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H. C. TEASDEL
PRESIDENT

June 1, 1956

Mr. Warwick M. Downing, Chairman
Colorado Oil & Gas Conservation Commission
824 Equitable Building
Denver 2, Colorado

Dear Mr. Downing:

We have given careful study and consideration to your letter of May 24, in which you comment on the Rangely situation and request our cooperation with the Commission and other operators in resolving the problems which exist there. We share with you the conviction that something should and can be done to improve matters and that the ultimate vital step in this program is unitization.

As the record will show, we have always strongly supported conservation in Colorado. May we remind you that we intervened on behalf of the Commission in the suit against it under the 1951 statute; unfortunately, the decision in this case was adverse, thus invalidating the order requiring total gas injection for the Rangely Field.

We worked diligently in the preparation and promotion of a sound conservation statute. Further, we and our partners are the only Rangely operators who have consistently advocated an order limiting oil and gas production. Thus, it appears to us that your suggestion about cooperation among operators lays the issue squarely in the laps of the other parties.

Our position is unchanged; we believe that an order such as the one we sponsored in the 1955 hearings, or one similar to it, will minimize waste both above and under ground and will substantially restore equities. Moreover, such an order, in our opinion, is not subject to successful attack. We feel, as you do, that it would be highly desirable for the operators to cooperate in presenting a workable order for Rangely at the June 25, 1956, hearing, and we have high hopes that such will be the case. But, if it is not, may we ask that you stand firm in your conviction of the need for regulation.

You state in you letter: " . . . it seems logical that whether or not the operators will propose a practical plan upon which they have agreed, the Commission will be compelled to issue a new order . . ." We urge you to act along these lines in the event the other operators are still opposed to a reasonable order for the Field.

You again suggest that steps be taken to negotiate unitization of the Field. One of the basic reasons why we have advocated so strongly an order limiting gas and oil production in the Rangely Field is that, as we have pointed out frequently, production must be equalized and inequities minimized by such action before unitization stands any likelihood of success, particularly where

the royalty owners are concerned.

You comment with alarm about the substantial increase in production from the Field. As to our part in this, we have been compelled to raise our production to its current level, and this is why: Believing that our operations conformed with the soundest engineering practices, we maintained a moderate rate of production until mid-1955, which kept our percentage of withdrawals from the Field rather low.

The result was that (1) last year under the succession of emergency and temporary orders which you issued and during the protracted hearings, we were 'frozen' at that low percentage; (2) the other operators clearly implied that we were unable to produce any more, in spite of our protestations to the contrary and (3) in all unitization negotiations, our share was invariably tied into that artificial percentage. Consequently, we have increased our production and are able to raise it even higher. However, in view of the forthcoming hearing, we will defer any further increase over and above commitments which we have made to date.

All of the above leads to our urging the following two-point plan:

(1) The Commission, regardless of whether or not the operators agree among themselves, should issue an order limiting oil and gas production, which will equalize production and will minimize physical waste and the abuses of correlative rights.

(2) We will make every effort to develop a unitization program for the Field, but, in order for this to have a chance for success, it is absolutely essential that the above step be taken first.

We wish to assure you of our unwavering belief in good conservation and express our sincerest hopes that the Rangely situation will improve. You have our full support in this program.

Yours very truly,

cc: Mr. T. S. Petersen
Mr. C. L. Pickett