

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. 1604
Order No. R-1347

APPLICATION OF THE ATLANTIC REFINING
COMPANY FOR PERMISSION TO COMMINGLE
THE OIL PRODUCTION FROM SEVERAL SEPARATE
OIL POOLS IN LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on February 25, 1959, at Santa Fe, New Mexico, before E. J. Fischer, 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 11th day of March, 1959, the Commission, a quorum being present, having considered the application, the evidence adduced and the recommendations of the Examiner, E. J. Fischer, 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, The Atlantic Refining Company, is the owner and operator of the Carlson Federal lease comprising the N/2 SW/4 of Section 25, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico.
- (3) That the applicant proposes to commingle the Drinkard, Fusselman, and Blinsbry oil production, as well as the oil production from any other pool or pools which proves to be intermediate grade crude, from all wells completed or hereafter drilled on said Carlson Federal lease.
- (4) That the applicant does not propose to commingle any sour crude production with intermediate grade crude production.
- (5) That the applicant proposes to separately meter the production from each formation prior to commingling.

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Case No. 1604
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(6) That approval of the subject application will not cause waste nor impair correlative rights.

IT IS THEREFORE ORDERED:

That the applicant, The Atlantic Refining Company, be and the same is hereby authorized to commingle the oil production from the Drinkard, Fusselman, Blinebry, Montoya, McKee, and Ellenburger pools from all wells presently completed or hereafter drilled on the Carlson Federal lease comprising the N/2 SW/4 of Section 25, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico.

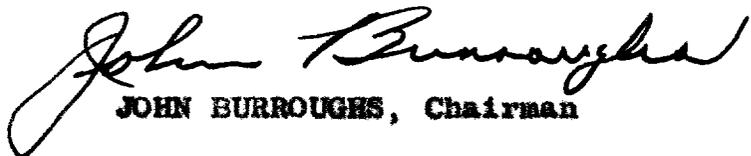
PROVIDED HOWEVER, That if the oil production from any of the above-mentioned pools underlying the Justis Field on said Carlson Federal lease proves to be sour crude, it shall not be commingled with the intermediate grade crudes.

PROVIDED FURTHER, That the production from each of said pools shall be separately metered by means of positive displacement meters or dump type meters prior to commingling, and such meters shall be checked for accuracy once each month until further order of the Secretary-Director and the results of such tests shall be furnished to the Commission.

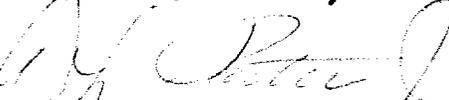
PROVIDED FURTHER, That the applicant shall install adequate testing facilities to permit the testing of all wells located on said Carlson Federal lease at least once each month to determine the individual production from each zone of each of said wells.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JOHN BURROUGHS, Chairman


MURRAY E. MORGAN, Member


A. L. PORTER, Jr., Member & Secretary



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BEFORE THE
OIL CONSERVATION COMMISSION
FEBRUARY 25, 1959

IN THE MATTER OF:

APPLICATION OF ATLANTIC REFINING COMPANY, CASE 1604

TRANSCRIPT OF HEARING

DEARNLEY - MEIER & ASSOCIATES
GENERAL LAW REPORTERS
ALBUQUERQUE NEW MEXICO
Phone CHapel 3-6691

NEW MEXICO OIL CONSERVATION COMMISSION

Mabry Hall

Santa Fe, NEW MEXICO

REGISTERHEARING DATE Examiner February 25, 1959 TIME: 9:00 a.m.

NAME:	REPRESENTING:	LOCATION:
John Ray Allen	Atlantic Refg. Co.	Roswell
N. J. Frost Jr	Atlantic Refg. Co.	Midland
W. G. Abbott	Rice Engineering & Op. Inc	Hobbs, N. Mex.
R. J. Francis	Continental Oil Co.	Hobbs, N. Mex.
J. B. Christy	Hervey, Dow & Henkle	Roswell, N. M.
O. Seth	Sed. Dept.	Santa Fe
Jason Kellahin	Kellahin	Santa Fe
Tom L. Ingram	Neuburg & Ingram	Roswell, N. M.
M. R. Stipp	Standard Oil Co. of Texas	Roswell, N. M.
D. H. Rainey	El Paso Natural	El Paso
John Mason	" "	"
Ernie E. Leubner	Neuburg & Ingram	Roswell N. M.
Samuel Whitworth	El Paso Nat. Gas.	El Paso, Tex.
Nancy Royal	N. M. Statehouse Reporting	Santa Fe

BEFORE THE
OIL CONSERVATION COMMISSION
FEBRUARY 25, 1959

 IN THE MATTER OF:)
 Application of Atlantic Refining Company to)
 commingle the production from several)
 separate oil pools. Applicant, in the above-)
 styled cause, seeks an order authorizing it)
 to commingle the production from the Drinkard,)
 Fusselman, Blinebry and any other pool or)
 pools encountered in the Justis Field which)
 produces oil of similar quality on its Carl-)
 son Federal Lease comprising the N/2 SW/4 of)
 Section 25, Township 25 South, Range 37 East,)
 Lea County, New Mexico. Applicant proposes)
 to separately meter the production from each)
 zone prior to commingling.)

Case 1604

BEFORE:
E. J. FISCHER, Examiner.

TRANSCRIPT OF PROCEEDINGS

MR. FISCHER: The hearing will come to order, please.

First case on the Docket will be Case 1604.

MR. PAYNE: Case 1604: Application of Atlantic Refining Company to commingle the production from several separate oil pools.

MR. CHRISTY: Sim Christy of Hervey, Dow and Hinkle for the Applicant, Atlantic Refining Company. We have one witness, Mr. Examiner.

(Witness sworn.)

H. T. F R O S T, J R., a witness called by and on behalf of the Applicant, being first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. CHRISTY:

Q State your name, please, address, and occupation?

A H. T. Frost, Jr., Midland, Texas; Petroleum Engineer for Atlantic Refining Company.

Q Mr. Frost, have you previously testified as a petroleum engineer before this regulatory body?

A I have.

Q Are you familiar with the matters contained in the application in this case?

A I am.

Q And what it seeks?

A I am.

MR. CHRISTY: Any question concerning the witness' qualifications?

MR. FISCHER: No.

Q (By Mr. Christy) Mr. Frost, explain what this application concerns and what you seek?

A We seek to produce various oil reservoirs under the Carlson Federal Lease in the Justis Field into common storage.

Q Where is the well in question located?

A The well is in the northeast quarter southwest quarter of Section 25, Township 25 South, Range 37 East.

Q Now, how do you propose to commingle these fluids in question?

A I imagine it would be better to explain these exhibits. Exhibit One is a plat of the Justis Field around our Carlson Federal Lease. We have one well completed there, dually completed, in the Drinkard and Fusselman zones. The cross-hatched area shows the location of our tank battery.

We have listed the approximate tops of the formation of the Blinebry, Drinkard and Fusselman zones. We think the other three will be below the water level. However, in our application, we seek to commingle all six if they are productive under the lease.

Q You are seeking to commingle two or more of these formations?

A Two or more as long as they are of the intermediate grade crude. If one zone has sour crude, a separate battery will be built for that. If there happens to be two, then we will apply for permission to commingle the two sour zones.

Exhibit Two is a schematic diagram of the tank battery for one dually completed well. We have a separator and orifice meter for gas and a dump type oil meter for each zone; and each zone then is produced into common storage tanks. The oil will be run to the pipeline in a normal manner by manual guages.

Exhibit Three is the same tank battery after we drill a second well to the same two zones. Here we added a test separator with the same type of metering equipment with a test manifold. The manifold is equipped with check valves so there can be no

backflow between the two zones.

Exhibit Four shows the battery with a third well, with a third zone completed; and here we add another separator with the identical metering equipment for the third zone.

Q As I understand you, the various zones can be separately metered and they can be separately tested?

A That is right.

Q Now, this lease covering the well, is this red area in Exhibit One all under one lease?

A That is right, one lease.

Q What kind of land?

A It is Federal.

Q So the royalty ownership is common?

A The royalty is common.

Q Is the overriding ownership common throughout the horizons and acreage?

A Yes.

Q Is the working interest common?

A No, the working interest is not. Atlantic has the oil right and El Paso Natural has the gas rights under this lease.

Q This application, does it involve oil and gas or simply oil and associated hydrocarbons?

A Oil and associated hydrocarbons. It does not include the gas.

Q Is this proposed type of commingling similar to that

as accepted in the oil industry?

A Yes, it is. It is similar to the method used by Gulf on the McBuffington Lease in the same Justis Field.

Q In your opinion, would such an installation be in the interest of conservation and protection of correlative rights?

A Yes.

Q In your opinion, would this type of installation tend to cause waste?

A No, it would not.

Q Now, if the application is allowed, will Atlantic be willing to test the well and equipment as frequently as is required by the Commission?

A Yes.

Q I believe your location of the battery is shown on Exhibit One?

A That's right. That cross-hatched battery is the battery.

Q Is there anything else I failed to ask you that you feel would be of interest in connection with this application?

A No, I don't believe so.

Q Were Exhibits One through Four inclusive either prepared by you or under your direction or supervision?

A Yes.

MR. CHRISTY: That is all of this witness.

MR. FISCHER: Any questions?

MR. PAYNE: Yes, sir.

MR. FISCHER: Mr. Payne.

CROSS EXAMINATION

BY MR. PAYNE:

Q Do you have any production from the McKee and Ellenberger?

A Not on this lease, no.

Q As I understand, you intend to commingle the sour crudes with sour crudes only?

A Yes, right.

Q Intermediate with intermediate only?

A Yes. This is for intermediate crudes. If we drill a well with a sour crude, we will build a separate battery for that sour crude.

Q Do you expect the Drinkard to be a sour or intermediate crude?

A Intermediate.

Q Same with the Blinebry?

A Yes. The pipeline has told us they consider them intermediate now.

Q I have one comment to mention here. It appears to me that if two of these formations produce sour crudes that you would have to have another hearing to commingle the two sour crudes.

A That is right.

Q That is your understanding?

MR. CHRISTY: That is my understanding. This application is strictly for intermediate grade crudes.

MR. FISCHER: Any other questions?

EXAMINATION BY MR. FISCHER:

Q Mr. Frost, how many days' storage do you now have on this lease?

A We have a thousand barrels.

Q Do you have two 500-barrel tanks?

A Two 500-barrel tanks. I don't know what the allowables are.

Q You say you are manually guaging your tank battery, your tank is run like any other tank that is not commingled?

A That is right. It is not automatic custody transfer.

Q How many combinations of dual wells or zones could you possibly have on this lease?

A We are anticipating three zones productive on this lease, the Blinebry, Drinkard and Fusselman. At least, that is what it looks like now. Of course, we could get one or more of the remaining three zones.

Q So there is a possibility of how many wells, if you drilled each one, four?

A There would be six.

Q I don't recall that you named the type of meter that will be used to meter the crude?

A It is a dump type.

Q A dump type?

A Yes.

MR. FISCHER: That is all. Any other statements to be made?

MR. CHRISTY: We would like to offer in evidence Applicant's Exhibits One through Four inclusive.

MR. FISCHER: Without objection they will be so admitted.

MR. CHRISTY: That is all for the Applicant.

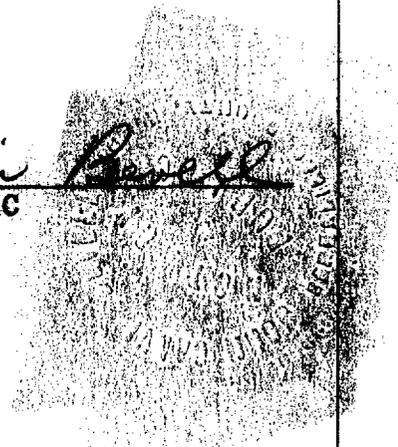
MR. FISCHER: Any other statements to be made in this case? The case will be taken under advisement.

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, JOHN CALVIN BEVELL, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me in stenotype and reduced to typewritten transcript by me; that the same is a true and correct record, to the best of my knowledge, skill and ability.

WITNESS my hand and seal this 2nd day of March, 1959, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

John Calvin Bevell
NOTARY PUBLIC



My Commission Expires:
January 24, 1962

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1604, heard by me on Feb. 25, 1959.
E. Fischer, Examiner
New Mexico Oil Conservation Commission