

DIRECT EXAMINATION

BY MR. LOAR:

Q State your name and occupation.

A Robert E. Statton, District Engineer with Sunray DX at Hobbs, New Mexico.

Q Have you testified before this Commission previously as a Petroleum Engineer?

A I have.

Q Does Sunray DX operate several leases in the Crossroads Pool in Lea County, New Mexico?

A Yes, sir.

(Whereupon, Applicants Exhibits Nos. 1 and 2 marked for identification.)

Q Would you please refer to what has been marked as Sunray's Exhibit No. 1 and state briefly what that is?

A Exhibit No. 1 is a lease and well plat showing Sunray DX U. D. Sawyer lease outlined in red, described as the East Half of Section 27, 9 South, 36 East. The wells colored red are the Devonian producers in this field.

Q Is there only one lease, one Sunray lease that we're concerned with here today?

A Yes, in the specific application.

Q How many wells does that have on it?

A Four wells.

Q Is No. 1 capable of producing less than top allowable --



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Let me say it this way. Is No. 1 incapable of producing top allowable?

A Yes.

Q Are the remaining three wells capable of producing far in excess of top allowable?

A Yes.

Q What did you install on this lease recently in the way of facilities?

A We installed LACT lease commingling facilities, automatic well shutin facilities, and telemetering equipment.

Q Very briefly, is there anything unique about this installation?

A Well, just the telemetering part. This is the first installation of this type that has been made to my knowledge. It is unique in that we use low cost telephone facilities to convey signals back to a central location some 20 to 25 miles distant, telling whether the operations are normal or whether there is a malfunction on the lease and the lease needs attendance.

Q Did you secure approval of the facilities which you installed from the Commission?

A Yes, sir.

Q Start in and chronologically explain what your installation was and the dates involved, Mr. Statton.

A On the 2nd of October, we started the installation of these facilities. Things proceeded fairly smoothly until about



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mid-month when the pool-wide salt water disposal system operated by Magnolia failed, this failed to take our water and this in turn filled up our oil storage tanks with water, and our wells were shut in a total of three days while we were getting this water out of our tanks and getting the oil merchantable where we could sell it to the pipeline company.

Q Does Sunray have any control over this facility?

A Not the operating of it, no.

Q Will you proceed?

A Slightly after mid-month, we shut in all the wells from six to nine days to install the automatic production facilities. Then --

Q Had you programmed this shut-in period and planned it in such a way that you could still produce your wells within the 125 percent of allowable?

A Yes.

Q And make the total allowable?

A Yes. We had originally planned on five to six days shut-in for this equipment installation. Then at the last part of the month, during our make-up period, we had a newly installed water knockout to fail, and this again filled up our tanks with water and caused us to shut in our wells two more days to get the water out of the tanks.

Q During the entire month, since we were undergoing some unusual conditions out there, was this lease much more closely



supervised than normal?

A Yes, it was.

Q In fact, a great deal of the time we had personnel on there far in excess of the normal operating time?

A Yes, sir, we had midnight attendance three nights that I know of.

Q Mr. Statton, if this had been the normal installation and had gone as programmed with none of these other intervening occurrences, would you have been able to produce the allowable from the lease and remain within the 125 percent of allowable limitation?

A Yes, sir.

Q Would you refer to Exhibit No. 2 and point out what that is? I think referring to the last column will be enough, Mr. Statton. Point out what that reflects.

A Exhibit No. 2 is a tabulation of allowables, production, and underproduction on the U. D. Sawyer lease. The far right-hand column shows the net underproduction as of the 1st of November, after deducting overproduction from previous months. This shows that Well No. 1, the well that is not capable of making top allowable, was underproduced 1520 barrels, No. 2 was underproduced 809, No. 3, 809, and No. 4, 1813 barrels, for a total of 4,951 barrels. Deducting the underproduction on the No. 1 because it is incapable of producing top allowable leaves a total underproduction of 3,431 barrels.

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Q Now then, Mr. Statton, are you asking permission to produce this 3431 barrels over the months of January, February, and March of 1963?

A Yes.

Q Can you produce this without exceeding the 125 percent daily tolerance?

A Yes.

Q Have you caused, or did you ask somebody to contact the pipeline company?

A Yes, sir, and the pipeline company informed that they were most willing to make up this underproduction.

Q Now then, Mr. Statton, is the only way that you could have insured that this type of situation wouldn't happen would have been to file an application with the Commission prior to starting your installation and asking permission that in case anything went wrong, to have permission to make up any underage which might incur?

A Yes, either that or producing the wells for half a month greatly in excess of the 125 percent minimum allowable or have 24-hour attendance on the lease.

Q Would 24-hour attendance on the lease have eliminated it?

A It would have eliminated part of it, but not all of it.

Q All right. If you had filed your application, would you have been in the position of crying wolf before anything would



have happened?

A I suppose so.

Q Isn't this different from the usual lease maintenance problem such as failure of a pumping unit, failure of a downhole pump, rod string breaking or something like that?

A Yes, this malfunction, these failures we had were beyond the control of our company.

MR. LOAR: I think that's all we have.

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

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Statton, in your letter of November 6th, it's actually Mr. C. T. McClanahan's letter, he stated that the pool-wide salt water disposal system failed and the wells were shut in three days due to that malfunction.

A Yes.

Q How much underproduction was incurred during that period of time?

A It would be three times, three times 237 if we were producing exactly the allowable; four times 431 if we were producing 125 percent of the allowable. 2106 barrels if we were producing exactly allowable rate.

MR. LOAR: Or if you had been using your 125 percent tolerance, what would it have been?



A 2627, if we were producing at 125 percent of the allowable rate.

Q (By Mr. Nutter) Item 2 in Mr. McClanahan's letter states that during the installation of the automatic production facilities, wells were shut in, one for 144, 144, and 216 hours, respectively, while installing the equipment. How much underproduction was incurred during that period of time?

A That would be an average of seven days for three wells, so it would be seven times three is 21 times 237 or times 341, 4977 if you were producing exactly the allowable rate; and I calculate 7167 if we had been producing at 125 percent of the allowable.

Q Then Item 3 refers to the failure of the water knockout and the wells were shut in for two more days. How much underproduction did you incur that time?

A 1422 at exactly the allowable rate; 2046 at the 125 percent of the allowable rate.

Q So at the exact allowable rate you incurred a total of about 8,500 barrels of underproduction, and approximately 12,000 barrels at the 125 percent rate, would that be correct?

A Those figures add up. I have some other figures that indicate something different than that that I calculated. If the three top allowable wells had produced at exactly 125 percent of the allowable rate while they were producing, they would have been 3,885 barrels underproduced, less 780 barrels previous over-

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production, or 3,105 barrels short of the allowable.

Q During which period of time? That would be the overall period of time when you were incurring underproduction?

A Right.

Q Then taking the underproduction that you incurred and deducting from that some possible make-up that you had during the month then, your wells were producing part of the month, weren't they?

A Yes. According to my figures, if they produced at 125 percent, would still have been, we would have lost 3,105 barrels of allowable.

Q During which of the three emergencies?

A Well, my figures were just the hours that they were actually producing, taking away the total hours that they were down during these emergencies, or during the installation or equipment failures.

Q What I'm trying to determine, Mr. Statton, you said that during the shut down, in Item 1 of the application, that you lost 2106 barrels at exact allowable rates, during Item 2, you lost 4,977, during Item 3, 1422 barrels, which would give you a total of 8500 barrels of underproduction which you incurred during the three emergencies?

A Right.

Q You don't have that much underproduction that you are applying for, so you must have made up some underproduction.



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A That's because we were producing at approximately 123 percent of the allowable while we were producing. That was the average.

Q How much of the remaining 3431 barrels that you are applying for can be attributed to each of these three periods of time? Can you prorate that out?

A Due to each failure?

Q Yes. What were the days that the salt water disposal system went down?

A It was mid-month, around the 15th. I don't know the exact dates. Two days, three days.

Q Three days at the middle of the month?

A Right.

Q Was that immediately followed by your shut-down to install the equipment?

A We produced a day or two in there, and actually these wells were shut in at different times while we were installing the equipment, so there was no exact period in which all wells were shut in. They were shut in at different times in the latter part of the month, around the 20th, I believe it was.

Q They were shut in about the 20th?

A Plus or minus.

Q To commence the installation of the automatic facilities?

A Right. I would guess that it was between about the 17th and the 25th was when this shut-in period occurred.



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Q Was this a pool-wide failure?

A No, it was just a line gumming up to our lease that would not take the water.

Q The rest of the wells in the pool and the rest of the tank batteries were continuing to dispose of salt water into this system?

A As far as I know. I know that our Dessie Sawyer and U. D. Sawyer go into that line, and water was backing up out of the air vent and back into our tanks. It's a gravity system.

Q You didn't incur any shortage, however, on the Dessie Sawyer lease?

A No, because we had some, we used the old tanks to keep producing our well into on the Dessie Sawyer, and it was not affected by this down time like these other wells, due to this extra separate storage.

Q I presume that your company keeps day-by-day storage records on these various batteries, does it not, your daily gauges by your pumpers?

A We keep monthly gauges and the pumper makes a daily gauge of his tanks.

Q Could you furnish the Commission with the daily gauge of the battery on the U. D. Sawyer lease for each day during the month of October?

A Yes, sir.

MR. NUTTER: Does anyone have any further questions of



Mr. Statton? He may be excused.

(Witness excused.)

MR. NUTTER: Do you have anything further, Mr. Loar?

MR. LOAR: We would like to move the introduction of Sunray's Exhibits 1 and 2.

MR. NUTTER: Sunray's Exhibits 1 and 2 will be admitted into evidence.

(Whereupon, Applicant's Exhibits Nos. 1 and 2 admitted in evidence.)

MR. NUTTER: Does anyone have anything further to offer in Case 2713? Mr. Kastler.

MR. KASTLER: Bill Kastler, appearing on behalf of Gulf Oil Corporation. I have a statement I would like to make.

Gulf Oil Corporation is opposed to the granting of relief under this application as a matter of principle. Gulf can readily sympathize with the Applicant in pursuing this remedy. Indeed, on many occasions we have been inclined to seek similar relief. However, it is our opinion that the granting of relief of this nature would have serious repercussions. In our opinion, the immediate result would be a deluge of applications from virtually every operator in New Mexico, for every operator has experienced in some degree trouble that could be classified by him as extraordinary mechanical failure.

Furthermore, if such relief is available on account of such mechanical failure, it is only logical to assume that every

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other incident outside of the operator's direct control which results in the inability to produce a full allowable would warrant similar relief. It is for this reason undoubtedly that the daily tolerance limits exist, namely, to provide a "built-in" measure of relief for such hardships. In addition to this, it has been our observation that the Commission has always recognized certain hardships which affect all operators alike in a given area, for example, conditions resulting from freezing during a cold spell, underproduction resulting from pipeline pro-rationing, and so forth.

MR. NUTTER: Anyone have anything further they wish to offer?

MR. LOAR: I would like to make a comment, if I may.

MR. NUTTER: Mr. Loar.

MR. LOAR: We appreciate Gulf's sympathy in this matter. I believe we tried to point out or attempted to distinguish this from the usual mechanical failure which can be handled by good lease maintenance. As a policy statement, Sunray itself would be here opposing anybody's application because of the ordinary lease maintenance situation. We believe that this is a situation which is different.

The only alternative we can see to the Commission granting an application such as this would be in the future, when we propose an installation of this type, to come in and request the Commission's advance approval for something of this nature, either



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advance approval to produce in excess of 125 percent, or approval to make up allowable in the future. This can become burdensome, because usually the operator can, if he doesn't have a series of events such as we had, program his installation and prevent it.

We thought we were being very careful, we started this on the 2nd day of October, we had programmed out what we could do and not exceed the 125 percent limitation; and through a series of problems, we were unable to do that. But we would again think that this should be distinguished from the usual lease maintenance problem.

MR. NUTTER: Thank you. We'll take a fifteen minute recess.

(Whereupon, a short recess was taken.)



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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 hearing was reported by me in stenotype and that the same was reduced to typewritten transcript under my personal supervision and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this 13th day of December, 1962.

Ada Dearnley
NOTARY PUBLIC

My Commission Expires:
June 19, 1962.

I do hereby certify that the foregoing is a complete record of the proceedings in the New Mexico hearing of Case No. 2713, heard by me on 12/6, 1962.

[Signature], Examiner
New Mexico Oil Conservation Commission

