



MR. UTZ: What is the name again?

MR. CAVIN: S. H. Cavin. I'm appearing for Hondo in this case. Hondo is seeking approval, seeking an ACT to handle Empire-Abo Pool production from all wells located on the six sections, 25, 26, 34, 35 and 36, Township 17 South, 28 East, Eddy County, New Mexico, and for permission to produce more than 16 wells into a common tank battery as an exception to Rule 309A. Our only witness is Mr. J. R. McMann who was just sworn.

J. R. McMANN

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

DIRECT EXAMINATION

BY MR. CAVIN:

Q Mr. McMann, would you please state your full name and your position, your employer, where you live?

A I am J. R. McMann, petroleum engineer for Hondo Oil & Gas Company at Roswell.

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

A I have.

Q Are you familiar with Hondo's application for lease automatic custody transfer system and an exception to Rule 309A?

A I am.

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MR. CAVIN: If the Commission please, I would like to move that Mr. McMann's qualifications be accepted.

MR. UTZ: He is qualified.

MR. CAVIN: Thank you.

Q What is the purpose, Mr. McMann, of Hondo's application for the ACT and the exception to Rule 309A?

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

Q In what ways will the economy be effected?

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

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

A Yes, I have.

MR. CAVIN: A plat of the 647 lease covered by this application is offered as Exhibit No. 1

Q Mr. McMann, would you please state what is shown on Exhibit No. 1?

A Exhibit No. 1 shows Hondo's State 647 Lease insofar as it covers Sections 25, 26, the North Half of the Southeast Quarter of Section 34, the East Half of the Northwest Quarter, the Northeast Quarter and the North Half of the South Half of Section 35, and the North Half and the North Half of the South Half of Section 36



all in Township 17 South, Range 28 East, Eddy County, New Mexico.

There are several wells on this lease all of which are completed in the Empire-Abo Pool.

Q Those are the wells that are concerned with this application?

A That is correct.

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

A Yes, they definitely do.

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

A That is correct.

Q The wells referred to on the plat designated Exhibit 1 are the only wells on the property and they are producing from the Empire-Abo Pool?

A Yes, those wells indicated by a solid or filled in dot.

Q Hondo is the operator or Hondo Oil & Gas Company and Western Development Company and Yates Brothers as to this horizon?

A That is correct.

Q Is there a diversity of ownership in the lease or is it all the same?

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A It is all the same.

Q Has the pipeline been notified of the plan for the ACT system?

A Yes, they have and they approve heartily.

Q Have you prepared, or at your direction had prepared, an exhibit designated Exhibit 2, a schematic diagram which shows the lease automatic custody transfer system and the allied equipment on the lease?

A Yes, sir.

Q Are you familiar with Exhibit No. 3, the schematic diagram which shows in detail the lease ACT system as proposed?

A Yes, sir.

Q Who prepared this diagram?

A Basin Engineering, which is the firm that will install the equipment.

MR. CAVIN: If the Commission please, we will move these be admitted later.

Q Mr. McMann, would you state what is shown on the diagram noted as Exhibit No. 2.

A Exhibit No. 2 shows the automatic tank battery layout. Tankage consists of two 400 barrel welded tanks. Also shown are two oil and gas separators with the fluid meter at the discharge of the test separator. The LACT unit is shown. The flow is indicated of crude oil and gas, the lease automatic custody transfer



unit and controls are shown.

Q On Exhibit No. 3?

A Exhibit No. 3 is a detailed drawing of the items of equipment which constitute the lease automatic custody transfer skid mounted unit. The equipment consists of a three inch pump, a three inch basic sediment and water instruments incorporated monitor with probe, three inch Clayton Model 136E valve with solenoid, three inch Smith Model 1030 deaerator, which is not actually required for Empire-Abo crude; three inch Smith Straight-way Model Type E strainer, two inch Smith Model dispose PD meter with accessories, two inch Clayton Model 58E combination back pressure and solenoid valve which is explosion proof; two inch Nordstrom Figure 143 plug, Mecco Model HB-3 sampler, fabricated skid and a control panel.

Q Would you now tell us how the equipment particularly described in Exhibit No. 3, controls the flow of oil from the subject lease?

A The crude oil is separated from the gas in either the bulk separator on the right side of the diagram or the test separator in the lower center of the diagram with the fluid meter at its outlet. It flows to the settling tank, the 400 barrel tank on the right. When the fluid level reaches the equalizing line, it equalizes into the shipping tank, the 400 tank on the left. The crude oil is shipped to the pipeline through the automatic

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custody transfer below the low level automatic control and the high level dual automatic controls.

The LACT unit measures the crude oil through a PD meter. Also the LACT unit monitors and records the BSW percentage and records crude oil temperature. Dirty or wet oil is automatically returned to the settling tank and the lease is shut in when the tanks become full.

Q What are the so-called fail safe features of this particular equipment?

A The main fail safe feature of this unit are one, the unit will stop in event the meter counter stops counting. The unit will stop if transmitter malfunctions, the unit will stop if allowable set stop counter stops turning, the unit will stop if pipeline pumps lose suction, if electricity fails the unit will be shut in, if air fails the unit will be shut in. A light is included on the panel to show meter malfunction. Lights also show bad oil, good oil, oil bypassing and allowable achieved.

Q Would you now describe the flow line that you propose to use from the wells on this lease to this automatic custody transfer equipment?

A We plan to hook up all wells to this battery using used 2-1/2 inch tubing. The 6.5 pound J-55 seamless pressure tested to 4,000 pounds per square inch gauge.

Q Using this type of flow line, in your opinion, would it



be necessary to have automatic shutin controls on each well?

A No, sir.

Q Would you please explain this?

A The flow lines in all connections on the well side of the automatic shutoff valves at the battery will be capable of containing about four times the surface shutin pressures of the wells and nearly two times the bottomhole pressures of the wells. These high pressure flow lines, in our opinion, can safely stand pressures to which they will be submitted.

Q Could you please now tell us how many wells Hondo's Production Department expects to have on the lease shown in Exhibit No. 1 how they are expected to be located?

A The exhibit itself shows 33 well locations and it is believed that we could have as many as 41 wells in this battery located as shown on Exhibit 1 and it would continue East to the East boundary of that near four section block.

Q Are the installations described here substantially the same as those used on other leases in the field and approved by the New Mexico Oil Conservation Commission?

A Yes, the equipment is substantially the same.

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

A Yes, sir.

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MR. CAVIN: If the Commission please, I would like to move at this time for the admission into evidence of Exhibits 1, 2 and 3 heretofore referred to.

MR. UTZ: Without objection, the Exhibits 1, 2 and 3 will be entered into the record.

MR. CAVIN: I have no other questions at this time.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. McMann, is this flow line from your individual wells seamless tubing, did you say?

A Yes, sir.

Q Is it welded?

A Part of it will be welded and part of it will be threaded and collar the original upset threads and collars.

Q Is it plastic coated?

A We hadn't intended it would be.

Q Do you have any corrosion problems in the Abo crude?

A We feel that we very likely could have, to date we haven't had any appreciable flow line trouble. We haven't had any corrosion in evidence that I'm aware of.

Q What did you say the capacity of these tanks were?

A 400 barrels.

Q Each?

A Each.

Q And the switch shown by a dot on the right-hand tank



or the settling tank, is that a high level shutoff?

A Yes, sir. That's actually the dual shutoff which we agreed at the last previous hearing we would install.

Q From your lease, your gathering lines, the oil will proceed through separators prior to going to the tanks, is that correct?

A Yes, sir.

Q And no oil will be metered until after it passes through the tanks?

A The test oil from one or more wells on test, probably one would be metered.

MR. UTZ: Are there other questions?

MR. PAYNE: No questions.

MR. UTZ: If no further questions, the witness will be excused.

(Witness excused.)

MR. UTZ: Any other statements to be made in this case? If not, the case will be taken under advisement.

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