

BEFORE THE
OIL CONSERVATION COMMISSION
HOBBS, NEW MEXICO
APRIL 13, 1961

IN THE MATTER OF

CASE 2243 Application of Gulf Oil Corporation for
an amendment of Rule 309 (a). Applicant,
in the above-styled cause, seeks an
amendment of Rule 309 (a) to permit the
installation of lease automatic custody
transfer equipment without the necessity
of notice and hearing.

BEFORE:

A. L. Porter

T R A N S C R I P T O F P R O C E E D I N G S

MR. PORTER: The hearing will come to order, please.

We will proceed at this time with Case 2243.

Before we get underway with the testimony I would like
to call for appearances.

MR. BUELL: Guy Buell, Pan American Petroleum Corpo-
ration.

MR. BUSHNELL: H. T. Bushnell, Amerada.

MR. ANDERSON: R. M. Anderson, Sinclair.

MR. ROBINSON: Ed Robinson, Texaco Incorporated.

MR. Mc GANNON: R. L. McGannon, Standard Oil Company of
Texas.

MR. PORTER: Mr. Kastler is the district lawyer for
Gulf Oil Company, Roswell district. Mr. Kastler, the Commission

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recognizes you at this time.

MR. KASTLER: Mr. John H. Hoover.

MR. PORTER: Mr. Hoover, come forward and be sworn.

(Witness sworn)

DIRECT EXAMINATION

BY MR. KASTLER:

Q Would you state your name, where you reside, by what company you are employed and your position.

A John Hoover, Roswell New Mexico, Gulf Corporation Production Engineer.

Q As Gulf Production Engineer, Mr. Hoover, have you previously appeared before the New Mexico Oil Commission and testified particularly in regard to automatic custody transfer systems?

A Yes, sir.

Q Are you familiar with all of Gulf Oil's automatic custody transfers in New Mexico at this time?

A Yes, sir.

MR. KASTLER: Are the witness's qualifications accepted by the Commission?

MR. PORTER: Yes.

Q MR. KASTLER: Would you outline what Gulf Oil is seeking in this application?

A We are asking for a consideration of the revision of Statewide Rule No. 309 to establish a procedure for adminis-

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trative approval of automatic custody transfer systems.

Q Why are you seeking this?

A We feel that in the past there have been numerous ACT installations that have been approved and installed that have been similiar in design to our own case. We had 10 ACT hearings in 1960, and each of the hearings involved the same basic equipment for the ACT. We have Exhibit 1 which is a representative sample of the ACT equipment, and exhibit that we use in each one of these hearings. The ACT starts at the outlet of the surge tank where it is transferred to pipe lines on this exhibit. We had surge tanks which were not merely part of the ACT, but we started with that because we had some controls. We had a high level and a low level switch to start and stop the pump, and in some cases we installed emergency high level switches which would shut in the event of full storage. In other instances we utilized emergency high level switches but in the alternative we provided for overflow to additional storage tank.

The next term to be used in Exhibit 1, going through basic equipment which I mentioned before and which was similar to ours - - in each one we have a pump strainer, a proportioning type sampler, a meter with a non-reset counter, safety shutdown switch and stop counter, lease shut-in valve connector for proving the meter. We further believe that the hearings are time consuming and expensive to the producer as well as to the Commission and we feel that administrative approval can be given for automatic custody

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transfer system installations. There is a matter of timing in that - - for example you have proceedings on the lease, and it is desirable if you can put the final battery in initially and we have found from experience that it can take from four to six weeks from the time of application until approval, another month for mailing will elapse, or more, to order the material and getting it installed, so therefore you have two or two and one half months from the time that you make application until the battery is installed.

In our opinion, the administrative approval for ACT could be given in less time than it takes to make application and set it for hearing.

Q Mr. Hoover, what particular proposal or proposals does Gulf hope to be adopted for the accomplishment of this purpose?

A We have our proposal which is marked Exhibit No. 2. This would be a revision to the Statewide Rule No. 309 but adding a subparagraph C. I might say we have some extra copies of the proposed rule upon the corner table if anybody would like them.

Q Do you wish to offer Exhibit No. 2 in this case?

A Yes.

Q Would you read it, please.

"RULE 309 - CENTRAL TANK BATTERIES

- (c) The Secretary-Director of the Commission shall have authority to grant exceptions to Rule 309 (a), to permit the use of automatic custody transfer equipment without



notice or hearing, provided application for administrative approval has been filed in due form and such application contains the following:

- (1) Lease plat.
- (2) Schematic sketch of the proposed automatic custody transfer system indicating the function of each of the various components.
- (3) Application states that the proposed installation is basically similar in design and operation to one previously approved by the Commission, giving case, order number and date of approval for the installation. If one not previously approved, complete description of the installation should be included.
- (4) Application evidences that the pipe line purchaser has approved the installation.
- (5) Installation would incorporate the use of safety shut down devices to shut-in the lease in the event of full storage; or in the alternative, provide sufficient storage to handle the production during the unattended hours.
- (6) Automatic custody transfer equipment shall incorporate a safety shut down device to prevent the delivery of unmetered oil."

It was our thought that a safe guard against a malfunction

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of the meter would prevent the delivery of oil if the meter is not registering.

- (7) Installation shall have a set-stop counter to stop the delivery of oil when all legal allowable for the month has been run.

The Secretary-Director may, upon his own motion, after receipt of the application, set the matter for hearing if, in his opinion, conditions should be encountered which will tend to involve waste or impair correlative rights."

Q In your opinion is this proposal adequate protection against waste and does it protect correlative rights?

A Yes, in my opinion it does.

Q Were Exhibits 1 and 2 prepared by you or at your direction and under your supervision?

A Yes, sir.

MR. KASTLER: Mr. Porter, that concludes our direct testimony. I would like to move at this time for acceptance for Exhibits 1 and 2 into evidence.

MR. PORTER: Without objection Exhibits 1 and 2 will be admitted in the record.

Does anyone have a question of Mr. Hoover?

CROSS EXAMINATION

BY MR. MORRIS:

Q Can you be of any assistance in defining the word "similar" as you have used it in paragraph 3?

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A Yes, sir. In my opinion, I would say similar - - if we have a pump or a strainer in the system - - in that order - - and somebody wanted to put the strainer in front of the pump or put the aerator to it somewhere else, or if the sampler is located at a different place, it is still the same equipment that is used, although maybe not in the same order. I would say it is basically similar.

Q Would you say the element then is similar in design in incorporating all the same basic elements, but permits a rearrangement of those elements?

A Yes, sir. In considering one installation against the next installation we have utilized the same equipment without the same order and that would be basically similar.

Q Would it be possible to leave out one of the elements and still find that it was basically similar?

A I believe you could leave out a pressure gauge and it would still be basically similar. If you left out a pump, no, it would not be.

Q Mr. Hoover, still referring to paragraph 3, the last sentence where you refer to obtaining approval where a system not previously approved is being proposed, do you feel that a rule as you propose here is sufficiently certain in requiring what must be submitted when this approval is being asked for? In other words, if you have a system that you are asking approval for this rule does not specify into what detail description must be given of the



various components. Do you feel some amplification should be inserted here?

A Well, possibly so. We feel the whole thing should be left open and maybe the Commission, maybe the producer and Commission - - think it is like the one previously approved it could be still set for hearing. The possibility is left open in that paragraph 3, but each producer may have a little different ideas.

In our own case, all of our ACT installations are similar and if we deviate from it, why then we would expect to explain it.

Q Mr. Hoover, in the event the Commission should adopt the rule as you have proposed it and Gulf was making an application for an automatic custody transfer system not exactly similar to one already approved, would it be Gulf's interpretation of this rule that the complete description of the installation would be submitted to the Commission filling out each detail every facet of the installation or just what would be Gulf's interpretation of what information would be submitted, generally speaking?

A It would be our opinion that we would make maps of what we prepared to submit at a hearing.

Q You would submit full information?

A Yes, and we have taken the attitude that we are trying to give the Commission by application the same information that we have time after time given them at a hearing.

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Q According to your rule it's somewhat indefinite, is it not, just what constitutes a complete description of the installation? In other words, that would be left to everyone's yardstick as to what they considered a complete description of the installation?

A We are speaking of the ACT existing in this case.

MR. MORRIS: No further questions.

MR. PORTER: Does anyone else have a question of Mr. Hoover?

EXAMINATION

BY MR. PAYNE:

Q Mr. Hoover, referring to paragraph 5, I notice that you would include the use of a safety shutdown device to shut the lease in the event of full storage. Would this shut in the lease in a well head or header?

A It might do both.

Q Then, sir, do you propose to pressure test your flow line in the event that you're going to shut it in at the header?

A In our case where we have the lease shut-in valve we have also installed a shut-in valve at the well. I think that insofar as testing the full line it wouldn't be necessary to test all flow lines. Some may have higher pressures than others. It has been our experience in checking back over a period of about 2 1/2 years where we have very accurate records of flow line breaks

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we found that over that 2 1/2 year period we only lost 77 barrels of oil in five instances of flow line breaks. And in one of them a truck ran over the line.

Q Would you show on your maps, Mr. Hoover, what the maximum well head shut-in pressure would be?

A It certainly would be done. I don't think that based on our passed experience that it's absolutely necessary to go into the flow line business end of it because we have noworry about the flow line and we have had no breaks up to this time on ACT batteries.

Q Refering to the alternative here that you'd have enough storage to handle production during the unattended hours, would you show on your application what the maximum unattended period would be?

A Yes, sir, that could be shown.

Q And all the maximum through put on the system?

A It could be shown on there. I don't think that it's necessary. It seems like if the producer has an approved operator that should be left to his discretion.

Q It isn't going to do the Commission much good to know the unattended hours unless they know the capacity of the system, how much oil it's going to be producing.

A Yes, sir. If the rule - - say you have that stipulated in the rules, that you comply with that, it certainly could be done. I just think that it's not necessary. In other words,

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on a conventional battery we could tell them to put in 5, 6 or 7 tanks. We put in the tanks necessary to operate it and there's no difficulty on an ACT battery. If we put anything in - - if we lose the dollar, we have lost the biggest part of that dollar. I'd like to emphasize that point; if there is any loss, the producer is certainly the biggest loser.

Q Comparing this with a conventional battery, do you propose to limit this administrative approval to a situation where no more than 16 proration units are going to be producing through the system?

A No, sir, it's not our intention to limit the well.

Q Rule 309 preferably does limit it to 16 proration units in one battery.

A Yes, sir. We would not make any change there.

Q Mr. Hoover, as you well know, the Commission ordinarily requires meter tests on an ACT. I see nothing in your rule proposing that be changed.

A No, sir. It was our thought under present procedure, when the approval is given by order that meters would be tested once a month and reported to the Commission. Under administrative approval there would be no change in that. Testing would still be set forth.

Q Under your proposed rule, would approval be limited to situations where only one lease was involved?

A No, sir.

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Q Administrative approval could also be granted if more than one pool were involved?

A I was talking about getting into commingling, where two pools go through the same ACT system.

Q Yes.

A I believe commingling is taken care of by another order. The commingling part shouldn't even enter into the ACT.

Q Do you think there is a connection in this respect? Let's assume commingling has been approved administratively and it requires separate measurement of the production from each pool. Then you come in for administrative approval of an ACT system to handle this commingled production. Now, are you going to show in either application whether your bed oil is rerouted back through the production meter?

A I don't believe that that was intent of our rule. We feel that when the oil gets into our ACT unit it is a production matter and it's not in the ACT.

Q How could the Commission determine if the bed oil was being rerun through a production meter and treated? You wouldn't show in your commingling application because it wouldn't be pertinent. Now if you didn't show in the ACT application, then the Commission would never know.

A I believe the order says on commingling that a schedule be given of the installation.

Q Do you propose to show it?

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A That is on the commingling.

Q When you use commingling and not using ACT, you don't have this problem, so would you show then where the bad oil line goes on your ACT application?

A It's not necessary in my opinion.

Q Now, I noticed that you don't have any monitor on your diagrammatic sketch. Do you feel it should be shown when it's used?

A On an ACT installation a monitor is required by the purchaser.

Q All purchasers?

A I believe it is. There may be some isolated cases; however, I believe in the majority of cases it would be required, so therefore when you get approval the purchaser evidences that he approves the installation and it would take care of the monitor and so forth.

Q If they don't require a monitor at what figure do you place your set stop counter? At what figure do you place your set stop counter to prevent over running the allowable?

A That is set at the monthly allowable.

Q So that if a monitor was not required and you were delivering some bad oil, you wouldn't actually be running your allowable, would you?

A It would be corrected by the sampler, according to the sampler, that's right. You would be a bit less.



MR. PAYNE: Thank you.

MR. PORTER: Mr. Hoover, do you know what the current practices are by the purchasers of pipe lines concerning whether they set the actual allowable figure in there or whether they allow a factor for BF&W?

THE WITNESS: No, sir, I don't know.

MR. PORTER: Does anyone else have any questions of the witness?

EXAMINATION

BY MR. MORRIS:

Q Mr. Hoover, these paragraphs 1 through 7 in your Exhibit No. 2 are intended to be general requirements, are they not?

A Yes, I would say mainly that would be right.

Q They were not intended to be specific and you would not contemplate, would you, that each company would always submit the same information to the Commission on a request for administrative approval?

A It would be very similar, I think.

Q Don't you feel, Mr. Hoover, that in some cases the application would have to be sent back for more and further statements on some or another particular part of the ACT that maybe the Commission would require, whereas the operator in his own mind might have felt the Commission would not require certain information in this regard?

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A Possibly.

MR. MORRIS: Thank you.

REDIRECT EXAMINATION

BY MR. KASTLER:

Q In paragraph 4 you have said that the application evidences that the pipe line purchaser has approved the installation. I quote, "pipe line" do you mean the pipe line company that is connected with the well or parts for whose account it's being purchased, the oil is being purchased?

A The pipe line company.

MR. KASTLER: Thank you.

MR. PORTER: At this time, we are going to recess the hearing until 1:30. I will ask that you remove all of your papers and brief cases from the cafeteria because it is being used for the lunch hour.

(Whereupon recess was taken at 11:25 a.m.)

(Hearing reconvened at 1:30 p.m.)

MR. PORTER: The hearing will come to order, please.

We have Mr. Hoover still on the witness stand.

Does anyone have a question, now? The witness may be excused. Call Mr. Nutter to the stand.

MR. MORRIS: Let the records show the witness was sworn in the previous case.

DIRECT EXAMINATION

BY MR. MORRIS:



Q Will the witness please state his name and position.

A Dan Nutter, Chief Engineer for the New Mexico Oil Conservation Commission.

Q Mr. Nutter in your official capacity have you made a study of Rule 309 (c)?

A Yes, sir, I have.

Q As a result of your study, do you feel that a revision of that rule is necessary at this time?

A Yes, sir, I believe that it is. Mr. Hoover testified this morning that his company alone had had 10 cases involving automatic custody transfers which involved hearings during the last year and multiply the number of cases of that one major company has had by the number of companies and number of applications that have been set for hearing and it does become quite a financial as well as time consuming burden to both the operators and Commission.

Q Mr. Nutter, have you prepared a proposed revision of Rule 309 which you could offer as an alternative to that offered by Gulf?

A Yes, sir.

Q Would you explain in detail your proposed rule?

A Yes, sir, I will. We started out with Rule 309 - A. CENTRAL TANK BATTERIES and used the identical sentence which is used in the first paragraph of the existing rule with the exception that where it reads "shall not be transported from the



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lease until received and measured in tanks - - " we have substituted it "in a facility of an approved design located on the lease. Such facilities shall permit the testing of each well at reasonable intervals and may be comprised of manually gauged closed stock tanks for which proper strapping tables have been prepared, with a maximum of sixteen proration units producing into said tanks or of automatic custody transfer (ACT) equipment. The use of such automatic custody transfer equipment shall be permitted only after compliance with the following:"

In the rule we set forth certain procedures that the operator will follow in order to obtain approval of ACT equipment without the necessity of a hearing.

Q Mr. Nutter as I understand it, the basic requirement of Rule 309 (a) will remain the same, that oil must be measured on the lease, but under the present rule it's required to be measured in tanks whereas under the proposed rule it would either be measured in tanks or in an automatic custody transfer system, is that correct?

A Correct.

Q And the sixteen-unit limitation that is now placed on 309 (a), how will that be changed under your proposed rule?

A You will notice in the construction of this paragraph you can insert parenthesis around the words starting with "manually gauged closed stock tanks". We have two systems which can be used to measure oil on this lease, manually gauged closed stock



tanks with a maximum of sixteen tanks or we have ACT and I want to make that clear, that the sixteen proration units is not intended to apply to ACT.

Q Why did you apply the sixteen units limitation when tankage is used rather than when an ACT is to be used?

A Because of the ACT normally is handling oil faster. You can permit oil to be produced by a single facility than by a conventional tank battery. There is a tendency when you are using a conventional tank battery on a very large lease to have quite a number of large tanks and there is considerable evaporative loss. We feel that there is also a fire hazard when large tank batteries are constructed which handle more than sixteen wells, but with the use of ACT system, a lot of this hazard is eliminated.

Q Mr. Nutter, would you now go into the various provisions and requirements for the use of ACT equipment under your proposed rule?

A Yes, sir. First of all, I would like to mention that we prepared copies of this change attached to which is a form 106 which we have drawn up for use today in this case. By reading Rule No. 309 (a) paragraph 1;

"1. The operator shall file with the Commission Form C-106, Notice of Intention to Utilize Automatic Custody Transfer Equipment, and shall receive approval thereof prior to transferring oil through the ACT system. The carrier shall not accept delivery of oil through the ACT system until Form C-106 has been approved.

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2. Form C-106 shall be submitted in quadruplicate to the appropriate District Office of the Commission and shall be accompanied (in quadruplicate) by the following:"

I would like to point out that with each one of these forms, copies of this application don't have to be accompanied by copies of attachment number 1 to each application. The reason for copies, I might point out, is that we would contemplate that one approved copy would be required for the producer, one for the transporter and one would remain in the District Office files and one would go to the Santa Fe office file.

- And now reading subparagraph (a) in paragraph 2,
- "(a) Plat of the lease showing thereon all wells which will be produced into the ACT system.
- (b) Schematic diagram of the ACT equipment, showing thereon all major components such as surge tanks and their capacity, extra storage tanks and their capacity, transfer pumps, monitors, re-route valves, treaters, samplers, strainers, air and gas eliminators, back pressure valves, metering device (indicating type and capacity, i.e., whether automatic measuring tank, positive volume metering chamber, weir-type measuring vessel, or positive displacement meter). Schematic diagram shall also show means employed to prove accuracy of measuring device.
- (c) Letter from transporter agreeing to utilization of ACT system as shown on schematic diagram."

Those are the three attachments that would come in with

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each application.

Q Mr. Nutter, this attachment that will come in with the applications are designed, are they not, to give the Commission all the information that they would ordinarily require at a hearing as we have held in the past on ACT systems?

A We feel that the attachments plus the information that is filed in form No. C-106 would give sufficient information.

Q You have detailed the information under paragraph 3, have you not, as to what provisions must be made and that these provisions must be shown on the form and these are explained under paragraph 3?

A Yes, sir. The provisions that you include in paragraph 3 (a) through (h) would be shown either in the schematic diagram or in the form C-106 itself.

Q Would you now go through paragraph 3 covering the individual provisions thereunder and explain where necessary?

A Yes, sir. Paragraph 3 starts:

"3. Form C-106 will not be approved by the Commission unless the ACT system is to be installed and operated in compliance with the following:

(a) Provision must be made for accurate determination and recording of uncorrected volume and applicable temperature corrected volume. The overall accuracy of the system shall equal or surpass manual methods."

I might point out that quite a number of these are API

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standards. As a matter of fact, we have several publications by the American Petroleum Institute which we anticipate we will offer as exhibits in this case, the first being API Bulletin 2509 (a) dated August 1956. In this bulletin the API makes it clear that this is not a standard but is to be considered as a progress report. ACT was new at this time but this was a progress report on what has been accomplished to date in working out standards for ACT systems. We also had here a copy of a preliminary proof of API Bulletin 2502 which will when accompanied by the API in all probability be recommended practice rather than a progress report. New, Bulletin 2502 is expected to be released sometime this year. A lot of language in 2502 is the same as in the old 2509 (a); however, there have been some changes. This is not to be construed as a final copy of API standards that will come out.

Q Mr. Nutter, would you, in going through these basic requirements point out where they do or do not conform to the specifications of the API? You don't intend that your provisions should necessarily be revised if the API changes its specifications? We are proposing this as a rule change in final form, are we not?

A Yes, sir. If anything, these particular changes should come out of the API then it would be certainly appropriate for the Commission to consider amending the rule to conform with those.

Q It wouldn't be amended automatically to conform?

A No, sir. In paragraph 3, subparagraph (a) it calls



for either the uncorrected volume and the temperature or the temperature corrected volume. In the old bulletin that the API put out in '56, they said the average temperature.

Now, reading subparagraph (b):

"(b) Provision must be made for representative sampling of the oil transferred for determination of API gravity and BS&W content."

That is the exact wording of the old bulletin and also the exact wording of the new bulletin.

Subparagraph (c) reads:

"(c) Provision must be made if required by either the producer or the transporter of the oil to give adequate assurance that only merchantable oil is run by the ACT system."

The old bulletin provided that a monitor would be installed if required by mutual agreement. The new bulletin reads that the monitor will be installed if required by either party instead of either the producer or transporter of the oil.

Paragraph (d) is worded differently from the API. However, essentially it's the same thing. It reads as follows:

"(d) Provision must be made for set-stop counters to stop the flow of oil through the ACT system at or prior to the time the allowable has been run. All counters shall provide non-reset totalizers which shall be visible for inspection at all times."

Under paragraph (e), it reads as follows:

"(e) All necessary controls and equipment must be enclosed and sealed, or otherwise be so arranged as to provide assurance against

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or evidence of, accidental or purposeful mismeasurement resulting from tampering."

Q What do you understand the words "all necessary controls" to mean?

A Only the API can answer that. I would say "all necessary controls" means all the important controls. There are some controls on ACT systems that are certainly necessary, but I don't think there's any need for all this safe guarding on them, so this is the important control, subject to tampering.

Reading subparagraph (f):

"(f) All components of the ACT system shall be properly sized to ensure operation within the range of their established ratings. All components of the system which require periodic calibration and/or inspection for proof of continued accuracy must be readily accessible. The frequency and methods of such calibration and/or inspection shall be as set forth in Rule 309-A, 4-c"

We have inserted this part about the frequency and method calibration that would be set forth in Rule 309-A, 4-c.

Under subparagraph (g) provides:

"(g) The control and recording system must include adequate fail-safe features which will provide assurance against mismeasurement in the event of power failure, or the failure of the ACT system's component parts."

That's API. Subparagraph (h) - 1 is not API.

(h) - 1. The ACT system and allied facilities shall in-

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clude such fail-safe equipment as may be necessary, including high level switches in the surge tank or overflow storage tank which, in the event of power failure or malfunction of the ACT or other equipment, will shut down all artificially lifted wells connected to the ACT system and will shut-in all flowing wells at the well-head or at the header manifold, in which latter case all flowlines shall be pressure tested to at least 1 1/2 times the maximum well-head shut-in pressure prior to initial use of the ACT system and once each year thereafter."

Q There, where you used the words "in which latter case", that is where the flowing wells are going to be shut-in at the header manifold?

A That is correct.

Paragraph 2 of section (h) reads:

"2. As an alternative to the requirements of paragraph (h) 1 above, the producer shall provide and shall at all times maintain a minimum of available storage capacity above the normal high working level of the surge tank to receive and hold the amount of oil which may be produced during maximum unattended time of lease operation."

Q Explain there, please, what you mean by the above, the "high working level of the surge tank".



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A The surge tank is the tank from which it actually is transferred from the lease to the pipe line. The reason it is called that is because it surges up and down to the pipe line, comes on and goes off. Ordinarily there is a high working level and a low working level on a surge tank with the range of drainage from that tank between those two levels. It comes on when the level reaches a high working level and goes off and disconnects the flow of oil from the pipe line when the oil reaches the low level. Ordinarily there is a variable capacity for storing the oil, if the power should fail, for example. Now, you can have a high level float switch up in the upper part of that tank which will shut-in the lease in paragraph (h) - 1 above or in your maximum unattended time of lease operations - - that's the time the pumper isn't out there. In case of power failure, if your capacity in the surge tank plus your flow capacity in the other tanks that are connected to the surge tank, if that amount of capacity is sufficient to store the oil while power is off or while the system is shut down for mechanical failure, then the shutting off of the well isn't necessary because you wouldn't have any waste of oil. There is no one out there, the well just overflows the tank. That's the reason for sections 1 and 2 in subparagraph (h). This is not an API. This is, however, a provision that has been entered in every single ACT system order in one form or the other.

Q You refer to the fail-safe features in paragraph (h), and you also refer to fail-safe features in paragraph (c)



above. Would you explain the difference between the fail-safe features between the two paragraphs?

A In paragraph (g) it only goes to prevent oil from going into the pipe line without being metered in the event of a failure. In paragraph (h) it prevents the waste of oil in case there is a failure of some sort or other. They are two separate fail-safe systems.

Q Would you proceed, now, with paragraph 4, please.

A Yes, sir. Paragraph 4 is divided into two sections. The first part is devoted to the ACT system that employs meters. Subparagraph (a) is for the vessel type system. It reads:

4. (a) In all ACT systems employing automatic measuring tanks, weir-type measuring vessels, positive volume metering chambers, or any other volume measuring container, the container and allied components shall be properly calibrated prior to initial use and shall be operated, maintained, and inspected as necessary to ensure against incrustation, changes in clingage factors, valve leakage or other leakage, and improper action of floats, level detectors, etc.

(b) In all ACT systems employing positive displacement meters, the meter(s) and allied components shall be properly calibrated prior to initial use and shall be operated, maintained, and inspected as necessary to ensure against mismeasurement of oil."

Subparagraph (c) goes into the details of the measurement of these vessels. It reads as follows:

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"(c) The measuring and recording devices of all ACT systems shall be checked for accuracy at least once each month unless exception to such determination has been obtained from the Secretary-Director of the Commission. API Standard 1101, "Measurement of Petroleum Liquid Hydrocarbons by Positive Displacement Meter," shall be used where applicable. Determinations - -" now, what we mean by "determinations" is the determination that the system is accurate.

"Determinations may be made against Master Meters, Portable Prover Tanks, or Prover Tanks permanently installed on the lease. If permanently installed Prover Tanks are used, the distance between the opening and closing levels and the provision for determining the opening and closing readings shall be sufficient to detect variations of .05%. Reports of determinations shall be filed on the Commission Form entitled "Meter Test Report," or on another acceptable form and shall be submitted in duplicate to the appropriate District Office of the Commission."

API Standard 1101 is, of course, entitled "Measurement of Petroleum Liquid Hydrocarbons by Positive Displacement Meter". This book has a section on installing meter provers and their calibration, meter proving procedure, performance operation and maintenance of metering systems, particularly on meter proving procedures. Now, I think most of the pipe lines and most of the producers are using the API standards and specifications for proving these meters. This rule would require that they do it where applicable. Now, this is on positive displacement meters.

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However, these provisions are in many cases applicable in chamber volume cases also. This part about the permanently installed or over tank has in mind the system where you use the surge tank or in other large diameter storage tanks for proving a meter. You can't gauge the oil by a tape with enough accuracy to determine if the meter is functioning correctly in a larger tank of that sort, so actually what this provides for is measuring the opening and closing level and reading and keeping within a tolerance of .05%, which would probably call for psych classes. I don't know how you'd get that accuracy if you didn't have a psych class. What we mean by "another acceptable form" is that many of the engineering companies provide a service in having a very excellent form which they are in the habit of using. If they do have all of the details in the information, we would certainly not be adverse in accepting such a report as that.

Q Would you continue with paragraph (d) and number 5, please.

A Subparagraph (d) outlines the procedure in order to obtain acceptance to that provision of subparagraph (c) which requires that the meters be checked once a month. However, the API in its section on proving frequency, refers to positive placement meters and says the calibration should be determined by the degree of accuracy required and it recommended that meters shall be calibrated at least once a month. Subparagraph (d) reads as follows:



"d) To obtain exception to the requirement of paragraph (c) above that all measuring and recording devices be checked for accuracy once each month, either the producer or transporter may file such a request with the Secretary-Director of the Commission setting forth all facts pertinent to such exception. The application shall include a history of the average factors previously obtained, both tabulated and plotted on a graph of factors versus time, showing that the particular installation has experienced no erratic drift. The applicant shall also furnish evidence that the other interested party has agreed to such exception. The Secretary-Director may then set the frequency for determination of the system's accuracy at the interval which he deems prudent."

Now, in there you will notice that either the producer or the transporter can ask for the exception. If the producer asks for the exception, then he has got to furnish evidence to the transporter and show that the transporter is satisfied with it and vice versa.

All that is left is number 5.

"5. Failure to operate an automatic custody transfer system in compliance with this rule shall subject the approval thereof to revocation by the Commission.

I think that's self explanatory.

Q Before we go into the proposed form C-106, let me ask you how you think this proposed Rule 309-A will operate in conjunction with Rule 309-B.

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A This will in no way affect the operation of 309-B. There is one provision in paragraph (b) that is moot, however. That's the provision where it permits the Secretary-Director of the Commission to authorize the commingling of oil from two separate leases under certain conditions. Section 3 prohibits any of these commingling batteries from having more than 16 units producing into it. Now we take away the 16 unit limitation from the ACT system and 309-A, then, that portion of (b) is moot. If you have a standard tank battery, then (b) is identically the same in effect and operation.

Q So, you are proposing no change in 309-B at the present time?

A No, sir, only to recognize that the 16 unit portion is not applicable to ACT commingling installations.

Q Mr. Nutter, let's mark for identification the rule that you went through Commission's Exhibit No. 1.

(Thereupon, Commission's Exhibit No. 1 was marked for identification).

Q Do I understand, Mr. Nutter, that you will wish to offer these API bulletins as exhibits?

A Yes, sir. I wish to thank Al Carpenter of Humble.

MR. MORRIS: We will mark API Bulletin 1101 as Commission's Exhibit No. 3, API Bulletin 2509-A as Commission's Exhibit No. 5.

(Thereupon, Commission's Exhibits



No. 3, No. 4 and No. 5 were marked for identification).

Q If you will refer to what we have marked as Commission's Exhibit No. 2, that being your proposed form C-106 as referred to in your proposed Rule 309-A. Would you go through that form and explain where you feel necessary any particular part of it?

A Yes, sir. 106 is the number that we have had sitting there. They haven't been able to use it for a long time. In the upper right hand corner it has the ACT permit number and a blank space. We thought that it would probably in the interest of smoother operation if we'd number each of these permits and then set up a file for it and then the meter tests as they come in would be filed in that permit number file. That's the reason for the permit number there.

Next we have the operator's name and field in which the installation is located, the address and the county. It has the spaces for the names of the lease or leases to be served by this ACT unit; the name of the pool or pools to be served by the ACT unit and the location of the ACT unit by the unit, section, township and range. It also has space for the operator to furnish the order number authorizing commingling between the leases if more than one lease is to be served by this system, and the date; it also has a space for order number authorizing commingling between pools if more than one pool is to be served by this system; the name of the authorized transporter of oil from the system and his

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address to be provided on the form. It has a space for the maximum expected daily through-out for the system in barrels per day to be inserted on the form. Then there is a space for the operator to check one of two boxes indicating the type of fail safe feature that would be utilized "if system fails to transfer oil due to malfunction or otherwise, waste by overflow will be averted by either A or B."

A reads "Automatic shut-down facilities as required by Section (4) h-1 of Rule 309-A." I want to correct that. It should be corrected to 3 (h)-1.

Just across from that is alternative B. I wish also to correct that. It should be Alternative (3) h-2 rather than (4) h-2 and it provides adequate available capacity to receive production during maximum unattended time of lease operation.

"If A above is checked, will flowing well be shut-in at the header manifold or at the well-head?" You insert which ever it is and then fill in the maximum well-head shut-in pressure.

Then it says if B above is checked, how much storage capacity is available above the normal high working level of the surge tank in barrels. Now that includes the capacity open and available in an extra overflow storage tank; that's all that provides. Then in the next paragraph it says "What is the normal maximum attended time" - - there's an error there; it should be unattended time of lease operation rather than attended time - - "in hours". The next paragraph is; "What device will be used for



measuring oil in this ACT Unit and it says to check one: either positive displacement meter, weir-type measuring vessel, positive volume metering chamber, and the space for some other type. And then below that there is a space for remarks. And the certification reads; "I hereby certify that the information given above is true and complete to the best of my knowledge and that the subject ACT system will be installed and operated in accordance with Rule 309-A. This is signed by the individual, his title and date and there is a space for approval by the representative of the Commission, his title and date of approval.

And then finally "Approval of Form C-106 does not eliminate the necessity of an approved C-110 prior to running any oil or gas from this system."

Q I thought that only the operator need sign the form C-106, that the signature or approval of the pipe line is not required on the form.

A That's correct. It is contemplated that the producer will in all cases make application for the ACT system. He will send in a plat of the lease and a letter from the transporter agreeing to it.

Q Mr. Nutter, this rule change with the accompanying form that you are proposing spells out quite a bit more detail, does it not, the requirements that an ACT system will have to meet before it's eligible for administrative approval?

A This goes into some detail as to the basic re-



quirements of the system, correct.

Q Do you feel that the requirements of the rule and details of the form will be an undue burden upon any operator that desires to obtain an administrative approval for his system?

A No, I think these are the minimum requirements that should be gone into and approved prior to the use of a system. I think that everything in here is either information that has been submitted in the rule or form or basic requirements of the rule; it is the same information that has been a requirement when an operator has come in for a hearing on one of these installations and I think that the information is the same information, the basic requirements are the same requirements that are contemplated by Mr. Hoover in the proposed rule of Gulf Oil. However, Gulf has not gone into the detail that we have. Some of these would be incorporated into the orders and certainly a lot of this information would have to be incorporated into this application. We have attempted to spell it out in the rule and application so the system would comply.

Q Your proposal is also different from that proposed by Mr. Hoover in that he has proposed a rule requiring administrative approval whereas your proposal really doesn't require administrative approval other than approval of a form submitted by the operator, is that correct?

A That's correct. Now, we also contemplate on some of these systems where the District Office of the Commission is

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familiar with the package unit that can be installed and is being installed by an operator or operators using the same type of package or ACT unit. It is contemplated that the District Office would be able to approve this thing without even going out to look at it. In other cases we have contemplated an inspection before approval, but essentially these are all basic requirements.

Q Mr. Nutter, do you have any further comments that you would like to offer on your rule change or proposed form?

A No, sir. I didn't finish what I was saying. As I said, some of these are going to have - - we feel if it's authorized in the District Office of the Commissioner, the thing can be speeded up rather than being handled through the Santa Fe office. That's one of the points, that a field inspection, plus the approval in the district, will expedite handling.

Q There is no requirement relative to a waiting period or a waiver from off set operators?

A No, sir.

Q And that will speed up the process?

A Yes, sir.

Q Did you prepare Exhibits Nos. 1 and 2 and were Exhibits Nos. 3, 4 and 5 supplied to you by the API?

A I prepared 1 and 2, and 3, 4, and 5 came to me from API through various channels.

MR. MORRIS: At this time, Mr. Commissioner, I would like to offer Commission's Exhibits Nos. 1 through 5 into evidence.



MR. PORTER: Are there any objections to the admission of these Exhibits? They may be so admitted.

(Thereupon Exhibits Nos. 1 through 5 were admitted into the record).

CROSS EXAMINATION

BY MR. KASTLER:

Q Did you indicate that a hearing would be held for the approval of any proposed ACT transfer equipments?

A Yes, there would be if an operator did not meet the basic requirements of the rules.

MR. KASTLER: That's all.

MR. PORTER: Does anyone else have a question?

EXAMINATION

BY MR. PAYNE:

Q Mr. Nutter, I noticed that your proposed rule has no provisions for notice to or objection by royalty owners. Do you feel there may be any good reason why royalty owners should have this right?

A No, not under normal operation.

Q In an ordinary case the installation of ACT would actually cut down on leakage?

A Yes, one of the features of the ACT is that royalty owners stand to benefit by prudent operation of the ACT unit.

Q I think that the rule requires that a measuring and recording device be checked for accuracy at least once a month.

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A Yes, sir.

Q When this test is taken and you set your factors, is that to be incorporated each month also?

A Yes, sir.

Q In other words, you don't just take the test and keep using the old factors?

A No, sir.

Q Some operators have been doing that in the past.

A We have known of cases like that, yes.

Q Do you feel that the requirement that flow lines be tested once each year in the event they use h-1 is an undue burden?

A No, sir, I don't think so.

Q Do you think flow lines deteriorate like casing?

A Probably more so.

MR. PAYNE: Thank you.

MR. PORTER: Does anyone have a question of Mr. Nutter? You may be excused.

(Witness excused)

Does anyone desire to present testimony in this case?

MR. BURK: Sinclair has one witness.

R. M. ANDERSON

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

DIRECT EXAMINATION



BY MR. BURK:

Q Will you state your name and employment.

A R. M. Anderson, Engineer, Sinclair Oil and Gas Company in the Midland Division Office.

Q Have you previously offered testimony before the Commission in your capacity as an Engineer?

A I have.

Q Have you previously testified before the Commission regarding the ACT units installed in New Mexico on Sinclair leases?

A I have.

Q How many such units has Sinclair installed in New Mexico?

A A total of four units in operation.

Q These units which Sinclair has, are they similar or dissimilar to the units described by the Gulf witness and shown on the diagrammatic exhibit introduced in their case?

A They are dissimilar.

Q Is the unit or system which Sinclair has installed - - is this a unit that is more or less standard within the Sinclair Company?

A Yes, it is. It is a shop-fabricated unit that was designed by Sinclair personnel, built in Sinclair shops and is used company-wide.

Q It is used in other places than New Mexico?

A Yes, sir.

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Q Under the rule proposed by Gulf for administrative approval, could the Sinclair unit receive administrative approval?

A No, sir.

Q I would like to ask you to explain in what substantial way the Sinclair unit would differ from the unit described by Gulf.

A The main thing that I would like to point out in this testimony is certainly not the superiority of the Sinclair units over any other unit that may be in operation. The point I would like to make is that there is more than one way to skin the cat and we have come up with a way which we consider to be the best way in so far as our operations are concerned. We have a system which essentially complies with all the matter that has been pointed out here with one exception, but I would like to comment briefly on some of the many ways that our system grossly varies from the Gulf system just to show that approved systems do vary. I am doing this in an effort so that no standard unit will be adopted as a result of the hearing here. I would like to see the Commission leave here with sufficient flexibility as indicated by Mr. Nutter's proposed rule to permit the approval of both Sinclair type units and Gulf type units and other type units that may be proposed to the Commission. Practically all aspects of the Gulf sketch, which they have I believe identified as Exhibit 2, vary in some respects to Sinclair units. For instance, starting with the surge tank where the oil starts into the LACT system, they have both a high

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and low level switch to stop and start the pump. Sinclair does not have either high or a low level switch in its surge tanks to control the pump. Our pump is started by a clock mechanism and the pumper sets the number of starts a day that best suits his operation in the lease up to 96 starts a day. As for the stop level switch, we have two. The pressure is controlled by Murphy switches installed in the LACT units. It's not on this surge tank and one switch will stop the delivery from the surge tank at 30 inches above the outlet and the other will stop it at 24 inches above the outlet, so the surge tank is not controlled by float level switches. There is a high level emergency switch shutting the lease in case of full storage. We do have an emergency shut-in switch at the top of the tank which does shut-in the facility if the surge tank fills up. The next item in which we have differed is that we don't install the air-eliminating device. We have in its place a feature where we have a 3-way valve and when our timer turns on the unit, the unit initially circulated for some 15 minutes out of the surge tank to the LACT system and back in the surge tank and that 15 minute cycle enables the meter, the temperature bulb on our meter, to come up to temperature. It purges the line of air and gas and it flushes out any sediment that might have occurred during the shut down period and transfer. Therefore, the air eliminator is not a necessary device on our unit, we feel. The next item is the meter itself and they specify a safety shut down switch and we do not incorporate that on the meter. We get around



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that facility by having two basic designs which we use alternatively. In case of low production where the lease is being mostly produced by low capacity wells, where we have small amounts of production, we set just one temperature component meter on our LACT unit and we feel by having the pumper personnel on the lease producing his wells we have not gone to automation out here on these installations. We have personnel on the lease, they are inspecting these meters several times a day, they actually record the meter readings every morning and check them several times throughout the day, and we feel in the event the meters were to fail to function properly, the personnel would be aware of it in a matter of hours. In low productivity wells, we feel that it would be a very simple matter to estimate within a few barrels exactly the production that passed the meter and was not metered and we have worked this feature out with several pipe lines and under those conditions, they have connected and have been agreeable to them. It is what we consider a reasonable feature in the event we are riding a considerable amount of oil. We place no meters in the LACT unit. One is checking the other and in the event one were to fail, we would have the other meter as a check.

Now, a more common failure of it besides a breakdown that could cause the meter not to measure oil would be a shaft shearing in the meter or some major thing which is very unusual, it does not happen frequently at all. A major meter failure, we believe, is a failure of the temperature calibration and if it's



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no longer operating, it throws a slight amount of air into the oil going through the meter which you assume is being corrected for temperature, and that failure in one meter installation, such as Gulf proposes, is not detectable until the next calibration, once a month, which has been mentioned. However, in the case of large volumes of oil where we have the two meters in the line, we have one meter to check against the other at all times and each has a separate temperature compensating device and therefore we feel that when the meters are not agreeing a calibration is immediately called for. The incorrect meter is determined and we have a accurate measurement of oil from the other meter so that's how we get around in not installing the safety shut down switch. We don't consider it necessary, considering the other way we do it.

Q Have you completed your answer to that question?

A I believe I have with the one exception that this sketch does show a master meter prover connection system. We use alternative methods like prover tanks.

Q The Sinclair unit is substantially different from the Gulf, I assume. Probably other companies may have units still different from Sinclair units?

A That's correct.

Q All of them have possibly received approval by the Commission at hearings in the past?

A Yes, sir.

Q Mr. Nutter has proposed a rule which would in-



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corporate a minimum standard for approval of these units by administrative action without a hearing. I will ask you to state whether you're in agreement with the rules proposed by him and if you are not in agreement point out in which respects and your reasons as to whether any of these minimum requirements may be dropped?

A I am in agreement with Mr. Nutter's rule completely except for one or two items. On his paragraph 3, section (g), I am not in agreement with that provision insofar as it applies to what I have just been talking about. I believe I have explained that point sufficiently. One other provision that I am not in agreement with is that paragraph (d) of that same paragraph 3, subparagraph (d) where he has required that set-stop counters be installed to stop the flow of oil through the system at the time the allowable has been run. I believe that this is a step towards automation rather than transfer provision. I believe if you are going to have an automatic fleet that you would certainly need that automatic feature in your LACT system. However, it is my opinion that you do not need an automatic shut off device on your meter if you haven't put in an automatic lease because you will have personnel on the lease - - I know Sinclair does - - operating the lease, flowing the wells, producing the well, and at the same time keeping up with their production through reading the meters or gauging the tanks; so we have been successful in something over 20 installations in the southwest. Now, we have been successful



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in shutting off the leases at the end of the month at the proper time and not producing to an extent where it becomes any kind of a problem. It is not an undue hardship to manually close the lease in when you are using an LACT system. So I do not concur with paragraph (d).

Q What would be your recommendation, then, as to the adoption of this provision of Rule 309-A?

A I would recommend that it just be deleted from this provision.

Q You favor the remainder of the proposed revision?

A Yes.

Q Do you have anything further to add?

A No, sir.

MR. PORTER: Does anyone have a question of Mr. Anderson?

CROSS EXAMINATION

BY MR. PAYNE:

Q Mr. Anderson, is it your understanding that most pipe lines require the set stop counters to stop the flow of oil through the system when the allowable has been run?

A No, sir, it's not my belief. We are connected to three different pipe lines in the Midland Division and none of them requires this allowable feature to shut-in the LACT unit. None of them have it.

Q If this were a requirement, then none of your units would have been eligible for approval by the District Supervisor?



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A By the Commission, yes, that is correct.

Q None of yours would have been eligible?

A That's right.

Q That is solely because of paragraph (d) or is it also because of paragraph (g)?

A It's certainly because of paragraph (d). With regard to paragraph (g), it says "adequate fail-safe features." Now, whether doing it in the manner I explained is an adequate fail-safe feature - - if it were to be decided to be such and it undoubtedly has by the Commission when they approve these for installation in New Mexico - - I would say that it's only with regard to paragraph (d) that our installation would fail to qualify.

CROSS EXAMINATION

BY MR. MORRIS:

Q Mr. Anderson, how much expense is involved putting one of these automatic cut off equipment on as set forth in paragraph (d) on your system?

A I don't know, but I would estimate somewhat in the neighborhood of \$100. I do not know the cost of that item.

Q If it were made a requirement by the Commission, would you feel that it was prohibitive in cost?

A I believe that it would certainly be one point. We have personnel on our leases, pumpers serving our leases who are paid to do that and to put this added feature on there we feel would be undesirable from several standpoints. It might promote



subconscious laxity. I would not recommend that we install it.

Q Other than where you have pointed out that you disagree with this proposal, I take it you are supporting the Commission's proposed rule, is that correct?

A Yes, sir.

MR. MORRIS: Thank you.

(Questions by Mr. Porter): Mr. Anderson, explain a little bit further the feature that you have which prevents oil from passing through the pipe line in the event the meter fails.

A It's been our experience whenever we have a failure where oil has gone through the pipe line - - and I understand that this is a very rare situation, its very infrequent because it is a matter of negotiation based upon past history, past, recent history. Now, in the event of a power failure where all of the oil is being discharged by a delinquent pump the valve returns to the closed position automatically so in case of power failure there is no trouble. The only way that oil can be delivered that is not being measured is in the meter itself, if a shaft were to shear off the meter, which again is a most uncommon occurrence. You can't say it is impossible because sometimes it's known to happen but that's the only way. In case of large capacity leases we do have the two meters checking one against the other. In the case of small capacity leases, why, we have them all on 24 hours a day. Their allowable is all they can take. We know just about what those wells are making and we feel we can receive fair treatment from

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these pipe lines in that unlikely event that it happens. It doesn't happen often enough to justify incorporating the automatic shut down switch on the meter.

Q You wouldn't know despite the fact that it's API recommended practice?

A They're written by groups of operators from many companies with that idea and they represent a negotiated set of standards that they all can subscribe to and they give and take all of the way through the instrument. The instrument, too, is designed to be all inclusive and handle every sort of situation, whereas the specific installation - - I think if the operator is interested in saving money and economizing and producing his oil in the most economical way, he will devote a little personal attention to each installation and he will find that some things that would be required in one field would not be required in another; due to the difference in crude, the difference in volume production and depth. API standards, in my opinion, can't hope to be the only way you can do it. This is an excellent guide to cover the general case, but I believe that in this respect if the API is requiring something like this, I do not concur with them with regard to this one recommendation.

Q Now, disregarding the cost of these features to provide assurance against mismeasurement in the case of a power failure would you say it is more desirable to have that fail safe feature than to not have it?

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A In the case of our LACT unit where we are handling large volumes, it is not desirable to have it in my opinion, - - unless I am overlooking something here - - in that we have two meters in series one checking against the other both of which are kept in perfect operation, so therefore it is not desirable to have some additional mechanical device hung on these meters that may tend to fail itself. When those fail safe devices in the meter stop registering and so forth, they do not protect against a failure in the temperature compensating device and that does fail occasionally on these things and we feel our meter is superior in that we have two meters, two compensating devices, one to check against the other. In that case I would say it would be better not to have the fail safe device to shut the lease in in case a meter fails because the other meter is used as a check.

Q Well now, you say that in the event of a power failure it is automatically taken care of anyway, is that correct?

A Yes.

Q Failure on the part of a meter in the case of a severed shaft where you have two meters would probably be an assurance against mismeasurement of oil?

A Yes.

Q What is the breaking point at which you decide to put two in series or just one?

A We have been breaking at about 5 to 6 hundred barrels per day.



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Q And you have no assurance on a lease producing 5 or 6 hundred barrels per day or less that you wouldn't mismeasure oil in the event of a failure, is that correct?

A We have this assurance; we don't anticipate any such failure as closely as we watch and calibrate and with the personnel on the lease. We don't anticipate that we will have very many failures, and further, we don't anticipate that we will have a failure for very long; it would be a matter of hours.

Q I realize your assurance that you wouldn't mismeasure oil, that you don't anticipate it. What happens if you did have a failure?

A It's only a matter of hours until it's corrected.

Q But the same oil has been passed through the system that has not been metered.

A Because it's a low-capacity system.

Q It could be up in the 5 or 6 hundred barrels?

A Yes.

MR. PORTER: Does anyone have any question of the witness?

CROSS EXAMINATION

BY MR. PAYNE:

Q Would you delete all of paragraph (d) or just the first sentence?

A I have no objection to the second sentence.

MR. PAYNE: Thank you.

MR. PORTER: Are there any further questions? The



witness may be excused.

(Witness excused)

MR. PORTER: Does anyone wish to present any further testimony in this case? Would anyone like to make a statement?

MR. KASTLER: I have a statement I would like to make for the record.

MR. PORTER: You may proceed.

MR. KASTLER: Gulf did not and does not now advocate the typical type of ACT unit that would be adopted as the only approvable LACT unit without necessitating a hearing. We provided in paragraph 3 of our proposed rule change that application for administrative approval merely state as a fact the proposed installation is basically similar in design and operation to one previously approved by the Commission.

We proposed our amendment as a subjective approach to the problem believing it would provide the utmost simplicity and flexibility. We deliberately intended to exclude from this case the reporting of facts which were in our opinion concerned with producing equipment rather than delivery equipment. We also assumed as a given fact that the oil in the surge tank would have been already purged of all unsoluble impurities for the reason that this involves, in Gulf's system at least, the producer's facility located at and operated in conjunction with the heater treaters.

Finally, I wish to state that Gulf is primarily seeking relief from what we consider unnecessary hearings and that we

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appreciate the effort of Mr. Nutter and the Commission staff both in calling this hearing and in their constructive proposals; and, therefore, have no serious objection to the adoption of the Commission's proposed rule and form C-106 in lieu of that proposed by Gulf.

MR. PORTER: Does anyone have anything else to say?

MR. BUELL: I am Guy Buell for Pan American Petroleum Corporation. Pan Am is in agreement with the objectives of both the Gulf proposal as well as Mr. Nutter's proposal. We would not object if either one were adopted. We do lean to Mr. Nutter's proposal because of the more detailed requirements set out in the Nutter proposal.

MR. BRATTON: Humble Oil is in support of the alteration of Rule 309-A as proposed by Mr. Nutter and the Commission staff. Installations are proposed which qualify according to the basic requirements and reduce additional work loads which would be imposed upon the Commission. Repetitious hearings are not warranted. We would suggest and recommend, however, that further consideration be given to the provision in section 3 (h) - 1 proposed by Mr. Nutter relative to the annual flow lines where adequate precautions are exercised to maintain the flow lines in satisfactory condition. It is believed that recurring tests are not warranted and are an unnecessary burden on the producer. In addition to the expense incurred, loss of production would likely ensue since a number of operators probably use cold water or such tests for maximum safety.

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It is Humble's theory and we honestly suggest a more flexible provision be drafted, that it be drafted and adopted.

MR. ROBINSON: I am Ed Robinson of Texaco Incorporated. Texaco concurs in the objections proposed by both Gulf and Mr. Nutter. However, Texaco also strives to eliminate any administrative burden regardless of how small it is if we feel that perhaps it is unwarranted. The requirements to get a letter from the pipe line authorizing agreement with the proposed LACT unit is what we feel to be an administrative burden in that even though they do give a letter concurring with your application, before the unit is complete you still have to satisfy the pipe line with your installation and they may require some minor change on it even though previously they had approved your recommendation and we feel that this requirement, even though small, can often result in a delay. It's kind of like writing to an operator requesting a waiver. He wants to do the work first before he gets around to giving you this waiver and often times there is a 10-day period before you get the letter.

This might happen with the pipe line. Maybe the man that handles it is on vacation and we might happen to be delayed maybe 30 days and regardless of the installation we are still held responsible to the pipe line company in that we have to get their final okay on it and we request that that part be eliminated.

MR. PORTER: Would anyone else like to make a statement?

MR. Mc GANNON: I am R. E. Mc Gannon, Standard of Texas.

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We are in agreement with the rule change but believe consideration should be given as set forth by the operators.

MR. PORTER: Does that conclude the statements?

If there is nothing further, the Commission will take the case under advisement.

We will have a short recess at this time.

(Whereupon recess was taken at 2:50 p.m.)

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STATE OF NEW MEXICO)
)
 COUNTY OF BERNALILLO) ss

I, Thomas F. Horne, 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.


 Court Reporter

My Commission Expires:

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