

CASE 3248: Application of TEXACO
- to commingle Drinkard production, _____
Lea County, New Mexico.

CASE No.
3248

Application,
TRANSCRIPTS,
SMALL 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. 3248
Order No. R-2912

APPLICATION OF TEXACO INC.
FOR COMINGLING, 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 12, 1965, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 1st day of June, 1965, 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, Texaco Inc., seeks authority to commingle Drinkard production from Tract 1 of its W. L. Nix Lease comprising the W/2 SE/4 and E/2 SW/4 of Section 17, and from Tract 2 of said lease comprising the W/2 NE/4 and E/2 NW/4 of Section 20, all in Township 22 South, Range 38 East, NMPM, Lea County, New Mexico, allocating the production to each tract on the basis of periodic well tests.

(3) That the applicant also seeks an administrative procedure whereby other zones that may be proven productive on said W. L. Nix Lease may be included in the comingling installation, determining the production from each pool in accordance with the provisions of the Commission "Manual for the Installation and Operation of Comingling Facilities." Allocation within pools but between Tract 1 and Tract 2 of the subject lease would be on the basis of periodic well tests.

-2-

CASE No. 3248
Order No. R-2912

(4) That approval of the subject application will result in economic savings to the operator, prevent waste, and protect correlative rights.

IT IS THEREFORE ORDERED:

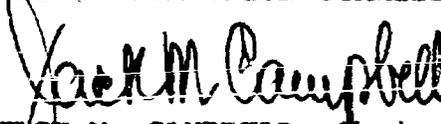
(1) That the applicant, Texaco Inc., is hereby authorized to commingle Drinkard production from Tract 1 of its W. L. Nix Lease comprising the W/2 SE/4 and E/2 SW/4 of Section 17, and from Tract 2 of said lease comprising the W/2 NE/4 and E/2 NW/4 of Section 20, all in Township 22 South, Range 38 East, NMPM, Lea County, New Mexico, allocating the production to each tract on the basis of quarter-annual well tests.

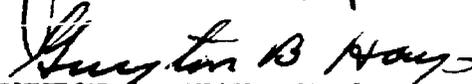
(2) That an administrative procedure is hereby established whereby the Secretary-Director of the Commission may approve the inclusion of other productive zones in the commingling installation authorized herein, subject to the pool-commingling provisions of the Commission's "Manual for the Installation and Operation of Commingling Facilities." Allocation within each given pool but between Tract 1 and Tract 2 of the W. L. Nix Lease shall be on the basis of quarterly well tests.

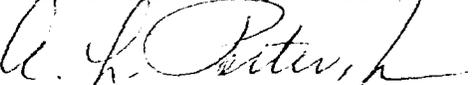
(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

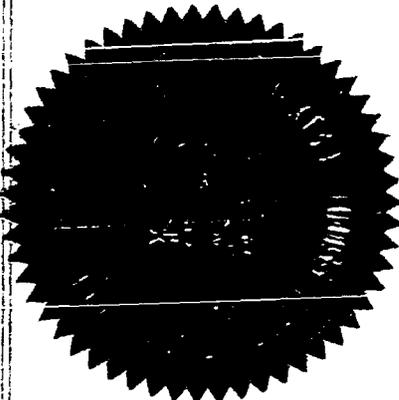
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JACK M. CAMPBELL, Chairman


GUYTON B. HAYS, Member


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



esr/

GOVERNOR
JACK M. CAMPBELL
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
GUYTON B. HAYS
MEMBER

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

P. O. BOX 2088
SANTA FE

June 1, 1965

Mr. Booker Kelly
White, Gilbert, Koch & Kelly
Attorneys at Law
Post Office Box 787
Santa Fe, New Mexico

Re: Case No. 3248 ✓
Order No. R-2912
Applicant:
TEXACO INC.

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 _____

Case 3248

Heard. 5-12-65

Rec. 5-13-65

1. Grant Texaco authority to consume the Drinkard, Dutt & Blinsky on their W. L. Her Lease consisting of 320 Ac.
2. The Dutt & Blinsky shall be metered after separation. The Drinkard Prod. may be determined by the subtraction method. The division of ownerships between the (E/2 SW/4, W/2 SE/4) and (E/2 NW/4, W/2 NE/4) may be determined by well tests for all three zones.

Thos. A. W. J.

Docket No. 13-65

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 12, 1965

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

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

CASE 2691 (Reopened):

In the matter of Case No. 2691 being reopened pursuant to the provisions of Order No. R-2373-A, which order continued 640-acre gas proration units for the Lusk-Morrow Gas Pool, Lea County, New Mexico, for one year. All interested parties may appear and show cause why said pool should not be developed on 160-acre proration units.

CASE 3016 (Reopened):

In the matter of Case No. 3016 being reopened pursuant to the provisions of Order No. R-2697, which order established 80-acre spacing units for the Vacuum-Upper Pennsylvanian Pool, Lea County, New Mexico, for a period of one year. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.

CASE 3245: Application of Worldwide Petroleum Corporation for creation of an oil pool and for an amendment to Order No. R-2095, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the creation of the Seven Lakes Oil Pool for production of oil from the Menefee formation in Township 18 North, Range 10 West, McKinley County, New Mexico. Applicant further seeks an order amending Order No. R-2095, which authorized a waterflood project in the Seven Lakes area, McKinley County, New Mexico. Applicant seeks the designation of the SW/4 of Section 17, SE/4 of Section 18, N/2 of Section 19, and the NW/4 of Section 20, all in Township 18 North, Range 10 West, to be the waterflood project area. Applicant further seeks authority to inject water in the Seven Lakes Pool through 8 wells drilled at various orthodox and unorthodox locations within said project area, and to drill for water injection purposes and as producers numerous other wells in said project area. Development of the project area would be on a standard 10-acre 5-spot water injection pattern subject to amendment as need may arise upon administrative approval by the Secretary-Director of the Commission.

May 12, 1965 Examiner Hearing

CASE 3246: Application of Paul DeCleva for an amendment to Order No. R-2691, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an amendment to Order No. R-2691, which order prescribes pool rules for the Mesa Queen Pool, Lea County, New Mexico. Applicant, among other things, requests that said rules be amended to include the definition of gas wells and oil wells in said pool, the assignment of 40 acres to oil wells, and the assignment of 160 acres to gas wells.

CASE 3247: Application of Paul DeCleva for a non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard gas proration unit for his Tidewater State Well No. 1 located in Unit D of Section 17, Township 16 South, Range 32 East, Mesa Queen Pool, Lea County, New Mexico, said unit to comprise the W/2 NW/4, NE/4 NW/4, and NW/4 NE/4 of said Section 17.

3016

CASE 3248: Application of Texaco Inc. for commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Drinkard production from Tract 1 of its W. L. Nix Lease comprising the W/2 SE/4 and E/2 SW/4 of Section 17, and from Tract 2 of said lease comprising the W/2 NE/4 and E/2 NW/4 of Section 20, all in Township 22 South, Range 38 East, Lea County, New Mexico, allocating the production to each tract on the basis of periodic well tests. Applicant further seeks administrative procedure to extend the above-described commingled method to other zones that may prove productive from said lease.

TEXACO
INC.

PETROLEUM PRODUCTS



DOMESTIC PRODUCING DEPARTMENT
MIDLAND DIVISION

P. O. BOX 3109
MIDLAND, TEXAS 79704

April 30, 1965

REQUEST FOR HEARING
DRINKARD OIL POOL
LEA COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Attn: Mr. A. L. Porter, Jr.
Secretary & Director

Gentlemen:

It is respectfully requested that an examiner hearing be scheduled to consider the application of Texaco Inc. for an exception to statewide Rule 309-B. No. 5 (b). This exception is requested for Texaco's W. L. Nix Lease which consists of the E/2 of the SW/4, W/2 of the SE/4 of Section 17 and the E/2 of the NW/4 and the W/2 of the NE/4 of Section 20, T-22-S, Range 38-E, Lea County, New Mexico.

The entire area described above comprises the 320 acre W. L. Nix Lease. Ownership of certain areas within the lease are diversified. Agreements have been executed by all diversified mineral interests approving commingling the oil production from the various wells without the use of continuous metering equipment. These diversified mineral interest owners have agreed to a plan of allocating production to their individual tracts based upon periodic individual well tests.

The exception requested will pertain only to the Drinkard Oil Pool underlying the W. L. Nix Lease. Copies of this application are being mailed today by registered mail to every owner of mineral interest in the subject lease as well as all offset operators according to the attached list. It is understood that the hearing formally requested by this application has been scheduled for May 12, 1965.

Yours very truly,

C. L. Whigham

C. L. Whigham
Division Proration Engineer

DOCKET MAILED

Date 5-5-65

Wh

CLW:j1
Attach.

MINERAL INTEREST OWNERS AND OFFSET OPERATORS

Cecil W. Nix, Administrator
of the Estate of W. L. Nix
and Dollie C. Nix
Box 159
Balmorhea, Texas

Tom J. Sivley and wife,
Mary Ray Sivley
711 Bullock Street
Artesia, New Mexico

J. V. Cowan and wife
Morene Cowan
P. O. Box 837
Lockhart, Texas

A. L. Cone and wife,
Annie Cone
1706 Great Plains Life Bldg.
Lubbock, Texas

J. R. Cone and wife, Dorothy
Cone
Box 871
Lubbock, Texas

Bruce Alene Carlin and
husband, W. W. Carlin
Box 61
Hobbs, New Mexico

**Gordon Cone
Box 1148
Lovington, New Mexico

Texaco Inc.
P. O. Box 3109
Midland, Texas

*Ray Smith
300 Simmons Bldg.
Dallas, Texas 75201

DOCKET MAILED

~~100-5-65~~

* Denotes Offset Operator
** Denotes Offset Operator who is also Mineral Interest
Owner

quarterly well tests on more often as necessary
to determine production.

Docket

Wm. W. Corbin (group of
Prince A. Corbin)

Herb M. Brown - W.I. into +

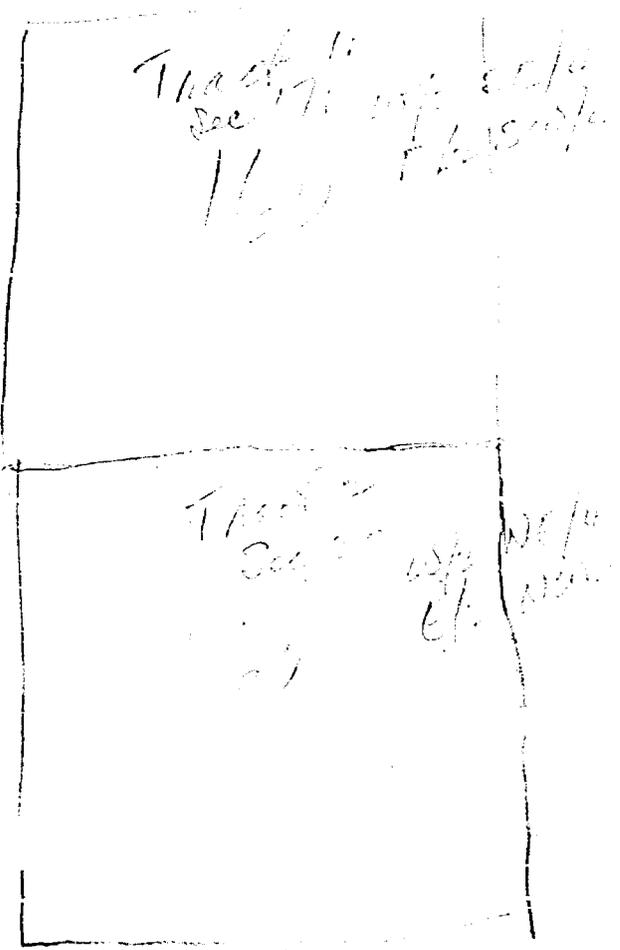
W. W. Corbin

DOCKET MAILED

~~5-5-65~~

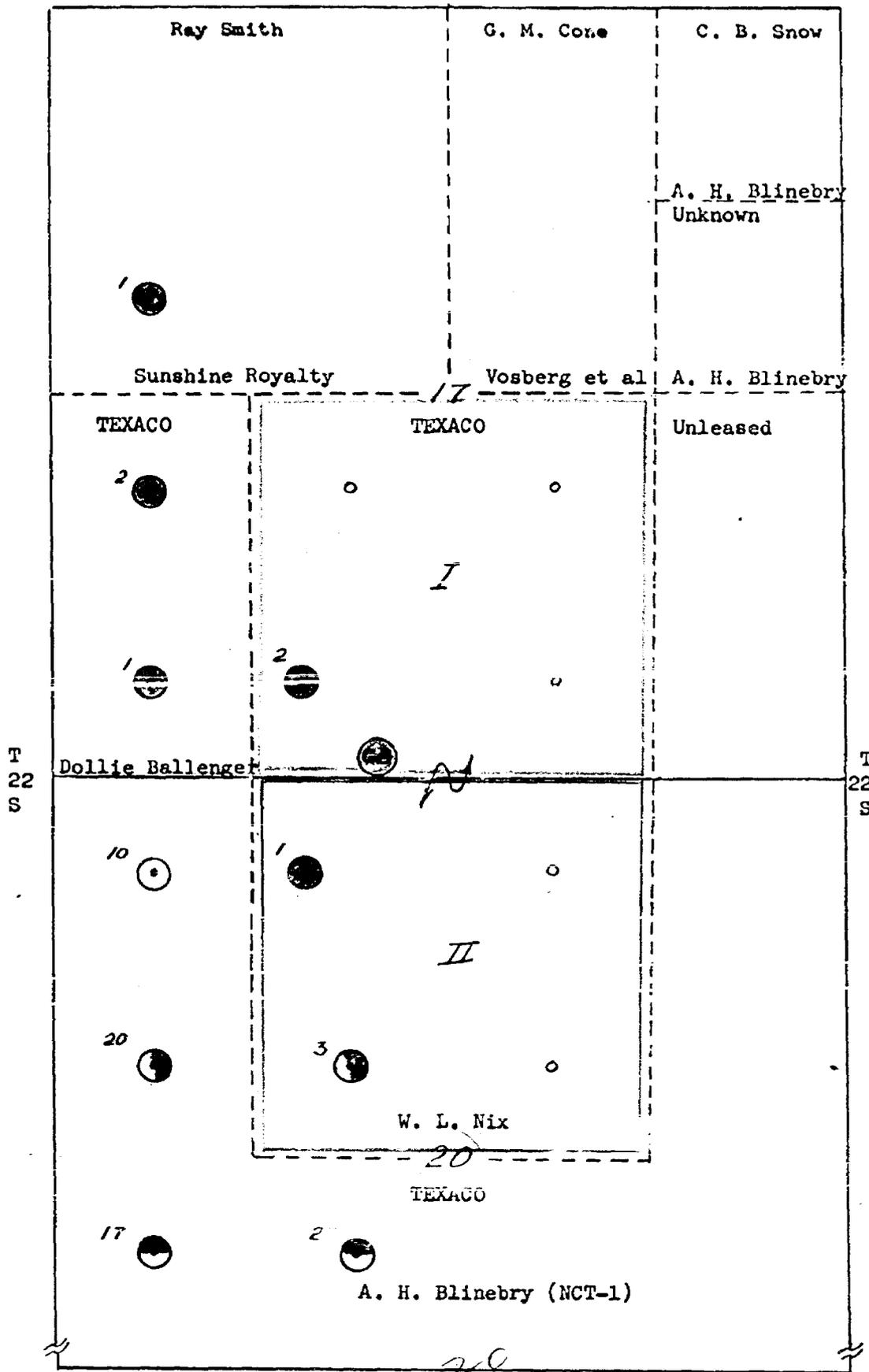
[Signature]

R 32-7



WI not common
1 20/4 by not common

R-38-E



LEGEND

- Blinebry Pool
- Drinkard Pool
- Tubb Pool
- -Commingling Battery
- Ownership Area I
- Ownership Area II
- -Producing Wells
- -Proposed Wells

TEXACO Inc.
Plat
W. L. Nix Lease
Lea County, New Mexico
Scale: 1"=1000'

April 28, 1965

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
EXHIBIT NO. 1
CASE NO. 3248

WPY

SUMMARY OF INTEREST OWNERSHIP, PERCENT

TEXACO'S W. L. NIX LEASE

LEA COUNTY, NEW MEXICO

Owners	Portion of Lease	
	<u>N/2</u>	<u>S/2</u>
<u>Common Ownership</u>		
Nix	6.2500	6.2500
Sivley	0.5615	0.5615
Cowan	0.2808	0.2808
A. Cone	1.5625	1.5625
J. Cone	2.0508	2.0508
G. Cone	24.6094	24.6094
Sub Total	35.3150	35.3150
<u>Diversified Ownership</u>		
Carlin	1.1230	1.5625
Texaco	63.5620	63.1225
Sub Total	64.6850	64.6850
Total	100.0000	100.0000

439/1017

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
 EXHIBIT NO. 2
 CASE NO. 3248

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
 EXHIBIT NO. 3
 CASE NO. 3247

POSTAL DEPARTMENT REGISTRATION OF LETTERS TO ALL INTEREST OWNERS
 W. L. NIX LEASE LEA COUNTY, NEW MEXICO

REGISTERED NO. 635
 Value \$ 1.00 Spec. del'y fee \$ _____
 Fee \$ 60 Rel. receipt fee \$ 10
 Surchage \$ _____ Rest. del'y fee \$ _____
 Postage \$ 10 Airmail
 From _____ Postmaster, By Sam
 To J. V. Cavan
Box 837
Lockhart Tex.
 POD Form 3806—Oct. 1959
 648-16-70493-5



REGISTERED NO. 639
 Value \$ _____ Spec. del'y fee \$ _____
 Fee \$ 60 Rel. receipt fee \$ 10
 Surchage \$ _____ Rest. del'y fee \$ _____
 Postage \$ 10 Airmail
 From _____ Postmaster, By Sam
 To Bruce Alen
Box 61
Hobbs N.M.
 POD Form 3806—Oct. 1959
 648-16-70493-5



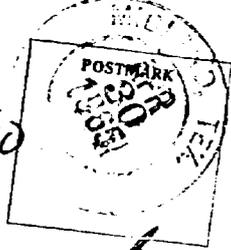
REGISTERED NO. 636
 Value \$ 1.00 Spec. del'y fee \$ _____
 Fee \$ 60 Rel. receipt fee \$ 10
 Surchage \$ _____ Rest. del'y fee \$ _____
 Postage \$ 10 Airmail
 From _____ Postmaster, By Sam
 To Cecil W. Nix
Box 159
Balmorhea Tex.
 POD Form 3806—Oct. 1959
 648-16-70493-5



REGISTERED NO. 640
 Value \$ 1.00 Spec. del'y fee \$ _____
 Fee \$ 60 Rel. receipt fee \$ 10
 Surchage \$ _____ Rest. del'y fee \$ _____
 Postage \$ 10 Airmail
 From _____ Postmaster, By Sam
 To Ordon Cune
Box 114
Springtown N.M.
 POD Form 3806—Oct. 1959
 648-16-70493-5



REGISTERED NO. 637
 Value \$ 1.00 Spec. del'y fee \$ _____
 Fee \$ 60 Rel. receipt fee \$ 10
 Surchage \$ _____ Rest. del'y fee \$ _____
 Postage \$ 10 Airmail
 From _____ Postmaster, By Sam
 To J. R. Cane
Box 871
Libbick Tex.
 POD Form 3806—Oct. 1959
 648-16-70493-5



REGISTERED NO. 642
 Value \$ 1.00 Spec. del'y fee \$ _____
 Fee \$ 60 Rel. receipt fee \$ 10
 Surchage \$ _____ Rest. del'y fee \$ _____
 Postage \$ 10 Airmail
 From _____ Postmaster, By Sam
 To A. I. Cane
Box 1706
Great Plains
Libbick Tex.
 POD Form 3806—Oct. 1959
 648-16-70493-5



REGISTERED NO. 633
 Value \$ 1.00 Spec. del'y fee \$ _____
 Fee \$ 60 Rel. receipt fee \$ 10
 Surchage \$ _____ Rest. del'y fee \$ _____
 Postage \$ 10 Airmail
 From _____ Postmaster, By Sam
 To Tom S. Wiley
711 E. Black St.
Artesia N.M.
 POD Form 3806—Oct. 1959
 648-16-70493-5



REGISTERED NO. 634
 Value \$ 1.00 Spec. del'y fee \$ _____
 Fee \$ 60 Rel. receipt fee \$ 10
 Surchage \$ _____ Rest. del'y fee \$ _____
 Postage \$ 10 Airmail
 From Tejaco Dru
Box 3129
 To Ray Smith
300 Harmon
Hobbs N.M.
 POD Form 3806—Oct. 1959
 648-16-70493-5



STIPULATION

This agreement made and entered into this 8th day of April, 1965, by and between Texaco Inc., hereinafter referred to as "Texaco" and Gordon Cone, hereinafter referred to as "Cone".

WITNESSETH:

WHEREAS, Texaco is the owner and holder of an undivided 193/256 leasehold estate in and under the following described land in Lea County, New Mexico, to-wit:

T-22-S, R-38-E, N.M.P.M.

Tract 1: Section 17: W/2 SE/4, E/2 SW/4
Tract 2: Section 20: W/2 NE/4, E/2 NW/4;

hereinafter referred to as "said land", and

WHEREAS, Cone is the owner of an undivided 63/256 mineral interest in said land; and

WHEREAS, Texaco desires the right to produce all wells that are presently located on said land, and all wells which may be hereafter located on said land, into a consolidated tank battery located on said land; and

WHEREAS, Cone desires to concur in and agree to the foregoing and to stipulate and agree with Texaco as to the manner in which production from said wells shall be calculated.

NOW THEREFORE, for and in consideration of the premises, Cone agrees, subject to approval by the Oil Conservation Commission of the State of New Mexico, that Texaco may produce all wells either presently or hereafter completed on any portion of said land into a consolidated tank battery located on said land.

For the same consideration Cone agrees that Texaco need not separately measure production from the wells, now or hereafter completed on said land, but may estimate production from the said wells on the basis of periodic well tests, said tests being taken quarter-annually, or more often if necessary to adequately determine rate of production.

It is specifically agreed by the parties hereto that upon written request from Cone, that Cone will be notified by Texaco of the proposed date of the next quarterly test in sufficient time that Cone may be present, or have a representative present, if he so desires, at the time such tests are made.

This agreement may be terminated by either party hereto giving to the other party sixty (60) days written notice of its intention to so terminate said agreement.

This agreement shall be binding on the parties hereto, their heirs, successors and assigns.

EXECUTED as of the day and year first above written.

Approved as to:

TEXACO Inc.

Terms Full

By [Signature]

Form 29

[Signature]
Gordon Cone

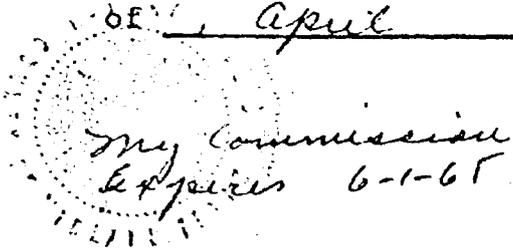
BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
EXHIBIT NO. 4
CASE NO. 3248

163543 - N

STATE OF TEXAS
COUNTY OF Midland

BEFORE ME, the undersigned authority, a Notary Public in and for said County and State, on this day personally appeared W.C. Lutz, ^{Attorney-in-fact} of Texaco Inc., known to me to be the person whose name is subscribed to the foregoing instrument, who acknowledged to me that he executed the same as the act and deed of the said Texaco Inc., for the purposes and consideration and in the capacity therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 14 day of April, 1965.



Mary E. Mirick
Notary Public in and for Midland County, Texas.

STATE OF New Mexico
COUNTY OF Lea

BEFORE ME, the undersigned authority, a Notary Public in and for said County and State, on this day personally appeared Gordon Cone, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 8th day of April, 1965.

Anna May Covey
Notary Public in and for Lea County, New Mexico.

BGS:cg

163543 - N

STIPULATION

This agreement, made and entered into this 13th day of April, 1965, by and between Texaco Inc., hereinafter referred to as "Texaco", and Bruce Alene Carlin, whose husband is William W. Carlin, hereinafter referred to as "Carlin".

WITNESSETH:

WHEREAS, Texaco is the owner and holder of an undivided 193/256 leasehold estate in and under the following described land in Lea County, New Mexico, to-wit:

T-22-S, R-38-E, N.M.P.M.

Tract 1: Section 17: W/2 SE/4, E/2 SW/4
Tract 2: Section 20: W/2 NE/4, E/2 NW/4;

hereinafter referred to as "said land", and

WHEREAS, Carlin is the owner of 1/16 of 1/8 royalty interest, plus a production payment of \$50.00 per acre out of 1/16 of 1/16 of 7/8, in Tract 1 of said land and is the owner of 1/16 of 1/4 royalty interest in Tract 2 of said land; and

WHEREAS, Texaco desires the right to produce all wells that are presently located on said land, and all wells which may be hereafter located on said land, into a consolidated tank battery located on Tract 2 of said land, and

WHEREAS, Carlin desires to concur in and agree to the foregoing and to stipulate and agree with Texaco as to the manner in which production from said wells shall be calculated.

NOW THEREFORE, for and in consideration of the premises, Carlin agrees, subject to approval by the Oil Conservation Commission of the State of New Mexico, that Texaco may produce all wells, either presently or hereafter completed, on any portion of said land, into a consolidated tank battery located on Tract 2 of said land.

For the same consideration Carlin agrees that Texaco need not separately measure production from the wells, now or hereafter completed on said land, but may estimate production from the said wells on the basis of periodic well tests, said tests being taken quarter-annually, or more often if necessary to adequately determine rate of production. *Results of such tests to be furnished to Carlin.*

It is specifically agreed by the parties hereto that upon written request from Carlin, that Carlin will be notified by Texaco of the proposed date of the next quarterly test in sufficient time that Carlin may be present, or have a representative present, if she do desires, at the time such tests are made.

This agreement may be terminated by either party hereto giving to the other party sixty (60) days written notice of its intention to so terminate said agreement.

This agreement shall be binding on the parties hereto, their heirs, successors and assigns.

EXECUTED as of the date first above written.

Approved as to:

TEXACO Inc.

Terms BA

By [Signature]

Form CSA

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
EXHIBIT NO. 5
CASE NO. 3248

163543-0

Bruce Alene Carlin
Bruce Alene Carlin

William W. Carlin
William W. Carlin (husband)

STATE OF TEXAS §
 §
COUNTY OF Midland §

BEFORE ME, the undersigned authority, a Notary Public in and for said County and State, on this day personally appeared W.C. Lutz, of Texaco Inc., known to me to be the person whose name is subscribed to the foregoing instrument, who acknowledged to me that he executed the same as the act and deed of the said Texaco Inc., for the purposes and consideration and in the capacity therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 14 day of April, 1965.

My Commission Expires 6-1-65

Mary E. Mueck
Notary Public in and for Midland County, Texas.

163543-0

STATE OF New Mexico §
 §
COUNTY OF Lea §

BEFORE ME, the undersigned authority, a Notary Public in and for said County and State, on this day personally appeared William W. Carlin and his wife, Bruce Alene Carlin, known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed; and the aforesaid wife, having been examined by me privily and apart from her said husband, and having the said instrument by me fully explained to her, she, the said Bruce Alene Carlin acknowledged the same to be her act and deed, and declared that she had willingly executed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 13th day of April, 1965.

My Commission Expires

Sept. 7, 1968

Blaine Gene Libby
Notary Public in and for Lea County, New Mexico.

BGS:cg

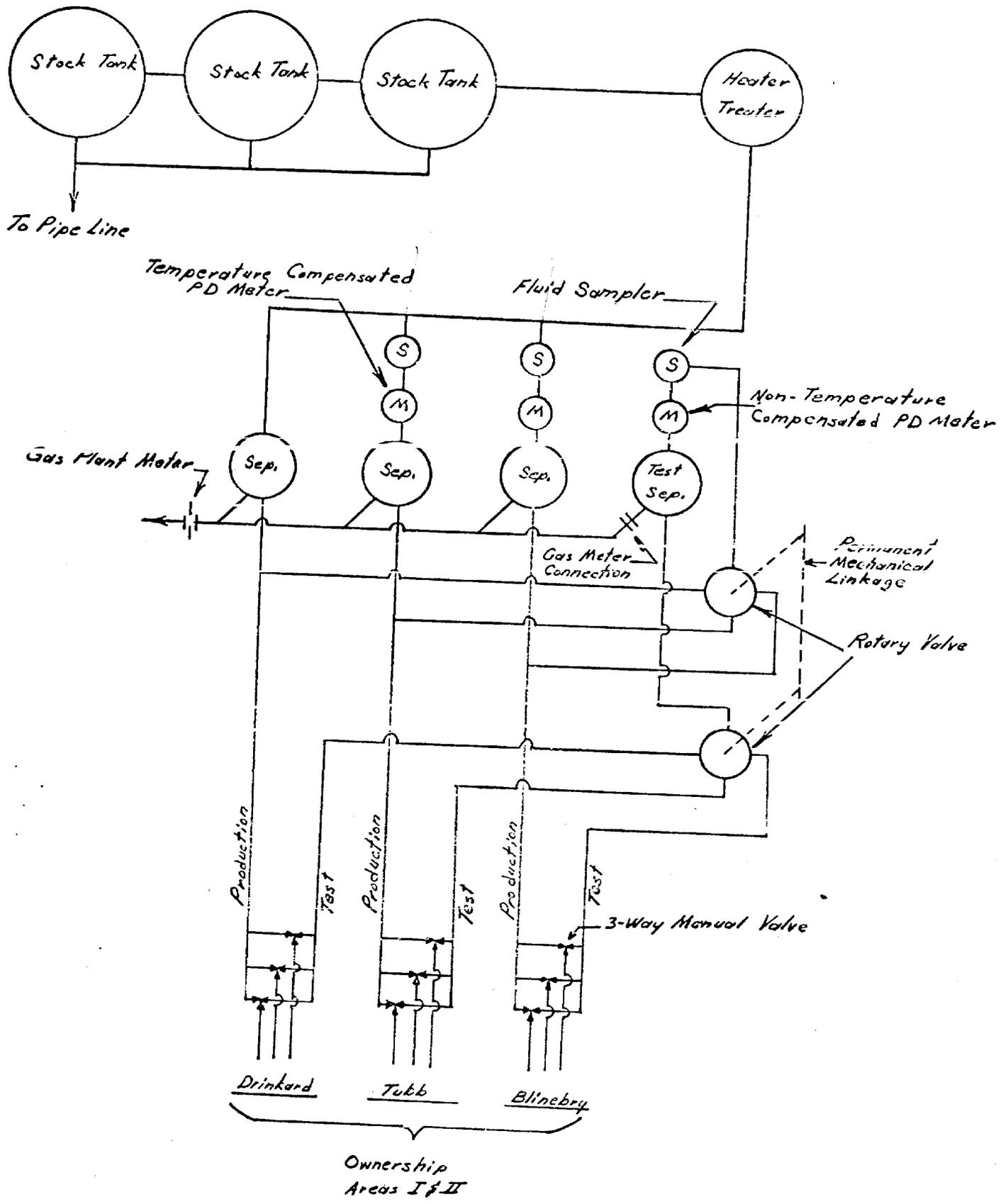
INDIVIDUAL WELL STATUS

PRODUCTION TESTS

<u>W. L. Nix Well No.</u>	<u>Field</u>	<u>Status</u>	<u>Bbls/Day</u>		<u>Gas-Oil Ratio</u>	<u>Remarks</u>
			<u>Oil</u>	<u>Water</u>		
1	Drinkard	Pump	14	0	1824	
2	Drinkard	Pump	36	1	3750	
3	Drinkard	Swab	89	6	192	Potential 4-6-65
"	"	Pump	68	Trace	--	Current Cap
"	Blinebry	Pump	3	0	--	Lack 28 bbl. load
"	Tubb	Pump	20	0	--	Lack 128 bbl. load

-2-

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
EXHIBIT NO. 6
CASE NO. 3248



TEXACO Inc.
 Schematic Diagram I
 Proposed Commingling Battery
 (Between Zones Only)

W. L. Nix Lease
 Lea County, New Mexico

April 28, 1965

BEFORE EXAMINER UTZ
 OIL CONSERVATION COMMISSION
 EXHIBIT NO. 7
 CASE NO. 3248

COST SHEET I
COST OF COMMINGLING DIVERSIFIED ROYALTY INTEREST
WITHOUT METERS

Equipment & Installation

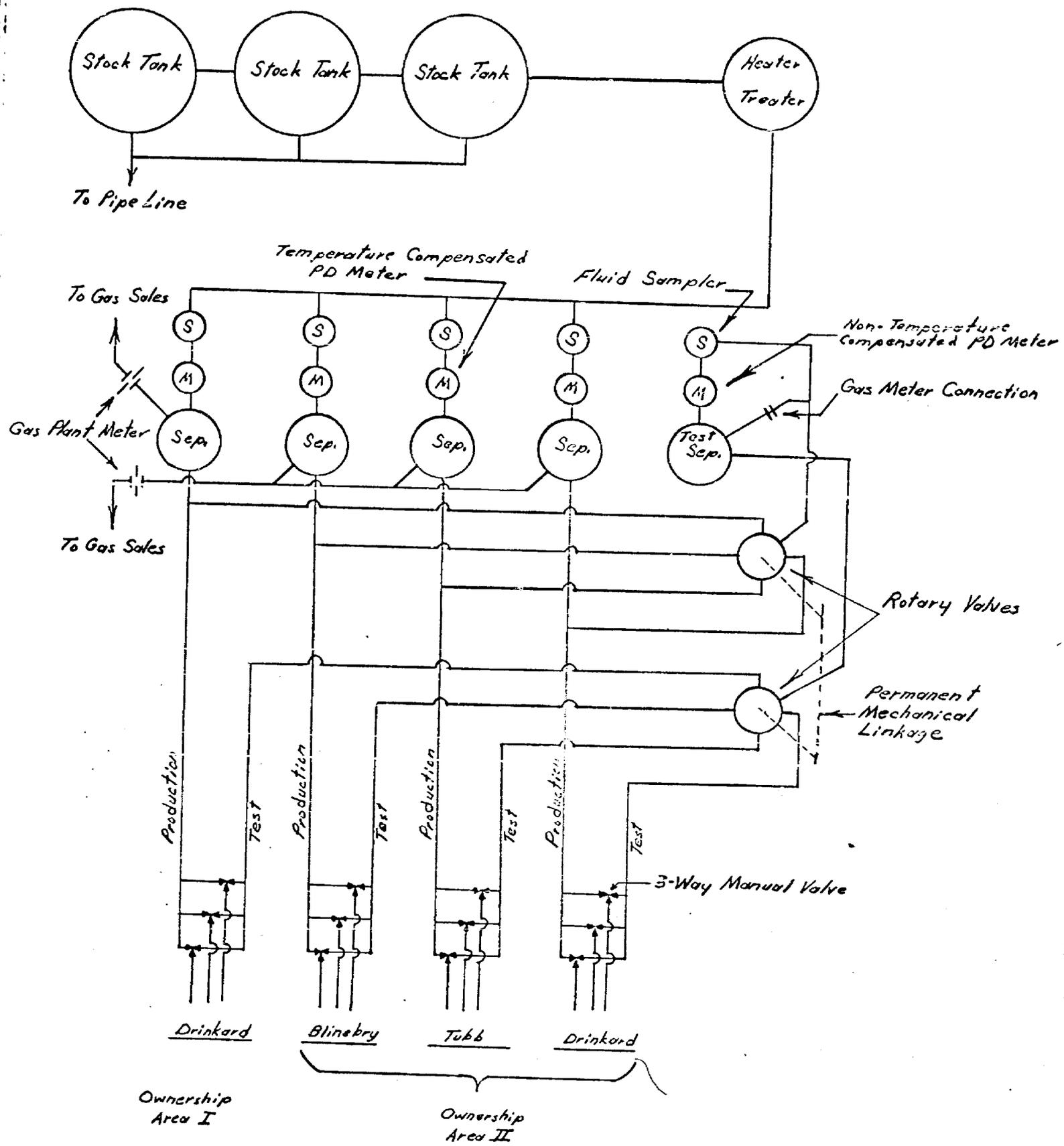
3	Tanks, H1 500	\$12,000
1	Heater Treater	4,500
4	Separators, with valves	4,800
2	Temp. Comp. PD Meters w/Samplers	1,600
1	Test Meter w/Sampler	600
2	Rotary Valves, 4-port	800
1	Well Header, 8-well	800
2	Well Header, 1-well	200
	Miscellaneous, \$100/well	1,000
	Sub Total	\$26,300

Operation & Maintenance

	<u>Annual</u>	<u>10-Yr. Life</u>
4 Separators	\$ 96	\$ 1,728
3 Headers	30	540
2 Valves, 4-port	8	144
1 Test Meter	120	2,160
2 Temp. Comp. Meter	600	10,400
Sub Total	\$854	\$14,972

Total \$41,272

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	8
CASE NO.	3248



TEXACO Inc.

Schematic Diagram II
 Commingling Battery
 (Between Zones & Diversified Ownership)

W. L. Nix Lease
 Lea County, New Mexico

April 28, 1965

BEFORE EXAMINER UTZ
 OIL CONSERVATION COMMISSION
 EXHIBIT NO. 9
 CASE NO. 3248

CODE SHEET II
COST OF COMMINGLING DIVERSIFIED ROYALTY INTEREST
WITH METERS

Equipment & Installation

	3 Tanks, Hi 500	\$12,000
	1 Heater Treater, 6 x 27-1/2	4,500
	5 Separators, with valves	6,000
	4 Temp. Comp. PD Meters, w/Samplers	3,200
	1 Test Meter w/Sampler	600
	2 Rotary Valves, 6-port	1,200
	2 Well Header, 4-well	800
	2 Well Header, 1-2311	200
	Miscellaneous \$100/well	1,000
	Sub Total	<u>\$29,500</u>

Operation & Maintenance

	<u>Annual</u>	<u>18-Yr. Life</u>
5 Separators	\$ 120	\$ 2,160
4 Headers	40	720
2 Valves, 6-port	12	216
1 Test Meter	120	2,160
5 Temp. Comp. Meter	<u>1,500</u>	<u>27,000</u>
Sub Total	\$1,792	\$32,256
	Total	\$61,756

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
EXHIBIT NO. <u>10</u>
CASE NO. <u>3248</u>

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 12, 1965

EXAMINER HEARING

IN THE MATTER OF:

Application of Texaco, Inc. for
commingling, Lea County, New Mexico.

Case No. 3248

BEFORE:

ELVIS A. UTZ, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 3248.

MR. DURRETT: Application of Texaco Inc. for commingling, Lea County, New Mexico.

MR. KELLY: Booker Kelly of White, Gilbert, Koch and Kelly appearing on behalf of Texaco.

We have one witness and let the record show that he has been sworn in the previous case.

MR. UTZ: Let the record so show.

C. L. W I L L I A M, having been previously sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLY:

Q You are the same witness that testified in the previous Case 3016?

A Yes.

Q Would you state briefly what Texaco seeks by this application?

A Yes, sir. Texaco, Incorporated as the Applicant in this Case, seeks Conservation Commission approval to commingle production from two tracts of diversified interest comprising the W. L. Nix Lease in a common tank battery without metering the production prior to commingling. Measured total production would be allocated back to the

two tracts on the basis of periodic individual well tests.

(Whereupon, Exhibits 1 - 10 marked for identification.)

Q Referring to Exhibit 1, would you identify that for the examiner?

A Exhibit 1 is a plat of the W. L. Nix lease; the lease is divided into two parts, number one consisting of the north half; number two consisting of the south half of the lease. The ownership between areas number 1 and area number 2 is slightly different. The wells on this lease and all of the off-setting wells are color coded to show the producing reservoir. On the W. L. Nix lease, there are currently three producing wells, two of them are single completions in the Drinkard Pool, one of them is a triple completion in the Drinkard, the Blinebry and the Tubb pool.

Q Going on to Exhibit 2, would you explain to the Examiner the diversified ownership problem that we face here?

A Yes, Exhibit Number 2 is a summary of the interest ownership of the W. L. Nix Lease and here it's divided into the north half and the south half. We've listed all of the owners in the left-hand column. Those listed first are those with common ownership. They own the same interest in the north half of the lease as they do in the south half.

Then, down below that are the two owners of

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interest whose interest in the lease is slightly different between the north half and the south half. As an example, of course, W. L. Nix, the first lease holder up here, has 6.25 per cent of the north half and exactly the same in the south half. That is true for Tom J. Sivley, J. V. Cowan, A. L. Cone, J. R. Cone and Gordon Cone. Now, the diversified ownership consists of that owned by Bruce Alene Carlin and Texaco. The former holds 1.123 per cent in the north half but in the south half, they own 1.5625. Texaco in the north half owns 63.5625 per cent and in the south half owns 63.1225 per cent.

The difference in ownership is only .4395 or less than one half of one per cent.

Q So it's basically the Carlin interest which is responsible for the Hearing?

A That's correct. Actually, if Carlin were to sell Texaco .43953 per cent interest in their south half of the lease, all the ownership would be common then.

Q You have notified pursuant to the rule by registered mail all of the ownerships; royalty, working interest, or non-participating?

A Yes, sir, we have. Exhibit Number 3 is a zerox copy of all the registration slips obtained from the postal department when we mailed out copies to all of the interest

owners.

Q You have also entered into a stipulation or agreement with Mr. and Mrs. Carlin and Mr. Gordon Cone also, haven't you?

A Yes, sir. We have part of Mr. Cone's interest, his working interest. All of Carlin's interest is royalty interest. The three people involved are Gordon Cone, Bruce Alene Carlin and Texaco, Incorporated and these two stipulation agreements were drawn up to obtain the approval of everyone concerned as to the plan of commingling that is being recommended and the method of allocating production back to their interest.

Q These two agreements have been marked as Exhibits 4 and 5 and to save a little time, I would like to point out to the Examiner that the agreements provide among other things, that instead of having the regular meter facilities that there will be quarter-annual well tests and this would be the method by which the production will be calculated and, I believe, it is Texaco's intention to actually perform these tests on a monthly basis?

A That is correct.

Q Also, this agreement provides that it will be effective for any future production in any other zone and for that reason, we have included in our application, that

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this type of thing could be worked out if there are any significant productions in the Tubb or Blinebry or any other zones that might be encountered, is that correct?

A Yes, sir.

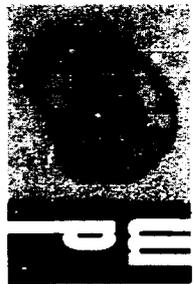
Q This agreement also gives the owner the right to be present. He has to be notified prior to the tests so that he may be present or have a representative there to make sure that the test is made, is correctly reported to him. These agreements have been executed?

A Yes, sir.

Q Going on to Exhibit 6, refer to that and give the individual well status.

A Yes, Exhibit Number 6 was prepared to show the present condition and production mechanizations of each of the three wells presently completed on the W. L. Nix Lease and it also gives one an idea of what future development might be on this lease. The Number 1 Well is completed only in the Drinkard Pool and it's presently pumping approximately 14 barrels of oil and no water. GOR is about 1800. The Number 2 well is also a single completion in the Drinkard reservoir only and pumps 36 barrels of oil a day and 1 barrel of water a day, GOR about 3750.

Then, the Number 3 Well, which is a triple completion was initially tested at 89 barrels of oil a day and 6



barrels of water and a GOR of 192. That was a swabbing potential test taken April 6th, this year. Subsequently, the production has declined slightly and the well is presently pumping 68 barrels of oil with only a trace of water. That represents the current capacity of that well.

Now, the Blinebry Zone in that particular well is presently pumping about 3 barrels of load oil a day, and still lacks about 28 barrels of load oil. So, in about a week's time, it's expected that the load oil will be recovered and the production from that zone will be on the order of three barrels a day, maybe slightly less.

The Tubb Zone in the W. L. Nix Well Number 3 is presently pumping about 20 barrels of oil a day with no water and lacks about 128 barrels of load oil to be recovered. So, in about six days, the load oil will be recovered from that zone and possibly it will then produce in the order of 20 barrels of oil a day.

So, we really don't have great hopes of significant additional development in the Blinebry and Tubb Zones, however, there may be additional completions. We do feel that there will probably be some additional drilling in the Drinkard Oil Pool.

Q Have you prepared a cost analysis and diagramatic

sketch of the proposed installations both as required under the rule and as sought for in your Application?

A Yes. Exhibit Number 7 is a schematic diagram of the installation that we would like to install on this property if approval is obtained from the Commission to commingle the diversified interest without meters. We do plan and will meter separately the production from the three separate zones, the Drinkard and the Tubb and the Blinebry, since the Tubb and Blinebry production is by far the least amount, we plan to meter that and determine the Drinkard production by the subtraction method.

This facility also provides for accurate individual well tests of each well on the lease and it's in compliance with all the regulations outlined in the Commission's Manual for commingling.

Exhibit 8 goes along with Exhibit 7, it's a cost sheet that shows what that type of installation would cost. The equipment and the installation would cost \$26,300.00. Then, the operation and maintenance of this equipment annually would cost \$854.00 and for the estimated 18 year life of the field, that would amount to \$14,972.00 so the total cost throughout the life of this requested installation would be \$41,272.00.

Q Now, show the Examiner the comparison.

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A Yes, Exhibits 9 and 10 are comparable and it shows the installation as would be required if this Application is denied. This would be the installation necessary to meter the diversified interest prior to commingling; in this Case, not only would all three zones be commingled but all of the diversified royalty interest would be metered as well. Again, this is in strict compliance with the requirements as set out in the Oil Conservation Commission Manual on commingling.

It provides for the necessary individual well tests and the separation or the measurement of all production prior to commingling. Then, Exhibit Number 10 is the cost sheet that goes with this installation.

It shows that the equipment installed would cost approximately \$29,500.00 and the operation and maintenance of this equipment would be about \$1,792.00 a year and for the 16 year life of the field, it would total about \$32,256.00. The total for the entire operation would be \$61,756 as compared to the \$41,272 for the installation as recommended by the Applicant at this Hearing, the difference being about \$20,000.00.

Q Do you feel that the proposal for your quarterly or monthly well tests would sufficiently protect the correlative rights of the diversified royalty interest owner?

A Yes, I would consider that method of allocating production to be very accurate.

Q Do you feel that the granting of this Application in that it would save twenty some thousand dollars over the life of this lease would have any affect on the economic production or the prevention of waste?

A Yes, sir. It very definitely would because this type of economy and operation would result in additional ultimate recovery of petroleum reserves underlying the W. L. Nix Lease due to a lower economic limit rate of production which in turn, would provide for a prolonged operation and would provide for the operation of this particular lease for a longer period of time, so very definitely, additional reserves would be recovered.

Q Were Exhibits 1 through 10 prepared by you or under your direction with the exception of course, of the contracts, which I assume were prepared by your legal staff?

A Yes, sir, that's correct.

MR. KELLY: We move the introduction of Exhibits 1 through 10.

MR. UTZ: Without objection, Exhibits 1 through 10 will be entered into the record of this Case.

(Whereupon, Exhibits 1 through 10 were offered and admitted in evidence.)

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MR. KELLY: I have nothing further at this time.

CROSS EXAMINATION

BY MR. UTZ:

Q Referring to your Exhibit 9, I note here that each zone will be metered prior to commingling, is that correct?

A Yes, sir.

Q The charge back by test will be as between the ownership areas only?

A Yes. That's right, that would be the primary reason for metering the production, would be to allocate it back to the proper owners. Yes, it would be separated between the north half and the south half of the lease.

Q I'm not sure I understand this hookup here, I haven't had a chance to look at it, yet. You show here an ownership area 1 for the Drinkard and ownership area 2 for the Drinkard. Each of those areas are to be metered separately according to this hookup?

A Yes, sir, they would. You note under Area 2?

Q Yes.

A All of the Drinkard production would be metered and all of the Tubb production and all of the Blinebry production would be metered, that's for area number 2. So that can be allocated to all of the interest owners in Area number 2, and then over on the left-hand side that manifold

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on the far left of the diagram?

Q Yes.

A Would measure and meter the production from ownership area number 1 which at the present time, consists of only Drinkard production. So, with those numbers obtained from these meters that production would be the exact amount produced from the two different areas.

Q So all production as to pools and as to ownership will be metered?

A It would on this but this is the case here, that we will install and operate if approval of this application is not granted Exhibit Number 7 is the installation that we are requesting.

Q That's the point I was coming to. I didn't understand the difference in these two diagrams. So what your application actually is, is Exhibit Number 7?

A Yes, sir, that's correct.

Q So you will depend on tests to charge back to the different ownerships?

A In the Drinkard reservoir.

Q Only?

A Yes, sir. Because, you notice the Tubb and the Blinebry will be measured.

Q Right.

A And it just so happens at the present time, that the ownership in the Tubb and the Blinebry is the same. There's only one well and it's in ownership area number 2.

MR. UTZ: Are there other questions of the witness?

MR. KELLY: Just so there's no confusion, the Exhibit Number 7 which is the proposed installation is the installation that's covered under the agreement between the diversified interests.

A Yes, sir.

MR. UTZ: Any statements in the Case? The Case will be taken under advisement and the Hearing is adjourned.

(Whereupon, the Hearing was adjourned.)

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