

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

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

IN THE MATTER OF:)
)
Application of Pan American Petroleum Corporation for) Case
permission to commingle the production from two sepa-) 2204
rate pools. Applicant, in the above-styled cause,)
seeks permission to commingle the oil production from)
the Drinkard and Penrose-Skelly Pools from all wells)
presently completed on the J. W. Grizzell Lease, com-)
prising the SW/4 of Section 5, Township 22 South,)
Range 37 East, Lea County, New Mexico, without sepa-)
rately metering the production from each pool.)

BEFORE:

Daniel S. Nutter, Examiner.

TRANSCRIPT OF PROCEEDINGS

MR. NUTTER: Case 2204.

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, Roswell, New
Mexico.

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

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 Are you the same Mr. Sandidge who testified in the next preceding case?

A I am.

Q Will you state briefly what you intend to do by this application?

A It requests an exception to statewide Rule 330 to permit commingling in common tankage without prior commingling the production in the SW/4 of Section 5, Township 22 South, Range 37 East, Lea County.

Q Would you refer to the plat, the first attachment in the exhibit and state what that plat shows, please?

A There are four wells located on this lease. One well is completed in the Drinkard reservoir. That is Well No. 1, located in the southeast portion of the lease and indicated by a green symbol. The other three wells are completed in the Penrose-Skelly reservoir. They are indicated by blue symbols. Wells No. 2 and 4 are productive; well No. 1 is now shut in.

Q What is the production rate of the wells which are still producing and the production from which is to be commingled?

A During December of 1960 each well averaged two barrels of oil per day.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

Q In your opinion is there any possibility that the wells will ever become top allowable wells?

A I don't foresee that.

Q Would you refer to the second attachment in the exhibit and state what that attachment shows, please?

A This attachment shows a schematic diagram of the lease facilities which will be in use after the commingling is accomplished. Well No. 1, the Drinkard well, will be produced through a separate separator, and reference to the diagram will show it will be diverted into either of the two stock tanks and tested separately on any day desired, provided you have a tank available from the pipeline. The other two wells are tied together before they enter the separator. Their production is from the separator through a water knockout, through a treater and into the stock tanks. It will be necessary to shut in one well to test the other well. However, experience has indicated that these wells will make their production on an alternate day basis.

Q What is the ownership of the working interests, royalty and overrides under this particular lease?

A All of the royalty interests are identical in both reservoirs. Pan American owns a $7/8$ net interest in the Penrose-Skelly reservoir. In the Drinkard reservoir it owns a $7/8$ net interest less a $1/8$ of $7/8$ interest owned by the Landreth Company.

Q Has the Landreth Company consented to this application?

A By a letter; we have requested a waiver, and we understand



it was submitted to the Commission.

MR. NEWMAN: The substance of that is, "We hereby waive any objection to Pan American Petroleum Corporation's application to commingle production from the Grizzel lease, in Case 2204. Landreth Company, by A. N. Hendrickson." We will request admission of this telegram into this case.

Q Has an agreement been made with Landreth Company to allocate production to their various interests?

A Yes, sir. Production to the wells in question will be allocated on the basis of periodic well tests which have been explained to Landreth, and they are in agreement.

Q Has the pipeline purchaser consented to take the commingled production ?

A Here, again, Shell Pipeline is the purchaser, and they verbally agreed to this proposal.

Q Will the granting of this application prevent waste?

A We think it will. Here, again, it will extend the economic life. Actually, we are faced with replacement of a tank battery if this application is not approved; in view of the very marginal nature of these wells it is questionable whether you could justify replacing the two tanks in bad shape.

Q As conditions exist now you will either have to commingle the production, replace the tank batteries, or shut the wells in?

A Or install approximately \$1400 worth of meters, which we would not want to do.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

Q Will correlative rights in any way be affected by the granting of this application?

A We think that by allocating production to the wells on the basis of periodic well tests that correlative rights will be protected.

Q Will the commingling of this production affect the value of the commingled production?

A I estimate that it will reduce the value by approximately 12¢ per day.

Q Were the exhibits and attachments therein prepared by you?

A They were.

MR. NEWMAN: We would like to offer that exhibit.

MR. NUTTER: Pan American's Exhibit No. 1 in Case 2204 will be admitted.

MR. NEWMAN: That is all the direct.

MR. NUTTER: Any questions?

BY MR. PAYNE:

Q What is the producing capacity of the well which is shut in?

A As far as I know it is zero, or below its economic limit. That was a number of years ago.

Q And the average of two barrels of oil per day for the other wells is based on what?

A December, 1960, production.

Q Is this also a fee lease?



A This is a fee lease, yes, sir.

Q Does Pan American have any proposed plans to waterflood either zone?

A There are no plans at present. I anticipate that that will be studied very intensively in the future.

Q Assuming you do waterflood either zone, and the wells become capable of producing 42 barrels of oil per day, you would then be willing to separately meter the production from each pool?

A This area is pretty well split up among various operators, as you can see. I imagine any secondary recovery project would be on a cooperative basis or unitization basis in all probability. Therefore, the pool in question would be separated from the other one, which would remain under Pan American's operation.

BY MR. NUTTER:

Q You stated there was a 1/8 royalty interest on this lease; Pan American owns 7/8 of Penrose-Skelly, 7/8 of Drinkard lease less 1/8 of 7/8 owned by Landreth?

A Pan American owns 7/8 of 7/8 of the Drinkard, and Landreth owns 1/8 of 7/8 under a net profit account.

Q Pan American will notify the Santa Fe Office of the Commission in the event either one of these zones become capable of making top allowable?

A If you so direct.

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



Newman?

MR. NEWMAN: That is all.

MR. NUTTER: 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



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

I N D E X

<u>WITNESS</u>	<u>PAGE</u>
WILLIAM JAMES SANDIDGE, JR.	
Direct Examination by Mr. Newman	2
QUESTIONS by Mr. Payne	5
QUESTIONS by Mr. Nutter	6

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	5	5

I do hereby certify that the foregoing is
a complete and correct copy of the proceedings in
the hearing of Case No. 2204
heard by me on 3/3, 1961.

[Signature], Examiner
New Mexico Oil Conservation Commission

