

Case No.

805

Application, Transcript,
Small Exhibits, Etc.

CASE 805: Texas Gulf Producing Company ex-
caption to Rule 309 (re consolidation of
oil into common tank battery)

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 805
Order No. R-575

THE APPLICATION OF TEXAS GULF
PRODUCING COMPANY FOR EXCEPTION
TO RULE 309 FOR AUTHORIZATION TO
COMMINGLE IN A COMMON TANK BATTERY
OIL PRODUCED FROM TWO SEPARATE STATE
LEASES, B-2229 AND B-8398, BOTH LOCATED
IN THE N/2 OF SECTION 36, TOWNSHIP 17
SOUTH, RANGE 33 EAST, NMPM, LEA COUNTY,
NEW MEXICO, IN THE VACUUM POOL.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
December 16, 1954, at Santa Fe, New Mexico, before the Oil Conservation
Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 27th day of January, 1955, the Commission, a
quorum being present, having considered the testimony adduced and the
exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject matter
thereof.

(2) That applicant, Texas Gulf Producing Company, is the
owner of two New Mexico State oil and gas leases, B-2229 and B-8398,
described as follows:

B-2229: 280 acres comprising the NW/4, N/2
NE/4, and SE/4 NE/4 of Section 36, Township
17 South, Range 33 East.

B-8398: 40 acres comprising the SW/4 NE/4 of
Section 36, Township 17 South, Range 33 East,

both leases covering the N/2 of Section 36, Township 17 South, Range 33
East, NMPM, Lea County, New Mexico.

(3) That for reasons of efficiency, applicant desires to use
common tankage for the storage and measurement of oil produced from the
Vacuum Oil Pool underlying the contiguous portions of said leases.

-2-

Case No. 885
Order No. R-575

(4) That applicant proposes to install appropriate physical equipment so that the production from each well completed on the described acreage may be accurately determined as prescribed by the Commission.

(5) That by reason of practical convenience and economy, and in the absence of objection by the Commissioner of Public Lands of New Mexico, exception to Rule 309 should be granted.

(6) That no objection by the Commissioner of Public Lands of the State of New Mexico has been received.

IT IS THEREFORE ORDERED:

That the application of Texas Gulf Producing Company for an exception to Rule 309 be, and the same hereby is approved, and Texas Gulf Producing Company be and it hereby is authorized to establish, maintain and operate a central tank battery to receive production from the San Andres formation of the Vacuum Pool only, on the following described acreage:

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM
N/2 of Section 36

PROVIDED, HOWEVER, That adequate tankage and proper equipment be installed and maintained so as to permit specific production tests of each connected well at reasonable intervals or upon requests of the Commission, or of the Commissioner of Public Lands, and

PROVIDED FURTHER, That no well now or hereafter connected to such tank battery be permitted to produce at a rate in excess of top allowable as now or hereafter may be fixed for the Vacuum Pool.

IT IS FURTHER ORDERED: That jurisdiction of this case is hereby retained for purpose of revocation and modification under changed conditions.

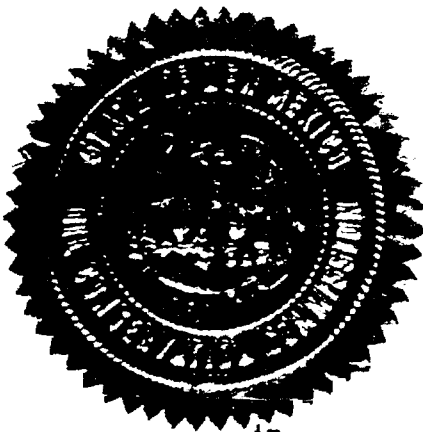
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

John F. Simms
JOHN F. SIMMS, Chairman

E. S. Walker
E. S. WALKER, Member

W. B. Macey
W. B. MACEY, Member and Secretary



BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 805

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
ROOMS 105, 106, 107 EL CORTEZ BUILDING
TELEPHONE 7-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
December 16, 1954

Application of Texas Gulf Producing Company for
exception to Rule 309 to permit storage of oil in a
single tank battery from two separate leases (State
Leases B-2229 and B-8398) located in Section 36,
Township 17 South, Range 33 East, Lea County, New
Mexico, in the Vacuum Pool.

Case No.
805

BEFORE:

Mr. E. C. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

W I L L I A M S. A M M E R M A N,

called as a witness, having been duly sworn, testified as follows:

WITNESS: Gentlemen, my name is William S. Ammerman, I live
in Midland, Texas and I am employed by the Texas Gulf Producing
Company in the Land Department. Texas Gulf is the owner of the
operating rights under certain shallow horizons covering the
north half of Section 36, Township 17 South, Range 33 East, Lea
County. This ownership is by virtue of two state leases, being
State Leases B-2229 covering all of the north half of the section
with the exception of the southwest quarter of the northeast
quarter and state lease B-8398, covering the southwest quarter of
the northeast quarter. We have recently completed a well producing
from the San Andres formation on the southwest quarter of the
northeast quarter and we desire permission from the Commission to
set tanks for that well, at a location in the approximate center
of the north half of Section 36, the purpose being to consolidate

ADA DEARNLEY & ASSOCIATES
STENOGRAPHIC REPORTERS
ALBUQUERQUE, NEW MEXICO
TELEPHONE 3-6691

the tankage for those two leases.

There is at the present time no production from State Lease B-2229 but we have every reasonable expectation that the area covered by that lease will be productive and in the interests of the efficient and economical operations, we desire to co-mingle the production from any wells on that state lease with the production now being secured from the lease covering the southwest quarter of the northeast quarter. According to title examination, the royalty ownership, including such overriding royalty as exists against those leases is uniform and both of the tracts insofar as the state ownership is concerned belong to the common school fund.

We don't see any reason why there would be any difficulties in accounting or otherwise in that respect. I believe that's it unless the members of the Commission have any questions.

MR. MACEY: Anyone have any questions?

MR. RHODES: I have one. Do you expect the San Andres to be productive in this state lease which is now unproductive?

A Yes.

Q That is, there will be no co-mingling of oil from different producers arising?

A No, as a matter of fact, our rights are limited to San Andres horizon.

MR. MACEY: It is not the intention to co-mingle the oil from two different pools but mainly solely between the two leases?

A That is correct.

MR. MACEY: Anyone have any questions of the witness? If not the witness may be excused.

(Witness excused.)

MR. MACEY: Take the case under advisement.

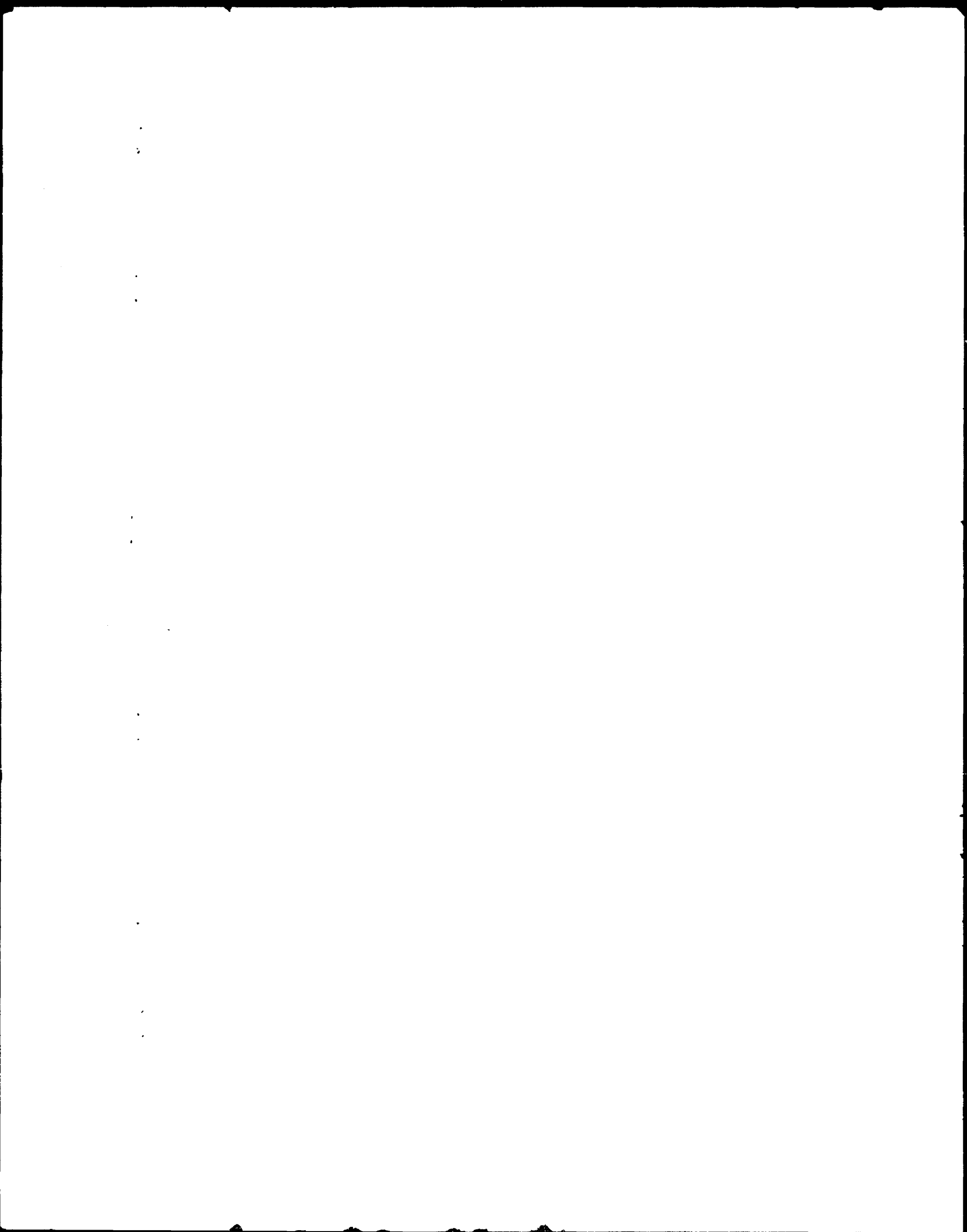
STATE OF NEW MEXICO)
) ss.
COUNTY OF BERNALILLO)

I, MARGARET McCOSKEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 23rd day of December, 1954.

Margaret McCoskey
Notary Public-Court Reporter

My commission expires
August 15, 1956.



*Put in
Case file.*

TEXAS GULF PRODUCING COMPANY

WEST TEXAS - NEW MEXICO DIVISION

P. O. Box 1764, MIDLAND, TEXAS

December 2, 1954

DEC 7 1954 9:24

MAIN OFFICE CCC

Mr. W. B. Macey
Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Sir:

This is in answer to your letter of November 26, 1954, referring to our letter addressed to Mr. Walker and dated November 24, 1954, pertaining to a matter of a single tank battery to be located on the N $\frac{1}{2}$ of Section 36, T-17-S, R-33-E, Lea County, New Mexico.

We are inclined to believe that we did not make our request sufficiently clear in our letter to Mr. Walker. While we are requesting permission to use a single common tank battery to serve two leases, we do not now have production on both of said leases. Our request at the moment was for such permission as would permit us to erect the battery at this time to serve the one well located in approximately the center of the SW $\frac{1}{4}$ of the NE $\frac{1}{4}$ of said Section 36, and to set the same at such a location as would make it possible to use a single battery for both of said leases if and when production were had on the remaining portion of the half section in question.

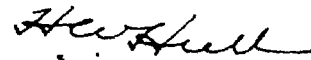
We were not aware that it was necessary to have a formal hearing before the Commission in order to accomplish this purpose. In view of your letter above mentioned, the writer or some other representative of Texas Gulf Producing Company will arrange to be in Santa Fe on December 16, 1954 to appear at the hearing which you have set.

Since the well in question has produced some oil in a test tank and we are now in the process of erecting storage tanks for normal production, we would appreciate being advised as to the customary attitude of the Commission concerning such matters. We are faced with the necessity of setting a battery immediately. We would like, to so conduct our operation as to avoid insofar as possible any additional work or change at some future time. In the instant case,

Mr. W. B. Macey
December 2, 1954
Page 2

if we are to anticipate that our request would be denied, tanks of smaller size would need be set on the 40 acre tract in question to serve the one well only. If we are to anticipate that our request would be approved by the Commission we could set tanks of larger size at a better location at this time even though in so doing we would be aware of the fact that we had yet to receive formal permission to produce two leases into a single tank battery. If you can give us any preliminary suggestions along this line previous to the hearing in question it would be greatly appreciated.

Yours very truly,



H. W. Hull

HWH:EH

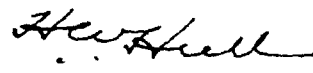
cc: Mr. E. S. Walker
Commissioner of Land Office
Santa Fe, New Mexico

Mr. A. L. Porter
Oil Conservation Commission
Hobbs, New Mexico

Mr. W. B. Macey
December 2, 1954
Page 2

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Yours very truly,


H. W. Hull

HWH:EH

cc: Mr. E. S. Walker
Commissioner of Land Office
Santa Fe, New Mexico

Mr. A. L. Porter
Oil Conservation Commission
Hobbs, New Mexico

TEXAS GULF PRODUCING COMPANY
West Texas-New Mexico Division
Box 1764 Midland - Texas

C
O
P
Y

November 24, 1954

Honorable E. S. Walker
Commissioner of Public Lands
State of New Mexico
Santa Fe, New Mexico

Dear Sir:

Pursuant to the terms of a certain assignment and agreement made and entered into November 4, 1954 by and between Phillips Petroleum Company and Texas Gulf Producing Company, which said assignment will be submitted to your office in due course, Texas Gulf Producing Company acquired an interest in New Mexico State Oil and Gas Leases as numbered below insofar as same affected the lands below described located in Lea County, State of New Mexico, to wit:

State Lease B-2229 as to the NW/4, the
N/2 of NE/4 and the SE/4 of NE/4 of Section
36, Township 17-S, Range 33-E.

State Lease B-8398 as to the SW/4 of the
NE/4 of Section 36, Township 17-S, Range 33-E.

Pursuant to the Agreement with Phillips Petroleum Company, Texas Gulf Producing Company has drilled a test well located in approximately the center of the SW/4 of the NE/4 of said Section 36 on said lease B-8398. Said test well is now at a total depth of 4726 feet preparing to test. It is anticipated that said well will be completed as a producing well at said depth.

In event said test well is completed as a producing oil well, and should additional producing wells be drilled on Lease B-2229, the existence of separate oil and gas leases would necessitate the erection of separate tank batteries for each lease. The net result of this condition would require the erection of a separate tank battery for the one well located on lease B-8398.

According to your original oil and gas lease granted by the State of New Mexico all of the lands hereinabove mentioned are dedicated to the common school fund. Such being the case it would seem to us that production from both of said leases as to the land hereinabove described could be properly accounted for even though commingled in a single tank battery located on the N/2 of said Section 36, T-17S, R-33-E.

It is requested that the State of New Mexico grant us permission to erect a single tank battery on the N/2 of Section 36, T-17-S, R-33-E, to serve both leases hereinabove described as to the lands specifically set out, the production from all wells thereon to be commingled in a single tank battery. If this request is granted, appropriate physical equipment will be installed so that wells on each of said leases may be separately tested should such separate testing be necessary.

We respectfully request that permission to separate said leases in the manner above stated be granted and that we be advised of your decision.

Respectfully yours,

TEXAS GULF PRODUCING COMPANY

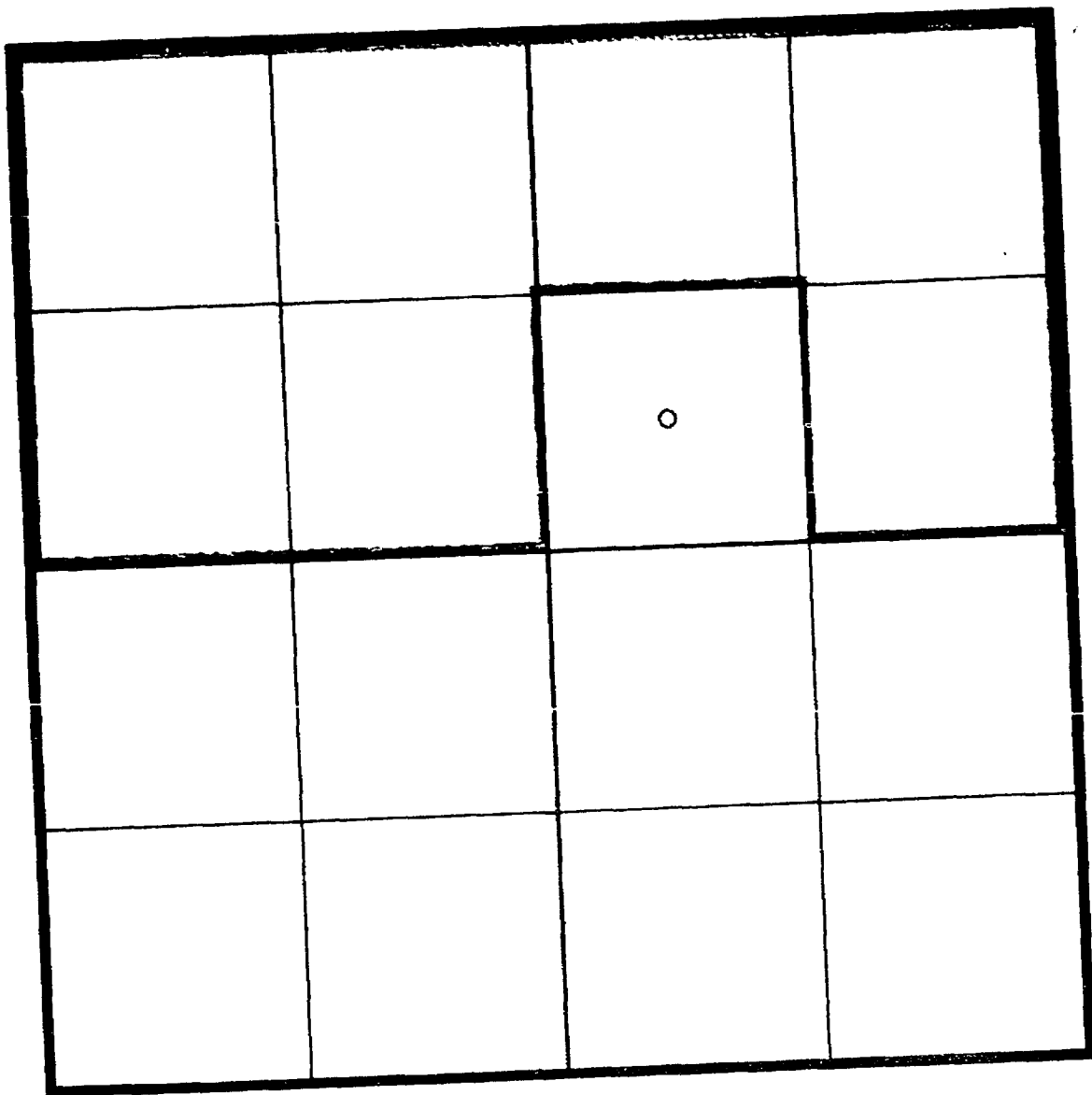
HWH:EH

by: s/ H. W. HULL

0117871

Sec. 36 Township No. 17 South of Range No. 33-East

State lease B-2229



Ref: Co. a 605

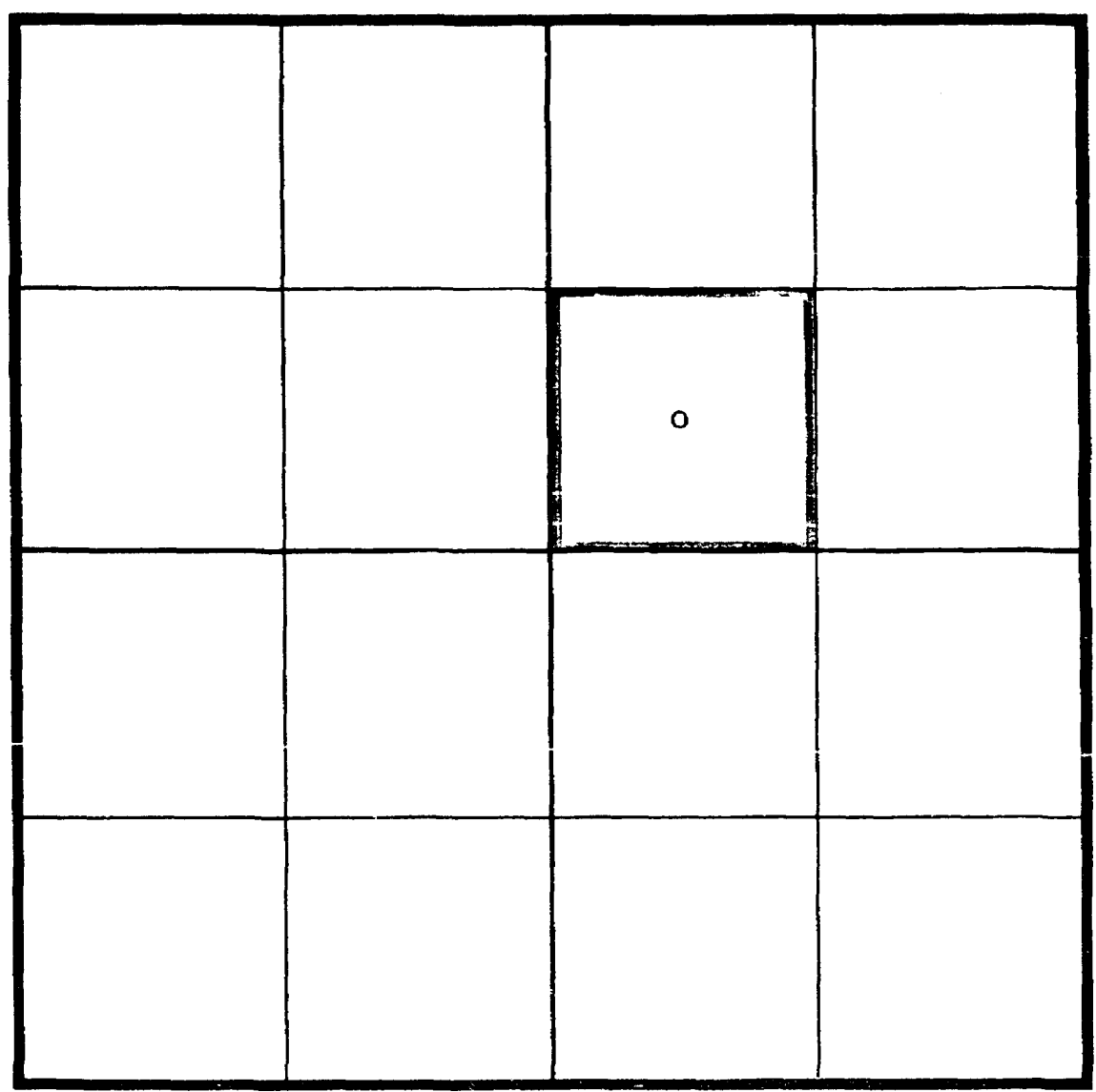
and the
to the

11/1/2

Sec. 36 Township No. 17 North of Range No. 33 East.

State Lease B-8398

10/1/2



For Lease
Under Lease B-8398
Commenced 10/1/2

Case 805

Rule 303 -

Production of oil from different pools and/or reservoirs must at all times be kept separated.

Mixing in lease tanks is prohibited!

Q#1 - Will oil be from same Reservoir?

Q#2 - Is royalty interest the same in both leases? State

Q#3 - Will Production from each lease be measured separately? ~~Under~~?

Does State keep separate accounts on Diff leases?

OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

November 26, 1954

C
O
P
Y

Mr. H. W. Hall
Texas Gulf Producing Company
Box 1764
Midland, Texas

Dear Sir:

Reference is made to your letter of November 24, 1954, addressed to Mr. E. S. Walker, Commissioner of Public Lands, which has been referred to this office.

Before you can obtain permission to consolidate the production from two or more leases into a common tank battery, it will be necessary for you to have a hearing before this Commission. Mr. Walker has followed the procedure of approving the consolidations only after the Commission has given its consent.

We are using your letter as an application for hearing, and will set it for hearing on December 16, 1954, in Santa Fe. If you are unable to be present at that time, please let us know by wire or telephone as soon as possible.

Very truly yours,

W. B. Macey
Secretary - Director

WBMinr

cc: Mr. E. S. Walker

Mr. A. L. Porter
Oil Conservation Commission
Hobbs, N M

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

February 7, 1955

J
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P
Y

Texas Gulf Producing Company
Box 1764
MIDLAND, TEXAS

Attention: Mr. H. W. Hull

Gentlemen:

We attach copy of Order R-575 issued under date of January 27, 1955, in Case 805, which was heard at the December 16, 1954, hearing upon your company's application.

Very truly yours,

W. B. Macey
Secretary-Director

WBM:nr