

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
JULY 6, 1960

IN THE MATTER OF:

CASE 2010 Application of Sinclair Oil & Gas Company
for permission to commingle production
from two separate leases. Applicant, in
the above-styled cause, seeks an order
authorizing it to commingle the Empire-
Abo Pool production from its M. Yates
"B" Lease consisting of the S/2, NE/4,
S/2 NW/4 and the NE/4 NW/4, with such
production from a portion of its State
Eddy 32 lease consisting of the NW/4 NW/4
of Section 34 and the SE/4 NW/4 of Section
32, all in Township 17 South, Range 28
East, Eddy County, New Mexico, after
separately metering the production from
one lease only.

BEFORE:

Elvis A. Utz, Examiner.

T R A N S C R I P T O F P R O C E E D I N G S

MR. UTZ: The hearing will come to order. Case 2010.

MR. PAYNE: Case 2010, Application of Sinclair Oil &
Gas Company for permission to commingle production from two
separate leases.

MR. WHITE: If the Examiner please, Charles White of
Gilbert, White and Gilbert, Santa Fe, New Mexico, appearing on
behalf of the Applicant. Mr. Horace Burton of Midland, Texas
will present the testimony, and we have one witness to be sworn
at this time.

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(Witness sworn in.)

MR. BURTON: My name is Horace Burton.

ROBERT R. MARMOR

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

DIRECT EXAMINATION

BY MR. BURTON:

Q State your name and employment?

A My name is Robert Marmor, I work for the Sinclair Oil and Gas Company.

Q What is your job with Sinclair?

A I am Assistant Division Engineer for the Midland Division.

Q Have you training and experience in petroleum engineering?

A Yes, sir.

Q Have you previously testified before the Commission in your capacity as an engineer?

A Yes, sir.

Q Is the Empire-Abo Pool in Eddy County, New Mexico under the supervision of your office?

A Yes, sir.

Q Have you made yourself familiar with the lease ownership that's involved in this hearing?

A Yes, I have.

Q And have you made yourself familiar with the lease operation in regard to the tank battery system?

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A Yes, I have.

Q Will you produce any exhibits that you have prepared and have them marked for identification?

A I have here as Exhibit One a map showing the leases in question.

(Thereupon, the document was marked as Applicant's Exhibit Number One for identification.)

A And I have as Exhibit Two a schematic drawing showing the detail of the connections that we propose to make in this application.

(Thereupon, the document was marked as Applicant's Exhibit Number Two for identification.)

Q (By Mr. Burton) All right. Now, in connection with Exhibit Number One, will you state the lease acreage owned and operated by Sinclair which is involved in this application?

A In Section 33, 28 East, 17 South, we have the Martin Yates "B" Lease, which is the lease that encompasses the Abo formation only, the Martin Yates lease proper is the lease that encompasses the Artesia pool. The Martin Yates lease, that is in all of Section 33 except the northwest quarter of the northwest quarter.

Q That's a six-hundred acre lease?

A Yes, sir.

Q In Section 33?

A Yes, sir.



Q All right.

A In Section 32, we have the southeast quarter of the northwest quarter, which is part of Lease Number 32, and in Section 34, the northwest quarter of the northwest quarter, which is also part of Section--of Lease Number 32.

Q All right, what is your information as to the ownership of the royalty interest?

A The royalty interest ownership is common for all leases.

Q And who owns the royalty?

A The royalty goes to the school fund.

Q Is all of the land involved state land and state leases?

A Yes, sir.

Q And it's all dedicated to the common school fund?

A Right.

Q Have you contacted the Land Office, or has Sinclair contacted the Land Office in regard to any objection which it might have to this application?

A Yes sir, the Land Office has advised us informally right now that it has no objection to the application, and that they will furnish us a letter to that effect.

Q All right. Now, describe the production in this area which you would propose to connect to a central tank battery.

A The production at present comes from the State Lea 33 Lease from the Abo formation, the Empire-Abo Pool. We have presently completed ten wells, and we are, and we have authorized



and are drilling, and drilling five more for a total of fifteen wells in that lease. In addition, we have proposed, although we have not as yet staked locations, for the northwest quarter of the northwest quarter of Section 34 and for the southeast quarter of the northwest quarter of Section 32, which is the State Lea 32 Lease.

Q And do you anticipate that those locations will be productive in the Abo formation?

A Yes, sir.

Q In your opinion, will all of those wells be producing from a common source of supply?

A Yes sir, they all will be producing from the Empire-Abo Pool.

Q What equipment do you have presently installed in the Yates "B" Lease?

A We have at present an automatic custody transfer system installed on the lease, which is shown in Exhibit One as under--well, next to the words tank battery, we show it with an arrow.

Q And the LACT system which you have there, has that been approved by an order of the Commission?

A Yes sir, it was approved by Order Number R-1677 the 19th of May, 1960.

Q All right. Now, what is the Sinclair proposal with respect to connecting the two forty-acre tracts comprising State



Eddy Lease 32, what is your proposal about the tank battery in those locations?

A We propose that once the wells in Sections 32 and 34 are completed, we will run lines from those wells to the immediate vicinity of the tank battery in the Martin Yates Lease. We will then tie in these wells to the present LACT system. We show in Exhibit Two the method by which we propose to tie these wells in.

Q All right, with reference to your Exhibit Two, will you explain that in more detail for the Commission?

A All right, sir. In Exhibit Two, we show the present LACT system, which is essentially the same exhibit which we presented in Case 1959 and which was approved by Order Number R-1677. The upper part shows the header where the ultimate fifteen wells in this lease will come in and if we--it goes through the separator. Although we show in this particular exhibit a heater treater, we don't have any use for it at this time, since we are not producing any water, and the oil goes directly to the surge tanks and from there it goes through the LACT unit. We show, we refer to "See detail and LACT unit," and we would like to refer you to the exhibits presented in Case 1959 for the details of the LACT unit. Our proposal would be to tie in to the State Eddy 32 wells into one header which would then go through a separator, and if necessary, a heater treater, and then through a meter, which would then tie in to the line going from the separator, or to this surge tank, or to the surge tank in the present Yates Lease

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setup.

Q What do you propose, what safety measure do you propose in case of a line break, or to prevent line breaks in the wells to be connected to this battery?

A We will have high pressure tested tubing or line pipe running from the wells, the header, that we show in Exhibit Two. These, the pipe will be plastic coated.

Q And that will--do you propose that in lieu of automatic shutoff valves at the wellhead?

A Yes sir, we do.

Q Is that the same installation which has been approved by the Commission Order 1677?

A Exactly as approved.

Q Now, how would you determine the measurement of the oil from State Lease Eddy 32 Lease from the oil produced from the "M" Yates "B" Lease?

A We will have the measurement of the oil from the two wells as we show in the Exhibit Two where the oil goes through an oil meter set up right after the separator, and then we will have the measurement for the total production, which will be through the LACT system. We will obtain then the Martin Yates "B" production by subtracting the reading from the meter for the State Eddy 32 Lease, from the total LACT meter reading.

Q And will there be any shrinkage in this tank battery system?



A No sir, since the oil is practically in constant movement, there won't be any shrinkage at all.

Q And in your opinion, will that method insure accurate measurement from the separate leases?

A Yes, sir.

Q What would be the alternative if you were not granted permission to use a common tank battery.

Q Well, we would have to set up individual tank batterys, or a common tank battery for the two forty-acre tracts, possibly, in the Martin Yates Lease. This would entail an additional cost over the proposed method of over, or approximately five thousand dollars. Now, in addition to that, we will have an operating expense throughout the life of the field since we will not be able to take advantage of the LACT system, and we could not justify installing a separate LACT system for just two wells.

Q Would it be your opinion then that the granting of this application would be in the interests of waste prevention?

A Yes, sir.

Q And will the correlative rights of any parties be violated?

A No, sir.

MR. BURTON: We offer Exhibits One and Two into evidence, and that concludes our questions.

MR. UTZ: Without objection, Exhibits One and Two will be entered into the record.

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Mr. Marmor, I believe that you stated that both leases are State?

A Yes, sir.

MR. UTZ: And that both leases have the same beneficiary, that being the common school fund?

A Yes, sir.

MR. UTZ: How about your overriding royalties?

A We have in the Martin Yates "B" Lease, we have a production payment out of it of fifty per cent of production, which is a result of us obtaining this lease through the ARC purchase.

MR. UTZ: And you don't have the same interest in this --

A No, sir.

MR. UTZ: In Number 32?

A No, sir.

MR. UTZ: Well, in Mr. Yates' interest on the large lease, the fifteen-well lease, then you propose to use the subtraction method?

A What do you mean, Mr. Yates' lease?

MR. UTZ: Well, Martin Yates "B" Lease.

A Oh, yes sir, we propose to subtract the total, the production of the State Eddy 32 from the total production.

MR. PAYNE: Who is the production payment made to, is that the Alben Corporation?

A Yes, the same as we testified to in Case 1959.

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MR. UTZ: I believe you stated that there wouldn't be much shrinkage because of the oil being in constant transfer?

A Practically.

MR. UTZ: How much oil will the fifteen wells in the Yates "B" Lease produce?

A Let's see, I believe the allowable now is about, well, fifty-eight, sixty barrels per day, something in that order, let's say sixty, nine hundred barrels per day, roughly.

MR. UTZ: And the State Eddy 32 would run about a hundred and twenty?

A Yes, sir.

MR. UTZ: That's a thousand and twenty barrels a day when all this is completed and the other two wells are in?

A Yes, sir.

MR. UTZ: And you have storage capacity of a thousand barrels?

A Yes, sir.

MR. UTZ: Now, what is your storage capacity up to the high level switch, is that a thousand barrels?

A Yes, that would be up to the--five hundred would be up to that switch, I believe.

MR. UTZ: So the LACT system would transfer oil from there possibly once a day?

A A little more often.

MR. UTZ: What gravity oils are these?

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A Close to forty degrees, but I don't have that right at hand.

MR. UTZ: Do you have any data or information, made tests or otherwise, as to the--as to what the shrinkage for forty degree gravity oil would be in a twenty-four hour period on a hot summer day?

A No sir, I don't have that data available right now.

MR. UTZ: There would be ~~some~~ shrinkage, though, wouldn't there?

A It would be very minor shrinkage.

MR. PAYNE: In other words, inasmuch as it would be minor and negligible, Mr. Marmor, would Sinclair be willing to take the allowable as reflected by the meter reading from the two wells? In other words, you get no credit for shrinkage from those two wells, you run the allowable for those two wells through the meter?

A I believe there would be a temperature compensator.

MR. PAYNE: The meter would be --

A I would think there would be.

MR. PAYNE: But it wouldn't be a shrinkage compensator, I mean there are other factors that go into shrinkage other than temperature. What I am getting at is, rather than going by the figure that you would sell at the battery, your total figure after shrinkage, would you be willing to just run your allowable from these two wells through the meter and assume that there's not going



to be any shrinkage on those two wells?

A Yes, that would be just the way we were going to do it.

MR. PAYNE: Or in the alternative, to obtain a waiver from the Alben Petroleum Corporation to this particular installation? You see, I don't think it's the way you contemplate doing it. Ordinarily, don't you go by what you sell through the tank battery rather than the meter reading?

A Well, that would be the total sale.

MR. PAYNE: Yes, sir.

A Now then, we subtract what we read in the meter as to what went in the meter that came from the State Eddy 32, as to what is attributable to the Martin Yates Lease. Is that what you have in mind?

MR. UTZ: In other words, whatever shrinkage there is would come out of the Martin Yates Lease?

MR. PAYNE: Yes, it would have to if you only had one meter.

A Yes.

MR. PAYNE: What I am asking you is if you would be satisfied with an order that allowed you simply to run the allowable through the meter as regards the two wells and just assume that they don't shrink at all?

A I don't see any objection to that. As a matter of fact, I don't see, I don't think there will be much shrinkage at all, any that we can measure. I don't see any objection to that.



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MR. PAYNE: Particularly since only two wells are involved in that lease?

A Yes, sir.

MR. BURTON: Mr. Examiner, we would be willing to accept that condition.

MR. PAYNE: Thank you. That's all.

MR. UTZ: Any other questions?

Mr. Marmor, would Sinclair be willing to make the usual well tests for well productivity as well as the usual meter tests?

A Yes sir, we are set up to do that.

MR. UTZ: Are there other questions? If not, the witness may be excused.

(Witness excused.)

MR. UTZ: Any other statements in this case?

MR. WHITE: That's all.

MR. UTZ: The case will be taken under advisement.



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I N D E X

WITNESS

PAGE

ROBERT R. MARMOR

Direct Examination by Mr. Burton

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STATE OF NEW MEXICO)
 : ss
COUNTY OF BERNALILLO)

I, JERRY MARTINEZ, Notary Public in and for the County of Santa Fe, 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 Stenotype 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 6th day of July, 1960,
in the City of Albuquerque, County of Bernalillo, State of New
Mexico.

Notary Public

My Commission Expires:

January 24, 1962

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 200, heard by me on 2-6-60, 1960.

....., Examiner
New Mexico Oil Conservation Commission

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