

BEFORE THE
OIL CONSERVATION COMMISSION
Hobbs, New Mexico
April 25, 1956

IN THE MATTER OF:

CASE NO. 1061

TRANSCRIPT OF PROCEEDINGS

BEFORE THE
OIL CONSERVATION COMMISSION
Hobbs, New Mexico
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Application of Neville G Penrose, Inc., for an order
granting an exception to Rule 309 (a) of the New Mexico
Oil Conservation Commission Statewide Rules and
Regulations in the granting of permission to transport
oil from the lease on which it is produced to a tank
battery located at a point other than on said lease.

Applicant, in the above-styled cause, seeks an order
granting permission to transport oil produced from the
Vacuum Pool from its Scharbauer No. 1 Well located
in the NE/4 NW/4 of Section 25, Township 17 South, Range
35 East, Lea County, New Mexico, to a tank battery
located in the SW/4 SW/4 of SEction 24, Township 17
South, Range 35 East, Lea County, New Mexico.

Case No. 1061

BEFORE:

Warren W. Mankin, Examiner

TRANSCRIPT OF HEARING

EXAMINER MANKIN: The next case is Case 1061, the application of
Neville G. Penrose Inc. for an order granting exception to Rule 309 (a).

MCNAUGHTON: I will be the only witness this morning.

JOHN MCNAUGHTON

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

MCNAUGHTON: I am John McNaughton, Vice-President of Neville G.
Penrose, Inc. petroleum engineering graduate of Colorado School of Mines.
I have been actively engaged in various phases of the oil business for the
last ten years and have testified before the Commission before.

MANKIN: Qualifications are accepted.

MCNAUGHTON: The Neville G. Penrose, Inc., Scharbauer No. 1 was completed on February 26, in the San Andres pay in the Vacuum Pool and with a potential of 35 barrels of oil per day. This is a 40-acre lease, being in the NE/4 NW/4 of Section 25, 17 South, 34 East-----38 East, excuse me, Lea County; I believe that is a typeographical error, I believe it is 34 East.

MANKIN: I believe your original application said 35 East, which would be in the Vacuum Pool.

MCNAUGHTON: I will have to read these copies. It is 35 East, I have the original copy here. Will you please make that correction on the exhibit. Because of the terrain difficulties, it appeared impractical to locate the storage tanks at the wellsite. There was a local depression at that point and the oil would not gravitate to the pipeline and rather than locate the storage tanks at a farther distance from the pipeline we set the tanks on our Southern State lease, located in the SW/4 SW/4 of Section 24, 17-35. These storage tanks are located in the tank battery with the Southern State Tank battery, but they are not connected in any way, there is no desire on our part to commingle the oil. We discussed this matter with the Texas-New Mexico Pipeline Company, who is taking the oil, and it was their desire that we locate the tanks at this point. Other than that there is no reason for us to set these tanks across the lease line. Our only reason for requesting this exception to Rule 309 is a matter of convenience. For the reason set forth, we request an exception to this rule. Are there any questions?

MANKIN: Mr. McNaughton, to clarify your point, in other words there is no commingling. All this particular request is - Rule 309 states that it shall be measured on the lease and therefore since it will not be measured on the lease, you are requesting this exception to commit measurement on another lease for ease of operation into the

pipeline.

MCNAUGHTON: That's correct sir.

MANKIN: Have you requested permission of the New Mexico State Land Office for setting this tank battery from a patented lease on a state lease?

MCNAUGHTON: The only request we have made is the one which came to you under cover of our March 12th letter, which you have before you as an exhibit.

MANKIN: You have not requested such convenience for your operations from the State Land Office to permit the metering and measurement of oil on a State lease, from a patented lease then?

MCNAUGHTON: No, sir, we have not.

MANKIN: Would you be agreeable to requesting such operation to the New Mexico State Land Office at Santa Fe, so that they are aware of--that the oil which will be measured on this State lease is not State property or not State oil and not subject to royalty---so that they are aware of that particular situation. I am sure it will be a routine procedure. Would you make such a request? Send a copy of that to the Commission and when they grant you that permission, they will likewise, of course, notify us.

MCNAUGHTON: Alright sir.

GURLEY: Mr. McNaughton, you are at present receiving production from your Scharbauer No. 1 in this storage tank for which you are asking a -----

MCNAUGHTON: Unfortunately we are not receiving any oil. We are endeavoring to get some. After treatment there seems to be a mechanical block in the well and we are not getting any oil at all out of the well at this time, but the well was potentialled and produced for a period of time.

GURLEY: When was the well brought in?

MCNAUGHTON: The well was potentialled on February 26th.

GURLEY: And it has not produced since that time?

MCNAUGHTON: Yes, it has produced some oil since that time But not a full tank of oil has been produced since that time.

GURLEY: But you have been producing it since that time into this particular storage tank?

MCNAUGHTON: That's correct.

MANKIN: Is there question of the witness in this case? Did you wish to enter this copy of the plat and of the application as an exhibit?

MCNAUGHTON: Yes, sir, with the correction noted on the location.

MANKIN: This is the same as your application so there would be no need to mark this as exhibit No. 1.

MCNAUGHTON: That's right.

MANKIN: IS there any further question of the witness in this case? If not, the witness may be excused and we will take the case under advisement.

STATE OF NEW MEXICO)
)
COUNTY OF SANTA FE)

I, Joan Hadley, do hereby certify that the foregoing and attached transcript of proceedings before the Oil Conservation Commission Examiner at Hobbs, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

Dated this 25th day of May, 1956.

Joan Hadley