

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6691

OIL CONSERVATION COMMISSION

EXAMINER HEARING

Santa Fe, New Mexico

Case No. 2312

June 28, 1961



BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
June 28, 1961

EXAMINER HEARING

IN THE MATTER OF:)

Application of Continental Oil Company for an)
exception to Rule 309 (a), Lea County, New Mexico.)
Applicant, in the above-styled cause seeks an ex-)
ception to Rule 309 (a) to permit the commingling,)
after separate measurement, of the Maljamar-Paddock)
Pool production from the William Mitchell "A" Lease,) Case
consisting of the N/2 of Sections 19 and 20, and) 2312
from the William Mitchell "B" Lease, consisting of)
the W/2 and the W/2 E/2 of Section 17, the E/2 and)
the E/2 W/2 of Section 18, and the S/2 of Sections)
19 and 20, all in Township 17 South, Range 32 East,)
Lea County, New Mexico.)

BEFORE:

Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Call Case 2312.

MR. MORRIS: Application of Continental Oil Company for
an exception to Rule 309 (a), Lea County, New Mexico.

MR. KELLAHIN: Jason A. Kellahin, Kellahin & Fox, appear-
ing for the applicant; and we have Mr. Queen as the witness. May
the record show that he has been sworn?

MR. UTZ: Yes, sir; it will so show.

JOHN A. QUEEN,
called as a witness, having been previously duly sworn, testified
as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

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Q Would you state your name, please.

A John A. Queen.

Q You are the same Mr. Queen who testified in Case 2311?

A I am, sir.

Q Mr. Queen, you are familiar with the application of Continental Oil Company in Case 2312?

A Yes, sir; I am.

Q Will you state briefly what is proposed in this case?

A Case 2312 is the application of Continental Oil Company to commingle production with the Maljamar-Paddock Pool production from the Mitchell "B" lease and the Mitchell "A" lease, from those wells producing from Maljamar-Paddock Pool located in Section Mitchell "A" Battery as located in the Northwest Quarter, Northwest Quarter of Section 20, Township 17 South, Range 32 East.

Q Would you give us the production history on this area?

A Presently, the Maljamar-Paddock formation is productive from William Mitchell No. 20 "A", 21, and 23, and the William Mitchell "B" 19, 24-42, and 22. There are several other wells in the surrounding area that have produced little or no oil from the Paddock formation that are now abandoned. These wells are shown on what is marked Exhibit 1. Columns of production are shown in the attached table to Exhibit 1. The product production from the William Mitchell "B" lease -- the Mitchell 19 and No. 22 are presently being commingled with the Grayburg-San Andres production, which was authorized by No. R-96. The Maljamar-Paddock production



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by the William Mitchell "A" No. 20 and 21 is being handled by an ACT Installation on the Mitchell "A" lease which is authorized by Ordinance R-1811. The William Mitchell "A" No. 23 well is now -- will also be processed through the William Mitchell ACT Installation. This well has not been completed.

Q Now, referring to what has been marked as Exhibit No. 1, would you discuss the information on that exhibit?

A Exhibit No. 1 is Lease in Ownership Plat, and it shows the producing wells in the area; and the six Paddock wells that are producing are marked in purple or blue, and the four plugged Maljamar-Paddock wells are shown with a crossed red mark.

Q Now, there are some abandoned wells shown on the exhibit, are there not?

A That is correct. They are marked with a cross, red cross.

Q The William Mitchell "A" lease, how is it shown? I mean, the William Mitchell "A" 19-22.

A The William Mitchell 19-22 is presently being completed and is not connected with a tank battery at this time.

Q What is the history of the William Mitchell "B" No. 20?

A The William Mitchell "B" No. 20 has produced 48,275 barrels of oil before depletion, and is now plugged and abandoned.

Q The exhibit likewise shows the location of the ACT Unit, does it now?

A That is correct. It shows the location of the ACT Unit.



It shows the outline of the Mitchell "A" and Mitchell "B" leases and also a part of the Maljamar Cooperative Agreement Area which is outlined in green.

Q Now, what is the situation as to the proposed flow lines?

A The proposed flow lines are indicated in red. The present flow lines of the producing wells are shown in green.

Q Now, what will be necessary in order to discontinue commingling the Maljamar-Paddock oil with the Grayburg-San Andres oil?

A The present flow line from the Mitchell "B" 19 and the Mitchell "B" 22 are tied into the Grayburg-San Andres tank battery, as previously discussed. The proposed flow line for the Mitchell "B" 19, 22, and the other wells to be completed are shown in red, and it will be tied into the Mitchell "A" lease which is shown as a red square on Exhibit 1.

Q Would it be unnecessarily expensive to discontinue the commingling of the San Andres-Grayburg and Paddock oil?

A There is now in preparation a proposed water injection program in the Maljamar Cooperative Area, and it is necessary to discontinue the commingling of Maljamar oil with Grayburg and San Andres production; it would be necessary to install two tank batteries or two ACT Units to handle this production. This is the purpose and the request of this hearing: To commingle this production into one ACT Unit which is installed.

Q Now, referring to what has been marked as Exhibit No. 2, would you discuss the information on that exhibit?

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A Exhibit 2 is a schematic drawing of the existing ACT installation on the Mitchell "A" lease. The existing installations are shown in heavy lines and the proposed additional phases are shown as dotted lines. The fluid production from each well on the William Mitchell "A" lease is presently being metered individually prior to being metered by PV Lease Meter with sampler. The fluid production with the Mitchell "B" 19-22 will be metered together, while the Mitchell "B" No. 24-42 will be separately metered prior to being metered by the PV Lease Meter with sampler. A system to divert one well at a time through the metering vessel to obtain individual well tests on the William Mitchell "B" 19-22 is also included.

Q Will this installation enable you to make all the tests which may be required by the Commission?

A It will.

Q Will it enable you to accurately attribute the production to the various leases involved?

A It will.

Q What safety factors do you have on this installation?

A This installation will have a working level shutdown control to take into consideration vessel fillup.

Q That is already in the present installation?

A That is correct.

Q That is the installation which has heretofore been approved?



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A That is correct.

Q Will any additional safety factors be necessary in the event the Commission approves this application?

A No, sir; I do not believe so.

Q In your opinion, the safety features are adequate for installation at this time?

A That is correct.

Q Will the royalty owners' rights be protected by the facilities being installed?

A Yes, sir; they will.

Q Will the approval of this application be in the interest of conservation?

A Yes, sir; it will.

Q Were Exhibits 1 and 2 prepared by you or under your direction?

A They were.

MR. KELLAHIN: I now offer Exhibits 1 and 2 in evidence.

MR. UTZ: Without objection, Exhibits 1 and 2 will be entered into the record.

MR. KELLAHIN: That completes the direct examination, Mr. Utz.

EXAMINATION

BY EXAMINER UTZ:

Q Mr. Queen, are the oil ownerships, including the overriding royalties, the same on the "B" lease?



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A Yes, sir.

Q And likewise on the "A" lease?

A Yes, sir.

Q Now, which well was it that you said is being completed at the present time?

A There is one drilling well being completed at the present time -- the William Mitchell "A" No. 23 located in the northwest of the northwest of Section 20, and also the William Mitchell "A" 19-22 located in the southwest of the northeast of Section 19.

Q These are proposed Paddock wells?

A These are proposed Paddock wells.

Q And you propose to put them into your ACT?

A That is correct. We also have an additional drilling program planned for the areas which will be included as the wells are completed.

Q Did I understand you to say that the No. 20 was P. and A.?

A Yes, sir.

Q In all zones?

A The No. 20 -- pardon me just a minute. The No. 20 is a recent recompletion, sir. It was completed in the Maljamar-Paddock at one time. I'm a little bit confused, pardon me.

Q Your application showed it as a recompletion.

A It is an omission, sir. It had been attempted to be completed in the Maljamar-Paddock by another company.

Q So the red cross should not be on there?



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A That is correct.

Q The only P. and A. wells are the 23 and 28 on the "B" lease?

A Now, the William Mitchell "A" No. 20 is a recently drilled well, a new well. I beg your pardon, sir. The William Mitchell "B" No. 20 is a plugged and abandoned well. I'm confused between the Mitchell "A" 20 and Mitchell "B" 20. The Mitchell "A" 20 is a producing well. The Mitchell "B" 20 is a plugged and abandoned well.

Q So it is plugged?

A Yes, sir. It is as shown on the exhibit.

Q And this is the well that produced 48,275 barrels of oil before it was depleted, as testified?

A The William Mitchell "B" 24-42 is a recompleted well that had previously been abandoned.

Q It is now completed in the Paddock?

A That is correct, sir.

Q Now, the ACT that you show on your Exhibit No. 3.

A I believe No. 1. No. 1 shows the location of the ACT, and No. 2 shows the schematic of the ACT.

Q What is the exhibit number of the schematic?

A Number 2.

Q The ACT Unit shown on that, is it the one that has already been approved by R-1811?

A That is correct, sir; with the exception of that, of



course, the Mitchell "B" wells have not been connected to the ACT.

Q Yes sir. Now, why do you meter separately your "B" 42-24?

A A recouping basis. This is a property purchased from another company and the original agreement calls for recoup of drilling wells.

Q And you will continue to meter that well separately?

A This is correct; until payout of the well, at which time we proposed to handle it in the normal manner. As you will note also, the William Mitchell "B" 19 and William Mitchell "B" 22 --

Q That was my next question.

A The new wells, the William Mitchell "A" No. 20 and William Mitchell "A" No. 21 are being metered separately for recoup purposes. The William Mitchell "B" 24-42 is being metered separately for recoup. The William Mitchell 23, when completed, will be metered separately, -- William Mitchell "A" 23. Likewise, the William Mitchell "A" 19-22, when successfully completed, will be metered separately. Only those wells that were being completed at the time of the purchase require separate metering and we continue to handle them through a header with an individual test system through each lease.

Q Then the only one that does not require metering for your own purposes is the "B" 19?

A No, sir. The William Mitchell "B" 19 does not require --

Q Oh, I see. On your "B" 19 and your "B" 22, then, the

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metering separator there is just a test?

A A production separator and a test separator there tied into each other as a header. The metering separators on the individual wells will be salvaged at such time as recoup has been made, and all wells will be handled in the manner as the Mitchell "B" 19 and Mitchell "B" 22 with allocation on an individual test basis.

Q Now, your PV Dump Meter shown on your "B" lease circuit which was dotted in as "proposed".

A Yes, sir. That will be installed with the approval of this publication. At the present time, of course, it is not necessary since the PV Meter on the ACT, PV Meter on the ACT, is controlling the sale of oil through that line.

Q How about the "B"?

A It will be installed with approval of this application.

Q But you will still meter your other wells separately, all except the 19 and 22?

A That is correct.

Q It should be well metered.

A That is correct, sir.

Q Now, the type of PV Dump Meters you intend to use, do you have any information on the accuracy of these?

A We have made -- or required, and of course, necessary tests on the PV Meters that we have presently had approved by the Commission. The accuracy of our Dump Meters is in the neighborhood of .005 to .001 accuracy in per cent.

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Q After one?

A Yes, sir.

Q Do you have any paraffin problems in this pool?

A No; not to a great extent. We do not anticipate any paraffin problems that cannot be handled through the normal maintenance of this installation.

Q Now, if your metering separators on your well circuit read differently than your PV Dump Meters, how do you intend to rectify it?

A The production will be allocated, of course, first from the sales meter on the ACT Unit back to the individual lease meters, PV Meters, that have been corrected to agree with the ACT Sales Meter; and from there it will be directed back to the individual well meters.

MR. UTZ: Are there other questions?

MR. MOORE: Yes, sir.

EXAMINATION

BY MR. MORRIS:

Q Mr. Queen, if you had chosen to notify royalty owners in this application, could you have obtained administrative approval?

A If we could have located all of them, sir, I'm sure we could have obtained approval. I believe this property is under the control of an oil payment in which is a large group of people. We first made this application approximately six months ago to be handled through the normal administrative approval procedure; and



in the process of trying to find and locate each individual person who had an interest in this oil payment, we decided that it would be more economical for Continental Oil Company to appear here on its own and request this approval.

Q I thought this was in the original application?

A It's in the cover letter, sir, to the Commission.

Q Mr. Queen, would Continental be willing to conform this installation to meet such demands as the Commission may later adopt on the commingling installation, or in the alternative for any permission that might be granted?

A I assume that the order that will be finally issued from the committee that is presently working on this thing will be a usable one; and so I'm sure that Continental would agree to it. However, it would not be up to me to say that Continental would make any retroactive changes without knowing what the final results would be of that final order; and since Continental has a representative on that Commission there would be no problem, but I'm afraid I could not commit the company.

Q I feel sure, Mr. Queen, that any order that might be entered in this case would make a provision on that. It would have to be conformed; and if the permission is granted in this case, it would be conditioned upon that. That is all. Thank you, sir.

MR. UTZ: Are there any other questions? The witness may be excused.

This case will be taken under advisement.

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STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

I, MICHAEL HALL, 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.

Michael Hall
 NOTARY PUBLIC

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2312, heard by me on 6-28- 1961.

[Signature] Examiner
 New Mexico Oil Conservation Commission

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