

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
June 28, 1961

EXAMINER HEARING

Case 2319

TRANSCRIPT OF HEARING

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EXAMINER HEARING

PHONE CH 3-6691

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

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IN THE MATTER OF: )

Application of Tenneco Oil Company for a )  
non-standard oil proration unit and for )  
permission to commingle the production )  
from separate leases, San Juan County, )  
New Mexico. Applicant, in the above- )  
styled cause, seeks the establishment of )  
a 90.5-acre non-standard oil proration )  
unit in the Cha Cha-Gallup Oil Pool con- )  
sisting of lots 3 and 4 and the E/2 SW/4 )  
of Section 31, Township 29 North, Range )  
13 West, San Juan County, New Mexico. )  
Applicant further seeks permission to )  
commingle the Gallup oil production from )  
the subject unit with other Gallup oil )  
production from the E/2 W/2 and from the )  
E/2 of said Section 31 after separately )  
metering the production from each area. )

Case  
2319

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BEFORE:

Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: The Hearing will come to order, please.

The next case will be Case Number 2319.

MR. MORRIS: Application for Tenneco Oil Company for a  
non-standard oil proration unit and for permission to commingle  
the production from separate leases, San Juan County, New Mexico.

MR. ARMSTRONG: I am William N. Armstrong, attorney for



Tenneco Oil Company in Midland, Texas. I am in association in this case with the New Mexico law firm of Hervey, Dow and Hinkle, and I believe the Commission is in receipt of a letter from Mr. Howard Braton entering an appearance for us.

MR. UTZ: Yes.

MR. ARMSTRONG: I have one witness, Mr. Lacey.

(Witness sworn.)

JOHN J. LACEY

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

DIRECT EXAMINATION

BY MR. ARMSTRONG:

Q Would you state your name and place of residence, please.

A John J. Lacey, Durango, Colorado.

Q By whom are you employed and in what capacity?

A I'm employed by Tenneco Oil Company in the capacity of District Engineer.

Q What is Tenneco Company's capacity with relation to Tenneco Corporation?

A They are acting as management for Tenneco Oil Corporation.

Q In other words, they operate the property involved known as Tenneco Corporation who owns the property?

A That is correct.

Q Have you previously qualified and testified before this



Commission as a Petroleum Engineer?

A Yes, I have.

Q In your opinion, are your qualifications, then, a matter of public record?

A They are.

MR. ARMSTRONG: Does the Examiner accept the witness' qualifications?

MR. UTZ: Yes, he has been previously qualified.

Q (By Mr. Armstrong) Are you familiar with the matters sought in this case, Case 2319?

A Yes, I am.

Q Would you state briefly what they are?

A Tenneco Oil Company is requesting a non-standard proration unit in the Cha Cha-Gallup field of 95 acres and permission to commingle the production from the formation of a non-standard proration unit with existing wells on their leases in Section 31.

Q The proposed non-standard unit consists of what?

A The proposed non-standard unit consists of the east half of the southwest quarter of Section 31, 29 North, 13 West and lots 3 and 4 in that Section.

Q Would you identify and explain the paper that has been marked Applicant's Exhibit 1?

A Exhibit 1 shows the acreage involved in the proposed non-standard proration unit, the ownership interest and the location of the existing tank battery facilities on Tenneco's



lease in Section 31. I might elaborate a little more. Section 31 of 29 North 13 West is a non-standard governmental Section. It consists -- the east half of this Section is a normal three hundred twenty acres. The east half of the west half of this Section is a normal hundred sixty acres, and the west half of the west half of this Section consists of a strip of twenty acres which comprises the west half of the west half.

Q That is for a total of five hundred and two acres?

A That is correct.

Q Would you state the leaseholding owners or working interest owners within the proposed unit boundary?

A That acreage that is colored in yellow in Section 31 is generally owned by Tenneco Corporation of 87-1/2% and Big Chief Drilling Company has an interest of 1/8, 12-1/2%. The 10.5 acres in the proposed non-standard proration unit is owned by Elliott, Inc.

Q Have various working interest owners in the proposed unit agreed to this proposed unitization?

A Yes, they have. The operating communitization agreement is currently being signed between the various working interest owners.

Q The proposed well location is reflected on Exhibit 1 is an unorthodox location?

A Without using a rule to actually measure the proposed well, I can't tell, but we propose to drill the well as a proposed



orthodox location in the southwest quarter of Section 31 in the Cha Cha-Gallup field.

Q Are the wells producing as shown on your Exhibit 1, wells located in Section 36 adjoining the subject Section on the west, the west half of 31, we show to be owned by Humble. Are these producing from the Cha Cha-Gallup Pool?

A Yes, they are.

Q In your opinion, will the proposed well effectively and efficiently drain the entire <sup>90.5</sup>(19.5) acres of your proposed unit?

A Yes, it will.

Q Do you have any other comments relative to this Exhibit 1?

A No, none other than that the proposed wells in Section 31 are completed in the Cha Cha-Gallup Pool and producing in the Callow B 1 and B 2.

Q These are the wells with which you propose to commingle production in the unit?

A That is correct.

Q Would you identify, then, and explain Applicant's Exhibit 2?

A Exhibit 2 is a schematic diagram for proposed metering facilities to commingle the oil production from the proposed Callow B oil unit with the presently producing well from the Callow B lease.

Q The Callow B oil unit is the unit being requested?



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A A non-standard proration unit that is being requested. The schematic diagram shows a Baker A oil gas separator with a positive displacement type Rockwell piston meter to measure the crude oil which will then go to the existing tank battery facilities located in the southwest corner of Tenneco's lease.

Q Will the proposed measurement accurately determine the production from the proposed unit?

A Yes, sir; I believe it will.

Q I believe also that your application has requested an increased allowable to be given to the proposed well?

A Yes. In addition to our requesting a non-standard proration unit, we are requesting an allowable increase of 90.5 eightieths of top allowable in the field.

Q In your opinion, will the granting of this application for the non-standard proration unit and increased allowable accordingly and commingling that production from this proposed unit with your Callow B 1 and Callow B 2 wells in Section 31 be in the interests of conservation and protection of correlative rights of the various owners involved?

A Yes, sir; I believe it will.

Q Do you have any other comments with relation to Exhibit 2?

A No, I have not.

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



A Yes, they were.

MR. ARMSTRONG: We will at this time offer Applicant's Exhibits 1 and 2 into evidence.

MR. UTZ: Without objection, Exhibits 1 and 2 will be accepted into evidence.

Q (By Mr. Armstrong) Do you have any other comments?

A No.

Q These metering facilities will be between the separators for the proposed well and the tank batteries in which the production will be commingled, is that correct?

A That is correct.

MR. ARMSTRONG: That concludes our direct testimony.

MR. UTZ: Mr. Lacey, was it your proposal that you are going to meter each one of these leases?

A No. Our intent was to meter the production from the Callow B, the Callow oil B unit and then attribute production to our existing Callow B wells by the difference of tankage.

MR. MORRIS: You are using the subtraction method of arriving at how much to attribute the wells?

A To the existing wells from the Callow B lease, right.

MR. UTZ: That would be your well, B 1 and B 2?

A Yes.

MR. UTZ: This cross exed area that you have on Exhibit Number 1, what do you call it, the Callow B oil unit No. 1?

A The cross exed area outlined is the non-standard pro-



ration unit and formation of the lease which would be identical as the Callow B oil unit and the circled well is the proposed location.

MR. UTZ: The balance of Section 31 is known just as the Callow B lease?

A That is correct.

MR. MORRIS: The balance of 31, not including the lots?

A The balance of the acreage is colored in yellow.

MR. UTZ: Are you going to meter the oil from the Callow B unit?

A Yes, that is correct.

MR. UTZ: Using the subtraction method to determine the production of the well on the Callow B?

A Yes.

MR. UTZ: The Rockwell meter register, is that a non-reset type that you propose?

THE WITNESS: I believe that meter can be supplied with either type. Normally I would assume it would be a non-reset register.

MR. UTZ: Are there any other questions of the witness?

MR. MORRIS: If you measure the production from the Callow B, you're going to be attributing any shrinkage that might occur to the well on the Callow B oil unit, would you not?

A Yes, that is true. Any shrinkage on the Callow B oil unit that burden would be carried by the Callow B wells. However,



since we have eighth ninth interest in the proposed Callow B oil unit, and with our Big Chief, 100% working interest operator in the Callow B lease, the net shrinkage attributable to 10.5 acres we feel will be insignificant when compared to the possibility that if we had to set up separate tankage facilities for the Callow B oil unit, we would probably experience a great deal of shrinkage by having two tank facilities instead of one.

MR. MORRIS: Would Tenneco be willing to meter production from the Callow B oil unit before it was commingled in common tank batteries with the production from the Callow B unit that's already been metered? In other words, meter separate production from each lease?

THE WITNESS: Yes, we would be willing to place a meter on the production from the Callow B lease and the Callow B oil unit and allocate shrinkage proportionately.

MR. MORRIS: Mr. Lacey, I don't know whether you are aware of it or not, but an industry committee has been appointed by the Commission to study all phases of commingling and it's anticipated that the Commission may adopt certain standards as a result of their report, and I think you should be advised at this Hearing in making this application that any authorization granted will be subject to the standards that may later be adopted by this committee, and the permission granted by any order must be conditioned upon your compliance at a later date with the standards.

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THE WITNESS: I believe Tenneco would be willing to accept an order to that effect.

MR. UTZ: Are there any other questions?

The witness: may be excused.

(Witness excused.)

MR. UTZ: Are there any other statements in this case?

MR. ARMSTRONG: I would like to make a brief statement about the shrinkage. We have given some consideration to that problem and did feel the benefit or reduction in shrinkage would be accomplished by using the tank battery and would more than offset the shrinkage attributable to the benefit of the production from the Callow B unit which would occur under the proposed system.

MR. UTZ: Are there any other statements?

The case will be taken under advisement.

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