

Case No.

811

Application, Transcript,
Small Exhibits, Etc.

CASE 811: Phillips Petroleum Company ex-
ception to Rule 309

me

**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. 811
Order No. R-579**

**THE APPLICATION OF THE PHILLIPS
PETROLEUM COMPANY FOR AUTHORIZATION
TO COMMINGLE IN A COMMON TANK BATTERY
PRODUCTION FROM ITS CHEM STATE LEASE,
DESCRIBED AS LOTS 1 AND 2 OF SECTION 4,
AND THE PHILLIPS CHEM STATE "A" LEASE,
DESCRIBED AS LOTS 1, 2, 3 AND 4, S/2 NE/4,
S/2, SW/4 NW/4 OF SECTION 3, TOWNSHIP 15
SOUTH, RANGE 32 EAST, NMPM, LEA COUNTY,
NEW MEXICO, WITHIN THE HORIZONTAL LIMITS
OF THE TULK-WOLFCAMP POOL; SUCH
AUTHORIZATION TO BE AN EXCEPTION TO RULE
309 OF THE RULES AND REGULATIONS OF THE
COMMISSION.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on January 13, 1955, at Santa Fe, New Mexico before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 9th day of February, 1955, the Commission, a quorum being present, having considered the testimony 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 is the owner of State of New Mexico oil and gas leases covering the following described acreage in the Tulk-Wolfcamp Oil Pool of Lea County, New Mexico, to-wit:

TOWNSHIP 15 South, RANGE 32 East, NMPM
Section 3: Lots 1, 2, 3 and 4, S/2 NE/4, S/2,
SW/4 NW/4
Section 4: Lots 1 and 2

3. That, for reasons of efficiency and economy, the applicant desires to employ common tankage for the storage of oil produced from the Tulk-Wolfcamp Pool underlying said leases.
4. That applicant proposes to install a common tank battery for the purpose of storing oil produced from the Tulk-Wolfcamp Pool through wells drilled on the above-described leases, and that equipment

is to be installed which will enable the production from each well producing from the above described leases to be accurately measured as prescribed by the Commission.

5. That, by reason of practical convenience and economy and in the absence of objection by the Commissioner of Public Lands of the State of New Mexico, exception to Commission Rule 309 should be granted.

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

IT IS THEREFORE ORDERED:

1. That the application of the Phillips Petroleum Company for an exception to Rule 309 of the Rules and Regulations of the Commission be, and the same hereby is approved.

2. That the Phillips Petroleum Company is hereby authorized to establish, maintain and operate a central tank battery to receive production from wells completed in the Tulk-Wolfcamp Oil Pool of Lea County, New Mexico, on the following described State of New Mexico oil and gas leases, to-wit:

TOWNSHIP 15 South, RANGE 32 East, NMPM

Section 3: Lots 1, 2, 3 and 4, S/2 NE/4, S/2, SW/4
NW/4

Section 4: Lots 1 and 2

commonly known as Phillips Petroleum Company "Chem State 'A'" and "Chem State" leases, respectively.

PROVIDED, HOWEVER, That adequate tankage and proper equipment be installed and maintained so as to permit specific production tests on each well connected to the common tankage 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 common tank battery shall be permitted to produce at a rate exceeding the then current top allowable for the Tulk-Wolfcamp 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

John F. Simms
JOHN F. SIMMS, Chairman

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

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





BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 811

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
State of New Mexico
Santa Fe, New Mexico
January 13, 1955

IN THE MATTER OF:

Application of Phillips Petroleum Company for approval of an exception to Rule 309 to permit storage in a common tank battery of oil produced from two separate leases: its Chem State Lease, (Lots 1 and 2 of 4-15S-32E) and its Chem State 'A' Lease (consisting of all of Section 3, except SE/4 NW/4, in Township 15 South, Range 32 East), Lea County, New Mexico, in the Tulk-Wolfcamp Pool.

Case No. 811

BEFORE:

Honorable John F. Simms
Mr. E. S. (Johnny) Walker
Mr. W.B. Macey, Secretary

TRANSCRIPT OF PROCEEDINGS

MR. MACEY: The next case on the docket is Case 811.

J. R. BREHMER

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

DIRECT EXAMINATION

By MR. FOSTER:

Q Will you state your name to the Commission, please?

A J. R. Brehmer.

Q Where do you reside, Mr. Brehmer?

A Bartlesville, Oklahoma.

Q By whom are you employed?

A The Production Department, Phillips Petroleum Company.

Q And you have heretofore testified before the Commission, have you not?

A Yes, I have.

MR. FOSTER: If it please the Commission, I would like to state at the outset that this is not an application for an exception to Rule 309, because the tank batteries that we want to consolidate, the land is held under separate leases. We just don't have any rule that covers this. Rule 309 covers only those instances where the land is all held under one basic lease. The land here is not held under one basic lease; they are separate leases.

Q Mr. Brehmer, will you state what leases are involved here in our application for the establishment of the common tank battery?

A The leases involved in this application are the Chem State lease, which is described as Lots 1 and 2 of Section 4, Township 15 South, Range 32 East, Lea County. In the Chem State, A lease which covers all of Section 3, except the Southeast of the Northwest quarter of Township 15 South, Range 32 East, Lea County.

Q Those are separate leases, covering separate tracts of land?

A Yes, sir.

Q And the State is the royalty owner under each lease, is that right?

A That is correct.

Q And you have a plat which shows the acreage which is attributable to each lease in which you filed part of your application in this case?

A Yes, I do.

Q Referring to that plat there, Mr. Brehmer, as Exhibit Number One --

(Marked Phillips Exhibit No. 1,
Case 811, for Identification)

Q (Continuing) -- now, do you have a plat showing the present

tank battery set-up and the proposed tank battery set-up?

A Yes, I do.

MR. FOSTER: Will you have that marked as Phillips Petroleum Company's Exhibit Number Two?

(Marked Phillips Exhibit No. 2,
Case 811, for identification)

Q Is there a copy of that plat attached to our application?

A No, there is not. At the time we filed our application, we didn't have a copy of this plat.

Q Will you detail for the Commission there, and the record, what the present tank battery set-up consists of?

A Well, the present tank battery set-up on our Chem State lease,, which is in Section 4, consists of two five-hundred barrel welded steel tanks, and one National Crude Oil Treater. The present equipment on our Chem State 'A' battery in Section 3, consists of two five-hundred barrel stock tanks and one National Separator, plus other related equipment.

Q Now, will you detail for the record there, and for the benefit of the Commission, what the proposed tank battery set-up would be if the Commission grants this application?

A Well, we propose, if this application is granted, to salvage our present tank battery, that is our two five-hundred barrel tanks in Section 4, which presently serves a Chem State Lease, and to move the Crude Oil Treater from the Chem State over to our Chem State 'A' Lease in Section 3, and thereby produce both wells into one central battery.

Q From what formation is the production from each of the leases at the present time?

A Both wells are producing from the Wolfcamp formation in the

Tulk-Wolfcamp field.

Q Have you made, or caused to be made, an analysis of the gravity of the oil from each one of the wells?

A The gravity, the most recent gravities on each well was in the range of 29 and a half to 40 and a half.

Q Would you say that the gravity of the oil from each well is substantially the same when the gravity range doesn't vary more than that?

A I would.

Q Now, how much is the well on the first lease that you mentioned there making?

A On the Chem State -- see, our Chem State Number One well in Section 4 was tested on October 17th, and it produced 26 and a half barrels of oil and six barrels of water in 24 hours, and 22.04 MCF gas. The last test on our Chem State 'A' in Section 3 was made on October 16th, 1954, and the well tested 15.16 barrels of oil, three barrels of water, and 16.89 MCF of gas.

Q Neither well is making its unit allowable?

A Neither well is capable of making the present allowable.

Q But regardless of that, will the proposed tank battery set-up be so equipped that the production of each well can be measured?

A That is right. The equipment that we propose installing on the common tank battery will include test lines and other necessary equipment, in order to take periodic well tests as required by the Commission in the General Land Office.

Q Even though you produce the two wells into a common tank battery, you will be able to tell the Commission from time to time, in compliance with any order it might issue, what each well is

making separately, is that correct?

A That is right, sir.

Q Now, what will be the monetary value of the equipment that Phillips Petroleum Company will salvage here, if the application is granted?

A Well, the salvage value of the 2500 barrel stock tanks on our Chem State Lease, plus what other salvable equipment is available, will amount to about \$6900.00.

Q You save them that much money in equipment?

A That is in material. The maintenance cost will amount to around \$25.00 a month on maintenance, because of the one battery as compared to the two.

Q Would you recommend that as being a desirable state of affairs, to the Commission, to reduce operating cost and salvage all equipment possible?

A Yes, sir, I do. I think it is an economic measure, and will provide a more feasible means of operating the two wells, especially since there is just one well on each lease.

Q Would the proposal that you are making here, in any way interfere with the protection of correlative rights?

A No, sir, it will not interfere.

MR. FOSTER: I believe that is all.

MR. MACEY: Any questions of the witness?

MR. RHODES: Did I understand you to say, Mr. Brehmer, that the ownership of these leases was not common?

A It is common; the royalty interest in each lease is owned by the State of New Mexico.

MR. RHODES: And the royalty interest is common?

A That is right.

MR. RHODES: What was it you said was not common, or was it merely the fact that they are two separate leases?

MR. FOSTER: I said that they did not come within Rule 309, because 309 pertains to the same basic lease, and these are not covered by Rule 309, but ownership and working ownership are identical.

A That is right.

MR. FOSTER: That is all.

MR. MACEY: Anyone else have a question of the witness?

MR. FOSTER: I would like to introduce the exhibits.

MR. MACEY: Is there any objection to the introduction of these exhibits in evidence? If not, they will be received. Is there anything further in this case? If not the witness may be excused, and we will take the case under advisement.

* * * * *

STATE OF NEW MEXICO)

ss

COUNTY OF BERNALILLO)

I, HELEN PURCELL, 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 mt hand and notarial seal this 19th day of January, 1955.

My Commission Expires:

~~June 19, 1955~~

Dec 18, 1957

Helen Purcell
Notary Public, Court Reporter

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

February 10, 1955

Phillips Petroleum Company
Bartlesville, Oklahoma

Attention: Mr. L. E. Fitzjarrald

Gentlemen:

We attach a copy of Order R-582 issued by the Commission in Case 810, which was heard on January 13, 1955. A copy of the order also is being sent to First National Bank in Dallas, Trustee for Paul P. Scott (Kan-Mex Corporation).

We also attach Order R-579 issued in Case 811, also heard upon your company's application.

Very truly yours,

W. B. Macey,
Secretary-Director

WBM:nr

cc: First National Bank in Dallas
Attention: Mr. W. P. Worthington
DALLAS, TEXAS

C
O
P
Y

PHILLIPS PETROLEUM COMPANY

BARTLESVILLE, OKLAHOMA

PRODUCTION DEPARTMENT

L. E. FITZJARRALD
MANAGER

December 29, 1954

J. M. HOUGHIN
GENERAL SUPERINTENDENT
J. TARNER
TECHNICAL ADVISER TO MGR.
H. S. KELLY
CHIEF ENGINEER

In re: Application of Phillips Petroleum Company for Approval to
Use Common Storage Facilities for Production From its Chem
State and Chem State "A" Leases, Tulk Wolfcamp Field, Lea
County, New Mexico

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

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

Gentlemen:

By wire of December 14, 1954 directed to your attention, Phillips
Petroleum Company requested a hearing before the New Mexico Oil Conservation
Commission for the purpose of obtaining approval to use common storage facili-
ties for production from its Chem State and Chem State "A" leases, Tulk Wolf-
camp field, Lea County, New Mexico.

This letter is being written to confirm our wire and to furnish you
with more detailed information concerning this application. We have been ad-
vised however this date by Mr. E. H. Foster of our Amarillo office that this
application has been set for hearing before the Commission on January 13,
1955.

Our Chem State lease is described as Lots 1 and 2 of Section 4,
Township 15 South, Range 32 East, Lea County. The Chem State "A" lease covers
all of Section 3 except the SE/4 NW/4, Township 15 South, Range 32 East, Lea
County, New Mexico, as shown on the attached plat. The royalty ownership
under each of these leases is common being owned by the State of New Mexico.

On each of these leases there is located one producing oil well.
The establishment and operation of one central tank battery will enable us to
operate these two leases more efficiently and economically. Tankage and other
related equipment will be maintained in such a manner that the productivity of
either well may be determined at any time as required by the Conservation
Commission.

New Mexico Oil Conservation Commission

In re: Application of Phillips Petroleum Company for Approval to
Use Common Storage Facilities for Production From its Chem
State and Chem State "A" Leases, Tulk Wolfcamp Field, Lea
County, New Mexico

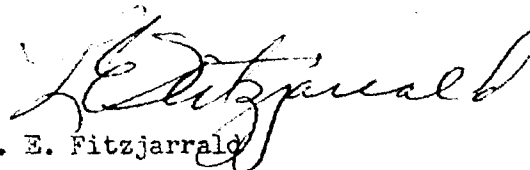
December 29, 1954

Page No. 2

We have also written a letter to the State Land Office of New Mexico requesting its approval to use central storage facilities for these leases.

We therefore restate our request by wire of December 14, 1954, that this matter be included on the Commission's January 13, 1955 docket for hearing as required by the Oil Conservation Commission's rules and regulations.

Very truly yours,


L. E. Fitzjarrald

LEF:JRE:MLT

Attach.

[illegible]

16154
6-10-53
TULSA POOL
CO., N. MEX.
LEA CO. 172000
Rose Wilson
4-10-53

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W. P. MARSHALL, PRESIDENT

SYMBOLS	
DL	Day Letter
NL	Night Letter
LT	Int'l Letter Telegram
VLT	Int'l Victory Ltr.

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1954 DEC 14 PM 5 27

K-BRA201 NL PD-BARTLESVILLE OKLA 14

W B MACEY=

=NEW MEXICO OIL CONSERVATION COMMISSION SANTA FE NMEX=

REQUEST HEARING TO USE COMMON TANK BATTERY FOR OUR CHEM STATE LEASE BEING LOTS 1 AND 2 SECTION 4-15S-32E LEA COUNTY AND CHEM STATE "A" LEASE DESCRIBED AS ALL OF SECTION 3 EXCEPT SE/4 NW/4 15S-32E. ROYALTY UNDER BOTH TRACTS OWNED BY STATE. STATE LAND COMMISSION WILL NOT APPROVE UNTIL AFTER HEARING AND APPROVAL BY CONSERVATION COMMISSION. EACH OF THESE LEASES HAVE ONE PRODUCING WELL AND ARE CARRIED IN TULK WOLFCAMP POOL. URGENT THIS MATTER BE SET FOR JANUARY 3, 1955 HEARING. CC J M HOUCHIN, H D TURNER, R M WILLIAMS, E H FOSTER=

PHILLIPS PETROLEUM CO L E FITZJARRALD=

*James Kellahan checked by Tel. Room of Judge Foster.
Date then 4:45 PM January 13, 1955.*

PHILLIPS PETROLEUM COMPANY

PHILLIPS PETROLEUM COMPANY

AMARILLO, TEXAS

January 24, 1955

LEGAL DEPARTMENT

RAYBURN L. FOSTER
VICE PRESIDENT
AND GENERAL COUNSEL

HARRY D. TURNER
GENERAL ATTORNEY

AMARILLO DIVISION

E. H. FOSTER
CHIEF ATTORNEY
CLIFFORD J. ROBERTS
C. REX BOYD
JACK RITCHIE
THOMAS M. BLUME
JOE V. PEACOCK
WILLIAM M. COTTON
STAFF ATTORNEYS

Re: Commission Rule #309

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

Dear Bill:

At the January 13 Commission hearing on the application of Phillips Petroleum Company for a common tank battery for its "Chem State" and "Chem State A" leases, I stated to you that I did not regard the application as one for exception to the rule.

But, my statement is one of interpretation of the rule. As I view it, the rule, properly construed, does not require the tank battery to be located on the lease. Albeit, this is the language of the rule.

The transportation of oil without measuring it is all that is prohibited. It was not the intent of the rule to prohibit the transportation of oil after measurement on or off the lease.

My view is, the rule must be given a construction based on reason. There is no more reason for requiring the tank battery to be on the lease than there is for the requirement that it be located on the production unit on the lease on which the well is located. Certainly the rule does not require this. This is evidenced by the express provision of the rule which grants the operator the option to use common tankage for as many as eight units on the same basic lease.

Mr. W. B. Macey

-2-

January 24, 1955

If there is any reason for the requirement that the tank battery be located on the lease, then there is no ground for an exception to the rule, for the simple reason that an application for, and the granting of, an exception would constitute a collateral attack upon the rule. This is never permissible.

If my interpretation of the rule is correct, it follows that an application for common tankage for separate leases is not an application for an exception to the rule. In fact, the necessity for an application at all does not appear to be a certainty.

Sincerely yours,


E. H. Foster

EHF:fe

cc: Mr. Jason W. Kellahin

PHILLIPS PETROLEUM COMPANY
Bartlesville, Okla.

*Copy
Time 8:11*

December 17, 1954

In re: Application of Phillips Petroleum Company for Approval
to Use Common Storage Facilities for Production from
its Chem State and Chem State "A" Leases, Tulk Wolfcamp
Field, Lea County, New Mexico

State of New Mexico
State Land Office
Santa Fe, New Mexico

Attention of Mr. E. S. Walker, Commissioner of Public Lands

Gentlemen:

Phillips Petroleum Company has requested a hearing before the
New Mexico Oil Conservation Commission for the purpose of obtaining ap-
proval to use common storage facilities for production from its Chem
State and Chem State "A" leases, Tulk Wolfcamp Field, Lea County, New Mexico.

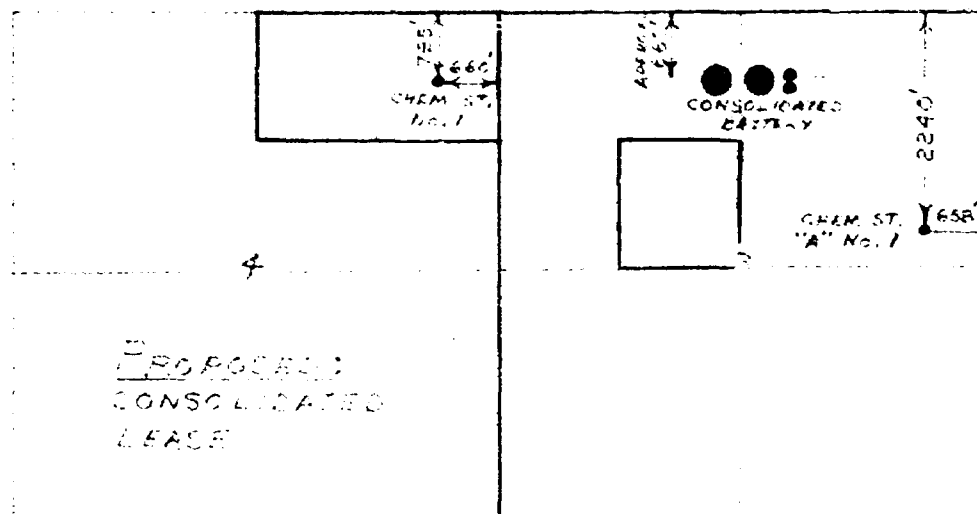
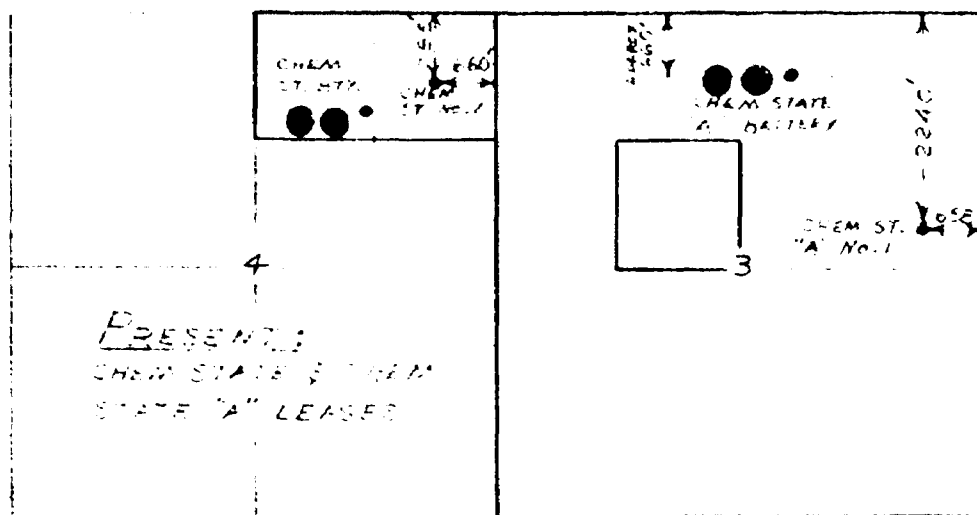
Our Chem State lease is described as Lots 1 and 2 of Section 4,
Township 15 South, Range 32 East, Lea County. The Chem State "A" lease
covers all of Section 3, except SE/4 NW/4, Township 15 South, Range 32 East,
Lea County, New Mexico, all as shown on the attached plat. The royalty
ownership under each of these leases is common being owned by the State of
New Mexico.

On each of these leases there is located one producing ^(oil) well.
The establishment and operation of one central tank battery will enable
us to operate these leases more efficiently and economically. Tankage
and other equipment will be maintained in such a manner that the production
from each well may be accurately ~~measured~~ determined as required by the New
Mexico Oil Conservation Commission and the State Land Office.

We therefore kindly request approval of your office to use common
storage facilities for these two leases subject to the approval of the New
Mexico Commission after proper hearing which we have requested be scheduled
for January 13, 1955 at Santa Fe.

Very truly yours,

L. E. Fitzjarrald



LEGEND:

- - 500 BBL. WELDED STORAGE TANK
- - OIL & GAS SEPARATOR
- - MILLION GALLON TANK

BARTLESVILLE, OKLAHOMA

CHEM STATE AND CHEM STATE "A" LEASES
 SECTIONS 3 & 4, T15-S, R-22-E, LEM
 COUNTY, NEW MEXICO

DRAWN K.E. DAVIS	12/10/54	REVISION	BY	DATE	A.F.E. NO. —	DWG. NO. —
CHECKED					SCALE 1" = 2000'	SHEET NO. —
APPROVED						

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WESTERN UNION

MAIN OFFICE **W.C. MARSHALL, PRESIDENT**

(23)

Case 811

SYMBOLS
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VLT - Int'l Victory Ltr.

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BA32 KAT45 AM 10:14

1954 DEC 20 AM 9 47

K5BRA043 DL PD=BARTLESVILLD OKLA 20 1022AMC

W B MACEY NEW MEXICO OIL COMMISSION

SANTA FE NMEX

WBM

REFERENCE MY WIRE DECEMBER 14 HEARING TO USE COMMON
BANK BATTERY CHEM STATE AND CHEM STATE "A" LEASES
HEARING DATE REQUESTED SHOULD HAVE READ JANUARY 13
RATHER THAN 3

PHILLIPS PET CO L E FITZJARRALD

14 "A" 13 3

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE