

*Santa Fe office*

Case No. 146

BY MR. C. D. THOMAS, representing the Sinclair Prairie Oil Co.:

As a purchaser of crude petroleum in the State of New Mexico our interest in this order is as a purchaser. We would like to suggest that certain changes be made in the proposed order. First, in paragraph 1, which reads, "That any common purchaser is authorized to make 100 percent purchases from all wells, classified as marginal wells on the monthly State Proration Order." We would like to suggest that it be changed to, "That any common purchaser is authorized to purchase 100 percent of the production from all wells classified as marginal wells on the monthly State Proration Order," leaving out the comma after the words "all wells" in the second line.

The last sentence in paragraph 1 now reads, "No amount of crude petroleum other than that, as set forth on the State Proration Order for any month, will be purchased from a well or wells having Gas-Oil Ratio adjustments." We would like to suggest that the words "other than" be deleted and the words, "in excess of that" be substituted.

The first sentence in paragraph 2 now reads in part, "That current shortages may be made up the following month," and we suggest that it be changed to read, "That current shortages may be made up the month following that in which the shortages occurred. At the end of the paragraph the last sentence reads, "There are only two logical reasons which justify back allowable, namely: Failure of pipe line company or transporter to run assigned allowable (including temperature corrections made by such transporters and mechanical difficulties occurring during any producing period.)" I believe there were two reasons to be stated, and that a correction is needed.

In paragraph 3: As I interpret that paragraph any well completed, for example on the first day of the month, would not receive an allowable until the 16th. This being true, it would be our suggestion that the allowable be effective from the day of completion.

MR. STALEY:

That suggestion has been made.

MR. THOMAS: I believe paragraph 4 is but a statement of statutory regulation and for that reason could be eliminated.

One more suggestion: Paragraph 6 reads, "That Commission Orders No. 235 and No. 539 shall be superseded by this order." I wonder if it is not supplemental rather than superseded.

MR. SETH; For Stanolind Oil & Gas Company:

We object to paragraph 5, which apparently allows a well to produce the entire allowable in a day. We don't believe that is good practice. It seems to allow the purchase of 100 percent of the assigned allowable to run it all in a 24 hour period, for instance.

COMMISSIONER MILES:

That will be changed.

MR. SETH:

I think the whole paragraph should be left out as it applies to production rather than transportation.

We don't understand the use of the words "stop-cocking" here.

MR. SPURRIER:

I think that point has been discussed lately. Stop-cocking might apply to gas waste.

MR. G. W. SELINGER, Representing Skelly Oil Company:

I would like to agree with Judge Seth in saying that paragraph 5 should be stricken out. It deals purely with a producing problem and has no place in a pipe line order. We would like to see the entire paragraph 5 stricken.

MR. SPURRIER:

Any one else?

MR. R. S. DEWEY, representing Humble Oil & Refining Company:

We think the language in paragraph 1 is objectionable. We would prefer that proration schedules be adhered to regarding production of marginal wells and think some can be worked out whereby a well, if short of allowable in any month, may be permitted to make it up the following month. We would like to see proration schedules adhered to, and production covered by adequate proration schedules. As mentioned before, paragraph 5 is very objectionable from a conservation standpoint. We think conservation would be much better served where each well produces daily very nearly its scheduled allowable. We do not think paragraph 5 has any place in this order and we do not think the production of all the allowable from any well in a limited time should be permitted, but think it should extend over the month. We would like to see wells produce uniformly every month, and I think "stop-cocking" is merely a misnomer. I do not think stop-cocking means shutting the well in. We would like to see paragraph 5 deleted entirely.

MR. THOMAS:

I have one more suggestion for a change in paragraph 2. The second sentence reads: "After one succeeding month, shortages will be considered back allowable and will be permitted to be made up at a rate not greater than 10 barrels per day." I would like to suggest that the words "per unit" be inserted between the words "barrels" and "per" so that it would read, "at a rate not greater than 10 barrels per unit per day."

MR. SPURRIER:

Any one else?

I think paragraph 1 was written with the thought in mind that producers are prone to over nominate a marginal well; and it is one of the big causes here in New Mexico that, whereas the allowable may be 135,000 barrels per day, the actual production is only 128,000 barrels; and while I do not contradict, or feel there is anything wrong about Mr.

Dewey's comments, I hope that somewhere in our order we may correct the situation whereby we lose from 5½ to 12 percent of our allowable. In other words, that we may bring our allowable, as set by the Commission, and production to the same figure.

COMMISSIONER MILES:

Mr. Staley?

MR. STALEY:

For the benefit of those not familiar with this proposed clarification, I note that it is an application by the Commission upon its own motion to adopt an order to clarify existing regulations. One of the pipe line companies has discussed with me the difficulty they were having with the Federal Petroleum Board in regard to the New Mexico orders to the pipe lines under which this oil is gathered and transported into the State of Texas. One of the things the pipe lines have been up against is that an operator may have a well on proration schedule for, say, 20 barrels per day. The well may make 30 barrels for several days shortly after it is deparaffined; but the pipe line under our present order is not permitted to take more than 20 barrels, as it is over production of a marginal well.

Where is that stated?

MR. STALEY:

The Commission has authorized the pipe lines to run any amount up to top allowable but not to exceed the allowable. It is my suggestion that the representatives of the pipe lines sit down with the Commission and go over the orders and the various interpretations of those orders, and prepare something that will protect the pipe lines so there will be no confusion in regard to the Commission's monthly proration orders when it comes to transporting this oil across the line so that all oil transported is within the order.

MR. SETH: The operators should be included in that too. I think this order should be further considered by the operators and the pipe lines.

MR. STALEY:

I think so too.

COMMISSIONER MILES:

Mr. Lamb? Mr. Morrell?

MR. MORRELL:

This is one time when I don't have to say anything because it is entirely within the jurisdiction of the Commission.

MR. SPURRIER:

Perhaps it is not out of the way

for me to make a suggestion. I hope to receive comments from you operators and pipe line people. Suppose we hold this case open and set a definite time limit, during which time any operator, pipe line company, or purchaser may submit suggestions amending this order. Judge Seth has suggested we bring it up July 15th and if that suggestion is agreeable the Commission could continue the case to the definite date of the next hearing, July 15th, which will be held in this room at 10:00 o'clock a. m.

Does anyone have any further suggestions?

COMMISSIONER MILES:

Before we close this case I want to state that I certainly appreciate the cooperation and consideration always extended to this Commission by the operators and pipe line companies. We all appreciate it. They have always been most cooperative. And I also want to say to Mr. Staley that his comments and advice in handling the problems that have come before the Commission have been most helpful to me and, I think, to the rest of the Commission.

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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:

CASE NO. 146

ORDER NO. 788

THE APPLICATION OF THE NEW MEXICO OIL  
CONSERVATION COMMISSION, UPON ITS OWN MOTION,  
TO PROMULGATE AND ADOPT AN ORDER WHICH WILL  
AMEND AND CLARIFY PRESENT EXISTING REGULATIONS,  
AS PERTAINING TO THE TRANSPORTATION OF CRUDE  
PETROLEUM WITHIN THE BOUNDARIES OF THE STATE  
OF NEW MEXICO, AND TO FACILITATE THE PURCHASING,  
TRANSPORTATION, AND HANDLING OF CRUDE PETROLEUM  
BY THE VARIOUS PIPE LINE COMPANIES AND TRANSPORTERS  
WITHIN THE STATE OF NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 10:00 o'clock a.m., July 15 and continued to July 29, 1948 at Santa Fe, New Mexico, before the Oil Conservation Commission of the State of New Mexico, hereinafter referred to as the "Commission."

NOW, on the 10th day of September, 1948, the Commission having before it for consideration the testimony adduced at the hearing of said case, and being fully advised in the premises;

IT IS THEREFORE ORDERED:

1. That the New Mexico Oil Conservation Commission will meet monthly, as soon as practicable after the announcement of the Bureau of Mines of the market demand for New Mexico, and at such meeting will consider the announcement of the Bureau of Mines and other evidence of market demand, and will determine the amount of oil to be produced from all pools in the State of New Mexico during the following calendar month. The amount so determined will be allocated among the various pools in the State in accordance with existing regulations and among the various units in each pool, in accordance with the regulations governing each pool. Effective the first day of each month, the Commission or its duly authorized agent will issue a monthly proration schedule. This monthly proration schedule will authorize the production, purchase and transportation of oil from the various units in strict accordance with the schedule. Allowables for wells completed after the first day of the month will become effective from the date of well completion. For proration purposes, a well is completed on the day the first oil is delivered into the lease stock tank or tanks. A supplementary order will be issued by the Commission or its duly authorized agent to the operator of the newly completed well, and to the purchaser or transporter of the oil from the completed well, establishing the effective date of completion, the amount of production permitted during the month, and the authority to purchase and transport same from said well.

2. That any common purchaser is authorized to purchase 100 percent of the allowable from all units classified as marginal units on the monthly proration order. A marginal unit is a unit that is incapable of producing the State top unit allowable for that particular month. Any amount of crude petroleum, up to and including top unit allowable for that particular month, may be purchased from a marginal unit, provided that a supplemental order is issued authorizing such production.

3. That no purchase in excess of the production set forth on the monthly proration order is authorized for any month from a unit having gas-oil ratio adjustments.

4. That current shortages may be made up the month following the month in which such shortages occurred, and if overage occurs, which is unavoidable and lawful, then such overage should be compensated the month following the month in which such overages occurred. All legal and authorized back allowable available for purchase will be published in the monthly proration order. No back allowable will be placed in the monthly proration order unless request is made by producer and proof is shown that shortage is legal and should be considered as back allowable. There are only three justifications for back allowable, namely; (1) failure of purchaser or transporter to run assigned allowable as adjusted for temperature corrections made by transporter, and (2) mechanical failures affecting the producing well during the proration period, and (3) gathering engineering data.

5. That when and if it becomes necessary for any common purchaser to purchase crude petroleum at a ratable take (less than amount assigned on monthly proration schedule), that any common purchaser is authorized and directed to make 100 percent purchases from units of settled production producing ten barrels or less daily of crude petroleum within its purchasing area and ordinarily served by it in lieu of ratable purchases or takings, in order to preclude premature abandonment.

Provided, however, where such purchaser's takings are curtailed below ten barrels per unit of crude petroleum daily, then said purchaser is authorized and directed to purchase equally from all such units within said area and ordinarily served by it regardless of their producing ability insofar as they are capable of producing.

6. That Commission Orders No. 235 and No. 539 shall be superseded by this Order.

7. That this order shall become effective on the first day of the proration month next succeeding the month in which said order is adopted.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

THOMAS J. MABRY, Chairman

*John E. Miles*  
JOHN E. MILES, Member

*R. R. Spurrer*  
R. R. SPURRER, Secretary



# SKELLY OIL COMPANY

PRODUCTION DEPARTMENT  
J. S. FREEMAN, VICE PRESIDENT

TULSA 2, OKLAHOMA

June 17, 1948



Mr. R. R. Spurrier, State Geologist  
Oil Conservation Commission  
Santa Fe, New Mexico

Re: Case No. 146  
Transportation, Purchasing,  
Handling of Crude Oil

Dear Sir:

As announced by the Commission at its recent hearing, we are submitting our suggestions for the proposed order as follows with reference to the proposed order recently submitted to all parties concerned:

1. Paragraph No. 1

First Sentence:

"That any common purchaser is authorized to purchase 100 percent of the production from all wells classified as marginal wells on the monthly State Proration Order".

Last Sentence:

"No amount of crude petroleum in excess of that set forth on the State Proration Order for any month, will be purchased from a well or wells having Gas-Oil Ratio adjustments".

2. Paragraph No. 2

First Sentence:

"That current shortages may be made up the month following the month in which such shortages occurred, and if overage occurs, which is unavoidable and lawful, then such overage should be compensated the month following the month in which such overages occurred".

Second Sentence:

"After one succeeding month, shortages will be considered back allowable and will be permitted to be made up at a rate not greater than 10 barrels per unit per day, except as otherwise ordered by the Commission".

Cont.

June 17, 1948

Mr. R. R. Spurrier  
Santa Fe, New Mexico

3. Paragraph No. 3  
Second Sentence:

"Allowables for wells completed after the first of the month be effective from the date of completion, that is, production of the first oil from the well and shall be included in the next monthly production schedule. A supplement shall be issued by the Commission or its duly authorized agent to the operator of the newly completed well, and to the purchaser of the oil from the newly completed well indicating the allowable and the amount to be run from said well.

Remaining Sentences:  
To be Stricken

4. Paragraph No. 4

Remain as written.

5. Paragraph No. 5

Entire paragraph be stricken.

6. Paragraph No. 6

Be renumbered Paragraph 5.

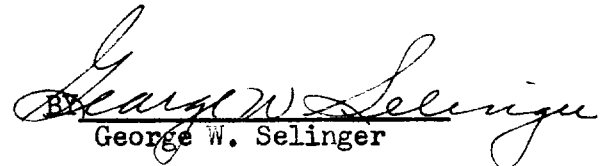
"That Commission Orders No. 235 and No. 539 shall be amended by this order".

7. Paragraph No. 7

Be renumbered paragraph 6, and remain as written.

Respectfully submitted

SKELLY OIL COMPANY

  
George W. Selinger

cc: Mr. J.N. Dunlavey



Mr. R. S. Dewey, Chairman, Humble Oil & Refg. Co., Midland, Texas  
Mr. Frank Gardner, Sinclair Prairie Oil Co., Box 1470, Midland, Texas  
Mr. M. T. Smith, Shell Oil Company, Midland, Texas  
Mr. J. N. Dunlavey, Skelly Oil Company, Hobbs, New Mexico

The above committee has been appointed to make a study of the Oil Conservation Commission's proposed order pertaining to the transportation of crude petroleum oil within the boundaries of the State of New Mexico, copy of which is attached hereto.

This committee is requested to meet at the offices of the Lea County Operators, Hobbs, New Mexico, June 24th, at 10:00 o'clock A.M., at which time suggested amendments to the above order that were submitted to the Oil Conservation Commission at the hearing held in Santa Fe, June 15, 1948, will be available <sup>for</sup> ~~to~~ study.

George S. Card,  
Chairman

By Glenn Staley

Copy: R.R. Spurrier

LEA COUNTY OPERATORS COMMITTEE  
HOBBS, NEW MEXICO  
June 17, 1948

*Revised copy*  
**PROPOSED**

BE 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:

# 146

*Graham: Set for 15 June  
RS*

CASE NO. \_\_\_\_\_

ORDER NO. \_\_\_\_\_

THE APPLICATION OF THE NEW MEXICO OIL  
CONSERVATION COMMISSION, UPON ITS OWN MOTION,  
TO PROMULGATE AND ADOPT AN ORDER WHICH WILL  
CLARIFY PRESENT EXISTING REGULATIONS, AS  
PERTAINING TO THE TRANSPORTATION OF CRUDE  
PETROLEUM WITHIN THE BOUNDARIES OF THE STATE  
OF NEW MEXICO, AND TO FACILITATE THE PURCHASING,  
TRANSPORTATION, AND HANDLING OF CRUDE PETROLEUM  
BY THE VARIOUS PIPE LINE COMPANIES AND TRANSPORTERS  
WITHIN THE STATE OF NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 10 o'clock A. M., \_\_\_\_\_, at  
Santa Fe, New Mexico, before the Oil Conservation Commission of the State of New  
Mexico, hereinafter referred to as the "Commission".

NOW, on the \_\_\_\_\_ day of \_\_\_\_\_ 1948, the Commission having  
before it for consideration the testimony adduced at the hearing of said case, and  
being fully advised in the premises:

IT IS THEREFORE ORDERED:

1. That any common purchaser is authorized to make 100 percent purchases from  
all wells, classified as marginal wells on the monthly State Proration Order. A  
marginal well is a well that is not capable of producing the State top allowable for  
any particular month. Any amount of crude petroleum, up to and including top allowable  
for that particular month, may be purchased from a marginal well, whether or not the  
amount produced and purchased was published as such in the monthly Proration Order.  
Attention is called to purchases made in fields or pools having limiting Gas Oil  
Ratios. No amount of crude petroleum other than that, as set forth on the State  
Proration Order for any month, will be purchased from a well or wells having Gas-Oil  
Ratio adjustments.

2. That current shortages may be made up the following month, and if overage  
occurs, which is unavoidable and lawful, than such overage should be compensated the  
following month by reduced allowables. After one succeeding month, shortages will  
be considered back allowable and will be permitted to be made up at a rate not  
greater than 10 barrels per day. All legal and authorized back allowable to be  
purchased will be published in the Monthly Proration Order. No back allowable will  
be placed on the Monthly Proration Order unless request is made by producer and  
proof is shown that shortage is legal and should be considered as back allowable.  
There are only two logical reasons which justify back allowable, namely: Failure  
of Pipe Line Company or transporter to run assigned allowable (including temperature  
corrections made by such transporters and mechanical difficulties occurring during  
any producing period.

3. That a current monthly proration schedule shall be issued, effective the first day of each month. Allowables for wells completed between the first and sixteenth of each month shall be included in a supplementary proration schedule to the current monthly proration schedule. This supplement shall be issued on the sixteenth of each month. Such monthly proration schedule and such supplementary proration schedule shall each constitute the certificate of the Commission authorizing thereunder;

- (a) The production of oil from the various units in accordance with such respective schedules;
- (b) The purchase of oil so produced by the purchasing companies; and
- (c) The transportation of oil so produced by the various pipe line companies, or purchasers.

4. That when and if it becomes necessary for any common purchaser to purchase crude petroleum at a ratable take (less than amount assigned on monthly proration schedule), that any common purchaser is authorized and directed to make 100 percent purchases from wells of settled production producing ten barrels or less daily of crude petroleum within its purchasing area and ordinarily served by it in lieu of ratable purchases or takings, in order to preclude premature abandonment.

PROVIDED, HOWEVER, where such purchaser's takings are curtailed below ten barrels daily per well of crude petroleum, then said purchaser is authorized and directed to purchase equally from all such wells within said area and ordinarily served by it regardless of their producing ability insofar as they are capable of producing.

5. That the method of producing (stop cocking) has been sanctioned and approved by the Commission in order to conserve reservoir energy. The purchaser or transporter of crude petroleum may run a part, or 100% of the assigned allowable for any given proration period, at any time during proration period, as oil is produced during proration period.

6. That Commission Orders No. 235 and No. 539 shall be superseded by this Order.

7. That this order shall become effective on the first day of the proration month next succeeding the month in which said order is adopted.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO

OIL CONSERVATION COMMISSION

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THOMAS J. MABRY, CHAIRMAN

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JOHN E. MILES, MEMBER

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R. R. SPURRIER, SECRETARY