

Case No.

1536

Application, Transcript,
Small Exhibits, Etc.

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 10-10-2001 BY 60322
UCBAW

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

November 11, 1958

C
O
P
Y

Mr. Oliver Seth
Seth, Montgomery, Federici & Andrews
P.O. Box 828
Santa Fe, New Mexico

Dear Mr. Seth:

On behalf of your client, Shell Oil Company, we enclose two copies of Order R-1272 issued November 5, 1958, by the Oil Conservation Commission in Case 1536, which was heard on October 22nd at Santa Fe before an examiner.

Very truly yours,

A. L. Porter, Jr.
Secretary - Director

bp
Encls.

**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. 1536
Order No. R-1272**

**APPLICATION OF SHELL OIL COMPANY
FOR PERMISSION TO COMINGLE THE
PRODUCTION FROM FOUR SEPARATE STATE
LEASES IN LEA COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on October 22, 1958, at Santa Fe, New Mexico, before Elvis A. Uts, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 5th day of November, 1958, the Commission, a quorum being present, having considered the application, the evidence adduced and the recommendations of the Examiner, Elvis A. Uts, 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 the applicant, Shell Oil Company, is the owner and operator of the following-described State of New Mexico leases:

State WN Lease,	N/2 NW/4 of Section 8,
State WN Lease,	E/2 NE/4 of Section 8,
State WO Lease,	N/2 SW/4 of Section 8,
State WL Lease,	all of Section 9,

all in Township 16 South, Range 34 East, NMPM, Lea County, New Mexico.

(3) That the applicant proposes to commingle the Hume-Queen Pool production from the above-described leases in a common tank battery.

-2-
Case No. 1536
Order No. R-1272

(4) That the tank battery should include a test separator in order that each well may be tested monthly.

(5) That the ownership in said four leases is common throughout.

(6) That the Commissioner of Public Lands for the State of New Mexico has approved the commingling of production from the aforementioned State of New Mexico leases.

(7) That approval of the subject application will not cause waste nor impair correlative rights.

IT IS THEREFORE ORDERED:

That the applicant, Shell Oil Company, be and the same is hereby authorized to commingle the Hume-Queen Pool production from the following-described State of New Mexico leases in a common tank battery:

State WN Lease, N/2 NW/4 of Section 8,
State WN Lease, E/2 NE/4 of Section 8,
State WO Lease, N/2 SW/4 of Section 8,
State WL Lease, all of Section 9,

all in Township 16 South, Range 34 East, NMPH, Lea County, New Mexico.

PROVIDED HOWEVER, That the tank battery shall include a test separator and each well shall be tested monthly.

PROVIDED FURTHER, That nothing contained herein shall be construed as authorizing the production of more than sixteen wells into a common tank battery.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

E. L. Meek
EDWIN L. MECK, Chairman

Murray E. Morgan
MURRAY E. MORGAN, Member

A. L. Porter, Jr.
A. L. PORTER, Jr., Member & Secretary



OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 10-29-58

CASE NO. 1536

HEARING DATE 10-22-58

My recommendations for an order in the above numbered case(s) are as follows:

1. Approve Shell's application to commingle the Lume-Queenpool oil from these State WA, WM, WO & WL leases.
2. ~~WN~~ WN lease — N/2 NW/4 sec. 8-165-34E.
WM " E/2 NE 4 " " " "
WO " N/2 SW/4 " " " "
WL " All sec. 9 " "
3. The tank battery will be located in SWNW sec. 9, 165-34E. T.B. shall include a test separator so that each well can be tested at specified intervals.
4. All Royalty interests are the same in all 4 leases.


Staff Member



Leases not contiguous
MAW BRIDGECORP COMPANY *set for hearing*

1958 SEP 25 AM 8:25

P. O. Box 845
Roswell, New Mexico

September 23, 1958

Case 1536

Subject: Request for Authority to Centralize
Tankage, State WM, State WN, State WO
and State WL Leases, Sections 8 and 9,
T-16-S, R-34-E, Hume Queen Field, Lea
County, New Mexico

Mr. A. L. Porter Jr.
Secretary Director
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Mr. Porter:

We have recently begun development on the 80-acre State WM Lease (State of New Mexico E-8265) and the 80-acre State WO Lease (State of New Mexico E-1079). We are now initiating plans for the development of the 80-acre State WN Lease (also State of New Mexico E-1079) and the 640-acre State WL Lease (State of New Mexico OG-512). As shown on the attached plat, the State WM, State WO, State WN, and State WL Leases are located in Sections 8 and 9, T-16-S, R-34-E, N.M.P.M., Lea County, New Mexico.

We propose to centralize oil treating and storage facilities for all wells drilled on the above leases. The unitized battery will be located as shown on the attached plat, at the southwest corner of the NW/4 of Section 9. Initial tankage costs will be substantially less if centralized facilities are installed. Reduced battery maintenance would permit us to produce these wells at a lower economic limit thereby increasing the amount of oil recovered from the reservoir.

We have obtained permission to install central tank facilities from the Commissioner of Public Lands and from the offset operators. Copies of their endorsements are included with this letter.

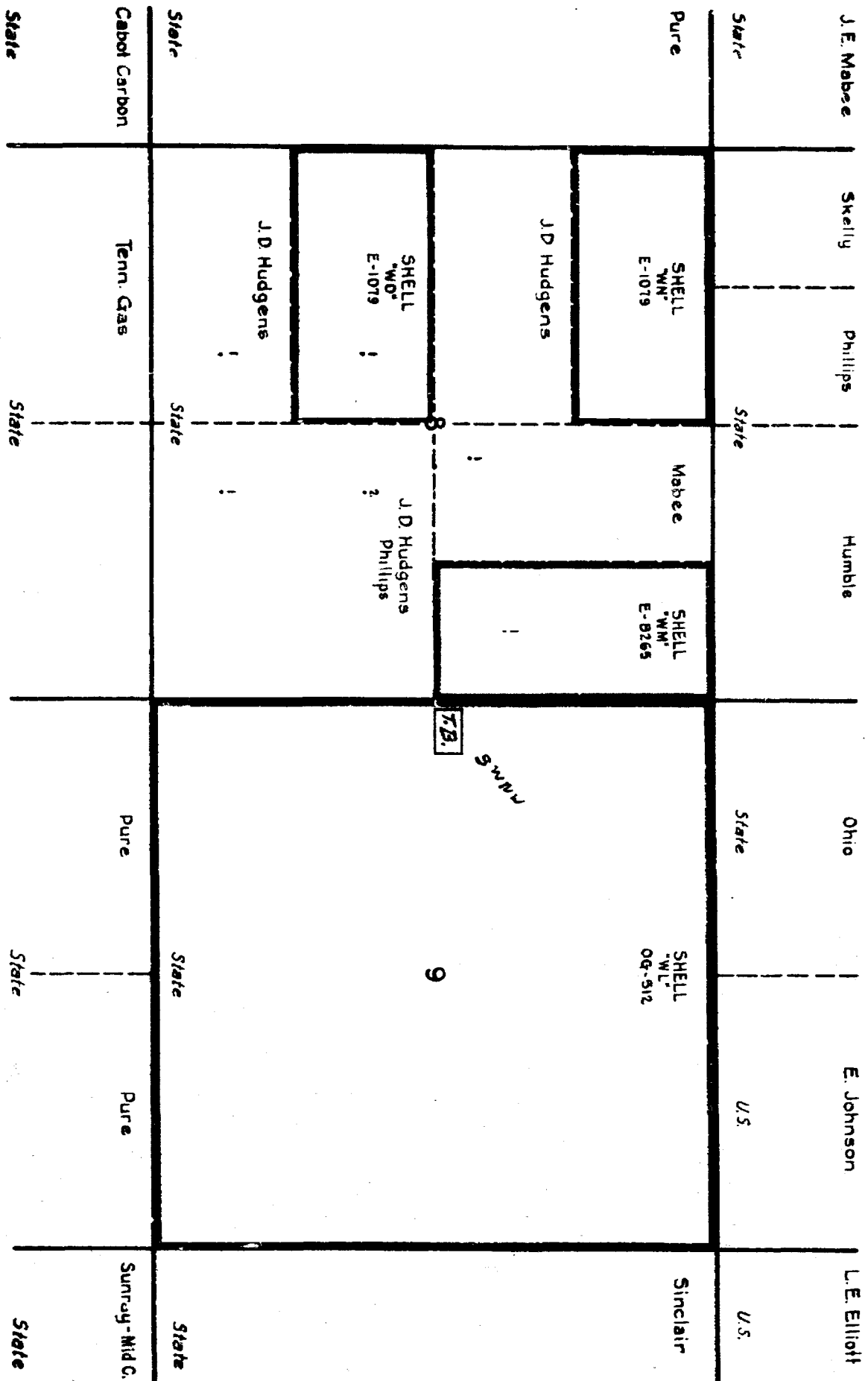
With preliminary work complete, we are hereby making formal application for administrative approval to commingle the oil produced from our State WM, State WO, State WN, and State WL Leases into a common tank battery. If administrative approval cannot be given to a case of this type, we respectfully request a hearing be scheduled at your earliest convenience.

Very truly yours,

P. A. Dennie

P. A. Dennie
Division Production Manager

*Docket Mailed
10-8-58 B P*
Attachments



SHELL OIL COMPANY
 ROSWELL PRODUCTION DIVISION
 STATE "WL" "WM" "WN" "WO" LEASES
 HUM-QUEEN FIELD
 Sec. 8 & 9, T16-S, R-34-E, Lea Co., N.M.
 Date: 8-6-58 No scale

DOCKET: EXAMINER HEARING OCTOBER 22, 1958

Oil Conservation Commission 9 a.m. Mabry Hall, State Capitol, Santa Fe

The following cases will be heard before Elvis A. Utz, Examiner:

- CASE 962: Application of Humble Oil & Refining Company for the amendment of a unit agreement. Applicant, in the above-styled cause, seeks an order amending the South Four Lakes Unit Agreement approved by Order R-710 to enlarge the unit area to include the N/2 SW/4 of Section 1, Township 12 South, Range 34 East, Lea County, New Mexico.
- CASE 1527: Application of Tennessee Gas Transmission Company for permission to commingle the oil produced from two separate oil pools. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the oil produced from its State A. A. Kennitz "B" Well No. 5, located in the SW/4 NW/4 of Section 25, Township 16 South, Range 33 East, Lea County, New Mexico, from the Kennitz-Wolfcamp Pool and an undesignated Pennsylvanian (Cisco) pool. Applicant proposes to separately meter the production from each zone prior to commingling.
- CASE 1528: Application of Tennessee Gas Transmission Company to commingle the production from two separate oil pools from three of its state leases. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the oil produced from the Kennitz-Wolfcamp and Kennitz-Cisco Pools from the wells on its State "B", State "C" and State "D" Leases located in Sections 21 and 28, Township 16 South, Range 34 East, Lea County, New Mexico.
- CASE 1529: Application of Kersey & Company for permission to commingle production from two separate oil pools. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the production from the Grayburg-Jackson Pool and the Fren Pool from two wells located on the SE/4 SW/4 of Section 16, Township 17 South, Range 31 East, Eddy County, New Mexico. Applicant does not propose to meter the production from each pool.
- CASE 1530: Application of Rice Engineering & Operating, Inc. for an order authorizing a salt water disposal well. Applicant, in the above-styled cause, seeks an order authorizing the disposal of produced salt water through its E-M-E SWD Well No. A-32 to be located 1320 feet from the North and East lines of Section 32, Township 21 South, Range 36 East, Lea County, New Mexico. Applicant proposes to inject the produced salt water into the San Andres formation in the interval from 4250 feet to 4600 feet.

- CASE 1531: Application of Rice Engineering & Operating, Inc. for an order authorizing a salt water disposal well. Applicant, in the above-styled cause, seeks an order authorizing the disposal of produced salt water through Amerada Petroleum Corporation's Adkins Well No. 2, located 990 feet from the South line and 330 feet from the West line of Section 5, Township 20 South, Range 37 East, Lea County, New Mexico. Applicant proposes to inject the produced salt water into the San Andres formation in the interval from 4490 feet to 4950 feet.
- CASE 1532: Application of Sunray Mid-Continent Oil Company for an order authorizing a salt water disposal well. Applicant, in the above-styled cause, seeks an order authorizing the disposal of produced salt water through its Hobbs "G" Well No. 1, located 1980 feet from the North and West lines of Section 36, Township 9 South, Range 33 East, Lea County, New Mexico. Applicant proposes to inject the produced salt water through the well bore into the Pennsylvanian formation in the interval from 9834 feet to 9865 feet.
- CASE 1533: Application of El Paso Natural Gas Products Company for a dual completion. Applicant, in the above-styled cause, seeks an order authorizing it to dually complete its Frontier No. 1-B Well, located 890 feet from the South line and 890 feet from the East line of Section 9, Township 27 North, Range 11 West, San Juan County, New Mexico, in such a manner as to permit the production of oil from an undesignated Gallup oil pool and the production of gas from an undesignated Dakota gas pool through parallel strings of tubing.
- CASE 1534: Application of Zapata Petroleum Corporation for permission to commingle production from nine non-contiguous state leases. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the production from nine separate state leases in the Vacuum Pool, all in Townships 17 and 18 South, Range 35 East, Lea County, New Mexico.
- CASE 1535: Application of Carper Drilling Company for permission to commingle the oil produced from two separate oil pools. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the production from three wells completed in the Corbin Pool and one well completed in the Maljamar Pool, all on its Wyatt lease in Sections 33 and 34, Township 17 South, Range 33 East, and Section 5, Township 18 South, Range 33 East, Lea County, New Mexico, and to ascertain the production from each well by means of periodic tests.
- CASE 1536: Application of Shell Oil Company for permission to commingle the oil produced from four separate leases. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the production from four separate state leases in Sections 8 and 9, Township 16 South, Range 34 East, Hume-Queen Pool, Lea County, New Mexico.

CASE 1537: Application of Pure Oil Company for a dual completion. Applicant, in the above-styled cause, seeks an order authorizing it to dually complete its South Vacuum Unit No. 2-35 Well, located 1980 feet from the South line and 660 feet from the East line of Section 35, Township 18 South, Range 35 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the South Vacuum-Devonian Pool and gas from an undesignated McKee gas pool through parallel strings of tubing.

CASE 1538: Application of Aztec Oil & Gas Company for the assignment of minimum allowables to certain gas wells in the Fulcher Kutz-Pictured Cliffs Gas Pool, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order assigning minimum allowables to the following described gas wells in the Fulcher Kutz-Pictured Cliffs Gas Pool in order to prevent premature abandonment of said wells:

Coxs No. 3 and No. 4 Wells, both in Section 20, Township 29 North, Range 11 West;
Hart No. 1 Well, Section 11, Township 29 North, Range 12 West;
Holder No. 1 Well, Section 29, Township 30 North, Range 12 West;
Cornell No. 3 and No. 4 Wells, both in Section 12, Township 29 North, Range 12 West;

all in San Juan County, New Mexico.

CASE 1539: Application of T. J. Sivley for an exception to the casing requirements for the potash-oil area in Eddy and Lea Counties, New Mexico. Applicant, in the above-styled cause, seeks an order authorizing an exception to the casing requirements for the potash-oil area as set forth in Order R-111-A for its Federal-Silver No. 1, an exploratory well to be located 1980 feet from the South and East lines of Section 28, Township 20 South, Range 34 East, Lea County, New Mexico. Applicant proposes to drill with cable tools to the Yates formation. The casing program of applicant is as follows:

13-3/8" Casing in top of red bed at approximately 70 feet.

10-3/4" Casing as cave string to about 700 feet.

8-5/8" Casing, this being the water shutoff string to approximately 1250', but in any event below water.

5-1/2" Casing to be set at a point selected by operator above pay zone expected to be encountered at 3625', but in no event to exceed a depth greater than 600 feet below the base of salt.

That the applicant should be permitted to pull all casing except the 5-1/2" production string in the event that commercial oil or gas is found.

CASE 1540: Application of E. P. Campbell for an exception to Rule 505 of the Commission Rules and Regulations. Applicant, in the above-styled cause, seeks an order granting an exception to Rule 505 of the Commission Rules and Regulations and assigning an allowable proportional factor of 1.33 for the oil pool in the Abo formation discovered by applicant's Cockerham No. 1 Well, NE/4 NE/4 Section 34, Township 18 South, Range 26 East, Eddy County, New Mexico, even though the depth of the casing shoe is 4205 feet. The top of the Abo pay is at approximately 5280 feet in the above-described well.

CONTINUED CASE

CASE 1516: Application of El Paso Natural Gas Company for two non-standard gas proration units and for the approval of one unorthodox gas well location. Applicant, in the above-styled cause, seeks an order establishing a 120-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the N/2 SW/4 and the SW/4 SW/4 of Section 4, Township 25 South, Range 37 East, said unit to be dedicated to the applicant's Wells Federal No. 3 Well located 1880 feet from the South and West lines of said Section 4. Applicant further seeks the establishment of a 200-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the SE/4 SW/4 of Section 4 and the NW/4 of Section 9, Township 25 South, Range 37 East, Lea County, New Mexico, said unit to be dedicated to the applicant's Wells Federal No. 11 Well located 430 feet from the South line and 2317 feet from the West line of said Section 4. Applicant further seeks approval of the unorthodox gas well location of the said Wells Federal No. 11 Well.

Case 1536

STATE LAND OFFICE

MAIN OFFICE OCC

State of New Mexico

Refer Reply to:
Oil & Gas Royalty Div.

1958 SEP 25 AM 3:25



MURRAY E. MORGAN
COMMISSIONER OF PUBLIC LANDS

September 3, 1958

Shell Oil Company
P. O. Box 845
Roswell, New Mexico

Gentlemen:

Permission is hereby granted to commingle Production from
the following described State Leases:

State WM Lease (State of New Mexico E-8265), WO Lease (State
of New Mexico E-1079), WN Lease (also State of New Mexico E-1079)
and Lease WL Lease (State of New Mexico OG-512) all located in
Sections 8 and 9, T-16-S, R-34-E, N.M.P.M., Lea County, New
Mexico.

All this acreage is committed to one beneficiary institution,
that being Common Schools.

Very truly yours,

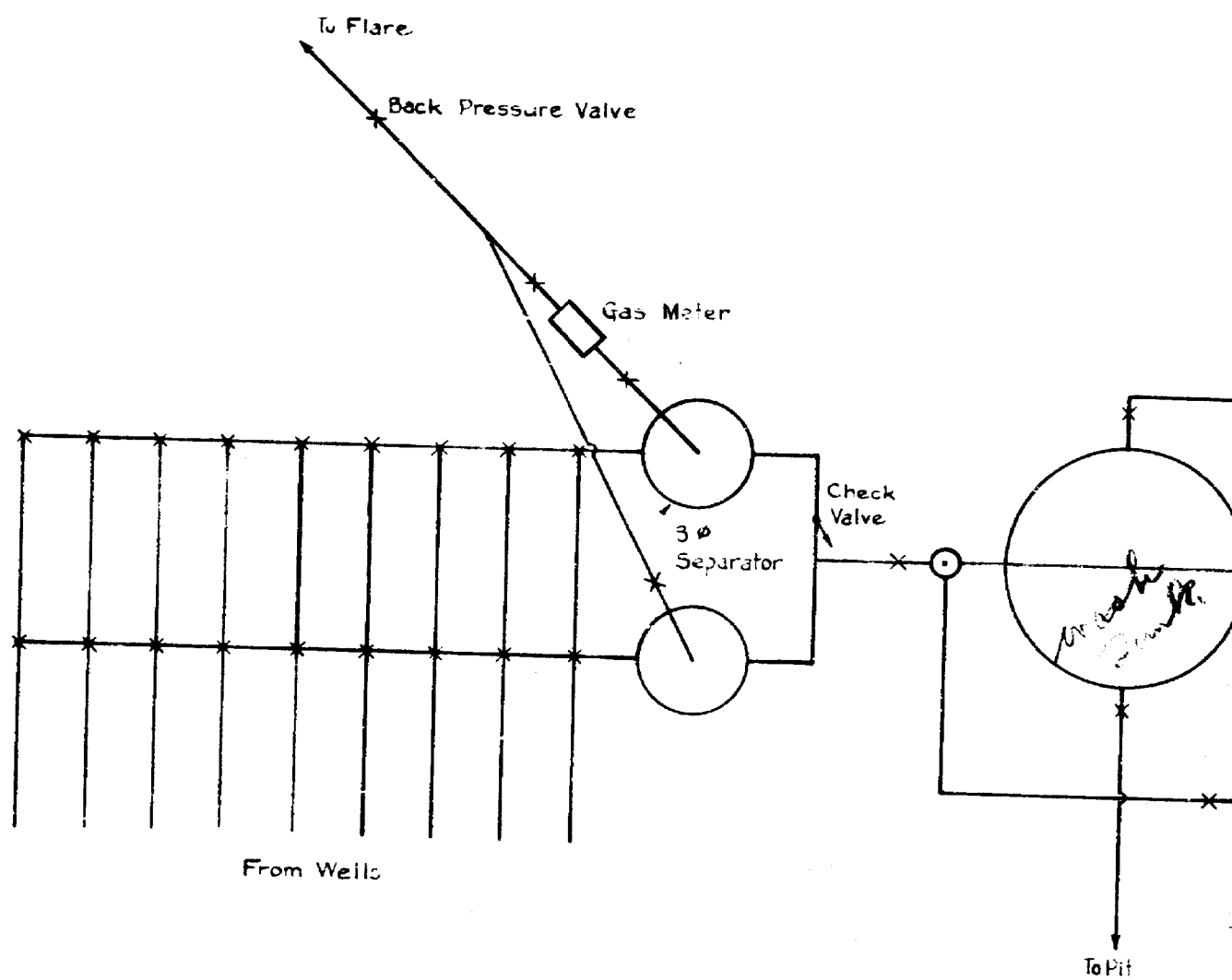
MURRAY E. MORGAN
Commissioner of Public Lands
By:

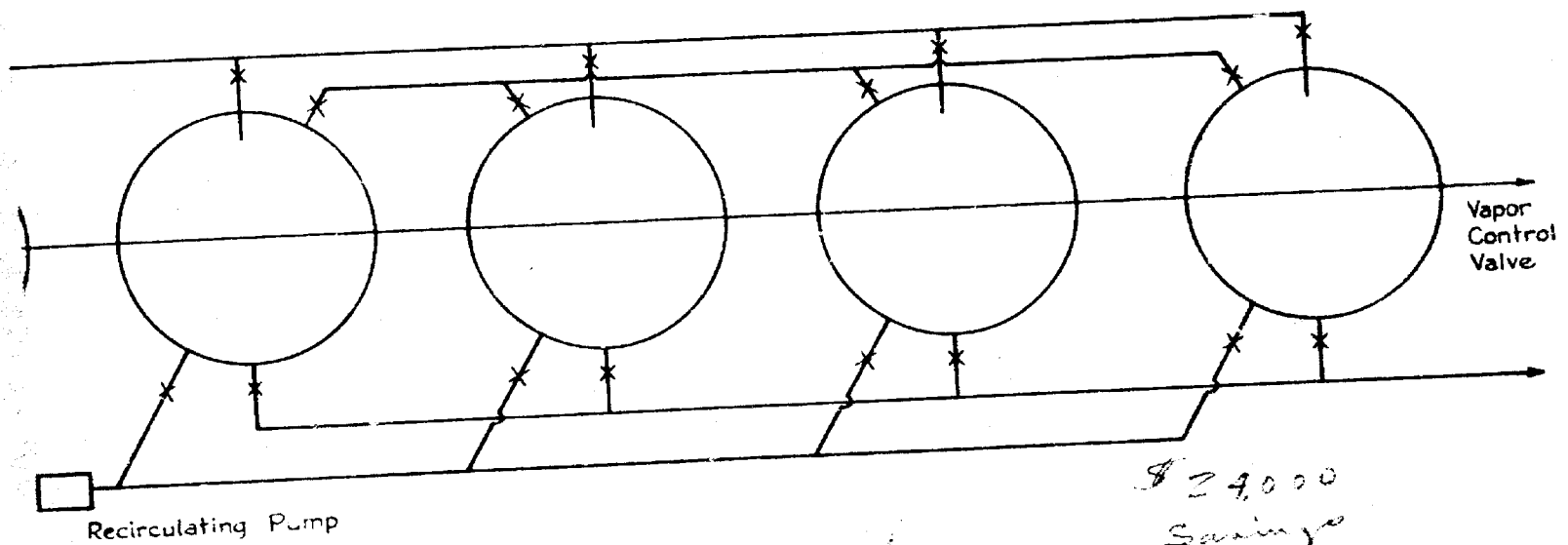
Ted Bilberry

Ted Bilberry, Supervisor
Oil & Gas Division

TB:BT:mb

cc: Oil Conservation Commission





BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
<i>Sheet</i>	EXHIBIT NO. <i>2</i>
CASE NO. <i>1536</i>	

Shell Oil Company
 Roswell Production Division
PROPOSED TANK BATTERY
CENTRAL TANK FACILITY
 HUME-QUEEN FIELD, T-16-S, R-34-E, LEACO, N.M.
 Data: R.E.S. No scale 10-17-58

STATE LAND OFFICE

Santa Fe, New Mexico

Refer Reply to:
Oil & Gas Royalty Div.



MURRAY E. MORGAN
COMMISSIONER OF PUBLIC LANDS

September 3, 1958

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ROSWELL N. MEX.	
RES	
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Shell Oil Company
P. O. Box 845
Roswell, New Mexico

Gentlemen:

Permission is hereby granted to commingle Production from
the following described State Leases:

State WM Lease (State of New Mexico E-8265), WO Lease (State
of New Mexico E-1079), WN Lease (also State of New Mexico E-1079)
and Lease WL Lease (State of New Mexico OG-512) all located in
Sections 8 and 9, T-16-S, R-34-E, N.M.P.M., Lea County, New
Mexico.

All this acreage is committed to one beneficiary institution,
that being Common Schools.

Very truly yours,

MURRAY E. MORGAN
Commissioner of Public Lands
By:

Ted Bilberry

Ted Bilberry, Supervisor
Oil & Gas Division

TB:BT:mb

cc: Oil Conservation Commission

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
<i>Shack</i>	EXHIBIT NO. <u>3</u>
CASE NO.	<u>1536</u>

Date August 29, 1958

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

We have been informed by Shell Oil Company that they are making an application, as provided in Order R-1172, for approval to use a common tank battery to handle the Penrose Sand oil production from their State WM, State WN, State WO, and State WL Leases. These leases are located in Sections 8 and 9, T-16-S, R-34-E, N.M.P.M., in the Hume Queen Field, Lea County, New Mexico.

This is to advise that we have no objection to this application for the use of common storage.

Very truly yours,

Company PHILLIPS PETROLEUM COMPANY

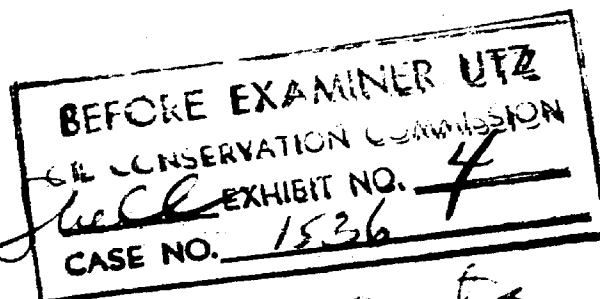
Name

O. P. Nicola, Jr.

O. P. Nicola, Jr.

Position

Director Of Proration
Production Department



12 p. 12

Date September 3, 1958

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

We have been informed by Shell Oil Company that they are making an application, as provided in Order R-1172, for approval to use a common tank battery to handle the Penrose Sand oil production from their State WM, State WN, State WO, and State WL leases. These leases are located in Sections 8 and 9, T-16-S, R-34-E, N.M.P.M., in the Hume Queen Field, Lea County, New Mexico.

This is to advise that we have no objection to this application for the use of common storage.

Very truly yours,

Company Humble Oil & Refining Company

Name J. F. Holman

Position Chief Conservation Engineer

Date Aug. 28, 1958

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

We have been informed by Shell Oil Company that they are making an application, as provided in Order R-1172, for approval to use a common tank battery to handle the Penrose Sand oil production from their State WM, State WN, State WO, and State WL Leases. These leases are located in Sections 8 and 9, T-16-S, R-34-E, N.M.P.M., in the Hume Queen Field, Lea County, New Mexico.

This is to advise that we have no objection to this application for the use of common storage.

Very truly yours, ELLIOTT JOHNSON
BOX 1132
Company HOBBBS, NEW MEXICO

Name Elliott Johnson
Position _____

RECEIVED	
AUG 29 1958	
RO. W.	EX.
Reply	Discuss File

R
A
T
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Date August 28, 1958

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

We have been informed by Shell Oil Company that they are making an application, as provided in Order R-1172, for approval to use a common tank battery to handle the Penrose Sand oil production from their State WM, State WN, State WO, and State WL leases. These leases are located in Sections 8 and 9, T-16-S, R-34-E, N.M.P.M., in the Hume Queen Field, Lea County, New Mexico.

This is to advise that we have no objection to this application for the use of common storage.

Very truly yours,

Company SINCLAIR OIL & GAS COMPANY

Name

H. F. Degenbaugh

Position Division Production Superintendent

Form O. K.

4715

Orig. & 1 cc: Shell Oil Company
P. O. Box 845
Roswell, New Mexico

Date _____

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

We have been informed by Shell Oil Company that they are making an application, as provided in Order R-1172, for approval to use a common tank battery to handle the Penrose Sand oil production from their State WM, State WN, State WO, and State WL Leases. These leases are located in Sections 8 and 9, T-16-S, R-34-E, N.M.P.M., in the Hume Queen Field, Lea County, New Mexico.

This is to advise that we have no objection to this application for the use of common storage.

Very truly yours,

Company

Name

Position

Shell Oil Company
J. J. Gentry
Asst

Date August 27, 1958

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

We have been informed by Shell Oil Company that they are making an application, as provided in Order R-1172, for approval to use a common tank battery to handle the Penrose Sand oil production from their State WM, State WN, State WO, and State WL Leases. These leases are located in Sections 8 and 9, T-16-S, R-34-E, N.M.P.M., in the Hume Queen Field, Lea County, New Mexico.

This is to advise that we have no objection to this application for the use of common storage.

Very truly yours,

Company Tennessee Gas Transmission Company

Name J. P. Jones

Position Division Production Manager

RECEIVED		
AUG 29 1958		
ROSWELL N. MEX.		
Reply	Discuss	File

Date August 27, 1958

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

We have been informed by Shell Oil Company that they are making an application, as provided in Order R-1172, for approval to use a common tank battery to handle the Penrose Sand oil production from their State WM, State WN, State WO, and State WL leases. These leases are located in Sections 8 and 9, T-16-S, R-34-E, N.M.P.M., in the Hume Queen Field, Lea County, New Mexico.

This is to advise that we have no objection to this application for the use of common storage.

Very truly yours,

Company The Pure Oil Company

Name J. T. Duree

Position Chief Div. Prod. Engr.

RECEIVED	
AUG 29 1958	
ROSWELL N. MEX.	
Reply	Discuss File

Date _____

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

We have been informed by Shell Oil Company that they are making an application, as provided in Order R-1172, for approval to use a common tank battery to handle the Penrose Sand oil production from their State WM, State WN, State WO, and State WL Leases. These leases are located in Sections 8 and 9, T-16-S, R-34-E, N.M.P.M., in the Hume Queen Field, Lea County, New Mexico.

This is to advise that we have no objection to this application for the use of common storage.

Very truly yours,

Company

Name

Position

J. Louis Shapiro, Inc.
J. Louis Shapiro
Pres

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AUG 28 1958	
ROLWELL LINE	
Reply	Discuss File

RECEIVED	
AUG 27 1958	
ROSWELL N. MEX.	
File	
Reply	Discuss File

Date 8-25-58

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

We have been informed by Shell Oil Company that they are making an application, as provided in Order R-1172, for approval to use a common tank battery to handle the Penrose Sand oil production from their State WM, State WN, State WO, and State WL leases. These leases are located in Sections 8 and 9, T-16-S, R-34-E, N.M.P.M., in the Hume Queen Field, Lea County, New Mexico.

This is to advise that we have no objection to this application for the use of common storage.

Very truly yours,

Company M Value Royalties, Inc

Name J. B. Humphreys

Position Production Sup't

RECEIVED	
AUG 27 1958	
ROSWELL, N. MEX.	
<i>AE</i>	
<i>RES</i>	
<i>F/R</i>	
Reply	Discuss File

Date August 25, 1958

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

We have been informed by Shell Oil Company that they are making an application, as provided in Order R-1172, for approval to use a common tank battery to handle the Penrose Sand oil production from their State WM, State WN, State WO, and State WL Leases. These leases are located in Sections 8 and 9, T-16-S, R-34-E, N.M.P.M., in the Hume Queen Field, Lea County, New Mexico.

This is to advise that we have no objection to this application for the use of common storage.

Very truly yours,

Company SUNRAY MID-CONTINENT OIL COMPANY

Name *V. Smith*

Position District Superintendent

RECEIVED		
AUG 27 1958		
ROSWELL N. I. EX.		
<i>[Signature]</i>		
<i>[Signature]</i>		
<i>[Signature]</i>		
Reply	Discuss	File

Date August 25, 1958

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

We have been informed by Shell Oil Company that they are making an application, as provided in Order R-1172, for approval to use a common tank battery to handle the Penrose Sand oil production from their State WM, State WN, State WO, and State WL Leases. These leases are located in Sections 8 and 9, T-16-S, R-34-E, N.M.P.M., in the Hume Queen Field, Lea County, New Mexico.

This is to advise that we have no objection to this application for the use of common storage.

Very truly yours,

Company THE OHIO OIL COMPANY

Name *[Signature]*

Position Superintendent

Date 8/22/58

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

We have been informed by Shell Oil Company that they are making an application, as provided in Order R-1172, for approval to use a common tank battery to handle the Penrose Sand oil production from their State WM, State WH, State WO, and State WL leases. These leases are located in Sections 8 and 9, T-16-S, R-34-E, N.M.P.M., in the Hume Queen Field, Lea County, New Mexico.

This is to advise that we have no objection to this application for the use of common storage.

Very truly yours,

Company Elliott, Inc.

Name *F. M. Elliott*

Position Vice President

**BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO**

IN THE MATTER OF:

Case No. 1536

TRANSCRIPT OF HEARING

October 22, 1958

**DEARNLEY - MEIER & ASSOCIATES
GENERAL LAW REPORTERS
ALBUQUERQUE NEW MEXICO
Phone (Hogel) 3-6691**

BEFORE THE
OIL CONSERVATION COMMISSION
October 22, 1958

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IN THE MATTER OF: :

Application of Shell Oil Company for permission :
to commingle the oil produced from four separate :
leases. Applicant, in the above-styled cause, :
seeks an order authorizing it to commingle the : Case 1536
production from four separate state leases in :
Sections 8 and 9, Township 16 South, Range 34 :
East, Hume-Queen Pool, Lea County, New Mexico. :
-----:

Mabry Hall
Santa Fe, New Mexico

BEFORE:

Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: The next case will be 1536.

MR. PAYNE: Case 1536, "Application of Shell Oil Company
for permission to commingle the oil produced from four separate
leases."

MR. SETH: Oliver Seth for Shell Oil Company. I have one
witness, Mr. Elkins.

(Witness sworn in).

MR. UTZ: Are there other appearances to be made in this
case?

(No response).

R. L. ELKINS

called as a witness, having been first duly sworn, testified as

follows:

DIRECT EXAMINATION

BY MR. SETH:

Q Please state your name, Mr. Elkins?

A R. L. Elkins.

Q Are you employed by Shell Oil Company?

A Yes, I am.

Q Where are you employed and what are your duties?

A I am Division Mechanical Engineer in the Roswell Division,
New Mexico.

Q Would you describe to the Examiner, please, your
educational qualifications and your experience as a mechanical
engineer?

A I received a BS degree in chemical engineering from
Texas A & M in 1947 and have worked as an engineer for Shell Oil
Company for the past eleven years in Kansas, Texas and New Mexico.
I have worked in this capacity with the surface equipment that is
involved here with the tank batteries.

Q Are you generally familiar with the application in this
case?

A Yes, sir.

Q Case 1536?

A Yes, sir.

Q Have you prepared, or were the exhibits prepared under
your direction?

A They were prepared under my direction, yes sir.

MR. SETH: May the witness testify as an engineer?

MR. UTZ: Yes, sir.

Q (By Mr. Seth) Have you prepared in connection with this application a plat showing the location of the proposed installation?

A Yes sir, I have.

Q Referring to this map which is Exhibit Number One, would you describe the exhibit, please?

A This is a plat showing Sections 8 and 9 in the Hume-Queen Field and it shows Shell's four leases in question, the WO, W, WM and WL. It also shows these two wells, the WO-1 and WM-1 and we are drilling on the WL lease and in addition, it shows our proposed tank battery in the southwest quarter of the northwest quarter of Section 9.

Q This exhibit shows the four leases which are the subject of this petition, is that correct?

A Yes sir, it does.

Q Now, would you point out or describe for the record, please, the location of the wells that have already been drilled?

A We have drilled the WM-1 in the southeast quarter of the northeast quarter of Section 8, and we drilled the WO Number 1 Well in the northeast quarter of the southwest quarter of Section 8.

Q You have a well drilling at the present time?

A Yes, we do have a well drilling in the southwest quarter

of the northwest quarter of Section 9.

Q The location of the proposed tank battery is indicated by the letters TN in the subdivision you described?

A That is correct.

Q The application covers all of the possible locations on each of the four leases, does it not?

A No sir, it covers sixteen possible locations in all. There are a total of twenty-two possible locations; however, we think that it is very unlikely that any more than sixteen wells can be completed commercially in this area.

Q Approximately when were these wells completed?

A The two that we have to date were completed in August of this year, 1958.

Q Are those pumping wells or flowing wells?

A Both pumping wells with beam pumps and electric motors.

Q And what tankage have you installed?

A We have two temporary tank batteries, one in the W0 lease and one in the WN lease.

Q Is there any pipeline connection yet to these leases?

A No sir, we are trucking all oil from the field right now.

Q The two wells already drilled and the other locations, is it anticipated that the production, if encountered, will be from the same pool?

A Yes sir, we expect all of our production --

Q What pool is that?

A From the Queen Pool, the Penrose sands in the Queen Pool.

Q At approximately what depth?

A Approximately four thousand feet deep.

Q Do you have the gas-oil ratio on the wells completed?

A On the two wells that we have completed, so far as the gas-oil ratio, on one it was 190 and on the other it was 268.

Q All right. Is there any significant amount of water produced?

A Not to date. We are producing a very small amount of water; however, we anticipate that water might go as high as fifty per cent, no higher than that.

Q Now, this application contemplates that a flow line will be installed to the central battery?

A Yes, sir.

Q Would you describe whether that is a low pressure, high pressure system or what?

A These will be low pressure lines and the longest that we will have will be approximately a mile long and they will be internally treated against corrosion.

Q Do you have a pumper on this lease?

A Yes, we do.

Q How frequently is it checked?

A Once a day.

Q Have you prepared a diagram of the proposed installation?

A Yes, I have.

Q Referring to Exhibit Number Two, would you please first indicate the direction of the flow into the battery?

A Well, in this exhibit, the direction of flow would be from the well shown on the left portion of the chart here into the header and from the header, it goes either into the test separator or the production separator--we have two separators there--and from there it could go into the first tank, which is our wash tank to treat the oil, and then from the wash tank it would go into our stock tanks. This also shows where the four stock tanks would be which would be required to take care of all sixteen wells in that area.

Q Will you describe the particular items from the start with perhaps the separator, the test separator?

A On our test separators, we have a three-phase metering separator that we use to test the wells once a month, and in this separator, the fluid would enter the separator and the gas would be separated out and the fluid would go to the central production tank and the free water is knocked out and then both the free water and water-free oil will go to the lower portion of the separator where it is metered separately on a dump type meter and thereafter both are commingled back into the production separator and go to the central facilities.

Q Have you had experience with this type of separator before?

A Yes, sir.

Q Have you run any tests on it?

A Yes, we ran quite a few of those on the Blinbry Field and we found a maximum variation between this meter and what we get by tank gauging and that maximum variation is 1.01 per cent.

Q How frequently do you plan to run the wells through the test?

A We will make that test once a month and that's the normal test on our wells in the Division.

Q What is the amount of storage that is contemplated?

A We plan to provide at least three days' storage in the central battery for the crude oil.

Q Now, this Exhibit Number Two shows the ultimate number of tanks?

A That is right, the ultimate storage.

Q Will the connections be so arranged that the periodic tests may be made when requested by the Oil Conservation Commission?

A What kind of periodic tests?

Q Well, on the production from particular wells, for example?

A Yes sir, it can.

Q And you can run a test on any well connected at any time it is requested by the Commission?

A That is right.

Q Would you describe the benefits of a centralized facility

of this nature?

A Well, first off, the main benefit to Shell Oil Company is that it will extend production on our initial investment some thirty-two per cent, and in addition to that, it will enable us to put in automatic custody transfer equipment later on in the field if the development is good, and in addition, it facilitates the installation of subsurface salt water disposal since we have only one tank battery versus four, and it will also lower our operating cost and carry the field to a lower point of depletion before we have to abandon it. And finally, it will reduce some of our separation costs since the crude will be handled in one tank battery versus four.

Q Is it also possibly where you load at one point that you will have less use for your surface trucking?

A Yes, there will be less trucking moving costs in the field to carry the oil to one point versus four, and in addition, we are likely to get the pipeline into the field a little quicker if they can come to one point versus four tank batteries, too.

Q Do I understand it that the ownership is common --

A Yes, sir.

Q In the four leases?

A Yes, sir.

Q It is a State lease?

A It is a State lease, common and beneficiary.

Q You are the working interest owner --

A Yes, sir.

Q On each of the leases?

A Yes, sir.

Q Have you advised the Land Office of this application?

A Yes, sir.

Q Did you receive a reply?

A Yes, sir.

Q Did the Commissioner of Public Lands make any objection
to the --

A No sir, he didn't.

Q Commingling?

A No sir, he didn't.

Q Did you likewise advise the offset operators of the --

A Yes, sir.

Q Proposed commingling?

A Yes, sir.

Q Did you receive answers from them?

A Yes, we did.

Q Referring to Exhibit Number 3, is Exhibit 3 the response
from the Commissioner of Public Lands?

A Yes sir, it is.

Q I will hand you what has been marked Exhibit Number 4
in several parts. Will you state what Exhibit Number 4 is, please?

A That is our answer from the offset operators in the
field.

Q Are these all of the direct offset operators --

A Yes sir, they are.

Q In the field?

A Yes.

MR. UTZ: There are how many, eleven?

Q (By Mr. Seth) Let me count them. These, I am reading from Exhibit Number 4, include Phillips, Humble, Elliott, Johnson, Sinclair, Skelly, Tennessee Gas, Pure Oil Company, Hudgins, Inc. --

A That is right.

Q Mayhew Royalties, Inc., Sunray Mid-Continent, Ohio, Elliott, Inc. Referring again to Exhibit 4, which are the responses from the offset operators, did they all consent to this application?

A Yes, sir.

MR. SETH: We would like to offer Exhibits 1 through 4 inclusive.

MR. UTZ: Without objection, they will be accepted.

MR. SETH: That's all of the direct testimony.

MR. UTZ: Any other questions of the witness?

CROSS EXAMINATION

BY MR. FISCHER:

Q I thought the Hudgins leases, the one on the southwest, in the south half, rather, of the northwest quarter and the one in the south half and southwest quarter of Section 8, are they farmouts, the Hudgins?

A I don't know whether they are or not.

Q Mr. Hudgins doesn't mind your going across his property?

A No, we have a right-of-way already across there.

MR. FISCHER: Thank you.

MR. UTZ: Are there other questions?

CROSS EXAMINATION

BY MR. COOLEY:

Q Mr. Elkins, do I understand it that you would not contemplate producing more than sixteen wells into this common tank battery that you are requesting?

A We are not asking for that exception, no, to the sixteen units because we feel certain that no more than sixteen wells will be completed in this field.

Q You are not one of the owners of these four leases, does it go also to overriding wells?

A There are no overriding royalty owners.

Q There aren't?

A No, sir.

Q Then the ownership is completely identical throughout?

A That is right, common schools.

Q As I understand it, you do not contemplate metering, continuous metering of the production from each separate lease?

A No, we do not want to do that.

Q How much are you saving by your present plan over and above putting up tank batteries on each lease?

A Do you want that in dollars and cents?

Q Just a gross figure.

A Approximately twenty-four thousand dollars.

Q What alterations in your plans would be necessary to deem it necessary to meter the production from each of the four separate leases?

A You mean continuously?

Q Yes, sir.

A It would require a meter for each one of these leases; however, we have exceptions. I mean, we have been able to commingle production from the various State leases without doing that and we wouldn't do it unless we had to. With our test facilities, we can test each one of our wells and we can base our production on that test basis.

Q It wouldn't make any big difference if there was a discrepancy of a few barrels one way or the other since it was all from a State lease?

A It's all from the same pocket and there isn't a very great discrepancy, it is fairly accurate.

Q I will ask a similar question as Mr. Fischer did. Do you have a right-of-way across the McBee?

A We have a right-of-way across the J. D. Hudgins lease in the southwest quarter of Section 8.

Q Southwest quarter or southeast quarter?

A Southeast quarter, pardon me.

Q Your line comes out on the WM lease?

A They would come south from W2, they would probably come southeast across that main lease from W1 to W1. We do not have the well to the west of the W1 lease drilled yet.

MR. COOLEY: That's all the questions I have.

CROSS EXAMINATION

BY MR. FISCHER:

Q Would your lines be buried, would any of your lines be buried?

A No, we don't anticipate burying them.

Q And as I understand your testimony, if this application is approved, your oil will still be trucked out?

A That is right, but we hope that certainly if this area is developed like I think it will be, that we will get a pipeline in and with one battery, we should get it much quicker than we would with four batteries.

MR. FISCHER: Thank you.

CROSS EXAMINATION

BY MR. UTZ:

Q So all your completed wells are now marked?

A No, one well was OPT'd at 125 barrels of oil per day and the other one was OPT'd at 53 barrels of oil per day.

Q Which ones were these?

A W1-1 was OPT'd at a hundred and twenty-five and W0-1 was OPT'd at fifty-three barrels of oil.

MR. UTZ: Are there other questions of the witness?

CROSS EXAMINATION

BY MR. FISCHER:

Q One thing more, your wash tanks are a settling tank,
is that right?

A That is right.

MR. UTZ: Any other questions?

(No response).

MR. UTZ: If not, the witness may be excused.

(Witness excused).

MR. UTZ: Are there other statements to be made in this
case?


(No response).

MR. UTZ: If not, the case will be taken under advisement.

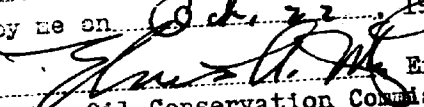
STATE OF NEW MEXICO)
 : ss
 COUNTY OF BERNALILLO)

I, JERRY MARTINEZ, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me in stenotype and reduced to typewritten transcript by me, and that the same is a true and correct record, to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this 25th day of October, 1958, in the City of Albuquerque, County of Bernalillo, State of New Mexico.


 Notary Public

My Commission Expires:
 January 24, 1962

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1536, heard by me on Oct. 22, 1958.

 Examiner
 New Mexico Oil Conservation Commission