

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

IN THE MATTER OF THE HEARING CALLED BY )  
THE OIL CONSERVATION DIVISION FOR THE )  
PURPOSE OF CONSIDERING: )

CASE NO. 11,904

APPLICATION OF EXXON CORPORATION )  
FOR LEASE COMMINGLING, LEA COUNTY, )  
NEW MEXICO )

ORIGINAL

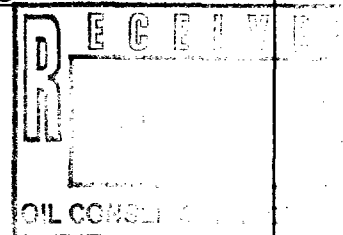
REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

January 8th, 1998

Santa Fe, New Mexico



This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, January 8th, 1998, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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## I N D E X

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Examiner Hearing  
CASE NO. 11,904

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## A P P E A R A N C E S

## FOR THE DIVISION:

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 Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

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 Santa Fe, New Mexico 87504

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   8:58 a.m.:

3           EXAMINER CATANACH: At this time we'll call Case  
4   11,904.

5           MR. CARROLL: Application of Exxon Corporation  
6   for lease commingling, Eddy County, New Mexico.

7           EXAMINER CATANACH: Call for appearances in this  
8   case.

9           MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,  
10   representing the Applicant. I have one witness to be  
11   sworn.

12           EXAMINER CATANACH: Call for additional  
13   appearances.

14           Will the witness please stand to be sworn?

15           (Thereupon, the witness was sworn.)

16                   WILLIAM T. DUNCAN, JR.,  
17   the witness herein, after having been first duly sworn upon  
18   his oath, was examined and testified as follows:

19                   DIRECT EXAMINATION

20   BY MR. BRUCE:

21           Q. Will you please state your name and city of  
22   residence?

23           A. William Thomas Duncan, Jr. I work for Exxon in  
24   Houston, Texas.

25           Q. What is your job with Exxon?

1           A.    I'm a staff engineer working in the regulatory  
2 compliance group, working oil and gas conservation matters  
3 in the central and western United States.

4           A.    Have you previously testified before the Division  
5 as an engineer?

6           A.    Yes, I have.

7           Q.    And were your credentials as an expert accepted  
8 as a matter of record?

9           A.    Yes, they were.

10          Q.    And are you familiar with matters involved in  
11 this Application?

12          A.    Yes, I am.

13               MR. BRUCE:  Mr. Examiner, I tender Mr. Duncan as  
14 an expert petroleum engineer.

15               EXAMINER CATANACH:  He is so qualified.

16          Q.    (By Mr. Bruce)  Mr. Duncan, could you identify  
17 Exhibit 1 and briefly tell the Examiner what it is that  
18 Exxon seeks in this case?

19          A.    Exhibit Number 1 is a base map of the -- or a  
20 portion of Lea County, New Mexico, showing a portion of the  
21 Oil Center-Blinebry Pool where Exxon has two leases which  
22 it seeks to surface commingle for the purpose of reducing  
23 the production expense associated with these two leases,  
24 and simplifying the operation of the two leases.

25               The large rectangle in the lower portion of the

1 yellow half section is the A.J. Adkins lease, and the  
2 northern laydown-type rectangle is the Blinebry Oil Com  
3 lease, both of which Exxon operate.

4 Both leases are located in the west half of  
5 Section 10, 21 South, 36 East, in Lea County, New Mexico.

6 Q. Let's move on to Exhibit 2 and maybe identify the  
7 leases with a little more particularity and describe the  
8 production from this half section.

9 A. Exhibit Number 2 shows a little more detail on  
10 the west half of Section 10. It shows that the Blinebry  
11 Oil Com Number 1 is located in the northern 80-acre portion  
12 of the west half and consists of a 20-acre lease that was  
13 originally taken by Texaco, and that we've shown as the  
14 Blinebry Oil Com Number 1 Tract Number 2.

15 And the Blinebry Oil Com Tract Number 1 is an  
16 additional 60 acres which was operated by Exxon originally,  
17 or lease taken by Exxon.

18 They were combined to form an 80-acre proration  
19 unit for production of the well in the northeasternmost  
20 portion of this half section, the B Number 1, and that well  
21 production in 1963. The 80-acre proration unit dedicated  
22 to it is the Blinebry Oil Com Number 1.

23 The remainder of this half section, the southern  
24 portion, is the A.J. Adkins lease that Exxon also operates.

25 The current producing wells on this lease are the

1 Blinebry Oil Com Number 1 and the A.J. Adkins Number 8,  
2 which is located about midway down on the eastern side of  
3 the west half.

4 The Blinebry Oil Com Number 1 currently produces  
5 about eight barrels of oil a day and 32 MCF of gas per day  
6 and no water.

7 The Adkins Number 8 currently produces five  
8 barrels of oil and 15 KCF of gas -- excuse me, MCF of gas,  
9 per day, and two barrels of water.

10 Both wells have had an extensive primary  
11 production history, as has the A.J. Adkins Number 9 from  
12 the Oil Center-Blinebry Pool.

13 Exxon has proposed and had approved a waterflood  
14 project which would use the Blinebry Oil Com Number 1 and  
15 the A.J. Adkins Number 8 and the Number 9 as producing  
16 wells, and the A.J. Adkins Number 11, shown here with a  
17 small triangle, about midway down between the Blinebry Oil  
18 Com Number 1 and the A.J. Adkins Number 8, as an injection  
19 well for that waterflood.

20 There would also be an injection well located on  
21 the adjacent lease to the east, the east half of Section  
22 10, which is our Knox lease.

23 Q. Mr. Duncan, that waterflood has previously been  
24 approved by the Division, has it not?

25 A. Yes, it has.

1           In addition, there is a well in the southern  
2     portion of the A.J. Adkins lease, the Adkins Number 10,  
3     which is currently completed in the Queen but may be  
4     recompleted to the Blinebry Oil Com -- excuse me, to the  
5     Oil Center-Blinebry Pool, in the future, if additional  
6     injection wells are added to this waterflood.

7           Exxon is asking that the Blinebry Oil Com Number  
8     1 and all of the A.J. Adkins lease wells that may be  
9     completed at this time or in the future in the Oil Center-  
10    Blinebry Pool be allowed to be commingled to the A.J.  
11    Adkins battery. What we're proposing is that the  
12    production be well test allocated among the wells.

13          Q.    Mr. Duncan, why don't you then just briefly run  
14    through Exhibits 3 through 6, which concern interest  
15    ownership in this half section.

16          A.    Exhibit Number 3 is a summary exhibit that shows  
17    a comparison of the ownership in the Blinebry Oil Com  
18    Number 1 and the A.J. Adkins ownership.

19                As you can see, the ownership is shared by the  
20    same parties, with the exception of Texaco being an owner  
21    in the Blinebry Oil Com and not in the Adkins and Geodyne  
22    also being an owner in the Blinebry Oil Com and not in the  
23    Adkins.

24                Texaco has reached an agreement -- Exxon has  
25    reached an agreement with Texaco to farm in Texaco's



1 interest, and within a few weeks Texaco's interest will  
2 also be owned by Exxon.

3 Exhibit Number 4 is a copy of the division of  
4 interest pay sheet for the A.J. Adkins lease and lists all  
5 owners and their interest in that lease.

6 Exhibit Number 5 is a division of interest pay  
7 sheet for the Blinebry Oil Com Number 1 Tract Number 1,  
8 which is the 60-acre portion of the 80-acre Blinebry Oil  
9 Com. It also lists all the owners and their interests.

10 Exhibit Number 6 lists -- is a division of  
11 interest pay sheet also for the Blinebry Oil Com Number 1  
12 Tract Number 2, which is the 20-acre portion of the  
13 Blinebry Oil Com. That pay sheet also lists all the owners  
14 and their interests.

15 Now, unfortunately, on my copy of that exhibit I  
16 show page 2 being blank, and you probably do too. If you  
17 do, I've got some --

18 MR. BRUCE: Mr. Examiner, I just made extra  
19 copies of that one. We'll just submit that as Exhibit 6A  
20 instead of the blank page on Exhibit 6.

21 Q. (By Mr. Bruce) Okay, Mr. Duncan, would you maybe  
22 then just go through Exhibits 7, 8 and 9 and discuss  
23 Exxon's plans as far as facilities and metering of  
24 production?

25 A. Exhibit 7 is a -- more or less a plat of the

1 area, showing the planned consolidation of the Blinebry  
2 tank battery, Blinebry Oil Com tank battery, with the  
3 Adkins tank battery. Exxon proposes to lay a new line from  
4 the Blinebry tank battery and carry the entire production  
5 flow stream to the Adkins tank batter.

6 Now, the Blinebry Oil Com only has one well  
7 producing into it. Currently the Adkins tank battery has  
8 one well producing into it, but there will be more in the  
9 future.

10 The remainder of Exhibit 7 details the flow of  
11 the produced water into the injection plant which will be  
12 constructed, or is under construction at this time, and the  
13 injection lines from that plant.

14 Exhibit Number 8 is a schematic diagram showing  
15 more detail for the Adkins tank battery, and within the  
16 little cloud area, that is the new construction to be added  
17 to the Adkins tank battery. It includes a test separator,  
18 which will be used for testing each of the wells going to  
19 the battery, and we plan to average monthly tests on each  
20 of those wells and then allocate the production coming into  
21 the battery based on those well tests.

22 The next exhibit, Exhibit Number 9, is a plot  
23 diagram showing the physical location of the tanks and the  
24 new separator in the Adkins tank battery.

25 Q. Mr. Duncan, in your opinion is the granting of

1 this Application in the interests of conservation and the  
2 prevention of waste?

3 A. Yes, it is.

4 Q. And will it reduce the operating costs of these  
5 two current leases?

6 A. Yes, it will.

7 Q. And were Exhibits -- Excuse me, and was notice of  
8 this hearing given to all interest owners in the west half  
9 of Section 10?

10 A. Yes, it was.

11 Q. And is my affidavit of notice submitted as  
12 Exhibit 10?

13 A. Yes.

14 Q. And were Exhibits 1 through 10 prepared by you,  
15 under your direction, or compiled from company business  
16 records?

17 A. Yes, they were.

18 MR. BRUCE: Mr. Examiner, at this time I'd move  
19 the admission of Exxon Exhibits 1 through 10.

20 EXAMINER CATANACH: Exhibits 1 through 10 will be  
21 admitted as evidence.

22 EXAMINATION

23 BY EXAMINER CATANACH:

24 Q. Mr. Duncan, have you heard from any of your  
25 interest owners about this?

1           A.    Actually, Mr. Bruce has.

2           Q.    Okay.

3           A.    I have not heard from any except, through our  
4 land department, I've been informed that Texaco has agreed  
5 to farm out to us.

6                   MR. BRUCE: Mr. Examiner, I have heard from two  
7 interest owners -- will, three officially. William B.  
8 Watson, Inc., and then William B. Watson, who takes care of  
9 the interests of the Archbishop of New York, and then the  
10 Lyeth, L-y-e-t-h, Oil Trust, and they were just interested  
11 in making sure that the production being brought into the  
12 tank battery is only from the west half of Section 10.

13           Q.    (By Examiner Catanach) Okay. Mr. Duncan, you've  
14 operated these tank batteries for several years now. Is  
15 it --

16           A.    Since about 1963.

17           Q.    Both of them since 1963?

18           A.    Let's see. The Adkins tank battery since 1964  
19 and the Blinebry Oil Com since 1963.

20           Q.    But you just don't have enough production right  
21 now to sustain both batteries? Is that the situation?

22           A.    What we're doing is, since we're implementing a  
23 waterflood on this half section and the half section  
24 adjacent to it, we're building a waterflood plant and  
25 consolidating production equipment and trying to improve

1 the reliability and longevity and production facilities.

2 There would need to be some significant upgrades  
3 to the Blinebry Oil Com tank battery, and what we're doing  
4 there is using the equipment that is in good shape at that  
5 battery and the waterflood plant, and the we'll consolidate  
6 that with the Adkins tank battery and improve the  
7 reliability of that battery.

8 So we're just trying to set it up for a little  
9 more longevity.

10 Q. Okay. When was that waterflood approved? Do you  
11 have that?

12 A. It was -- I believe the approval was in -- It was  
13 early 1997. I don't know whether it was in December of  
14 1996 or --

15 MR. BRUCE: I believe it was January of 1997, Mr.  
16 Examiner. I don't have the order number in front of me.

17 THE WITNESS: I might.

18 MR. BRUCE: It's called the Knox-Adkins  
19 waterflood project.

20 THE WITNESS: I believe it was Case Number  
21 11,665, Order Number R-10,736. It was heard in December of  
22 1996, and the order is dated January 15th, 1997.

23 Q. (By Examiner Catanach) Okay. And that  
24 essentially approved a waterflood in the -- in all of  
25 Section 10?

1 A. Yes, it did.

2 Q. But the leases weren't communitized or  
3 consolidated in any form or fashion?

4 A. They were not, they were not. The waterflood  
5 itself is a relatively balanced effort between the leases,  
6 and no unitization appeared to be necessary.

7 Q. Okay. At this point is there only one injection  
8 well?

9 A. There will be two.

10 Q. There's one in the east half of Section 10?

11 A. Well, it's actually currently being drilled.

12 The Adkins Number 11 is currently being drilled,  
13 as is the J.D. Knox Number 13, in the east half.

14 Q. So there's going to be a total of three injection  
15 wells?

16 A. Two. I'm sorry, where did I mess up there?

17 Q. Let's see, there's one in the -- There's Number  
18 11 in the west half?

19 A. That's correct.

20 Q. And you're drilling the Number 12?

21 A. We're drilling the Number -- in the order we  
22 said, Number 13 or 14. We didn't have the number  
23 specified, and I don't remember offhand what we did number  
24 it.

25 Q. Okay. You have production wells in the east half

1 of Section 10?

2 A. That's correct.

3 Q. Okay.

4 A. They are Knox lease wells.

5 Q. You're going to leave those as-is? I mean,  
6 you're not going to commingle that production?

7 A. That's correct. There's two currently producing  
8 wells in the east half of Section 10, the Knox Number 9 and  
9 the Knox Number 11, and the Knox Number 10.

10 MR. BRUCE: And that is one lease, Mr. Examiner,  
11 with common ownership in the east half.

12 EXAMINER CATANACH: Okay.

13 THE WITNESS: I'm sorry, I'm looking at a lease-  
14 status map that we presented last December, and the Knox  
15 Number 9 and Knox Number 10 were active at that point, but  
16 the Knox Number 10 and Knox Number 11 will be active during  
17 the waterflood.

18 Q. (By Examiner Catanach) Okay. Let's talk about  
19 the west half. The wells that you're going to commingle at  
20 this point are the Blinebry Oil Com Number 1, and that's in  
21 the -- it looks like Unit Letter C?

22 A. It should be B.

23 MR. BRUCE: C.

24 THE WITNESS: Is that C? Okay, C.

25 Q. (By Examiner Catanach) Okay. That one is

1 currently producing eight barrels of oil, 32 MCF and 10  
2 barrels of water; is that right?

3 A. That should be zero --

4 Q. Zero?

5 A. -- barrels of water.

6 Q. Okay. And the other well would be the Number 8  
7 well, Adkins Number 8?

8 A. Yes.

9 Q. In the future we'll be adding the Adkins Number 9  
10 and possibly the Adkins Number 10.

11 Q. The Number 9 is currently not producing from the  
12 Oil Center-Blinebry?

13 A. That's right, it's currently completed in the  
14 Queen. We will recomplete it back to the Oil Center-  
15 Blinebry after the injection well is drilled and completed.

16 Q. What's the status of the Number 10?

17 A. The status of the Number 10 is that it's  
18 currently in the Queen. I don't know whether it's -- I  
19 believe it's active, but it's not producing a great deal of  
20 gas. It's a gas well.

21 Q. Okay. Have your producing wells seen any  
22 response at this point in time, Mr. Duncan?

23 A. We haven't finished drilling the wells, the  
24 injection wells, yet.

25 Q. Okay, Number 11 is not active?



1           A.    That's correct.  In fact, they're being drilled  
2 as we speak.

3           Q.    Okay.

4           A.    We have one rig, and we're drilling the two  
5 sequentially.

6           Q.    Okay.  You plan to well test these monthly?

7           A.    Yes, sir.

8           Q.    And is your tank battery equipped to do that?

9           A.    Yes, it is.

10          Q.    Okay, it's not going to be a portable-test-type  
11 situation?

12          A.    No.

13          Q.    Okay.  And you'll be able to test both for oil  
14 and gas?

15          A.    Oil, gas and water.

16          Q.    Is that the only difference in the ownership  
17 between these two leases, is the Texaco interest and the  
18 Geodyne?

19          A.    That's the only difference in our owners.  The  
20 ownership is slightly different also.

21          Q.    The numbers?

22          A.    The numbers are slightly different.

23          Q.    And you're going to acquire the Texaco interest?

24          A.    As you can see, the Oil Com doesn't produce much.  
25 They have more or less agreed to just give us their

1 interest.

2 There is some other consideration involved, but  
3 it's essentially farming the interest in for no  
4 consideration.

5 EXAMINER CATANACH: Okay. I have nothing  
6 further, Mr. Bruce.

7 MR. BRUCE: I have nothing further, Mr. Examiner.

8 EXAMINER CATANACH: There being nothing further  
9 in this case, Case 11,904 will be taken under advisement.

10 (Thereupon, these proceedings were concluded at  
11 9:20 a.m.)

12 \* \* \*

13  
14  
15  
16  
17  
18  
19  
20  
21 I do hereby certify that the foregoing is  
22 a complete record of the proceedings in  
the Examiner hearing of Case No. 11904,  
23 heard by me on 1/11 1988.  
David R. Catanch, Examiner  
24 Oil Conservation Division  
25

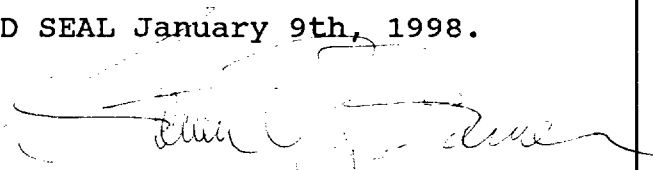
# CERTIFICATE OF REPORTER

STATE OF NEW MEXICO    )  
                                   )    ss.  
 COUNTY OF SANTA FE    )

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL January 9th, 1998.

  
 STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 1998