

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 1700

TRANSCRIPT OF HEARING

June 25, 1959

DEARNLEY - MEIER & ASSOCIATES
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I N D E X

<u>WITNESS</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>
JOHN H. HOOVER	4		

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
June 25, 1959

IN THE MATTER OF:)

Application of Gulf Oil Corporation)
for permission to commingle the)
production from two separate leases;)
Applicant, in the above-styled cause,)
seeks an order authorizing it to)
commingle the production from the)
East Millman Queen-Grayburg Pool from)
two separate non-contiguous leases in)
Township 19 South, Range 28 East,)
Eddy County, New Mexico.)

CASE NO.
1700

BEFORE:

ELVIS A. UTZ, Examiner.

TRANSCRIPT OF PROCEEDINGS

MR. UTZ: Case 1700.

MR. PAYNE: Case 1700. Application of Gulf Oil Corporation for permission to commingle the production from two separate leases.

MR. KASTLER: Bill Kastler appearing on behalf of Gulf Oil Corporation and our witness in this case today is Mr. John H. Hoover.

MR. PAYNE: Let the record show that Mr. Hoover is the same Mr. Hoover who testified in the previous case and was sworn at that time.

a witness, having previously been sworn on oath, testified as follows:

DIRECT EXAMINATION

BY MR. KASTLER:

Q Mr. Hoover, would you please explain what Gulf is seeking in its application in this Case No. 1700?

A We are asking for permission to commingle the production from our Eddy State B in lease with the production on our Eddy State A.N. lease. These leases being described, the B.N. lease as the southeast quarter of Section 11, Township 19 South, Range 28 East. Our A.N. lease described as the south half of the northwest quarter and the north half of the south half of Section 13, Township 19 South, Range 28 East, Eddy County, New Mexico.

Q Mr. Hoover, had you caused to be prepared a lease plat which is labeled Exhibit No. 1 in Case 1700?

A Yes, I have.

Q And in Exhibit No. 1 are these locations graphically shown?

A We have outlined the leases with hash marks to identify them. On this plat we have also shown in a little green square the approximate location of the existing tank battery on our Eddy State A.N. lease. We also show a green dotted line, which is the approximate location of the flow line that we propose

to take the production from the B.N. lease to the battery on the A.N. lease.

Q These are two separate leases, is that correct?

A Yes, they are.

Q Are all the wells material to this application producing from a common source of supply?

A Yes, they are. They are producing from the East Millman-Queen Grayburg Pool.

Q Are there 16 units or less which will produce into this common proposed tank battery?

A Yes, sir.

Q Are adequate facilities provided for accurately determining production from each well at particular intervals?

A Yes.

Q What are the nature of those facilities?

A Our battery on the A.N. lease consists of two high 500 barrel storage tanks, a heater treater, and a test separator. The production from wells on the A.N. lease now go through the heater treater to the storage. The well on test is diverted through the test separator to a storage -- to the other storage tank where it is gauged manually.

Q As I understand it, any well can be selectively tested individually of all others?

A Yes, sir.

Q Is the ownership of both leases involved common throughout? That is, is Gulf the operator?

A Yes, sir.

Q Owning the full 7/8 working interest?

A Yes, sir.

Q Are the two State leases in this application dedicated to the same beneficiary, that is the State in administering this for one beneficiary?

A Yes, it is, that being Public Buildings.

Q Are any Federal or Indian land involved in any way in this application?

A No.

Q Were all offset operators to both leases notified of this application?

A Yes, they were.

Q Has any objection been made to your knowledge?

A To my knowledge none has.

Q Would the granting of this application adversely effect correlative rights of others?

A No, sir.

Q Would it be in the interests of conservation and prevention of waste?

A Yes, it would.

Q How?

A We estimate that the cost to install this 2 inch line from a location near our Eddy State B.N. No. 1 to the existing battery on our Eddy State A.N. lease to be approximately \$3,500. A conventional battery on this lease would cost us approximately \$12,000. Through this commingling we would realize a saving of \$8,500 approximately.

Q In order to accomplish this proposal, it would be necessary to obtain a right of way, would it not, over portions of Section 13?

A Yes, it would.

Q And if granted would Gulf make an application for all lands involved, state lands?

A They are.

Q And Gulf would make the application and obtain necessary rights?

A Yes, sir.

Q Would there be anything more involved than a single line running from one well?

A No, sir.

Q In the future would there possibly be more lines involved?

A In the future there would. For the first well on the B.N. lease we can use our flow line as a test line. Just having one well we could divert it through the test separator or through

the production phase of the battery. However, in the event that we have a second well, then we would plan to either put a metering separator on our B.N. lease or run another flow line to the battery.

Q Was Exhibit No. 1 prepared by you or at your direction and under your supervision?

A Yes, it was.

Q Has the state indicated it's willingness to grant this application?

A Yes, it has. We have a letter from the State Land Commissioners Office.

Q Do you have the original of that letter here?

A Yes, I do.

Q And have these Verifax copies been made of that original copy?

A They have.

MR. KASTLER: Mr. Utz, at this time I would like permission to offer as Exhibit No. 2 the original letter from the State Land Office, but then move that it be withdrawn and the Verifax copy substituted.

MR. UTZ: It will be all right.

Q (By Mr. Kastler) Mr. Hoover, does Exhibit No. 2 grant permission to Gulf Oil Corporation for accomplishing this proposal?

A Yes, it does, and it further states that both leases have one common beneficiary institution, that being Public Buildings.

MR. KASTLER: These are the only questions I have of this witness. And I would move at this time that Exhibits 1 and 2 be made a part of this record.

MR. UTZ: Without objection Exhibits 1 and 2 will be made a part of the record.

BY MR. UTZ:

Q Mr. Hoover, did I understand that you now have a well on the B.N. lease?

A It is in the process of being completed. It has not been completed, but we do have tests on it. We will have a well in the Queen.

Q Do you intend to drill more wells on this lease, do you?

A I believe that a second well is planned at this time.

Q Now, if you drill the second well, what was your proposal again?

A We would put a metering type separator on the B.N. lease in which that would serve as test facilities for both wells on the B.N. lease. Or in the alternative we might want to put the metering separator at the battery and install another flow line. So in effect we would have two flow lines, one for test and one for

production. But we will have -- either way we go would be adequate testing facilities for the wells.

Q Is this Queen crude sweet?

A We don't have any sample of any fluid from that pool, so I cannot answer whether it is sweet or sour.

Q Don't you have any Queen wells on the A.N. lease?

A Yes, sir, but we do not have any fluid analysis.

Q I see. Now, you want permission in this order to install a positive displacement meter on your B.N. lease?

A No, sir, we will not have a meter at this time.

Q In the event of the second well, you want this order to give you permission to install the extra meter on the B.N. lease?

A Yes, if that would be possible. Or maybe the meter provides adequate testing facilities, I mean the order.

Q I don't know whether we can do it or not. We will do what we can.

MR. UTZ: Is there any other questions of the witness? If not, the witness may be excused.

(Witness excused.)

MR. UTZ: Are there any other statements being made in this Case 1700? If not the case will be taken under advisement.

STATE OF NEW MEXICO)
 : ss
 COUNTY OF BERNALILLO)

I, Ned A. Greenig, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached transcript of proceedings before the Oil Conservation Commission was reported by me in stenotype and reduced to typewritten transcript by me and/or under my personal supervision 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 day of July, 1959,
 in the City of Albuquerque, County of Bernalillo, State of New Mexico.

 Notary Public

My Commission Expires:
 May 5, 1963

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examiner hearing of Case No. 1700,
 heard by me on June 24, 1959.
 _____ Examiner
 New Mexico Oil Conservation Commission