

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

IN THE MATTER OF:

Case No. 1536

TRANSCRIPT OF HEARING

October 22, 1958

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BEFORE THE
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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. :

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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 TB 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 WO lease and one in the WM 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 Blinebry 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, Elloit, 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 WN lease?

A They would come south from WN, they would probably come southeast across that main lease from WN to WM. We do not have the well to the west of the WN 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 WM-1 was OPT'd at a hundred and twenty-five and WO-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.

