

CASE 2062: Application of CONTINENTAL
for approval of automatic custody
transfer system.

Case No.

2062

Application, Transcript,
Small Exhibits, Etc.

**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. 2062
Order No. R-1773**

**APPLICATION OF CONTINENTAL OIL
COMPANY FOR APPROVAL OF AN AUTO-
MATIC CUSTODY TRANSFER SYSTEM
IN THE SOUTHEAST MONUMENT UNIT,
LEA COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on September 7, 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 16th day of September, 1960, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Continental Oil Company, is the owner and operator of certain wells located in the Southeast Monument Unit in the SW/4 of Section 15 and in Section 23, Township 20 South, Range 37 East, NEMM, Lea County, New Mexico.

(3) That the applicant proposes to install an automatic custody transfer system on the above-described acreage to handle the production from five wells in the Cass Pool and the production from one well in the Weir Pool, the commingling of which has previously been approved.

(4) 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 therein.

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CASE No. 2062
Order No. R-1773

IT IS THEREFORE ORDERED:

That the applicant, Continental Oil Company, be and the same is hereby authorized to install an automatic custody transfer system to handle the commingled production from five wells in the Cass Pool and from one well in the Weir Pool, located in the Southeast Monument Unit in the SE/4 of Section 15 and in Section 23, Township 20 South, Range 37 East, MNPM, Lea County, New Mexico.

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

PROVIDED FURTHER, That the applicant shall add additional storage facilities from time to time, as it becomes necessary, to store the production which will accrue during the hours that said system is unattended, or in the alternative should so equip the existing facilities as to automatically cause production to cease in the event the storage facilities become full.

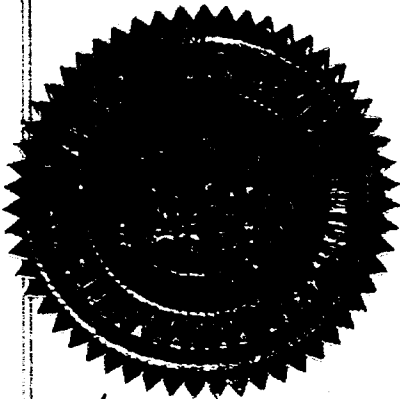
IT IS FURTHER ORDERED:

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
JOHN BURROUGHS, Chairman

Murray E. Morgan
MURRAY E. MORGAN, Member

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

esr/

State of New Mexico
Oil Conservation Commission



STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY DIRECTOR

September 18, 1960

Re: Case No. 2082
Order No. H-1773
Applicant:
Continental Oil Co

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

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

Carbon copy of order also sent to:

Hobbs OCC _____
Artesia OCC _____
Aztec OCC _____

Other

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

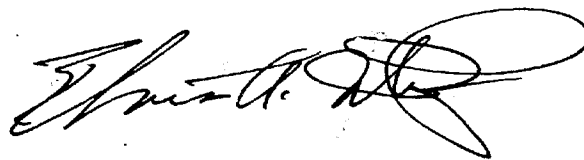
Date 9-8-60

CASE NO. 2062

HEARING DATE 9-7-60

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

1. Grant. Cont. request to ~~commingle~~ install LACT system to meter commingled oil from the Weir-Dunkard and Cass-Pennsylvanian Pools in the SEAU unit.
2. Oil from both Pools to be metered before commingling.
3. Put in 1st Provision in regard to shut-in at wellhead or anyplace storage to take care of production for max. unattended time.



Staff Member

Page 2062

MAIN OFFICE
BEFORE THE OIL CONSERVATION COMMISSION
OF THE
STATE OF NEW MEXICO

PM 1:15

IN THE MATTER OF THE APPLICATION OF
CONTINENTAL OIL COMPANY FOR AN EXCEPTION
TO RULE 309(a) IN ORDER TO INSTALL AN
AUTOMATIC CUSTODY TRANSFER SYSTEM FOR
FIVE WELLS PRODUCING FROM THE CASS POOL
AND ONE WELL PRODUCING FROM THE WEIR
POOL WITHIN THE BOUNDARIES OF THE
SOUTHEAST MONUMENT UNIT LOCATED IN
SECTION 23, T-20S, R-37E, NMPM, LEA
COUNTY, NEW MEXICO.

*Binded to
include
see 15
(well #67)*

A P P L I C A T I O N

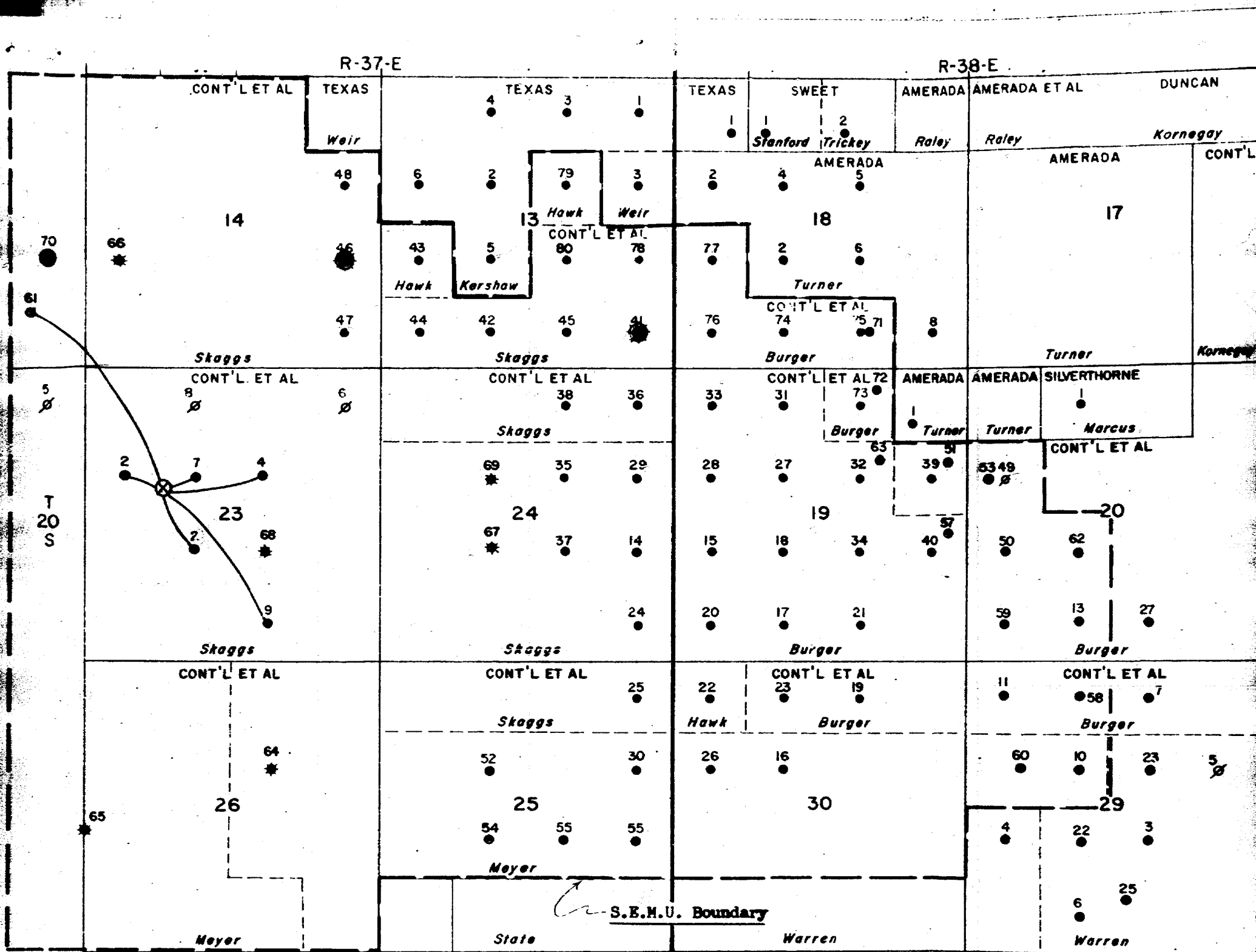
Comes now applicant, Continental Oil Company, and respectfully requests an exception to statewide (Rule No. 309(a)) for permission to install an automatic custody transfer system for (five wells) producing from the (Cass Pool) and one well producing from the (Weir Pool) within the boundaries of the Southeast Monument Unit located in Section 23, T-20S, R-37E, NMPM, Lea County, New Mexico, and in support thereof would show:

1. That the applicant is co-owner and operator of the Southeast Monument Unit, a portion of which consists of Section 23, T-20S, R-37E, NMPM, Lea County, New Mexico.
- ✓ 2. That the royalty interests are common, that being the United States Government.
3. That applicant proposes to consolidate the existing tank batteries and install an automatic custody transfer system.
- ✓ 4. That applicant has applied for administrative approval to commingle production from the Cass and Weir Pools.
5. That the proposed installation in exception to Rule 309(a) is in the interest of conservation and prevention of waste.

Wherefore, applicant prays that this matter be set for hearing before the Commission's duly qualified examiner and that upon hearing an order be entered granting applicant permission to install an automatic custody transfer system on the above described property.

Respectfully submitted,

W. A. Mead
Wm. A. Mead
Division Superintendent
of Production
New Mexico Division



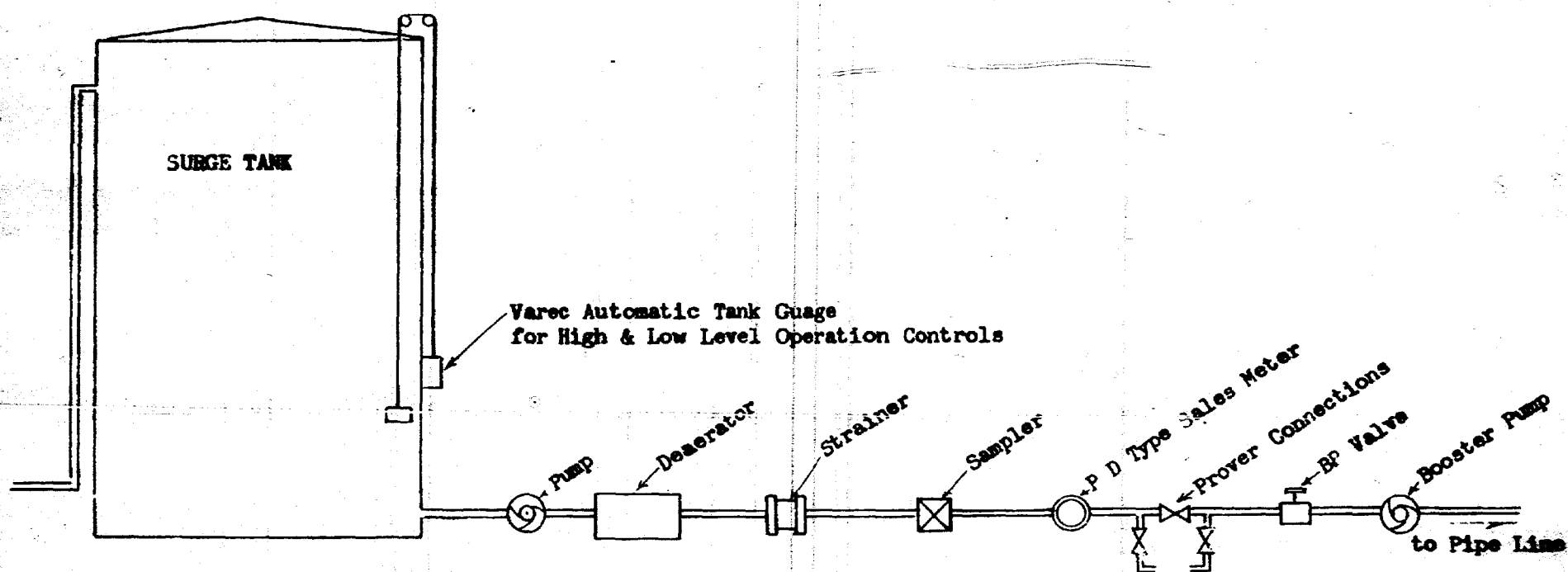
CONTINENTAL OIL COMPANY
SOUTHEAST MONUMENT UNIT

Scale: 1" = 2000'

LEGEND

Pools from which Wells are Producing:

- | | |
|----------|----------------|
| ● Cass | ● Weir |
| ○ Eumont | ● Weir-Tubb |
| ● Skaggs | ● Warren McKee |



CONTINENTAL OIL COMPANY

Schematic Diagram Of
PROPOSED LACT INSTALLATION
SEMU-Penn. Lease

CASE NO.

EXHIBIT

Case 2062



CONTINENTAL OIL COMPANY

625 PETROLEUM BUILDING
ROSWELL, NEW MEXICO

WM. A. MEAD
DIVISION SUPERINTENDENT
OF PRODUCTION
NEW MEXICO DIVISION

August 10, 1960

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

Attention: Mr. A. L. Porter, Jr., Secretary-Director

Re: Application of Continental Oil Company
For an Exception to Rule 309 (a) to In-
stall an Automatic Custody Transfer System
on Its Southeast Monument Unit for Produc-
tion From the Weir and Cass Oil Pools From
Wells Presently Located in Sections 15 and
23, T-20S, R-37E, NMPM

Gentlemen:

Please find attached three copies of Continental Oil
Company's Application for An Exception to Rule 309 (a) for
permission to install an automatic custody transfer system on
its Southeast Monument Unit for production from the Weir and Cass
Oil Pools from wells presently located in Sections 15 and 23,
T-20S, R-37E, NMPM, Lea County, New Mexico.

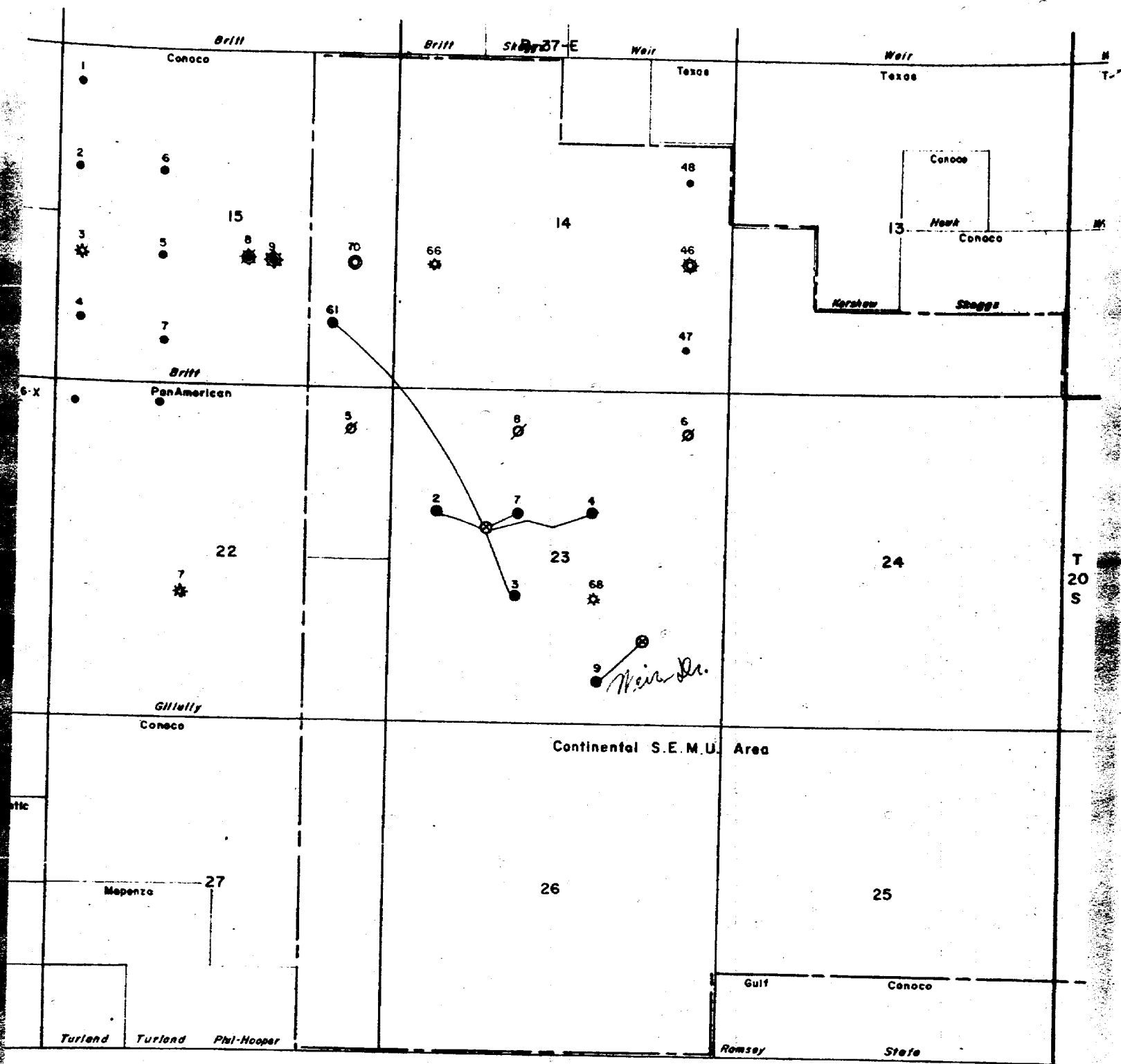
We respectfully request that this matter be set for hearing
at the earliest convenient date.

An application for administrative approval to commingle
production from the Weir and Cass Oil Pools in the Southeast Monu-
ment Unit is being forwarded under separate cover.

Yours very truly,

W. A. Mead

*Do not
mail
Aug 24/1960
WAM-AD
Enc.*



CONTINENTAL OIL COMPANY
 PROPOSED LACT UNIT
 SEMU-PENNSYLVANIAN LEASE

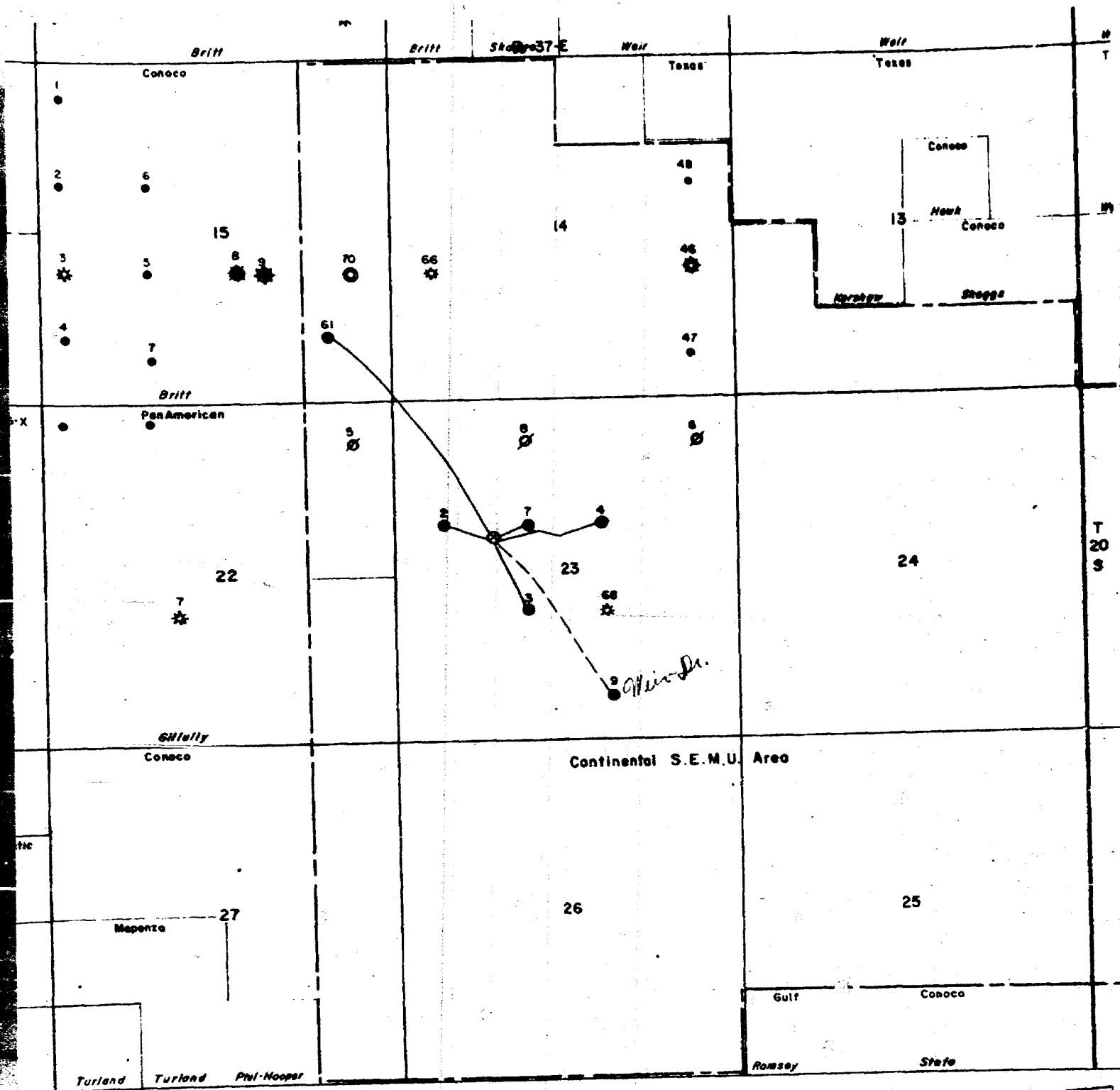
LEGEND

- ⊗ Existing Batteries
- Existing Flow Lines

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
C.O.E.	EXHIBIT NO. 1
CASE NO. 206.2	

Hobbs Dist. Office

Exhibit 1



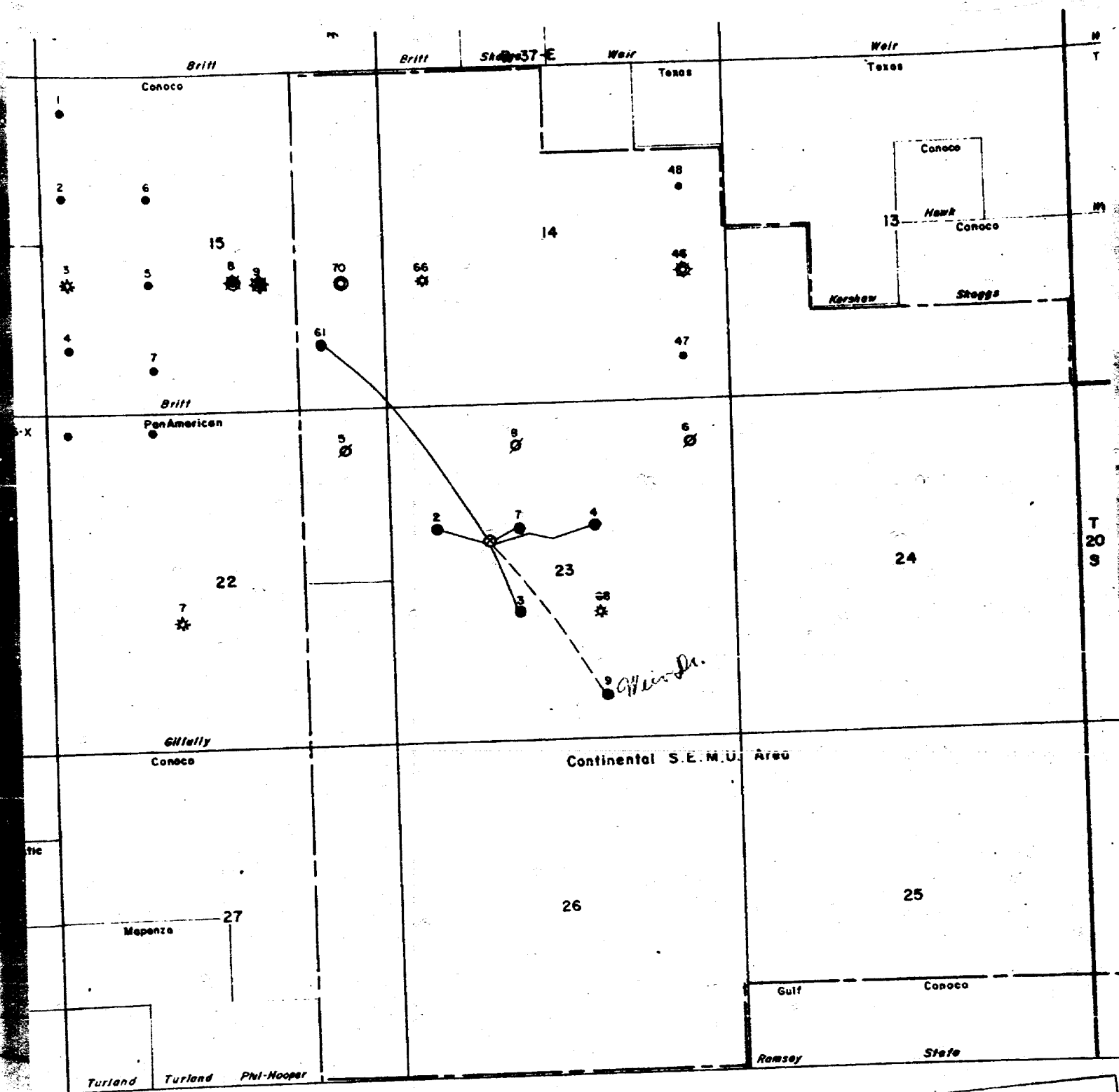
CONTINENTAL OIL COMPANY
 PROPOSED LACT UNIT
 SEMU-PENNSYLVANIAN LEASE
 LEGEND

- ⊗ Existing Battery
- Existing Flow Lines
- - - Proposed Flow Line

BEFORE EXAMINER UTZ
 OIL CONSERVATION COMMISSION
 COC EXHIBIT NO. 2
 CASE NO. 2062

Hobbs Dist. Office

Exhibit II



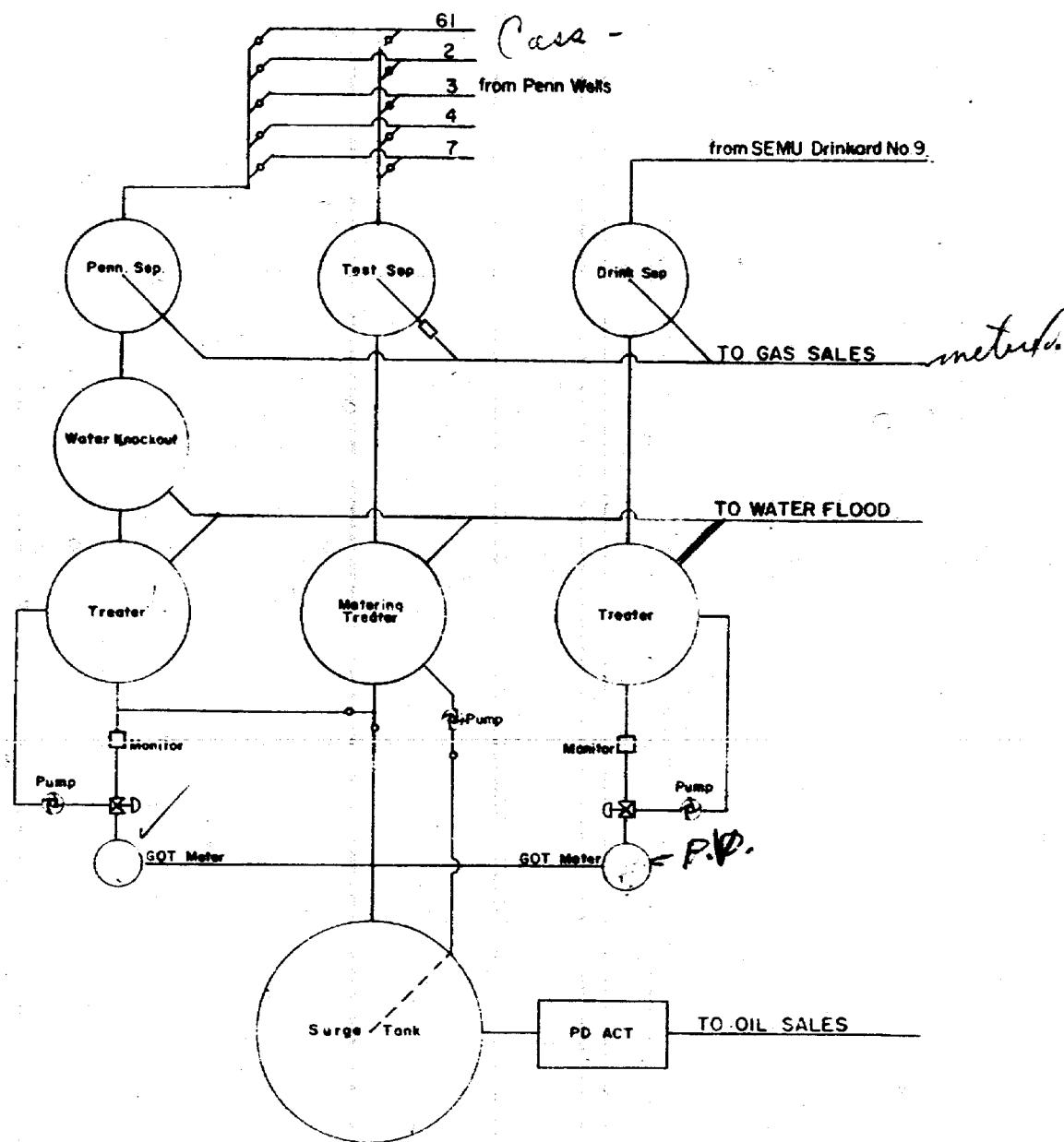
CONTINENTAL OIL COMPANY
 PROPOSED LACT UNIT
 SEMU-PENNSYLVANIAN LEASE
 LEGEND

- ⊙ Existing Battery
- Existing Flow Lines
- - - Proposed Flow Line

BEFORE EXAMINER UTZ
 OIL CONSERVATION COMMISSION
 COC EXHIBIT NO. 2
 CASE NO. 2062

Hobbs Dist. Office

Exhibit II

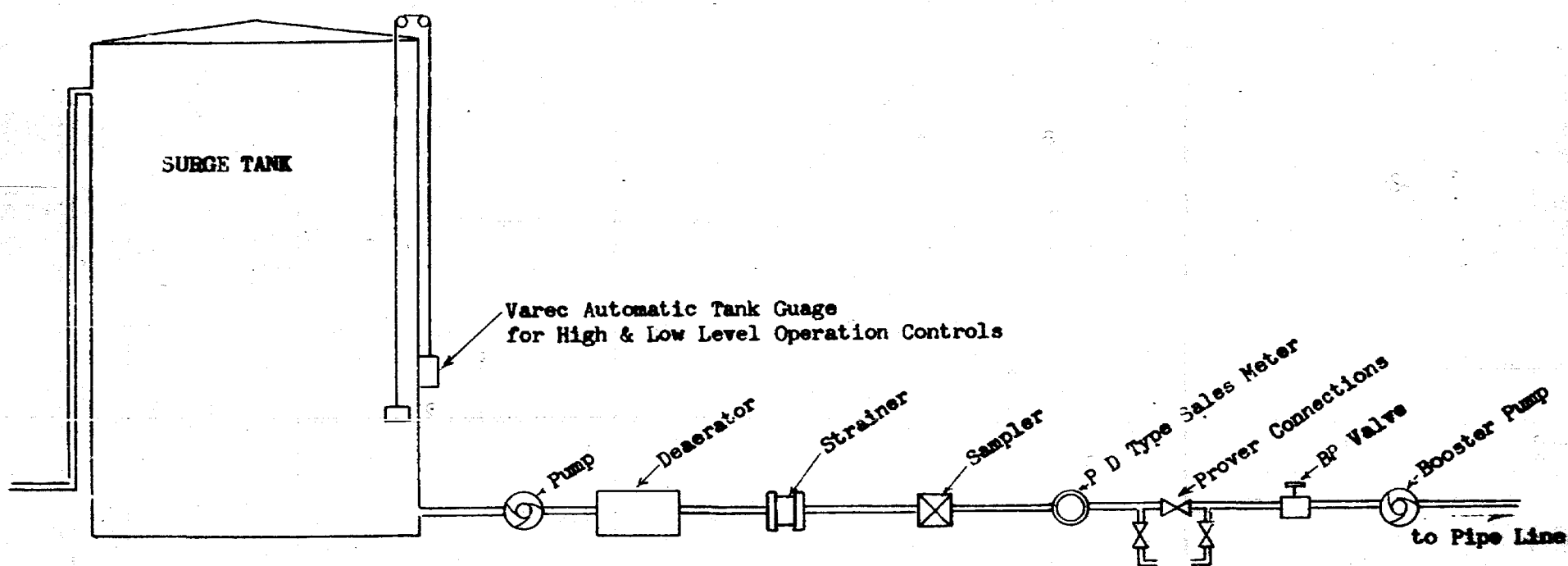


CONTINENTAL OIL COMPANY
PROPOSED BATTERY CONSOLIDATION

SEMU
PENN. & DRINKARD
LEASES

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
<i>EOC</i> EXHIBIT NO. <u>3</u>
CASE NO. <u>2062</u>

Exhibit 3



BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
CASE NO. 2062
EXHIBIT NO. 4

CONTINENTAL OIL COMPANY
Schematic Diagram Of
PROPOSED LACT INSTALLATION
SEMU-Penn. Lease

CASE NO.
EXHIBIT 4

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

In the Matter of:

CASE 2062 Application of Continental Oil Company for approval of an automatic custody transfer system to handle commingled production. Applicant, in the above-styled cause, seeks an order authorizing it to install an automatic custody transfer system to handle the production from the Weir Pool and the Cass Pool from certain wells located on that portion of the Southeast Monument Unit comprising Sections 15 and 23, Township 20 South, Range 37 East, Lea County, New Mexico.

Mabry Hall
September 7, 1960

BEFORE:

Elvis A. Utz, Examiner.

TRANSCRIPT OF PROCEEDINGS

MR. UTZ: The next case will be 2062.

MR. PAYNE: Case 2062, "Application of Continental Oil Company for approval of an automatic custody transfer system to handle commingled production."

MR. KELLAHIN: Jason Kellahin, Kellahin and Fox, representing the Applicant. We have one witness I'd like to have sworn in.

(Witness sworn in.)

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

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ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6691



I N D E X

WITNESS

PAGE

RONALD McWILLIAMS

Direct Examination by Mr. Kellahin
 Examination by Mr. Utz
 Examination by Mr. Payne
 Examination by Mr. Utz

3
 7
 8
 8

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(Thereupon, Applicant's Exhibits One through Four were marked for identification.)

RONALD McWILLIAMS

a witness, called by and on behalf of the Applicant, having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A Ronald McWilliams.

Q By whom are you employed and in what position?

A Employed by Continental Oil Company in Hobbs, New Mexico as District Engineer.

Q Are you a petroleum engineer, Mr. McWilliams?

A Yes, sir.

Q Have you previously testified before the Commission as an expert petroleum engineer?

A Yes, sir.

MR. KELLAHIN: Are the witness' qualifications acceptable?

MR. UTZ: Yes sir, they are.

Q (By Mr. Kellahin) Mr. McWilliams, are you familiar with the application in this case before the Commission?

A Yes, sir.

Q Would you state briefly what's proposed in this application?

A Continental Oil Company is proposing to consolidate their SEMU Pennsylvanian and SEMU Drinkard batteries and install

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ALBUQUERQUE, NEW MEXICO



a CT unit.

Q When you say SEMU, that means Southeast Monument Unit?

A Yes, sir.

Q That will involve commingling, will it not, and --

A Yes sir, we have applied for commingling of the Cass and Weir Pool production administratively.

Q Now, referring to what has been marked as Exhibit Number One, will you discuss that exhibit, please?

A Exhibit Number One is a location plat showing the wells involved in this commingling and the location of the tank batteries; it also shows the existing flow lines, the five wells shows are producing from the Cass Pennsylvanian Pool, and the single well down in the SEMU Drinkard is producing from the Weir Pool.

Q Now, the exhibit likewise shows the offsetting ownership of the area, does it not?

A Yes, sir.

Q Referring to what has been marked Exhibit Number Two, would you discuss that exhibit?

A Exhibit Number Two is a plat showing the wells as they will be when the batteries are consolidated. We propose to bring the production from the SEMU Drinkard Nine to our Cass Pool, or the SEMU Pennsylvanian battery and consolidate them there at that Pennsylvanian site and install ACT.

Q Now, would you refer to Exhibit Number Three and discuss the proposed battery consolidation?

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ALBUQUERQUE, NEW MEXICO



A Exhibit Number Three is a schematic drawing of the battery as we propose to install it. The production from the Pennsylvanian wells will be brought in through their own system and monitored before metered, being metered, and also the production from the Weir Pool will be maintained or metered separately prior to being commingled, and therefore only pipeline oil reaches your surge tank.

Q As I understand your testimony, all the oil will be monitored prior to metering on each lease?

A That's right, only pipeline oil will be metered by our zone meters.

Q And will all the oil be metered from each lease prior to commingling?

A Yes.

Q In the event the oil does not meet pipeline specifications, how will it be handled?

A Well, there will be a diverting valve installed immediately down from the BT and W monitor which will divert the oil back through the treater until it does meet pipeline specifications.

Q Now, the exhibit shows a surge tank and other installations on there; will you discuss those, please?

A Well, although we show a surge tank there, there are actually, there will be two tanks, and this portion of our battery is in the planning stage; in other words, we haven't quite made up our minds yet as to whether to install adequate storage for the



maximum amount of period or to install safety shut-in equipment.

Q Now, is all the royalty ownership common throughout on the leases to be handled in this installation?

A Yes sir, there's one royalty owner, the United States Government.

Q And the working interests are common throughout?

A Yes, sir.

Q Now, how will the oil sales be handled?

A Exhibit Number Four is a schematic drawing of the ACTU unit. It will be a standard unit with all the usual safety devices to prevent the sale or running of any oil in the event of an equipment failure; I think this is pretty much a standard installation.

Q And then will the oil go directly to the pipeline?

A Yes.

Q To what pipeline does the oil go?

A Atlantic.

Q Have they agreed to take the oil from this installation?

A Yes, sir.

Q What steps will be taken to prevent the loss of oil in the case of an equipment failure?

A Well, this is still under consideration; we will either install adequate storage to provide for the maximum unattended period or we will install a high level control and safety shut-in switches at the wells.



Q Now, in your opinion, will this installation adequately handle the production from the separate leases and prevent waste?

A Yes, sir.

Q Is it in the interests of conservation?

A Yes, sir.

Q Were Exhibits One through Four prepared by you or under your direct supervision?

A Yes, sir.

MR. KELLAHIN: We would like to offer in evidence Exhibits One through Four inclusive.

MR. UTZ: Without objection, they will be entered into the record.

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

EXAMINATION BY MR. UTZ:

Q Mr. McWilliams, what's a GOT Meter?

A Garrett Oil Tools, it's just a brand name. It's actually a positive volume meter.

Q A PV meter then?

A PV.

Q And the production from your Weir Drinkard will be metered before commingling?

A Yes, sir.

Q How about the gas from your Drinkard separator, will it be metered?

A Yes, sir.



Q Your oil will be treated and your water knocked out ahead of your meter in both instances, right?

A Yes, sir.

MR. UTZ: Are there other questions of the witness?

EXAMINATION BY MR. PAYNE:

Q Mr. McWilliams, do you intend to meter the production also from the Cass Pool prior to commingling?

A Yes sir, as shown on that schematic; we refer to them as Pennsylvanian wells when they are in the Cass Pool.

Q So that both pools will be separately metered prior to commingling?

A Yes, sir.

Q Do you have any corrosion problems in this area?

A Not unusual.

Q I am just wondering whether you intended to use corrosion resistant meters, perhaps, or corrosion resistant flow lines.

A The meters will be plastic coated, and the flow lines, since they are existing, we don't plan to make any changes in them.

MR. PAYNE: Thank you.

EXAMINATION BY MR. UTZ:

Q What do you anticipate the maximum unattended time will be?

A I would say approximately three days.

Q Then I believe it was your testimony that you would have enough storage to handle three days' allowable, or put a high level switch, high level shut-off in your surge tank?



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ALBUQUERQUE, NEW MEXICO

A Yes, sir.

Q What are your flow lines at the present time, are they just regular line pipe?

A I believe that they are three-inch tubing.

Q Capable of holding how much pressure?

A I would imagine that they would probably be capable of handling two to three thousand pounds.

Q Are these all flowing wells?

A No sir, there are three pumping wells and two gas lift wells at the present time; however, within the next year, they will all be pumping.

Q You have no facilities, or do you anticipate to put shut-in facilities at the wellhead in case of failure of your high level switch?

A If we go that route, we will install wellhead safety switches which will shut in the wells in the event of failure.

Q In all probability, you will probably go the storage route, though, won't you?

A Well, we are leaning toward the safety shut-in switches at the moment.

Q I see; do you have any idea what the flowing wellhead pressures are on the flowing wells at the present time?

A Well, they are being gas lifted, so they vary from zero to approximately two hundred fifty pounds.

Q The shut-in pressures would be considerably higher than



that, wouldn't they?

A No sir, I would imagine that they would just be a matter of a few hundred pounds, since they do have to be lifted.

MR. UTZ: Are there other questions? If there are no further questions, the witness may be excused.

(Witness excused.)

MR. UTZ: Are there other statements in this case, any other statements in this case? The case will be taken under advisement.

* * *

STATE OF NEW MEXICO)
: SS
COUNTY OF BERNALILLO)

I, JERRY MARTINEZ, Notary Public in and for the County of Santa Fe, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings was reported by me in Stenotype and reduced to typewritten transcript by me, and that the same is a true and correct record of said proceedings to the best of my knowledge, skill and ability.

Dated at Albuquerque, New Mexico, this 9th day of September,

1960. I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2062, heard by me on Sept. 7, 1960.

Examiner
New Mexico Oil Conservation Commission

Notary Public

My Commission Expires:
January 24, 1962

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

