

Case No.

1518

Application, Transcript,  
Small Exhibits, Etc.

CONFIDENTIAL - SECURITY INFORMATION  
EXCLUDED FROM AUTOMATIC DOWNGRADING AND  
& DECLASSIFICATION SCHEDULE  
& TERRY, SHAWRY OIL FIELDS

Under the  
SP-5  
of

**OIL CONSERVATION COMMISSION**

**P. O. BOX 871**

**SANTA FE, NEW MEXICO**

October 28, 1958

C  
O  
P  
Y

Mr. James E. Sperling  
Modrall, Seymour, Sperling, Roehl & Harris  
P.O. Box 466  
Albuquerque, New Mexico

Dear Mr. Sperling:

On behalf of your client, Magnolia Petroleum Company, we enclose two copies of Order R-1266 issued October 25, 1958, by the Oil Conservation Commission in Case 1518, which was heard on October 2nd at Santa Fe before an examiner.

Please note that this order requires that each meter installed in the subject system shall be tested for accuracy at intervals and in a manner satisfactory to the Commission. It will be necessary for you to run a series of tests of sufficient duration to determine that the meters are functioning properly immediately following installation. Thereafter, tests should be made at intervals not to exceed one month and a report of said calibration filed with the Commission. The meters shall be calibrated against a master meter or against a test tank of measured volume.

Very truly yours,

A. L. Porter, Jr.  
Secretary - Director

bp  
Encls.

**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. 1518  
Order No. M-1266**

**APPLICATION OF MAGNOLIA PETROLEUM  
COMPANY FOR PERMISSION TO COMMINGLE  
THE PRODUCTION FROM TWO SEPARATE  
OIL POOLS IN LEA COUNTY, NEW MEXICO.**

**ORDER OF THE COMMISSION**

**BY THE COMMISSION:**

This cause came on for hearing at 9 o'clock a.m. on October 2, 1958, at Santa Fe, New Mexico, before Elvis A. Utz, 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 25<sup>th</sup> day of October, 1958, the Commission, a quorum being present, having considered the application, the evidence adduced and the recommendations of the Examiner, Elvis A. Utz, 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, Magnolia Petroleum Company is the owner and operator of the Stephens Estate Lease, consisting of the SW/4 of Section 24, Township 21 South, Range 37 East, NEPM, Lea County, New Mexico.

(3) That the applicant is the owner and operator of the Stephens Estate Well No. 1, located in the NW/4 SW/4 of said Section 24 and presently completed in the Wantz-Abe Pool; Said well is to be recompleted as an oil-oil dual completion in the Wantz-Abe Pool and Terry-Blinbry Oil Pool under the authority granted in Administrative Order DC-651.

(4) That the applicant is the owner and operator of the Stephens Estate Well No. 2, located in the SW/4 SW/4 of said Section 24 and completed in the Terry-Blinbry Oil Pool.

-2-

Case No. 1518  
Order No. R-1286

(5) That the applicant proposes to commingle the oil produced from the Wantz-Abo Pool by its said Stephens Estate Well No. 1 with the oil produced from the Terry-Blinbry Oil Pool by its said Stephens Estate Well Nos. 1 and 2.

(6) That approval of the subject application will not cause waste nor impair correlative rights.

IT IS THEREFORE ORDERED:

(1) That applicant be and the same is hereby authorized to commingle the oil produced from the Wantz-Abo Pool by its Stephens Estate Well No. 1, located in the NW/4 SW/4 of Section 24, Township 21 South, Range 37 East, NMPN, Lea County, New Mexico, with the oil produced from the Terry-Blinbry Oil Pool by its said Stephens Estate Well No. 1 and its Stephens Estate Well No. 2, located in the SW/4 SW/4 of said Section 24.

(2) That the production from each zone shall be separately metered by means of dump-type meters or positive displacement meters prior to being commingled, and the mechanical installation shall be so designed as to make it physically impossible to commingle Wantz-Abo production with Terry-Blinbry production prior to being separately metered.

(3) That the above-described meters shall be checked for accuracy at intervals and in a manner satisfactory to the Commission.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*E. L. Mechen*

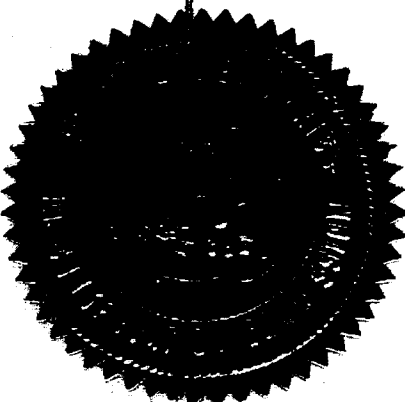
EDWIN L. MECHEN, Chairman

*Murray E. Morgan*

MURRAY E. MORGAN, Member

*A. L. Porter, Jr.*

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



OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

Date 10-6-58

CASE NO. 1518

HEARING DATE 10-2-58

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

1. Applicant be allowed to commingle oil production from the Terry-Blinchey oil Pool and the Manty-Abo oil Pool on their ~~of~~ Stephens Estate lease ~~to~~ consisting of the NW 5 W 1/4 sec. 24-R21S-T37E.
2. Production shall be metered with dump-type ~~separators~~ or positive displacement meters prior to commingling in the tanks.
3. System shall be mechanically arranged so ~~that~~ there is no possibility of commingling of production prior to metering.
4. Usual commingling order in other respects.

  
Staff Member

J. R. MODRALL  
AUGUSTUS T. SEYMOUR  
JAMES E. SPERLING  
JOSEPH E. ROEHL  
GEORGE T. HARRIS  
DEAN P. KIMBALL  
DANIEL A. SISK  
JOHN M. STEWART  
LELAND S. SEDGERRY

MAIN OFFICE OCC  
LAW OFFICES OF  
MODRALL, SEYMOUR, SPERLING, ROEHL & HARRIS  
SPEAR BUILDING  
P. O. BOX 466

1958 SEP 8 AM 8:45

ALBUQUERQUE, NEW MEXICO

TELEPHONE CHAPEL 3-4514

September 5, 1958

JOHN F. SIMMS (1885-1954)

Case 1518

New Mexico Oil Conservation Commission  
125 Mabry Hall  
Capitol Building  
Santa Fe, New Mexico

Re: Application of Magnolia Petroleum  
Company for an Exception to State-  
wide Rule 303 to permit commingl-  
ing of production from the Wantz  
Abo and Terry Blinbry Oil Pools  
on its Stephens Estate Lease, Lea  
County, New Mexico.

Gentlemen:

Enclosed is the above application in triplicate which  
we would appreciate your setting for hearing at your earl-  
iest convenience. Hearing before an examiner would be sat-  
isfactory.

We would appreciate your letting us know the date on  
which this matter is set.

Very truly yours,

James E. Sperling

JES/ch  
Enclosure

Docket mailed  
9-18-58  
B.P.

111

SEP 10 1943

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION  
OF MAGNOLIA PETROLEUM COMPANY FOR  
AN EXCEPTION TO STATEWIDE RULE 303  
TO PERMIT COMMINGLING OF PRODUCTION  
FROM THE WANTZ ABO AND TERRY  
BLINEBRY OIL POOLS ON ITS STEPHENS  
ESTATE LEASE, LEA COUNTY, NEW MEX-  
ICO.

CASE NO. 1518

A P P L I C A T I O N

TO THE HONORABLE OIL CONSERVATION COMMISSION OF THE STATE OF  
NEW MEXICO:

COMES NOW Magnolia Petroleum Company, Applicant  
herein, and respectfully alleges and states as follows:

1. That it is the owner and operator of an oil  
and gas lease, known as its Stephens Estate Lease, which  
includes all of the Southwest quarter of Section twenty-  
four, Township twenty-one South, Range thirty-seven East,  
Lea County, New Mexico.

2. That there have heretofore been completed  
upon said lease applicant's Stephens Estate No. 1, which  
is classified as an oil well in the Wantz Abo formation  
and applicant's Stephens Estate No. 2, which is classified  
as an oil well in the Terry Blinebry formation.

3. That in order to eliminate the necessity of  
duplicate tank battery installations to segregate the pro-  
duction from each formation, applicant proposes to commingle  
the production from the separate formations in a single  
tank battery and to meter and gauge the production from  
said formations in such a manner that the production from  
each well may be accurately determined.

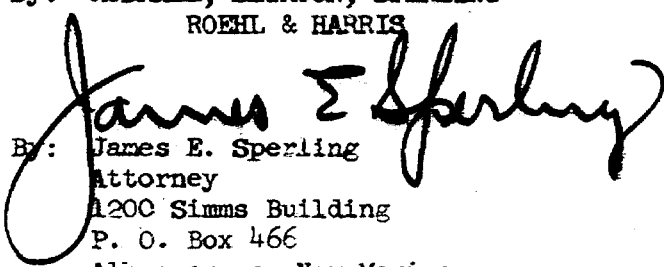
4. That Rule 303 of the Rules and Regulations  
of this Commission prohibits the commingling of production  
from separate formations prior to marketing.

5. That the granting of this application will  
result in the prevention of waste and the protection of  
correlative rights of all concerned.

WHEREFORE Applicant prays that this application  
be set for hearing, that notice be given as required by  
law, and that upon the evidence adduced at such hearing  
this Commission issue an order permitting applicant to  
commingle the production from its Stephens Estate Lease.

MAGNOLIA PETROLEUM COMPANY

By: MODRALL, SEYMOUR, SPERLING  
ROEHL & HARRIS

By:   
James E. Sperling  
Attorney  
1200 Simms Building  
P. O. Box 466  
Albuquerque, New Mexico





DOCKET: EXAMINER HEARING OCTOBER 2, 1958

Oil Conservation Commission 9 a.m. Mabry Hall, State Capitol, Santa Fe

The following cases will be heard before Elvis A. Utz, Examiner:

CASE 1225: Application of Moab Drilling Company for authority to expand its water flood project in the High Lonesome Pool, Eddy County, New Mexico, and for approval of certain unorthodox well locations therein. Applicant, in the above-styled cause, seeks an order authorizing the expansion of its water flood project in the High Lonesome Pool, Eddy County, New Mexico, to include its Davis-Federal Well No. 11-W, a proposed water injection well to be drilled on an unorthodox location 1310 feet from the North line and 2630 feet from the West line of Section 15, Township 16 South, Range 29 East. Applicant further seeks an administrative procedure for the future expansion of said water flood project to include the following proposed water injection wells to be drilled on unorthodox locations:

Davis-Federal No. 1-W; 10 feet from the North line and 2630 feet from the West line of Section 15.

Davis-Federal No. 2-W; 10 feet from the North line and 1310 feet from the West line of Section 15.

Skelly-State No. 15-W; 1310 feet from the North line and 2630 feet from the West line of Section 16.

Skelly-State No. 25-W; 2630 feet from the North line and 2630 feet from the West line of Section 16.

All in Township 16 South, Range 29 East.

CASE 1511: Application of Newmont Oil Corporation for an order authorizing a pilot water flood project. Applicant, in the above-styled cause, seeks an order authorizing it to institute a pilot water flood project in the Loco Hills Pool in Eddy County, New Mexico. Applicant proposes to inject water into the Grayburg formation through one well in Section 1, Township 18 South, Range 29 East, and through five wells in Section 6, Township 18 South, Range 30 East, all in Eddy County, New Mexico.

CASE 1512: Application of Humble Oil & Refining Company for approval of a unit agreement. Applicant, in the above-styled cause, seeks an order approving its Bandana Point Unit Agreement embracing approximately 14,293 acres of Federal, state and fee acreage in Township 22 South, Range 23 East, and Township 23 South, Ranges 23 East and 24 East, all in Eddy County, New Mexico.

CASE 1513: Application of Drilling and Exploration Company, Inc. for an exception to the casing requirements for the potash-oil area in Lea and Eddy Counties, New Mexico. Applicant, in the above-styled cause, seeks an order authorizing an exception to the shallow-zone casing requirements for the potash-oil

CASE 1513 continued

area as set forth in Order No. R-111-A for its Ballard No. 1 Well located 1980 feet from the North and West lines of Section 27, Township 20 South, Range 34 East, Lea County, New Mexico. Applicant proposes to drill with cable tools to an approximate depth of 3,700 feet adjacent to the Lynch Pool. Applicant proposes to use the following casing program in lieu of the program prescribed for cable tool holes by Order R-111-A:

- (1) 13 3/8 inch casing to be cemented at approximately 70 feet.
- (2) 10 3/4 inch casing to be landed at approximately 700 feet.
- (3) 8 5/8 inch casing to be landed at approximately 1250 feet.
- (4) 5 1/2 inch casing to be cemented at the top of the producing formation with 50 sacks cement for testing purposes.
- (5) 10 3/4 inch casing and 8 5/8 inch casing to be pulled.
- (6) In the event commercial production is obtained, 5 1/2 inch casing to be perforated and cement circulated to surface.

CASE 1514: Application of Continental Oil Company for approval of a unit agreement. Applicant, in the above-styled cause, seeks an order approving its Tonto Deep Unit Agreement embracing 2,000 acres, more or less, of Federal and state lands in Township 18 South, Range 34 East, Lea County, New Mexico.

CASE 1515: Application of Continental Oil Company for a non-standard gas proration unit. Applicant, in the above-styled cause, seeks an order establishing a 320-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the S/2 Section 22, Township 22 South, Range 36 East, Lea County, New Mexico, said unit to be dedicated to the applicant's Meyer B-22 Well No. 1 located 1650 feet from the South line and 990 feet from the East line of said Section 22.

CASE 1516: Application of El Paso Natural Gas Company for two non-standard gas proration units and for the approval of one unorthodox gas well location. Applicant, in the above-styled cause, seeks an order establishing a 120-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the N/2 SW/4 and the SW/4 SW/4 of Section 4, Township 25 South, Range 37 East, said unit to be dedicated to the applicant's Wells Federal No. 3 Well located 1980 feet from the South and West lines of said Section 4. Applicant further seeks the establishment of a 200-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the SE/4

CASE 1516 continued

SW/4 of Section 4 and the NW/4 of Section 9, Township 25 South, Range 37 East, Lea County, New Mexico, said unit to be dedicated to the applicant's Wells Federal No. 11 Well located 430 feet from the South line and 2317 feet from the West line of said Section 4. Applicant further seeks approval of the unorthodox gas well location of the said Wells Federal No. 11 Well.

CASE 1517: Application of Amerada Petroleum Corporation for a dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its State BT "M" Well No. 2, located in the SE/4 NE/4 of Section 33, Township 11 South, Range 33 East, Lea County, New Mexico, in such a manner as to permit the production of gas from the upper Pennsylvanian formation adjacent to the Bagley-Upper Pennsylvanian Gas Pool, and the production of oil from the lower Pennsylvanian formation adjacent to the Bagley-Lower Pennsylvanian Gas Pool through the casing-tubing annulus and the tubing respectively.

CASE 1518: Application of Magnolia Petroleum Company for permission to commingle production from two separate oil pools. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the production from the Wantz-Abo (oil) Pool and Terry-Blinbry Oil Pool on its Stephens Estate Lease comprising the SW/4 of Section 24, Township 21 South, Range 37 East, Lea County, New Mexico.

CASE 1519: Application of Sunray Mid-Continent Oil Company and British American Oil Producing Company for an order authorizing a secondary recovery project. Applicants, in the above-styled cause, seek an order authorizing a secondary recovery project in the Bisti-Lower Gallup Oil Pool in San Juan County, New Mexico. Applicants propose to inject liquefied petroleum gas and dry gas into the Gallup formation through the British American Marye Well No. 2 located in the NE/4 NE/4 of Section 12, Township 25 North, Range 13 West, and the Sunray Mid-Continent Federal "C" Well No. 20 located in the SW/4 NW/4 of Section 7, Township 25 North, Range 12 West, all in San Juan County, New Mexico.

CASE 1520: Application of Phillips Petroleum Company for permission to commingle oil produced from two separate pools. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the oil produced on its Santa Fe Lease from the Yates formation adjacent to the Vacuum Yates Pool with the oil produced from the Vacuum (San Andres) Pool in four separate existing tank batteries located in Sections 26, 27, 28, and 33, Township 17 South, Range 35 East, Lea County, New Mexico.

CASE 1521: Application of Humble Oil and Refining Company for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its New Mexico State "V" Well No. 1, located 860 feet from the South and West lines of Section 10, Township 21 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Blinebry Oil Pool and the Drinkard Pool through parallel strings of 1½ inch tubing.

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE 1518

TRANSCRIPT OF HEARING

OCTOBER 2, 1958

DEARNLEY - MEIER & ASSOCIATES  
GENERAL LAW REPORTERS  
ALBUQUERQUE NEW MEXICO  
Phone Chapal 3-6891

2

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO  
OCTOBER 2, 1958

-----  
IN THE MATTER OF: :

CASE 1518 Application of Magnolia Petroleum Company :  
for permission to commingle production from :  
two separate oil pools. Applicant, in the :  
above-styled cause, seeks an order authoriz- :  
ing it to commingle the production from the :  
Wantz-Abo (oil) Pool and Terry-Blinbry Oil :  
Pool on its Stephens Estate lease comprising :  
the SW/4 of Section 24, Township 21 South, :  
Range 37 East, Lea County, New Mexico. :  
-----

BEFORE:

Mr. Elvis A. Utz, Examiner.

T R A N S C R I P T     O F     P R O C E E D I N G S

MR. UTZ: The hearing will come to order, please. The  
next case on the docket will be Case 1518.

MR. COOLEY: Case 1518. Application of Magnolia Petrol-  
eum Company for permission to commingle production from two separate  
oil pools.

MR. SPERLING: I am J. E. Sperling of Modrall, Seymour,  
Sperling, Roehl & Harris, Albuquerque, appearing for the applicant.  
I have one witness, Mr. Sanders.

(Witness sworn)

MR. UTZ: Any other appearances in this case? If not,  
you may proceed.

3

JOHN L. SANDERS,

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

DIRECT EXAMINATION

BY MR. SPERLING:

Q Will you state your name, please?

A John L. Sanders.

Q By whom are you employed, Mr. Sanders?

A Magnolia Petroleum Company.

Q Have you testified on previous occasions before the Commission and been accepted as a qualified expert?

A I have.

Q Mr. Sanders, the application filed by your company herein requests exceptions to State Rule 303, and requests an order of the Commission for permission to commingle production from separate formations as to the lands identified in the application. I hand you what has been marked as Magnolia's Exhibit 1, and ask you if that indicates the location of the lease in question as well as the offset operators?

A Yes, this Exhibit 1 locates Magnolia's lease, the Stephens Estate, in the southwest of Section 24, Range 27 East, 21 South -- Township 21 South.

Q Will you explain what you propose to do in the event that the application is granted?

A In the event the application is granted, we propose to



meter the oil production from the Wantz-Abo and commingle it with production from the Terry-Blinebry, using the measured volume of the Abo to establish the breakdown between the two zones.

Q What system do you propose to employ in order to accurately measure the production from the two separate formations?

A We propose to use a three-phase separator heater treater on the Abo and to use an approved dump type metering vessel or a positive displacement meter to measure the oil.

Q Have you identified the zones from which this lease is presently producing?

A No, I haven't. This lease is presently producing from the Terry-Blinebry Oil and the Wantz-Abo Oil.

Q How is the production from these two formations being handled currently?

A Currently, we have three low five hundred bolted steel tanks and two separators; one three by eleven and one three by thirteen. The production from the Abo goes through one separator and to two of the tanks. The production from the Blinebry goes through one separator and to one of the tanks temporarily until this approval -- until this application can be acted upon.

Q Now, I call your attention to what has been marked as Exhibit No. 2, and ask you to explain what information is shown on that Exhibit?

A Exhibit 2 shows the lease Magnolia operates as the Stephens Estate. The zones, the Wantz-Abo, which includes Well No.

1, the Terry-Blinebry, which includes Well No. 2 presently with Well No. 1 to be dually completed; we received permit DC 651 to dual the No. 1, shows the gravity of the Abo to be 12.3, and of the Blinebry to be 43.6. Although it doesn't show it, both zones are sweet. The production rate on the Abo is 21 oil, 5 water with 2762 to 1 GOR. The production from the Blinebry Well is 47 oil, no water with 1647 to 1 ratio. That 47 is top allowable. The well is capable of producing up to 100 barrels a day. The equipment presently that will be used shows three low five hundred bolted steel tanks; one three by eleven National separator, and one three phase separator for the Abo zone with either dump type meter optional or positive displacement meter to be used if a dump type meter is not used.

Q What is the reason for the listing of optional equipment that you propose to use?

A That's to give us flexibility in case the need for a heater treater develops for the Abo. At present, there is no facility for dumping the free water from the Abo. It is bled from the tanks, and although it is possible that the three-phase separation will drop the water out, it may at some future time require us to set the heater treater, and we propose to use a positive displacement meter in preference to a dump vessel built into the heater treater, although in three-phase separation, the metering vessel will be incorporated in the vessel itself.

Q I see. Is there common royalty interest ownership as to

all of the zones that are productive, in fact, the entire lease?

A Yes, there is one royalty owner, and Magnolia owns the working interest one hundred percent.

Q In your opinion, Mr. Sanders, will the system of measurement which you propose to install provide an accurate and positive method for measuring the production from the two zones, including, of course, the dually completed well?

A Yes, it will. The continued metering or measuring of the production from the Abo will give us a breakdown of the production from the two zones.

Q Do you -- does your company expect to enjoy an economic savings as a result of such a system?

A Yes, we will enjoy an economic savings, as well as an economic cost savings. The elimination of acquiring or setting up of another battery will be the present economic savings, and the maintaining of an extra battery and the gauging of such will save on operating cost.

Q I hand you what has been identified as Exhibit No. 3, and ask you if that is a recapitulation of the savings which you have computed or estimated as resulting from the installation of the program or system that you have testified concerning?

A Yes. Exhibit 3 is a recapitulation of estimated savings to elimination of an extra tank battery. The initial -- the extra cost of a metering system or a dump type metering vessel is listed under cost, and the savings due to the elimination of an extra tank

battery is listed under savings.

Q When was the No. 2 Well completed, approximately?

A July of 1958.

Q By effecting the economic savings that you have described, Mr. Sanders, is it your opinion that such a saving will result in the prevention of waste?

A Yes, by use of this commingling, we will be able to produce the Abo to a lower barrel per day before abandonment due to the savings in operating cost. The Abo is very nearly depleted. We estimate two-year life left.

Q Mr. Sanders, do you know of instances where a system similar to the one which you propose has been approved by the Commission?

A A system similar to the one I have proposed has not been approved by the Commission, but the Commission has approved systems that require less metering, where they allowed commingling on tests in five previous cases. This commingling with this continuous metering, in my opinion, gives us a more accurate check of the breakdown.

Q Do I understand that the metering will be applicable to the production from the lower zone?

A From the lower zone in the dual completion.

Q In the dual completion. And the production from the upper zone will be on the basis -- I mean will be measured on the basis of tank measurement and differential as against the metered

6  
production?

A That's right.

Q Do you have anything further to add, Mr. Sanders, with reference to the proposed system; its operation, maintenance, and so forth?

A Nothing other than the -- that as in previous allowances of exceptions to Rule 303, we would, of course, comply with the monthly test requirement of each well, and submit all of C-115 complete, as it is required.

MR. SPERLING: That's all at this time. We will offer at this time Exhibits 1, 2 and 3 at this time.

MR. UTZ: Without objection, they will be received.  
Are there any questions of the witness?

CROSS EXAMINATION

BY MR. FISCHER:

Q Mr. Sanders, does the same pipeline take both type crudes?

A Presently taking both crudes.

Q Do you know how many tanks of oil have been run from this Terry-Blinebry tank battery?

A We have not quite made our allowable due to having to run that one tank of oil. We've not quite got out during August, and we are going to lack just a little bit going out. In other words, we produced very nearly the allowable that has been assigned.

Q You say you have never filled a tank of oil from that Terry-Blinebry?

A I say we have produced our allowable. We've not quite produced it due to the shutdown.

Q Have you experienced very many days' delay, say, at your longest time, you know, from filling the tank with Terry-Blinebry oil to getting the run?

A Two days' delay is about what we've experienced due to the fact that we just have the one tank.

Q How long does your pipeline that takes the oil at that battery or either one of the batteries require that this crude be weathered at the present time? Do you have any idea?

A Well, I know that we've shut down one morning, and then they take it that day. In other words, when we fill the tank. As soon as the gauger gets there, they put it on, something like six hours or less.

MR. FISCHER: That's all.

MR. UTZ: Any other questions of the witness?

MR. COOLEY: I have a few.

MR. UTZ: You may proceed.

QUESTIONS BY MR. COOLEY:

Q Mr. Sanders, I don't understand entirely the figures depicted on your economic portrayal here; Exhibit 2, is it?

A 3.

Q 3?

A Yes.

Q How much savings over and above the present two tanks

set up would you enjoy, if you were permitted to install the proposed equipment?

A Our present setup is strictly temporary, you realize that. In other words, we set three tanks in anticipation. The three tanks will be sufficient for the two zones. The two tanks we had originally were for the Abo. We set one tank to make it sufficient for the three zones. If this request were not granted, we would require the installation of a three-tank battery or set up two more tanks. In other words, to handle the production from the Blinebry, a three-tank hookup, and, of course, we have already installed one tank, so we would be saving two tanks, the connection for these two tanks, the dirt work to set up, or the pad, fencing material, coating of the tanks, trucking and labor. Of course, we will still require the separator which we would have to put in for that battery. The additional cost is the cost of the metering equipment, and those two subtracted from the cost savings from the two tanks gives us a net savings of 7340 or 7650, depending on which system we install.

Q The Commission requires that you meter the production from both wells. How much would that cut down in savings?

A Approximately five hundred dollars.

Q That would be about the same figures that you have up here on cost?

A That's right. We wouldn't require any three-phase separation of the zones at present. The additional cost would be meter

dump valve and labor.

Q In other words, there will still be a considerable savings?

A Considerable savings if we had to meter both zones, right.

Q I am not aware of the order that you referred to where they permitted commingling as a result of requiring periodic tests. On recent dates the Commission has been requiring installation of meters on both wells, and in the event that they saw fit to continue that policy, Magnolia would still pursue --

A We would still install the system.

Q Can you compare the advantages and disadvantages of two meters as compared to metering one and gauging the difference?

A It saves the reading of one meter and the additional -- the initial expense of installation and expense of maintenance is all. It is not much extra effort on the pumper's part, it saves small expenses and in maintenance expense.

MR. COOLEY: I have nothing further.

QUESTIONS BY MR. UTZ:

Q Mr. Sanders, I am not clear now. I thought I was, but I don't seem to be at the moment, which one of these is the dual completion.

A The No. 1 will be the dual completion. It has presently been approved under Order DC-651. It is not presently dually completed, however, and it is not shown as a dual completion on the



plat. Exhibit 2 shows the Well No. 1 on the Abo, and the Well No. 1 on the Terry-Blinebry to be dually completed.

Q And the No. 2 is now a Terry-Blinebry Well?

A The No. 2 was drilled through the Abo and plugged back and completed as a Terry-Blinebry Well.

Q It is a single completion?

A It is a single completion. The Tubb, Drinkard and Abo were dry on that well.

Q And you intend to commingle the Terry-Blinebry oil from the No. 2 and No. 1 Wells in this system?

A That's right, with the Wantz-Abo.

Q In the event that you go the route that you have proposed here, the oil will be commingled from both pools before metering takes place, is that correct?

A No. The oil will be -- the two Blinebry oils will be commingled before metering takes place, but the Abo will be metered prior to commingling.

Q The Terry-Blinebry oil will go into the tanks directly?

A To the separator and into the tanks directly.

Q The Abo will be --

A The Abo will be metered, and the difference will be the Blinebry production.

Q Actually, the oil from both pools will be commingled --

A That's correct.

Q -- before both are metered?

A That's right, before both are metered. I see your question now.

Q In the event you install the dual metering equipment, would you install that equipment in such a manner that both pools would be metered before commingling of the oil?

A Yes, both pools would be metered separately before commingling.

Q There would be no possibility of commingling the pools before metering?

A No.

MR. UTZ: Are there any other questions of the witness? If not, the witness may be excused.

(Witness excused)

MR. UTZ: Are there any other statements to be made in this case? If not, the case will be taken under advisement.

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 by me and/or 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, the 9<sup>th</sup> day of October 1958, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

J. A. Trujillo  
Notary Public

My Commission Expires:  
October 5, 1960.

I do hereby certify that the foregoing is a complete record of the proceedings in the Hearings before the New Mexico Oil Conservation Commission of Case No. 1518 heard by me on 10-2-1958.

[Signature], Secretary  
New Mexico Oil Conservation Commission

DOCKET: EXAMINER HEARING OCTOBER 2, 1958

Oil Conservation Commission 9 a.m. Mabry Hall, State Capitol, Santa Fe

The following cases will be heard before Elvis A. Utz, Examiner:

CASE 1225: Application of Moab Drilling Company for authority to expand its water flood project in the High Lonesome Pool, Eddy County, New Mexico, and for approval of certain unorthodox well locations therein. Applicant, in the above-styled cause, seeks an order authorizing the expansion of its water flood project in the High Lonesome Pool, Eddy County, New Mexico, to include its Davis-Federal Well No. 11-W, a proposed water injection well to be drilled on an unorthodox location 1310 feet from the North line and 2630 feet from the West line of Section 15, Township 16 South, Range 29 East. Applicant further seeks an administrative procedure for the future expansion of said water flood project to include the following proposed water injection wells to be drilled on unorthodox locations:

Davis-Federal No. 1-W; 10 feet from the North line and 2630 feet from the West line of Section 15.

Davis-Federal No. 2-W; 10 feet from the North line and 1310 feet from the West line of Section 15.

Skelly-State No. 15-W; 1310 feet from the North line and 2630 feet from the West line of Section 16.

Skelly-State No. 25-W; 2630 feet from the North line and 2630 feet from the West line of Section 16.

All in Township 16 South, Range 29 East.

CASE 1511: Application of Newmont Oil Corporation for an order authorizing a pilot water flood project. Applicant, in the above-styled cause, seeks an order authorizing it to institute a pilot water flood project in the Loco Hills Pool in Eddy County, New Mexico. Applicant proposes to inject water into the Grayburg formation through one well in Section 1, Township 18 South, Range 29 East, and through five wells in Section 6, Township 18 South, Range 30 East, all in Eddy County, New Mexico.

CASE 1512: Application of Humble Oil & Refining Company for approval of a unit agreement. Applicant, in the above-styled cause, seeks an order approving its Bandana Point Unit Agreement embracing approximately 14,293 acres of Federal, state and fee acreage in Township 22 South, Range 23 East, and Township 23 South, Ranges 23 East and 24 East, all in Eddy County, New Mexico.

CASE 1513: Application of Drilling and Exploration Company, Inc. for an exception to the casing requirements for the potash-oil area in Lea and Eddy Counties, New Mexico. Applicant, in the above-styled cause, seeks an order authorizing an exception to the shallow-zone casing requirements for the potash-oil

CASE 1513 continued

✓  
area as set forth in Order No. R-111-A for its Ballard No. 1 Well located 1980 feet from the North and West lines of Section 27, Township 20 South, Range 34 East, Lea County, New Mexico. Applicant proposes to drill with cable tools to an approximate depth of 3,700 feet adjacent to the Lynch Pool. Applicant proposes to use the following casing program in lieu of the program prescribed for cable tool holes by Order R-111-A:

- (1) 13 3/8 inch casing to be cemented at approximately 70 feet.
- (2) 10 3/4 inch casing to be landed at approximately 700 feet.
- (3) 8 5/8 inch casing to be landed at approximately 1250 feet.
- (4) 5 1/2 inch casing to be cemented at the top of the producing formation with 50 sacks cement for testing purposes.
- (5) 10 3/4 inch casing and 8 5/8 inch casing to be pulled.
- (6) In the event commercial production is obtained, 5 1/2 inch casing to be perforated and cement circulated to surface.

CASE 1514:  
✓  
Application of Continental Oil Company for approval of a unit agreement. Applicant, in the above-styled cause, seeks an order approving its Tonto Deep Unit Agreement embracing 2,000 acres, more or less, of Federal and state lands in Township 18 South, Range 34 East, Lea County, New Mexico.

CASE 1515:  
✓  
Application of Continental Oil Company for a non-standard gas proration unit. Applicant, in the above-styled cause, seeks an order establishing a 320-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the S/2 Section 22, Township 22 South, Range 36 East, Lea County, New Mexico, said unit to be dedicated to the applicant's Meyer B-22 Well No. 1 located 1650 feet from the South line and 990 feet from the East line of said Section 22.

CASE 1516:  
Contd. to  
next ex.  
hearing  
Oct. 22, 58  
Application of El Paso Natural Gas Company for two non-standard gas proration units and for the approval of one unorthodox gas well location. Applicant, in the above-styled cause, seeks an order establishing a 120-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the N/2 SW/4 and the SW/4 SW/4 of Section 4, Township 25 South, Range 37 East, said unit to be dedicated to the applicant's Wells Federal No. 3 Well located 1980 feet from the South and West lines of said Section 4. Applicant further seeks the establishment of a 200-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the SE/4

CASE 1516 continued

*Cont'd.*

SW/4 of Section 4 and the NW/4 of Section 9, Township 25 South, Range 37 East, Lea County, New Mexico, said unit to be dedicated to the applicant's Wells Federal No. 11 Well located 430 feet from the South line and 2317 feet from the West line of said Section 4. Applicant further seeks approval of the unorthodox gas well location of the said Wells Federal No. 11 Well.

CASE 1517:

✓

Application of Amerada Petroleum Corporation for a dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its State BT "M" Well No. 2, located in the SE/4 NE/4 of Section 33, Township 11 South, Range 33 East, Lea County, New Mexico, in such a manner as to permit the production of gas from the upper Pennsylvanian formation adjacent to the Bagley-Upper Pennsylvanian Gas Pool, and the production of oil from the lower Pennsylvanian formation adjacent to the Bagley-Lower Pennsylvanian Gas Pool through the casing-tubing annulus and the tubing respectively.

CASE 1518:

Application of Magnolia Petroleum Company for permission to commingle production from two separate oil pools. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the production from the Wantz-Abo (oil) Pool and Terry-Blinbry Oil Pool on its Stephens Estate Lease comprising the SW/4 of Section 24, Township 21 South, Range 37 East, Lea County, New Mexico.

CASE 1519:

*Cont. to  
Oct. 15  
hearing in  
Farmington*

Application of Sunray Mid-Continent Oil Company and British American Oil Producing Company for an order authorizing a secondary recovery project. Applicants, in the above-styled cause, seek an order authorizing a secondary recovery project in the Bisti-Lower Gallup Oil Pool in San Juan County, New Mexico. Applicants propose to inject liquefied petroleum gas and dry gas into the Gallup formation through the British American Marye Well No. 2 located in the NE/4 NE/4 of Section 12, Township 25 North, Range 13 West, and the Sunray Mid-Continent Federal "C" Well No. 20 located in the SW/4 NW/4 of Section 7, Township 25 North, Range 12 West, all in San Juan County, New Mexico.

CASE 1520:

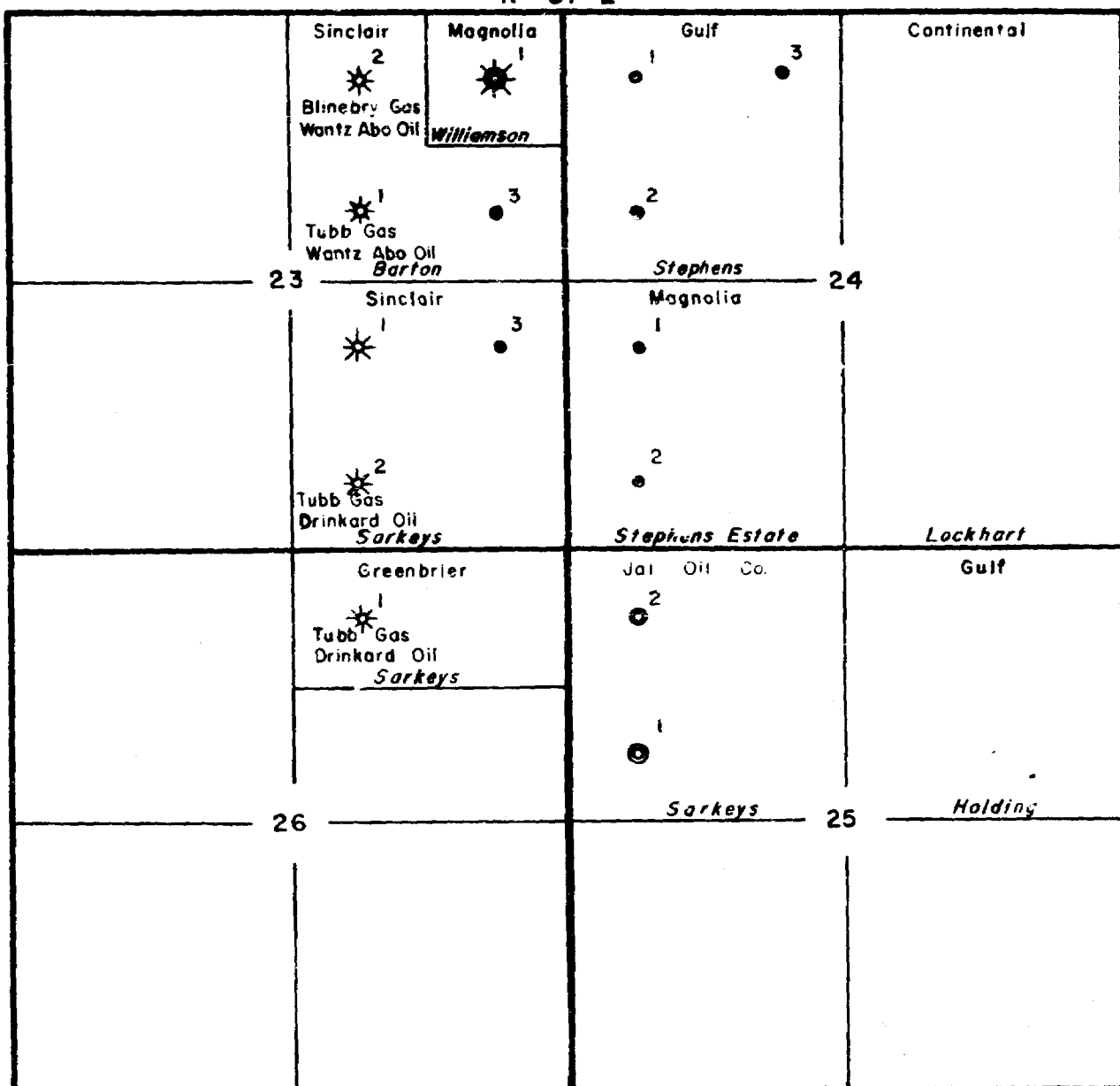
Application of Phillips Petroleum Company for permission to commingle oil produced from two separate pools. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the oil produced on its Santa Fe Lease from the Yates formation adjacent to the Vacuum Yates Pool with the oil produced from the Vacuum (San Andres) Pool in four separate existing tank batteries located in Sections 26, 27, 28, and 33, Township 17 South, Range 35 East, Lea County, New Mexico.

-4-

Docket No. 26-58

CASE 1521: Application of Humble Oil and Refining Company for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its New Mexico State "V" Well No. 1, located 660 feet from the South and West lines of Section 10, Township 21 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Blinebry Oil Pool and the Drinkard Pool through parallel strings of  $1\frac{1}{2}$  inch tubing.

R - 37 - E



T  
21  
S

LEGEND

- Wantz Abo Oil Well
- Terry Blinebry Oil Well
- ★ Blinebry Gas Well
- ⊙ Blinebry-Tubb Oil Well
- ★⊙ Blinebry-Tubb Gas Well

BEFORE EXAMINER UTZ

OIL CONSERVATION COMMISSION

*Magnolia* EXHIBIT NO. 1  
CASE NO. 1578

MAGNOLIA PETROLEUM COMPANY  
PRODUCING DEPARTMENT  
DALLAS - TEXAS  
DISTRICT - LEA  
STEPHENS ESTATE AREA

SHEET NO. 1

SCALE: 33" = 1 Mile

DATE - 3/7/58

DRAWN *gca*

CHECKED

APPROVED *C. J. C.*

REVISED  
7-29-58



MAGNOLIA PETROLEUM COMPANY

Lease: Stephens Estate

Zones: Wantz Abo  
Well No. 1

Terry Blinebry  
Well No. 1 (To be dually completed permit  
DC-651)  
Well No. 2

Gravity Oil: Abo 42.3° API  
Blinebry 43.6° API

Production Rate: Abo 21 oil, 5 water, 2762:1 GOR  
Blinebry 47 oil, 0 water, 1647:1 GOR

Equipment: 3 - L 500 barrel bolted steel  
1 - 3' x 11' National separator  
1 - Three phase separator for Abo zone (Dump  
type meter optional)  
1 - Positive displacement meter (If dump type  
not used)

BEFORE EXAMINER UTZ  
OIL CONSERVATION COMMISSION  
*Magnolia* EXHIBIT NO. 2  
CASE NO. 1518

MAGNOLIA PETROLEUM COMPANY

Savings by Commingling

Cost

Meter	\$ 305
Dump Valve	115
Labor	100
	<u>\$ 520</u>

Additional cost three phase separator as compared to regular separator	\$ 150
Additional cost metering three phase separator as compared to regular separator	\$ 450

Save

2 tanks @ 2000/tank	\$ 4,000
Connections	750
Dirt work	1,000
Fence material	200
Coat tanks	1,000
Trucking	400
Labor	<u>750</u>
	\$ 8,100

\$ 8,100	\$ 8,100
-520	-450
<u>-150</u>	
\$ 7,430	\$ 7,650

JLS:kb  
9-30-58

BEFORE EXAMINER UTZ  
OIL CONSERVATION COMMISSION  
*Magnolia* EXHIBIT NO. 3  
CASE NO. 1518