

CASE 2081: Application of PHILLIPS
Pet. Co. & Phillips Chem. Co. to
commingle production from Vacuum Pool

12

Case No.

2081

Application, Transcript,
and Exhibits, Etc.

GOVERNOR
JOHN BURROUGHS
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
MURRAY E. MORGAN
MEMBER



P. O. BOX 871
SANTA FE

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY DIRECTOR

Mr. Charles C. Spann
Box 1081
Simms Building
Albuquerque, New Mexico

Re: Case No. 2081
Order No. E-1786
Applicant:

Phillips Petroleum Company
& Phillips Chemical Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Commission order recently entered in the subject case.

Enclosed
Commission order

Very truly yours,

A. L. PORTER, Jr.,
Secretary-Director

lr/

Carbon copy of order also sent to:

Hobbs OCC x
Artesia OCC _____
Aztec OCC _____

Other _____

**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. 2081
Order No. R-1786**

**APPLICATION OF PHILLIPS PETROLEUM
COMPANY AND PHILLIPS CHEMICAL COM-
PANY FOR PERMISSION TO CONDUCE
THE FRACURING FROM PORTIONS OF
THEIR SEVERAL SURVEY LEASES COVER-
ING SEVEN 40-ACRE TRACTS IN LRA
COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on September 21, 1960, at Santa Fe, New Mexico, before Daniel S. Hether, 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 3rd day of October, 1960, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Hether, 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, Phillips Petroleum Company and Phillips Chemical Company, is the owner and operator of the following-described portions of State leases in Township 17 South, Range 35 East, N21PM, Lea County, New Mexico, the ownership of which is common throughout:

State Lease No. B-2073, SE/4 NE/4 of Section 19

State Lease No. B-2388, NW/4 SE/4, SW/4 SE/4,
NE/4 SW/4 and SE/4 SW/4
of Section 20

State Lease No. B-1501, NE/4 NW/4 and NW/4 NW/4
of Section 29

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CASE No. 2081
Order No. R-1786

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

(4) That inasmuch as the ownership of the above-described leases is common throughout, approval of the subject application will neither cause waste nor impair correlative rights.

IT IS HEREBY ORDERED:

That the applicant, Phillips Petroleum Company and Phillips Chemical Company, be and the same is hereby authorized to commingle in a common tank battery the Vacuum Pool production from the following-described portions of State leases in Township 17 South, Range 35 East, N34E, Lea County, New Mexico:

State Lease No. P-2073, SE/4 NE/4 of Section 19

State Lease No. P-2122, NE/4 SE/4, SW/4 SE/4,
NE/4 SW/4 and SE/4 SW/4
of Section 20

State Lease No. P-1501, NE/4 NW/4 and NW/4 NW/4
of Section 19

PROVIDED HOWEVER, That the applicant shall install adequate facilities to permit the testing of all wells located on said leases at least once each month to determine the individual production from each well on each lease.

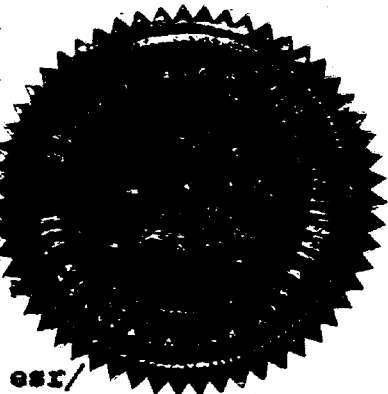
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**

John Burroughs
JOHN BURROUGHS, Chairman

Murray E. Morgan
MURRAY E. MORGAN, Member

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



OSI/

MAIN OFFICE OCC

1960 AUG 25 AM 8:31

BEFORE THE OIL CONSERVATION COMMISSION OF
THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF PHILLIPS PETROLEUM COMPANY AND
PHILLIPS CHEMICAL COMPANY FOR
PERMISSION TO COMINGLE THE
GRAYBURG-SAN ANDRES PRODUCTION
FROM PARTS OF THREE SEPARATE
LEASES IN THE VACUUM POOL, LEA
COUNTY, NEW MEXICO

CASE NO. 2081

A P P L I C A T I O N

Come now Phillips Petroleum Company and Phillips Chemical Company and make this application for an order granting permission to commingle the Grayburg-San Andres production from parts of three separate State leases in the Vacuum Pool of Lea County, New Mexico, into a common tank battery, and in support of the application state:

1.

Phillips Petroleum Company is the sole owner and operator of the following State leases and leasehold estates located in Township 17 South, Range 35 East, Lea County, New Mexico:

- (1). State Lease No. B-2073, covering, among other land, the SE/4 NE/4 of Section 19.
- (2). State Lease No. B-2388, covering, among other land, the NW/4 SE/4 of Section 20.
- (3). State Lease No. B-1501, covering, among other land, the NE/4 NW/4 of Section 29.

2.

Phillips Petroleum Company is the operator and Phillips Chemical Company, its wholly owned subsidiary, is the sole owner of the following State leases and leasehold estates located in Township 17 South, Range 35 East, Lea County, New Mexico:

- (1). State Lease No. B-2388, covering, among other land, the SW/4 SE/4 and the NE/4 SW/4 of Section 20.
- (2). State Lease No. B-1501, covering, among other land, the NW/4 NW/4 of Section 29.

3.

Each of the above described six 40-acre tracts has located thereon an oil well producing from the Grayburg-San Andres formation in the Vacuum Pool; and applicants request this Commission to issue an order granting them permission to commingle the Grayburg-San Andres production from these six wells and to gather such production into and to run the same from a common tank battery located in the SW/4 SE/4 of said Section 20.

4.

All of the above described land is State land the beneficiary of which is the Common School Fund, so that approval of this application will neither result in waste nor impair correlative rights.

5.

The matter which is the subject of this application is being submitted to the Commissioner of Public Lands for his consideration, and his views will be made known to this Commission at the hearing hereon.

WHEREFORE, Phillips Petroleum Company and Phillips Chemical Company, the applicants herein, pray the Commission to set this application for a public hearing before an Examiner as soon as possible after September 1, 1960 (except during the week of September 12), the place of hearing being immaterial to applicants; that notices be

issued according to law; and that after such hearing this application
be in all things granted.

*Rocky
R. M. Jones*

Carl W. Jones

CARL W. JONES
P. O. Box 791
Midland, Texas

GRANTHAM, SPANN AND SANCHEZ

By *Lehon Spann*
904 Simms Building
Albuquerque, New Mexico

Attorneys for Applicants
PHILLIPS PETROLEUM COMPANY and
PHILLIPS CHEMICAL COMPANY

GRANTHAM, SPANN AND SANCHEZ
ATTORNEYS AT LAW
904 SIMMS BUILDING
POST OFFICE BOX 1031
ALBUQUERQUE, NEW MEXICO

EVERETT M. GRANTHAM
CHARLES C. SPANN
MAURICE SANCHEZ
~~FRED W. STANLEY~~

August 26, 1960

1960 AUG 29 8:31
MAIN OFFICE OCC
TELEPHONE
CHAMBER 3-3525

A. L. Porter, Jr., Secretary
New Mexico Oil and Gas Commission
Santa Fe, New Mexico

Dear Mr. Porter:

Re: Application of Phillips Petroleum Company and
Phillips Chemical Company for Permission to
Commingle the Grayburg-San Andres Production
from Parts of Three Separate Leases in the
Vacuum Pool, Lea County, New Mexico

I enclose herewith for filing the original and two copies of an Application
to commingle production in the Vacuum Pool, Lea County, New Mexico,
which application is being filed on behalf of Phillips Petroleum Company.

In the Application we have requested that the matter be heard before an
Examiner as soon as possible after September 1 (except during the week
of September 12). In addition, I would like to request that it not be heard
on September 26 or 27 since I will be out of the State on those dates.

Respectfully,

GRANTHAM, SPANN AND SANCHEZ

CCS:RW

By:

Charles C. Spann

*Rechecked
Mailed
9-9-60*

DOCKET: EXAMINER HEARING, WEDNESDAY, SEPTEMBER 21, 1960

The following cases will be heard before Daniel S. Nutter, Examiner, or Oliver E. Payne, Attorney, as Alternate Examiner:

* Case Nos. 2083 through 2089 will not be heard before 1 p.m.

CASE 2055: (Continued)

Application of Aztec Oil & Gas Company for a gas-gas dual completion utilizing two strings of casing. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Hanks Well No. 12-D, located in Unit H, Section 7, Township 27 North, Range 9 West, San Juan County, New Mexico, in such a manner as to permit the production of gas from the Fulcher Kutz-Pictured Cliffs Pool and the production of gas from the Dakota Producing Interval through parallel strings of 2 7/8-inch and 4 1/2-inch casing cemented in a common well bore. Applicant proposes to install 2 3/8-inch tubing to produce the Dakota gas.

NEW CASESCASE 2073:

Application of Aztec Oil & Gas Company for a gas-gas dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Hanks Well No. 18-D, located in Unit B, Section 5, Township 27 North, Range 9 West, San Juan County, New Mexico, in such a manner as to permit the production of gas from the Fulcher Kutz-Pictured Cliffs Pool and the production of gas from the Dakota Producing Interval through parallel strings of 2 7/8-inch and 4 1/2-inch casing cemented in a common well bore. Applicant also proposes to install 2 3/8-inch tubing to produce the Dakota gas.

CASE 2074:

Application of Aztec Oil & Gas Company for a gas-gas dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Hanks Well No. 16-D, located in Unit K, Section 6, Township 27 North, Range 9 West, San Juan County, New Mexico, in such a manner as to permit the production of gas from the Fulcher Kutz-Pictured Cliffs Pool and the production of gas from the Dakota Producing Interval through parallel strings of 2 7/8-inch and 4 1/2-inch casing cemented in a common well bore. Applicant also proposes to install 2 3/8-inch tubing to produce the Dakota gas.

CASE 2075: Application of Aztec Oil & Gas Company for a gas-gas dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Hanks Well No. 15-D, located in Unit B, Section 6, Township 27 North, Range 9 West, San Juan County, New Mexico, in such a manner as to permit the production of gas from the Fulcher Kutz-Pictured Cliffs Pool and the production of gas from the Dakota Producing Interval through parallel strings of 2 7/8-inch and 4 1/2-inch casing cemented in a common well bore. Applicant also proposes to install 2 3/8-inch tubing to produce the Dakota gas.

CASE 2076: Application of Aztec Oil & Gas Company for a gas-gas dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Hare Well No. 15-D located in Unit D, Section 10, Township 29 North, Range 10 West, San Juan County, New Mexico, in such a manner as to permit the production of gas from the Aztec-Pictured Cliffs Pool and the production of gas from the Dakota Producing Interval through parallel strings of 2 7/8-inch and 4 1/2-inch cemented in a common well bore. Applicant also proposes to install 2 3/8-inch tubing to produce the Dakota gas.

CASE 2077: Application of El Paso Natural Gas Company and Sinclair Oil & Gas Company for two non-standard gas proration units. Applicants, in the above-styled cause, seek an order establishing two 191-acre non-standard gas proration units in the South Blanco-Pictured Cliffs Gas Pool, Rio Arriba County, New Mexico, one comprising the NE/4 and lots 1 and 2 of Section 18, the other comprising the SE/4 and lots 3 and 4 of said Section 18, both in Township 24 North, Range 3 West. Said units are to be dedicated respectively to the Tonkin Federal Well No. 3, located 1470 feet from the North line and 1750 feet from the East line of said Section 18 and to the Tonkin Federal Well No. 4, located 1500 feet from the South line and 990 feet from the East line of said Section 18.

CASE 2078: Application of Chambers & Kennedy for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Monterey State Well No. 2, Unit D, Section 32, Township 18 South, Range 31 East, Eddy County, New Mexico, in such a manner as to permit the production of oil from an undesignated Yates oil pool and the production of oil from the North Shugard Queen-Grayburg Pool through parallel strings of 1 1/2-inch and 2 3/8-inch tubing respectively.

CASE 2079: Application of Socony Mobil Oil Company for a "slim-hole" oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its E. O. Carson Well No. 23, located 760 feet from the South line and

860 feet from the West line of Section 28, Township 21 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Paddock Pool and the production of oil from the Wantz-Abo Pool using parallel strings of 2 7/8-inch tubing cemented in a common well bore.

CASE 2080:

Application of W. H. Swearingen for an amendment of Order No. R-1748. Applicant, in the above-styled cause, seeks an amendment of Order No. R-1748 to include the SE/4 NW/4 of Section 21 with the remainder of the N/2 of said Section 21, both in Township 18 South, Range 26 East, Eddy County, New Mexico, to form a standard 320-acre gas unit in the Atoka-Pennsylvanian Gas Pool. Applicant further seeks a determination of the well costs which are to be paid by the parties.

CASE 2081:

Application of Phillips Petroleum Company and Phillips Chemical Company for permission to commingle the production from three separate leases. Applicant, in the above-styled cause, seeks permission to commingle the production from the Vacuum Pool from all wells on the following-described portions of three State leases:

State Lease No. B-2073, SE/4 NE/4 of Section 19

State Lease No. B-2388, NW/4 SE/4 of Section 20

State Lease No. B-1501, NE/4 NW/4 of Section 29

all in Township 17 South, Range 35 East, Lea County, New Mexico.

CASE 2082:

Application of Pan American Petroleum Corporation for off-lease storage of oil. Applicant, in the above-styled cause, seeks an order authorizing it to store the Empire-Abo Pool production from its Malco "N" Lease (NW/4 and N/2 SW/4 of Section 15) in a separate tank battery to be located on its State "BR" Lease (NE/4 NE/4 of Section 16), both in Township 18 South, Range 27 East, Eddy County, New Mexico.

The following cases will not be heard before 1 p.m. on September 21, 1960.

CASE 2083:

Application of Gulf Oil Corporation for a 160-acre non-standard gas proration unit and for an order force-pooling the mineral interests therein. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests within the vertical limits of the Tubb Gas Pool in a 160-acre

non-standard gas proration unit consisting of the W/2 E/2 of Section 14, Township 21 South, Range 37 East, Lea County, New Mexico, including the following non-consenting interest owners: J. M. Newton, Ronald J. Byers, Robert E. Byers, and Constance E. Byers. Said unit is to be dedicated to the Naomi Keenum Well No. 2, located 660 feet from the South line and 1980 feet from the East line of said Section 14.

CASE 2084:

Application of Gulf Oil Corporation for permission to commingle the production from several separate pools and for permission to install two automatic custody transfer systems. Applicant, in the above-styled cause, seeks permission to commingle the production from the Brunson-Ellenburger Pool with production from the Hare Pool, and to commingle the production from the Terry-Blinbry Pool with the production from the North Paddock Pool, on its Harry Leonard "F" Lease, consisting of the E/2 of Section 2, Township 21 South, Range 37 East, Lea County, New Mexico. Applicant further seeks permission to install two automatic custody transfer systems to handle the aforesaid commingled production.

CASE 2085:

Application of Gulf Oil Corporation for permission to commingle the production from several separate pools and for permission to install two automatic custody transfer systems. Applicant, in the above-styled cause, seeks permission to commingle the production from the Brunson-Ellenburger Pool with production from the Hare Pool, and to commingle the production from the Wantz-Abo Pool, Paddock Pool, Penrose-Skelly Pool and Drinkard Pool with the gas condensate production from the Tubb Gas Pool and the Blinbry Gas Pool, from all wells on its Eunice King Lease consisting of the N/2 of Section 28, Township 21 South, Range 37 East, Lea County, New Mexico. Applicant further seeks permission to install two automatic custody transfer systems to handle the aforesaid commingled production.

CASE 2086:

Application of Gulf Oil Corporation for an automatic custody transfer system. Applicant, in the above-styled cause, seeks an order authorizing the installation of an automatic custody transfer system to handle the Gladiola (Devonian) Pool production from all wells presently completed or hereafter drilled on the M. M. Harris Lease comprising the NW/4 of Section 8, Township 12 South, Range 38 East, Lea County, New Mexico.

CASE 2087:

Application of Gulf Oil Corporation for an automatic custody transfer system. Applicant, in the above-styled cause seeks an order authorizing the installation of an automatic custody transfer system to handle the Gladiola (Devonian) Pool production from all wells presently completed or hereafter drilled

on the Lea-State "AV" Lease comprising the NW/4 of Section 19, Township 12 South, Range 38 East, Lea County, New Mexico.

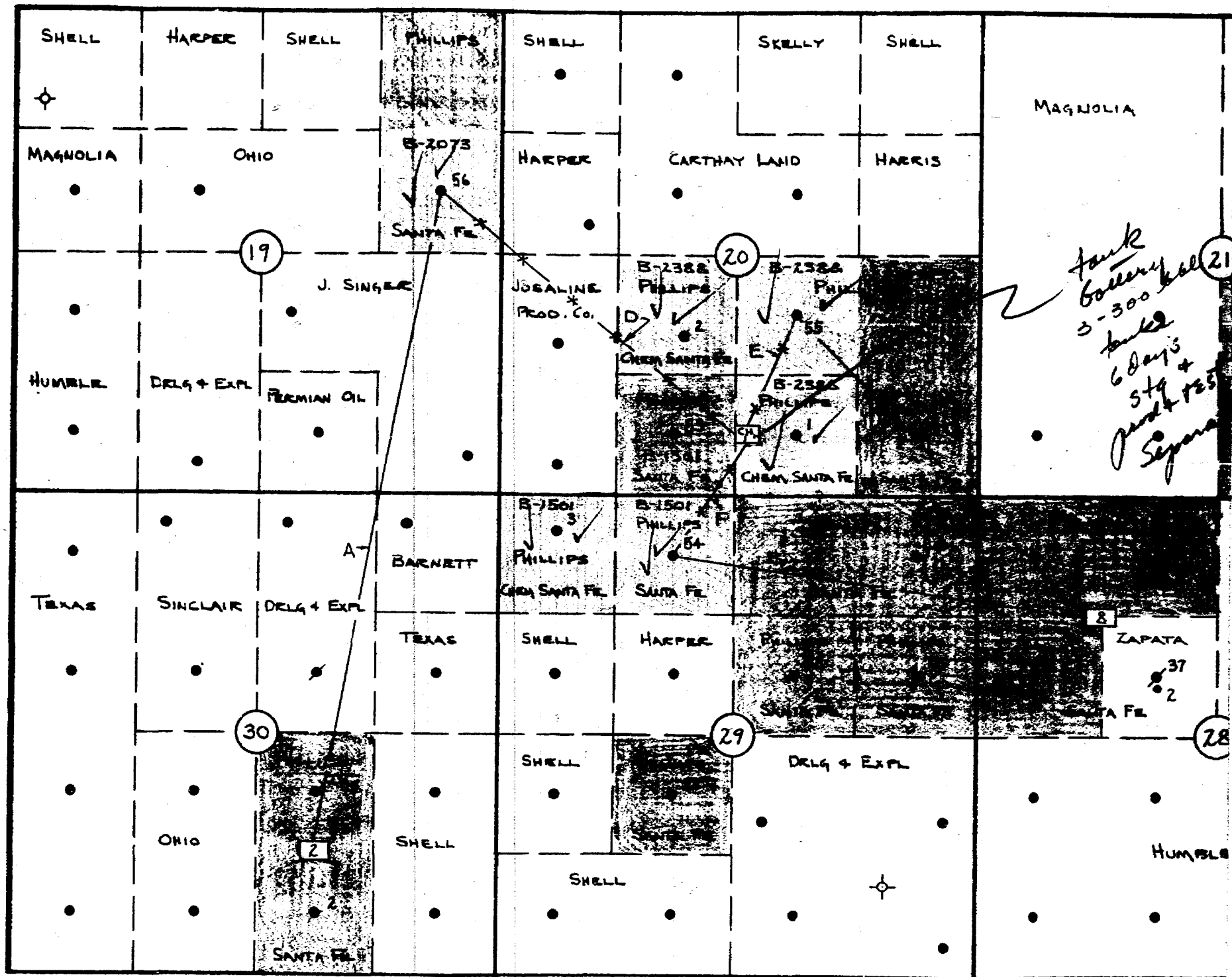
CASE 2088:

Application of Tennessee Gas Transmission Company for an amendment of Order No. R-1755. Applicant, in the above-styled cause, seeks an order amending Order No. R-1755 to expressly designate the applicant as operator of the unit pooled in said order with all powers incidental to the proper operation of the unit including the power and authority to market the production from the unit well.

CASE 2089:

Application of Val R. Reese & Associates, Inc. for the promulgation of special rules and regulations governing the Escrito-Gallup Oil Pool. Applicant, in the above-styled cause, seeks an order promulgating special rules and regulations governing the drilling, spacing and production of oil and gas wells in the Escrito-Gallup Oil Pool, Rio Arriba County, New Mexico and further, to extend said pool to include all of Section 25, Township 25 North, Range 7 West.

T-17-S



Tank battery 3-300 well 21
6 days 54 + 125 125 125 125

LEGEND

PROPOSED LINE

ALTERNATE LINE

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. 2081
CASE NO. 2081

A = 1.375 MILES
B = 0.875 "
C = 0.812 "
D = 0.750 "
E = 0.188 "
F = 0.250 "

R-35-E



PHILLIPS PETROLEUM
BARTLESVILLE, OKL

VACUUM POOL SAN
LEA COUNTY, NE

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Appl EXHIBIT NO. 2
CASE NO. 2081

Replied Reply No.
Oil & Gas Royalty Division

September 14, 1960

Case file
2081

C
O
P
Y

Phillips Petroleum Company
P. O. Box 778
Midland, Texas

Attention: Carl W. Jones

Dear Sir:

Conservation is hereby granted to you to commingle the Grapburg-San Andres production from six 40-acre tracts in Township 17 South, Range 15 East, as outlined in your application, Lea County, New Mexico.

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

Sincerely yours,

MURRAY E. MORGAN,
Commissioner of Public Lands
BY:

Ted Hilberry, Supervisor
Oil & Gas Royalty Division

TB:ML

cc: Mr. Charles C. Spann
904 Sims Building
Albuquerque, New Mexico

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

State of New Mexico



Commissioner of Public Lands

MAIN OFFICE DDC

SEP 25 AM 3:22

MURRAY E. MORGAN
COMMISSIONER



P.O. BOX 791
SANTA FE, NEW MEXICO

Sept. 23, 1960

Oil & Gas Division

*Amended applicant's
Exhibit # 2
Case 2081*

Oil Conservation Commission
State Capitol Building
Santa Fe, New Mexico

Gentlemen:

On September 16, 1960, permission was granted to Phillips Petroleum Company to commingle the Grayburg-San Andres production from six 40-acre tracts in Twp. 17S, Range 35E, which acreage is embraced under State Leases B-1501, B-2388, and B-2073.

We have been requested to include the SE $\frac{1}{4}$ SW $\frac{1}{4}$, Section 20, Twp. 17S, Range 35E, which acreage is also embraced in Lease No. B-2388, in the approval to commingle. It is our understanding that an amended request was filed with the Oil Conservation Commission to include this 40-acre tract, making a total of seven 40-acre tracts. This acreage also belongs to the same beneficiary, that is Common Schools, therefore, permission is hereby granted to commingle the production from this 40-acre tract with the production from the six 40-acre tracts, where permission has already been granted.

Very truly yours,

MURRAY E. MORGAN
COMMISSIONER OF PUBLIC LANDS

By:

Ted Bilberry

Ted Bilberry, Supervisor
Oil and Gas Division

TB:jr

cc: Carl W. Jones
Charles C. Spann

BEFORE THE
OIL CONSERVATION COMMISSION
September 21, 1960

Examiner Hearing

IN THE MATTER OF:

Application of Phillips Petroleum Company
and Phillips Chemical Company for per-
mission to commingle the production from
three separate leases. Applicant, in the
above-styled cause, seeks permission to
commingle the production from the Vacuum
Pool from all wells on the following-
described portions of three State leases:

State Lease No. B-2073, SE/4 NE/4 of
Section 19

State Lease No. B-2388, NW/4 SE/4 of
Section 20.

State Lease No. B-1501, NE/4 NW/4 of
Section 29

all in Township 17 South, Range 35 East,
Lea County, New Mexico.

CASE NO.
2081

BEFORE:

Daniel S. Nutter, Examiner
Oliver E. Payne

TRANSCRIPT OF PROCEEDINGS

MR. NUTTER: The next case will be 2081.

MR. PAYNE: Application of Phillips Petroleum Company
and Phillips Chemical Company for permission to commingle the
production from three separate leases.

MR. SPANN: My name is Charles C. Spann, of Grantham,

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



Spann & Sanchez, 900 Simms Building, Albuquerque, New Mexico, representing the applicant, Phillips Petroleum Company. We have one witness.

(Witness sworn.)

F. C. MORGAN

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

DIRECT EXAMINATION

BY MR. SPANN:

Q Will you state your name for the record, please?

A F. C. Morgan.

Q By whom are you employed and in what capacity?

A I am assistant District Superintendent with Phillips Petroleum Company in Hobbs.

Q And have you previously testified before this Commission?

A Yes, sir, I have.

Q And have your qualifications been accepted?

A Yes, sir.

Q We tender the witness as qualified.

MR. NUTTER: He is, please proceed.

Q (By Mr. Spann) Now, you are familiar with the application that is filed here by Phillips Petroleum Company and Phillips Chemical Company, is that correct?

A Yes, sir, I am.

Q Are you generally familiar with the area involved?

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



A Yes, sir.

(Whereupon, Applicant's Exhibit Number 1 was marked for identification.)

Q Now, we have marked Exhibit 1 which is a plat of the area, would you just describe what that exhibit shows?

A Exhibit 1 is a plat of the portion of the Vacuum Pool that is pertinent to this case. Three of the cases, leases in this application are shown in blue. Santa Fe Well Number 56 located on State Lease Number B-2073 and described as southeast quarter of the northeast quarter of Section 19, Township 17 South, Range 35 East, Lea County. Santa Fe 55 is located on State Lease B-2388 and is described as northwest quarter southeast quarter of Section 20. Santa Fe 54 is located on State Lease B-1501 is described as northeast quarter of northwest quarter of Section 29. In addition to these three Phillip Petroleum Company leases we wish to amend our application at this time to include Phillips Petroleum Company Santa Fe Well Number 53 which is located on State Lease Number B-1501 and described as the southeast quarter southwest quarter, Section 20. It is proposed in this application to commingle production from these four Phillips Company leases with the production from three Phillips Chemical Company leases. These Phillips Chemical Company leases are shown in red on Exhibit Number 1, Chemical Santa Fe 1 and 2 are located on State Lease B-2388 and are described as the southwest quarter southeast quarter of Section 20 respectively. Phillips Chemical Santa Fe Number 3 is located on State

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



Lease Number B-1501 and is described as the northwest quarter of the northwest quarter of Section 29.

Q Now, you just stated that you wish to amend your application to include additional 40 acre tracts that are contiguous to the other tracts that are involved in this application.

A No, sir, it would be not contiguous to Santa Fe 56, it would be contiguous to the remaining leases.

Q Would it be contiguous to the tract on which the proposed tank battery is situated?

A The tank battery sits adjacent to the lease in question.

Q In the event it would be determined that within the notice that was issued, consideration could be given to including that particular tract in this application, what would your position be insofar as that tract is concerned?

A I think we would propose administrative approval if it wasn't in the unit.

Q Your proposal alternative, in the event the Commission, -- you would like to have your application amended to include it. In the event it could not be, because of the notice given you would now rather have an administrative approval be given to including that in the proposed area to be put in this tank battery, is that correct?

A Yes, sir. I would like at this time to ask that our application be amended so as to include this lease 53, I believe I said.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CN 3-6691

ALBUQUERQUE, NEW MEXICO



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

A Santa Fe 53 Well which is on B-1501, I believe, is situated on the southeast quarter of the southwest quarter of Section 20. That our application be amended so as to permit the production from that well to be included or produced into this tank battery.

MR. NUTTER: Inasmuch as this well is contiguous with other wells which are advertised, it will be so admitted.

Q (By Mr. Spann) Mr. Morgan, this application was filed by Phillips Petroleum Company and Phillips Chemical Company, would you just briefly state the relationship between those companies?

A No difference so far as the operations are concerned since all leases involved in this application are operated by Phillips Petroleum Company, Phillips Chemical Company which does own three of the leases involved in this application. It is the wholly owned subsidiary of Phillips Oil Company. I have been authorized by the management of both to state their consent to this proposed commingling.

Q The Phillips Company actually operates these wells, their personnel and so forth --

A That is correct.

Q -- handle the production from these wells?

A Yes, sir.

Q I believe these wells that you propose to produce in this battery or tract, they are not contiguous, is that correct?

A That is correct, particularly Santa Fe 56 which is not



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CN 3-6691

ALBUQUERQUE, NEW MEXICO

contiguous to the other units.

Q That is the reason, I take it, for your application and this hearing rather than proceeding for administrative approval?

A That is part of it, sir.

Q Would you describe the wells located on these leases, whether they are single completions, or just what they are.

A Gentlemen, all the wells involved on the acreage in this application are single completions, Grayburg Andres wells.

Q Producing from a common source of supply?

A Yes, sir.

Q Would you describe briefly your tank battery installation, your procedures there now and just how it will measure the production from the wells and so forth?

A Yes, sir. We have a production separator and a test separator both which will be present to permit adequate well testing and sufficient storage. We will have three three hundred barrel tanks, some 8 hundred ten barrel storage. That would be a 206 day storage for the total production involved.

Q These are all State Leases, I take it?

A Yes, sir, they are.

Q Do you know the beneficiary or the royalty from these productions?

A Yes, sir, the common schools.

Q Have any offset operators objected to this application?

A None to my knowledge.



Q And you have notified them I take it?

A Yes, sir, that is correct.

Q What is the position of the Commissioner of Public Lands?

A We have a letter which I believe you can present to the Commission, I understand they have been furnished a copy, stating the approval of the State Land Commissioner.

MR. SPANN: In that connection, may it please the Commission, I have a copy of the letter dated September 16th to the Phillips Company by Murray Morgan, copies of which were furnished the Commission; if you have that copy, I would like to move it be made a part of the record in this case, if you do not have it, I will tender my copy as an exhibit.

MR. NUTTER: Mr. Spann, this copy we have is dated September 16, 1960, and in the letter the Commissioner of Public Lands grants permission to commingle production from 640 acre tracts in Township 17 South, Range 35 East, is that the letter you have?

MR. SPANN: My letter, "permission is hereby granted to you to commingle the Grayburg-San Andres. Produce from 640 acre tracts in Township 17 South, Range 35 East, Lea County, New Mexico, as outlined in your application. All of this acreage is committed to one beneficiary, that being the common schools." Is that correct?

MR. NUTTER: Yes.

MR. SPANN: I request that that letter be accepted as part of the case.



MR. NUTTER: Applicant's Exhibit Number 2, Mr. Spann.

(Whereupon, Applicant's Exhibit No. 2 was marked for identification.)

MR. PAYNE: Does this letter include State Lease Santa Fe B-1501?

MR. SPANN: It includes that lease, yes, sir. But it doesn't, our original application did not include Santa Fe Well Number 53 which is also on that lease and which we asked to amend our application to include. I would assume that perhaps some additional approval from the Land Commissioner to include that in our application might be on order. I will endeavor to obtain that and furnish it to you.

MR. NUTTER: Are there 7 40-acre tracts or 6?

MR. SPANN: 7 now with our amendment.

A I would like to point out basically 1501 has been approved by the Commissioner of Public Lands, one additional 40 acre tract, Lease B-1501.

MR. SPANN: I would assume when he stated in his letter that the common beneficiary was common schools that he was referring to the lease which would be 1501 which is in the application and all acreage involved in that lease, but if the Commission feels it is an order, I would be glad to get the additional approval.

MR. NUTTER: I would suggest you inform the Land Office at any rate.

MR. SPANN: I will do that.



MR. SPANN: I will do that.

Q (By Mr. Spann) How would the granting of this application be in the interest of prevention of waste, Mr. Morgan?

A The approval of this application would result in the savings of 1.8 miles or 9,500 feet of two inch flow line, which has a net value of about \$3,560.00, on Santa Fe Well Number 54 and 55 and 56; and an additional savings of about \$1,250.00 will be realized by salvaging 5,250 feet of line pipe on the Santa Fe Well Number 53, that is a total \$4,810.00. Also, probably of more importance to us as the operators, the effect on operator and maintenance cost in the future years, we will realize a result of this decreased flow line length, in addition to the resulting lower back pressure on the well heads.

Q Incidentally now, where on this Exhibit 1 is the location of this battery identified, would you just clarify that?

A Yes, sir, in Section 20 that block we have drawn in there at the west side of the southwest quarter of the southeast quarter the C. H., that is actually the location of the proposed battery we propose the commingling into. I might, I should have mentioned earlier the other wells shown in the, our Phillips acreage there in green produce into a battery which you will see down there in the northwest quarter of Section 28.

Q Now, just briefly describe the type of tank battery installation you have there or propose insofar as capacity, and so forth.

A It means the three three hundred barrel tanks which will



provide nearly 6 day storage for the total production. It will have both production and test separators.

Q Would the granting of this application adversely effect correlative rights of offset operators or any other persons?

A No, sir.

Q Now, was Exhibit 1 prepared under your supervision or by you directly?

A Yes, sir.

MR. SPANN: I would like to move the admission of Exhibit 1, which is the plat, and Exhibit Number 2, excuse me.

MR. NUTTER: Applicant's Exhibits 1 and 2 will be admitted into evidence. Do you have anything further?

MR. SPANN: Just a moment.

Q (By Mr. Spann) In other words, the purpose of this application is to attempt to bring about a saving in the economics of producing these wells both as far as the original installation is concerned and also as far as the future operation is concerned?

A Yes, sir, there will be immediate savings plus long term savings to reduce operator cost.

MR. SPANN: That is all I have.

MR. NUTTER: Any further questions of Mr. Morgan:

BY MR. NUTTER:

Q Mr. Morgan, as I understand it, you plan to commingle the production from the 7 wells that you mentioned.

A Yes, sir.

Q Then all other wells on those leases, if any there be, will go into other tank batteries?

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A These specific leases we mentioned will all go into this proposed battery, those other Phillips wells you see on the green acreage as those up on the eastern half of the map produce into our battery 8.

Q The green is lease 1501?

A Not altogether, I only colored, put in the lease numbers on the leases involved in this application, I did not put in the lease numbers on those others.

Q Then you are requesting permission to commingle these 7 wells into one battery?

A That is correct.

MR. SPANN: Mr. Nutter, that would, he colored in blue and in pink the 6 wells and then we have added one which happens to be in green which we didn't include.

Q (By Mr. Nutter) The pink well is Phillips Chemical Santa Fe 5?

A That has a separate battery.

Q Is the ownership of all of the wells involved identical, Mr. Morgan?

A I am not really sure I understand your question.

Q Is the royalty ownership common schools --

A Common school fund.

Q -- overriding interest?

A No, sir.

Q Inasmuch as Phillips Chemical Company, Phillips Petroleum



owns Phillip Chemical Company and Phillips Petroleum owns the other wells?

A Yes, sir.

Q You --

A Yes, sir.

Q You might say the working interest is identical?

A Identical in interest.

MR. NUTTER: Any other questions? Does anyone have anything further for Case 2081? We will take the case under advisement, and take 2082.



STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss

I, LEW NELSON, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached transcript of proceedings before the Oil Conservation Commission was reported by me in stenotype and reduced to typewritten transcript by me and/or under my personal supervision 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 the 26 day of September, 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Lew Nelson
NOTARY PUBLIC

My Commission Expires:
June 14, 1964

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2081 heard by me on 9/21, 1960.

[Signature], Examiner
New Mexico Oil Conservation Commission

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