

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
EXAMINER HEARING

IN THE MATTER OF:)

Application of Continental Oil Company)
for an amendment of Order R-1440.)

Case 1825

December 11, 1959.

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IN THE MATTER OF:)

Application of Continental Oil Company for)
an amendment of Order R-1440. Applicant,)
in the above-styled cause, seeks an order)
amending Order R-1440 to permit the com-)
mingling of Tubb and Blinebry production)
on its Lockhart A-17 lease in Section 17,)
Township 21 South, Range 37 East, Lea)
County, New Mexico, without separate meas-)
urement.)

Case 1825

BEFORE:

Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. PAYNE: "Application of Continental Oil Company
for an amendment of Order R-1440."

MR. KELLAHIN: Jason Kellahin, Kellahin and Fox, Santa
Fe, New Mexico, representing the Applicant, and we'll have one
witness, Mr. V. T. Lyon.

(Witness sworn.)

MR. KELLAHIN: This is an application for an amendment
to Order R-1440 which was entered in Case 1682 following a hearing
held June the 3rd, 1959. In connection with that case the pro-
posal of the Applicant was to meter production from only one zone.
However, Order R-1440 required that prior to commingling that the

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oil production from the Blinebry Oil Pool and the oil produced from the Tubb Gas Pool be separately metered prior to commingling, which is the purpose of this application, to attempt to show to the Commission such a requirement results in waste and may well result in premature abandonment of some oil in the reservoir, and rather than go through all the testimony which has been previously entered in this case, we would like at this time to offer in evidence the record which was made in Case 1682, held on June 3rd, of 1959, and merely supplement this record and bring it down to date.

MR. NUTTER: This's Case 1682?

MR. KELLAHIN: Yes, sir, Case 1682.

MR. NUTTER: The Case in 1682 will be incorporated in this case, Mr. Kellahin.

VICTOR T. LYON

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Will you state your name, please?

A Victor T. Lyon.

Q By whom are you employed and in what position?

A I am employed by Continental Oil Company as District Engineer in the Eunice District, located in Eunice, New Mexico.



Q Have you previously qualified before this Commission as an expert engineer and had your qualifications accepted?

A Yes, sir.

MR. KELLAHIN: Are the witness's qualifications accepted?

MR. NUTTER: Yes, sir, please proceed.

Q You have heard the statement that I have just made in regard to this application. Is there other information which is presently available which you would like to offer the Commission in regard to the Lockhart A-17 Lease?

A Yes, sir. As you pointed out, the Order R-1440 required that we meter separately the production from these two zones prior to commingling, and also that at the time that water production commences that we install separate treating facilities.

Q Before we get into a discussion of that, will you describe briefly to the Commission what is involved since we don't have the record here before us?

A Yes, sir, this lease consists of 120 acres. There is, there are three wells on the lease. One is a Blinebry oil well which pumps approximately 5 barrels of oil per day. Another well is dually completed in the Drinkard and the Tubb zones. The Tubb is oil productive on this, at this location, and that well is flowing about 16 to 18 barrels per day. Another well on the lease is completed in the Drinkard Pool as a single producer. The two formations that we're concerned with are the Tubb and

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Blinebry. When the Tubb producer was completed we thought that in the interest of economy and conservation that we should commingle the Tubb and Blinebry production. This, as I say, is in the interest of conservation in that the Blinebry battery consists of two 210-barrel tanks.

At the rate that the Blinebry produces, it requires approximately 40 days to fill the tanks during which time the oil is subject to evaporation. By commingling the Tubb and Blinebry, our production will, our daily production will be increased to 20 to 25 barrels a day, so that the time to fill the tanks is materially reduced and, of course, the evaporation losses are materially reduced.

Q Now, under the present order, of course, you can already commingle into one common tank battery the production from the two zones, is that correct?

A Yes, sir.

Q What objection is there to the present order?

A Well, when we filed our application we had proposed to install an economical metering separator, which for slightly additional cost would give us a little more information on which to report the production from the individual zones. However, under the terms of the order that was entered, we were required to install a dump meter, or some type of meter for the Blinebry, and in the event that water production again, we would also be



required to install a treater.

Well, the dump meter costs approximately \$600.00, heater treater costs approximately \$3600.00, you'll recall that this well pumps about 5 barrels per day from a depth of 5500 feet, it is very near the economic limit. If we were required to install the equipment we would be likely to abandon the Blinebry in order to use the Blinebry battery for the Tubb production. Consequently we feel that we would be forced to prematurely abandon the Blinebry.

Q Would the installation which you propose give you an accurate measure of the oil production from the two separate zones, and if so, how would that measurement be made?

A As I have stated, we have a metering separator for the Tubb so that we have a very good indication of the amount of oil that is produced by the Tubb. Also we take periodic tests, both required by the Commission and those which we take for our own information, so that we can determine quite accurately we believe the production at the individual zones.

Q If the tanks are filled in eight to ten days, as you have testified, would the factor of shrinkage by evaporation make an appreciable difference in your oil measurement?

A I'm not sure what the magnitude of the shrinkage is. We haven't made any tests to determine it. I'm sure that it is significant. I don't know of what volumes it would involve.

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Q Assuming that there is some shrinkage, is there any difficulty entailed in the accounting for the royalty owners or overriding royalty?

A No, sir, the working interest and the royalty interests in both of these zones on this lease are identical.

Q Then the only purpose in measuring the production to a high degree of accuracy is to account for the zone from which it came?

A That's correct.

Q Both wells are marginal I believe you testified?

A Yes, sir.

Q So there's no danger of exceeding any allowable assigned by this Commission?

A No, that is of no concern whatever. I might point out also that the Commission has recently allowed commingling of two zones without requiring separate measurement, and perhaps we misled them when we stated that we would put a metering separator on the Tubb. We were trying our best to give an accurate accounting of the two zones, but actually these, both of these zones are marginal and there's no way that we could possibly produce more oil than we're allowed to.

Q Is the proposal of Continental, in your opinion, in the interest of conservation and the prevention of waste?

A Yes, sir.

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Q Do you have anything further to add?

A I don't believe so.

MR. KELLAHIN: That's all the questions I have.

MR. NUTTER: Any questions of Mr. Lyon?

MR. PAYNE: Yes, sir.

MR. NUTTER: Mr. Payne.

CROSS EXAMINATION

BY MR. PAYNE:

Q I believe you testified that the ownership is common in this lease at all depths, is that right?

A Yes, sir.

Q And that both zones are marginal?

A Yes, sir.

Q And you expect them to remain so?

A Yes, sir.

Q Do you propose to drill any additional wells on this lease in the Blinebry or the Tubb?

A No, we do not.

Q In that case it doesn't really matter what the shrinkage is, does it?

A That's about right.

MR. PAYNE: Thank you.

BY MR. NUTTER:

Q Mr. Lyon, the amount of time that it takes to fill



these tanks isn't changed by an amendment to this order, the amount of shrinkage that goes on, due to the length of time it takes to fill a tank, is going to remain the same whether you meter each zone separately or not?

A That's true.

Q Both of these wells are classified as oil wells?

A Yes, sir.

Q The Blinebry and Tubb both?

A Yes, sir.

Q Is there any danger of either one of them being re-classed as gas wells?

A I am certain there is no danger of the Blinebry being reclassified. It is a pumping well with a very low gas-oil ratio.

Q What is the gas-oil ratio?

A I don't have that information with me. I can send it to you if you desire, but I believe it's less than 2,000 to 1.

Q How about the Tubb, what's the gravity there?

A The gravity, I believe, it's about 39 degrees.

MR. NUTTER: Any further questions of Mr. Lyon? He may be excused.

(Witness excused.)

MR. NUTTER: Do you have anything further, Mr. Kellahin?

MR. KELLAHIN: No, that's all I have.



MR. NUTTER: Does anyone have anything further for Case 1825? We will take this case under advisement and take a fifteen minute recess.

STATE OF NEW MEXICO)
 : SS
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 11th day of December, 1959.

Ada Dearnley
Notary Public-Court Reporter

My commission expires:

June 19, 1963.

I do hereby certify that the foregoing is a complete record of the proceedings in the Oil Conservation Commission of Case No. 1825 heard by me on 12-11, 1959.

[Signature], Examiner
New Mexico Oil Conservation Commission

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