

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION :
OF THE GULF OIL CORPORATION to
Replace State-Wide Proration Order :
No. 538 with a New Order that will
Designate and Define Top Unit Allow- :
ables for Each of Several Ranges of
Depth :

A P P L I C A T I O N

COMES NOW THE GULF OIL CORPORATION, hereinafter called the applicant, and shows to the Honorable Oil Conservation Commission of the State of New Mexico that:

1. Gulf Oil Corporation is incorporated in the State of Pennsylvania and is duly authorized to do business in the State of New Mexico.
2. Gulf Oil Corporation is actively engaged in the exploration, development and production of oil and gas in the State of New Mexico, and that Gulf Oil Corporation is one of the larger producers of crude oil in that state.
3. There is no provision in Proration Order No. 538 or any other order of the Oil Conservation Commission of the State of New Mexico for a greater top unit allowable to those fields which now produce, or may subsequently discover oil, from the deeper reservoirs. The Bonus Discovery Allowable Order No. 573 provides for an increased allowable for a period of one year but only to the discovery well in a pool or to a well extending a known oil pool for a distance of at least two miles. Order No. 573 does, however, recognize depth as a factor in determining the amount of Bonus or discovery allowable.
4. As the depth of drilling wells is increased the cost of drilling is increased, as well as the cost of lifting oil and other operating expense. The cost of drilling an oil well to 6500' is approximately four times the cost of drilling a well to only 3800'. In the opinion of the applicant a greater allowable for the deeper wells would in no way effect correlative rights since it would not change the manner of calculating the allowables for the older reservoirs producing at depths less than 5000 feet nor produce any inequality as to wells less than 5000 feet deep since it would only affect the deeper reservoirs. A greater allowable for the deeper reservoirs should likewise be equitable as

between reservoirs of varying depth since it would tend to equalize the rate of return on investment. It should certainly be a conservation measure since it would encourage the discovery and exploitation of deep reservoirs which would be unprofitable and possibly never be developed at present oil allowable rates and result in a producible natural resource not being recovered.

5. In the opinion of the applicant, an equitable rate of return on the investment required for exploitation of the deeper reservoirs is not being obtained under rules and regulations now in effect. The applicant deems it desirable as a conservation measure, and in the public interest to define and designate top unit allowables for each of several ranges of depth in order to permit a more equitable rate of return on the investment and to encourage exploration and development of the deeper reservoirs.

6. The Oil Conservation Commission of the State of New Mexico has already recognized the need for encouragement of exploration and discovery of new oil reservoirs or extensions thereof by the promulgation of the Bonus Discovery Allowable Order No. 573. The applicant herein desires to supplement such benefits accruing in a few specific cases from Order No. 573 to all those wells completed in the deeper reservoirs. The applicant's proposed method of varying the allowable in accordance with various depth ranges will in no way interfere with or supersede Order No. 573, nor Order 545 (Gas-Oil Ratio) nor Order 546 (Transfer of Allowable).

Wherefore your applicant prays that this honorable Commission promulgate an order, replacing State-Wide Proration Order No. 538, that will designate and define top unit allowables for each of several ranges of depth.

Respectfully submitted,

GULF OIL CORPORATION

By

A handwritten signature in dark ink, appearing to read "J. H. Mohr", is written over a horizontal line.

April 9, 1945