

BEFORE THE
OIL CONSERVATION COMMISSION
Roswell, New Mexico
April 16, 1958

CASE NO. 1421

TRANSCRIPT OF PROCEEDINGS

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BEFORE THE
OIL CONSERVATION COMMISSION
Roswell, New Mexico
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IN THE MATTER OF: :

CASE NO. 1421 In the matter of the hearing called by :
the Oil Conservation Commission of New :
Mexico on its own motion to amend Rule :
309 of the Commission Rules and Regula- :
tions to permit the production of as many: :
as sixteen units into a common tank bat- :
tery and to permit the production of oil :
from separate contiguous oil and gas :
leases into a common tank battery under :
certain conditions. :

BEFORE:

- Mr. A. L. Porter
- Mr. Murray Morgan
- Honorable Edwin L. Mechem

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MR. PORTER: Next case to be considered will be Case 1421.

MR. PAYNE: Case 1421. In the matter of the hearing called by the Oil Conservation Commission of New Mexico on its own motion to amend Rule 309 of the Commission Rules and Regulations to permit the production of as many as sixteen units into a common tank battery and to permit the production of oil from separate contiguous oil and gas leases into a common tank battery under certain conditions.

MR. PORTER: This case ought to be pretty good with one commission lawyer questioning another.

(Witness sworn)

WILLIAM J. COOLEY

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

DIRECT EXAMINATION

BY MR. PAYNE:

Q Will you state your name and position?

A William J. Cooley, general counsel for the New Mexico Oil Conservation Commission.

Q Mr. Cooley, do you have any recommendations insofar as the revision of Rule 309 is concerned?

A Yes, sir, I do.

Q Would you state what they are, please?

A It has been the experience of the Oil Conservation Commission during the past two years that technological advances and the experience, as we have observed it through many cases presented before this Commission for exceptions to Rule 309, that the eight well limitation contained in subparagraph A of Rule 309, that limitation being that no more than eight units may be produced into one common tank battery, is somewhat stringent and should be relaxed at this time. It is my recommendation that that figure of eight be amended to read sixteen. Rule 309-A would then read, and I quote:

"Oil shall not be transported from a lease until it has been received and measured in tanks located on the lease. At the option of the operator, common tankage may be used to receive the production

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from as many as sixteen units of the same basic lease, provided adequate tankage and other equipment is installed so that production from each well can be accurately determined at reasonable intervals."

Experience has also taught the Commission, through many hearings for exceptions to Rule 309, that the limitation contained therein could well be expanded to include all types of leases rather than just State leases. Under Rule 309 B the Secretary of the Commission now has authority to grant exceptions to permit the commingling of production from two separate leases provided those leases are State of New Mexico leases; Provided further, that they are dedicated to a common beneficiary; that the wells are producing from a common source of supply, and that no more than eight units will be produced into a common tank battery. Provided further, that all owners of adjoining oil and gas leases have consented in writing to the proposed commingling of oil in writing from the separate leases, or at least have failed to object after having been so notified. And provided further, that the State Land Commissioner has given his express approval for such commingling.

I would propose that Rule 309 be amended:

(1) to permit the production of sixteen wells, again, into a single tank battery, and further, to permit the production from two separate leases whether they be State, Federal or fee, provided (1) that the wells are producing from a common source of supply; provided that the adjoining oil and gas lease owners have consented in writing or have failed to object after having been notified of

the application. Provided: (2) that the leases are contiguous and provided again, that all interest owners, that is royalty owners, overriding royalty owners, and all working interest owners, have consented in writing to the commingling of these properties, and provided, that all people owning an interest on the two leases have the same identical interest in each of the two leases. In other words, the ownership of the leases to be commingled must be common one hundred percent throughout not only in the persons who own those interests, but in the percentability of interest that these persons own. I believe that concludes my recommendations regarding the amendment of Rule 309.

MR. PAYNE: That is all.

MR. PORTER: Does anyone have a question of Mr. Cooley concerning this Rule revision? The witness may be excused.

(Witness excused)

MR. PORTER: Does anyone else have any further testimony to present in the case? Any statement?

MR. BRATTON: Mr. Porter, the Humble Oil & Refining Company wishes to recommend the acceptance of the recommendations of Mr. Cooley, particularly that Rule 309 A be changed from eight to sixteen wells. However, Humble does believe that technological advances have actually gone beyond the sixteen well stage and that the rule could well at this time or in the future be increased beyond that, but we do recommend acceptance of the proposed changes.

MR. MOORE: I am from Continental Oil Company. I have a

statement to read.

MR. PORTER: Mr. Moore, I believe I will ask you to come up to the mike, please, sir.

MR. MOORE: Continental Oil Company recommends that Rule 309, which limits the number of wells that may be produced into a common battery, be eliminated as an unnecessary barrier to the increased efficiency of lease operations. Continental is opposed to any change in said Rule 309 which would grant a blanket approval to commingling all production from separate leases except where precaution is taken to protect correlative rights in the individual tracts. Thank you.

MR. CURRENS: Pan American Petroleum Company --

MR. PORTER: Mr. Currens, will you come up to the mike too?

MR. CURRENS: Dan Currens, Pan American Petroleum Corporation. Pan American wishes to enter a statement in support of the proposed changes in Rule 309 as outlined here today.

MR. PORTER: Thank you.

MR. KASTLER: Bill Kastler, representing Gulf Oil Corporation. Gulf also concurs in the proposed change in Rule 309. We have frequently had occasion to request exceptions in order to produce more than eight wells into a tank battery and we believe that this would very conveniently save the operators the necessity of any further hearings on that.

MR. PORTER: Any further statements?

MR. PAYNE: Mr. Moore, do you feel that Mr. Cooley's proposed revision of Rule 309 B adequately protects correlative rights?

MR. MOORE: Personally, I believe that it does.

MR. PORTER: Anyone else have anything further in this case?

We will take the case under advisement and consider next Case 1365.

