

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

July 2, 1958

TRANSCRIPT OF HEARING

Case 1476

DEARNLEY - MEIER & ASSOCIATES
INCORPORATED
GENERAL LAW REPORTERS
ALBUQUERQUE, NEW MEXICO
3-6691 5-9546

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

July 2, 1958

-----: :
 IN THE MATTER OF: :
 :
 :
 Application of Austral Oil Exploration Company :
 for permission to commingle production from two :
 separate leases. Applicant, in the above- :
 styled cause, seeks an order authorizing it to :
 commingle the Townsend-Wolfcamp Pool production :
 from its W. M. Snyder "D" Lease, comprising : Case
 Lots 5 and 6, and its W. M. Snyder "E" Lease, : 1476
 comprising Lot 2 of Section 6, all in Township :
 16 South, Range 36 East, Lea County, New Mexico. :
 Applicant proposes to measure the production :
 from each of the above-described leases by means :
 of metering separators. :
 :
 -----: :

BEFORE:

Mr. Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: Let's proceed with Case 1476.

MR. PAYNE: Case 1476. Application of Austral Oil Explora-
tion Company for permission to commingle production from two
separate leases.

MR. DOBBS: My name is Eugene H. Dobbs, D-o-b-b-s, I am a
Secretary and Division Land Man of Austral Oil.

MR. PAYNE: Are you the only witness?

MR. DOBBS: No, I am not. I would like to make some

direct testimony, if I may, and then present a witness.

MR. PAYNE: Do you want to testify yourself?

MR. DOBBS: Yes, I would like to, if I may.

MR. PAYNE: I had better swear you as a witness, then.

(Witness sworn.)

EUGENE H. DOBBS

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

DIRECT EXAMINATION

By MR. PAYNE:

Q Would you state your name and position, please?

A Yes. My name is Eugene H. Dobbs. I am and have been since 1952 Division Land Man of Austral Oil Exploration Company, Incorporated, with principal operating offices in the San Jacinto Building, Houston, Texas.

Q Have you previously testified as an expert witness before this Commission, Mr. Dobbs?

A I have testified before the Commission, yes, I have on April the 9th.

MR. PAYNE: Are the witness's qualifications acceptable?

MR. NUTTER: Yes. Mr. Dobb's testimony is as a Land Man, is that correct?

A Correct.

MR. NUTTER: You may proceed.

A This application was filed by way of a request letter dated May 18, 1958, which, in effect, stated that Austral Oil Exploration Company, Incorporated is the operator of the W. M. Snyder "D" No. 1 Well and the "D" Lease comprising Lots 5 and 6 of Section 6, Township 16 South, Range 36 East, Lea County, New Mexico. Austral is also the operator of the W. M. Snyder "E" No. 1 Well, and "E" Lease consisting of Lot 2, Section 6, Township 16 South, Range 36 East, Lea County, New Mexico.

The "D" No. 1 Well is located approximately 2336.4 feet from the North line and 1916.4 feet from the West line of Section 6, Township 16 South, Range 36 East, Lea County, New Mexico, and is presently being drilled at a depth of 9900 plus or minus feet as of this date.

The "E" No. 1 Well is located 1016.4 feet from the North line and 1980 feet from the East line of Section 6, Township 16 South, Range 36 East, Lea County, New Mexico and is in the process of being drilled, and as of this date is at a depth of approximately 9900 plus or minus feet.

The "D" No. 1 and the "E" No. 1 Wells will be completed in the Townsend-Wolfcamp Pool. Austral is operating agent for Oil Participation, Incorporated, and is the Operator of the sub wells and the leases which were granted by W. M. Snyder dealing with his separate property joined by his wife Reba Snyder, both of Lovington, New Mexico. The ownership of the leases is not common throughout.

The royalty interest and the working interest differs for both leases.

As to the "D" Lease, Mr. W. M. Snyder, dealing with his sole and separate property, but joined by his wife, owns a $\frac{532}{32}$ second royalty interest. A Mr. Robert E. LaBlonde has a 1.5% of $\frac{27}{32}$ overriding royalty interest. Oil Participations, Incorporated owns 98.5% of the $\frac{27}{32}$ working interest.

In respect to the "E" Lease, Mr. W. M. Snyder, dealing with his sole and separate property, but joined by his wife, Reba, owns a $\frac{3}{16}$ royalty interest. Oil Participations, Incorporated owns the $\frac{13}{16}$ working interest. The leases are contiguous as is shown on the plat which was presented with the application letter of May 23, 1958.

Austral requests that authorization be granted as an exception to Rule 309 (A) for the commingling of production from all wells which have been or may be drilled in the Townsend-Wolfcamp Pool underlying the W. M. Snyder "D" and "E" Leases. Mr. Snyder, who is the owner of the royalty under both leases, has no objection to the commingling application. Mr. Robert E. LaBlonde, who owns an overriding royalty as above described "D" Lease, has no objection to the commingling application. Oil Participations, Incorporated, owner of the working interest under both leases, has no objection to the commingling application. Owners of adjacent leases have no objection to the commingling application.

At this time I would like to offer to the Examiner's consideration as an exhibit, as Exhibit No. 1, the letter of Mr. W. M. Snyder, stating that he has no objection to commingling in respect of his leases which are the subject of today's application.

(Marked Austral's Exhibit No. 1, for identification.)

A I would also like to offer as Exhibit No. 2, the letter of consent of Mr. R. E. LaBlonde as to the application.

(Marked Austral's Exhibit No. 2, for identification.)

A I would also like to present as Exhibit No. 3 the letter of consent of Oil Participations, Incorporated.

(Marked Austral's Exhibit No. 3, for identification.)

A I would like to present Exhibit No. 4, which is a waiver of the Atlantic Refining Company, owner of an adjacent lease.

(Marked Austral's Exhibit No. 4, for identification.)

A As Exhibit No. 5 I would like to present a waiver of Cabot Carbon Company, owner of an adjacent lease.

(Marked Austral's Exhibit No. 5, for identification.)

A I present as Exhibit No. 6, a waiver of Pan American Petroleum Corporation, owner of an adjacent lease.

(Marked Austral's Exhibit No. 6, for identification.)

A I present as Exhibit No. 7, waiver of the Texas Pacific

Coal and Oil Company, owner of an adjacent lease.

(Marked Austral's Exhibit No. 7,
for identification.)

A I would like to state that it is the opinion of Austral that the granting of the application will save money as far as the Austral Operation is concerned, and will also save money for the oil purchasing company and the purchaser of the casinghead gas.

I would like to state that in our opinion good conservation practice will be effected and same will not be a detriment to good conservation practice.

I'm finished with the direct testimony.

By MR. NUTTER:

Q Is the other witness going to testify as to the actual installation that will be put on the lease?

A Yes, sir, he will.

Q Your letters of waivers by Exhibits No. 1 through 7, cover all royalty ownership of this property?

A Yes.

Q Do they cover all working interest ownership?

A Yes.

Q Are all offset operators represented by these waivers?

A Yes, I believe so, to the best of my knowledge.

MR. NUTTER: Does anyone else have any questions of Mr. Dobbs? If not, he will be excused.

(Witness excused.)

MR. DOBBS: I would like to present as our next witness in support of the application, Mr. C. R. Geffs. I don't believe Mr. Geffs has testified before the Examiners or the Commission before, and therefore I would like to offer the following questioning in respect of qualifying Mr. Geffs.

(Witness sworn.)

C. R. GEFFS

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

DIRECT EXAMINATION

By MR. DOBBS:

Q Mr. Geffs, you are an employee of Austral Oil Company as of this time. Will you please state for the Examiner your educational background and your employment record since graduation?

A I was graduated from L.S.U. in 1942 with a B. S. degree in petroleum engineering.

Q Is L.S.U. considered the Louisiana State University?

A That's correct. I went to service until 1946 and from '46 to '47 I was engaged in the shipbuilding business. In '47 I was employed by Sun Oil Company and was a trainee and Junior Engineer until 1949, and then I became an Area Engineer until 1952, Field Engineer from 1952 to '56 at which time I went with Austral Oil. I am classified as District Engineer with Austral Oil.

~~Q Mr. Geffs, in your capacity as District Engineer for Austral,~~

what territory are you assigned?

A Specifically Texas and New Mexico.

Q In your past employment with Sun Oil Company, would you please state what areas you worked in?

A Freemont, Texas, Corpus Christi, Kilgore, Brook Hill, Mississippi.

MR. DOBBS: Does the Examiner consider that Mr. Geffs is qualified?

MR. NUTTER: Yes, he is. Please proceed.

Q Mr. Geffs, in your capacity as District Engineer for Austral, are you familiar with its operations in the Townsend-Field Area, Lea County, New Mexico? A I am.

Q Are you familiar with the operations of Austral on the leases which are the subject of this application?

A I am.

Q Mr. Geffs, are you familiar with the application for the commingling of production from the two leases which are the subject of this application? A I am.

Q Mr. Geffs, I hand you herewith a plat which was attached to the May 23rd, 1958 application of Austral for the commingling. This plat shows the two leases in question and also shows the location of a proposed tank battery. Are you familiar with this plat? A Yes, sir.

Q Mr. Geffs, I show you at this time a plat which shows the

central tank battery as proposed. Would you please look at that plat? Would you please describe for the Examiner, in effect, what the plat shows?

A Yes, sir. We are going to set a metering separator for each individual lease where, for instance, the "D" 1 Well will have its own metering separator and the oil will go to the two 500 barrel stock tanks. From the E. A. 1 we will have another metering separator for the oil to come in and commingle with the "D" 1 oil. The type of separator is a rollocheck metering separator.

MR. DOBBS: At this point I would like to present as Exhibit 8 the plat showing the central tank battery as proposed by the applicants.

(Marked Austral's Exhibit No. 8,
for identification.)

Q Mr. Geffs, would you please describe for the Examiner the economic reason behind this application in that Austral feels that it's a saving of money and that the application will be in good conservation practice if the application were granted?

A Yes. We feel we will save one complete tank battery because we have to have separate tanks on either lease, whichever way you went, and we feel that we are saving in the neighborhood of \$4,000 on a tank battery installation, and then, of course, the oil pipeline company and the gas pipeline company will save, oh, approximately \$1400 not having to lay the additional lines and put in

meters and pump station.

MR. DOBBS: I believe that completes the testimony of the witness, Mr. Geffs.

MR. NUTTER: Anyone have any questions of Mr. Geffs?

CROSS EXAMINATION

By MR. NUTTER:

Q Were both of these wells on the "D" Lease and on the "E" Lease projected to the same pool? A Yes, sir.

Q Do you anticipate that there will be any difference in gravities or B, S and W content of the oil which might penalize the price of the oil from either lease? A No, sir.

Q Will samples be taken of the oil from each lease, however, as it goes through the metering separator?

A Yes, this type of separator we have, in case water comes up we will have an out where we can start measuring the water so we will keep the oil payments straight.

Q Has this type of a metering separator been proven in use by previous installations? A Yes, sir.

Q Is it a reliable means of measuring oil?

A Yes, sir. It's reliable company also that is putting out.

Q Is Austral Oil Company willing to test the meters to prove they are accurate? A To prove them?

Q Yes, sir.

A Yes, sir.

MR. NUTTER: Any further questions of Mr. Geffs? If not,

he will be excused.

(Witness excused.)

MR. NUTTER: Do you wish to formally offer your exhibits?

MR. DOBBS: Yes. At this time I would like to formally present Exhibits 1 through 8 inclusive.

MR. NUTTER: Is there objection to the introduction of Austral's Exhibits 1 through 8? If not, they will be admitted. Does anyone have anything further they wish to offer in Case 1476? We will take the case under advisement and take next Case 1475.

C E R T I F I C A T E

STATE OF NEW MEXICO)
: SS
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 7th day of July, 1958.

Ada Dearnley
Notary Public-Court Reporter

My commission expires:
June 19, 1959.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1476 heard by me on 7-2, 1958.

W. H. ... Examiner
DEARNLEY - MEIER & ASSOCIATES Oil Conservation Commission
GENERAL LAW REPORTERS
ALBUQUERQUE, NEW MEXICO
Phone CHapel 3-6691

1958 JUL 17 AM 9:00
MAIN OFFICE OCC