~~the action of the General Committee in so constituting units or fractional~~

(b) The daily potential production of a well is the quantity of oil said well is capable of producing, as hereinafter determined, during a period of twenty-four (24) hours if pumped or if operated naturally under usual methods. OK

(c) The average daily potential production of any unit or fractional unit shall mean the average daily potential production of all wells thereon obtained by dividing the aggregate daily potential production of all wells on such unit or fractional unit by the number of wells thereon. The average daily potential production of the field shall be the sum of the average daily potential production of all units and fractional units in the field. OK

(d) The daily allowable runs to common carrier pipe lines or other market facilities for any party hereto during any proration period as herein provided shall be the amount such party is entitled to run daily from all units and fractional units owned by such party in the field during a given proration period. OK

(e) Beginning at seven (7) a.m. o'clock on the first day and ending at seven (7) a.m. o'clock on the sixteenth (16th) day of each month, and beginning at seven (7) a.m. o'clock on the sixteenth (16th) day and ending at seven (7) a.m. o'clock on the first (1st) day of each following month shall be taken as the proration period; ~~provided that the General Committee hereinafter constituted is hereby authorized to constitute each calendar month the proration period.~~ 8/1

2. The parties hereto name and constitute the following as a committee to be known as the General Committee, whose duty it shall be to carry out the details of the proration program herein agreed upon and the other provisions hereof:

REPRESENTATIVEOPERATOR

H. E. Marsh	Alameda Petroleum Corporation
E. H. Blum	Atlantic Oil Producing Company
H. B. Simcox	Continental Oil Company
M. R. Shaffer	Empire Gas & Fuel Company
L. R. Manning	Getty Oil Company
S. G. Sanderson	Gypsy Oil Company
J. R. Suman	Humble Oil & Refining Company
E. A. Landreth	Landreth Production Corporation
C. L. Gladden	Magnolia Petroleum Company
G. O. Moody	Mid-Continent Petroleum Corporation
Glenn Bish	Ohio Oil Company
Earl Cunningham	Oil Well Drilling Company
Glen Harroun	Repollo Oil Company
Lloyd Noble	Samedan Oil Corporation
D. B. Collins	Shell Petroleum Corporation
J. N. Dunlavey	Skelly Oil Company
A. M. McCorkle	Stanolind Oil and Gas Company
C. E. Yeager	Texas Pacific Coal & Oil Company
H. J. Hawley	The California Company
C. B. Williams	The Texas Company
T. A. Hall	Tide Water Oil Company
T. J. Sweeney	Twin States Oil Company
Harry W. Walker	Walker Oil Corporation

It is understood and agreed that any party hereto may substitute for the representative of such party above named some other representative, by notifying all the other parties hereto in writing. This Committee shall have the powers and functions hereinafter set forth. Said Committee shall select its own Chairman.

3. An Executive Committee is hereby constituted, composed of C. B. Williams, J. N. Dunlavey, D. B. Collins, E. A. Landreth, H. E. Marsh, A. M. McCorkle, J. R. Suman, S. G. Sanderson, and Harry W. Walker, and the Commissioner of Public Lands and the State Geologist of New Mexico, whose chairman shall be the chairman of the General Committee, which Committee, subject to the control of the General Committee above named, shall be charged with the responsibility of carrying out the details

of the ~~proration program~~ herein agreed upon and shall have the duties hereinafter named. Vacancies in said Committee shall be filled by election by the General Committee. Any party hereto may appeal from any action or decision taken by the Executive Committee hereunder to the General Committee.

4. (a) ~~The parties hereto agree to prorate the allowable outlet for oil from said field upon the following basis: The Commission, as provided for in Paragraph~~
The Commission
~~It~~, shall determine the average daily potential production of the field and of each producing unit and fractional unit therein on the basis of gauges or other tests as hereinafter provided, and under the direction and control of the Executive Committee at such times as may be decided upon by said Executive Committee. The Executive Committee shall also ascertain from time to time the allowable outlet and/or fair proportion of the state allowable to be allocated to this field, and shall recommend such fair proportion to the State Oil Conservation Commission for its adoption.

ALLOCATION OF ALLOWABLE OUTLET

(b) ~~Except in case of water units as hereinafter defined, the field allow-~~
Sixty per cent
able shall be allocated among the various units on the following basis: ~~one-fourth~~
(2/4) of the daily allowable outlet from the field shall be prorated among the several producing units and fractional units without reference to the producing ability thereof, each fractional unit participating to the extent of its prorata part of a full unit. ~~The other three-fourths (3/4)~~ *Fifty per cent* of the daily allowable outlet shall be prorated to each producing unit in the ratio that the average daily potential production of each unit bears to the average daily potential production of the field; each producing fractional unit shall be entitled to the part it would get as a full unit on the above basis multiplied by the fraction obtained by using the number of acres therein as a numerator and the figure forty "40" as a denominator. ~~In the event special circumstances should arise under which the division of allowable outlet as herein provided should work an undue hardship upon the owner of any unit or fractional unit, the Executive Committee is authorized to make special adjustments after hearing upon notice to all parties concerned; and, subject to the right of appeal to the General Committee, such adjustments when made shall be final and binding upon all parties hereto.~~

5. ~~Water Units~~

~~Beginning January 1, 1933 and continuing of any other proration period there-~~

after, any unit (herein styled "Water Unit") which during any preceding thirty (30) day period has produced a gross quantity of fluid, containing at least 2% water shall at the election of the operator in the manner hereinafter provided, be entitled to receive an allocation of the daily allowable outlet, based either on an allowance of 25% for acreage and 75% for average unit potential or 40% for acreage and 60% for average unit potential. Any operator controlling such water unit desiring to change the method of allocation shall deliver to the Umpire on or before the 10th day of any calendar month a written request for a change in allocation, which request shall also contain necessary data to qualify such unit as a "Water Unit" as hereinabove defined.

The allocation to each unit in the Hobbs Pool shall first be computed exactly as prescribed in Paragraph 4 (b) of this Agreement, viz., using 25% as the acreage factor and 75% as the potential factor. A second computation shall next be made in like manner using 40% as the acreage factor and 60% as the potential factor. The Umpire shall then assign to each water unit the larger of the two allowables thus computed for each such water unit. The total of all allowables for water units thus computed shall be deducted from the daily allowable outlet, and the remaining daily allowable outlet shall be allocated to the non-water units exactly as prescribed in said paragraph 4 (b) of this Agreement, using 25% as the acreage factor and 75% as the potential factor. To illustrate: Assume 200 units in the Hobbs Pool of which 40 units are water units; assume a daily allowable outlet of 30,000 barrels; and assume 6,000 barrels have been allocated to the water units. Twenty-five percent of this 24,000 barrels, or 6,000 barrels, shall be allocated ratably to each of the 160 non-water units, which would give an "acreage allowance" of 37.5 barrels to each non-water unit. The remaining 18,000 barrels shall be allocated to the several non-water units in the ratio that the average daily potential production of the several non-water units bears to total average daily potential production of the 160 non-water units.

>5. UNITS NOT CAPABLE OF PRODUCING ALLOWABLE:

If any unit cannot produce the amount allocated to it, the excess of the allowable over the producing capacity of the unit shall be distributed to the remaining units by first deducting the daily production of such units from the daily field allowable and then by dividing the number of such units from the total number of units in the field, then allocating the remaining field allowable to the remaining units as hereinabove provided.

For 1944 the keeping unit is 1000 units

7. METHOD OF DETERMINING POTENTIALS:

In lieu of open flow or tubing potential tests the operators agree to adjust potentials and thereby withdrawals in such manner as to approach a uniform bottom hole pressure for all wells in the pool.

Adjusted potentials on all wells, excepting packer wells as hereinafter defined and provided for, heretofore completed shall be determined at six month intervals as follows:

The operators have heretofore unanimously adopted and approved a method of declining potentials known as Plan 2A. This method is hereby approved, re-adopted and is applied as follows:

Beginning December 1, 1935, the potential of each well shall be readjusted every six months thereafter using the average bottom hole pressure of all wells at the beginning of said six months period as a denominator and the new bottom hole pressure of each well as a numerator, both readings being reduced by two-thirds ($2/3$) the average field pressure, and the quotient multiplied by the potential of said well at the beginning of said six months period shall be the adjusted potential of said well to be effective for the succeeding six months' period; provided that the average bottom hole pressure of the field shall be assigned to each packer well and its new potential arrived at as provided for herein for non-packer wells.

The Umpire shall each six months determine the bottom hole pressure of each well in the field, provided that for each well in which the bottom hole pressure cannot be safely determined for mechanical reasons, such well shall have assigned to it the bottom hole pressure of the nearest well in which a bottom hole pressure is taken. or if equidistant from two or more wells in which bottom hole pressures are taken said well shall have assigned to it the average of the bottom hole pressures of said equidistant wells. All packer wells may be bombed and the pressure obtained shall be used in determining the field average pressure. Potential of packer wells shall be declined as in the past.

As the bottom hole pressures of the entire field decline, ~~the executive~~ *The Commission shall* ~~Committee shall have authority to~~ adjust from time to time the fractional part of the average field pressure to be subtracted from the bottom hole pressures in determining the numerator and denominator of the fraction used in adjusting potentials under Plan 2A.

The potential of no well shall be adjusted below the unit allowable on acreage, and this shall be considered to be the potential of the well, should it be necessary to make an upward revision of the potential due to an increased bottom hole

Make some minor changes

pressure in the well.

A packer well, as referred to herein, is any well in which a formation packer has been set for the purpose of conserving reservoir energy.

8. POTENTIALS OF WELLS COMPLETED SUBSEQUENT TO JANUARY 1, 1937:

(a) New wells shall be tested in the following manner: The well shall be produced through the tubing for a period of two (2) hours. The first hour's production shall be disregarded, but the last hour's production shall be gauged. The one hour tubing test multiplied by 24 shall constitute the tubing potential. The casing shall then be opened and the well produced through casing and tubing for a period of one hour. The quantity of oil so produced multiplied by 24 will give the open flow potential, which will be used in determining the allowable unit production. It shall be the privilege of any operator to use the tubing potential herein provided for in connection with the current tubing casing potential curve as approved by the ^{Commissioner} ~~Engineering Committee~~, as hereinafter provided for, to ascertain the open flow potential of any well without taking the combined casing and tubing flow as provided for herein. Pumping wells shall be tested for a period of six hours and this figure when multiplied by four will be considered the potential for determining the allowable production.

(b) The Chairman of the General Committee, upon recommendation of a majority of the Engineering Committee is authorized to make any variations in the rules set out in Paragraphs 7 and 8, to make the plan workable, and such changes shall be promptly submitted to the Executive Committee for approval.

9. SHOOTING, DEEPENING AND ACID TREATMENT:

~~The parties hereto agree that no well in said field shall be shot with explosives without first obtaining the written permission of the Executive Committee.~~

All applications for permission to treat wells with acid shall be submitted in writing ^{to the} ~~through the~~ ^{Commissioner} ~~to the~~ State Geologist. The potential of a well deepened and/or treated with acid shall be the potential of the well before acid treatment and/or deepening modified by declining at each potential period at the same rate as the average potential decline of the field. *Provided with respect to any well now completed and which has not produced since before April 1, 1937 acid, the operator shall have the right to a 15% increase in potential.*

10. ~~The parties hereto agree that no wells in said field shall be put on~~

~~gas or gas lift without first obtaining written permission from the Executive Com-~~

~~mittee, and further agree not to use such gas lift for the purpose of taking poten-~~

~~tials. The parties further agree not to operate any wells in such manner as unrec-~~

~~essarily or unreasonably to waste gas or wastefully to dissipate the natural pressure~~

to limit the production of the well to the potential of the well as it was before the acid treatment.

~~thereof and to follow the instructions of the Executive Committee promptly in carrying out such producing methods should they occur.~~

11. The parties hereby express the view that a policy of drilling only one well in a given horizon to the unit, or fractional unit, as far as it is practicable in the judgment of the individual operator, is highly desirable, and they hereby agree that in any event no well shall be drilled nearer than 330 feet to the boundary line of any separately owned tract.

12. It is recognized that the Executive Committee requires a secretary and umpire to aid it in carrying out the program herein outlined and may be required to incur additional expenditures in carrying out said program. It is understood that the expense shall be borne by the parties hereto prorata on the basis of their proportionate participations in the allowable outlet as herein provided, and they severally agree to pay to the Chairman of the Executive Committee such prorata immediately upon receipt of statements; provided, however, that neither the Commissioner of Public Lands nor the State of New Mexico shall be required to pay any part of such expenses.

13. Each operator shall be entitled to name one Petroleum Engineer as a member of the Field Engineering Committee of which the Umpire shall be Chairman.

14. This agreement shall not be binding upon any of the parties hereto unless and until it is executed by all of the parties whose names appear in paragraph 2 hereof and is approved by the Oil Conservation Commission of the State of New Mexico, but if and when so executed and approved, same shall be binding upon all parties hereto and their respective successors and assigns, and shall be and remain in full force and effect for a term of twelve months from the said date of January 1, 1936, and may be renewed or extended for successive periods of time thereafter by the agreement of all parties hereto in writing with the consent in writing of the Oil Conservation Commission of New Mexico, provided, however, that any party hereto, including members of the State Oil Conservation Commission, may at any time, withdraw from this agreement upon giving thirty (30) days' notice in writing to all of the other parties hereto, and, in that event, this agreement shall, from and after the date specified in said notice, be considered as terminated.

THIS AGREEMENT may be executed in counterpart and when so executed the several counterparts shall be deemed to be a single agreement.

IN TESTIMONY WHEREOF WITNESSETH the signature of the respective parties
hereto by their respective officers and agents hereunto duly authorized.

AMERADA PETROLEUM CORPORATION

C. V. MILLIKAN

By: Proxy: H. E. MARSH

ATLANTIC OIL PRODUCING COMPANY

BY: E. H. BLUM

CONTINENTAL OIL COMPANY

BY: H. B. SIMCOX

EMPIRE GAS & FUEL COMPANY

BY: M. R. SHAFFER

GETTY OIL COMPANY

BY: LEO E. MANNING

GYPSY OIL COMPANY

BY: RUSH GREENSLADE

Vice-President

HUMBLE OIL & REFINING COMPANY

BY: JOHN R. SUMAN

LANDRETH PRODUCTION CORPORATION

BY: E. A. LANDRETH

MAGNOLIA PETROLEUM COMPANY

BY: C. L. GLADDEN

MID-CONTINENT PETROLEUM CORPORATION

BY: C. O. MOONY

Vice-President

OHIO OIL COMPANY

BY: GLENN BISH

OIL WELL DRILLING COMPANY

BY: W. E. CUNNINGHAM

REPOLLO OIL COMPANY

BY: GLEN HARROUN

SAMEDAN OIL CORPORATION

BY: LLOYD NOBLE

SHELL PETROLEUM CORPORATION

BY: T. E. SWIGERT

SKELLY OIL COMPANY

BY: J. S. FREEMAN

STANOLIND OIL AND GAS COMPANY

BY: A. M. MCCORKLE

TEXAS PACIFIC COAL & OIL COMPANY

BY: C. A. YAGER

THE CALIFORNIA COMPANY

BY: H. J. HAWLEY

THE TEXAS COMPANY

BY: C. B. WILLIAMS

TIDE WATER OIL COMPANY

BY: T. A. HALL

TWIN STATES OIL COMPANY

BY: F. E. REATH

WALKER OIL CORPORATION

BY: B. A. BOWERS

APPROVED THIS 22nd day of January,
1936, as of the First day of January,
1936:

CLYDE TINGLEY

Chairman

FRANK VESELY

E. H. WELLS

FRANK VESELY
Commissioner of Public Lands
of the State of New Mexico

Oil Conservation Commission,
State of New Mexico

MINUTES OF THE HOBBS POOL GENERAL
COMMITTEE MEETING HELD AT SANTA FE,
NEW MEXICO ON DECEMBER 10th, 1936.

MEMBERS PRESENT:

T. J. Slavik	Gulf Oil Corp.
Lloyd L. Gray	Gulf Oil Corp.
G. S. Bays	Stanolind Oil & Gas Co.
M. Albertson	Shell Petroleum Corp.
F. E. Heath	Sun Oil Company
J. P. Cusack	J. P. Cusack, Inc.
E. A. Wahlstrom	Stanolind Oil & Gas Co.
Glenn Bish	Ohio Oil Co.
H. L. Johnston	Continental Oil Co.
P. M. Colliston	Continental Oil Co.
James Murray, Sr.	A. P. Correspondent
B. A. Bowers	Walker Oil Corp.
W. E. Hubbard	Humble Oil & Refining Co.
G. L. Shoemaker	Shell Pet. Corp.
L. W. Biddick	Samedan
A. A. Kemnitz	Samedan
E. H. Wells	State Geologist
J. W. Jordan	Repollo Oil Co.
Jack H. Rankin	Repollo Oil Co.
C. B. Williams	The Texas Co.
B. D. Bodie	Empire Oil & Ref. Co.
W. E. Cunningham	Oil Well Drilling Co.
Luther A. Neal	Landreth Production Corp.
Leo R. Manning	Geo. F. Getty Oil Co.
Ernest A. Hanson	U. S. Geological Survey
Harvey Hardison	The California Co.
Lucius M. Lamar	The California Co.
R. S. Christie	Amerada Petroleum Corp.
C. N. Millikan	Amerada Petroleum Corp.
Edgar Kraus	Atlantic Refining Co.
Herman R. Crile	Oil Well Drilling Co.
F. J. Vesely	State of New Mexico
J. N. Dunlavey	Skelly Oil Co.

Mr. McCorkle asked Mr. Hubbard to preside, minutes of the last meeting read and accepted as read.

Mr. Hubbard:

You have had the expense report, that would take the place of any treasurer's report. That is the only report on finances ever had. Any reports of standing committees and special committees?

As you know, every year the Hobbs Agreement must be signed again if to remain in effect. That time is now here. I would like to throw the whole subject open to discussion. Sincerely hope we can adjust any difficulties we have. I will entertain any motions or discussions you gentlemen may desire.

Mr. McCorkle:

I want to say I have here a copy of the two plans that were circulated last year. I can give each operator a copy if they would

like to see them.

(Mr. McCorkle distributes agreements.)

Mr. Hubbard:

Anybody here who wishes to make any statement concerning either of these plans or any other plan acceptable for the coming year?

Mr. Wahlstrom:

As far as Stanolind is concerned, not necessary to say anything. We are consistent not to see potentials used in any plan in the Hobbs pool.

Mr. Hubbard:

You have any specific plan in mind?

Mr. Wahlstrom:

Not particularly no.

Mr. Hubbard:

Think it might be well for discussion on that point. Rather an important step. Have you any ideas on the subject, Mr. Gray?

Mr. Gray:

No, I haven't. Not very much to discuss until something put on the board as evidence that the plan should be changed. We have been going along five and one-half years operating on the present plan. It is rather a major step to jump from that to any other. Must have something to shoot at before I could discuss it.

Mr. Hubbard:

It might be well to make a discussion revolve around some definite point, have someone make a motion concerning the recommended plan for 1937. Then we could have general discussion.

Mr. Wahlstrom:

I make a motion the Hobbs Operators adopt an acreage plan of proration presented.

Mr. Bowers:

Second the motion.

Mr. Hubbard:

The motion is now open for discussion.

Mr. Cusack:

Put to a vote first as to sentiment.

Mr. Hubbard:

Have discussion first. After voted on, no discussion submitted.

Mr. Albertson:

I would like to ask Mr. Wahlstrom whether he would outline the reasons which indicate to him the acreage plan is more reasonable, equitable, and desirable than the present plan.

Mr. Wahlstrom:

Would request the operators here to check back into the records of hearings held before the Commission in regard to the fields. There is no mention made of potentials in any of these hearings. No company requested consideration of potentials in any form in other fields in Lea County. At the present time there are two standards of proration in the Lea County fields, Potential at Hobbs and acreage in the other pools. Operators should get a system and accept one or the other in all fields.

Mr. Bodie:

Isn't it true the other fields have more similarity between themselves they do in regard to the Hobbs Pool. Isn't it true all wells of the other fields prorated principally on well acreage basis alone, more or less have uniform potentials close together?

Mr. Wahlstrom:

I don't believe that is true.

Mr. Heath:

When we consider the question before us, we cannot afford to pass on without consideration of what was behind us in this particular field. The time we first had proration in the Hobbs field, no company or individual felt the acreage system of proration a proper system. We set up the system here, operated under it and controlled the field, which is today one of the outstanding fields as far as conservation and progress is concerned. I believe it might be quite valuable for all of us to consider that certain equities have been established under

this method, royalty owners receive royalties under this method. A great deal of questions and troubles arise from any drastic change as a complete removal of the present plan and the adoption of a new plan. Should very carefully consider any step from the present plan or any large step away from it. I feel if at this meeting, if we find we cannot agree, it would be well for us not to try to settle it here, but go at it on a proper basis and see after analysis of the matter very carefully we cannot agree on some plan.

Mr. Hubbard:

Will ask Mr. Milligan if he cares to make a statement concerning this matter.

Mr. Milligan:

The only objection in continuing the present plan in question is it is inconsistent to the rest of Lea County, but so far as I know there is no State in the country that has followed any particularly consistent rule on establishing the equalization of various pools and distribution within the various pools on one common basis, even as closely as here.

I think the fact you have an established method here, I don't see a thing wrong with the method, I think had the other pools been brought in and had to be prorated at the time of the Hobbs Pool, I think that would have been some system similar to the Hobbs Pool.

As far as the potential factor is concerned, have and still feel the potential factor comes nearer to approaching an equitable basis of proration. I have not held to the potential method in other fields of the State of New Mexico, not because I did not feel it right, but rather because of the abuses of the wells to obtain better potentials, and therefore perhaps from an equity stand, inequitable potentials. To put that potential method similar to Hobbs into effect in new pools under development would probably result in a waste which ultimately would be a greater proportion than the waste involved under a potential method, which would probably bring to ultimate recovery a better relationship between units of the fields.

Hobbs was developed in most part at a time when we either did

not know how or did not take advantage, if we did know, of means of establishing such inequitable potentials; and there are some later wells which have probably lost. But all in all not a major portion of the field by any means, and while it brings in a certain amount of inequitable proration, it is less than changing the present proration method to the same basis established in the rest of the pools in Lea County.

I think a study of the history of the pressures primarily have shown that the units of low capability reduced, generally speaking, have had greater withdrawal than apportionate reserves as evidenced by the pressure.

Some two years ago, we put into Hobbs bottom hole pressure adjustment for those potentials and those pressure adjustments resulted in larger adjustments of potentials both ways, which is on the same theory in Hobbs as we had in effect in Monument field at the present time, and since we have put in that bottom hole pressure adjustment, there has been less divergents between low potential units and high potential units, as class individual. Exceptions both ways, but less divergent than those existed to the time bottom hole pressure was put into adjustment.

It may be we want to change the method of adjustment, either up or down, perhaps some other things to bring better equity, and by looking over the condition of the field as a whole, it seems to me the field is in excellent condition from a conservation standpoint, at the present time, as a result of the progress of the present proration agreement, and while we have no specific evidence as to what would happen to the condition of the pool if we make a major change in the proration agreement and allocation method, I think from the history we have had from various conditions in other fields that would be comparable to Hobbs, the evidence is in favor that we would upset the equilibrium much more in making a major change in the agreement as suggested than we would by maintaining the present allocation system.

Mr. Hubbard:

Were you through?

Mr. Milligan:

Don't know anything else to say.

Mr. Bodie:

The matter of acreage now would very likely undo what we have done during the past to establish equal bottom hole pressures.

Mr. Dewey:

I want Mr. Wahlstrom or Mr. Milligan to enlighten me whether either the operators or commission run any legal dangers on potentials due to the fact the only test case we have ever had on proration in New Mexico on the Hobbs Field, and am under the impression the case made upheld 75 potentials and 25 acreage, the case of the Stanolind in the Federal Court. Don't know what the legal implications are.

Mr. Lamar:

Don't remember that case. The only standard in the law reasonable says the tendency of any plan shall be to give each operator his proportionate total recoverable oil there. As to each of these two plans giving the operator that, I don't know.

Mr. Dewey:

That decision was before the present law was placed on the Statute book.

Mr. Wahlstrom:

That was a drainage case. The proration features not defined. The Stanolind did not get on the stand.

Mr. Lamar:

Think one possible legal feature. Prior to the time the New Mexico Commission acted on this matter under the present statute, it was purely a voluntary agreement, and by all of us signing the agreement through a course of several years, we may have assumed some legal responsibility to maintain a somewhat similar proposition in regard to the royalty owners. In other words, if we change around, some royalty owners may pop up and say what about these past years. Before it was voluntary. Don't know the law, but it strikes me there is an element of danger in that.

Mr. Hubbard:

Tell me for point of information whether two plans that aren't wholly dissimilar could both be called reasonable by the Court?

Mr. Lamar:

Yes, no question about that. The Commission can adopt one reasonable plan in Monument and another in Hobbs and still another for Jal. Things are not so completely cut and dried that you cannot do that.

Mr. Hubbard:

Possibly would apply to plans in a single pool?

Mr. Lamar:

Yes, I think so.

Mr. Hubbard:

In the case of Hobbs or Monument?

Mr. Lamar:

Yes.

Mr. Hubbard:

Any other discussion on this important question?

Mr. Bowers:

One point I want to bring out. Don't if anybody thought about it. The plan that was first used in Hobbs was conceived under the old idea or practice of Law of Capture. Had not heard anything about anything else and doubtless under that would consider the equity fair plan of arrangement in New Mexico. We have graduated from that and worked around to a ~~ye~~ view point more of an effort to locate the oil in place and there is a difference considering those plans under those two conceptions as I see it.

Mr. Hubbard:

Does that agree with your ideas, Mr. Lamar?

Mr. Lamar:

Don't know if the statement was to agree or not. There is a difference on the plan of allocation placed to two different theories. A pretty hard matter to draw the line.

Mr. Hubbard:

Any of our arbitrary features hard to draw any line.

Designation of any ideas of two plans equally successful in business.

One man runs his business under one plan and runs it successfully and another man runs his business under another plan, and there is a difference of the conception of oil recovered, whether making an effort to get the oil in place or following the old practice of getting all you can.

Mr. Wahlstrom:

The old agreement based entirely on law of capture and since new law enacted recoverable oil in place have two entirely different standards of proration than in the past.

Mr. Milligan:

Don't think that follows. Don't think that evidence a change is necessary. Under the so called system of law of capture which so far has not been drilled under a uniform method protected the best we knew how. We know to establish too great potential is running hazard during completion and great expense. Running danger of bring wells too rapidly on to water or gas and other conditions familiar to all of us. Put those things into effect and we establish our allocation on basis of the capacity of the well to produce. Since then however with our conservation measures, they permit us to establish potential and when established determine the ultimate recovery from that unit by our practice even at Hobbs. What is the difference what we do to bring well on to water, drilling too deep or too much acid, we still get just as much oil, does not change potential.

Material good is had to produce that well just as long as we can get oil out at the potential established at completion. It is not the fault of the potential method when applied to particularly new fields. The potential method not wrong, but the abuses of it result in excessive waste under the whole potential method. It results in waste out of proportion of inequities established on allocation basis of potential.

Hobbs was developed at the time we did not have knowledge to take advantage of those things we are so prone to do to give us that unfair advantage relative to units at the present time, so I don't see that the hobbs agreement which has been in effect and established and then the field developed under one condition, which condition of development is entirely different than that we had to go through in developing the other fields. If the same system of allocation used in the other fields as in Hobbs, certain amount in Hobbs due to recent development.

Mr. Hubbard:

Want to ask an Engineering question based strictly on waste. It is your opinion if the total outlet of the field were held down very low, it is possible that anyone of a great number of proration plans might satisfy the simple condition preventing waste?

Mr. Milligan:

Yes, with certain modifications, which are bound to come in.

Mr. Bowers:

I believe that is true. That is extremely true the rate of withdrawal is very slow if a very small percent of the field produce almost under any plan to eliminate waste. The total withdrawal of ordinary physical conditions of the field so slow and constant as not to trap oil at a later recoverable date.

Mr. Hubbard:

The reason I ask that is this. We have a great many fields in Texas where they apparently have considerable difficulty to prove underground waste in the field. In great many cases, inequities very close but at the same time they cannot prove waste.

Mr. Milligan:

Inequity in allocation but not waste. I think probably if we would go to the acreage plan, I don't know if it would create waste, but it would establish greater inequities to units than that which exists at the present time.

Mr. Hubbard:

Any other discussion? Call for a question or discussion.

Expect we have all forgotten the motion.

Mr. Williams:

One point. I agree in general with Mr. Milligan's discussion of the question that a radical change would cause some radical readjustments in the reservoir conditions and this matter of ratable takings or rate of recoverable oil in place is based on the pool being a common reservoir and our development of the Hobbs plan has heretofore been directed along that line to recover the proper amount of oil from the reservoir or the oil in place. That was the reason of course for adopting the bottom hole pressure correction to the potential factor, and as I understand it, the units in the field which would gain by changing now to the acreage plan have been penalized, as you might call it, due to that bottom hole pressure correction, and I am not sure what the bottom hole pressure map shows. I have not seen recent map, but I assume the continued drop in the bottom hole pressure wells on those units have reduced the allowables and if you increase the rate of taking from those units from that existing present plan, there would still be further and greater drop in the bottom hole pressures in those wells which would, in my opinion, tend to cause drainage to those units from higher pressure units, contrary to shooting it in our development heretofore, so that I think it would be dangerous to make a radical change unless we were very sure such a change would be directed toward equalizing or holding up bottom hole pressures in low pressure areas, rather than increasing the drop.

Another thing I think should not be lost sight of which is this. That Hobbs, as we all agree, has been operated in a very efficient manner and I think this has been due to the cooperative action of operators in that pool. It seems to me the operators in the Hobbs pool made a wholehearted effort to conserve reservoir energy for the benefit of the pool as a whole than generally applies to oil fields all over. So I believe it is highly important if possible to do so, if we reach some unanimous agreement in order to continue the good work. I would very

much dislike to see us have to go ahead under some plan where there would not be a unit agreement. I think another thing comes in along that line. The water encroachment has generally come in on the South west portion of the pool, but nevertheless due to conservation efforts, wells which first started making water are still producing oil, and as yet we have not had any portion of that field flooded out and the wells lost.

We had one well which was among the first making water in a large percentage and that well by efforts of ourselves and others restrained the water and is now producing its allowable with a very small percentage of water, which possibly may be due to a slight leak in the packer. Tested that packer several times but are not able to get complete shut off. That percentage has not increased and indicates it may be a slight leak. So I believe that any radical change in the method of proration in the handling of the pool might easily result in great danger of encroachment of the water than what we have now.

Mr. Hubbard:

Wonder if it is the opinion of this group that it would be in order to have a test vote. Have had the question very well discussed I think certainly from both sides. We quite often, as you know, have test votes. Sometimes they show an impasse reached and another motion is in order. We have a motion before the house.

Mr. Lamar:

Want to ask Mr. Williams a question. Do you think the map units which have been situated under the present plan have perhaps gained a more healthy reservoir condition that lost?

Mr. Williams:

That is my opinion. Of course we only know what has been accomplished under our present method of operating the field. In our own case, I believe there is no question that the cooperative efforts of operators to control the gas-oil ratio and control water benefited our lease. I think it must have benefited others who have had water encroachment.

Mr. Bowers:

I believe probably the greatest benefit had out of that plan is the benefits primarily accrued under the plan through this slow rate of withdrawal.

Mr. Hardison:

Has anyone said the present plan is inequitable as between units?

Mr. Hubbard:

I don't believe so.

Mr. Rankin:

We think the present plan is inequitable in resulting in withdrawals between units.

Mr. Wahlstrom:

The Stanolind believes they have not gotten their share of oil in place today.

Mr. Rankin:

Can show you proof here.

Mr. Bowers:

Want to say we have received very good and considerate treatment by the operators and have met our requirements. Have not anything to kick about, but do want to go on record saying that for the last two years, have been fully convinced that an acreage method of withdrawal is more equitable than the one in effect.

Mr. Hubbard:

Almost comes down to the question how the different members present are going to vote on this motion.

Mr. Kraus:

Not necessarily so. Take the Atlantic. Our general conviction to restrict the production of fields, the acreage plan is more equitable, cheaper to operate and supervise and will give substantial equity, but in view of the fact that the Hobbs Agreement has been in force as long as it has and it seems to be the agreement under the old plan, we would probably vote to continue the present plan.

Mr. Lamar:

Want to point out in my opinion, acreage is a very large factor in the present plan, not only 25% straight factor and is ultimately one of the two elements in the potential factor. It is stated in the formula that the adoption of a unit is a certain size. Take an average potential. In case more than one well does actually produce, the acreage is not considered, 75% factor, gives you a very large total place of acreage in the present plan.

Mr. Bowers:

Supposing a man had in East Texas a well drilled on a three acre tract, another man on a ten acre tract, and another 20 acre tract. The potential under a plan 25-75 would allow him to produce twice as much as the man on the 20 acre tract. Would you feel that an equitable justification that ratio of production.

Mr. Lamar:

Sure hate to get into East Texas. I made the assumption that ultimately applies in this situation to equal size of tracts.

Mr. Bowers:

There is a certain point where that is equitable. Potential can throw your ratio of acreage completely out of kilter.

Mr. Gray:

In the Hobbs pool, we have established two pay zones in certain areas and in some three or four and in some five actual zones, all entirely separate from each other. In general, wells around each pool produce from one or occasionally two of those pays. Certain wells have pressure of approximately one thousand pounds. Other wells, incidentally the one with one thousand pounds is producing from one pay zone. Other wells producing from more than one pay zone the bottom hole pressure is thirteen hundred and some pounds open to three of the zones. The actual flowing pressure of the well with more than one zone open exceeds shut in pressure of the single zone. Under an acreage plan, both of those wells allowed the same amount of production. I cannot see how it is possible to keep drainage from one to another in that

condition where all allowed to produce the same amount.

Mr. Hubbard:

I would like to revert back to that statement of Mr. Lamar's. It is highly important and gives me an idea. It is conceivable that where spacing restrictions such as only one well produce in forty acres, and it does because we have unit proration, it is conceivable that your 75 potential plus 25 acreage in Hobbs can be looked upon $A \times P - A$ which conceivably might have more acreage in the formula than the $\frac{A}{P}$ formula. We have a situation in West Texas the allowable we prorate on a potential basis and have a marginal low acreage 50-50, that part gives potential approximately half the total allowable. Think that a very important point. I am not sure what I said about $A \times P - A$ is true, but it is a possibility.

Mr. Lamar:

Believe it is true.

Mr. Hubbard:

I would say so. Any more discussion? It might be well to have a vote on this motion if the group is ready for it. Don't want to cut down this discussion at all however.

Question.

Mr. Hubbard:

You have heard motion, better vote down the list.

Amerada	No.
Atlantic	No.
Continental	No.
Empire	No.
Getty	No.
Gulf	No.
Humble	No.
Landreath	No.
Magnolia	Not present
Mid-Continent	Not present
Ohio	No.

Oil Well	No.
Repollo	Yes.
Samedan	No.
Shell	Not voting
Skelly	No
Stanolind	Yes
Sun	No
California	No
Texas	No
Texas & Pacific	No.
Tide Water	Not Present.
Twin-States-Sun	No.
Walker	Yes.

Mr. Hubbard:

We have three yes, one not voting, one absent.

Mr. Albertson:

Want to make an explanation. We are evenly balanced on interests concerned and we would vote anyway necessary to make an unanimous plan.

Mr. Bodie:

Take that to mean to vote with the majority?

Mr. Albertson:

No, reserving our vote for the moment.

Mr. Hubbard:

That motion has been killed, any other motions?

Mr. Williams:

How many voted no?

Mr. Hubbard:

Have not figured the percent. That will be done. Seventeen voted no. The meeting is ready for another motion and discussion. Any statement anyone wishes to make about the course of this motion?

Mr. Milligan:

May I suggest the Stanolind have made their position clear,

but the Repollo stated their position quickly. Do you care to elaborate on it?

Mr. Rankin:

The Repollo favors any plan which does away entirely with potential, and takes the acreage factor as much as it can approaching one hundred percent.

Mr. Hardison:

For what reason?

Mr. Rankin:

The inequities existing between fields. We have several wells that have daily allowable far in excess of given potential.

Mr. Gray:

That would prove the other way. I don't think that is well founded engineering practice.

Mr. Milligan:

I don't quite get that.

Mr. Gray:

There are certain wells in the field that have a daily allowable and can produce far in excess of the assigned potential due to the present plan in force. Wells have actual potential of several thousands of barrels per day.

Mr. Bowers:

On actual test can produce several barrels, and assigned much less.

Mr. Gray:

Favor the use of bottom hole pressure for potentials.

Mr. Rankin:

We favor any plan that approaches 100% straight acreage total against potentials of any kind.

Mr. Bayes:

There were seventeen operators voted for the continuation of the present plan, fourteen operators for material advantage and the other three have no material advantage.

Mr. Hubbard:

That may be quite true. It seems to me as long as this meeting was called, I believe to discuss whether or not the present plan be continued for another year, it might be well to have a motion on that particular point. It might be the voting would not quite agree with the voting on the first motion. Wonder if it would not be well to have that in a form of a motion.

Mr. Bowers:

I make a motion that the old plan be continued for 1937.

Mr. Hubbard:

Have a motion that the present Hobbs plan be continued for 1937 for a test vote.

Mr. Biddick:

Second the motion.

Mr. Hubbard:

A motion made and seconded that the present plan be continued.

Any discussion?

Mr. Hardison:

I believe it possible in a new plan adopted to take care of any inequities which may be caused by present method of correcting potentials by bottom hole pressure. I believe that is the only thing holding up the plan.

Mr. Hubbard:

Do you not feel it would be helpful to have this vote?

Mr. Hardison:

I do. Question

Mr. Hubbard:

Amerada	Yes
Atlantic	Yes
Continental	Yes
Empire	Yes
Getty	Yes
Gulf	Yes

Humble	Yes
Landreath	Yes
Magnolia	Do not care to vote
Mid-Continent	Not present
Ohio	Yes
Oil Well	Yes
Repollo	No
Samedan	Yes
Shell	Yes
Skelly	Yes
Stanolind	No
Sun	Yes
California	Yes
Texas	Yes
Texas-Pacific	Yes
Tide Water	Yes. This morning would have voted for Acreage
Walker	No.

Mr. Hubbard:

This vote came out exactly the reverse order of the previous vote. We know at least how the group stands on this question. We have made some progress certainly. I think Mr. Hardison made a suggestion that possibly certain inequities of the present plan could and should be worked out by a different use of bottom hole pressure.

Mr. Hardison:

I believe the present correction adopted two or three years ago at that time we felt that sooner or later there would be some inequities show up and we figured it would probably be necessary to make some changes in those corrections.

Mr. Bowers:

Did not you make a change last year in the factor applicable to bottom hole pressures?

Mr. Rankin:

Changed from 1000 lbs. to $2/3$

Mr. Milligan:

Reduced adjustment a little.

Mr. Hardison:

No doubt by changing that some equitable correction could be made in wiping potentials out entirely.

Mr. Rankin:

Regardless of how we reduce this reduction, we still have these old potentials established during the years have not declined, and seems that they should be.

Dr. Wells made a statement off the record.

Mr. Hubbard:

I wonder if there is a possibility of reconciling our differences here as there are a few voted no on the second motion. There are three nos to second motion and three yes on first motion. Would like to ask in turn those who voted no on the second motion if they feel from what they have heard this morning whether or not there is a possibility of reconciling what differences we have had this morning. The Stanolind?

Mr. McCorkle:

Mr. Wahlstrom is doing all the taling for the Stanolind so far. We have in the past as the records show, never been in favor of the present plan, although we voted for it in the spirit of harmony. I would like to hear from Mr. Wahlstrom if he has any further remarks.

Mr. Wahlstrom:

I don't believe I have anything further to say. Definitely no.

Mr. McCorkle:

He has stated already we were not in favor of the continuance of potentials in any form.

Mr. Hubbard:

Will ask Sinclair?

Mr. Rankin:

Not present.

Mr. Hubbard:

Mr. Bowers?

Mr. Bowers:

Whenever an agreement can be reached, we will not block it. Solong as there is a plan for straight acreage, expect to support it.

Mr. Hubbard:

There appears to be considerable portion of acreage in the Hobbs plan. Some opposed to the continuation of the use of potentials. Frankly, don't know what to do about it. You heard what Dr. Wells said on the question. That he will consider certainly a majority vote, but he cannot indicate what weight will be given to it. Wonder if anybody has a suggestion what to do in this emergency. It seems to me to be somewhat serious.

Mr. Milligan:

Stanolind and Repollo are the principal opposers and wonder if either one or both are willing to discuss the thing further or whether they want to sit on their present position and throw the thing before the Commission.

Mr. Hubbard:

Tried to bring that point out and it struck me they did not want potentials in the formula.

Mr. Milligan:

That may be. I may want 100% or are we willing to discuss it or sit tight on the two positions and take before the Commission. Stanolind and Repollo taking the position they do not want to discuss any further. That is one thing.

Mr. Rankin:

We are not iron bound in saying we won't consider any other plan. However I think the reason for all discrepancies and various variation are due to the establishment of these potentials. I think any in plan that acreage should be given a great deal of consideration and potential no consideration.

Mr. Hubbard:

Can I interpret your remarks to mean you do not wish to continue the discussion as to whether or not potentials remain or that

you are willing to discuss some other factor put in to take its place?

Mr. Rankin:

True.

Mr. McCorkle:

We agree with Mr. Rankin. We dislike being arbitrary or to take an arbitrary position but I feel Mr. Rankin has stated the position well.

Mr. Milligan:

Neither of you willing to discuss any agreement with anything about potentials in it?

Mr. Hubbard:

Yes. That answers your question Mr. Milligan.

Mr. Cusack:

If you eliminate potential, what other factor enters into it except acreage?

Mr. Hubbard:

Marginal factor, bottom hole pressure factor.

Mr. Cusack:

What would you apply bottom hole pressure factor in?

Mr. Hubbard:

Probably by such engineering committee.

May I understand it is the wish of this group or not for the record to go to the Commission as made or does anybody feel we should have further discussion?

Mr. Lamar:

Is the plan which has so far been proposed identical to the one of last year?

Mr. McCorkle:

That is a copy of the present plan.

Mr. Lamar:

In the main, is the plan exactly the same or any changes. Wonder if it is necessary to prepare something for the Commission or do you want last year's plan?

Mr. Hubbard: As I understand it, the exact copy of the present plan.

Mr. Milligan:

Probably some minor changes if we were to continue the plan.

Mr. Hubbard:

Seems to me we have two courses open. Go on and discuss this matter or turn over this vote and record to the Commission for their decision. Anybody any motion to make in that regard in line with statements of the Sinclair and Stanolind?

Mr. Kraus:

In view of the success in prorating Hobbs field in the past with a voluntary agreement approved by the Commission and in view of possible changes in the Administration this coming year, I move that the operators attempt first to reach an agreement that will be unanimous and present such unanimous agreement to the Commission rather than go before the Commission as a divided body.

Mr. Bowers:

Second.

Mr. Hubbard:

You have heard the motion made and seconded, any discussion?

Mr. Lamar:

What is your idea, form a group committee to try to reach some agreement or thrashing out the trouble here as we did before going before the Commission.

Mr. Hardison:

We have a definite statement that two operators would not consider anything other than straight acreage with bottom hole pressure correction.

Mr. McCorkle:

We would not consider any potential.

Mr. Hubbard:

Taken strictly on bottom hole pressure marginal allowance.

Mr. Hardison:

Marginal allowance practically the same as acreage. Seems to me that is the use of having units.

Mr. Hubbard:

That is true.

Mr. Rankin:

I think taking the factor of bottom hole pressure, if we made corrections in a small degree with bottom hole pressures, you will get the factor of ultimate recovery on time.

Mr. Hubbard:

Gentlemen, we have this motion. I don't think we have discussed everything in connection with this question. Would like to ask Repollo and Stanolind if they would object to discussing it some more.
Stanolind and Repollo do not object.

Motion carried.

Mr. Hubbard:

Leaves wide open for further discussion. There are other factors that can be used.

Mr. Hardison:

Could we recess?

Mr. Lamar:

Move we recess until 2:00 o'clock.

Mr. Rankin:

Second.

Motion carried.

Meeting called to order at 2:15 P.M.

Mr. Hubbard:

I would like to say this, I believe the oil industry or any portion of the oil industry should be able to manage itself in its business if possible. Of course with that in view, we are having further session this afternoon. You recall some progress was made this morning. We found out where we stood and what the differences are. This afternoon, I do hope some real progress may be made in working out a satisfactory solution to this. May be in the form of some kind of a compromise. Don't know how it would be done. The chair is open to any suggestions anyone might offer.

Mr. Albertson:

I make a motion the chairman appoint a committee of three. This committee to canvass the situation and see whether anything can be worked out acceptable to the entire group. This committee to be chosen of the companies who neither gain nor lose with either the acreage or potential plan.

Mr. Kraus:

I think sometimes that not accurate. Wells have interest that do not appear. For example, the Atlantic has an interest in the Ohio wells.

Mr. Sanderson:

Some of us here now that were not here this morning. Would you briefly outline the results of this morning?

Mr. Hubbard:

First had motion to the effect that the Hobbs plan for 1937 should ignore potential and be based upon acreage with not the intention necessary to have acreage alone. No potential used in proration formula. After a great deal of discussion a vote was taken and there were three in favor of the motion, one not voting, seventeen opposed. When that motion was out of the way, a second motion was made to the effect that the present Hobbs Agreement or plan 2-A should be adopted for 1937 and the vote for that was the exact reverse of the first motion. Seventeen in favor, three opposed, one not voting. Also in each case, three not present. That is about the position at which we closed at noon. Would like to say Dr. Wells made a statement to the effect, off the record, that the Commission might or might not insist upon a hundred percent majority for any plan the operators offered. In other words, The Commission is not necessarily bound by law to accept any plan because it was 100 percent from the operators. We closed at noon at substantially that position. Finally a motion was passed to the effect we would continue this afternoon with more discussion with the attempt to find some way out of the dilemma. The Sinclair and Stanolind expressed themselves very clear to the effect that they would not enter into a discussion if the use of potentials in the formula was to be considered.

That is the situation we are in now.

You heard Mr. Albertson's motion, is there a second to it?

Mr. Lamar:

Second.

Mr. Hubbard:

I take that to mean that a committee of three be appointed and they will approach the Stanolind and the Sinclair in a small group and discuss the whole matter.

Mr. Albertson:

Their obligation to canvass the situation to see whether a means can be found to get a hundred percent agreement.

Mr. Hubbard:

I am sure we could get an unbiased committee and it might expedite matters. Have the committee report back here say four o'clock. Wonder if it is all right with Stanolind or Repollo to enter into a discussion?

Mr. McCorkle:

O.I. With Stanolind.

Mr. Hubbard:

Mr. McCorkle, I wonder this, if at that meeting you would be disposed to have Mr. Wahlstrom simply show what your position is in regard to your apparent losses under the present system. Not with the idea of furnishing ammunition to some other camp.

Mr. McCorkle:

I feel such information that we have all the other operators should have. They have been getting our records from the Hobbs Umpire office.

Mr. Hubbard:

I don't think the situation is entirely hopeless. If this committee were to ask specific questions, you could answer them or not as you chose and I don't see how it could not be information for that particular committee alone.

Mr. McCorkle:

I feel our position on this matter has been consistent for a number of years.

Mr. Hubbard:

True.

Mr. McCorkle:

We certainly don't like to take an arbitrary position, neither do we want to embarrass the Commission, but we have made our thoughts along this line known a number of years.

Mr. Williams:

Question.

Mr. Hubbard:

You have heard the motion made and seconded, all in favor say yes.

Mr. Sanderson:

If you vote for this motion, it does not indicate you are binding yourself to agree to the findings of the committee?

Mr. Albertson:

The Committee will report back to the general group.

Mr. Hubbard:

Seems there might be some little thing ironed out very quickly while it would take all afternoon in a group like this. All in favor say yes.

Motion carried.

Mr. Hubbard:

I expect that should close the matter for the time being. We all perhaps need to put more study on the question. Might have to have a little help in getting this committee. On this committee I would like to appoint-----

Mr. Heath:

Make a motion the chair adjourn this meeting and the committee will be notified.

Mr. Hubbard:

Meeting adjourned until 4:30 P. M.

Mr. Sanderson:

We are very seriously involved in this matter and don't know if our position is understood.

We have attempted to find what was the correct answer to this matter and it goes without saying that we are for potential and for the present basis. As I say, we have attempted to find the correct answer for this problem. In investigating, we find with this proration on one hundred percent acreage basis, which I understand is one of the plans presented this morning, provides that sixty-five percent of the wells whose allowable would be increased by this new plan, would be wells which are now producing from one zone in the field. We know we have two definite zones and perhaps three producing zones in the major part of the field.

It seems to us unfair and inequitable to arbitrarily assign the same allowable to wells producing in one zone in this field as wells producing in two or three. We find in terms of barrels increase that under the acreage plan, 88½% increase would occur to wells which are producing from the single zone.

We find that considering the bottom hole pressure that 78% of the wells in the areas which have bottom hole pressure of less than the average bottom hole pressure would be increased under the acreage plan and only 22% lose. We feel to increase these wells that now have less than average bottom hole pressure for the field would result in additional gas coming out of solution and in the end would result in waste, which would be contrary to the law and conservation.

We also feel to increase the allowable from wells that now have bottom hole pressure less than the average, would also cause drainage across boundary lines which we think also would be unfair. We think also it would increase the fingering of water which would not be to the best interests of the field.

For these reasons we feel very strongly the potential factor we now have should be continued. I make this statement so you know our position in the matter.

Mr. Hubbard:

Thank you Mr. Sanderson.

Mr. Hubbard:

Mr. Hubbard called meeting to order at 4:30.

I believe the committee is ready to report.

Mr. Kraus:

A committee consisting of myself, Mr. Albertson and Mr. Bowers met with the Stanolind and Repollo representatives, and we found no basis of agreement acceptable. No plan found at the time to be presented which would meet with the unanimous consent of all operators. The Committee therefore can report nothing but failure to bring about any compromise or modification. Can only recommend therefore, if thought advisable, that the voting and discussion of this general group be made known to the Commission. Other than that, no report.

Mr. Hubbard:

Would you make that in a form of a motion, nothing more be done by this group except report the procedure of the day to the Commission.

Mr. Kraus:

Move in view of the findings of the committee that the operators here assembled make no further attempt to present an unanimous agreement on Hobbs proration to the Oil Conservation Commission.

Mr. Bodie:

Amend that, we present as a majority agreement for the Commission the present agreement.

Mr. Kraus:

Would not be agreement, but plan approved by the majority.

Mr. Hubbard:

Mean by that, give them results of votes this morning?

Mr. Kraus:

Included that in my recommendation in the motion. The acceptance of the report by the committee would automatically cause that to be done.

Mr. Lamar:

Suggest further amendment that the chairman prepare a memorandum in writing to the Commission very briefly stating the facts mentioned here as a result of the vote.

Mr. Williams:

Make a suggestion we have copy of the minutes of the meeting today. I would suggest the minutes of the meeting today be presented to the Commission to show what has been done.

Mr. Hubbard:

Would you wish to incorporate that in this particular motion. Would you like that an amendment or a separate motion.

Mr. Williams:

Either way. Would like to have the Commission have the advantage of our discussion and that the minutes of the meeting today be given to the Commission for whatever consideration they want to give them.

Mr. Hubbard:

Wonder if that is in such form if the motion be made with amendments. Somewhat indefinite now as to form.

Mr. Kraus:

Accept amendments.

Mr. Hardison:

The minutes of today's meeting would not be very connected because the discussion has been haphazard and if presented should be proof read.

Mr. Hubbard:

We have a motion before us.

Dr. Wells:

Mr. Chairman, don't know whether I am being helpful or not. There is a hearing tomorrow before the Commission, and the Commission acts largely on the testimony presented at the regular hearing. That might be worthy of thought.

Mr. Kraus:

I would like to clear the record of all motions made and start

over again with one single motion. I move that the report of the Committee be accepted.

Mr. Bodie:

Second the motion.

Motion carried.

Mr. Lamar:

Before making motion, will say my idea to get before the Commission in as concrete form as possible the gist of what happened could be accomplished by a simple statement in writing by you stating the facts or supplemented with minutes of the meeting and in view of the difficulty of preparing the minutes, will offer my motion in this form. I move that the temporary acting chairman of this meeting be authorized to prepare a statement in writing showing the results of the votes on the two suggested plans this morning and stating that efforts were made to adjust the difficulties and these efforts were not successful and the temporary chairman present this motion to the Commission.

Mr. Bodie:

Second the motion.

Motion carried.

Mr. Hubbard:

I think that is about all.

Mr. Williams:

I appreciate Dr. Wells' statement, but I think it should be borne in mind that heretofore this has been a cooperative agreement and if we continue this cooperative agreement, it would be quite in order to present the Commission a copy of the minutes of our meeting today showing the effort which has been made as shown by the minutes to arrive at some cooperative agreement. Seems to me if the Commission given only the votes, it would not give them as broad an aspect of the thing as they would get if they get the minutes if shown the reasons taken by different companies by these votes. They could hardly analyze these votes without the discussion. Make a motion a copy of the

minutes, after being read and checked for errors, be presented as evidence at the hearing. You would have them prepared and offered into the records when prepared.

Dr. Wells:

The point I am trying to bring out, Miss Kahn mentioned it, I knew a complete draft could not be ready by tomorrow. The Commission is more or less bound by the testimony presented at the hearing and testimony where the witnesses are sworn in. Certainly the Commission will be glad to have a transcript of these minutes. Want to make a further explanation of something mentioned this morning, as far as an unanimous agreement is concerned and other possibilities along that line. The Commission could approve or adopt an agreement that was agreed upon or a plan by the Operators and take as its own, and could say the Commission could adopt as its own with or without changes where as a majority or minority in that case, their own plan. There is nothing which says they cannot adopt as their own, one presented by operators.

Mr. Williams:

What I had more or less in mind was your statement this morning that the Commission would not necessarily require an unanimous agreement.

Mr. Bodie:

Second motion.

Mr. McCorkle:

It always has been customary to furnish the Commission with copies of things.

Motion carried.

Mr. Hardison:

In Mr. Lamar's motion was it also included the presentation of the present plan?

Mr. Hubbard:

No.

Mr. Hardison:

Should it be presented as evidence tomorrow, the old plan which we recommend the renewal of.

Mr. Hubbard:

That will probably be essential.

Mr. Lamar:

First tell the Commission what happened and second tell the Commission which we as a majority would like them to do.

Mr. Hubbard:

I will take it upon myself, if you think it necessary, that a copy of the present plan will be furnished to the Commission.

Meeting adjourned.

ROSE M. KAHN
Reporter.

MINUTES OF THE HOBBS POOL GENERAL
COMMITTEE MEETING HELD AT SANTA FE,
NEW MEXICO ON DECEMBER 10th, 1936.

MEMBERS PRESENT:

T. J. Slavik	Gulf Oil Corp.
Lloyd L. Gray	Gulf Oil Corp.
G. S. Bays	Stanolind Oil & Gas Co.
M. Albertson	Shell Petroleum Corp.
F. E. Heath	Sun Oil Company
J. P. Cusack	J. P. Cusack, Inc.
E. A. Wahlstrom	Stanolind Oil & Gas Co.
Glenn Bish	Ohio Oil Co.
H. L. Johnston	Continental Oil Co.
P. M. Colliston	Continental Oil Co.
James Murray, Sr.	A. P. Correspondent
B. A. Bowers	Walker Oil Corp.
W. E. Hubbard	Humble Oil & Refining Co.
G. L. Shoemaker	Shell Pet. Corp.
L. W. Biddick	Samedan
A. A. Kemnitz	Samedan
E. H. Wells	State Geologist
J. W. Jordan	Repollo Oil Co.
Jack H. Rankin	Repollo Oil Co.
C. B. Williams	The Texas Co.
B. D. Bodie	Empire Oil & Ref. Co.
W. E. Cunningham	Oil Well Drilling Co.
Luther A. Neal	Landreth Production Corp.
Leo R. Manning	Geo. F. Getty Oil Co.
Ernest A. Hanson	U. S. Geological Survey
Harvey Hardison	The California Co.
Lucius M. Lamar	The California Co.
R. S. Christie	Amerada Petroleum Corp.
C. N. Millikan	Amerada Petroleum Corp.
Edgar Kraus	Atlantic Refining Co.
Herman R. Crile	Oil Well Drilling Co.
F. J. Vesely	State of New Mexico
J. E. Dunlavey	Skelly Oil Co.

Mr. McCorkle asked Mr. Hubbard to preside, minutes of the last meeting read and accepted as read.

Mr. Hubbard:

You have had the expense report, that would take the place of any treasurer's report. That is the only report on finances ever had. Any reports of standing committees and special committees?

As you know, every year the Hobbs Agreement must be signed again if to remain in effect. That time is now here. I would like to throw the whole subject open to discussion. Sincerely hope we can adjust any difficulties we have. I will entertain any motions or discussions you gentlemen may desire.

Mr. McCorkle:

I want to say I have here a copy of the two plans that were circulated last year. I can give each operator a copy if they would

like to see them.

(Mr. McCorkle distributes agreements.)

Mr. Hubbard:

Anybody here who wishes to make any statement concerning either of these plans or any other plan acceptable for the coming year?

Mr. Wahlstrom:

As far as Stanolind is concerned, not necessary to say anything. We are consistent not to see potentials used in any plan in the Hobbs pool.

Mr. Hubbard:

You have any specific plan in mind?

Mr. Wahlstrom:

Not particularly no.

Mr. Hubbard:

Think it might be well for discussion on that point. Rather an important step. Have you any ideas on the subject, Mr. Gray?

Mr. Gray:

No, I haven't. Not very much to discuss until something put on the board as evidence that the plan should be changed. We have been going along five and one-half years operating on the present plan. It is rather a major step to jump from that to any other. Must have something to shoot at before I could discuss it.

Mr. Hubbard:

It might be well to make a discussion revolve around some definite point, have someone make a motion concerning the recommended plan for 1937. Then we could have general discussion.

Mr. Wahlstrom:

I make a motion the Hobbs Operators adopt an acreage plan of proration presented.

Mr. Bowers:

Second the motion.

Mr. Hubbard:

The motion is now open for discussion.

Mr. Cusack:

Put to a vote first as to sentiment.

Mr. Hubbard:

Have discussion first. After voted on, no discussion submitted.

Mr. Albertson:

I would like to ask Mr. Wahlstrom whether he would outline the reasons which indicate to him the acreage plan is more reasonable, equitable, and desirable than the present plan.

Mr. Wahlstrom:

Would request the operators here to check back into the records of hearings held before the Commission in regard to the fields. There is no mention made of potentials in any of these hearings. No company requested consideration of potentials in any form in other fields in Lea County. At the present time there are two standards of proration in the Lea County fields, Potential at Hobbs and acreage in the other pools. Operators should get a system and accept one or the other in all fields.

Mr. Bodie:

Isn't it true the other fields have more similarity between themselves they do in regard to the Hobbs Pool. Isn't it true all wells of the other fields prorated principally on well acreage basis alone, more or less have uniform potentials close together?

Mr. Wahlstrom:

I don't believe that is true.

Mr. Heath:

When we consider the question before us, we cannot afford to pass on without consideration of what was behind us in this particular field. The time we first had proration in the Hobbs field, no company or individual felt the acreage system of proration a proper system. We set up the system here, operated under it and controlled the field, which is today one of the outstanding fields as far as conservation and progress is concerned. I believe it might be quite valuable for all of us to consider that certain equities have been established under

this method, royalty owners receive royalties under this method. A great deal of questions and troubles arise from any drastic change as a complete removal of the present plan and the adoption of a new plan. Should very carefully consider any step from the present plan or any large step away from it. I feel if at this meeting, if we find we cannot agree, it would be well for us not to try to settle it here, but go at it on a proper basis and see after analysis of the matter very carefully we cannot agree on some plan.

Mr. Hubbard:

Will ask Mr. Milligan if he cares to make a statement concerning this matter.

Mr. Milligan:

The only objection in continuing the present plan in question is it is inconsistent to the rest of Lea County, but so far as I know there is no State in the country that has followed any particularly consistent rule on establishing the equalization of various pools and distribution within the various pools on one common basis, even as closely as here.

I think the fact you have an established method here, I don't see a thing wrong with the method, I think had the other pools been brought in and had to be prorated at the time of the Hobbs Pool, I think that would have been some system similar to the Hobbs Pool.

As far as the potential factor is concerned, have and still feel the potential factor comes nearer to approaching an equitable basis of proration. I have not held to the potential method in other fields of the State of New Mexico, not because I did not feel it right, but rather because of the abuses of the wells to obtain better potentials, and therefore perhaps from an equity stand, inequitable potentials. To put that potential method similar to Hobbs into effect in new pools under development would probably result in a waste which ultimately would be a greater proportion than the waste involved under a potential method, which would probably bring to ultimate recovery a better relationship between units of the fields.

Hobbs was developed in most part at a time when we either did

not know how or did not take advantage, if we did know, of means of establishing such inequitable potentials, and there are some later wells which have probably lost. But all in all not a major portion of the field by any means, and while it brings in a certain amount of inequitable proration, it is less than changing the present proration method to the same basis established in the rest of the pools in Lea County.

I think a study of the history of the pressures primarily have shown that the units of low capability reduced, generally speaking, have had greater withdrawal than apportionate reserves as evidenced by the pressure.

Some two years ago, we put into Hobbs bottom hole pressure adjustment for those potentials and those pressure adjustments resulted in larger adjustments of potentials both ways, which is on the same theory in Hobbs as we had in effect in Monument field at the present time, and since we have put in that bottom hole pressure adjustment, there has been less divergents between low potential units and high potential units, as class individual. Exceptions both ways, but less divergent than those existed to the time bottom hole pressure was put into adjustment.

It may be we want to change the method of adjustment, either up or down, perhaps some other things to bring better equity, and by looking over the condition of the field as a whole, it seems to me the field is in excellent condition from a conservation standpoint, at the present time, as a result of the progress of the present proration agreement, and while we have no specific evidence as to what would happen to the condition of the pool if we make a major change in the proration agreement and allocation method, I think from the history we have had from various conditions in other fields that would be comparable to Hobbs, the evidence is in favor that we would upset the equilibrium much more in making a major change in the agreement as suggested than we would by maintaining the present allocation system.

Mr. Hubbard:

Were you through?

Mr. Milligan:

Don't know anything else to say.

Mr. Bodie:

The matter of acreage now would very likely undo what we have done during the past to establish equal bottom hole pressures.

Mr. Dewey:

I want Mr. Wahlstrom or Mr. Milligan to enlighten me whether either the operators or commission run any legal dangers on potentials due to the fact the only test case we have ever had on proration in New Mexico on the Hobbs Field, and am under the impression the case made upheld 75 potentials and 25 acreage, the case of the Stanolind in the Federal Court. Don't know what the legal implications are.

Mr. Lamar:

Don't remember that case. The only standard in the law reasonable says the tendency of any plan shall be to give each operator his proportionate total recoverable oil there. As to each of these two plans giving the operator that, I don't know.

Mr. Dewey:

That decision was before the present law was placed on the Statute book.

Mr. Wahlstrom:

That was a drainage case. The proration features not defined. The Stanolind did not get on the stand.

Mr. Lamar:

Think one possible legal feature. Prior to the time the New Mexico Commission acted on this matter under the present statute, it was purely a voluntary agreement, and by all of us signing the agreement through a course of several years, we may have assumed some legal responsibility to maintain a somewhat similar proposition in regard to the royalty owners. In other words, if we change around, some royalty owners may pop up and say what about these past years. Before it was voluntary. Don't know the law, but it strikes me there is an element of danger in that.

Mr. Hubbard:

Tell me for point of information whether two plans that aren't wholly dissimilar could both be called reasonable by the Court?

Mr. Lamar:

Yes, no question about that. The Commission can adopt one reasonable plan in Monument and another in Hobbs and still another for Jal. Things are not so completely cut and dried that you cannot do that.

Mr. Hubbard:

Possibly would apply to plans in a single pool?

Mr. Lamar:

Yes, I think so.

Mr. Hubbard:

In the case of Hobbs or Monument?

Mr. Lamar:

Yes.

Mr. Hubbard:

Any other discussion on this important question?

Mr. Bowers:

One point I want to bring out. Don't if anybody thought about it. The plan that was first used in Hobbs was conceived under the old idea or practice of Law of Capture. Had not heard anything about anything else and doubtless under that would consider the equity fair plan of arrangement in New Mexico. We have graduated from that and worked around to a ~~xx~~ view point more of an effort to locate the oil in place and there is a difference considering those plans under those two conceptions as I see it.

Mr. Hubbard:

Does that agree with your ideas, Mr. Lamar?

Mr. Lamar:

Don't know if the statement was to agree or not. There is a difference on the plan of allocation placed to two different theories. A pretty hard matter to draw the line.

Mr. Hubbard:

Any of our arbitrary features hard to draw any line.

Designation of any ideas of two plans equally successful in business. One man runs his business under one plan and runs it successfully and another man runs his business under another plan, and there is a difference of the conception of oil recovered, whether making an effort to get the oil in place or following the old practice of getting all you can.

Mr. Wahlstrom:

The old agreement based entirely on law of capture and since new law enacted recoverable oil in place have two entirely different standards of proration than in the past.

Mr. Milligan:

Don't think that follows. Don't think that evidence a change is necessary. Under the so called system of law of capture which so far has not been drilled under a uniform method protected the best we knew how. We know to establish too great potential is running hazard during completion and great expense. Running danger of bring wells too rapidly on to water or gas and other conditions familiar to all of us. Put those things into effect and we establish our allocation on basis of the capacity of the well to produce. Since then however with our conservation measures, they permit us to establish potential and when established determine the ultimate recovery from that unit by our practice even at Hobbs. What is the difference what we do to bring well on to water, drilling too deep or too much acid, we still get just as much oil, does not change potential.

Material good is had to produce that well just as long as we can get oil out at the potential established at completion. It is not the fault of the potential method when applied to particularly new fields. The potential method not wrong, but the abuses of it result in excessive waste under the whole potential method. It results in waste out of proportion of inequities established by allocation basis of potential.

Hobbs was developed at the time we did not have knowledge to take advantage of those things we are so prone to do to give us that unfair advantage relative to units at the present time, so I don't see that the Hobbs agreement which has been in effect and established and then the field developed under one condition, which condition of development is entirely different than that we had to go through in developing the other fields. If the same system of allocation used in the other fields as in Hobbs, certain amount in Hobbs due to recent development.

Mr. Hubbard:

Want to ask an Engineering question based strictly on waste. It is your opinion if the total outlet of the field were held down very low, it is possible that anyone of a great number of proration plans might satisfy the simple condition preventing waste?

Mr. Milligan:

Yes, with certain modifications, which are bound to come in.

Mr. Bowers:

I believe that is true. That is extremely true the rate of withdrawal is very slow if a very small percent of the field produce almost under any plan to eliminate waste. The total withdrawal of ordinary physical conditions of the field so slow and constant as not to trap oil at a later recoverable date.

Mr. Hubbard:

The reason I ask that is this. We have a great many pools in Texas where they apparently have considerable difficulty to prove underground waste in the field. In great many cases, inequities very close but at the same time they cannot prove waste.

Mr. Milligan:

Inequity in allocation but not waste. I think probably if we would go to the acreage plan, I don't know if it would create waste, but it would establish greater inequities to units than that which exists at the present time.

Mr. Hubbard:

Any other discussion? Call for a question or discussion.
Expect we have all forgotten the motion.

Mr. Williams:

One point. I agree in general with Mr. Milligan's discussion of the question that a radical change would cause some radical readjustments in the reservoir conditions and this matter of ratable takings or rate of recoverable oil in place is based on the pool being a common reservoir and our development of the Hobbs plan has heretofore been directed along that line to recover the proper amount of oil from the reservoir or the oil in place. That was the reason of course for adopting the bottom hole pressure correction to the potential factor, and as I understand it, the units in the field which would gain by changing now to the acreage plan have been penalized, as you might call it, due to that bottom hole pressure correction, and I am not sure what the bottom hole pressure map shows. I have not seen recent map, but I assume the continued drop in the bottom hole pressure wells on those units have reduced the allowables and if you increase the rate of taking from those units from that existing present plan, there would still be further and greater drop in the bottom hole pressures in those wells which would, in my opinion, tend to cause drainage to those units from higher pressure units, contrary to shooting it in our development heretofore, so that I think it would be dangerous to make a radical change unless we were very sure such a change would be directed toward equalizing or holding up bottom hole pressures in low pressure areas, rather than increasing the drop.

Another thing I think should not be lost sight of which is this. That Hobbs, as we all agree, has been operated in a very efficient manner and I think this has been due to the cooperative action of operators in that pool. It seems to me the operators in the Hobbs pool made a wholehearted effort to conserve reservoir energy for the benefit of the pool as a whole than generally applies to oil fields all over. So I believe it is highly important if possible to do so, if we reach some unanimous agreement in order to continue the good work. I would very

much dislike to see us have to go ahead under some plan where there would not be a unit agreement. I think another thing comes in along that line. The water encroachment has generally come in on the South west portion of the pool, but nevertheless due to conservation efforts, wells which first started making water are still producing oil, and as yet we have not had any portion of that field flooded out and the wells lost.

We had one well which was among the first making water in a large percentage and that well by efforts of ourselves and others restrained the water and is now producing its allowable with a very small percentage of water, which possibly may be due to a slight leak in the packer. Tested that packer several times but are not able to get complete shut off. That percentage has not increased and indicates it may be a slight leak. So I believe that any radical change in the method of proration in the handling of the pool might easily result in great danger of encroachment of the water than what we have now.

Mr. Hubbard:

Wonder if it is the opinion of this group that it would be in order to have a test vote. Have had the question very well discussed I think certainly from both sides. We quite often, as you know, have test votes. Sometimes they show an impasse reached and another motion is in order. We have a motion before the house.

Mr. Lamar:

Want to ask Mr. Williams a question. Do you think the map units which have been situated under the present plan have perhaps gained a more healthy reservoir condition that lost?

Mr. Williams:

That is my opinion. Of course we only know what has been accomplished under our present method of operating the field. In our own case, I believe there is no question that the cooperative efforts of operators to control the gas-oil ratio and control water benefited our lease. I think it must have benefited others who have had water encroachment.

Mr. Bowers:

I believe probably the greatest benefit had out of that plan is the benefits primarily accrued under the plan through this slow rate of withdrawal.

Mr. Hardison:

Has anyone said the present plan is inequitable as between units?

Mr. Hubbard:

I don't believe so.

Mr. Rankin:

We think the present plan is inequitable in resulting in withdrawals between units.

Mr. Wahlstrom:

The Stanolind believes they have not gotten their share of oil in place today.

Mr. Rankin:

Can show you proof here.

Mr. Bowers:

Want to say we have received very good and considerate treatment by the operators and have met our requirements. Have not anything to kick about, but do want to go on record saying that for the last two years, have been fully convinced that an acreage method of withdrawal is more equitable than the one in effect.

Mr. Hubbard:

Almost comes down to the question how the different members present are going to vote on this motion.

Mr. Kraus:

Not necessarily so. Take the Atlantic. Our general conviction to restrict the production of fields, the acreage plan is more equitable, cheaper to operate and supervise and will give substantial equity, but in view of the fact that the Hobbs Agreement has been in force as long as it has and it seems to be the agreement under the old plan, we would probably vote to continue the present plan.

Mr. Lamar:

Want to point out in my opinion, acreage is a very large factor in the present plan, not only 25% straight factor and is ultimately one of the two elements in the potential factor. It is stated in the formula that the adoption of a unit is a certain size. Take an average potential. In case more than one well does actually produce, the acreage is not considered, 75% factor, gives you a very large total piece of acreage in the present plan.

Mr. Bowers:

Supposing a man had in East Texas a well drilled on a three acre tract, another man on a ten acre tract, and another 20 acre tract. The potential under a plan 25-75 would allow him to produce twice as much as the man on the 20 acre tract. Would you feel that an equitable justification that ratio of production.

Mr. Lamar:

Sure hate to get into East Texas. I made the assumption that ultimately applies in this situation to equal size of tracts.

Mr. Bowers:

There is a certain point where that is equitable. Potential can throw your ratio of acreage completely out of kilter.

Mr. Gray:

In the Hobbs pool, we have established two pay zones in certain areas and in some three or four and in some five actual zones, all entirely separate from each other. In general, wells around each pool produce from one or occasionally two of those pays. Certain wells have pressure of approximately one thousand pounds. Other wells, incidentally the one with one thousand pounds is producing from one pay zone. Other wells producing from more than one pay zone the bottom hole pressure is thirteen hundred and some pounds open to three of the zones. The actual flowing pressure of the well with more than one zone open exceeds shut in pressure of the single zone. Under an acreage plan, both of those wells allowed the same amount of production. I cannot see how it is possible to keep drainage from one to another in that

condition where all allowed to produce the same amount.

Mr. Hubbard:

I would like to revert back to that statement of Mr. Lamar's. It is highly important and gives me an idea. It is conceivable that where spacing restrictions such as only one well produce in forty acres, and it does because we have unit proration, it is conceivable that your 75 potential plus 25 acreage in Hobbs can be looked upon $A \times P - A$ which conceivably might have more acreage in the formula than the API formula. We have a situation in West Texas the allowable we prorate on a potential basis and have a marginal low acreage 50-50, that part gives potential approximately half the total allowable. Think that a very important point. I am not sure what I said about $A \times P - A$ is true, but it is a possibility.

Mr. Lamar:

Believe it is true.

Mr. Hubbard:

I would say so. Any more discussion? It might be well to have a vote on this motion if the group is ready for it. Don't want to cut down this discussion at all however.

Question.

Mr. Hubbard:

You have heard motion, better vote down the list.

Amerada	No.
Atlantic	No.
Continental	No.
Empire	No.
Getty	No.
Gulf	No.
Humble	No.
Landreath	No.
Magnolia	Not present
Mid-Continent	Not present
Ohio	No.

Oil Well	No.
Repollo	Yes.
Samedan	No.
Shell	Not voting
Skelly	No
Stanolind	Yes
Sun	No
California	No
Texas	No
Texas & Pacific	No.
Tide Water	Not Present.
Twin-States-Sun	No.
Walker	Yes.

Mr. Hubbard:

We have three yes, one not voting, one absent.

Mr. Albertson:

Want to make an explanation. We are evenly balanced on interests concerned and we would vote anyway necessary to make an unanimous plan.

Mr. Bodie:

Take that to mean to vote with the majority?

Mr. Albertson:

No, reserving our vote for the moment.

Mr. Hubbard:

That motion has been killed, any other motions?

Mr. Williams:

How many voted no?

Mr. Hubbard:

Have not figured the percent. That will be done. Seventeen voted no. The meeting is ready for another motion and discussion. Any statement anyone wishes to make about the course of this motion?

Mr. Milligan:

May I suggest the Stanolind have made their position clear,

but the Repollo stated their position quickly. Do you care to elaborate on it?

Mr. Rankin:

The Repollo favors any plan which does away entirely with potential, and takes the acreage factor as much as it can approaching one hundred percent.

Mr. Hardison:

For what reason?

Mr. Rankin:

The inequities existing between fields. We have several wells that have daily allowable far in excess of given potential.

Mr. Gray:

That would prove the other way. I don't think that is well founded engineering practice.

Mr. Milligan:

I don't quite get that.

Mr. Gray:

There are certain wells in the field that have a daily allowable and can produce far in excess of the assigned potential due to the present plan in force. Wells have actual potential of several thousands of barrels per day.

Mr. Bowers:

On actual test can produce several barrels, and assigned much less.

Mr. Gray:

Favor the use of bottom hole pressure for potentials.

Mr. Rankin:

We favor any plan that approaches 100% straight acreage total against potentials of any kind.

Mr. Bayes:

There were seventeen operators voted for the continuation of the present plan, fourteen operators for material advantage and the other three have no material advantage.

Mr. Hubbard:

That may be quite true. It seems to me as long as this meeting was called, I believe to discuss whether or not the present plan be continued for another year, it might be well to have a motion on that particular point. It might be the voting would not quite agree with the voting on the first motion. Wonder if it would not be well to have that in a form of a motion.

Mr. Bowers:

I make a motion that the old plan be continued for 1937.

Mr. Hubbard:

Have a motion that the present Hobbs plan be continued for 1937 for a test vote.

Mr. Biddick:

Second the motion.

Mr. Hubbard:

A motion made and seconded that the present plan be continued.

Any discussion?

Mr. Hardison:

I believe it possible in a new plan adopted to take care of any inequities which may be caused by present method of correcting potentials by bottom hole pressure. I believe that is the only thing holding up the plan.

Mr. Hubbard:

Do you not feel it would be helpful to have this vote?

Mr. Hardison:

I do. Question

Mr. Hubbard:

Amerada	Yes
Atlantic	Yes
Continental	Yes
Empire	Yes
Getty	Yes
Gulf	Yes

Humble	Yes
Landreath	Yes
Magnolia	Do not care to vote
Mid-Continent	Not present
Ohio	Yes
Oil Well	Yes
Repollo	No
Samedan	Yes
Shell	Yes
Skelly	Yes
Stanolind	No
Sun	Yes
California	Yes
Texas	Yes
Texas-Pacific	Yes
Tide Water	Yes. This morning would have voted for Acreage
Walker	No.

Mr. Hubbard:

This vote came out exactly the reverse order of the previous vote. We know at least how the group stands on this question. We have made some progress certainly. I think Mr. Hardison made a suggestion that possibly certain inequities of the present plan could and should be worked out by a different use of bottom hole pressure.

Mr. Hardison:

I believe the present correction adopted two or three years ago at that time we felt that sooner or later there would be some inequities show up and we figured it would probably be necessary to make some changes in those corrections.

Mr. Bowers:

Did not you make a change last year in the factor applicable to bottom hole pressures?

Mr. Rankin:

Changed from 1000 lbs. to 2/3

Mr. Milligan:

Reduced adjustment a little.

Mr. Hardison:

No doubt by changing that some equitable correction could be made in wiping potentials out entirely.

Mr. Rankin:

Regardless of how we reduce this reduction, we still have these old potentials established during the years have not declined, and seems that they should be.

Dr. Wells made a statement off the record.

Mr. Hubbard:

I wonder if there is a possibility of reconciling our differences here as there are a few voted no on the second motion. There are three nos to second motion and three yes on first motion. Would like to ask in turn those who voted no on the second motion if they feel from what they have heard this morning whether or not there is a possibility of reconciling what differences we have had this morning. The Stanolind?

Mr. McCorkle:

Mr. Wahlstrom is doing all the taling for the Stanolind so far. We have in the past as the records show, never been in favor of the present plan, although we voted for it in the spirit of harmony. I would like to hear from Mr. Wahlstrom if he has any further remarks.

Mr. Wahlstrom:

I don't believe I have anything further to say. Definitely no.

Mr. McCorkle:

He has stated already we were not in favor of the continuance of potentials in any form.

Mr. Hubbard:

Will ask Sinclair?

Mr. Rankin:

Not present.

Mr. Hubbard:

Mr. Bowers?

Mr. Bowers:

Whenever an agreement can be reached, we will not block it. Solong as there is a plan for straight acreage, expect to support it.

Mr. Hubbard:

There appears to be considerable portion of acreage in the Hobbs plan. Some opposed to the continuation of the use of potentials. Frankly, don't know what to do about it. You heard what Dr. Wells said on the question. That he will consider certainly a majority vote, but he cannot indicate what weight will be given to it. Wonder if anybody has a suggestion what to do in this emergency. It seems to me to be somewhat serious.

Mr. Milligan:

Stanolind and Repollo are the principal opposers and wonder if either one or both are willing to discuss the thing further or whether they want to sit on their present position and throw the thing before the Commission.

Mr. Hubbard:

Tried to bring that point out and it struck me they did not want potentials in the formula.

Mr. Milligan:

That may be. I may want 100% or are we willing to discuss it or sit tight on the two positions and take before the Commission. Stanolind and Repollo taking the position they do not want to discuss any further. That is one thing.

Mr. Rankin:

We are not iron bound in saying we won't consider any other plan. However I think the reason for all discrepancies and various variation are due to the establishment of these potentials. I think any in plan that acreage should be given a great deal of consideration and potential no consideration.

Mr. Hubbard:

Can I interpret your remarks to mean you do not wish to continue the discussion as to whether or not potentials remain or that

you are willing to discuss some other factor put in to take its place?

Mr. Rankin:

True.

Mr. McCorkle:

We agree with Mr. Rankin. We dislike being arbitrary or to take an arbitrary position but I feel Mr. Rankin has stated the position well.

Mr. Milligan:

Neither of you willing to discuss any agreement with anything about potentials in it?

Mr. Hubbard:

Yes. That answers your question Mr. Milligan.

Mr. Cusack:

If you eliminate potential, what other factor enters into it except acreage?

Mr. Hubbard:

Marginal factor, bottom hole pressure factor.

Mr. Cusack:

What would you apply bottom hole pressure factor in?

Mr. Hubbard:

Probably by such engineering committee.

May I understand it is the wish of this group or not for the record to go to the Commission as made or does anybody feel we should have further discussion?

Mr. Lamar:

Is the plan which has so far been proposed identical to the one of last year?

Mr. McCorkle:

That is a copy of the present plan.

Mr. Lamar:

In the main, is the plan exactly the same or any changes. Wonder if it is necessary to prepare something for the Commission or do you want last year's plan?

Mr. Hubbard: As I understand it, the exact copy of the present plan.

Mr. Milligan:

Probably some minor changes if we were to continue the plan.

Mr. Hubbard:

Seems to me we have two courses open. Go on and discuss this matter or turn over this vote and record to the Commission for their decision. Anybody any motion to make in that regard in line with statements of the Sinclair and Stanolind?

Mr. Kraus:

In view of the success in prorating Hobbs field in the past with a voluntary agreement approved by the Commission and in view of possible changes in the Administration this coming year, I move that the operators attempt first to reach an agreement that will be unanimous and present such unanimous agreement to the Commission rather than go before the Commission as a divided body.

Mr. Bowers:

Second.

Mr. Hubbard:

You have heard the motion made and seconded, any discussion?

Mr. Lamar:

What is your idea, form a group committee to try to reach some agreement or thrashing out the trouble here as we did before going before the Commission.

Mr. Hardison:

We have a definite statement that two operators would not consider anything other than straight acreage with bottom hole pressure correction.

Mr. McCorkle:

We would not consider any potential.

Mr. Hubbard:

Taken strictly on bottom hole pressure marginal allowance.

Mr. Hardison:

Marginal allowance practically the same as acreage. Seems to me that is the use of having units.

Mr. Hubbard:

That is true.

Mr. Rankin:

I think taking the factor of bottom hole pressure, if we made corrections in a small degree with bottom hole pressures, you will get the factor of ultimate recovery on time.

Mr. Hubbard:

Gentlemen, we have this motion. I don't think we have discussed everything in connection with this question. Would like to ask Repollo and Stanolind if they would object to discussing it some more.
Stanolind and Repollo do not object.

Motion carried.

Mr. Hubbard:

Leaves wide open for further discussion. There are other factors that can be used.

Mr. Hardison:

Could we recess?

Mr. Lamar:

Move we recess until 2:00 o'clock.

Mr. Rankin:

Second.

Motion carried.

Meeting called to order at 2:15 P.M.

Mr. Hubbard:

I would like to say this, I believe the oil industry or any portion of the oil industry should be able to manage itself in its business if possible. Of course with that in view, we are having further session this afternoon. You recall some progress was made this morning. We found out where we stood and what the differences are. This afternoon, I do hope some real progress may be made in working out a satisfactory solution to this. May be in the form of some kind of a compromise. Don't know how it would be done. The chair is open to any suggestions anyone might offer.

Mr. Albertson:

I make a motion the chairman appoint a committee of three. This committee to canvass the situation and see whether anything can be worked out acceptable to the entire group. This committee to be chosen of the companies who neither gain nor lose with either the acreage or potential plan.

Mr. Kraus:

I think sometimes that not accurate. Wells have interest that do not appear. For example, the Atlantic has an interest in the Ohio wells.

Mr. Sanderson:

Some of us here now that were not here this morning. Would you briefly outline the results of this morning?

Mr. Hubbard:

First had motion to the effect that the Hobbs plan for 1937 should ignore potential and be based upon acreage with not the intention necessary to have acreage alone. No potential used in proration formula. After a great deal of discussion a vote was taken and there were three in favor of the motion, one not voting, seventeen opposed. When that motion was out of the way, a second motion was made to the effect that the present Hobbs Agreement or plan 2-A should be adopted for 1937 and the vote for that was the exact reverse of the first motion. Seventeen in favor, three opposed, one not voting. Also in each case, three not present. That is about the position at which we closed at noon. Would like to say Dr. Wells made a statement to the effect, off the record, that the Commission might or might not insist upon a hundred percent majority for any plan the operators offered. In other words, The Commission is not necessarily bound by law to accept any plan because it was 100 percent from the operators. We closed at noon at substantially that position. Finally a motion was passed to the effect we would continue this afternoon with more discussion with the attempt to find some way out of the dilemma. The Sinclair and Stanolind expressed themselves very clear to the effect that they would not enter into a discussion if the use of potentials in the formula was to be considered.

That is the situation we are in now.

You heard Mr. Albertson's motion, is there a second to it?

Mr. Lamar:

Second.

Mr. Hubbard:

I take that to mean that a committee of three be appointed and they will approach the Stanolind and the Sinclair in a small group and discuss the whole matter.

Mr. Albertson:

Their obligation to canvass the situation to see whether a means can be found to get a hundred percent agreement.

Mr. Hubbard:

I am sure we could get an unbiased committee and it might expedite matters. Have the committee report back here say four o'clock. Wonder if it is all right with Stanolind or Repollo to enter into a discussion?

Mr. McCorkle:

O.I. With Stanolind.

Mr. Hubbard:

Mr. McCorkle, I wonder this, if at that meeting you would be disposed to have Mr. Wahlstrom simply show what your position is in regard to your apparent losses under the present system. Not with the idea of furnishing ammunition to some other camp.

Mr. McCorkle:

I feel such information that we have all the other operators should have. They have been getting our records from the Hobbs Umpire office.

Mr. Hubbard:

I don't think the situation is entirely hopeless. If this committee were to ask specific questions, you could answer them or not as you chose and I don't see how it could not be information for that particular committee alone.

Mr. McCorkle:

I feel our position on this matter has been consistent for a number of years.

Mr. Hubbard:

True.

Mr. McCorkle:

We certainly don't like to take an arbitrary position, neither do we want to embarrass the Commission, but we have made our thoughts along this line known a number of years.

Mr. Williams:

Question.

Mr. Hubbard:

You have heard the motion made and seconded, all in favor say yes.

Mr. Sanderson:

If you vote for this motion, it does not indicate you are binding yourself to agree to the findings of the committee?

Mr. Albertson:

The Committee will report back to the general group.

Mr. Hubbard:

Seems there might be some little thing ironed out very quickly while it would take all afternoon in a group like this. All in favor say yes.

Motion carried.

Mr. Hubbard:

I expect that should close the matter for the time being. We all perhaps need to put more study on the question. Might have to have a little help in getting this committee. On this committee I would like to appoint-----

Mr. Beath:

Make a motion the chair adjourn this meeting and the committee will be notified.

Mr. Hubbard:

Meeting adjourned until 4:30 P. M.

Mr. Sanderson:

We are very seriously involved in this matter and don't know if our position is understood.

We have attempted to find what was the correct answer to this matter and it goes without saying that we are for potential and for the present basis. As I say, we have attempted to find the correct answer for this problem. In investigating, we find with this proration on one hundred percent acreage basis, which I understand is one of the plans presented this morning, provides that sixty-five percent of the wells whose allowable would be increased by this new plan, would be wells which are now producing from one zone in the field. We know we have two definite zones and perhaps three producing zones in the major part of the field.

It seems to us unfair and inequitable to arbitrarily assign the same allowable to wells producing in one zone in this field as wells producing in two or three. We find in terms of barrels increase that under the acreage plan, 88½% increase would occur to wells which are producing from the single zone.

We find that considering the bottom hole pressure that 78% of the wells in the areas which have bottom hole pressure of less than the average bottom hole pressure would be increased under the acreage plan and only 22% lose. We feel to increase these wells that now have less than average bottom hole pressure for the field would result in additional gas coming out of solution and in the end would result in waste, which would be contrary to the law and conservation.

We also feel to increase the allowable from wells that now have bottom hole pressure less than the average, would also cause drainage across boundary lines which we think also would be unfair. We think also it would increase the fingering of water which would not be to the best interests of the field.

For these reasons we feel very strongly the potential factor we now have should be continued. I make this statement so you know our position in the matter.

Mr. Hubbard:

Thank you Mr. Sanderson.

Mr. Hubbard:

Mr. Hubbard called meeting to order at 4:30.

I believe the committee is ready to report.

Mr. Kraus:

A committee consisting of myself, Mr. Albertson and Mr. Bowers met with the Stanolind and Repollo representatives, and we found no basis of agreement acceptable. No plan found at the time to be presented which would meet with the unanimous consent of all operators. The Committee therefore can report nothing but failure to bring about any compromise or modification. Can only recommend therefore, if thought advisable, that the voting and discussion of this general group be made known to the Commission. Other than that, no report.

Mr. Hubbard:

Would you make that in a form of a motion, nothing more be done by this group except report the procedure of the day to the Commission.

Mr. Kraus:

Move in view of the findings of the committee that the operators here assembled make no further attempt to present an unanimous agreement on Hobbs proration to the Oil Conservation Commission.

Mr. Bodie:

Amend that, we present as a majority agreement for the Commission the present agreement.

Mr. Kraus:

Would not be agreement, but plan approved by the majority.

Mr. Hubbard:

Mean by that, give them results of votes this morning?

Mr. Kraus:

Included that in my recommendation in the motion. The acceptance of the report by the committee would automatically cause that to be done.

Mr. Lamar:

Suggest further amendment that the chairman prepare a memorandum in writing to the Commission very briefly stating the facts mentioned here as a result of the vote.

Mr. Williams:

Make a suggestion we have copy of the minutes of the meeting today. I would suggest the minutes of the meeting today be presented to the Commission to show what has been done.

Mr. Hubbard:

Would you wish to incorporate that in this particular motion. Would you like that an amendment or a separate motion.

Mr. Williams:

Either way. Would like to have the Commission have the advantage of our discussion and that the minutes of the meeting today be given to the Commission for whatever consideration they want to give them.

Mr. Hubbard:

Wonder if that is in such form if the motion be made with amendments. Somewhat indefinite now as to form.

Mr. Kraus:

Accept amendments.

Mr. Hardison:

The minutes of today's meeting would not be very connected because the discussion has been haphazard and if presented should be proof read.

Mr. Hubbard:

We have a motion before us.

Dr. Wells:

Mr. Chairman, don't know whether I am being helpful or not. There is a hearing tomorrow before the Commission, and the Commission acts largely on the testimony presented at the regular hearing. might be worthy of thought.

Mr. Kraus:

I would like to clear the record of all motions made and start

over again with one single motion. I move that the report of the Committee be accepted.

Mr. Bodie:

Second the motion.

Motion carried.

Mr. Lamar:

Before making motion, will say my idea to get before the Commission in as concrete form as possible the gist of what happened could be accomplished by a simple statement in writing by you stating the facts or supplemented with minutes of the meeting and in view of the difficulty of preparing the minutes, will offer my motion in this form. I move that the temporary acting chairman of this meeting be authorized to prepare a statement in writing showing the results of the votes on the two suggested plans this morning and stating that efforts were made to adjust the difficulties and these efforts were not successful and the temporary chairman present this motion to the Commission.

Mr. Bodie:

Second the motion.

Motion carried.

Mr. Hubbard:

I think that is about all.

Mr. Williams:

I appreciate Dr. Wells' statement, but I think it should be borne in mind that heretofore this has been a cooperative agreement and if we continue this cooperative agreement, it would be quite in order to present the Commission a copy of the minutes of our meeting today showing the effort which has been made as shown by the minutes to arrive at some cooperative agreement. Seems to me if the Commission given only the votes, it would not give them as broad an aspect of the thing as they would get if they get the minutes if shown the reasons taken by different companies by these votes. They could hardly analyze these votes without the discussion. Make a motion a copy of the

minutes, after being read and checked for errors, be presented as evidence at the hearing. You would have them prepared and offered into the records when prepared.

Dr. Wells:

The point I am trying to bring out, Miss Kahn mentioned it, I knew a complete draft could not be ready by tomorrow. The Commission is more or less bound by the testimony presented at the hearing and testimony where the witnesses are sworn in. Certainly the Commission will be glad to have a transcript of these minutes. Want to make a further explanation of something mentioned this morning, as far as an unanimous agreement is concerned and other possibilities along that line. The Commission could approve or adopt an agreement that was agreed upon or a plan by the Operators and take as its own, and could say the Commission could adopt as its own with or without changes where as a majority or minority in that case, their own plan. There is nothing which says they cannot adopt as their own, one presented by operators.

Mr. Williams:

What I had more or less in mind was your statement this morning that the Commission would not necessarily require an unanimous agreement.

Mr. Bodie:

Second motion.

Mr. McCorkle:

It always has been customary to furnish the Commission with copies of things.

Motion carried.

Mr. Hardison:

In Mr. Lamar's motion was it also included the presentation of the present plan?

Mr. Hubbard:

No.

Mr. Hardison:

Should it be presented as evidence tomorrow, the old plan which we recommend the renewal of.

Mr. Hubbard:

That will probably be essential.

Mr. Lamar:

First tell the Commission what happened and second tell the Commission which we as a majority would like them to do.

Mr. Hubbard:

I will take it upon myself, if you think it necessary, that a copy of the present plan will be furnished to the Commission.

Meeting adjourned.

ROSE M. KAHN
Reporter.

BEFORE THE OIL CONSERVATION
COMMISSION OF THE STATE
OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED)
BY THE OIL CONSERVATION COMMISSION)
OF THE STATE OF NEW MEXICO FOR THE) Case No. 6
PURPOSE OF CONSIDERING: "PRORATION)
AGREEMENT OF OPERATORS FOR THE HOBBS) Order No. 48
FIELD, LEA COUNTY, NEW MEXICO, OR)
OTHER PLAN OF PRORATION FOR THE FIELD.")

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 10:00 o'clock A.M. on the 11th day of December, 1936, in the Supreme Court Room in the State Capitol, Santa Fe, New Mexico, upon the call of the Commission in the above designated matter.

Now, on this 29th day of December, 1936, the Commission, having before it for consideration the evidence adduced at the hearing in said case, and being fully advised in the premises, therefore orders:

PRORATION PLAN FOR HOBBS
FIELD, LEA COUNTY

Sec. 1. The total allowable production of oil in the Hobbs Field shall be allocated within the field by productive units. Units shall not be allocated more oil than they can produce without unreasonable waste.

Sec. 2. Productive units shall be classified as marginal and non-marginal units, a marginal unit being one that cannot produce the acreage unit allowable, and a non-marginal unit one with an average daily potential production equal to or larger than the acreage unit allowable. Marginal units shall be allocated approximately the amount of oil they can produce.

Sec. 3. The total allocation to marginal units shall be deducted from the total daily field allowable and the resulting number of barrels shall be designated as the total daily non-marginal field allowable.

Sec. 4. As far as possible, the field shall be divided into forty (40) acre tracts in the form of a square, constituting regular subdivisions of sections according to the Government surveys. Each such tract shall be considered a unit for the purposes of proration hereunder. If it should develop that there are tracts of land owned by individual operators or lease holders constituting less than a unit as above defined or in such form as not to constitute a unit as above defined, then the Commission shall create and outline fractional units or units of a form other than square.

Sec. 5. The following 40-acre units not in the form of a square shall be considered as regular units for proration purposes:

Walker Terry G, N $\frac{1}{2}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$ and N $\frac{1}{2}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 10, T.19S., R. 38E.
Walker Terry G-a, S $\frac{1}{2}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$ and S $\frac{1}{2}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec.10, T.19S., R. 38E.
Repollo Crump B, N $\frac{1}{2}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$ and N $\frac{1}{2}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec.15, T.19S., R. 38E.
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Stanolind State C, N $\frac{1}{2}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$ and N $\frac{1}{2}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$ Sec.15, T.19S., R. 38E.
Stanolind State C-a, S $\frac{1}{2}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$ and S $\frac{1}{2}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$ Sec. 15, T.19S., R.38E.

Sec. 6. The daily potential production of a well is the quantity of oil said well is capable of producing, as hereinafter determined.

Sec. 7. The average daily potential production of any unit or fractional unit shall mean the average daily potential production of all wells thereon obtained by dividing the aggregate daily potential production of all wells on such unit or fractional unit by the number of wells thereon. The average daily potential production of the field shall be the sum of the average daily potential production of all units and fractional units in the field.

Sec. 8. The Commission shall determine the average daily potential production of the field and of each producing unit and fractional unit therein on the basis of gauges or other tests as hereinafter provided.

Sec. 9. The total daily non-marginal field allowable shall be allocated among the various units on the following basis: Sixty (60) per cent of the non-marginal allowable shall be allocated to units without reference to their producing ability; all 40-acre units participating equally and each fractional unit receiving an allocation, as compared to the allocation of a 40-acre unit, in the ratio that its area in acres bears to 40 acres. This allocation to each unit shall be designated as the acreage unit allowable.

Sec. 10. Forty (40) per cent of the total daily non-marginal field allowable shall be allocated to each producing unit in the ratio that the average daily potential production of each unit bears to the average daily potential production of the field. Each producing fractional unit shall be entitled to the part it would get as a full unit on the above basis multiplied by the fraction obtained by using the number of acres therein as a numerator and the figure forty (40) as a denominator. This allowable shall be designated as the potential unit allowable.

Sec. 11. The potentials in effect December 16, 1936, shall be the potentials used at the beginning of the present plan.

Sec. 12. In lieu of the open flow or tubing potential tests, potentials shall be adjusted in such manner as to approach a uniform bottom hole pressure for all wells in the pool.

Sec. 13. Adjusted potentials on all wells, excepting packer wells as hereinafter defined and provided for, heretofore completed shall be determined at six month intervals as follows: Beginning March 1, 1937, and at six month intervals thereafter, the potential of each well shall be readjusted, using the average bottom hole pressure of all wells at the beginning of the previous six-month period as a denominator and the new bottom hole pressure of each well as a numerator, both readings being reduced by two-thirds ($\frac{2}{3}$) the average field pressure, and the quotient multiplied by the potential of said well at the beginning of said six months period shall be the adjusted potential of said well to be effective for the succeeding six-months period; provided that the average bottom hole pressure of the field shall be assigned to each packer well and its new potential arrived at as provided for herein for non-packer wells.

Sec. 14. The Commission each six months shall determine the bottom hole pressure of each well in the field, provided that for each well in which the bottom hole pressure cannot be determined for mechanical reasons, such well shall have assigned to it the bottom hole pressure of the nearest well in which a bottom hole pressure is taken, or if equidistant from two or more wells in which bottom hole pressures are taken such well shall have assigned to it the average

of the bottom hole pressures of said equidistant wells. Packer wells may be bombed, in which event the pressure obtained shall be used in determining the field average pressure, but said wells shall be assigned the average pressure of all wells at the beginning of said six-month period.

Sec. 15. The potential of no well shall be adjusted below the acreage unit allowable, and said allowable shall be considered to be the potential of the well should it be necessary to make an upward revision thereof due to an increased bottom hole pressure of the well.

Sec. 16. A packer well, as referred to herein, is any well in which a formation packer has been set for the purpose of conserving reservoir energy.

Sec. 17. New wells shall be tested in the following manner: The well shall be produced through the tubing for a period of two (2) hours. The first hour's production shall be disregarded, but the last hour's production shall be gauged. The one-hour tubing test multiplied by 24 shall constitute the tubing potential. The casing shall then be opened and the well produced through casing and tubing for a period of one hour. The quantity of oil so produced multiplied by 24 shall be the open flow potential, which shall be used in determining the potential unit allowable. It shall be the privilege of any operator to use the tubing potential herein provided for in connection with the current tubing-casing potential curve as approved by the Commission, to ascertain the open flow potential of any well without taking the combined casing and tubing flow as provided for above. Pumping wells shall be tested for a period of six hours and the number of barrels of oil produced multiplied by four shall be the potential.

Sec. 18. Permission to treat wells with acid shall be obtained from the Commission. The potential of a well deepened and/or treated with acid shall be the potential of the well before acid treatment and/or deepening; provided, with respect to any well now completed and which has not heretofore been treated with acid, the operator shall have the right prior to April 1, 1937, to treat the same with acid, and the potential of the well shall be its potential after treating with acid.

Sec. 19. The Commission shall notify the operator of the day and hour that a well is to be shut in for bottom hole pressure test. The bottom hole pressure shall be measured not less than 24 hours nor more than 36 hours following said specified time. Notice to the operator shall be given not less than 24 hours before the time for the well to be shut in. The well shall produce its regular allocation during the 24 hour period ending at the time the well is shut in.

Sec. 20. The pressure shall be measured as near as possible to a point in the well 400 feet below sea level.

Sec. 21. This order shall become effective January 1, 1937.

Sec. 22. Allocations to the Hobbs Field as a whole shall be determined according to the plan of Order No. 1 of the Commission, "General State Proration Order", adopted June 29, 1935 and Order No. 45, "Revision of Order No. 1 of the Commission 'General State Proration Order'", adopted November 12, 1936. Allocations for the field and the wells therein shall be included in "General State Proration Orders" of the Commission. This order supersedes any provisions of Order No. 1 with which it is in conflict.

OIL CONSERVATION COMMISSION
Clyde Tingley, Governor
Frank Vesely, Commissioner of Public Lands
E. H. Wells, State Geologist.

MINUTES OF THE MEETING OF THE
OIL CONSERVATION COMMISSION
HELD IN THE OFFICE OF THE OIL
CONSERVATION COMMISSION ON
DECEMBER 29th, 1936.

The Commission met in the office of the Oil
Conservation Commission at 3:00 o'clock p.m.

Thursday, December 29th, 1936.

Present: Commissioner of Public Lands,
Frank Vesely, Acting Chairman and
Secretary
State Geologist, E.H. Wells.

The Commission having been informed that the
market demand for the Monument Field, beginning
January 1st, 1937, is 22,000 barrels of oil per
day, the Commission adopted Order No. 51 allocating
to the State of New Mexico 92,800 barrels of oil
per day for the period January 1-15-1937, including
22,000 barrels of oil per day to the Monument
Field and Orders Nos. 49 and 50 are hereby can-
celled.

The Commission also adopted the following Order
No. 48.

BEFORE THE OIL CONSERVATION
COMMISSION OF THE STATE
OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED)	
BY THE OIL CONSERVATION COMMISSION)	
OF THE STATE OF NEW MEXICO FOR THE)	Case No. 6
PURPOSE OF CONSIDERING: "PRORATION)	
AGREEMENT OF OPERATORS FOR THE HOBBS)	Order No. 48
FIELD, LEA COUNTY, NEW MEXICO, OR)	
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Sec. 11. The potentials in effect December 16, 1936, shall be the potentials used at the beginning of the present plan.

Sec. 12. In lieu of the open flow or tubing potential tests, potentials shall be adjusted in such manner as to approach a uniform bottom hole pressure for all wells in the pool.

Sec. 13. Adjusted potentials on all wells, excepting packer wells as hereinafter defined and provided for, heretofore completed shall be determined at six month intervals as follows: Beginning March 1, 1937, and at six month intervals thereafter, the potential of each well shall be readjusted, using the average bottom hole pressure of all wells at the beginning of the previous six-month period as a denominator and the new bottom hole pressure of each well as a numerator, both readings being reduced by two-thirds ($\frac{2}{3}$) the average field pressure, and the quotient multiplied by the potential of said well at the beginning of said six months period shall be the adjusted potential of said well to be effective for the succeeding six-months period; provided that the average bottom hole pressure of the field shall be assigned to each packer well and its new potential arrived at as provided for herein for non-packer wells.

Sec. 14. The Commission each six months shall determine the bottom hole pressure of each well in the field, provided that for each well in which the bottom hole pressure cannot be determined for mechanical reasons, such well shall have assigned to it the bottom hole pressure of the nearest well in which a bottom hole pressure is taken, or if equidistant from two or more wells in which bottom hole pressures are taken such well shall have assigned to it the average

of the bottom hole pressures of said equidistant wells. Packer wells may be bombed, in which event the pressure obtained shall be used in determining the field average pressure, but said wells shall be assigned the average pressure of all wells at the beginning of said six-month period.

Sec. 15. The potential of no well shall be adjusted below the acreage unit allowable, and said allowable shall be considered to be the potential of the well should it be necessary to make an upward revision thereof due to an increased bottom hole pressure of the well.

Sec. 16. A packer well, as referred to herein, is any well in which a formation packer has been set for the purpose of conserving reservoir energy.

Sec. 17. New wells shall be tested in the following manner: The well shall be produced through the tubing for a period of two (2) hours. The first hour's production shall be disregarded, but the last hour's production shall be gauged. The one-hour tubing test multiplied by 24 shall constitute the tubing potential. The casing shall then be opened and the well produced through casing and tubing for a period of one hour. The quantity of oil so produced multiplied by 24 shall be the open flow potential, which shall be used in determining the potential unit allowable. It shall be the privilege of any operator to use the tubing potential herein provided for in connection with the current tubing-casing potential curve as approved by the Commission, to ascertain the open flow potential of any well without taking the combined casing and tubing flow as provided for above. Pumping wells shall be tested for a period of six hours and the number of barrels of oil produced multiplied by four shall be the potential.

Sec. 18. Permission to treat wells with acid shall be obtained from the Commission. The potential of a well deepened and/or treated with acid shall be the potential of the well before acid treatment and/or deepening; provided, with respect to any well now completed and which has not heretofore been treated with acid, the operator shall have the right prior to April 1, 1937, to treat the same with acid, and the potential of the well shall be its potential after treating with acid.

Sec. 19. The Commission shall notify the operator of the day and hour that a well is to be shut in for bottom hole pressure test. The bottom hole pressure shall be measured not less than 24 hours nor more than 36 hours following said specified time. Notice to the operator shall be given not less than 24 hours before the time for the well to be shut in. The well shall produce its regular allocation during the 24 hour period ending at the time the well is shut in.

Sec. 20. The pressure shall be measured as near as possible to a point in the well 400 feet below sea level.

Sec. 21. This order shall become effective January 1, 1937.

Sec. 22. Allocations to the Hobbs Field as a whole shall be determined according to the plan of Order No. 1 of the Commission, "General State Proration Order", adopted June 29, 1935 and Order No. 45, "Revision of Order No. 1 of the Commission 'General State Proration Order'", adopted November 12, 1936. Allocations for the field and the wells therein shall be included in "General State Proration Orders" of the Commission. This order supersedes any provisions of Order No. 1 with which it is in conflict.

OIL CONSERVATION COMMISSION
Clyde Tingley, Governor
Frank Vesely, Commissioner of Public Lands
E. H. Wells, State Geologist.

There being no further business, the meeting adjourned.

(Signed) Frank Vesely
Acting Chairman and Secretary

BEFORE THE OIL CONSERVATION
COMMISSION OF THE STATE
OF NEW MEXICO

In the Matter of the Hearing called
by the Oil Conservation Commission
of the State of New Mexico for the
purpose of considering: "Proration
Agreement of Operators for the Hobbs
Field, Lea County, New Mexico, or
other plan of proration for the field."

Case No. 6

Order No. 48

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 10:00 o'clock A.M. on
the 11th day of December, 1936, in the Supreme Court Room in the
State Capitol, Santa Fe, New Mexico, upon the call of the Commission
in the above designated matter.

Now, on this _____ day of December, 1936, the Commission,
having before it for consideration the evidence adduced at the hear-
ing in said case, and being fully advised in the premises, therefore
orders:

PRORATION PLAN FOR HOBBS
FIELD, LEA COUNTY

Sec. 1. The total allowable production of oil in the Hobbs
field shall be allocated within the field by productive units. Units
shall not be allocated more oil than they can produce without unrea-
sonable waste.

Sec. 2. Productive units shall be classified as marginal and
non-marginal units, a marginal unit being one that cannot produce the
acreage unit allowable, and a non-marginal unit one with ^{an average} daily poten-
tial ^{production} equal to or larger than the acreage unit allowable. Marginal
units shall be allocated approximately the amount of oil they can pro-
duce.

Sec. 3. The total allocation to marginal units shall be de-
ducted from the total daily field allowable and the resulting number
of barrels shall be designated as the total daily non-marginal field
allowable.

Sec. 4. As far as possible, the field shall be divided into forty (40) acre tracts in the form of a square, constituting regular subdivisions of sections according to the Government surveys. Each such tract shall be considered a unit for the purposes of proration hereunder. If it should develop that there are tracts of land owned by individual operators or lease holders constituting less than a unit as above defined or in such form as not to constitute a unit as above defined, then the Commission shall create and outline fractional units or units of a form other than a square.

Sec. 5. The following 40-acre units not in the form of a square shall be considered as regular units for proration purposes: Walker Terry G, $N\frac{1}{2}SW\frac{1}{4}SE\frac{1}{4}$ and $N\frac{1}{2}SE\frac{1}{4}SE\frac{1}{4}$ Section 10, T. 19 S., R. 38 E. Walker Terry G-A, $S\frac{1}{2}SW\frac{1}{4}SE\frac{1}{4}$ and $S\frac{1}{2}SE\frac{1}{4}SE\frac{1}{4}$ Sec. 10, T. 19 S., R. 38 E. Repollo Crump B, $N\frac{1}{2}NW\frac{1}{4}NE\frac{1}{4}$ and $N\frac{1}{2}NE\frac{1}{4}NE\frac{1}{4}$ Section 15, T. 19 S., R. 38 E. Repollo Crump B-A, $S\frac{1}{2}NW\frac{1}{4}NE\frac{1}{4}$ and $S\frac{1}{2}NE\frac{1}{4}NE\frac{1}{4}$ Sec. 15, T. 19 S., R. 38 E. Stanolind State C, $N\frac{1}{2}NE\frac{1}{4}NW\frac{1}{4}$ and $N\frac{1}{2}NW\frac{1}{4}NW\frac{1}{4}$ Sec. 15, T. 19 S., R. 38 E. Stanolind State C-A, $S\frac{1}{2}NW\frac{1}{4}NW\frac{1}{4}$ and $S\frac{1}{2}NE\frac{1}{4}NW\frac{1}{4}$ Sec. 15, T. 19 S., R. 38 E.

Sec. 6. The daily potential production of a well is the quantity of oil said well is capable of producing, as hereinafter determined.

Sec. 7. The average daily potential production of any unit or fractional unit shall mean the average daily potential production of all wells thereon obtained by dividing the aggregate daily potential production of all wells on such unit or fractional unit by the number of wells thereon. The average daily potential production of the field shall be the sum of the average daily potential production of all units and fractional units in the field.

Sec. 8. The Commission shall determine the average daily potential production of the field and of each producing unit and fractional unit therein on the basis of gauges or other tests as hereinafter provided.

Sec. 9. ^{The daily non-marginal} The field allowable shall be allocated among the various units on the following basis: Sixty (60) per cent of ^{The non-marginal} ~~the~~ daily allowable ~~outlet from the field~~ shall be allocated equally among the several pro-

~~ducing units and fractional units without reference to the producing~~
to units without reference to their producing ability; all
40-acre units participating equally and each fractional
unit determined by the ratio of its area in acres to 40.

unit receiving an allocation, in proportion to the potential of each unit, as determined by the Commission.

~~ability thereof, each fractional unit participating to the extent of its proportion of a full unit.~~ This allocation to each unit shall be designated as the acreage unit allowable.

Sec. 10. Forty (40) per cent of the ~~daily outlet~~ ^{total daily production of the field} shall be allocated to each producing unit in the ratio that the average daily potential production of each unit bears to the average daily potential production of the field. Each producing fractional unit shall be entitled to the part it would get as a full unit on the above basis multiplied by the fraction obtained by using the number of acres therein as a numerator and the figure forty (40) as a denominator. This allowable shall be designated as the potential unit allowable.

Sec. 11. The potentials in effect December 16, 1936, shall be the potentials used at the beginning of the present plan.

Sec. 12. In lieu of the open flow or tubing potential tests, potentials shall be adjusted in such manner as to approach a uniform bottom hole pressure for all wells in the pool.

Sec. 13. Adjusted potentials on all wells, excepting packer wells as hereinafter defined and provided for, heretofore completed shall be determined at six month intervals as follows.: Beginning March 1, 1937, and at six month intervals thereafter, the potential of each well shall be readjusted, using the average bottom hole pressure of all wells at the beginning of the previous six-month period as a denominator and the new bottom hole pressure of each well as a numerator, both readings being reduced by two-thirds ($\frac{2}{3}$) the average field pressure, and the quotient multiplied by the potential of said well at the beginning of said six months period shall be the adjusted potential of said well to be effective for the succeeding six-months period; provided that the average bottom hole pressure of the field shall be assigned to each packer well and its new potential arrived at as provided for herein for non-packer wells.

Sec. 14. The Commission each six months shall determine the bottom hole pressure of each well in the field, provided that for each well in which the bottom hole pressure cannot be determined for

mechanical reasons, ~~each~~^{such} well shall have assigned to it the bottom hole pressure of the nearest well in which a bottom hole pressure is taken, or if equidistant from two or more wells in which bottom hole pressures are taken ~~and~~^{such} well shall have assigned to it the average of the bottom hole pressures of said equidistant wells. Packer wells may be bombed, in which event the pressure obtained shall be used in determining the field average pressure, but said wells shall be assigned the average pressure of all wells at the beginning of said six-month period.

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treatment and/or deepening; provided, with respect to any well now completed and which has not heretofore been treated with acid, the operator shall have the right prior to April 1, 1937, to treat the same with acid, and the potential of the well shall be its potential after treating with acid.

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Sec. 20. The pressure shall be measured as near as possible to a point in the well 400 feet below sea level.

Sec. 21. This order shall become effective January 1st, 1937.

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OIL CONSERVATION COMMISSION

CLYDE TINGLEY
Governor

FRANK VESIL
Commissioner of Public Lands

E. H. BELLS
State Geologist

By Rose M. Kahn
February 24th, 1937.

TRANSCRIPT OF THE PROCEEDINGS OF
THE HEARING CALLED FOR DECEMBER
11th and DECEMBER 12, 1936 .

(The Commission was in session all day December 11th, 1936 and the morning of December 12th, 1936. When they convened at 2:00 o'clock in the afternoon of December 12th, it was unanimously agreed all the testimony presented up to that time be destroyed, which was done, and the following is a short session held on the afternoon of December 12th, 1936.)

REGISTRATION

NAME

Frank Vesely
E. H. Wells

F. J. Vesely
Carl E. Livingston

Leo R. Manning
J. E. Roth
Harvey Hardison
Lucius M. Lamar
M. Albertson
C. B. Williams
R. Van A. Mills
J. C. Johnston
H. L. Johnston
E. A. Bowers
Ernest A. Hanson
S. P. Hannifin
R. S. Dewey
W. E. Hubbard
Luther A. Neal
T. E. Heath
Edgar Kraus
Colin C. Roe
J. N. Dunlavey
D. D. Bodie
W. E. Cunningham
J. P. Cusack
J. W. Jordan
Glenn Bish
J. S. Griffith
James M. Murray
Robt. S. Christie
J. K. Hufindick
Paul H. Colliston
J. C. Seth
S. Sanderson
Lloyd L. Gray
Jack H. Rankin
George W. Selinger
C. H. Millikan
Paul A. Peterkott

COMPANY

Commissioner of Public Lands) For the
State Geologist) Commission

State Oil and Gas Inspector
Attorney

Geo. F. Getty Oil Co.
Tide Water Associated Oil Co.
The California Company
The California Company
Shell Petroleum Corp.
The Texas Company
Continental Oil Co.
Continental Oil Co.
Continental Oil Co.
Walker Oil Corp.
U. S. G. S.
Magnolia Pet. Co.
Humble Oil & Rfg. Co.
Humble Oil & Rfg. Co.
Landreth Production Corp.
Sun Oil Company
Atlantic Rfg. Co.
Skelly Oil Co.
Skelly Oil Co.
Empire Oil & Rfg. Co.
Oil Well Drilling Co.
J. P. Cusack, Inc.
Repollo Oil Co.
The Ohio Oil Co.
Humble Oil & R. Co.
Me-Tex Co.
Amerada
The Texas Co.
Continental Oil Co.
Stanolind Oil Co.
Gulf
Gulf
Repollo
Skelly Oil Co.
Amerada Pet. Corp.
Repollo Oil Co.

Meeting called to order by Mr. Vesely, Commissioner of Public Lands,
The call of the meeting was read:

NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Pursuant to Chapter 72, Session Laws of 1935, State of New Mexico, by which act the Oil Conservation Commission of New Mexico was created, investing said Commission with the jurisdiction and authority over all matters relating to the conservation of oil and gas in this State and of the enforcement of all provisions of said Act, notice is hereby given that a public hearing will be held at the Capitol, Santa Fe, New Mexico on the 11th day of December, 1936 at 10:00 o'clock A.M., for the purpose of considering the following:

Case No. 6. Proration Agreement of Operators for the Hobbs Field, Lea County, New Mexico, or other plan of proration for this field.

Given under the seal of said Commission at Santa Fe, New Mexico on November 12th, 1936.

OIL CONSERVATION COMMISSION

Clyde Tingley
Governor

(SEAL)

Frank Vesely
Commissioner of Public Lands

E. H. Wells
State Geologist

JUDGE SETH: Offer in evidence the existing Hobbs Proration Agreement:
(Copy of Hobbs Proration Agreement in the files of the Oil Conservation Commission.)

Mr. Wahlstrom of the Stanolind Oil Company sworn in.
Judge Seth examining Mr. Wahlstrom:

Q. Are Mr. Wahlstrom's qualifications admitted?

Mr. Vesely: Yes.

Q. How many years experience have you had in the oil pools in Southeastern New Mexico, and those closely related to Texas?

A. Nine years.

Q. Have you made a study of the limestone formations?

A. I have.

Q. Are you familiar with the present Hobbs' proration plan?

A. I am.

Q. Have you made a detailed study of the effect of the present Hobbs Proration Plan?

A. Yes.

Q. Have you a plan you think would result in a more equitable recoverable oil in place under each unit?

A. Yes.

Q. What plan is that?

A. I would recommend use of straight acreage plan of proration.

Q. Based on conditions now existing in Hobbs?

A. Yes.

Q. You believe such plan would result in more equitable distribution of oil now remaining in pool?

A. Yes.

Q. Has it been suggested that a plan based on sixty percent acreage and forty percent potential would be more equitable than the present plan?

A. I believe a move in the right direction.

Q. You believe 100% acreage would more nearly approach a real equitable distribution of the remaining oil in place?

A. Yes.

MR. VESELY: That is all, thank you.

MR. GRAY SWORN IN.

JUDGE LOWE EXAMINING MR. GRAY:

Q. How long have you been connected with the development of the production of oil in Southeastern New Mexico, particularly the Hobbs Area?

A. Approximately five years.

Q. How close a contact?

A. Locally in the Hobbs Pool for a period of 4 1/2 years.

Q. You are familiar with all surrounding conditions in the field?

A. Yes.

Q. You are familiar with the plan under which the field was developed and produced?

A. I am.

Q. You think that plan resulted in the conservation of the resources

and equitable withdrawals of the fields' properties according to the reserves?

A. I do.

Q. Your contention that the plan would result in equitable withdrawal?

A. Yes.

Q. You suggest that we continue operation of that field under what plan?

A. I believe the present plan would be best we could have to continue operations.

Q. Any other plan might work an inequity?

A. It is difficult to definitely state any plan would work inequities.

Q. If there is to be any modification of the plan, should it be gradual or the old plan overthrown at once?

A. Very gradual.

Q. That way we feel our way along?

A. Yes.

Q. It has been suggested that we reduce the potential feature to 40 and increase acreage to 60, do you think that preferable to discarding potential entirely?

A. Yes, I do.

Q. Think that would be a step in the right direction?

A. Yes.

That is all.

GLENN STALEY SWORN IN.

JUDGE SETH EXAMINING MR. STALEY:

Q. State your name.

A. C. C. Staley.

Q. You have been proration umpire at Hobbs under the previous proration plan and the present one?

A. Yes.

Q. How many years in Hobbs?

A. 6½ years.

Q. Has there been any schedule units in the field in use under the proration plan?

A. There has.

Q. All units have letter and reference section, is there a regular scale designating units in section.

A. Yes, it is done this way. Each unit has a letter beginning with A in the Northeast 40 acres, lettered back and from letter A to P in Southeast 40 acres.

Q. Does the key appear on the Hobbs Engineering Plan recently issued?

A. No, on all maps made.

(Exhibiting map*)

Q. There letters beginning in the Northeast last fall, same system in the sections and townships from East to West and back and forth?

A. Yes.

Q. What is a unit in Hobbs under the present system, what size?

A. Forty acres.

Q. In the main, according to purpose rather than survey?

A. Yes.

Q. Are one or two direct angular units in scale following late survey?

A. There are.

Q. Are the units set out in proration schedule 154 fair and equitable?

A. I think they are.

Q. We offer that portion of the proration schedule in evidence, but only that portion showing actual units.

MR. MCCORKLE EXAMINING MR. STALEY:

Q. Have the greater part of the wells in the Hobbs Pool been acidized?

A. They have.

Q. Acidization help potentials?

A. Yes.

Q. In regard to such leases not acidized, would you consider it fair and reasonable for the Commission now to permit within a reasonable time such lease to be acidized?

A. I do think it fair.

JUDGE LOWE EXAMINING MR. STALEY:

Q. You have been umpire, how many years?

A. $6\frac{1}{2}$ years.

Q. During that period of time you closely observed all wells?

A. Yes.

Q. How are present potentials determined?

A. Determined by three hour test, using last hour potential of the well.

Q. How adjusted from time to time?

A. Drop bottom hole pressure of individual wells.

Q. You think the potentials you now have substantially reflect the potentials of those wells?

A. Using what information we have, yes.

Q. We introduce these in evidence.

JUDGE SETH:

Q. When were potentials last taken?

A. About three years ago, I think.

JUDGE LOWE:

Q. You believe from your observation and knowledge of the field, taking potentials determined which you have arrived at, taking the original potentials, declaring the connection of bottom hole pressure, do equity between operators in that field and result in substantial equal withdrawal of the various units on the basis of 60-40?

A. I think relatively, it would be fair plan of distribution for market outlet.

Hearing adjourned.

December 15th, 1937, hearing pursuant to adjournment before the Commission.

JUDGE SETH EXAMINING MR. WAHLSTROM WHO HAS BEEN PREVIOUSLY SWORN IN.

Q. Have you and your committee of engineers considered a set of field rules for the Hobbs Pool?

A. Yes.

Q. These rules relate to the engineering, the taking of potentials and similar matters?

A. Various proration matters.

Q. Did this committee agree to such rules?

A. Yes, they did.

Q. Has a copy of these rules been delivered to Mr. Wells, State Geologist?

A. Yes. He has a copy.

Q. In your opinion, these rules are proper for carrying out any proration order the Commission may put into effect in the Hobbs Pool?

A. Yes.

Q. Will these rules have the effect of permitting proper production of oil in the manner that is fair and equitable to all operators in the pool and in such manner to prevent waste?

A. I believe they would.

Q. Would these rules give an opportunity to effectively carry out any order of the Commission which they may put into effect which has the taking of well potential as any part of the basis of proration?

A. Don't quite understand.

Q. Will these rules provide for the taking of potentials of wells in the event the Commission makes well potential a factor in any allocation used?

A. Yes.

Q. Will provide the taking of potentials in a matter fair and equitable among the various owners in the field?

A. Yes.

Q. Did the Engineer's Committee agree to recommend the adoption of these rules?

A. Yes.

Q. There has been in effect in the Hobbs Pool for some time rule No. q-A covering the plan ~~decreased~~ declaring the manner and adjusted wells potentials, a copy of which is tendered herewith as an Exhibit?

A. Yes.

(Exhibit in the files of the Oil Conservation Commission)

Q. Adjustment some basis of bottom hole pressure?

A. Right.

Q. In your opinion it is the proper one to be adopted considering the conditions of the Hobbs Pool?

A. I believe so, yes.

Q. Would you say the adoption of such further modification by the

Commission as future studies may render necessary?

A. That is my idea.

(Hearing adjourned)

By Rose M. Kann
February 24th, 1937.

TRANSCRIPT OF THE PROCEEDINGS OF
THE HEARING CALLED FOR DECEMBER
11th and DECEMBER 12, 1936.

(The Commission was in session all day December 11th, 1936 and the morning of December 12th, 1936. When they convened at 2:00 o'clock in the afternoon of December 12th, it was unanimously agreed all the testimony presented up to that time be destroyed, which was done, and the following is a short session held on the afternoon of December 12th, 1936.)

REGISTRATION

<u>NAME</u>	<u>COMPANY</u>
Frank Vesely E. H. Wells	Commissioner of Public Lands) For the State Geologist) Commission
F. J. Vesely Carl B. Livingston	State Oil and Gas Inspector Attorney
Leo R. Manning	Geo. F. Getty Oil Co.
J. E. Roth	Tide Water Associated Oil Co.
Harvey Hardison	The California Company
Lucius M. Lamar	The California Company
M. Albertson	Shell Petroleum Corp.
C. B. Williams	The Texas Company
R. Van A. Mills	Continental Oil Co.
J. C. Johnston	Continental Oil Co.
H. L. Johnston	Continental Oil Co.
B. A. Bowers	Walker Oil Corp.
Ernest A. Hanson	U. S. G. S.
S. P. Hannifin	Magnolia Pet. Co.
R. S. Dewey	Humble Oil & Refg. Co.
W. E. Hubbard	Humble Oil & Refg. Co.
Luther A. Neal	Landreth Production Corp.
T. E. Heath	Sun Oil Company
Edgar Kraus	Atlantic Refg. Co.
Colin C. Roe	Skelly Oil Co.
J. N. Dunlavey	Skelly Oil Co.
D. D. Bodie	Empire Oil & Refg. Co.
W. E. Cunningham	Oil Well Drilling Co.
J. P. Cusack	J. P. Cusack, Inc.
J. W. Jordan	Repollo Oil Co.
Glenn Bish	The Ohio Oil Co.
J. S. Griffith	Humble Oil & R. Co.
James M. Murray	Me-Tex Co.
Robt. S. Christie	Amerada
J. K. Hufindick	The Texas Co.
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J. O. Seth	Stanclind Oil Co.
S. Sanderson	Gulf
Lloyd L. Gray	Gulf
Jack H. Rankin	Repollo
George W. Selinger	Skelly Oil Co.
C. N. Millikan	Amerada Pet. Corp.
Paul A. McDermott	Repollo Oil Co.

Meeting called to order by Mr. Vesely, Commissioner of Public Lands.

The call of the meeting was read:

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OIL CONSERVATION COMMISSION

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Given under the seal of said Commission at Santa Fe, New Mexico on November 12th, 1936.

OIL CONSERVATION COMMISSION

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Governor

Frank Vesely
Commissioner of Public Lands

(SEAL)

E. H. Wells
State Geologist

JUDGE SETH: Offer in evidence the existing Hobbs Proration Agreement:
(Copy of Hobbs Proration Agreement in the files of the Oil Conservation Commission.)

Mr. Wahlstrom of the Stanolind Oil Company sworn in.
Judge Seth examining Mr. Wahlstrom:

Q. Are Mr. Wahlstrom's qualifications admitted?

Mr. Vesely: Yes.

Q. How many years experience have you had in the oil pools in Southeastern New Mexico, and those closely related to Texas?

A. Nine years.

Q. Have you made a study of the limestone formations?

A. I have.

Q. Are you familiar with the present Hobbs' proration plan?

A. I am.

Q. Have you made a detailed study of the effect of the present Hobbs' Proration Plan?

A. Yes.

Q. Have you a plan you think would result in a more equitable recoverable oil in place under each unit?

A. Yes.

Q. What plan is that?

A. I would recommend use of straight acreage plan of proration.

Q. Based on conditions now existing in Hobbs?

A. Yes.

Q. You believe such plan would result in more equitable distribution of oil now remaining in pool?

A. Yes.

Q. Has it been suggested that a plan based on sixty percent acreage and forty percent potential would be more equitable than the present plan?

A. I believe a move in the right direction.

Q. You believe 100% acreage would more nearly approach a real equitable distribution of the remaining oil in place?

A. Yes.

MR. VESELY: That is all, thank you.

MR. GRAY SWORE IN.

JUDGE LOWE EXAMINING MR. GRAY:

Q. How long have you been connected with the development of the production of oil in Southeastern New Mexico, particularly the Hobbs area?

A. Approximately five years.

Q. How close a contact?

A. Locally in the Hobbs Pool for a period of 4½ years.

Q. You are familiar with all surrounding conditions in the field?

A. Yes.

Q. You are familiar with the plan under which the field was developed and produced?

A. I am.

Q. You think that plan resulted in -3-

and equitable withdrawals of the fields properties according to the reserves?

A. I do.

Q. Your contention that the plan would result in equitable withdrawal?

A. Yes.

Q. You suggest that we continue operation of that field under what plan?

A. I believe the present plan would be best we could have to continue operations.

Q. Any other plan might work an inequity?

A. It is difficult to definitely state any plan would work inequities.

Q. If there is to be any modification of the plan, should it be gradual or the old plan overthrown at once?

A. Very gradual.

Q. That way we feel our way along?

A. Yes.

Q. It has been suggested that we reduce the potential feature to 40 and increase acreage to 60, do you think that preferable to discarding potential entirely?

A. Yes, I do.

Q. Think that would be a step in the right direction?

A. Yes.

That is all.

GLENN STALEY SWORN IN.

JUDGE SETH EXAMINING MR. STALEY:

Q. State your name.

A. C. G. Staley.

Q. You have been proration umpire at Hobbs under the previous proration plan and the present one?

A. Yes.

Q. How many years in Hobbs?

A. 6½ years.

Q. Has there been any schedule units in the field in use under the proration plan?

A. There has.

Q. All units have letter and reference section, is there a regular scale designating units in section.

A. Yes, it is done this way. Each unit has a letter beginning with A in the Northeast 40 acres, lettered back and from letter A to P in Southeast 40 acres.

Q. Does the key appear on the Hobbs Engineering Plan recently issued?

A. No, on all maps made.

(Exhibiting map)

Q. There letters beginning in the Northeast last fall, same system in the sections and townships from East to West and back and forth?

A. Yes.

Q. What is a unit in Hobbs under the present system, what size?

A. Forty acres.

Q. In the main, according to purpose rather than survey?

A. Yes.

Q. Are one or two direct angular units in scale following late survey?

A. There are.

Q. Are the units set out in proration schedule 154 fair and equitable?

A. I think they are.

Q. We offer that portion of the proration schedule in evidence, but only that portion showing actual units.

MR. MCCORKLE EXAMINING MR. STALEY:

Q. Have the greater part of the wells in the Hobbs Pool been acidized?

A. They have.

Q. Acidization help potentials?

A. Yes.

Q. In regard to such leases not acidized, would you consider it fair and reasonable for the Commission now to permit within a reasonable time such lease to be acidized?

A. I do think it fair.

JUDGE LOVE EXAMINING MR. STALEY:

Q. You have been umpire, now many years?

A. 6½ years.

Q. During that period of time you closely observed all wells?

A. Yes.

Q. How are present potentials determined?

A. Determined by three hour test, using last hour potential of the well.

Q. How adjusted from time to time?

A. Drop bottom hole pressure of individual wells.

Q. You think the potentials you now have substantially reflect the potentials of those wells?

A. Using what information we have, yes.

Q. We introduce these in evidence.

JUDGE SETH:

Q. When were potentials last taken?

A. About three years ago, I think.

JUDGE LOWE:

Q. You believe from your observation and knowledge of the field, taking potentials determined which you have arrived at, taking the original potentials, declaring the connection of bottom hole pressure, do equity between operators in that field and result in substantial equal withdrawal of the various units on the basis of 60-40?

A. I think relatively, it would be fair plan of distribution for market outlet.

Hearing adjourned.

December 15th, 1937, hearing pursuant to adjournment before the Commission.

JUDGE SETH EXAMINING MR. WAHLSTROM WHO HAS BEEN PREVIOUSLY SWORN IN.

Q. Have you and your committee of engineers considered a set of field rules for the Hobbs Pool?

A. Yes.

Q. These rules relate to the engineering, the taking of potentials and similar matters?

A. Various proration matters.

Q. Did this committee agree to such rules?

A. Yes, they did.

Q. Was a copy of these rules been delivered to Mr. Wells, State Geologist?

A. Yes. He has a copy.

Q. In your opinion, these rules are proper for carrying out any proration order the Commission may put into effect in the Hobbs Pool?

A. Yes.

Q. Will these rules have the effect of permitting proper production of oil in the manner that is fair and equitable to all operators in the pool and in such manner to prevent waste?

A. I believe they would.

Q. Would these rules give an opportunity to effectively carry out any order of the Commission which they may put into effect which has the taking of well potential as any part of the basis of proration?

A. Don't quite understand.

Q. Will these rules provide for the taking of potentials of wells in the event the Commission makes well potential a factor in any allocation used?

A. Yes.

Q. Will provide the taking of potentials in a matter fair and equitable among the various owners in the field?

A. Yes.

Q. Did the Engineer's Committee agree to recommend the adoption of these rules?

A. Yes.

Q. There has been in effect in the Hobbs Pool for some time rule No. q-A covering the plan declaring the manner and adjusted wells potentials, a copy of which is tendered herewith as an Exhibit?

A. Yes.

(Exhibit in the files of the Oil Conservation Commission)

Q. Adjustment some basis of bottom hole pressure?

A. Right.

Q. In your opinion it is the proper one to be adopted considering the conditions of the Hobbs Pool?

A. I believe so, yes.

Q. Would you say the adoption of such further modification by the

Commission as future studies may render necessary?

A. That is my idea.

(Hearing adjourned)

Oil, Gas

THIS AGREEMENT OF COMMISSION was entered into on the 1st day of January, 1935, by and between the undersigned owners and operators of oil and gas leases in what is known as the Hobbs Oil Pool or Field in Lea County, New Mexico, covering lands in Townships 18 and 19 North, Ranges 37 and 38 East, joined herein by the Commissioner of Public Lands of the State of New Mexico, representing the mineral interests of said State in the lands belonging to the State and affected by this agreement, all of the parties hereto acting pursuant to the provisions of Chapter 132 of the Laws of New Mexico enacted at the Ninth Regular Session of the Legislature of the State of New Mexico.

WITNESSETH THAT WHEREAS the State of New Mexico is the owner of certain of the lands embraced in the said Hobbs Pool and the other parties hereto are the owners respectively of producing oil and gas leases and/or oil and gas leases upon lands located in the present and probable oil and gas producing area in said field, and said field contains a large potential oil and gas producing area now capable of producing large quantities of oil, and the parties hereto recognize that the daily quantity of oil that can be produced from said field for a considerable period of time will be largely in excess of the amount that can be marketed and transported through the available transportation and marketing facilities from said field. It is the consensus of opinion of all parties hereto that a program of unrestrained drilling and production would result in a serious waste of gas above ground and a waste of both oil and gas underground and that an extensive storage program would be necessitated resulting in large loss to the operators and others interested, including the State of New Mexico. It is, therefore, believed to be in the interest of all parties hereto and of all royalty owners in the land involved, and in the interest of the furtherance of conservation and the prevention of waste of oil and gas that the allowable outlet of oil from said field to market be prorated on a fair and equitable basis as hereinafter outlined among the several parties hereto owning and operating oil and gas leases in the said Pool

IT IS THEREFORE AGREED:

1. For convenience and brevity the following definitions are agreed upon:

(a) As far as possible, the lands shall be divided into units according to the Government survey. Each such tract shall be considered a unit for the purposes of proration hereunder. If it should develop that there are tracts of land owned by individual operators or lease holders constituting less than a unit as above defined or in such form as not to constitute a unit as above defined, then the General Committee hereinafter constituted is hereby authorized to create and outline fractional units or units of a form other than a square, and the parties agree to be bound by the action of the General Committee in so constituting units or fractional units.

(b) The daily potential production of a well is the quantity of oil said well is capable of producing, as hereinafter determined, during a period of twenty-four (24) hours if pumped or if operated naturally under usual methods.

(c) The average daily potential production of any unit or fractional unit shall mean the average daily potential production of all wells thereon obtained by dividing the aggregate daily potential production of all wells on such unit or fractional unit by the number of wells thereon. The average daily potential production of the field shall be the sum of the average daily potential production of all units and fractional units in the field.

(d) The daily allowable runs to common carrier pipe lines or other market facilities for any party hereto during any proration period as herein provided shall be the amount such party is entitled to run daily from all units and fractional units owned by such party in the field during a given proration period.

(e) Beginning at seven (7) a.m. o'clock on the first day and ending at seven (7) a.m. o'clock on the sixteenth (16th) day of each month, and beginning at seven (7) a.m. o'clock on the sixteenth (16th) day and ending at seven (7) a.m. o'clock on the first (1st) day of each following month shall be taken as the proration period; provided that the General Committee hereinafter constituted is hereby authorized to constitute each calendar month the proration period.

2. The parties hereto name and constitute the following as a committee to be known as the General Committee, whose duty it shall be to carry out the details of the proration program herein agreed upon and the other provisions hereof:

A. H. Allen	Continental Oil Company
A. E. Allen	Continental Oil Company
A. H. Claffey	Continental Oil & Fuel Company
A. H. Claffey	Continental Oil Company
S. G. Sanderson	Cypress Oil Company
J. E. Susan	Exxon Oil & Refining Company
E. A. Landreth	Landmark Production Corporation
C. L. Cladden	Lampson Petroleum Company
G. C. Moody	Mid-Continent Petroleum Corporation
Glen Bish	Ohio Oil Company
Paul Cunningham	Oil Well Drilling Company
Glen Harraun	Repelle Oil Company
Lloyd Noble	Standard Oil Corporation
D. B. Collins	Shell Petroleum Corporation
J. C. Cressden	Skelly Oil Company
A. M. McCorkle	Standard Oil and Gas Company
C. E. Yeager	Texas Pacific Coal & Oil Company
R. J. Hawley	The California Company
L. E. Barrows	The Texas Company
T. A. Hall	Tide Water Oil Company
T. J. Sweeney	Twin States Oil Company
Harry W. Walker	Walker Oil Corporation

It is understood and agreed that any party hereto may substitute for the representative of such party above named some other representative, by notifying all the other parties hereto in writing. This Committee shall have the powers and functions hereinafter set forth. Said Committee shall select its own Chairman.

3. An Executive Committee is hereby constituted, composed of L. E. Barrows, J. C. Cressden, D. B. Collins, E. A. Landreth, R. E. March, A. M. McCorkle, F. R. Stone, S. G. Sanderson, and Harry W. Walker and the Commissioner of Public Lands and the State Geologist of New Mexico, whose duties shall be to administer the General Conditions, which Committee, subject to the control of the General Committee above named, shall be charged with the responsibility of carrying out the details

of the production permit herein. The permit shall be subject to the provisions of the permit. Thereafter, the permit shall be subject to the provisions of the permit. Committee. Any party hereto may appeal from any action taken by the Executive Committee hereunder to the General Committee.

4. (a) The parties hereto agree to prorate the allowable outlet for oil from said field upon the following basis: The Empire, as provided for in Paragraph 12, shall determine the average daily potential production of the field and of each producing unit and fractional unit therein on the basis of gauges or other tests as hereinafter provided and under the direction and control of the Executive Committee at such times as may be decided upon by said Executive Committee. The Executive Committee shall also ascertain from time to time the allowable outlet and/or fair proportion of the state allowable to be allocated to this field, and shall recommend such fair proportion to the State Oil Conservation Commission for its adoption.

ALLOCATION OF ALLOWABLE OUTLET

(b) Except in case of water units as hereinafter defined, the field allowable shall be allocated among the various units on the following basis: One fourth ($1/4$) of the daily allowable outlet from the field shall be prorated among the several producing units and fractional units without reference to the producing ability thereof, each fractional unit participating to the extent of its prorata part of a full unit. The other three-fourths ($3/4$) of the daily allowable outlet shall be prorated to each producing unit in the ratio that the average daily potential production of each unit bears to the average daily potential production of the field; each producing fractional unit shall be entitled to the part it would get as a full unit on the above basis multiplied by the fraction obtained by using the number of acres therein as a numerator and the figure forty "40" as a denominator. In the event special circumstances should arise under which the division of allowable outlet as herein provided should work an undue hardship upon the owner of any unit or fractional unit, the Executive Committee is authorized to make special adjustments after hearing upon notice to all parties concerned; and, subject to the right of appeal to the General Committee, such adjustments when made shall be final and binding upon all parties hereto.

5. Water Units

Commencing January 1, 1936 and beginning of any other proration period there-

...of the allocation of the daily allowable outlet to the several units in the field. The method of allocation shall deliver to the Empire on or before the 10th day of any calendar month a written request for a change in allocation, which request shall also contain necessary data to qualify each unit as a "water unit" as hereinabove defined.

The allocation to each unit in the Hobbs Pool shall first be computed exactly as prescribed in Paragraph 4 (b) of this Agreement, viz., using 25% as the acreage factor and 75% as the potential factor. A second computation shall next be made in like manner using 40% as the acreage factor and 60% as the potential factor. The Empire shall then assign to each water unit the larger of the two allowables thus computed for each such water unit. The total of all allowables for water units thus computed shall be deducted from the daily allowable outlet, and the remaining daily allowable outlet shall be allocated to the non-water units exactly as prescribed in said paragraph 4 (b) of this Agreement, using 25% as the acreage factor and 75% as the potential factor. To illustrate: Assume 200 units in the Hobbs Pool of which 40 units are water units; assume a daily allowable outlet of 50,000 barrels; and assume 5,000 barrels have been allocated to the water units. Twenty-five percent of this 24,000 barrels, or 6,000 barrels, shall be allocated ratably to each of the 160 non-water units, which would give an "acreage allowance" of 37.5 barrels to each non-water unit. The remaining 18,000 barrels shall be allocated to the several non-water units in the ratio that the average daily potential production of the several non-water units bears to total average daily potential production of the 160 non-water units.

6. UNITS NOT CAPABLE OF PRODUCING ALLOWABLE:

If any unit cannot produce the amount allocated to it, the excess of the allowable over the producing capacity of the unit shall be distributed to the remaining units by first deducting the daily production of such units from the daily field allowable and also by deducting the number of such units from the total number of units in the field, then allocating the remaining field allowable to the remaining units as hereinabove provided.

The Committee shall have authority to adjust from time to time the fractional part of the average field pressure to be subtracted from the bottom hole pressures in determining the numerator and denominator of the formula used in adjusting potentials under Plan B.

Adjusted potentials shall be used in determining the potential of each well.

Adjusted and provided for, territories under the control of the United States shall be included in the following intervals as follows:

The Committee has heretofore used a method of adjusting potentials known as Plan B. This method is hereby approved, re-adopted and is applied as follows:

Beginning December 1, 1933, the potential of each well shall be readjusted every six months thereafter using the average bottom hole pressures of all wells at the beginning of said three months period as a denominator and the new bottom hole pressures of each well as a numerator, both readings being reduced by two-thirds ($2/3$) the average field pressure, and the quotient multiplied by the potential of said well at the beginning of said six months period shall be the adjusted potential of said well to be effective for the succeeding three months period; provided that the average bottom hole pressure of the field shall be assigned to each packer well and its new potential arrived at as provided for herein for non-packer wells.

The Umpire shall each six months determine the bottom hole pressure of each well in the field provided that for each well in which the bottom hole pressure cannot be safely determined for mechanical reasons, such well shall have assigned to it the bottom hole pressure of the nearest well in which a bottom hole pressure is taken, or if equidistant from two or more wells in which bottom hole pressures are taken said well shall have assigned to it the average of the bottom hole pressures of said equidistant wells. All packer wells may be bled and the pressure obtained shall be used in determining the field average pressure. Potential of packer wells shall be decided as in the past.

As the bottom hole pressures of the entire field decline the executive Committee shall have authority to adjust from time to time the fractional part of the average field pressure to be subtracted from the bottom hole pressures in determining the numerator and denominator of the formula used in adjusting potentials under Plan B.

The potential of no well shall be adjusted below the unit allowable on average, and this shall be considered to be the potential of the well, should it be necessary to maintain a given potential of the potential of the well.

0. FOR THE PURPOSES OF THIS ACT, THE FOLLOWING DEFINITIONS SHALL APPLY:

(c) The wells shall be tested in the following manner: The well shall be produced through the tubing for a period of two (2) hours. The first hour's production shall be disregarded, but the last hour's production shall be counted. The one hour tubing test conducted by us shall constitute the tubing potential. The casing shall then be opened and the well produced through casing and tubing for a period of one hour. The quantity of oil so produced multiplied by 24 will give the open flow potential, which will be used in determining the allowable unit production. It shall be the privilege of any operator to use the tubing potential herein provided for in connection with the current tubing casing potential curve as approved by the Engineering Committee as hereinafter provided for, to ascertain the open flow potential of any well without taking the combined casing and tubing flow as provided for herein. Pumping wells shall be tested for a period of six hours and this figure when multiplied by four will be considered the potential for determining the allowable production.

(b) The Chairman of the General Committee, upon recommendation of a majority of the Engineering Committee is authorized to make any variations in the rules set out in Paragraphs 7 and 8, to make the plan workable, and such changes shall be promptly submitted to the Executive Committee for approval.

9. SHOOTING, DETERMINING A.T. ACID TREATMENT:

The parties hereto agree that no call in said field shall be shot with explosives without first obtaining the written permission of the Executive Committee.

All applications for permission to treat wells with acid shall be submitted in writing through the Engineer to the State Geologist. The core test of well deepened and/or treated with acid shall be the potential of the well before acid treatment and/or deepening modified by declining at each potential and at the same rate as the average potential decline of the field.

10 The parties hereto have said that a copy of this bill be put on file on the bill which first is taken under the name that the Governor has written and further upon the bill and a bill for the purpose of taking notice of this. The parties hereto have said to be put on file on the bill and made possibly as susceptible to the name of the bill, to be put on the bill and made

and will in no case be a part of the public domain. The fact that the title to the land is in the hands of the individual owners is highly reliable, and they hereby agree that in any event no claim shall be admitted in connection with the boundary line of any property owned tract.

12. It is recognized that the Executive Committee requires a secretary and expense to aid it in carrying out the program herein outlined and they are required to incur additional expenditures in carrying out said program. It is understood that the expense shall be borne by the parties hereto pro rata on the basis of their proportionate participation in the oil interests within the project provided, and they severally agree to pay to the Chairman of the Executive Committee such pro rata immediately upon receipt of statement; provided, however, that neither the Commissioner of Public Lands nor the State of New Mexico shall be required to pay any part of such expenses.

13. Each operator shall be entitled to name one Petroleum Engineer as a member of the Field Engineering Committee of which the Empire shall be Chairman.

14. This agreement shall not be binding upon any of the parties hereto unless and until it is executed by all of the parties whose names appear in paragraph 2 hereof and is approved by the Oil Conservation Commission of the State of New Mexico, but if and when so executed and approved, same shall be binding upon all parties hereto and their respective successors and assigns, and shall be and remain in full force and effect for a term of twelve months from the said date of January 1, 1933, and may be renewed or extended for successive periods of time thereafter by the agreement of all parties hereto in writing, with the consent in writing of the Oil Conservation Commission of New Mexico; provided, however, that any party hereto, including members of the State Oil Conservation Commission, may at any time, withdraw from the agreement upon giving thirty (30) days notice in writing to all of the other parties hereto, and the said agreement shall terminate and after the said period of time shall be deemed to have been abandoned.

This agreement may be amended or modified by a written agreement of all the parties hereto, and the same shall be deemed to be a part of the agreement.

1. PRODUCTION MINERAL RIGHTS, OIL AND GAS, OF THE STATE OF NEW MEXICO, BEING
those in which exploration, production and disposal of minerals are authorized

AMERICAN PETROLEUM CORPORATION

BY _____

ARIZONA OIL PRODUCING COMPANY

BY _____

CONTINENTAL OIL COMPANY

BY _____

EMPIRE GAS & FUEL COMPANY

BY _____

GETTY OIL COMPANY

BY _____

GYPSY OIL COMPANY

BY _____

HUBBLE OIL & REFINING COMPANY

BY _____

LANDRETH PRODUCTION CORPORATION

BY _____

MAGNOLIA PETROLEUM COMPANY

BY _____

MID-CONTINENT PETROLEUM CORPORATION

BY _____

OHIO OIL COMPANY

BY _____

OIL WELL DRILLING COMPANY

BY _____

ROGERS OIL COMPANY

BY _____

SANBORN OIL CORPORATION

BY _____

SHALL PETROLEUM CORPORATION

BY _____

SKELLY OIL COMPANY

BY _____

STANOLIND OIL AND GAS COMPANY

BY _____

TEXAS PACIFIC COAL & OIL COMPANY

BY _____

THE CALIFORNIA COMPANY

BY _____

THE TEXAS COMPANY

BY _____

TIDE WATER OIL COMPANY

BY _____

TWIN STATES OIL COMPANY

BY _____

WALKER OIL CORPORATION

BY _____

APPROVED THIS _____ Day of January,

1936, as of the First Day of January,

1936:

Chairman

Commissioner of Public Lands
of the State of New Mexico

Oil Conservation Commission,
State of New Mexico.

NAME	COMPANY	ADDRESS
Frank Keschy	Board of Public Land & Co. etc. etc.	
Paul H. Manning	Geo. S. Getty Oil Co.	
J. K. Ketch	Tide Water Associated Oil Co.	
Harvey Henderson	The California Co.	Midland
Lucius M. Laman	The California Company	Dallas, Texas
W. M. Albertson	Shell Pet. Corp.	Houston
W. M. K. K.	The Texas Co.	Fort Worth
W. M. K. K.	Continental Oil Co.	Ponca City
J. C. Johnston	- do -	Fort Worth
H. L. Johnston	- do -	Fort Worth
Ed. Brown	Waller Oil Co.	(Lubbock)
Ernest A. Hanson	U. S. Equal. Bureau	Roswell
J. P. Hamlin	Magnolia Pet. Co.	Roswell
R. S. Dwyer	Humble Oil Ref. Co.	Midland Texas
W. A. Hubbard	do	Houston Tex.
Luther A. Neal	Landrith Production Corp.	Odessa Texas
J. E. Heath	Sun Oil Co.	Dallas, Tex.
Edgar Faus	Atlantic Ref. Co.	Cadillac Mich
Allen C. Rae	Rocky Oil Co.	Tulsa Okla
J. J. Dunaway		Hobbs
D. D. Baier	Empire Oil & Ref. Co.	Lubbock
W. E. Cunningham	Oil Well Drilling Co.	Hobbs
J. E. Jordan	Repollo Oil Co.	Midland Tex
J. E. Jordan	The Texas Co.	
J. E. Jordan	Humble Oil Ref. Co.	Roswell, NM

James M. Mearns
R. S. Christie
John Kaufman
Paul N. Collier
O. Newell

Mo. Tex
Amerasia
The Texas Co.
Continental Oil Co.
State Geological Survey, N.M.

H. H. M.
St. North Texas
Wink, Texas

Albino New Mexico
Albino, N.M.

J. D. Smith
J. J. Kelly

Blanco

D. Dawson
G. H. Gray

State of N.M.

Carlsbad

Delf
Delf

Tulsa Okla

Jack H. Rankin

Repsco

Middle & Lx

George W. Selinger
W. Millikan

Shelly Oil Co

Tulsa Okla.

Amerasia Petroleum Tulsa Okla

Carl B. Livingston

State Land Office Santa Fe, N.M.

Paul M. Bennett

Repsco Oil - St. North Tex.

Name	Company	Address
X Leon Harraun	Reynolds	42 North,
X S. Schick	Hyman & Schick	Artesia
X Jack H. Rubin	Reynolds	St. Worth
X J. D. Dyer	Premier Pet. Corp	Artesia, N.M.
X Hugh Burch	Graybury Oil Co of N.M.	" "
X J. R. Wheeler	Barnsdall Oil Co	Tulsa, Okla
G. F. Staley	Provision office	Hobbs, N.M.
X M. M. David	Republic Production Co	Artesia N.M.
X A. P. Lockamp	Barnsdall Oil Co	Midland Texas
X L. L. Halley	Maleo Refining Co	Artesia
X Ernest E. Hanson	U.S. Geol Survey	Roswell
X R. S. Curry	Humble Oil & Ref Co	Mc Curry Truss
J. J. Virely	State of N.M.	Carlsbad, N.M.
X J. M. Fletchwood	Barnsdall Oil Co.	Tulsa
X Jones Noland	Barnsdall Oil Co.	Tulsa
X R. Schugart	Maleo Refining Co	
X M. E. Borch	M. E. Borch, Oil & P. Co	
X C. L. Huntington	C. L. Huntington	

NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Pursuant to Chapter 72, Session Laws of 1935, State of New Mexico, by which act the Oil Conservation Commission of New Mexico was created, investing said Commission with the jurisdiction and authority over all matters relating to the conservation of oil and gas in this State and of the enforcement of all provisions of said Act, notice is hereby given that a public hearing will be held at the Capitol, Santa Fe, New Mexico on the 11th day of December, 1936 at 10:00 o'clock A.M., for the purpose of considering the following:

Case No. 6. Proration Agreement of Operators for the Hobbs Field, Lea County, New Mexico, or other plan of proration for this field.

Given under the seal of said Commission at Santa Fe, New Mexico on November 12th, 1936.

OIL CONSERVATION COMMISSION

By Clyde Fingley
Governor

(SEAL)

By Frank Vesely
Commissioner of Public Lands

By E. H. Wells
State Geologist

Hobbs News,
Hobbs, New Mexico
November 18, 1936

New Mexico Examiner,
Santa Fe, New Mexico,
November 20th, 1936.

Case No.

6

Application, Transcript,
Small Exhibits, Etc.

STATE OF NEW MEXICO

OIL CONSERVATION COMMISSION

Pursuant to Chapter 78, Session Laws of 1936, State of New Mexico, by which act the Oil Conservation Commission of New Mexico was created, investing said Commission with the jurisdiction and authority over all matters relating to the conservation of oil and gas in this State and of the enforcement of all provisions of said Act, notice is hereby given that a public hearing will be held at the Capitol, Santa Fe, New Mexico on the 11th day of December, 1936 at 10:00 o'clock A.M., for the purpose of considering the following:

Case No. 6. Proration Agreement of Operators for the Hobbs Field, Lea County, New Mexico, or other plan of proration for this field.

Given under the seal of said Commission at Santa Fe, New Mexico on November 12th, 1936.

OIL CONSERVATION COMMISSION

By _____
Governor

By _____
Commissioner of Public Lands

By _____
State Geologist

By Rose M. Kahn
February 24th, 1937.

TRANSCRIPT OF THE PROCEEDINGS OF
THE HEARING CALLED FOR DECEMBER
11th and DECEMBER 12, 1936.

(The Commission was in session all day December 11th, 1936 and the morning of December 12th, 1936. When they convened at 2:00 o'clock in the afternoon of December 12th, it was unanimously agreed all the testimony presented up to that time be destroyed, which was done, and the following is a short session held on the afternoon of December 12th, 1936.)

REGISTRATION

<u>NAME</u>	<u>COMPANY</u>
Frank Vesely E. H. Wells	Commissioner of Public Lands } For the State Geologist } Commission
F. J. Vesely Carl B. Livingston	State Oil and Gas Inspector Attorney
Leo R. Manning	Geo. F. Getty Oil Co.
J. E. Roth	Tide Water Associated Oil Co.
Harvey Hardison	The California Company
Lucius M. Lamar	The California Company
M. Albertson	Shell Petroleum Corp.
C. B. Williams	The Texas Company
R. Van A. Mills	Continental Oil Co.
J. C. Johnston	Continental Oil Co.
H. L. Johnston	Continental Oil Co.
B. A. Bowers	Walker Oil Corp.
Ernest A. Hanson	U. S. G. S.
S. P. Hannifin	Magnolia Pet. Co.
R. S. Dewey	Humble Oil & Rfg. Co.
W. E. Hubbard	Humble Oil & Rfg. Co.
Luther A. Neal	Landreth Production Corp.
T. E. Heath	Sun Oil Company
Edgar Kraus	Atlantic Rfg. Co.
Colin C. Roe	Skelly Oil Co.
J. N. Dunlavey	Skelly Oil Co.
D. D. Bodie	Empire Oil & Rfg. Co.
W. E. Cunningham	Oil Well Drilling Co.
J. P. Cusack	J. P. Cusack, Inc.
J. W. Jordan	Repollo Oil Co.
Glenn Bish	The Ohio Oil Co.
J. S. Griffith	Humble Oil & R. Co.
James M. Murray	Me-Tex Co.
Robt. S. Christie	Amerada
J. K. Hufindick	The Texas Co.
Paul N. Colliston	Continental Oil Co.
J. O. Seth	Stanolind Oil Co.
S. Sanderson	Gulf
Lloyd L. Gray	Gulf
Jack H. Rankin	Repollo
George W. Selinger	Skelly Oil Co.
C. N. Millikan	Amerada Pet. Corp.
Paul A. McDermott	Repollo Oil Co.

Meeting called to order by Mr. Vesely, Commissioner of Public Lands.

The call of the meeting was read:

NOTICE FOR PUBLICATION

STATE OF NEW MEXICO

OIL CONSERVATION COMMISSION

Pursuant to Chapter 72, Session Laws of 1935, State of New Mexico, by which act the Oil Conservation Commission of New Mexico was created, investing said Commission with the jurisdiction and authority over all matters relating to the conservation of oil and gas in this State and of the enforcement of all provisions of said Act, notice is hereby given that a public hearing will be held at the Capitol, Santa Fe, New Mexico on the 11th day of December, 1936 at 10:00 o'clock A.M., for the purpose of considering the following:

Case No. 6. Proration Agreement of Operators for the Hobbs Field, Lea County, New Mexico, or other plan of proration for this field.

Given under the seal of said Commission at Santa Fe, New Mexico on November 12th, 1936.

OIL CONSERVATION COMMISSION

Clyde Tingley
Governor

Frank Vesely
Commissioner of Public Lands

(SEAL)

E. H. Wells
State Geologist

JUDGE SETH: Offer in evidence the existing Hobbs Proration Agreement:
(Copy of Hobbs Proration Agreement in the files of the Oil Conservation Commission.)

Mr. Wahlstrom of the Stanolind Oil Company sworn in.
Judge Seth examining Mr. Wahlstrom:

Q. Are Mr. Wahlstrom's qualifications admitted?

Mr. Vesely: Yes.

Q. How many years experience have you had in the oil pools in Southeastern New Mexico, and those closely related to Texas?

A. Nine years.

Q. Have you made a study of the limestone formations?

A. I have.

Q. Are you familiar with the present Hobbs' proration plan?

A. I am.

Q. Have you made a detailed study of the effect of the present Hobbs' Proration Plan?

A. Yes.

Q. Have you a plan you think would result in a more equitable recoverable oil in place under each unit?

A. Yes.

Q. What plan is that?

A. I would recommend use of straight acreage plan of proration.

Q. Based on conditions now existing in Hobbs?

A. Yes.

Q. You believe such plan would result in more equitable distribution of oil now remaining in pool?

A. Yes.

Q. Has it been suggested that a plan based on sixty percent acreage and forty percent potential would be more equitable than the present plan?

A. I believe a move in the right direction.

Q. You believe 100% acreage would more nearly approach a real equitable distribution of the remaining oil in place?

A. Yes.

MR. VESELY: That is all, thank you.

MR. GRAY SWORN IN.

JUDGE LOWE EXAMINING MR. GRAY:

Q. How long have you been connected with the development of the production of oil in Southeastern New Mexico, particularly the Hobbs area?

A. Approximately five years.

Q. How close a contact?

A. Locally in the Hobbs Pool for a period of 4½ years.

Q. You are familiar with all surrounding conditions in the field?

A. Yes.

Q. You are familiar with the plan under which the field was developed and produced?

A. I am.

Q. You think that plan resulted in -3-

and equitable withdrawals of the fields properties according to the reserves?

A. I do.

Q. Your contention that the plan would result in equitable withdrawal?

A. Yes.

Q. You suggest that we continue operation of that field under what plan?

A. I believe the present plan would be best we could have to continue operations.

Q. Any other plan might work an inequity?

A. It is difficult to definitely state any plan would work inequities.

Q. If there is to be any modification of the plan, should it be gradual or the old plan overthrown at once?

A. Very gradual.

Q. That way we feel our way along?

A. Yes.

Q. It has been suggested that we reduce the potential feature to 40 and increase acreage to 60, do you think that preferable to discarding potential entirely?

A. Yes, I do.

Q. Think that would be a step in the right direction?

A. Yes.

That is all.

GLENN STALEY SWORN IN.

JUDGE SETH EXAMINING MR. STALEY:

Q. State your name.

A. C. G. Staley.

Q. You have been proration umpire at Hobbs under the previous proration plan and the present one?

A. Yes.

Q. How many years in Hobbs?

A. 6½ years.

Q. Has there been any schedule units in the field in use under the proration plan?

A. There has.

Q. All units have letter and reference section, is there a regular scale designating units in section.

A. Yes, it is done this way. Each unit has a letter beginning with A. in the Northeast 40 acres, lettered back and from letter A to P in Southeast 40 acres.

Q. Does the key appear on the Hobbs Engineering Plan recently issued?

A. No, on all maps made.

(Exhibiting map)

Q. There letters beginning in the Northeast last fall, same system in the sections and townships from East to West and back and forth?

A. Yes.

Q. What is a unit in Hobbs under the present system, what size?

A. Forty acres.

Q. In the main, according to purpose rather than survey?

A. Yes.

Q. Are one or two direct angular units in scale following late survey?

A. There are.

Q. Are the units set out in proration schedule 154 fair and equitable?

A. I think they are.

Q. We offer that portion of the proration schedule in evidence, but only that portion showing actual units.

MR. McCORKLE EXAMINING MR. STALEY:

Q. Have the greater part of the wells in the Hobbs Pool been acidized?

A. They have.

Q. Acidization help potentials?

A. Yes.

Q. In regard to such leases not acidized, would you consider it fair and reasonable for the Commission now to permit within a reasonable time such lease to be acidized?

A. I do think it fair.

JUDGE LOWE EXAMINING MR. STALEY:

Q. You have been umpire, how many years?

A. 6½ years.

Q. During that period of time you closely observed all wells?

A. Yes.

Q. How are present potentials determined?

A. Determined by three hour test, using last hour potential of the well.

Q. How adjusted from time to time?

A. Drop bottom hole pressure of individual wells.

Q. You think the potentials you now have substantially reflect the potentials of those wells?

A. Using what information we have, yes.

Q. We introduce these in evidence.

JUDGE SETH:

Q. When were potentials last taken?

A. About three years ago, I think.

JUDGE LOWE:

Q. You believe from your observation and knowledge of the field, taking potentials determined which you have arrived at, taking the original potentials, declaring the connection of bottom hole pressure, do equity between operators in that field and result in substantial equal withdrawal of the various units on the basis of 60-40?

A. I think relatively, it would be fair plan of distribution for market outlet.

Hearing adjourned.

December 15th, 1937, hearing pursuant to adjournment before the Commission.

JUDGE SETH EXAMINING MR. WAHLSTROM WHO HAS BEEN PREVIOUSLY SWORN IN.

Q. Have you and your committee of engineers considered a set of field rules for the Hobbs Pool?

A. Yes.

Q. These rules relate to the engineering, the taking of potentials and similar matters?

A. Various proration matters.

Q. Did this committee agree to such rules?

A. Yes, they did.

Q. Has a copy of these rules been delivered to Mr. Wells, State

Geologist?

A. Yes. He has a copy.

Q. In your opinion, these rules are proper for carrying out any proration order the Commission may put into effect in the Hobbs Pool?

A. Yes.

Q. Will these rules have the effect of permitting proper production of oil in the manner that is fair and equitable to all operators in the pool and in such manner to prevent waste?

A. I believe they would.

Q. Would these rules give an opportunity to effectively carry out any order of the Commission which they may put into effect which has the taking of well potential as any part of the basis of proration?

A. Don't quite understand.

Q. Will these rules provide for the taking of potentials of wells in the event the Commission makes well potential a factor in any allocation used?

A. Yes.

Q. Will provide the taking of potentials in a matter fair and equitable among the various owners in the field?

A. Yes.

Q. Did the Engineer's Committee agree to recommend the adoption of these rules?

A. Yes.

Q. There has been in effect in the Hobbs Pool for some time rule No. q-A covering the plan declaring the manner and adjusted wells potentials, a copy of which is tendered herewith as an Exhibit?

A. Yes.

(Exhibit in the files of the Oil Conservation Commission)

Q. Adjustment some basis of bottom hole pressure?

A. Right.

Q. In your opinion it is the proper one to be adopted considering the conditions of the Hobbs Pool?

A. I believe so, yes.

Q. Would you say the adoption of such further modification by the

Commission as future studies may render necessary?

A. That is my idea.

(Hearing adjourned)

MINUTES OF THE HOBBS POOL GENERAL
COMMITTEE MEETING HELD AT SANTA FE,
NEW MEXICO ON DECEMBER 10th, 1936.

MEMBERS PRESENT:

T. J. Slavik
Lloyd L. Gray
G. S. Bays
M. Albertson
F. E. Heath
J. P. Cusack
E. A. Wahlstrom
Glenn Bish
R. L. Johnston
P. M. Colliston
James Murray, Sr.
B. A. Bowers
W. E. Hubbard
G. L. Shoemaker
L. W. Biddick
A. A. Kennitz
E. H. Wells
J. W. Jordan
Jack H. Rankin
C. B. Williams
D. D. Bodie
W. E. Cunningham
Luther A. Neal
Leo R. Manning
Ernest A. Hanson
Harvey Hardison
Lucius M. Lamar
R. S. Christie
C. N. Millikan
Edgar Kraus
Herman R. Grile
F. J. Vesely
J. N. Dunlavey

Gulf Oil Corp.
Gulf Oil Corp.
Stanolind Oil & Gas Co.
Shell Petroleum Corp.
Sun Oil Company
J. P. Cusack, Inc.
Stanolind Oil & Gas Co.
Ohio Oil Co.
Continental Oil Co.
Continental Oil Co.
A. P. Correspondent
Walker Oil Corp.
Humble Oil & Refining Co.
Shell Pet. Corp.
Samedan
Samedan
State Geologist
Repollo Oil Co.
Repollo Oil Co.
The Texas Co.
Empire Oil & Ref. Co.
Oil Well Drilling Co.
Landreth Production Corp.
Geo. F. Getty Oil Co.
U. S. Geological Survey
The California Co.
The California Co.
Amarada Petroleum Corp.
Amarada Petroleum Corp.
Atlantic Refining Co.
Oil Well Drilling Co.
State of New Mexico
Skelly Oil Co.

Mr. McCorkle asked Mr. Hubbard to preside, minutes of the last meeting read and accepted as read.

Mr. Hubbard:

You have had the expense report, that would take the place of any treasurer's report. That is the only report on finances ever had. Any reports of standing committees and special committees?

As you know, every year the Hobbs Agreement must be signed again if to remain in effect. That time is now here. I would like to throw the whole subject open to discussion. Sincerely hope we can adjust any difficulties we have. I will entertain any motions or discussions you Gentlemen may desire.

Mr. McCorkle:

I want to say I have here a copy of the two plans that were circulated last year. I can give each operator a copy if they would

like to see them.

(Mr. McCorkle distributes agreements.)

Mr. Hubbard:

Anybody here who wishes to make any statement concerning either of these plans or any other plan acceptable for the coming year?

Mr. Wahlstrom:

As far as Stanolind is concerned, not necessary to say anything. We are consistent not to see potentials used in any plan in the Hobbs pool.

Mr. Hubbard:

You have any specific plan in mind?

Mr. Wahlstrom:

Not particularly no.

Mr. Hubbard:

Think it might be well for discussion on that point. Rather an important step. Have you any ideas on the subject, Mr. Gray?

Mr. Gray:

No, I haven't. Not very much to discuss until something put on the board as evidence that the plan should be changed. We have been going along five and one-half years operating on the present plan. It is rather a major step to jump from that to any other. Must have something to shoot at before I could discuss it.

Mr. Hubbard:

It might be well to make a discussion revolve around some definite point, have someone make a motion concerning the recommended plan for 1937. Then we could have general discussion.

Mr. Wahlstrom:

I make a motion the Hobbs Operators adopt an acreage plan of proration presented.

Mr. Bowers:

Second the motion.

Mr. Hubbard:

The motion is now open for discussion.

Mr. Cusack:

Put to a vote first as to sentiment.

Mr. Hubbard:

Have discussion first. After voted on, no discussion submitted.

Mr. Albertson:

I would like to ask Mr. Wahlstrom whether he would outline the reasons which indicate to him the acreage plan is more reasonable, equitable, and desirable than the present plan.

Mr. Wahlstrom:

Would request the operators here to check back into the records of hearings held before the Commission in regard to the fields. There is no mention made of potentials in any of these hearings. No company requested consideration of potentials in any form in other fields in Lea County. At the present time there are two standards of proration in the Lea County fields, Potential at Hobbs and acreage in the other pools. Operators should get a system and accept one or the other in all fields.

Mr. Bodie:

Isn't it true the other fields have more similarity between themselves they do in regard to the Hobbs Pool. Isn't it true all wells of the other fields prorated principally on well acreage basis alone, more or less have uniform potentials close together?

Mr. Wahlstrom:

I don't believe that is true.

Mr. Heath:

When we consider the question before us, we cannot afford to pass on without consideration of what was behind us in this particular field. The time we first had proration in the Hobbs field, no company or individual felt the acreage system of proration a proper system. We set up the system here, operated under it and controlled the field, which is today one of the outstanding fields as far as conservation and progress is concerned. I believe it might be quite valuable for all of us to consider that certain equities have been established under

this method, royalty owners receive royalties under this method. A great deal of questions and troubles arise from any drastic change as a complete removal of the present plan and the adoption of a new plan. Should very carefully consider any step from the present plan or any large step away from it. I feel if at this meeting, if we find we cannot agree, it would be well for us not to try to settle it here, but go at it on a proper basis and see after analysis of the matter very carefully we cannot agree on some plan.

Mr. Hubbard:

Will ask Mr. Milligan if he cares to make a statement concerning this matter.

Mr. Milligan:

The only objection in continuing the present plan in question is it is inconsistent to the rest of Lea County, but so far as I know there is no State in the country that has followed any particularly consistent rule on establishing the equalization of various pools and distribution within the various pools on one common basis, even as closely as here.

I think the fact you have an established method here, I don't see a thing wrong with the method, I think had the other pools been brought in and had to be prorated at the time of the Hobbs Pool, I think that would have been some system similar to the Hobbs Pool.

As far as the potential factor is concerned, have and still feel the potential factor comes nearer to approaching an equitable basis of proration. I have not held to the potential method in other fields of the State of New Mexico, not because I did not feel it right, but rather because of the abuses of the wells to obtain better potentials, and therefore perhaps from an equity stand, inequitable potentials. To put that potential method similar to Hobbs into effect in new pools under development would probably result in a waste which ultimately would be a greater proportion than the waste involved under a potential method, which would probably bring to ultimate recovery a better relationship between units of the fields.

Hobbs was developed in most part at a time when we either did

not know how or did not take advantage, if we did know, of means of establishing such inequitable potentials, and there are some later wells which have probably lost. But all in all not a major portion of the field by any means, and while it brings in a certain amount of inequitable proration, it is less than changing the present proration method to the same basis established in the rest of the pools in Lea County.

I think a study of the history of the pressures primarily have shown that the units of low capability produced, generally speaking, have had greater withdrawal than appertionate reserves as evidenced by the pressure.

Some two years ago, we put into Hobbs bottom hole pressure adjustment for those potentials and those pressure adjustments resulted in larger adjustments of potentials both ways, which is on the same theory in Hobbs as we had in effect in Monument field at the present time, and since we have put in that bottom hole pressure adjustment, there has been less divergents between low potential units and high potential units, as class individual. Exceptions both ways, but less divergent than those existed to the time bottom hole pressure was put into adjustment.

It may be we want to change the method of adjustment, either up or down, perhaps some other things to bring better equity, and by looking over the condition of the field as a whole, it seems to me the field is in excellent condition from a conservation standpoint, at the present time, as a result of the progress of the present proration agreement, and while we have no specific evidence as to what would happen to the condition of the pool if we make a major change in the proration agreement and allocation method, I think from the history we have had from various conditions in other fields that would be comparable to Hobbs, the evidence is in favor that we would upset the equilibrium much more in making a major change in the agreement as suggested than we would by maintaining the present allocation system.

Mr. Hubbard:

Were you through?

Mr. Milligan:

Don't know anything else to say.

Mr. Bodie:

The matter of acreage now would very likely undo what we have done during the past to establish equal bottom hole pressures.

Mr. Dewey:

I want Mr. Wahlstrom or Mr. Milligan to enlighten me whether either the operators or commission run any legal dangers on potentials due to the fact the only test case we have ever had on proration in New Mexico on the Hobbs Field, and am under the impression the case made upheld 75 potentials and 25 acreage, the case of the Stanolind in the Federal Court. Don't know what the legal implications are.

Mr. Lamar:

Don't remember that case. The only standard in the law reasonable says the tendency of any plan shall be to give each operator his proportionate total recoverable oil there. As to each of these two plans giving the operator that, I don't know.

Mr. Dewey:

That decision was before the present law was placed on the Statute book.

Mr. Wahlstrom:

That was a drainage case. The proration features not defined. The Stanolind did not get on the stand.

Mr. Lamar:

Think one possible legal feature. Prior to the time the New Mexico Commission acted on this matter under the present statute, it was purely a voluntary agreement, and by all of us signing the agreement through a course of several years, we may have assumed some legal responsibility to maintain a somewhat similar proposition in regard to the royalty owners. In other words, if we change around, some royalty owners may ^{what} pop up and say/about these past years. Before it was voluntary. Don't know the law, but it strikes me there is an element of danger in that.

Mr. Hubbard:

Tell me for point of information whether two plans that aren't wholly dissimilar could both be called reasonable by the Court?

Mr. Lamar:

Yes, no question about that. The Commission can adopt one reasonable plan in Monument and another in Hobbs and still another for Jal. Things are not so completely cut and dried that you cannot do that.

Mr. Hubbard:

Possibly would apply to plans in a single pool?

Mr. Lamar:

Yes, I think so.

Mr. Hubbard:

In the case of Hobbs or Monument?

Mr. Lamar:

Yes.

Mr. Hubbard:

Any other discussion on this important question?

Mr. Bowers:

One point I want to bring out. Don't if anybody thought about it. The plan that was first used in Hobbs was conceived under the old idea or practice of Law of Capture. Had not heard anything about anything else and doubtless under that would consider the equity fair plan of arrangement in New Mexico. We have graduated from that and worked around to a view point more of an effort to locate the oil in place and there is a difference considering those plans under those two conceptions as I see it.

Mr. Hubbard:

Does that agree with your ideas, Mr. Lamar?

Mr. Lamar:

Don't know if the statement was to agree or not. There is a difference on the plan of allocation placed to two different theories. A pretty hard matter to draw the line.

Mr. Hubbard:

Any of our arbitrary features hard to draw any line. Designation of any ideas of two plans equally successful in business. One man runs his business under one plan and runs it successfully and another man runs his business under another plan, and there is a difference of the conception of oil recovered, whether making an effort to get the oil in place or following the old practice of getting all you can.

Mr. Wahlstrom:

The old agreement based entirely on law of capture and since new law enacted recoverable oil in place have two entirely different standards of proration than in the past.

Mr. Milligan:

Don't think that follows. Don't think that evidence a change is necessary. Under the so called system of law of capture which so far has not been drilled under a uniform method protected the best we knew how. We know to establish too great potential is running hazzard during completion and great expense. Running danger of bring wells too rapidly on to water or gas and other conditions familiar to all of us. Put those things into effect and we establish our allocation on basis of the capacity of the well to produce. Since then however with our conservation measures, they permit us to establish potential and when established determine the ultimate recovery from that unit by our practice even at Hobbs. What is the difference what we do to bring well on to water, drilling too deep or too much acid, we still get just as much oil, does not change potential.

Material good is had to produce that well just as long as we can get oil out at the potential established at completion. It is not the fault of the potential method when applied to particularly new fields. The potential method not wrong, but the abuses of it result in excessive waste as under the whole potential method. It results in waste out of proportion of inequities established by allocation basis of potential.

Hobbs was developed at the time we did not have knowledge to take advantage of those things we are so prone to do to give us that unfair advantage relative to units at the present time, so I don't see that the Hobbs agreement which has been in effect and established and then the field developed under one condition, which condition of development is entirely different than that we had to go through in developing the other fields. If the same system of allocation used in the other fields as in Hobbs, certain amount in Hobbs due to recent development.

Mr. Hubbard:

Want to ask an Engineering question based strictly on waste. It is your opinion if the total outlet of the field were held down very low, it is possible that anyone of a great number of proration plans might satisfy the simple condition preventing waste?

Mr. Milligan:

Yes, with certain modifications, which are bound to come in.

Mr. Powers:

I believe that is true. That is extremely true the rate of withdrawal is very slow if a very small percent of the field produce almost under any plan to eliminate waste. The total withdrawal of ordinary physical conditions of the field so slow and constant as not to trap oil at a later recoverable date.

Mr. Hubbard:

The reason I ask that is this. We have a great many pools in Texas where they apparently have considerable difficulty to prove underground waste in the field. In a great many cases, inequities very close but at the same time they cannot prove waste.

Mr. Milligan:

Inequity in allocation but not waste. I think probably if we would go to the acreage plan, I don't know if it would create waste, but it would establish greater inequities to units than that which exists at the present time.

Mr. Hubbard:

Any other discussion? Call for a question or discussion.

Expect we have all forgotten the motion.

Mr. Williams:

One point. I agree in general with Mr. Milligan's discussion of the question that a radical change would cause some radical readjustments in the reservoir conditions and this matter of ratable takings or rate of recoverable oil in place is based on the pool being a common reservoir and our development of the Hobbs plan has heretofore been directed along that line to recover the proper amount of oil from the reservoir or the oil in place. That was the reason of course for adopting the bottom hole pressure correction to the potential factor, and as I understand it, the units in the field which would gain by changing now to the acreage plan have been penalized, as you might call it, due to that bottom hole pressure correction, and I am not sure what the bottom hole pressure^{map}/shows. I have not seen recent map, but I assume the continued drop in the bottom hole pressure wells on those units have reduced the allowables and if you increase the rate of taking from those units from that existing present plan, there would still be further and greater drop in the bottom hole pressures in those wells which would, in my opinion, tend to cause drainage to those units from higher pressure units, contrary to shooting it in our development heretofore, so that I think it would be dangerous to make a radical change unless we were very sure such a change would be directed toward equalizing or holding up bottom hole pressures in low pressure areas, rather than increasing the drop.

Another think I think should not be lost sight of which is this. That Hobbs, as we all agree, has been operated in a very efficient manner and I think this has been due to the cooperative action of operators in that pool. It seems to me the operators in the Hobbs pool made a wholehearted effort to conserve reservoir energy for the benefit of the pool as a whole than generally applies to oil fields all over. So I believe it is highly important if possible to do so, if we reach some unanimous agreement in order to continue the good work. I would very

much dislike to see us have to go ahead under some plan where there would not be a unit agreement. I think another thing comes in along that line. The water encroachment has generally come in on the South west portion of the pool, but nevertheless due to conservation efforts, wells which first started making water are still producing oil, and as yet we have not had any portion of that field flooded out and the wells lost.

We had one well which was among the first making water in a large percentage and that well by efforts of ourselves and others restrained the water and is now producing its allowable with a very small percentage of water, which possibly may be due to a slight leak in the packer. Tested that packer several times but are not able to get complete shut off. That percentage has not increased and indicates it may be a slight leak. So I believe that any radical change in the method of proration in the handling of the pool might easily result in great danger of encroachment of the water than what we have now.

Mr. Hubbard:

Wonder if it is the opinion of this group that it would be in order to have a test vote. Have had the question very well discussed I think certainly from both sides. We quite often, as you know, have test votes. Sometimes they show an impasse reached and another motion is in order. We have a motion before the house.

Mr. Lamar:

Want to ask Mr. Williams a question. Do you think the map units which have been situated under the present plan have perhaps gained a more healthy reservoir condition than lost?

Mr. Williams:

That is my opinion. Of course we only know what has been accomplished under our present method of operating the field. In our own case, I believe there is no question that the cooperative efforts of operators to control the gas-oil ratio and control water benefited our lease. I think it must have benefited others who have had water encroachment.

Mr. Bowers:

I believe probably the greatest benefit had out of that plan is the benefits primarily accrued under the plan through this slow rate of withdrawal.

Mr. Hardison:

Has anyone said the present plan is inequitable as between units?

Mr. Hubbard:

I don't believe so.

O.

Mr. Rankin:

We think the present plan is inequitable in resulting in withdrawals between units.

Mr. Wahlstrom:

The Stanolind believes they have not gotten their share of oil in place today.

Mr. Rankin:

Can show you proof here.

Mr. Bowers:

Want to say we have received very good and considerate treatment by the operators and have met our requirements. Have not anything to kick about, but do want to go on record saying that for the last two years, have been fully convinced that an acreage method of withdrawal is more equitable than the one in effect.

Mr. Hubbard:

Almost comes down to the question how the different members present are going to vote on this motion.

Mr. Kraus:

Not necessarily so. Take the Atlantic. Our general conviction to restrict the production of fields, the acreage plan is more equitable, cheaper to operate and supervise and will give substantial equity, but in view of the fact that the Hobbs Agreement has been in force as long as it has and it seems to be the agreement under the old plan, we would probably vote to continue the present plan.

Mr. Lamar:

Want to point out in my opinion, acreage is a very large factor in the present plan, not only 25% straight factor and is ultimately one of the two elements in the potential factor. It is stated in the formula that the adoption of a unit is a certain size. Take an average potential. In case more than one well does actually produce, the acreage is not considered, 75% factor, gives you a very large total place of acreage in the present plan.

Mr. Bowers:

Supposing a man had in East Texas a well drilled on a three acre tract, another man on a ten acre tract, and another 20 acre tract. The potential under a plan 25-75 would allow him to produce twice as much as the man on the 20 acre tract. Would you feel that an equitable justification that ratio of production.

Mr. Lamar:

Sure hate to get into East Texas. I made the assumption that ultimately applies in this situation to equal size of tracts.

Mr. Bowers:

There is a certain point where that is equitable. Potential can throw your ratio of acreage completely out of kilter.

Mr. Gray:

In the Hobbs pool, we have established two pay zones in certain areas and in some three or four and in some five actual zones, all entirely separate from each other. In general, wells around each pool produce from one or occasionally two of these pays. Certain wells have pressure of approximately one thousand pounds. Other wells, incidentally the one with one thousand pounds is producing from one pay zone. Other wells producing from more than one pay zone the bottom hole pressure is thirteen hundred and some pounds open to three of the zones. The actual flowing pressure of the well with more than one zone open exceeds shut in pressure of the single zone. Under an acreage plan, both of those wells allowed the same amount of production. I cannot see how it is possible to keep drainage from one to another in that

condition where all allowed to produce the same amount.

Mr. Hubbard:

I would like to revert back to that statement of Mr. Lamar's. It is highly important and gives me an idea. It is conceivable that where spacing restrictions such as only one well produce in forty acres, and it does because we have unit proration, it is conceivable that your 75 potential plus 25 acreage in Hobbs can be looked upon $A \times P - A$ which conceivably might have more acreage in the formula than the API formula. We have a situation in West Texas the allowable we prorate on a potential basis and have a marginal low acreage 50-50, that part gives potential approximately half the total allowable. Think that a very important point. I am not sure what I said about $A \times P - A$ is true, but it is a possibility.

Mr. Lamar:

Believe it is true.

Mr. Hubbard:

I would say so. Any more discussion? It might be well to have a vote on this motion if the group is ready for it. Don't want to cut down this discussion at all however.

Question.

Mr. Hubbard:

You have heard motion, better vote down the list.

Amerada	No.
Atlantic	No.
Continental	No.
Empire	no.
Getty	No.
Gulf	No.
Humble	No.
Landreath	No.
Magnolia	Not present
Mid-Continent	Not present
Ohio	No.

Oil Well	No.
Repollo	Yes.
Samadan	No.
Shell	Not voting
Skelly	No
Stanolind	Yes
Sun	No
California	No
Texas	No
Texas & Pacific	No.
Tide Water	Not Present.
Twin-States-Sun	No.
Walker	Yes.

Mr. Hubbard:

We have three yes, one not voting, one absent.

Mr. Albertson:

Want to make an explanation. We are evenly balanced on interests concerned and we would vote anyway necessary to make an unanimous plan.

Mr. Bodie:

Take that to mean to vote with the majority?

Mr. Albertson:

No, reserving our vote for the moment.

Mr. Hubbard:

That motion has been killed, any other motions?

Mr. Williams:

How many voted no?

Mr. Hubbard:

Have not figured the percent. That will be done. 3 eventeen voted no. The meeting is ready for another motion and discussion. Any statement anyone wishes to make about the course of this motion?

Mr. Milligan:

May I suggest the Stanolind have made their position clear,

but the Repollo stated their position quickly. Do you care to elaborate on it?

Mr. Rankin:

The Repollo favors any plan which does away entirely with potential, and takes the acreage factor as much as it can approaching one hundred percent.

Mr. Hardison:

For what reason?

Mr. Rankin:

The inequities existing between fields. We have several wells that have daily allowable far in excess of given potential.

Mr. Gray:

That would prove the other way. I don't think that is well founded engineering practice.

Mr. Milligan:

I don't quite get that.

Mr. Gray:

There are certain wells in the field that have a daily allowable and can produce far in excess of the assigned potential due to the present plan in force. Wells have actual potential of several thousands of barrels per day.

Mr. Bowers:

On actual test can produce several barrels, and assigned much less.

Mr. Gray:

Favor the use of bottom hole pressure for potentials.

Mr. Rankin:

We favor any plan that approaches 100% straight acreage total against potentials of any kind.

Mr. Bayes:

There were seventeen operators voted for the continuation of the present plan, fourteen operators for material advantage and the other three have no material advantage.

Mr. Hubbard:

That may be quite true. It seems to me as long as this meeting was called, I believe to discuss whether or not the present plan be continued for another year, it might be well to have a motion on that particular point. It might be the voting would not quite agree with the voting on the first motion. Wonder if it would not be well to have that in a form of a motion.

Mr. Bowers:

I make a motion that the old plan be continued for 1937.

Mr. Hubbard:

4 Have a motion that the present Hobbs plan be continued for 1937 for a test vote.

Mr. Biddick:

Second the motion.

Mr. Hubbard:

A motion made and seconded that the present plan be continued.
Any discussion?

Mr. Hardison:

I believe it possible in a new plan adopted to take care of any inequities which may be caused by present method of ~~harvesting~~ ^{harvesting} potentials by bottom hole pressure. I believe that is the only thing holding up the plan.

Mr. Hubbard:

Do you not feel it would be helpful to have this vote?

Mr. Hardison:

I do. Question.

Mr. Hubbard:

	Amerada	Yes
	Atlantic	Yes
Con:	Continental	Yes
	Empire	yes
	Getty	yes
	Gulf	yes

Humble	Yes
Landreath	Yes
Magnolia	Do not care to vote
Mid-Continent	Not present
Ohio	Yes
Oil Well	Yes
Repollo	No
Samedan	Yes
Shell	Yes
Shelly	Yes
Stanolind	No
Sun	Yes
California	Yes
Texas	Yes
Texas-Pacific	Yes
Tide Water	Yes. This morning would have voted for Acreage
Walker	No.

Mr. Hubbard:

This vote came out exactly the reverse order of the previous vote. We know at least how the group stands on this question. We have made some progress certainly. I think Mr. Hardison made a suggestion that possibly certain inequities of the present plan could and should be worked out by a different use of bottom hole pressure.

Mr. Hardison:

I believe the present correction adopted two or three years ago at that time we felt that sooner or later there would be some inequities show up and we figured it would probably be necessary to make some changes in those corrections.

Mr. Powers:

Did not you make a change last year in the factor applicable to bottom hole pressures?

Mr. Hankin:

Changed from 1000 lbs. to $2/3$

Mr. Milligan:

Reduced adjustment a little.

Mr. Hardison:

No doubt by changing that some equitable correction could be made in wiping potentions out entirely.

Mr. Rankin:

Regardless of how we reduce this reduction, we still have these old potentials established during the years have not declined, and seems that they should be.

Dr. Wells made a statement off the record.

Mr. Hubbard:

I wonder if there is a possibility of reconciling our differences here as there are a few voted no on the second motion. There are three nos to second motion and three yes on first motion. Would like to ask in turn those who voted no on the second motion if they feel from what they have heard this morning whether or not there is a possibility of reconciling what differences we have had this morning. The Stanolind?

Mr. McCorkle:

Mr. Wahlstrom is doing all the talking for the Stanolind so far. We have in the past as the records show, never been in favor of the present plan, although we voted for it in the spirit of harmony. I would like to hear from Mr. Wahlstrom if he has any further remarks.

Mr. Wahlstrom:

I don't believe I have anything further to say. Definitely no.

Mr. McCorkle:

He has stated already we were not in favor of the continuance of potentials in any form.

Mr. Hubbard:

Will ask Sinclair?

Mr. Rankin:

Not present.

Mr. Hubbard:

Mr. Bowers?

Mr. Bowers:

Whenever an agreement can be reached, we will not block it. So long as there is a plan for straight acreage, expect to support it.

Mr. Hubbard:

There appears to be considerable portion of acreage in the Hobbs plan. Some opposed to the continuation of the use of potentials. Frankly, don't know what to do about it. You heard what Dr. Wells said on the question. That he will consider certainly a majority vote, but he cannot indicate what weight will be given to it. ~~wonder~~ if anybody has a suggestion what to do in this emergency. It seems to me to be somewhat serious.

Mr. Milligan:

Stanolind and Repollo are the principal opposers and wonder if either one or both are willing to discuss the thing further or whether they want to sit on their ^{present} ~~position~~ position and throw the thing before the Commission.

Mr. Hubbard:

Tried to bring that point out and it struck me they did not want potentials in the formula.

Mr. Milligan:

That may be. I may want 100% or are we willing to discuss it or sit tight on the two positions and take before the Commission. Stanolind and Repollo taking the position they do not want to discuss any further. That is one thing.

Mr. Rankin:

We are not iron bound in saying we wont consider any other plan. However I think the reason for all discrepancies and various variation are due to the establishment of these potentials. I think ⁱⁿ any/plan that acreage should be given a great deal of consideration and potential no consideration.

Mr. Hubbard:

Can I intespret your remarks to mean you do not wish to continue the discussion as to whether or not potentials remain or that

you are willing to discuss some other factor put in to take its place?

Mr. Rankin:

True.

Mr. McCorkle:

We agree with Mr. Rankin. We dislike being arbitrary or to take an arbitrary position but I feel Mr. Rankin has stated the position well.

Mr. Milligan:

Neither of you willing to discuss any agreement with anything about potentials in it?

Mr. Hubbard:

Yes. That answers your question Mr. Milligan.

Mr. Cusack:

If you eliminate potential, what other factor enters into it except acreage?

Mr. Hubbard:

Marginal factor, bottom hole pressure factor.

Mr. Cusack:

What would you apply bottom hole pressure factor in?

Mr. Hubbard:

Probably by such engineering committee.

May I understand it is the wish of this group or not for the record to go to the Commission as made or does anybody feel we should have further discussion?

Mr. Lamar:

Is the plan which has so far been proposed identical to the one of last year?

Mr. McCorkle:

That is a copy of the present plan.

Mr. Lamar:

In the main, is the plan exactly the same or any changes. Wonder if it is necessary to prepare something for the Commission or do you want last year's plan?

Mr. Hubbard:

As I understand it, the exact copy of the present plan.

Mr. Millikan:

Probably some minor changes if we were to continue the plan.

Mr. Hubbard:

Seems to me we have two courses open. Go on and discuss this matter or turn over this vote and record to the Commission for their decision. Anybody any motion to make in that regard in line with statements of the Sinclair and Stanolind?

Mr. Kraus:

In view of the success in prorating Hobbs field in the past with a voluntary agreement approved by the Commission and in view of possible changes in the Administration this coming year, ^{I move} ~~that~~ that the operators attempt first to reach an agreement that will be unanimous and present such unanimous agreement to the Commission rather than go before the Commission as a divided body.

Mr. Bowers:

Second.

Mr. Hubbard:

You have heard the motion made and seconded, any discussion?

Mr. Lamar:

What is your idea, form a group committee to try to reach some agreement or thrashing out the trouble here as we did before going before the Commission.

Mr. Hardison:

We have a definite statement that two operators would not consider anything other than straight acreage with bottom hole pressure correction.

Mr. McCorkle:

We would not consider any potential.

Mr. Hubbard:

Taken strictly on bottom hole pressure marginal allowance.

Mr. Hardison:

Marginal allowance practically the same as acreage. Seems to me that is the use of having units.

Mr. Hubbard:

That is true.

Mr. Rankin:

I think taking the factor of bottom hole pressure, if we made corrections in a small degree with bottom hole pressures, you will get the factor of ultimate recovery on time.

Mr. Hubbard:

Gentlemen, we have this motion. I don't think we have discussed everything in connection with this question. Would like to ask Repollo and Stanolind if they would object to discussing it some more. Stanolind and Repollo do not object.

Motion carried.

Mr. Hubbard:

Leaves wide open for further discussion. There are other factors that can be used.

Mr. Hardison:

Could we recess?

Mr. Lamar:

Move we recess until 2:00 o'clock.

Mr. Rankin:

Second.

Motion carried.

Meeting called to order at 2:15 P.M.

Mr. Hubbard:

I would like to say this, I believe the oil industry or any portion of the oil industry should be able to manage itself in its business if possible. Of course with that in view, we are having further session this afternoon. You recall some progress was made this morning. We found out where we stood and what the differences are. This afternoon, I do hope some real progress may be made in working out a satisfactory solution to this. May be in the form of some kind of a compromise. Don't know how it would be done. The chair is open to any suggestions anyone might offer.

Mr. Albertson:

I make a motion the chairman appoint a committee of three. This committee to canvass the situation and see whether anything can be worked out acceptable to the entire group. This committee to be chosen of the companies who neither gain nor lose with either the acreage or potential plan.

Mr. Kraus:

I think sometimes that not accurate. Wells have interest that do not appear. For example, the Atlantic has an interest in the Ohio wells.

Mr. Sanderson:

Some of us here now that were not here this morning. Would you briefly outline the results of this morning?

Mr. Hubbard:

First had motion to the effect that the Hobbs plan for 1937 should ignore potential and be based upon acreage with not the intention necessary to have acreage alone. No potential used in proration formula. After a great deal of discussion a vote was taken and there were three in favor of the motion, one not voting, seventeen opposed. When that motion was out of the way, a second motion was made to the effect that the present Hobbs Agreement or plan 2-A should be adopted for 1937 and the vote for that was the exact reverse of the first motion. Seventeen in favor, three opposed, one not voting. Also in each case, three not present. That is about the position at which we closed at noon. Would like to say Dr. Wells made a statement to the effect, off the record, that the Commission might or might not insist upon a hundred percent majority for any plan the operators offered. In other words, the Commission is not necessarily bound by law to accept any plan because it was 100 percent from the operators. We closed at noon at substantially that position. Finally a motion was passed to the effect we would continue this afternoon with more discussion with the attempt to find some way out of the ~~dilemma~~ ^{dilemma}. The Sinclair and Stanolind expressed themselves very clear to the effect that they would not enter into a discussion if the use of potentials in the formula was to be considered.

That is the situation we are in now.

You heard Mr. Albertson's motion, is there a second to it?

Mr. Lamar:

Second.

Mr. Hubbard:

I take that to mean that a committee of three be appointed and they will approach the Stanolind and the Sinclair in a small group and discuss the whole matter.

Mr. Albertson:

Their obligation to canvass the situation to see whether a means can be found to get a hundred percent agreement.

Mr. Hubbard:

I am sure we could get an unbiased committee and it might expedite matters. Have the committee report back here say four o'clock. Wonder if it is all right with Stanolind or Repollo to enter into a discussion?

Mr. McCorkle:

O.K. with Stanolind.

Mr. Hubbard:

Mr. McCorkle, I wonder this, if at that meeting you would be disposed to have Mr. Wahlstrom simply show what your position is in regard to your apparent losses under the present system. Not with the idea of furnishing ammunition to some other camp.

Mr. McCorkle:

I feel such information that we have all the other operators should have. They have been getting our records from the Hobbs Empire office.

Mr. Hubbard:

I don't think the situation is entirely hopeless. If this committee were to ask specific questions, you could answer them or not as you chose and I don't see how it could not be information for that particular committee alone.

Mr. McCorkle:

I feel our position on this matter has been consistent for a number of years.

Mr. Hubbard:

True.

Mr. McCorkle:

We certainly don't like to take an arbitrary position, neither do we want to embarrass the Commission, but we have made our thoughts along this line known a number of years.

Mr. Williams:

Question.

Mr. Hubbard:

You have heard the motion made and seconded, all in favor say

yes.

Mr. Sanderson:

If you vote for this motion, it does not indicate you are binding yourself to agree to the findings of the committee?

Mr. Albertson:

The Committee will report back to the general group.

Mr. Hubbard:

Seems there might be some little thing ironed out very quickly while it would take all afternoon in a group like this. All in favor say

yes.

Motion carried.

Mr. Hubbard:

I expect that should close the matter for the time being. We all perhaps need to put more study on the question. Might have to have a little help in getting this committee. On this committee I would like to appoint-----

Mr. Heath:

Make a motion the chair adjourn this meeting and the committee will be notified.

Mr. Hubbard:

Meeting adjourned until 4:30 P.M.

Mr. Sanderson:

We are very seriously involved in this matter and don't know if our position is understood.

We have attempted to find what was the correct answer to this matter and it goes without saying that we are for potential and for the present basis. As I say, we have attempted to find the correct answer for this problem. In investigating, we find with this proration on one hundred percent acreage basis, which I understand is one of the plans presented this morning, provides that sixty-five percent of the wells, whose allowable would be increased by this new plan, would be wells which are now producing from one zone in the field. We know we have two definite zones and perhaps three producing zones in the major part of the field.

It seems to us unfair and inequitable to arbitrarily assign the same allowable to wells producing in one zone in this field as wells producing in two or three. We find in terms of barrels increase that under the acreage plan, 88½% increase would occur to wells which are producing from the single zone.

We find that considering the bottom hole pressure that 78% of the wells in the areas which have bottom hole pressure of less than the average bottom hole pressure would be increased under the acreage plan and only 22% lose. We feel to increase these wells that now have less than average bottom hole pressure for the field would result in additional gas coming out of solution and in the end would result in waste, which would be contrary to the law and conservation.

We also feel to increase the allowable from wells that now have bottom hole pressure less than the average, would also cause drainage across boundary lines which we think also would be unfair. We think also it would increase the fingering of water which would not be to the best interests of the field.

For these reasons we feel very strongly the potential factor we now have should be continued. I make this statement so you know our position in the matter.

Mr. Hubbard:

Thank you Mr. Sanderson.

Mr. Hubbard:

Mr. Hubbard called meeting to order at 4:30.

I believe the committee is ready to report.

Mr. Kraus:

A committee consisting of myself, Mr. Albertson and Mr. Bowers met with the Stanolind and Repollo representatives, and we found no basis of agreement acceptable. No plan found at the time to be presented which would meet with the unanimous consent of all operators. The Committee therefore can report nothing but failure to bring about any compromise or modification. Can only recommend therefore, if thought advisable, that the voting and discussion of this general group be made known to the Commission. Other than that, no report.

Mr. Hubbard:

Would you make that in a form of a motion, nothing more be done by this group except report the procedure of the day to the Commission.

Mr. Kraus:

Move in view of the findings of the committee that the operators here assembled make no further attempt to present an unanimous agreement on Hobbs proration to the Oil Conservation Commission.

Mr. Bodie:

Amend that, we present as a majority agreement for the Commission the present agreement.

Mr. Kraus:

Would not be agreement but plan approved by the majority.

Mr. Hubbard:

Mean by that, give them results of votes this morning?

Mr. Kraus:

Included that in my recommendation in the motion. The acceptance of the report by the committee would automatically cause that to be done.

Mr. Lamar:

Suggest further amendment that the chairman prepare a memorandum in writing to the Commission very briefly stating the facts mentioned here as a result of the vote.

Mr. Williams:

Make a suggestion we have copy of the minutes of the meeting today. I would suggest the minutes of the meeting today be presented to the Commission to show what has been done.

Mr. Hubbard:

Would you wish to incorporate that in this particular motion. I would ^{you} like that ^{an} amendment or a separate motion.

Mr. Williams:

Either way. Would like to have the Commission have the advantage of our discussion and that the minutes of the meeting today be given to the Commission for whatever consideration they want to give them.

Mr. Hubbard:

Wonder if that is in such form if the motion be made with amendments. Somewhat indefinite now as to form.

Mr. Kraus:

Accept amendments.

Mr. Hardison:

The minutes of today's meeting would not be very connected because the discussion has been haphazard and if presented should be proof read.

Mr. Hubbard:

We have a motion before us.

Dr. Wells:

Mr. Chairman, don't know whether I am being helpful or not. There is a hearing tomorrow before the Commission, and the Commission acts largely on the testimony presented at the regular hearing. That might be worthy of thought.

Mr. Kraus:

I would like to clear the record of all motions made and start

over again with one single motion. I move that the report of the Committee be accepted.

Mr. Bodie:

Second the motion.

Motion carried.

Mr. Lamar:

Before making motion, will say my idea to get before the Commission in as concrete form as possible the gist of what happened could be accomplished by a simple statement in writing by you stating the facts or supplemented with minutes of the meeting and in view of the difficulty of preparing the minutes, will offer my motion in this form. I move that the temporary acting chairman of this meeting be authorized to prepare a statement in writing showing the results of the votes on the two suggested plans this morning and stating that efforts were made to adjust the difficulties and these efforts were not successful and the temporary chairman present this motion to the Commission.

Mr. Bodie:

Second the motion.

Motion carried.

Mr. Hubbard:

I think that is about all.

Mr. Williams:

I appreciate Dr. Wells' statement, but I think it should be borne in mind that heretofore this has been a cooperative agreement and if we continue this cooperative agreement, it would be quite in order to present the Commission a copy of the minutes of our meeting today showing the effort which has been made as shown by the minutes to arrive at some cooperative agreement. Seems to me if the Commission given only the votes, it would not give them as broad an aspect of the thing as they would get if they get the minutes if shown the reasons taken by different companies by these votes. They could hardly analyze these votes without the discussion. Make a motion a copy of the

minutes, after being read and checked for errors, be presented as evidence at the hearing. You would have them prepared and offered into the records when prepared.

Dr. Wells:

The point I am trying to bring out, Miss Kahn mentioned it, I knew a complete draft could not be ready by tomorrow. The Commission is more or less bound by the testimony presented at the hearing and testimony where the witnesses are sworn in. Certainly the Commission will be glad to have a transcript of these minutes. Want to make a further explanation of something mentioned this morning, as far as an unanimous agreement is concerned and other possibilities along that line. The Commission could approve or adopt an agreement that was agreed upon or a plan by the Operators and take as its own, and could say the Commission could adopt as its own with or without changes where as a majority or minority in that case, their own plan. There is nothing which says they cannot adopt as their own, one presented by operators.

Mr. Williams:

What I had more or less in mind was your statement this morning that the Commission would not necessarily require an unanimous agreement.

Mr. Bodie:

Second motion.

Mr. McCorkle:

It always has been customary to furnish the Commission with copies of things.

Motion carried.

r. Hardison:

In Mr. Lamar's motion was it also included the presentation of the present plan?

Hubbard:

No.

Hardison:

Should it be presented as evidence tomorrow, the old plan which we recommend the renewal of.

Mr. Hubbard:

That will probably be essential.

Mr. Lamar:

First tell the Commission what happened and second tell the Commission which we as a majority would like them to do.

Mr. Hubbard:

I will take it upon myself, if you think it necessary, that a copy of the present plan will be furnished to the Commission.

Meeting adjourned.

ROSE M. KAHN
Reporter.