

CASE 1828: Application of FRANKLIN,
ASTON & FAIR to amend Order R-1573
and to install automatic custody
transfer system.



When more of these folders are desired, order them by our
stock number:

D 3406 T 2/5

Send your order to our nearest branch or agency or to our
main offices:

YAWMAN AND ERBEN MFG. CO.

Case No.

1928

Application, Transcript,
Small Exhibits, Etc.

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. 1928

Order No. R-1573-A

APPLICATION OF FRANKLIN, ASTON
AND FAIR, INC. FOR APPROVAL OF
AN AUTOMATIC CUSTODY TRANSFER
SYSTEM IN THE EMPIRE-ABO POOL,
EDDY COUNTY, NEW MEXICO, AND FOR
AN AMENDMENT OF ORDER R 1573.

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 the Oil Conserva-
tion Commission of New Mexico, hereinafter referred to as the
"Commission."

NOW, on this _____ day of _____, 1960, the Commission,
a quorum being present, having considered the testimony presented
and the exhibits received at said hearing, and being fully advised
in the premises,

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 _____ day of ^{April} ~~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 by Order No. R-1573 the applicant was authorized to commingle the Empire-Abo Pool production from all wells located on the following-described State leases in Eddy County, New Mexico, after separately metering the production from each lease:

B-11594 NE/4 NW/4, S/2 NW/4, N/2 SW/4 of
Section 6, Township 18 South,
Range 28 East

B-7966 SE/4 SW/4 of Section 31, Township 17
South, Range 28 East

B-2071 W/2 SE/4 of Section 31, Township 17
South, Range 28 East

(3) That the applicant seeks an amendment of Order No. R-1573 to include an additional 40-acre tract in said commingling authorization, said 40-acre tract being the NW/4 NW/4 of Section 5, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico, a portion of State lease B-11594.

(4) 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 the leases described in Findings 2 and 3, separately metering the production from each lease.

(5) 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.

(6) 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:

(1) That Order No. R-1573, be and the same is hereby superseded.

(2) That the applicant, Franklin, Aston & Fair, Inc., be and the same is hereby authorized to commingle the Empire-Abo Pool production from all wells presently completed or hereafter drilled on the following-described State leases in Eddy County,

-3-
CASE No. 1928
Order No. R-_____

New Mexico, and to install automatic custody transfer equipment to handle said production:

B-11594 NW/4 NW/4 of Section 5 and NE/4 NW/4,
S/2 NW/4 and N/2 SW/4 of Section 6,
Township 18 South, Range 28 East

B-7966 SE/4 SW/4 of Section 31, Township 17
South, Range 28 East

B-2071 W/2 SE/4 of Section 31, Township 17
South, Range 28 East

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

PROVIDED FURTHER, 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~~ ^{break}.

PROVIDED FURTHER, That the applicant shall install adequate facilities to permit the testing of all wells on the above-described leases 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.

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 -----

State of New Mexico



Refer Reply to
Oil & Gas Royalty Division

Commissioner of Public Lands

MURRAY E. MORGAN
COMMISSIONER



P.O. BOX 791
SANTA FE, NEW MEXICO

March 9, 1960

Mr. James T. Jennings
J. P. White Building
Roswell, New Mexico

Re: Leases B-11594,
B-7966, B-2071

Dear Sir:

Permission is hereby granted to you to commingle
production from Lot 4, Section 5, Township 18 South,
Range 28 East with production from the lands contain-
ed in the Oil Conservation Commission Order No. R-
1573, being

B-11594 NE $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 6, T 18 S.,
R. 28 E.

B-7966 SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 31, T. 17 S., R. 28 E.

B-2071 W $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 31, T. 17 S., R. 28 E.

All of this acreage has a common beneficiary,
that being Common Schools.

Yours very truly,

MURRAY E. MORGAN
Commissioner of Public Lands

By: *Ted Bilberry*
Ted Bilberry, Supervisor
Oil & Gas Division

MEM:TB:ML

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
EXHIBIT NO. <i>C</i>	
CASE NO. <i>1928</i>	

ATTACHMENTS

- I. Lease Plant Central Tank Battery and LACT Installation,
State "BB" Lease.
- II. LACT Unit Flow Drawing
- III. Letter of Acceptance from Pipeline Company
- IV. Letter of Approval from Commission of Public Lands,
State of New Mexico

EXHIBIT

FRANKLIN, ASTON & FAIR, INC.

COMMINGLING AND AUTOMATIC CUSTODY TRANSFER
INSTALLATION

STATE "BB" LEASE - EMPIRE ABO POOL
EDDY COUNTY, NEW MEXICO

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

MARCH 23, 1960

drawn down to the point at which vapors will be drawn into the pipeline pump suction. Because a centrifugal pump (pipeline pump) designed to handle crude oil will not pump vapor, flow through the meter (N) will immediately drop below the pre-determined rate range and the safety switch built into the meter will cause the power to be shut-off to the pipeline pump.

11. In the event of failure of high working level float switch (G) the pipeline pump will not be energized and the surge tank (F) fluid level will rise to the point where oil will overflow through an equalizing line into the bad oil tank (S). Combined storage capacity of tanks (F) and (S) exceeds the total daily production from the leases served by the central battery.

Tamper Proof Design of LACT Unit

The BS&W monitor controller will be locked against tampering and the block valves on the LACT unit side of the proving tank will be sealed at all times except during proving runs by authorized personnel.

Pipeline Acceptance of LACT Unit

Attachment III is a copy of a letter from the Service Pipeline Company signifying approval of this LACT installation.

EXHIBIT

FRANKLIN, ASTON & FAIR, INC.

COMMINGLING AND AUTOMATIC CUSTODY TRANSFER
INSTALLATION

STATE "BB" LEASE - EMPIRE ABO POOL
EDDY COUNTY, NEW MEXICO

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARING

MARCH 23, 1960

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
EXHIBIT NO. A
CASE NO. 1928

CONTENTS

	Page No.
I. Introduction	1
II. Central Tank Battery and LACT Installation State "BB" Lease	2
A. Lease Production and Well Test Metering	2
B. LACT Unit Equipment	3
C. LACT Unit Operation	4
D. Pipeline Oil Sampling	5
E. LACT Unit Meter Proving	5
F. Operational Safeguards	6
G. Tamper Proof Design	8
H. Pipeline Acceptance	8

INTRODUCTION

Franklin, Aston and Fair, Inc. respectfully submits this exhibit in support of its request to the Oil Conservation Commission of the State of New Mexico for:

1. Approval to commingle production from the State "BN" Lease, NW/4 NW/4 Section 5, T-18-S, R-28-E, Eddy County, New Mexico, with production from other state leases which is being commingled at State "BB" Lease central battery in the SE/4 NW/4 Section 6, T-18-S, R-28-E, Eddy County, New Mexico, as approved by Commission Order No. R-1573, and
2. Approval to install and operate lease automatic custody transfer facilities at the central tank battery location on the State "BB" Lease.

Attachment No. I is a plat of the subject leases showing the location of the central tank battery and the proposed LACT installation. Installation of facilities to accurately record temperature corrected volumes and automatically transfer lease produced crude to pipeline custody will:

1. Conserve natural resources in the form of light hydrocarbons which are now being lost from produced crude oil to the atmosphere during the gauging operation at which time accumulated light ends escape and others flash from the stored oil to the atmosphere.

2. Substantially reduce the crude oil residence time in the storage tanks thereby lessening vapor losses by way of normal tank venting or breathing.
3. Conserve manpower and improve lease operations by substantially reducing tank battery attendance time which will in turn release lease operating personnel and pipeline personnel for performance of other duties.
4. Release those monies in excess of the cost of IACT equipment which would otherwise be invested in conventional lease storage facilities for use in finding and developing additional oil reserves in the State of New Mexico.

CENTRAL TANK BATTERY AND IACT INSTALLATION - STATE "BB" LEASE

Lease Production and Well Test Metering

The lease production and well test metering procedure described below can be followed by referring to the schematic drawing included as Attachment II.

As proposed, oil from State Leases "BB", "BD", "BJ" and "BN" will enter the central tank battery through the respective lease production headers A-1, A-2, A-3 and A-4, pass through the lease production separators B-1, B-2, B-3 and B-4 and the lease production meters C-1, C-2, C-3 and C-4. Oil from the individual leases will not be commingled until after it has passed through the lease production meters.

With the proposed facilities all wells on all four leases can be individually tested by the proper manipulation of block valves in the lease production headers and flowing oil from the one well on test from the lease production header into the well test separator (D) and on through the well test meter (E).

Proving of the lease production and well test meters will be accomplished by individually closing the normally open block valves (X) and opening the normally closed block valves (Y) directing the lease production into the meter prover tank (Q). The oil accumulated in the prover tank (Q) during meter proving tests will be returned by way of the recycle pump (T) to the pipeline surge tank (F).

The positive displacement meters which are employed for measurement of individual lease production have proven highly accurate and dependable in service in the Empire Abo Pool.

LACT Unit Equipment

The positive displacement meter LACT unit to be installed at the State "BB" lease central tank battery is basically the same as the LACT units now in operation at the Pan American Storage System III and Malco "F" Batteries in the Empire Abo Pool. The State "BB" Lease LACT unit will include a pipeline pump; a strainer; a ES&W monitor; a valve to divert unmerchantable oil into a bad oil tank for further treating; a gas eliminator; a temperature compensated positive displacement meter (equipped with net barrels counter, set-stop counter, electric impulse transmitter to pace the pipeline sampler and a fail-safe safety shut-

down switch) a proportional pipeline sampler; a back pressure valve to assure that the line to and from the meter is packed with oil at a pressure in excess of the vapor pressure of the metered liquid; a calibrated meter prover tank; a back flow check valve and a LACT unit control panel.

LACT Unit Operation

Operation of the LACT system proposed for the State "BB" Lease central tank battery as described below can be followed by reference to the schematic flow drawing included as Attachment II.

After the production from each lease passes through its respective header A-1, A-2, A-3 and A-4 and separator B-1, B-2, B-3 and B-4 and lease production meter C-1, C-2, C-3 and C-4, it is commingled in a common header and flows into the pipeline surge tank (F). When the oil level in the surge tank (F) reaches the high working level float switch (G) the pipeline pump (I) is automatically started. Oil then passes through strainer (J) and the BS&W monitor (K). If the oil is of merchantable quality as determined by the BS&W monitor (K), flow continues through the diverting valve (L), gas eliminator (M), PD meter (N), sampling point (O), back pressure valve (P), check valve (R) and on to the pipeline past the meter prover tank (Q). When sufficient oil has been transferred to the pipeline to lower the fluid level in surge tank (F) to the low working level float switch (H), power is automatically shut off to the pipeline pump (I) and delivery of oil to the pipeline stops. When the fluid level in the surge tank (F) returns to the high working level float switch (G), automatic delivery to the pipeline again takes place.

In the event the BS&W (K) detects unmerchantable oil, valve (L) will close to the meter run and direct the flow into the bad oil tank (S). When the BS&W content of the oil entering the LACT unit returns to a satisfactory range as determined by the BS&W monitor (K) the diverting valve (L) will close to the bad oil tank and again direct the flow of oil to the LACT meter run. Any unmerchantable oil which is collected in the rerun tank (S) will be treated in the tank. After water is drawn from the tank bottom, the recycle pipe (T) will return the treated oil to the pipeline surge tank (F).

Pipeline Oil Sampling

A composite representative sample of all oil delivered to the pipeline will be obtained by the sampler (O). The positive displacement meter (N) will be equipped with an electric impulse transmitter which will signal the electrically driven sampler pump to extract proportionate samples of all oil passing through the meter. Collection of the composite sample will be accomplished in a vapor proof container for subsequent testing by a representative of the pipeline company. Calibration of the BS&W monitor and adjustment of the treating procedure will be made on the basis of the analysis of the composite sample.

LACT Unit Meter Proving

The LACT unit positive displacement meter will be proven periodically to the satisfaction of the New Mexico Oil Conservation Commission, Service Pipeline Company and Franklin, Aston & Fair, Inc. Meter proving tests will be witnessed by representatives of the producer and the pipeline.

The meter will be proven against a fixed volume calibrated prover tank constructed to conform to API standards. The inside surfaces of the prover tank will be plastic coated to prevent corrosion and the adherence of crude products, thereby maintaining the prover tank calibration.

Operational Safeguards

The LACT unit will be checked periodically by the producer's representative to assure satisfactory operation. In addition, the following features will be built into the LACT system to protect the royalty owner, the producer, and the pipeline and to prevent waste.

1. During normal operation no oil can be delivered to the pipeline from this battery without first passing through the positive displacement meter (N).
2. The inlet and outlet valves on the LACT unit side of the meter prover tank (Q) will be closed and equipped with pipeline seals during normal operations. This will prevent inadvertent by-passing of the LACT unit meter and transfer of non-recorded volumes of oil to the pipeline during the lease production and well test meter proving operation.
3. The positive displacement meter (N) will be equipped with set stop controls to prevent over production.
4. The positive displacement meter (N) will be equipped with a non-resettable barrels counter to maintain a positive record of the quantity of oil delivered to the pipeline.

5. The back pressure valve (P) will hold a positive head on the meter (N) thereby insuring proper conditions for accurate measurement.
6. The positive displacement meter (N) will be equipped with a safety switch which is geared to the counter shaft. In the event the shaft were to break the safety switch will assume a position that will cause power to the pipeline pump (I) to be shut off thereby preventing the delivery of non-recorded volumes of oil to the pipeline.
7. All oil produced into the State "BB" Lease central battery will be monitored for BS&W content and only that oil of merchantable quality will be delivered to the pipeline.
8. Performance of the BS&W monitor (K) will be checked by the manual determination of sample BS&W content at the end of each sample collection period.
9. The sampler (O) will collect and store under pressure, a representative composite sample of all oil delivered to the pipeline. Periodically, the sample thus collected will be analyzed for BS&W content and gravity by a representative of the pipeline.
10. In the event of failure of the low working level float switch (H) the fluid level in the surge tank (F) will be

drawn down to the point at which vapors will be drawn into the pipeline pump suction. Because a centrifugal pump (pipeline pump) designed to handle crude oil will not pump vapor, flow through the meter (N) will immediately drop below the pre-determined rate range and the safety switch built into the meter will cause the power to be shut-off to the pipeline pump.

11. In the event of failure of high working level float switch (G) the pipeline pump will not be energized and the surge tank (F) fluid level will rise to the point where oil will overflow through an equalizing line into the bad oil tank (S). Combined storage capacity of tanks (F) and (S) exceeds the total daily production from the leases served by the central battery.

Tamper Proof Design of LACT Unit

The BS&W monitor controller will be locked against tampering and the block valves on the LACT unit side of the proving tank will be sealed at all times except during proving runs by authorized personnel.

Pipeline Acceptance of LACT Unit

Attachment III is a copy of a letter from the Service Pipeline Company signifying approval of this LACT installation.

Oil & Gas Royalty Division

P.O. BOX 791
SANTA FE, NEW MEXICO

March 9, 1960

Mr. James T. Jennings
J. P. White Building
Roswell, New Mexico

Re: Leases B-11594,
B-7966, B-2071

Dear Sir:

Permission is hereby granted to you to commingle
production from Lot 4, Section 5, Township 18 South,
Range 28 East with production from the lands contain-
ed in the Oil Conservation Commission Order No. R-
1573, being

B-11594	NE $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 6, T 18 S., R. 28 E.
B-7966	SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 31, T. 17 S., R. 28 E.
B-2071	W $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 31, T. 17 S., R. 28 E.

All of this acreage has a common beneficiary,
that being Common Schools.

Yours very truly,

MURRAY E. MORGAN
Commissioner of Public Lands

By: *Ted Bilberry*
Ted Bilberry, Supervisor
Oil & Gas Division

MEM:TB:ML

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
FRANKLIN, ASTON & FAIR, INC. FOR AN
ORDER AUTHORIZING THE INSTALLATION
AND USE OF AUTOMATIC CUSTODY TRANSFER
EQUIPMENT ON THREE SEPARATE STATE LEASES
IN EDDY COUNTY, NEW MEXICO, AND FOR
PERMISSION TO COMINGLE PRODUCTION FROM
ALL OF SAID LEASES

CONSENT

The undersigned, Bert Aston and Fair Oil Company, the record owners of State Lease B-2071 insofar as it covers the $W\frac{1}{2}SE\frac{1}{4}$ of Section 31, Township 17 South, Range 28 East, hereby consent to an amendment of Order R-1573 to include the $NW\frac{1}{4}NW\frac{1}{4}$ of Section 5, Township 18 South, Range 30 East, covered by State Lease B-11594, in the commingling authorization granted by said Order and further consents to the installation of automatic custody transfer equipment and request the Commission to issue an order granting permission to install an automatic custody transfer system to handle the commingled Empire Abo Pool production from the three separate leases authorized by Order R-1573.

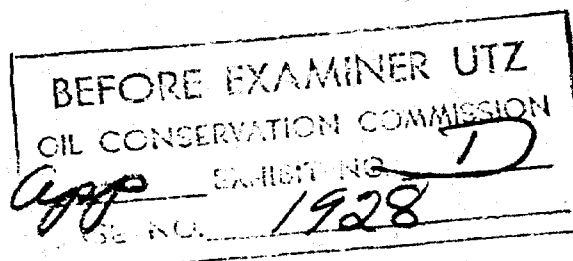

Bert Aston

ATTEST:

By Marvin R. Adams
Secretary-Treasurer

FAIR OIL COMPANY

By James W. Fair
President



County, _____

Township _____ Range _____

Township _____ Range _____

Township _____ Range _____

Township _____ Range _____

Form 104—(Four on Township)

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
30	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
30	29	28	27	26	25	30	29	28	27	26	25
31	32	33	34	35	36	31	32	33	34	35	36

B-11594

B-7966

B-2071

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.

-2-

Docket No. 9-60

CASE 1927: Application of J. W. Brown for the establishment of special rules and regulations governing the Brown Pool in Eddy County, New Mexico, to provide for 2½-acre spacing in said pool.

CASE 1928: Application of Franklin, Aston & Fair, Inc. for an amendment of Order R-1573 and for permission to install an automatic custody transfer system. Applicant, in the above-styled cause, seeks an amendment of Order R-1573 to include the NW/4 NW/4 of Section 5, Township 18 South, Range 28 East, Empire-Abo Pool, Eddy County, New Mexico, in the commingling authorization granted by said order. Applicant further seeks permission to install an automatic custody transfer system to handle the commingled Empire-Abo Pool production from the three leases authorized by Order R-1573.

Western Development Company of Delaware

SENA PLAZA, SANTA FE, NEW MEXICO
TELEPHONE 3-5568
P. O. Box 427
Artesia, New Mexico
March 15, 1960

Franklin, Aston & Fair, Incorporated
Box 769
Roswell, New Mexico

Re: State Lease No. 647, Western
Development Company
Property File No. L-38

Dear Sirs:

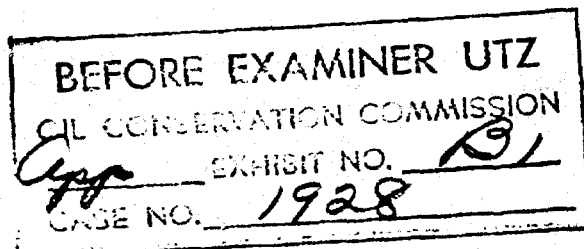
It has been brought to our attention by a letter from Mr. James T. Jennings dated March 7, 1960 that Pan American Petroleum Corp. and Franklin, Aston and Fair, Inc. are drilling an Abo well in the NW/4 NW/4 (Lot 4), Section 5, T-18-S, R-28-E, Eddy County, New Mexico. We understand that there is an application before the New Mexico Oil Conservation Commission to commingle the production from the above well, by means of a L.A.C.T. unit, into a common tank battery with separately metered wells on State Leases B-11594, B-7966 and B-2071.

The production from the subject well will of necessity be transported by pipeline across State 647 lease to the tank battery located in the SE/4 NW/4, Section 6, T-18-S, R-28-E. Insofar as Western Development Company's ownership in State 647 lease is concerned we have no objection to the transportation of oil by Franklin, Aston and Fair, Inc. across the lease. This permission is granted with the provision that Franklin, Aston and Fair, Inc. is not authorized to enter the State 647 lease without securing permission of the land owners and other necessary or interested parties. It is further provided that Franklin, Aston and Fair, Inc. will protect Western Development Company from any and all claims or damages that may result from their work.

Very truly yours,

WESTERN DEVELOPMENT COMPANY
of Delaware

M. E. Spitler
M. E. Spitler
General Manager



MES:ds

cc: James T. Jennings
J. P. White Building
Roswell, New Mexico

Hondo Oil & Gas Company

Box 660

Roswell, New Mexico

March 18, 1960

Franklin, Aston & Fair, Inc.
J. P. White Building
Roswell, New Mexico

Gentlemen:

Pursuant to the recent request of your attorney, Mr. James T. Jennings, please be advised Hondo Oil & Gas Company has no objection to your transporting oil from your well in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ (Lot 4) of Section 5, across Hondo's lease B-647 in the E $\frac{1}{2}$ and NW $\frac{1}{4}$ of the NE $\frac{1}{4}$ of Section 6, to your tank battery in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 6, all in Township 18 South, Range 28 East, Eddy County, New Mexico.

You will, of course, be expected to use reasonable care to avoid disturbance of existing installations on our lease and to make your own arrangements with the surface owner.

Yours very truly,

HONDO OIL & GAS COMPANY

By

Donald B. Anderson
Vice President

B2

Artesia, New Mexico
March 21, 1960

Franklin, Aston & Fair, Inc.
Box 769
Roswell, New Mexico

Gentlemen:

This is to advise that Yates Brothers consisting of Harvey E. Yates, S. P. Yates, Martin Yates III and John A. Yates, who are the owners of an interest in lease B-647 insofar as it covers the E $\frac{1}{2}$ NE $\frac{1}{4}$ and SW $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 6, T. 18 S., R. 28 E. have no objections to your transporting oil from your well located in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ (Lot 4) Sec. 5, T. 18 S., R. 28 E. to a tank battery located in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ Sec. 6, T. 18 S., R. 28 E.

We will expect you to use reasonable care to avoid the disturbance of existing installations on our lease and it will be necessary for you to make your own arrangements with the surface owner for any surface damage, and you shall protect us from any and all claims for damages which may result from your operations on our lease.

Yours very truly,

YATES BROTHERS

BY: 

B3

CASE 1927: Application of J. W. Brown for the establishment of special rules and regulations governing the Brown Pool in Eddy County, New Mexico, to provide for 2½-acre spacing in said pool.

CASE 1928: Application of Franklin, Aston & Fair, Inc. for an amendment of Order R-1573 and for permission to install an automatic custody transfer system. Applicant, in the above-styled cause, seeks an amendment of Order R-1573 to include the NW/4 NW/4 of Section 5, Township 18 South, Range 28 East, Empire-Abo Pool, Eddy County, New Mexico, in the commingling authorization granted by said order. Applicant further seeks permission to install an automatic custody transfer system to handle the commingled Empire-Abo Pool production from the three leases authorized by Order R-1573.

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.

JAMES T. JENNINGS
ATTORNEY AT LAW
J. P. WHITE BUILDING
ROSWELL, NEW MEXICO.
MAIN 2-8432

March 3, 1960

Case 1928

Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Gentlemen:

Enclosed herewith you will find an application on behalf of Franklin, Aston & Fair, Inc. in triplicate for permission to amend Order R-1573 so that the production from an additional well located on Lot 4, Section 5, T. 18 S., R. 28 E. can be commingled with production from the remaining wells which are covered by the same leases and also requesting authority to install a LACT system.

I would appreciate it if you would set this down for hearing before an examiner at an early date and advise me the date of the hearing as soon as possible.

Yours very truly,


James T. Jennings

JTJ:cs
Enc.

cc: Franklin, Aston & Fair, Inc.

*Doyle
Miles
3-10-60
JL*

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
FRANKLIN, ASTON & FAIR, INC. FOR AN
ORDER AUTHORIZING THE INSTALLATION
AND USE OF AUTOMATIC CUSTODY TRANSFER
EQUIPMENT ON THREE SEPARATE STATE
LEASES IN EDDY COUNTY, NEW MEXICO AND
FOR PERMISSION TO COMMINGLE PRODUCTION
FROM ALL OF SAID LEASES

Case 1928

APPLICATION

Comes now Franklin, Aston & Fair, Inc. and makes application for an order authorizing the installation and use of automatic custody transfer equipment and to commingle production from the three separate leases hereinafter described covering the following described lands in Eddy County, New Mexico, to-wit:

W $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 31, Township 17 South, Range 28 East; Lot 4 (NW $\frac{1}{4}$ NW $\frac{1}{4}$) Section 5, NE $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$ Section 6, Township 18 South, Range 28 East

1. That the above described land is covered by three separate State Oil and Gas Leases and the lease numbers, record owners and lands embraced in the respective leases are as follows:

B-11594	Franklin, Aston & Fair, Inc.	Lot 4 (NW $\frac{1}{4}$ NW $\frac{1}{4}$) Sec. 5, NE $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 6, T. 18 S., R. 28 E.
B-7966	Bert Aston	SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 31, T. 17 S., R. 28 E.
B-2071	Bert Aston and Fair Oil Company	W $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 31, T. 17 S., R. 28 E.

The above described leases insofar as they cover the above described lands are subject to an operating agreement dated August 26, 1959 made and entered into by and between Franklin, Aston & Fair, Inc; Bert Aston and Esther Aston, his wife; R. W. Fair and Pan American Petroleum Corporation, and that Franklin, Aston & Fair, Inc. is the operator under the terms and provisions of the operating agreement. The parties to the operating agreement are the owners of all the working interest and have all consented to the commingling of all production.

2. That by Order No. R-1573 dated January 18, 1960, the Commission authorized the commingling of Empire-Abo pool production into a common tank battery from the above mentioned leases covering all of the above described land except Lot 4 (NW $\frac{1}{4}$ NW $\frac{1}{4}$) Section 5, Township 18 South, Range 28 East and the working interest owners are now drilling the BN #1 well located on Lot 4, Section 5, Township 18 South, Range 28 East which is on Lease B-11594 and propose to commingle Empire-Abo production from this well into the centralized storage facility located on the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 6 with production from the other portions of the above mentioned leases heretofore authorized by Order R-1573.

3. That there is a common beneficiary of all the land covered by the above mentioned State Leases including Lot 4, Section 5, Township 18 South, Range 28 East in that all of the lands are Common School lands.

4. That the applicant is the operator of the leases insofar as they cover the above described land and that wells have been drilled on or are drilling on each 40 acre subdivision.

5. In order to provide for efficient operation and to properly handle production from the wells located on the above described land, the applicant desires to install lease automatic transfer custody equipment and in connection therewith the applicant proposes to measure the oil passing through the automatic custody transfer equipment by means of positive displacement meters and the production from each lease will be metered separately.

6. That the automatic custody transfer system will be equipped so as to prevent undue waste of oil in the event of malfunction or flow line break.

7. That the commingling of production from the well located on Lot 4 (NW $\frac{1}{4}$ NW $\frac{1}{4}$) Section 5, Township 18 South, Range 28 East into a centralized storage facility and the installation of automatic custody transfer equipment will be in the interest of conservation and will not cause waste or impair correlative rights.

WHEREFORE, applicant requests the Commission to set this matter down for hearing at an early date for the purpose of amending Order No. R-1573 to permit the commingling of production from the well located on Lot 4, Section 5, Township 18 South, Range 28 East with the production from the other wells described in said order and to authorize the installation and use of an automatic custody transfer system.

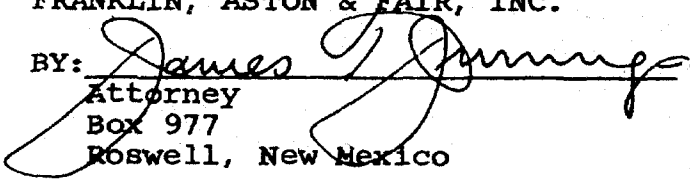
That notice of the hearing be published as required by law and that after said hearing the Commission issue an order amending Order No. R-1573 to permit the commingling of production from the additional well and authorizing the installation of an automatic custody transfer system.

Dated this day of March, 1960.

Respectfully submitted,

FRANKLIN, ASTON & FAIR, INC.

BY:

James D. Dunning
Attorney

Box 977

Roswell, New Mexico

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 3-23-60

CASE 1928

Hearing Date 3-23-60

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

1. Grant Franklin, Astor and Jain, Inc. application for ACT system and expansion of commingling order R-1573 to include ~~the~~ Lot 4 (NW/4 NW/4) sec. 5-189-28E.
2. Supersede R-1573.
3. In addition to the usual LACT order require ^{high level} safety shut-down of switch to shut in leases at the LACT header in case of malfunction of ~~switch~~ equipment.
Franklin
4. Require wellhead pressure shut-in valves to prevent loss of oil in event of line break on all flowing wells.
Edwards

Staff Member

*Supervise
this order*

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. 1839
Order No. R-1573

APPLICATION OF FRANKLIN, ASTON
& FAIR, INC. FOR PERMISSION TO
COMMINGLE THE PRODUCTION FROM
THREE SEPARATE LEASES IN EDDY
COUNTY, NEW MEXICO

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on January 6, 1960, at Santa Fe, New Mexico, before Daniel S. Nutter, 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 18th day of January, 1960, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, 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 operator of the following-described State leases in Eddy County, New Mexico:

B-11594	NE/4 NW/4, S/2 NW/4, N/2 SW/4 of Section 6, Township 18 South, Range 28 East, <i>NW/4 NW/4 of Section 5</i>
B-7966	SE/4 SW/4 of Section 31, Township 17 South, Range 28 East,
B-2071	W/2 SE/4 of Section 31, Township 17 South, Range 28 East.

(3) That the applicant proposes to commingle the Empire-Abo Pool production from the aforesaid leases into a common tank battery after separately metering the production from each lease.

-2-

Case No. 1839
Order No. R-1573

(4) That approval of the subject application will neither cause waste nor impair correlative rights, provided adequate treating, testing, and storage facilities are installed.

IT IS THEREFORE ORDERED:

That the applicant be and the same is hereby authorized to commingle in a common tank battery the Empire-Abo Pool production from the following-described State leases located in Eddy County, New Mexico:

B-11594 NE/4 NW/4, S/2 NW/4, N/2 SW/4 of Section 6,
Township 18 South, Range 28 East.

B-7966 SE/4 SW/4 of Section 31, Township 17 South,
Range 28 East,

B-2071 W/2 SE/4 of Section 31, Township 17 South,
Range 28 East.

PROVIDED HOWEVER, That the production from each of the above-described leases 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 said leases at least once each month to determine the individual production from each well on each lease.

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 intervals not to exceed one 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 calibration filed with the Commission on the Commission form entitled "Meter Test Report."

-3-

Case No. 1839
Order No. R-1573

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN BURROUGHS, Chairman

MURRAY E. MORGAN, Member

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

S E A L

vem/

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

April 4, 1960

Mr. James Jennings
Box 977
Roswell, New Mexico

Dear Sir:

On behalf of your client, Franklin, Aston & Fair,
Inc., we enclose two copies of Order R-1573-A in
Case 1928 issued by this Commission April 4, 1960.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ir/

Enclosures: (2)

CC - Hobbs
Carter

C
O
P
Y

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. 1928
Order No. R-1573-A

APPLICATION OF FRANKLIN, ASTON
AND FAIR, INC. FOR APPROVAL OF
AN AUTOMATIC CUSTODY TRANSFER
SYSTEM IN THE EMPIRE-ABO POOL,
EDDY COUNTY, NEW MEXICO, AND
FOR AN AMENDMENT OF ORDER R-1573.

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. Uts, 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, Elvis A. Uts, 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 by Order No. R-1573 the applicant was authorized to commingle the Empire-Abo Pool production from all wells located on the following-described State leases in Eddy County, New Mexico, after separately metering the production from each lease:

B-11594 NE/4 NW/4, S/2 NW/4, N/2 SW/4 of
Section 6, Township 18 South,
Range 28 East

B-7966 SE/4 SW/4 of Section 31, Township 17
South, Range 28 East

B-2071 W/2 SE/4 of Section 31, Township 17
South, Range 28 East

(3) That the applicant seeks an amendment of Order No. R-1573 to include an additional 40-acre tract in said

-2-
CASE No. 1928
Order No. R-1573-A

commingling authorization, said 40-acre tract being the NW/4 NW/4 of Section 5, Township 18 South, Range 28 East, NMPM Eddy County, New Mexico, a portion of State lease B-11594.

(4) 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 the leases described in Findings 2 and 3, separately metering the production from each lease.

(5) 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.

(6) 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:

(1) That Order No. R-1573, be and the same is hereby superseded.

(2) That the applicant, Franklin, Aston & Fair, Inc., be and the same is hereby authorized to commingle the Empire-Abo Pool production from all wells presently completed or hereafter drilled on the following-described State leases in Eddy County, New Mexico, and to install automatic custody transfer equipment to handle said production:

B-11594 NW/4 NW/4 of Section 5 and NE/4 NW/4,
 S/2 NW/4 and N/2 SW/4 of Section 6,
 Township 18 South, Range 28 East

B-7966 SE/4 SW/4 of Section 31, Township 17
 South, Range 28 East

B-2071 W/2 SE/4 of Section 31, Township 17
 South, Range 28 East

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

PROVIDED FURTHER, 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

-3-
CASE No. 1928
Order No. R-1573-A

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 the above-described leases at least once each month to determine the individual production from each well.

IT IS FURTHER ORDERED:

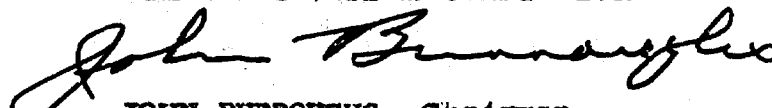
That all meters used in the above-described automatic custody transfer system shall be operated and maintained in such a manner as to ensure an accurate measurement of the liquid hydrocarbon production at all times.

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

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."

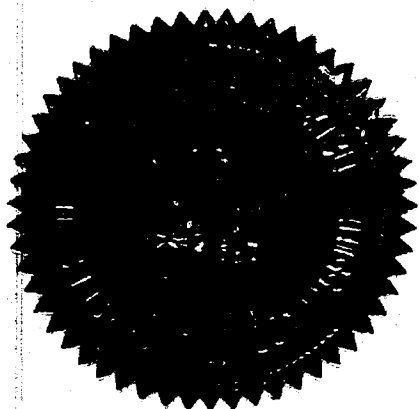
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JOHN BURROUGHS, Chairman


MURRAY E. MORGAN, Member


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



enr/

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

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

IN THE MATTER OF:

Application of Franklin, Aston & Fair, Inc.
for an amendment of Order R-1573 and for
permission to install an automatic custody
transfer system. Applicant, in the above-
styled cause, seeks an amendment of Order
R-1573 to include the NW/4 NW/4 of Section
5, Township 18 South, Range 28 East, Empire-
Abo Pool, Eddy County, New Mexico, in the
commingling authorization granted by said
order. Applicant further seeks permission to
install an automatic custody transfer system
to handle the commingled Empire-Abo Pool
production from the three leases authorized
by Order R-1573.

Case 1928

BEFORE:

Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 1928.

MR. PAYNE: "Case 1928. Application of Franklin, Aston
& Fair, Inc. for an amendment of Order R-1573 and for permission
to install an automatic custody transfer system."

(Marked Applicant's Exhibits A
through D for identification.)

MR. JENNINGS: Mr. Examiner, I am James T. Jennings of
Roswell, appearing for Franklin, Aston & Fair. We have two wit-
nesses, Mr. Tom Stephens and Mr. Albert Green, and if you gentlemen



DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6591

PAGE

I N D E X

<u>WITNESS</u>	<u>PAGE</u>
TOM STEPHENS	
Direct Examination by Mr. Jennings	2
ALBERT H. GREEN	
Direct Examination by Mr. Jennings	7
Cross Examination by Mr. Utz	11

will stand and be sworn.

(Witnesses sworn.)

TOM STEPHENS

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

DIRECT EXAMINATION

BY MR. JENNINGS:

Q Would you state your name, please?

A Tom Stephens.

Q By whom are you employed, Mr. Stephens?

A Franklin, Aston & Fair, Inc.

Q You are the land man for Franklin, Aston?

A Yes, sir.

Q Franklin, Aston & Fair are the operators of the area in the map on the wall which is part of Exhibit A?

A They are.

Q They are currently operating the areas which are outlined now in green and in red and in black and also the area outlined in blue?

A That is correct.

Q How many producing wells do you have in the area?

A We have eight at this time and we have all except the area surrounded by the blue and that well is down now to about 5,000 feet.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CN 3-6691

ALBUQUERQUE, NEW MEXICO

Q They are in three separate state leases?

A Three separate state leases.

Q I believe, Mr. Stephens, that you are now commingling production from the area outlined in green, in red and in black pursuant to an order of this Commission in Case No. 1839?

A That is correct.

MR. JENNINGS: At this time, in the interest of conserving time and of getting to lunch on time, we would like to offer the testimony in evidence heretofore offered in Case No. 1839, the companion case.

MR. UTZ: Without objection, the evidence entered in Case 1839 will be made a part of this record.

MR. JENNINGS: Thank you.

Q I think that pursuant to the order entered in Case 1839, which was Order No. R-1573, oil is being commingled in these leases?

A That's right.

Q Where is the tank battery?

A It's in the Southeast Quarter of the Northwest Quarter of Section 6. It's about 400 feet directly south of the BB No. 2 well.

Q You are now in the process of completing the well on the area outlined in blue, which is Lot 4 or Northwest Northwest Quarter of Section 5, Township 18?

A That is correct.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

Q The ownership common under all of the four tracts?

A They are.

Q I believe the area in blue is part of the same state lease as the area in green which is Lease No. 11594?

A That is correct.

Q Do all of these leases have the same common beneficiary?

A They're all common schools.

Q Have you obtained the consent of the Commissioner of Public Lands to commingle the production from these various leases?

A We have.

Q I hand you here what has been marked as Exhibit C and ask you to identify it.

A That is correct.

Q What is that, Mr. Stephens?

A It is giving us permission to commingle from all these three separate state leases.

Q From the Commissioner of Public Lands?

A That is correct.

Q In order to commingle production from this latest well, is it necessary to cross another property or lease owned by other parties?

A It is.

Q I believe that is part of State Lease 647.

A That is correct.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

Q Do you know the ownership of that lease?

A Yes, it's Hondo, Western Development and Yates Brothers.

Q Have you requested and obtained the permission of any of the owners of this lease to your laying a line across that lease to commingle production?

A Yes, we have.

Q I hand you here what has been marked as Exhibit B and ask you to identify those instruments.

A Those are the instruments giving us permission.

Q Briefly, they are consent from Western Development Company and Hondo Oil & Gas and Yates Brothers?

A That is correct.

Q Mr. Stephens, will it effect a considerable savings if you are permitted to commingle production into one common storage?

A Yes. It will save two 500 barrel tanks at least, maybe more.

Q Unless you are permitted to commingle this production, it will be necessary for you to install two additional 500 gallon tanks on Lot 4?

A That is correct.

Q Roughly what would be the cost of installing these tanks?

A We estimate about \$6,000.

MR. PORTER: Did you say gallons or barrels?

A Barrels.



MR. JENNINGS: I might have said gallons. If I did, it was a mistake.

Q What storage do you have now available at your common storage battery?

A Four 500 barrel tanks.

Q Unless you are permitted to install the lact system, will you of necessity have to install additional tanks at this common storage?

A Yes, we think so.

MR. JENNINGS: That is all the testimony we have to offer by this witness. The technical testimony will be offered by Mr. Green.

MR. UTZ: Are there questions?

MR. JENNINGS: One further question.

Q You have obtained the consent of all of the working interest owners to commingle production and install the lact system?

A That is correct.

Q I believe that Pan American is present and Franklin, Aston, Fair has filed the application and the other two working interest owners are Fair Oil Company and Bert Aston?

A Yes.

Q I hand you what has been marked as Exhibit D and ask you to identify that.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

A Yes.

Q What is it?

A It's a consent from Bert Aston and Fair Company for the commingling and for the lact system.

MR. JENNINGS: That's all.

MR. UTZ: Any other questions? The witness may be excused.

(Witness excused.)

ALBERT H. GREEN

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

DIRECT EXAMINATION

BY MR. JENNINGS:

Q State your name, please.

A My name is Albert H. Green.

Q You are employed by the Pan American Petroleum Corporation, Mr. Green?

A Yes, sir, that is correct.

Q What capacity?

A Petroleum engineer in the Lubbock District Office.

Q Have you heretofore testified before this Commission and had your qualifications as an engineer accepted by the Commission?

A Yes, sir.

Q Mr. Green, have you prepared, or had caused to have been

prepared a plat showing the area on which you propose to commingle production and install this unit?

A Yes, sir. It's that plat that's now exhibited on the bulletin board and included as Attachment 1 of Exhibit A.

Q As testified by Mr. Stephens, that shows the area on which you propose to install the lact equipment?

A Yes, sir. That's correct. In the lease designated by the area outlined in green.

Q That's where the equipment will be installed?

A Yes, sir, at the commingled battery.

Q Mr. Green, do you know the approximate depth of the well which is located on the tract outlined in blue which is the new well now being drilled?

A Yes, the latest information that I have is that it's down to 5,000 feet.

Q When can we anticipate that well will be completed?

A Within the next seven days.

Q It's proposed to commingle production from this well into the common storage facility located in the Southeast Quarter, Northwest Quarter, Section 6?

A Yes, sir.

Q Will meters be installed in connection with the additional well which will adequately measure all the oil produced?

A Yes, sir, that's correct.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



Q How often will these meters be checked?

A They'll be checked periodically as directed by the Oil Conservation Commission, ordinarily over a period not to exceed thirty days.

Q Mr. Green, would you refer to Attachment 2 of Exhibit A and explain briefly the lact system which you propose to install, bearing in mind that the Commission has been through this on a number of occasions recently?

A Yes, sir. Attachment 2 of Exhibit A shows a schematic drawing of the commingled or central battery as well as the lease automatic custody transfer installation. Referring to that schematic drawing, the flow can be described as after the production passes through the lease production headers, the individual lease separators, the individual lease production meters, and that is shown by color coding to demonstrate that the production does not commingle until it passes through the lease production meters.

After having been metered individually by leases, the oil passes into the surge tank, which is Item F on the schematic drawing. As the level of oil builds up in tank F to float switch G, the pipeline pump marked item I on that drawing is automatically started. The flow of oil is then moved to the pipeline through the various pieces of equipment of the lact system.

MR. JENNINGS: Would the Examiner like Mr. Green to go into this in more detail or is that sufficient?

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



MR. UTZ: No, I think that's satisfactory. I will ask some questions about the tank later on.

Q Mr. Green, what type meters do you propose to use?

A They will be positive displacement meter type.

Q Has the accuracy of these meters been proven?

A Yes, sir, they have. We have several meters of the type now in operation in the Empire-Abo Pool.

Q Will the meters be checked for accuracy at regular intervals?

A Yes, sir, as directed by the Oil Conservation Commission.

Q Will the lact system which you have just described be equipped so as to prevent undue waste of oil in the event of malfunction or flow line break?

A In the event of malfunction of the lease automatic custody transfer system there are automatic safeguards, yes, sir.

Q Has your past experience with equipment of this type established that it is reliable and an economic means of transferring custody of oil?

A Yes, it is.

Q Will the installation of such equipment result in a substantial saving to the operator and be in the interest of conservation?

A Yes, sir, it certainly will.

Q Just briefly, how will that be effected?

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

A Well, the lease automatic custody transfer system enables you to have less storage on the lease, and with less storage your hydrocarbon losses are reduced by the fact that you have less storage tanks in which to accumulate oil. There's manpower savings because of the automatic features of the lease automatic custody transfer and there's also a monetary savings to the operator in that the lease automatic custody transfer system costs less than would ordinary lease storage facilities.

Q Mr. Green, do you know who is purchasing the production from this lease, these leases?

A The oil is run by Service Pipeline. I believe Indiana Oil Purchasing Company is the purchaser.

Q Has Service Pipeline Company agreed to take the oil from the system if the system is installed?

A Yes, sir, they have, and they have, we have included in Exhibit a as Attachment 3 a letter from Service Pipeline Company so designating.

MR. JENNINGS: I believe that's all.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Green, how do you run the oil out of the bad oil tank?

A Because such small quantity of bad oil is anticipated
~~the bad oil will be collected in that tank and chemically treated~~



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

in the tank and after the emulsion is broken the water is drawn from the tank and the treated oil is then returned to the pipeline surge tank by the means of the recircle pump, which is designated item T.

Q That's manual operation then?

A Yes, sir, because of the small volume of bad oil anticipated.

Q If your sampler indicates bad oil, it automatically runs oil into this tank?

A If the B. S. and W. monitor detects bad oil it automatically diverts to that tank, yes, sir.

Q How long does this go on, as long as it's detecting bad oil?

A Yes, sir, that's correct.

Q What's the capacity of that tank?

A Right now it's anticipated that we'll use a 500 barrel tank for a bad oil tank as well as for the pipeline surge tank.

Q What if the tank gets full?

A It will overflow into the pipe, Surge Tank F, by means of an equalizing line.

Q Is that equalizing line large enough to take the full flow?

A Yes, sir. We normally install it for batteries that handle production of the quantity that this tank handles,



which is around 600 barrels a day. That equalizing line is usually a six inch line.

Q Then if tank F fills up with bad oil above switch G, then what happens?

A Well, if both tanks are filled we don't anticipate that it will ever get to that condition because of two 500 barrel storage tanks that provides a thousand barrels of storage with daily production of 600 barrels a day, and with daily attendance by personnel of the operator that condition is not expected to occur.

Q I note you only have one high level switch on this system also?

A Yes, that's the starting switch for the pipeline pump.

Q In the event it fails, the tank will run over?

A No, the tank will overflow into the bad oil tank, tank S.

Q When that tank fills, then what happens?

A Here it's the same condition that because the tanks are joined with equalizing line, we have available a thousand barrels of storage and with the pumper or production information man in daily attendance, he'll catch that situation before the other tanks has an opportunity to overflow.

Q What's the allowables on these leases?

A Right now there's eight wells and we anticipate a ninth well and the current allowable is, I believe, 66 barrels per day.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

Q Around close to 700 barrels a day?

A Yes, with a thousand barrels of storage and under ordinary circumstances the lease will not be unattended for any period exceeding eight or ten hours.

Q There will be a maximum number of wells going into this system?

A Yes.

Q Will you be willing to install another safety valve, high level valve on tank F?

A For what purpose?

Q As a safety precaution to avoid running over of the tanks in case of failure of switching.

A This switch would accuate the lease shut in valve?

Q Yes, shut in the wells.

A If that's required, in my opinion it's not necessary at this time, or any time for that matter, so long as the tank battery serves the leases that are in consideration.

Q Isn't it possible that a lease man could come to a lease, actually your switching could be inoperative and he wouldn't catch it unless he checked every item on your entire system, and when he left maybe the tanks would be half full and then you would run another 500 barrels in and start overflowing on the ground for maybe several hours before he returned. That's possible, isn't it?

A That's possible if who was in attendance at the lease did



not bother to check the quantity of oil in the tank before leaving the lease, but we anticipate that the person whose duty it is to look after this lease would make certain that those tanks weren't even near full before he left the lease for an extended period of time.

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

(Witness excused.)

MR. JENNINGS: We would like to offer Exhibits A through D into evidence and call the Examiner's attention to the fact that Exhibit A contains several Attachments, numbered 1, 2, 3 and 4.

Mr. Examiner, on behalf of the Applicant we would like to state that we anticipate completing the well on Section 5 in the very near future and if we could get the approval of commingling as soon as possible, it would be helpful so that we wouldn't have to install any temporary tankage on this lease.

MR. UTZ: How soon will you complete the well?

MR. JENNINGS: Within the next seven days, within a week.

MR. UTZ: All right, we'll do the best we can. Any other statements in this case? The case will be taken under advisement and the hearing is adjourned.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



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 5th 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 hearing of Case No. 1928, heard by me on March 23, 1960.

James G. [Signature], Examiner
New Mexico Oil Conservation Commission

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6691