

Case No.

1421

Application, Transcript,  
Small Exhibits, Etc.

1944

BEFORE THE  
OIL CONSERVATION COMMISSION  
Roswell, New Mexico  
April 16, 1958

CASE NO. 1421

TRANSCRIPT OF PROCEEDINGS

DEARNLEY - MEIER & ASSOCIATES  
INCORPORATED  
GENERAL LAW REPORTERS  
ALBUQUERQUE - SANTE FE  
3-6691 2-2211

BEFORE THE  
OIL CONSERVATION COMMISSION  
Roswell, New Mexico  
April 16, 1958

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IN THE MATTER OF:

CASE NO. 1421 In the matter of the hearing called by  
the Oil Conservation Commission of New  
Mexico on its own motion to amend Rule  
309 of the Commission Rules and Regula-  
tions to permit the production of as many  
as sixteen units into a common tank bat-  
tery and to permit the production of oil  
from separate contiguous oil and gas  
leases into a common tank battery under  
certain conditions.

BEFORE:

Mr. A. L. Porter  
Mr. Murray Morgan  
Honorable Edwin L. Rechem

TRANSCRIPT OF PROCEEDINGS

MR. PORTER: Next case to be considered will be Case 1421.

MR. PAYNE: Case 1421. In the matter of the hearing  
called by the Oil Conservation Commission of New Mexico on its own  
motion to amend Rule 309 of the Commission Rules and Regulations to  
permit the production of as many as sixteen units into a common  
tank battery and to permit the production of oil from separate con-  
tiguous oil and gas leases into a common tank battery under certain  
conditions.

MR. PORTER: This case ought to be pretty good with one  
commission lawyer questioning another.

(Witness sworn)

WILLIAM J. COOLLY

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

DIRECT EXAMINATION

BY MR. PAYNE:

Q Will you state your name and position?

A William J. Cooley, general counsel for the New Mexico Oil Conservation Commission.

Q Mr. Cooley, do you have any recommendations insofar as the revision of Rule 309 is concerned?

A Yes, sir, I do.

Q Would you state what they are, please?

A It has been the experience of the Oil Conservation Commission during the past two years that technological advances and the experience, as we have observed it through many cases presented before this Commission for exceptions to Rule 309, that the eight well limitation contained in subparagraph A of Rule 309, that limitation being that no more than eight units may be produced into one common tank battery, is somewhat stringent and should be relaxed at this time. It is my recommendation that that figure of eight be amended to read sixteen. Rule 309-A would then read, and I quote:

"Oil shall not be transported from a lease until it has been received and measured in tanks located on the lease. At the option of the operator, common tankage may be used to receive the production

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from as many as sixteen units of the same basic lease, provided adequate tankage and other equipment is installed so that production from each well can be accurately determined at reasonable intervals."

Experience has also taught the Commission, through many hearings for exceptions to Rule 309, that the limitation contained therein could well be expanded to include all types of leases rather than just State leases. Under Rule 309 B the Secretary of the Commission now has authority to grant exceptions to permit the commingling of production from two separate leases provided those leases are State of New Mexico leases; Provided further, that they are dedicated to a common beneficiary; that the wells are producing from a common source of supply, and that no more than eight units will be produced into a common tank battery. Provided further, that all owners of adjoining oil and gas leases have consented in writing to the proposed commingling of oil in writing from the separate leases, or at least have failed to object after having been so notified. And provided further, that the State Land Commissioner has given his express approval for such commingling.

I would propose that Rule 309 be amended:

- (1) to permit the production of sixteen wells, again, into a single tank battery, and further, to permit the production from two separate leases whether they be State, Federal or fee, provided (i) that the wells are producing from a common source of supply; provided that the adjoining oil and gas lease owners have consented in writing; or have failed to object after having been notified of

the application. Provided: (2) that the leases are contiguous and provided again, that all interest owners, that is royalty owners, overriding royalty owners, and all working interest owners, have consented in writing to the commingling of these properties, and provided, that all people owning an interest on the two leases have the same identical interest in each of the two leases. In other words, the ownership of the leases to be commingled must be common one hundred percent throughout not only in the persons who own those interests, but in the percentability of interest that these persons own. I believe that concludes my recommendations regarding the amendment of Rule 309.

MR. PAYNE: That is all.

MR. PORTER: Does anyone have a question of Mr. Cooley concerning this Rule revision? The witness may be excused.  
(Witness excused)

MR. PORTER: Does anyone else have any further testimony to present in the case? Any statement?

MR. BRATTON: Mr. Porter, the Humble Oil & Refining Company wishes to recommend the acceptance of the recommendations of Mr. Cooley, particularly that Rule 309 A be changed from eight to sixteen wells. However, Humble does believe that technological advances have actually gone beyond the sixteen well stage and that the rule could well at this time or in the future be increased beyond that, but we do recommend acceptance of the proposed changes.

MR. MOORE: I am from Continental Oil Company. I have a

statement to read.

MR. PORTER: Mr. Moore, I believe I will ask you to come up to the mike, please, sir.

MR. MOORE: Continental Oil Company recommends that Rule 309, which limits the number of wells that may be produced into a common battery, be eliminated as an unnecessary barrier to the increased efficiency of lease operations. Continental is opposed to any change in said Rule 309 which would grant a blanket approval to commingling all production from separate leases except where precaution is taken to protect correlative rights in the individual tracts. Thank you.

MR. CURRENS: Pan American Petroleum Company --

MR. PORTER: Mr. Currens, will you come up to the mike too?

MR. CURRENS: Dan Currens, Pan American Petroleum Corporation. Pan American wishes to enter a statement in support of the proposed changes in Rule 309 as outlined here today.

MR. PORTER: Thank you.

MR. KASTLER: Bill Kastler, representing Gulf Oil Corporation. Gulf also concurs in the proposed change in Rule 309. We have frequently had occasion to request exceptions in order to produce more than eight wells into a tank battery and we believe that this would very conveniently save the operators the necessity of any further hearings on that.

MR. PORTER: Any further statements?



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MR. PAYNE: Mr. Moore, do you feel that Mr. Cooley's proposed revision of Rule 309 B adequately protects correlative rights?

MR. MOORE: Personally, I believe that it does.

MR. PORTER: Anyone else have anything further in this case?

We will take the case under advisement and consider next Case 1365.

C E R T I F I C A T E

STATE OF NEW MEXICO )  
: ss  
COUNTY OF BERNALILLO )

I, J. A. TRUJILLO, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in stenotype and reduced to typewritten transcript under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this 8<sup>th</sup> day of May, 1958, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

*Joseph A. Trujillo*  
Notary Public

My commission expires:  
October 5, 1960.

I do hereby certify that the foregoing is a true and correct record of the proceedings in the State of New Mexico, Case No. 1921, heard by the New Mexico Oil Conservation Commission, 1958.  
*[Signature]*  
Examiner  
New Mexico Oil Conservation Commission

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF THE STATE OF NEW  
MEXICO FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 1421  
Order No. R-1172

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO ON ITS  
OWN MOTION TO AMEND RULE 309 OF  
THE COMMISSION RULES AND REGULATIONS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 16, 1958, at Roswell, New Mexico, before the Oil Conservation Commission of the State of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 5<sup>th</sup> day of May, 1958, the Commission, a quorum being present, having considered the evidence adduced 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 Rule 306 of the Commission Rules and Regulations should be revised to permit the production of as many as sixteen units into a common tank battery.

(3) That Rule 309 of the Commission Rules and Regulations should be further revised to permit the commingling of production from separate contiguous oil and gas leases in a common tank battery in the absence of objection by offset operators, provided all production is from the same common source of supply and provided further that the ownership of said leases is common throughout.

IT IS THEREFORE ORDERED:

That Rule 309 of the Commission Rules and Regulations be and the same is hereby revised to read as follows:

RULE 309. CENTRAL TANK BATTERIES

- (a) Oil shall not be transported from a lease until it has been received and measured in tanks located on the lease. Common tankage may be used to receive the production from as many as sixteen proration units on the

same basic lease, provided adequate tankage and other equipment is installed so that the production from each unit can be accurately determined at reasonable intervals.

- (b) The Secretary-Director of the Commission shall have authority to grant exceptions to Rule 309 (a) to permit the commingling of production from two or more separate State, Federal, Indian, or patented oil and gas leases in a common tank battery, without notice and hearing, provided application has been filed in due form and provided further that:

1. The leases are contiguous.
2. All production is from the same common source of supply.
3. No more than sixteen units will be produced into a common tank battery and adequate facilities will be provided for accurately determining production from each well at reasonable intervals.
4. The ownership of the leases is common throughout.
5. All persons owning an interest in the leases (including royalty owners) have consented in writing to the commingling of production from the separate leases. Consent must also be obtained from the State Land Commissioner in the case of State lands and from the Regional Supervisor of the U. S. Geological Survey in the case of Federal or Indian lands.
6. All owners of adjoining oil and gas leases have consented in writing to the commingling of production from the separate leases.
7. In lieu of paragraph 6 of this rule, the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to commingle production from the separate leases. The

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Case No. 1421  
Order No. R-1172

Secretary-Director of the Commission  
may approve the application if, after  
a period of 20 days following the  
mailing of said notice, no operator  
has made objection to the application.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*E L Mechem*

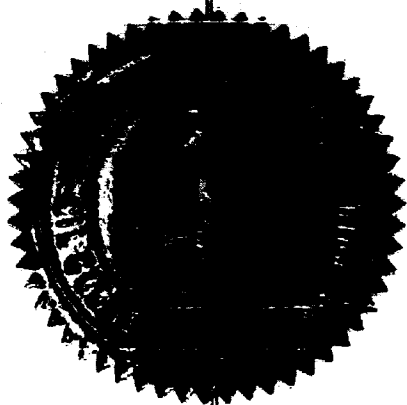
EDWIN L. MECHEM, Chairman

*Murray E. Morgan*

MURRAY E. MORGAN, Member

*A. L. Porter, Jr.*

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



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CONTINENTAL STATEMENT IN CASE 1421

Continental Oil Company recommends that Rule 309 (a) which limits the number of wells that may be produced into a common battery be eliminated as an unnecessary barrier to increased efficiency in lease operations.

Continental is opposed to any change in said Rule 309 which would grant a blanket permit to commingle production from separate leases except where every precaution is taken to protect correlative rights under the individual tracts.

DOCKET: REGULAR HEARING APRIL 16, 1958

Oil Conservation Commission 9 a.m., Elks Club, 200 North Richardson Avenue

ROSWELL, NEW MEXICO

- ALLOWABLE: (1) Consideration of the oil allowable for May, 1958.
- (2) Consideration of the allowable production of gas for May, 1958, for six prorated pools in Lea County, New Mexico; also consideration of the allowable production of gas from six prorated pools in San Juan and Rio Arriba Counties, New Mexico, for May, 1958.

NEW CASES

CASE 1365:

Application of Cabot Carbon Company for a hearing de novo before the Oil Conservation Commission of New Mexico on its application for a dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its H. L. Lowe "B" Well No. 1, located 467 feet from the South line and 850 feet from the East line of Section 26, Township 13 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from both the King-Devonian Pool and King-Wolfcamp Pool through parallel strings of 1½" tubing.

CASE 1419:

Application of Standard Oil Company of Texas for the creation of the Atoka-Pennsylvanian Gas Pool and for the adoption of temporary special pool rules for said pool. Applicant, in the above-styled cause, seeks an order creating the Atoka-Pennsylvanian Gas Pool, Township 18 South, Range 26 East, Eddy County, New Mexico, and adopting temporary special pool rules for said pool providing for 320-acre spacing with fixed well locations and such other rules as the Commission may deem proper.

CASE 1420:

Application of Caulkins Oil Company to amend the Special Pool Rules for the South Blanco-Tocito Oil Pool. Applicant, in the above-styled cause, seeks an order amending the Special Pool rules in the South Blanco-Tocito Oil Pool in Rio Arriba County, New Mexico to provide for the transfer of allowables within its water injection project in said pool and to provide credit against gas-oil ratio limitations for water injected under said program.

CASE 1421:

In the matter of the hearing called by the Oil Conservation Commission of New Mexico on its own motion to amend Rule 309 of the Commission Rules and Regulations to permit the production of as many as sixteen units into a common tank battery and to permit the production of oil from separate contiguous oil and gas leases into a common tank battery under certain conditions.

CASE 1422:

Southeastern New Mexico nomenclature case calling for an order for the creation of new pools and the extension of existing pools in Lea, Eddy and Roosevelt Counties, New Mexico.

(a) Create a new oil pool for Grayburg production, designated as the South Leo-Grayburg Pool, and described as:

Township 18 South, Range 30 East  
Section 31: NW/4

(b) Create a new oil pool for San Andres production, designated as the Seven Rivers Hills-San Andres Pool, and described as:

Township 20 South, Range 26 East  
Section 29: NE/4

(c) Extend the Eumont Gas Pool to include:

Township 20 South, Range 36 East  
Section 32: NE/4

(d) Extend the Fowler-Devonian Pool to include:

Township 24 South, Range 37 East  
Section 16: NE/4

(e) Extend the Gladiola-Wolfcamp Pool to include:

Township 12 South, Range 38 East  
Section 8: E/2  
Section 17: N/2  
Section 18: N/2

(f) Extend the Grayburg Jackson Pool to include:

Township 17 South, Range 31 East  
Section 10: SW/4

(g) Extend the West Henshaw-Grayburg Pool to include:

Township 16 South, Range 30 East  
Section 3: Lot 13  
Section 4: Lots 13 & 14  
Section 17: NE/4

(h) Extend the Langlie-Mattix Pool to include:

Township 26 South, Range 37 East  
Section 4: NW/4 & N/2 SW/4



- (i) Extend the Maljamar Pool to include:

Township 17 South, Range 33 East  
Section 18: E/2 NE/4

- (j) Extend the Milnesand-Pennsylvanian Pool to include:

Township 8 South, Range 35 East  
Section 18: SE/4

- (k) Extend the Saladar-Yates Pool to include:

Township 20 South, Range 28 East  
Section 33: SW/4 SE/4

- (l) Extend the Tatum-Wolfcamp Pool to include:

Township 13 South, Range 36 East  
Section 6: NE/4

- (m) Extend the Welch-Delaware Pool to include:

Township 26 South, Range 27 East  
Section 16: SW/4

CASE 1423:

Northwestern New Mexico nomenclature case calling for an order for the creation of new pools and the extension of existing pools in San Juan and Rio Arriba Counties, New Mexico.

- (a) Create a new gas pool for Gallup production, designated as the Angel's Peak-Gallup Pool and described as

Township 26 North, Range 10 West  
Section 2: NW/4  
Section 3: N/2  
Section 4: NE/4

Township 27 North, Range 10 West  
Section 26: SW/4  
Section 27: S/2  
Section 28: SE/4  
Section 33: E/2  
Section 34: All  
Section 35: W/2

- (b) Create a new oil pool for Gallup production, designated as the Escrito-Gallup Oil Pool and described as:

Township 24 North, Range 7 West  
Section 16: SW/4  
Section 17: S/2  
Section 18: SE/4  
Section 19: NE/4

Township 24 North, Range 7 West (Continued)  
Section 20: N/2  
Section 21: N/2 & SE/4  
Section 22: S/2  
Section 23: S/2  
Section 26: N/2 & SW/4  
Section 27: All

- (c) Extend the South Blanco-Pictured Cliffs Pool to include:

Township 27 North, Range 7 West  
Section 5: NW/4  
Section 6: NE/4

Township 28 North, Range 7 West  
Section 30: SW/4  
Section 31: NW/4

Township 28 North, Range 8 West  
Section 25: S/2  
Section 36: N/2

- (d) Extend the Blanco Mesaverde Pool to include:

Township 26 North, Range 2 West  
Section 19: All  
Section 20: W/2

Township 32 North, Range 13 West  
Section 35: S/2

- (e) Extend the Bisti-Lower Gallup Oil Pool to include:

Township 24 North, Range 9 West  
Section 7: NW/4 & S/2  
Section 8: S/2

Township 24 North, Range 10 West  
Section 1: W/2  
Section 2: N/2  
Section 3: NE/4  
Section 12: N/2

Township 25 North, Range 10 West  
Section 35: SE/4

- (f) Extend the Verde-Lower Gallup Oil Pool in San Juan County, New Mexico, to include therein:

Township 31 North, Range 14 West  
Section 29: NW/4  
Section 30: NE/4

Township 31 North, Range 15 West  
Section 11: N/2

No. 11-58

SUPPLEMENTAL DOCKET: REGULAR HEARING APRIL 16, 1958  
Oil Conservation Commission 9 a.m., Elks Club, 200 North Richardson Avenue

ROSWELL, NEW MEXICO

CASE 1424:

Application of Humble Oil and Refining Company for an unorthodox well location. Applicant, in the above-styled cause, seeks an order authorizing an unorthodox oil well location for its Federal-North Kirtland Unit Well No. 1 at a point 1230 feet from the North line and 998 feet from the East line of Section 19, Township 30 North, Range 14 West, San Juan County, New Mexico, said well to be drilled as a wildcat to the Dakota formation.

April 3, 1958

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