

EXAMINER HEARING  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
January 29, 1958

IN THE MATTER OF: Case No. 1357

TRANSCRIPT OF PROCEEDINGS

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EXAMINER HEARING  
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IN THE MATTER OF: )

Application of Standard Oil Company of Texas )  
 for an order authorizing the production into )  
 a common tank battery of all oil produced from )  
 five leases in the Atoka Pool, Eddy County, )  
 New Mexico. Applicant in the above-styled )  
 cause, seeks an order authorizing the produc- )  
 tion into a common tank battery of all oil )  
 produced from the Atoka Pool from the follow- )  
 ing described leases: SW/4 SE/4, NW/4 NW/4, )  
 NW/4 SE/4, SE/4 NW/4, and SW/4 NE/4 of Section )  
 12, Township 18 South, Range 26 East, Eddy )  
 County, New Mexico. )

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Case 1357

BEFORE: Mr. Daniel S. Nutter, Examiner

TRANSCRIPT OF PROCEEDINGS

MR. NUTTER: We will proceed to Case 1357.

MR. COOLY: Case 1357: Application of Standard Oil Company of Texas for an order authorizing the production into a common tank battery of all oil produced from five leases in the Atoka Pool, Eddy County, New Mexico.

MR. ELLIOTT: R. A. Elliott, attorney for Applicant, Standard Oil Company of Texas. I have one witness, Mr. R. H. Stewart, engineer for our company. Could I have Mr. Stewart sworn in?

(Witness sworn.)

MR. ELLIOTT: The purpose of our hearing is application for exception to Rule 309 (a), to produce into a single tank battery production from the flood plains of the Pecos River, from five separate leases located in Atoka Field, Eddy County, New Mexico. This hearing was continued to this date after having originally been set for an earlier date, to allow Standard Oil Company of Texas additional time to secure execution of production agreements by certain royalty owners.

R. H. STEWART

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

DIRECT EXAMINATION

By MR. ELLIOTT:

Q Will you please state your name, your place of residence, and your employing company?

A Yes. R. H. Stewart, Standard Oil Company of Texas, Houston.

Q Have you ever before appeared before the Commission as an expert witness?

A Yes, sir.

MR. ELLIOTT: Does the Commission require further qualification?

MR. NUTTER: No, Mr. Stewart is qualified.

Q Mr. Stewart, will you identify and describe the leases involved in the application and set out the ownership?

A Yes. Before I do that, I would like to present Exhibit No.

1, which is a map of the area.

(Applicant's Exhibit No. 1  
marked for identification.)

A The five leases for which exception is being requested are outlined in green and consist of the southwest quarter of the southeast quarter, the northwest quarter of the northwest quarter, the northwest quarter of the southeast quarter, southeast quarter northwest quarter, and southwest quarter of the northeast quarter of Section 12, Township 18 South, Range 26 East, in Eddy County.

On the map also is shown the high water mark, which was determined, and outside of which it is requested permission to construct a tank battery. The proposed location of the tank battery also is shown there.

Q Do we have an operating agreement with any owner, any possible outside working interest, with respect to the five leases involved?

A Yes, it will be noticed that five leases involved are composed of several small tracts, each is composed of several small tracts either owned by Standard Oil or jointly by Standard Oil Company of Texas and Gulf. We have as an exhibit a copy of the operating agreement between Standard Oil Company and Gulf, and also pooling agreement between these two companies.

Q I believe we have designated the operating agreement as Exhibit 2, and the pooling agreement as Exhibit 3?

A Yes, I believe so.

(Applicant's Exhibits No. 2 and 3  
marked for identification.)

Q Mr. Stewart, will you state the reasons for this application?

A Yes, the chief reason for the application is to remove tank battery sites from flood zones of the Pecos River. Of course, if the flood plain should ever get covered with water, there would result waste. Also there is an economic consideration, the construction of a single tank battery would result in a saving of some \$22,000. I might also point out, Mr. Examiner, that this proposed battery site is directly north of a battery which is now on the Vinther lease; for that reason more economical operation of the battery can be obtained, and because of its nearness to the Vinther battery.

Q Mr. Stewart, will you state how we propose to conduct this particular operation?

A Yes. It is proposed to construct a battery consisting of two five hundred barrel coated tanks, a single two hundred ten barrel coated tank, five meters, a separator, and two treaters. Production from each of the five leases will be metered independently of the others. That is a continuous metering process. The individual lease production will be tested or checked through the use of the two hundred ten barrel tank as often as required by the Commission. I believe a precedent for that was the Magnet Vandergriff commingling agreement, which is located south of here. I believe the Commission order established a test period of once a month. However, the tests can be made more often than that because of the provision

there for testing with the use of the two hundred ten barrel tank, and also the extra treater. Continuous production will go through one treater and the test production will go through the other into the two hundred ten barrel tank.

Q Do you have any additional exhibits to offer?

A Yes, I would like to offer waivers from the four offset operators. Those are Stanley L. Jones, Inc., Gulf Oil Corporation, Yates Brothers, and Magnolia Petroleum Company. Would you like those presented in a group?

MR. NUTTER: That will be satisfactory.

MR. ELLIOTT: As our Exhibit No. 4.

(Applicant's Exhibit No. 4  
marked for identification.)

MR. COOLEY: Consisting of four waivers?

A Yes, sir.

MR. COOLEY: Let the record show that Exhibit No. 4 consists of four documents, being waivers from offset operators.

(Applicant's Exhibit No. 5  
marked for identification.)

A Now, then, as Exhibit 5, Standard Oil of Texas has attempted to get approval from each of the royalty owners on each of these leases. At the time the earlier hearing was scheduled, we had received only four or five of these signatures; however, now all but five of those signatures have been received, and I will include in the exhibit a letter from Gulf stating that the instrument is being forwarded to another office of theirs and will be returned.

A copy of the instrument was sent to Mr. C. N. Brown in Alaska, and we have not received it yet. A copy of that will be made and sent when it is received. Others of the group have agreements in which Mr. Brown's signature was attempted to be secured, including two, H. B. Atwood and R. J. Atwood. These instruments were received by us here in Santa Fe last night, and we noted this morning that those two were not included among the others; therefore we are going to have to check and see why we did not receive those two. An instrument from Park College will not be among these, although we did have indication from Park College that it would be sent to Houston to arrive Monday. We don't have that and it will be forwarded. We don't have an instrument from W. H. and Abby Swearington. I would like to present copies of these instruments with a letter from Gulf. Actually it is not a sworn document. When that instrument is returned to us from Alaska, I will have a copy made and sent out to be included among the others.

MR. COOLEY: These are consents from the various royalty owners in the five tracts?

A That's right.

MR. COOLEY: Would counsel please count and more specifically identify the nature of Exhibit No. 5?

MR. ELLIOTT: The production agreements have been executed in counterparts numbering eight, eight executed counterparts have at this time been received and are included in Exhibit No. 5, photostats of the counterparts, I should correct myself there.

Here is an original counterpart executed on behalf of Standard Oil Company of Texas also included in Exhibit No. 5; a letter from Gulf Oil Corporation dated January 24, 1958, a photostat, that is, indicating that the agreement has now been forwarded to Gulf's Fort Worth office for execution; and a letter dated, photostat of a letter dated January 18, 1958, from Mrs. Earl C. Phillips, one of a group of royalty owners, indicating that another of the royalty owners, a Mr. C. Norman Brown, is in Alaska and communication is currently difficult and therefore delayed and therefore his document will probably not be received in time for this hearing. I believe that is the entirety of our Exhibit 5 at this time.

A I might add to the Swearington signatures that I have not, as I said before, that we have not received them and we have received no indication of opposition to this from him directly or indirectly for that matter. We just simply -- I have had no communication with him, none.

MR. COOLEY: To further clarify, this Exhibit 5 represents consent of how many of the total of the royalty owners?

A Twenty, that includes Standard Oil Company's copy.

MR. COOLEY: Twenty of the royalty owners to date have consented in writing?

A Including Standard, yes.

MR. COOLEY: What is the total number of royalty owners in the five tracts here involved?

A Twenty-seven.

MR. ELLIOTT: Twenty-seven including Standard.

A Standard and Gulf.

MR. COOLEY: So there are seven royalty owners that have not consented in writing?

A Yes, I think I actually indicate five.

MR. ELLIOTT: Actually we have a letter from Gulf indicating theirs is on the way, and a letter from Mr. Brown in Alaska.

MR. COOLEY: Yes, but to date there are seven who have not executed the formal agreement?

MR. ELLIOTT: Right.

A Yes.

Q Do you believe that the granting of this application could have any bearing on the amount of oil received by any particular royalty owner, whether or not they have signed a production agreement or not?

A We see no connection between the production, whether the production agreement of the individual royalty owner is executed or not, the total production will be metered from the individual leases; and for that reason, when division orders are drawn the individual royalty owners on each lease will get their proportionate share of the production from the leases.

Q In the same manner as if we would produce into separate tank batteries?

A Yes.

MR. ELLIOTT: I believe that concludes our testimony.

MR. NUTTER: Does anyone have any questions of Mr. Stewart?

MR. COOLEY: Yes.

MR. NUTTER: Mr. Cooley.

CROSS EXAMINATION

By MR. COOLEY:

Q Mr. Stewart, just to clarify this, the only working interest owners in these five leases is Standard Oil of Texas and Gulf?

A Yes.

Q What kind of meters do you propose to use?

A Those will be positive displacement type meters, probably Rolocheck meters.

Q Rolocheck?

A Yes.

Q Has Standard Oil Company of Texas had any experience with this type of meter?

A That is the type meter which has been installed, I understand, on the Magnet-Vandergriff lease where, as I stated before, we had received permission to commingle. Yes, sir, I would add there that this is considered an accurate method of metering your production.

Q Have you had any experience with these meters?

A Personal?

Q Yes.

A Actually, no, I don't think that I could contend my experience.

Q It is your opinion that this does represent an accurate

method of metering fluid produced from an oil well?

A Yes.

Q Is there any gas production from these leases?

A Commercial gas production?

Q That is marketed.

A Not that I know of. Not that I am aware of.

Q There is no gas connection to date?

A For any of the wells on these five leases?

Q Yes.

A No, sir.

Q Do you know what the gas-oil ratios are?

A No, sir. I would like to add here that two wells have recently, very recently been completed. They're indicated there, 1 No. 1, and in the northern part --

Q (Interrupting) Locate the No. 1 you have referred to.

A It is on the southernmost 40-acre tract, and 2 No. 1 is on the most westerly 40-acre tract. I do believe that a potential has been run on 1 No. 1; however, I'm not aware that one has been run on 2 No. 1, and late last week, which is the latest report I have seen on 1 No. 1, the well was shut in while a pumping unit was being installed.

Q Is there a, presently a well completed on each of the 40-acre tracts?

A No, sir.

Q Only on two of them?

A On two, yes.

Q Is it anticipated that wells will be completed on the other three?

A Yes.

Q In the very near future?

A Really I'm not in a position to say how soon. I would imagine so.

Q None of these wells are presently producing?

A No, they are not on the proration schedule.

Q You mentioned that a test tank in your direct testimony -- is that the method by which you propose to check the accuracy of your meters?

A Yes, sir, into a two hundred ten barrel testing tank.

Q The seven royalty owners who have not consented in writing to the proposed commingling operations, have any of these people dissented, or is it just silence to date?

A Just silence, purely silence. Actually, as we have indicated, five of the seven will probably return the instruments; when, I don't know.

Q Will Standard Oil of Texas be willing to forward any additional consents of these seven people?

A Yes, we will send those in as soon as we receive them.

Q Standard is the operator of all five leases?

A Yes, sir.

Q They would not anticipate the completion of more than one

well in the Atoka Pool?

A Yes.

Q Would not anticipate the completion of more than one well on the 40-acre tract in the Atoka Pool?

A Not to my knowledge.

Q So the maximum number of wells would be five?

A Yes, sir.

MR. COOLEY: Thank you. I believe that's all. Do you wish to clarify that?

A Of course, five, as far as this hearing is concerned, five, an exception for five leases is all that has been requested. Actually I can't say what the future possibility --

Q The rules would permit the drilling of more than one well on the 40-acre tracts?

A Actually our plans are not to do that. What I meant was that, really I should be off the record, because this is my personal opinion only, but it's very possible that if these five leases prove productive that exception would be requested for leases not included in this call.

Q My question was whether you anticipate completing more than one well on any given 40-acre tract?

A No, we do not anticipate that.

MR. COOLEY: That's all.

By MR. NUTTER:

Q Mr. Stewart, as I understand this application, you have

five 40-acre tracts which have been outlined in green on Exhibit No. 1, and each of these 40-acre tracts is made up of several smaller individual leases?

A Yes.

Q Have each one of those 40-acre tracts been pooled as far as drilling a well on them?

A Yes, yes.

Q So the only thing that is lacking as far as the royalty owners interest is concerned is the agreement to the proposition of commingling this oil in a central tank battery?

A Right.

Q But all the 40-acre tracts have previously been pooled?

A Yes, they have been pooled.

Q Now then, Mr. Stewart, you propose to move the oil from each of these 40-acre tracts to a common tank battery located in the same Section 12 that the 40-acre tracts are located in, is that correct?

A Yes, that's correct.

Q Would you describe the location of the proposed tank battery?

A Yes, it is in the northeast quarter of the southwest quarter of Section 12.

Q So this application in substance is for the commingling of oil from five 40-acre tracts, and the movement thereof to another lease prior or after measurement of the oil?

A The oil will be measured at the location of the tank battery.

The oil will be measured, however, before it is commingled.

Q But it will be measured off the lease that it is produced on?

A Yes, in order to get it out of the flood plain.

Q The oil from each 40-acre tract will be measured in a positive displacement meter prior to commingling in this tank battery?

A That is correct.

Q The reason for movement of the tank battery of any of these 40-acre leases is to get it above the high water mark of the Pecos River?

A That is correct.

MR. NUTTER: Any further questions of the witness? If not, he may be excused.

(Witness excused.)

MR. NUTTER: Does anyone have anything further in Case 1357? If not, we will take the case under advisement, and the hearing is adjourned.

(Hearing adjourned.)

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C E R T I F I C A T E

STATE OF NEW MEXICO )  
 ) ss  
COUNTY OF BERNALILLO )

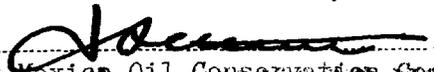
I, ADA DEARNLEY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in stenotype and reduced to typewritten transcript under my personal 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 14<sup>th</sup> day of February, 1958, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

  
NOTARY PUBLIC

My commission expires:  
June 19, 1959.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1357 heard by me on 1-29, 1957.

, Examiner  
New Mexico Oil Conservation Commission