

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

September 24, 1957

IN THE MATTER OF
CASE NO. 1319

TRANSCRIPT OF PROCEEDINGS

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3-6691 5-9546

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
September 24, 1957

IN THE MATTER OF:

Application of Standard Oil Company of
Texas for an order authorizing the
production into a common tank battery
of the oil produced from two separate
leases in the Atoka Pool, Eddy County,
New Mexico. Applicant, in the above-
styled cause, seeks an order authorizing
the production into a common tank
battery of the oil produced from two
separate leases in the Atoka Pool. Said
leases comprise the SW/4 SW/4 of Section
13 and the SE/4 SE/4 of Section 14, all
in Township 18 South, Range 26 East, Eddy
County, New Mexico.

CASE NO.
1319

BEFORE:

Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

MR. NUTTER: Case No. 1319.

MR. COOLEY: Case No. 1319. Application of Standard Oil
Company of Texas for an order authorizing the production into a
common tank battery of the oil produced from two separate leases
in the Atoka Pool, Eddy County, New Mexico.

MR. WALTERS: I would like to introduce myself, I am John
Walters and I am an attorney, and Mr. Bob Stewart who is with the
Engineering staff of Standard Oil Company. I would like to use
Mr. Stewart as a witness.

ROBERT STEWART

called as a witness, having previously been duly sworn, testified as follows.

DIRECT EXAMINATION

BY MR. WALTERS:

Q Mr. Stewart, have you been qualified by the New Mexico Oil Conservation Commission? A No I haven't.

Q Would you state your educational qualifications?

A I graduated from the University of Houston with a BS in Petroleum Engineer in 1952.

Q And you are now presently employed by whom?

A I am employed by Standard Oil Company of Texas.

Q And for how long?

A I have been with Standard Oil five and a half years.

Q And you have been in their engineering department --

A Five and a half years.

MR. WALTERS: Does the Commission accept his qualifications?

MR. NUTTER: The witness is qualified.

Q (By Mr. Walters) I would like to introduce some Exhibits to be used in the hearing, I wonder if you could pass them over please? The first Exhibit, Mr. Examiner, is a map of the Atoka field in the area of the leases in question here. I would like to point out that Standard Oil Company of Texas has unitized the North Half of the Southeast Quarter of the Southeast Quarter of Section 14 with the South Half of the Southeast Quarter of the Southeast

Quarter.

And, if I may at this time, this is a copy of the pooling or unitizing agreement, and we would like to introduce it as an exhibit.

MR. NUTTER: This will be marked as Exhibit No. 2, the plat is Exhibit No. 1.

A The communization of those two 20-acre lease from a 40-acre lease on which there is one well now drilled. The North Half of that Quarter Quarter Section is the Elsa McNatt lease, which was communitized with the South Half, a 20-acre lease, of the Vandagriff lease. As I said, the well which is now the McNatt-Vandagriff unit No. 1 well is now located on the formerly Elsa McNatt portion of the 40-acre lease.

MR. WALTERS: We would like to introduce as an exhibit a reduced area map of the same lease area.

MR. NUTTER: It will be marked as Exhibit No. 3.

A On each of the two 40-acre leases, there is a single well drilled, as I point out, the McNatt-Vandagriff unit well no. 1 and the McNatt no. 1 well. Each of the wells is completed in the Atoka field and producing from a common source of supply.

Q We would like to introduce as Exhibits 4 and 5, the production agreement, let's see, this one is signed by the executrix of the estate of Elsa McNatt, and this would be five; this is a production agreement signed by Lee Vandagriff and Anna May Vandagriff, whereby the leasehold owners agree to the common pooling

of the oil from the different leased areas.

We would like to introduce a facility map of the same area, and I would like Mr. Stewart to explain this to the Commission.

A I would like to point out the McNatt-Vandagriff lease and the Lee Vandagriff lease --

MR. COOLEY: You are now referring to Exhibit 6?

A Yes, I believe so. The equipment on the lease, is, at the present time is shown on the larger portion of the facility map and at the bottom of it we have the proposed battery detailed. You will notice that there will be installed two heater treaters, one from each of the two wells, and directly down stream from the heater treaters, each of them, we have shown a positive displacement meter. We would like an order to be written specifying a meter on each of the two wells or a meter, positive displacement meter on one of the two wells with production from each of the two wells to be accounted for by subtracting off the metered amount from the total production. It is our plan to test the meters, meter or meters, monthly to assure their accuracy.

Q Mr. Stewart, could you explain to the Commission the basis for the application?

A Well, the installation of two complete meters, one on each of the two leases, would of course, incur additional expenses. We estimate that would be in the vicinity of eight thousand dollars, equipment alone probably would be around five thousand, supplying two, five hundred barrel tanks, two, ten tanks, and of course, we

will have two heater treaters that would not be included, and in addition to that, we will have the labor cost of installing the additional tank batteries and the maintenance of them.

MR. WALTERS: This proposed application, which is noted in the request for the application, is an exception to New Mexico Rule 309-A and as has been pointed out in the Exhibits and by the testimony, the leasehold interest owners have agreed to the commingling and single tankage. The individual wells will be metered as suggested and consequently, production from each well will be adequately taken care of.

MR. WALTERS: That is all.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Stewart, will there be any appreciable change in volume from the time the oil leaves the heater treater until it is run into a pipeline after it has been in the five hundred storage tanks?

A We don't feel there would be.

Q Would there be any lose of volume due to weathering of the oil?

A No, sir, I don't feel that there would be any great amount of lose. At the present time, we are producing into a tank on each of the two leases. It is a temporary arrangement, and it would be similar to what we have.

Q What I am driving at is the flexibility of measuring the

oil in one of these tanks and then metering the oil from one of the wells and subtracting the difference, that might not be one hundred percent accurate on account of the lose of volume on the storage tank?

A We hadn't considered that there would be any great loss. I really don't know, I wouldn't say positively. In the event that there would be, or possibly would be, then two meters would be the more accurate way of determining production from the two wells.

Q Now, how about separation for the oil and gas?

A The separation would come in the heater treaters, we have shown the water line, and the gas line here.

MR. WALTERS: We do request the Commission to take under advisement the proposed arrangement whereby we would have the single meter and the subtraction from the tankage, and if the Commission would agree to that, we would of course, like it that way, if not; if the Commission wouldn't agree to separate meters --

A It will allow some flexibility. Of course, our intentions are to get accurate metering of the production and if it's felt that it would not be accurate by the subtraction method, of course we would like the additional installation.

MR. NUTTER: Does anyone else have any question of the witness? Mr. Cooley.

QUESTIONS BY MR. COOLEY:

Q What is the difference in cost between one meter and subtracting the difference, and two meters?

A A meter costs approximately \$450.00.

MR. COOLEY: And the last question, I think I better ask the attorney rather than you. You say the leasehole owners have agreed to this. By this, you mean the working interest?

MR. WALTERS: These are the individual owners, this is individually owned land.

MR. COOLEY: You mean the royalty owners, is that what you are referring to?

MR. WALTERS: Royalty owners.

MR. COOLEY: And Standard Oil of Texas is the only working interest owner?

MR. WALTERS: That is right.

MR. COOLEY: And you have lease on the entire acreage?

MR. WALTERS: That's right.

MR. COOLEY: And all of the royalty owners have agreed --

MR. WALTERS: Yes, sir. There isn't but three, and the two -- there is Lee Vandagriff and Anna Vandagriff, her's, and --

MR. COOLEY: By her's would you --

MR. WALTERS: The 40-acre unit. In other words, that is the Southwest Quarter of the Southwest Quarter, they are also owners of a portion of the Southeast Quarter which has been unitized with the other portions so there are actually three owners in the 80-acres.

MR. COOLEY: You are aware of no others?

MR. WALTERS: There are no others.

MR. WHITE: I would like to point out to Mr. Examiner that

in the communitization agreement, I believe in the production agreement signed by the two parties, provision is made whereby production from each of the two wells will be accounted for by positive displacement meters. In the event meters are installed on each of the two wells, no alteration of this will be necessary, and in the event it is decided to produce through one meter and account for production by subtraction, then we will attempt to alter this agreement.

MR. NUTTER: I see. Does anyone else have any further questions of the witness? Mr. Cooley.

QUESTIONS BY MR. COOLEY:

Q Mr. Stewart, do you feel that the reduction in cost of the lease equipment in the manner proposed, as compared with the cost if installing individual tank batteries for each well, would permit the wells to be produced for a longer period of time? I mean, would they become marginal at a later date due to the reduced lease cost? That's a difficult question to express.

A You are speaking of expense, I suppose.

Q Wells that are abandoned because they are no longer economical to operate.

A Of course, there would be a greater expenditure of money in the installation of two separate tank batteries, and I suppose, if I understand your question right, I would answer the question, yes, they would become marginal.

MR. COOLEY: That is all.

MR. NUTTER: The operating cost would also be higher for two tank batteries?

A Yes, that's right.

MR. NUTTER: Any further questions of the witness? If not, the witness may be excused.

MR. WALTERS: I would like to introduce these exhibits into the hearing as Exhibits.

MR. NUTTER: Without objection, Standard's Exhibits 1 through 6 in Case 1319 will be received. Does anyone have anything further in Case 1319? If not, we will take the case under advisement and the hearing is adjourned.

C E R T I F I C A T E

STATE OF NEW MEXICO)
 : ss
COUNTY OF BERNALILLO)

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 was reported by me in Stenotype at the time and place hereinbefore set forth; that same was thereafter transcribed into typewritten transcript by me; and that same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this, the 2nd day of October, 1957,
in the City of Albuquerque, County of Bernalillo, State of New
Mexico.

J. A. Druzella
NOTARY PUBLIC

My Commission Expires:
October 5, 1960.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 1219
heard by me on 9-24, 1937.
Charles A. Miller, Examiner
New Mexico Oil Conservation Commission