

BEFORE THE
OIL CONSERVATION COMMISSION
Mabry Hall
Santa Fe, New Mexico
January 28, 1960

EXAMINER HEARING

IN THE MATTER OF:

Application of Skelly Oil Company for permission to commingle the production from two separate pools. Applicant, in the above-styled cause, seeks permission to commingle the production from the Drinkard Pool and the Tubb Gas Pool from all wells on its State "K" lease comprising the N/2 NW/4 of Section 32, Township 21 South, Range 37 East, Lea County, New Mexico.

BEFORE:

Mr. Elvis A. Utz

TRANSCRIPT OF HEARING

MR. UTZ: Case 1885.

MR. FLINT: Case 1885, application of Skelly Oil Company for permission to commingle the production from two separate pools.

(3 Exhibits marked for identification.)

ARTHUR BAUMGARDNER

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

DIRECT EXAMINATION

BY MR. WHITE:

Q Mr. Baumgardner, are you familiar with the subject application of Skelly?

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A Yes, sir, I am.

Q Are the royalty interests the same in the leases and the working interests also?

A Yes, sir.

Q Will you refer to Exhibit No. 1 and explain the same to the Examiner?

A Exhibit No. 1 shows the State K lease as the 80 acres, and the North half of the Northwest quarter of Section 32, which has four wells. The No. 1 and No. 2 wells are Penrose Skelly wells. The No. 3 and 4 wells are Drinkard wells, with the number 3 being dual completed, in the Tubb gas formation, which is producing a small amount of distillate.

Q You do not intend to commingle any production from the No. 1 well?

A No, sir. The No. 1 well in this case is considered as sour crude and sold under a sour crude price to, I believe, it's --

Q At any rate, it is on a separate tank battery?

A Yes, sir. 1 and 2 goes to a different pipe line than the production from well 3 and 4.

Q And will you refer to Exhibit No. 2 and explain that Exhibit?

A Exhibit No. 2 shows a schematic diagram of the proposed separator heater treaters and stock tanks for the commingled production. On the left it shows the production from the No. 3 and



4 Drinkard oil. It comes through a separator into a heater and into the stock tanks. The right hand series is the No. 3 Tubb gas dissolute. It comes into a high pressure separator into a heater treater, and then into the stock tank by manipulation of the three valves. The crude can be run in separate tanks and be tested.

Q Will you give the characteristics of these crudes?

A The Drinkard production is considered sweet on this lease and also the dissolute. The No. 3 Tubb completion for the month of November produced approximately three barrels of oil per day, 45 degrees gravity. And the No. 3 and 4 Drinkard wells produced approximately 27 barrels of oil per day of 37 degrees gravity. On mixing these crudes, if my calculations are right, the crude will be a 38 degree gravity crude.

Q Will that bring about a greater or lesser return?

A This will bring about a greater amount of revenue from the lease, approximately sixty cents a day.

Q Has the commission previously granted you approval to commingle any of these crudes from this?

A Yes, sir. This was given approval under Case No. 1655, Order No. 1401. Permission was granted to commingle these crudes with the use of PD dump type meters.

Q Have you used any meters on this production?

A No, sir. At the time this original case was presented,



the No. 3 well was making approximately ten barrels of distillate. The No. 3 well was making approximately ten barrels of distillate. with 750, approximately 750 MCF of gas per day, and thought it would be economical to put the meters in, but the well fell off rather rapidly to approximately three barrels of oil per day. And I think that by putting the meters on there, that would cause undue hardship.

Q Where have you been running this distillate?

A This distillate has been put into test tanks.

Q And why can't you continue to run it into test tanks?

A We are about to run out of test tanks.

Q Then, actually, all you are seeking by this order is permission to commingle without the installation of meters?

A Yes, sir.

Q Were these Exhibits prepared by you or under your direction?

A Yes, sir, they were.

MR. WHITE: We offer the Exhibits at this time.

MR. UTZ: Without objection, they will be received.

Q (By Mr. White) What is the total daily production? What does it average?

A Approximately 30 barrels from all three -- from the Tubbs and Drinkards. It averages approximately three barrels a



day from the Tubb and Drinkard. It averages approximately three barrels a day from the Tubb; approximately 27 barrels from the two Drinkard wells.

Q And what is the allowable?

A I believe for the Drinkard it is 62 barrels of oil per day.

MR. WHITE: We have nothing further.

EXAMINATION BY MR. UTZ

Q Is the Tubb a gas well?

A Yes, sir. I might further add that the average for the month of October, 121 MCF of gas per day. It's sold through the Permian Pipe Line

Q How much tankage would you have to have for your Tubb oil?

A I would estimate either 180 or 210 barrel tank.

Q What would be the cost of such a tank?

A I would estimate it approximately \$1,500.00.

Q Does that include installation?

A Yes, sir. Of course, that is an estimated figure. The approximate cost of the meter -- to put a meter on this system would be approximately \$1,000.00.

MR. WHITE: What other economical advantages would be gained by this commingling installation?

A By the evaporation loss and also we would make



approximately sixty cents a day by commingling these and raising the gravity of the Drinkard oil from 37 to 38 degrees.

MR. UTZ: Any other questions of the witness?

EXAMINATION BY MR. FLINT

Q Mr. Baumgardner, when was -- Mr. Baumgardner, do you recall the date of the issuance of this order 1401?

A The 25th day of May, 1959, the commission quorum being present. This is a copy of the order.

Q Now, on this 25th day is it?

A Yes, sir.

Q At that time, what was the Drinkard making, approximately?

A The last official test, I believe, was in the month of March, which was 33 barrels.

Q And then it declined to what?

A It's making approximately 27.

Q Was that considered quite a rapid decline?

A No, sir. We try to test these wells at their ideal condition. I wouldn't estimate that they would make over 30 barrels per day at the time of the test. We try to get the best test possible.

Q Do you feel that this rate of declining production will be fairly constant? You can expect this well to continue to drop off?

A Yes, sir, I expect the well to continue to drop. At



this rate, I cannot say.

MR. FLINT: That is all.

MR. UTZ: The witness may be excused. Are there any other statements in this case? The case will be taken under advisement.

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REPORTER'S CERTIFICATE

I, Thomas T. Tomko, Court Reporter, DO HEREBY CERTIFY that on Thursday, January 28, 1960, before the Oil Conservation Commission, Mabry Hall, Santa Fe, New Mexico, the above entitled case came on to be heard before Mr. Elvis A. Utz.

I, FURTHER CERTIFY that I recorded in stenotype the proceedings of the above entitled case and the foregoing 6 pages of typewritten transcript is a true and correct transcript of my said stenotype notes, to the best of my ability.

Dated at Albuquerque, New Mexico this 9th day of February, A.D., 1960.


Thomas T. Tomko
Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Executive Hearing of Case No. 1085, heard by me on January 27, 1960.


Examiner
New Mexico Oil Conservation Commission

DEARNLEY-MEIER REPORTING SERVICE, Inc.

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