

CASE 2010: Application of Sinclair Oil &
Gas to commingle Empire-Abo pool
production from M. Yates "B" lease.

N

Case No.

2010

Application, Transcript,
Small Exhibits, Etc.

Refer Reply To:
Oil & Gas Royalty Division

June 23, 1960

Re: Centralized Tank Battery
Empire ABO Pool
M. Yates "B" (ARC) Lease and
State Eddy 32 Lease
Eddy County, New Mexico

Sinclair Oil & Gas Company
P. O. Box 1470
Midland, Texas

Attention: Horace N. Burton

Gentlemen:

Permission is hereby granted to you to commingle the production from
Empire ABO Pool of wells located in Section 33, T-17S R-28E, except the
NW/4 NW/4, and in the NW/4 NW/4 of Section 34, and SE/4 NW/4 Section 32,
T-17S R-28E.

All of this acreage is committed to one beneficiary, that being Common
Schools.

Sincerely yours,

MURRAY E. MORGAN,
Commissioner of Public Lands

By: *Ted Bilberry*
Ted Bilberry, Supervisor
Oil & Gas Division

MEM:TB:ML

cc: Oil Conservation Commission
Santa Fe, New Mexico

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. 2010
Order No. R-1725

APPLICATION OF SINCLAIR OIL & GAS
COMPANY FOR PERMISSION TO COMMINGLE
THE PRODUCTION FROM TWO SEPARATE
LEASES IN EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on July 6, 1960, 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 21st day of July, 1960, 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, Sinclair Oil & Gas Company, is the owner and operator of the following-described State leases in Eddy County, New Mexico, the ownership of which is common throughout:

M. Yates "B" (ARC) lease comprising all of Section 33, Township 17 South, Range 28 East, except the NW/4 NW/4 thereof.

That portion of State Eddy 32 lease comprising the NW/4 NW/4 of Section 34 and the SE/4 NW/4 of Section 32, Township 17 South, Range 28 East.

(3) That the applicant proposes to commingle the Empire-Abo Pool production from the above-described leases into a common tank battery.

(4) That inasmuch as the ownership of the above-described

-2-

CASE No. 2010
Order No. R-1725

leases is common throughout, approval of the subject application will neither cause waste nor impair correlative rights.

IT IS THEREFORE ORDERED:

That the applicant, Sinclair Oil & Gas Company, be and the same is hereby authorized to commingle in a common tank battery the Empire-Abo Pool production from the following-described State leases in Eddy County, New Mexico:

M. Yates "B" (ARC) lease comprising all of Section 33, Township 17 South, Range 28 East, except the NW/4 NW/4 thereof,

That portion of State Eddy 32 lease comprising the NW/4 NW/4 of Section 34 and the SE/4 NW/4 of Section 32, Township 17 South, Range 28 East.

PROVIDED HOWEVER, That the applicant shall install adequate facilities to permit the testing of all wells located on said leases at least once each month to determine the individual production from each well on each lease.

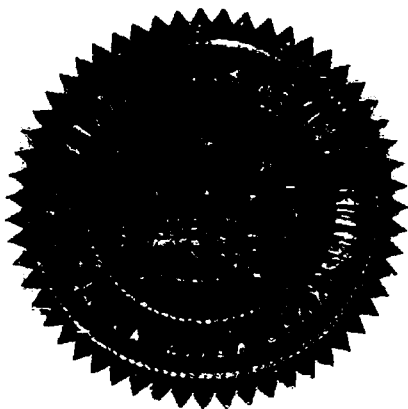
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN BURROUGHS, Chairman


MICHAEL E. MORGAN, Member


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



esr/

GOVERNOR
JOHN BURROUGHS
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
MURRAY E. MORGAN
MEMBER



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

P. O. BOX 871
SANTA FE

July 21, 1960

Mr. Charlie White
Bishop Bldg.
P. O. Box 787
Santa Fe, New Mexico

Re: Case No. 2010
Order No. R-1725

Applicant:

Sinclair Oil & Gas Co.

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.,
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC X
Artesia OCC X
Aztec OCC

Other

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 7-14-60

CASE 2010

Hearing Date 7-6-60

My recommendations for an order in the above numbered cases are as follows:

1. Grant Lindars request to combine 2 ~~leased~~ leases and install an LACT system for both leases.
2. The lease consists of their Lt 17. yales "B" (ARC) lease consisting of NE/4, NE/4 NW/4, S/2 NW/4, S/2 sec. 33 - 175 - 28E. It is proposed the production from this lease be determined by subtracting the volume meter reading by their Lt #32 lease from the total of both leases as determined from the LACT meter reading.
2. The second lease consists of the NW/4 sec. 34 and SE/4 NW/4 sec. 32, 775 - 28E. Production to be metered after separating & treating. The allowable shall be the meter reading without a correction for shrinkage.

Wm. G. W. J.

Staff Member



OFFICE 000
SINCLAIR OIL & GAS COMPANY
MIDLAND, TEXAS
P.O. BOX 1879
MIDLAND, TEXAS 79701
MUTUAL 3-2761

R. L. ELSTON
VICE PRES. & DIVISION MANAGER
D. G. SIMPSON
ASSISTANT DIVISION MANAGER

July 12, 1960

C. S. TINKLER
DIVISION EXPLORATION SUPT.
J. MEFFORD
DIVISION PRODUCTION SUPT.
F. C. ROGERS
DIVISION GAS & GAS PRODUCTS SUPT.

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

Attention: Mr. Elvis A. Utz, Examiner

Gentlemen:

With reference to the hearing of Case 2010 on July 6, 1960, concerning Sinclair Oil & Gas Company's application for permission to commingle production from their M. Yates "B" and State Eddy 32 Leases, Eddy County, New Mexico. At this hearing the undersigned testified that the working interests were not common under the separate leases in that there was a 50 per cent production payment under the M. Yates "B" Lease reserved to Alban Corporation in connection with Sinclair's acquisition of the properties of American Republics Corporation.

Subsequent to this hearing this office has received notification that Sinclair Oil & Gas Company has purchased said production payment effective June 1, 1960. As a result of this purchase the ownership under the two leases that are the subject of this application is now common.

I certify that the information contained in this letter is true and correct to the best of my knowledge and belief.

Yours very truly,

R. R. Marmor

R. R. Marmor
Assistant Division Engineer

REM:RMA:mk

Subscribed and sworn to before me this 12th day of July,
1960.

Walter H. Proctor
Notary Public in and for
Midland County, Texas

cc: Mr. L. C. White

No. 18-60

DOCKET: EXAMINER HEARING JULY 6, 1960

Oil Conservation Commission - 9 a.m., State Corporation Commission Hearing Room, Basement, Capitol Building, Santa Fe, New Mexico.

The following cases will be heard before Elvis A. Utz, Examiner, or Oliver E. Payne, Attorney, as alternate Examiner:

CASE 2002: Application of Rice Engineering & Operating, Inc. for an order authorizing a salt water disposal well. Applicant, in the above-styled cause, seeks an order authorizing the disposal of produced salt water through its Skelly State "D" Well No. 3, located 2310 feet from the South line and 660 feet from the East line of Section 1, Township 20 South, Range 36 East, Lea County, New Mexico, with injection to be in the lower San Andres formation with the injection interval from 4,450 feet to 4,950 feet.

CASE 2003: Application of El Paso Natural Gas Company for a gas-gas dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Warren Well No. 1-A (PM) located in Unit K, Section 25, Township 28 North, Range 9 West, San Juan County, New Mexico, in such a manner as to permit the production of gas from the South Blanco-Pictured Cliffs Pool and the production of gas from the Blanco Mesaverde Pool through the casing-tubing annulus and 2 inch tubing respectively.

CASE 2004: Application of La Plata Gathering System, Inc., for the establishment of a 345.59 acre non-standard gas proration unit in the Blanco Mesaverde Gas Pool, Rio Arriba County, New Mexico, and for an unorthodox gas well location. Applicant, in the above-styled cause, seeks the establishment of a 345.59 acre non-standard gas proration unit in the Blanco Mesaverde Gas Pool, consisting of all of partial Sections 30 and 31, Township 32 North, Range 5 West, Rio Arriba County, New Mexico. Applicant proposes to dedicate said unit to a well to be drilled on an unorthodox location 990 feet from the North line and 713 feet from the East line of said Section 31.

CASE 2005: Application of Argo Oil Corporation for an order force-pooling the interests in a 160-acre non-standard gas proration unit in the Jalmat Gas Pool. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests within the vertical limits of the Jalmat Gas Pool in a 160-acre non-standard gas proration unit consisting of the E/2 NE/4 of Section 21 and the W/2 NW/4 of Section 22, both in Township 25 South, Range 37 East, Lea County, New Mexico.

- CASE 2006: Application of Pan American Petroleum Corporation for an extension of the no-flare exception granted by Order No. R-1451. Applicant, in the above-styled cause, seeks an extension of the one-year exception to the no-flare provision of the rules for the Otero Gallup Oil Pool, Rio Arriba County, New Mexico, for its Jicarilla 35 Well No. 1, which exception was granted by Order R-1451.
- CASE 2007: Application of Otto Reynolds and John R. Yarbrough for the promulgation of special rules governing gas wells drilled in the Bloomfield-Farmington Oil Pool. Applicant, in the above-styled cause, seeks an order promulgating special rules governing, among other things, the definition, spacing and location of gas wells in the Bloomfield-Farmington Oil Pool, San Juan County, New Mexico. Applicant further seeks approval of unorthodox gas well locations for three wells in said pool.
- CASE 2008: Application of Gulf Oil Corporation for an order authorizing a salt water disposal well. Applicant, in the above-styled cause, seeks an order authorizing the disposal of produced salt water through its Lea-State "CR" (NCT-A) Well No. 3, located 3300 feet from the South line and 1980 feet from the West line of Section 2, Township 16 South, Range 32 East, Lea County, New Mexico, with injection to be in the lower Wolf-camp formation in the interval from 9,911 feet to 10,200 feet.
- CASE 2009: Application of Gulf Oil Corporation for a 200-acre non-standard gas proration unit and for an order force-pooling the interests therein. Applicant, in the above-styled cause, seeks the establishment of a 200-acre non-standard gas proration unit in the Blinebry Gas Pool, consisting of the SW/4 and the SW/4 SE/4 of Section 23, Township 22 South, Range 37 East, Lea County, New Mexico, to be dedicated to the O. I. Boyd Well No. 3, located 1980 feet from the South and West lines of said Section 23. Applicant further seeks an order force-pooling the interests of those in said non-standard gas proration unit who have gas rights within the vertical limits of the Blinebry Gas Pool, including the following named persons or parties who have not consented to the pooling agreement:
- W. B. Trammel; Mrs. Carrie Gidwitz; Harry L. Jones and Isabel Jones; Heirs, Devisees and Personal Representatives of William T. Pitt, Deceased; Peter M. Smith; Adam F. Arnold; Cranfill Fowler; George W. Clark; Charles W. Hastings; John E. McConnell, Jr.; Lionel L. Shatford; Ernest O. Knapp, J. Paul Knapp, Gertrude K. Schrecengost, Mildred K. Stoneburner,

Evelyn Neel, and Maude S. Knapp, Jointly; Robert R. McKee; and all other persons or parties owning oil and gas interests in the SW/4 and SW/4 SE/4 of Section 23, Township 22 South, Range 37 East, Lea County, New Mexico.

CASE 2010:

Application of Sinclair Oil & Gas Company for permission to commingle production from two separate leases. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the Empire-Abo Pool production from its M. Yates "B" Lease consisting of the S/2, NE/4, S/2 NW/4 and the NE/4 NW/4, with such production from a portion of its State Eddy 32 lease consisting of the NW/4 NW/4 of Section 34 and the SE/4 NW/4 of Section 32, all in Township 17 South, Range 28 East, Eddy County, New Mexico, after separately metering the production from one lease only.

CASE 2011

Application of Socony Mobil Oil Company for a "slim-hole" oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its E. O. Carson Well No. 22, located 1880 feet from the South line and 660 feet from the West line of Section 28, Township 21 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Paddock Pool and the production of oil from the Wantz-Abo Pool using parallel strings of 2 7/8 inch tubing cemented in a common well-bore.

CASE 2012:

Application of Max Pray for the creation of a new oil pool for Devonian production and for the promulgation of special rules and regulations for said pool. Applicant, in the above-styled cause, seeks an order creating a new oil pool for Devonian production consisting of the W/2 of Section 27, E/2 of Section 28, NE/4 of Section 33 and the NW/4 of Section 34, Township 12 South, Range 37 East Lea County, New Mexico. Applicant further seeks the promulgation of special rules and regulations governing said pool including a provision for temporary 80-acre oil proration units

11-17-60

11-11-62

BEFORE THE OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
SINCLAIR OIL & GAS COMPANY FOR AN EX-
CEPTION TO RULE 309 AND APPROVAL OF
USE OF COMMON TANKAGE TO RECEIVE OIL
PRODUCED IN THE EMPIRE ABO POOL FROM
APPLICANT'S M. YATES "B" (ARC) LEASE
CONSISTING OF SECTION 33, T-17-S,
R-28-E, EXCEPT THE NW $\frac{1}{4}$ NW $\frac{1}{4}$, AND THAT
PORTION OF APPLICANT'S STATE EDDY 32
LEASE CONSISTING OF NW $\frac{1}{4}$ NW $\frac{1}{4}$ SECTION 34
AND SE $\frac{1}{4}$ NW $\frac{1}{4}$ SECTION 32, T-17-S, R-28-E,
IN EDDY COUNTY, NEW MEXICO

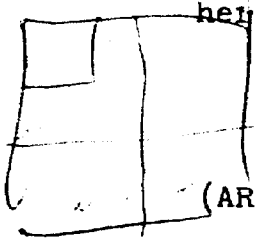
CASE NO. 2070

ORDER NO. _____

A P P L I C A T I O N

SINCLAIR OIL & GAS COMPANY, a Maine corporation with an
operating office in Midland, Texas, hereby files its application
herein, in triplicate, and represents the following:

1.



Applicant is the owner and operator of its M. Yates "B"
(ARC) lease consisting of Section 33, T-17-S, R-28-E, except
the NW $\frac{1}{4}$ NW $\frac{1}{4}$ thereof, and also that portion of its State Eddy 32
lease consisting of NW $\frac{1}{4}$ NW $\frac{1}{4}$ Section 34 and SE $\frac{1}{4}$ NW $\frac{1}{4}$ Section 32,
T-17-S, R-28-E, Eddy County, New Mexico, insofar as said leases
cover and pertain to the Abo Reef Formation. Applicant's
M. Yates "B" (ARC) lease is subject to a production payment in
the amount of 50% of the working interest, reserved in Indenture
of Conveyance of Leasehold, Mineral and Other Interests and
Retention of Production Payment, dated March 23, 1955, between
Alban Corporation and Sinclair Oil & Gas Company, such produc-
tion payment being created in connection with applicant's
acquisition of the properties of American Republics Corporation.
The State of New Mexico is the common owner of the royalty
interest in all of said lands. Said leases are productive of
oil produced from the Empire Abo Pool, which is a common source
of supply.

2.

Applicant seeks permission and authority, as an exception
to Rule 309, for the use of common tankage to receive oil
produced from the separate leases. Applicant anticipates that

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11-11-62
11-17-60

as many as seventeen (17) wells will be completed in the Empire Abo Pool in the development of its leases. Adequate facilities, either positive displacement meters or dump type metering vessels, will be provided to insure at all times accurate determination of the production obtained from the separate leases which may be commingled into common storage. Applicant proposes to meter the production from one lease and to determine production from the other lease by subtraction from the total production commingled and measured in common storage.

3.

Applicant will show upon hearing hereof that it has obtained the consent of the Commissioner of Public Lands of the State of New Mexico to the commingling of the production from the separate leases.

4.

Applicant alleges that the commingling of such production into common storage is in the interest of prevention of waste and will not impair correlative rights.

WHEREFORE, applicant prays that this application be set for hearing before an Examiner at Santa Fe, New Mexico, that notice be given hereon and that upon such hearing authority and permission be granted to applicant for the use of common tankage to receive oil produced in the Empire Abo Pool from as many as seventeen wells on said leases.

HORACE N. BURTON
P. O. Box 1470
Midland, Texas

GILBERT, WHITE AND GILBERT

By *Laurie P.*
Bishop Building
Santa Fe, New Mexico

ATTORNEYS FOR APPLICANT
SINCLAIR OIL & GAS COMPANY

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
JULY 6, 1960

IN THE MATTER OF:

CASE 2010 Application of Sinclair Oil & Gas Company
for permission to commingle production
from two separate leases. Applicant, in
the above-styled cause, seeks an order
authorizing it to commingle the Empire-
Abo Pool production from its M. Yates
"B" Lease consisting of the S/2, NE/4,
S/2 NW/4 and the NE/4 NW/4, with such
production from a portion of its State
Eddy 32 lease consisting of the NW/4 NW/4
of Section 34 and the SE/4 NW/4 of Section
32, all in Township 17 South, Range 28
East, Eddy County, New Mexico, after
separately metering the production from
one lease only.

BEFORE:

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. Case 2010.

MR. PAYNE: Case 2010, Application of Sinclair Oil &
Gas Company for permission to commingle production from two
separate leases.

MR. WHITE: If the Examiner please, Charles White of
Gilbert, White and Gilbert, Santa Fe, New Mexico, appearing on
behalf of the Applicant. Mr. Horace Burton of Midland, Texas
will present the testimony, and we have one witness to be sworn
at this time.



(Witness sworn in.)

MR. BURTON: My name is Horace Burton.

ROBERT R. MARMOR

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

DIRECT EXAMINATION

BY MR. BURTON:

Q State your name and employment?

A My name is Robert Marmor, I work for the Sinclair Oil and Gas Company.

Q What is your job with Sinclair?

A I am Assistant Division Engineer for the Midland Division.

Q Have you training and experience in petroleum engineering?

A Yes, sir.

Q Have you previously testified before the Commission in your capacity as an engineer?

A Yes, sir.

Q Is the Empire-Abo Pool in Eddy County, New Mexico under the supervision of your office?

A Yes, sir.

Q Have you made yourself familiar with the lease ownership that's involved in this hearing?

A Yes, I have.

Q And have you made yourself familiar with the lease operation in regard to the tank battery system?



A Yes, I have.

Q Will you produce any exhibits that you have prepared and have them marked for identification?

A I have here as Exhibit One a map showing the leases in question.

(Thereupon, the document was marked as Applicant's Exhibit Number One for identification.)

A And I have as Exhibit Two a schematic drawing showing the detail of the connections that we propose to make in this application.

(Thereupon, the document was marked as Applicant's Exhibit Number Two for identification.)

Q (By Mr. Burton) All right. Now, in connection with Exhibit Number One, will you state the lease acreage owned and operated by Sinclair which is involved in this application?

A In Section 33, 28 East, 17 South, we have the Martin Yates "B" Lease, which is the lease that encompasses the Abo formation only, the Martin Yates lease proper is the lease that encompasses the Artesia pool. The Martin Yates lease, that is in all of Section 33 except the northwest quarter of the northwest quarter.

Q That's a six-hundred acre lease?

A Yes, sir.

Q In Section 33?

A Yes, sir.



Q All right.

A In Section 32, we have the southeast quarter of the northwest quarter, which is part of Lease Number 32, and in Section 34, the northwest quarter of the northwest quarter, which is also part of Section--of Lease Number 32.

Q All right, what is your information as to the ownership of the royalty interest?

A The royalty interest ownership is common for all leases.

Q And who owns the royalty?

A The royalty goes to the school fund.

Q Is all of the land involved state land and state leases?

A Yes, sir.

Q And it's all dedicated to the common school fund?

A Right.

Q Have you contacted the Land Office, or has Sinclair contacted the Land Office in regard to any objection which it might have to this application?

A Yes sir, the Land Office has advised us informally right now that it has no objection to the application, and that they will furnish us a letter to that effect.

Q All right. Now, describe the production in this area which you would propose to connect to a central tank battery.

A The production at present comes from the State Lea 33 Lease from the Abo formation, the Empire-Abo Pool. We have presently completed ten wells, and we are, and we have authorized



and are drilling, and drilling five more for a total of fifteen wells in that lease. In addition, we have proposed, although we have not as yet staked locations, for the northwest quarter of the northwest quarter of Section 34 and for the southeast quarter of the northwest quarter of Section 32, which is the State Lea 32 Lease.

Q And do you anticipate that those locations will be productive in the Abo formation?

A Yes, sir.

Q In your opinion, will all of those wells be producing from a common source of supply?

A Yes sir, they all will be producing from the Empire-Abo Pool.

Q What equipment do you have presently installed in the Yates "B" Lease?

A We have at present an automatic custody transfer system installed on the lease, which is shown in Exhibit One as under--well, next to the words tank battery, we show it with an arrow.

Q And the LACT system which you have there, has that been approved by an order of the Commission?

A Yes sir, it was approved by Order Number R-1677 the 19th of May, 1960.

Q All right. Now, what is the Sinclair proposal with respect to connecting the two forty-acre tracts comprising State



Eddy Lease 32, what is your proposal about the tank battery in those locations?

A We propose that once the wells in Sections 32 and 34 are completed, we will run lines from those wells to the immediate vicinity of the tank battery in the Martin Yates Lease. We will then tie in these wells to the present LACT system. We show in Exhibit Two the method by which we propose to tie these wells in.

Q All right, with reference to your Exhibit Two, will you explain that in more detail for the Commission?

A All right, sir. In Exhibit Two, we show the present LACT system, which is essentially the same exhibit which we presented in Case 1959 and which was approved by Order Number R-1677. The upper part shows the header where the ultimate fifteen wells in this lease will come in and if we--it goes through the separator. Although we show in this particular exhibit a heater treater, we don't have any use for it at this time, since we are not producing any water, and the oil goes directly to the surge tanks and from there it goes through the LACT unit. We show, we refer to "See detail and LACT unit," and we would like to refer you to the exhibits presented in Case 1959 for the details of the LACT unit. Our proposal would be to tie in to the State Eddy 32 wells into one header which would then go through a separator, and if necessary, a heater treater, and then through a meter, which would then tie in to the line going from the separator, or to this surge tank, or to the surge tank in the present Yates Lease



setup.

Q What do you propose, what safety measure do you propose in case of a line break, or to prevent line breaks in the wells to be connected to this battery?

A We will have high pressure tested tubing or line pipe running from the wells, the header, that we show in Exhibit Two. These, the pipe will be plastic coated.

Q And that will--do you propose that in lieu of automatic shutoff valves at the wellhead?

A Yes sir, we do.

Q Is that the same installation which has been approved by the Commission Order 1677?

A Exactly as approved.

Q Now, how would you determine the measurement of the oil from State Lease Eddy 32 Lease from the oil produced from the "M" Yates "B" Lease?

A We will have the measurement of the oil from the two wells as we show in the Exhibit Two where the oil goes through an oil meter set up right after the separator, and then we will have the measurement for the total production, which will be through the LACT system. We will obtain then the Martin Yates "B" production by subtracting the reading from the meter for the State Eddy 32 Lease, from the total LACT meter reading.

Q And will there be any shrinkage in this tank battery system?



A No sir, since the oil is practically in constant movement, there won't be any shrinkage at all.

Q And in your opinion, will that method insure accurate measurement from the separate leases?

A Yes, sir.

Q What would be the alternative if you were not granted permission to use a common tank battery.

Q Well, we would have to set up individual tank batterys, or a common tank battery for the two forty-acre tracts, possibly, in the Martin Yates Lease. This would entail an additional cost over the proposed method of over, or approximately five thousand dollars. Now, in addition to that, we will have an operating expense throughout the life of the field since we will not be able to take advantage of the LACT system, and we could not justify installing a separate LACT system for just two wells.

Q Would it be your opinion then that the granting of this application would be in the interests of waste prevention?

A Yes, sir.

Q And will the correlative rights of any parties be violated?

A No, sir.

MR. BURTON: We offer Exhibits One and Two into evidence, and that concludes our questions.

MR. UTZ: Without objection, Exhibits One and Two will be entered into the record.



Mr. Marmor, I believe that you stated that both leases are State?

A Yes, sir.

MR. UTZ: And that both leases have the same beneficiary, that being the common school fund?

A Yes, sir.

MR. UTZ: How about your overriding royalties?

A We have in the Martin Yates "B" Lease, we have a production payment out of it of fifty per cent of production, which is a result of us obtaining this lease through the ARC purchase.

MR. UTZ: And you don't have the same interest in this --

A No, sir.

MR. UTZ: In Number 32?

A No, sir.

MR. UTZ: Well, in Mr. Yates' interest on the large lease, the fifteen-well lease, then you propose to use the subtraction method?

A What do you mean, Mr. Yates' lease?

MR. UTZ: Well, Martin Yates "B" Lease.

A Oh, yes sir, we propose to subtract the total, the production of the State Eddy 32 from the total production.

MR. PAYNE: Who is the production payment made to, is that the Alben Corporation?

A Yes, the same as we testified to in Case 1959.



MR. UTZ: I believe you stated that there wouldn't be much shrinkage because of the oil being in constant transfer?

A Practically.

MR. UTZ: How much oil will the fifteen wells in the Yates "B" Lease produce?

A Let's see, I believe the allowable now is about, well, fifty-eight, sixty barrels per day, something in that order, let's say sixty, nine hundred barrels per day, roughly.

MR. UTZ: And the State Eddy 32 would run about a hundred and twenty?

A Yes, sir.

MR. UTZ: That's a thousand and twenty barrels a day when all this is completed and the other two wells are in?

A Yes, sir.

MR. UTZ: And you have storage capacity of a thousand barrels?

A Yes, sir.

MR. UTZ: Now, what is your storage capacity up to the high level switch, is that a thousand barrels?

A Yes, that would be up to the--five hundred would be up to that switch, I believe.

MR. UTZ: So the LACT system would transfer oil from there possibly once a day?

A A little more often.

MR. UTZ: What gravity oils are these?



A Close to forty degrees, but I don't have that right at hand.

MR. UTZ: Do you have any data or information, made tests or otherwise, as to the--as to what the shrinkage for forty degree gravity oil would be in a twenty-four hour period on a hot summer day?

A No sir, I don't have that data available right now.

MR. UTZ: There would be ~~some~~ shrinkage, though, wouldn't there?

A It would be very minor shrinkage.

MR. PAYNE: In other words, inasmuch as it would be minor and negligible, Mr. Marmor, would Sinclair be willing to take the allowable as reflected by the meter reading from the two wells? In other words, you get no credit for shrinkage from those two wells, you run the allowable for those two wells through the meter?

A I believe there would be a temperature compensator.

MR. PAYNE: The meter would be --

A I would think there would be.

MR. PAYNE: But it wouldn't be a shrinkage compensator, I mean there are other factors that go into shrinkage other than temperature. What I am getting at is, rather than going by the figure that you would sell at the battery, your total figure after shrinkage, would you be willing to just run your allowable from these two wells through the meter and assume that there's not going



to be any shrinkage on those two wells?

A Yes, that would be just the way we were going to do it.

MR. PAYNE: Or in the alternative, to obtain a waiver from the Alben Petroleum Corporation to this particular installation? You see, I don't think it's the way you contemplate doing it. Ordinarily, don't you go by what you sell through the tank battery rather than the meter reading?

A Well, that would be the total sale.

MR. PAYNE: Yes, sir.

A Now then, we subtract what we read in the meter as to what went in the meter that came from the State Eddy 32, as to what is attributable to the Martin Yates Lease. Is that what you have in mind?

MR. UTZ: In other words, whatever shrinkage there is would come out of the Martin Yates Lease?

MR. PAYNE: Yes, it would have to if you only had one meter.

A Yes.

MR. PAYNE: What I am asking you is if you would be satisfied with an order that allowed you simply to run the allowable through the meter as regards the two wells and just assume that they don't shrink at all?

A I don't see any objection to that. As a matter of fact, I don't see, I don't think there will be much shrinkage at all, any that we can measure. I don't see any objection to that.



MR. PAYNE: Particularly since only two wells are involved in that lease?

A Yes, sir.

MR. BURTON: Mr. Examiner, we would be willing to accept that condition.

MR. PAYNE: Thank you. That's all.

MR. UTZ: Any other questions?

Mr. Marmor, would Sinclair be willing to make the usual well tests for well productivity as well as the usual meter tests?

A Yes sir, we are set up to do that.

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

(Witness excused.)

MR. UTZ: Any other statements in this case?

MR. WHITE: That's all.

MR. UTZ: The case will be taken under advisement.



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PAGE 14

I N D E X

WITNESS

PAGE

ROBERT R. MARMOR

Direct Examination by Mr. Burton

2



STATE OF NEW MEXICO)
COUNTY OF BERNALILLO ; ss

I, JERRY MARTINEZ, Notary Public in and for the County of Santa Fe, 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 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 6th day of July, 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

[Signature]
Notary Public

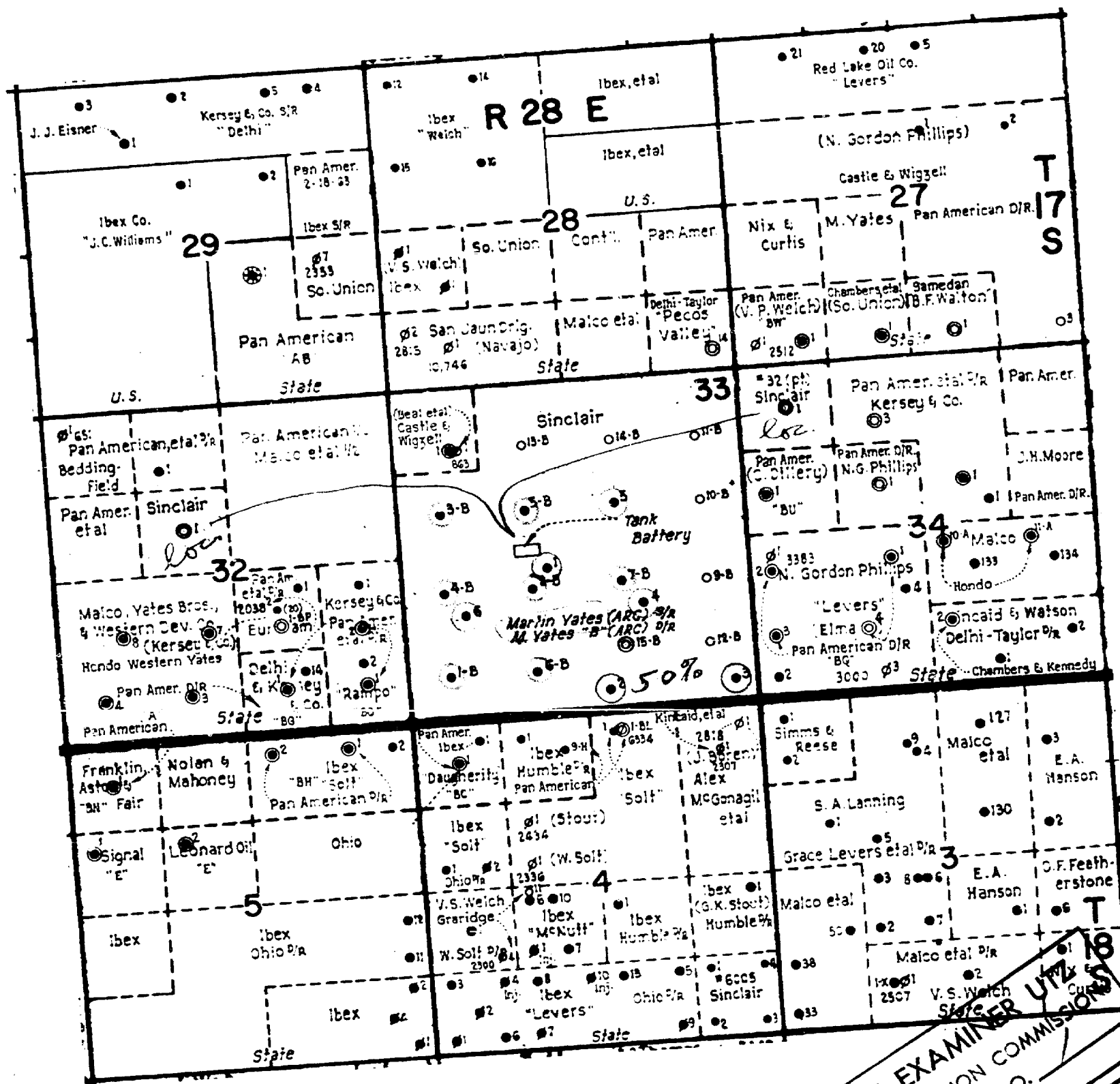
My Commission Expires:
January 24, 1962

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of case No. 2010 heard by Le on 7-6-60 1960
[Signature] Examiner
New Mexico Oil Conservation Commission

DEARNLEY-MEIER REPORTING SERVICE, Inc.
ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6691





SINCLAIR OIL & GAS COMPANY
 MARTIN YATES (ARC) LEASE
 M. YATES "B" (ARC) LEASE
 STATE EDDY 32 LEASE
 EDDY COUNTY, NEW MEXICO

- Artesia Pool
- Empire Abo Pool

ARTESIA POOL
 EMPIRE ABO POOL
 (UNDEVELOPED)
 BEFORE EXAMINER UTZ
 CONSERVATION COMMISSION
 EXHIBIT NO. 2010
 CASE NO.

EXHIBIT 1

SINCLAIR OIL & GAS COMPANY
 DETAIL OF LEASE AUTOMATIC CUSTODY TRANSFER SYSTEM
 M. YATES "B" (ARC) LEASE
 STATE EDDY 32 LEASE
 EDDY COUNTY, NEW MEXICO

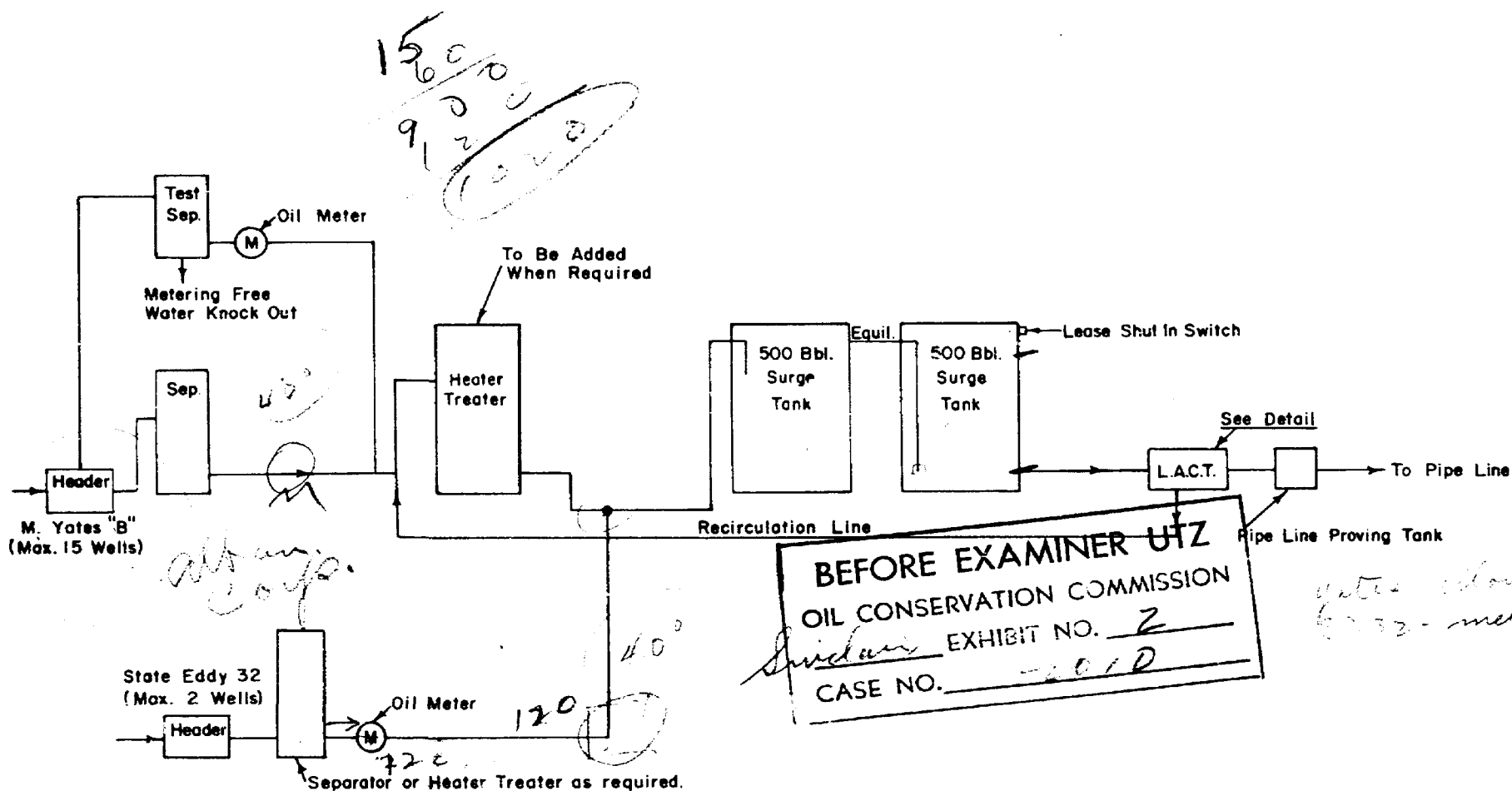


EXHIBIT 2