

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO  
JUNE 22, 1960

-----  
IN THE MATTER OF:

CASE 1992    Application of Texaco Inc. for permission to com-  
mingle the production from three separate leases.:  
Applicant, in the above-styled cause, seeks an    :  
order authorizing it to commingle the production :  
from the Dollarhide-Queen Pool from its United    :  
Royalty "A" Lease comprising the S/2 SW/4, NE/4    :  
SW/4, and the SE/4 NW/4 of Section 19, Township    :  
24 South, Range 38 East, Lea County, New Mexico, :  
its Royalty Holding Company Lease comprising the :  
SW/4 NW/4 of said Section 19, and from its W. L. :  
Stephen Estate Lease, comprising the N/2 NW/4 of :  
said Section 19, after separately metering the    :  
production from each lease.    :  
-----

BEFORE:

Daniel S. Nutter, Examiner

T R A N S C R I P T     O F     P R O C E E D I N G S

MR. NUTTER:    The hearing will come to order, please.

The next case will be Case 1992.

MR. PAYNE:    Case 1992.    Application of Texaco Inc. for  
permission to commingle the production from three separate leases.

MR. WHITE:    Charles White of Gilbert, White & Gilbert,  
Santa Fe, New Mexico, appearing on behalf of the applicant.

MR. PAYNE:    Let the record show that the witness was  
sworn in the preceding case.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



J. E. ROBINSON, JR.

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

DIRECT EXAMINATION

BY MR. WHITE:

Q You are the same Mr. J. E. Robinson, Jr. who testified in Case 1991?

A Yes, sir, I am.

(Thereupon, Texaco's Exhibit No. 1 was marked for identification.)

Q In regard to Case 1992, will you refer to Exhibit No. 1 and explain to the Examiner what leases you seek to commingle?

A Texaco seeks to commingle the production from the Queen formation into a common tank battery from three separate leases, those being our W. L. Stephen Estate Lease, our United Royalty "A" Lease, and the Royalty Holding Lease, all located in Section 10, 24 South, Range 38 East. This plat Exhibit No. 1 shows all of Texaco's leases that we propose to commingle outlined by yellow border with the Queen tank battery shown to be located on our United Royalty "A" Lease. At the present time we have four Queen wells on our United Royalty "A" Lease. We have one Queen well which is a dual well on our Royalty Holding Lease. We have, our Well No. 2 on the W. L. Stephen Estate Lease is also a dual Queen well and Drinkard, and we are presently completing our W. L. Stephen No. 1 in the Queen formation.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



Q This Exhibit also shows that the Leases are contiguous?

A Yes, sir, they are contiguous.

Q What's your reason, Mr. Robinson, for wanting to commingle this production?

A At the present time we have a Queen tank battery on our United Royalty Lease, and only recently have we started dually completing the wells on the Royalty Holding and the W. L. Stephen Estate Lease. If we would separately tank this Queen production from the other two leases it would necessitate installing two additional tank batteries. We propose to commingle all the Queen production into a central ~~tank~~ battery. We propose to do this because of the economics where we would save approximately \$4,690.00 by commingling rather than setting up individual tank batteries with individual treaters.

Q Mr. Robinson, are the royalty interests common as to the three leases?

A No, sir, they are not.

Q Have you obtained waivers from any of the royalty interests?

A Yes, sir. On the United Royalty Holding Lease we have twenty-five royalty owners on this lease. We contacted all of them. We got waivers from twenty-one of the twenty-five royalty owners. This approval from the twenty-one makes up 99.931641 percent. The four who did not send back their waivers represent something a little



less than seven hundredths of one percent of the royalty. We also obtained waivers from the two royalty owners on the United Royalty "A" Lease, and also waivers from two royalty owners on our W. L. Stephen Estate Lease.

Q That would be one hundred percent on the United Royalty and one hundred percent on the Stephen?

A It would be one hundred percent on the United Royalty "A", and 99.93 percent on the Royalty Holding Lease, which is a one-well lease.

(Thereupon, Texaco's Exhibit No. 2 was marked for identification.)

Q Will you refer to Exhibit No. 2 and explain your commingling operations?

A Exhibit No. 2 is a diagrammatic sketch of our proposed commingling installation from the production on the Royalty Holding Company Lease which will pass through a treater where the gas will be taken off and go downstream to our casinghead gas sales. The oil coming out of the treater will go through a positive displacement meter. The same will occur on the United Royalty "A" Lease and the W. L. Stephen Estate Lease. All of the crude production from these three leases will be separately metered by positive displacement meters. After it is metered, it will go downstream where it will be commingled and stored in three high five hundred barrel tanks located on our United Royalty "A" Lease. At the



present time we only have two high five hundred barrel tanks, but we will install an additional high five hundred barrel tank to this consolidated tank battery.

(Thereupon, Texaco's Exhibit No. 3 was marked for identification.)

Q Will you explain the fluid properties, and in so doing, refer to Exhibit No. 3?

A Yes, sir. Exhibit No. 3 shows both the production characteristics of the Dollarhide-Queen Pool and also the commingling statistics. The Queen production is a sour crude. On the Stephen Estate Lease, it has a gas-oil ratio of 307 cubic feet per barrel with a gravity of 32.9 degrees. The Royalty Holding has a GOR of 1630 with a gravity of 33.1 degrees, and the United Royalty "A" Lease has a gas-oil ratio of 724 to 1 with a gravity of 31.7. The commingling statistics, we will have two wells on our Stephen Estate Lease with the completion of Well No. 1 in the Queen formation for a daily allowable of 66 barrels; it has a gravity of 32.9 degrees; a price per barrel of sour crude of two dollars and seventy-one cents for revenue per day of one hundred seventy-eight dollars eighty-six cents. The Royalty Holding Lease has one well, a top allowable well of 33 barrels per day. It has a gravity of 33.1 degrees; a price per barrel of two dollars and seventy-four cents, and a revenue per day of ninety dollars and forty-two cents. The United Royalty "A" Lease, we have four wells producing a daily allowable of 84 barrels a day, a gravity of 31.7 degrees gravity

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

with a price per barrel of two dollars and sixty-eight cents, for a revenue per day of two hundred and twenty-five dollars and twelve cents. We will have a total of a hundred eighty-three barrels with a weighted average of 32.4 degrees API gravity for a revenue per day before commingling of four hundred and ninety-four dollars and forty cents. After commingling, we will receive two dollars and seventy-one cents per barrel for this weighted gravity of 32.4 degrees for a revenue per day of four hundred ninety-five dollars and ninety-three cents, and it represents a gain due to the higher gravity of a dollar and fifty-three cents per day.

Q Mr. Robinson, have the offset operators been notified?

A Yes, sir, they were notified by mail by our letter of May 26, 1960.

Q Were these Exhibits 1 through 3 prepared by you or under your direction?

A Yes, sir, they were.

MR. WHITE: We offer the Exhibits in evidence.

MR. NUTTER: Texaco's Exhibits 1 through 3 will be admitted.

(Whereupon, Texaco's Exhibits 1 through 3 were received in evidence)

MR. WHITE: That completes our direct examination.

MR. NUTTER: Anyone have any questions?

MR. PAYNE: Yes.

MR. NUTTER: Mr. Payne.



## CROSS-EXAMINATION

BY MR. PAYNE:

Q I don't quite understand your schematic as to measurement of casinghead gas. Do you only have one meter?

A Yes, sir, that is correct.

Q What do you do with this gas?

A This gas will be sold with the revenue of the gas dispersed back to the royalty owners on a gas-oil ratio test.

Q You are aware that Rule 305 requires that casinghead gas be separately metered from each lease, are you not?

A No, sir, I am not. It was my understanding that it's necessary to meter the oil from individual tracts before commingling, but I was under the understanding that it was permissible to commingle casinghead gas and it be determined by one meter.

Q Perhaps I should read Rule 305 into the record.

A All right, sir.

Q "METERED CASINGHEAD GAS. The owner of a lease shall not be required to measure the exact amount of casinghead gas produced and used by him for fuel purposes in the development and normal operation of the lease. All casinghead gas produced and sold or transported away from the lease, except small amounts of flare gas, shall be metered and reported in standard cubic feet monthly to the Commission. The amount of casinghead gas sold in small quantities for use in the field may be calculated upon a basis generally acceptable in the industry, or upon a basis approved by the Commission



in lieu of meter measurements."

It would appear, Mr. Robinson, that you need an exception to this Rule which is not within the call of this particular hearing, however.

A If the Commission please, there would be only a small amount of casinghead gas being produced from the Royalty Holding Company Lease. This would--

Q Is that a one-well lease?

A Yes, sir, it is a one-well lease. I was just trying to roughly calculate what that would be. This would approximate about 52,000 cubic feet of gas a day, assuming an average of ten cent gas, that would be about five dollars and twenty cents a day where the W. L. Stephen Estate has a gas-oil ratio of 307 to 1. That would approximate about a dollar and ninety cents a day, where the majority from the United Royalty "A," it looks like it would approximate that from the Royalty Holding. There would be about, oh, ten dollars a day revenue from this gas, and I would think from gas-oil ratios that we could equally distribute this back to each individual lease. However, if the Commission could not see fit to grant us the permission to commingle this casinghead gas and to meter it by one meter, we could install individual meters for the casinghead gas and still maintain an economical advantage in so doing.

Q Could you do this on a temporary basis until at least when your management had decided to ask for an exception to Rule

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO





305?

MR. WHITE: If the Examiner please, I don't know how the publication notice went out, but according to the docket, the application was for permission to commingle the production from three separate leases which might be broad enough to encompass not only gas--

MR. PAYNE: Notice the last line where it says "after separately"--That's rather a binding phrase. It includes oil and gas both. I notice the request for waivers from the royalty owners doesn't specifically say that the oil production would be measured by meters and the gas production attributed on the basis of tests. It states that the production from each lease will be separately measured.

MR. WHITE: If that be true, I think it would be outside the scope of the hearing to grant the exception.

BY MR. NUTTER:

Q What is the present status of the production from the Queen there on the Stephen Estate Lease, Mr. Robinson? Is that oil being sold at this present time?

A Yes, it is.

Q Is the gas being sold?

A No, sir. At the present time it is not.

Q How about the gas from the Royalty Holding Lease?

A The gas from the United Royalty "A" Lease is being sold now. The gas from the Royalty Holding and the W.L. Stephen Estate

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

Lease is not being sold.

Q So, at the present time you only do have one gas meter out there?

A That is correct. If the Examiner please, we would request that an order be granted where it would provide or require that we meter separately from each individual lease on our casing-head gas, and then if Texaco, Inc. would so desire to commingle the casinghead gas and to sell through a common gas meter, then we would reapply for rehearing for an exception to Rule 305.

MR. PAYNE: I think that would be the best way to handle it, Mr. Robinson.

A All right.

MR. NUTTER: Are there any further questions of Mr. Robinson?

Q (By Mr. Nutter) What type of meters do you plan to use here, Mr. Robinson?

A They will be positive displacement meters with snap acting controls.

Q Is there any corrosion problem in this area from the Queen formation?

A This Queen formation is a sour type crude. However, we have not had any corrosion problems there. Our P.D. meters will be corrosion resistant materials.

Q They will be checked for accuracy periodically?

A That is correct.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

MR. NUTTER: Any further questions of Mr. Robinson?

MR. WHITE: That's all we have.

MR. NUTTER: He may be excused.

(Witness excused)

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

MR. WHITE: No, sir.

MR. NUTTER: Does anyone have anything further for Case 1992? We will take this case under advisement and take next Case 1993.



STATE OF NEW MEXICO )  
 ) ss  
COUNTY OF BERNALILLO )

I, ADA DEARNLEY, Court Reporter, in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in machine shorthand and reduced to typewritten transcript 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 30<sup>th</sup> day of June,  
1960, in the City of Albuquerque, County of Bernalillo, State of  
New Mexico.

Ada Tearnley  
NOTARY PUBLIC

My Commission expires:

June 19, 1963

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1997 heard by me on 6/22, 1960.

James H. [Signature], Examiner  
New Mexico Oil Conservation Commission

**DEARNLEY-MEIER REPORTING SERVICE, Inc.**

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO