

EXAMINER HEARING
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 9, 1958

IN THE MATTER OF: Case No. 1413

TRANSCRIPT OF PROCEEDINGS

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EXAMINER HEARING
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IN THE MATTER OF:

Application of Austral Oil Exploration Company
for an exception to Rule 309 of the Commission
Rules and Regulations. Applicant, in the above-
styled cause, seeks an order authorizing it to
commingle the production from all wells com-
pleted in the Townsend-Wolfcamp Pool, Lea
County, New Mexico, on the following described
leases:

Case 1413

W. M. Snyder "B" Lease -

Township 16 South, Range 36 East
Section 6: Lots 9, 10, 15, & 16
and SE/4

W. M. Snyder "C" Lease -

Township 16 South, Range 36 East
Section 5: Lot 5
Section 6: Lots 1, 7, & 8

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF PROCEEDINGS

AFTERNOON SESSION

MR. UTZ: Mr. Bondurant, are you ready to proceed?

MR. BONDURANT: Yes, sir.

MR. UTZ: The hearing will come to order, please. The
next case on the docket will be Case 1413. Will you read it, please?

MR. PAYNE: Case 1413: Application of Austral Oil
Exploration Company for an exception to Rule 309 of the Commission

Rules and Regulations.

MR. BONDURANT: My name is Bill Bondurant. I'm appearing in behalf of Austral in Case 1413. I'm connected with the firm of Hervey, Dow and Hinkle, in Roswell, New Mexico.

(Witness sworn.)

EUGENE H. DOBBS

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

DIRECT EXAMINATION

By MR. BONDURANT:

Q What is your name?

A Eugene H. Dobbs.

Q Where do you reside, Mr. Dobbs?

A Houston, Texas.

Q Are you connected with Austral Oil Exploration Company?

A I am.

Q What is your connection?

A I am assistant secretary and division landman. I have served in that capacity since 1952.

Q Did you file the application before the New Mexico Oil Conservation Commission in this Cause No. 1413?

A I caused the application to be filed.

Q Are you familiar with the terms of it?

A I am.

Q Would you just briefly refer to the map that has been

attached to the application?

A Yes, sir.

Q Is that map a true representation of the leases and wells involved in this cause?

A It is.

Q Would you just briefly describe to the Commission the two wells that you now propose to commingle oil from?

A The first well and lease is what we call the W. M. Snyder "B" No. 1 Well and Lease. The lease covers Lots 9, 10, 15, and 16, and the Southeast Quarter of Section 6, Township 16 South, Range 36 East, Lea County, New Mexico. The "B" No. 1 Well on this lease is located approximately 3656.4 feet from the North line, 660 feet from the East line, Section 6. This particular well was drilled to a total depth of 10,770 feet and is presently producing from perforations 10,675 - 700 in the Wolfcamp formation.

The "C" Lease covers Lots 1, 7, and 8 in Section 6, and Lot 5 in Section 5, Township 16 South, Range 36 East, Lea County, New Mexico. The "C" No. 1 Well is located 2336.4 feet from the North line, 660 feet from the East line, Section 6. This well was drilled to a total depth of 10,717 feet, is producing from perforations 10,674 - 694, again in the Wolfcamp formation.

Q Who is the owner, the record owner of the oil and gas leases involved here?

A Oil Participations, Incorporated, a Delaware Corporation, is the record owner of the two leases above referred to.

Q Who is the operator of those leases?

A Austral Oil Exploration Company, Incorporated, is the operator and is operating agent for Oil Participations, Incorporated.

Q Who is the royalty or mineral owner or lessor of these oil and gas leases?

A The lessor and royalty owner is Mr. W. M. Snyder of Lovington, New Mexico.

Q Is he the sole royalty owner?

A He is.

Q Has he consented to commingling oil under these two leases?

A He has.

Q Has Oil Participations, Incorporated, consented to such commingling?

A Oil Participations has consented.

MR. BONDURANT: I would like to introduce in evidence a consent dated March 19, 1958, from W. M. Snyder, and a like consent dated March 21, 1958; and a consent dated March 28, 1958, from Oil Participations, Incorporated, wherein these parties consent to our proposed commingling in this cause.

MR. UTZ: Do you want to identify these as some exhibit number?

MR. BONDURANT: Would you like to mark the three of them as Exhibit 1, or as 1, 2, and 3?

MR. UTZ: Mark them as Exhibits 1, 2, and 3.

MR. BONDURANT: 1, 2, and 3 will be fine.

(Austral's Exhibits Nos. 1, 2 & 3
marked for identification.)

Q Mr. Dobbs, will there be any saving of expense to you as operator if you are permitted to commingle as you have applied for here?

A Yes, there will. Our engineering staff has figured that we will save somewhere between the neighborhood of five thousand to seven thousand dollars on the basis of present and some planned future wells. In addition, we have estimated that the pipe line company taking the oil will save approximately three thousand dollars minimum, if this application is granted.

Q Are both of these wells producing from the same zone?

A Yes, they are.

Q To your knowledge, will this application cause any waste?

A It will not.

Q If granted.

MR. BONDURANT: Would the Examiner like to ask any questions?

MR. UTZ: You are through with your direct?

MR. BONDURANT: Yes, sir.

MR. UTZ: Any questions of the witness?

MR. COOLEY: Yes, sir.

MR. UTZ: Mr. Cooley.

CROSS EXAMINATION

By MR. COOLEY:

Q How many 40-acre proration units are contained in the two

subject leases?

A At the present time, I believe it would be possible -- talking purely about the geographical area -- that under the "B" Lease it would be possible to put in eight 40-acre units. On the "C" Lease it would be possible to put in four proration units. However, I believe geologically we would have to reduce the number of possible proration units on the "B" Lease, at least that is my impression of the geology at this time.

Q Disregarding the geology, then, the maximum number of developed 40-acre proration units in the two leases here that are the subject of this hearing, the most you could put on there would be twelve?

A I believe that is correct.

Q In your application you seek permission to commingle all production from these leases. Then would you recommend that in the event the Commission sees fit to approve this application, that it be worded so as to authorize the maximum of twelve units?

A Well, I don't know that the Commission would have the authority at this time to grant twelve.

Q Well, we'll leave that to the Commission, Mr. Dobbs.

A I really can't answer.

Q The case is advertised as seeking permission to commingle production from all wells completed in the Townsend-Wolfcamp Pool on the two leases?

A Yes, I might state this, that at the present time we have

one Wolfcamp producer on each of the leases. We are presently drilling a second well, which is the "B" 2, and it is due west of the Snyder "B" 1 Well. Now on possible future locations, we are contemplating the possibility of three additional wells on the "C" Lease, and possibly two or three on the "B" Lease. That is in the, say, foreseeable future.

Q Would it be your opinion there would be no necessity for the exception for no more than eight wells to the single tank battery provision of Rule 309?

A I believe at this time it would not be necessary to go in excess of eight wells.

Q Very good. As shown on your Exhibit No. 1 -- this was identified as Exhibit 1?

MR. BONDURANT: It hasn't been identified as an exhibit. I believe it should be Exhibit 4. It is a plat attached to the application.

MR. UTZ: Do you want to use the copies that you filed with your application?

MR. BONDURANT: Yes.

(Austral's Exhibit No. 4
marked for identification.)

Q (By Mr. Cooley) The area plat showing the two leases here in question, which has been identified as Exhibit 4, shows a proposed tank battery location in Section 6. Does this tank battery lie within one particular 40-acre unit there? I cannot tell the

exact location of it.

A I don't know whether it's on the line or in either Lot 9 or Lot 10, from this plat. I just don't know.

Q But it is definitely on the Snyder "B" Lease?

A It is on what we call the "B" Lease, yes, sir.

Q Will you have adequate facilities installed for this tank battery to determine accurately the production from each of the wells?

A Yes.

Q By monthly well tests?

A Whatever the requirement is, we'll meet it as the minimum.

Q What is your present storage capacity?

A At the present time, I believe there are three 500-barrel tanks, and there is one separator, and I know they contemplate adding a test separator.

Q Before any commingling would be done, you would have a test separator?

A Yes, sir.

MR. COOLEY: That's all the questions I have. Thank you. One more question, please.

A Yes.

Q (By Mr. Cooley) I think this is repetitious, but you did state that the royalty ownership throughout the two leases is entirely common?

A I will put it this way, that Mr. W. M. Snyder has granted

two individual leases to Austral. Each lease has the same amount of royalty, and there are no overriding royalties and there are no other royalty owners involved in respect to the "B" and "C" Leases. The ownership as far as working interest is concerned in the several leases lies in or with Oil Participations, Incorporated.

Q The division of the production from the "B" Lease would be identical with that of the "C" Lease?

A The division of production?

Q Yes, in every case the same persons receive the same shares?

A Yes.

MR. COOLEY: That's all the questions I have.

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

(Witness excused.)

MR. UTZ: Did you offer Exhibit No. 4?

MR. BONDURANT: Yes, I offer Exhibit No. 4.

MR. COOLEY: I don't believe you formally offered any of your exhibits.

MR. BONDURANT: I at this time would like to offer the Applicant's Exhibits 1, 2, 3, and 4.

MR. UTZ: Is there objection to the entrance of these exhibits? If not, they'll be accepted. Any other statements to be made in this case? If not, the case will be taken under advisement.

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