

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
April 19, 1961

IN THE MATTER OF:

Application of Sinclair Oil & Gas
Company for an exception to Rule
303 (a) and Rule 309 (a). Case 2246

Application of Sinclair Oil & Gas
Company for an exception to Rule
303 (a). Case 2247

Application of Sinclair Oil & Gas
Company for an exception to Rule
303 (a). Case 2248

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
APRIL 19, 1961

EXAMINER HEARING

PHONE CH 3-6691

DEARNLEY-MEIER REPORTING SERVICE, Inc

ALBUQUERQUE, NEW MEXICO

IN THE MATTER OF: :

CASE 2246 Application of Sinclair Oil & Gas Company for :
an exception to Rule 303 (a) and Rule 309 (a). :
Applicant, in the above-styled cause, seeks :
permission to commingle, without separate mea- :
surement, the oil production from the Tubb Gas :
Pool, the oil production from the Blinebry Gas :
Pool and the oil production from the Drinkard :
Pool from all wells presently completed on its :
J. R. Cone "A" lease, comprising the W/2 SW/4 :
of Section 26, Township 21 South, Range 37 East :
Lea County, New Mexico, and on its J. R. Cone :
"B" lease comprising the SE/4 SW/4 and the SW/4 :
SE/4 of said Section 26. :

CASE 2247 Application of Sinclair Oil & Gas Company for :
an exception to Rule 303 (a). Applicant, in :
the above-styled cause, seeks permission to :
commingle, without separate measurement, the :
distillate production from the Tubb Gas Pool, :
the distillate production from the Blinebry Gas :
Pool, the oil production from the Drinkard Pool :
and the oil production from the Wantz Abo Pool :
from all wells presently completed on the S.J. :
Sarkeys lease, comprising the SE/4 of Section :
23, Township 21 South, Range 37 East, Lea :
County, New Mexico. :

CASE 2248 Application of Sinclair Oil & Gas Company for :
an exception to Rule 303 (a). Applicant, in :
the above-styled cause, seeks permission to :
commingle, without separate measurement, the :
oil production from the Drinkard Pool with the :
oil production from the Tubb Gas Pool from all :
wells presently completed on its A.M.York "B" :
lease, comprising the NE/4 NE/4 of Section 20, :
Township 21 South, Range 37 East, Lea County, :
New Mexico. -----



BEFORE:

A. L. Porter, 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. PORTER: The hearing will come to order, please.
We'll take Case 2246.

MR. MORRIS: Case 2246. Application of Sinclair Oil & Gas Company for an exception to Rule 303 (a) and Rule 309 (a).

MR. WHITE: Charles White of Gilbert, White & Gilbert, appearing on behalf of the applicant. If the Examiner please, we would like, for the purpose of the hearing, to consolidate Cases 2246, 2247 and 2248 so we can save some time.

MR. PORTER: If no objection to the counsel's motion, Cases 2246, 2247 and 2248 will be consolidated, for the purpose of taking testimony. Exhibits 1 through 3 marked for all cases.

(Whereupon, Sinclair's Exhibits 1 through 3 were marked for identification)

MR. WHITE: We have one witness to be sworn.

MR. PORTER: Will the witness stand and be sworn, please?

(Witness sworn)

R. M. ANDERSON,

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

DIRECT EXAMINATION

BY MR. WHITE:

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

A R. M. Anderson.

Q By whom are you employed and in what capacity?

A Sinclair Oil & Gas Company, senior engineer in their Midland, Texas Division Office.

Q Have you previously testified before the Commission or Examiner as an engineer?

A I have.

Q And have your qualifications been accepted?

A Yes, they have.

Q Are you familiar with Cases 2246, 47 and 48?

A I am.

Q Would you state the purpose of each application?

A The purpose of these applications is to permit the commingling of the crude from several pools in order to effect economic savings on the lease and to enable us to continue to operate these leases in an economic manner. My testimony will show that the leases have declined down to marginal status, and they are all producing; what we are asking to commingle is very small amounts of oil.

Q Mr. Anderson, will you refer to Exhibit No. 1 in each of the respective cases and explain those Exhibits?

A Exhibit No. 1 is only an ownership map of the area surrounding each of the leases. The first case concerns our J. R. Cone "A" and "B" lease. On Exhibit 1 with that case we have colored the Cone "A" and "B" leases yellow on the Exhibit. We have

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shown the ownership in all directions, and for some distance around the lease, and we have shown the wells that exist on the lease. The "A" lease is an 80-acre lease and contains two Drinkard wells which are dually completed in the Tubb and in the Blinebry. The "B" lease contains two Drinkard wells. With respect to the Tubb and Blinebry zones, the "A" and the "B" leases are operated under a pooling agreement; those zones have been pooled in the Tubb and Blinebry.

In the case of our Sarkeys lease, which is the second case on the docket, 2247, I similarly colored that lease yellow on Exhibit 1. It reflects three wells. There's a Wantz-Abo well, a Drinkard well, which is dualled in the Tubb and a Blinebry well, and this information is also reflected on my Exhibit 3, which I'll come to in a minute.

In the case of our York "B" lease, I have similarly colored it yellow. It contains one dually completed well, which is an oil well in the Tubb Gas Pool, and an oil well in the Drinkard Oil Pool.

Q Mr. Anderson, will you similarly explain Exhibit 2 in each case?

A Exhibit 2 is a diagrammatic sketch of the lease and leases. In the case of the Cone "A" and "B" leases, it reflects the present tank battery installations and reflects the present flow lines and the tanks and equipment that we propose to recover, as a result of this application, as so labeled on this Exhibit. On Exhibit 2

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for the Cone leases, I have indicated that we will recover two 500-barrel tanks and a 280-barrel settling tank. 280 is recoverable at this time, whether you grant the application or not, so I have not included it in any economics, but it will be removed from the premises. I have indicated the changed flow line condition by putting a dashed line on the Exhibit, and in this case it indicates that the production from the Cone "B" Wells 1 and 2 will go through the separator, and will then go to the 500-barrel stock tanks on a lease similarly to the way it's depicted on the Exhibit. Over on the "A" lease, we find we still will be using the Drinkard, the separator for the two Drinkard wells, and that production will go to the 500-barrel tanks as will the distillate production from the Tubb and Blinebry Wells. In the case of the Sarkeys, which is the next case my Exhibit 2 reflects, the wells and the present equipment installed at the tank battery and the fact that three 210-barrel tanks will be recovered, and similarly, I have shown minor changes that will take place as a result of the granting of this application.

Likewise, on our York "B" lease, the same type diagram with the same type of information shown.

Q Mr. Anderson, will you now refer to Exhibit 3, which is the same Exhibit in each of the three cases?

A All three cases are reported on this single sheet here, which is labeled Exhibit 3 in each case. The top third refers to the Cone lease, and it shows the wells on the lease and the various

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pools that they're completed in, and it shows the allowable on the current allowable schedule.

The Tubb and Blinebry Wells do not reflect an allowable. However, they have a gas allowable. They do not have a distillate allowable. Then, under the oil column that is the current daily average production that we're making from those wells presently, and we say that it is a rather small amount in the Drinkard zone. One well is making two barrels, one four barrels a day, and one ten, and one thirteen. The top allowable in this zone is 62 barrels, so they're quite a ways below that. Also, we see that just small amounts of distillate are involved. The Tubb zone makes 6 barrels a day, and likewise, the Blinebry zone makes 6 barrels of distillate a day.

I have shown the gravities of these oils and distillates. I have shown the water production which is minimal, and I have shown the gas-oil ratio of the oil wells. Likewise, information is shown for the Sarkeys lease, the second case. We see that the production from those wells is 4 barrels of Blinebry distillate from one, Well No. 1, 8 barrels of Drinkard oil a day from Well 2, and 3 barrels of Tubb distillate from the dually completed well and 3 barrels of Wantz-Abo oil. Likewise, shown, the gravities and the water production and the gas-oil ratio of the oil wells. Case A. M. York "B" 2 we show the Drinkard zone making 17 barrels of oil a day, in the Tubb zone, 10 barrels, and we're making a little water on that lease, a barrel a day in the Drinkard, and

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10 barrels a day in the Tubb. The gas-oil ratios are also reflected there.

Q What does this Exhibit reflect?

A Well, I believe this Exhibit reflects the marginal nature of these leases, and we are asking to commingle all of the oil and distillate produced on the Cone lease, which is a total of 41 barrels a day, and in the next case we're asking to commingle the marginal production totaling 18 barrels a day of both oil and distillate on the Sarkeys lease, and in the case of the York lease, 27 barrels of oil per day, we're asking to commingle and we are asking to commingle this without separately measuring any of the strings.

We propose to allocate the oil and distillate production on the basis of periodic tests, and we do not desire to set meters, and in the case of water production, the accompanying necessary heating and treating equipment, and so forth, in order to realize the saving that we will get from recovering lease equipment, and also the saving we will realize as a result of minimizing the lease personnel's work.

Q What economic savings will be accomplished by this commingling?

A Well, in the Cone lease we will recover two 210-barrel tanks, two 500-barrel tanks, and based upon their second-hand value, it will be a total of five thousand one hundred dollars worth of equipment that we will recover and have available to use in other



operations. We also will save in that we will make it possible for the field personnel to more efficiently handle this lease without having to gauge some tanks and make some calculations every day. We will be able to do it on the basis of periodic tests.

Q In regard to the Cone lease, are the royalty interests common as between the leases "A" and "B?"

A No. With regard to the Drinkard zone, the royalty interest is different. The working interest is common under the "A" and "B" leases, and in the Drinkard zone the royalty interest is different. However, in the Tubb and Blinebry zone, the royalty interest has been pooled and it is common.

Q Is it your opinion you can satisfy the royalty owners?

A I have been advised by our legal department that they can satisfy the royalty owners in the event this application is granted.

Q Are the royalty interests the same in the Sarkey lease?

A Yes, they are common, identical in the Sarkey.

Q What about the York lease?

A They are the same, both zones under the York lease.

Q Are the working interests common throughout all leases?

A Yes, they are.

Q Will the selling price of the commingled crudes equal or exceed the selling price of the separate crudes?

A Yes, they will equal or exceed it in all three cases. I

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didn't finish answering your previous question about the economic savings; I answered it with regard to the York. Now, in the case of the Sarkeys lease, we will recover three 210-barrel tanks for an estimated value of twenty-four hundred dollars. In the case of the York "B" lease, we will recover two 210-barrel tanks, and one heater treater for an estimated thirty-four hundred. Now, the heater treater on the York lease is not the one that's presently out there as shown on the Exhibit, but it is a second one that will have to be set, in the event that this application is not granted. We are now experiencing a little difficulty with the Drinkard crude, and it's necessitating steaming and rolling the tanks, the Drinkard tanks. So, if this application is granted, we can throw the Drinkard stream through the same heater treater we have out there commingled with the Tubb string and save installing another heater treater; so that I am considering a saving here in this application. That's thirty-four hundred dollars saving on the York "B" lease.

Q Are these crudes sweet or sour?

A They're sweet. They're all sweet crudes.

Q Were these Exhibits prepared by you or under your direction?

A They were.

MR. WHITE: At this time we offer the Exhibits.

MR. PORTER: Without objection, the Exhibits of Sinclair Oil & Gas Company will be admitted to the record.

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(Whereupon, Sinclair's Exhibits 1 through 3 were received in evidence.)

MR. PORTER: Does anyone have a question?

MR. MORRIS: Yes.

MR. PORTER: Mr. Morris.

CROSS-EXAMINATION

BY MR. MORRIS:

Q You testified that the price to be paid for the commingled fluids would not be any less than if they were produced on the individual leases, but here on the Cone lease wouldn't your price per barrel, just looking at the production from the Cone "A" be less than the price per barrel from the Cone "B"?

A Actually, the comparison between the "A" and "B" leases with the distillate mixed in?

Q Right.

A I didn't make that comparison because the distillate that I have shown under Cone "A" is actually half of the distillate by virtue of the pooling agreement belongs to the "B" lease. It is a pooled product. Although the Cone "A" 1 Well is making 6 barrels of Tubb distillate due to the fact that we have 160-acre pooling agreement on these two leases, why, 3 barrels of that actually belongs to the "B" lease, and if you were to then contribute half of the distillate to the "B" as well as to the "A", I believe you would be accomplishing the same thing. You have gravity improvement in both cases, but the total of the 41 barrels of distillate

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does calculate, the selling price does calculate to be the same or more than if you were to sell them separately.

Q I see. Now, Mr. Anderson, all these wells are marginal. I don't suppose there's any great likelihood of their becoming top allowable wells, at least on primary production, is there?

A No, sir.

Q I mean by workover?

A No, sir. It is extremely unlikely, in my opinion, that any of these oil wells will be returned to top allowable status, or that any additional top allowable oil wells will be drilled on these leases. I believe that the gas wells are top allowable in the gas pool.

Q How about on secondary operations, if any are contemplated here? Of course, you might, in that situation, it might be possible that you would be producing a top allowable from one or more of these wells so in the event that secondary recovery operations are instituted, or if the wells become otherwise capable of making top allowable, will you be willing to notify the Commission of that fact?

A Yes, sir.

MR. MORRIS: That's all I have.

MR. PORTER: Mr. Nutter.

BY MR. NUTTER:

Q Mr. Anderson, you stated that the recovery of the tanks on the Sarkey lease would amount to twenty-four hundred dollars.



How much money do you expect to recover on the Cone leases by the commingling project?

A On the Cone, it totals fifty-one hundred. That's two 210's and two 500's, and that is based on second-hand value of that equipment.

Q How much actual recovery will you make on the York lease, not counting the heater treater that you will not have to install?

A Sixteen hundred dollars, two 210 tanks.

Q Then, if you included the heater treater?

A Thirty-four hundred dollars.

Q For the heater treater or all told?

A For a second-hand, eighteen hundred dollars I allowed, that's about seventy-five percent of new price.

Q Is this application in Case No. 2246 for authority to commingle the leases as well as commingle the pools --

A Yes, sir.

Q -- as far as the Drinkard is concerned?

A Yes, sir.

Q You stated that you had a pooling agreement for the Tubb and the Blinbry on the Cone "A" and Cone "B." Does that pooling agreement include royalties?

A Yes, sir.

Q So, everything is pooled for those two formations?

A Yes, sir.

Q What is not pooled as far as the Drinkard is concerned,



a full eighth of the entire royalty ownership?

A Yes, one-eighth is not pooled with the Drinkard, or all other formations.

Q There's no other production right at the present time except the Drinkard that isn't pooled?

A That is correct. Only the Drinkard production at the present time, or the Drinkard is the only production at the present time that is not pooled.

Q How do you expect to allocate the Drinkard production as far as royalty is concerned to the two royalty owners?

A We propose each month when we file our C-115's to allocate this production to the "B" and "A" leases in the manner that's indicated as a result of our periodic tests, and both the "B" and the "A" lease with regard to Drinkard formation is producing at capacity, and so we feel that we now know exactly what to expect from these leases, and would be able to accurately determine and estimate it in that manner.

Q The Drinkard on the "A" is making a total of 6 barrels, and the Drinkard on the "B" is making 23 barrels, is that correct?

A Yes, sir.

MR. NUTTER: Thank you.

MR. PORTER: Does anyone else have a question of Mr. Anderson?

BY MR. PORTER:

Q Mr. Anderson, on your Exhibit 3, I notice you give the



amount of liquid being produced by the Tubb and Blinebry gas zones. Is that for one particular month, or is that an average over a zone, or what?

A That is a six months' average.

Q Six months' average?

A Last six months.

MR. PORTER: Does anyone else have a question? Mr. Nutter.

BY MR. NUTTER:

Q Have you already discussed commingling the Drinkard with the royalty owners?

A No, sir.

Q But your legal department assured you that they could satisfy them?

A Yes.

Q But you haven't discussed it with them?

A The legal department has assured me that under the law, as they see it, they feel that they can adequately account to the royalty owners for the production, if we are granted this application.

Q Have you given any thought to setting meters for the Drinkard production on these two leases?

A Yes, we have, and we feel that because they are both operating marginally and at capacity, we feel that it is not necessary, and we note that there is a small amount of water produced;

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one barrel a day on an average from the "B" lease, and one barrel a day on an average from the "A" lease, and in order to meter and measure this stream, we will have to set a separating equipment where at present we do not have heater treaters installed on the leases, and we are able to bleed off a little water off the bottom of the stock tanks occasionally and handle our water problem with very little extra treating. If we were to meter, though, we would have to possibly set the heater treaters, and that, again, would run the cost up considerably.

Q You could set a sampler, couldn't you, to determine the water production from each lease?

A Yes, sir.

Q There's a possibility you may have to go to treating the oil on these two leases, anyway, is there not?

A If we were to have to measure them prior to commingling, yes, we would have to treat them, possibly in the near future.

Q I mean if they weren't being metered, there's still a possibility you might have to treat the oil?

A Yes, sir.

Q What would it cost, Mr. Anderson, to set a meter, to set one meter and a sampler on this installation?

A The meter would cost approximately five hundred dollars, the sampler, depending upon the power that's available to operate it, would cost about, roughly, two hundred dollars for a sampler.

MR. NUTTER: Thank you.

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MR. PORTER: Any further questions of the witness? He may be excused.

(Witness excused)

MR. PORTER: Does anyone else have anything to offer in either of these three cases? If not, they'll be taken under advisement.

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STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, 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 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 20th day of April, 1961, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Ada Dearnley
NOTARY PUBLIC

My Commission expires:

June 19, 1963

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2226, heard by me on April 13, 1961.
Ada Dearnley, Examiner
New Mexico Oil Conservation Commission

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