



Case No.

1651

Application, Transcript,
Small Exhibits, Etc.

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

June 10, 1969

Continental Oil Company
P. O. Box 460
Hobbs, New Mexico 88240

Attention: Mr. G. C. Jamieson

Administrative Order PC-379

Gentlemen:

Reference is made to your application dated May 14, 1969, for administrative approval of an exception to Rule 303 (a) of the Commission Rules and Regulations to permit the commingling of Hobbs Grayburg San Andres and Hobbs Blinbry production on your State A-29 Lease comprising the E/2 SW/4 and NW/4 SE/4 of Section 29, Township 18 South, Range 38 East, Lea County, New Mexico, after separately metering the Blinbry production and determining the Hobbs Grayburg San Andres production by means of the subtraction method. It is our understanding that after this production has been commingled it will be passed to the commingling installation operated pursuant to the provisions of Order No. R-1400 wherein Grimes Lease, State A-23 Lease, and State A-29 Lease production from the Hobbs Pool is handled in a common battery.

By the authority granted me under the provisions of Rule 303 (b) of the Commission Rules and Regulations, you are hereby authorized to commingle the production from the aforesaid pools on said lease in the above-described manner, provided however, that the installation shall be operated in accordance with the provisions of the Commission "Manual for the Installation and Operation of Commingling Facilities," including the requirement for non-reset counters on the meters, and provided further, that you shall notify the Hobbs District Office of the Commission at such time as the installation is complete in order that an inspection may be made thereof.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/DSH/esr

cc: Oil Conservation Commission (with enclosure) - Hobbs
Oil & Gas Engineering Committee - Hobbs -- State Land Office - Santa Fe

- CASE 1658: Application of The Texas Company for an order authorizing a salt water disposal well. Applicant, in the above-styled cause, seeks an order authorizing the disposal of produced salt water through its "BN" (NCT-1) Well No. 1 located 1980 feet from the South line and 660 feet from the West line of Section 25, Township 11 South, Range 32 East, Lea County, New Mexico. Applicant proposes to inject the produced salt water in the interval from 3529 feet to 7430 feet.
- CASE 1659: Application of Tidewater Oil Company for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its A. B. Coates "C" Well No. 9 located in the NW/4 SE/4 of Section 24, Township 25 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Justis-Drinkard Pool and the production of oil from the Justis-Elisenburger Pool through parallel strings of 2-3/8 inch tubing.
- CASE 1660: Application of Atlantic Refining Company for an automatic custody transfer system. Applicant, in the above-styled cause, seeks an order authorizing it to install an automatic custody transfer system utilizing positive volume tanks with automatic dumping facilities to transfer custody of all oil produced on its Navajo Lease comprising certain acreage in Township 31 North, Range 16 West, Horseshoe-Gallup Oil Pool, San Juan County, New Mexico.
- CASE 1661: Application of Pan American Petroleum Corporation for a gas-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing it to dually complete its W. H. Turner No. 1 located in the SE/4 SE/4 of Section 29, Township 21 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of gas from the Eumont producing interval adjacent to the Eumont Pool and the production of oil from the Drinkard Pool. Applicant proposes to utilize a retrievable-type packer in said well.
- CASE 1662: Application of Pan American Petroleum Corporation for permission to commingle the production from several separate leases and for permission to produce more than sixteen wells into a common tank battery. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the production from the Empire-Abo Pool from all or a portion of seven separate federal leases in Township 18 South, Range 27 East, Eddy County, New Mexico. Applicant further requests authority to produce more than sixteen wells into the common tank battery for said leases. Applicant proposes to separately meter production from each lease prior to commingling.

DOCKET: EXAMINER HEARING MAY 6, 1959OIL CONSERVATION COMMISSION, MABRY HALL, STATE CAPITOL, 9 a.m., SANTA FE

The following cases will be heard before Elvis A. Utz, Examiner:

CASE 1651:

Application of Continental Oil Company for an automatic custody transfer system and for permission to commingle the production from three separate leases. Applicant, in the above-styled cause, seeks an order authorizing it to install an automatic custody transfer system and to commingle the production from the Hobbs Pool from three separate non-contiguous leases in Township 18 South, Range 38 East, Lea County, New Mexico. Applicant proposes to separately meter the production from each lease prior to commingling.

CASE 1652:

Application of Continental Oil Company for a non-standard gas proration unit. Applicant, in the above-styled cause, seeks the establishment of a 320-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the N/2 of Section 8, Township 23 South, Range 36 East, Lea County, New Mexico, said unit to be dedicated to applicant's Danciger A-8 Well No. 3 located 990 feet from the North and East lines of said Section 8.

CASE 1653:

Application of Continental Oil Company for a non-standard gas proration unit. Applicant, in the above-styled cause, seeks the establishment of a 320-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the NE/4 of Section 28 and the NW/4 of Section 27, Township 23 South, Range 36 East, Lea County, New Mexico, said unit to be dedicated to applicant's Lynn A-28 Well No. 5 located 660 feet from the North and East lines of said Section 28.

CASE 1654:

Application of Shell Oil Company for permission to commingle the production from three separate leases. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the production from the West Henshaw-Grayburg Pool from three separate contiguous leases located in Township 16 South, Range 30 East, Eddy County, New Mexico. Applicant proposes to separately meter the production from each lease prior to commingling.

CASE 1655:

Application of Skelly Oil Company for permission to commingle the production from the Tubb Gas Pool and the Drinkard Oil Pool. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the liquids produced from the Tubb Gas Pool with the oil produced from the Drinkard Oil Pool underlying its State "K" Lease comprising the N/2 NW/4 of Section 32, Township 21 South, Range 37 East, Lea County, New Mexico. Applicant proposes to meter the production from each pool prior to commingling.

CASE 1656:

Application of Skelly Oil Company for permission to commingle the production from five separate pools. Applicant, in the above-styled cause, seeks authority to commingle the production from the Ellenburger, McKee, Fusselman, Montoya, and Blinberry formations underlying its Hobbs "A" Lease comprising the NW/4 of Section 30, Township 25 South, Range 38 East, in the Justis Field, Lea County, New Mexico. Applicant proposes to separately meter the production from each pool prior to commingling.

Application of Standard Oil Company of Texas for approval of a unit agreement. Applicant, in the above-styled cause, seeks an order authorizing its Vac-Edge Unit Area comprising 2078 acres, more or less, of state lands in Township 18 South, Range 35 East, Lea County, New Mexico.

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE 1651

TRANSCRIPT OF HEARING

MAY 6, 1959

DEARLEY - MEIER & ASSOCIATES
GENERAL LAW REPORTERS
ALBUQUERQUE NEW MEXICO
Phone CHapel 3-6691

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
MAY 6, 1959

IN THE MATTER OF:

CASE 1651 Application of Continental Oil Company for :
an automatic custody transfer system and for :
permission to commingle the production from :
three separate leases. Applicant, in the :
above-styled cause, seeks an order authoriz- :
ing it to install an automatic custody tran- :
sfer system and to commingle the production :
from the Hobbs Pool from three separate non- :
contiguous leases in Township 18 South, Range :
38 East, Lea County, New Mexico. Applicant :
proposes to separately meter the production :
from each lease prior to commingling. :

BEFORE:

Elvis A. Utz, 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. UTZ: The next case on the docket will be Case
1651.

MR. PAYNE: Case 1651. Application of Continental
Oil Company for an automatic custody transfer system and for per-
mission to commingle the production from three separate leases.

MR. KELLAHIN: If the Commission please, Jason Kella-
hin of Kellahin & Fox, Santa Fe, New Mexico, appearing for the
applicant. We have one witness, Mr. Queen.

MR. UTZ: Just a moment. Are there any other appear-
ances in this case? If not, you may proceed.

(Witness sworn)

JOHN A. QUEEN,

called as a witness, having been first duly sworn on oath, testified as follows:

DIRECT EXAMINATION

BY MR. KELLAMIN:

Q Would you state your name, please?

A John A. Queen.

Q By whom are you employed and in what position, Mr.

Queen?

A Continental Oil Company, division engineer, New Mexico division.

Q Are you a petroleum engineer, Mr. Queen?

A Yes, I am.

Q What education have you had in the field of petroleum engineering?

A I graduated from the University of Oklahoma; State University now; at that time Oklahoma A & M, with a Bachelor of Science degree in mechanical engineering with petroleum option.

Q And when was that?

A In 1949.

Q What have you done since then, Mr. Queen?

A I have completed a training program as presented by Continental Oil Company and worked through various phases of Continental operations, including reservoir engineering, field opera-

tion, mechanical engineering.

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Q What employment have you had since your graduation in 1949?

A Continental Oil Company is the only employment I have had.

Q What positions have you held with Continental Oil Company?

A I have been division mechanical engineer, district engineer, and presently division engineer.

MR. KELLAHIN: Are the witness' qualifications acceptable?

MR. UTZ: They are.

Q Now, Mr. Queen, are you familiar with the application in Case 1651?

A I am.

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

A Continental Oil Company is seeking authority to transport oil produced from the Hobbs Pool wells on the W. D. Grimes lease, consisting of the SE/4 of Section 28, 18 South, 38 East. This is shown in Exhibit 1 here. And the State A-33 lease consisting of the SW/4, the W/2 of the SE/4, and the SW/4 of the NE/4 of Section 33, 13 South, 38 East via pipe line. State A-33 is located here by pipe line to a centralized battery on State A-29 lease, consisting of the E/2 of the SW/4 and the NW/4 of the SE/4

of Section 29, 18 South, 38 East, and to commingle this oil with oil produced from Hobbs Pool wells on the State A-29 lease.

(Whereupon, Continental's Exhibits were marked for identification.)

Q Now, referring to what has been marked as Exhibit No. 1, would you state briefly what is shown on that Exhibit?

A Before I do that, should I pass out the Exhibits that we have?

Q Yes, if you would, please.

A These are in order as they will be referred to.

Q Now, referring to what has been marked as Exhibit No. 1, would you outline briefly what is shown on that Exhibit?

A Exhibit 1 is a plat portraying part of the townsite of Hobbs, where the City Limits are shown on the dotted line along this area here, extending on north, it is the main part of the Hobbs line, this area here, Continental leases are shaded in yellow. The three leases, there are only three under consideration for the automation battery and the lease automatic custody system. The wells that are under consideration are circled in red. And the proposed pipe line is shown outlined in red leading from each lease to the proposed site of the central, the automatic tank battery system.

Q What is the primary factor which prompted Continental Oil Company to propose this centralized tank battery and automation process?

A Referring to what has been marked Exhibit 1, it may be seen that the W. D. Grimes lease is completely surrounded with housing, residential area. The W. D. Grimes battery is situated in this highly populated area. The State A-33 lease is surrounded on three sides by industrial buildings. It was felt that continuous operations would be costly and complicated due to the limited area available for operation. It was, therefore, decided to move the existing facility, the State A-29 lease.

Q Would it have been possible to remove these facilities without the commingling as proposed in this application?

A Yes, sir, it would have. However, complete lease automation and automatic custody transfer of liquids offers certain advantages and makes this desirable both from operational and economic standpoints.

Q Would you elaborate on that?

A By commingling the production and installing an IACT system and eliminating the expense of setting separate storage facilities for each lease. Also, we anticipate an increase in crude oil gravity as a result of reduced weathering time in stock tanks. At such time as the capacity of the wells drops below top allowable, this will also result in a slight increase in volume. By going to complete lease automation, incorporating automatic test programming and automatic production programming, we will be able to determine the most efficient producing cycle for each well and produce each accordingly. We also anticipate that the proposed

automation will enable us to reduce the man-hours required to maintain these leases. I might add, that it is for these reasons that the State A-29 lease has also been included in the proposed system.

Q Now, referring to what has been marked as Exhibit No. 2, will you explain that for us, please?

A Exhibit No. 2 is a diagrammatic drawing of the proposed installation, which traces the flow of fluid from the well header to the pipe line purchaser. But before tracing the flow of fluids on this diagram, I would like to emphasize that the headers located here are on each respective lease, and not located on the State A-29 lease. These headers will be located at these respective points for each particular lease.

Q Now, you say these respective points. Referring to Exhibit No. 1, can you explain what points you are pointing to?

A On Exhibit 1 I was referring to the point on which the header as set forth in Exhibit 2 would be so located.

Q How is it shown on Exhibit No. 1?

A It is shown by two existing batteries. These headers will be located at the present existing batteries with a new header installed for complete automation, of course.

Q We understand, then, of course, that the headers will be located on the existing leases, and the remaining equipment, as seen on Exhibit No. 2, will be on the A-29 lease?

A That is correct.

Q Will you continue with your discussion, please?

A From this point, referring back to the headers again, the fluid will flow through 4 1/2" OD production line and through a 2" test line running to the centralized tank battery located on the State A-29 lease. Now, referring to Exhibit 2, production from each well on a lease will flow through an individual line through the header, where it will normally be directed to a 4 1/2" production line by a three-way three-position solenoid actuated diaphragm control valve. This lease production will then proceed to the individual lease separating and treating facilities, which would be located on State A-29 lease. As previously mentioned, gas from the separator for each lease will pass through a standard orifice meter for sales determination. Oil will flow from the separator into a heater treater and knock out any free water or emulsion that will go into that. This flow line into our separator is located here, and the sale of gas will come through here and be metered for sale determination. The oil will flow on into the heater treater; oil and water which will then be separated, and water will be discharged into the salt water system and the oil will flow out of the heater treater. Oil will be monitored for SW&W by a dump type meter. We have the BS&W monitor noted by a small round circle.

Q Will there be a monitor located on each flow line, or will it be monitored as a unit?

A There will be one on each flow line on each facility, each lease facility, and the system I am now describing to you will

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held for each lease. It could be the description -- it could be described for each one of three leases. I might add here, we have the top on schematic drawing, we have the top facility as a State A-33 lease; the second one as a Grimes lease, and the next one as a test unit which we will describe later. And the bottom drawing is the State A-29 lease, and this description applies for each one of these leases. To repeat, the oil will be monitored for BS&W content and then passed on into the Gump type meter. Oil from the meter will be commingled in 1,000 barrel surge tanks prior to sales. The monitor will check the fluid continuously to assure that the BS&W content is within the limits acceptable by the pipeline. At such time as the BS&W content rises above that acceptable by the pipeline, the fluid to the 1,000 barrel surge tank will be diverted by diaphragm control valves through a recirculating line back through the heater treater. This can be done with the small three-way valve immediately after the monitor. If the monitor picks up that oil above that required by the pipeline, this three-way valve will revert the oil, all of the oil through this pump, and recirculate it through the heater treater. This process will continue until such time as the monitor picks up clean oil. At such time as the fluid level in any vessel reaches a predetermined level, caused by the recirculation of bad oil, all circulation will be closed off at the remote header by that lease. At such time as the BS&W content drops within the required limits, the oil flow will be resumed and all wells will be opened to production.

Individual well tests will be obtained by diverting the flow of wells to be tested by the three-position valve to a 2" test line at the header. This fluid will then be routed through the test facilities. As noted on Exhibit No. 2, casinghead gas from the test separator will pass through an orifice with gas measurement being determined by an integrating gas meter and recorded on a strip chart recorder, and directed back to the gas sales line of the appropriate lease. Liquids from the separator will be carried over into a metering heater treater. Produced water will pass through a dump type metering chamber, with water production being recorded on the strip chart recorder. Oil will be measured in a dump type meter chamber within the treater, and from the meter oil will be directed back to the proper lease meter to be measured and recorded for production purposes. A sampler will obtain samples of oil produced for determining gravity and per cent BS&W contained in the oil for each particular well in the case.

Q Then, the wells from the various leases will be treated through a common meter?

A Yes, a single test unit will be used for all three leases.

Q In your opinion, will this result in any inequities, or result in oil being returned to the wrong lease for measurement?

A No, I know of no way in which inequities could occur. The three-way valves on the lease headers will be so arranged and synchronized that only one well will be flowing into the test

facilities during any given period. Likewise, the diaphragm control valves on the gas return line and oil return line which are normally closed will be so synchronized that the gas or oil from one lease cannot enter the metering facilities of another lease.

Q Have provisions been made to conduct monthly calibration tests of these dump meters as required by the Commission?

A Yes. It can be noticed that immediately downstream of the dump meters, there is a prover connection at this point for each lease facility. It is planned to set a tank to be used to calibrate the dump meters; once a month or whatever frequency is desired, each of the meters will be checked and calibrated.

Q Referring to the system that is shown on Exhibit No. 2, would you describe this for us, please?

A Are you referring to the LACT system?

Q Yes, the lease automatic custody transfer system.

A Oil from the various lease facilities, after being metered at their respective point will be commingled in a common line and collected in a 1,000 barrels or accumulation tank, whatever you call it. When oil reaches a predetermined level as accepted by the pipeline, for Continental Oil Company, the oil will pass through a strainer to remove any foreign matter which will foul the pipeline meter and will also flow through an air eliminator which will be located downstream here, to assure that a solid stream is flowing through the meter and also through the pipeline sales meter. The meter will be a positive

displacement meter with a counter and temperature compensator. It will be equipped with a meter failure detector and shut-off switch. The meter can be equipped with a ticket printer; however, this is not required by Shell Pipe Line. A continuous sample of the oil will be taken to check the oil gravity and BS&W content.

Q = In the proposed automation and centralization project, are there any safety devices to shut the lease down in case of malfunctions or flow stoppages?

A Yes. As it may be seen on Exhibit 2, all facilities are equipped with high level shut-in switches. As you will note here on the surge tank, there are some, as I previously mentioned on each of the heater treaters and the gas separator, each one of the leases, so all vessels have high level shut-in switches. If, for any reason, these vessels become full, a float actuated switch will shut-in all valves up stream of that particular vessel. In the event the accumulation tank becomes full, then all leases will be shut-in at the headers, which will, in turn, cause the wells to be shut in at the wellhead.

Q Now, who is the purchaser of the oil from these three leases?

A Shell Pipe Line.

Q Have they approved this system?

A Yes. I have a letter from Shell Pipe Line, marked Exhibit 3, stating that they will accept the proposed LACT unit when it is installed, if it is installed as proposed, and with the

stipulations as set forth in their letter, which Continental agrees to.

Q Now, referring to the leases to be included in the proposed centralization, are the royalty owners common for the three leases?

A No, sir, they are not. For two of the leases, the State A-29 and the State A-33 lease, these two leases here, the State is the royalty owner. For the other lease, the W. D. Grimes, the W. D. Grimes Estate is the royalty owner.

Q Now, have the various royalty owners authorized the proposed commingling of fluids?

A No, sir. I have here a letter from the Commissioner of Public Lands, marked Exhibit 4, authorizing the proposed commingling. From the two State leases, letters had been written to all other royalty owners asking for approval. However, to date, they have not all yet been received. We have received as of yesterday twenty-seven of the thirty-seven royalty owners.

Q Thirty-seven royalty owners on the Grimes lease?

A Yes, sir.

Q Now, in regard to the proposed flow lines or pipe lines to the remote battery, has any consideration been given to the problem of paraffin deposition and corrosion of the lines?

A Yes, sir. We have investigated this possibility and to control corrosion and paraffin deposition, we plan to internally coat all lines with plastic to minimize these two problems.

your direction and supervision?

A They were.

Q And Exhibits 3 and 4, are they letters, the originals of which are in the files of Continental Oil Company?

A That is correct.

Q Would you be willing to produce the original letters if requested by the Commission?

A I would.

MR. KELLAHIN: At this time we would like to offer in evidence Exhibits 1 through 4 inclusive.

MR. UTZ: Without objection, they will be admitted.

(Whereupon, Continental's Exhibits 1 through 4 were admitted in evidence).

MR. KELLAHIN: That's all the questions I have, Mr.

Utz..

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Queen, which is the pumping well?

A W. D. Grimes No. 3.

Q In regard to the safety shut-offs, is my understanding correct that in the event any of your vessels reach a high level point all valves ahead of those vessels will be closed in?

A That is correct.

Q Where are those valves located?

A The valves -- for instance, in this, on the surge

tank we have a high level valve here. This would, in turn, shut this valve back in at this point here, which would, in turn, fill this up here, which would, in turn, shut the valve back at the header.

Q In other words, these valves that you have just pointed to, which are just ahead of your storage tank, will be shut in by your high level switch?

A Yes.

Q The increase of pressure ahead of that line will close the well in at the wellhead?

A That is correct. These shown on the lower left are three-way control valves, and these are all electric actuated valves -- I should say electric or pressure actuated valves.

Q How will the production from these wells be regulated?

A At the present time, these are excellent wells. In the letter from Shell Pipe Line Company, they requested -- one of the things they requested was a daily control valve for lease allowable production, and also a monthly lease allowable shut-down timer, and these will be installed.

Q Where will these be installed?

A They will be in a control house.

Q In the control house?

A And they will be connected with the dump meters to control the amount of fluid being produced.

Q And when the lease produces a hundred and twenty-five

percent, or maximum one hundred twenty-five, it will be shut-in?

A These leases will be operated within the Rules and Regulations of the New Mexico Oil Conservation Commission.

Q They will be shut-in on individual well basis?

A They will be shut-in on individual well basis. We will have complete control of each individual well on each one of these leases. This is complete automation. The wells will, of course, also be regulated by our pumper as to our orifice size and characteristics to also stay within the State regulations.

Q I still don't quite understand just how you control these wells. Why don't you run through that again as to the amount of oil that they will produce each day?

A Let me read this one thing, it would be the best to start off with. In Exhibit No. 3, the Shell Pipe Line in their Item No. 2 states: a timer or counter to provide for controlling "limiting" the daily production. This could be a timer with twenty-four hour reset to limit changing pipe to a preset pump time per day. This is merely a system of which they do not distinguish between pumping and flowing wells, but is a system that at which time the wells produce a predetermined amount or the lease produces a predetermined amount, certain wells will be shut down. This is a matter of operation, and I am sure that what would happen if we reached, say, 75 percent of our allowable, certain wells would be shut down and other wells would be allowed to flow; we would not produce our allowable and shut down the wells.

This is an operating problem whereby if some wells were shut, they would have to be swabbed to return to flow; these can be preset to shut down any individual wells at any given time, according to the test, how much they are producing at any given time, and this is the program I was speaking of. These wells can be set in the control house to flow any number of hours per day, to produce their allowable. At such time the accumulation of the lease, the total number of wells on the lease produce their allowable, then the control switch will shut down the entire lease system. It would be our contention, however, that we would try to regulate these wells so as to produce them at their allowable rate continuously.

Q Your time system is a lease timing system, or is it an individual well timing system?

A The timing system that they are talking about is a lease timing system. However, we have individual well control to determine how much each well will produce in a given time.

Q And is that regulated by choke?

A Also we can preset the length of time that well will be on production.

Q Then, it is an individual well timer?

A It is an individual well timer, but the preset -- the allowable preset is on a lease basis.

Q All right.

MR. UTZ: Are there any other questions?

QUESTIONS BY MR. PAYNE:

Q Referring to this Exhibit No. 3, which is the letter from Shell Pipe Line Corporation, have you, or do you propose to make all the changes that they recommended?

A Yes, sir, we do.

Q Are these all incorporated on Exhibit 2 now?

A Yes, sir, they are.

Q Now, referring to Exhibit No. 4, the letter of approval from the Commissioner of Public Lands, I notice that they ask whether you have the proper easement for the pipe lines. Do you have these?

A Not to date. We are in the process of obtaining those just the same as the royalty owners were in that process of getting theirs.

Q Now, if I understand you correctly, you testified that you have both high level pressure shut-off switches and low level, is that right?

A That's right, on the flowing wells.

Q You do not intend to produce more than fourteen wells into the centralized tank battery, do you?

A To my knowledge, it will be less than sixteen. I have not counted them, but I believe it is fourteen wells, if I recall.

MR. PAYNE: Thank you. I believe that's all.

MR. UTZ: Any other questions of the witness? If not, the witness may be excused.

(Witness excused)

MR. UTZ: Any other questions? If not, we will take the case under advisement.

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss

I, J. A. Trujillo, Notary Public 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 Stenotype and reduced to typewritten transcript by me, 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 11th day of May, 1959, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Joseph A. Trujillo
NOTARY PUBLIC

My Commission Expires:
October 5, 1960

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 1651,
heard by me on May 10, 19 59.
Christ W., Examiner
New Mexico Oil Conservation Commission

DEARNLEY - MEIER & ASSOCIATES
GENERAL LAW REPORTERS
ALBUQUERQUE, NEW MEXICO
Phone CHapel 3-6691

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

May 25, 1959

Mr. James Kellahan
Box 1713
Santa Fe, New Mexico

Dear Mr. Kellahan:

On behalf of your client, Continental Oil Company,
we enclose two copies of Order No. E-1495 and two
copies of Order E-1493 issued May 25, 1959, by the
Oil Conservation Commission.

Very truly yours,

A. L. PORTER, Jr.,
Secretary-Director

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Enclosures

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 1651
Order No. R-1400

APPLICATION OF CONTINENTAL OIL
COMPANY FOR PERMISSION TO INSTALL
AN AUTOMATIC CUSTODY TRANSFER
SYSTEM AND FOR PERMISSION TO
COMMINGLE THE PRODUCTION FROM
THREE SEPARATE LEASES IN LEA
COUNTY, NEW MEXICO

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on May 6, 1959, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 25th day of May, 1959, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Continental Oil Company, is the owner and operator of the following-described leases in the Hobbs Pool, Lea County, New Mexico:

W. D. Grimes lease, SE/4 of Section 21.
State A-33 lease, SW/4, W/2 SE/4, and SW/4 NE/4
of Section 33.
State A-29 lease, E/2 SW/4 and NW/4 SE/4 of
Section 29.

all in Township 18 South, Range 38 East.

(3) That the applicant seeks permission to commingle the Hobbs Pool production from wells on the above-described leases in a common tank battery located on said A-29 lease.

-2-

Case No. 1651
Order No. R-1400

(4) That the applicant proposes to separately meter the production from each lease prior to commingling.

(5) That the applicant further seeks permission to install an automatic custody transfer system to handle the Hobbs Pool production from wells located on the three above-described leases.

(6) That the applicant proposes to measure the oil passing through the automatic custody transfer system by means of dump type or positive displacement meters.

(7) That the previous use of automatic custody transfer equipment, similar to that proposed by the applicant, has demonstrated that such equipment is a reliable and economic means of transferring the custody of oil and that the use of such equipment should be permitted.

(8) That the applicant should be permitted to commingle the Hobbs Pool production from the above-described leases after separately metering the production from each lease.

IT IS THEREFORE ORDERED:

(1) That the applicant, Continental Oil Company, be and the same is hereby authorized to commingle the Hobbs Pool production from all wells on the following-described leases in a common tank battery:

W. D. Grimes lease, SE/4 of Section 28,
State A-33 lease, SW/4, W/2 SE/4, and SW/4 NE/4
of Section 33.
State A-29 lease, E/2 SW/4 and NW/4 SE/4 of
Section 29.

all in Township 18 South, Range 38 East, NMPM, Lea County, New Mexico.

PROVIDED HOWEVER, That the production from each lease shall be separately metered prior to commingling.

PROVIDED FURTHER, That the applicant shall install adequate facilities to permit the testing of all wells located on the above-described leases at least once each month to determine the individual production from each well.

PROVIDED FURTHER, That wells producing into the centralized tank battery shall be equipped with high pressure and low pressure shut-off switches to ensure that they will be shut-in at the wellhead in the event of malfunction or flow-line break.

(2) That the applicant be and the same is hereby authorized to install automatic custody transfer equipment utilizing either dump-type meters or positive displacement meters to handle the Hobbs Pool production from wells on the above-described leases.

-3-

Case No. 1651

Order No. R-1400

IT IS FURTHER ORDERED:

That all meters shall be operated and maintained in such a manner as to ensure an accurate measurement of the liquid hydrocarbon production at all times.

That meters shall be checked for accuracy at least once each month until further direction by the Secretary-Director.

Meters shall be calibrated against a master meter or against a test tank of measured volume and the results of such calibrations filed with the Commission on the Commission form entitled "Meter Test Report."

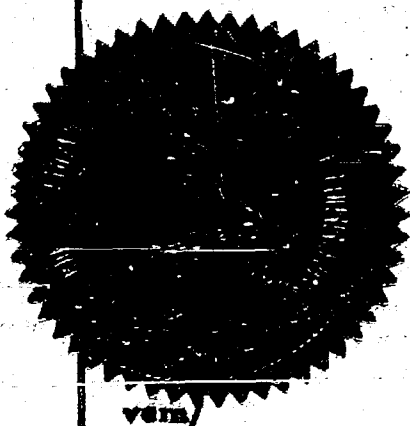
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

John Burroughs
JOHN BURROUGHS, Chairman

Murray E. Morgan
MURRAY E. MORGAN, Member

A. L. Porter, Jr.
A. L. PORTER, Jr., Member & Secretary



OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 5-18-59

CASE NO. 1651

HEARING DATE 5-6-59

My recommendations for an order in the above numbered case(s) are as follows:

- A. Grant Continentals request for a LACT system for the following leases:
1. W.D. Primer - SE/4 sec. 28-185-38E.
 2. State of N.M. #A-33 - SW/4, W/2 SE/4, SW/4 NE/4 sec. 33-185-38E.
 3. State of N.M. #A-29 - E/2 SW/4, NW/4 SE/4 sec. 29-185-38E.
- B. Each of the 7 leases will be metered thru either P. & or Damp meters.
- C. Test meters once a month until further notice of Comm.
- D. Central Battery will be located in SE/4 SW/4 sec 29-185-38E.
- E. High - low pressure valves shall be installed on all wells to prevent the possible waste of oil.

Thurston D. [Signature]
Staff Member

SHELL PIPE LINE CORPORATION

P. O. Box 1910
Midland, Texas

April 27, 1959

Subject: Installation of L&M Equipment
on Commercial Grade "A" 10" Line,
San County, New Mexico

Continental Oil Company

Midland, New Mexico

Attention: Mr. E. M. Davis

Enclosure

BEFORE EXAMINER UTZ

OIL CONSERVATION COMMISSION

EXHIBIT NO. 19

CASE NO. 1651

In reply to your proposal to install L&M equipment on the 10" line as outlined in your letter of April 15, 1959, however, we have the following things to be noted in the design:

1. A water failure detection device or circuit to shut the line off when there is a water failure alarm.
2. A timer or switch to provide for controlling (limiting) the water production. This could be a timer with 24 hour reset or limit the flow to a preset total quantity line per day.
3. A monthly allowable rate pump system. This can be designed to work with the timer.
4. The pipeline should be maintained and controlled by the owner or operator. The line should be controlled by the owner or operator.
5. The 2" gas line should be maintained and controlled by the owner or operator. The line should be controlled by the owner or operator.
6. A manual shut-off switch should be provided with the line to shut off the gas. Just as a matter of fact, the line should be controlled by the owner or operator.

Continental Oil Company

As discussed in item 1 above the joint use of the facilities
provided for the operation of an LMT battery. The joint use of the
facilities will be at your expense. If you agree to this arrangement
please sign and return this copy to the Continental Oil Company.

After the facilities have been installed and placed in the
operation, we will be responsible to their use for maintenance and
operation.

Yours very truly,



C. E. Johnson
President

Continental Oil Company

August 1, 1944

Shirley R. K. K.



Oil and the Division

March 30, 1959

THOMAS E. HARRIS
CHIEF OF POLICE

**National Oil Company
225 Petroleum Building
Albany, New Mexico**

OIL CONSERVATION COMMISSION

EXHIBIT NO

CASE NO. 1657

SECRET

The application to change the position from the 2-10, 2-11, 2-12, with the State 2-13 leave (State 2-14) and State 2-15 leave in State 2-16, has been approved by this office.

There is no question that we would like to get information concerning and reporting upon the State calls in this matter. The only way we will be individually oriented and informed is by having that the information and possibly check-out and recording will be done from these records. Will you please do your place in this matter?

Mr. Fluorobain has handles right of way agreements for the road with you to determine whether or not you have the agreements for pipeline for the project.

Very truly yours,

KENNETH E. MERRIN
Commissioner of Public Lands

Dr: *Ed. Bill*

Ted Eilberry
Supervisor Oil and Gas Division

00: Jason W. Hollahan

IN THE MATTER OF THE APPLICATION
OF CONTINENTAL OIL COMPANY FOR AN
EXCEPTION TO RULE 309 (a) OF THE RULES
AND REGULATIONS OF THE NEW MEXICO OIL
CONSERVATION COMMISSION, AUTHORIZING
PRODUCTION FROM THEIR W. D. GRIMES
LEASE AND STATE A-33 LEASE, HOBBS POOL,
LEA COUNTY, NEW MEXICO TO BE TRANS-
PORTED FROM THE LEASES PRIOR TO MEASURE-
MENT AND AUTHORIZING PRODUCTION FROM
SAID LEASES TO BE COMMINGLED WITH OIL
PRODUCED FROM THE STATE A-29 LEASE,
HOBBS POOL IN A COMMON AUTOMATIC TANK
BATTERY, AND AUTHORIZING THE INSTALLA-
TION OF A LEASE AUTOMATIC CUSTODY
TRANSFER SYSTEM.

BEFORE THE
OIL CONSERVATION
COMMISSION
OF THE
STATE OF
NEW MEXICO

APPLICATION

Comes now CONTINENTAL OIL COMPANY, a Delaware corporation,
hereinafter referred to as "Applicant", and would respectfully show
unto the Commission as follows:

1.

That applicant is the owner and operator of the W. D.
Grimes lease, consisting of the SE/4 of Section 28; the State A-33
Lease, consisting of the SW/4, W/2 of SE/4, and SW/4 of NE/4 of
Section 33; and the State A-29 lease, consisting of the E/2 of SW/4,
and the NW/4 of SE/4 of Section 29, T-18S, R-38E, N.M.P.M., Lea
County, New Mexico.

2.

That present storage facilities for Hobbs pool wells on
said W. D. Grimes and State A-33 leases, which are within the city
limits of Hobbs, New Mexico, are situated in highly populated
residential and industrial areas and that continued operation of
these facilities in their present location presents a grave fire
hazard.

3.

That applicant proposes to transport the oil produced
from these two leases via pipe line to a centralized automatic
tank battery located on the said State A-29 lease with produced
oil from all three leases being commingled.

4.

That proposed pipe lines will be buried in accordance
with the different State, County, and City regulations.

Docket Mailed
5-1-59
SP

Docket Mailed
4-22-59
BP

5.

That separate treating facilities will be provided for each lease and that production from each lease will be measured and recorded by dump type positive displacement meters prior to commingling, thereby preventing any inequities and protecting correlative rights.

6.

That centralized facilities will be completely automatic and will be so designed as to permit automatic testing of each well producing into the battery at least once per month.

7.

That all wells producing into the centralized battery will be equipped with high-low pressure shut-off switches to insure that they will be shut-in at the wellhead in the event of plugged or broken flow lines.

8.

That applicant proposes to incorporate a lease automatic custody transfer system into the proposed centralized battery.

9.

That there is attached hereto and made a part thereof a plat, marked Exhibit "A", showing said leases and the Hobbs pool wells situated thereon (encircled in red); the location of existing tank batteries, location of the proposed common battery and the location of the proposed pipe lines.

WHEREFORE, applicant prays that this application be set for hearing upon due notice and that upon hearing an order be entered granting Applicant an exception to Rule 309 (a) authorizing Applicant to transport oil from the W. D. Grimes and State A-33 leases prior to measurement and authorize the production of Hobbs pool wells on three leases, the W. D. Grimes, State A-33 and State A-29 to be produced into a common automatic tank battery, and authorizing the installation of a Lease Automatic Custody transfer system.

Respectfully submitted,

CONTINENTAL OIL COMPANY

BY

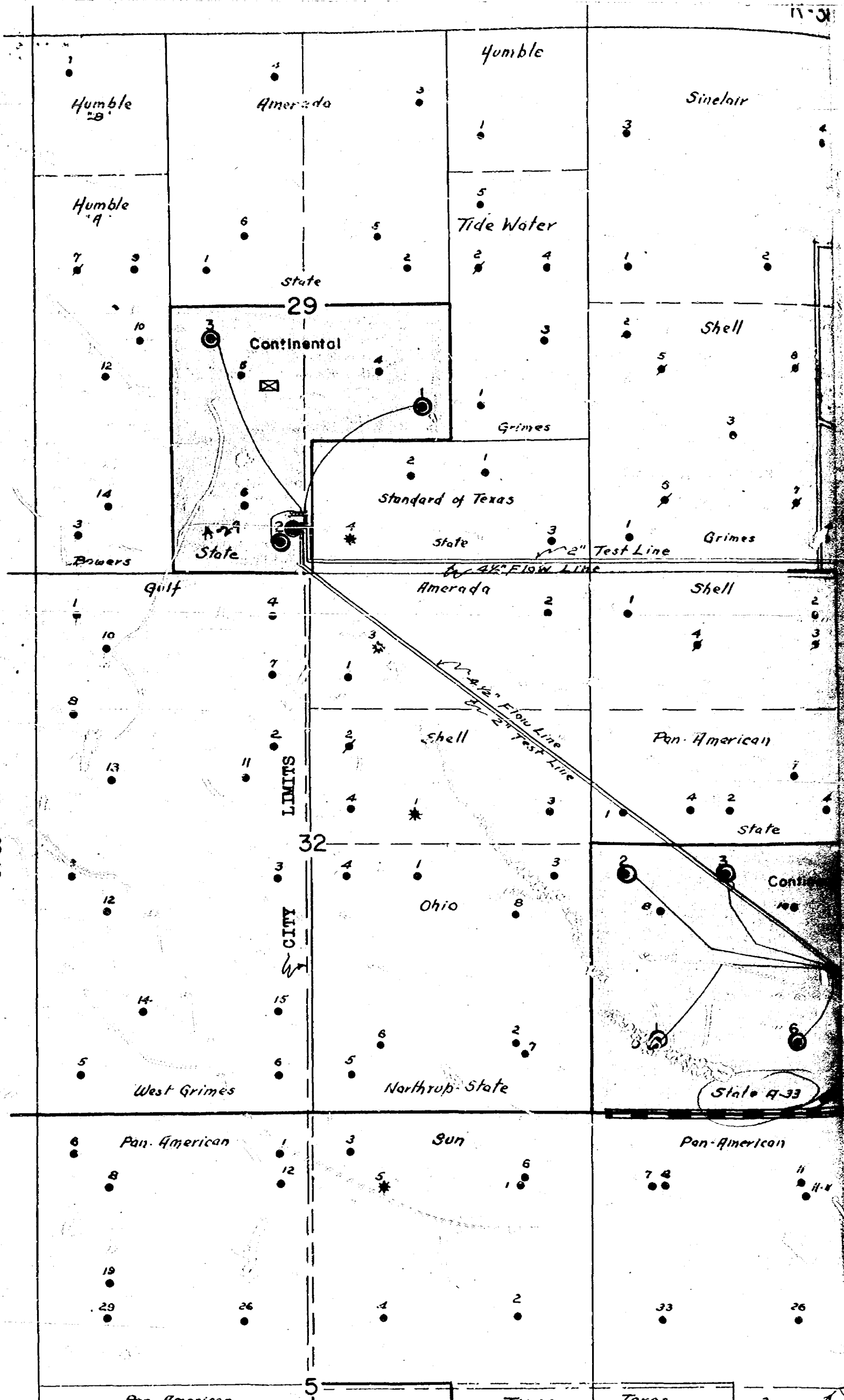
R. L. Adams

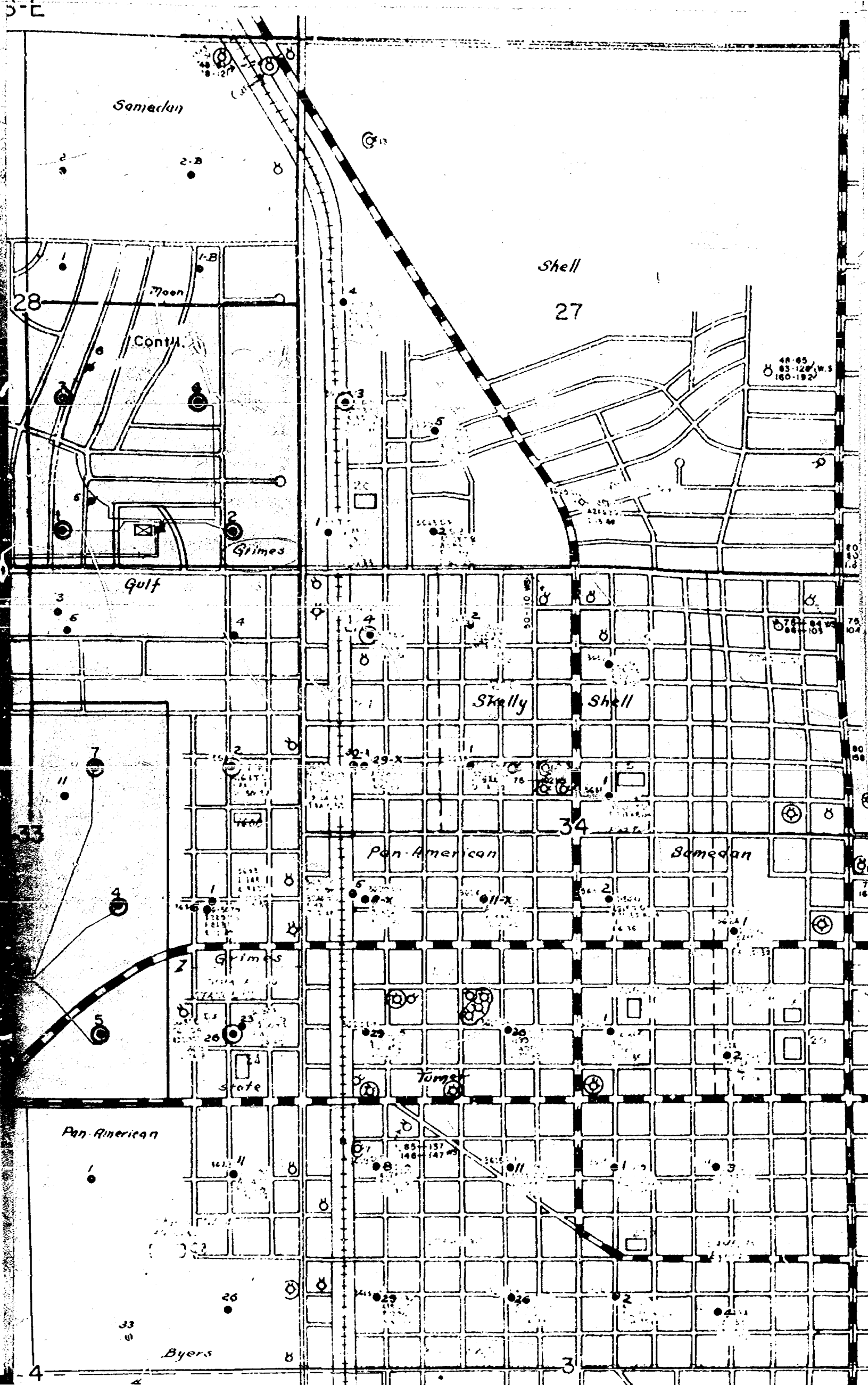
R. L. Adams
Division Superintendent

RLA-BR

NMOCC(4) HLJ(2) JWK HWS FILE

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18
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32

CITY

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West Grimes

Northrup - State

State 93

Pan. American

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Pan-American

Pan-American

Cont'l.

Texas

Texas

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State 9.5

State

McKinley

CONTINUED

HOBBS POO

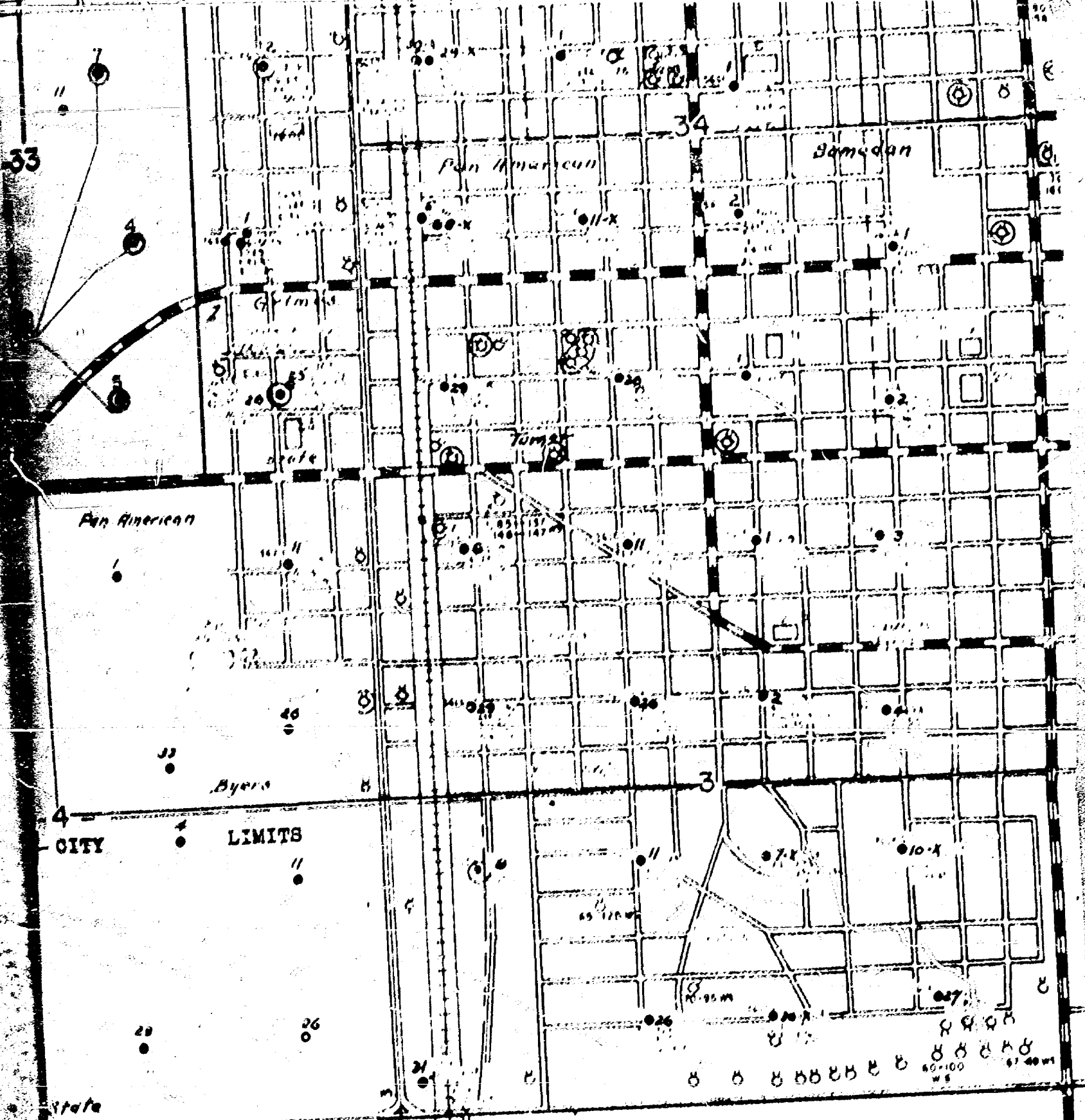
Plat Showing Proposed

scale:

Hobbs Dist. Office

● Proposed Battery

© Wells to be Included



L OIL COMPANY
AUTOMATION
Flow Lines & Battery Site
1" = 1000'

Existing Batteries
in Automation Project

December, 1958

Draft
OEP:vem
May 12

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING

CASE NO. 1651
Order No. R- 1400

APPLICATION OF CONTINENTAL OIL
COMPANY FOR PERMISSION TO
INSTALL AN AUTOMATIC CUSTODY
TRANSFER SYSTEM AND FOR PERMISSION
TO COMMINGLE THE PRODUCTION FROM
THREE SEPARATE LEASES IN LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION

This cause came on for hearing at 9 o'clock a.m. on May 6, 1959, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this _____ day of May, 1959, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Continental Oil Company, is the owner and operator of the following-described leases in the Hobbs Pool, Lea County, New Mexico:

W. D. Grimes lease, SE/4 of Section 28.
State A-33 lease, SW/4, W/2 SE/4, and SW/4 NE/4
of Section 33.
State A-29 lease, E/2 SW/4 and NW/4 SE/4 of
Section 29.

all in Township 18 South, Range 38 East.

- (3) That the applicant seeks permission to commingle the Hobbs Pool production from wells on the above-described leases in a common tank battery located on said A-29 lease.
- (4) That the applicant proposes to separately meter the production from each lease prior to commingling.

-2-

Case No. 1651

Order No. R-_____

(5) That the applicant further seeks permission to install an automatic custody transfer system to handle the Hobbs Pool production from wells located on the three above-described leases.

(6) That the applicant proposes to measure the oil passing through the automatic custody transfer system by means of dump type or positive displacement meters.

(7) That the previous use of automatic custody transfer equipment, similar to that proposed by the applicant, has demonstrated that such equipment is a reliable and economic means of transferring the custody of oil and that the use of such equipment should be permitted.

(8) That the applicant should be permitted to commingle the Hobbs Pool production from the ~~leases described in the above-described leases~~ after separately metering the production from each lease.

IT IS THEREFORE ORDERED:

(1) That the applicant, Continental Oil Company, be and the same is hereby authorized to commingle the Hobbs Pool production from ^{all wells on} the following-described leases in a common tank battery:

W. D. Grimes lease, SE/4 of Section 28.
State A-33 lease, SW/4, W/2 SE/4, and SW/4 NE/4
of Section 33.
State A-29 lease, E/2 SW/4 and NW/4 SE/4 of
Section 29.

all in Township 18 South, Range 38 East, NMPM, Lea County, New Mexico.

PROVIDED HOWEVER, That the production from each lease shall be separately metered prior to commingling.

PROVIDED FURTHER, That the applicant shall install adequate facilities to permit the testing of all wells located on the above-described leases at least once each month to determine the individual production from each well.

PROVIDED FURTHER, That wells producing into the centralized tank battery shall be equipped with high pressure and low pressure shut-off switches to ensure that they will be shut-in at the wellhead in the event of malfunction or flowline break.

~~ORDERED~~
IT IS FURTHER ORDERED:

That all meters shall be operated and maintained in such a manner as to ensure an accurate measurement of the liquid hydrocarbon production at all times.

That meters shall be checked for accuracy at least once each month until further direction by the Secretary Director.

Meters shall be calibrated against a master meter or against a test tank of

measured volume and the results of
such calibrations filed with the
Commission on the Commission form
entitled "Meter Test Report."

Done at etc.