

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

APPLICATION OF AMOCO PRODUCTION)
COMPANY FOR SURFACE COMMINGLING,) CASE NO. 10310
EDDY COUNTY, NEW MEXICO.)

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING
BEFORE: MICHAEL E. STOGNER, Hearing Examiner
June 13, 1991
Santa Fe, New Mexico

This matter came for hearing before the Oil Conservation Division on June 13, 1991, at the Oil Conservation Division Conference Room, State Land office Building, 310 Old Santa Fe Trail, Santa Fe, New Mexico, before Linda Bumkens, CCR, Certified Court Reporter No. 3008, for the State of New Mexico.

FOR: OIL CONSERVATION DIVISION
(ORIGINAL)

BY: LINDA BUMKENS CCR
Certified Court Reporter
CCR No. 3008

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INDEX

Examination by Mr. Currens	4
Witness: James Collier	
Exhibits 1, 2, 3 admitted	10

APPEARANCES

FOR AMOCO PRODUCTION
COMPANY:

MR. DAN CURRENS, ESQ.
501 WestLake Park Boulevard
Houston, Texas 77253-3092

CAMPBELL & BLACK, P.A.
MR. WILLIAM F. CARR, ESQ.
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Santa Fe, New Mexico 87501

FOR THE DIVISION:

ROBERT G. STOVALL, ESQ.
General Counsel
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico

87504

1 MR. STOGNER: Call next case number 10310.

2 MR. STOVALL: Application of Amoco Production
3 Company for surface comingling Eddy County, New
4 Mexico.

5 MR. STOGNER: Call for appearances.

6 MR. CURRENS: Mr. Examiner, Dan Currens for
7 Amoco Production Company appearing in conjunction
8 with Mr. Bill Carr from the firm Campbell and Black,
9 Santa Fe. I believe there's an appearance letter in
10 your file.

11 MR. CARR: Mr. Examiner, I'm present if you
12 can't find the written entry appearance which we did
13 file in this matter. I will enter my appearance
14 now. I am William F. Carr with the law firm
15 Campbell and Black appearing on behalf of Amoco with
16 Mr. Currens.

17 MR. STOGNER: Are there any other
18 appearances? And you have one witness,
19 Mr. Currens?

20 MR. CURRENS: Yes, sir, I have one witness to
21 be sworn.

22 MR. STOGNER: Mr. Stovall, would you swear the
23 witness, please?

24 MR. CURRENS: If the Examiner please, this is
25 Amoco's application for surface comingling involving

1 four wells in Eddy County, three oil wells in the
2 east Loving Delaware pool, and one gas well in the
3 north Loving Morrow gas pool.

4 Amoco made an administrative application in
5 this matter. There were contacts with the division
6 by certain royalty owners; therefore, it was
7 scheduled for this hearing. Amoco has been out to
8 those royalty owners in the interim, and I believe
9 you may have a number of waivers or withdrawals of
10 any opposition letters from them, but I doubt if you
11 have all of them. So with that background we're
12 ready to go forward in this case.

13 MR. STOGNER: Thank you, Mr. Currens.

14 EXAMINATION

15 BY MR. CURRENS:

16 Q. Would you state your name, please?

17 A. My name is James Collier.

18 Q. By whom are you employed, Mr. Collier?

19 A. I'm employed by Amoco Production Company in
20 Houston, Texas.

21 Q. And what do you do with Amoco?

22 A. I'm an engineering associate assigned to
23 the regulatory affairs group in Houston.

24 Q. Have you previously testified before this
25 commission as an expert petroleum engineer?

1 A. Yes.

2 Q. And are you familiar with this application?

3 A. Yes.

4 Q. And as part of your duties in that
5 regulatory group, would this area come under your
6 jurisdiction?

7 A. Yes, sir.

8 MR. CURRENS: Are his qualifications
9 acceptable, Mr. Examiner?

10 MR. STOGNER: They are.

11 Q. (By Mr. Currens) Directing your attention
12 to Exhibit 1, tell us very briefly what's shown on
13 that exhibit, please.

14 A. Exhibit 1 is a section or portion of a map
15 of the east Loving Delaware pool. This is located
16 in township 23 south and range 28 east in Eddy
17 County, New Mexico. The subject of this hearing,
18 this application, is the Amoco-operated Brantley
19 lease which is the 320 south acres of section 22 and
20 I've highlighted that with a red arrow in the center
21 of this map. The map shows solid dots being the
22 Delaware oil completions. You can also see some gas
23 symbols, and those are the Morrow gas wells in the
24 north Loving Morrow gas pool.

25 Q. All right, sir. There are three oil wells

1 in the east Loving Delaware oil pool and one gas
2 well?

3 A. Yes, sir. The subject of this application,
4 we have three Delaware wells those being the
5 McClary Number 1, the Brantley Number 2, and the
6 Jasso Unit Number 1.

7 Q. All right, sir.

8 A. And the one gas well is the Brantley gas
9 column number 1, that's a 320-acre unitized lease
10 320 acres south of 320 section 22.

11 Q. Okay. Anything else that we need to look at
12 on Exhibit 1?

13 A. No, sir.

14 Q. What's Exhibit 2?

15 A. Exhibit 2 is a drafted schematic of how we
16 propose the comingle facilities to look like after
17 they're constructed. This is about a 4-acre site.
18 All production is proposed to come into this site
19 from the three Delaware oil wells and the one Morrow
20 gas well.

21 Q. Okay. Very briefly, why don't you explain
22 the flow path of one of those oil wells from this
23 diagram?

24 A. Let's just take the McClary Number 1 which
25 is the one on the far right there at the upper part

1 of the schematic. Oil comes in, oil, gas and water
2 comes in from the field into a three-phase
3 separator. The three-phase separator does in the
4 initial stages of separation for water, oil, and
5 gas. The water leg comes off, is metered and goes
6 into the water line and eventually into water
7 storage where it will be disposed of.

8 The gas will come in at high pressure,
9 through the high pressure system and will be metered
10 at each separator and will go into sales at about
11 500 psi. The oil will be metered and will go
12 through a net oil computer to determine the quantity
13 of oil in a stream, and by doing this we'll have a
14 continuous test at each of the four facility -- each
15 of the four incoming separators before it goes to
16 the treater, so at this point the hydrocarbons are
17 all separate.

18 They then go into the hydrocarbon liquid
19 line which then goes into a heated treater. At this
20 point this is where the production is first
21 comingled and at the heated treater the oil is
22 treated to pop on specifications. The gas which
23 comes off that stage, again, is metered. The water
24 that comes off the heater treater, again, goes into
25 the water disposal line into the storage. Oil goes

1 into an oil storage tank and is custody transfer to
2 a latch unit onto oil sales. We also have a vapor
3 recovery unit that's tied into the -- both the water
4 storage and oil storage tanks to recover evolved gas
5 from those two vessels, and that is metered and
6 depressed back up to sales line pressure and sold.

7 Q. All right, sir. I noticed that you also
8 have a provision for any low pressure gas that comes
9 off the three-phase separators. Where does that go?

10 A. That goes into the low pressure collection
11 system which is tied into the compressor and is
12 boosted up to sales pressure of 500 pounds.

13 Q. Okay. Now, that's the same arrangements
14 for all three of the oil wells that are involved
15 here?

16 A. Yes, those are identical.

17 Q. Okay. What differences, if any, are there
18 in the arrangement for the Morrow gas well?

19 A. Very slight. Again, we have made
20 arrangements for a three-phase separator for the gas
21 well, but it doesn't make any water at this time,
22 and very, very little, just a trace of hydrocarbon
23 liquids, and you can see we've made arrangements for
24 a potentially needed water leg if necessary, but at
25 this time it's not necessary. So that's the only

1 difference right now.

2 Q. Okay. Is this a common type of comingling
3 arrangement?

4 A. Yes, sir.

5 Q. And does it provide then for the metering
6 of all of the streams so that the proper allocation
7 can be made back to each of the individual
8 properties?

9 A. Yes, sir it does.

10 Q. Why does Amoco want to do this?

11 A. For cost savings primarily, and ease of
12 operations. There will be lower operating cost,
13 thereby extending the economic limits of these
14 properties. There will be less disturbance to the
15 surface since this will be confined to a 4-acre
16 site. It would be less piping, less fuel use, and
17 less potential loss of gas fumes to the atmosphere.

18 Q. All right. So in other words, instead of
19 building four facilities, they build one?

20 A. That's correct.

21 Q. Okay. Anything else that you need to cover
22 on Exhibit 2?

23 A. No, sir.

24 Q. Turning to Exhibit 3, what is Exhibit 3?

25 A. Exhibit 3 is an affidavit or certificate of

1 mailing, certifying that I personally have contacted
2 all working royalty interest owners as well as the
3 oil purchaser of this property by letter dated
4 May 23, 1991.

5 Q. All right, sir.

6 A. And that letter is attached as the third
7 sheet in this exhibit.

8 Q. Here's the green cards that we've had of
9 response to this time to that notice of this
10 hearing. Do you have anything else that you care to
11 address Mr. Collier?

12 A. No, sir.

13 MR. CURRENS: If the examiners please, I'd
14 offer Exhibits 1, 2, and 3 and over Mr. Collier for
15 any cross-examination.

16 MR. STOGNER: Exhibits 1, 2, and 3 will be
17 admitted into evidence.

18 And Exhibit Number 1, what you're calling
19 the Brantley -- well, in section 22, the south half,
20 you show Amoco and Brantley as the lease. Is that
21 essential to Brantley lease for the 320-acre Morrow
22 gas proration unit?

23 A. Yes. The 320 acres for the gas proration
24 unit is a communitized lease consisting of various
25 ownerships. It's called the Brantley Gas Com. Then

1 the oil wells, the Delaware oil wells are 40-acre
2 proration units within that same 320, and for
3 instance, the Jasso is actually a unitized pool
4 40-acre unit. So you have numerous interest and
5 royalty interest in here.

6 So that's why, you know, you've got a depth
7 difference here, so that if the Delaware wells of
8 the McClary, the Brantley number 2 and the Jasso
9 number 1, but the Brantley does refer to the
10 320-acre communitized lease

11 MR. STOGNER: But even the Jasso unit and the
12 McClary lease in which this referred to in the ad
13 and is on your Exhibit Number 1, that's all confined
14 to the south half of section 22? Do any of the
15 boundaries overlap?

16 A. No. They're all confined to the south half
17 of section 22.

18 MR. STOGNER: So you have some common interest
19 in there.

20 MR. STOVALL: By "common" you mean undivided?

21 A. Correct.

22 MR. STOGNER: Where is the surface facility
23 located?

24 A. Okay. The red arrow I've placed on there
25 to point about to where that's going to be. It's

1 just east of the Jasso number 1 well, over close to
2 that section line.

3 Q. Does each well have its own separator and
4 storage facility at this time?

5 A. No, because the McClary number 1 and the
6 Brantley number 2 have just been drilled in the past
7 four to six weeks and are not complete at this
8 time. They haven't actually produced; they've only
9 been tested. The Brantley number 1 is an existent
10 gas well so it has its own facilities, as sparse as
11 they are, just water for gas well. The Jasso
12 Number 1 has its own facilities, so that's why we're
13 building it there.

14 MR. STOGNER: Does the product of each well,
15 whether it be an oil or gas well -- all three
16 fluids, be it gas, water, or oil, will be separately
17 metered; is that correct?

18 A. That's correct. Actually the gas will be
19 metered at seven different points at the comingle
20 facility. It would be metered coming off each
21 incoming separator. It will be metered coming off
22 the treater, it will be metered downstream of the
23 vapor recovery unit, and then prior going to sales
24 there'll be an orifice meter there to measure total
25 flow.

1 MR. STOGNER: And this application was filed
 2 administratively, but I believe it had to go to
 3 hearing today because there was some objection
 4 received; is that correct?

5 A. There were five objections received, three
 6 of which were cleared up subsequent to that, and the
 7 other two we never heard back from them on the
 8 second waiver request, and that's why we set it for
 9 hearing.

10 MR. STOVALL: Who did you not hear back from?

11 A. There's a group that lives in Kansas called
 12 the Andersons, and I assume they're all one family,
 13 and we heard back from husband and wife who have
 14 separate interests, and then two other family
 15 members, Eddy Anderson and John Anderson, did not
 16 give us a waiver, but they did not file a followup
 17 objection either. So I'm assuming their silence --
 18 I'm not sure to assume what their silence means:
 19 that means they're in the boat with the rest of the
 20 family, or if they just didn't bother to sign the
 21 waiver and send it back. I don't know.

22 MR. STOGNER: And since there were no other
 23 appearances today, that will be taken note of.

24 Anything further of this witness, Mr. Currens?

25 MR. CURRENS: No, sir.

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examination of Case No. 10310
 heard by me on 13 June 1991.

Michael E. Hayes, Examiner

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MR. STOGNER: Okay. You may be excused. Does anybody have anything further in case number 10310? If not, this case will be taken under advisement.

MR. CURRENS: Thank you Mr. Examiner.

I do hereby certify that the foregoing is a correct and true copy of the transcript as heard by me on _____, 19____.
_____, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO)
2 COUNTY OF BERNALILLO) ss.

3 REPORTER'S CERTIFICATE

4 BE IT KNOWN that the foregoing transcript of
5 the proceedings were taken by me, that I was then
6 and there a Certified Shorthand Reporter and Notary
7 Public in and for the County of Bernalillo, State
8 of New Mexico, and by virtue thereof, authorized to
9 administer an oath; that the witness before
10 testifying was duly sworn to testify to the
11 whole truth and nothing but the truth; that the
12 questions propounded by counsel and the answers of
13 the witness thereto were taken down by me, and that
14 the foregoing pages of typewritten matter contain a
15 true and accurate transcript as requested by counsel
16 of the proceedings and testimony had and adduced
17 upon the taking of said deposition, all to the best
18 of my skill and ability.

19 I FURTHER CERTIFY that I am not related to
20 nor employed by any of the parties hereto, and have
21 no interest in the outcome hereof.

22 DATED at Bernalillo, New Mexico, this day
23 July 29, 1991.

24 My commission expires
25 April 24, 1994

Linda Bumkens
LINDA BUMKENS
CCR No. 3008
Notary Public