



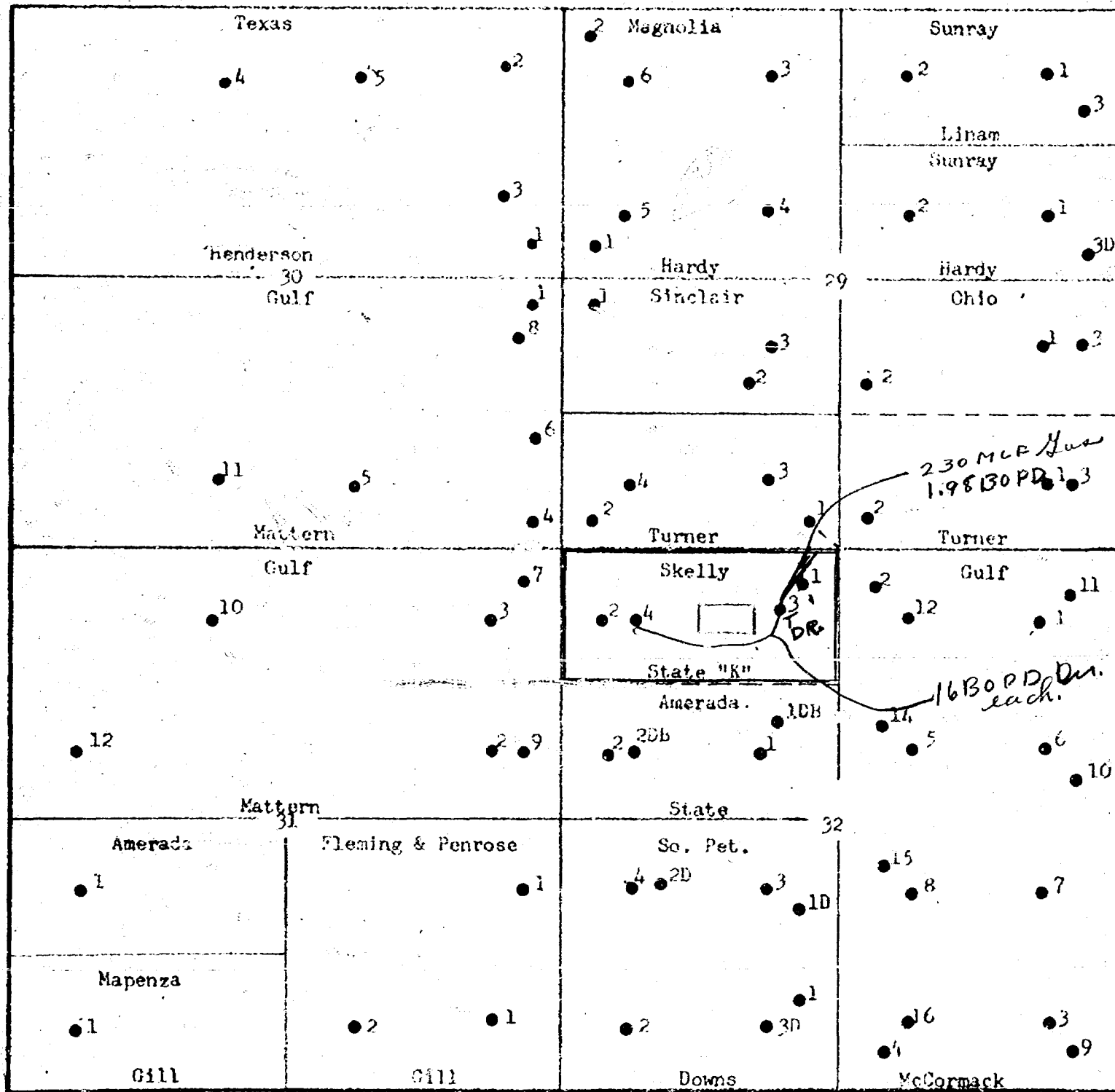
Case No.

1655

Application, Transcript,
Small Exhibits, Etc.

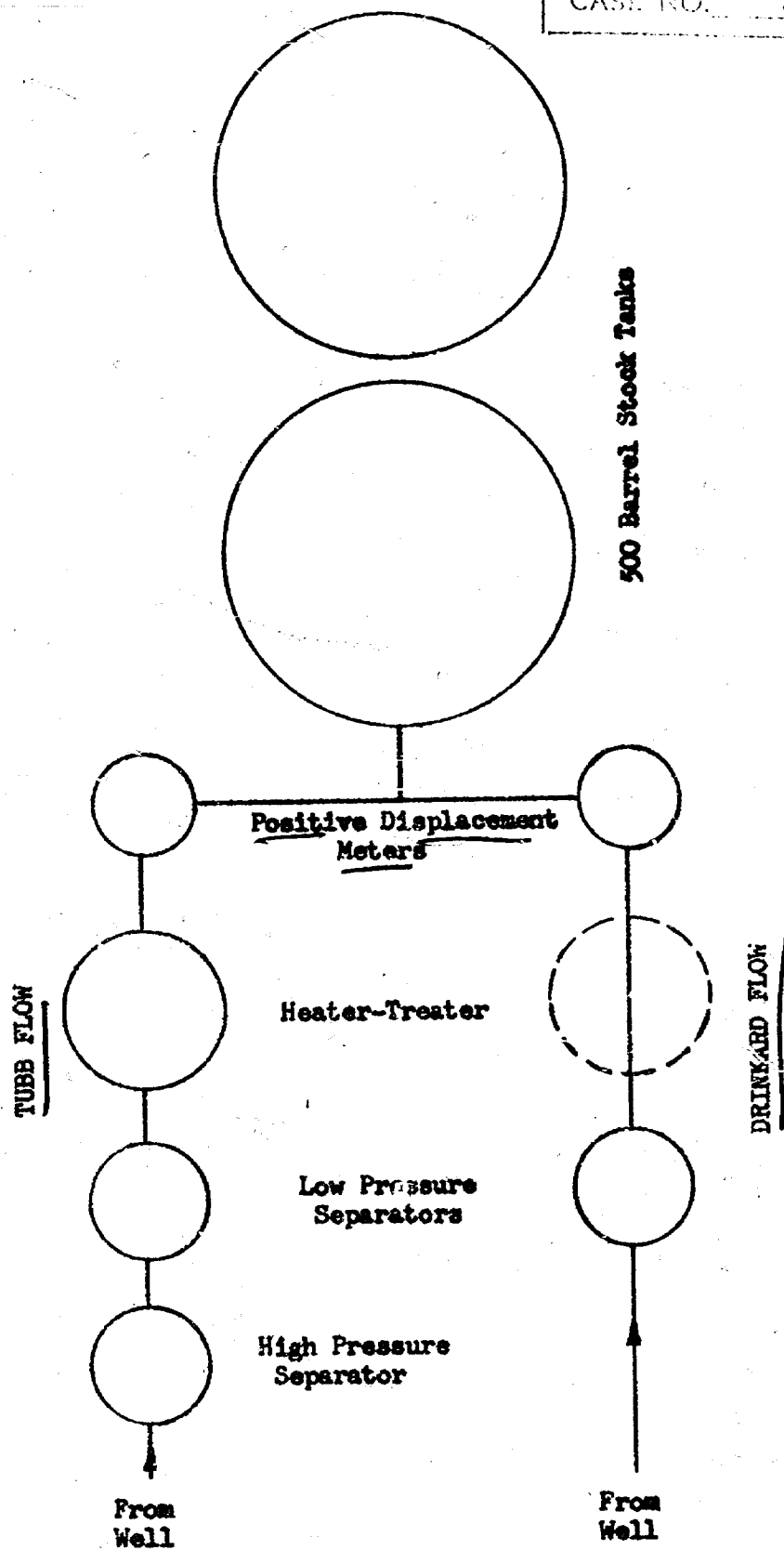
SKELLY OIL COMPANY
 STATE "K" LEASE
 N/2 NW/4 Section 32-T21S-R17E
 Lea County, New Mexico

BEFORE EXAMINER UTZ
 OIL CONSERVATION COMMISSION
Skelly EXHIBIT NO. 1
 CASE NO. 1655



SKELLY OIL COMPANY
STATE "N" LEASE
PROPOSED FLOW DIAGRAM

ELIOTT EXAMINER UTZ
OIL CONSERVATION COMMISSION
Skelly EXHIBIT NO. *2*
CASE NO. *1655*



DOCKET: EXAMINER HEARING MAY 6, 1959OIL CONSERVATION COMMISSION, MABRY HALL, STATE CAPITOL, 9 a.m., SANTA FE

The following cases will be heard before Elvis A. Utz, Examiner:

- CASE 1651: Application of Continental Oil Company for an automatic custody transfer system and for permission to commingle the production from three separate leases. Applicant, in the above-styled cause, seeks an order authorizing it to install an automatic custody transfer system and to commingle the production from the Hobbs Pool from three separate non-contiguous leases in Township 18 South, Range 38 East, Lea County, New Mexico. Applicant proposes to separately meter the production from each lease prior to commingling.
- CASE 1652: Application of Continental Oil Company for a non-standard gas proration unit. Applicant, in the above-styled cause, seeks the establishment of a 320-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the N/2 of Section 8, Township 23 South, Range 36 East, Lea County, New Mexico, said unit to be dedicated to applicant's Danciger A-8 Well No. 3 located 990 feet from the North and East lines of said Section 8.
- CASE 1653: Application of Continental Oil Company for a non-standard gas proration unit. Applicant, in the above-styled cause, seeks the establishment of a 320-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the NE/4 of Section 28 and the NW/4 of Section 27, Township 23 South, Range 36 East, Lea County, New Mexico, said unit to be dedicated to applicant's Lynn A-28 Well No. 5 located 660 feet from the North and East lines of said Section 28.
- CASE 1654: Application of Shell Oil Company for permission to commingle the production from three separate leases. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the production from the West Henshaw-Grayburg Pool from three separate contiguous leases located in Township 16 South, Range 30 East, Eddy County, New Mexico. Applicant proposes to separately meter the production from each lease prior to commingling.
- CASE 1655: Application of Skelly Oil Company for permission to commingle the production from the Tubb Gas Pool and the Drinkard Oil Pool. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the liquids produced from the Tubb Gas Pool with the oil produced from the Drinkard Oil Pool underlying its State "K" Lease comprising the N/2 NW/4 of Section 32, Township 21 South, Range 37 East, Lea County, New Mexico. Applicant proposes to meter the production from each pool prior to commingling.
- CASE 1656: Application of Skelly Oil Company for permission to commingle the production from five separate pools. Applicant, in the above-styled cause, seeks authority to commingle the production from the Ellenburger, McKee, Fusselman, Montoya, and Blinberry formations underlying its Hobbs "A" Lease comprising the NW/4 of Section 30, Township 25 South, Range 38 East, in the Justis Field, Lea County, New Mexico. Applicant proposes to separately meter the production from each pool prior to commingling.
- CASE 1657: Application of Standard Oil Company of Texas for approval of a unit agreement. Applicant, in the above-styled cause, seeks an order authorizing its Vac-Edge Unit Area comprising 2078 acres, more or less, of state lands in Township 18 South, Range 35 East, Lea County, New Mexico.

Docket No. 15-59

CASE 1658:

Application of The Texas Company for an order authorizing a salt water disposal well. Applicant, in the above-styled cause, seeks an order authorizing the disposal of produced salt water through its "BN" (NCT-1) Well No. 1 located 1980 feet from the South line and 660 feet from the West line of Section 25, Township 11 South, Range 32 East, Lea County, New Mexico. Applicant proposes to inject the produced salt water in the interval from 3529 feet to 7430 feet.

CASE 1659:

Application of Tidewater Oil Company for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its A. B. Coates "C" Well No. 9 located in the NW/4 SE/4 of Section 24, Township 25 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Justis-Drinkard Pool and the production of oil from the Justis-Ellenburger Pool through parallel strings of 2-3/8 inch tubing.

CASE 1660:

Application of Atlantic Refining Company for an automatic custody transfer system. Applicant, in the above-styled cause, seeks an order authorizing it to install an automatic custody transfer system utilizing positive volume tanks with automatic dumping facilities to transfer custody of all oil produced on its Navajo Lease comprising certain acreage in Township 31 North, Range 16 West, Horseshoe-Gallup Oil Pool, San Juan County, New Mexico.

CASE 1661:

Application of Pan American Petroleum Corporation for a gas-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing it to dually complete its W. H. Turner No. 1 located in the SE/4 SE/4 of Section 29, Township 21 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of gas from the Eumont producing interval adjacent to the Eumont Pool and the production of oil from the Drinkard Pool. Applicant proposes to utilize a retrievable-type packer in said well.

CASE 1662:

Application of Pan American Petroleum Corporation for permission to commingle the production from several separate leases and for permission to produce more than sixteen wells into a common tank battery. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the production from the Empire-Abo Pool from all or a portion of seven separate federal leases in Township 18 South, Range 27 East, Eddy County, New Mexico. Applicant further requests authority to produce more than sixteen wells into the common tank battery for said leases. Applicant proposes to separately meter production from each lease prior to commingling.

CARL H. GILBERT
L. C. WHITE
WILLIAM W. GILBERT
SUMNER S. KOCH
EDWIN E. PIPER, JR.

GILBERT, WHITE AND GILBERT
ATTORNEYS AND COUNSELORS AT LAW
BISHOP BUILDING
SANTA FE, NEW MEXICO

April 23, 1959

Case file 1655

New Mexico Oil Conservation Commission
Capitol Building
Santa Fe, New Mexico

Re: Application of Skelly Oil Company for
an Exception to Rule 303 to Permit Co-
mingling of Distillate from the Tubbs
Gas Pool with Oil from the Drinkard Pool
Underlying their State "K" Lease, Lea
County, New Mexico. Case No. 1655.

Gentlemen:

Enclosed herewith are three copies of the Flow
Diagram for comingling which we would appreciate you
attaching to the subject Application filed with you.
The copies of the Diagram were not available when we
so filed the Application.

Thanking you, I am

Very truly yours,

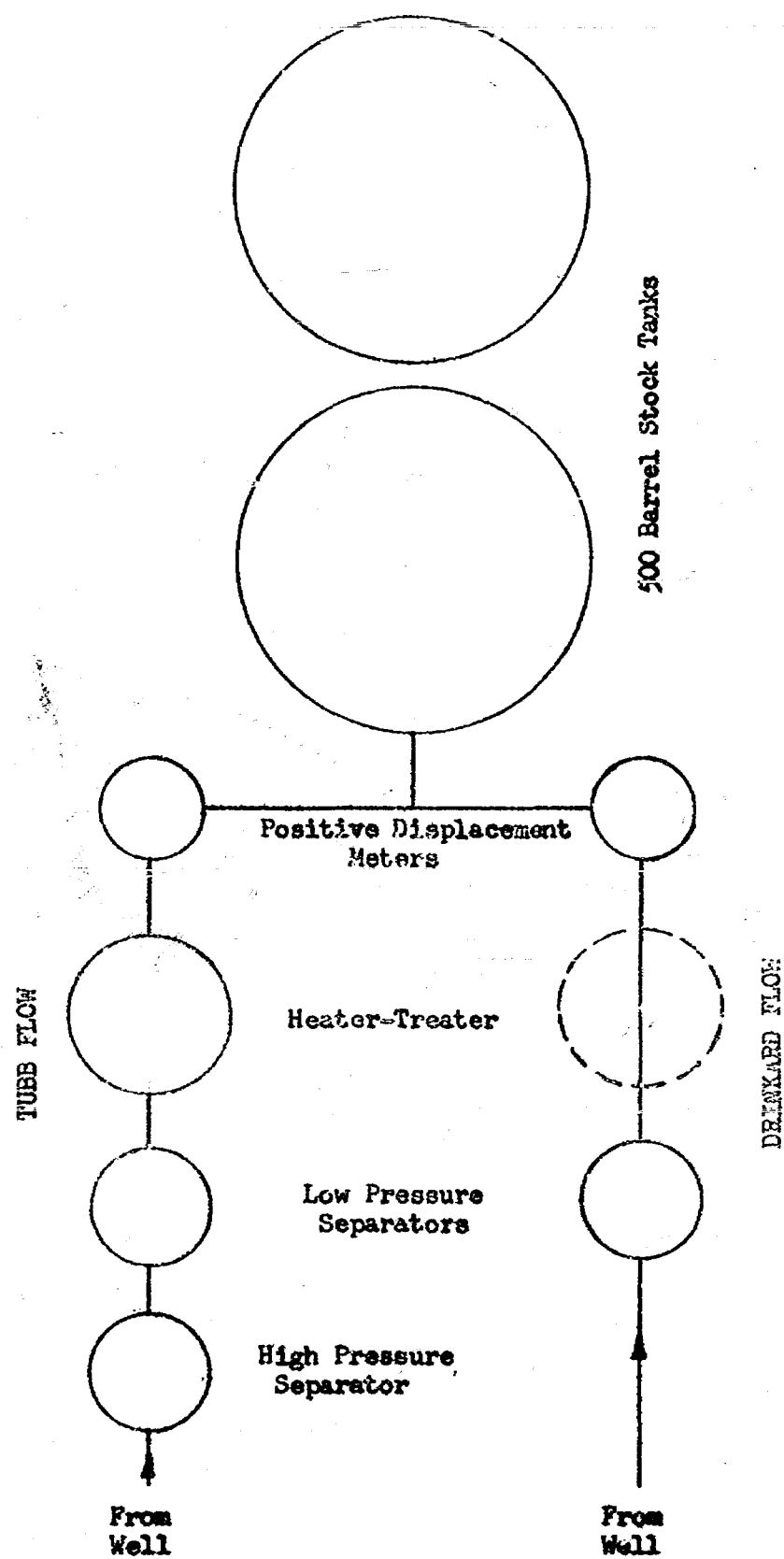
L. C. White

L. C. WHITE

LCW:LG
Enclosures

cc. Mr. J. N. Dunlavey
Skelly Oil Company
Box 38
Hobbs, New Mexico

SMITH OIL COMPANY
STATE "R" LEASE
PROPOSED FLOW DIAGRAM



OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 5-13-59

CASE NO. 1655

HEARING DATE 5-6-59

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

Skelly
Grant Maguire's application to Cooningly
B. Dutt & Dinkard oil ~~for~~ on its state oil lease.
as follows:

1. The ~~st.~~ ^{4th} # 3 is a Dutt-Dinkard Deal.
2. The ~~st.~~ ^{4th} lease consisting the N1/2 & N1/4 - 32
215-37 E.
3. We should require course-sustaining meters
for the Dinkard zone.
4. Each zone to be metered prior to cooningly
5. Dinkard to be located in NE NW sec. 32-21-32
6. Test once a mo. until further notice
Comm.

Christ. R.

Staff Member

EXAMINER HEARING
OIL CONSERVATION COMMISSION
May 6, 1959

IN THE MATTER OF: Case 1656

TRANSCRIPT OF PROCEEDINGS

DEARNLEY - MEIER & ASSOCIATES
GENERAL LAW REPORTERS
ALBUQUERQUE NEW MEXICO
Phone CHapel 3-6691

IN THE MATTER OF:

Application of Skelly Oil Company for permission to commingle the production from the Tubb Gas Pool and the Drinkard Oil Pool. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the liquids produced from the Tubb Gas Pool with the oil produced from the Drinkard Oil Pool underlying its State "K" Lease comprising the N/2 NW/4 of Section 32, Township 21 South, Range 37 East, Lea County, New Mexico. Applicant proposes to meter the production from each pool prior to commingling.

Case 1655

BEFORE:

Elvis A. Utz, Examiner

TRANSCRIPT OF PROCEEDINGS

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

The next case on the docket will be 1655.

MR. PAYNE: Case 1655: Application of Skelly Oil Company for permission to commingle the production from the Tubb Gas Pool and the Drinkard Oil Pool.

MR. WHITE: Charles White of Gilbert, White, and Gilbert, appearing on behalf of the Applicant. We have one witness to be sworn.

MR. UTZ: Any other appearances to be made in this case? If not, you may proceed.

(Witness sworn.)

JOE D. RAMEY

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

DIRECT EXAMINATIONBY MR. WHITE:

Q Will you state your full name, please, for the record?

A Joe D. Ramey.

Q By whom are you employed and in what capacity?

A Skelly Oil Company, District Petroleum Engineer for
the New Mexico District.

Q Have you previously testified before the Commission
as an expert in your field?

A Yes, sir.

Q Are you familiar with Skelly's application in
Case No. 1655?

A Yes, I am.

MR. WHITE: If the Examiner please, are the witness's
qualifications acceptable?

MR. UTZ: Yes, sir, they are.

Q Mr. Ramey, will you state where Skelly State "K"
Lease is located and in what Pool?

A The Skelly State "K" Lease comprises the North Half
of the Northwest Quarter, Section 32, Township 21 South, Range
37 East, Lea County, New Mexico. Production from the State "K"
Lease is: Wells 1 and 2 are Penrose Skelly producers, and Wells

3 and 4 are Drinkard Pool producers, and Well No. 3 is a dually completed in the Tubb and Drinkard Pools.

(Skelly Oil Company's Exhibits
Nos. 1 and 2 marked for
identification.)

Q Will you refer to what has been marked as Exhibit No. 1 and explain what that shows?

A Exhibit No. 1 shows the location of Skelly's State "K" Lease outlined in red, and the location of the Drinkard tank battery and proposed commingling facilities outlined in the green rectangle.

Q Does it show the direct offset operators?

A Yes, it does. They are Gulf, Sinclair, Ohio and Amerada.

Q What production are you presently obtaining from your recently completed State "K" Well No. 3?

A It is producing presently at the rate of -- this is, from the Tubb side -- 230 M.C.F., and is also producing 1.90 barrels of 44.6 gravity oil. I think in our application we stated that was distillate.

Q It is now producing oil?

A Yes, it originally made some distillate and now it is --

Q Will you state what production you are receiving from your Wells No. 3 and 4?

A Well No. 3 is producing around 16 barrels of oil per day from the Drinkard and Well No. 4 is also producing around

16 barrels of oil per day.

Q Will you refer to what has been marked Skelly's Exhibit No. 2 and explain that exhibit, including the tracing of the flow lines?

A Exhibit No. 2 is a flow diagram of the proposed commingling facilities. Flow for the Drinkard zone, which is on the right, is as follows: Fluids from the wells enter the separator where the gas and oil are separated; the gas leaves the top of the separator and passes through a gas meter to a Skelly gas sales; the oil will then be dumped to the Drinkard zone meter where it will be measured, and from the meter it will pass into stock which in this case will be two five hundred barrel stock tanks. The Tubb flow is very similar, with the exception that the well fluids pass through a high pressure separator and the gas goes to Permian and the oil then goes to a low pressure separator and the well is now producing approximately twenty percent water; we haven't been able to determine whether that is load water or whether it is formation water. If it continues to be formation water, we will seat a small heater treater in front of the meter so that only pipeline oil will pass through the meter.

Q You show on the exhibit the use of positive displacement meters. Would you like the order to give the alternative right to use a dump type meter?

A Yes, we would, either one.

Q Are these corrosive crudes?

A The Drinkard is corrosive, and I believe the Tubb is a sweet crude.

Q In your opinion will the proposed installation provide an accurate and positive method of measuring the production from each of these producing zones?

A Yes, it will.

Q Is the ownership interest common as to all zones?

A Yes, it is.

Q Will the facilities be such that you can efficiently test each well at least once a month?

A Yes, one of the Drinkard wells will probably either have to be shut down or measured separately with a portable test separator, but they can be measured accurately.

Q How often do you propose to test the accuracy of the meters?

A We will test them at least once a month, or whatever frequency the Commission requires.

Q Has the Commission approved similar type installations?

A Yes, I believe they have.

Q Would you state what economic advantage, if any, would be gained by Skelly through the proposed program?

A Actually there probably won't be too much savings in equipment; however, with the Tubb side making about, only about two barrels of oil per day, why, the retention time of this Tubb oil in tanks would be considerable, and hence there would probably

be considerable evaporation loss, so actually the commingling will result in less evaporation and hence would be an all-around savings.

Q Then this is not only an economic measure but a conservation measure as well?

A Yes, it is.

Q Were these exhibits prepared by you or under your direction?

A Yes, sir, they were.

MR. WHITE: We offer the exhibits in evidence.

MR. UTZ: Without objection the Exhibits 1 and 2 will be considered in evidence.

MR. WHITE: We have no further questions.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Ramey, what did you say your production from the Tubb zone in this Lease was?

A Permian is producing the well at the rate of about 230 M.C.F. of gas, and it was making on a six-day test we took just recently, it averaged 1.90 barrels of oil per day.

Q Is there one or two tanks on the Lease?

A There is one.

Q Which well is the dually completed well?

A No. 3, that is the dual completion, Drinkard oil and Tubb gas.

Q Has your company had any experience with corrosive

crudes and positive displacement meters?

A No, we have not.

Q Then you don't know just how positive displacement meters will work with the Drinkard oil?

A I believe positive displacement meters are being used in other areas for lease A.C.T.O. oil.

Q Yes, but they have been having trouble with corrosive crudes.

A That's why we asked for dump type, the alternative on dump type.

Q Would your company be willing to install dump type meters on the Drinkard side?

A Yes, I think we would probably prefer to.

Q And the Tubb side is not corrosive?

A No, it is not.

Q They do make dump type meters with plastic linings for corrosive crudes. Would your company be willing to use such a meter?

A Yes, I'm sure they would.

MR. UTZ: Any other questions of the witness?

MR. PAYNE: No, sir.

MR. UTZ: If not, the witness may be excused.

(Witness excused.)

MR. UTZ: Is there anything further in this case?

If there are no statements, the case will be taken under advisement.

C E R T I F I C A T E

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings 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 8th day of May, 1959, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Ada Dearnley
NOTARY PUBLIC

My Commission Expires:

June 19, 1959.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1655, heard by me on May 6, 1959.

Edward D. [Signature], Examiner
New Mexico Oil Conservation Commission

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 1655
Order No. R-1401

APPLICATION OF SKELLY OIL
COMPANY FOR PERMISSION TO
COMMINGLE THE PRODUCTION
FROM TWO SEPARATE POOLS IN
LEA COUNTY, NEW MEXICO

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on May 6, 1959, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 25th day of May, 1959, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Skelly Oil Company, is the owner and operator of the State "K" Lease comprising the N/2 NW/4 of Section 32, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) That the applicant proposes to commingle the oil produced from the Tubb Gas Pool with the oil produced from the Drinkard Pool from all wells presently completed or hereafter drilled on the above-described State "K" Lease, after separately metering the production from each pool by means of dump-type or positive displacement meters.

(4) That the meters used to measure the production from the Drinkard Pool should be of a corrosion-resistant type.

(5) That approval of the subject application will neither cause waste nor impair correlative rights.

-2-

Case No. 1655
Order No. R-1401

IT IS THEREFORE ORDERED:

That the applicant be and the same is hereby authorized to commingle the oil produced from the Tubb Gas Pool with the oil produced from the Drinkard Pool from all wells presently completed or hereafter drilled on its State "K" Lease comprising the N/2 NW/4 of Section 32, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico.

PROVIDED HOWEVER, That the production from each pool shall be separately metered by dump-type or positive displacement meters prior to commingling.

PROVIDED FURTHER, That the meters used to measure the Drinkard production shall be of a corrosion-resistant type.

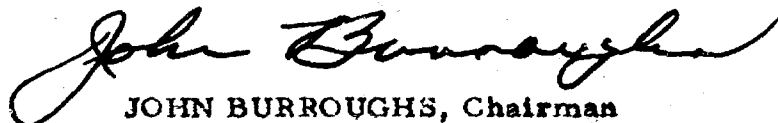
PROVIDED FURTHER, That all meters shall be operated and maintained in such a manner as to ensure an accurate measurement of production at all times.

PROVIDED FURTHER, That meters shall be checked for accuracy at intervals not to exceed one month until further direction by the Secretary-Director. Meters shall be calibrated against a master meter or against a test tank of measured volume and the results of such calibration filed with the Commission on the Commission form entitled "Meter Test Report."

PROVIDED FURTHER, That the applicant shall install adequate facilities to permit the testing of all wells located on the said State "K" Lease at least once each month to determine the individual production from each zone of each well.

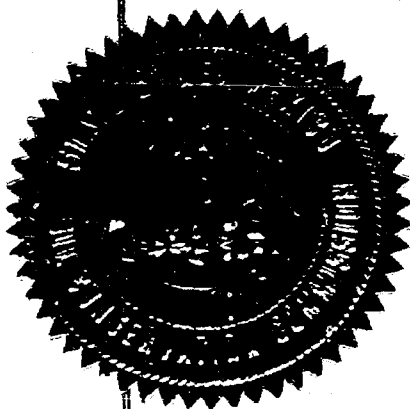
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JOHN BURROUGHS, Chairman


MURRAY E. MORGAN, Member


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



BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
SKELLY OIL COMPANY FOR AN EXCEPTION
TO RULE 303 TO PERMIT COMINGLING OF
DISTILLATE FROM THE TUBBS GAS POOL
WITH OIL FROM THE DRINKARD POOL UNDER-
LYING THEIR STATE "K" LEASE, LEA COUNTY,
NEW MEXICO.

CASE NO. _____

A P P L I C A T I O N

TO: THE HONORABLE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO.

Comes now the Applicant, Skelly Oil Company, and respectfully alleges
and states as follows:

1. That it is the owner and operator of its State "K" Lease which
consists of the N $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 32, Township 21 South, Range 37 East, Lea
County, New Mexico.

2. That there is no diversity of royalty ownership underlying the
above described Lease.

3. That the Applicant has recently dually completed its State "K"
Well No. 3 as a Tubbs gas well which is also producing a small quantity of
distillate.

4. That the Applicant proposes to comingle production from the above
Tubbs Gas Pool from its State "K" Well No. 3 with Drinkard oil from State
"K" Wells Nos. 3 and 4.

5. That the production from each pool will be separately metered with
positive displacement meters prior to being comingled.

6. That the proposed comingling of the distillate and oil from the
above pools will be in the interest of conservation.

7. That attached hereto marked EXHIBIT "A" and made a part hereof by
reference is a plat which shows the location of the subject wells on Appli-
cant's Lease and on all off-set leases.

8. That attached hereto marked EXHIBIT "B" and made a part hereof

GILBERT WHITE AND GILBERT
ATTORNEYS AT LAW
SANTA FE, NEW MEXICO

Docketed
5-1-59
4-22-59
BT

GILBERT, WHITE AND GILBERT
ATTORNEYS AT LAW
SANTA FE, NEW MEXICO

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is a diagrammatic sketch which shows the proposed method of measurement and storage of the oil and distillate produced on Applicant's Lease.

WHEREFORE, Applicant prays that this application be set for hearing, that notice be given as required by law, and that upon evidence adduced at the hearing this Commission issue an Order permitting Applicant to commingle the production as is more fully set out in this application.

Respectfully submitted,

SKELLY OIL COMPANY

BY George W. Selinger
and L. C. White

By *George W. Selinger*

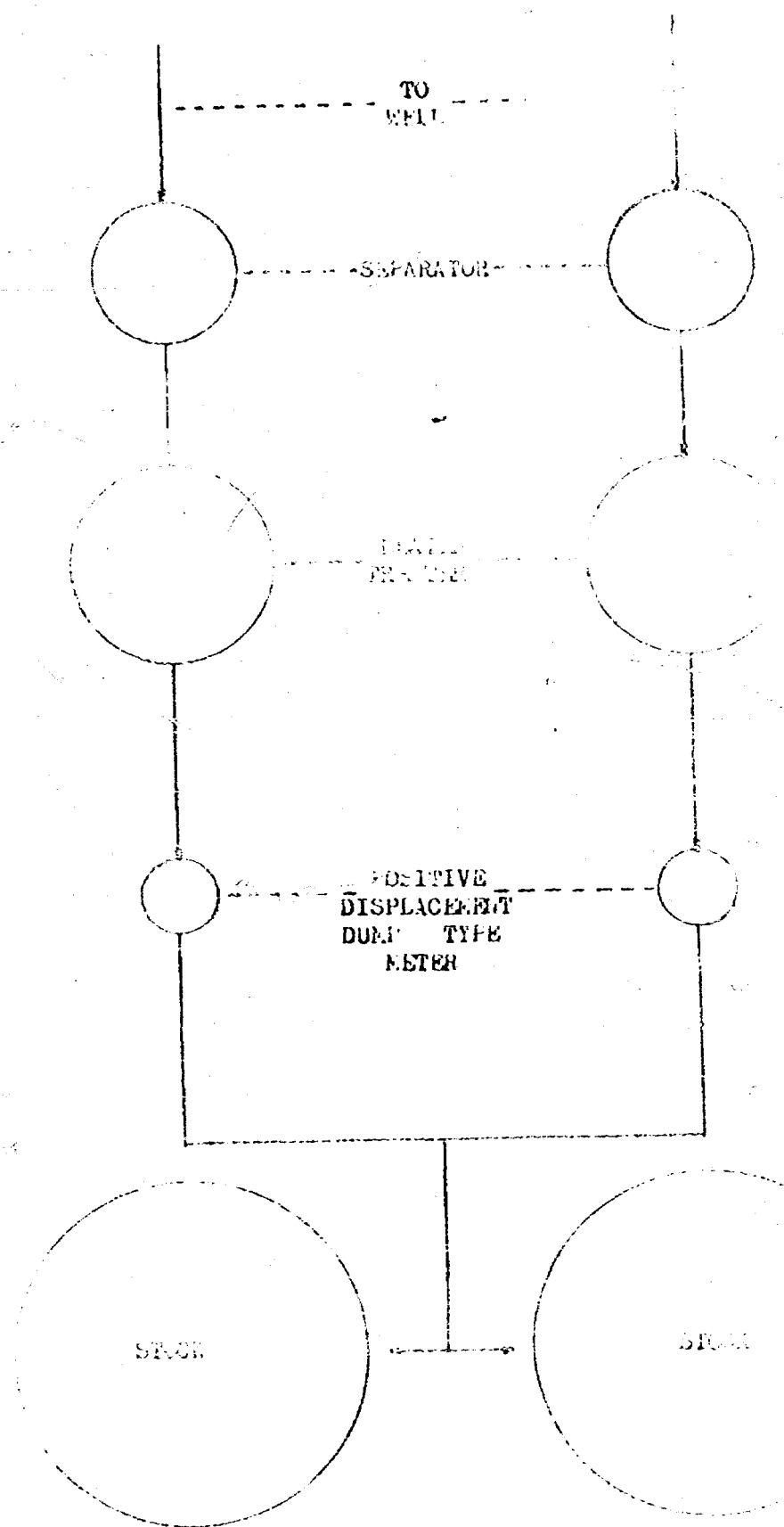
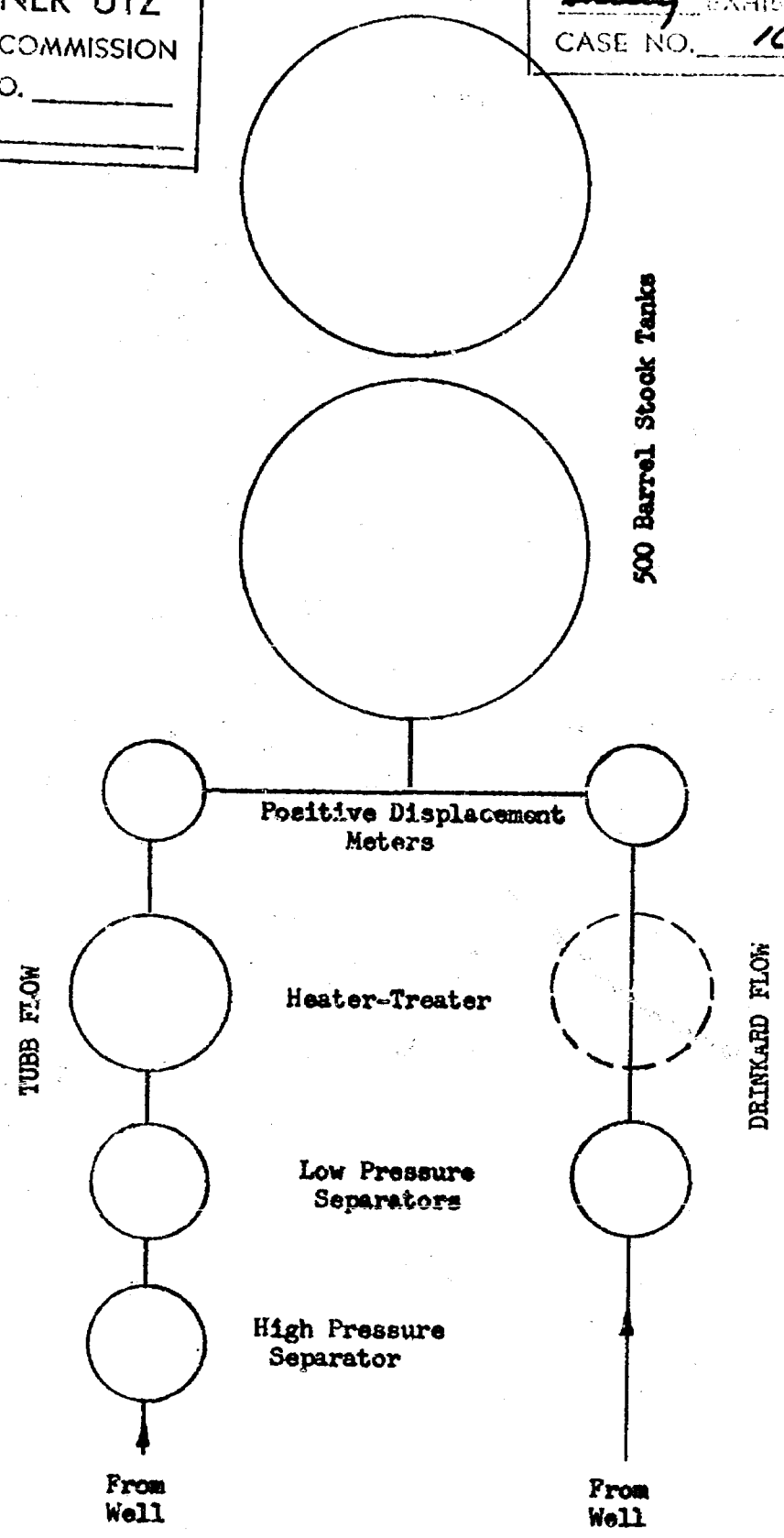


EXHIBIT "B"

SKELLY OIL COMPANY
STATE "K" LEASE
PROPOSED FLOW DIAGRAM

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
EXHIBIT NO. _____
CASE NO. _____

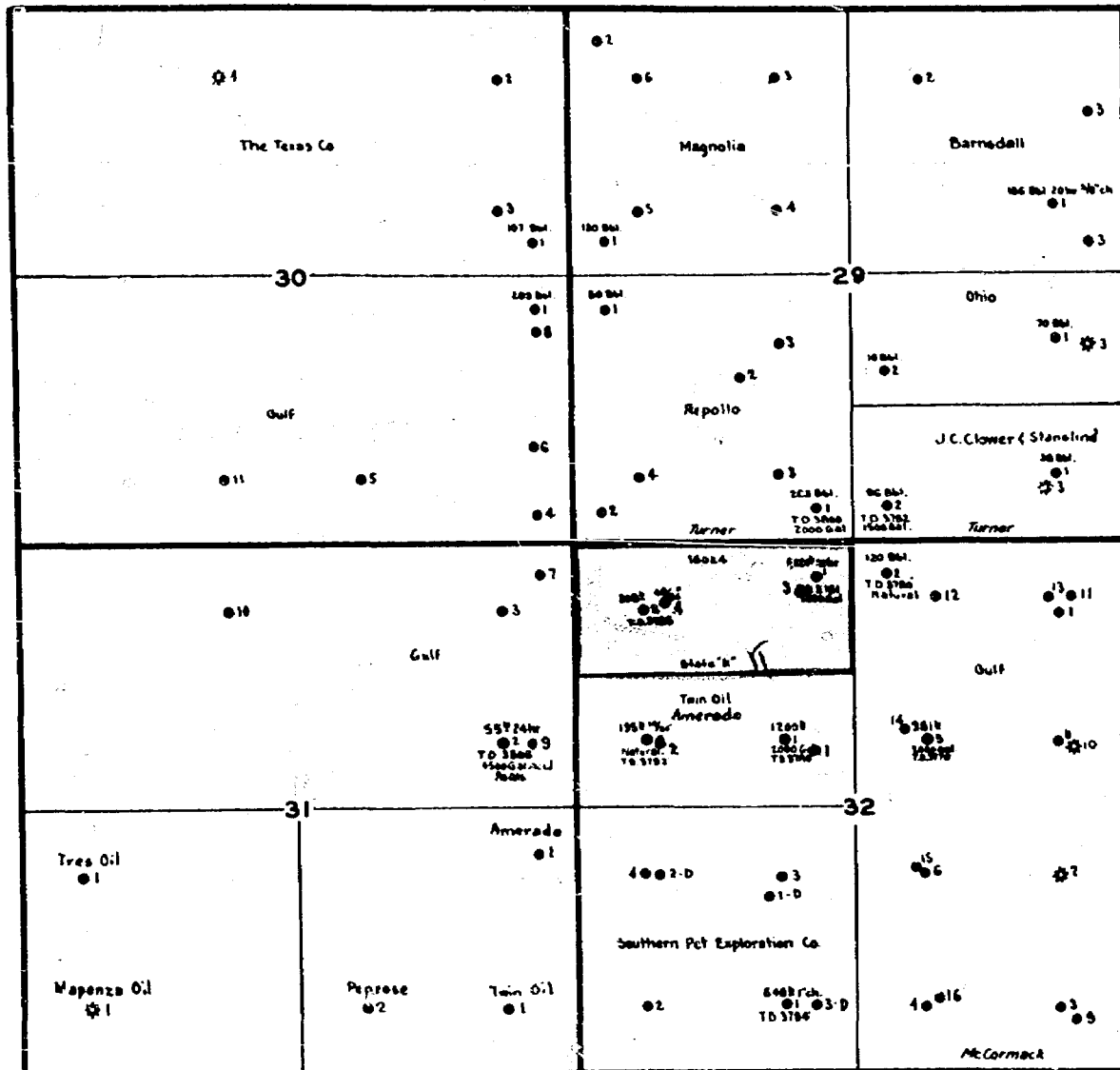
BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
Lucy EXHIBIT NO. 2
CASE NO. 1635



21 S. - 37 E.

LEA COUNTY,

NEW MEXICO



BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 1655

Order No. R- 1401

APPLICATION OF SKELLY OIL
COMPANY FOR PERMISSION TO
COMMINGLE THE PRODUCTION FROM
TWO SEPARATE POOLS IN LEA
COUNTY, NEW MEXICO

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on May 6, 1959, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this _____ day of May, 1959, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Skelly Oil Company, is the owner and operator of the State "K" Lease comprising the N/2 NW/4 of Section 32, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico.
- (3) That the applicant proposes to commingle the oil produced from the Tubb Gas Pool with the oil produced from the Drinkard Pool from all wells presently ~~drilled~~ ^{completed} or hereafter ~~completed~~ ^{drilled} on the above-described State "K" lease, after separately metering the production from each pool by means of dump-type or positive displacement meters.
- (4) That the meters used to measure the production from the Drinkard Pool should be of a corrosion-resistant type.
- (5) That approval of the subject application will neither cause waste nor impair correlative rights.

IT IS THEREFORE ORDERED:

-2-

Case No. 1655

Order No. R-_____

That the applicant be and the same is hereby authorized to commingle the oil produced from the Tubb Gas Pool with the oil produced from the Drinkard Pool from all wells presently ~~drilled~~^{completed} or hereafter ~~completed~~^{drilled} on its State "K" lease comprising the N/2 NW/4 of Section 32, Township 21 South Range 37 East, NMPM, Lea County, New Mexico.

PROVIDED HOWEVER, That the production from each pool shall be separately metered by dump-type or positive displacement meters prior to commingling.

PROVIDED FURTHER, That the meters used to measure the Drinkard production shall be of a corrosion-resistant type.

PROVIDED FURTHER, That ^{all} meters shall be operated and maintained in such a manner as to ensure an accurate measurement of production at all times.

PROVIDED FURTHER, That meters shall be checked for accuracy ~~upon~~
~~initial installation and thereafter~~ at intervals not to exceed one month until further direction by the Secretary-Director. Meters shall be calibrated against a master meter or against a test tank of measured volume and the results of such calibration filed with the Commission on the Commission form entitled "Meter Test Report."

PROVIDED FURTHER, That the applicant shall install adequate ~~testing~~ facilities to permit the testing of all wells located on the said State "K" Lease at least once each month to determine the individual production from each zone of each well.

DONE AT Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OCC