

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
August 30, 1961

PHONE CH 3-6691

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 2368

TRANSCRIPT OF HEARING



BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
August 30, 1961

EXAMINER HEARING

IN THE MATTER OF:

Application of Sinclair Oil & Gas Company)
for an exception to Rule 309, Lea County,)
New Mexico. Applicant, in the above-styled)
cause, seeks permission to commingle the)
Devonian oil production from its C. S. Stone) Case
lease, comprising the N/2 of Section 22,) 2368
from its Reed Estate Lease, comprising the)
SE/4 of Section 22, and from its B. D.)
Buckley Lease, comprising the SW/4 of Section)
22, all in Township 15 South, Range 38 East,)
Lea County, New Mexico, after separately)
metering the production from each lease.)

Case
2368

BEFORE:

Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 2368.

MR. MORRIS: Application of Sinclair Oil & Gas Company
for an exception to Rule 309.

MR. WHITE: Charles White of Gilbert, White & Gilbert,
appearing on behalf of the applicant; and we have one witness to
be sworn at this time.

(Witness sworn.)

MR. UTZ: Are there other appearances in this case?

You may proceed.

ROBERT R. MARMOR,

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called as a witness herein, having been first duly sworn on oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. WHITE:

Q Mr. Marmor, will you state your name, please.

A My name is Robert R. Marmor, M-a-r-m-o-r.

Q By whom are you employed, and in what capacity?

A I am employed by Sinclair Oil & Gas Company as Assistant Division Engineer, Midland Division.

Q State briefly what Sinclair proposes by the subject application?

A Sinclair proposes, it seeks permission to mingle the Devonian production from three leases in the Southeast in Section 22, Township 15 South, 38 East, after metering the production of each lease separately.

Q Is Sinclair the operator of the lease?

A Yes, sir.

Q Will you refer to Exhibit 1, and explain that, please.

A Exhibit 1 shows the area where the leases in question are located. The leases are located in the north half of Section 22 -- this is the C. S. Stone Lease; the southeast quarter on Section 22, the Reed Estate Lease; and the southwest quarter of Section 22, the B. D. Buckley Lease.

Q Do all these leases consist of privately-owned fee land?



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A Yes, sir.

Q Is there any diversity of ownership as to any of these leases?

A Yes, sir. After we made the application, we found out that the B. D. Buckley Lease, located in the southwest quarter of Section 22, has a diversity of interest which consists of one nineteen hundred and twentieth. It is mineral interests. The north half of the southwest quarter --

Q All right. That is held by whom?

A It is held by May Nuggett, and the south half of the southwest quarter is held by Midwest Oil Corporation; that is insofar as this one nineteen hundred and twentieth mineral interest.

Q In other words, each of them has a one nineteen hundred and twentieth mineral interest; is that correct?

A Yes.

Q And is Midwest Oil Company one of the operators?

A Yes, sir.

Q Have you made any efforts to contact these owners?

A Yes, sir. We have made every attempt to contact them, but we have not yet been able to contact May Nuggett.

Q What will you endeavor to do in regard to working out the interests?

A Well, we keep on trying to find out where she is located.



Q If and when you find her, what will you endeavor to have done?

A Then, we will ask her to unitize her interest with the Midwest Oil Corporation interest.

Q Assuming that there is a well, producing well, on the north half of the southwest quarter on the Buckley Lease, what interest would May Nuggett have dollar-and-cents-wise, assuming it is a full allowable well?

A Approximately \$10.70 a month.

Q In the event Mrs. Nuggett cannot be contacted after due search and inquiry, and if Sinclair wishes to go ahead and attempt to drill, how will her interest be protected?

A Well, she has a very small amount in this lease. We will estimate her interest from the monthly production, and place it in a suspense fund. When she is located, we will have a common-law accounting, the same as it usually is done between tenants in common.

Q Well now, what wells have been completed on these leases, and when and where are their locations?

A The first well, discovery well, is the C. S. Stone No. 1, located in the southwest quarter of the northeast quarter of Section 22, 15 South, 38 East. The second well presently drilling at approximately 7,500 feet is the Reed Estate No. 1, located in the northwest quarter of the southwest quarter of Section 22. This well should be completed in approximately 30 days.



Q What future development do you propose, if any?

A The results of the Rita State No. 1 are extremely poor to determine what direction we will move next. We have no idea, although if possible, that it might be west of the C. S. Stone No. 1; but we have no idea at this time.

Q Do you intend to obtain production in the Devonian as to all of these leases?

A Yes, sir; we will do so.

Q Now, will you refer to Exhibit No. 2, and explain that, please.

A Exhibit No. 2 is the erroneously-labeled proposed LACT installation. This was before we found out we could obtain permission to install a LACT installation by administrative approval.

Q In that regard, the application had been filed with regard to approval of the LACT system, and since were advised, were they not, that that could be handled administratively?

A Yes, sir.

Q Continue, please.

A The items of interest in this Exhibit are the proposed commingling site and LACT installation shown on the upper portion of the Exhibit. They will be approximately centrally located in this section. That lower portion of the Exhibit we show the common header for each of the separate leases, assuming that we will develop these leases on a 40-acre development pattern, and is found productive.



Q Can test separator facilities be added?

A Yes, sir. Right now, we don't show any such test separator in the Exhibit because we feel with the number of wells, that in the immediate future we can individually test by cutting in the other producing wells. Now, directly from the header, we go into a solenoid switch. We will activate a valve in the event of emergency downstream from this valve. The lines are the, the flow lines will be high-pressure flow lines tested at approximately 1 1/2 times the maximum well head shutin pressure. From then on, we will pass through a separator, then through the meter facilities, which we show in Exhibit 3, and then to the watering tank, storage tank, and through the LACT Unit. Same thing will apply for the Rita State Lease and the Buckley Lease.

Q The upper part of the Exhibit shows a possible well location for further development, and the lower part shows it hooked up upon the assumption that all these wells were drilled and each one is productive.

A That is correct.

Q Now, in conjunction to Exhibit No. -- Will you refer to Exhibit No. 3.

A Exhibit No. 3 is the detailed schematic of the metering facilities. The flow will be from the left on the Exhibit, from the left to right. Shown under A, we will have a 1/2-inch Rockwell Air Eliminator and Strainer combination. From then, we will go to a 1/2-inch Rockwell Model T 70 Meter with a non-reset



counter and a temperature compensator. Then, we go to the proving connections, that would be under T and D, will be combination flow and dump valve, snap acting dump valve. E is a sample probe and sampler with a 10-gallon shaper prove container.

Q How do these proposed metering facilities compare with the Commission's commingling study recommendations?

A They are almost identical. I believe the only units not included are the operational items such as the BS and B monitor, and the re-route valve. The only thing that we made one small change, we have placed the center probe after the dump valve, instead of after the sample probe, and instead of after the air eliminator. The reason is that we feel we will have greater turbulence after the dump and have a greater centraling in that point.

Q In the event the Commission adopts the Study Committee's recommendations, are you agreeable to making any alteration in your facilities to comply in the event an order is issued prior to the adoption of the committee report?

A Yes, sir; we will.

Q Is there any particular reason why this order should be commingled within the -- or in other words, are you in a hurry for this order?

A Yes, sir. As I say, Well No. 1, the Rita State Well No. 1, will probably be completed within 30 days. If the order is granted before that time, it will permit us to save the cost of

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setting up a temporary tank battery.

MR. WHITE: That concludes our testimony on direct.

At this time, we offer Exhibits 1 through 3.

MR. UTZ: Without objection, Exhibits 1 through 3 will be entered into the record into this case.

(Whereupon, Applicant's Exhibits Nos. 1 through 3 marked for identification.)

MR. UTZ: Are there any further questions of the witness?

MR. MORRIS: Yes, sir.

MR. UTZ: Mr. Morris.

Q (By Mr. Morris) Mr. Marmor, would you tell me again, now, just what the outstanding interest is in the Buckley Lease?

A Yes, sir. The outstanding interest is a one nineteen hundred and twentieth mineral interest in the north half of the southwest quarter of 1922.

Q And that one nineteen twentieth is owned --

A By May Nuggett.

Q May Nuggett and Midwest Oil Corporation?

A No, just May Nuggett. The Midwest Oil Corporation owns a one nineteen twentieth in the south half of the southwest quarter.

Q I see. And has Midwest consented? Are they --

A They are working interest owners, and they have approved the commingling.

Q I see. So then Sinclair can claim to be the operator of the entire section, with the exception of this one nineteen



twentieth interest in the north half of the southwest quarter of 22?

A Well, there is additional working interests which we have not been able to locate, but those are in the other leases, themselves. They don't need -- The unleased interests are within, for example, all of the C. S. Stone Lease, and they are all in the Reed Estate Lease, and we were under the impression that the May Nuggett interest was over the whole of the Buckley Lease, but we were wrong.

Q Then, as shown on your Exhibit No. 1, Sinclair is the owner of some 35 plus percent interest in the whole section?

A That is correct.

Q And Texaco is the owner of some 61 plus percent interest in the whole section?

A Yes, sir.

Q And then others own some 2.6 percent interest in the whole section; is that right?

A Maybe. I don't believe I mentioned this: This is the operator's, we form an operator's unit in this section. These leases were originally operated by Sinclair individually and the Texaco, and others. We formed an operator's unit, but did not form a royalty unit. The open interest for the unleased interest is disputed among these leases. I don't have the actual distribution in front of me right now.

MR. WHITE: That poses no problem to you?

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THE WITNESS: No, sir.

Q (By Mr. Morris) Now, as to this one nineteen twentieth interest, if I could direct this question to Mr. White. Is it your opinion, Mr. White, that Sinclair would have the right to go ahead and operate this lease, and as long as they accounted to the tenant in common?

A As long as they had regular common law accounting to keep it in suspense funds, and we think it would adequately be protected. I might say this: that we are in hopes of working this out with May Nuggett, when we can find her. Now, we didn't learn of this well until approximately a week ago, and I guess we have our scouts out now looking for her, but I think it is only going to pose a temporary problem. The only other alternative, other than the common law accounting method, would be your subtraction method, which we don't think would be desirable because of all the red tape and bookkeeping involved. And the only other fact that I have would be to put in separate metering facilities, just for that one small interest, which would be costly, and ~~her~~ interest is completely diminimous. It is a question of how far down you are going to protect a fellow with such a small interest as this. We think it is insignificant and not of much concern.

MR. MORRIS: You do feel, though, that you would have the right to go ahead and operate the lease as long as you did account to the tenant in common?

MR. WHITE: Yes, sir.

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MR. MORRIS: Now, maybe I should ask this question of Mr. Marmor.

Q (By Mr. Morris) Do you have the entire Section 22 dedicated to the wells on that lease? In other words, do you claim ownership of the lease to the extent that you can dedicate all of the acreage to the wells?

A I wonder if you can re-word that. I don't believe I understand the question.

Q In other words, before an operator can dedicate acreage to a well, he must either own or operate it under some sort of a communitization plan. Now, if you have an outstanding working interest, you can't claim that unless you are claiming to operate under some sort of an arrangement where you are going to account to your tenant in common.

A Well, we are keeping a separate account for this right now, suspense account for this opening. I don't know whether I have answered your question.

MR. MORRIS: I have no further questions. Thank you.

MR. UTZ: Are there other questions? The witness may be excused. Are there other statements in this case? The case will be taken under advisement.

(Whereupon, the hearing of Case No. 2368 was concluded.)

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STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

I, Michael P. Hall, 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.

Michael P. Hall

 NOTARY PUBLIC

My commission expires:

June 20, 1965

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7-368, heard by me on *July 20, 1961*.
Louis H. [Signature], Examiner
 New Mexico Oil Conservation Commission

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