

JIM WRIGHT
12TH DISTRICT, TEXAS

file

Congress of the United States
House of Representatives
Washington, D.C. 20515

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Honorable Harley O. Staggers
U.S. House of Representatives
Washington, D.C.

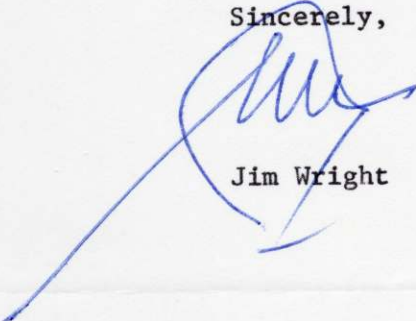
Dear Harley:

Please look over the enclosed explanation and proposed amendment
and see if you would have any objection to it.

I do not believe that it could enrich the big oil companies,
but I am convinced that it could make the difference in keeping a good
many marginal oil operators in business. More important, it would result
in saving for the American people some oil which otherwise will be lost to
the nation through the termination of some marginal operations in old oil
fields.

Very best wishes.

Sincerely,



Jim Wright

Explanation of Wright Amendment Regarding Marginal Oil Wells

This amendment would add a new subsection at the end of Section 303 which applies to "production of oil or gas at the maximum efficient rate..."

The amendment would create in federal law a new category of oil wells known as "marginal wells." These would be treated in the same way as "stripper wells" and oil from these wells would be treated as "new oil" for pricing purposes.

The definition of a "marginal well" is taken directly from a statute which has been in effect in the State of Texas for more than 30 years. It recognizes the direct relation which exists between depth of the well and the volume of oil which must be produced in order for the well to be economically viable.

For example, if it is economically feasible to continue production at 10 barrels a day from a well at the depth of 2,000 feet, one should be able to produce 20 barrels daily if he is to continue pumping from a depth of 4,000 feet, 25 barrels from 6,000 feet, up to 30 barrels from a depth of 8,000 feet, and up to 35 barrels daily if he must produce from even deeper strata.

These still are relatively small oil wells and, because of their marginal economic viability, the vast majority of them are operated by relatively small independent producers.

Under present law, these small producers are permitted to recover and sell at market price no more than 10 barrels daily (subject to certain administrative interpretations) even if they must incur the greater expense of drilling and pumping from strata of 8,000 feet and greater depths.

Numbers of them are actually losing money on these marginal operations today. Some are facing the necessity of closing down the wells and pulling out the pipe. If this is done, a very great deal of recoverable petroleum could be lost to the country forever.

The Interstate Oil Compact Commission, recognizing this problem, estimates that there may be a total of some 2.5 billion barrels of recoverable oil involved.

This amendment certainly will not enrich any large oil producers. It could allow many small producers to stay in business. It could help the country recover a substantial amount of oil which otherwise might be irretrievably lost to the American public.

Mr. Wright offers the following amendment to H. R. 7014:

On page 225, after line 20, add a new subsection, as follows:

(f) (1) In the interest of promoting maximum recovery and eliminating waste, there is hereby created a category known as "marginal wells", and, for purposes of oil pricing policy, oil produced from these wells shall be treated as "new oil" and shall not be subject to the pricing restrictions otherwise applicable to "old oil."

(2) For purposes of this section, the term "marginal well" shall mean

any oil well which is incapable of producing its maximum capacity of oil except by pumping, gas lift, or other means of artificial lift, and which well so equipped is capable, under normal unrestricted operating conditions, of producing such daily quantities of oil as herein set out, as would be damaged, or result in a loss of production ultimately recoverable, or cause the premature abandonment of same, if its maximum daily production were artificially curtailed. The following described wells shall be deemed "marginal wells" ~~in this~~ State:

- (A) Any oil well incapable of producing its maximum daily capacity of oil except by pumping, gas lift, or other means of artificial lift, within this State and having a maximum daily capacity for production of ten barrels or less, averaged over the preceding thirty consecutive days, producing from a depth of two thousand (2,000) feet or less.
- (B) Any oil well incapable of producing its maximum daily capacity of oil except by pumping, gas lift, or other means of artificial lift, within this State and having a maximum daily capacity for production of twenty barrels or less, averaged over the preceding thirty consecutive days producing from a horizon deeper than two thousand (2,000) feet and less in depth than four thousand (4,000) feet.
- (C) Any oil well incapable of producing its maximum daily capacity of oil except by pumping, gas lift, or other means of artificial lift within this State and having a maximum daily capacity for production of twenty-five barrels or less, averaged over the preceding thirty consecutive days, producing from a horizon deeper than four thousand (4,000) feet and less in depth than six thousand (6,000) feet.
- (D) Any oil well incapable of producing its maximum daily capacity of oil except by pumping, gas lift, or other means of artificial lift, within this State and having a maximum daily capacity for production of thirty barrels or less, averaged over the preceding thirty consecutive days, producing from a horizon deeper than six thousand (6,000) feet and less in depth than eight thousand (8,000) feet.
- (E) Any oil well incapable of producing its maximum daily capacity of oil except by pumping, gas lift, or other means of artificial lift, within this State and having a maximum daily capacity for production of thirty-five barrels or less, averaged over the preceding thirty consecutive days, producing from a horizon deeper than eight thousand (8,000) feet.

The words, "gas lift", when used in this section shall mean gas lift by the use of gas not in solution with oil produced.