

PHILLIPS PETROLEUM COMPANY

BARTLESVILLE, OKLAHOMA

PRODUCTION DEPARTMENT

L. E. FITZJARRALD
MANAGER

December 29, 1954

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

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

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

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

Gentlemen:

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

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

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

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

New Mexico Oil Conservation Commission

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

December 29, 1954

Page No. 2

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

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

Very truly yours,



L. E. Fitzjarrald

LEF:JRE:MLT

Attach.

W. H. Foster
1/24/55

PHILLIPS PETROLEUM COMPANY

AMARILLO, TEXAS

January 24, 1955

LEGAL DEPARTMENT

RAYBURN L. FOSTER
VICE PRESIDENT
AND GENERAL COUNSEL

HARRY D. TURNER
GENERAL ATTORNEY

AMARILLO DIVISION

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

Re: Commission Rule #309

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

Dear Bill:

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

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

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

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

Mr. W. B. Macey

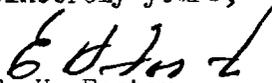
-2-

January 24, 1955

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

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

Sincerely yours,



E. H. Foster

EHF:fe

cc: Mr. Jason W. Kellahin

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

February 10, 1955

Phillips Petroleum Company
Bartlesville, Oklahoma

Attention: Mr. L. E. Fitzjarrald

Gentlemen:

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

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

Very truly yours,

W. B. Macey,
Secretary-Director

WBM:nr

cc: First National Bank in Dallas
Attention: Mr. W. F. Werthington
DALLAS, TEXAS

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 811

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
COURT REPORTERS
ROOMS 105, 106, 107 EL CORTEZ BUILDING
TELEPHONE 7-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
State of New Mexico
Santa Fe, New Mexico
January 13, 1955

IN THE MATTER OF:)

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

) Case No. 811

BEFORE:

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

TRANSCRIPT OF PROCEEDINGS

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

J. R. BREHMER

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

DIRECT EXAMINATION

By MR. FOSTER:

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

A J. R. Brehmer.

Q Where do you reside, Mr. Brehmer?

A Bartlesville, Oklahoma.

Q By whom are you employed?

A The Production Department, Phillips Petroleum Company.

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

A Yes, I have.

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

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

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

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

A Yes, sir.

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

A That is correct.

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

A Yes, I do.

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

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

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

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

A Yes, I do.

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

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

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

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

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

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

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

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

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

A Both wells are producing from the Wolfcamp formation in the

Tulk-Wolfcamp field.

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

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

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

A I would.

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

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

Q Neither well is making its unit allowable?

A Neither well is capable of making the present allowable.

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

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

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

making separately, is that correct?

A That is right, sir.

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

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

Q You save them that much money in equipment?

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

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

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

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

A No, sir, it will not interfere.

MR. FOSTER: I believe that is all.

MR. MACEY: Any questions of the witness?

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

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

MR. RHODES: And the royalty interest is common?

