

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
Santa Fe, New Mexico

March 19, 1958

TRANSCRIPT OF HEARING

Case 1397

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

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
Santa Fe, New Mexico

March 19, 1958

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IN THE MATTER OF: :

Application of Warren-Bradshaw Exploration Company:
for an exception to Rule 309 of the Commission :
Rules and Regulations. Applicant, in the above- :
styled cause, seeks an order authorizing the pro- :
duction of more than eight wells into a common :
tank battery and authorizing the commingling of :
production from two basic State of New Mexico :
leases, comprising the W/2 NW/4, W/2 SW/4, and :
SE/4 SW/4 of Section 21, and the NE/4 of Section :
29, respectively, Township 17 South, Range 33 :
East, Lea County, New Mexico. :

Case No.
1397

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BEFORE: Mr. Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

MR. PAYNE: Application of Warren-Bradshaw Exploration
Company for an exception to Rule 309 of the Commission Rules and
Regulations.

MR. WHITE: If the Examiner please, L. C. White of Gilbert,
White and Gilbert, appearing on behalf of the applicant, Warren-
Bradshaw. We have one witness who we would like to have sworn.

(Witness sworn.)

ROBERT W. ARRENDIELL

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

DIRECT EXAMINATION

By MR. WHITE:

Q Will you state your full name, please?

A Robert W. Arrendiell.

Q Mr. Arrendiell, by whom are you employed, and in what capacity?

A I am employed by Warren-Bradshaw, Exploration Company, Tulsa, Oklahoma, as a production engineer.

Q Have you previously testified before the Commission as a petroleum engineer?

A No, I haven't.

Q Would you state your educational background and your professional qualifications?

A I graduated from Colorado School of Mines in 1951 as a production engineer and I worked for Standard Oil of Ohio, Sohio for five years as a production engineer, and I have now worked for Warren-Bradshaw for a little over a year and a half as production engineer.

Q As production engineer, do you have jurisdiction over the application operations within the State of New Mexico?

A I do.

Q Are you familiar with the application, Case No. 1397?

A I am.

(Marked Warran-Bradshaw's Exhibit No. 1, for identification.)

4
Q Does Applicant conduct any oil operations in Section 21 and 29 of Township 17 South, Range 33 East, NMPM?

A Yes.

Q Is it the operator of certain leases?

A Yes, sir.

Q Do you recall the number of those leases, are they State leases?

A They are State leases.

Q Do you know what State lease numbers they are?

A I don't have that with me.

MR. WHITE: For the benefit of the Examiner, they are State Lease B-2148 and B-2229.

A I have a list that I brought in and the numbers were on the list.

MR. NUTTER: Which one is Lease B-2148?

MR. WHITE: Just a second.

A The D Lease in Section 21, the State B Lease 2148.

MR. NUTTER: And the State B-2229.

A It is the Northeast Quarter of 29, B-2229.

MR. NUTTER: Thank you.

Q Will you refer to what has been marked as Applicant's Exhibit No. 1 and state what that is intended to portray?

A That is a plat of part of the Maljamar Field showing the lease outlines, the wells, the offset operators, adjacent leases

and wells.

Q Is the Applicant ~~State~~ ~~lease~~ designated by yellow?

A Yes.

Q As being situated in Section 21?

A Yes.

Q Will you describe that lease location?

A The lease is located the West Half of the West Half of Section 21 and the Southeast of the Southwest of 21.

Q And will you similarly describe the location of the State B-2229 Lease in Section 29?

A That is the Northeast Quarter of Section 29.

Q Does this plat show all the offset operators?

A Yes, it does.

Q Have you received the consent of all the offset operators to the application which you seek? A Yes, we have.

MR. WHITE: If the Commission please, we would like to have the consent from all the offset operators made a part of the record. The consents from all of them.

MR. NUTTER: The documents, waiving objection to the commingling of production from these two leases will be identified as Exhibit No. 2, Mr. White.

(Marked Warren-Bradshaw's Exhibit No. 2, for identification.)

MR. WHITE: And we also would like to have incorporated

in the record, the consent of the State Land Office.

MR. NUTTER: The State Land Office's consent will be identified as Exhibit No. 3.

(Marked Warren-Bradshaw's Exhibit No. 3, for identification.)

Q Would you state whether or not the royalty interests are common as to both State leases? A They are.

Q Is there any outstanding overriding royalty?

A There is, the outstanding overriding royalty is one-sixteenth of seven-eighths on both leases belonging to Phillips Petroleum Company.

Q Will you state what type of installation you intend to make in regard to this common tankage?

A On the State D Lease we have three 210 barrel welded steel tanks, a separator and a four by twenty treater.

Q Now, are they presently serving the wells that are producing in Section 21? A That's correct.

Q Are these wells that are producing in Section 21, are they making their top allowable, or could they be classified each of them as a marginal well?

A They can be classed each as marginal wells.

Q Approximately what is their daily production?

A Approximately ten barrels a day.

Q Now, referring to your Warren Lease B-2229, and I will have

you refer to your plat, you have a well that is being drilled at the present time in that section?

A It is presently being completed.

Q It is not as yet completed? A That is correct.

Q Under this application you asked to connect the production of that with your common tankage in Section 21?

A We did.

Q Do you expect this well to make its top allowable?

A No, we don't.

Q Under your present spacing patterns in this area, how many additional wells could be produced on what you designated as your State E Lease? A Three more wells.

Q Is it your company's intention to develop these additional three wells or do you know?

A Well, that decision will be made by management, and I can't say for them however at this time.

Q How will the facilities be operated, manually or otherwise?

A Manually.

Q Do you have a pumper on the lease?

A We have a pumper that lives on the lease just north of the State E Lease.

Q Is he a full time lease pumper?

A He is a full time lease pumper, employed by Warren-Bradshaw Company.

Q What method can be used to determine how much oil is in storage at any given time?

A By gauging each tank at any time with the gauge line.

Q Can these be tested daily? A Yes.

Q Is this equipment new equipment that you have installed and intend to install? A Yes.

Q Is the type of equipment that is usually installed in the oil industry? A Yes, it is.

Q Has this type of installation proven successful in your other operations? A Yes, it has.

Q What precautions, if any, have you taken against line or valve breakage?

A The pumper is on the lease continually, it is his job to find those, look for them at all times.

Q What protection do you have against overflowing of the tanks?

A That again is the pumper's job, that is his work.

Q What precautions have you taken as against any possible backflow?

A We have checks at the well head of each well, the separator and treater is designed that such backflow can not occur.

Q Have you obtained the consent of the purchaser of your oil?

A We have obtained verbal consent.

Q Who is the purchaser?

A Cities Service Oil Company.

Q How many days' storage will be available under your proposed tank battery?

A At top allowable approximately nineteen days.

Q Do you have a production separator as well as a test separator?

A Yes.

Q What facilities are provided in the event that the well that is on a test needs a heating treating?

A We have the four by twenty heater treater that we can run the test all through if it needs to be treated.

Q How long do you usually conduct your individual well tests?

A Twenty-four hours.

Q Can each well be tested at least once a month if necessary or more often?

A Yes.

Q Will this installation affect correlative rights in any way?

A No, I don't see how it would.

Q Will any waste be committed in this installation?

A No. No waste will be committed.

Q What are your compelling reasons for you to seek this application at this time?

A Mainly economic I guess.

Q Will it be considerable saving if this common battery is permitted?

A We feel it will be approximately \$5,000.00 saving if this

is granted.

Q Is it a pretty thin economic question as to whether or not these wells can be commercially produced?

A Yes, from the present production and from the well costs, the margin of profit will probably be very low to the operator.

MR. WHITE: That's all the questions we have. Any questions of the witness?

MR. COOLEY: Yes, sir.

MR. NUTTER: Mr. Cooley.

CROSS EXAMINATION

By MR. COOLEY:

Q Mr. Arrendiell, I want to especially drill on this, you say the interests are common throughout in both the D-2229 and the D-2148 --

A (Interrupting) Yes.

Q That is the working interest, and any possible overrides and the working interest be common?

A Yes.

Q Thus the distribution of the oil from each of the two leases would be identical?

A Yes, if you would like I would read the lease royalty interest and working interest if you would like it.

Q I would appreciate it if you would read it into the record.

A In Warren-Bradshaw State D B-2148, the State of New Mexico owns one-eighth of eight-eighths royalty interest, Phillips Petroleum owns one-sixteenth of seven-eighths of the overriding royalty. Warren-

~~Bradshaw Exploration Company owns fifteen-sixteenths of seven-eighths~~
working interest. Warren-Bradshaw Exploration owns fifteen-sixteenths on the seven-eighths of the oil interest. Warren-Bradshaw owns one hundred percent of the working interest. In the State E No. B-2229 the State of New Mexico owns one-eighth of eight-eighths royalty interest. Phillips Petroleum owns one-sixteenth on the seven-eighths overriding royalty. Warren-Bradshaw owns sixteen-sixteenths of seven-eighths oil interest, and Warren-Bradshaw owns one hundred percent of the working interest.

MR. NUTTER: Those numbers were all identical on each case, were they not?

A That is correct.

Q I copied down one-eighth of seven-eighths on Phillips override on the State D.

A On the State D.

Q What is the Phillips override?

A One-sixteenth of seven-eighths overriding royalty.

Q Mr. Arrendiell, what would be the maximum wells that could be drilled on these two leases?

A Nine wells would be the total if developed completely.

Q Then by this application you seek permission to commingle production from as many as nine wells?

A That's correct.

Q And if you commingle from the State two leases heretofore referred to?

A That is correct. Yes.

Q What is the location by quarter, quarter section of the

common tank battery?

A It is in the Northwest of the Southwest of Section 21.

Q And how does Warren-Bradshaw intend to measure the individual well production?

A We will measure it based upon well tests.

Q Will this be mostly well tests?

A Mostly well tests.

MR. COOLEY: Thank you. That is all the questions I have.

MR. NUTTER: Any further questions?

MR. COOLEY: I beg your pardon. I have one more question.

By MR. COOLEY:

Q You have a waiver here from a Mr. Talbot. I find no indication of any ownership on this plat by Mr. Talbot. Could you tell me why this waiver was obtained from him? "Eugene Talbot, one of the offset operators and an interested party in the above proceedings, waives objection."

A Sir, I'm not -- I don't know, I would assume however that he is an interest holder in one of these leases. That is my opinion.

Q Probably an override?

A Probably an override on one of the leases.

Q You have shown on your Exhibit 1 offsetting your B-2148 Lease directly to the north a 40 acre tract designated as Suppes and Suppes.

A Yes.

Q And your waiver is from Suppes and Kennedy. Is that tract

incorrectly designated on Exhibit No. 1?

MR. WHITE: I can answer. I assume it is because we sent to Suppes and Suppes and it came back as they amended it.

MR. COOLEY: Thank you.

MR. NUTTER: Any further questions? If not the witness may be excused.

(Witness Excused.)

Let the record show that Exhibits 1 through 3 were received but there was no objection to the admission.

Does anyone have anything further in Case 1397? If not we will take the case under advisement and take a ten minute recess.

(Recess.)

