

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

EXAMINER HEARING

IN THE MATTER OF:

Application of Sinclair Oil and Gas Company for permission to commingle the production from two separate leases. Applicant, in the above-styled cause, seeks permission to commingle the West Teas Pool production from its State Lea 886 lease consisting of the S/2 NW/4 and N/2 NE/4 of Section 16 with the West Teas Pool production from that portion of its State Lea 6019 lease consisting of the NW/4 NW/4 and SE/4 of said Section 16, all in Township 20 South, Range 33 East, Lea County, New Mexico.

BEFORE:

Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING:

MR. UTZ: Case 1950.

MR. PAYNE: Application of Sinclair Oil & Gas for permission to commingle production from two separate leases.

MR. WHITE: Charles White, Gilbert, White & Gilbert. We have one witness to be sworn.

(Witness sworn)

R. M. ANDERSON.

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



DIRECT EXAMINATIONBY MR. WHITE:

Q Will you state your full name?

A R. M. Anderson.

Q And by whom are you employed, and in what capacity?

A Senior Engineer, Midland Division Office.

Q Have you previously qualified to testify before the Commission?

A I have.

Q Are you familiar with the subject application?

A I am.

Q Is Sinclair the owner and operator of 886 and 6019?

A They are.

Q Are they leasehold interests in common?

A They are.

Q Royalty interests in common?

A They are.

Q Will you refer to what has been marked Exhibit 1 and explain that to the Commission, including the location of the proposed commingling unit?

A We are requesting permission to establish a common tank battery to serve our State 886 Lease, which consists of two 80-acre tracts, and our State 6019 Lease, which consists of a 40-acre tract and a 106-acre tract. All of the acreage that is subject to that application has been colored in red on the Exhibit 1. I have



designated the proposed common tank battery location, and it lies just to the east of the No. 1 well in the center of Section 16, Township 20 South, Range 33 East, Lea County.

Q Are these leases contiguous within the definition of the O.C.C. rules and regulations?

A No, they are not, and that is why this matter necessitated a hearing. They have a common point, but they do not have a common quarter quarter section.

Q Are the true characteristics expected to be identical?

A Yes, sir. The production will all come from the Yates formation in the West Teas Pool, which is a common source of supply in this entire area.

Q Now, will you explain the diagrammatic sketch at the bottom of Exhibit 1?

A The diagrammatic sketch on the bottom of the exhibit indicates that there will be a maximum of four wells coming into the State Lea 886 heads and a maximum of five wells coming into the State Lea 6019 heads. From the headers the production will flow through a separator or a heater treater, and then we propose to meter the production from one of the leases. On the exhibit I have shown the location of the meter, which is Item 2, or measuring device, to be on the 886 side. I would like the order, if at all possible, to be general enough to permit us to install the meter on either one lease or the other. I believe that we possibly



would prefer to install it on the 6019 lease. However, that is, we would like that leeway if possible.

Q What type meter do you intend to install?

A We actually are going to install a one-barrel metering dump vessel. However, I would like the order to be general enough to permit the use of either type of measuring equipment.

Q And how many stock tanks do you intend to install?

A At the present time we have two 500-barrel stock tank batteries on the 886 Lease, and we believe that may be enough tankage to handle all of the production.

Q And if not, you will install additional tanks?

A At the most, we will need one additional 500-barrel tank. I might state, at this time we have three wells completed on the subject acreage, wells 1, 2 and 3 on the State 886 Lease. Well No. 2 on the State 6019 Lease is reaching TD at this time, and we expect to have it completed in the next few days. Well No. 1 is a location on the 6019 Lease and has not been spudded yet.

Q Did Sinclair submit a copy of this application to the Commissioner of Public Lands?

A Yes.

Q And did they give their approval?

A Yes, they did.

Q And is that further evidenced by Exhibit No. 2?

A Yes, sir.

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Q Was Exhibit 1 prepared by you or under your direction?

A It was.

Q In your opinion, will this proposed commingling of production impair correlative rights in any manner?

A No, sir.

Q And will it be in the interests of prevention of waste?

A Yes, it will prevent economic waste by not requiring the installation of unnecessary tankage.

Q At this time we offer Exhibits 1 and 2.

MR. UTZ: Without objection they will be entered.

CROSS-EXAMINATION

BY MR. PAYNE:

Q Are you sure that both of these leases have the same beneficiary?

A The only source of information I have is the lease.

MR. UTZ: If it should develop that the State has two beneficiaries in this lease, would you be willing to set a meter for each, to meter each separately?

A If approval of our application is hinged on that factor, we would prefer to set two meters rather than have to maintain two tank batteries.

Q (By Mr. Payne) Mr. Anderson, in view of your belief that the ownership is common throughout, why do you propose to use any meters?



A They are separate leases and subject to separate termination conditions and what not, and we do propose to keep the production separate.

Q I see. To the best of your knowledge, is that also the requirement of the U.S.G.S. on Federal Leases?

A I don't know.

BY MR. UTZ:

Q Mr. Anderson, of the three wells you have completed on this lease, are they top level wells?

A Yes, sir.

Q Would you be willing to test these wells in accordance with common practice, which is once every 30 days, to determine whether or not they are top allowable wells?

A Yes; yes, sir.

MR. UTZ: Any other questions of the witness? Witness may be excused.

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STATE OF NEW MEXICO)
)
 COUNTY OF BERNALILLO) ss

I, the 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.

June Page
 Court Reporter

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1950, heard by me on April 27, 1960.

Stanley H. [Signature] Examiner
 New Mexico Oil Conservation Commission

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