

BEFORE THE
OIL CONSERVATION COMMISSION
March 27, 1957
Hobbs, New Mexico

IN THE MATTER OF:

Case No. 1232

TRANSCRIPT OF HEARING

DEARNLEY - MEIER & ASSOCIATES
INCORPORATED
GENERAL LAW REPORTERS
ALBUQUERQUE - SANTE FE
3-6691 2-2211

Application of Gulf Oil Corporation for an order granting an exception to Rule 309 (A) of the Statewide Rules and Regulations of the New Mexico Oil Conservation Commission to permit the production of more than eight wells into a common tank battery in the South Eunice Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order approving a common tank battery to receive production from a maximum of sixteen producing wells on its J. F. Janda "F" Lease, South Eunice Pool, Lea County, New Mexico; said property consisting of Section 4, Township 22 South, Range 36 East.

Case No.
1232

BEFORE:

Warren L. Mankin.

TRANSCRIPT OF HEARING

MR. MANKIN: The next case on the docket is Case No. 1232.

MR. COOLEY: Case No. 1232. Application of Gulf Oil Corporation for an order granting an exception to Rule 309 (a) of the Statewide Rules and Regulations of the New Mexico Oil Conservation Commission to permit the production of more than eight wells into a common tank battery in the South Eunice Pool, Lea County, New Mexico.

MR. KASTLER: Gulf's witness is Mr. Don Walker from Fort

Worth, Texas.

(Witness sworn.)

DON WALKER

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

DIRECT EXAMINATION

BY: MR. KASTLER:

Q Mr. Walker for the record, will you please state your name, your address, your employer, your position, and your length of service there?

A I am Don Walker, employed by Gulf Oil Corporation in Fort Worth, Texas. I have been employed by the company since 1935 and I am called their division proration engineer.

Q Have you testified a number of times before the Oil Conservation Commission in New Mexico? A Yes, sir.

MR. KASTLER: Are Mr. Walker's qualifications conceded?

MR. MANKIN: They are more than acceptable.

MR. KASTLER: Thank you.

Q (By Mr. Kastler): Mr. Walker, are you familiar with the application in Case No. 1232?

A Yes, sir. Case 1232 is Gulf's application for exception to New Mexico Statewide Rule 309, which prohibits more than eight wells producing into a common tank battery without a hearing, and in this case, Gulf is asking permission to put production from as many as ten wells into one battery.

Q Will you please introduce any maps you might have, or any plat as Exhibit No. 1?

A Yes, sir.

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

Q Using this plat, Mr. Walker, will you describe the lease involved?

A Yes, sir. This is Gulf Oil Corporation's J. F. Janda "F" Lease, which is composed of Section 4, Township 22 South, Range 36 East, Lea County, New Mexico.

Q Do you know the state lease number of that lease?

A From my well file which I have, the state lease number is B 229-1.

Q Will you state who are the offset operators to this lease?

A Primarily, this lease is offset by other Gulf properties. However, Sinclair has an offset lease to the west and Texas Pacific Coal and Oil has leases also to the west, the south, and the south-west, and Western ^{natural @} National has a lease to the southeast.

Q Have these offset operators been furnished a copy of Gulf's application in this case?

A Yes, sir, and in our letter of application dated March the 6th, we furnished copies to all these offset operators.

Q Will you please state what is the producing interval for these wells?

A These wells are producing -- We now have eight wells, by the way, on this, on a 640.12, approximately, lease, and they are

producing from the South Eunice Oil Pool, and I believe that the oil pool is in the lower one hundred feet of the Seven Rivers Unit and the Queen Formations, and are producing from the Upper Queen and are producing from the lower Seven Rivers, which is within the defined limits of the South Eunice Pool.

Q Is there any diversity of royalty ownership?

A The State of New Mexico is the royalty owner under this lease, and I would say there is no diversity. I don't know what they do with it after they get it, but Gulf furnishes it in one piece.

Q It is all in one section? A Yes, sir.

Q Will you introduce your Exhibit No. 2 now and use that to explain the location and facilities of Gulf's tank battery on this section?

(Applicant's Exhibit No. 2
marked for Identification.)

A Gulf has a tank battery on this lease approximately 3350 feet from the North line and 1450 feet from the West line of this Section 4. Now, in error, this plat shows two large tanks and two separators. Actually, there are four battery tanks on this lease at this time.

Q Are there any other proposed facilities?

A No, sir. We think that two thousand barrel capacity for these four tanks is sufficient and should be able to care for production, not only from the eight wells, but for a maximum of sixteen.

Q What did the present eight wells produce last month, or for the last month that you have figures?

A The last month that I have figures for was January, on which we produced eighty-six hundred and twenty-five barrels of oil from eight wells, that two hundred and seventy-eight barrels -- an average of two hundred and seventy-eight barrels a day approximately, and the allowable for March is forty-three barrels, and as we have six top allowable wells, and two wells, number two, two limited producers, the March allowable is two hundred and eighty-eight, or ten barrels in excess of the January production, and that two hundred and eighty-eight barrels, adding the ninth well, would make three hundred -- approximately three thirty, about six days' storage for nine wells.

Q Has the ninth well been drilled and completed as yet?

A It is in the process of being completed, I believe. They are down in the oil zone, and application has been filed for a dual completion with the Jalmat gas, and they are in the process of getting that done. Not the Commission, Gulf.

Q What would be the allowable, based on current allowable rates, if you had sixteen producing wells on this section, what would that allowable be, the current --

A Assuming forty-three barrels is the basic unit allowable, and also assuming, of course, that the other eight wells are top allowables, the production per day would be slightly less in excess of six hundred barrels, and still approximately three days' storage.

which we believe to be adequate. Of course, if Shell Pipe Line Company finds that they can't keep a tank on the line every day, we need more storage if, and when we drill the 16th well, we will drill a tank.

Q But as of now, and as of the expected future, you believe that there are enough, there is enough tank capacity there now?

A Yes, sir.

Q Is the gas being utilized?

A Yes, sir, all the gas is being utilized. Approximately ninety per cent of it goes to Phillips Petroleum Company and about ten per cent is used on lease.

Q Do you have adequate testing facilities at the battery?

A Yes, sir, we have two separators. I believe one of them is a large -- what we call a regular separator, three by eleven, and the other, a test separator, a two by five, and we feel that there is adequate separators on the lease to test wells at sufficient intervals in order to comply with the Oil Conservation Commission's requirement that a reasonable estimate be given on well production.

Q Are the test separators, or is the test separator rigged for each well on the lease at the present?

A No, sir, we just have the two separators, but of course, the header is set up so that each well can be produced through this test separator.

Q What other benefits will result from this exception if --

A Primarily, it is a matter of practical convenience and economics.

Q Will correlative rights be effected?

A No, sir.

MR. KASTLER: Does the Commissioner or the Hearing Officer have any questions?

MR. FISCHER: I have some questions.

MR. MANKIN: Mr. Fischer.

CROSS EXAMINATION

BY: MR. FISCHER:

Q Mr. Walker, what will be the storage of your final tank battery, say after you have all sixteen wells completed, what will be the total storage, and what will your tank battery consist of, in tank size?

A I don't believe that those plans are positively definite at this time, Mr. Fischer. Actually, I feel that we have adequate tankage now, with four, five hundred barrel tanks and two separators, but should that prove to be insufficient so far as the pipe line built to run the oil, well then, we will add more five hundred barrel tanks. We don't anticipate losing any allowable for the company or for the State as a result of not having sufficient tankage.

Q You say that Shell Pipe Line is the transporter?

A Yes, sir.

Q How do they run their oil. In other words, do they block run in that field sometimes?

A I am sorry, I don't know. I can't answer that.

Q Well, what I was trying to get at is when you have a tank ready, are you assuming that they will take it without delay?

A I am assuming that, but that may be a broad assumption.

Q What does your present storage consist of now, for your present wells, not including No. 9? Do you have three days?

A Six days.

Q You have six days?

A Yes, sir. Sixteen wells would be three days.

Q And you feel that when you have your sixteen wells, then you will have adequate testing facilities?

A Yes, sir.

Q Do you have any plans right now, or can see any in the future for this automatic custody transfer on this lease?

A I don't believe this particular lease is coming, has come into that stage of planning. Gulf, in other parts of their operations in West Texas, now has one automatic battery in operation, I believe, and certainly, we plan to have things like that in the future, but you might say it is still in the experimental stages with us.

MR. FISCHER: That's all I have.

MR. MANKIN: Are there any further questions of the witness?

BY: MR. MANKIN:

Q Mr. Walker, is it your opinion that there is adequate testing facilities and adequate tankage on the lease when fully developed to adequately test each well?

A Yes, sir. Actually, with sixteen wells, I believe, possibly we would need a couple of more tanks, maybe as high as six tanks, but two separators is all that should be necessary. That, with any reasonable effort, gives you almost two tests a month, and from my own personal knowledge, back over the years, I have tested wells, with sixteen wells in a battery and got pretty good results.

Q Also, Mr. Walker, you indicated that there is one basic lease, this J. F. Janda "F" No. 1. I note that the Northwest Quarter of Section 4 is presently dedicated to Gulf's Ramsey State A, 640-acre unit.

A Yes, sir.

Q Does that mean that there is any diversity of royalty as far as the lease is concerned?

A No, sir.

Q It is all one basic lease, although it is shown as a portion of a lease and a portion of the "F" Lease?

A I didn't understand your question.

Q Is the Northeast Section presently dedicated to the 640-acre unit known as the Ramsey State "A" Well, located in the Southwest of Section 34?

A It is dedicated to that gas well in the Jalmat.

Q But as far as this being one basic lease, it is the "F" Lease, is that correct?

A That is the "F" Lease. I will clarify that further. The J. F. Janda "F" Lease covers more area than 640-acres. For instance, the J. F. Janda on the Southeast Quarter of Section 32, and diagonally northwest of this, is J. F. Janda, taken under the same basic lease

but it's what we call a non-contiguous tract, and we have this as has been designated, and this is all of the "F" Lease. Now, so far as the ownership of the W. A. Ramsey No. 1 Well, and this Quarter Section in the Northwest Quarter, they both belong to the State, I think. The State probably has them dedicated to different people, but I don't know. There is no divergence under the "F" Lease.

Q In other words, there is no divergence under Section 4?

A Right.

MR. MANKIN: Are there any further questions of the witness?

Mr. Fischer.

BY: MR. FISCHER:

Q Mr. Walker, I assume then, that your tankage on that particular lease will be primarily determined by the production of the wells and the manner in which the Shell Pipe Line takes the oil?

A That's right. If we run the oil, we could tell when to run the oil, and four tanks would be adequate, which we now have, but you know, you don't always have it the way you want it.

MR. FISCHER: That's all I have.

BY: MR. MANKIN:

Q Has permission been obtained from the New Mexico State Land Office for approval of this proposal?

A No, sir, I didn't know that I needed it.

Q I think the only reason for that would be for them to determine that it is definitely under one beneficiary, and I believe it would be advisable to obtain their permission.

A We will do that.

Q It will probably be routine, but it will satisfy the royalty ownership.

A We will do that.

MR. MANKIN: Are there any further questions of the witness? Do you wish to have Exhibits 1 and 2 entered in evidence?

MR. KASTLER: Yes, I do, if you please.

MR. MANKIN: Are there any objections to Exhibits 1 and 2 in this case? If not, they will be so entered. If there is nothing further of the witness, the witness may be excused. Are there any statements or anything further in this case? If not, we will take the case under advisement.

STATE OF NEW MEXICO)
)
COUNTY OF BERNALILLO) ss.

I, J. A. Trujillo, 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 in Stenotype and reduced to typewritten transcript by me, and that the same is a true and correct record to the best of my knowledge, skill, and ability.

WITNESS my Hand and Seal, this, the 4th day of April, 1957, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

J. A. Trujillo

NOTARY PUBLIC

My Commission Expires:

October 5, 1960

I do hereby certify that the foregoing is
a complete record of the proceedings in
the hearing of Case No. 1232
heard by me on March 27, 1957.
W. A. [Signature] Examiner
New Mexico Oil Conservation Commission