

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
MAY 4, 1961

EXAMINER HEARING

PHONE CH 3-6691

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

IN THE MATTER OF: :

CASE 2268 Application of Humble Oil & Refining Company :
for an exception to Rule 303 (a). Applicant, :
in the above-styled cause, seeks an exception: :
to Rule 303 (a) to permit commingling, without: :
separate measurement, of the production from :
the Paddock, Penrose-Skelly and Drinkard :
Pools on the J. L. Greenwood Lease, compris- :
ing the S/2 of Section 9, Township 22 South, :
Range 37 East, Lea County, New Mexico. :
: :
: :

BEFORE:

Daniel S. Nutter, 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. NUTTER: The hearing will come to order, please.

The next case will be Case 2268.

MR. MORRIS: Case 2268. Application of Humble Oil &
Refining Company for an exception to Rule 303 (a).

MR. CHRISTY: Sim Christy, Hervey, Dow & Hinkle, for the
applicant, Humble Oil & Refining Company. We have one witness.

(Witness sworn)

LEE W. PERRY, JR.



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

DIRECT EXAMINATION

BY MR. CHRISTY:

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

A I am Lee N. Perry, Jr. from Hobbs, New Mexico. I work for Humble Oil & Refining Company as a senior engineer.

Q Mr. Perry, have you previously testified before this Commission as an engineer and had your qualifications accepted?

A Yes, sir, I have.

Q Are you familiar with the matters sought in the application in this case, No. 2268, before the Commission?

A Yes, I am.

Q Are you familiar with the wells in the area involved in the application?

A Yes.

MR. CHRISTY: Does the Commission have any questions concerning the qualifications of the witness?

MR. NUTTER: No, sir. Please proceed.

Q (By Mr. Christy) Will you please tell us what the purpose of the application is, and what is sought by it?

A Humble wishes to obtain an exception to Oil Conservation Commission's Rule 309 (a) to allow us to commingle the production from all present and future wells in the Drinkard, Penrose-Skelly and Paddock Pools on our J. L. Greenwood Lease. These wells are



all non-top allowable wells at present, and we wish to prorate the commingled production back to the individual wells on the basis of well tests. We realize that at any time we obtain a top allowable well from these pools on the Greenwood Lease, further arrangements would have to be made to the Commission to handle this production.

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

Q Referring you to what has been marked as Exhibit No. 1, would you please locate this Lease and discuss the production of the wells?

A Exhibit 1 shows the 320-acre Lease involved, the J. L. Greenwood Lease, which is the south half of Section 9, Township 22 South, Range 37 east, Lea County, New Mexico, about three miles south of Eunice, New Mexico. The wells are shown by varying symbols indicated in the legend. Sweet crude from the Brunson Pool and Blinebry condensate are not involved in this request due to economics and the pipeline's desire.

There are four Drinkard wells with 45 barrels of oil per day production, three Penrose-Skelly wells with 3 barrels of oil per day, and one Paddock with 26 barrels of oil per day. The total commingled production, 81 barrels of oil per day. These wells are all non-top allowable, as I mentioned before, and there is no foreseeable change except a slight downward trend or decreasing trend.

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PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



Q How about the mineral ownership, is it common in these pools?

A Yes, sir.

Q Both royalty, overriding, and working interest?

A Yes.

Q How do you propose to commingle the production?

A Well, let's refer to this Exhibit 1. There are five tank batteries shown there, one for each of the pools on the lease, outlined in red, and there is a treater for the Drinkard and the Brunson production. The labels underlined in red are the existing batteries and existing pools. We intend to commingle the Drinkard, Penrose-Skelly and Paddock into the most westerly battery, the Paddock battery, and by rearranging the Brunson production, we can abandon the existing battery, Brunson battery, and the Drinkard treater. This equipment will likely require some extensive repairs or replacement in the near future.

Q You would wind up with your batteries, as shown in solid green here on Exhibit 1?

A Yes. We would wind up with three batteries and one treater. The Penrose-Skelly battery could be salvaged. This consolidation would produce money advantage to Humble of about ninety-seven hundred dollars immediately. This includes the credit for the cost of equipment replacement and repairs to continue with our existing facilities, salvage, and the cost to consolidate. We would probably get, or we'd undoubtedly get some additional savings

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from reduced weathering loss, since we're putting more production per day into each tank, and there would be less maintenance, and there would be some advantage due to the operator and pipeline gauge cost.

Q How about the price of the commingled crude? Will there be any difference between that and the present price?

A No. It figures out to be identical. Unlikely thing, but that's what we calculated it.

Q How will you account for this commingled production?

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

A If you would refer to Exhibit 2, this is a schematic diagram of the proposed commingling facilities and the battery. Production from the eight wells in the three pools to be commingled would come into the common header, down at the bottom of the page there. Provisions are made, as you see, to route any of these wells through the test separator on the left, and into a separate tank for testing. Production from the wells not on test would go through the production separator, the volume heater, if necessary, and into the gun barrel, and then to a storage tank. Total production would be measured by tank gauge and prorated back to the individual wells on the basis of periodic well tests. No automatic or metering equipment is involved.

Q Who's purchasing the production in this area?

A Shell Pipeline.

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ALBUQUERQUE, NEW MEXICO



Q Have you submitted this proposal to them and had any reply whether or not they will accept it?

A They have approved it by letter.

Q They have?

A Yes.

Q Do you see where this might -- the installation, as you propose it, might violate the correlative rights of any of the interested mineral owners in this area, Mr. Perry?

A No, I certainly can't.

Q As I understood you, it would result in a substantial saving of money to the operator?

A Quite a substantial savings.

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

A Yes, they were.

MR. CHRISTY: We have no further questions.

MR. NUTTER: Anyone have any questions?

MR. MORRIS: Yes.

CROSS-EXAMINATION

BY MR. MORRIS:

Q You stated that you are going to allocate the production back to the wells on the basis of periodic tests. Would periodic be monthly, quarterly, or what?

A Wells of this type we usually test quarterly. We don't have a very real definite schedule, but we do try to get them



quarterly. We'll normally get four tests on a well of this type in a year.

Q We have some difficulty in writing a definite order in this regard. Would you suggest quarterly as a standard?

A Yes, I think that that would be -- these wells are not as poor as some that I've seen in situations of this type. They don't seem to vary a tremendous amount. They're very stable. Just a very slight downward trend.

Q You also said something about seeking authorization for all future wells that might be drilled. Do you contemplate future wells?

A No.

Q Just in case you did?

A Yes. I think that's just a precaution to keep from having to come back in case we drill another three or four barrel well there. It sometimes happens.

Q Now, the Brunson Pool production is not going to be commingled?

A No. It is sweet, and Shell handles it in a separate system.

Q Handled separately?

A Yes, as sweet.

Q I missed the individual well production figures that you gave. I wondered if you have them available. Could you give them in the order that they appear on your Exhibit No. 2, so I can write

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PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



them down?

A We start off with the Drinkard. 1 is 11 barrels, 11 is 9 barrels, 13 is 5, 15 is 10. Penrose-Skelly, 2 and 4 are 8 barrels per day, 7 is 4 barrels per day, and the 1 Paddock well is 26 barrels per day.

Q Has that Paddock well been marginal for quite some time?

A For quite some time, yes. It not only is incapable, but it has also got a high gas-oil ratio. It's not high, but it's enough where we couldn't get back to top allowable.

MR. MORRIS: That's all I have.

BY MR. NUTTER:

Q On your Exhibit No. 2 you show Nos. 1, 11, 13, 15 being Drinkard; 2, 4 and 7 being Penrose-Skelly, and No. 14 Paddock, is that correct?

A I believe that's right.

Q That doesn't seem to correspond with the legend on Exhibit No. 1. Wouldn't No. 1, according to the legend, be a Penrose-Skelly well?

A That's what it shows here. These wells have been re-completed, Mr. Nutter.

Q No. 13, from this legend, appears to be a Brunson well.

A I didn't look at my plat very well, did I? Those wells have apparently been recompleted since this plat was made, and I didn't check the legend.

Q As a matter of fact, from the legend, it appears there

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PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



are six Penrose-Skelly and one Paddock well, and two Drinkard wells. Which is correct, Exhibit 1 or Exhibit 2?

A Exhibit 2.

Q That's the number of wells of each formation that are coming into the battery?

A Yes, sir. I'm very sorry. As I said, it was an old plat, and I didn't check the legend.

Q What about this Eumont gas well? Where's the distillate or condensate from it going?

A It's dry?

Q It makes no liquids?

A Less than half a barrel a month.

Q And the distillate from the Blinebry Drinkard dual completion, the gas distillate there goes into the battery, or it's handled separately?

A It's handled separately. The Blinebry, all condensate, and the sweet oil, sweet Brunson is handled separately.

MR. TUTTER: Any further questions of Mr. Perry?

A Would you like for me to furnish you with a corrected plat?

MR. TUTTER: Yes, sir, we sure would like to have a corrected Exhibit No. 1 submitted.

MR. CHRISTY: As Exhibits 1 and 2, as corrected by the witness' testimony, we would like to offer in evidence those two Exhibits, and we will send the Commission a corrected Exhibit No. 1.

MR. TUTTER: The applicant's Exhibits will be entered in

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evidence.

(Whereupon, Humble's Exhibits Nos. 1 and 2 were received in evidence)

MR. CHRISTY: That's all for the applicant.

(Witness excused)

MR. MUTTER: Does anyone have anything to offer in Case 2268? We'll take the case under advisement.

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ALBUQUERQUE, NEW MEXICO



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 6th day of May, 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 Board of Oil Conservation, Case No. 2268, heard by the Board on 5-4, 1961.

[Signature], Examiner
New Mexico Oil Conservation Commission

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PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

