

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

April 23, 1957

IN THE MATTER OF
CASE NO. 1245

TRANSCRIPT OF PROCEEDINGS

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

follows:

DIRECT EXAMINATION

BY MR. COOLEY:

Q Would you state your name and occupation, please?

A Edward E. Kinney, Petroleum Consultant, Artesia, New Mexico.

Q Mr. Kinney, have you been retained as Petroleum Consultant in this case on behalf of Geror Oil Corporation?

A I have.

Q Are you authorized to represent them in this case?

A Yes, sir, I am authorized by a letter written to Mr. Nutter by the Geror Oil Corporation. Do you want the date? On April 10th, 1957.

Q Mr. Kinney, have you previously been qualified as an expert witness in petroleum consulting before the New Mexico Oil Conservation Commission?

A I have previously testified before this Commission.

Q As an expert?

A As a witness, before becoming a consultant, and since.

MR. COOLEY: Does the Examiner accept the qualifications of the witness?

A I will give any other data that you care for.

MR. NUTTER: The witness' qualifications are acceptable.

Q (By Mr. Cooley) You may proceed.

A I submit first, Exhibit No. 1, in this case, a map of the subject leases covering only that portion of the Geror Oil

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Corporation leases involved in this case.

The Geror Oil Corporation Wells No. 4 to 7 in the Caprock Pool of Chaves County, New Mexico, were all drilled in the Spring of 1955; Wells 4, 5, and 6 were spudded between January 22 and February 15, 1955.

Well No. 4 is located in the center of the Southwest Quarter of the Northwest Quarter, Section 23, Township 13 South, Range 31 East, on State Lease B-8318.

Well No. 5 is located in the center of the Northeast Quarter of the Southeast Quarter, Section 22, Township 13 South, Range 31 East, on State lease B-10418, which 40-acre is a diagonal off-set to the No. 4 Well location.

Well No. 6 is located in the center of Southeast Quarter of the Southwest Quarter, Section 22, Township 13 South, Range 31 East, on State Lease B-10418.

Wells, 4, 5 and 6 are on the same lease.

The oil from this pool was trucked to the pipeline during the pool's early life, consequently, the best location for the tank battery was the nearest site to the highway, and central to the wells producing into the battery. The tank battery for these wells was located near the center of the Northeast Quarter of the Southeast Quarter, Section 22 State Lease B-10418, which location is one eighth mile west of New Mexico Highway No. 172.

The tank battery consists of two 500 barrel tanks, two separators, one heater treater, disposal pit, and necessary piping.

The wells are all interconnected by three inch flow lines at the separator.

A tank battery for this Caprock rim and Queen Wells requires two storage tanks, a separator, a heater treater and burning pit as a minimum. Such an installational will cost at least \$5,000.00 in place.

Well No. 7, located in the Southeast Quarter -- the Northwest Quarter of the Southwest Quarter, Section 22, Township 13 South, Range 31 East, on State Lease B-8605, was completed June 23rd, 1955. This well, proved to be on the West edge of the Caprock Pool and was indicated to be a marginal one at best. It is now a shutin well by Order of the Oil Conservation Commission, due to high gas-oil ratio.

The well is located below the Caprock Rim and is accessible by a road running south approximately two miles, Khenee up on to the Caprock. The production from this No. 7 well was piped to the tank battery located at the No. 5 well, to reduce the cost of trucking over a very poor oil field road, and to save the additional cost of a tank battery installation, which is very burdensome against a 40-acre marginal well.

The production from the well was piped to the tank battery at the No. 5 well to help reduce the development cost of the 40-acre track and to prevent the possibility of another marginal well being burdened. Also, the oil was run to the central location to facilitate the operation of the four, 40-acre tracts as one unit.

Through an oversight at the time of drilling the wells, no one realized that the base leases were different on the acreage under Wells No. 4 and No. 7, from the lease under wells No. 5 and No. 6. The leases were all from the State of New Mexico, and the beneficiary is the Common School Fund. There was no authority or attempt to abrogate the rules and regulations of either the Oil Conservation Commission or State Land Office when the common tank battery was installed. The problem was entirely one of economics; the trucking of the oil was expensive; the pool was new and known to be spotty, and every effort was made to keep the cost down to the point where the wells would be commercially successful.

I would like to submit at this time, Exhibit No. 2, in this Case. This is a letter from the Commissioner of Public Lands in the State of New Mexico, signed by Mrs. Linnie Cook, Supervisor of the Royalty Division, granting the Garor Oil Corporation permission to commingle in a common tank battery, oil purchased from State Unit B Well 4 in Section 23, Township 13 South, Range 31 East; Well 5, Section 22, Township 13 South, Range 31 East; Well 6, Section 22, Township 13 South, Range 31 East, and Well 7, Section 22, Township 13 South, Range 31 East, Caprock-Queen Pool Chaves County, New Mexico, State Leases B-8318, B-10418, and B-8605. Everything be assigned to the above discription.

Royalty interest on these leases have a common beneficiary, that being to the Common School Fund. In conclusion, excuse me - at this time I request the Commission accept these two Exhibits.

MR. NUTTER: Without objection, Geror Oil Corporation Exhibits 1 and 2 in Case 1245 will be received.

A In conclusion, I repeat, the common tank battery was used and is now needed for economic reasons to reduce the trucking cost of the oil sold originally, and to reduce, at the present, the capital investment on Wells 4 and 7, the latter being a marginal well, and to facilitate the operation of the four, 40-acre tracts as one unit. Ample facilities are available in the nature of two separators at the tank battery, by which to make tests of any well separately.

Therefore, on behalf of the Geror Oil Corporation, I respectfully request that the Oil Conservation Commission grant an exception to Rule 309 (a) and permit commingling of oil from Leases B-8316, B-8605 and B-10418 in a common tank battery before measurement for sale.

MR. NUTTER: Anyone have any questions of the witness? Mr. Mankin.

CROSS EXAMINATION

BY MR. MANKIN:

Q Mr. Kinney, three of these four wells are top allowable wells, are they not?

A As far as I know. However, the actual sale of oil for February from Well No. 4 was only 658 barrels, or 23½ barrels per day average.

Q Is it true, Mr. Kinney, that there are other state leases

of other operators separating these tracks, which these lines have to cross, is that correct?

A Yes, sir.

Q And provisions have been made for those line to cross other people's leases?

A So far as I know, sir.

MR. MANKIN: That's all.

MR. NUTTER: Anyone else have any questions of the witness? If not, the witness may be excused. Does anyone have anything further in Case No. 1245? If not, we will take the case 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 Hearing was reported by me in Stenotype at the time and place hereinbefore set forth; that same was thereafter transcribed into typewritten transcript by me; and that same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this, the 9th day of May, 1957, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

J. A. Trujillo

NOTARY PUBLIC

My Commission Expires:
October 5, 1960.