BEFORE THE
OIL CONSERVATION COMMISSION
MABRY HALL
Santa Fe, New Mexico
August 24, 1960

IN THE MATTER OF:	
Application of Gulf Oil Corporation for permission to commingle the production from all wells on several leases in Townships 21 and 22 South, Range 36 East, Lea County, New Mexico, and for approval of two automatic custody transfer facilities to handle said commingled production from the Arrowhead Pool, Eumont Pool, Eunice-Monument Pool, South Eunice Pool and Jalmat Pool, all in Lea County, New Mexico.	Case 2056

BEFORE:

Daniel Nutter

TRANSCRIPT OF HEARING

MR. NUTTER: We will call the next case now, case 2056.

MR. PAYNE: Application of Gulf Oil Corporation for permission to commingle the production from all wells on several leases in Townships 21 and 22 South, Range 36 East, Lea County, New Mexico, and for approval of two automatic custody transfer facilities.

MR. KASTLER: My name is William Kastler, I'm appearing on behalf of Gulf Oil. Corporation. I would like to at the outset of the case point out to an inaccuracy in our application in this case which was dated July 27, 1960. In the first place on page 1 under a sub-paragraph 2 there is an error in the description. This description should read Arnott Ramsay. "See Consisting of the

south half northwest, north half northeast and the southwest northeast of Section 21. 21 South, 36 East. Furthermore on page 3 in showing the addresses of carbon copies of this application, one of the off-set operators is not named here and he is the only one not named. Standard of Texas owns a lease to the best of our knowledge and understanding which is situated in the southwest quarter of the sourtheast quarter of Section 20, 21 South, 36 East. Standard of Texas has been given notice and a copy of this application.

MR. NUTTER: Standard's acreage is the southwest quarter of the southeast quarter of Section 20?

MR. KASTLER: Yes, sir.

MR. NUTTER: 21-36

MR. KASTLER: Yes, sir. Our only witness in this case is Lonnie C. Smith.

(Whereupon the witness was sworn.)

LONNIE C. SMITH

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

DIRECT EXAMINATION

BY MR. KASTLER:

Q Will you please state your name and your address.

A My name is Lonnie C. Smith. I live at Hobbs, New Mexico.

Q By whom are you employed and in what position, Mr.

Smith?

A I am a Petroleum Engineer with Gulf Oil Corporation.

Q As such, are you familiar with Gulf's application in case number 2056?

A Yes, sir.

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

A No, sir.

Q Would you briefly outline your educational background.

A I graduated from Texas Tech at Lubbock in May of 1956 with a B.S. degree in Petroleum Engineering.

Q Since your graduation have you constantly been employed as a Petroleum Engineer?

A Yes, sir.

Q By whom were you employed and briefly review your work.

A After getting out of school in May of 1956 I went to work for Gulf Oil Corporation in Seminole, Oklahoma where I did training work and in December of that same year I was transferred to the Hobbs area office and since that time I have done general engineering work consisting of well workovers, completion work, equipment design and selection of all types. For one year I worked in the field office in Eunice, out of the Hobbs office as the field engineer for that office where I was in charge of all economics having to do with production work in that office and

design and selection of oil equipment and for the past eight months since the first of the year I have worked exclusively out of the Hobbs area office on company mining automation and consolidation projects.

MR. KASTLER: Mr. Examiner, I submit Mr. Smith as an expert.

MR. NUTTER: Yes, sir would you please proceed.

MR. KASTLER: Mr. Smith, have you prepared or had prepared introduction to evidence here Exhibit No. 1 which consists of the lease plat.

A Yes, sir.

Q And does that lease plat show all of the pertinent leases, off-set operators, wells, tank batteries, flow lines, gathering system, central tank batteries and so forth that are pertinent in this case.

A Yes, sir with the exception it does not show flow lines, only gathering system lines.

Q Briefly will you outline what Gulf is seeking in this application referring as necessary to Exhibit No. 1.

A Gulf is seeking permission to commingle production and to install and operate automatic custody transfer equipment to handle the commingled production from the eight separate leases producing from 5 pools and into ten tank batteries.

Q Will you please name the 5 pools involved in this application.

A The Arrowhead, Eumont, Eunice-Monument, South Eunice and Jalmat.

Q Mr. Smith, will you now describe all eight leases that are involved here referring to Exhibit 1 and reading generally from left to right and from top to bottom.

A Referring to Exhibit 1, the leases are outlined in red pencil. The J. F. Janda NCT-A lease consists of the east half of the southeast quarter of Section 20.

Q 21 South, 36 East?

A Yes. The Arnott-Ramsay NCP-T lease consists of all of Section 21 with the exception of the southeast quarter of the northeast quarter and the Harry Leonard NCT-A lease consists of the east half of Section 22 and the southwest quarter of Section 22

MR. NUTTER: That is the Harry Leonard A lease?

A NCT-A

MR. KASTLER: Proceed.

A And the William Ramsay NCT-A lease consists of Section 27, 34 and 35

MR. NUTTER: All of which that are shown on the exhibit.

A All of them yes, sir. And the J. F. Janda B, NCT-B consists of the southeast quarter of Section 32. The Arnott Ramsay NCT-D consists of all of Section 33. All of the previously named leases are in Township 21, Range 36 and the J. F. Janda NCT-F lease consists of all of Section 4 and the Harry Leonard NCT-D

lease consists of all of Section 3. Both in Township 22, Range 36.

Q Are all eight leases involved here state oil and gas leases?

A Yes, sir.

Q What is the beneficiary under each or under these eight leases?

A Its Common School, they are the beneficiary of most of the new lands.

Q Does Gulf propose then to put all of the oil production of these eight leases into a single surge tank?

A No, sir.

Q Why not?

A Because all of the leases involved that of A Ramsay and that of W Ramsay leases be it Arnott Ramsay or W A Ramsay, are committed to the 20 percent net profits agreement and for this reason we will keep this battery, the Ramsay leases in one battery consolidated into one battery and the Janda and Leonard leases will be consolidated into another battery.

Q You say as a result of this situation that there is outstanding separate interests involved in the Ramsay leases, that you will make a separate commingle of all of that oil.

A Yes, sir

Q The oil as to the Ramsay will be separated by meters as well.

A Yes, sir.

Q And separately produced?

A Yes, sir

Q Into the pipe line?

A Yes, sir.

Q And hereafter if we should refer to the blue system, would that be the Ramsay leases that are separately commingled and separately fed to the pipeline?

A Yes, sir. The blue lines refer to the Ramsay gathering system bringing it from the individual leases to the consolidated tank battery.

Q Now, the dashed yellow lines refer to the leases which are now incumbered by this net profit agreement

A Now, sir they are the gathering system for the Janda and Leonard leases.

Q And during all this time and throughout all of this time, all of these lands, the Common School will be the beneficiary?

A Yes, sir.

Q With no exception?

A No, sir

Q Who is the owner of the 20 percent net profits agreement?

A Petroleum Land Royalties Syndicate.

Q Has that Syndicate been notified of this application?

A Yes, sir.

Q Are there any other owners of interests such as overriding royalties?

A No, sir.

Q Would you now refer to the Legend on Exhibit 1 and explain and illustrate the present ten tank batteries and the production facilities?

A The present tank batteries are indicated by the red dot or red circle and there are 10 of these present tank batteries, one for each section involved. There are leases that are on part of the 10 sections, in this system there are eight leases but they are spread out over 10 sections or parts of 10 sections and there is one present tank battery on each section or part of a section. Beginning in the upper left hand corner in Section 20 there is one tank battery on the lease involved there, the J. F. Janda and it serves the Eumont oil production for these wells, the wells on that lease and the Arnott Ramsay NCT-C lease has one tank battery and serves all the wells in Section 21, it serves the Eunice and Eumont oil production, one tank battery. In the Leonard NCT-A lease, it has one tank battery which serves all the wells on that lease and it serves wells from both the Eunice and Eumont production. The William A Ramsay NCT-A lease has one tank battery in Section 27 which serves all the wells in that section which consist of production from the Eumont oil and the Arrowhead oil. There is a single tank battery in Section 34 and this is

the same lease that serves the Arrowhead and the South Eunice oil production. There is one tank battery in Section 35 of that same lease which serves the Arrowhead oil production, the South Eunice oil production and the Eumont oil production from all the wells on this section. Going over to the left, the J. F. Janda NCT lease has one tank battery which serves all the wells on this Section 32. It has only Eumont oil production. In Section 33 the Arnott Ramsay NCT-D lease, there is one tank battery which serves all the wells on this lease and there is both South Eunice and Eumont oil productions. Down in Section 4 the J. F. Janda NCT-F lease has one tank battery which serves this complete section and all the wells in it for the South Eunice and Jalmat oil production. On Section 3, the Harry Leonard NCT-D lease, there is one tank battery which serves all the wells on this section from the South Eunice oil production.

Q Each of these tank batteries that you have prepared are designated on Exhibit 1 by a red dot, is that correct?

A Yes, sir.

Q And each of those presently is producing directly into the pipeline, into a pipeline?

A Yes, sir

Q Is it the same pipeline that is receiving this production throughout the eight leases?

A No, sir there are two pipelines that serve these eight

leases. Shell Pipeline serves 7 of the leases and Gulf Refining Company serves the eighth lease. The Gulf lease that Gulf serves is the Harry Leonard NCT lease in Section 3. However, I have a letter of committment and it states that should this project be installed and that Gulf Refining Company will relinquish this production then Shell Pipeline will pick it up.

Q You have a letter from Gulf to that effect and perhaps a letter as well from Shell.

A Yes, sir.

Q Now, then the oil that is presently commingled at any of these present tank batteries, what order is that commingling?

A Commission Order Numbers 663 designates that.

MR. NUTTER: Is that R 663?

A Order R 663.

MR. KASTLER: The order being dated July 7, 1955?

A Yes, sir.

MR. KASTLER: If the examiner, please we would like to make reference to the Commission Order R 663 and have it incorporated in this case.

MR. NUTTER: Does that order authorize the commingling of the production in the various pools in each of these instances where its commingled?

A Yes, sir there are more than - it states I think there is about 7 pools, 6 or 7, we only have 5 involved in our leases,

but the way it reads it should have production from all 5 of them or all of them on the one section. You can produce it all into the same battery. It was due to the reorganization of the aerial and vertical limits of the pools involved.

MR. KASTLER: It was brought on at the Commission's own request?

MR. PAYNE: Does that have a separate meter for production?

A No, sir.

Q Are any of these wells top allowable?

A Yes, sir.

Q Has Gulf complied with all of the Commission requirements with respect to commingling that is now being done in all of these pools?

A It consisted of adding a paragraph to the form C100 and 10 for each well.

Q In order R 663?

A Yes, sir.

MR. NUTTER: At what time was all of this producing from a common pool and then due to the vertical limits and horizontal limits the production suddenly found itself in several pools?

A Something like that, I can't explain it fully. I know that for instance on the Arnott Ramsay C lease in Section 21 that used to all be Eunice production. When the pools were rearranged so to speak, the southern most row of wells consisted of well 15

and 8 and 15 became Eumont producers. But in order to prevent the companies from putting in extra facilities to handle this, they allowed commingling into or allowed the companies to continue producing into the same tank battery and anytime you get a new well on the lease it goes in under the same order.

MR. NUTTER: Incidently, we will take administrative note and incorporate in the record in this previous case.

MR. KASTLER: Now, Mr. Smith, referring again to the Legend on Exhibit No. 1, will you explain what the green triangle designates?

A The green triangle designates the proposed consolidated tank batteries. It is located in Section 34. Both the Ramsay consolidated tank battery and the Janda and the Leonard consolidated would be located near the vicinity of this point.

Q More will be said about that later. Referring again to the Legend on Exhibit 1, what do the solid blue lines indicate?

A The solid blue lines indicate the production gathering system which will bring the produced oil and water from the individual Ramsay leases and bring them down to the central consolidated tank battery where treating and metering is effected.

Q In other words, commingling will primarily take place at these areas where you have a red circle inside of the square, the green square, and that commingled production will then be brought by gathering systems indicated by blue lines into the central tank

facilities, is that correct?

A Yes, sir. Wherever new production, I mean production from one lease joined into the gathering system, that is where the commingling actually takes place. For the blue line from the Arnott Ramsay NCT-C lease in Section 21, is all production from that lease until it gets down to the point in Section 27 where the production from Section 27 joins it and there its actually, that the commingling takes place.

Q And it all passes in the blue system and then it is further commingled at the common surge tank indicated by the green triangle. What do the dashed yellow lines indicate once more?

A The dashed yellow lines indicate the gathering system for the Janda and Leonard leases.

Q That is in all respects similar to the solid blue line except that it involves no separate net profit agreement for thw owners of interest.

A That is right, yes, sir.

Q What do the nine green squares represent?

A The green squares are the proposed satellite test stations. There are only nine of these because of the J. F. Janda A-lease, it was deemed uneconomical to put a test station there for two wells so we extended the flow lines over to the Harry Leonard NCT -A lease and will utilize that test station,

Q You indicated those lines as the proposed gathering lines, the dashed yellow.

A Yes, sir I have.

Q With that production from the J. F. Janda lease in Section 20, are both wells from the Eumont Pool?

A Yes, sir.

Q What facilities are proposed at these nine satellite, I will call then satellite test stations being indicated here as a red dot inside of a green square.

A This could be best described by looking at Exhibit 2.

Q Referring now to Exhibit 2 which is a schematic test diagram, will you explain the operation and the direction of flow?

A Coming from left to right you have the flow lines from the individual wells. Of course this might vary according to the number of wells on the lease where this satellite test station serves. It comes into a header which consists of a two-way valve which can either route the production through the production separater or to the test heater treater. These valves are controled by direct burial cable which extends to the central battery to the control valves and there all the tests are conducted from the central battery. The wells on production will come in a lease shut-in valve, into the production separater where the gas is separated and taken to the gas sales point. The produced oil and water then will continue on into the gathering system as we

have indicated before and go to the central battery. Following the test leg, production from this well on test comes through a lease shut-in valve through a test heater treater where the gas is separated and metered and sold, where the water is separated and metered with a dump meter and commingled back into production fluids and sent to the central battery. The oil is separated and metered with a PD meter and commingled with the rest of the production and sent to the central battery. Both of these vessels, the production separater and the test heater treater, contain a high level float control should any production stop, should the production be permitted from continuing on to the central battery. These high level floats will be tripped shutting in the respective lease shut-in valves and in turn the valves.

Q In other words, that is a safety operation?

A Yes, sir should electricity fail, it will also shut in the lease.

Q Are all nine satellite test stations proposed substantially the same and similar in design and operation to Exhibit No. 2?

A Yes, sir they are identical with the exception of the number of wells coming in and maybe the size and type of equipment used, but similar equipment in all cases.

Q Was Exhibit 2 prepared by you or at your direction?

A Yes, sir.

Q In making the tests at each of the proposed nine

satellite test stations, how far are you deviating from the current test procedures at the ten present batteries?

A There is no material deviation, the present situation is that oil comes through to the tank battery and is commingled immediately and production is allocated back to the wells of the bases of the individual well tests through production separaters and into a test tank. Here we will be producing we feel more accurate test vessels which will gain a better and more accurate test and at the same time we are commingling the production as it is doing now.

Q I now call your attention to Exhibit No. 3 and request you to state what this shows and then trace the oil production in the direction of flow.

A I might say first not to confuse the issue, both of these batteries, this number 2 battery, the top one is the Ramsay battery and the bottom one is the Janda and Leonard.

Q You are referring to Exhibit 3?

A Yes, sir and these batteries are identical with the exception of the size of vessels and equipment used. Their functions are exactly identical.

Q In connection with the tank batteries that are shown, the top one on Exhibit 3 would represent the blue system?

A Yes, sir.

Q And the tank batteries or the tank facilities at the

bottom would be referred to as the yellow system?

A Yes, sir.

Q Proceed.

A Coming from left to right the gathering lines come in from the different satellite test stations to a common junction and all of the production is commingled at this point, if it hasn't already been. It goes through a master lease shut-in valve into a free water knockout. The oil production goes on into a heater where it is heated and then into a gun barrel settling tank where the actual treatment takes place. The water, the remainder of the water is taken off and goes to the waste water system and before the 1000 barrel surge tank it is sampled with the BS and W monitor continuously a point several inches into this surge tank. As long as the oil is good at the BS and W monitor it will then go over into the 1000 barrel surge tank with the Varec level control. The path line on the PD meter runs to the low point and should the pump allow the tank to fill up at some intermediate point, it will start this pump and will pump the fluid out of the surge tank to the pipe line.

Q Now, should for some reason the pipe line will fill up and fail to take the oil out, you have a safety device on the PD meter?

A The pipe line will be shut down, the good oil will fill up the 1000 barrel surge tank and it will then begin to spill out

into the 1000 barrell auxiliary surge tank and when this tank fills to the extra high level, and when that is reached it will go in the shut-in valve between the gun barrel settling tank and the surge tank. This will cause production to build up the gun barrel settling tank until it reaches a higher spill over point which will then be sent to the bad oil tank, the 1000 barrel bad oil tank to the far right. The liquid controler in this tank will start to circulate this oil back in front of the heater treater. Meanwhile production is still coming in from the lease. All of the leases. Now, if this situation does not correct itself and open up the lease, I mean allow production to go on to the pipe line, production will build up in the gun barrel tank and continue going over to the 1000 barrel bad oil tank until it is full and then the liquid controller will shut in the master lease shut-in valve just causing production to stack up in the test satellite vessels which will trip the high level floats at that point shutting in the lease, the shut-in valves, which in turn shut in the Varec level control. This is the situation in case the pipe line does not take the oil for some reason or another. If we get bad oil from the BS and W monitor it will go to the 1500 barrel settling tank and into the surge tank to prevent any bad oil from going into the surge tank and thus to the pipe line. It will build up the oil in the settling tank and send it over to the 1000 barrel bad oil tank. If the situation commences, as previously mentioned it will

go back to the heater and if the situation does not correct itself, the lease will be shut in as before when the 1000 bad oil tank is full. If should the BS and W monitor indicate that it's been cleaned up and is now good, then before this 1000 barrel bad oil tank gets full, then its opened up, the shut-in valve between the 1500 barrel settling tank and the surge tank and allow the good oil to enter the surge tank and into the pipe line.

Q Why is your water knockout placed in each instance at the central tank facilities rather than back at the test satellite stations?

A Well, we have tentative plans for disposing of this water in the immediate vicinity of this battery either in a injection type system water flood or in a water disposal well. This allows us to have all the water gathered which this system will be a central point.

Q Provided as well as for future water knock-out tanks and what is the purpose of this basically?

A Should we go to a float project, water production will increase terrifically. We will need additional facilities to take care of this.

Q Calling your attention to the 1000 barrel surge tank and the 1000 barrel auxiliary surge tank, primarily the production to the pipe line is the production that leaves the 1000 barrel surge tank, is that correct?

A Yes, sir.

Q How is the 1000 barrel auxiliary surge tank oil fed to the pipe line?

A It must go through to the 1000 barrel surge tank with the control in it and should it happen that we get this surge tank full, we will need to equalize them across somewhere at the bottom of the tanks.

Q Primarily, the auxiliary surge tank is merely a reservoir for continued production of oil while if you should need it while you are correcting any other conditions and then after that it will allow you to continue producing, is that correct?

A It allows additional storage on hand which could be critical when you are handling such a large volume of fluid in one system. Should you have trouble with your PD meter, something wrong with it, it might take several hours to get it fixed. You can by having extra on hand, we have several extra hours of production that we can continue while any maintenace work is being performed.

Q Where will the central control house be located?

A Although the central control house is not shown on this Exhibit No. 3, it will be in the immediate vicinity of these two batteries and the central control house will contain all of the controls for actuating and putting wells, any one of the satellite test stations and it will also contain the print-out device for cranking out the individual tests as they occur.

Q Does Gulf propose to have the pumper on this lease at frequent intervals?

A Gulf will have a pumper on this lease at all times due to the magnitude of this project. We feel it is necessary to have a full time pumper on hand at all times and he will have a full time relief man so we will have 1 2/5 pumpers on this lease.

Q But also constantly a pumper at all times.

A During the normal working hours.

Q Mr. Smith, I now wish to call to your attention Exhibit No. 4 and ask you to please trace the direction of flow through this Exhibit No. 4 which is entitled proposed automatic custody transfer system.

A The flow is from right to left from the surge tank to the pipe line pump or the skid mounted meter pump into the de-aireator, through a strainer, at this point a proportioning type sampler problem is filled which accepts the sample through an A O Smith S-24 meter ATCW/non-reset counter, safety shut-down switch and set-stop counter and then through a lease shut-in valve and a back pressure valve and a master meter prover loop or connections are provided down-stem. This is the currently accepted type skid gauge, there are many in operation at this time and they have been proven.

Q Was Exhibit No. 3 prepared by you or at your direction?

A Yes, sir.

Q And was Exhibit No. 4 prepared by you or at your direction?

A Yes, sir.

Q Would you please explain to the Commission what is involved in this application? First, will you state whether there will be any increase in gravity by commingling and reduction of weathering effect?

A Upon collecting the gravities of this lease back in January from running tickets and volumes at that time and the checking again this past month I actually have 500 tickets from each tank battery and arranged them and then figured out what we would obtain or had the gravity then from each of these batteries and then I commingled them so to speak by taking a weighted average of all the Ramsay's and weighted average of the Janda and Leonard and that I come up in both instances with figures that indicate there will be a small gain due simply to the commingling of the crudes. And we also intend again to have a gravity increase due to the lease weathering time involved with the automatic type gravity.

MR. NUTTER: Do you know what the difference in January was compared to July?

A I didn't look at it that way. I know it was a difference, it was higher in January and I think it's due to the weather that is what I attributed it to in both cases. We still showed a net

gain.

MR. KASTLER: Could detailed copies of your calculation be made to the Commission upon request?

A Yes, sir it could be made but I am not prepared to do it at the present time. They're quite involved, I did not prepare them for exhibits.

Q Will Gulf realize any saving in the construction or saving of construction throughout this system?

A Yes, sir we will realize a great deal from the salvage. A lot of the producing tank batteries and vessels now on the lease that these present tank batteries are, we will use these in other places and this will eliminate expenditures and at the same time there in Section 35 this is a wooden tank battery that is quite old and at some future date they will be replaced. There are some 5 tanks there and they will be an added savings.

Q This will result in savings in labor?

A Yes, sir we now have four pumpers who serve the number of wells involved on these eight leases and we expect to save 2 3/5 pumpers.

Q Incidently, how many wells are involved throughout this application?

A 116 wells are involved on all eight leases.

Q Will there be any other benefits from this proposal if accepted or approved?

A Well, other than the side benefit that should when the day comes that we either have to dispose of the water involved or will utilize it in the flood project, we will have it available through the use of this gathering system at a usable point.

Q Are all the other operaters shown on Exhibit 1?

A Yes, sir.

Q Have they all been sent copies of this application?

A Yes, sir.

Q Have there been any objections received to the best of your knowledge and information?

A Not to my knowledge.

Q Will this proposal if granted in your opinion protect the correlative rights of all interest owners and off-set operators?

A Yes, sir I believe it will.

Q Is this application in your opinion in the interest of conservation of oil and gas and prevention of waste?

A Yes, sir.

Q Has the Commissioner of Public Lands been advised of this application?

A Yes, sir.

Q And have you received his approval?

A No, sir we advised him of the application and we wrote an extra letter requesting information before the hearing date and we have not received an answer.

Q Do you know or have you been advised of any substantial objection by the Commissioner of Public Lands to this proposal inasmuch as it involves one common beneficiary insofar as the state is concerned.

A No, sir.

MR. KASTLER: I believe this completes my questions on direct examination. I would like to move to admit Exhibits 1, 2, 3 and 4.

MR. NUTTER: Gulf's 1 through 4 will be admitted.

CROSS EXAMINATION

BY MR. PAYNE:

Q Mr. Smith, as I understand your testimony you actually want two automatic custody transfer systems.

A Yes, sir.

Q One to handle the Janda and Leonard leases and the other to handle the Ramsay leases?

A That is right.

Q Now, do you presently attribute the production back to each well in each pool on the basis of a well test?

A Yes, sir.

Q How often do you take those well tests?

A It is required by the state, and I think it's every two months. The requirement - I could stand to be corrected on that.

MR. PAYNE: Thank you.

MR. SMITH: I might state on our test facilities as they are set up provide for a minimum of one 24 hour test per well per month.

MR. KASTLER: That is a minimum provision? Actually, you might be able to schedule and run more tests, 24 hour tests.

A In some cases on some of the leases.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Smith, there are three Ramsay leases.

A Yes, sir.

Q And 20 percent of the production or 20 percent of the net profit go to this petroleum syndicate that you mentioned, I think.

A Yes, sir.

Q Now, are there any other interests on these leases that aren't common?

A No, sir.

Q So all of the ownership throughout these three Ramsay leases are common?

A Yes, sir.

Q These Janda leases, there are three of them, is the ownership there, is that common?

A Yes, sir.

Q Now, this is working interest as well as royalty and any

over riding royalty.

A To my knowledge.

Q Well, do you know, I mean?

A I investigated the standpoint of the ownership and the beneficiaries of all the leases and to my knowledge it is as such as I have testified.

Q Now, is the ownership of these two Leonard leases the A and the D common and identical?

A The two Leonard leases?

Q Yes, sir.

A Yes, sir.

Q And then is the ownership of the two Leonard leases and the Janda lease identical and common?

A Yes, sir.

Q So in reality that could all be one lease, is that correct?

A It could all be one lease, yes, sir.

Q And these three Ramsay leases would be one lease?

A In fact all eight leases could be as far as the ownership and the state as beneficiary is concerned, it's only the net profit sharing and Gulf with this syndicate that makes us have two batteries.

Q Would you know how much water is produced from each of the wells, Mr. Smith? Would that be the basis of the test you take on the pool?

A The same as the oil production, a dump meter will measure the water and the PD meter will measure the oil at each satellite test station. When a test is used for oil, used for oil to test the water and the oil

Q And this I believe, this is the heater treater?

A Yes, sir.

Q There at the test station, that determines the amount of gas as well as the amount of oil and water there is?

A The pressure heater separates the gas and oil and the water and they are individually metered by three separate individual meters.

Q Now, you don't produce any gas at the central battery, is that correct? All the gas is separated and sold at the individual satellite station?

A That is right.

BY MR. KASTLER:

Q Is it there possible to re-issue at the central facilities?

A It might be in the gun barrel tank because of the production. There might be some separation and the amount of vapors there, if there is enough, of course we will try to gather it and sell it.

BY MR. NUTTER:

Q The only common points between these two batteries would

be after passing through the PD meter or there is a common water line connecting the two batteries, correct?

A That is true.

Q I don't suppose any oil would transfer to one battery through the common water line.

A No, sir because the common water line will not be going. It will be going to the waste water system.

MR. NUTTER: Any further questions of Mr. Smith?

(No response)

MR. NUTTER: You may be excused. Do you have anything further, Mr. Kastler?

MR. KASTLER: I wish to state we have requested members of the Land Commissioner's staff to be present at the meeting and I don't see any of the people present.

MR. NUTTER: Does anyone have anything further for Case 2056?

(No response)

MR. NUTTER: We will take the case under advisement and call case 2058.

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I N D E X

E X H I B I T S

Number	Marked for Identification	Offered	Received
1 - 4		25	25

STATE OF NEW MEXICO)
) SS
COUNTY OF BERNALILLO)

I, LEWELLYN NELSON, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing was reported by me in Stenotype, and that the same was reduced to typewritten transcript under my personal supervision and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

DATED this 9th day of September, 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Lewellyn J. Nelson
Notary Public

My Commission Expires:

June 14, 1964.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No 2056, heard by me on 8/24, 1960.

....., Examiner
New Mexico Oil Conservation Commission