

Spann & Sanchez, 900 Simms Building, Albuquerque, New Mexico, representing the applicant, Phillips Petroleum Company. We have one witness.

(Witness sworn.)

F. C. MORGAN

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

DIRECT EXAMINATION

BY MR. SPANN:

Q Will you state your name for the record, please?

A F. C. Morgan.

Q By whom are you employed and in what capacity?

A I am assistant District Superintendent with Phillips Petroleum Company in Hobbs.

Q And have you previously testified before this Commission?

A Yes, sir, I have.

Q And have your qualifications been accepted?

A Yes, sir.

Q We tender the witness as qualified.

MR. NUTTER: He is, please proceed.

Q (By Mr. Spann) Now, you are familiar with the application that is filed here by Phillips Petroleum Company and Phillips Chemical Company, is that correct?

A Yes, sir, I am.

Q Are you generally familiar with the area involved?



A Yes, sir.

(Whereupon, Applicant's Exhibit Number 1 was marked for identification.)

Q Now, we have marked Exhibit 1 which is a plat of the area, would you just describe what that exhibit shows?

A Exhibit 1 is a plat of the portion of the Vacuum Pool that is pertinent to this case. Three of the cases, leases in this application are shown in blue. Santa Fe Well Number 56 located on State Lease Number B-2073 and described as southeast quarter of the northeast quarter of Section 19, Township 17 South, Range 35 East, Lea County. Santa Fe 55 is located on State Lease B-2388 and is described as northwest quarter southeast quarter of Section 20. Santa Fe 54 is located on State Lease B-1501 is described as northeast quarter of northwest quarter of Section 29. In addition to these three Phillip Petroleum Company leases we wish to amend our application at this time to include Phillips Petroleum Company Santa Fe Well Number 53 which is located on State Lease Number B-1501 and described as the southeast quarter southwest quarter, Section 20. It is proposed in this application to commingle production from these four Phillips Company leases with the production from three Phillips Chemical Company leases. These Phillips Chemical Company leases are shown in red on Exhibit Number 1, Chemical Santa Fe 1 and 2 are located on State Lease B-2388 and are described as the southwest quarter southeast quarter of Section 20 respectively. Phillips Chemical Santa Fe Number 3 is located on State



Lease Number B-1501 and is described as the northwest quarter of the northwest quarter of Section 29.

Q Now, you just stated that you wish to amend your application to include additional 40 acre tracts that are contiguous to the other tracts that are involved in this application.

A No, sir, it would be not contiguous to Santa Fe 56, it would be contiguous to the remaining leases.

Q Would it be contiguous to the tract on which the proposed tank battery is situated?

A The tank battery sits adjacent to the lease in question.

Q In the event it would be determined that within the notice that was issued, consideration could be given to including that particular tract in this application, what would your position be insofar as that tract is concerned?

A I think we would propose administrative approval if it wasn't in the unit.

Q Your proposal alternative, in the event the Commission, you would like to have your application amended to include it. In the event it could not be, because of the notice given you would now rather have an administrative approval be given to including that in the proposed area to be put in this tank battery, is that correct?

A Yes, sir. I would like at this time to ask that our application be amended so as to include this lease 53, I believe I said.



A Santa Fe 53 Well which is on B-1501, I believe, is situated on the southeast quarter of the southwest quarter of Section 20. That our application be amended so as to permit the production from that well to be included or produced into this tank battery.

MR. NUTTER: Inasmuch as this well is contiguous with other wells which are advertised, it will be so admitted.

Q (By Mr. Spann) Mr. Morgan, this application was filed by Phillips Petroleum Company and Phillips Chemical Company, would you just briefly state the relationship between those companies?

A No difference so far as the operations are concerned since all leases involved in this application are operated by Phillips Petroleum Company, Phillips Chemical Company which does own three of the leases involved in this application. It is the wholly owned subsidiary of Phillips Oil Company. I have been authorized by the management of both to state their consent to this proposed commingling.

Q The Phillips Company actually operates these wells, their personnel and so forth --

A That is correct.

Q -- handle the production from these wells?

A Yes, sir.

Q I believe these wells that you propose to produce in this battery or tract, they are not contiguous, is that correct?

A That is correct, particularly Santa Fe 56 which is not



contiguous to the other units.

Q That is the reason, I take it, for your application and this hearing rather than proceeding for administrative approval?

A That is part of it, sir.

Q Would you describe the wells located on these leases, whether they are single completions, or just what they are.

A Gentlemen, all the wells involved on the acreage in this application are single completions, Grayburg Andres wells.

Q Producing from a common source of supply?

A Yes, sir.

Q Would you describe briefly your tank battery installation, your procedures there now and just how it will measure the production from the wells and so forth?

A Yes, sir. We have a production separator and a test separator both which will be present to permit adequate well testing and sufficient storage. We will have three three hundred barrel tanks, some 8 hundred ten barrel storage. That would be a 206 day storage for the total production involved.

Q These are all State Leases, I take it?

A Yes, sir, they are.

Q Do you know the beneficiary or the royalty from these productions?

A Yes, sir, the common schools.

Q Have any offset operators objected to this application?

A None to my knowledge.



Q And you have notified them I take it?

A Yes, sir, that is correct.

Q What is the position of the Commissioner of Public Lands?

A We have a letter which I believe you can present to the Commission, I understand they have been furnished a copy, stating the approval of the State Land Commissioner.

MR. SPANN: In that connection, may it please the Commission, I have a copy of the letter dated September 16th to the Phillips Company by Murray Morgan, copies of which were furnished the Commission; if you have that copy, I would like to move it be made a part of the record in this case, if you do not have it, I will tender my copy as an exhibit.

MR. NUTTER: Mr. Spann, this copy we have is dated September 16, 1960, and in the letter the Commissioner of Public Lands grants permission to commingle production from 640 acre tracts in Township 17 South, Range 35 East, is that the letter you have?

MR. SPANN: My letter, "permission is hereby granted to you to commingle the Grayburg-San Andres. Produce from 640 acre tracts in Township 17 South, Range 35 East, Lea County, New Mexico, as outlined in your application. All of this acreage is committed to one beneficiary, that being the common schools." Is that correct?

MR. NUTTER: Yes.

MR. SPANN: I request that that letter be accepted as part of the case.



MR. NUTTER: Applicant's Exhibit Number 2, Mr. Spann.

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

MR. PAYNE: Does this letter include State Lease Santa Fe B-1501?

MR. SPANN: It includes that lease, yes, sir. But it doesn't, our original application did not include Santa Fe Well Number 53 which is also on that lease and which we asked to amend our application to include. I would assume that perhaps some additional approval from the Land Commissioner to include that in our application might be on order. I will endeavor to obtain that and furnish it to you.

MR. NUTTER: Are there 7 40-acre tracts or 6?

MR. SPANN: 7 now with our amendment.

A I would like to point out basically 1501 has been approved by the Commissioner of Public Lands, one additional 40 acre tract, Lease B-1501.

MR. SPANN: I would assume when he stated in his letter that the common beneficiary was common schools that he was referring to the lease which would be 1501 which is in the application and all acreage involved in that lease, but if the Commission feels it is an order, I would be glad to get the additional approval.

MR. NUTTER: I would suggest you inform the Land Office at any rate.

MR. SPANN: I will do that.



MR. SPANN: I will do that.

Q (By Mr. Spann) How would the granting of this application be in the interest of prevention of waste, Mr. Morgan?

A The approval of this application would result in the savings of 1.8 miles or 9,500 feet of two inch flow line, which has a net value of about \$3,560.00, on Santa Fe Well Number 54 and 55 and 56; and an additional savings of about \$1,250.00 will be realized by salvaging 5,250 feet of line pipe on the Santa Fe Well Number 53, that is a total \$4,810.00. Also, probably of more importance to us as the operators, the effect on operator and maintenance cost in the future years, we will realize a result of this decreased flow line length, in addition to the resulting lower back pressure on the well heads.

Q Incidentally now, where on this Exhibit 1 is the location of this battery identified, would you just clarify that?

A Yes, sir, in Section 20 that block we have drawn in there at the west side of the southwest quarter of the southeast quarter the C. H., that is actually the location of the proposed battery we propose the commingling into. I might, I should have mentioned earlier the other wells shown in the, our Phillips acreage there in green produce into a battery which you will see down there in the northwest quarter of Section 28.

Q Now, just briefly describe the type of tank battery installation you have there or propose insofar as capacity, and so forth.

A It means the three three hundred barrel tanks which will



provide nearly 5 day storage for the total production. It will have both production and test separators.

Q Would the granting of this application adversely effect correlative rights of offset operators or any other persons?

A No, sir.

Q Now, was Exhibit 1 prepared under your supervision or by you directly?

A Yes, sir.

MR. SPANN: I would like to move the admission of Exhibit 1, which is the plat, and Exhibit Number 2, excuse me.

MR. NUTTER: Applicant's Exhibits 1 and 2 will be admitted into evidence. Do you have anything further?

MR. SPANN: Just a moment.

Q (By Mr. Spann) In other words, the purpose of this application is to attempt to bring about a saving in the economics of producing these wells both as far as the original installation is concerned and also as far as the future operation is concerned?

A Yes, sir, there will be immediate savings plus long term savings to reduce operator cost.

MR. SPANN: That is all I have.

MR. NUTTER: Any further questions of Mr. Morgan:

BY MR. NUTTER:

Q Mr. Morgan, as I understand it, you plan to commingle the production from the 7 wells that you mentioned.

A Yes, sir.

Q Then all other wells on those leases, if any there be, will go into other tank batteries?



A These specific leases we mentioned will all go into this proposed battery, those other Phillips wells you see on the green acreage as those up on the eastern half of the map produce into our battery 8.

Q The green is lease 1501?

A Not altogether, I only colored, put in the lease numbers on the leases involved in this application, I did not put in the lease numbers on those others.

Q Then you are requesting permission to commingle these 7 wells into one battery?

A That is correct.

MR. SPANN: Mr. Nutter, that would, he colored in blue and in pink the 6 wells and then we have added one which happens to be in green which we didn't include.

Q (By Mr. Nutter) The pink well is Phillips Chemical Santa Fe 5?

A That has a separate battery.

Q Is the ownership of all of the wells involved identical, Mr. Morgan?

A I am not really sure I understand your question.

Q Is the royalty ownership common schools --

A Common school fund.

Q -- overriding interest?

A No, sir.

Q Inasmuch as Phillips Chemical Company, Phillips Petroleum



owns Phillip Chemical Company and Phillips Petroleum owns the other wells?

A Yes, sir.

Q You --

A Yes, sir.

Q You might say the working interest is identical?

A Identical in interest.

MR. NUTTER: Any other questions? Does anyone have anything further for Case 2081? We will take the case under advisement, and take 2082.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



STATE OF NEW MEXICO)
 : ss
COUNTY OF BERNALILLO)

I, LEW NELSON, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached transcript of proceedings before the Oil Conservation Commission was reported by me in stenotype and reduced to typewritten transcript by me and/or under my personal supervision 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 20 day of September, 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Lew Nelson

NOTARY PUBLIC

My Commission Expires:
June 1st, 1964

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2081, heard by me on 9/21, 1960.

[Signature], Examiner
New Mexico Oil Conservation Commission

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



I N D E X

<u>WITNESS</u>	<u>DIRECT</u>	<u>CROSS</u>
F. C. MORGAN		
By Mr. Spann	2	
By Mr. Nutter		10

<u>EXHIBITS</u>	<u>FOR IDENTIFICATION</u>	<u>OFFERED</u>
Applicant's No. 1	3	10
Applicant's No. 2	7	10

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ALBUQUERQUE, NEW MEXICO

