

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 13, 1958

IN THE MATTER OF: Case No. 1393

TRANSCRIPT OF PROCEEDINGS

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DIRECT EXAMINATION

By MR. BUSSIAN:

Q Will you please state your name and position with Malco?

A W. B. McCombs, manager, Crude Oil Department.

Q Why was it necessary for Malco to reduce crude oil?

A Due to excess crude inventories and emergency shutdown of our refinery in Artesia.

Q Exactly what reductions has Malco made and what are their plans?

A On March 5th we discontinued buying all oil except those from wells located in water flood projects until about March 20th, and at that time we will start purchasing, and it is our plan to buy thirty percent of the production, based on January, 1958, production, that's for the month of March.

Q Will Malco resume purchasing the allowable as authorized by this Commission as of April 1st, 1958?

A Yes, that is our plan, except we will not be able to buy legal storage at that time.

Q Will Malco be able to make up any back allowable?

A No.

Q Has Malco attempted to sell any excess crude oil to other purchasers?

A Yes, we have.

Q In some of these questions we are going to refer to various wells and other matters, and these figures which we will give the

Commission will be based on January, 1958, estimates. How many water flood projects does Malco purchase from at this time?

A Four at the present time that they have been injecting water for sometime.

Q How many water flood projects did Malco purchase from a year ago?

A One at that time.

Q What increase does this represent?

A About four or five hundred barrels per day.

Q How many barrels per day of condensate from gas wells does Malco purchase from?

A About two hundred fifty barrels a day.

Q How many wells does Malco purchase from, that is, the total number of wells?

A As of March the 1st we made a survey, we have 1452 wells.

Q How many of these wells are top allowable wells?

A There were 75 of the 1452 top allowable wells.

Q Is this based on actual production of January, 1958?

A That's right, on actual production.

Q Does the lowering of the allowable by the Commission affect Malco purchases in any way?

A Very little.

Q How many of the so-called marginal wells, in other words, wells which do not make their top allowable, does Malco purchase from?

A That would be 1,377.

Q How many wells which produce less than 10 barrels a day does Malco purchase from?

A 1,071.

Q Mr. McCombs, it appears from your testimony that the amount of oil purchased on an average per well basis per day is relatively small?

A In answer to this question we would like to present a written statement, since there are a lot of detailed figures. We have several copies for the Commission and for the reporter.

Q Will you proceed with the statement?

A Malco Refineries, Inc. as of March 1, 1958 was buying crude oil produced from 1,452 wells. These wells are comprised of the following:

75 top allowable wells
306 marginal wells above 10 barrels per day
1,071 marginal wells below 10 barrels per day

For the month of January, 1958 these 1,071 wells producing under 10 barrels per day, averaged 3.25 barrels per day per well. The average for all the wells (1,452) was only 7.87 barrels per day per well.

As an example, we are buying from 302 wells in District A (or the Red Lake & Empire Fields) and only 16 of these wells produce more than 10 barrels per day. The rest of our purchasing areas are similar except the Caprock Queen and Atoka Fields.

The following are the fields and the number of wells

producing above 10 barrels and below 10 barrels per day per well:

<u>District</u>	<u>Fields</u>	<u>No. of Wells Under 10 Bbls Per Day</u>	<u>No. of Wells Under 10 Bbls Per Day</u>	<u>Total Wells</u>
A	Red Lake & Empire	286	16	302
B	Artesia	214	52	266
C	Russell, Getty, Barber & Turkey Track	135	44	179
D	Loco Hills	154	38	192
E	Square Lake & West Henshaw	192	40	232
F	Caprock Queen	20	108	128
G	Atoka	16	54	70
Truck to Refinery	North of Roswell East of Roswell South of Carlsbad	54	29	83
		<u>1,071</u>	<u>381</u>	<u>1,452</u>

Our average purchases for January, 1958 were 11,428 barrels per day.

Q Does the fact that Malco purchases from so many wells that produce less than ten barrels per day upon an average basis have any effect on Malco's purchaser proration?

A Yes, from the previous statement I think it is obvious that we reduce purchases on all wells, rather than the top allowable or the wells above ten barrels per day.

Q On a per well basis is it more efficient to produce from a top allowable than a marginal?

A Yes.

Q Where are the top allowable wells located?

A Caprock Queen and Atoka Fields.

Q Would you like to make any further statement, Mr. McCombs,

in this matter?

A In explaining our purchaser prorationing program, we wanted to go into some of the details we have encountered. Our problems are different than any of the purchasers in the State because of the large number of the marginal wells we purchase from, and that our refinery is the only outlet for this crude.

MR. BUSSIAN: This concludes our presentation.

MR. PORTER: Anyone have a question of Mr. McCombs?

MR. CAMPBELL: I have one question. Jack Campbell, Roswell, appearing on behalf of Ambassador Oil Corporation.

CROSS EXAMINATION

By MR. CAMPBELL:

Q What is the total amount of oil you are purchasing now from all these four water flood projects?

A Around nine hundred barrels per day, nine hundred to a thousand.

Q That is out of your total of 11,400 some barrels?

A Yes.

MR. PORTER: Mr. Nutter.

By MR. NUTTER:

Q Is this refinery breakdown, that resulted -- will you go into the refinery breakdown that results in your curtailment?

A Yes, there is a cooling unit in the catalytic cracking tower that we had some trouble with in February that we had to slow down our runs, and that was the reason we had planned to institute

purchasers proration to get ready for our shutdown and turn-around the 1st of May. Then on the 4th of March this cooling unit broke open and we had to go completely down, and so while we were down they went ahead and did a complete turn-around, so that will do away with the turn-around we planned in May.

Q What about the cooling unit, how many days does it take to repair one of these things, or did you have to buy a new one?

A Well, it would have to be replaced by a new one.

Q Have you got the new one yet?

A Yes.

Q Is it installed?

A The deal was that we would go ahead and turn-around, if we had fixed it now, it would have taken four or five days, and then in May we would have had a fifteen-day turn-around.

Q At which time you would have had to shut down completely?

A No, we could have prorated up to May, through May and June.

Q Would you have had to shut down the refinery's through-put for the turn-around in May one hundred percent?

A Yes.

Q Has the cooling unit been replaced yet?

A I'm sure it has. I am not sure exactly how far along they are on the turn-round. They are supposed to go on sometime next week.

Q Is there any other storage available in Artesia besides Malco's storage tanks?

A There will be Continental Refinery, storage at the refinery.

Q Did you attempt to store any oil in the Continental tanks during the period of crisis?

A No, I didn't call them. I called several other purchasers. They are pretty well full.

Q You didn't inquire if they had capacity for your oil?

A No, I'm sure they wouldn't have had as much storage as we needed for the fifteen days shutdown.

MR. PORTER: Anyone else? Mr. Cooley.

By MR. COOLEY:

Q Would you please explain what will take place on March 20th and the remainder of March a little more clearly?

A At that time we will start purchasing oil, of course, we had to set a basis for prorating, and we will buy thirty percent of the production that the well had made in January. We will take the production figures and take thirty percent of that, and that is the amount of oil we will run for the month of March.

Q How do you arrive at the thirty percent calculation?

A We took our total crude purchases in January, and that will be, that's what we need to run the refinery the remaining ten or eleven days of the month.

Q It will be operating at 100 percent capacity on March 20th and thereafter?

A We hope to.

Q It will be thirty percent of the runs for the entire month

of January?

A Yes.

Q Which would be roughly a third of the runs?

A A third of the runs.

Q For the remaining month of March?

A We will have ten days of running after the 20th, so we'll buy ten days' supply of crude, which will average our 11,500 barrels a day, so approximately that is the way we arrived at it, it will be thirty percent.

Q Your thirty percent figure is, you really won't be prorating after the 20th, will you?

A Well, yes, we will have to prorate.

Q You will be purchasing the daily allowable from then on?

A Yes.

Q But as respects the entire month, it will be only a third of the authorized production for the month?

A That's right.

MR. COOLEY: That's all.

MR. PORTER: In other words, you go back on 100 percent run the 20th?

A We hope to be on by then, the refinery, and at that time we will buy all the oil.

MR. PORTER: Anyone else have a question of Mr. McCombs?
The witness may be excused.

(Witness excused.)

