

Case No.

2204

Application, Transcript,
Small Exhibits, Etc.

PAN AMERICAN PETROLEUM CORPORATION

Lubbock, Texas
FEB 7 1961

File: WJS-5111-986.510.1 x 40C

Subject: Exception to Statewide
Rule 303
Various Leases,
Lea County, New Mexico

Mr. A. L. Porter, Jr.
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Sir:

Pan American Petroleum Corporation respectfully requests that you schedule for an early docket, a hearing to consider its application for exceptions to State Wide Rule No. 303 to permit commingling of production from separate reservoirs under the following three leases, as more fully discussed below:

1. The Pan American Eva Owen B Lease located in the SW/4 of Section 34, T-21-S, R-37-E, Lea County, New Mexico. There are presently four wells producing at marginal rates from the Drinkard Pool and one well producing at a marginal rate from the Paddock Pool on this lease. It is proposed that this production be commingled in common tankage and that production be allocated to the respective reservoirs on the basis of periodic well tests.
2. The Pan American L. E. Grizzel "B" Lease located in the S/2 of the NE/4 of Section 8, T-22-S, R-37-E, Lea County, New Mexico. There are presently two marginal wells on this lease producing from the Drinkard and Paddock Pools. Pan American proposes that this production be commingled in common tankage and that production be allocated to the respective reservoirs on the basis of periodic well tests.
3. The Pan American J. W. Grizzell Lease, located in the SW/4 of Section 5, T-22-S, R-37-E, Lea County, New Mexico. There are two producing and one shut-in Penrose-Skelly Field wells and one Drinkard Pool well on this lease which produce at marginal rates. Pan American proposes that this production be commingled in common tankage and that production be allocated to the respective reservoirs on the basis of periodic well tests.

Yours very truly,

WJS:jn

A. J. Inderrieden
District Engineer

EXHIBIT

PAN AMERICAN PETROLEUM CORPORATION
APPEAL TO COMBINE OIL PRODUCTION
FROM THE DRINKARD AND PENROSE SKELLY POOLS
FROM ALL WELLS PRESENTLY COMPLETED ON
THE J. W. GRIZZELL LEASE
SW/4 SEC. 5, T-22-S, R-37-E
LEA COUNTY, NEW MEXICO
NEW MEXICO OIL CONSERVATION COMMISSION
EXAMINER HEARING CASE NO. 2204
MARCH 3, 1961

GENERAL

Pan American Petroleum Corporation respectfully requests that the New Mexico Oil Conservation Commission grant an exception to Statewide Rule 303 to permit commingling in common tankage without prior metering of Drinkard and Penrose Skelly crudes on its J. W. Grizzell Lease located in the SW/4 of Section 5, T-22-S, R-37-E.

There are presently four wells on this lease which are completed as follows:

<u>Well No.</u>	<u>Pool in which Well is completed</u>
1	Drinkard
2	Penrose Skelly
3 (Shut-In)	Penrose Skelly
4	Penrose Skelly

The purchaser, Shell Pipeline Company, has verbally agreed to this proposal.

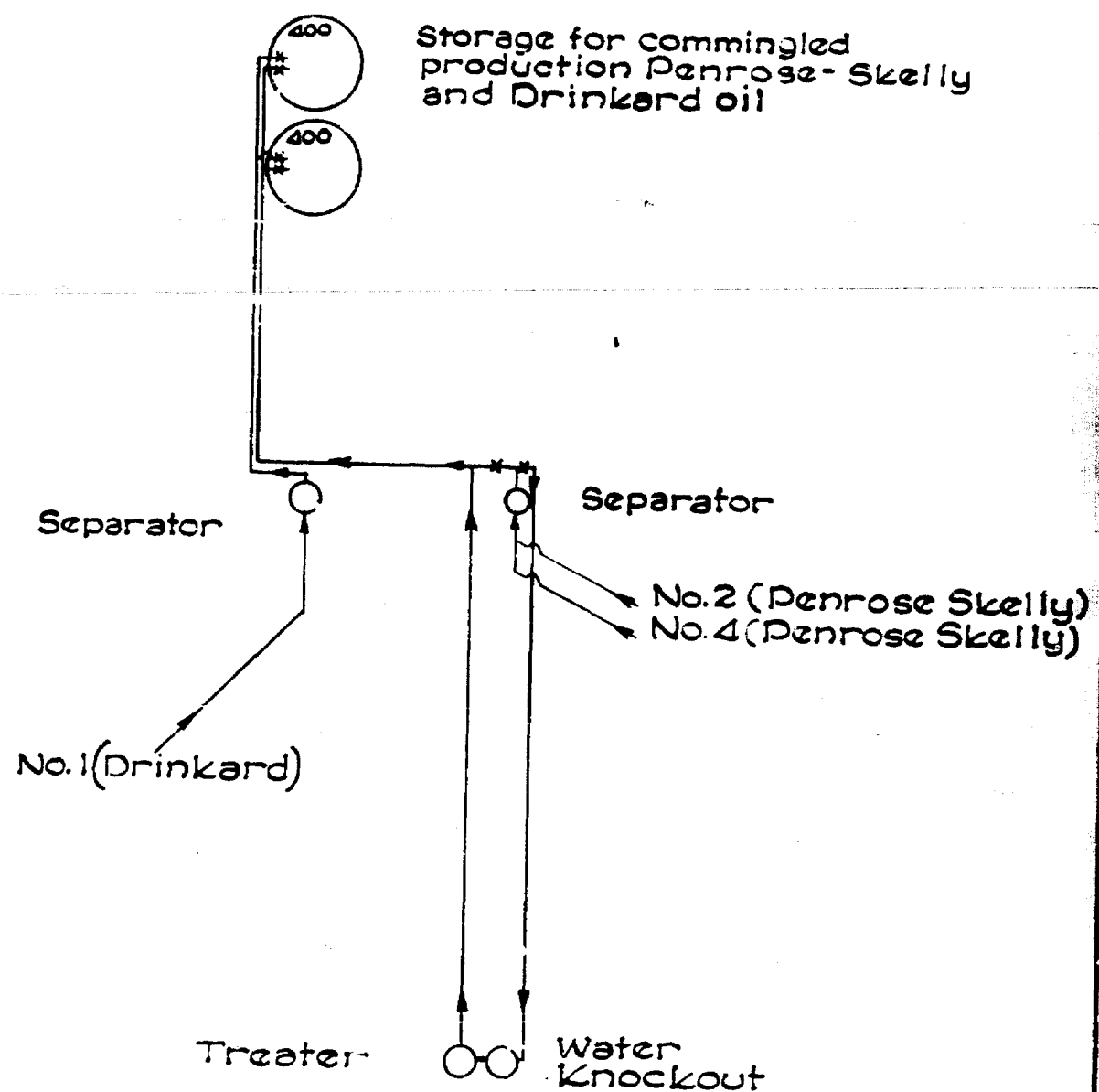
Production will be allocated to the respective reservoirs on the basis of periodic well tests. Review of the attached schematic diagram will indicate that the Drinkard well No. 1, may be tested by diverting its production into a separate tank. Either of the Penrose Skelly Wells, Nos. 2 and 4, may be tested by shutting in the other Penrose Skelly wells and producing the test well into a separate tank.

Granting of this proposal will: (1) Eliminate replacement of two stock tanks which will be required in the near future if storage of the two crudes is continued in separate tank batteries, (2) eliminate a need for oil meters which would cost approximately \$1400 installed, and (3) eliminate intangible maintenance and depreciation expense through elimination of a tank battery.

EXHIBIT

PAN AMERICAN PETROLEUM CORPORATION
PROPOSAL TO COMBINE OIL PRODUCTION
FROM THE BRINEARD AND PENROSE SKELLY POOLS
FROM ALL WELLS PRESENTLY COMPLETED ON
THE J. W. GRIZZELL LEASE
SW/4 SEC. 5, T-22-S, R-37-E
LEA COUNTY, NEW MEXICO
NEW MEXICO OIL CONSERVATION COMMISSION
EXAMINER HEARING CASE NO. 2204
MARCH 3, 1961

PROPOSED INSTALLATION



Facilities proposed for Commingling Drinkard and Penrose Skelly Production on J.W. Grizzell Lease SW/4 Sec. 5, T-22-S, R-37-E Drinkard and Penrose Skelly Pools, Lea County, New Mexico

CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION TELEGRAM

W. P. MARSHALL, President

SYMBOLS

DL = Day Letter

NL = Night Letter

LT = International Letter Telegram

1201

The filing time shown in the date line on domestic telegrams is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination.

LA272 DB360

1961 MAR 1 PM 3 50

D MDA202 NL PD=MIDLAND TEX 1=

A L PORTER

NEW MEXICO OIL CONSERVATION COMMISSION SANTA FE NMEX

WE HEREBY WAIVE ANY OBJECTION TO PAN AMERICAN
PETROLEUM CORPORATIONS APPLICATION TO COMINGLE
PRODUCTION FROM THEIR GRIZZELL LEASES CASE NO 2204=
LANDRETH CO BY A N HENDRICKSON==

PLAIN OF

1961 MAR 2

2204...

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 3/6/61

CASE NO. 2204

HEARING DATE 1am 3/3/61
DSN @ SF

My recommendations for an order in the above numbered case(s) are as follows:

Enter an order authorizing Pan Am
to commingle Drinkard Pool and
Penuoa Skelly Pool production from
its J.W. Griggell Lease, SW $\frac{1}{4}$
Sec 5 T22S R37E Lea Co.

Both pools are marginal.

Provide that Pan Am shall notify
the Santa Fe office of the OCC in
the event either or both of these
pools becomes capable of making
any allowance at which time
this case should be reopened.

Van Natta
Staff Member

P.S. There is a very minor examiner's
interest besides Pan Am involved here
but, to require separate measurement in
this case would be too severe. (The Landreth Co.
owns $\frac{1}{8}$ of $\frac{7}{8}$ of the Drinkard production (2 BOPD + 3 BWPD w/ 48 MCF PD))

- CASE 2203: Application of Pan American Petroleum Corporation for permission to commingle the production from two separate pools. Applicant, in the above-styled cause, seeks permission to commingle the oil production from the Drinkard and Paddock Pools from all wells presently completed on the L. E. Grizzell "B" Lease, comprising the S/2 NE/4 of Section 8, Township 22 South, Range 37 East, Lea County, New Mexico, without separately metering the production from each pool.
- CASE 2204: Application of Pan American Petroleum Corporation for permission to commingle the production from two separate pools. Applicant, in the above-styled cause, seeks permission to commingle the oil production from the Drinkard and Penrose-Skelly Pools from all wells presently completed on the J. W. Grizzell Lease, comprising the SW/4 of Section 5, Township 22 South, Range 37 East, Lea County, New Mexico, without separately metering the production from each pool.
- CASE 2205: Application of Tamenaco Oil Corporation for an unorthodox well location. Applicant, in the above-styled cause, seeks approval of an unorthodox well location for its El Poso Ranch N-11 Well at a point 175 feet from the South line and 1700 feet from the West line of Section 11, Township 28 North, Range 1 East, Rio Arriba County, New Mexico.
- CASE 2206: Application of The Ohio Oil Company for permission to transfer allowables. Applicant, in the above-styled cause, seeks permission to shut-in certain wells in the Lea Unit, both in the Devonian and Bone Springs formations, and transfer the allowable for such wells, for a limited period of time, to other wells within said Lea Unit, Township 20 South, Ranges 34 and 35 East, Lea County, New Mexico.
- CASE 2207: Application of Honolulu Oil Corporation for a pressure maintenance project. Applicant, in the above-styled cause, seeks permission to institute a pressure maintenance project in the Chisum Oil Pool, Chaves County, New Mexico, by the injection of water into certain wells underlying its State B Lease, N/2 SE/4 of Section 13, Township 11 South, Range 27 East. Applicant further seeks the promulgation of special rules and regulations governing said project.

pgm
3/7
(64)
3/8

DRAFT

RSM/esr
March 7, 1961

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. 2204

Order No. R-1899

APPLICATION OF PAN AMERICAN PETROLEUM
CORPORATION FOR PERMISSION TO COMMINGLE
THE PRODUCTION FROM TWO SEPARATE POOLS,
LEA COUNTY, NEW MEXICO.

AS 3/8 *3/8*

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on March 3, 1961, at Santa Fe, New Mexico, before Daniel S. Nutter, 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 _____ day of March, 1961, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, 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, Pan American Petroleum Corporation, seeks permission to commingle, without separate measurement, the oil production from the Drinkard and Penrose-Skelly Pools from all wells presently completed on the J. W. Grizzell Lease, comprising the SW/4 of Section 5, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) That inasmuch as ^{all} ~~no~~ wells on the subject lease ^{producing from the subject pools} ~~are capable~~ *are low marginal wells,* ~~of making top unit allowable from either pool,~~ separate measurement of the production from each pool should not be required.

(4) That approval of the subject application will neither cause waste nor impair correlative rights.

IT IS THEREFORE ORDERED:

That the applicant, Pan American Petroleum Corporation, is hereby authorized to commingle, without separate measurement, the oil production from the Drinkard and Penrose-Skelly Pools from all wells presently completed on the J. W. Grizzell Lease, comprising the SW/4 of Section 5, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

PROVIDED HOWEVER, That should any well on the subject lease become capable of producing a top unit allowable from either pool, the applicant shall ~~separately meter the production from each pool~~ and notify the Commission's Santa Fe Office of such ~~action~~ *fact and*
The case shall be reopened.

PROVIDED FURTHER, That the applicant shall install adequate facilities to permit the testing of all wells on the said J. W. Grizzell Lease at least once each month to determine the individual production from each well.

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER



P. O. BOX 891
SANTA FE

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

MARCH 9, 1961

Mr. Kirk Newman
Atwood & Malone
Box 867
Roswell, New Mexico

Re: Case No. 2204
Order No. R-1899
Applicant:
Pan American Petroleum Corp.

Dear Sir:

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

Very truly yours,

A. L. Porter, Jr.
A. L. PORTER, Jr.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC x
Ariesia OCC
Aztec OCC

OTHER Mr. Guy Buell - Fort Worth, Texas

**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. 2204
Order No. R-1899**

**APPLICATION OF PAN AMERICAN PETROLEUM
CORPORATION FOR PERMISSION TO COMMINGLE
THE PRODUCTION FROM TWO SEPARATE POOLS,
LEA COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on March 3, 1961, at Santa Fe, New Mexico, before Daniel S. Hutter, 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 9th day of March, 1961, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Hutter, 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, Pan American Petroleum Corporation, seeks permission to commingle, without separate measurement, the oil production from the Drinkard and Penrose-Skelly Pools from all wells presently completed on the J. W. Grizzelli lease, comprising the SW/4 of Section 5, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) That inasmuch as all wells on the subject lease producing from the subject pools are low marginal wells, separate measurement of the production from each pool should not be required.

(4) That approval of the subject application will neither cause waste nor impair correlative rights.

-2-

CASE No. 2204
Order No. R-1899

IT IS THEREFORE ORDERED:

That the applicant, Pan American Petroleum Corporation, is hereby authorized to commingle, without separate measurement, the oil production from the Drinkard and Fearose-Shelly Pools from all wells presently completed on the J. W. Grissell Lease, comprising the SW/4 of Section 3, Township 22 South, Range 37 East, N34E, Lea County, New Mexico.

PROVIDED HOWEVER, That should any well on the subject lease become capable of producing a top unit allowable from either pool, the applicant shall notify the Commission's Santa Fe Office of such fact and the case shall be reopened.

PROVIDED FURTHER, That the applicant shall install adequate facilities to permit the testing of all wells on the said J. W. Grissell Lease at least once each month to determine the individual production from each well.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



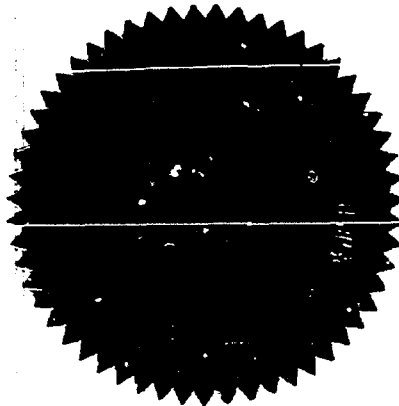
EDWIN L. MECHEM, Chairman



E. S. WALKER, Member



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



esr/

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 3, 1961

IN THE MATTER OF:

Application of Pan American Petroleum Corporation for permission to commingle the production from two separate pools. Applicant, in the above-styled cause, seeks permission to commingle the oil production from the Drinkard and Penrose-Skelly Pools from all wells presently completed on the J. W. Grizzell Lease, comprising the SW/4 of Section 5, Township 22 South, Range 37 East, Lea County, New Mexico, without separately metering the production from each pool.) Case 2204

BEFORE:

Daniel S. Nutter, Examiner.

TRANSCRIPT OF PROCEEDINGS

MR. NUTTER: Case 2204.

MR. MORRIS: Application of Pan American Petroleum Corporation for permission to commingle the production from two separate pools.

MR. NEWMAN: Kirk Newman, Atwood & Malone, Roswell, New Mexico.

MR. PAYNE: Let the record show the witness has been sworn previously.

WILLIAM JAMES SANDIDGE, JR.

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

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PHO 4E CH 3-6691

ALBUQUERQUE, NEW MEXICO



DIRECT EXAMINATION

BY MR. NEWMAN:

Q Will you state your name, please?

A William James Sandidge, Jr.

Q Are you the same Mr. Sandidge who testified in the next preceding case?

A I am.

Q Will you state briefly what you intend to do by this application?

A It requests an exception to statewide Rule 330 to permit commingling in common tankage without prior commingling the production in the SW/4 of Section 5, Township 22 South, Range 37 East, Lea County.

Q Would you refer to the plat, the first attachment in the exhibit and state what that plat shows, please?

A There are four wells located on this lease. One well is completed in the Drinkard reservoir. That is Well No. 1, located in the southeast portion of the lease and indicated by a green symbol. The other three wells are completed in the Penrose-Skelly reservoir. They are indicated by blue symbols. Wells No. 2 and 4 are productive; well No. 1 is now shut in.

Q What is the production rate of the wells which are still producing and the production from which is to be commingled?

A During December of 1960 each well averaged two barrels of oil per day.

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PHONE CH 3-5591

ALBUQUERQUE, NEW MEXICO



Q In your opinion is there any possibility that the wells will ever become top allowable wells?

A I don't foresee that.

Q Would you refer to the second attachment in the exhibit and state what that attachment shows, please?

A This attachment shows a schematic diagram of the lease facilities which will be in use after the commingling is accomplished. Well No. 1, the Drinkard well, will be produced through a separate separator, and reference to the diagram will show it will be diverted into either of the two stock tanks and tested separately on any day desired, provided you have a tank available from the pipeline. The other two wells are tied together before they enter the separator. Their production is from the separator through a water knockout, through a treater and into the stock tanks. It will be necessary to shut in one well to test the other well. However, experience has indicated that these wells will make their production on an alternate day basis.

Q What is the ownership of the working interests, royalty and overrides under this particular lease?

A All of the royalty interests are identical in both reservoirs. Pan American owns a 7/8 net interest in the Penrose-Skelly reservoir. In the Drinkard reservoir it owns a 7/8 net interest less a 1/8 of 7/8 interest owned by the Landreth Company.

Q Has the Landreth Company consented to this application?

A By a letter; we have requested a waiver, and we understand

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PHONE CH 3-6591



it was submitted to the Commission.

MR. NEWMAN: The substance of that is, "We hereby waive any objection to Pan American Petroleum Corporation's application to commingle production from the Grizzel lease, in Case 2204. Landreth Company, by A. N. Hendrickson." We will request admission of this telegram into this case.

Q Has an agreement been made with Landreth Company to allocate production to their various interests?

A Yes, sir. Production to the wells in question will be allocated on the basis of periodic well tests which have been explained to Landreth, and they are in agreement.

Q Has the pipeline purchaser consented to take the commingled production ?

A Here, again, Shell Pipeline is the purchaser, and they verbally agreed to this proposal.

Q Will the granting of this application prevent waste?

A We think it will. Here, again, it will extend the economic life. Actually, we are faced with replacement of a tank battery if this application is not approved; in view of the very marginal nature of these wells it is questionable whether you could justify replacing the two tanks in bad shape.

Q As conditions exist now you will either have to commingle the production, replace the tank batteries, or shut the wells in?

A Or install approximately \$1400 worth of meters, which we would not want to do.

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PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

Q Will correlative rights in any way be affected by the granting of this application?

A We think that by allocating production to the wells on the basis of periodic well tests that correlative rights will be protected.

Q Will the commingling of this production affect the value of the commingled production?

A I estimate that it will reduce the value by approximately 12¢ per day.

Q Were the exhibits and attachments therein prepared by you?

A They were.

MR. NEWMAN: We would like to offer that exhibit.

MR. NUTTER: Pan American's Exhibit No. 1 in Case 2204 will be admitted.

MR. NEWMAN: That is all the direct.

MR. NUTTER: Any questions?

BY MR. PAYNE:

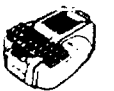
Q What is the producing capacity of the well which is shut in?

A As far as I know it is zero, or below its economic limit. That was a number of years ago.

Q And the average of two barrels of oil per day for the other wells is based on what?

A December, 1960, production.

Q Is this also a fee lease?



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ALBUQUERQUE, NEW MEXICO

A This is a fee lease, yes, sir.

Q Does Pan American have any proposed plans to waterflood either zone?

A There are no plans at present. I anticipate that that will be studied very intensively in the future.

Q Assuming you do waterflood either zone, and the wells become capable of producing 42 barrels of oil per day, you would then be willing to separately meter the production from each pool?

A This area is pretty well split up among various operators, as you can see. I imagine any secondary recovery project would be on a cooperative basis or unitization basis in all probability. Therefore, the pool in question would be separated from the other one, which would remain under Pan American's operation.

BY MR. NUTTER:

Q You stated there was a 1/8 royalty interest on this lease; Pan American owns 7/8 of Penrose-Skelly, 7/8 of Drinkard lease less 1/8 of 7/8 owned by Landreth?

A Pan American owns 7/8 of 7/8 of the Drinkard, and Landreth owns 1/8 of 7/8 under a net profit account.

Q Pan American will notify the Santa Fe Office of the Commission in the event either one of these zones become capable of making top allowable?

A If you so direct.

MR. NUTTER: Any further questions of Mr. Sandidge? He may be excused. Do you have anything further in this case, Mr.



Newman?

MR. NEWMAN: That is all.

MR. NUTTER: Take the case under advisement.

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, JUNE PAIGE, 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 9th day of March, 1961.

June Paige

Notary Public Court Reporter

My Commission expires:

May 11, 1964.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

(HORE CH 3-6691



I N D E X

<u>WITNESS</u>	<u>PAGE</u>
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DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

E X H I B I T S

<u>NUMBER</u>	<u>EXHIBIT</u>	<u>IDENTIFIED</u>	<u>OFFERED</u>	<u>ADMITTED</u>
Ex.#1	Booklet	2	5	5

I do hereby certify that the foregoing is
a complete and correct copy of the proceedings in
the 1961 trial of Case No. 2104
heard by me on 3/3, 1961.

[Signature], Examiner
New Mexico Oil Conservation Commission

