

CASE 2219: Application of SHELL
for exception to Rule 309 (a) and
for automatic custody transfer sys.

See - please see me
for memo to attach
to report.
JFM

-asa / No.

2219

Application, Transcript,
and Exhibits, Etc.

RSM
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ass

DRAFT

RSM/esr
March 30, 1961

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:

John
CASE No. 2219

Order NO. R- 1930

APPLICATION OF SHELL OIL COMPANY
FOR AN EXCEPTION TO RULE 309 (a)
AND FOR AN AUTOMATIC CUSTODY
TRANSFER SYSTEM, LEA COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
March 22, 1961, 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, 1961, 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, Shell Oil Company, is the owner and
operator of the Turner lease, comprising the W/2 NE/4 of Section
34; the Sanger lease, comprising all of Section 27; the State "B"
lease, comprising the N/2 NW/4 of Section 33; and the Grimes
lease, comprising the SW/4 of Section 28, all in Township 18 South,
Range 38 East, NMPM, Lea County, New Mexico.

(3) That the applicant seeks permission to transport the
Hobbs Pool oil production from the above-described Turner lease,
prior to measurement, to the above-described Sanger lease where
such production would be commingled with the Hobbs Pool oil pro-
duction from said Sanger lease after separately measuring the
production from each lease; the Hobbs Pool oil production would
be transported from the above-described State "B" lease, prior

to measurement, to the above-described Grimes lease where such production would be commingled with the Hobbs Pool oil production from said Grimes lease after separately measuring the production from each lease; and the Hobbs Pool oil production from each of ~~the~~ ^{four} said leases would then be commingled on the said Grimes lease.

(4) That the applicant further proposes to install an automatic custody transfer system to handle said commingled production.

(5) That the proposed installation as shown on Exhibits ~~Nos. 1, 2, and 3~~ ^{and 4 in this case} ~~herein~~ should be authorized, provided, however, that all meters should be of a type utilizing a non-reset totalizer, and, provided further that all of the ^{automatic} valves should be incapable of manual actuation.

(6) That inasmuch as an industry committee has been appointed to study all phases of commingling and to recommend minimum standards to prevent abuses thereof, it may be that this installation, at a later date, will have to be altered to conform to such standards as the Commission may prescribe.

(7) 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.

IT IS THEREFORE ORDERED:

(1) That the applicant, Shell Oil Company, is hereby authorized to transport the Hobbs Pool oil production from the Turner lease, comprising the W/2 NE/4 of Section 34, prior to measurement, to the Sanger lease, comprising all of Section 27, where such production will be commingled with the Hobbs Pool oil production from said Sanger lease ~~without~~ ^{after} separately measuring the production from each lease; the Hobbs Pool oil production will be transported from the State "B" lease, comprising the N/2 NW/4 of Section 33, prior to measurement, to the Grimes lease, comprising the SW/4 of Section 28, where such production will be

commingled with the Hobbs Pool oil production from said Grimes lease after separately measuring the production from each lease; and the Hobbs Pool oil production from each of ^{the four} said leases will then be commingled on the said Grimes lease; all leases being in Township 18 South, Range 38 East, NMPM, Lea County, New Mexico.

PROVIDED FURTHER, That it may be that this installation, at a later date, will have to be altered to conform to such standards as the Commission may prescribe.

PROVIDED HOWEVER, That this installation shall conform to Exhibits Nos. 1, 2, ^{and 4 in this case} ~~and 3~~ herein except that (a) all meters shall be of a type utilizing a non-reset totalizer, and (b) the automatic valves shall be incapable of manual actuation.

(2) That the applicant is hereby authorized to install an automatic custody transfer system to handle said commingled production.

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

PROVIDED FURTHER, That in order to prevent the overflow and waste of oil in the event the automatic custody transfer system fails to transfer oil to the pipeline, 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 leases are unattended.

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, -----

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YES I AM READING UTHIS ROS GA

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ROSWELL - SHELL OIL COMPANY

THE DESIGN OF THE LACT EQUIPMENT WHICH YOU PROPOSE TO INSTALL ON
THE SHELL-MCKINLEY "A" LEASE, S/2 SECTION 19, R-38-E, T-18-S, LEA
COUNTY, NEW MEXICO, THE SHELL-GRINES LEASE, SW/4 SECTION 20, R-38-E,
T-18-S, LEA COUNTY, NEW MEXICO, AND THE SHELL-LIVINGSTON LEASE SECTION
4, T-21-S, R-37-E, LEA COUNTY, NEW MEXICO, IS APPROVED AS OUTLINED IN
YOUR LETTERS DATED FEBRUARY 23 AND FEBRUARY 28, 1961, AND SHELL PIPE
LINE CORPORATION WILL ACCEPT CUSTODY TRANSFER OF THE CRUDE WITH
P. D. METERS.

N E UNITE NOR WEST TEXAS DIVC SPLC

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SHELL EXHIBIT #15
CASE 2219

J. O. SETH
A. K. MONTGOMERY
OLIVER SETH
WM. FEDERICI
FRANK ANDREWS
FRED C. HANNAHS
GEORGE A. GRAHAM, JR.

SETH, MONTGOMERY, FEDERICI & ANDREWS

ATTORNEYS AND COUNSELORS AT LAW
301 DON GASPAR AVENUE
SANTA FE, NEW MEXICO

POST OFFICE BOX 828
TELEPHONE YU 3-7315

February 28, 1961

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Re: Application of Shell Oil Company
for an Exception to Rule 309 (a)
as to its Turner Lease W $\frac{1}{2}$ NE $\frac{1}{4}$
Section 34, Twp. 18 S., Rge. 38 E.,
its Sanger Lease Section 27, Twp.
18 S., Rge. 38 E., its State "B"
Lease N $\frac{1}{2}$ NW $\frac{1}{4}$ Section 33, Twp. 18 S.,
Rge. 38 E., and its Grimes Lease
SW $\frac{1}{4}$ Section 28, Twp. 18 S., Rge.
38 E.

Gentlemen:

Shell Oil Company hereby makes application for an exception to Rule 309 (a) in order to permit it to transport production from certain leases hereinafter described, before such production has been received and measured in tanks on the particular leases.

Applicant desires to transport its production from its Turner Lease, consisting of approximately 80 acres located in the W $\frac{1}{2}$ NE $\frac{1}{4}$ Section 34, Twp. 18 S., Rge. 38 E., prior to receiving and measuring such production in tanks located on the Turner Lease. It is proposed to transport such production from the Turner Lease to the Sanger Lease (which consists of approximately 640 acres located in Section 27, Twp. 18 S., Rge. 38 E.). Production from both the Turner and Sanger Leases will be continuously metered and sampled. Such process to take place in facilities located on the Sanger Lease and the production will then be commingled at a facility located on the Sanger Lease. This commingled production will then be transferred to a point on the applicant's Grimes Lease (consisting of about 160 acres located in the SW $\frac{1}{4}$ Section 28, Twp. 18 S., Rge. 38 E.) where such commingled production will be treated and further commingled with the production from the applicant's Grimes Lease and applicant's State "B" Lease (consisting of about 80 acres in the N $\frac{1}{2}$ NW $\frac{1}{4}$ Section 33, Twp. 18 S., Rge. 38 E.) and thereafter the commingled production will be run through automatic custody transfer equipment for sale to the pipe line.

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New Mexico Oil Conservation Commission

February 28, 1961

Production from the applicant's State "B" Lease will be transported from such lease prior to its being received and measured in tankage on such lease. This production will be transported to the Grimes Lease where it will be commingled with the production from the Grimes Lease after production from both leases has been separately continuously metered and sampled. After metering the production from the Grimes and State "B" Leases it will then be commingled with the metered commingled production from the Sanger and Turner Leases. The commingled production from the above four leases will then be treated and run through the automatic custody unit which will be located on the Grimes Lease and sold to the pipe line.

Applicant's Turner and Sanger Leases are located in a densely populated residential portion of the City of Hobbs, New Mexico. Applicant desires by this consolidation to reduce the fire and danger hazard of above-ground tankage and the possible danger of direct-fire gas heaters located in such a residential district.

Respectfully submitted,

SHELL OIL COMPANY

By


Its Attorney

OS:mc

DOCKET: EXAMINER HEARING - WEDNESDAY, MARCH 22, 1961

OIL CONSERVATION COMMISSION - 9 A. M., CONFERENCE ROOM - STATE LAND OFFICE
BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Elvis A. Utz, Examiner, or Oliver E. Payne, attorney, as alternate examiner:

- CASE 2218: Application of Shell Oil Company for an exception to Rule 309 (a) and for an automatic custody transfer system. Applicant, in the above-styled cause, seeks permission to transport oil from its McKinley "A" lease, S/2 of Section 19, to its McKinley "B" lease, SW/4 of Section 30, and to commingle the production from the two leases after separate metering and to install an automatic custody transfer system to handle said commingled production. Both leases are located in Township 18 South, Range 36 East, Lea County, New Mexico, and the production involved is all from the Hobbs Pool.
- CASE 2219: Application of Shell Oil Company for an exception to Rule 309 (a) and for an automatic custody transfer system. Applicant, in the above-styled cause, seeks permission to transport oil from its Turner Lease, W/2 NE/4 of Section 34, to its Sanger Lease, Section 27, prior to measurement, and after measurement and commingling of production from the two leases, to transport it to the Grimes Lease, SW/4 of Section 28, for treatment. Applicant also desires to transport oil from its State "B" Lease, N/2 NW/4 of Section 33, to the said Grimes lease prior to measurement, and then, after measurement and treatment thereof, to commingle such production with the production from the other three leases, at which time the commingled production from the four leases is proposed to be handled by automatic custody transfer facilities. All leases are located in Township 18 South, Range 36 East, Lea County, New Mexico, and the production involved is all from the Hobbs Pool.
- CASE 2220: Application of Shell Oil Company for an exception to Rule 308 (a) and Rule 309 (a). Applicant, in the above-styled cause, seeks permission to commingle the production from the Drinkard, Wantz-Abo and Blinebry Oil Pools from all wells presently completed or hereafter drilled on the Carl H. Livingston Lease comprising 320 acres in Sections 3 and 4, Township 21 South, Range 37 East, Lea County, New Mexico, allocating the production from the various pools on the basis

Case 2219

Heard. 2-22-61

Rec. 3-28-61

1. Grant shall the following permission.

(a) Run oil from the Turner lease consisting of the W/2 NE 1/4 ²⁸/₃₄ to the Sanger lease Sec. 27 where it will be co-mingled with the Sanger lease oil ^{or} in existing main line connecting the two leases

to be known as the Sanger remote Battery. From the Sanger lease the co-mingled oil will ~~then~~ run to the Grimes lease consisting of SW/4 Sec. 28 where it will be stored in the Grimes central battery and custody transferred by the use of H.C.T. Allis 185-38 E

(b) The production from the State "B" lease, ~~will be run~~ consisting of N/2 NW/4 sec. 33, will be run to the Grimes lease where it will be co-mingled with Grimes production ~~after each lease has been~~ metered, thereafter run into the Grimes central battery with the Sanger and Turner lease production and custody transferred ~~thru the Grimes H.C.T. Allis 185-38 E.~~

2. The installation shall be made in accordance with Exhibits No's 1, 2 & 3 of this case except for the following:

(a) The Sanger, Grimes & St. "B" lease header valves shall ~~be~~ use the automatic valves without the manual override features.

(b) All meters shall be of the (over)

type using non-secret totalizers.
3. Incorporate the recent statements
as to the Co-Act committee & possible
changes which may be required after the
results of the Co-Act committee is known.

Thos. A. D. V.

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER

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

P. O. BOX 871
SANTA FE

April 10, 1961

Mr. Oliver Seth
Seth, Montgomery, Federici & Andrews
Box 828
Santa Fe, New Mexico

Re: Case No. 2219
Order No. R-1934
Applicant:
Shell Oil Company

Dear Sir:

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

Very truly yours,

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

ir/

Carbon copy of order also sent to:

Hobbs OCC x
Artesia OCC
Aztec OCC

OTHER

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. 2219
Order No. R 1334

APPLICATION OF SHELL OIL COMPANY
FOR AN EXCEPTION TO RULE 309 (a)
AND FOR AN AUTOMATIC CUSTODY
TRANSFER SYSTEM, LEA COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on March 22, 1961, 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 10th day of April, 1961, 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, Shell Oil Company, is the owner and operator of the Turner lease, comprising the W/2 NE/4 of Section 34; the Sanger lease, comprising all of Section 27; the State "B" lease, comprising the N/2 NW/4 of Section 33; and the Grimes lease, comprising the SW/4 of Section 28, all in Township 18 South, Range 38 East, NMPM, Lea County, New Mexico.

(3) That the applicant seeks permission to transport the Hobbs Pool oil production from the above-described Turner lease, prior to measurement, to the above-described Sanger lease where such production would be commingled with the Hobbs Pool oil production from said Sanger lease after separately measuring the production from each lease; the Hobbs Pool oil production would be transported from the above-described State "B" lease, prior to measurement, to the above-described Grimes lease where such production would be commingled with the Hobbs Pool oil production from said Grimes lease after separately measuring the production from each lease; and the Hobbs Pool oil production from each of the said four leases would then be commingled on the said Grimes lease.

(4) That the applicant further proposes to install an automatic custody transfer system to handle said commingled production.

(5) That the proposed installation as shown on Exhibit Nos. 1, 2, and 4 in this case should be authorized, provided, however, that all meters should be of a type utilizing a non-reset totalizer, and, provided further that all of the automatic valves should be incapable of manual actuation.

(6) That inasmuch as an industry committee has been appointed to study all phases of commingling and to recommend minimum standards to prevent abuses thereof, it may be that this installation, at a later date, will have to be altered to conform to such standards as the Commission may prescribe.

(7) 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.

IT IS THEREFORE ORDERED:

(1) That the applicant, Shell Oil Company, is hereby authorized to transport the Hobbs Pool oil production from the Turner lease, comprising the W/2 NE/4 of Section 34, prior to measurement, to the Sanger lease, comprising all of Section 27, where such production will be commingled with the Hobbs Pool oil production from said Sanger lease after separately measuring the production from each lease; the Hobbs Pool oil production will be transported from the State "B" lease, comprising the N/2 NW/4 of Section 33, prior to measurement, to the Grimes lease, comprising the SW/4 of Section 28, where such production will be commingled with the Hobbs Pool oil production from said Grimes lease after separately measuring the production from each lease; and the Hobbs Pool oil production from each of the said four leases will then be commingled on the said Grimes lease; all leases being in Township 18 South, Range 38 East, NNPM, Lea County, New Mexico.

PROVIDED HOWEVER, That this installation shall conform to Exhibit Nos. 1, 2, and 4 in this case except that (a) all meters shall be of a type utilizing a non-reset totalizer, and (b) the automatic valves shall be incapable of manual actuation.

PROVIDED FURTHER, That it may be that this installation, at a later date, will have to be altered to conform to such standards as the Commission may prescribe.

-3-

CASE No. 2219
Order No. R-1934

(2) That the applicant is hereby authorized to install an automatic custody transfer system to handle said commingled production.

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

PROVIDED FURTHER, That in order to prevent the overflow and waste of oil in the event the automatic custody transfer system fails to transfer oil to the pipeline, 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 leases are unattended.

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


EDWIN L. MECHEM, Chairman


E. S. WALKER, Member


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

esr/

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
MARCH 22, 1961

EXAMINER HEARING

IN THE MATTER OF

CASE 2219: Application of Shell Oil Company for an exception to Rule 309 (a) and for an automatic custody transfer system. Applicant in the above-styled cause, seeks permission to transport oil from its Turner Lease, W/2 NE/4 of Section 34, to its Sanger Lease, Section 27, prior to measurement, and after measurement and commingling of production from the two leases, to transport it to the Grimes Lease, SW/4 of Section 28, for treatment. Applicant also desires to transport oil from its State "B" Lease, N/2 NW/4 of Section 33, to the said Grimes lease prior to measurement, and then, after measurement and treatment thereof, to commingle such production with the production from the other three leases, at which time the commingled production from the four leases is proposed to be handled by automatic custody transfer facilities. All leases are located in Township 18 South, Range 38 East, Lea County, New Mexico, and the production involved is all from the Hobbs Pool.

BEFORE:

Elvis A. Utz, Examiner.

TRANSCRIPT OF PROCEEDINGS

MR. UTZ: We will take up next Case 2219.

MR. PAYNE: Case 2219, application of Shell Oil Company

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

A. BUQUERQUE, NEW MEXICO



for an exception to Rule 306 (a) and for an automatic custody transfer system.

Let the record show that the witness was previously sworn.

MR. UTZ: Any other appearances in this case?

R. L. SOMERWELL,

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

DIRECT EXAMINATION

BY MR. SETH:

Q State your name, please, Mr. Somerwell, and by whom you are employed and in what capacity.

Q R. L. Somerwell, employed by Shell Oil Company, Roswell Division, as a mechanical engineer.

Q Are you familiar with the application in Case 2219?

A Yes, sir.

Q Have you testified before the Commission in previous hearings?

A Yes, sir.

Q Will you describe, please, to the Commission the general purpose of this application?

A Yes, sir. The two main purposes of this application are to effect conservation and to reduce above ground waste and remove the oil and water for treating and ACT from the residential area of Hobbs for safety reasons.

Q Do you have a diagram of this proposal?

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



A Yes, sir.

(Whereupon, Shell's Exhibit No. 1 was marked for identification)

Q Will you describe to the Commission what this Exhibit No. 1 shows?

A Yes, sir. The lower right of the drawing shows Shell's Turner lease which is enclosed, as you will note, within an acre tract, and the Shell Sanger lease immediately above, that entire Section 27, in which we have five producers.

Q Is this Fee lease?

A Yes, sir.

Q Now, what is the shaded area?

A It represents the residential area of Hobbs, New Mexico, the extremities of it. That is not the city limits, but the populated section.

Q Describe generally the property.

A Case 2219 involved four of Shell's leases, that is, the Turner lease, the Sanger, the State "B" and the Grimes lease are fee leases and State leases. What we propose to do is to produce both the Turner wells through a common line to the Sanger Remote facility. At the Sanger Remote both the Turner and Sanger leases will be metered. The fluid, after being metered continuously for twenty-four hours, will be produced in surge tanks and pumped through a line to the Grimes lease, which is out beyond the city, and at the Grimes lease will be produced directly to the treating

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PHONE CH 3-6891

ALBUQUERQUE, NEW MEXICO



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

system and for treating subsequently produced into ACT units. State "B" is proposed to divert the two into those lines to Grimes and four Grimes wells will come into a header. And they will be continuously commingled with the other two leases into the treating system, within the treating system, and one ACT unit and continuously meter each lease very similar to the McKinley.

Q One of the principal purposes is to reduce the amounts of above ground waste and remove treater heaters from populated routes?

A The principal reason, yes, sir. I would like to also refer back to Case 2218. To make this mechanically and economically feasible, we are asking both of these cases be thought of in light of safety to remove this from the city.

Q In what zone are the production of these four, please?

A All from the Hobbs and Sanger formations.

Q Do you have a diagram of the Sanger remote facilities?

A What one? I would like to start with Sanger.

(Whereupon, Shell's Exhibit No. 3 was marked for identification)

Q This has been marked Exhibit 3. Will you describe what this Exhibit 3 shows?

A Yes, sir. Approximately 5,000 feet, away from the lower right corner are the two Turner wells. They have a header right now, and the test header is a manual header.

Q Is that located on the Turner lease?



A Right down near the downtown section of Hobbs.

Q Both are producing already? We are referring to this line marked 5,000' 4" transfer line on Exhibit 3.

A Both are producing. The Turner separator and the meter are the same type of system described previously. The five Sanger wells will produce into Sanger remote where they are right now. An automatic header will be installed, and they will pass through the normal position, they will pass through the P. F. Sanger production separator and the meter and be commingled in this 500-barrel surge tank and transfer pump, actuated and the pressure switch will transfer the fluid to the Hobbs central battery on Exhibit 1, which is shown as Grimes lease on Exhibit 1. A three-phase metering phase separator will be installed to test the Sanger wells and will be automatically tested, and the gas and oil will be rerouted back to the Sanger to minimize accounting problems as far as our lease operators are concerned. To test, the Turner wells have a very good daily allowable, in about four hours, the daily allowable is produced. We propose to shut one of the wells in, purge the line for approximately two days, sufficient time to displace the line with fluid with gas.

It takes about two days producing within our 125% of our allowables. To purge a line, one will be shut in, the line then will be purged, and the other well flow will be tested through the production separator and a gas chart taken on the sales meter, so then both oil and water production right now is very low. The Turner

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ALBUQUERQUE, NEW MEXICO

PHONE CH 3-4691



average is approximately 1.1% of water, and the Sanger is 1 barrel per day, and we do not plan to install a free water knockout. All showed emulsion and water decrease of about five, ten percent. So then the fluid is transferred to Hobbs Central Battery.

Q Do you have a diagram of Hobbs Central Battery?

(Whereupon, Shell's Exhibit No. 2 was marked for identification)

Q Referring to what has been marked as Exhibit 2, describe what that shows, please.

A To follow up on Sanger remote, the lower line in this diagram shows the transfer line from Sanger remote facilities there for treating and the ACT.

In the headers shown, and at the left of the diagram the lower header is the two-well State "B" header, and the upper is four-well Grimes automatic header, and again, this is very similar to McKinley "A" and "B." The well is automatically placed on test with the Grimes lease reroute valve electrically interlocked, opening to allow test fluid to come back through the correct production separator and "B" continues and is metered by KARA engineering meters, and will make monthly reports of samples to determine water and BS&W. We are going to leave two tanks storing sufficient surge capacity because this is in the city. I believe approximately a forty-eight hour surge for our own safety.

Q That is longer --

A Again, sixteen hours. We are attempting to leave our

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PHONE CH 3-4631

ALBUQUERQUE, NEW MEXICO



pumper on more time than other lease operators, but it is in the city.

Q Is the meter shown on Exhibit 2, on sampling, similar to the same as you testified to in 2218?

A Identical to Case 2218, and again, very similar to Pearl-Queen installation.

Q Do you have an ACT unit proposed, or anything more to say about Exhibit 2?

A I think that is self-explained "to gas sales," for example, gas from the separator is rerouted back, there is no local gas. For the ACT units, I have specifications, and they are identical to the previous ones.

(Whereupon, Shell's Exhibit No. 4 was marked for identification)

Q This is Exhibit 4. Will you please describe that?

A It is an ACT unit and it is exactly as described in the previous case with a pump and monitor, a BS&W monitor, a reroute valve and flowing through the air-eliminator and strained, PD meter and meter proving loop and back pressure valve.

MR. SETH: Rather than repeating the testimony, we will adopt the testimony relating to the ACT units and also the experience in Pearl-Queen, from Case 2218, in this record, if we may do so.

MR. PORTER: This ACT system is identical to the one you testified to in Case 2218?

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, sir, in every respect.

MR. PORTER: Let the record show that the testimony pertaining to the ACT system in Case 2219 will be incorporated in Case 2219.

Q Have you been advised by the purchaser that they will accept oil through these facilities?

A Yes, sir, we sure have.

Q Is this the same advice you received in Case 2219?

A Similar. I have underlined in pencil that lease.

Q And this facility referred to in this Exhibit, are they the facilities you have set out on Exhibit No. 4?

A Yes, sir.

Q In your opinion, will you state, if this application is approved, will this result in prevention of waste and promote conservation?

A Yes, sir. Part of the justification of this system was based on the assumption that some of that which we have proven, that we would effect a gravity conservation of .550, and 15 volume savings.

Q You have this problem, you are operating within a densely populated area?

A Within the city limits, three gas fire eaters within the city, it will minimize the fire hazard when the gas storage can be released from practically 15,000 rather than 100 within the city.

Q That would be a practical savings?



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A We hope for that. That would be a completely closed system. Even the surge tank will be equipped with gauge tapes so we can read the oil externally rather than gauge the tank. We certainly feel this will conserve.

MR. SETH: We would like to ask that the Exhibits be introduced.

MR. PORTER: How many Exhibits?

A One through 4.

MR. SETH: One through 5.

MR. PORTER: The copies of Exhibits 1 through 5 will be entered into the record.

(Whereupon, Shell's Exhibits 1 through 5 were received in evidence)

MR. SETH: That is all our direct testimony.

MR. PORTER: Any questions of the witness?

CROSS-EXAMINATION

BY MR. NUTTER:

Q This metering test separator on the Sanger facility is a three-phase separator?

A Yes, sir.

Q Also through the Hobbs central battery?

A Yes, sir.

Q How about the other separators?

A Three to two-phase.

Q What about the water on the Sanger?



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A The water on the Sancer remote three-phase will be re-combined and produced in the surge tank. All the salt water of these four leases are collected at Grimes lease.

Q The water of that separator, using the commingled production, prior to the time commingled production enters the surge tank from the sample lease?

A Yes, sir.

Q And the Hobbs central battery system generator?

A That is not exactly correct. I meant to change that. We are planning to use a heater which we have and install a plastic impeller pump continually circulate salt water, rather than a system generator. We have a lot of trouble with the soil.

Q You have a lot of soil but are circulating the salt water?

A Yes, sir. We don't like to warm the fluid in the gun barrel due to the high peak loads there.

Q You indicated the ACT units will be identical to the previous case. Do one to three foot levels apply?

A Yes, sir.

Q So you have a fluid level the same in both of these cases?

A No, sir, the standby will not have a fluid in it unless an emergency arises.

Q It opens manually?

A No, sir, corrected from the top equalizer on the system but rather than weather that tank day after day --

Q The extra 500-barrel tank is an overflow tank?



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A Yes, sir.

Q Normally you will have 520 barrels in this 500-barrel working surge tank?

A Yes, sir.

Q You will have 500 barrels of storage in the other?

A Total of 900 barrels.

Q What is the total allowable by lease, please? Daily would be fine.

A The Grimes is 140 barrels per day.

Q McKinley A?

A The Sanger is 170. The Turner is 70, the State "B" is 70.

Q What is that total?

A 455 barrels.

Q 120 barrels of available storage?

A Yes, sir.

Q I have the water production you would like.

MR. PORTER: I think we had better add this again, we have a 5 that --

A No, the Sanger is 175 and the Grimes is 140; State "B" is 70 and Turner 70.

MR. PORTER: That's right.

Q (By Mr. Nutter) So the total is 555?

A 455, all top allowable.

Q Are these leases attended on the same basis you discussed in the previous case?



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A Yes, sir.

Q A maximum of sixteen hours attended time?

A Yes, sir.

MR. NUTTER: Thank you.

BY MR. PAYNE:

Q Mr. Somerwell, as I understand your testimony, your Turner production will never go through the meter test separator for the Sanger lease?

A That's right.

Q What you are saying is, shut in one well, pump the line and test the other well?

A Yes, sir.

Q Just like you proposed to do on the McKinley?

A No, sir. On the McKinley "B" lease, we have a header only, and rather than lay an expensive test line in the city, we will install that test separator on the Turner lease and meter and recombine.

Q That will be for the Turner only, that separator?

A Yes, sir.

Q Now, as I understand it, your Sanger and Turner production are going to be treated at your Hobbs central battery?

A That's correct.

MR. PAYNE: Thank you.

BY MR. NUTTER:

Q Does the testimony in the previous case on the automatic



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valves and the panels and wiring, and so forth, apply here also?

A Right.

Q The Turner wells are not automatically controlled?

A We ask our operator to check them every day.

Q What is the 5000 foot of five-inch transfer line?

A A pipeline carrier was used to transfer this fluid. Part of it is a gathering system.

Q Does it belong to Shell?

A Yes, sir.

BY MR. PORTER:

Q Then the other three headers are automatic other than the Turner?

A Yes, sir. The Grimes State "B" and Sanger are automatically controlled. I would like to state on these manually operated valves we will be willing to seal them or have the State seal them, or be willing to omit them, if you like, on that.

MR. SETH: Manually sealed to determine whether they have been operated by hand?

A Yes, sir, drill them and the State could inset a certain wire seal. Any time it's broken without permission, it would be a violation.

MR. PORTER: If you use that procedure, actually, we would have to check them occasionally.

A Yes, sir, a burden on our part. Yes, sir, that would be definitely optional.



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

(Witness excused)

MR. PORTER: Any other statements in this case? If no further statements, the case will be taken under advisement. We will take a ten-minute recess.

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STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

I, PATRICIA GOMIA, Court Reporter, in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in machine shorthand and reduced to typewritten transcript under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this, the 27 day of April, 1961, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Patricia Gomia
 NOTARY PUBLIC

My Commission expires:

June 19, 1963

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of June 19, 1961, heard by me, on March 27, 1961,
Thurman G. Smith, Examiner
 New Mexico Oil Conservation Commission

THE KENLEY-MEIER REPORTING SERVICE, Inc.

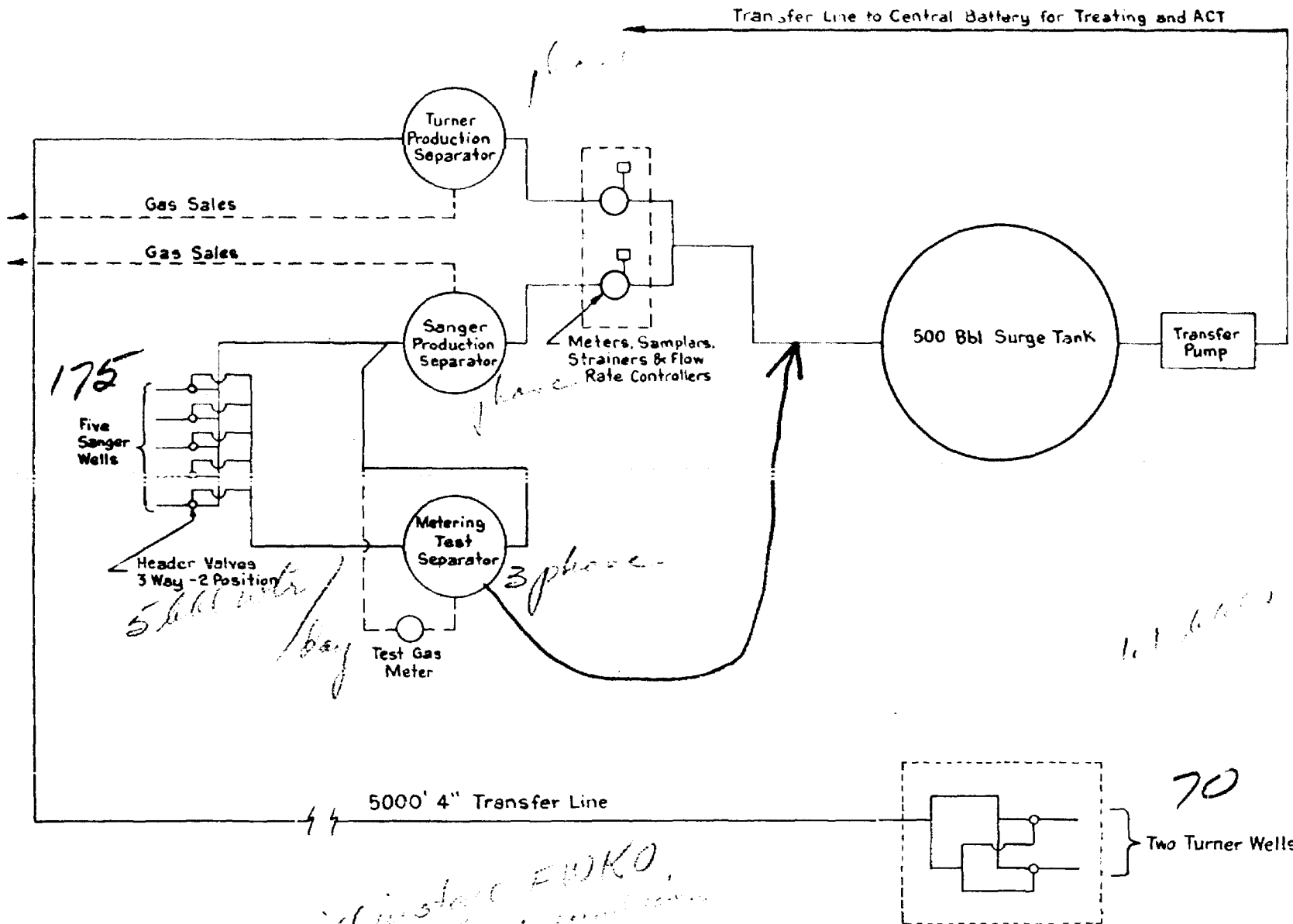
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ALBUQUERQUE, NEW MEXICO



SANGER REMOTE FACILITY

SHELL EXHIBIT 3
CASE 2219



1.1 6/10/60 J.E.J.

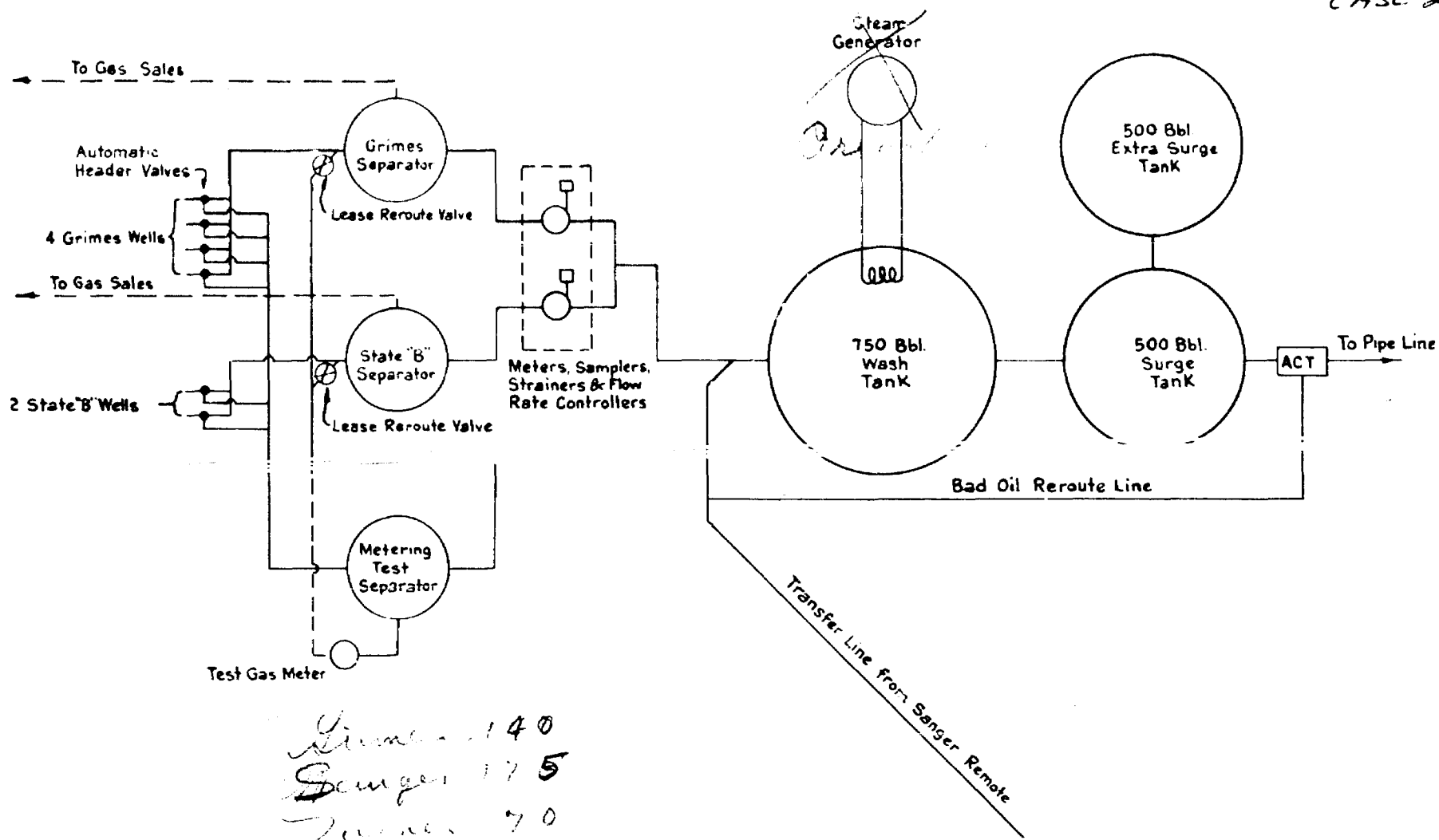
70
Two Turner Wells

SHELL OIL COMPANY
SANGER & TURNER LEASES
HOBBS FIELD
Data: R.L.S. Date: 11-12-60 Drawn by: J.E.J.

HOBBS CENTRAL BATTERY

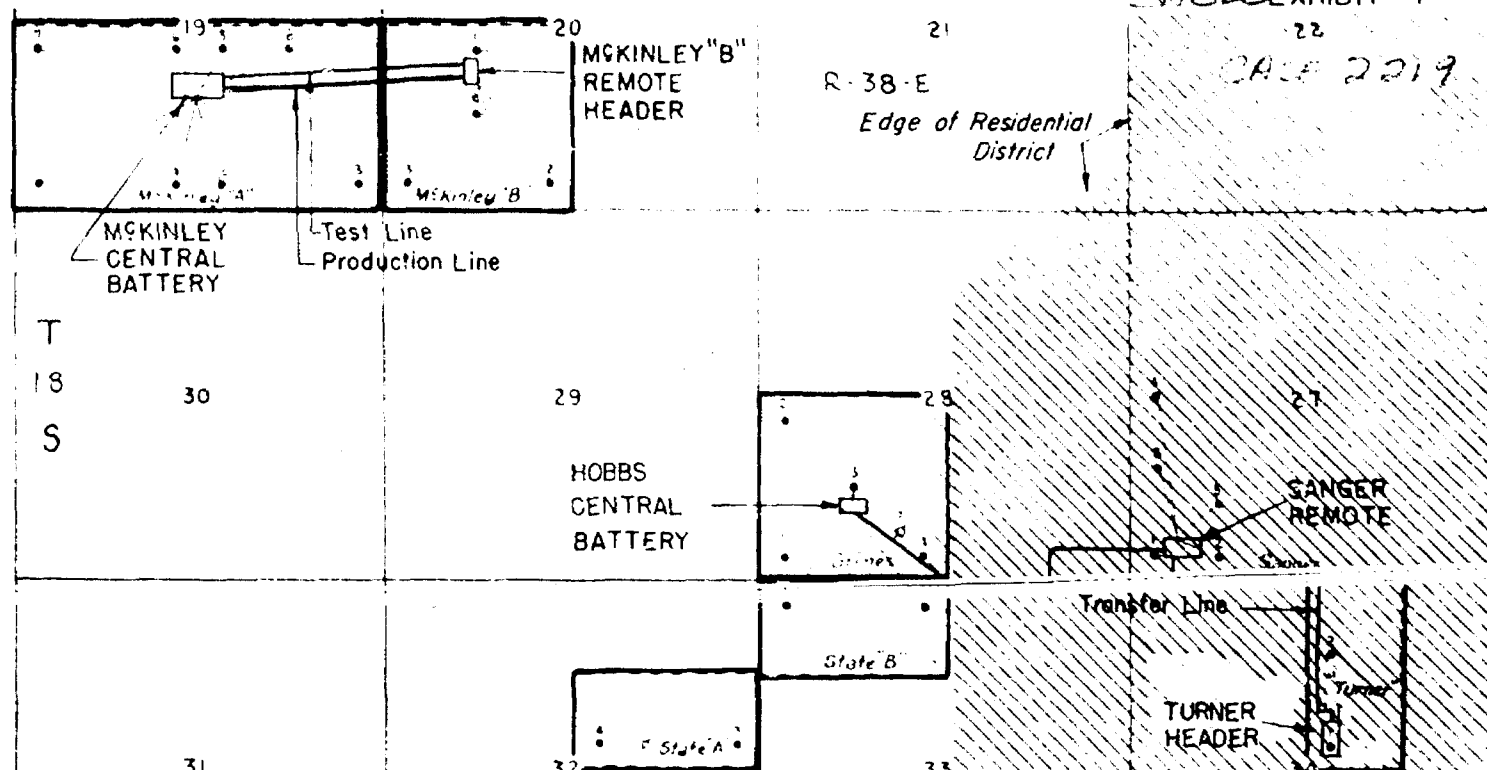
SHELL EXHIBIT 2

CASE 2219



Grimes 140
 Sanger 175
 Turner 70
 St. B. 70
 455

SHELL OIL COMPANY
 HOBBS CENTRAL BATTERY
 GRIMES & STATE "B" LEASES
 HOBBS FIELD
 Data: R.L.S. Date: 1-30-61 Drawn by: J.F.J.



GENERAL DESCRIPTION OF HOBBS CONSOLIDATION

1. Hobbs Central Battery: Treating system, salt water disposal and ACT for State B, Grimes, Sanger and Turner Leases. Lease production measurement, sampling, automatic well test and gas sales for the Grimes and State B Leases.
2. Sanger Remote: Lease Production measurement, sampling, automatic well test, and gas sales for the Turner and Sanger Leases. Oil and water will be transferred to Hobbs Central for treating and ACT.
3. Turner Test Header: Test header will serve the two Turner wells. Oil, water, and gas will be produced into the Sanger Remote for metering, well test, and gas sales. Well test will be manual for Turner wells.
4. McKinley Central Battery: Treating system, salt water disposal, ACT, lease production measurement, sampling, automatic well test and gas sales for both McKinley A and B Leases.
5. McKinley "B" Remote Header: Four well automatic header controlled from McKinley Central. Each well will purge test line 24 hours before passing through test separator at McKinley Central.

SHELL OIL COMPANY
HOBBS FIELD CONSOLIDATION
Data by RLS Date: 1-30-61 Drawn by JFJ