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XXXXX 2-7956

209 Petroleum Life Building

April 14, 1960

Re: McGrath & Smith
Tidewater-State No. 1
NW-SE Section 18, T-13-S,
R-32-E
Lee County, New Mexico

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Attention: Mr. A. L. Porter, Jr.

Gentlemen:

Further to our telegram of April 14, 1960, we wish to apply
for an exception to allowable on subject well.

The North Central Caprock Queen Unit #18-7 is our direct
offset to the north and produced 1800 barrels of oil in March.
Their #18-11 is our direct west offset and this well produced
3380 barrels in March. Production on both of these wells is
increasing. It is our feeling that our lease will be drained
by these wells if we are held to the present allowable.

We will appreciate your consideration of this application at
your earliest convenience.

Respectfully submitted,

McGRATH & SMITH

By: _____
Pomeroy Smith

PS:ph
CC: New Mexico Oil Conservation Commission
Hobbs, New Mexico
Attention: Mr. Joe. Rany

BEFORE THE
OIL CONSERVATION COMMISSION
MABRY HALL
Santa Fe, New Mexico
June 22, 1960

EXAMINER HEARING

IN THE MATTER OF: Case 1972

Application of Gulf Oil Corporation for permission to commingle the production from several separate pools. Applicant, in the above-styled cause, seeks permission to commingle the Blinebry oil production with the Blinebry gas condensate and Tubb gas condensate from all wells on its T. R. Andrews lease comprising the E/2 of Section 32, Township 22 South, Range 38 East, Lea County, New Mexico, after separately metering the Blinebry oil production.

BEFORE:

D. S. Nutter, Chief Engineer
O. E. Payne, General Counsel
Mr. Buck

TRANSCRIPT OF HEARING

Mr. Nutter: Case 1972.

Mr. Payne: Application of Gulf Oil Corporation for permission to commingle the production from several separate pools.

Mr. Hoover was sworn in the preceding case.

Mr. Kastler: I would like to state that orally, or like to orally state, Gulf is moving for a slight amendment in this application in this matter by inclusion of the following language in subject paragraph "C" of our application dated April 27, 1960. The application proposes to commingle Blinebry oil with Blinebry gas condensate and Tubb gas condensate, that sentence is the same.

Blinebry oil production will be metered prior to commingling and

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condensates production will also be metered and this is additional language. It will also be metered by installation of a separate meter prior to commingling and we move that our application be so amended before we proceed with this case.

Mr. Nutter: Let's see, if this changes the situation on the advertisement of the case.

Mr. Payne: They are asking for the lease.

Mr. Nutter: The amendment will be so accepted.

JOHN HOOVER

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

DIRECT EXAMINATION

BY MR. KASTLER:

Q Mr. Hoover, as the Senior Production Engineer for Gulf Oil Corporations, Roswell District, are you familiar with Gulf's application in Case No. 1972?

A Yes, sir, I am.

Q Would you please state what Gulf is seeking in the application and also please state Gulf's reason for suggesting and making this amendment?

A Yes, sir. We are asking for permission to commingle Blinebry oil production with Tubb and Blinebry gas condensate production on our T. R. Andrews lease located in Section 32, Township 22 South, Range 38 East, Lea County, New Mexico. We had intended



to cover all of this lease for Blinebry gas production, the S. E. 1/4 of Section 32 being the South 1/2 of the T. R. Andrews lease and is not covered for Blinebry gas, so we attempted to obtain a gas well on our T. R. Andrews No. 4 which is going to be a dual in the Blinebry gas south paddock oil. However, on the completion the result was a Blinebry oil well instead of a gas well. If we had been successful in obtaining a Blinebry gas well, we would have been permitted to commingle the liquid production from this well with the other Tubb and Blinebry gas condensate without a hearing either by administrative or Examiner, because the Commission allows it. Therefore, since this is an oil well, we have no alternative but to attempt to go in the way we are now proposing.

Q What are your presently installed facilities for production, or would you prefer to cover that as you get to this on the Exhibit?

A I have that on the Exhibit.

Q Would you then, please, refer to a lease plat which is identified as Case No. 1972, Exhibit No. 1 and explain where the critical portion of your lease is located?

A Yes, sir. This outlines the T. R. Andrews lease in red, and I would like to correct for the record at this time where on our well completion is No. 1 and is shown as a drinkard well, which is designated as "T", that well is temporarily abandoned, that is in the N. W. 1/4 of the N. E. 1/4.



Q Do you wish to correct Number 1 to that extent?

A Temporary abandonment.

Q Explaining, although not shown, that this well is temporarily abandoned?

A Yes, sir, and I would also like to correct well No. 3 being in the N. W. 1/4 of the S. E. 1/4, it is shown as Tubb Drinkard Well, or T-T, that should be a Tubb gas well south paddock oil, it should be designated as T-H.

Q Making further reference to Exhibit No. 1, Mr. Hoover, the outline in red designates or describes the East 1/2 of Section 32, 22 South, 38 East. Does that plat also show all of your offset operators?

A Yes, sir, it does.

Q I now wish to call your attention to Exhibit No. 2 and have you explain both your present tank battery set-up and your proposed tank battery set-up, if this application should be granted.

A Yes, sir. This is marked as Exhibit No. 2. The top drawing, or installation, is labeled "Present Tank Battery". The bottom is labeled "Proposed Tank Battery". Referring to the present tank battery, we have our Tubb and Blinebry gas condensate production coming into a header through a separator into a 3210 barrel storage tank. The Blinebry oil is coming in through as labeled here as "a temporary separator", or we refer to it as a "test separator". It's a skid-mounted vessel going into a temporary high 500.



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At the present time the pipeline is connected to the Tubb and Blinebry gas condensate production, but the temporary facilities for the Blinebry oil is not connected to the pipeline and the oil is being trucked. The proposed tank battery is essentially the same as that installation and to go through that we would have the Blinebry gas, the Tubb gas condensate coming through the same separator but we go through a pump meter before going into the 3210 barrel storage tank. The Blinebry oil production would go through a permanent separator, through a dump meter and then tie in with the condensate dump meter then to the 202 barrel storage tanks. I believe that essentially covers our present and proposed installations.

Q What is the expense of trucking the oil under the present tank battery system?

A I believe it runs about sixteen cents a barrel, I am not positive it's in that range.

Q Could the expense of trucking be saved in any way you can see?

A Yes, sir, it will be saved when we are able to obtain an approval to put in the permanent installation.

Q Until that is done, however, the trucking charge must go on?

A Until we have a permanent installation, yes, sir.

Q Then, in your opinion, would there result in substantial savings if this application were granted?



A Yes, sir. A new tank battery for the Blinebry oil would consist of two 250's and the miscellaneous connections would run \$6,300.00. That is assuming that we do not need a heater treater at this time, which we do not, and assuming that we would not have to put one in in the future. The estimated cost for commingling as we propose by the second diagram on Exhibit 2 and proposed tank battery is \$3,000.00. We would save approximately \$3,300.00 through this commingling.

Q Is there diversity of royalty underlying the above lease?

A No, sir, it's all one lease.

Q Would the granting of this application be in the interest of conservation and would it protect correlative rights?

A In my opinion it would.

Q Have the offset operators and has the pipeline been notified of this application?

A Yes, sir, they have.

Q Is there something you would like to add, Mr. Hoover?

A Yes, sir. On our revenue to be received from the production individually and commingled based on our April production for the condensate and estimated production for the Blinebry oil that is estimated because the well was not on full production during the month of April. We estimate that the value of the oil, individually, prior to commingling, and after commingling, would be approximately the same. Our calculation for April, we should have



a gain of \$29.00.

Mr. Nutter: That was about a dollar a day difference?

A That would be very close to the same.

Mr. Nutter: A dollar a day less?

A This was a gain by the commingling.

Q (By Mr. Kastler) Were Exhibits 1 and 2 prepared by you or under your supervision?

A Yes, sir, they were.

Mr. Kastler: This concludes the questions on direct examination and I move Exhibits 1 and 2 be admitted into evidence.

Mr. Nutter: Gulf's 1 and 2 will be admitted.

Any questions of Mr. Hoover?

Q (By Mr. Nutter) You are obtaining to commingle the Blinebry distillate with the Tubb distillate?

A From the pipeline, yes, sir.

Q From the Oil Conservation Commission?

A We did not need permission.

Q 464 provides--

A We have permission to that. Our Tubb and Blinebry gas condensate has been produced on that lease for a number of years.

Q You allocate the distillate on the basis of test?

A Yes, sir.

Q On the individual pools?

A Yes.

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Mr. Nutter: Any further questions?

Q (By Mr. Buck) In your well 3-H Northwest-Southeast of Section 32, will the south paddock oil be produced at all?

A No, sir, not into this battery, the south paddock crude is classified as "sour" and it has to be trucked and it is being trucked at the present time and will continue to be leased for the time being. It is not involved in this commingling.

Q Would it be economical to truck your condensate with that oil?

A No, sir, the condensate, I don't believe, could be commingled with the sour, it's two extremes. It would have to be kept separate by pipeline requirements and I presume that there is probably no sour connection in that general area to provide a connection for the south paddock, and that is the reason for trucking it.

Q The oil for the Blinebry well isn't the same type as your oil from the south paddock pool, not a sour?

A No, sir, I believe it falls into the semi-stage where the paddock is the sour.

Mr. Nutter: Any further questions? Mr. Hoover may be excused.

(Witness excused.)

Mr. Nutter: Do you have anything further, Mr. Kastler?

Mr. Kastler: Nothing further.

Mr. Nutter: Does anyone have anything further in Case



1972? We will take the case under advisement.

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I N D E XWITNESSES:PAGE

JOHN HOOVER

Direct Examination by Mr. Kastler

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E X H I B I T S

<u>Number</u>	<u>Exhibit</u>	<u>Marked for Identification</u>	<u>Offered</u>	<u>Received</u>
Appl 2	2	2	7	7

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STATE OF NEW MEXICO)
)
 COUNTY OF BERNALILLO) ss

I, LEWELLYN NELSON, 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, and that the same was reduced to typewritten transcript under my personal supervision and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

DATED this 9th day of July, 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Lewellyn Nelson
 NOTARY PUBLIC

My Commission Expires:

June 14, 1964

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examiner hearing of Case No. 1972
 heard by me on 6/22, 1960.

[Signature], Examiner
 New Mexico Oil Conservation Commission

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