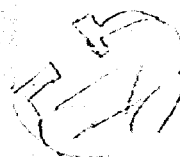


**SAF 1926: Application of HONDO OIL  
& GAS for approval of Automatic  
Custody Transfer System - Eddy Co.**



Casa No.

1926

---

Application, Transcript,  
Small Exhibits, Etc.

County, \_\_\_\_\_

Township \_\_\_\_\_ Range \_\_\_\_\_

Township \_\_\_\_\_ Range \_\_\_\_\_

Township \_\_\_\_\_ Range \_\_\_\_\_

Township \_\_\_\_\_ Range \_\_\_\_\_

Form 104—(Four on Township)

27

17

18

6	5	4	3	2	1	6	5	4	3	2	1
7	8	9	10	11	12	7	8	9	10	11	12
18	17	16	15	14	13	18	17	16	15	14	13
19	20	21	22	23	24	19	20	21	22	23	24
29	28	27	26	25		30	29	28	27	26	25
31	32	33	34	35	36	31	32	33	34	35	36
6	5	4	3	2	1	6	5	4	3	2	1
7	8	9	10	11	12	7	8	9	10	11	12
18	17	16	15	14	13	18	17	16	15	14	13
19	20	21	22	23	24	19	20	21	22	23	24
29	28	27	26	25		30	29	28	27	26	25
31	32	33	34	35	36	31	32	33	34	35	36

# Hondo Oil & Gas Company

Box 660

Roswell, New Mexico

March 1, 1960

Bar 7  
Empire Abo?  
Case  
1926

Oil Conservation Commission  
State of New Mexico  
Post Office Box 871  
Santa Fe, New Mexico

Re: Application for Approval of LACT  
System for Production from Abo Pool  
on Hondo-Western-Yates State 647  
Lease in Section 6, T-18S, R-28E,  
and Sections 31 and 32, T-17S,  
R-28E, Eddy County, New Mexico

Gentlemen:

Hondo Oil & Gas Company, Operator for Hondo Oil & Gas Company, a corporation, Western Development Company of Delaware, a corporation, and Yates Brothers, a partnership, doing business as Hondo-Western-Yates, hereby makes application for permission to operate Lease Automatic Custody Transfer Equipment on the subject lease.

In support of this application, Hondo Oil & Gas Company states the following:

1. Hondo-Western-Yates is the owner and operator of all producing rights below 500 feet below the top of the San Andres formation on Hondo-Western-Yates State 647 Lease, which consists of the NE $\frac{1}{4}$ SE $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$  and NE $\frac{1}{4}$ NE $\frac{1}{4}$  Section 6, Township 18 South, Range 28 East, and the E $\frac{1}{2}$ E $\frac{1}{2}$  Section 31 and the SW $\frac{1}{4}$  and NE $\frac{1}{4}$  Section 32, Township 17 South, Range 28 East, Eddy County, New Mexico, among other lands.
2. There is no diversity of royalty ownership underlying the above described lease.
3. The proposed installation will be adequate to accurately measure oil produced and result in efficient accounting of crude oil transferred to the pipe line gathering system.

Don't  
Mailed  
3-10-60  
JH

Oil Conservation Commission, State of New Mexico  
March 1, 1960

Page 2

4. The pipe line company which purchases the crude oil from subject lease has indicated its approval of the design and equipment for the proposed LACT system.
5. The granting of applicant's request in this case is in the interest of conservation, and will protect correlative rights.
6. In view of proposed Fail Safe features and automatic well control and shut off provisions, the installation of this LACT system will not create any danger of waste.

It is respectfully requested that this matter be set for hearing at an early date.

Respectfully submitted,

HONDO-WESTERN-YATES  
BY HONDO OIL & GAS COMPANY, OPERATOR

By S. H. Cavin  
S. H. Cavin, Resident Attorney

DOCKET: EXAMINER HEARING MARCH 23, 1960

Oil Conservation Commission - 9 a.m., Mabry Hall, State Capitol, Santa Fe  
The following cases will be heard before Elvis A. Utz, Examiner, or A. L. Porter, Jr., Secretary-Director:

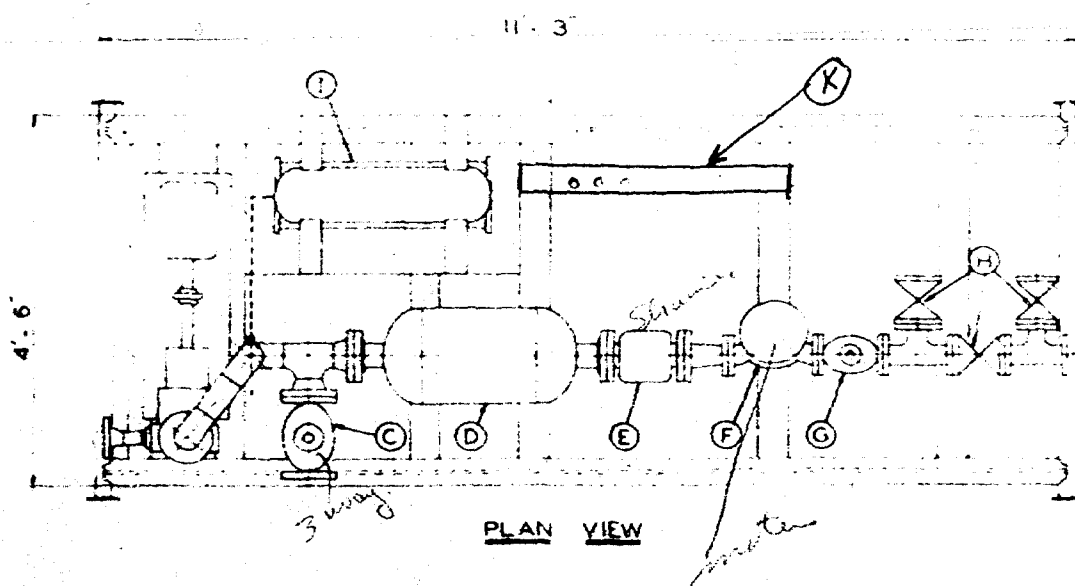
CASE 1923: Application of Caulkins Oil Company for a gas-gas dual completion and an unorthodox gas well location. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Sanchez Well No. 1, located 560 feet from the North line and 660 feet from the West line of Section 24, Township 26 North, Range 6 West, Rio Arriba County, New Mexico, in such a manner as to permit the production of gas from the South Blanco-Pictured Cliffs Pool and the production of gas from the Dakota Producing Interval through parallel strings of tubing. Applicant further seeks approval of an unorthodox gas well location for said Sanchez Well No. 1.

CASE 1924: Application of Caulkins Oil Company for a gas-oil dual completion, an unorthodox oil well location and an exception to the casing requirements of Order R-1191. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its D-140 Well, located 990 feet from the North and East lines of Section 11, Township 26 North, Range 6 West, Rio Arriba County, New Mexico, in such a manner as to permit the production of gas from the South Blanco-Dakota Pool and the production of oil from the Tocito formation adjacent to the South Blanco-Tocito Oil Pool through parallel strings of tubing. Applicant also seeks an exception to the casing requirements of Order No. R-1191. Applicant further seeks approval of an unorthodox oil well location for said D-140 well.

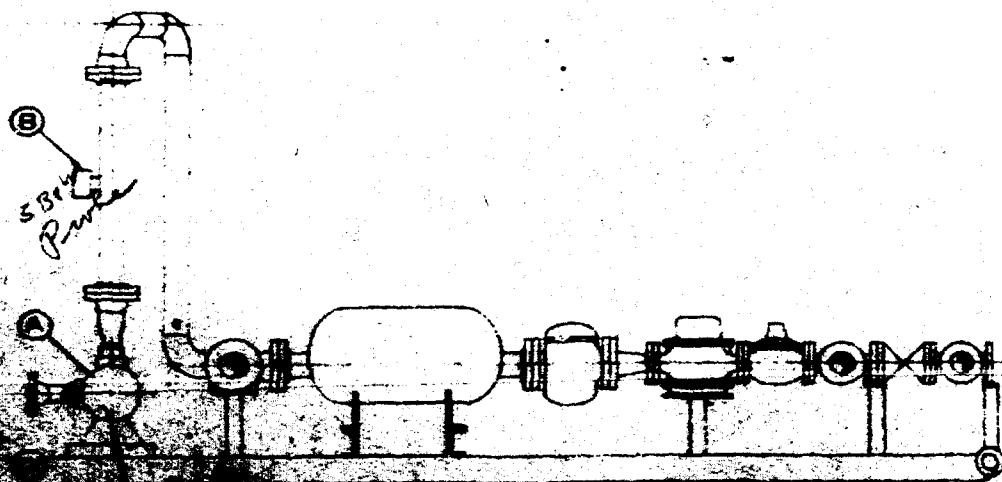
CASE 1925: Application of Honolulu Oil Corporation for approval of a unit agreement. Applicant, in the above-styled cause, seeks approval of its North Mullis Unit Agreement, which unit will embrace approximately 1922 acres of State, Federal and fee land in Townships 14 and 15 South, Range 29 East, Chaves County, New Mexico.

CASE 1926: Application of Hondo Oil & Gas Company for approval of an automatic custody transfer system. Applicant, in the above-styled cause, seeks an order authorizing it to install an automatic custody transfer system to handle the Empire-Abo Pool production from all wells located on its State 647 Lease consisting of the NE/4 SE/4, S/2 NE/4, and NE/4 NE/4 of Section 6, Township 18 South, Range 28 East, and the E/2 E/2 of Section 31 and the SW/4 and NE/4 of Section 32, all in Township 17 South, Range 28 East, Eddy County, New Mexico.

BEFORE EXAMINER UTZ  
OIL CONSERVATION COMMISSION  
Exhibit NO. 3  
CASE NO. 1926



LIST OF EQUIPMENT		
ITEM	DESCRIPTION	QUAN
A	SUITABLE PUMP	1
B	3" B S & W INSTRUMENTS INC MONITOR WITH PROBE	1
C	3" CLAYTON MODEL *136E VALVE C/W SOLENOID, FE	1
D	3" SMITH MODEL *1030 DEAERATOR	1
E	3" SMITH STRAIGHTWAY MODEL TYPE "E" STRAINER, FE	1
F	2" SMITH MODEL S-12 PD METER WITH REQD ACCESSORIES	1
G	2" CLAYTON MODEL *58E COM- BINATION BACK PRESSURE & SOLENOID VALVE, FE, EXP PROOF	1
H	2" NORDSTROM FIG *143 PLUG VALVE FE	3
I	MECO MODEL HB-3 SAMPLER	1
J	FABRICATED SKID	1
K	Control Panel	



OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

Date 3-23-60

CASE 1926

Hearing Date 3-23-60

My recommendations for an order in the above numbered cases are as follows:

1. Grant Hondo request for LACT in Empire, <sup>at oil Pool</sup> system for the Hondo-Western-Jules State lease # 647 consisting of:

175-28E,  
Sec. 31, E/2E/2  
Sec. 32, SW/4 & NE/4,

18-28E,

Sec. 6, NE/4SE/4, S/2NE/4, NE/4NE/4

2. A C T will be located in SW/4SW/4, Sec. 31  
175-28E.

3. Require high level safety shut-in switch in storage tanks to prevent tanks from running over in the event of malfunction of the equipment.

4. One flowing wells require wellhead shut-in ~~valve~~ pressure valves to prevent waste of oil in event of line break.

to shut wells in at  
header

*Glenn R. Kelly*

Staff Number



OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

April 4, 1960

C  
O  
P  
Y

Mr. S. H. Cavin  
Hondo Oil & Gas Company  
Box 660  
Roswell, New Mexico

Dear Sir:

Enclosed herewith are two copies of Order R-1643 in  
Case 1926 issued by the Oil Conservation Commission  
this date.

Very truly yours,

A. L. PORTER, Jr.  
Secretary-Director

ir/

Enclosures: (2)

CC - *Hobbs*  
*Winters*

OIL CONSERVATION COMMISSION  
P. O. BOX 871  
SANTA FE, NEW MEXICO

April 26, 1960

Hondo Oil & Gas Company  
Box 660  
Roswell, New Mexico

Attention: Mr. J. M. McMinn

Re: Case No. 1926  
Order No. R-1643

Gentlemen:

Reference is made to your letter of April 22, 1960, wherein you state that Hondo Oil & Gas Company is desirous of experimenting with and testing certain types of motor valves which will be installed on the wells connected to the automatic custody transfer system authorized by the subject order.

It is our understanding that prior to the installation of any valves on all of the wells, Hondo wishes to install valves on two wells only and determine their serviceability and reliability during a 90-day test period.

Inasmuch as the subject lease is currently being developed and is in a state of more or less continuous attendance throughout the day, we believe that such a test period for this lease is reasonable.

Hondo Oil & Gas Company is therefore authorized to utilize the automatic custody transfer system for a period of 90 days without installing the valves on all of the wells.

Very truly yours,

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

ALP/DSN/eg

C  
O  
P  
Y

# *Hondo Oil & Gas Company*

*Box 660*

*Roswell, New Mexico*

April 22, 1960

*Donald B. Anderson*  
*Vice President*

*Exploration and Production*  
*Geological - Phil D. Blum*  
*Land - H. C. Harrington*  
*Production - J. R. McAnn*

New Mexico Oil Conservation Commission  
Santa Fe, New Mexico

Ref: Case No. 1926

Order No. R-1643

Gentlemen:

Regarding application of Hondo Oil & Gas Company for approval of Automatic Custody Transfer system in the Empire Abo pool, Eddy County, New Mexico, this letter refers to telephone conversation of April 21, 1960 with Mr. Dan Nutter relating to the portion of Order No. R-1643, page 2, which states "PROVIDED FURTHER that the Automatic Custody Transfer system shall be so equipped as to shut-in the flowing wells at the well head in the event of a flow-line break". It has been determined that valves which are surest to work and designed specifically for purpose of shutting in wells due to flow line breaks cost \$400.00 to \$500.00. Of course, 12 wells at \$400.00 per valve for each well would be more money than we could afford. This, in effect, would make the LACT uneconomical.

Therefore, we have been experimenting with motor valves manufactured by Mason Neilson and Black, Sivalis and Bryson at a cost of about \$200.00, and in accordance with said telephone conversation with Mr. Nutter, Hondo Oil & Gas Company requests 90 days to test these two valves, one on each of two wells flowing to our battery to determine their serviceability and reliability.

The above requested 90-day period, we think, would give us time to experiment with these cheaper valves further to satisfy ourselves that they are either satisfactory or not.

New Mexico Oil Conservation Commission  
April 22, 1960

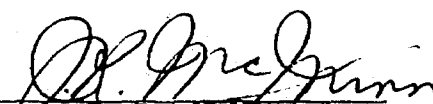
Page 2

All of the wells in this battery are equipped with 3 $\frac{1}{2}$ " O.D., A.P.I. line pipe, 7.75 #/ft., continuous weld, black, double random length, plain end, bevelled for welding. We have welded all of these flow lines. This line pipe is subjected to a mill test of 1,000 psig and is the same line pipe which for additional price can be tested to 2,000 psi at the mill. We regret that we did not bring this out at the hearing. Flow lines were not discussed.

Yours very truly,

HONDO OIL & GAS COMPANY

By

  
J. R. McMinn

FREE DEPOSITION AND HEARING ROOMS

AIR CONDITIONED

IN DOWNTOWN ALBUQUERQUE

## DEARNLEY-MEIER REPORTING SERVICE, Inc.

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Marionno Meier, Sec.-Treas.

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Saveida Gonzales  
Laura Moreno  
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Joseph A. Trujillo

Executive Secretary:  
Rachel Sheffield

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April 12, 1960

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CONVENTIONS

Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Attention: Ida Rodriguez

Dear Ida:

May we please borrow your copy of case 1926 and 1928 held  
on March 23, 1960.

Thanks.

DEARNLEY-MEIER REPORTING SERVICE, INC.

BY- Ada  
ADA DEARNLEY

*Copy of transcripts  
mailed April 15, 1960  
Returned  
April 20th JH*

*Our Experience Assures Superior Service*

MAIN OFFICE OCC

# Hondo Oil & Gas Company

1960 AUG 17 AM 8:12

Box 660  
Roswell, New Mexico

August 15, 1960

7-102 1924  
Coe

Oil Conservation Commission  
State of New Mexico  
Post Office Box 871  
Santa Fe, New Mexico

Attention: Mr. Dan S. Nutter

Gentlemen:

Reference is made to your letter of July 25, 1960, which extended Hondo Oil & Gas Company's 90-day test period for installation of certain equipment required for the operation of our automatic custody transfer system authorized under the terms of Order No. R-1643 to August 15, 1960.

Inasmuch as Order No. R-1643 has been amended to provide for the use of flow-line tested to 1500 psi as an alternative to the other fail-safe features, we are discontinuing our tests on wellhead shutoff valves and assume you will close your file thereon.

Thank you for your assistance and cooperation in this matter.

Yours very truly,

HONDO OIL & GAS COMPANY

By

  
S. H. Cavin

FREE DEPOSITION AND HEARING ROOMS

AIR CONDITIONED

IN DOWNTOWN ALBUQUERQUE

## DEARNLEY-MEIER REPORTING SERVICE, Inc.

Ada Dearnley, President  
Marianne Meier, Sec.-Treas.

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CONVENTIONS

Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Attention: Ida Rodriguez

Dear Ida:

Reference is made to your inquiry concerning Cases 1926 and 1928 which we borrowed in our letter of April 12, 1960.

I am sorry I neglected to send a letter of transmittal when I returned these copies. However, I have marked in my Oil File that they were returned to your office on April 20, 1960.

Sincerely

DEARNLEY-MEIER REPORTING SERVICE, INC.

BY

  
\_\_\_\_\_  
ADA DEARNLEY

*Our Experience Assures Superior Service*

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. 1926  
Order No. R-1643

APPLICATION OF HONDO OIL & GAS  
COMPANY FOR APPROVAL OF AN AUTO-  
MATIC CUSTODY TRANSFER SYSTEM  
IN THE EMPIRE-ABO POOL, EDDY  
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on March 23, 1960, at Santa Fe, New Mexico, before Elvia A. Ute, 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 4th day of April, 1960, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvia A. Ute, 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 is the owner and operator of the State 647 lease comprising the following-described acreage in Eddy County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM

Section 31: E/2 E/2  
Section 32: SW/4 and NE/4

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM

Section 6: NE/4 SE/4, S/2 NE/4, and NE/4 NE/4

(3) That the applicant proposes to install an automatic custody transfer system to handle the Empire-Abo Pool production from all wells presently completed or hereafter drilled on said State 647 lease.



-2-

CASE No. 1926  
Order No. R-1643

(4) That all meters used in the above-described automatic custody transfer system should be checked for accuracy once each month and the results of such tests furnished to the Commission.

(5) That the previous use of automatic custody transfer equipment, similar to that proposed by the applicant, has shown 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, provided adequate safety features are incorporated.

IT IS THEREFORE ORDERED:

That the applicant, Hondo Oil & Gas Company, be and the same is hereby authorized to install automatic custody transfer equipment to handle the Empire-Abo Pool production from all wells presently completed or hereafter drilled on its State 647 lease comprising the following-described acreage in Eddy County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM

Section 31: E/2 E/2  
Section 32: SW/4 and NE/4

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM

Section 6: NE/4 SE/4, S/2 NE/4, and NE/4 NE/4

PROVIDED HOWEVER, That the applicant shall install high level safety shut-in switches in the storage tanks which will shut-in the wells at the header, thus preventing the overflow of oil in the event of malfunction of the equipment.

PROVIDED FURTHER, That the automatic custody transfer system shall be so equipped as to shut-in the flowing wells at the wellhead in the event of a flow-line break.

PROVIDED FURTHER, That the applicant shall install adequate facilities to permit the testing of all wells on said State 647 lease at least once each month to determine the individual production from each well.

IT IS FURTHER ORDERED:

That all meters used in the above-described automatic custody transfer system 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.

-3-  
CASE No. 1926  
Order No. R-1643

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

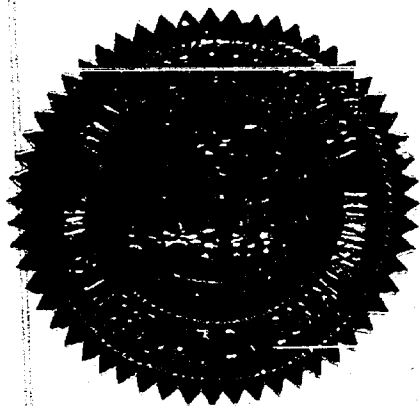
DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.

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



est/

DRAFT  
OEP:esr  
March 29

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. 1926  
4929

Order No. R-1643

APPLICATION OF HONDO OIL & GAS  
COMPANY FOR APPROVAL OF AN AUTO-  
MATIC CUSTODY TRANSFER SYSTEM  
IN THE EMPIRE-ABO POOL, EDDY  
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on  
March 23, 1960, 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 April day of March, 1960, the Commission,  
a quorum being present, having considered the application, the  
evidence adduced, and the recommendations of the Examiner,  
\_\_\_\_\_, 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 sub-  
ject matter thereof.

(2) That the applicant is the owner and operator of the State 647 lease comprising the following-described acreage in Eddy County, New Mexico:

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM

Section 6: NE/4 SE/4, S/2 NE/4, and NE/4 NE/4

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM

Section 31: E/2 E/2

Section 32: SW/4 and NE/4

(3) That the applicant proposes to install an automatic custody transfer system to handle the Empire-Abo Pool production from all wells presently completed or hereafter drilled on said State 647 lease.

(4) That all meters used in the above-described automatic custody transfer system should be checked for accuracy once each month and the results of such tests furnished to the Commission.

(5) That the previous use of automatic custody transfer equipment, similar to that proposed by the applicant, has shown 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, provided adequate safety features *are incorporated.*

IT IS THEREFORE ORDERED:

That the applicant, Hondo Oil & Gas Company, be and the same is hereby authorized to install automatic custody transfer equipment to handle the Empire-Abo Pool production from all wells presently completed or hereafter drilled on its State 647 lease comprising the following-described acreage in Eddy County, New Mexico:

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM

Section 6: NE/4 SE/4, S/2 NE/4, and NE/4 NE/4

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM

Section 31: E/2 E/2

Section 32: SW/4 and NE/4

PROVIDED HOWEVER, That the applicant shall install high level safety shut-in switches in the storage tanks which will

-3-  
CASE No. 1926  
Order No. R-\_\_\_\_\_

shut-in the wells at the header, thus preventing the overflow of oil in the event of malfunction of the equipment.

PROVIDED FURTHER, That the automatic custody transfer system shall be so equipped as to shut-in the flowing wells at the wellhead in the event of a flow-line ~~break~~ <sup>break</sup>.

PROVIDED FURTHER, That the applicant shall install adequate facilities to permit the testing of all wells on said State 647 lease at least once each month to determine the individual production from each well.

IT IS FURTHER ORDERED:

That all meters used in the above-described automatic custody transfer system 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.  
<sup>That</sup> meters shall be calibrated against a master meter or against a test tank of measured volume and the results of such calibration filed with the Commission on <sup>the</sup> Commission form entitled "Meter Test Report."

DONE at Santa Fe, New Mexico-----

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
March 23, 1960  
EXAMINER HEARING

IN THE MATTER OF:

Application of Hondo Oil & Gas Company  
for approval of an automatic custody  
transfer system. Applicant, in the  
above-styled cause, seeks an order auth-  
orizing it to install an automatic custody  
transfer system to handle the Empire-Abo  
Pool production from all wells located on  
its State 647 Lease consisting of the  
NE/4 SE/4, S/2 NE/4, and NE/4 NE/4 of  
Section 6, Township 18 South, Range 28  
East, and the E/2 E/2 of Section 31 and  
the SW/4 and NE/4 of Section 32, all in  
Township 17 South, Range 28 East, Eddy  
County, New Mexico.

Case 1926

BEFORE:

Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 1926.

MR. PAYNE: "Case 1926. Application of Hondo Oil & Gas  
Company for approval of an automatic custody transfer system."

MR. DAVIN: My name is S. H. Davin, an attorney for  
Hondo Oil & Gas, Roswell, New Mexico, and appearing for Hondo in  
this case and seeking an order to install an automatic custody  
transfer system to handle the Empire-Abo Pool production from all  
wells located on its State 647 Lease consisting of the NE/4 SE/4,  
S/2 NE/4, and NE/4 NE/4 of Section 6, Township 18 South, Range

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6691

PAGE

I N D E X

WITNESS

PAGE

J. R. McMANN

Direct Examination by Mr. Davin

2

Cross Examination by Mr. Utz

9

Cross Examination by Mr. Porter

10



28 East, and the E/2 E/2 of Section 31 and the SW/4 and NE/4 of Section 32, all in Township 17 South, Range 28 East, Eddy County, New Mexico.

Our only witness in this case is Mr. J. R. McMann.

(Witness sworn.)

J. R. McMANN

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

DIRECT EXAMINATION

BY MR. DAVIN:

Q Mr. McMann, will you please state your name, position and employer?

A My name is J. R. McMann. I'm petroleum engineer for the Hondo Oil & Gas Company. I live in Roswell, New Mexico.

Q Have you previously appeared before the New Mexico Oil Conservation Commission and qualified and testified as an expert witness?

A I have not.

Q Would you please state your educational background in petroleum engineering?

A I was graduated from the Colorado School of Mines in 1942 with the degree Petroleum Engineer.

Q Would you tell us what your experience in petroleum engineering in Southeastern New Mexico has been?

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO





A I've worked nine years for Malco Refineries, Incorporated, now Hondo Oil & Gas Company as petroleum engineer in drilling and production of oil and gas.

Q Are you familiar with Hondo's application for the automatic custody transfer system?

A Yes.

MR. DAVIN: Does the Examiner have any questions as to the qualifications?

MR. UTZ: No, sir, the witness is qualified.

Q What is the purpose, Mr. McMann, of the application for lease automatic custody transfer system in this case?

A The primary purpose is to effect economy and to effect improved operations on this lease.

Q How will this economy be effected?

A Through the conservation of crude oil and the saving of manpower through the operation of this automatic equipment and savings in investment in the equipment.

Q Have you prepared, or at your direction had prepared, a plat showing the location of the lease?

A Yes, I have.

Q The plat of Hondo State Lease 647, sometimes known as State A, is shown in our Exhibit No. 1.

Q Mr. McMann, will you please state in detail what we have on Exhibit No. 1?

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PAGE 4

A It covers a portion of State 647 Lease insofar as it covers the Northeast Quarter, Southeast Quarter and South Half, Northeast Quarter and Northeast Quarter, Northeast Quarter of Section 6, Township 18 South, Range 28 East, and the East Half, East Half of Section 31 and the Southwest Quarter and Northeast Quarter of Section 32 all in Township 17 South, Range 28 East, Eddy County, New Mexico. There are several wells on these premises all of which are completed in the Empire-Abo Pool. There are drilling wells on this lease at the present time.

Q Are those the wells that are concerned in this application?

A That is correct.

Q Does Hondo plan any further producing wells on this lease?

A Yes, they do.

Q Is it correct that the working interest in this lease is jointly owned by Hondo Oil & Gas Company and Western Development Company of Delaware and the Yates Brothers, and that Hondo is presently operating it as to the Empire-Abo Pool under a joint operating agreement between these parties?

A That is correct.

Q The wells referred to on the plat designated Exhibit 1 are Empire-Abo wells?

A Correct.

Q Hondo is the operator for Western Development Company of



Delaware and Yates Brothers as to this horizon?

A That is correct.

Q Is there any diversity of ownership in this lease or is it all commonly owned?

A It is all the same ownership.

Q Has the pipeline been notified of your plan for this automatic custody transfer system?

A They have been notified and have accepted the plan as it will be presented here.

Q Have you prepared, or at your direction had prepared, Exhibit No. 2, schematic diagram which shows the lease automatic custody transfer system and the allied equipment on the lease?

A Yes, I have.

Q Are you familiar with the Exhibit No. 3, schematic diagram which shows in detail the lease automatic custody transfer system which we propose?

A Yes, I am.

Q Who prepared the diagram Exhibit No. 3?

A Exhibit No. 3 was prepared by Basin Engineering of Midland, Texas, who are unitizing the lease automatic custody transfer equipment on a skid mount and who are selling this equipment to us.

Q Are they installing this equipment?

A Yes, they are.

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MR. DAVIN: If the Commission please, we are planning to offer the schematic diagrams Nos. 2 and 3 as Exhibits later on.

Q Mr. McMann, will you state what is shown on the diagram designated Exhibit No. 2 and explain its operation?

A Exhibit No. 2 constitutes the total layout of the tank battery and automatic equipment for production storage and transfer to the pipeline of crude oil produced on this lease. Included you will see a test separator from which the crude oil is metered, is the lower separator in the diagram, and arrangements for measuring the gas produced through this test separator. You will also note both the electrical system for control of the storage and for transfer of crude oil outlie to the pipeline by the lease automatic custody transfer unit skid mounted in the lower center of the diagram.

You'll also note the compressed air system which is shown at the lower part of the lact unit skid mounting and the compressed air line which carries the air over to manipulate the automatic control valves or motor valves at the flow line inlet to the manifold.

Q Will you state what is shown on your Exhibit No. 3? Explain its operation.

A Exhibit No. 3 is a detailed diagram prepared by Basin Engineering to cover the items constituting the lact unit. The item A shown thereon is a suitable pump, which in this case is a

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PAGE 7

three inch pump, capable of handling about 170 barrels of oil per hour if required, powered by a five horsepower electric motor. Item B is a three inch basic sediment water monitor probe, a coaxial cable and monitor. Item C is the three inch fissure three-way valve. This is the valve which in the event oil is not merchantable as determined by the monitor probe will return the oil to the right-hand tank or the initial tank into which oil flows in the battery system.

Item D is shown, although it is not actually required, for Service Pipeline Company who happens to be the company having the pipeline in the field. It is a deaerator. Item E is a three inch A. O. Smith strainer. Item F is a two inch A. O. Smith meter with automatic temperature compensation. The item number 464, it has an allowable set stop counter, and a transmitter to space the sampler, it has a ticket printer and a safety shutdown switch. Item G is a two inch fissure back pressure valve. Item H is a two inch figure 143 plug valve in the proving loop of the system. Item I is a sampler, Item J is the fabricated skid itself. Item K is the control panel for the lact unit.

Q Is your installation that you have described here substantially the same as those used on other leases in the Empire-Abo Field and approved by the New Mexico Oil Conservation Commission?

A Yes. Specifically Pan American Petroleum Corporation,



Hondo Battery A in the Northeast section of the field and the most recent Pan American battery in Section 1 of 18, 27 East are essentially the same.

Q Would you now tell us how the equipment particularly described in Exhibit E controls the flow of oil from the subject lease to the pipeline?

A The pump which was previously mentioned as Item A draws the oil out of the left tank of the system, which is the delivery tank, if the oil is merchantable with the seating between zero and three percent water, the oil continues through the system to the meter. If it isn't merchantable it is returned to the right-hand tank, or we call it the first tank, of the battery to trace on through this shipped oil, it is sampled by the sampler, Item I on Exhibit 3. A ticket is written on that metered oil which is temperature corrected and continues into the pipeline system itself. The meter can be proved through the prover tank which will be size ten barrels or more in volume to meet P. I. code which requires that the volume be sufficient to have three minutes or more flow through the meter at the capacity of the last unit into the prover tank in filling it.

Q Would you explain the so-called fail safe features of this unit?

A The fail safe features include the wiring in such a way that the unit will stop in the event the meter counter stops

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counting, the unit will stop if the transmitter malfunctions and the transmitter is the spacer for the sampler, the unit will stop if the allowable set stop counter stops turning. The unit will stop if the pipeline pump loses suction; the motor valve or control valves which are automatically operated by the level control switches on both tanks are held open so that the wells will flow only with continuance of electrical contact and with air pressure available. Therefore, if electricity isn't delivered or if electrical supply is interrupted or failed, the wells will be shut in and if the air supply fails the wells will be shut in.

Q In your opinion would the granting of this application be in the interest of conservation and would it protect correlative rights?

A Yes.

MR. DAVIN: If the Commission please, I would like to move at this time for the Commission to accept in evidence Exhibits 1, 2 and 3 heretofore referred to. That's all the questions I have.

MR. UTZ: Without objections, Exhibits 1, 2 and 3 will be entered into the record. Are there questions of the witness?

MR. PAYNE: No questions.

CROSS EXAMINATION

BY MR. UTZ:

Q I note that some tanks have an extra high level switch as a safety feature. Can you explain why this doesn't have that.



particular feature? In other words, they have a high level operating switch which is ordinarily in operation and if that should fail they have one above that.

A This is an added safety feature which we have not considered to be necessary and have not included.

Q In the event your high level switch failed here, what would happen?

A As we have it set up now the highest high level switch would be the last shutoff that would take place and the tanks would be run over.

Q How often will personnel visit this lact system?

A Personnel will be in the vicinity of this lact system eight hours a day, seven days a week, and they will actually visit this system daily.

Q Do they live on the lease?

A No, they live in Artesia about seven miles away.

Q In other words, if the tanks should start running over, well, they might run over up to eight hours?

A That is correct.

MR. PORTER: Eight hours a day, they would be on the job seven days a week, so it would be the sixteen hours.

BY MR. PORTER:

Q What would be the additional expense to install an extra high level switch?





A I can't answer that. If you will pardon me a moment, I have a quotation. I don't have an exact quotation. I couldn't say exactly what that cost would be.

Q Do you know in the neighborhood what the expense would be?

A I imagine that this is lumped here, it would be around \$225.00.

Q Per switch?

A Yes.

Q Have you had experience with this type of equipment before?

A Our experience is limited to that which we have in a 50-50 partnership with Pan American on other leases in installations in the Abo Field.

Q Is it similar to this?

A I believe it is similar to this. I'm not fully aware whether they have the second high level switch. I don't know for sure if they do have or not.

MR. PORTER: Do you know whether or not they do, Mr. Utz, on that one, or do you recall?

MR. UTZ: As I recall, virtually all, if not all, the ones that I have heard have an extra safety feature in the form of a high level switch. I don't know about those, I haven't heard.

A May I state that it is in our mutual interest that this be installed and I don't believe that we would have any objection to including this in our design.



MR. PORTER: Thank you.

MR. UTZ: Are there other questions? If not, the witness may be excused.

(Witness excused.)

MR. UTZ: Any statements to be made in this case? The case will be taken under advisement.

STATE OF NEW MEXICO )  
: SS  
COUNTY OF BERNALILLO )

I, ADA DEARNLEY, 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 5<sup>th</sup> day of April, 1960.

Ada Dearnley  
Notary Public-Court Reporter

My commission expires:  
June 19, 1963.

I do hereby certify that the foregoing is a complete record of the proceedings in the New Mexico Oil Conservation Commission heard by me on March 2, 1960.  
W. F. H. Examiner  
New Mexico Oil Conservation Commission

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