BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
July 15,1970

EXAMINER HEARING

IN THE MATTER OF:

Application of Benson-Montin-Greer Drilling Corporation for surface commingling of oil, Rio Arriba County, New Mexico.

Case No. 4387

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. HATCH: This is the application of Benson-Montin-Greer Drilling Corporation for surface commingling of oil, Rio Arriba County, New Mexico. The applicant seeks authority to commingle the production from its Cañada Ojitos Unit Well No. 13, a non-participating well located in Unit L of Section 27, Township 26 North, Range 1 West, Rio Arriba County, New Mexico, with oil production from the participating area of said unit.

MR. COOLEY: Mr. J. Cooley, Farmington, New Mexico. We have one witness, Mr. Stoabs I'd like to have sworn.

VIRGIL L. STOABS,

being duly sworn according to law, upon his oath testified as follows:

DIRECT EXAMINATION

BY MR. COOLEY:

Q Where do you reside, Mr. Stoabs, and who are you employed by?

A I reside in Farmington, New Mexico and I am employed with Benson-Montin-Greer Drilling Corporation.

Q Do you have any technical qualifications with respect to the oil industry?

A Yes, sir. I am a graduate Petroleum Engineer. I graduated from the University of Oklahoma in 1950 with a BS Degree.

Q What experience, if any, do you have in this field?

A I have been actively engaged in engineering for twenty years now.

Q Are you personally familiar and have you been personally active in the area of the Cañada Ojitos Unit?

A Yes, since the discovery well was drilled.

Q Has this been largely under your personal supervision?

A Yes, sir.

MR. COOLEY: Are the witness' qualifications acceptable?

MR. NUTTER: Yes. They are.

MR. COOLEY: I have three exhibits I'd like marked.

(Whereupon, Exhibits 1, 2 and 3 were marked for identification.)

Q Mr. Stoabs, I hand you what has been marked as Exhibit No. 1 in this case and ask you to describe the legend thereon, what it represents.

A Exhibit 1 is Exhibit A to the Cañada Ojitos Unit, which is a map of the unit area and showing the various tracts therein.

Q How is that outlined -- what color?

A We have the participating area that is outlined in blue and we have outlined the participating area in brown.

Q Is there a well located thereon?

A The No. 13 L-27 Well is indicated in red. We have also

indicated two tracts, one in blue within the participating area and one in yellow outside the participating area. The significance of these colors indicate that they are the only two tracts within the unit boundary which are not owned by a common working interest ownership. All the tracts have the same working interest ownership.

Q With respect to this application, only the area colored in blue is involved, is that correct?

A Yes.

Q And to what extent is there a difference in ownership in that block?

A There is one owner in the half section colored in blue who owns approximately twenty-two percent interest whereas in the balance of the participating area acreage, that his ownership is zero.

Q What is that owner's name?

A It is John R. Anderson of Farmington, New Mexico.

Q Have you personally contacted Mr. Anderson with respect to this application?

A Yes. I have.

Q Does he have any objection to the Commission granting the relief requested here?

A None whatever.

Q Mr. Stoabs, I hand you what has been marked as Exhibit

2, B, possibly in this case, and ask you to describe what is shown thereon.

A Again, this is an outline of the Cañada Ojitos Unit area where we have outlined the present participating area in brown and have indicated our oil gathering system with green and red; the difference being that on the red lines we have fiberglass pipe installed and on the green lines we have steel pipe installed.

Q Does this plat also show the location of the Unit 13 L-27 Well?

A Yes. It does.

Q And does it lie outside the participating present boundaries of the participating area of the Cañada Ojitos Unit?

A Yes.

Q Is the well in question, the Unit 13 L-27, a commercial well of the quality necessary to allow it to eventually be included within the participating area of the Cañada Ojitos Unit?

A Yes, sir.

Q Why has this not been done to date?

A Well, the time factor involved and getting the approval and paper work accomplished.

Q Is it a relatively recently completed and tested well?

A Yes, sir. It was on April 6, 1970.

Q What, in your opinion, is the producing capability of this well?

A At the present time the well production has been approximately 250 barrels per day and, of course, we have a gas injection program underway in the area. This production has been restricted due to the available injectivity and we have recently installed a new compressor in our compressor train and expect to have more gas available for injection and at that time we hope to increase the production of the No. 13 L-27.

Q In your opinion, is the productivity of that well in excess of the present production of approximately 250 barrels of oil per day?

A Yes, sir.

Q If this application is not granted what will be necessitated with respect to the disposition of the production from the well in question, L-27?

A The production would then have to be trucked to the nearest Shell receiving station which is located in Bloomfield approximately 115 miles away. The cost of that trucking would be in the range of ninety cents per barrel.

Q As opposed to what costs for handling it through the pipeline system?

A Approximately twenty-five cents per barrel.

Q Is it your proposal then -- the applicant's proposal,

Mr. Stoabs -- to commingle production from this well which is presently outside the participating area and allocate it on a different basis than participating oil with the oil produced from the participating area -- do you understand the question?

A I don't quite understand what you mean by allocating.

Q Well, presently the production from the L-27 Well is allocated and belongs to -- paid out in a different fashion than the oil in the participating area, is that correct?

A The production from the L-27, as we propose to handle it, will pass through our like unit which --

Q You don't understand the question. At present, inasmuch as the L-27 is outside the participating area, the ownership of the oil produced from that well is paid out to different people in different percentages than is the oil within the participating unit, is that correct?

A Yes, sir.

Q You do propose to expand the participating area to include this well, do you not?

A Yes, sir.

Q Once this is accomplished, will there be a retroactive accounting with respect to all oil produced from the L-27?

A Yes. The accounting will be retroactive to the date of the approval of what will be the eighth expansion that will

include the number 13 L-27 and that date will be April 1, 1970, the first of the month of the date the well is completed. That will include the production from the No. 13 L-27 and the production from the participating area.

Q So to summarize that point,if I understand you, there will eventually be, upon expansion -- approval of the eighth expansion of the participating area, a retroactive reallocation of all production from that well which will make it in common with all other wells in the participating area?

A Yes, sir. That is correct.

Q Now, at this time, prior to this expansion, do you intend -- how do you intend to measure the production from the L-27 and allocate it?

A We have a meter installed at the L-27 Well site which we meter the production as it goes into the gathering system. We then, of course, meter at our like unit when we sell to Shell, at the point we sell to Shell. The difference between these two meters results in the production attributed to the participating area.

Q You will actually measure the production from the L-27?

A Yes, sir.

Q By meter?

A Yes.

Q One or more meters?

A We have two meters installed.

Q At the L-27?

A Yes.

Q Would you describe that installation?

A Well, we have one meter downstream of our production unit which meters the oil as it goes into our surge tank located on location and another meter downstream of the surge tank which meters it as it goes into the gathering system itself.

MR. NUTTER: At this point, Mr. Stoabs, may I interrupt you? On all these other wells, you have, by these little characters in the legend here, described the installation present at the location, but there is nothing shown for the L-27. Could you tell us what is located there at that well, please -- is there a separator there --

THE WITNESS: Yes. There is a high-pressure and low-pressure separator combined in a production unit. Then it goes through our meter and into a 300-barrel surge tank and the oil discharges from the surge tank through another meter directly into the pipeline to the like unit.

MR. NUTTER: In other words, this oil is going through a surge tank and a low and high pressure separator and two meters prior to the time it is commingled with the oil from C-2 down

in Section 2?

THE WITNESS: Yes, sir. We have a situation there where the oil wells will gravity into our surge tank for our like unit.

MR. NUTTER: Okay. Fine. Thanks.

Q (By Mr. Cooley) Would you describe the particular type of meters that are installed at the L-27?

A They are both Barton Positive Displacement, commonly referred to as a Floco Meter.

Q I hand you what has been marked as Exhibit 3 in this case and ask you if that is a brochure which describes in detail the precise meters that are there installed?

A Yes, sir.

Q In your opinion, Mr. Stoabs, is the accuracy, the overall accuracy of the metering system which you have installed on the L-27 Well, at least equal to or possibly surpassing manual methods of measurement?

A Yes, sir.

Q Now, to complete the overall procedure by which you measure all the oil involved, is it correct that you will actually meter the production from the L-27 by virtue of the two meters described and then subtract that volume from the master meter that goes into the Shell pipeline?

A Yes, sir.

Q Thereby arrive at the amount of production from the

participating area?

A Yes, sir.

Q There are no meters on the individual wells in the participating area?

A Yes, sir. There are meters on some of the individual wells in the participating area and, of course, we have tank batteries where we can test the wells individually -- do test them, but the total oil as shipped to the Shell pipeline is our like unit figure and that is what we use for this actual production of the unit during any one month rather than try to keep up with the individual wells on a precise individual well production basis.

Q Do you deem it necessary to conduct any tests to prove the accuracy of the two meter installations that you have installed on the 13 L-27?

A No, sir.

Q If the Commission felt it wise, is it physically possible for you to do so?

A Yes, sir. We simply gauge the tanks or the single tank there that we have feeding into the flow line and compare that gauge with the meter readings.

Q You could strap the surge tank as you have described?

A Yes.

Q And gauge it?

A Yes.

Q Do you also have means available in your physical installation to ascertain the gravity of the oil produced from the L-27?

A Yes, sir.

Q Have you, through your history of experience in this field, already ascertained the gravity of that oil?

A Yes, sir, and it is the same gravity as the participating oil production.

Q Is there any question in your mind but what it is located in the same common source of supply or the same pool as the wells in the participating area?

A No, question whatever.

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

A Yes, sir.

Q Exhibit 3 is material furnished you by the manufacturer of the meters in question?

A Yes, sir.

MR. COOLEY: Mr. Chairman, that concludes our direct examination and we offer in evidence Applicant's Exhibits 1, 2 and 3.

MR. NUTTER: There being no objections, Exhibits 1, 2 and 3 will be admitted in evidence.

(Whereupon, Applicant's Exhibits 1, 2 and 3 were admitted into evidence.)

MR. NUTTER: Does anyone have any questions of Mr. Stoabs?

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Stoabs, when do you expect to submit this eighth participating area for approval?

A In the immediate future.

Q And it would be made retroactive to April 1, 1970?

A That is under the terms of the unit agreement. Yes, sir.

Q So if there is any error in determining the production by means of the proper amounts of production to the participating area and to the non-participating well as a result of using the subtraction method for determining that production, then this error would be evened out by making the participating area retroactive anyway, wouldn't it?

A Yes, sir.

MR. NUTTER: Any further questions of Mr. Stoabs?

You may be excused.

Do you have anything further, Mr. Cooley?

MR. COOLEY: No.

MR. NUTTER: Does anyone have anything they wish to

offer in 4387?

We will take it under advisement.

I N D E X

E X H I B I T S

Exhibits	Marked	Admitted into Evidence
Applicant's Exhibits 1, 2 and 3	3	13

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, Peter A. Lumia, Certified Shorthand Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

Peter A. Lumia
Certified Shorthand Reporter

I do hereby certify that [illegible] is a complete record of the proceedings in the examiner hearing of Case No. 4387 heard by me on July 15, 70.

[illegible], Examiner
New Mexico Oil Conservation Commission