

CASE 3945; Application of MOBIL
OIL CORP. FOR LEASE COMMINGLING,
LEA COUNTY, NEW MEXICO.

Case Number

3945

Application
Transcripts.

Small Exhibits

ETC.

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

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

November 12, 1968

EXAMINER HEARING

IN THE MATTER OF:)

Application of Mobil Oil)
Corporation for lease)
commingling, Lea County,)
New Mexico.)

Case No. 3945

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: We'll call Case 3945.

MR. HATCH: Case 3945, application of Mobil Oil Corporation for lease commingling, Lea County, New Mexico.

(Whereupon, Applicant's Exhibits Numbers 1 through 5, inclusive, were marked for identification.)

MR. SPERLING: James E. Sperling of Modrall, Seymour, Sperling, Roehl and Harris appearing for the applicant. We have one witness and would like to have him sworn.

(Witness sworn.)

C. R. KREUZ

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

DIRECT EXAMINATION

BY MR. SPERLING:

Q Would you please state your name and place of residence, the company by whom you are employed and in what capacity.

A My name is C. R. Kreuz, K-r-e-u-z. I live at 1603 Delmar in Midland, Texas, and I'm employed by Mobile Oil Corporation as a Senior Production Engineer.

Q Have you testified before the Commission on prior occasions so that your qualifications are a matter of record?

A No, sir, I have not.

Q Would you please review briefly your education and experience background in connection with the duties that you are now performing?

A I graduated from the University of Texas in 1954 and was employed by Magnoleum Petroleum Company at that time, Magnoleum being the predecessor of Mobil Oil Corporation.

I've worked in various engineering capacities on the Texas-Louisiana-Gulf Coast and in West Texas. For the past 5 years, I have been working in general production engineering, and for the past year, I have been in Mobil's Midland Division Proration Engineering Section. I am a registered Professional Engineer in Texas.

MR. SPERLING: Are the witness's qualifications acceptable, Mr. Examiner?

MR. NUTTER: Yes, they are.

Q In Connection with the duties which you have just described, are you familiar with the area designated as the Vacuum Grayburg-San Andres Pool in Lea County, New Mexico?

A Yes, sir, I am.

Q The application which is before the Commission at this hearing requests an exception to Rule 309A of the Commission rules with reference to Mobil's State "G" Lease and its Bridges State lease within the pool that you have just

identified.

Would you please now refer to what has been marked as Exhibit Number 1 and explain the information contained on that Exhibit and further identify it as necessary?

A Exhibit Number 1 is an area map showing a portion of the subject pool and showing the two leases in question, one of them being Mobil's State "G" lease which is shaded blue on Exhibit 1, and a portion of Mobil's Bridges State lease which is shaded green.

The State "G" lease is described as the SE/4 of the NE/4 and the W/2 of the NE/4 of Section 24, Township 17, South, Range 34 East, Lea County, New Mexico. That portion of Mobil's Bridges State lease, which is shaded green on Exhibit Number 1, is described as the SW/4 and the W/2 of the NW/4 and the SE/4 of the NW/4 of Section 24, Township 17 South, Range 34 East, Lea County, New Mexico.

Q Now, what exactly is sought by Mobil by its application in this matter?

A Mobil is seeking authority to commingle the production from these two leases. This is necessary because there is a diverse overriding royalty interest between these two leases. The beneficiaries between these two leases is common, but there is a diverse overriding royalty interest and

Mobil is seeking authority to commingle production from these two leases at a tank battery located on our Bridges State Lease.

We're seeking authority to bring the production from the State "G" lease Well No. 1 and Well No. 2 over to this tank battery on Bridges State lease and commingle production there with Bridges State Well No. 18, 19, 22 and 23.

Q Now, it appears that as to the NW/4 of the NE/4 of Section 24 that there is indicated diverse ownership insofar as this particular acreage is concerned. What is the present status of that acreage?

A You're referring to the Phillips lease?

Q Yes.

A Prior to April 1, 1968, Phillips was the owner of the NE/4 of the NW/4 of Section 24, and at that time, Phillips transferred their ownership in this lease to Mobil for a one-sixteenth of seven-eighths overriding royalty interest of the entire W/2 of Section 24.

The Phillips lease on Exhibit 1 is outlined in yellow and Phillips also at that time conveyed to Mobil their Santa Fe Well No.10 and at that time, the well was a producing well but it has subsequently been converted to an injection well and therefore we don't need to handle production from Well No.10

on the old Phillips lease.

Q I take it then that Exhibit Number 2 is a copy of the assignment from Phillips to Mobil representing the conveyance that you spoke of?

A Yes, sir, that is correct. I might call your attention to the second page of this assignment, near the top and here, I'll just read from this: "It is expressly understood and agreed by Phillips that for the purpose of computing Phillips' share of any oil and gas production from the assigned premises, Mobil may, in lieu of measuring the actual production from any well or wells on the assigned premises separately from any production from wells on other lands, allocate production to the well or wells on the assigned premises on the basis of periodic well tests as authorized or required by the New Mexico Oil Conservation Commission."

Q Now, it would appear that presently there is commingling occurring as to portions of the subject lease. Would you explain the present status of that commingling?

A Yes, sir. Mobil is currently commingling production from the State "G" lease with production from their State "N" lease. Referring back to Exhibit 1 of the State "N" lease, it's not indicated in any manner on this exhibit, but it's directly east of Mobil's State "G" lease which is shaded blue.

Mobil is currently bringing the production from the

State "N" No. 1 Well to a tank battery located on Mobil's State "G" lease and commingling production there from the State "G" No. 1 and 2.

It is anticipated that sometime during next year, 1969, that Phillips will form a unit encompassing the area where the State "N" lease is located and, at that time, we would expect Phillips to take over the operation of this well and bring it into the unit.

At that time, we would cease handling the production of the State "N" No. 1. Up until then, though, we would still want to store the production from the State "N" No. 1 Well on the State "G" lease because of the location of the battery that is currently located on the State "G" lease.

Q How is that production being accounted for, that is, from the State "N" lease?

A This is currently being accounted for on a periodic well test basis.

Q And that, of course, is being conducted pursuant to an order of this Commission?

A That is correct.

Q This commingling is of Grayburg-San Andres production, is it not?

A That is correct.

Q Now, would you please refer to Exhibit Number 3 and explain what it consists of?

A Exhibit Number 3 is a schematic sketch of the proposed tank battery installation on Mobil's Bridges State lease. This shows just generally our proposed installation that we would want to put in there to take care of the Bridges State Well No. 18, 19, 22 and 23 and the State "G" Well No. 1 and the State "G" Well No. 2.

It is proposed that these six wells be brought into a common well header, and from there, the production would go to a free-water knockout and then to a heater-treater and then to cell storage tanks, the water being pumped to our water injection station.

Now, right after the header, of course, we'll have a test separator and a net-all computer installed for the purpose of testing one well at a time. One well at a time can be diverted through this separator and net-all computer.

Q So then the proposal is that the production from the leases which are the subject of this application be accounted for by monthly well tests in lieu of some other method of measuring?

A That is correct.

Q And that would be comparable to, or an improvement

over what is currently approved insofar as production from the State "N" lease and the State "G" lease is concerned? Is it a better installation or more accurate, or do you have any opinion concerning that?

A Not necessarily more accurate. It is a system that is used quite extensively by Mobil and has proved to be just as accurate as a well test into a test tank.

Q Do you have anything further on Exhibit 3, or did you explain the installation there completely?

A I don't believe I have anything further to add to that.

Q Then please refer to Exhibit Number 4 and tell us what that is.

A Exhibit Number 4 is a letter from Phillips Petroleum Company to Mobil Oil Corporation, and I'll direct your attention to Item No. 2 on the first page of this letter. Here, I'll just read from the letter: "Overriding royalty payments to Phillips on this 320 acre tract based on production payments to Phillips on this 320 acre tract based on production allocated from well tests are acceptable to Phillips, provided Phillips will be furnished advanced notice of the date of such tests and sufficient time to witness the test if so desired."

The purpose of submitting this exhibit is to just further clarify Phillips' position on this matter and it would

show that they have indicated that allocating production on well tests basis would be satisfactory to them, and here again, they are the owner of the overriding royalty interest on our Bridges State lease.

Q At what interval would these well tests be conducted? Has that been established as yet?

A No, sir. It has not. We would recommend that the Commission order, if this approval is granted, would specify monthly well tests. We, of course, can take tests more often if they are so indicated by significant change in production, and we've got six wells coming into this battery and if, theoretically, we could test each well every six days, we, of course, would prefer not to test this often unless it would be so indicated by quite a fluctuation in the total production.

Q Does the current production of any of these six wells indicate any considerable fluctuation in production from day to day?

A From day to day, no, sir. These wells have been producing at an average rate of 2 to 3 barrels of oil a day and no water. However, we have experienced a significant increase in production on our Bridges State Well No. 19 due to the water flood which we are conducting in this area, but once we get this significant increase, why, it holds fairly constant

after that.

Q Now, just as a matter of information, it would appear that to the northwest of the subject area, there is installation of some magnitude which appears to be a part of water injection system. Is this the flood that you were speaking of as being in progress at the present time?

A Yes, sir. Located in Section 14, which is just northwest of the subject area, Mobil has located their water injection station and a central tank battery to serve the rest of the Bridges State or some of the other production from the Bridges State lease and, also, our State "J" lease, and we have received authority to commingle, administrative approval for authority to commingle the production from our State "J" lease and from the Bridges State lease.

I might mention here that our original plans called for the production from the Bridges State lease, the portion of Bridges State lease that is in question here today, and the State "G" lease, our plans originally called for this production to be transported or piped on up to the central battery in Section 14. However, this was, at the time, not economically feasible, but we hope in the future that this may be accomplished.

Q Would you please indicate what Exhibit 5 is?

A Exhibit 5 is a letter to Mobil Oil Corporation from

the Commissioner of Public Lands in the State of New Mexico informing Mobil that the Commissioner of Public Lands would approve this request to commingle production subject to approval by the New Mexico Oil Conservation Commission.

Q And you stated previously that the basic landowner's royalty is common state institutional ownership in the area of the two leases?

A That is correct.

Q What is Exhibit Number 6?

A Exhibit Number 6 is a letter from Mobil's area representative of the crude oil department and it is directed to the New Mexico Oil Conservation Commission stating that this proposed commingling is satisfactory to Mobil Oil Corporation as the purchaser of the crude oil production from the two leases.

(Whereupon, Applicant's Exhibit Number 6 was marked for identification.)

Q Is it your opinion that the approval of this application on the basis of the testimony and evidence presented will result in protection of correlative rights of the respective interests in this area?

A It will result in protection of correlative rights, yes, sir.

Q Do you have anything further?

A No, sir.

MR. KELLAHIN: At this time, Mr. Examiner, we'd like to offer in evidence Exhibits 1 through 6.

MR. NUTTER: Mobil's Exhibits 1 through 6 will be admitted in evidence.

(Whereupon, Applicant's Exhibits 1 through 6, inclusive, were admitted in evidence.)

MR. KELLAHIN: That's all we have on direct.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Kreuz, at the time this assignment was made, I recall that Well No. 10 was not put on water injection immediately, but was produced for awhile, and we had a case pending whereby Mobil sought to commingle the production from the Phillips lease and this Bridges State lease in the W/2 of Section 24 and, I think at that time, the phrase which you quoted from page two of the assignment contract was applicable because they were agreeable to the allocating of production to the well or wells on the assigned premises on the basis of well tests.

In other words, they were willing for the allocation of production to the wells on the Mobil lease and on the

Phillips lease to be on the basis of well tests?

A Yes, sir.

Q But now, actually, this statement on page two here has no application to this situation that we have today?

A No, sir. It perhaps doesn't, but the Item Number 2 in the letter from Phillips to Mobil --

Q Well, I really don't know what they're talking about there, unless what they're talking about in Item Number 2 of the letter was when there were plans underway to commingle the production from Section 24, the Bridges State lease in 24, with the big plant up in Section 14. Now, I'm not sure if that's what they agreed to or not, but for the sake of removing doubt from our minds, could you obtain a letter from Phillips agreeing to the allocation of production from the four wells in the Bridges State lease in this battery and the two wells on your State "G" lease?

A Yes, sir, I will obtain this letter from them.

Q We would appreciate having that letter from Phillips agreeing to this allocation like this, and in all probability, the order approving this, if such is entered, will require that the tests be taken on a monthly basis.

A Yes, sir.

MR. SPERLING: What you want, Mr. Examiner, is an

up-dated review of the situation?

MR. NUTTER: Yes, because this letter from Phillips is dated back in February before this plan was ever made.

THE WITNESS: Yes, sir, I understand.

MR. NUTTER: Are there any other questions of Mr. Kreuz? He may be excused. Do you have anything further, Mr. Sperling?

MR. SPERLING: No, sir.

MR. NUTTER: Does anyone have anything they wish to offer in Case Number 3945? If there's nothing further in Case 3945, we'll take the case under advisement and the hearing is adjourned.

I N D E X

<u>WITNESS</u>	<u>PAGE</u>
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<u>EXHIBITS</u>	<u>MARKED</u>	<u>OFFERED AND ADMITTED</u>
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STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

I, CHARLOTTE MACIAS, Court Reporter and Notary Public 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.

Charlotte Macias
 COURT REPORTER

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the hearing of case No. 3945
 heard by me on 11/12, 1968.

[Signature]
 Secretary
 New Mexico Oil Conservation Commission

Mobil Oil Corporation

P.O. BOX 633
MIDLAND, TEXAS 79701

September 6, 1968

File 700-3445

Commissioner of Public Lands - 2
P. O. Box 1148
Santa Fe, New Mexico 87501

REQUEST FOR AUTHORITY TO
COMMINGLE PRODUCTION FROM
DIFFERENT STATE LEASES WITH
COMMON BENEFICIARY BUT
WITH DIVERSE OVERRIDING
ROYALTY INTEREST - VACUUM
GRAYBURG SAN ANDRES POOL -
LEA COUNTY, NEW MEXICO

Gentlemen:

In Mobil's letter dated September 3, 1968 regarding the above subject, the W/2 & SE/4 of the NE/4 of Sec. 24, T 17S, R 34E was referred to as Mobil's State J Lease - State Lease No. B-1519. This is incorrect and should read Mobil's State G Lease - State Lease No. B-1106.

Yours truly,
Orig. Signed By:
Ira B. Stitt,
Ira B. Stitt
Division Operations Engineer

ADBond/ks

cc: New Mexico Oil Conservation Commission - Santa Fe

60 SEP 9 AM 6

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. 3945
Order No. R-3611

APPLICATION OF MOBIL OIL CORPORATION
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 November 12, 1968, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 9th day of December, 1968, 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, Mobil Oil Corporation, is the operator of the State "G" Lease comprising the W/2 NE/4 and SE/4 NE/4 of Section 24 and of the Bridges State Lease comprising, in part, the W/2 of Section 24, Township 17 South, Range 34 East, NMPM, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico.

(3) That the applicant seeks authority to commingle the Vacuum Grayburg-San Andres production from its State "G" Lease and from that portion of its Bridges State Lease comprising the W/2 of said Section 24 in a common tank battery and to allocate the production to each of said leases on the basis of monthly well tests.

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

-2-

CASE No. 3945
Order No. R-3611

commingling production will permit the individual testing of each of the wells on the subject leases.

IT IS THEREFORE ORDERED:

(1) That the applicant, Mobil Oil Corporation, is hereby authorized to commingle the Vacuum Grayburg-San Andres production from its State "G" Lease comprising the W/2 NE/4 and SE/4 NE/4 of Section 24 and from that portion of its Bridges State Lease comprising the W/2 of Section 24, Township 17 South, Range 34 East, NMPM, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico, allocating the production to each lease on the basis of 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 the subject leases at least once each month;

PROVIDED FURTHER, that the applicant shall conduct monthly productivity tests on each of the wells on the subject leases 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.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


DAVID F. CARGO, Chairman

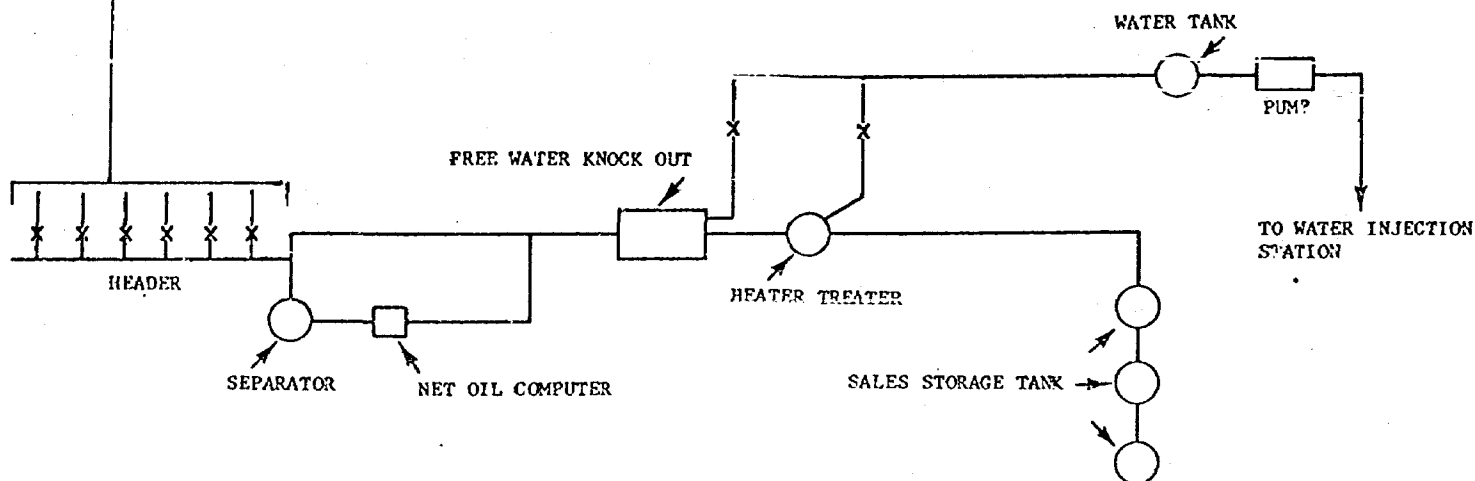
GUSTON B. HAYS, Member

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

esr/

- CASE 3943: Application of Continental Oil Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Lynn A-28 Well No. 5, located in Unit A of Section 28, Township 23 South, Range 36 East, Lea County, New Mexico, in such a manner as to produce gas from the Yates formation of the Jalmat Gas Pool through the casing-tubing annulus and to dispose of produced salt water through tubing into the Seven Rivers formation of said pool in the interval from 3340 to 3374 feet.
- CASE 3944: Application of Sun Oil Company for a pressure maintenance project, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project in its James McFarland Lease by the injection of water into the San Andres formation through its James McFarland Well No. 4 located in the NW/4 SW/4 of Section 20, Township 7 South, Range 33 East, Chaveroo-San Andres Pool, Roosevelt County, New Mexico. Applicant further seeks the promulgation of special rules to govern operation of said pressure maintenance project.
- CASE 3945: Application of Mobil Oil Corporation for lease commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Vacuum Grayburg-San Andres production from its State "G" lease comprising the W/2 NE/4 and SE/4 NE/4 of Section 24, Township 17 South, Range 34 East, Lea County, New Mexico, with Vacuum Grayburg-San Andres production from that portion of its Bridges State lease comprising the W/2 of said Section 24, allocating the production to each lease on the basis of monthly well tests.

Bridges State Well #18
 Bridges State Well #19
 Bridges State Well #22
 Bridges State Well #23
 State G Well #1
 State G Well #2



BEFORE EXAMINER NUTTER
 OIL CONSERVATION COMMISSION
 EXHIBIT NO. 3
 CASE NO. 3945

Mobil Oil Corporation
 EXPLORATION AND PRODUCING DEPARTMENT
 MIDLAND DIVISION
 TANK BATTERY CONSOLIDATION
 SEC. 24, T 17 S, R 34 E
 VACUUM GRAYBURG - SAN ANDRES WATERFLOOD
 VACUUM FIELD
 LEA COUNTY, NEW MEXICO

SCALE
 DATE 9/15/55
 DRAWN BY JVN
 CHECKED
 APPROVED
 REVISED

15038

ASSIGNMENT

Phillips Petroleum Company, hereafter referred to as "Phillips", for an adequate consideration and subject to the conditions, exceptions and reservations set out below, hereby assigns to Mobil Oil Corporation, its successors and assigns, hereafter referred to as "Mobil", all Phillips' right, title and interest, without warranty either express or implied, in that certain Oil and Gas Lease from the State of New Mexico to Phillips Petroleum Company as Lessee, being Lease No. B3935 dated March 11, 1935, but only insofar as it covers and pertains to the following subsurface interval underlying the following described land, to-wit:

NE/4 NW/4 Section 24, Township 17 South, Range 34 East, N.M.P.M., Lea County, New Mexico, as to, but only as to, that subsurface interval described as the Grayburg formation and the upper portion of the San Andres formation of the Permian system which is shown to occur between the logged depths (measured from the Kelly bushing) of 4038 feet (the top of the Grayburg formation) and 4995 feet (which is the base of the interval and which is shown to be the top of a radioactive zone) on the November 6, 1964, Schlumberger sonic-gamma ray log of the Phillips-Santa Fe No. 108 well, located 990' FNL and 431' FEL Section 28, T-17-S, R-35-E, Lea County, New Mexico (said land, as to such subsurface interval, being hereinafter called "the assigned premises").

1. Phillips also hereby sells, transfers and assigns to Mobil, its successors and assigns, the Phillips Santa Fe Well No. 10 located on the NE/4 NW/4 Section 24, Township 17 South, Range 34 East, N.M.P.M., Lea County, New Mexico, together with the well-head and the casing and tubing therein, but reserves to itself and its successors and assigns all other personal property which may be located on said NE/4 NW/4 Section 24.

2. Phillips hereby excepts from said assignment and reserves unto itself, its successors and assigns, as an overriding royalty, 1/16 of 7/8 of all oil and gas (including casinghead gas) produced, saved and sold from the assigned premises under the terms of the above described lease or any extension or renewal of same. Said overriding royalty on oil shall (at Phillips' option) be delivered free of cost (either into its storage tanks or) into the pipeline to which the well or wells on said land may be connected. Said overriding royalty on gas shall be measured on

NM3981

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	2
CASE NO.	3985

the market value at the well from which produced. The proceeds of said overriding royalty interest shall be paid monthly direct to Phillips at its office at Bartlesville, Oklahoma, by the purchaser or purchasers of said production. It is expressly understood and agreed by Phillips that, for the purpose of computing Phillips' share of any oil and gas production from the assigned premises, Mobil may (in lieu of measuring the actual production from any well or wells on the assigned premises separately from any production from wells on other lands) allocate production to the well or wells on the assigned premises on the basis of periodic well tests as authorized or required by the New Mexico Oil Conservation Commission. Mobil shall notify Phillips prior to taking such well tests, however, so that a representative of Phillips may witness such well tests, if it desires. Such notice shall be given to Phillips' office at Midland, Texas (or to such other address as Phillips may hereafter designate by written notice to Mobil.)

3. All rights in and to said lease other than those expressly assigned hereby are reserved to Phillips, its successors and assigns.

4. The effective date of this assignment shall be April 1, 1968, at 7:00 a.m. (MST).

EXECUTED this 21st day of March, 1968.

PHILLIPS PETROLEUM COMPANY

By Fred Forward
Fred Forward
Attorney-in-Fact

APPROVED BY
<u>George W. Perry Jr.</u> ATTORNEY
<u>W. H. Bassett</u> CONTRACTMAN
PHILLIPS PETROLEUM CO.

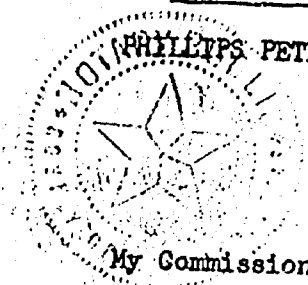
MOBIL OIL CORPORATION

By J. I. Wright Jr.

LAND
<u>Edm</u>
LEGAL
<u>Edm</u>
T. R.
<u>sc</u>
PROD
<u>Edm</u>
EXPL

THE STATE OF TEXAS }
COUNTY OF MIDLAND }

The foregoing instrument was acknowledged before me this 21st day of March, 1968, by FRED FORWARD as Attorney-in-Fact on behalf of PHILLIPS PETROLEUM COMPANY, a Delaware corporation.



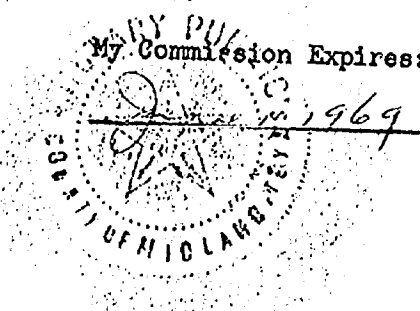
My Commission Expires:

6-1-69

Gala McKague
Notary Public in and for Midland
County, Texas Gala McKague

THE STATE OF Texas }
COUNTY OF Midland }

The foregoing instrument was acknowledged before me this 27th day of March, 1968, by J.S. Knight, Jr. as Attorney-in-Fact on behalf of MOBIL OIL CORPORATION, a New York corporation.



My Commission Expires:

1969

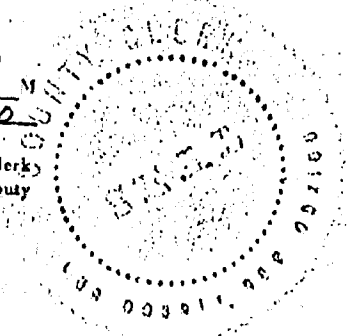
Doris B. Hines
Notary Public in and for Midland
County, Texas

DORIS B. HINES Notary Public
in and for Midland County, Texas

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

MAR 29 1968

at 2:00 o'clock P
and Recorded In Book 270
Page 125
E.F. HALDIMAN, County Clerk
By Jane Rice Deputy



15038



PHILLIPS PETROLEUM COMPANY
BARTLESVILLE, OKLAHOMA 74003 918 338-6100 OFFICE

EXPLORATION AND PRODUCTION DEPARTMENT

Land & Acquisition Division

RECEIVED

FEB 26 1968

WON B. COOPER

OFFICE

DBC	ERR
TC	BC
CHS	NW
JWF	JSC
CALL UP	
FILE	

February 22, 1968

Exchange of Grayburg San Andres
Producing Equity - Vacuum Field,
Lea County, New Mexico

AIR MAIL

Mobil Oil Corporation
P. O. Box 633
Midland, Texas 79701

Attention Mr. E. R. Frazier

Gentlemen:

This confirms a mutually approved exchange whereby Mobil Oil Corporation will assign to Phillips a 1/16 of 7/8 overriding royalty in the Grayburg San Andres rights only in the W/2 of Section 24, and Phillips Petroleum Company will assign to Mobil its fully-owned Santa Fe No. 10 well and similar rights in the NE NW of Section 24, all being in Township 17 South, Range 34 East, Lea County, New Mexico. It is understood that the necessary instruments conveying this exchange of ownership will provide the following:

- 1) Phillips to retain all equipment on the Santa Fe Lease except the well-head, casing, and tubing.
- 2) Overriding royalty payments to Phillips on this 320-acre tract, based on production allocated from well tests, are acceptable to Phillips provided Phillips will be furnished advance notice of the date of such tests in sufficient time to witness the tests, if desired.
- 3) The Grayburg San Andres equity is intended to mean all pay considered as the source of production in these secondary projects. It is suggested that the unit agreement for the North Vacuum Grayburg San Andres Unit, copies of which were forwarded to you, defines such equity.

A representative of Mobil should contact Mr. W. A. Cunningham, of the Phillips Midland office, who will represent Phillips in the preparation of the necessary instruments. The decision as to possible title examination of the acreage

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. 1
CASE NO. 3945

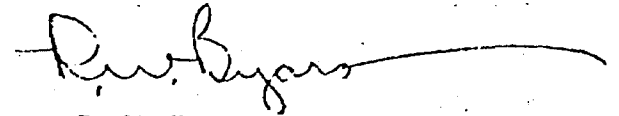
February 22, 1968

involved in this exchange will be left to the discretion of our respective Midland offices. To avoid any unnecessary billing for operations between Mobil and Phillips, it is further suggested that the effective date and the date of transfer of operations should be the same. I know that this is optimistic, but it is hoped that a joint gauge of stocks above pipeline connections and the transfer of operations can be made effective March 1, 1968.

We appreciate your cooperation in the handling of this matter.

Very truly yours,

PHILLIPS PETROLEUM COMPANY



R. W. Byars

RWB/dr

cc: Mr. W. A. Cunningham

State of New Mexico



Commissioner of Public Lands



GUYTON B. HAYS
COMMISSIONER

September 26, 1968

Distribution:

J. T. Akin
James Spaulding Albuquerque
A. J. Mendez
L. L. Starnes (L. Torres)
J. M. Duncan (Cord Life)
Promotion File ✓

P. O. BOX 1148
SANTA FE, NEW MEXICO

Mobil Oil Corporation
P. O. Box 633
Midland, Texas 79701

REQUEST FOR AUTHORITY TO COMMINGLE
PRODUCTION FROM DIFFERENT STATE LEASES
WITH COMMON BENEFICIARY BUT WITH DIVERSE
OVERRIDING ROYALTY INTEREST -
VACUUM GRAYBURG SAN ANDRES POOL -
LEA COUNTY, NEW MEXICO

Attn: Ira B. Stitt

(LOCO NO. 22)

Gentlemen:

This is to inform you that approval is hereby granted on the above request, subject to the approval by the New Mexico Oil Conservation Commission. Also, this is granted with the understanding that the Commissioner of Public Lands reserves the right to withdraw his approval, if at any time he feels this operation is not to the best interest to the State.

Thank you very much for all the information supplied; and also for the \$10.00 filing fee.

Very truly yours,

GUYTON B. HAYS
Commissioner of Public Lands

By: *Ted Bilberry*
TED BILBERRY, Director
Oil and Gas Department

GBH:TB:RM:cw

cc: Oil Conservation Commission

Oil and Gas Accounting Commission

BEFORE EXAMINER NUTTER	RECEIVED
OIL CONSERVATION COMMISSION	SEP 30 1968
EXHIBIT NO. <i>15</i>	I. B. STARR
CASE NO. <i>3945</i>	

Mobil Oil Corporation

P.O. BOX 633
MIDLAND, TEXAS 79701

September 23, 1968

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

Attention: Mr. A. L. Porter, Jr.

Gentlemen:

PROPOSED COMINGLING OF PRODUCTION
FROM MOBIL OIL CORPORATION'S
STATE "G" AND BRIDGES STATE LEASES
VACUUM GRAYBURG-SAN ANDRES FIELD,
LEA COUNTY, NEW MEXICO

Mobil Oil Corporation proposes to commingle the Grayburg-San Andres production from their State "G" with like production from their Bridges State Lease, Lea County, New Mexico. The production would be accounted for by monthly well tests.

Mobil Oil Corporation, as purchaser of the crude oil production, hereby approves the commingling of this production and the allocating of same as proposed on the basis of well tests.

Very truly yours,

Original Signed By

J. M. Glendinning

J. M. Glendinning, Area Representative
Crude Oil Department

JMG/jh

bcc:
A. D. Bond
Central File

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. Ap
CASE NO. 3945

Mobil Oil Corporation

November 27, 1968

P.O. BOX 633
MIDLAND, TEXAS 79701

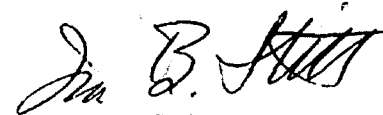
Mr. Daniel S. Nutter
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

CASE NO. 3945
APPLICATION OF MOBIL OIL CORPORATION
AUTHORITY TO COMMINGLE PRODUCTION
VACUUM GRAYBURG-SAN ANDRES POOL.
LEA COUNTY, NEW MEXICO

Dear Mr. Nutter:

Attached is a letter signed by Phillips Petroleum Corporation agreeing to the proposed commingling of production from Mobil's Bridges State and State "G" leases.

Yours very truly,



Ira B. Stitt
Division Operations Engineer

CRKreuz/bje
Attachment

Mobil Oil Corporation

November 18, 1968

Phillips Petroleum Corporation
Phillips Building
Odessa, Texas 79760

Attention: Mr. W. C. Rodgers

P.O. BOX 633
MIDLAND, TEXAS 79701
NOV 19 1968
ROUTE

APPROVAL TO COMMINGLE PRODUCTION
MOBIL'S BRIDGES STATE AND
STATE "G" LEASES, VACUUM FIELD
LEA COUNTY, NEW MEXICO

Gentlemen:

Mobil Oil Corporation has asked for an exception to Rule 309A for authority to commingle oil production from different State leases with common beneficiary, but with diverse overriding royalty interest. Specifically, the request is to commingle Grayburg-San Andres production from Mobil's State "G" lease described as the SE/4 of NE/4 and the W/2 of the NE/4 of Sec. 24, T-17-S, R-34-E and from that portion of the Bridges State lease described as the W/2 of Sec. 24 described above. Phillips owns a 1/16 ORR in the W/2 of Sec. 24 and agreed on production allocation based on well tests at the time of the trade. (See copy of February 22, 1968 letter, copy of the assignment and map attached.) The former Phillips Santa Fe Well No. 10 is now a water injection well.

In order to facilitate Mobil's obtaining approval from the New Mexico Oil Conservation Commission to commingle the Grayburg-San Andres production from these two leases, it is requested that Phillips indicate that they have no objections to this request by signing this letter in the space provided below and returning one copy at your earliest convenience.

Yours very truly,

Original Signed By
Don B. Cooper
Joint Interest Administrator
Midland Division

ERFrazier/tl

PHILLIPS PETROLEUM CORPORATION

BY:

M. H. McConnell
M. H. McConnell

TITLE: Regional Reservoir Engineer

DATE:

11-22-68

Mobil Oil Corporation

P.O. BOX 633
MIDLAND, TEXAS 79701

September 23, 1968

Case 3945

New Mexico Oil Conservation Commission - 3
P. O. Box 2088
Santa Fe, New Mexico 87501

Attn: Mr. A. L. Porter, Jr.

EXCEPTION TO RULE 309 A,
COMMINGLING OF PRODUCTION
FROM LEASES HAVING DIVERSE
OVERRIDING ROYALTY INTEREST,
VACUUM GRAYBURG - SAN ANDRES
POOL, LEA COUNTY, NEW MEXICO

Gentlemen:

Mobil Oil Corporation respectfully requests Commission approval to commingle the Grayburg-San Andres production from Mobil's State "G" Lease (W/2 of NE/4 and SE/4 of NE/4, Sec. 24, T-17-S, R-34-E) with like production from a portion of Mobil's Bridges State Lease (W/2 Sec. 24, T-17-S, R-34-E). These tracts have diverse overriding royalty interests. Production will be accounted for by monthly well tests.

In support of this request, the following documents are submitted in triplicate:

1. Diagrammatic sketch of the tank battery installation.
2. Plat showing the tracts involved outlined in red.
3. Letter from purchaser of the crude, consenting to this commingling proposal.

A copy of the letter to the Commissioner of Public Lands dated September 3, 1968 requesting his approval of this commingling was furnished the NMOCC under separate cover.

It is requested that this application be granted administratively. However, if the Commission concludes that this matter cannot be disposed of by administration action, it is requested that it be set for hearing.

DOCKET MAILED
Date 11-1-68

Mobil

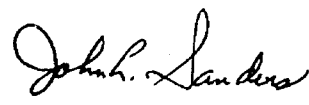
New Mexico Oil
Conservation Commission

-2-

September 23, 1968

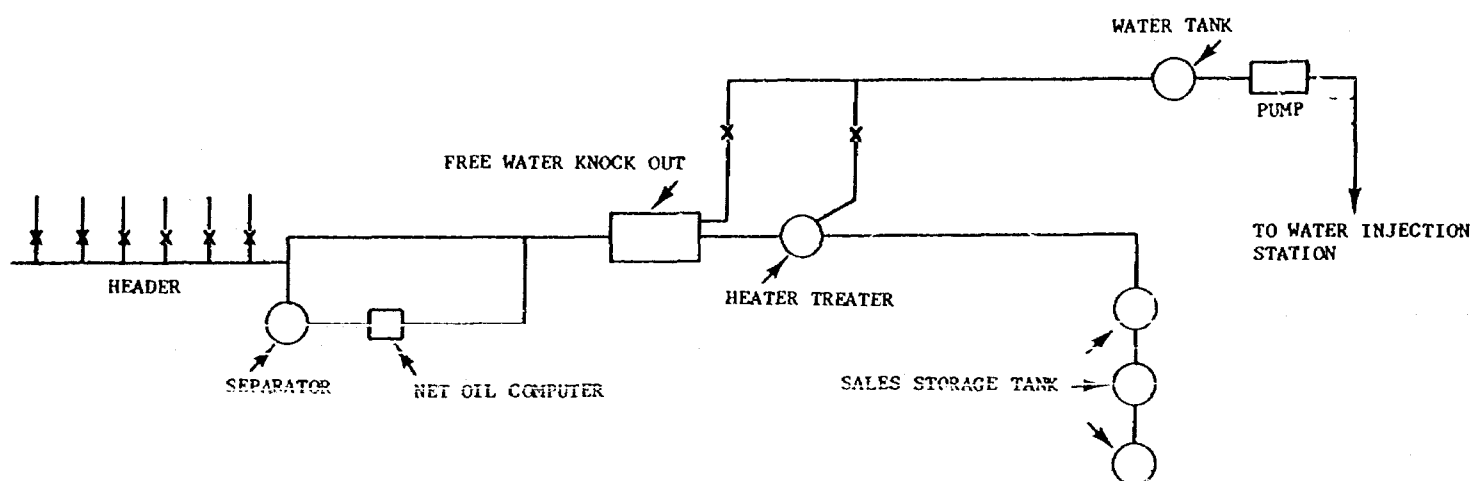
Should additional information be required, please advise.

Yours very truly,


for Ira B. Stitt
Division Operations Engineer

ADBond/bje
Attachments

cc: Commissioner of Public Lands - Santa Fe, New Mexico (w/attach.)



Case 3945

Mobil Oil Corporation
 EXPLORATION AND PRODUCING DEPARTMENT
 MIDLAND DIVISION
 TANK BATTERY CONSOLIDATION
 SEC. 24, T 17 S, R 34 E
 VACUUM GRAYBURG - SAN ANDRES WATERFLOOD
 VACUUM FIELD
 LEA COUNTY, NEW MEXICO

SCALE
 DATE 9/18/68
 DRAWN BY JIN
 CHECKED
 APPROVED
 REVISED

Mobil Oil Corporation

P.O. BOX 633
MIDLAND, TEXAS 79701

September 23, 1968

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

Attention: Mr. A. L. Porter, Jr.

Gentlemen:

Case 3945

PROPOSED COMMINGLING OF PRODUCTION
FROM MOBIL OIL CORPORATION'S
STATE "G" AND BRIDGES STATE LEASES
VACUUM GRAYBURG-SAN ANDRES FIELD,
LEA COUNTY, NEW MEXICO

Mobil Oil Corporation proposes to commingle the Grayburg-San Andres production from their State "G" with like production from their Bridges State Lease, Lea County, New Mexico. The production would be accounted for by monthly well tests.

Mobil Oil Corporation, as purchaser of the crude oil production, hereby approves the commingling of this production and the allocating of same as proposed on the basis of well tests.

Very truly yours,

J. M. Glendinning

J. M. Glendinning, Area Representative
Crude Oil Department

JMG/jh

DRAFT

GMH/esr

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. 3945

Order No. R-3611

APPLICATION OF MOBIL OIL CORPORATION
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 November 12, 1968,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of ^{Dec.} November, 1968, 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, Mobil Oil Corporation, is the opera-
tor of the State "G" Lease comprising the W/2 NE/4 and SE/4 NE/4
of Section 24 and of the Bridges State Lease comprising, in part,
the W/2 of Section 24, Township 17 South, Range 34 East, NMPM,
Vacuum Grayburg-San Andres Pool, Lea County, New Mexico.

(3) That the applicant seeks authority to commingle the
Vacuum Grayburg-San Andres production from its State "G" Lease
and from that portion of its Bridges State Lease comprising the
W/2 of said Section 24 in a common tank battery and to allocate
the production to each of said leases on the basis of monthly
well tests.

(4) That approval of the subject application will result in 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 the subject leases.

IT IS THEREFORE ORDERED:

(1) That the applicant, Mobil Oil Corporation, is hereby the authorized to commingle/Vacuum Grayburg-San Andres production from its State "G" Lease comprising the W/2 NE/4 and SE/4 NE/4 of Section 24 and from that portion of its Bridges State Lease comprising the W/2 of Section 24, Township 17 South, Range 34 East, NMPM, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico, allocating the production to each lease on the basis of 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 the subject leases at least once each month;

PROVIDED FURTHER, that the applicant shall conduct monthly productivity tests on each of the wells on the subject leases 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.