

Case Number

4297

Application

Transcripts.

Small Exhibits

ETC.

dearnley-meier reporting services inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

1120 SIMMS BLDG. • P. O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO



BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 4, 1970

EXAMINER HEARING

IN THE MATTER OF:

Application of Anadarko
Production Company for lease
commingling, Lea County, New
Mexico.

Case No. 4297

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

MR. NUTTER: We will call the next case, Number 4297.

MR. HATCH: Case 4297: Continued from the January 21, 1970 Examiner Hearing. Application of Anadarko Production Company for lease commingling, Lea County, New Mexico.

MR. ANDERSON: We are ready to proceed.

Mr. Jason Kellahin, our local counsel; has he filed an appearance letter with you?

MR. NUTTER: He filed an application.

MR. ANDERSON: He filed an application; he's involved. All right. He was to be here, and perhaps will.

MR. NUTTER: I think he just stepped out.

MR. ANDERSON: Okay, fine. He filed the application for us and I will be conducting the hearing. I believe I signed the application as counsel for the company.

(Witness sworn.)

C. W. STUMHOFFER

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

DIRECT EXAMINATION

BY MR. ANDERSON:

Q State your name and address for the record please, Mr. Stumhoffer.

A My name is C. W. Stumhoffer. I live in Fort Worth, Texas and I am employed by Anadarko Production Company as superintendent of the secondary recovery division.

Q Have you testified before this Commission before, Mr. Stumhoffer.

A Yes; I have.

Q Have you stated your qualifications in hearings similar to this before?

A Yes; I have.

Q Have your qualifications been accepted by the Commission before?

A Yes.

MR. ANDERSON: Are the qualifications of Mr. Stumhoffer acceptable?

MR. NUTTER: Yes, they are.

Q (By Mr. Anderson) Mr. Stumhoffer, do you have primary managing responsibility for the Langlie-Mattix Penrose Sand Unit in Lea County, New Mexico?

A Yes, I do.

MR. ANDERSON: Would you mark this, please,
as Exhibit One for us? And Exhibit Two?

(Whereupon, Applicant's
Exhibits Numbers One
and Two were marked for
identification.)

Q (By Mr. Anderson) Is Applicant's Exhibit
One a true and accurate map of the Langlie-Mattix
Penrose Sand Unit and is it essentially an enlargement
of Exhibit A attached to the application of Anadarko
Production Company pursuant to this hearing that is
being held?

A Yes.

Q Will you tell us which, if any, of the
tracts in the unit depicted on Exhibit One have royalty
interests which are not unitized?

A Tract Two located in the west half of the
northwest quarter Section 23, Township 22 South, 37
East; Tract 16 located in the southwest of the southwest
23, same township and range; and Tract 28 located in
the southwest quarter and the south half of the
northwest quarter of Section 28, same township and range.

Q Will you explain, if you know, why these

interests are not unitized?

A We have attempted to contact these royalty -- these unsigned royalty interest, and we have for various reasons not been able to obtain their signatures.

Q Now, in the application which we filed there are listed the names of the owners of these royalty interests. Will you explain briefly what efforts have been made with respect to each of these owners?

A On the Tract Two we have one unsigned royalty interest, Robert Ault. We have located the gentleman, but he advised that he is not knowledgeable in such matters and his interest is not large enough for the expense to obtain counsel to find out why he join it.

Q And has he refused to sign the unitization agreement?

A He has refused to sign the unitization agreement. His interest is a .0007812 royalty interest.

Q Well, now, is that- -

A That's a lease interest.

Q That's not a unitized interest?

A Right.

Q That's an interest in the tract?

A That is under Tract Two.

Q All right. Proceed with the other owners.

A Under Tract 16 we have three small interests unsigned: George W. Clark; he owns a .000014 royalty interest; he is deceased. The estate has been probated but the heirs have not answered any request for information as to the proceedings and we have not been able to determine the heirs.

Charles W. Hastings, deceased, owns a .000011 royalty interest under Tract 16. The heirs have not replied to any request for heirship information.

Rose Lancaster, under Tract 16, owns .000013 royalty interest; and reportedly, she lives in Wisconsin, her interest has been conveyed to some other party but we have not been able to find any information as to whom it was conveyed.

Under Tract 28, we have four unsigned royalty interests: Maggie Goode, G-o-o-d-e, owns a .000651 royalty interest. We have contacted her, she lives in California. She stated on the telephone that she did -- was not knowledgeable in such matters

and didn't know anyone she could trust to give her counsel so she has not signed the unitization agreement.

Carsie T. Hess, owns a .000093 royalty interest.

Q What is that interest Mr. Stumhoffer?

A .000093.

MR. NUTTER: Carsie Hess?

THE WITNESS: Hess, H-e-s-s.

MR. NUTTER: The application says .000023.

THE WITNESS: Well, I have 93 on mine.

MR. ANDERSON: I believe that that's a typographical error in the application.

MR. NUTTER: You want to amend the application now.

MR. ANDERSON: Yes, sir. Let's amend that to show .000093.

MR. NUTTER: The application will be amended to reflect that Carsie Hess' interest is .000093.

A (Continuing) This lady has ratified the unit documents. She lives in Ponca City, Oklahoma, but she will not have her signature witnessed or acknowledged;

so we have placed her monies in suspense.

Harvey Roberts owns a .000039 royalty interest. The information we have is that he resides in Oregon, correspondence has been returned unclaimed and we haven't been able to locate him.

Bell Taylor, deceased, owns a .000054 royalty interest; supposedly lived in Arkansas at the time of death. We have not found the heirs to this as yet. We have attempted to locate all of these people. And that is all of the unsigned royalty interests we have under this unit.

Q Now, Mr. Stumhoffer, with respect to the parties for whom we have an address and know where they are living, is their interest in a pay status or in a suspense status?

A In a pay status on a lease basis.

Q And the parties whose address is unknown or where we have a death and the heirs are undetermined, what is the status of their interest?

A It's in a suspense status on a lease basis also.

Q Are there producing wells located on these Tracts Two, Sixteen and Twenty-eight about which you have

testified?

A Yes, there are.

Q At least one well on each tract?

A At least one well on each tract. There is one producing well on Tract Two, one on Tract Sixteen and four producing wells on Tract Twenty-eight.

Q What method, if any, is currently being used to segregate production from, say, Tract Sixteen from fully unitized production from Tract Fifteen or the remainder of the unit?

A An individual tank battery on each tract. Tract Sixteen is presently equipped with a tank battery of its own as are the other tracts.

Q I see. Are the location of the tank batteries which serve these three tracts shown on Exhibit One?

A Yes, they are.

Q And the production from the well on those tracts that are not fully unitized -- everything from Tract Sixteen goes into Tract Sixteen tank battery?

A That is correct.

Q Now, will this practice be satisfactory in the future operations of this unit?

A No, it will not.

Q What is the reason for this being unsatisfactory?

A Well, it -- this is a secondary recovery project and as our operation continues, our wells will increase with fluid oil and then eventually water production will occur, and at that time it will be necessary to increase our production handling facilities as well as oil and water separation equipment to obtain oil in a condition to sell to the pipeline.

Q These tank batteries are not presently so equipped?

A No, they are not.

Q Is this same thing that we have been talking about with Tract Sixteen generally true of Tracts Two and Twenty-eight also?

A That is correct.

Q What additional costs by tract and including both equipment and labor, do you estimate would be expended in modifying the separate tank batteries on each of these three tracts to accomodate the type of production you indicated you would expect in the future?

A Each tract would require the installation of additional tankage as well as a heater treater to separate the oil and water.

Tract Two which will eventually have only one producing well, will require an additional investment of four thousand dollars.

The same situation applies to Tract Sixteen, another four thousand dollars.

And Tract Twenty-eight where we will have four producing wells will require an expenditure of six thousand dollars.

These are estimated figures.

Q Have you made a comparison by tracts between these estimated additional costs and the income to the owners of the royalty which is not unitized?

A Yes, I have.

Q Is Applicant's Exhibit Two such a comparison of costs?

A Yes, it is.

Q Will you explain this schedule?

A The Exhibit Two is a comparison of the -- indicates the income for the last twelve months' period to each unsigned royalty owner on a lease basis.

Under Tract Two Mr. Ault received \$24.74. Under Tract Sixteen the unsigned royalty owners -- the three unsigned royalty owners received \$.35 and under Tract Twenty-eight the unsigned royalty owners received \$44.23 during the last twelve-month period on a lease basis.

Q Now, by received, you mean they were either paid that or that much was put in suspense attributable to this interest?

A That is correct.

Q And as to Tract Two it would cost, you estimate, some four thousand dollars to separately account for \$24.74 production in the past twelve months?

A That's correct.

Q Now, in addition to the costs about which you have already testified, are there other adverse economic effects which will result from the continued segregation of production from these three tracts?

A Yes, there are. There is the additional labor involved in taking care of three additional facilities, three additional connections to the pipeline company taking the oil and the additional expense of

disposing of salt water which is required by the Commission.

Q What generally would these increased costs do to the economics of the unit?

A It would shorten the life of the producing -- production for the unit.

Q For what reason?

A Because of economics. It would become uneconomical at an earlier time in the producing life.

Q I see.

Now, assuming that we are granted authority to commingle production from Tracts Two, Sixteen and Twenty-eight with the other unit production, will it be feasible to separately meter the oil produced from each well on these three tracts?

A No, it would not because the fluid produced from each well will be -- consist of oil and water and would require installation of the oil and water separation equipment to meter the oil. Or there is the possibility we could use an oil computer, but the expense of this type of equipment would not be considered justifiable for the amount of money we are talking about here.

Q Well, what then does this application seek in lieu of separate metering?

A That we be allowed to commingle the production from these three tracts with the central tank battery for the unit, and prorate the production from these tracts to the tract on the basis of monthly well tests.

Q Have you had experience with this procedure before?

A Yes, I have.

Q What has been your experience as to the accuracy of allocation based on well tests as opposed to actual metering of the oil.

A They normally regard a higher amount of oil than is actually produced from the well.

Q I see.

A Approximately ten percent.

Q Well what effect would this tend to have on the interests of the non-ratifying royalty owners who would be paid on the basis of allocated production?

A Actually they would receive more money than they would if it were based on the actual production

into separate facilities on each tract.

Q In other words, it is your testimony that the error, if any --

A Would be in his favor.

Q -- would be in his favor.

A Yes, it would be in his favor.

Q Do you know of anyway in which the errors would result the other way?

A No, I surely don't. We will take two well tests per month.

Q Now, these non-unitized interests that we have been speaking about, are any of these fee royalty owners, those who have the leasing rights or are they all some other nature of interest?

A They are overriding royalty interests owners.

Q Have all of the basic royalty owners in the unit ratified the unit?

A Yes.

MR. ANDERSON: I have no further questions.

MR. NUTTER: Mr. Stumhoffer, why are you going to allocate these interests on the basis of well tests rather than -- I'm sure that these individual

tracts have a participation factor according to the formula of the unit agreement?

THE WITNESS: Yes.

MR. NUTTER: Why don't you just give them their proportionate share of what that tract earns?

THE WITNESS: Well, this would be not in keeping with the -- paying them on a lease basis because of the way -- they have not ratified the units; they are not subject to the unitization agreement.

MR. NUTTER: Well, it was assumed that the participation formula was equitable to the various tracts or the representatives of those tracts probably wouldn't have signed it.

THE WITNESS: That's right.

MR. NUTTER: It seems like these people could participate in that manner and their interests would be protected to the same degree that the interests on those tracts that signed are protected.

THE WITNESS: Well, this is the way we feel also; but this -- in keeping with -- they are not subject.

They are governed by the lease on the, say, Tract Two, they are still governed -- actually they are entitled to the actual production from this tract, but not on a unitized basis. This is --

MR. NUTTER: Now, what would you be doing for instance, on Tract Sixteen if that was an injection tract rather than a producing tract?

THE WITNESS: We could not convert, according to the Commission Rules and Regulations, we could not convert this well to injection.

MR. NUTTER: You wouldn't be able to convert it?

THE WITNESS: We could not, right.

MR. ANDERSON: It's our understanding of the real property laws of New Mexico that we can't treat these interest owners other than on a lease basis, and we have to establish actual lease production by measurement or by allocation and pay them on that basis until such time as they ratify the unit.

THE WITNESS: Over the life of the project we are talking about on a tract basis, say, we expect to produce roughly six hundred -- off the three tracts we are talking about -- six hundred thousand barrels of oil; we are talking about less than five hundred barrels

of oil to these unsigned royalty interests.

MR. NUTTER: Out of six hundred thousand?

THE WITNESS: Yes, sir.

MR. NUTTER: What does this interest add up to all together, these fractional interests?

THE WITNESS: I haven't totalled by tracts. I don't have --

MR. NUTTER: Well, let's see. Tract Sixteen, there would be--

THE WITNESS: Tract Sixteen would be .00038, and Tract Twenty-eight would be .000837.

MR. ANDERSON: That's shown on our Exhibit Two, I believe.

MR. NUTTER: Are there any other questions of Mr. Stumhoffer? He may be excused.

Do you have anything further?

MR. ANDERSON: That concludes the presentation of Anadarko Production Company.

MR. NUTTER: How many exhibits did you have?

MR. ANDERSON: We offer the two exhibits at this time, Exhibit One and Exhibit Two.

MR. NUTTER: Anadarko's Exhibits One and

Two will be admitted in evidence.

(Whereupon, Applicant's
Exhibits Numbers One
and Two were admitted
in evidence.)

MR. NUTTER: Does anyone have anything
they wish to offer in Case 4297?

We will take the case under advisement.

I N D E X

| WITNESS | PAGE |
|------------------------------------|------|
| C. W. STUMHOFFER | |
| Direct Examination by Mr. Anderson | 3 |

E X H I B I T S

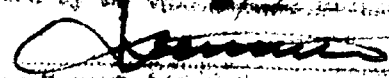
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| Applicant's Exhibits Numbers One and Two | 19 |
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STATE OF NEW MEXICO)
)
 COUNTY OF BERNALILLO) ss

I, CA FENLEY, Court Reporter in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings to the best of my knowledge, skill, and ability.



CA FENLEY - COURT REPORTER

I do hereby certify that the foregoing is a correct copy of the transcript of the hearing held on 4/29/70 heard by the Commission on 4/29/70

 Executive Secretary
 New Mexico Oil Conservation Commission

dearnley-meier

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

1120 SIMMS BLDG. • P. O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO



BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 21, 1970

EXAMINER HEARING

IN THE MATTER OF:)
)
)

Application of Anadarko Production)
Company for lease commingling, Lea)
County, New Mexico.)
)

Case No. 4297

BEFORE: Elvis Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: Case 4297.

MR. HATCH: Case 4297. Application of Anadarko Production Company for lease commingling, Lea County, New Mexico.

The Applicant has requested that this case be continued to February 4, 1970.

MR. UTZ: Case 4297 will be continued to February 4th Examiner Hearing as requested by the Applicant.

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, GLENDA BURKS, Court Reporter in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings to the best of my knowledge, skill and ability.

Notary Public

My Commission Expires:

March 12, 1973

I do hereby certify that this is a true and correct copy of the transcript of the hearing of Case No. 4297 heard by me on 2-21-70
Glenda Burks
New Mexico Oil Conservation Commission



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

P. O. BOX 2088 - SANTA FE

87501

GOVERNOR
DAVID F. CARGO
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

February 10, 1970

Mr. Jason Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: Case No. 4297
Order No. R-3920
Applicant:
ANADARKO PRODUCTION COMPANY

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x

Artesia OCC

Aztec OCC

Other Mr. Robert E. Anderson - Anadarko Production Co.,
Fort Worth, Texas

Tract 2

Interest in tract which
has signed with

99.999219%

Interest which has not signed $\frac{0.0007817\%}{100.000000\%}$

Tract 16

Interest in tract which
has signed with

99.999962%

Interest which has not signed $\frac{0.000038\%}{100.000000\%}$

Tract 28

Interest in Tract which has signed 99.999163%

Interest which has not signed $\frac{0.000837\%}{100.000000\%}$

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 4297
Order No. R-3920

APPLICATION OF ANADARKO PRODUCTION
COMPANY FOR LEASE COMMINGLING, LEA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 4, 1970, at Santa Fe, New Mexico, before Examiner Daniel S. Mutter.

NOW, on this 9th day of February, 1970, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Anadarko Production Company, is the operator of the Langlie-Mattix Penrose Sand Unit, Langlie-Mattix Pool, Lea County, New Mexico.

(3) That the applicant seeks authority to commingle the Langlie-Mattix production from the Langlie-Mattix Penrose Sand Unit Tracts 2, 16, and 28, comprising, respectively, the W/2 NW/4 of Section 23, the SW/4 SW/4 of Section 23, and the S/2 NW/4 and SW/4 of Section 28, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico, with Langlie-Mattix production from the remaining tracts in said unit in a common tank battery, and to allocate the production to each of said Tracts 2, 16, and 28 on the basis of semi-monthly well tests.

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CASE No. 4297

Order No. R-3920

(4) That 99.999219, 99.999962, and 99.999163 per cent, respectively, of the royalty interests in Tracts 2, 16, and 28 have been unitized.

(5) That the cost of maintaining segregated separation, testing, and storage facilities upon each of said Tracts 2, 16, and 28 as the result of an infinitesimal part of the royalty interest not being unitized is excessive.

(6) That the royalty interests in each of said Tracts 2, 16, and 28 that have not been unitized will be adequately protected if production is allocated to each of said tracts upon the basis of semi-monthly well tests.

(7) That approval of the subject application will result in substantial economic savings to the operator, prevent waste, and protect correlative rights, provided the installation of facilities for commingling production will permit the individual testing of each of the wells on said Tracts 2, 16, and 28.

IT IS THEREFORE ORDERED:

(1) That the applicant, Anadarko Production Company, is hereby authorized to commingle the Langlie-Mattix production from the Langlie-Mattix Penrose Sand Unit Tracts 2, 16, and 28, comprising, respectively, the W/2 NW/4 of Section 23, the SW/4 SW/4 of Section 23, and the S/2 NW/4 and SW/4 of Section 28, Township 22 South, Range 37 East, NMPM, Langlie-Mattix Penrose Sand Unit, Langlie-Mattix Pool, Lea County, New Mexico, with Langlie-Mattix production from the remaining tracts in said unit in a common tank battery, allocating the production to each of the wells on said Tracts 2, 16, and 28 on the basis of semi-monthly well tests;

PROVIDED HOWEVER, that the facilities for said commingling of production shall be installed and maintained in a manner that will permit a determination of the producing capacity of each of the wells on said Tracts 2, 16, and 28 at least twice each month;

PROVIDED FURTHER, that the applicant shall conduct semi-monthly productivity tests on each of the wells on said Tracts 2, 16, and 28 and shall file the results of said tests with the Commission's District Office at Hobbs, New Mexico, on Commission Form C-116 each month.

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CASE No. 4297

Order No. R-3920

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


DAVID F. CARGO, Chairman


ALEX J. ARMILLO, Member


A. L. PORTER, Jr., Member & Secretary



esr/

Docket No. 4-70

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 4, 1970

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or
Elvis A. Utz, Alternate Examiner:

CASE 4302: Application of El Paso Natural Gas Company for suspension and amendment of certain provisions of Rules 14(A), 15(A), and 15(B), of the General Rules and Regulations for the prorated gas pools of Northwestern New Mexico. Applicant, in the above-styled cause, seeks suspension for a period of one year from February 1, 1970, of those provisions of Rules 14(A), 15(A), and 15(B) of the General Rules and Regulations for the prorated gas pools of Northwestern New Mexico promulgated by Order No. R-1670, as amended, that provide for the cancellation of unproduced allowable and the shutting-in of over-produced wells.

CASE 4303: Application of El Paso Natural Gas Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-described cause, seeks authority to institute a waterflood project in the Rhodes (Yates-Seven Rivers) Pool by the injection of water into the Yates-Seven Rivers formation through its Moberly "C" Wells Nos. 6, 9, and 10, located respectively, in Units K and M of Section 21 and Unit I of Section 20, Township 26 South, Range 37 East, Lea County, New Mexico. Applicant further seeks a procedure whereby said project may be expanded administratively without a showing of well response.

CASE 2925: (Reopened)

In the matter of Case 2925 being reopened pursuant to the provisions of Order No. R-2598, which order established 640-acre spacing units for the South Hope-Strawn Gas Pool, now designated the South Hope-Pennsylvanian Gas Pool, Eddy County, New Mexico, for a period of one year after first pipeline connection in the pool. All interested persons may appear and show cause why said pool should not be developed on 160-acre spacing units.

CASE 4263: (Continued from the December 17, 1969 Examiner Hearing)

Application of Wynn & Brooks for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Federal "E" Well No. 3, to be located 590 feet from the South line and 1590 feet from the West line of Section 13, Township 27 North, Range 8 West, Blanco-Mesaverde and Basin-Dakota Pools, San Juan County, New Mexico.

CASE 4264: (Continued from the December 17, 1969 Examiner Hearing)

Application of Wynn & Brooks for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Federal "J" Well No. 1, to be located 2390 feet from the South line and 2410 feet from the East line of Section 11, Township 27 North, Range 8 West, Blanco-Mesaverde and Basin-Dakota Pools, San Juan County, New Mexico.

CASE 4297: (Continued from the January 21, 1970 Examiner Hearing)

Application of Anadarko Production Company for lease commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Langlie-Mattix production from the Langlie-Mattix Penrose Sand Unit Tracts 2, 16 and 28, comprising, respectively, the W/2 NW/4 of Section 23, the SW/4 SW/4 of Section 23, and the S/2 NW/4 and SW/4 of Section 28, Township 22 South, Range 37 East, Lea County, New Mexico, with Langlie-Mattix production from other tracts in said unit, allocating the production to each of said Tracts 2, 16 and 28 on the basis of monthly well tests.

CASE 4304: Application of Continental Oil Company for an unorthodox oil well location and amendment of Order No. R-2403, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its MCA Unit Well No. 251 as a producing oil well at an unorthodox location 1100 feet from the South line and 2600 feet from the West line of Section 21, Township 17 South, Range 32 East, as an infill well in the MCA Unit Project Area, Maljamar Grayburg-San Andres Pool, Lea County, New Mexico. Applicant further seeks the amendment of Order No. R-2403 to permit the adoption of a procedure whereby additional producing wells and injection wells at unorthodox locations in said project may be approved administratively.

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Examiner Hearing
February 4, 1970

Docket No. 4-70

CASE 4301: (Continued from the January 21, 1970 Examiner Hearing)
In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Robert T. Smith and all other interested persons to appear and show cause why the following Robert T. Smith wells located in Section 32, Township 20 North, Range 9 West, McKinley County, New Mexico, should not be plugged and abandoned with a Commission-approved plugging program:

State Well No. 1 located 487 feet from the North line and 990 feet from the East line;

State "A" Well No. 1 located 400 feet from the North line and 990 feet from the East line;

State Well No. 3 located 330 feet from the North line and 330 feet from the West line;

State Well No. 6 located 220 feet from the North line and 1485 feet from the East line;

State Well No. 6-Y located approximately 5 feet West of the above-described Well No. 6;

State Well No. 8 located 1155 feet from the North line and 2475 feet from the East line.

JASON W. KELLAHIN
ROBERT E. FOX

KELLAHIN AND FOX
ATTORNEYS AT LAW
54½ EAST SAN FRANCISCO STREET
POST OFFICE BOX 1769
SANTA FE, NEW MEXICO 87501

JAN 13 1970

TELEPHONE 982-4315
AREA CODE 505

January 12, 1970

gms

Mr. George M. Hatch
New Mexico Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Hatch:

Confirming our telephone conversation of this morning, this is to request that the application of Anadarko Production Company for approval of commingling in the Langlie-Mattix Penrose San Unit, Case No. 4297, presently set for hearing on January 21, be continued to the examiner hearing of the Commission scheduled for February 4, 1970.

Yours very truly,

Jason W. Kellahin
Jason W. Kellahin

jwk;jh

cc: Mr. Robert E. Anderson

DOCKET MAILED

Date 1-23-70

Docket No. 3-70

DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 21, 1970

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Elviss A. Utz, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 4295: Application of Texaco, Inc., for waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Delaware formation through the Cotton Draw Unit Well No. 13, formerly the Continental Oil Company State Z-16 Well No. 1, located in Unit G of Section 16, Township 25 South, Range 12 East, Paduca-Delaware Pool, Lea County, New Mexico.

CASE 4296: Application of S. P. Yates for a pressure maintenance project expansion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand the S. P. Yates West McMillan Anderson Pressure Maintenance Project, authorized by Order No. R-3852, by the injection of water into the Queen formation through one additional well, the Anderson Well No. 3 located 2310 feet from the East line and 990 feet from the South line of Section 11, Township 20 South, Range 26 East, West McMillan-Seven Rivers-Queen Pool, Eddy County, New Mexico.

CASE 4297: Application of Anadarko Production Company for lease commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Langlie-Mattix production from the Langlie-Mattix Penrose Sand Unit Tracts 2, 16, and 28, comprising, respectively, the W/2 NW/4 of Section 23, the SW/4 SW/4 of Section 23, and the S/2 NW/4 and SW/4 of Section 28, Township 22 South, Range 37 East, Lea County, New Mexico, with Langlie-Mattix production from other tracts in said unit, allocating the production to each of said Tracts 2, 16 and 28 on the basis of monthly well tests.

CASE 4298: Application of Dugan Production Corporation for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 171.15 acre non-standard gas proration unit comprising the NW/4 SE/4, S/2 SE/4 of Section 33, Township 30 North, Range 14 West, and the NW/4 NE/4 of Section 4, Township 29 North, Range 14 West, to be dedicated to a well to be drilled to an undesignated Pictured Cliffs gas pool in either the SW/4 SE/4 of said Section 33 or the NW/4 NE/4 of said Section 4. In the alternative applicant seeks approval of a 131.93 acre non-standard proration unit comprising the NW/4 SE/4 and the S/2 SE/4 of said Section 33 to be dedicated to said well in the SW/4 SE/4 of said Section 33.

CASE 4299: Application of Texas Pacific Oil Company, Inc., for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the consolidation of two existing non-standard gas proration units into one 240-acre non-standard unit comprising the N/2 NW/4 and the NE/4 of Section 8, Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to be dedicated to its State "A" a/c-2 Wells Nos. 43 and 49, located in Units H and C, respectively, of said Section 8. Applicant further seeks to produce the allowable assigned to said unit from either of the afore-said wells in any proportion.

CASE 4300: Application of Texas American Oil Corporation for the creation of a new gas pool and for special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Atoka gas pool for its Todd "26" Federal Well No. 1 located 1980 feet from the North and East lines of Section 26, Township 23 South, Range 31 East, Eddy County, New Mexico, and for the promulgation of special rules therefor, including a provision for 640-acre spacing units.

CASE 4301: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Robert T. Smith and all other interested persons to appear and show cause why the following Robert T. Smith wells located in Section 32, Township 20 North, Range 9 West, McKinley County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program:

State Well No. 1 located 487 feet from the North line and 990 feet from the East line;

State "A" Well No. 1 located 400 feet from the North line and 990 feet from the East line;

State Well No. 3 located 330 feet from the North line and 330 feet from the West line;

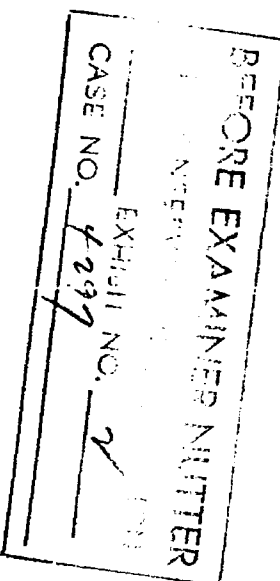
State Well No. 6 located 220 feet from the North line and 1485 feet from the East line;

State Well No. 6-Y located approximately 5 feet West of the above-described Well No. 6;

State Well No. 8 located 1155 feet from the North line and 2475 feet from the East line.

Comparison of Estimated Costs to Annual Income to Non-unitized Interests

| <u>Tract No.</u> | <u>Interest Owner</u> | <u>Interest</u> <u>(Non-unitized)</u> | <u>Annual Income</u> <u>(last 12 months)</u> | <u>Estimated</u> <u>Added Cost</u> |
|------------------|-----------------------------|--|---|---------------------------------------|
| 2 | Robert Vernon Ault | .000781 | \$ 24.74 | \$ 4,000.00 |
| 16 | George W. Clark, dec'd. | .000014 | .13 | |
| 16 | Charles W. Hastings, dec'd. | .000011 | .10 | |
| 16 | Rose Lancaster | <u>.000013</u> | <u>.12</u> | |
| | Total Tract 16: | .000038 | \$.35 | \$ 4,000.00 |
| 28 | Maggie Goode | .000651 | \$ 33.69 | |
| 28 | Carsie T. Hess | .000093 | 5.29 | |
| 28 | Harvey Roberts | .000039 | 2.20 | |
| 28 | Belle Taylor, dec'd. | <u>.000054</u> | <u>3.05</u> | |
| | Total Tract 28: | .000837 | \$ 44.23 | \$ 6,000.00 |



Case 4297
DEC 24 1969

JASON W. KELLAHIN
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TELEPHONE 982-4315
AREA CODE 505

December 22, 1969

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Gentlemen:

Enclosed, in triplicate, is the application of Anadarko Production Company for approval of Commingling of production from separate leases within the Langlie-Mattix Penrose Sand Unit, and for an exception to Rule 309-A of the Manual for the Installation and Operation of Commingling Facilities, in this unit.

It is requested that this application be set for the January 21 hearing of the Commission.

Yours very truly,

Jason W. Kellahin

Jason W. Kellahin

jwk;jh

Encls. as stated.

DOCKET MAILED

Date 1-9-70

DEC 24 1969

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

SANTA FE, NEW MEXICO

APPLICATION OF ANADARKO PRODUCTION)
COMPANY, AS OPERATOR OF THE LANGLEIE-)
MATTIX PENROSE SAND UNIT, ORIGINALLY)
AUTHORIZED BY ORDER NO. R-2617, FOR)
AUTHORITY TO COMMINGLE PRODUCTION)
FROM SEPARATE LEASES IN WHICH THERE)
IS A DIVERSITY OF OWNERSHIP, AS AN)
EXCEPTION TO RULE 309-A AND TO THE)
MANUAL FOR THE INSTALLATION AND)
OPERATION OF COMMINGLING FACILITIES,)
ALL WITHIN THE BOUNDARIES OF THE)
LANGLIE-MATTIX PENROSE SAND UNIT,)
LEA COUNTY, NEW MEXICO.)

Case No. 4297

A P P L I C A T I O N

COMES NOW Anadarko Production Company, in its capacity as Operator of the Langlie-Mattix Penrose Sand Unit, Lea County, New Mexico, hereinafter referred to as "Applicant", and makes its application for authority to commingle production from the separate lease tracts hereinafter described in which there is a diversity of royalty ownership, the owners of which royalty have not executed or ratified the Langlie-Mattix Penrose Sand Unit Agreement, and in support of this application states:

1. Order No. R-2617 entered December 10, 1963, approved Applicant's Langlie-Mattix Penrose Sand Unit, Langlie-Mattix Pool, Lea County, New Mexico, the original area of which unit has, from time to time, been expanded with the approval of this Commission. Attached hereto as Exhibit "A" is a plat

showing the unit area as presently existing, with the tracts hereinafter cited indicated in red outline.

2. All of the working interest owners and substantially all of the royalty owners in all of the separate lease tracts now included in the said unit have executed or ratified the unitization agreement, the only non-signing or non-ratifying royalty owners, the separate lease tracts in which they own an interest and the quantum of such interest on a non-unitized basis being as set out next below.

| # | Royalty Owner and Address | Separate Lease Tract | Royalty Interest |
|------|---|----------------------|------------------|
| # 2 | Robert Vernon Ault Urbana, Ohio | 2 | .000781 |
| | George W. Clark, deceased: 1254 Cleveland Road Glendale, California | 16 | .000014 |
| # 16 | Charles W. Hastings, deceased c/o Bernard W. Hastings 625 East 15 Street Alton, Illinois | 16 | .000011 |
| | Rose Lancaster Rural Route Darlington, Virginia | 16 | .000013 |
| | Maggie Goode 237 Los Alturas Santa Barbara, California | 28 | .000651 |
| | Carsie T. Hess Box 653 Ponca City, Oklahoma | 28 | .000023 |
| | Harvey Roberts Tillamook, Oregon | 28 | .000039 |
| | Belle Taylor, deceased unknown | 28 | .000054 |

3. Heretofore, oil produced from the above described Tracts 2, 16 and 28, in which there are royalty interests owned

by persons who have not executed or ratified the said unit agreement, has been produced into and sold from separate storage facilities located upon each separate tract. Wells located upon these tracts are now producing such quantities of formation or injected water in association with oil that the separate storage facilities located upon each separate tract are no longer capable of separating and disposing of said water. In order to continue to operate the said wells, Applicant must either (i) install additional separation, treating and storage facilities upon each of the said separate tracts or (ii) commingle the production from said separate tracts with production from the remaining tracts in the unit which is run into common storage facilities having adequate separation and treating equipment to handle the produced water.

4. At the current producing rate, the cost of installing the necessary additional separation, treating and storage facilities on each of the said separate tracts is not economically feasible. Further, it is not feasible, in the absence of separation of the produced water from the oil, to separately meter the oil produced from each well on the said separate tracts before running the same into common unit storage facilities. Therefore, Applicant seeks authority of this Commission to commingle the unseparated and untreated fluids produced from the wells located on the said separate tracts with like fluids produced from the remaining tracts in the unit and to separate, treat and store the oil in common facilities located within the unit area.

5. Further, Applicant seeks from this Commission an exception to the requirements of Part 2 of Section III of the Commission's Manual For The Installation and Operation of Commingling Facilities. Applicant seeks authority, in lieu of providing the commingling facilities described in said Manual, to test each producing well located upon the said separate tracts not less often than once each calendar month in order to determine the actual amount of oil produced by each such well during the test period. Each test period will be of not less than eight hours duration and will be adjusted to and recorded on the basis of the volume of production per twenty-four hours.

6. Applicant urges that in the protection of the correlative rights of all interest owners in the unit area and in the prevention of waste, this Commission should grant the exceptions sought herein. The inability of Applicant to effect the economies of operation proposed in this application would have an adverse bearing upon the overall conduct of unit operations and could materially reduce the period of time during which it is economically feasible to carry on secondary recovery of oil, thus leading to an abandonment of otherwise recoverable reserves in the reservoir.

WHEREFOR, Applicant requests a hearing before an examiner and requests that after notice and hearing thereon, the order herein sought be entered by the Commission.

ANADARKO PRODUCTION COMPANY

By Robert E. Anderson
Robert E. Anderson, Attorney
Post Office Box 9317
Fort Worth, Texas 76107

766

Case 4297

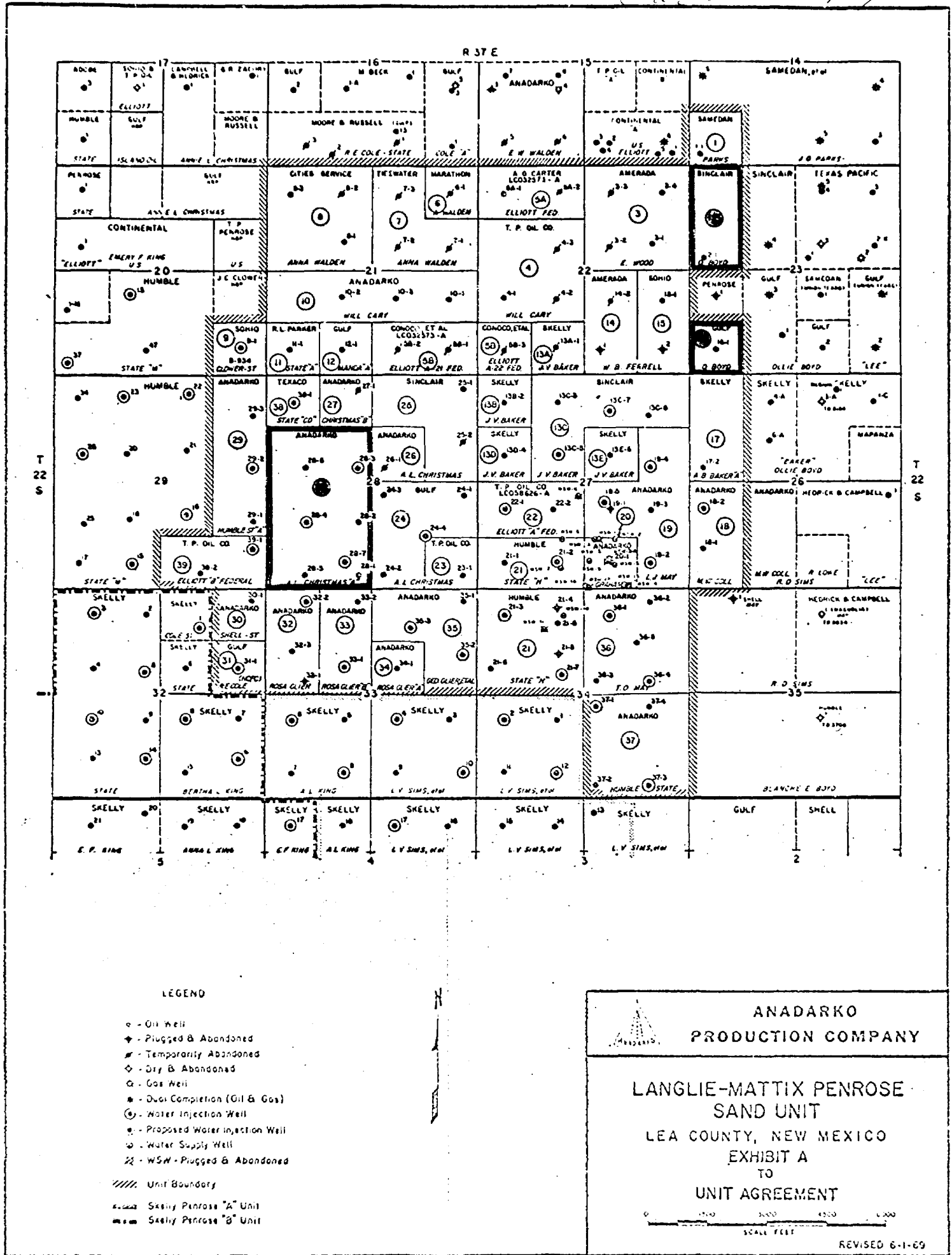


Exhibit "A"

Case 4297

(1) (4) - That approval of the subject application will result in ^{substantial} economic savings to the operator, prevent waste, and protect correlative rights, provided the installation of facilities for commingling production will permit the individual testing of each of the wells on said Tracts 2, 16, and 28.

IT IS THEREFORE ORDERED:

(1) That the applicant, Anadarko Production Company, is hereby authorized to commingle the Langlie-Mattix production from the Langlie-Mattix Penrose Sand Unit Tracts 2, 16, and 28, comprising, respectively, the W/2 NW/4 of Section 23, the SW/4 SW/4 of Section 23, and the S/2 NW/4 and SW/4 of Section 28, Township 22 South, Range 37 East, NMPM, Langlie-Mattix Penrose Sand Unit, Langlie-Mattix Pool, Lea County, New Mexico, with remaining Langlie-Mattix production from the tracts in said unit in a common tank battery, allocating the production to each of the wells on said Tracts 2, 16, and 28 on the basis of ^{semi} monthly well tests;

PROVIDED HOWEVER, that the facilities for said commingling of production shall be installed and maintained in a manner that will permit a determination of the producing capacity of each of the wells on said Tracts 2, 16, and 28 at least ^{twice} ~~once~~ each month;

PROVIDED FURTHER, that the applicant shall conduct ^{semi} monthly productivity tests on each of the wells on said Tracts 2, 16, and 28 and shall file the results of said tests with the Commission's District Office at Hobbs, New Mexico, on Commission Form C-116 each month.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

DRAFT

GMH/CSF

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 4297

Order No. R-2920

APPLICATION OF ANADARKO PRODUCTION
COMPANY FOR LEASE COMMINGLING, LEA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 4, 1970,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of February, 1970, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Anadarko Production Company, is the
operator of the Langlie-Mattix Penrose Sand Unit, Langlie-Mattix
Pool, Lea County, New Mexico.

(3) That the applicant seeks authority to commingle the
Langlie-Mattix production from the Langlie-Mattix Penrose Sand
Unit Tracts 2, 16, and 28, comprising, respectively, the W/2 NW/4
of Section 23, the SW/4 SW/4 of Section 23, and the S/2 NW/4 and
SW/4 of Section 28, Township 22 South, Range 37 East, NMPM, Lea
County, New Mexico, with Langlie-Mattix production from the
remaining tracts in said unit in a common tank battery, and to
allocate the production to each of said Tracts 2, 16, and 28
on the basis of ^{semi-}monthly well tests.

(4) That 99.999219, 99.999962, and 99.999163 per cent, respectively, of the royalty interests in Tracts 2, 16, and 28 have been unitized.

(5) That the cost of maintaining segregated separation, testing, and storage facilities upon each of said Tracts 2, 16, and 28 as the result of an infinitesimal part of the royalty interest not being unitized is excessive.

(6) That the royalty interests in each of said Tracts 2, 16, and 28 that have not been unitized will be adequately protected if production is allocated to each of said tracts upon the basis of semi-monthly well tests.