

after  
leaves?  
Pumpkin  
seed

-asa 1/10.

2266

Application, Transcript,  
all Exhibits, Etc.

**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. 2266  
Order No. R-1978**

**APPLICATION OF HEARBURG & INGRAM  
FOR PERMISSION TO COMINGLE THE  
PRODUCTION FROM TWO SEPARATE  
LEASES AND FROM TWO SEPARATE  
POOLS, LEA COUNTY, NEW MEXICO.**

**ORDER OF THE COMMISSION**

**BY THE COMMISSION:**

This cause came on for hearing at 9 o'clock a.m. on May 4, 1961, at Santa Fe, New Mexico, before Daniel S. Watter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

~~Now~~, on this 17th day of May, 1961, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Watter, 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, Hearburg & Ingram, is the owner and operator of the Nesting Lease, comprising the NE/4 of Section 34, and of the Midhurst Lease, comprising the NW/4 of Section 35, all in Township 13 South, Range 37 East, NMPN, Lea County, New Mexico.

(3) That the applicant seeks permission to commingle, after separate measurement, the Southwest Gladiola-Pennsylvanian Pool production from all wells on the above-described Nesting Lease with the Southwest Gladiola-Pennsylvanian and Southwest Gladiola-Devonian Pool production from all wells on the above-described Midhurst Lease.

(4) That the applicant should be required to separately meter each zone of each lease prior to commingling with meters equipped with non-reset totalizers.

(5) That in order to attribute had oil to the proper zone and to the proper lease, samplers should be installed on each zone on each lease in conjunction with each of the zone meters.

CASE No. 2266  
Order No. R-1978

(6) That a sampler and a meter equipped with a non-reset totalizer should be installed on the return line from the bad oil tank.

(7) That inasmuch as an industry committee has been appointed to study all phases of commingling and to recommend minimum standards to prevent abuses thereof, it may be that this installation, at a later date, will have to be altered to conform to such standards as the Commission may prescribe.

IT IS THEREFORE ORDERED:

That the applicant, Bearburg & Ingram, is hereby authorized to commingle the Southwest Gladiola-Pennsylvanian Pool production from all wells on its Kesting Lease, comprising the NE/4 of Section 34 with the Southwest Gladiola-Pennsylvanian and the Southwest Gladiola-Devonian Pool production from all wells on its Midhurst Lease, comprising the NW/4 of Section 35, all in Township 12 South, Range 37 East, NEPM, Lea County, New Mexico.

PROVIDED HOWEVER, That each zone of each lease shall be separately metered prior to commingling with meters equipped with non-reset totalizers.

PROVIDED FURTHER, That samplers shall be installed on each zone of each lease in conjunction with each of the zone meters.

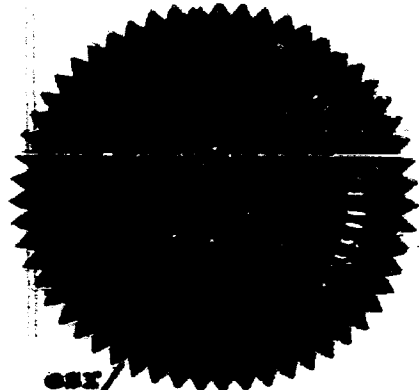
PROVIDED FURTHER, That a sampler and a meter equipped with a non-reset totalizer shall be installed on the return line from the bad oil tank.

PROVIDED FURTHER, That it may be that this installation, at a later date, will have to be altered to conform to such standards as the Commission may prescribe.

IT IS FURTHER ORDERED:

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

*[Signature]*  
HOWARD M. HUGHES, Chairman

*[Signature]*  
E. S. WALKER, Member

*[Signature]*  
A. L. PORTER, JR., Member & Secretary

GOVERNOR  
EDWIN L. MECHEM  
CHAIRMAN

State of New Mexico  
**Oil Conservation Commission**



LAND COMMISSIONER  
E. S. JOHNNY WALKER  
MEMBER

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

P. O. BOX 871  
SANTA FE

May 10, 1961

Mr. Jack Campbell  
Campbell & Russell  
P. O. Drawer 640  
Roswell, New Mexico

Re: CASE NO. 2266  
ORDER NO. R-1978  
APPLICANT:  
Hearburg & Ingram

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.*  
A. L. PORTER, JR.  
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC x  
Artesia OCC         
Aztec OCC       

OTHER

OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

Date 5/11/61

CASE 2266

Hearing Date 9pm 5/4/61  
DSJ @ SR

My recommendations for an order in the above numbered cases are as follows:

~~Enter~~ an order authorizing Bearburg + Ingram  
to commingle Penn and Devonian oil  
from their Midhurst lease w/ Penn  
oil from their Keating lease.

Require separate metering of each zone  
of each lease prior to commingling.  
Also require a meter and a sampler  
on the return line from the  
bad oil tank.

Also require samplers to be used  
in conjunction with ~~the~~ each  
of the <sup>zones</sup> meters

Require all meters to incorporate  
non-reset totalizers

San Juan  
Examiner

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF NEARBURG )  
& INGRAM FOR AN ORDER OF THE COMMISSION )  
AUTHORIZING IT TO COMMINGLE OIL FROM THE )  
TWO SEPARATE LEASES IN THE SOUTHWEST GLADIOLA )  
PENNSYLVANIAN POOL, LEA COUNTY, NEW MEXICO. )

NO. 2266

APPLICATION

COMES NOW Nearburg & Ingram, through its Attorneys,  
Campbell & Russell, and states:

1. It is the owner and operator of the Midhurst Well No. 1 located in the NW $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 35, being on the Midhurst Lease consisting of the NW $\frac{1}{4}$  of Section 35, and it is the owner and the operator of the No. 1 Keating Well located in the SE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 34, being on its Keating Lease, consisting of the NE $\frac{1}{4}$  of Section 34, all in Township 12 South, Range 37 East, in the Southwest Gladiola Pool in Lea County, New Mexico.

2. Its Midhurst Well No. 1 is a dually completed well, said dual completion having been authorized by this Commission in its Order No. R-1837 being completed in the Pennsylvanian and in the Devonian Formations. It has now completed its No. 1 Keating Well in the Pennsylvanian Formation only.

3. By its Order No. R-1837, the Commission authorized the installation of an automatic custody transfer system to handle production commingled from the Pennsylvanian Formation and the Devonian Formation from the Midhurst Lease.

4. Applicant now desires to separately meter and commingle oil from its No. 1 Keating Well with Pennsylvanian oil from

*Respectfully  
Submitted  
2/2/66*

the Midhurst Well No. 1 and to meter and measure such oil through its automatic custody transfer system.

5. The leases from which oil will be commingled are contiguous and production is from the same common source of supply. The ownership of the working interest is common.

6. All royalty owners have consented in writing to the commingling of production from the separate leases and all owners of adjoining oil and gas leases have been notified in writing and have consented to the commingling of production from the separate leases.

WHEREFORE, Applicant requests the Commission to set this matter down for hearing before an Examiner for the Commission, to publish notice as required by law and, after hearing, to enter its order permitting Applicant to commingle oil from the Pennsylvanian formation on its Keating Lease with oil from the Pennsylvanian formation on its Midhurst Lease.

Respectfully submitted,

NEARBURG & INGRAM

By 

Jack M. Campbell, for  
CAMPBELL & RUSSELL  
P. O. Drawer 640  
Roswell, New Mexico

Attorneys for Applicant

DATED: March 30, 1961



DOCKET: EXAMINER HEARING - THURSDAY, MAY 4, 1961

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, as alternate examiner:

CONTINUED CASE

CASE 2234: Application of Kay Kimbell for an order force-pooling a 320-acre gas proration unit in the Basin-Dakota Pool. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Basin-Dakota Pool in the E/2 of Section 22, Township 29 North, Range 11 West, San Juan County, New Mexico, including those of Roy L. Cook as lessee and various other parties as lessors in the E/2 NW/4 NE/4 of said Section 22.

NEW CASES

CASE 2261: Application of Continental Oil Company for two non-standard gas proration units. Applicant, in the above-styled cause, seeks the establishment of a 480-acre non-standard gas proration unit in the Eumont Gas Pool consisting of the S/2 and the NE/4 of Section 24, Township 20 South, Range 37 East, Lea County, New Mexico. Said unit is to be dedicated to the SEMU Eumont Well No. 67, located 1980 feet from the South and West lines of said Section 24.

Applicant further seeks the establishment of a 480-acre non-standard gas proration unit in the Eumont Gas Pool consisting of the NW/4 of Section 24, and the SE/4, the SW/4 NE/4, the S/2 SW/4 and the NW/4 SW/4 of Section 13, all in Township 20 South, Range 37 East, Lea County, New Mexico. Said unit is to be dedicated to the SEMU Eumont Well No. 69, located 1980 feet from the North and West lines of said Section 24.

CASE 2262: Application of V. S. Welch for an unorthodox oil well location. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location in the Culwin-Yates Pool for a well to be drilled at a point 330 feet from the South line and 2390 feet from the West line of Section 29, Township 18 South, Range 31 East, Eddy County, New Mexico.

CASE 2263: Application of Collier Drilling Company for an exception to Rule 309 (a). Applicant, in the above-styled cause, seeks an exception to Rule 309 (a) to permit the transportation of oil from the Western Yates Lease, comprising the SE/4 NW/4 of Section 20, Township 18 South, Range 28 East, Eddy County, New Mexico, to a separate tank battery located on its Amerada Lease, comprising the NE/4 NW/4 of said Section 20.

CASE 2264: Application of United States Smelting Refining and Mining Company for an oil-gas dual completion and for permission to commingle the production from two separate pools. Applicant, in the above-styled cause, seeks authorization to dually complete its Federal 11-20-34 Well No. 1, located 1980 feet from the North line and 2130 feet from the West line of Section 11, Township 20 South, Range 34 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Bone Springs formation adjacent to the Lea-Bone Springs Pool and the production of gas from an undesignated Pennsylvanian pool through parallel strings of 2-inch tubing.

Applicant further proposes to commingle the production from both of said pools in said well after metering only the Pennsylvanian pool production.

CASE 2265: Application of Nash, Windforn and Brown for an unorthodox well location. Applicant, in the above-styled cause, seeks approval of an unorthodox location in an undesignated Abo pool for its Jackson Federal Well No. 23-B, located 1420 feet from the South line and 1980 feet from the East line of Section 24, Township 17 South, Range 30 East, Eddy County, New Mexico.

CASE 2266: Application of Nearburg & Ingram for permission to commingle the production from two separate leases, and from two separate pools. Applicant, in the above-styled cause, seeks permission to commingle, after separate measurement, the Southwest Gladiola-Pennsylvanian Pool production from all wells on its Keating lease, comprising the NE/4 of Section 34 with Southwest Gladiola-Pennsylvanian and Southwest Gladiola-Devonian production from all wells on its Midhurst Lease, comprising the NW/4 of Section 35, all in Township 12 South, Range 37 East, Lea County, New Mexico.

- CASE 2267: Application of Byard Bennett for permission to institute a waterflood project in the Caprock-Queen Pool, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks permission to institute a waterflood project in the Caprock-Queen Pool in an area comprising the E/2 SE/4 of Section 20 and the SW/4 of Section 21, all in Township 14 South, Range 31 East, Chaves County, New Mexico, by the injection of water into the Stella Zimmerman Well No. 2, located in the SE/4 SE/4 of said Section 20.
- 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, comprising the S/2 of Section 9, Township 22 South, Range 37 East, Lea County, New Mexico.
- CASE 2269: Application of Great Western Drilling Company for an oil-salt water dual completion. Applicant, in the above-styled cause, seeks authorization to dually complete its Federal MM Well No. 2, located in the SE/4 NW/4 of Section 8, Township 9 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Bough C formation adjacent to the East Allison-Pennsylvanian Pool and the injection of salt water into the San Andres formation.
- CASE 2270: Application of Pan American Petroleum Corporation for an oil-oil dual completion. Applicant, in the above-styled cause, seeks authorization to dually complete its Greenwood Unit Well No. 3, located in Unit H, Section 27, Township 18 South, Range 31 East, Eddy County, New Mexico, in such a manner as to permit the production of oil from an undesignated Bone Springs pool and the production of oil from an undesignated Wolfcamp pool through parallel strings of 2-inch tubing.
- CASE 2271: Application of Pan American Petroleum Corporation for two non-standard oil proration units and for an unorthodox oil well location. Applicant, in the above-styled cause, seeks the establishment of a 70.58-acre non-standard oil proration unit in the Cha Cha-Gallup Oil Pool consisting of Lots 8 and 9 and the S/2 of that portion of the San Juan River channel lying in the S/2 NE/4, all in Section 18,

CASE 2271 (Cont.)

Township 29 North, Range 14 West, San Juan County, New Mexico, said unit to be dedicated to the Navajo Tribal "G" Well No. 7, at an unorthodox location 2545 feet from the North line and 1670 feet from the East line of said Section 18, and of a 46.75-acre non-standard oil proration unit in said pool consisting of Lot 6 and the S/2 of that portion of the San Juan River channel lying in the SE/4, all in Section 16, Township 29 North, Range 14 West, San Juan County, New Mexico, said unit to be dedicated to the Navajo Tribal "E" Well No. 10, located 660 feet from the South line and 1980 feet from the East line of said Section 16.

CASE 2272:

Application of Pan American Petroleum Corporation for two non-standard oil proration units and for two unorthodox oil well locations. Applicant, in the above-styled cause, seeks the establishment of an 89.62-acre non-standard oil proration unit in the Cha Cha-Gallup Oil Pool consisting of Lots 2, 3 and 4 of Section 8, Township 28 North, Range 13 West, San Juan County, New Mexico, said unit to be dedicated to the C. J. Holder Well No. 11, at an unorthodox location 493 feet from the North line and 660 feet from the West line of said Section 8, and of an 89.22-acre non-standard oil proration unit in said pool consisting of Lot 1 of Section 8 and Lots 3 and 4 of Section 9, all in Township 28 North, Range 13 West, San Juan County, New Mexico, said unit to be dedicated to the C. J. Holder Well No. 12, at an unorthodox location 493 feet from the North line and 660 feet from the West line of said Section 9.

CASE 2273:

Application of El Paso Natural Gas Company for an exception to Rule 309 (a). Applicant, in the above-styled cause, seeks an exception to Rule 309 (a) to permit the transportation of oil produced on Federal Lease LC-064198-A, comprising the SE/4 of Section 18, prior to measurement, to tank batteries located on Federal Lease No. 025566, comprising the E/2 of Section 19, all in Township 19 South, Range 32 East, Lea County, New Mexico.

Docket No. 13-61

-5-

CASE 2274:

Application of El Paso Natural Gas Company for an oil-gas dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Lusk Deep Unit Well No. 2, located in Unit O, Section 18, Township 19 South, Range 32 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Strawn formation adjacent to the Lusk-Strawn pool and the production of gas from the Morrow formation in an undesignated pool through parallel strings of 2 3/8-inch tubing.

C-2266

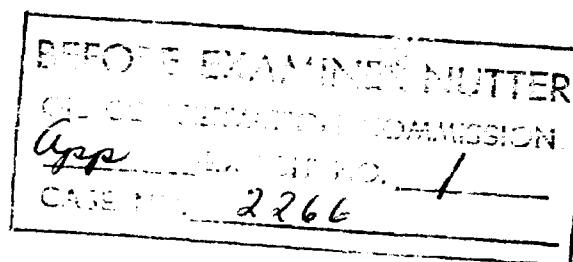
The following have executed a letter authorizing commingling of production from the Keating and Midhurst leases, comprising the NE/4 of Section 34, and the NW/4 of Section 35, Township 12 South, Range 37 East:

**Royalty Owners - Keating Lease**

United States Smelting, Refining &  
Mining Company  
Horse Stake Royalty Corporation  
Estate of J. F. Darby, deceased  
Bruce E. & Antoinette T. Brown  
Ozark Mahoning Company  
Nancy Lee Weiseman Harpin  
Patti Lynn Goldston Mayfield  
Iris Goldston  
William Jerome Goldston, Jr.  
Joanna Goldston  
Gloria Goldston King  
William J. Goldston  
Lacey Mae Smith  
Merritt H. Brown  
The Horse Stake Oil & Gas Co.  
Colorado Oil & Gas Corporation  
Est. of James H. Simpson, deceased  
Tela Corporation  
W. C. & Chrystalle Portea  
R. S. & Verna Foster  
McAlester Fuel Company  
Robert F. & Dolores Singleton  
W. R. & Bess C. Stephens  
Pan American Petroleum Corp.

**Royalty Owners - Midhurst Lease**

Flavv E. Davis  
Jewel H. Osborn  
William B. Osborn, Jr.  
Betty O. Biedenbarn  
Charlotte O. Bartlett  
Midhurst Oil Corporation



**Royalty Owners - Keating & Midhurst Leases**

Junior Simpson  
Winnie Bell Hight  
Buster Simpson  
Susie Irene Murph  
John Robert Simpson, a minor  
Brady M. & Pauline Lowe  
Earl E. & Vera L. Martley  
Lowe Land Company  
Clark & Judge Properties, a partnership  
B. F. & Lucille Turner  
Zesser Mae & George J. Koch  
Annie Mae Colium  
Cordelia Louise Floyd  
James E. Simpson

MEMORANDUM  
TO: Mr. E. E. 840  
FROM: Mr. E. E. 840

Re: Nicklaus #1 75-37E-868  
New Mexico 125-37E-869  
Las Alamos, New Mexico

As you know, Nicklaus #1 and #2 are located on one well known as the No. 1 Nicklaus, situated in the NE 1/4 of Section 35, Township 12 South, Range 37 East, N.M.P.M., Los Alamos County, New Mexico, and are in the process of drilling the No. 1 Nicklaus located in the NE 1/4 of Section 34, Township 12 South, Range 37 East.

Subject to the Oil Conservation Commission's approval, we would like to install individual meters on each zone on each lease in conjunction with a lease Automatic Control Transfer Unit, and commingle the production from both leases in one common tank battery.

This should help to prolong the life of the well due to the more uniform rate of flow. With an automatic transfer unit, it is not necessary to have a man present when each tank of oil is sold. This will make it possible to continue the sale of oil during bad weather. In December, 1960, 2014 bbls. of oil were not produced because extremely bad weather conditions in the area prevented the pipeline representative from getting to the lease. Production and sales for that month would have been considerably more if this unit had been installed prior to that time.

The meters to be installed in connection with this unit will be checked regularly by the pipeline company in accordance with the rules and regulations of the State of New Mexico Oil Conservation Commission, which Commission must approve the equipment and its installation.

If the foregoing is satisfactory with you, upon your signing of this letter in the space provided below for your signature and returning one signed copy to this office, we shall have the right, subject to the terms and provisions of this letter, to install this equipment, produce each zone from each well through separate meters into one battery, and commingle the oil from both leases for automatic transfer to the pipeline company.

Your early approval of this letter will allow us to proceed with our request for the Oil Conservation Commission's approval, and we shall, therefore, appreciate hearing from you at your earliest convenience.

Yours very truly,

NEARBURG & INGRAM

Eugene E. Nearburg

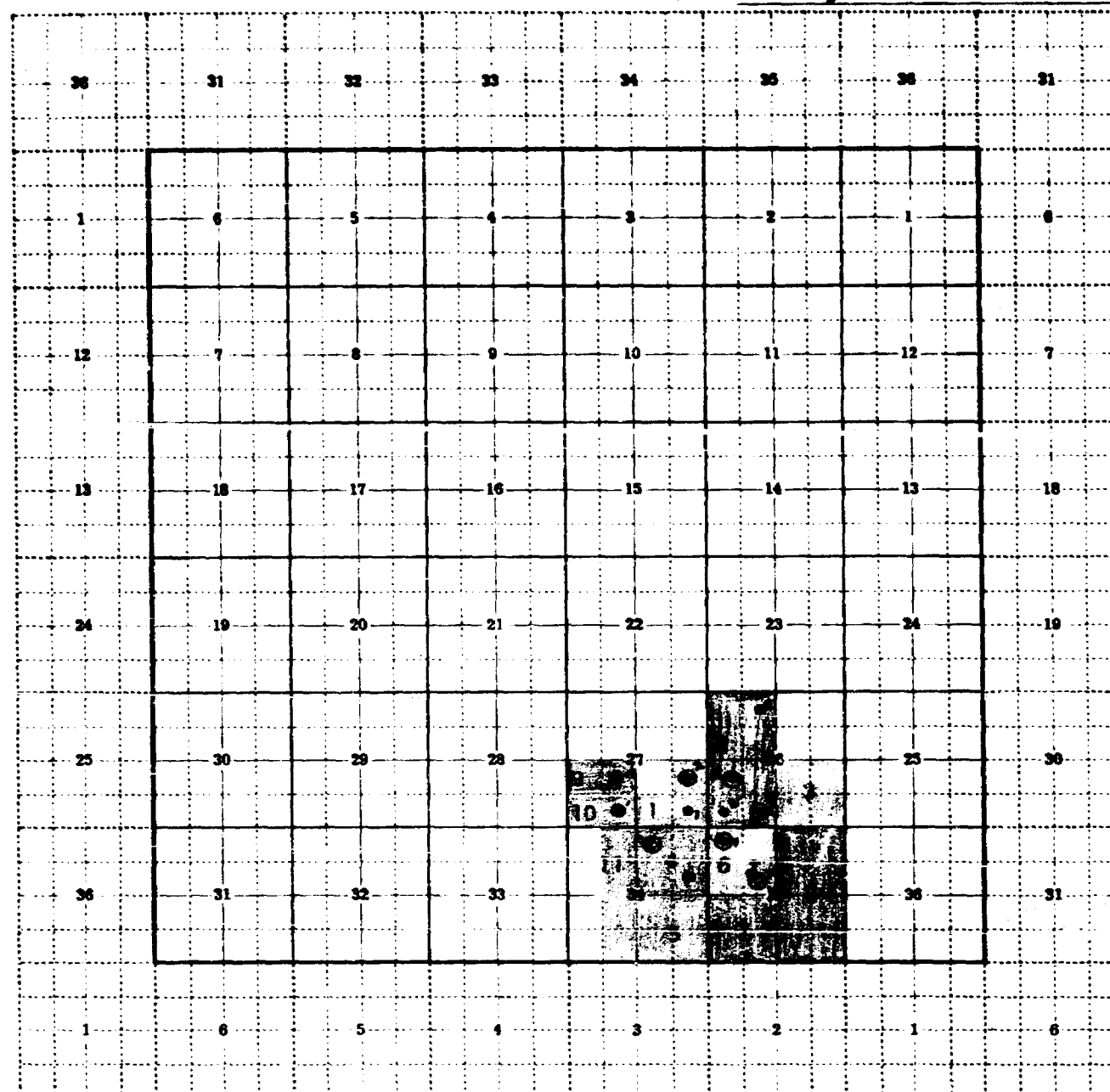
ACCEPTED AND AGREED to this  
day of \_\_\_\_\_, 1961

# NEARBURG & INGRAM

127 SOUTH RICHARDSON  
ROSWELL, NEW MEXICO

Township 12-South

Range 37-East



- Devonian Producer
- Wolfcamp Producer

1. Skelly Oil Co. - Foster Lease	P. O. Box 993, Midland, Texas
2. H. S. Moss - Peck Lease	First National Bank Bldg., Dallas, Texas
3. Nearburg & Ingram - Dangle Lease	P. O. Box 1757, Roswell, New Mexico
4. Nearburg & Ingram - Keating Lease	
5. Nearburg & Ingram - Simpson Lease	
6. Nearburg & Ingram - Midhurst Lease	
7. Nearburg & Ingram - Shettle Lease (Partial Interest with Mobil Oil Co.)	
8. Nearburg & Ingram - Wilder & Travis Leases	Box 662, Roswell, N. M.)
9. Max Pray - Craig Lease	
10. Cities Service - Turner Lease	Midland Tower, Midland, Texas
11. Amerada Petroleum Corp.	Drawer D, Monument, New Mexico



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

EXAMINER HEARING

IN THE MATTER OF:

CASE 2266

TRANSCRIPT OF HEARING

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

EXAMINER HEARING

IN THE MATTER OF:

CASE 2266: Application of Nearburg & Ingram for permission to commingle the production from two separate leases, and from two separate pools. Applicant, in the above-styled cause, seeks permission to commingle, after separate measurement, the Southwest Gladiola-Pennsylvanian Pool production from all wells on its Keating lease, comprising the NE/4 of Section 34 with Southwest Gladiola-Pennsylvanian and Southwest Gladiola-Devonian production from all wells on its Midhurst Lease, comprising the NW/4 of Section 35, all in Township 12 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. We'll take next Case 2266.

MR. MORRIS: Case 2266. Application of Nearburg & Ingram for permission to commingle the production from two separate leases, and from two separate pools.

MR. CAMPBELL: Jack M. Campbell, Campbell & Russell, Roswell, New Mexico, appearing on behalf of the applicant. I have one witness, Mr. Ingram.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

PHONE CH 3-4491



(Witness sworn)

TOM L. INGRAM,  
called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. CAMPBELL:

Q Will you state your name, please?

A Tom L. Ingram.

Q Where do you live, Mr. Ingram?

A Roswell, New Mexico.

Q With whom are you associated there in business?

A Nearburg & Ingram.

Q What is your profession?

A Geological engineer.

Q Have you testified previously before this Commission or its Examiners in a professional capacity?

A I have.

MR. CAMPBELL: Are the witness' qualifications acceptable?

MR. NUTTER: Yes.

Q (By Mr. Campbell) Are you acquainted with the application of Nearburg & Ingram in Case 2266?

A I am.

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

Q Mr. Ingram, I hand you what has been identified as Ap-

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



plicant's Exhibit No. 1, and ask you to state what that is, please?

A Exhibit No. 1 is composed of three parts. The first sheet is a list of all of the royalty owners; first of all, those that are under solely the Keating Lease, secondly, those that are under the Midhurst Lease, and thirdly, those that are under both Leases. The second sheet is a letter that was sent to each of these royalty owners, requesting their permission to commingle the oil from these two Leases. The third is a plat showing the location of the subject leases and the offset operators.

Q Now, referring to the plat, which is the third sheet of Exhibit 1, will you point out to the Examiner the leases and the wells that are involved in this application?

A The leases concerned, the one that is colored yellow being the northwest quarter of Section 35, 12 South, 37 East, is the Midhurst Lease on which there is one well, a dually completed well, located in the northwest quarter of the northwest quarter of that Section. There is another well that is in the process of being completed now in the southeast of the northwest quarter. In Section 4, the lease colored orange, being the northeast quarter of Section 34, the Keating Lease, and it has one well on it located in the southeast of the northeast, being the No. 1 Keating, which is completed out of the Pennsylvanian zone.

Q Have you previously received permission from the Commission to commingle the production from the Pennsylvanian and the Devonian formations under the Midhurst Lease?



A We have under Order No. 2134.

Q Did that Order also authorize you to install and operate an automatic custody transfer system for measuring and marketing this oil?

A It did.

Q Now, what do you propose to do with regard to the Keating Lease, that is, generally, what do you propose to do?

A Generally, we propose to meter the production from the Keating Lease in a common battery located on the Midhurst Lease, and then to commingle the oil with that from the Midhurst Lease.

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

Q I hand you what has been identified as Applicant's Exhibit 2, and ask you to state what that is?

A Exhibit No. 2 is a diagrammatic sketch showing, first, the existing battery installation that was approved at the previously mentioned hearing, and, secondly, that with the red border around it being the new installation.

Q Will you explain to the Examiner what you propose to add by way of new equipment and how that will fit into the presently existing operation?

A We propose to bring the production from the wellhead to the battery in 2-inch tubing, and there it will go, first of all, through a manifold that is shown with a small "a" in a circle, which is the pressure shut off valve, that in the event of any

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



failure, that the well would be shut-in at this particular point. The production then would proceed on through Item "C", which is a hundred twenty-five pound working pressure separator; then the production through "E," a fifty pound working pressure heater treater, and then from there into "F," being a positive displacement type meter, and from "F", then the production would then be commingled with that from the Midhurst Lease, and on into our sales tank.

Q Let me ask you this: Have you, since the installation of the equipment on the Midhurst Lease, experienced any difficulty with bad oil?

A We have not. The Devonian production, well the Devonian has been producing for some six months, and we have had no bad oil out of it. The Pennsylvanian has been producing for three months, and we have had no bad oil out of it.

Q In the event there is any bad oil encountered, what arrangements are you making for the handling of that bad oil?

A We propose, on the bad oil, that the bad oil would be stored in the bad oil tank, and that, in the event that bad oil was obtained, then it would be manually sampled and manually gauged, and then we would manually process it either back into the sales tank or through the treater on the Pennsylvanian side, and the reason for doing this, that with the equipment that we have set or propose to set in the case of the Keating Lease, we feel that if there is bad oil, it will be a malfunction of one of



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE C-1 3-6691

ALBUQUERQUE, NEW MEXICO

the heater treaters, and we would be able to determine, then, from the bad oil that we had, if it was a malfunction at one of these so that any remetering, in other words, going back through a meter again, we would be able to actually tie it down to one of the particular zones.

Q Do you believe that by using this method you will be able to accurately measure and maintain constant track of the bad oil as to the zone from which it came and to which it should be charged for production purposes?

A I do.

Q What safety features are involved in the new portion of the installation here?

A Well, in the new portion we, as I previously mentioned, we have established the item marked "A" at the Keating header, which would shut the well in in the event of malfunction of a heater from the standpoint of a break in the line or if the sales tank should become full, it would shut the well in, and if the bad oil tank becomes full, it will shut it in. The dotted line that you notice on the diagram is the flow that actuates the valves. Also, we have made one additional installation, and that is a high level shut off on the bad oil tank. Because the Devonian is the top allowable, and we feel will be the top allowable zone for many months to come, while the Pennsylvanian is the top allowable now, but we feel it is much weaker, we have proposed to change the bad oil line from the Devonian, as we had the set-up before, to go into



the Pennsylvanian side. There is no commingling of any oil until after it has been metered.

Q Is the working interest ownership the same under both these leases?

A The working interest ownership is the same with the exception of the Lowe interest, the Lowe's own mineral interest, and they have joined as the working interest owner. Theirs is slightly different than one from the other.

Q Have all the working interest owners approved the plan you are suggesting here?

A They have.

Q I'll refer again to Exhibit No. 1, the first page of which contains a list of royalty owners under the separate leases, and the royalty owners under both leases. Have you circularized those royalty owners with regard to the plans you are suggesting here?

A We have.

Q Is the second sheet of Exhibit No. 1 a letter which you sent to each of the people or companies that are identified on the first sheet of Exhibit 1?

A It is.

Q Have all of those people signified their approval in writing to you of the plans which you are presenting to the Commission at this time?

A They have, and also the offset operators.

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MR. CAMPBELL: That's all the questions I have. I would like to offer in evidence Applicant's Exhibits 1 and 2.

MR. NUTTER: Applicant's Exhibits 1 and 2 will be entered in evidence.

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

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

MR. MORRIS: Just one, I believe.

MR. NUTTER: Mr. Morris.

CROSS-EXAMINATION

BY MR. MORRIS:

Q Referring to Exhibit No. 2, Mr. Ingram, the portion of that new installation on the Keating Lease, Item No. "F" is an A. O. Smith PD meter. Is that meter equipped with a non-reset totalizer?

A It is, and it's also temperature compensated.

Q Are the other two meters on the Midhurst-Devonian and Midhurst-Pennsylvanian, they're the same type?

A Right. And the sales meter is also the non-reset type.

Q I think you testified to this, but I missed it. Where is this measurement going to take place of the Keating-Pennsylvanian production? Is it going to take place on the Keating Lease itself?

A It will actually take place at the meter marked "F,"

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which is located on the Midhurst Lease.

Q That's on the Midhurst Lease?

A Yes. They are adjacent to each other.

Q Yes, sir. But all of your facilities shown here within the red enclosure, how much of that facility is on the Keating Lease, and how much is on the Midhurst Lease?

A You mean the actual location?

Q Yes, sir, in other words, the separator, is it on the Keating Lease?

A No, sir. The entire installation is on the Midhurst Lease, physically.

MR. MORRIS: Yes, sir. Thank you. That's all I have.

BY MR. NUTTER:

Q As I understand it, you have Pennsylvanian on both the Midhurst and Keating?

A Yes.

Q And Devonian on the Midhurst only?

A Yes, sir.

Q On each of the Pennsylvanian wells you have a separator and a heater treater?

A Yes, sir.

Q On the Devonian you only need the heater treater?

A Yes, sir.

Q Now, the commingled oil, or the oil passes from the heater treater, in each instance, through a positive displacement meter, and



then commingled and flowed into the five hundred barrels sales tank, is that correct?

A Yes, sir.

Q In the event the oil turns bad when no one is there, and the pumper is not on duty, the bad oil goes into the sales tank, is that correct?

A No, sir. There is a valve on top of the sales tank that closes the valve, opens on the bad oil tank, and the oil goes into the bad oil tank.

Q You have a monitor, then, on this flow line into the sales tank, is that correct?

A Yes. The monitor is indicated by the letter "L."

Q So the oil, if monitor "L" detects bad oil, it automatically diverts the oil from the sales tank into the bad oil tank?

A Yes, sir.

Q But at this time there's no way of knowing which lease that bad oil came from, is there?

A That is true. In other words, we feel that with the installation that we have, that the only time that we will have any bad oil will be if maybe the wind will blow a fire out in one of the heater treaters or something like that, and if it did, and it filled the bad oil tank up to this height, it would shut all of the wells in, and then at that time the pumper would be able to tell whether or not there was a fire out in one of the heater treaters, or if we had some malfunction.

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Q Well, a malfunction could occur or else the treater just fail to properly treat the oil even though the fire hadn't gone out and some bad oil slipped through the treater, and it would be evident to the pumper?

A Well, that is a possibility.

Q And you don't contemplate the use of samplers in conjunction with the PD meters downstream from the heater treaters?

A No, sir. In other words, we were going to manually sample the oil. In other words, we could take a sample out of the bad oil tank.

Q You would know you had a certain percentage of bad oil or a certain percentage of BS&W in that oil, but you still wouldn't know which lease to attribute it to?

A We feel that we would be able to tell as near as we would if we put a sampler on the bad oil line. In other words, it would also be the same thing that we would have in our bad oil tank.

Q If you had a sampler installed in conjunction with each of the PD meters, Item "F," you would know which of the three heater treaters had malfunctioned, wouldn't you?

A No, sir. In other words, as long as we have Pennsylvanian oil coming out of two different wells, I don't believe that from the standpoint of having a sampler there, that we would be able to tell whether or not it was from that one as opposed to the other one any more than we would be able to tell from the bad oil



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tank.

Q Mr. Ingram, what I'm talking about is if you had a sampler, say, for instance, you had a sampler downstream from the meter on the Midhurst Lease, the Pennsylvanian, and you had a sampler downstream from the meter on the Pennsylvanian side of the Keating Lease, then you got bad oil over here, and your sampler indicated that one of the two zones had passed water into the line, you'd know which of the two leases had produced the BS&W, wouldn't you, by the sampler?

A Well, yes, sir.

Q By a grind out of the sample in the sampler for that lease?

A Right.

Q Mr. Ingram, you are aware of the existence of a committee which was appointed by the Commission to study all phases of commingling --

A I am, yes, sir.

Q -- and make recommendations to the Commission for minimum standards for commingling installations?

A Yes.

Q If, upon adoption by the Commission of certain standards recommended by that committee, I presume that you would be willing to modify the installation as proposed here today to conform with those standards or forego the commingling?

A Yes, sir, after studying the economics to see if we could



afford to go this way or back.

Q Yes. When you do have bad oil in the bad oil tank, you propose to gauge the bad oil in the tank, take a sample, and take a grind out to determine how much BS&W is in that oil, and then pass it back through the treater on each lease, the Pennsylvanian treater on the Midhurst Lease, is that correct?

A Yes, sir, that is correct.

Q Will that oil be a circulating proposition, or will you run it by batches, that is, one measured tankful and that's all?

A In other words, first of all, assuming that the oil is bad merely because water has gotten through?

Q Yes.

A Why, we will bleed the water off the tank and then merely process it through our pump and back into the sales tank without having been remetered --

Q Yes.

A -- or if it is something that we are unable to merely bleed off and we have to process it, why, then, we will run it back through the meter on the Pennsylvanian side.

Q You would bleed off the free water and then if there was any emulsion in the oil, run it back through the Midhurst treater on the Pennsylvanian?

A Right. And that will be done manually.

Q That will be a batch operation. Say you have four hundred barrels of oil in that tank, then you would run four hundred barrels



through that treater, and then the meter on the Midhurst Pennsylvanian side of the header would be allowed to produce the allowable from the Pennsylvanian there plus the four hundred barrels that you would run from the tank?

A Right. Yes, sir.

Q The three lines that come straight down from the bottom of the installation here --

A Are the gas sales lines.

Q Those are gas sales lines?

A Yes, so that it would actually be separately metered before any commingling of it.

MR. NUTTER: Any further questions of Mr. Ingram? He may be excused.

(Witness excused)

MR. CAMPBELL: That's all I have, Mr. Examiner.

MR. NUTTER: Does anyone have anything further they wish to offer in Case 2266? We'll take the case 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 7th 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 Examiner hearing of Case No. 6266 heard by me on 5-8, 19 61.  
*[Signature]*, Examiner  
 New Mexico Oil Conservation Commission

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