

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 3, 1961

IN THE MATTER OF:

Application of Pan American Petroleum Corporation for
permission to commingle the production from two sepa-) Case
rate pools. Applicant, in the above-styled cause, seeks) 2203
permission to commingle the oil production from the)
Drinkard and Paddock Pools from all wells presently)
completed on the L. E. Grizzel "B" Lease, comprising)
the S/2 NE/4 of Section 8, Township 22 South, Range 37)
East, Lea County, New Mexico, without separately meter-)
ing the production from each pool.)

BEFORE:

Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: Case 2203.

MR. MORRIS: Application of Pan American Petroleum Corpora-
tion for permission to commingle the production from two separate
pools.

MR. NEWMAN: Kirk Newman, Atwood & Malone, in Roswell,
New Mexico, appearing for the applicant.

MR. PAYNE: Let the record show the witness has previously
been sworn.

WILLIAM JAMES SANDIDGE, JR.

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



DIRECT EXAMINATION

BY MR. NEWMAN:

Q Will you state your name, please?

A William James Sandidge, Jr.

Q The same Mr. Sandidge that testified in the next preceding case?

A Yes, sir.

Q Would you state briefly the purpose of the application in this case?

A This application is similar to the other application. Pan American is requesting permission to commingle, without prior metering, oil produced from the Drinkard and Paddock reservoirs under its L. E. Grizzel "B" lease, located in the S/2 of the NE/4 of Section 8, Township 22 South, Range 37 East.

Q We have passed out booklets with attachments. Would you refer to the plat, the first attachment, and explain to the Commission what that shows?

A The plat shows the L. E. Grizzel "B" Lease outlined in red. There are two wells on the lease, a Drinkard well, which is Well No. 1, indicated by a green symbol, and a Paddock well, Well No. 2, indicated by a red symbol.

Q What is the production rate on these wells?

A The Drinkard well, Well No. 1, averaged four barrels of oil per day during December, 1960. The Paddock well, Well No. 2, indicated in red, averaged 15 barrels of oil per day in December.



Q Is there any possibility in your opinion that these wells will ever be top allowable wells?

A In my opinion there is not. They are in the same reservoir as the wells we previously discussed, and located in the same general vicinity.

Q Do you anticipate any future development operations on this lease?

A I anticipate none in these two reservoirs. It is possible other reservoirs in this area will be productive.

Q Will you refer now to the second attachment and state what that shows?

A The second attachment is a schematic diagram showing how the two wells will be connected to a test manifold, and how either well may be diverted from this test manifold through either the test separator or the treating facilities.

Q So that production from both wells can be continuous while either well is being tested?

A Production from either well can be continued while the other well is tested.

Q Have you approval of the pipeline purchasers for them to purchase this commingled production?

A Here, again, this oil is purchased by Shell Pipeline Company, and they have verbally consented to the commingling.

Q Is the ownership of working interests and royalty interests, overriding royalty interests, and so on, the same on both these



wells?

A According to Pan American's records there is no diversity of ownership in the Paddock and Drinkard reservoirs under this lease.

Q What will be the result in price differential, increase or decrease by the commingling of this production?

A Based on data published in December, 1960, I have calculated a price differential of 33¢ per day less. Here, again, our field personnel differ with me somewhat. They estimate it will be the same.

Q Will the granting of this application prevent waste?

A It will, in that the economic life of this marginal lease will be extended allowing us to produce more oil.

Q Will correlative rights in any way be adversely affected?

A They will not.

Q Was this exhibit and the attachments prepared by you?

A They were.

MR. NEWMAN: We would like to offer the exhibit with attachments.

MR. NUTTER: Pan American's Exhibit No. 1 in Case 2203 will be admitted.

MR. NEWMAN: That is all.

MR. NUTTER: Any questions of Mr. Sandidge?

BY MR. PAYNE:

Q What is the price paid for the Drinkard oil?



A The Drinkard oil price is \$2.86 per barrel.

Q How about the Paddock?

A Paddock oil in this case is \$2.92 per barrel.

Q So the loss will get greater as the Paddock declines, if it declines more rapidly than the Drinkard?

A Yes, sir. Actually, the Paddock is a far better reservoir, in our opinion, in this vicinity than the Drinkard, so we would anticipate the Drinkard would taper off. It is pretty sad right now, as you can see, four barrels per day. I don't know what the economic life is. It is approaching the end of its economic life there, one or two barrels.

Q Are these production figures based on December, 1960?

A Yes, sir.

Q Were the wells producing all that month?

A As far as I know both wells produced every day that month.

Q Is that a fee lease?

A That's correct, yes, sir.

Q In the event additional wells are completed on this lease in either reservoir, or these wells are reworked and become capable of making top unit allowable, will Pan American be then willing to separately meter each pool?

A If the Commission so directs.

MR. NUTTER: And you will notify the Santa Fe Office of the Commission?

A Yes, sir.



MR. NUTTER: Any further questions of Mr. Sandidge? He may be excused. Do you have anything further, Mr. Newman?

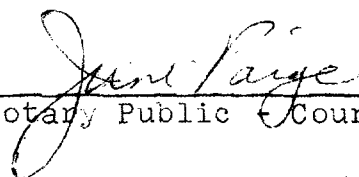
MR. NEWMAN: That is all.

MR. NUTTER: Does anyone have anything they wish to offer? The Commission will take the case under advisement.

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, JUNE PAIGE, 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 9th day of March, 1961.


Notary Public & Court Reporter

My Commission expires:

May 11, 1964.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



I N D E X

WITNESS

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E X H I B I T S

<u>NUMBER</u>	<u>EXHIBIT</u>	<u>IDENTIFIED</u>	<u>OFFERED</u>	<u>ADMITTED</u>
Ex.#1	Booklet	2	4	4

I do hereby certify that the foregoing is
a correct record of the proceedings in
the examiner hearing of Case No. 2203,
heard by me on 3/3, 1961.

[Signature], Examiner
New Mexico Oil Conservation Commission

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