

Case No.

785

Application, Transcript,
Small Exhibits, Etc.

CASE 785: The Ohio Oil Company application
for permission to consolidate tank battery
for two leases (Hobbs Pool)

Case 785

MAIN OFFICE DCC

The Ohio Oil Co.

1954 OCT 22 PM 4:19

Legal Department

W. Hume Everett
Thomas R. McCloy
J. O. Terrell Couch
Attorneys

October 21, 1954

P.O. Box 3128
Houston, Texas

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Attention: Mr. W. B. Macey

Gentlemen:

By letter of September 28, 1954, from our Midland, Texas office, request was made for approval of the consolidation of tank batteries in the SE/4 of Section 32, Township 18 South, Range 38 East, Lea County, New Mexico. Your reply of September 30, 1954, to our Mr. C. S. Mills at Midland pointed out the necessity of obtaining the consent of Land Commissioner Walker and stated that the Commission could approve the consolidation only after notice and hearing.

This will confirm my verbal request that notice be given by advertisement as provided by law and that the application be set for hearing at the regular monthly meeting on November 17.

We have requested the consent of Land Commissioner Walker and anticipate that it will be granted.

Thank you for your cooperation in this matter.

Very truly yours,


J. O. Terrell Couch

TC:MK

VIA AIR MAIL - SPECIAL DELIVERY

cc - Mr. D. K. Spellman
The Ohio Oil Company
Midland, Texas

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

C
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P
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December 31, 1954

Mr. J. O. Terrell Couch
The Ohio Oil Company
Box 3128
HOUSTON, TEXAS

Dear Terrell:

Attached is the Commission's Order R-556-A issued under pro
tunc in Case 785 to correct the error in acreage description
as shown in the original order.

I want you to know that I greatly appreciate your letter
of December 20, 1954, calling the mistake to our attention.
I suppose no organization is infallible, and we certainly
make mistakes now and then. However, I regret that The Ohio
has been on the receiving end of the last two errors.

Thank you again for mentioning it to us, and best wishes for
a Happy New Year to you and your staff.

Sincerely,

W. B. Macey
Secretary - Director

WBM:nr

Memo

From

W. B. MACEY
Director

To *Kitts*

Write a

memo

Pro Tunc

MAILED
1954 DEC 18 11 AM
The Ohio Oil Co.
Legal Department

W. Hume Everett
Thomas H. McElroy
J. Q. Terrell Couch
Attorneys

December 20, 1954

P.O. Box 3128
Houston, Texas

Mr. W. B. Macey
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Bill:

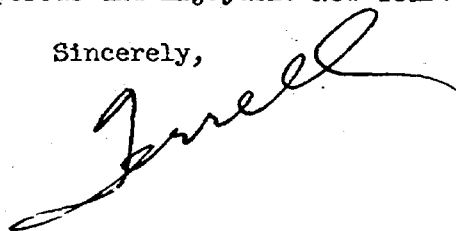
I have your letter of December 17 enclosing copies of Order R-556 in Case 785, granting the exception which we sought to Rule 309 with regard to Hobbs Pool wells in the SE/4 32 - 18S - 38E.

In reading the Order I observe that finding No. 4 refers to the land involved as containing "a total of 600 acres", which of course should read "a total of 160 acres". I thought you would like for me to call this to your attention so that you can correct it by a nunc pro tunc order if you desire. In my judgment, the validity of the Order is unaffected and it applies only to the specifically described acreage.

I certainly did appreciate your making it possible for our case to be submitted before noon last Thursday. We ran into a little rough weather on the way into Midland and for some distance on this side of Midland, but with the early start you made possible we were able to get to Houston without much night flying.

In our haste to get away, I did not find the opportunity to say "Merry Christmas" to you and my other friends in your office. I wish to you and your wife and my friends on the Commission staff a Most Happy Holiday Season and a Prosperous and Enjoyable New Year.

Sincerely,



TC:MK

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. 785
Order No. R-556-A

THE APPLICATION OF THE OHIO OIL
COMPANY FOR AUTHORIZATION TO
COMMINGLE IN A COMMON TANK
BATTERY OIL PRODUCED FROM CERTAIN
PORTIONS OF ITS STATE LEASES ALL IN
THE SE/4 OF SECTION 32, TOWNSHIP 18
SOUTH, RANGE 38 EAST, NMPM, LEA
COUNTY, NEW MEXICO, IN THE HOBBS
POOL, THIS TO BE IN EXCEPTION TO RULE
309 OF THE COMMISSION'S RULES AND
REGULATIONS.

NUNC PRO TUNC ORDER OF THE COMMISSION

BY THE COMMISSION:

It appearing to the Commission that Order No. R-556, dated
December 16, 1954, does not correctly state the intended order of the Com-
mission in one particular, due to inadvertence and a clerical error,

IT IS THEREFORE ORDERED:

1. That Order No. R-556, as the same appears in the records of
the Commission, and the original of said order, be amended in the follow-
ing particular:

On line 3 of Finding No. 4 of said order, the
words and figures "600 acres" are ordered
stricken and the words and figures "160 acres"
substituted therefor.

2. That the correction and amendment set forth in this order be
entered nunc pro tunc as of December 16, 1954, the date of said Order
No. R-556.

DONE at Santa Fe, New Mexico, on this 23rd day of December,
1954.



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

E. L. Mechem
EDWIN L. MECHEM, Chairman

E. S. Walker
E. S. WALKER, Member

W. B. Macey
W. B. MACEY, Member and Secretary

MAIL ROOM
1955 JUL 17 PM 1
The Ohio Oil Co.
Legal Department

W. Hume Everett
Thomas H. McElroy
J. O. Terrell Couch
Attorneys

January 14, 1955

WBM
P. O. Box 3128
Houston, Texas

Mr. W. B. Macey, Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Bill:

Thank you for your Administrative Orders NFO-1 through 4 dated January 12. I also appreciated receiving your correction order in our case for Rule 309 exception in the Hobbs Pool.

We with The Ohio are certainly grateful for the conscientious attention given by you and your staff to the transaction of the business before the Commission, and we want always to cooperate to the fullest extent possible in assisting you in carrying out that business.

I had become such a regular attendant at your monthly meetings that it seems unusual not to have attended the meeting this month. Perhaps I will be in Santa Fe for the February meeting.

Sincerely,

J. O. Terrell Couch
J. O. Terrell Couch

TC:MK

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. 785
Order No. R-556

THE APPLICATION OF THE OHIO OIL
COMPANY FOR AUTHORIZATION TO
COMMINGLE IN A COMMON TANK
BATTERY OIL PRODUCED FROM CERTAIN
PORTIONS OF ITS STATE LEASES ALL IN
THE SE/4 OF SECTION 32, TOWNSHIP 18
SOUTH, RANGE 38 EAST, NMPM, LEA COUNTY,
NEW MEXICO, IN THE HOBBS POOL, THIS TO
BE IN EXCEPTION TO RULE 309 OF THE COM-
MISSION'S RULES AND REGULATIONS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on November 17, 1954, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 16th day of December, 1954, the Commission, a quorum being present, having considered the testimony adduced and the exhibits received at said hearing, 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 applicant, together with The Atlantic Refining Company, is the owner of two New Mexico oil and gas leases covering in part the following described acreage in Township 18 South, Range 38 East: one lease being the W/2 SE/4 of Section 32 and the other lease being the E/2 SE/4 of Section 32.
3. That for reasons of efficiency, applicant desires to use common tankage for the storage and measurement of oil produced from the Hobbs Pool underlying the contiguous portions of said leases.
4. That applicant proposes to install a common tank battery for the storage of all oil produced from the Hobbs Pool underlying the described portions of the above leases, a total of 600 acres, and that equipment is to be installed whereby production from each well drilled on the described land may be accurately determined as prescribed by the Commission.
5. That by reason of practical convenience and economy, and in absence of objection by the Commissioner of Public Lands of New Mexico,

exception to Rule 309 should be granted.

6. That no objection by the Commissioner of Public Lands has been entered.

IT IS THEREFORE ORDERED:

That the application of The Ohio Oil Company for an exception to Rule 309 be, and the same hereby is approved, and The Ohio Oil Company be and it hereby is authorized to establish, maintain and operate a central tank battery to receive production from wells completed in the Hobbs Pool only on the following described contiguous portions of its State of New Mexico Oil and Gas Leases described as follows:

TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM
E/2 SE/4 of Section 32
W/2 SE/4 of Section 32

PROVIDED, HOWEVER, That adequate tankage and proper equipment are installed and maintained so as to permit specific production tests of each connected well at reasonable intervals or upon request of the Commission, or of the Commissioner of Public Lands, and

PROVIDED FURTHER, That no well now or hereafter connected to such tank battery be permitted to produce at a rate in excess of top allowable as now or hereafter may be fixed for the Hobbs Pool.

IT IS FURTHER ORDERED: That jurisdiction of this case is hereby retained for purpose of revocation and modification under changed conditions.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

E. L. Mechem

EDWIN L. MECHEM, Chairman

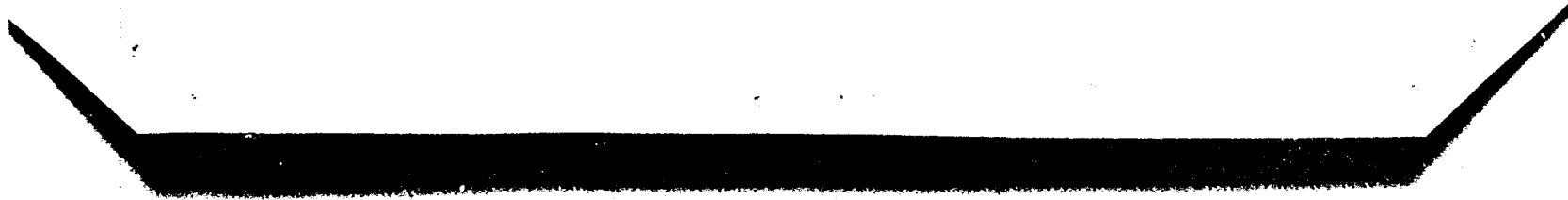
E. S. Walker

E. S. WALKER, Member

W. B. Macey

W. B. MACEY, Member and Secretary





OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

December 17, 1954

Mr. J. O. Terrell Couch
Legal Department
The Ohio Oil Company
Box 3128
HOUSTON, TEXAS

Dear Sir:

We enclose Order R-556 issued by the Oil Conservation
Commission in Case 785 under date of December 16, 1954.

Very truly yours,

W. B. Macey
Secretary - Director

WBM:mr

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BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO
November 17, 1954

IN THE MATTER OF:

CASE NO. 785 - Regular Hearing

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
ROOMS 105, 106, 107 EL CORTEZ BUILDING
TELEPHONE 7-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 17, 1954

IN THE MATTER OF:

The application of the Ohio Oil Company for permission to consolidate two presently existing tank batteries into a single new (replacement) tank battery for storage of oil from two separate leases.

Applicant, in the above-styled cause, seeks exception to provisions of Rule 309 of the Commission's Rules and Regulations to permit storage of oil in a single tank battery from two separate leases in the SE/4 of Section 32, Township 18 South, Range 38 East, Lea County, New Mexico, in the Hobbs Pool.

Case No. 785

BEFORE:

Honorable Edwin L. Mechem
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 785.

MR. COUCH: Terrell Couch, for Ohio Oil Company.

D. K. SPELLMAN, JR.,

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. COUCH:

Q Will you state your name, please, and by whom you are employed, and the capacity of your employment?

A D. K. Spellman, Jr., District Petroleum Engineer for the Ohio Oil Company in the Midland District, which comprises West

ADA DEARNLEY & ASSOCIATES
STENOGRAPHIC REPORTERS
ALBUQUERQUE, NEW MEXICO
TELEPHONE 3-6691

Texas and Southeastern New Mexico.

Q Mr. Spellman, have you testified before the Commission before?

A Yes, sir.

Q Have you stated your qualifications as a Petroleum Engineer?

A Yes, sir.

MR. COUCH: Are the qualifications of the witness accepted?

MR. MACEY: They are.

Q Are you acquainted with the operations of the Ohio Oil Company on Section 32, Township 18 South, Range 38 East, in Lea County, New Mexico?

A Yes, sir. The Ohio Oil Company operates two 80-acre tracts in the Hobbs Pool area.

Q That is the east half, and the west half of the southwest quarter?

A That is right, of Section 32, Township 18 South, Range 38 East. Both tracts are held under State leases with the Ohio owning one-half working interest in each, and Atlantic Refining Company the other half working interest. Each tract contains two wells producing from the Bowers Pool and two producing from the Hobbs Pool.

Q At this hearing we are interested in the wells producing from the Hobbs Pool?

A That is correct. At the present time separate tank batteries are provided for the production from each tract, and, of course, for each pool.

Q This application seeks permission, or seeks an exception to Rule 309, to permit transporting of oil from each of those two

leases to one common tank battery in the southeast quarter of this Section 32, is that correct?

A Yes, that is correct.

Q Have you considered the comparison of the cost of having two separate tank batteries, and of having one tank battery for the use of both leases, in reference to production from the Hobbs Pool?

A Yes, the construction of one tank battery to serve four wells, as against two tank batteries will result in a saving of approximately \$4,000.00.

Q Is the Ohio Oil Company the operator of both leases?

A Yes, the Ohio operates the two leases under a designation of State, Section 32 lease.

Q That designation, you mean with reference to allowable schedules, proration schedules?

A Yes, sir.

Q Have you communicated your proposal to the Atlantic Refining Company, Mr. Spellman?

A Yes.

Q Is that the letter that you received in reply?

A Yes, sir. This letter, addressed to Ohio Oil Company, Box 552 in Midland, Texas, D. K. Spellman, Jr. --

MR. COUCH: I will ask that be marked.

(Marked Ohio Oil Company's Exhibit
No. 1, for identification.)

A It states, in effect, that the Atlantic Refining Company is in agreement with our proposal to combine the present two tank batteries into one tank battery.

MR. COUCH: I hand you a letter from Commissioner Walker,

addressed to me, which acknowledges the fact that this application had been filed and withholds consent to the application, pending the outcome of this case with the Commission. I ask that be marked Exhibit 2.

(Marked Ohio Oil Company's Exhibit No. 3, for identification.)

MR. COUCH: We offer in evidence applicant's Exhibits 1 and 2.

MR. MACEY: Is there objection to the introduction of these Exhibits? If not they will be received.

Q Mr. Spellman, will you provide -- if there is one common tank battery there will be provisions so that tests can be held on each of the four wells producing into that tank battery?

A Yes, two separators will be installed, as we normally install them where a tank battery serves more than one well, so that wells may be tested individually at such time as we feel, or are required to test them.

MR. COUCH: We have no further testimony.

MR. MACEY: Any questions of the witness? If not the witness may be excused. Do you have anything further?

MR. COUCH: No.

(Witness excused.)

MR. MACEY: Does anyone have anything further in this case? If not we will take the case under advisement.

STATE OF NEW MEXICO)
: ss.
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby
certify that the foregoing and attached transcript of proceedings
before the New Mexico Oil Conservation Commission at Santa Fe,
New Mexico, is a true and correct record to the best of my
knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial
seal this 22nd day of November, 1954.

Ada Dearnley
Notary Public, Court Reporter

My Commission Expires:

June 19, 1955

The Ohio Oil Co.

P. O. BOX 552

MIDLAND, TEXAS

September 28, 1954

Re: Consolidation of Tank Batteries
SE/4 Section 32, T-18S, R-38E
Lea County, New Mexico

Case 785
MAIN OFFICE OCC
RECEIVED SEP 29 AM 8:33

Oil Conservation Commission of New Mexico
P. O. Box 871
Santa Fe, New Mexico

Attention: Mr. W. B. Macey, Secretary-Director

Gentlemen:

It is respectfully requested that The Ohio Oil Company be granted permission to consolidate into one battery the two tank batteries presently used by Ohio for lease storage of crude oil on its designated State Section 32 wells producing from the Hobbs Pool.

The Ohio Oil Company operates jointly with Atlantic Refining Company two tracts consisting of the W/2 and E/2, respectively, of the SE/4 Section 32, T-18S, R-38E. These tracts are held under separate state leases which are contiguous and lie wholly within a legal quarter section and have identical ownership both of the royalty and working interest.

The present two tank batteries have been constructed and operated by Ohio for the tracts in question by reason of the Commission's Rule 309 which requires the receiving and measuring of crude oil in tanks located on the leases producing the crude prior to transportation of the crude. These tank batteries now require replacement and Ohio respectfully seeks exception to the Commission's Rule 309 so that it may construct one battery where two now exist.

Yours very truly,



C. S. Mills
District Manager

DKS:CSM:rs

THE ATLANTIC REFINING COMPANY
PETROLEUM PRODUCTS

McCLINTIC BUILDING

MIDLAND, TEXAS

October 28, 1954

BEFORE THE
OIL CONS. COMMISSION
SANTA FE, NEW MEXICO
Ohio CREDIT NO. 1
CASE 785

RECEIVED
OCT 29 1954
MAILING ADDRESS
P. O. BOX 871
MIDLAND, TEXAS

THE OHIO OIL CO.
MIDLAND ENG. DEPT.

The Ohio Oil Company
Post Office Box 552
Midland, Texas

ATTENTION: Mr. D. K. Spellman, Jr.

Gentlemen:

This is to advise that we are in agreement with your proposal to combine the tank batteries on the two Northrup leases in the Hobbs Pool which comprise the West 1/2 and East 1/2 of the SE 1/4 of Section 32, T-18-S, R-38-E. Since both of these tank batteries need replacing and the leases have common royalty and working interest, it is felt that there would not only be an initial saving of some \$5,000 on the installation but subsequent savings in operating expense as well.

Yours very truly

THE ATLANTIC REFINING COMPANY

R. E. Howard

R. E. Howard
Regional Petroleum Engineer

NMA/mw

cc: Mr. P. E. Fletcher

State of New Mexico
OFFICE OF THE
Commissioner of Public Lands



Santa Fe

Refer reply to
Oil & Gas Royalty

E. S. WALKER
COMMISSIONER

November 10, 1954

BEFORE THE
OIL CONS. BY THE COMMISSION
SANTA FE, NEW MEXICO
Ohio EXHIBIT NO. *1*
CASE *785*

Mr. J. O. Terrell Couch
Legal Department
The Ohio Oil Co.
P. O. Box 3128
Houston, Texas

Dear Mr. Couch:

This is in reply to your letter of October 21, 1954 regarding construction of a common tank battery for two state leases.

This case is on the docket for the next Oil Commission Hearing which will be held on November 17. We shall take your request under advisement pending the outcome of this Hearing.

Very sincerely yours,

E. S. Walker
Commissioner of Public Lands

cc: Mr. D. K. Spellman
The Ohio Oil Company
Midland, Texas

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

September 30, 1954

C
O
P
Y

Mr. C. S. Mills
Ohio Oil Company
P. O. Box 552
Midland, Texas

Dear Sir:

Reference is made to your letter of September 28, pertaining to the consolidation of tank batteries on two State leases located in the SE/4 of Section 32, Township 18 South, Range 38 East, Hobbs Pool.

This Commission can only approve this consolidation after notice and hearing. You must, of course, obtain consent to the consolidation from Land Commissioner Walker.

If you desire to have this matter advertised for hearing on November 17th, please advise.

Very truly yours,

W. B. Macey
Secretary - Director

WBM:jh