

CASE 2138: Application of SKELLY to
~~commingle~~ production from wells on
its BAKER "B" LEASE.

Case No.

2138

Application, Transcript,

Small Exhibits, Etc.

DRAFT

RSM/esr
December 13

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. 2138
Order No. R-1842

APPLICATION OF SKELLY OIL COMPANY
FOR PERMISSION TO COMMINGLE THE
PRODUCTION FROM TWO SEPARATE POOLS,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
December 12, 1960, at Santa Fe, New Mexico, before Elvis A. Utz,
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 _____ day of December, 1960, the Commission,
a quorum being present, having considered the application, the
evidence adduced, and the recommendations of the Examiner, Elvis A.
Utz, 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, Skelly Oil Company, is the owner
and operator of the Baker "B" Lease, consisting of the SW/4 and
the W/2 SE/4 of Section 10, Township 22 South, Range 37 East,
NMPM, Lea County, New Mexico.

(3) That the applicant seeks permission to commingle,
without separate measurement, the production from the Penrose
Skelly Pool with the production from the Drinkard Pool from all
wells presently completed on the above-described Baker "B" Lease.

(4) That inasmuch as no well on the subject lease is
capable of making top^{unit} allowable from either pool, separate
measurement of the production from each pool should not be
required.

(5) That approval of the subject application will neither cause waste nor impair correlative rights.

IT IS THEREFORE ORDERED:

That the applicant, Skelly Oil Company, be and the same is hereby authorized to commingle, without separately measuring, the production from the Penrose Skelly Pool with the production from the Drinkard Pool from all wells presently completed on the Baker "B" Lease, consisting of the SW/4 and the W/2 SE/4 of Section 10, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

PROVIDED HOWEVER, That should any well on the subject lease become capable of producing a top ^{unit} allowable from either pool, the applicant shall separately measure the production from ^{each} ~~both such~~ pools and ^{shall} notify the Commission's Santa Fe Office of such action.

PROVIDED FURTHER, That the applicant shall install adequate facilities to permit the testing of all wells on the said Baker "B" Lease at least once each month to determine the individual production from each well.

DONE at Santa Fe, New Mexico, on the day and year herein-above designated.



SKELLY OIL COMPANY

MAIN OFFICE OCC
TULSA 2, OKLAHOMA

PRODUCTION DEPARTMENT
C. L. BLACKSHER, VICE PRESIDENT
W. P. WHITMORE, GENERAL MANAGER

1960 NOV 14 1960
November 14, 1960

Case 2138

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

Gentlemen:

Attached are original and three copies of Application for an Exception to Rule 303 to permit commingling of production on our Baker "B" Lease from the Penrose Skelly Oil Pool and the Drinkard Oil Pool.

Please set this matter down for hearing at your earliest convenience.

Very truly yours,

George W. Selinger

GWS:br

Attach. 4

*Worked
Mailed
12-5-60
[Signature]*

Case 2138

APPLICATION OF SKELLY OIL COMPANY FOR AN EXCEPTION TO RULE 303 TO PERMIT COMINGLING OF CRUDES FROM THE PENROSE SKELLY OIL POOL AND FROM THE DRINKARD OIL POOL ON APPLICANT'S BAKER "B" LEASE.

TO: THE HONORABLE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

Comes now the applicant, Skelly Oil Company, and respectfully alleges and states as follows:

1. That it is the owner and operator of its Baker "B" lease, which consists of the SW/4 and the W/2 of SE/4 of Section 10, Township 22 South, Range 37 East, Lea County, New Mexico.

2. That there is no diversity of royalty ownership underlying the above described lease.

3. That the applicant has three wells No. 1, 2, and 3 completed in the Penrose Skelly oil pool and five wells No. 6, 7, 8, 9, and 11 completed in the Drinkard oil pool.

4. That applicant proposes to commingle production from wells No. 1, 2, and 3, which are capable of producing approximately 7 1/2 BOPD from the Penrose Skelly oil pool into common tankage with wells No. 6, 7, 8, 9, and 11, which are capable of producing approximately 57 BOPD from the Drinkard oil pool.

5. That adequate testing facilities will be installed to enable accurate well testing, thereby, enabling accurate production records by pools to be maintained.

6. Attached hereto marked EXHIBIT "A" and made a part hereof by reference is a plat which shows the locations of applicant's Baker "B" lease well locations, flow lines, and tank battery locations, and offset operations.

7. That attached hereto marked EXHIBIT "B" and made a part hereof by reference is a diagrammatic sketch, which shows the proposed method of testing and storage of the production produced.

WHEREFORE, applicant prays that this application be set for hearing, that notice be given as required by law, and that upon the evidence adduced the Commission issue an order permitting applicant to commingle its production from the Penrose Skelly and Drinkard oil pool underlying its Baker "B" lease, Lea County, New Mexico, as more fully set out in this application.

SKELLY OIL COMPANY

Raymond L. Linger

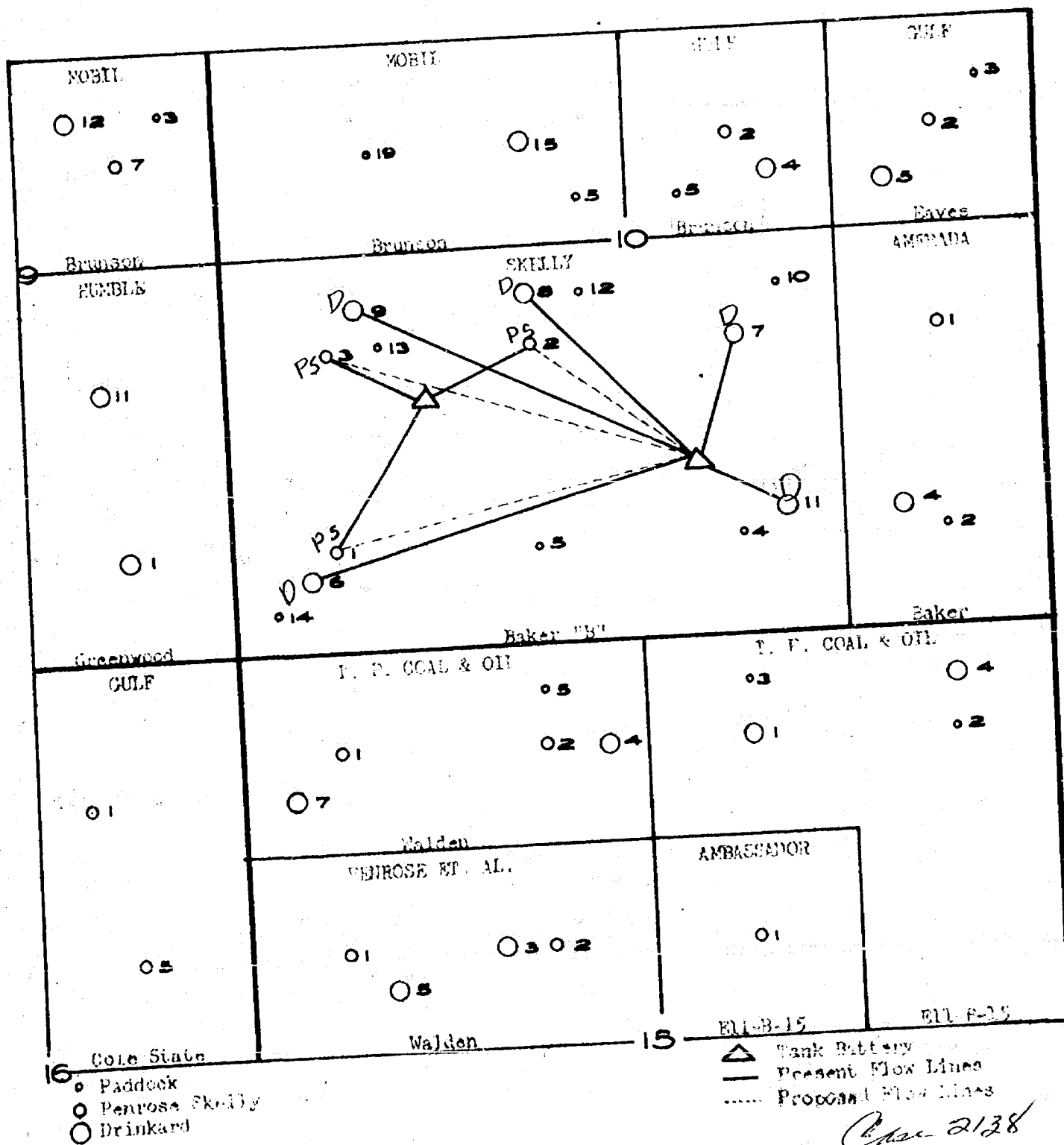
*will commingle
without separately measuring
production.*

*no separate
metering*

*all
margin*

SKELLY OIL COMPANY
 Baker "B" Lease
 Section 10-22-37e
 Lea County New Mexico

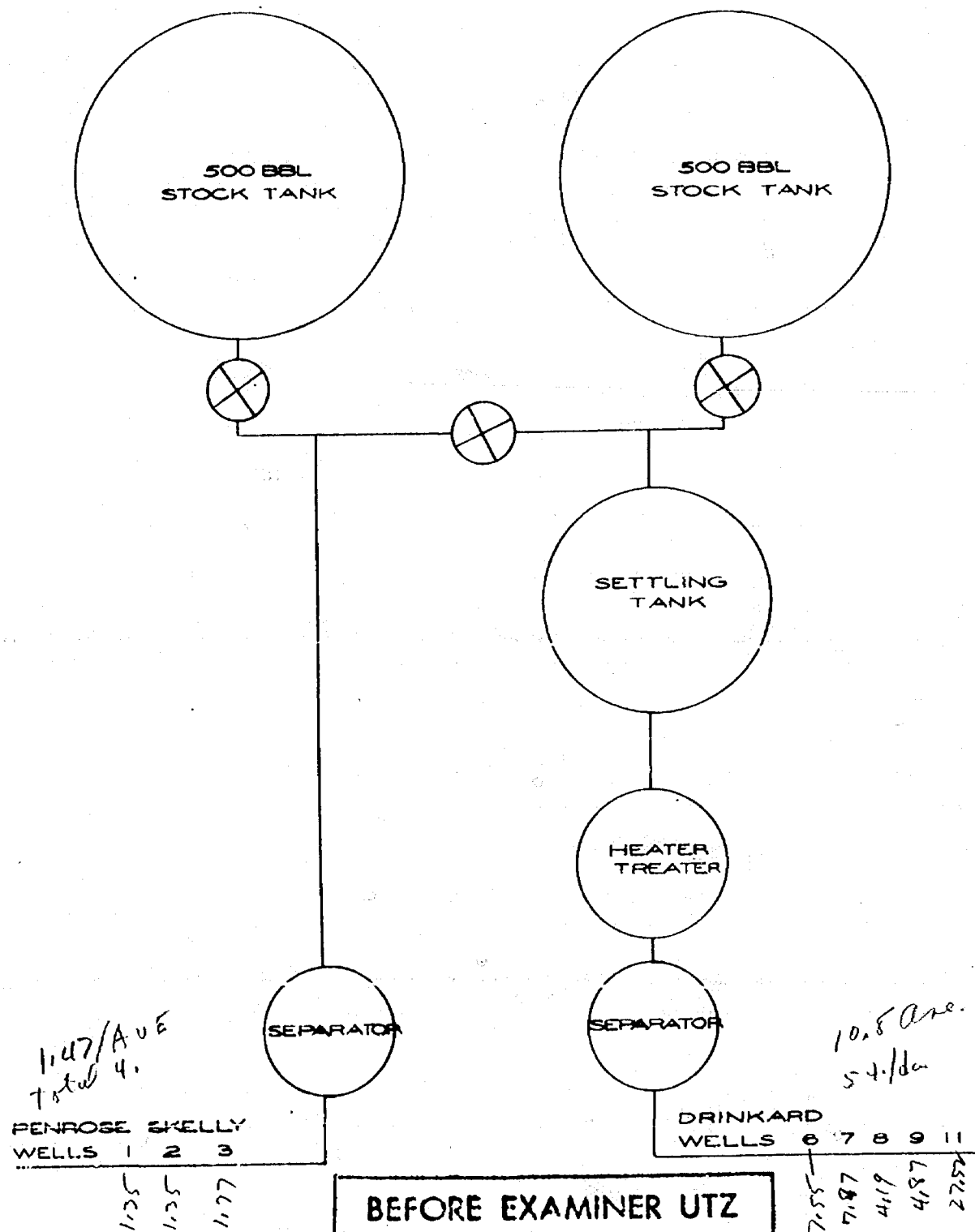
EXHIBIT A



Case 2138

SKELLY OIL COMPANY
 BAKER'S LEASE
 SECTION 10-T22S-R37E
 LEA COUNTY NEW MEXICO

EXHIBIT B



BEFORE EXAMINER UTZ
 OIL CONSERVATION COMMISSION
Skelly EXHIBIT NO. 13
 CASE NO. 2138

SKELLY OIL COMPANY

BAKER "B" LEASE

SECTION 10-T22S-R37E

LEA COUNTY NEW MEXICO

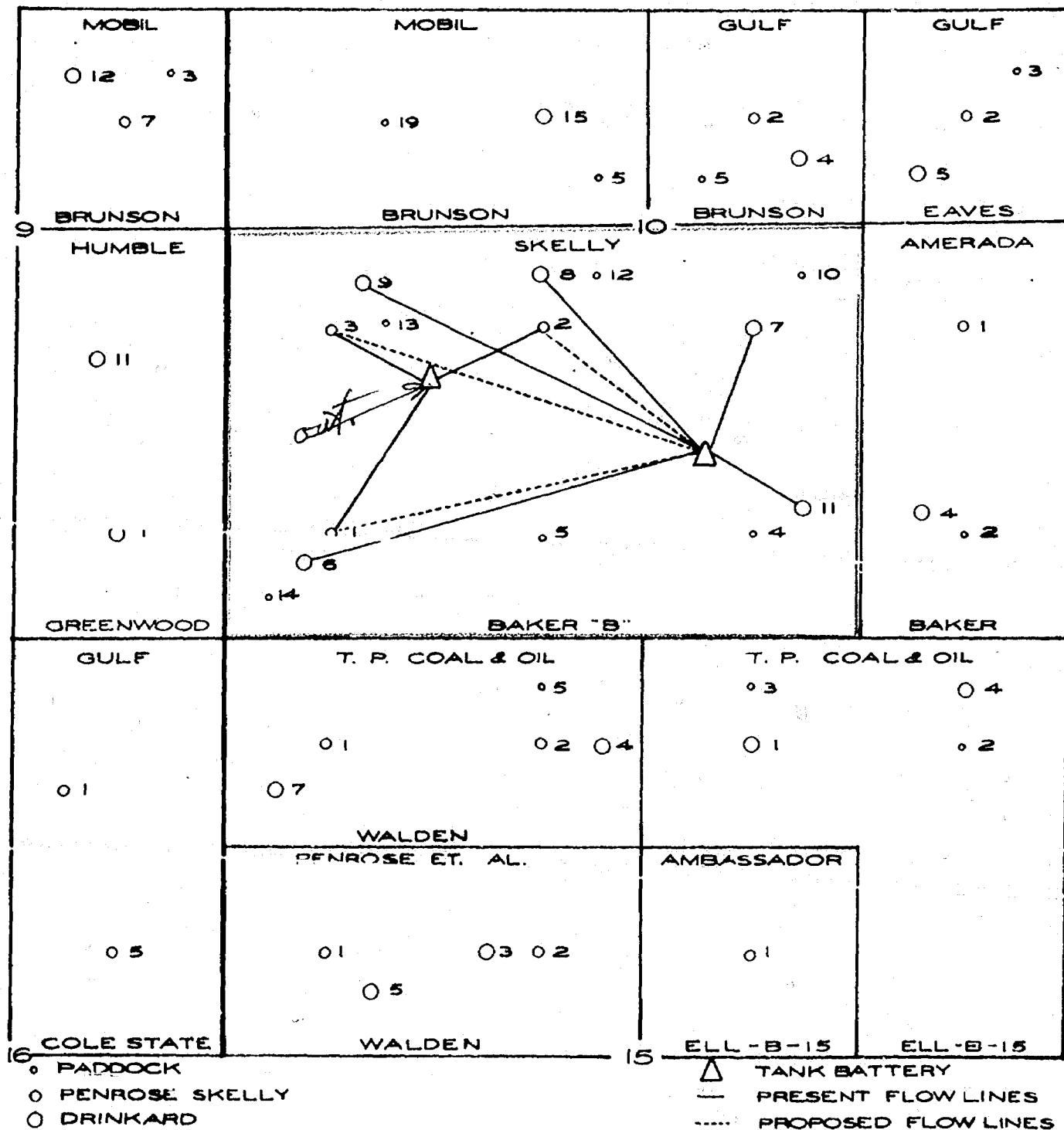
BEFORE EXAMINER UTZ

OIL CONSERVATION COMMISSION

Skelly EXHIBIT No. A

CASE NO. 2138

EXHIBIT A



-2-

Docket No. 36--60

- CASE 2145: Application of Oil Development Company of Texas for off-lease storage of oil. Applicant, in the above-styled cause, seeks an order authorizing it to store the East Crossroads-Devonian production from its Santa Fe Pacific Railroad Lease (S/2 SW/4 of Section 19, Township 9 South, Range 37 East) in a separate tank battery to be located on its Santa Fe Pacific Railroad Lease, Crossroads-Devonian Pool (NE/4 of Section 26, Township 9 South, Range 36 East) both in Lea County, New Mexico.
- CASE 2146: Application of Humble Oil & Refining Company for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its D. H. Crockett Well #1, located in Unit C, Section 21, Township 15 South, Range 36 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Caudill-Wolfcamp Pool and the production of oil from the Caudill-Devonian Pool through the annulus between strings of 5½-inch casing and 2½-inch tubing and through 2½-inch tubing, respectively.

DOCKET: EXAMINER HEARING, MONDAY, DECEMBER 12, 1960

Oil Conservation Commission - 9 a.m., STATE LAND OFFICE BUILDING, SANTA FE, NM

The following cases will be heard before Elvis A. Utz, Examiner, or Oliver E. Payne, attorney, as alternate examiner:

CASE 2136: Application of Byard Bennett for a non-standard gas proration unit and for an unorthodox gas well location. Applicant, in the above-styled cause, seeks the establishment of an 80-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the E/2 NW/4 of Section 24, Township 25 South, Range 36 East, Lea County, New Mexico, said unit to be dedicated to the Ascarte-Federal Well No. 1, located at an unorthodox location at a point 330 feet from the North line and 2310 feet from the West line of said Section 24.

CASE 2137: Application of Caulkins Oil Company for a non-standard gas proration unit. Applicant, in the above-styled cause, seeks the establishment of a 320-acre non-standard gas proration unit in the Basin-Dakota Pool, San Juan and Rio Arriba Counties, New Mexico, comprising the SE/4, S/2 NE/4 and S/2 SW/4 of Section 16, Township 26 North, Range 6 West. Said unit is to be dedicated to the D-268 well located in the SE/4 NE/4 of said Section 16.

CASE 2138: Application of Skelly Oil Company for permission to commingle the production from two separate pools. Applicant, in the above-styled cause, seeks permission to commingle without separately measuring the production from the Penrose Skelly and Drinkard Pools from all wells presently completed on its Baker "B" Lease consisting of the SW/4 and the W/2 SE/4 of Section 10, Township 22 South, Range 37 East, Lea County, New Mexico.

CASE 2139: Application of Cosden Petroleum Corporation for the promulgation of special rules and regulations governing the South Prairie-Pennsylvanian Pool, Roosevelt County, New Mexico, including a provision for 80-acre oil proration units.

CASE 2140: Application of Humble Oil & Refining Company for approval of the North Kirtland Unit Agreement. Applicant, in the above-styled cause, seeks approval of the North Kirtland Unit Agreement, which unit embraces 11,478 acres of Federal and State land in Township 30 North, Range 14 West, San Juan, New Mexico.

CASE 2141: Application of Honolulu Oil Corporation for approval of a unit agreement. Applicant, in the above-styled cause, seeks approval of its McKittrick Canyon Unit Agreement, which unit is to embrace 6708 acres of Federal, State and fee lands in Township 22 South, Ranges 25 and 26 East, Eddy County, New Mexico.

Case 2138
Hear. 12-12-60
Rec. 12-15-60

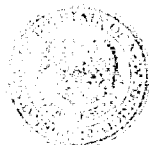
1. Grant Skelly's request for permission to combine Pennco Skelly pool and the Drinkard Pool on its Baker "B" lease without metering until such time as any well from either Pool shall become non-marginal. In such a event the pool that becomes N.M. shall be metered.
2. Set up several 30 well tests to determine producing capacity of wells.
3. All interest are the same in ~~each~~ ^{both} pools.

— Ernest W. [Signature]

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

December 21, 1960

Mr. Charlie White
Gilbert, White & Gilbert
Box 787
Santa Fe, New Mexico

Re: Case No. 2138
Order No. R-1842
Applicant:
Skelly Oil Company

Dear Sir:

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

Very truly yours,

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

ir/

Carbon copy of order also sent to:

Hobbs OCC ☒ _____
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. 2138
Order No. R-1842**

**APPLICATION OF SKELLY OIL COMPANY
FOR PERMISSION TO COMMINGLE THE
PRODUCTION FROM TWO SEPARATE POOLS,
LEA COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on December 12, 1960, at Santa Fe, New Mexico, before Elvis A. Utz, 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 21st day of December, 1960, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, 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, Skelly Oil Company, is the owner and operator of the Baker "B" Lease, consisting of the SW/4 and the W/2 SE/4 of Section 10, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) That the applicant seeks permission to commingle, without separate measurement, the production from the Penrose Skelly Pool with the production from the Drinkard Pool from all wells presently completed on the above-described Baker "B" Lease.

(4) That inasmuch as no well on the subject lease is capable of making top unit allowable from either pool, separate measurement of the production from each pool should not be required.

(5) That approval of the subject application will neither cause waste nor impair correlative rights.

-2-

CASE No. 2138
Order No. R-1842

IT IS THEREFORE ORDERED:

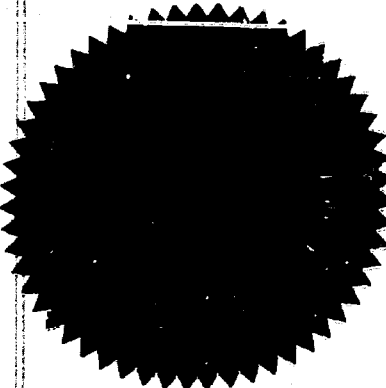
That the applicant, Skelly Oil Company, be and the same is hereby authorized to commingle, without separately measuring, the production from the Penrose Skelly Pool with the production from the Drinkard Pool from all wells presently completed on the Baker "B" Lease, consisting of the SW/4 and the W/2 SE/4 of Section 10, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

PROVIDED HOWEVER, That should any well on the subject lease become capable of producing a top unit allowable from either pool, the applicant shall separately measure the production from each pool and shall notify the Commission's Santa Fe Office of such action.

PROVIDED FURTHER, That the applicant shall install adequate facilities to permit the testing of all wells on the said Baker "B" Lease at least once each month to determine the individual production from each well.

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

esr/

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
DECEMBER 12, 1960

IN THE MATTER OF:

CASE 2138 Application of Skelly Oil Company for permission
to commingle the production from two separate
pools. Applicant, in the above-styled cause,
seeks permission to commingle without separately
measuring the production from the Penrose Skelly
and Drinkard Pools from all wells presently com-
pleted on its Baker "B" Lease consisting of the
SW/4 and the W/2 SE/4 of Section 10, Township 22
South, Range 37 East, Lea County, New Mexico.

BEFORE:

Elvis A. Utz, Examiner.

T R A N S C R I P T O F P R O C E E D I N G S

MR. UTZ: Case 2138.

MR. MOORE: Case 2138. Application of Skelly Oil Com-
pany for permission to commingle the production from two separate
pools.

MR. WHITE: Charles White of Gilbert, White & Gilbert of
Santa Fe, appearing on behalf of the applicant. We have one wit-
ness, Mr. Examiner.

MR. UTZ: Any other appearances in this case? (No response)
You may proceed.

(Witness sworn)

ARTHUR BAUMGARDNER,

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

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PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



follows:

DIRECT EXAMINATION

BY MR. WHITE:

Q Will you state your full name?

A Arthur Baumgardner. B-a-u-m-g-a-r-d-n-e-r.

Q By whom are you employed and in what capacity?

A By Skelly Oil Company as petroleum engineer, Hobbs District.

Q Are you familiar with the subject application?

A Yes, sir, I am.

Q Have you previously testified as an expert before the Commission or before one of its Examiners?

A Yes, sir, I have.

Q Have your qualifications been accepted?

A Yes, sir.

MR. WHITE: Are the witness's qualifications acceptable?

MR. UTZ: Yes, sir.

Q (By Mr. White) What does Skelly propose by this application, Mr. Baumgardner?

A They propose to commingle Penrose Skelly with the Drinkard in the Baker "B" Lease, located in the southwest quarter and the west half of the southeast quarter of Section 10, Township 22 South, Range 37 East, Lea County, New Mexico.

(Whereupon. Applicant's Exhibit
A marked for identification)

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PHONE CN 3-6691

ALBUQUERQUE, NEW MEXICO

Q Refer to what has been marked Exhibit A and explain to the Examiner, what that shows please.

A Exhibit A is a map of the area involved, namely, the Baker "B" Lease. It shows the present tank battery, the present flow lines, the proposed flow lines, the offset operator and the offset operator's well.

Q Which is the present tank battery which you expect to dispose of?

A The tank battery on the left, presently serving wells 1, 2, and 3.

Q Then, the dotted lines are your proposed lines?

A Yes, sir, to transport the oil from the Penrose well the Drinkard tank battery on the right. This will be to the Penrose Skelly and then to the Drinkard on the right.

(Whereupon, Applicant's Exhibit B marked for identification)

Q Will you refer to what has been marked Exhibit B and explain that, please?

A Exhibit B is the tank battery, proposed tank battery to serve both the Drinkard and Penrose Skelly wells. It is the present Drinkard tank battery with the addition of Penrose Skelly separator and necessary to permit testing of the separate pay zones at regular intervals. The Penrose Skelly wells proposed on the left of the diagonal go into a separate separator and is commingled or separated in the tank on the left for test purposes.



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The Drinkard wells will go through the separator treater heater and either commingled or separated in the tank on the right for testing purposes.

Q How often do you contemplate taking these tests of each well?

A A minimum of once a month. More often than deemed advisable.

Q Will this be manually operated?

A Yes sir, it is.

Q What are the crude characteristics?

A The Penrose Skelly in this area has gravity of 34 percent, it's classified as sour crude. The Drinkard has a gravity of 38.5 and also classified as sour crude.

Q Are these wells producing?

A Well, No. 1, 2 and 3 for the month of October averaged 1.47 barrels of oil per day per well, making a total for the three wells of approximately four and a half barrels. Well No. 3 --

Q Per month?

A Per day, yes, sir. Wells No. 6, 7 and 9 and 11 averaged 10.8 barrels of oil per day for the month of October. The five wells produced approximately 65 barrels of oil per day.

Q Will the commingling of these crudes increase or decrease the price?

A Increase the price in that the 34 gravity will be brought up to 48 gravity; 38 crude, and increase it to 54 a day.



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Q Are the working interests throughout the lease?

A They are.

Q And royalty also?

A Yes.

Q What economic advantages would be obtained?

A The Penrose Skelly tank battery is presently needing replacement, and we have estimated that we can commingle these at cheaper costs than replacing the present tank battery and also the additional well and reduce the operating expense of the extra tank battery by now commingling.

Q It is your opinion this application, if granted, would be in the interest of conservation?

A If it were granted it would reduce the whole well time from approximately twenty days to approximately eight days, and it takes approximately eight days to fill a one hundred barrel tank and by commingling we can reduce this to approximately eight days.

Q Will correlative rights be adequately protected?

A Yes, sir, they will.

Q Were these Exhibits prepared by you or under your direction?

A Yes, they were.

MR. WHITE: We offer A and B at this time.

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

(Whereupon, Applicant's Exhibits
A & B were received in evidence.)



MR. WHITE: That is all we have on direct.

MR. UTZ: Any questions of the witness?

CROSS-EXAMINATION

BY MR. PAYNE:

Q You gave the average production per well in each of those wells. Is there any single well in either of the pools that is capable of producing to that unit allowable?

A No, sir. I can read these off if you like.

Q All right.

A Well No. 1, this is for the average for the month of October. Well No. 1, 1.35. Well No. 2, 1.35, 3, 1.77, Well No. 6 which is 7.55. Well No. 7, 7.87. Well No. 8, 4.19. Well No. 9, 4.87 and No. 11, 27.52.

Q Does Skelly have any plans to drill additional Drinkard or Penrose Skelly wells on this acreage?

A Not at the present time.

Q Did you have any plans to rework any of these wells?

A No, sir.

Q In the event that there was additional drilling or the existing wells were reworked and if it came in and the wells were capable of producing to that unit allowable would Skelly separate the production from each pool?

A Yes, sir.

Q (By Mr. Utz) Did I understand you to say both the royalty and working interest were identical in both pools?

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A Yes, sir.

Q Are these sweet or sour crudes?

A Classified as sour crude.

Q Both are sour?

A Yes, sir.

MR. UTZ: Any other questions? (No response)

(Witness excused)

MR. UTZ: The case will be taken under advisement.



STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss

I, LIEWELYN NELSON, Court Reporter, in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in machine shorthand and reduced to typewritten transcript 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 16 day of Dec, 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Llewelyn 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. 2138, heard by me on Dec. 12, 1960.
Thomas G. [Signature], Examiner
New Mexico Oil Conservation Commission

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

