

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

December 12, 1988

GARREY CARRUTHERS  
GOVERNOR

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE NEW MEXICO 87501  
(505) 827-5800

Mr. William F. Carr  
Campbell & Black  
Attorneys at Law  
Post Office Box 2088  
Santa Fe, New Mexico

Re: CASE NO. 9551  
ORDER NO. R-1010

Applicant:

Texaco USA

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

*Florence Davidson*

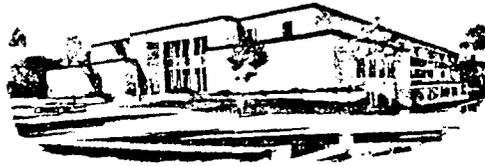
FLORENE DAVIDSON  
OC Staff Specialist

Copy of order also sent to:

Hobbs OCD X  
Artesia OCD X  
Aztec OCD \_\_\_\_\_

Other \_\_\_\_\_

State of New Mexico



W.R. HUMPHRIES  
COMMISSIONER

Commissioner of Public Lands

P.O. BOX 1148  
SANTA FE, NEW MEXICO 87504-1148

September 2, 1988

Texaco, Inc.  
Attn: Mr. J. A. Schaffer  
P. O. Box 728  
Hobbs, New Mexico 88240

Re: Surface Commingling of Texaco's State "P" Lease Lovington Grayburg-San Andres and Lovington Abo Pools, Lease No. B-7897-1, Section 32, T-16S, R-37E, Lea County, New Mexico.

Gentlemen:

Reference is made to your letter of August 11, 1988, wherein you request approval of your proposal to surface commingle produced hydrocarbons from the State "P" Well No. 13 which was recently completed in the San Andres at a rate of 35 BOPD with Abo production of 23 BOPD at the existing lease battery.

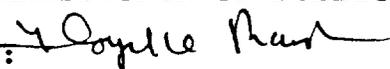
Since It appears that there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your request for surface commingling operations is hereby approved. Any deviation from the substance of your request will be sufficient grounds for rescinding our approval. Our approval is subject to like approval by the New Mexico Oil Conservation division.

Receipt of your filing fee in the amount of \$30.00 Dollars is acknowledged.

If we may be of further help please do not hesitate to call on us.

Very truly yours,

W. R. HUMPHRIES  
COMMISSIONER OF PUBLIC LANDS

BY:   
FLOYD O. PRANDO, Director  
Oil and Gas Division  
(505) 827-5744

WRH/FOP/pm  
encls.

OCD

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date DECEMBER 7, 1988 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
H. R. Bobe Kendrick	El Paso Natural Gas Co.	El Paso, TX
Jim Bruce	Hinkle Law Firm	Albuquerque
Don O. Westover	Terra Inc	Hobbs, NM
William F. Jan	Janpud & Clark, P.A.	Santa Fe
George E. Coleman	Coleman Oil & Gas	Farmington N.M.
Jeff Holcomb	Holcomb Oil & Gas	Farmington N.M.
W.M. "Bill" Galloway	Galloway Oil & Gas	"
Thomas S. Schuch	Thomas S. Schuch	Wichita Falls, TX
Michael E. Cuba	Amoco	Denver
DANA DELVENTHAL	Amoco	Farmington
Kramer, J. J.	Amoco	DENVER
Bill Stewart	Amoco	Denver
Bill Clark	Blackwood & Nichols	Durango.
Paul Hulme	Byram	Santa Fe
Sarah W. Williams	Hulme & O	Santa Fe / Tulsa
W. T. Kellerman	Kellerman Kellerman Anderson	Santa Fe
A.R. Kendrick	Thomas S. Schuch	Coyote, N.M.
James E. Ervine	T. H. McEwan	Santa Fe

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

SANTA FE, NEW MEXICO

Hearing Date DECEMBER 7, 1988 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
<i>W. Perry Pearson</i>	<i>Montgomery &amp; Andrews A.H.</i>	<i>Santa Fe</i>

1 STATE OF NEW MEXICO  
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
3 OIL CONSERVATION DIVISION  
4 STATE LAND OFFICE BUILDING  
5 SANTA FE, NEW MEXICO

6 7 December 1988

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 Application of Texaco, U. S. A. for CASE  
10 an exception to General Rule 303.A., 9551  
11 surface commingling, Lea County, New  
12 Mexico.

13 BEFORE: David R. Catanach, Examiner  
14  
15  
16

17 TRANSCRIPT OF HEARING

18 A P P E A R A N C E S  
19

20 For the Division: Robert G. Stovall  
21 Attorney at Law  
22 Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico

23 For Texaco, U. S. A.: William F. Carr  
24 Attorney at Law  
25 CAMPBELL and BLACK, P. A.  
P. O. Box 2208  
Santa Fe, New Mexico 87501

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I N D E X

DAN OLIVER WESTOVER

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MR. CATANACH: Call next Case 9551.

MR. STOVALL: Application of Texaco U.S.A for an exception to General Rule 303-A, Surface Commingling, Lea County, New Mexico.

MR. CATANACH: Are there appearances in this case?

MR. CARR: May it please the Examiner, my name is William F. Carr with the law firm Campbell & Black, P.A., of Santa Fe. I represent Texaco U.S.A. and I have one witness.

MR. CATANACH: Any other appearances?

Will the witness please stand and be sworn in?

(Witness sworn.)

DAN OLIVER WESTOVER,  
being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. CARR:

Q Will you state your full name for the

1 record, please?

2 A My full name is Dan Oliver Westover.

3 Q Mr. Westover, where do you reside?

4 A I reside in Hobbs, New Mexico.

5 Q By whom are you employed and in what  
6 capacity?

7 A I'm employed by Texaco, Incorporated, in  
8 the capacity of Area Engineer.

9 Q Have you previously testified before  
10 this Division and had your credentials accepted and made a  
11 matter of record?

12 A No, I have not.

13 Q Would you briefly review for Mr. Cata-  
14 nach your educational background and then summarize your  
15 work experience?

16 A Yes. My educational background is that  
17 I'm a 1975 graduate of United State Military Academy with a  
18 Bachelor of Science degree in general engineering; a 1986  
19 graduate of Eastern New Mexico, Master of Business  
20 Administration.

21 I've had seven years of production  
22 engineering experience with Texaco.

23 Q Does your area of responsibility for  
24 Texaco include that portion of southeastern New Mexico  
25 which is involved in this case?

1           A           Yes, it does.

2           Q           Are you familiar with the application  
3 filed in this case and the subject area?

4           A           Yes, I am.

5                           MR. CARR:     We tender Mr.  
6 Westover as an expert witness in petroleum engineering.

7                           MR. CATANACH: He is so qual-  
8 ified.

9           Q           Mr. Westover, would you briefly state  
10 what is being sought by Texaco with this application?

11           A           With this application we seek to com-  
12 mingle, surface commingle, production from the Lovington  
13 Grayburg-San Andres and Lovington Abo formations on the  
14 State P Lease.

15           Q           Did you originally seek approval for  
16 down -- or for surface commingling administratively?

17           A           Yes, we did.

18           Q           And that application was denied?

19           A           That's correct.

20           Q           And why was that, do you know?

21           A           The original application was denied be-  
22 cause we have diverse ownership in the Lovington Abo Pool.

23           Q           Have you prepared certain exhibits for  
24 introduction in this case?

25           A           Yes, we have.

1           Q           Would you refer to what has been marked  
2 for identification as Texaco Exhibit Number One, identify  
3 that for Mr. Catanach and review it, please?

4           A           Texaco Exhibit One, you'll see is a plat  
5 of the State "P" Lease, which is highlighted. It exists  
6 some ten miles northwest of Hobbs, 5 miles southeast of  
7 Lovington. You'll see its proximity to the Hobbs Lovington  
8 highway.

9           Q           Now would you go to the second page of  
10 Exhibit Number One, which is an enlargement of a portion of  
11 the first plat, and review this for Mr. Catanach?

12          A           Yes. This second page is an enlargement  
13 of the first plat, indicating the detail of the State "P"  
14 Lease. As you'll see there, we've indicated the State "P"  
15 13, the single Lovington Grayburg-San Andres well, the  
16 State "P" 3 and the State "P" 4, which are Lovington Abo  
17 wells, and also in the center there is indicated a battery  
18 location.

19          Q           Are all the lands involved in this ap-  
20 plication State lands?

21          A           Yes, they are.

22          Q           Has Texaco obtained approval for surface  
23 commingling for other wells in this general vicinity?

24          A           Yes, we have.

25          Q           And would you refer to what has been

1 marked as Texaco Exhibit Number Two and identify that,  
2 please?

3 A Yes. Exhibit Two is an exhibit which  
4 indicates the commingling approval on the State "O" Lease,  
5 which is in this general area. It's -- I might point out  
6 at this time that it is a surface commingling which has  
7 been approved for different formations than those that we  
8 seek to commingle in this application.

9 Q Are you aware of any application for  
10 surface commingling of the subject formations in this im-  
11 mediate area?

12 A No, I'm not.

13 Q Now I think you indicated that the  
14 reason the application was originally denied when you  
15 sought administrative approval, was there was -- the owner-  
16 ship in the subject wells was not common.

17 Q Could you review for Mr. Catanach what  
18 Texaco's ownership is in the wells that you intend to sur-  
19 face commingle?

20 A Yes. The wells we intend to surface  
21 commingle are three, of course, the State "P" No. 13, which  
22 is 100 percent Texaco; the State "P" Nos. 3 and 4, which  
23 have the ownership detailed on Exhibit Six.

24 Q If you'd jump back to Exhibit Six, this  
25 is -- would you identify what the first sheet of Exhibit

1 Number Six is?

2 A On Exhibit Six, the first sheet we have  
3 here is a summary of all of the owners of the Lovington Abo  
4 and what their respective working interests are.

5 It also details the fact that approval  
6 has been received from all of these owners.

7 Q So in the upper righthand corner of this  
8 exhibit under the column labeled "approved" the percentage  
9 ownership is set out at that point?

10 A That's correct.

11 Q And this being a State lease, all the  
12 royalty interest is the same?

13 A Yes.

14 Q And they're all -- there is no overrid-  
15 ing royalty that would be any different.

16 A They're all the same, that's correct.

17 Q Would you now go to the -- back to the  
18 plat which is marked as the second page of Exhibit Number  
19 One, and identify the P-13 Well and then review the current  
20 status of that well for Mr. Catanach?

21 A Yes. The State "P" No. 13 Well is indi-  
22 cated there in the middle of the State "P" Lease by the  
23 hexagon and the current status of that well is pumping 19  
24 barrels of oil a day and 5 barrels of water a day. It's  
25 presently being commingled at the battery under temporary

1 approval authority which was granted by Mr. Catanach pre-  
2 viously.

3 Q Was this -- is this the only San Andres  
4 production in the area, or on the lease?

5 A It is the only San Andres production on  
6 this lease, that's correct.

7 Q And the well is currently marginal in  
8 the San Andres.

9 A Yes.

10 Q Would you refer to Exhibit Number Three  
11 and review that for Mr. Catanach?

12 A Exhibit Number Three, we have here a  
13 detail of how the testing and allocation of production is  
14 to be accomplished.

15 As you can see in the center of this  
16 exhibit, we have the production header into Wells 13, 3 and  
17 4 are producing.

18 We have a test separator located -- into  
19 which State "P" No. 13 will be tested monthly. This is in  
20 accordance with the provisions of the manual for comming-  
21 ling.

22 We will be using the subtraction test  
23 method to allocate the remainder of the production.

24 Q Have you sought and obtained approval  
25 from the State Land Office for your proposed surface com-

1 mingling?

2 A Yes, we have.

3 Q And is your application and the State's  
4 approval what has been marked as Texaco Exhibit Number  
5 Four?

6 A Exhibit Number Four is our application  
7 to the Commissioner of Public Lands and it is his approval,  
8 that's correct.

9 Q And do you propose to monthly conduct a  
10 test on the State "P" 13 Well?

11 A Yes.

12 Q And then based on that test information  
13 you will allocated production to the San Andres in that  
14 well?

15 A Yes, that's correct.

16 Q And you will do this in accordance with  
17 the Division procedures.

18 A Yes.

19 Q In your opinion will you be able to do  
20 this in a fashion that will enable you to accurately allo-  
21 cate production to each of the zones in each of the wells?

22 A Yes.

23 Q In your opinion will commingling result  
24 in a decrease in the total value of production obtained  
25 from this lease?

1           A           No, it will not.

2           Q           Would you refer to what has been marked  
3 as Texaco Exhibit Number Five and identify that, please?

4           A           Yes, Texaco Exhibit Number Five is the  
5 notification from the NMOCD that this request would be set  
6 for public hearing, as well as the verbal authorization  
7 from -- from Mr. Catanach that we have sixty days with  
8 which to commingle this production.

9           Q           So this letter confirms their approval  
10 of surface commingling.

11          A           That's correct.

12          Q           And it's for a sixty-day time period.

13          A           Yes, that's correct.

14          Q           And what is the date of this letter?

15          A           The date of this letter is October the  
16 10th.

17          Q           And this authority therefore expires ap-  
18 proximately when?

19          A           This authority will expire Friday.

20          Q           Do you request that the Commission expe-  
21 dite its action on this application?

22          A           I would, I would like to make that re-  
23 quest, yes.

24          Q           During the last sixty day, or fifty-some  
25 days, you've been commingling production on the surface

1 from the subject well, is that correct?

2 A That is correct.

3 Q Have you encountered any problems with  
4 compatibility of the fluids from these various zones?

5 A No, no fluid incompatibilities have been  
6 observed whatsoever.

7 Q All right. We've previously addressed  
8 Exhibit Number Six, the first page of which shows the own-  
9 ership breakdown. Would you review the remaining pages of  
10 that exhibit for Mr. Catanach?

11 A Yes. The remaining pages of Exhibit  
12 Number Six are, first of all, the letter which was sent to  
13 all working interest owners requesting their approval to  
14 perform this surface commingling.

15 The remaining pages of this exhibit are  
16 the respective approvals from all of the working interest  
17 owners.

18 Q And then the final page in this exhibit  
19 is what?

20 A The final page in this exhibit is the  
21 notification from us to the working interest owners that we  
22 have received their approvals and that we will proceed as  
23 planned.

24 Q Has notice of today's hearing been pro-  
25 vided as required by Division rules and regulations?

1           A           Yes, it has.

2           Q           And is Exhibit Number Seven a copy of  
3 the letters providing this notice and attached return re-  
4 ceipts from each of the affected owners?

5           A           Yes, it is.

6           Q           In your opinion will granting this ap-  
7 plication be in the best interest of conservation, the  
8 prevention of waste, and the protection of correlative  
9 rights?

10          A           Yes.

11          Q           Were Exhibits One through Seven either  
12 compiled by you or prepared under your direction and  
13 supervision?

14          A           Yes, they were.

15          Q           Can you testify as to the accuracy of  
16 these exhibits?

17          A           Yes, I can.

18                               MR. CARR: At this time, Mr.  
19 Catanach, we would move the admission of Texaco Exhibits  
20 One through Seven.

21                               MR. CATANACH: Texaco Exhibits  
22 One through Seven will be admitted as evidence.

23                               MR. CARR: That concludes my  
24 direct examination of this witness.

25

## CROSS EXAMINATION

1  
2 BY MR. CATANACH:

3 Q Mr. Westover, just for clarification,  
4 the two Abo producing wells are the No. 3 and No. 4?

5 A That's correct.

6 Q Okay, you said that Texaco owns 100 per-  
7 cent working interest in Well No. 13, is that correct?

8 A Yes, we do.

9 Q And is the working interest common in  
10 Wells Nos. 3 and 4?

11 A Yes.

12 Q Is that the same?

13 A Yes, they are.

14 Q And the royalty interest underlying the  
15 State "P" leases are common?

16 A Yes, that's correct.

17 Q That's the State of New Mexico?

18 A Yes, sir.

19 Q On your production facilities had you  
20 planned to test the Well No. 13 monthly?

21 A That's correct.

22 Q Have you got a metering device that --  
23 that meters the total production from the battery?

24 A The total battery production, of course,  
25 will be the pipeline sales, which will consist of all Abo

1 and San Andres production together.

2 Q And that's measured before it goes to  
3 the pipeline.

4 A That's right.

5 Q Approximately what are Wells 3 and 4  
6 making now, do you know?

7 A Well No. 3 makes about 10 barrels a day  
8 and Well No. 4 makes about 13 barrels a day.

9 MR. CATANACH: No further  
10 questions of this witness. He may be excused.

11 Anything further in this case?

12 MR. CARR: Nothing further.

13 MR. CATANACH: If not, it will  
14 be taken under advisement.

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(Hearing concluded.)

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## C E R T I F I C A T E

I, SALLY W. BOYD, C. S. R. DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division (Commission) was reported by me; that the said transcript is a full, true and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 9551 heard by me on December 7 1988.

David R. Catamb, Examiner  
Oil Conservation Division