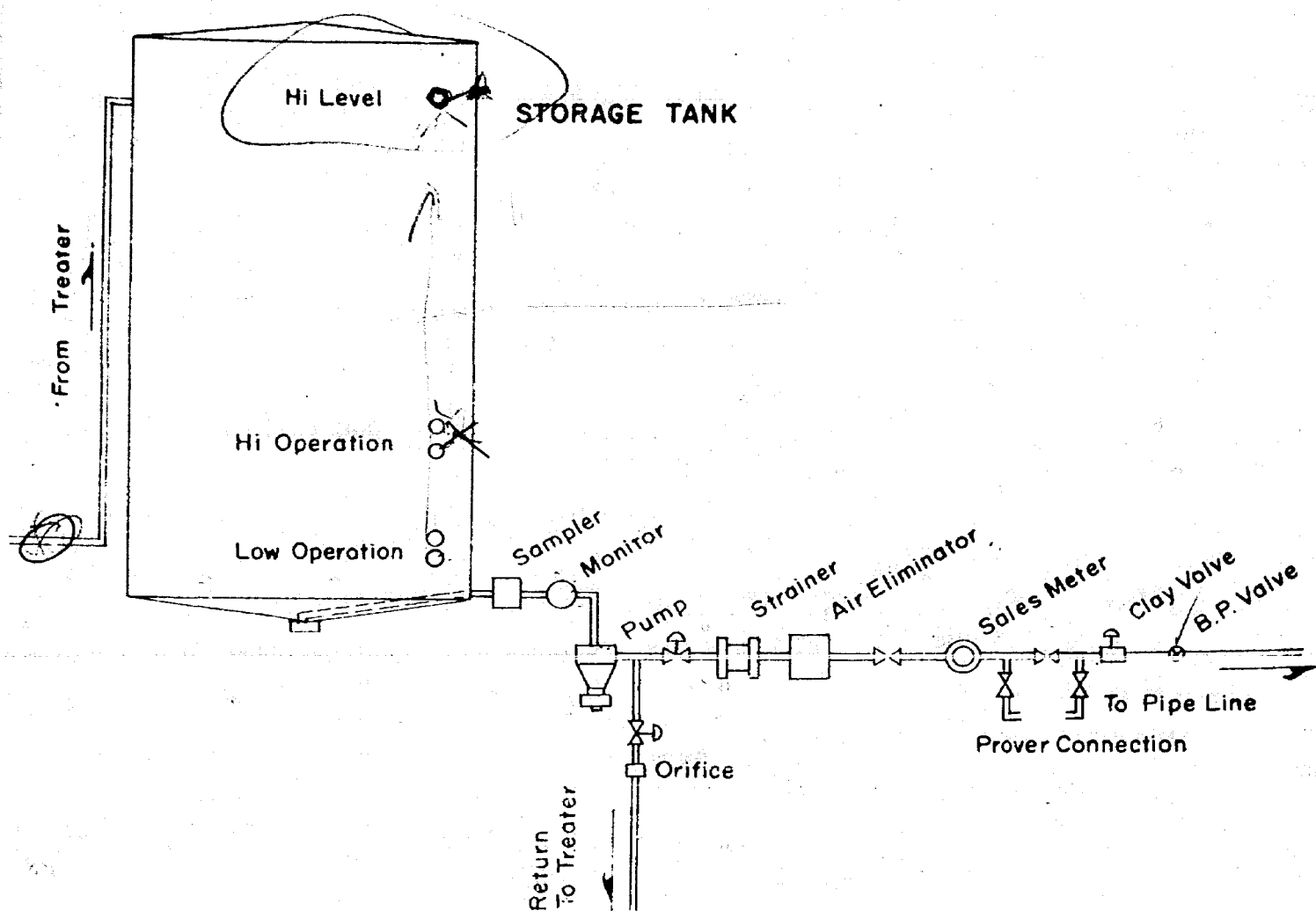


CASE 1877: Application of CONTINENTAL  
TO INSTALL an automatic custody trans-  
fer system on its Southeast Monument  
Unit - Lea County, New Mexico.

Case No.

1877

Application, Transcript,  
Small Exhibits, Etc.



CONTINENTAL OIL COMPANY  
 Schematic Diagram Of  
 PROPOSED LACT INSTALLATION  
 SEMU-Permian Lease

Case: 1877  
 Exhibit: 1

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. 1877  
Order No. R-1607

APPLICATION OF CONTINENTAL OIL  
COMPANY FOR AN AUTOMATIC CUSTODY  
TRANSFER SYSTEM AND FOR PERMISSION  
TO PRODUCE MORE THAN 16 WELLS INTO  
A COMMON TANK BATTERY IN THE SKAGGS  
POOL, LEA COUNTY, NEW MEXICO

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on  
January 27, 1960, at Santa Fe, New Mexico, before Elvin 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 8th day of February, 1960, the Commission,  
a quorum being present, having considered the application, the  
evidence adduced, and the recommendations of the Examiner, Elvin  
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 is the unit operator of the South-  
east Monument Unit within the defined limits of the Skaggs Pool,  
Lea County, New Mexico, a portion of which unit comprises the  
following-described acreage:

TOWNSHIP 20 SOUTH, RANGE 37 EAST

Section 13: SW/4 NE/4, SE/4, S/2 SW/4 and NW/4 SW/4  
Section 14: SE/4 and S/2 NE/4  
Section 23: E/2 NE/4  
Section 24: E/2, E/2 W/2 and NW/4 NW/4  
Section 25: NE/4 and N/2 SE/4

-2-

Case No. 1877

Order No. R-1607

TOWNSHIP 20 SOUTH, RANGE 38 EAST

Section 18: NW/4 SW/4, S/2 SW/4 and SW/4 SE/4

Section 19: W/2, SE/4, S/2 NE/4 and NW/4 NE/4

Section 30: E/2, N/2 SW/4 and NW/4 SE/4

(3) That the applicant proposes to produce into a common tank battery 44 Skaggs Pool oil wells presently or hereafter completed on that portion of the Southeast Monument Unit described above.

(4) That the applicant further proposes to install an automatic custody transfer system to handle the Skaggs Pool production from 44 wells on that portion of the Southeast Monument Unit described above.

(5) That the applicant proposes to measure the oil passing through the automatic custody transfer system by means of dump-type or positive displacement meters.

(6) That the above-described system should be so equipped as to automatically shut-in affected wells in the event of malfunction or flow-line break.

(7) That the meters used in the automatic custody transfer system should be checked for accuracy once each month until further direction of the Secretary-Director.

(8) That the previous use of automatic custody transfer equipment similar to that proposed by the applicant, has shown that such equipment is a reliable and economic means of transferring the custody of oil and that the use of such equipment should be permitted.

(9) That approval of the subject application will neither cause waste nor impair correlative rights provided adequate treating, testing, and storage facilities are installed.

IT IS THEREFORE ORDERED:

(1) That the applicant be and the same is hereby authorized to produce into a common tank battery 44 Skaggs Pool oil wells presently or hereafter completed on that portion of the Southeast Monument Unit comprising the following-described acreage in Lea County, New Mexico:

TOWNSHIP 20 SOUTH, RANGE 37 EAST

Section 13: SW/4 NE/4, SE/4, S/2 SW/4 and NW/4 SW/4

Section 14: SE/4 and S/2 NE/4

Section 23: N/2 NE/4

Section 24: E/2, E/2 W/2 and NW/4 NW/4

Section 25: NE/4 and N/2 SE/4

-3-  
Case No. 1877  
Order No. R-1607

TOWNSHIP 20 SOUTH, RANGE 38 EAST

Section 18: NW/4 SW/4, S/2 SW/4 and SW/4 SE/4  
Section 19: W/2, SE/4, S/2 NE/4 and NW/4 NE/4  
Section 30: N/2, N/2 SW/4 and NW/4 SE/4

PROVIDED HOWEVER, That the applicant shall install adequate facilities to permit the testing of each well on the above-described portion of the Southeast Monument Unit at least once each month.

(2) That the applicant be and the same is hereby authorized to install automatic custody transfer equipment to handle the Skaggs Pool production from 44 wells on that portion of the Southeast Monument Unit described above.

PROVIDED HOWEVER, That the automatic custody transfer system shall be so equipped as to automatically shut-in affected wells in the event of malfunction or flow-line break.

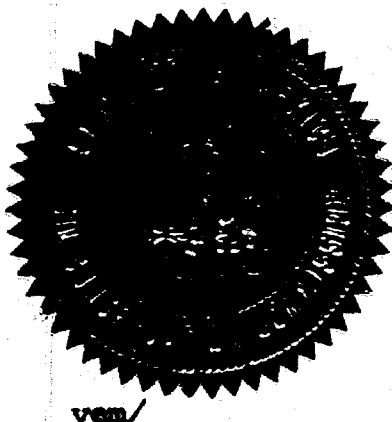
IT IS FURTHER ORDERED:

That all meters used in the above-described automatic custody transfer system shall be operated and maintained in such a manner as to ensure an accurate measurement of the liquid hydrocarbon production at all times.

That meters shall be checked for accuracy at least once each month until further direction by the Secretary-Director.

Meters shall be calibrated against a master meter or against a test tank of measured volume and the results of such calibration filed with the Commission on the Commission form entitled "Meter Test Report."

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



STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*John Burroughs*  
JOHN BURROUGHS, Chairman

*Murray E. Morgan*  
MURRAY E. MORGAN, Member

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

DOCKET: EXAMINER HEARING JANUARY 27, 1960OIL CONSERVATION COMMISSION - 9 a.m., MABRY HALL, STATE CAPITOL, SANTA FE

The following cases will be heard before Elvis A. Utz, Examiner, or A. L. Porter, Jr., Secretary-Director:

- CASE 1866: Application of British-American Oil Producing Company for approval of a unit agreement. Applicant, in the above-styled cause, seeks an order approving its West Bisti-Lower Gallup Sand Unit Agreement, which Unit is to comprise 14,331 acres, more or less, in Townships 25 and 26 North, Ranges 13 and 14 West, San Juan County, New Mexico.
- CASE 1867: Application of British-American Oil Producing Company for a pressure maintenance project in the Bisti-Lower Gallup Oil Pool and promulgation of special rules in connection therewith. Applicant, in the above-styled cause, seeks an order authorizing a pressure maintenance project in the Bisti-Lower Gallup Oil Pool, San Juan County, New Mexico, by the injection of water into the Lower Gallup formation through 17 wells. Applicant further proposes that special rules be adopted governing said project including the transfer of allowables from injection and shut-in wells to producing wells in the project and for establishment of an administrative procedure to convert additional wells to injection.
- CASE 1868: Application of Hamilton Dome Oil Company, Ltd. for permission to commingle the production from three separate pools. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the production from the Justis-Drinkard Pool, the Justis-Fusselman Pool and an undesignated Tubb pool from wells on a lease consisting of the S/2 SE/4 of Section 25, Township 25 South, Range 37 East, Lea County, New Mexico.
- CASE 1869: Application of Newmont Oil Company for approval to convert five additional wells in the Loco Hills Pool to water injection. Applicant, in the above-styled cause, seeks an order authorizing it to convert to water injection five additional wells in its water flood project in the Loco Hills Pool, Eddy County, New Mexico. Said wells are the Brigham Well No. 1-A, Yates Well No. 4, Yates A Well No. 10, Yates A Well No. 12, and Coppedge Well No. 2, located respectively in the SE/4 SE/4 of Section 31, Township 17 South, Range 30 East, NE/4 SW/4 of Section 6, SW/4 SW/4 of Section 6, NE/4 NE/4 of Section 6, and NW/4 NW/4 of Section 5, all in Township 18 South, Range 30 East.

CASE 1870:

Application of Newmont Oil Company for permission to install four separate automatic custody transfer systems. Applicant, in the above-styled cause, seeks an order authorizing it to install a separate automatic custody transfer system on each of four leases in applicant's water flood project in the Loco Hills Pool, Eddy County, New Mexico.

CASE 1871:

Application of Union Oil Company of California for approval of a unit agreement. Applicant, in the above-styled cause, seeks an order approving its North Anderson Ranch Unit Agreement, which Unit is to comprise 360 acres, more or less, consisting of portions of Sections 32 and 33, Township 15 South, Range 32 East, Lea County, New Mexico.

CASE 1872:

Application of Gulf Oil Corporation for authority to commingle the production from four separate leases and for approval of an automatic custody transfer system to handle said commingled production. Applicant, in the above-styled cause, seeks permission to commingle the production from the following four separate leases and to install an automatic custody transfer system to handle the Pearl-Queen Pool production from all wells located thereon:

Lea-State "AP"lease, E/2 of Section 30;  
Lea-State "AQ"lease, N/2 of Section 32;  
Lea-State "BG"lease, N/2 of Section 33;  
Lea-State "IH"lease, W/2 SW/4 and W/2 SE/4  
of Section 29,

all in Township 19 South, Range 35 East, Lea County, New Mexico.

CASE 1873:

Application of The Atlantic Refining Company for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Langlie Federal "A" Well No. 1, located in Unit H, Section 14, Township 25 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Justis-Blindbry Pool and the production of oil from an undesignated Tubb pool through parallel strings of tubing.

CASE 1874:

Application of Val R. Reese & Associates, Inc., for a dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Lybrook Well No. 1-19, located in Unit C, Section 19, Township 24 North, Range 6 West, Rio Arriba County, New Mexico, in such a manner



as to permit the production of gas from an undesignated Gallup pool and the production of gas from an undesignated Dakota pool through parallel strings of tubing.

CASE 1875:

Application of Continental Oil Company for a non-standard gas proration unit and for an order force-pooling the interests therein. Applicant, in the above-styled cause, seeks the establishment of a 160-acre non-standard gas proration unit in the Blinebry Gas Pool consisting of lots 6, 10, 11, and 12 of Section 3, Township 21 South, Range 37 East, Lea County, New Mexico, to be dedicated to Shell Oil Company's Taylor-Glenn Well No. 1, located 3226 feet from the North line and 1980 feet from the West line of said Section 3. Applicant further seeks an order force-pooling the interests of those in said non-standard gas proration unit who have gas rights within the vertical limits of the Blinebry Gas Pool, including M. F. Taylor, P. O. Box 574, Amarillo, Texas, and R. B. Glenn, P. O. Box 461, Amarillo, Texas.

CASE 1876:

Application of Continental Oil Company for permission to commingle the production from two separate pools. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the production from the Weir (Drinkard) Oil Pool and Weir-Tubb Gas Pool from all wells on its Britt B-15 lease consisting of the W/2 and the W/2 E/2 of Section 15, Township 20 South, Range 37 East, Lea County, New Mexico.

CASE 1877:

Application of Continental Oil Company for permission to install an automatic custody transfer system and for permission to produce more than 16 wells in a common tank battery. Applicant, in the above-styled cause, seeks an order authorizing it to install an automatic custody transfer system to handle the production from all Skaggs Pool oil wells on its Southeast Monument Unit comprising lands located in Township 20 South, Ranges 37 and 38 East, Lea County, New Mexico.

CASE 1878:

Application of Continental Oil Company for permission to commingle the production from two separate pools. Applicant, in the above-styled cause, seeks an order authorizing it to commingle the production from the Weir (Drinkard) Oil Pool and the Weir-Tubb Gas Pool from all wells on that portion of the Southeast Monument Unit consisting of the W/2 W/2 of Section 14 and the E/2 E/2 of Section 15, Township 20 South, Range 37 East, Lea County, New Mexico.

CASE 1842:

(Continued)

Application of Skelly Oil Company for permission to commingle the production from two separate pools. Applicant, in the above-styled cause, seeks permission to commingle the production from the Langlie-Mattix Pool and the Drinkard Pool from all wells on its Baker "A" lease comprising the NW/4 of Section 26, Township 22 South, Range 37 East, Lea County, New Mexico.

CASE 1884:

Application of Skelly Oil Company for permission to commingle the production from two separate pools. Applicant, in the above-styled cause, seeks permission to commingle the production from the Langlie-Mattix Pool and the Drinkard Pool from all wells on that portion of the J. V. Baker lease comprising the SE/4 SW/4 of Section 22, Township 22 South, Range 37 East, Lea County, New Mexico.

CASE 1885:

Application of Skelly Oil Company for permission to commingle the production from two separate pools. Applicant, in the above-styled cause, seeks permission to commingle the production from the Drinkard Pool and the Tubb Gas Pool from all wells on its State "K" lease comprising the N/2 NW/4 of Section 32, Township 21 South, Range 37 East, Lea County, New Mexico.

CASE 1886:

Application of E. P. Campbell for an exception to Rule 107 (e) of the Commission Rules and Regulations. Applicant, in the above-styled cause, seeks an exception to Rule 107 (e) in order to recomplete his No. 1 Cleveland Well, located in NW/4 NE/4 of Section 33, Township 18 South, Range 26 East, Eddy County, New Mexico, as a "slim-hole" completion in the Pennsylvanian formation at a depth greater than 5000 feet.

CASE 1887:

Application of Monsanto Chemical Company for an exception to the "no-flare" provision of Order R-1427. Applicant, in the above-styled cause, seeks an exception to February 15, 1960, to the "no-flare" provision of Order R-1427 for five wells in the Bisti-Lower Gallup Oil Pool, San Juan County, New Mexico.

CASE 1888:

Application of C. W. Trainer for off-lease storage of oil production. Applicant, in the above-styled cause, seeks permission to store the Pearl-Queen Oil Pool production from his Rushing lease, consisting of the W/2 NE/4 of Section 22, Township 19 South, Range 35 East, Lea County, New Mexico, in a tank battery located on his Signal State lease, consisting of the E/2 NW/4 of said Section 22.

ig/



# CONTINENTAL OIL COMPANY

825 PETROLEUM BUILDING  
ROSWELL, NEW MEXICO  
December 23, 1959

WM. A. MEAD  
DIVISION SUPERINTENDENT  
OF PRODUCTION  
NEW MEXICO DIVISION

New Mexico Oil Conservation Commission  
Box 871  
Santa Fe, New Mexico

Attention: Mr. A. L. Porter, Jr., Secretary-Director

Re: Application of Continental  
Oil Company for Exception  
to Rule 309 (A) in order  
to Produce 44 Wells into  
a Centralized Tank Battery  
and to Install a Lease Auto-  
matic Custody Transfer System  
for all Wells Producing from  
the Skaggs Pool within the  
Boundaries of the Southeast  
Monument Unit.

Gentlemen:

Please find attached 3 copies of Continental Oil  
Company's Application for Exception to Rule 309 (A) in order  
to produce 44 wells into a centralized tank battery and to  
install a lease automatic custody transfer system for all wells  
producing from the Skaggs Pool within the boundaries of the  
(Southeast Monument Unit,) located in Sections 13, 14, 15, 22,  
24, 25, 26 and 27, T-20S, R-37E and Sections 19, 20, 29, and  
30, T-20S, R-38E, NMPM, Lea County, New Mexico.

Please set this matter for hearing at your earliest  
convenience.

*Rechecked  
mailed  
1-15-60*

PIONEERING IN PETROLEUM PROGRESS SINCE 1875

New Mexico Oil Conservation Commission  
Page 2

Yours very truly,

*W. G. Mead*

WAM-MH  
Enc.

BEFORE THE OIL CONSERVATION COMMISSION

OF THE  
STATE OF NEW MEXICO

Case 1877

IN THE MATTER OF THE APPLICATION  
OF CONTINENTAL OIL COMPANY FOR AN  
EXCEPTION TO RULE 309 (A) IN ORDER  
TO PRODUCE 44 WELLS INTO A CENTRALIZED  
TANK BATTERY AND TO INSTALL A LEASE  
AUTOMATIC CUSTODY TRANSFER SYSTEM  
FOR ALL WELLS PRODUCING FROM THE  
SKAGGS POOL WITHIN THE BOUNDARIES  
OF THE SOUTHEAST MONUMENT UNIT  
LOCATED IN SECTIONS 13, 14, 15, 22,  
23, 24, 25, 26, AND 27, T-20S, R-37E,  
AND SECTIONS 19, 20, 29, AND 30,  
T-20S, R-38E, NMPM, LEA COUNTY,  
NEW MEXICO.

A P P L I C A T I O N

Comes now applicant, Continental Oil Company and respectfully  
requests an exception to statewide Rule No. 309 (a) for permission to produce  
44 wells into a centralized tank battery and to install a lease automatic  
custody transfer system for all wells producing from the Skaggs Pool within  
the boundaries of the Southeast Monument Unit located in Sections 13, 14,  
15, 22, 23, 24, 25, 26, and 27, T-20S, R-37E and Sections 19, 20, 29, and  
30 T-20S, R-38E, NMPM, Lea County, New Mexico, and in support thereof  
would show:

1. That applicant is the operator of the Southeast Monument Unit  
covering lands located in Sections 13, 14, 15, 22, 23, 24, 25, 26, and 27,  
T-20S, R-37E, and Sections 19, 20, 29, and 30 T-20S, R-38E, NMPM, Lea County,  
New Mexico.
2. That the mineral rights under the above described lease are  
held by the Federal Government.
3. That applicant is now operating a centralized automatic  
tank battery for all wells producing from the Skaggs Pool in the Southeast  
Monument Unit as authorized by the Oil Conservation Commission's Order  
No. R-1002.
4. That applicant proposes to incorporate a lease automatic  
custody transfer system into the centralized battery.
5. That the proposed installation in exception to Rule 309 (a)  
is in the interest of conservation and the prevention of waste.

Wherefore, applicant prays that this matter be set for hearing before the Commission's duly qualified examiner and that upon hearing an order be entered granting applicant permission to produce 44 wells into a centralized battery and to install a lease automatic custody transfer system for all Skaggs Pool wells in the Southeast Monument Unit.

Respectfully submitted,

*W. A. Mead*

Wm. A. Mead  
Division Superintendent  
of Production  
New Mexico Division

OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

Date 1-29-60

CASE

1872

Hearing Date

1-27-60

My recommendations for an order in the above numbered cases are as follows:

1. Grant approval of Continental LACT system for their ~~SFM unit~~ Southeast monument unit for Grayburg production in the Skaggs pool.
2. The LACT installation will be located NESE of sec. 19-20S-37E.
3. Wells shall be tested every 30 days.
4. ~~Wells~~ Mechanical means shall be used to test each well on the unit each 30 days.
5. Exception to Rule 309 for 44 wells.
6. The wells will be equipped to shut-in in event of line breakage.

*Ernest R. [Signature]*

Staff Number

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
January 28, 1960.

IN THE MATTER OF  
CASE NO. 1877

TRANSCRIPT OF PROCEEDINGS

January 28, 1960

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6691





I N D E XWITNESSPAGE

JOHN A. QUEEN

Direct Examination by Mr. Kellahin

QUESTIONS by Mr. Utz

QUESTIONS by Mr. Payne

4

9

11

<u>NUMBER</u>	<u>EXHIBIT</u>	<u>MARKED FOR IDENTIFICATION</u>	<u>OFFERED</u>	<u>ADMITTED</u>
App. #1	Schematic Diagram	5	9	9
" #2	Location Plat	7	9	9
" #3	Plat Centralized Tank Battery	8	9	9

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6691



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

BEFORE THE  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
January 28, 1960.

IN THE MATTER OF:

APPLICATION OF CONTINENTAL OIL COMPANY for permission to install an automatic custody transfer system and for permission to produce more than 16 wells in a common tank battery. Applicant, in the above-styled cause, seeks an order authorizing it to install an automatic custody transfer system to handle the production from all Skaggs Pool oil wells on its Southeast Monument Unit comprising lands located in Township 20 South, Ranges 37 and 38 East, Lea County, New Mexico.

CASE  
NO. 1877

BEFORE:

Elvis Utz, Examiner

TRANSCRIPT OF PROCEEDINGS

MR. UTZ: The hearing will come to order, please.  
The next case on the docket will be 1877.

MR. PAYNE: Case 1877. Application of Continental Oil Company for permission to install an automatic custody transfer system and for permission to produce more than 16 wells in a common tank battery.

MR. KELLAHIN: If the Commission please, Jason Kellahin of Kellahin and Kellahin, Santa Fe, New Mexico, representing the applicant; and we will have one witness, Mr. Queen.

(Witness sworn.)



JOHN A. QUEEN

a witness, called by and on behalf of the Applicant, having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A John A. Queen.

Q And by whom are you employed, and in what position?

A Continental Oil Company, as Division Engineer, New Mexico Division.

Q You have previously testified before this Commission as an expert petroleum engineer, have you?

A Yes, sir.

Q Are the witness' qualifications acceptable?

MR. UTZ: Yes, sir.

Q (By Mr. Kellahin) Mr. Queen, are you familiar with Case 1877?

A Yes, sir, I am.

Q Would you state briefly what is proposed in this application?

A This application is to install an automatic tank battery, with the present existing centralized automatic tank battery, which was approved by Rule R-1002, and to produce 44 wells into the centralized automatic tank battery. The number was stipulated as 44, since the previous order had stipulated

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6691



35, and not more than 16. We actually, of course, will produce more than 16 wells into the automatic tank battery.

Q Now, referring to what is marked as Exhibit Number 1, a schematic diagram of the proposed installation, would you discuss how that installation will operate?

A Exhibit Number 1 is what is now classified as a routine exhibit, in that the oil is received into the storage tank, which is controlled by high and low level shut-off switches, and by an operating switch.

From there the fluid will pass to the sampler, a monitor, and into a pump. Should the monitor indicate that the B. S. and W. content is greater than that desired, it will be recirculated to the treater. Should the monitor indicate that the oils is all right for pipeline sales, it will pass it through a strainer, air eliminator, and sales meter. This is true if the sales meter is a positive displacement meter. If it is a positive volume meter, of course, it will not need the air eliminator.

From the sales meter, it will pass on to the necessary back pressure valves, to the pipeline.

Q Will you have adequate storage facilities for the operation of the unit, as you propose to operate it?

A The lease at the present time, of course, has a normal tank battery, and sufficient storage for weekend operations. After the installation of the Lact, or Act, as you wish, there will be sufficient storage for a period of time, probably in the

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6691



## DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CN 3-6691

ALBUQUERQUE, NEW MEXICO

neighborhood of 24 to 36 hours. However, it is not our intent to furnish sufficient storage for over weekends as previously. There will be safety shutting switches, in case the pipeline fails to pump the oil.

Q Now, will the pipeline take the oil, under this arrangement?

A Yes, sir, they will.

Q Will the installation be equipped with the safety features which are usual and customary in this type of installation?

A Yes, sir, they will, It is our anticipation that eventually this system will probably go to complete automation, which means that we must have every piece of device safety controlled. At that time, or I should say at the time of the installation of the Lact, we will have sufficient safety controls to safely operate the equipment.

Q Now, at the present time you are operating, as I understand, at a centralized tank battery?

A That's correct.

Q And how many wells are being produced into that?

A There are 35 at the present time. This, I might also add, that this centralized tank battery has an automatic production and test programing system on, included in the centralized battery, installed at the time the central battery was put in. So, with the installation of the Lact, and a small additional expenditure for equipment, this lease will be an automatic lease.



Q Now, how many wells will be produced into the Lact system?

A If I may refer to Exhibit 2, I believe that this will aid in the explanation -- in this explanation. Exhibit 2 is the location plat of the Skaggs Pool area, in the Southeast Monument area. The Southeast Monument is bordered by a heavy dotted line, or heavy dashed line, I should say. At the present time, there are 35 wells within this Southeast Monument Unit, producing into the automatic -- beg your pardon, beg your pardon -- the centralized tank battery.

Q Now, you said this Southeast Monument Unit is shown by the heavy dashed line there, are you referring to the dashed blue line, or the red line?

A The dashed blue line. At the time these exhibits were prepared, that statement was completely true in its entirety. However, we did have an application in to the United States Geological Survey, wherein eight wells, lying to the North of the Southeast Monument Unit, were proposed to be brought into the Southeast Monument area. These eight wells are bordered by a red dashed line. We now have received approval from the United States Geological Survey to bring these into the unit, and they are now considered a part of the Southeast Monument Unit, making a total of 44 wells within the Southeast Monument Unit.

Q Now, is the desire of Continental Oil Company to include those wells, which were apparently brought into the South-

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6691

east Monument Unit, within the Lact system?

A Yes, sir, it is.

Q That would include the wells in Section 3 and Section 18, and one well, I believe in Section 19, is that correct?

A If I may correct you, it will be Sections 13, and 18, and 19.

Q 13 and 18 and 19?

A Yes, sir.

Q Now, is the lease ownership common throughout the unit?

A Yes, sir.

Q Is it a working interest ownership?

A Yes, sir, it is.

Q Are the overriding royalties the same?

A Yes, sir, they are.

Q And then, an installation of this type will pose no conflicting difficulties?

A No, sir, none whatsoever.

Q In your opinion, would the granting of this application result in a more efficient operation, and prevention of waste?

A Yes, sir, we believe it will.

Q Were exhibits 1 and 2 prepared by you, or under your direction and supervision?

A Yes, sir, they were. And we have prepared another exhibit, which may be entered as Exhibit 3. We have no particular



discussion. It is just for the benefit of the Examiner, to show how we propose to -- or, beg your pardon -- show how the present wells are hooked into the centralized tank battery.

Q Will that same installation be used in your Lact system?

A Yes, sir; the Lact will merely replace the use of the tanks that are presently being used.

Q Were Exhibits 1, 2 and 3 prepared by you, or under your supervision?

A Yes, sir, they were.

MR. KELLAHIN: At this time, we would like to offer in evidence, Exhibits 1, 2, and 3.

MR. UTZ: Without objection, they will be received into evidence.

MR. KELLAHIN: That's all the questions I have, Mr. Utz.

QUESTIONS BY MR. UTZ:

Q Mr. Queen, where will the point of crude transfer be, in regard to your Exhibit Number 3?

A At the central test station.

Q Central test station?

MR. KELLAHIN: I might, for the information of the Examiner, state that we now propose a pilot water flood in this area, to initiate a full scale deposit flood, upon the successful indication -- we have not come before the Commission as yet with

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO





our application for this, but these applications here entered today are preparing for this initial pilot flood.

Q (By Mr. Utz) How much oil is this lease producing at this time?

A This lease is producing -- I have the figures, if I may take a minute -- I will have to beg your pardon. As I recall them, seven or eight hundred barrels per day. I can get those figures and return them to you; I do have them, but I don't recall the amount they are producing. As I recall them, somewhere between 12 and 15 barrels per well per day, at the present time, an average of that.

Q Are these wells pumping?

A Some of these wells are pumping, and some of the wells are flowing. A majority of them, in fact, I should have said, almost all of them are pumping.

Q Do you plan any low-pressure shut-off switches in your flow lines, to automatically shut in your well because of line breakage?

A This has been a question at every Act hearing that I have been at. Because of the automatic production programming, an automatic test programming, we feel such a devise in this particular installation. So, therefore, in this case, we will have.

Q That will be on all wells, or just the flowing wells?

A It will be on all wells. It must be, to make your

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



automatic test and production program to be fully automatic. As we said, we have gone, what we considered a complete step on this lease, or well, upon this installation, in having an automatic lease. In other words, the lease will be completely automatic.

MR. UTZ: Are there any other questions of the witness?

QUESTIONS BY MR. PAYNE:

Q Mr. Queen, has the Unit Agreement actually been amended to take in the acreage to the North of the unit area, as shown by the heavy dashed blue line?

A Yes, sir.

Q It has been?

A Yes; and has been approved.

Q Now, do you have any corrosion problem in the Skaggs Pool?

A No, sir, I do not believe we have at this time. At some future date, there may be, caused by some water flood problem, which I have noticed in past experience; but, to date, we do not consider this area corrosive.

Q Well, do you propose to install corrosion resistant meters at this time, or wait until the problems arise?

A I do not think that I would recommend to my company to install corrosion resistant meters, Even if there is a problem, it is my contention that corrosion can be controlled by an inhibition program more economically than it can be by high-priced corrosion resistant material; and this is based on my years in a

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

PHONE CM 3-6691



very corrosive area.

Q Now, do you have any paraffin problems there?

A No more than what might be expected in low producing wells.

Q How do you -- what kind of safety devices do you have to take care of your paraffin problem, if any? Do you have your meters -- or do you have your meters plastic coated?

A All of our meters will be plastic coated, where there is any possibility of paraffin, but the cost is so small, in the initial planning stage of the meters, only, of course if it is of positive volume. I don't believe a positive displacement meter can do this effectively. However, it does not become a problem because of the moving parts. It cleans itself.

Q Do you propose any more Skaggs wells in this unit area?

A We propose one more well, which we have included in our number of 44 wells, and that will be drilled after the installation of the pilot flood, and will offset one location. And if I recall properly, it is South of Well Number 40, and East of Well Number 21. I would like to check that, if you want to know the exact location of it, but we do have one more well proposed, sir.

Q Now, Mr. Queen, once you start a water flood project in here, would Continental have any objection to taking monthly well tests on all wells outside the project area, which were producing into the centralized battery, along with the water flood oil?

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6691



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

A We certainly would have no objection. We would not like to see such an order put out, that they would be tested each month, but there are no reasons why your well cannot be tested each month. We believe that a monthly, or more frequent test, must be obtained to accurately evaluate and control the water flood. I believe our present requirements would probably be, and no doubt are, greater than that required by the Commission on such an item.

However, if you would so put it in an order, then this means that we would be subject to penalty any one month of any one year, that this failed to be done on any one well, and, of course, could be very binding.

Q You do though, generally test every well once a month, don't you?

A That's correct. In this particular lease, as I have previously testified, we have an automatic test programming, and we test constantly. There is a well, almost without fail, on test all the time, on weekends, and during the week. And there was by pumper.

Q Are these wells in the stripper stage now, Mr. Queen?

A If the Commission would define what the stripper stage is, I might be able to answer that question. We believe they are approaching the stripper stage.

Q Are any of them top allowables?

A No, sir.



DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6691

Q Do any of them make half of the unit allowable?

A I would not be surprised if there were not a well, or more than one well, producing more than the unit allowable.

Q The average would be somewhat less then?

A I believe the average is about 12 and 15 barrels a day. And --

Q That's how I define stripper.

A I feel certain we will approach the Commission on this, at a time after more detailed study and planning. And this would probably be classified, in our opinion, as a stripper stage, but I still do not know what a full stripper well is, or stripper pool.

MR. PAYNE: That's all.

MR. UTZ: Are there any other questions of the witness?

(No response.)

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

(Witness excused.)

MR. UTZ: Are there other statements to be made in this case? If there are none, the case will be taken under advisement.



STATE OF NEW MEXICO )  
COUNTY OF BERNALILLO ) ss.

I, THOMAS T. TOMKO, Court Reporter, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in Stenotype and reduced to typewritten transcript under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my hand this 29th day of January, 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

*Thomas T. Tomko*  
Thomas T. Tomko, Court Reporter.

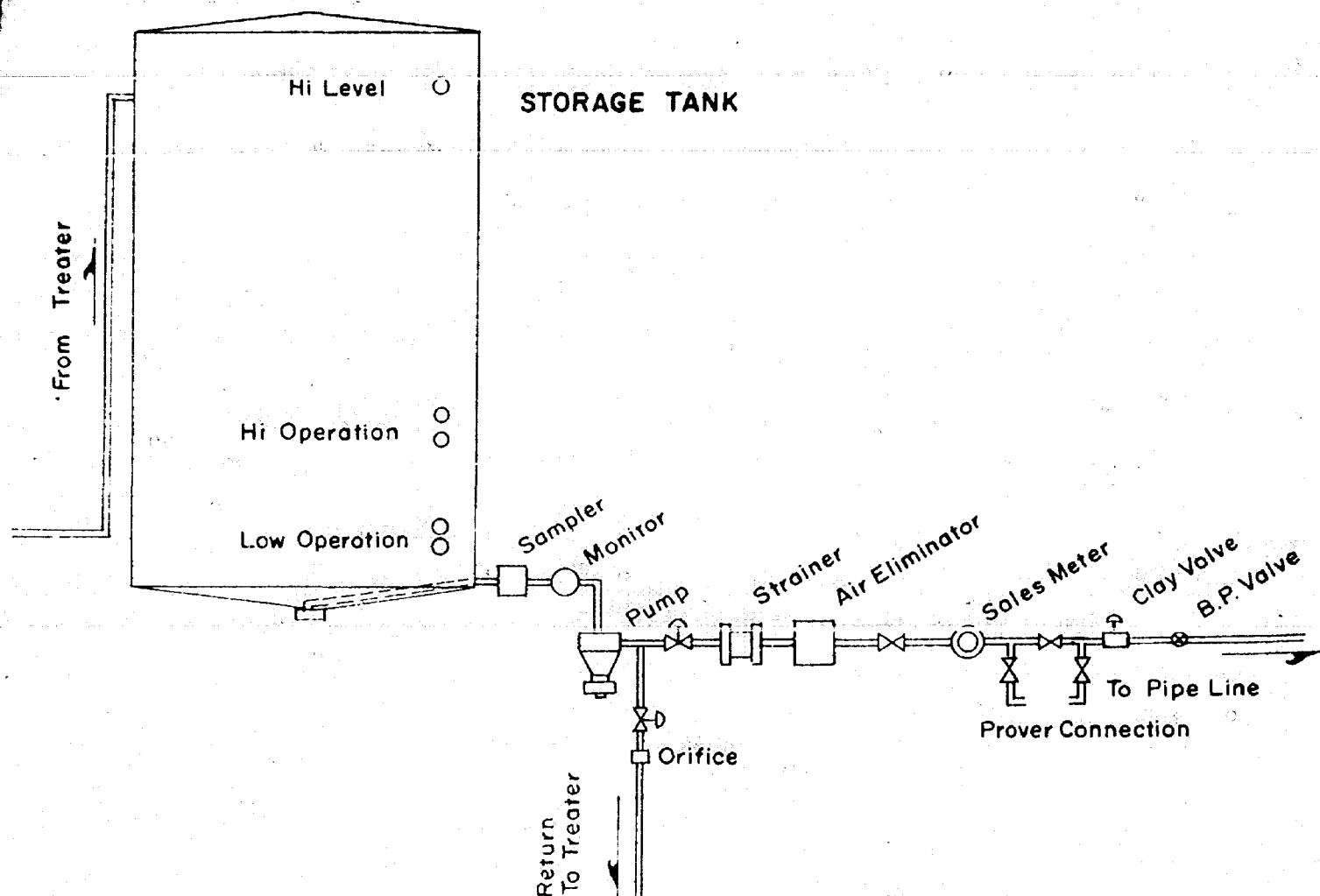
I do hereby certify that the foregoing is a complete record of the proceedings in the New Mexico Oil Conservation Commission heard on or before 2-10-60.  
*[Signature]*  
Examiner,  
New Mexico Oil Conservation Commission

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6691





CONTINENTAL OIL COMPANY  
 Schematic Diagram Of  
 PROPOSED LACT INSTALLATION  
 SEMU-Permian Lease

Case: 1877  
 Exhibit 1