

follows:

MR. CHRISTY: Mr. Examiner, I believe that if the Commission would care to consider the testimony in Case No. 1916, this hearing can be greatly shortened. That is a companion case to this one, wherein temporary commingling was allowed with reference to the east half, west half of Section 9. The purpose of the present application is simply to add one well in the southeast southeast of 4. So, if I may offer in evidence the testimony in Case 1916 in this case?

MR. NUTTER: The record in Case 1916 will be incorporated in the record of this case, Mr. Christy.

MR. CHRISTY: Thank you.

DIRECT EXAMINATION

BY MR. CHRISTY:

Q Would you please state your name, address and occupation?

A My name is Sam Harrill. I live at 1721 Brenken Drive, Hobbs, New Mexico. I am a senior production engineer for the Humble Oil and Refining Company at Hobbs.

Q Have you previously testified before this Commission as a petroleum engineer and had your qualifications accepted?

A Yes, sir, I have.

Q Are you familiar with the matters contained in this application, Mr. Harrill?

A Yes, sir, I am.

Q Are you also familiar with the matters contained in the

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Case 1916, and did you hear the testimony of that hearing?

A Yes, sir.

MR. CHRISTY: Does the Examiner have any questions concerning the qualifications--

MR. NUTTER: No, sir.

MR. CHRISTY: Thank you.

Q (By Mr. Christy) Mr. Harrill, what is sought by this present application?

A We are requesting an exception to Rule 309-A to permit the commingling of Empire and Abo Pool production from a lease covering the southeast quarter of the southwest quarter of Section 4, with production from two leases covering, in part, the east one-half of the west one half of Section 9 into a common tank battery located in the southeast quarter of the northwest quarter of Section 9. Both Section 4 and 9 are in Township 18 South, Range 27 East, Eddy County, New Mexico.

(Whereupon, Humble's Exhibit No. 1 was marked for identification.)

Q I believe what has been marked as Exhibit 1 is a plat of that area, Mr. Harrill?

A That is correct.

Q And it shows the same area as in Case 1916, expanded to include the southeast southeast of 4,--

A That's correct.

Q --which is the additional well you propose to put in the

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same central tank battery?

A Yes, sir.

(Whereupon, Humble's Exhibit No. 2 was marked for identification.)

Q And Exhibit 2 is a schematic diagram of this proposed commingling production system?

A That's correct.

Q Now, in Case 1916, it contains an Exhibit 2, which I believe is an identical for Exhibit 2 in this case, except that in the present case we have added the 5 well, which is that southeast southeast of Section 4?

A That's essentially correct.

Q Now, would you explain to the Examiner what the addition does with relation to this commingling system?

A We are now currently commingling production from Wells 1 and 3 with Wells 2 and 4. Wells 1 and 3 flow through a metering separator and then thence into the storage tank. Wells 2 and 4 flow through a production separator into the storage tanks. What we now propose to do is add a temporary metering separator and production from Well 5 will flow through the separator and then metered and then into the storage tanks.

Q And it can be separately metered from the other production?

A That's correct.

Q Now, the additional area or well, I believe that's



United States lease?

A That's correct.

Q Does Exhibit 1 reflect the offsetting operators and owners?

A Yes, it does.

Q And we have here in Section 9 the name Hudson on Exhibit 1. What does that represent, sir?

A That's a Humble Federal lease, but Mrs. M. C. Hudson has a twelve and a half percent override.

Q Are there any overrides on the southeast southeast 4?

A No, sir, no overrides..

MR. CHRISTY: Mr. Examiner, we have sent a registered letters to all offset operators and to Mrs. Hudson, and we have the return receipts, except for Mrs. Hudson, which came into my office this morning showing she was served prior to the day. And incidentally, she consented to the prior hearing. The one exception to that statement, I believe, is Gulf, who is here today.

MR. NUTTER: Has the United States Geological Survey been notified?

MR. CHRISTY: Yes. And Mr. Anderson advised Humble he had no objection. The return receipt on U.S.G.S. is there.

Q (By Mr. Christy) Mr. Harrill, in your opinion, would the granting of this application be in the interest of conservation and not violate the correlative rights of any interested party?

A Yes, sir, it would.

Q Were Exhibits 1 and 2 prepared by you or under your direct

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supervision?

A Yes, sir.

Q Has this type of metering vessel been approved by the U. S. Geological Survey?

A Yes, sir, it has. It will be the same type, metering type vessel that we are using to meter the production from Wells 1 and 2.

Q That's a dump type meter?

A Yes, sir.

MR. CHRISTY: That's all.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Harrill, will production from Well No. 5 be measured separately prior to being commingled with the production from any other lease?

A Yes, sir, it will.

MR. NUTTER: Any further questions of Mr. Harrill? You may be excused.

(Witness excused)

MR. CHRISTY: We would like to offer in evidence Applicant's Exhibits 1 and 2.

MR. NUTTER: Humble's Exhibits 1 and 2 will be admitted.

MR. CHRISTY: We have nothing further for the applicant.

MR. NUTTER: Does anyone have anything further in this case?

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MR. KASTLER: Yes, Mr. Examiner. My name is Bill Kastler. I'm district lawyer for Gulf Oil Corporation from Roswell, New Mexico. And Gulf has no particular objection. In fact, we concur with Humble's application in this case. However, I would like to raise a question and state just our position in connection with Well No. 6, which, on Exhibit No. 1 in this case, is presently being drilled. This well is located in the northeast quarter of the northwest quarter of Section 16, 18 South, 27 East. This well is being drilled on a State lease owned by Gulf Oil Corporation, which is subject to the Chalk Bluff Draw Unit, which Unit was formed in 1953. It is my position and my understanding that when the Oil Conservation Commission approves a unitization for production of unitized substances, that it approves all incidental rights and powers for the production of these substances, just the same as though they were produced from a single lease. And, therefore, it seems rather questionable to me that this is a case which would come under Rule 309-A, as necessitating any exception for hearing before the Examiner. There are not sixteen wells involved, and the operators have --the unit operators will construct adequate facilities for separate test and measurement. The Chalk Bluff Draw Unit is somewhat anomalous for the following reasons: It was formed originally unitizing all substances, I think, from the surface to all depths beneath, and formed for production of Pennsylvanian gas. In 1959 the unit area was offset by Abo oil production, and Humble is the unit operator, and Hondo is one of the working interest owners,

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and Gulf is another. Wells were drilled to offset the Abo production, and first, the four wells in the east half of the west half of Section 9 were drilled and completed as good top allowable producers. Then, under a plan for further development, Wells Nos. 5 and 6 were spudded and drilling commenced. recently, and the expectation is that these two wells, both will be completed around the middle of April, 1960. In the completion of Well No. 5, if your order takes care of that, it can be produced into a central tank battery. Well No. 6, which is Gulf's well, which will be contributed to the unit, unless some other provision is necessary or is made in your order, will have to be produced into a separate test tank until it's taken into a unit or participating area within the unit. On Monday, April 4th, I attended a conference in the office of the Regional Supervisor of the U.S.G.S., and present were representatives of Hondo Oil Company and Hondo Oil Corporation. The unit operator was invited to attend, but their local representative was out of town and unable to attend. However, it was settled then, that the locations--it was questionable what locations might reasonably be proven as productive of Abo oil. And for that reason, a participating area in this Abo production portion of the unit has not yet been declared. We have reached an understanding with U.S.G.S. that the locations which are reasonably proven as productive will be those on which wells which are commercially operative are completed. And immediately, Humble as the unit operator is being requested to file a proper designation of a participating area, and U.S.G.S. has



indicated that it concurs in this. That will leave Wells Nos. 5 and 6, Well No. 5 being in Section 4, and Well No. 6 being in Section 16, as outside the participating area.

We believe that the approval of the Chalk Bluff Draw Unit, back in 1953, implicitly gave all operators within the unit the right to produce their oil and gas and other substances substantially as provided in the unit agreement, and that a refusal to grant one of these applications would have disastrous consequence inasmuch as the unit agreement has already been approved.

So, what we are asking is, then, that the Rules be clarified so that it won't be necessary for individual owners of lands within a unit to approach the Commission for administrative approval after hearing for commingling of its production within the unit area. And, secondly, we wish your Order, which is drawn in this case, to be broadened to the effect that Gulf's Well No. 6, which is the unit well, and which will also be separately measured and metered through test separators or a production separator set for that purpose, would be allowed to produce also into the central tank battery.

MR. NUTTER: Mr. Kastler, I appreciate your statement. In approving the unit agreement in 1953, the Oil Conservation Commission did approve the Chalk Bluff Unit area, as outlined in the unit agreement. However, the Commission, and I believe I can speak for the Commission in this regard, the Commission regards the unit area as comprising a number of individual leases, and must maintain

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that the unit comprises individual leases until such time as they are dedicated to a single participating area. And as soon as they are in a single participating area, then we can go along with the theory of Gulf, that this is a single lease. The participating area does become a single lease for the purposes of allocation of production and so forth. In approving the unit agreement, the Commission specifically stated that they didn't waive their rights, duties or obligations as far as conservation and allocation of production is concerned. And the Commission does also feel that one of the obligations is to determine the accurate amount of production from each lease. And until such time as there has been a participating area established for these various wells, we would have to regard them as being on separate leases, and determine the production from each one of these leases prior to commingling.

Now, the application here today is for permission to commingle the production from the southeast quarter of the southwest quarter, Section 4, it being No. 5 Well, with the production from Nos. 1, 2, 3 and 4 Wells, and does not include the Gulf oil No. 6 located down here in Section 16. The Order does not authorize the commingling of Well No. 16 with the other wells. If a participating area is established in the near future, and No. 6 is in the participating area with these others, then it can be commingled administratively. But until such time as the participating area is established, this No. 6 Well will have to be measured separately.

MR. KASTLER: Thank you for that. I would like to state,



however, that the unit operating agreement and the unit agreement provide that the participating areas that are formed shall be effective as of the first of the month in which a well has been made productive warranting it. So, it will have until the first of the month in which that well was completed.

MR. NUTTER: This is correct. We recognize that the participating area is actually formed on a retroactive basis, but until the participating area has been formed, there isn't any participating area, and they are separate leases.

MR. KASTLER: Thank you. I notice, and I would like to state for the record, that the unit operator has, as of April 4, 1960, filed a subsequent application with the Commission for the approval, a blanket approval, which would appear to tend toward resolving the difficulty.

MR. NUTTER: Yes, sir, we are caught with that, Mr. Kastler, and I believe that application which was filed on April the 4th or 5th is being set for hearing on April 27.

MR. KASTLER: Thank you.

MR. CHRISTY: That's all we have.

MR. NUTTER: Does anyone have anything further with Case 1940? Take the case under advisement.

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STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, THOMAS T. TOMKO, Court Reporter, in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in machine shorthand and reduced to typewritten transcript by me, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this, the 16th day of April, A.D. 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Thomas T. Tomko
Notary Public

My Commission Expires:

Jan 7, 1964

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. _____
CASE NO. _____

I do hereby certify that the foregoing is a complete and true copy of the proceedings in the hearing of Case No. 1940, heard by me on 4-6, 1960.

Nutter, Examiner
New Mexico Oil Conservation Commission

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