

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

IN THE MATTER OF:

Case No. 1548

TRANSCRIPT OF HEARING

MARCH 25, 1959

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BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

IN THE MATTER OF:

Case 1548 Application of Shell Oil Company for an amendment of Order R-1290. Applicant, in the above-styled cause, seeks an order amending Order R-1290 to eliminate the restriction requiring separate metering of production from each lease prior to commingling, since all interests are common except for small override on one lease and the holder of this interest has waived objections to commingling prior to metering.

Mabry Hall
Santa Fe, New Mexico
March 25, 1959

BEFORE:

Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: The next case will be Case 1548.

MR. PAYNE: Case 1548, "Application of Shell Oil Company for an amendment of Order R-1290."

MR. SETH: Oliver Seth for Shell Oil Company. We have one witness, Mr. Elkins.

(Witness sworn in.)

MR. UTZ: Are there other appearances to be made in this case?

If not, you may proceed, Mr. Seth.

MR. SETH: Mr. Examiner, I would like to make just a very brief statement concerning this case. This case relates

to Order Number R-1290, previously issued in this case. Order R-1290 permitted the commingling of production from four State leases owned by the applicant. This order had an additional requirement that such commingling would be permitted after the production from each lease had been separately metered.

These leases, as indicated, are in common ownership. They are all State leases, but there is a variation in that one of the leases, which is the State "H" Lease, northwest quarter, southwest quarter, Section 29, 27 South, 35 East, had overriding royalty interests outstanding in the third party. Since the previous hearing, there's been correspondence with this overriding royalty owner and he has submitted a waiver in which he agrees that the production may be allocated on the basis of monthly well tests.

R. L. ELKINS

a witness, being first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. SETH:

Q Mr. Elkins, do you have a plat showing the location of these leases?

A Yes, I do.

Q This plat shows the location of the State "H" Lease, does it not?

A Yes, sir.

MR. UTZ: I don't believe we swore the witness in, did we?

MR. SETH: Yes.

Q (By Mr. Seth) Will you state, please, for the Examiner, the name of the overriding royalty owner on the State "H" Lease?

A The name of the overriding royalty interest is Frederick H. Bergland.

Q And your company had correspondence with this --

A Yes, we have.

Q --interest owner?

A Yes.

Q Have you received a letter of transmittal from him?

A Yes, we received a letter of transmittal and a waived signed by Mr. Bergland.

Q Do you have that?

A Yes, I do.

(Thereupon, the document was marked as Shell's Exhibit No. 1 for identification.)

Q (By Mr. Seth) I hand you what has been marked Exhibit One of Shell's; is this the letter of transmittal?

A Yes, it is.

Q Does it have attached to it a waiver executed by Mr. Bergland?

A Yes, it does.

Q That is what you received through the mail?

A Yes, sir.

MR. SETH: We would like to offer that in evidence, please.

MR. UTZ: Without objection, it will be entered as an exhibit, Exhibit Number One.

Q (By Mr. Seth) Now, would you state to the Examiner, Mr. Elkins, the limit of the age of the wells, their production, the amount of water and the facts relative to well monthly testing as against metering?

A Well, the age of these wells is approximately twenty years and the production is from a completion-type reservoir and the water cuts are quite low, ranging between wells from five tenths of one per cent to two tenths of one per cent, and inasmuch as it is a completion-type reservoir, we do not expect these water cuts to increase appreciably in the future, and the wells have all produced top allowable except the State "H" 1 Well on the one lease that has the overriding royalty interest. The gravity in the field is about 36 degrees API, and due to the fact that the water cuts are extremely low and the small amount of water that is emulsified, we do not anticipate that water production to increase. It appears that we could allocate production on the basis of monthly well tests quite accurately for that reason, and this would be entirely from our standpoint

in an effort to reduce initial and maintenance and operating costs in this field. If we are required to install meters for each lease, it would substantially increase all of those costs.

Q This water cut, has it been fairly constant during the last several years?

A Yes, it has.

Q You haven't noticed any appreciable variation from month to month?

A No more than maybe one tenth of one per cent from month to month.

Q Are these pumping wells or --

A All of the wells are pumping except the State "A" 2 Well, and it is flowing.

Q In your opinion, will allocation of production among these leases on the basis of monthly well tests be an accurate, reasonable basis of allocation?

A Yes, in my opinion, it would be an accurate means of allocating production.

Q On what do you base that opinion?

A It is based on the fact that our water cuts are so low and--well, that's the primary reason, the low water cuts from all the wells.

Q And how about any variation in the amount of the water cuts from time to time, is that --

A Yes, and the fact that the water cuts do not vary

appreciably and the fact that we do not anticipate these water cuts to increase in the future.

Q What is your--you testified previously in this case, did you not?

A Yes, I did.

Q What is your position with the company?

A I am the Division Mechanical Engineer of the Roswell Division.

MR. SETH: I believe that's all the direct we have. Mr. Examiner, we would like to call attention to the Commission, in the waiver which has been admitted as Exhibit One, the interest owner is agreeable to the allocation on the basis of monthly well tests.

MR. UTZ: Is there a question of the witness?

MR. PAYNE: Mr. Elkins, as I understand it, the working interests, the royalty interests and the overriding royalty interests are common in all four of these leases with the sole exception of a small overriding interest in the State "H" Lease which is not common, is that right?

A That's correct.

MR. PAYNE: And --

A This is all State land designated by the same beneficiary.

MR. PAYNE: To allocate all the production from the four leases on the basis of monthly well tests, will that reduce

operating costs and maintenance costs?

A Yes, it would appreciably, and also affect conservation, since we now have four tank batteries that are in a pretty bad state of depletion. In this field, one tank battery would be sufficient and would reduce operating costs.

MR. PAYNE: In your opinion, would the economic limit be lowered and therefore avoid premature abandonment if this application is granted?

A Yes, it should be.

MR. PAYNE: That's all.

MR. UTZ: Are there other questions?

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Elkins, what is the State "H" Number 1 making at the present time?

A It makes about thirty barrels per day, and during--let's see, I have some production data here. During December, for example, we produced 922 barrels of oil from that well, and during January, we produced 925 barrels of oil.

Q Do you have an estimate of what the cost of installing these four meters that were required in Order 1290, R-1290 would be?

A We estimate that the installed four meters would cost approximately four to five thousand dollars in this field on initial cost only.

Q About a thousand dollars a meter?

A That's right.

Q And how about the maintenance of these meters, do you have an estimate on the cost of maintenance?

A We don't have any accurate cost on the maintenance, I would hate to give it right now because we haven't used them too long. However, while I can't give you a figure, we do check these meters once a month and they do require continual maintenance, but an actual dollars and cents figure, I can't give it.

Q How long does it usually take to test these meters?

A It would take four days a month in this case.

Q Four days to test four of them?

A Yes, sir.

Q A day a meter?

A Yes.

Q What did you say your average water cut was?

A It varies between wells from two tenths of one per cent to five tenths of one per cent, according to our latest well test information.

MR. UTZ: Are there other questions of the witness?

If not, the witness may be excused.

(Witness excused.)

MR. UTZ: Are there other statements to be made in this case?

If not, the case will be taken under advisement.

MR. SETH: We would like to ask the Examiner to have the transcript of the first hearing in this case incorporated as part of this hearing, and its exhibits.

MR. UTZ: Off the record just a moment.

(Discussion off the record.)

MR. SETH: We would move that the letter of October 8, 1957 from the Commission of Public Lands to Shell Oil Company be admitted as Exhibit Number Two in this case.

(Thereupon, the document was marked as Exhibit Number 2 for identification.)

MR. UTZ: Is there objection to the incorporation of the testimony in Case 1290 and the entrance of Exhibit --

MR. SETH: Exhibit Two.

MR. UTZ: Exhibit Number Two, which is a letter from the State Land Office approving the commingling of these four leases?

Without objection, it will be entered as a part of the record.

