

CASE 1956: Application of SHELL OIL
for automatic custody transfer to
handle Townsend-Wlfc. Production on
ETA lease - Lea County, N. Mex.

Case No.

1956

Application, Transcript,
Small Exhibits, Etc.

DRAFT
OEP:esr
May 4

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. 1956

Order No. R-1668

APPLICATION OF SHELL OIL COMPANY
FOR APPROVAL OF AN AUTOMATIC
CUSTODY TRANSFER SYSTEM IN THE
TOWNSEND-WOLFCAMP 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
April 27, 1960, 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, 1960, 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 sub-
ject matter thereof.

(2) That the applicant, Shell Oil Company, is the owner and operator of the State ETA lease comprising all of Section 8, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico.

(3) That the applicant proposes to install an automatic custody transfer system to handle the Townsend-Wolfcamp Pool production from all wells presently completed or hereafter drilled on said State ETA lease.

(4) 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, provided adequate safety features are incorporated therein.

IT IS THEREFORE ORDERED:

That the applicant, Shell Oil Company, be and the same is hereby authorized to install automatic custody transfer equipment to handle the Townsend-Wolfcamp Pool production from all wells presently completed or hereafter drilled on its State ETA lease comprising all of Section 8, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico.

~~PROVIDED HOWEVER, That in lieu of ~~not~~ installing well-head shut-in valves the lease gathering lines shall not carry in excess of 50 pounds pressure.~~

PROVIDED FURTHER, That the applicant shall either install high level safety shut-in switches in the storage tanks which *and at the well-head,* will shut-in the wells at the header, thus preventing the overflow of oil in the event of malfunction of the equipment, or it shall install *sufficient* storage capacity to handle one and one-half times the daily lease allowable excluding the storage capacity of the gun barrel.

PROVIDED FURTHER, That the applicant shall install adequate

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CASE No. 1956

Order No. R-_____

facilities to permit the testing of all wells on said State ETA lease at least once each month to determine the individual production from each well.

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.

That 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,-----

DOCKET: EXAMINER HEARING APRIL 27, 1960

Oil Conservation Commission - 9 a.m., Mabry Hall, State Capitol, Santa Fe

The following cases will be heard before Elvis A. Utz, Examiner, or Oliver E. Payne, Attorney, as alternate examiner:

- CASE 1942: Application of Continental Oil Company for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of the Jicarilla Well No. 28-1, located in the NW/4 SE/4 of Section 28, Township 25 North, Range 4 West, Rio Arriba County, New Mexico, in such a manner as to permit the production of oil from the Gallup formation and the production of oil from the Dakota formation through parallel strings of tubing.
- CASE 1927: (Continued)
Application of J. W. Brown for the establishment of special rules and regulations governing the Brown Pool in Chaves County, New Mexico, to provide for 2½-acre spacing in said pool.
- CASE 1943: Application of Gulf Oil Corporation for a dual completion and for an exception to the tubing requirements of Rule 107. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Apache-Federal Well No. 8, located in Unit D, Section 8, Township 24 North, Range 5 West, Rio Arriba County, New Mexico, in such a manner as to permit the production of gas from the Otero-Gallup Oil Pool and the production of gas from the Dakota Producing Interval through the casing-tubing annulus and the tubing respectively. Applicant further seeks an exception to certain tubing requirements set forth in Rule 107 of the Commission's Rules and Regulations.
- CASE 1944: Application of Great Western Drilling Company for establishment of a 200-acre non-standard gas proration unit in the Eumont Gas Pool. Applicant, in the above-styled cause, seeks an order establishing a 200-acre non-standard gas proration unit in the Eumont Gas Pool consisting of the E/2 NE/4 of Section 32 and the E/2 NW/4 and NW/4 NW/4 of Section 33, all in Township 19 South, Range 37 East, Lea County, New Mexico, said unit to be dedicated to its Bordages Well No. 1 located 330 feet from the North line and 270 feet from the West line of said Section 33.

CASE 1945: Application of Permian Oil Company for an order force-pooling the interests in a 320-acre unit in the Dakota formation. Applicant, in the above-styled cause, seeks an order force-pooling all Dakota formation mineral interests in the 320 acres comprising the E/2 of Section 5, Township 30 North, Range 13 West, San Juan County, New Mexico, the non-consenting mineral interest owners being Raymond H. Walker and Edith Walker, 1250 South Figueroa Street, Los Angeles, California, and Norman Roybark and Rose Ella Roybark, address unknown.

CASE 1946: Application of J. R. Cone for an exception to the over-production shut-in provisions of Order R-520, as amended by Order R-967, for two wells in the Jalmat Gas Pool. Applicant, in the above-styled cause, seeks an order allowing the following-described wells in the Jalmat Gas Pool to compensate for their overproduced status without being completely shut-in in order to prevent possible waste:

Mobil-Myers Well No. 4, Unit I, Section 22

Pan American-Myers Well No. 1, Unit H, Section 22

both in Township 24 South, Range 36 East, Lea County, New Mexico.

CASE 1947: Application of Phillips Petroleum Company for the establishment of two 80-acre non-standard oil proration units and one unorthodox oil well location. Applicant, in the above-styled cause, seeks an order establishing two 80-acre non-standard oil proration units in the Kemnitz-Wolfcamp Pool, Lea County, New Mexico, each consisting of a portion of the S/2 of Section 25, Township 16 South, Range 33 East. Applicant further seeks approval of an unorthodox oil well location in said Kemnitz-Wolfcamp Pool, the location to be in the center of the NW/4 SE/4 of said Section 25.

CASE 1948: Application of Humble Oil & Refining Company for authority to commingle the production from several 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 Empire-Abo Pool production from certain leases in Sections 4, 8, 9, 16 and 17, Township 18 South, Range 27 East, Eddy County, New Mexico, all of such leases being in the Chalk Bluff Draw Unit. Applicant also seeks approval of an automatic custody transfer system to handle said Empire-Abo Pool production from all wells presently completed or hereafter drilled on said leases.

- CASE 1949: Application of Trice Production Company for approval of a "slim-hole" completion. Applicant, in the above-styled cause, seeks an order authorizing the "slim-hole" completion of its Four Lakes State Well No. 1, located in the NE/4 NW/4 of Section 11, Township 12 South, Range 34 East, Lea County, New Mexico, to be completed in either the Pennsylvanian or Wolfcamp formation at a minimum total depth of 10,000 feet.
- CASE 1950: Application of Sinclair Oil & Gas Company for permission to commingle the production from two separate leases. Applicant, in the above-styled cause, seeks permission to commingle the West Teas Pool production from its State Lea 886 lease consisting of the S/2 NW/4 and N/2 NE/4 of Section 16 with the West Teas Pool production from that portion of its State Lea 6019 lease consisting of the NW/4 NW/4 and SE/4 of said Section 16, all in Township 20 South, Range 33 East, Lea County, New Mexico.
- CASE 1951: Application of Texaco Inc. for a gas-gas dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of the State "CH" Well No. 1, located in Unit H, Section 36, Township 20 South, Range 32 East, Lea County, New Mexico, in such a manner as to permit the production of gas from an undesignated Atoka gas pool and the production of gas from the South Salt Lake-Pennsylvanian Gas Pool through parallel strings of tubing.
- CASE 1952: Application of Texaco Inc. for establishment of a 476-acre non-standard gas proration unit in the Jalmat Gas Pool. Applicant, in the above-styled cause, seeks the establishment of a 476-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the N/2 of Section 4 and the NE/4 of Section 5, Township 24 South, Range 37 East, Lea County, New Mexico, said unit to be dedicated to the E. D. Fanning Well No. 6, to be located 660 feet from the North and West lines of said Section 4.
- CASE 1953: Application of Keohane, Saunders, Welch and Iverson for an unorthodox oil well location. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location for its Hinkle-Federal Well No. 7-B in the Shugart Pool at a point 330 feet from the South line and 2329 feet from the East line of Section 35, Township 18 South, Range 31 East, Eddy County, New Mexico.

CASE 1954:

Application of Shell Oil Company for approval of an automatic custody transfer system. Applicant, in the above-styled cause, seeks an order authorizing the installation of an automatic custody transfer system to handle the production from the Saunders (Permo-Pennsylvanian) Pool from all wells presently completed or hereafter drilled on the State A lease comprising the E/2 of Section 34, Township 14 South, Range 33 East, Lea County, New Mexico.

CASE 1955:

Application of Shell Oil Company for approval of an automatic custody transfer system. Applicant, in the above-styled cause, seeks an order authorizing the installation of an automatic custody transfer system to handle the production from the Monument Pool from all wells presently completed or hereafter drilled on the State B lease comprising the NW/4 of Section 36, Township 19 South, Range 36 East, Lea County, New Mexico.

CASE 1956:

Application of Shell Oil Company for approval of an automatic custody transfer system. Applicant, in the above-styled cause, seeks an order authorizing the installation of an automatic custody transfer system to handle the production from the Townsend-Wolfcamp Pool from all wells presently completed or hereafter drilled on the State ETA lease comprising all of Section 8, Township 16 South, Range 35 East, Lea County, New Mexico.

CASE 1957:

Application of Shell Oil Company for approval of an automatic custody transfer system. Applicant, in the above-styled cause, seeks an order authorizing the installation of an automatic custody transfer system to handle the production from the Denton (Devonian) Pool from all wells presently completed or hereafter drilled on the Priest lease comprising the N/2 of Section 1, Township 15 South, Range 37 East, Lea County, New Mexico.

Oliner Payne

Case 1956 involves Teod
Institutions Water Res. and
C.P. & R.

Mr. Long will try to come
down for this case -

Marion Rhea

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

Case 1956

In the Matter of the Application
of SHELL OIL COMPANY for an
Exception to Section (a) of Rule
309 of the Commission to Permit
Installation of Automatic Custody
Transfer Equipment in all of
Section 8, Township 16 South,
Range 35 East, Townsend Field,
Wolfcamp Production.

PETITION

SHELL OIL COMPANY hereby makes application for a hearing and order to approve an exception to Section (a) of Rule 309 of the Commission to permit the movement of oil from the Lease hereinafter described without the same being measured in tankage, and to permit the installation of automatic custody transfer facilities thereon, and for the movement of oil from the said lease to the pipe line connection. The production which is the subject of this application is from the Wolfcamp formation. The lease which is the subject of this application is known as Shell's State ETA Lease, Townsend Field, and covers all of Section 8, Township 16 South, Range 35 East, N.M.P.M.

Applicant requests that the exception and approval, if granted, cover all present and future production from the said lease insofar as it covers the Wolfcamp formation.

Respectfully submitted,

SHELL OIL COMPANY

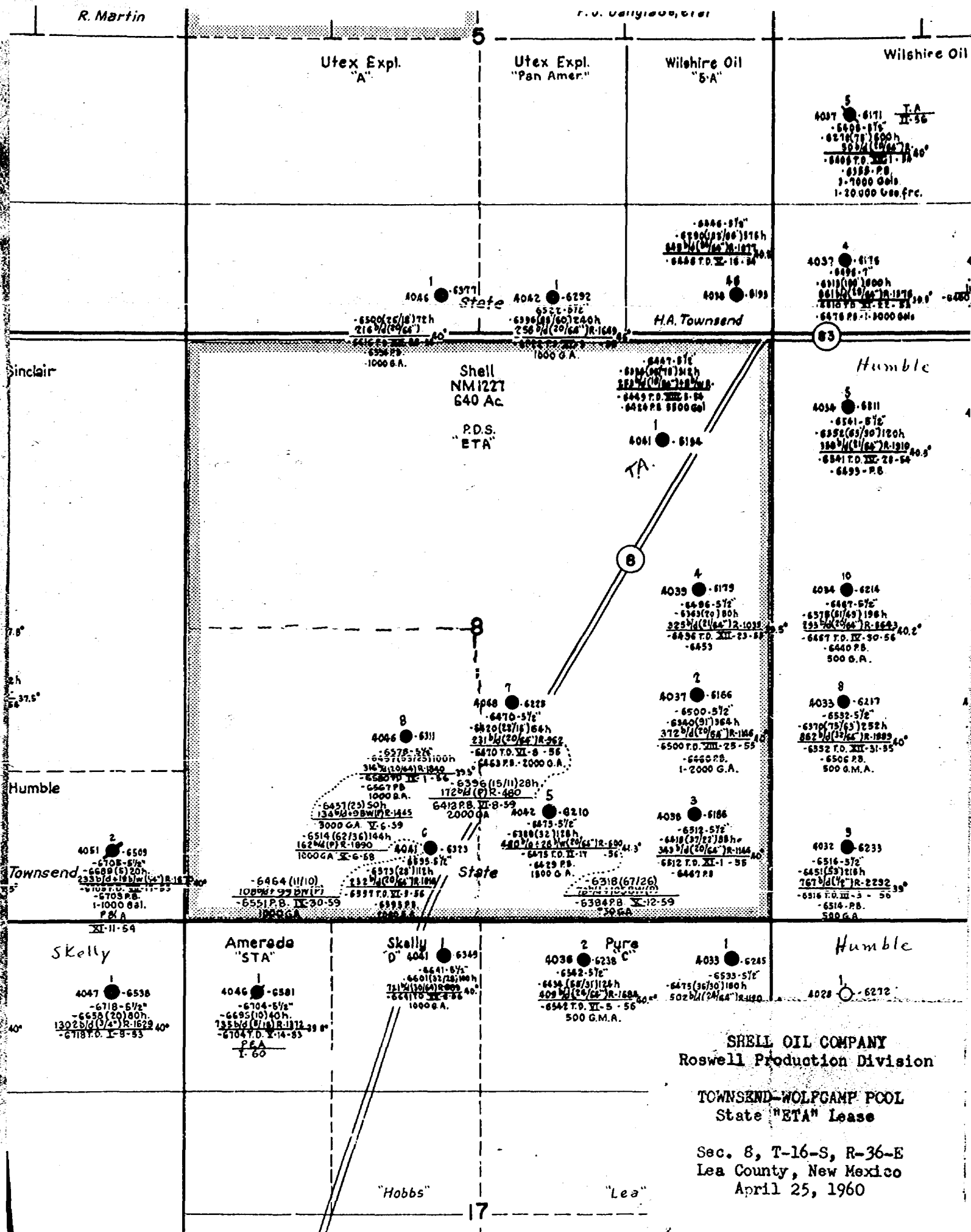
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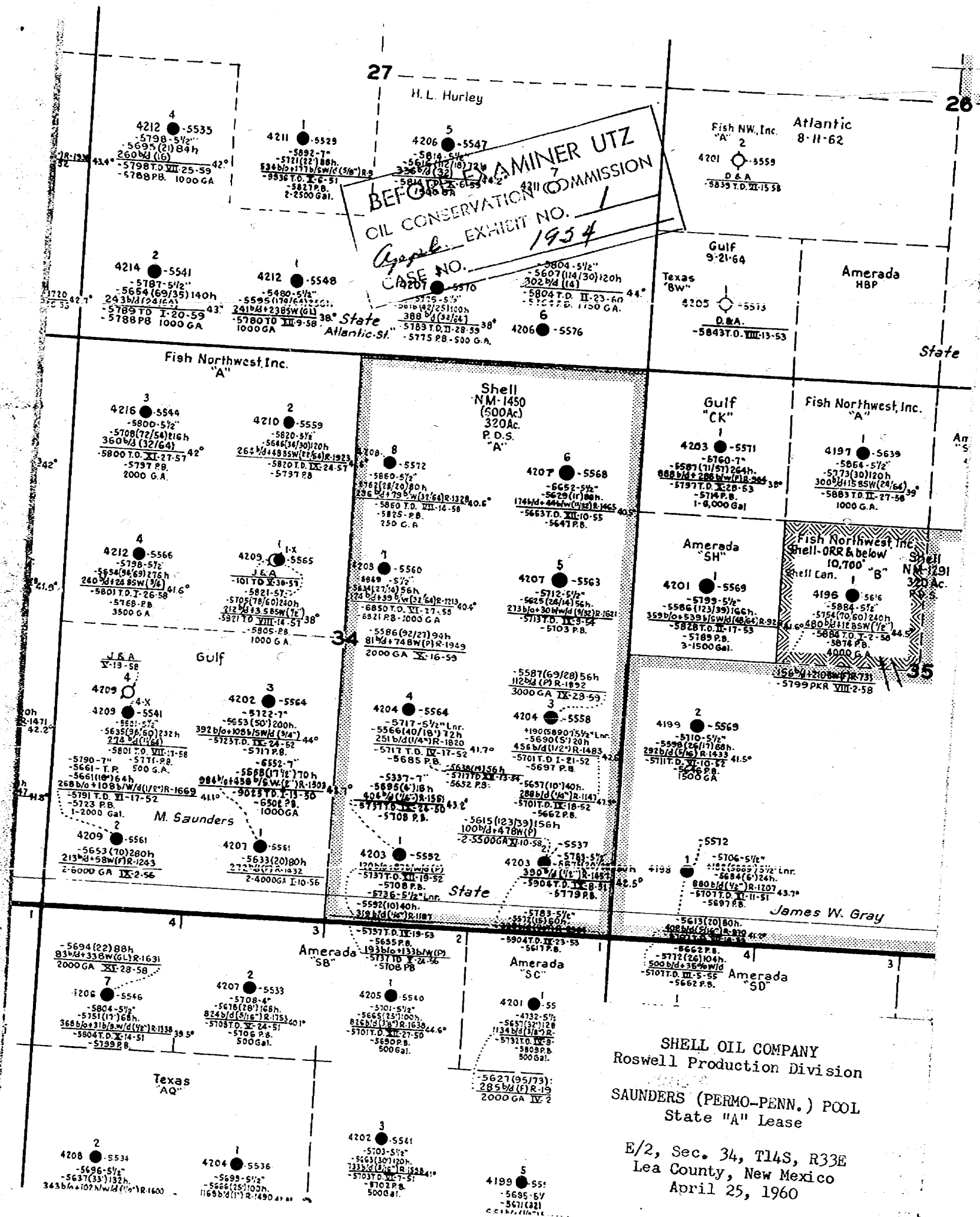
Alvin St.

Its Attorney.

*Robert
D. Miller*

*4-18-60
AC*





SHELL OIL COMPANY
Roswell Production Division
SAUNDERS (PERMO-PENN.) POOL
State "A" Lease
E/2, Sec. 34, T14S, R33E
Lea County, New Mexico
April 25, 1960

J. O. SETH
A. K. MONTGOMERY
OLIVER SETH
WM. FEDERICI
FRANK ANDREWS
FRED C. HANNAHS

SETH, MONTGOMERY, FEDERICI & ANDREWS
ATTORNEYS AND COUNSELORS AT LAW
301 DON GASPAR AVENUE
SANTA FE, NEW MEXICO

POST OFFICE BOX 828
TELEPHONE YU 3-7315

May 2, 1960

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

Re: Case 1956
Application of Shell Oil Co.
for Approval of an Automatic
Custody Transfer System
(Townsend-Wolfcamp Pool)

Gentlemen:

After I returned to my office I noticed that Exhibit No. 1 in the above case (plat showing State "ETA" Lease) erroneously gave the Range as 36-E. This should be 35-E.

The application and notices appear to designate the range properly, but the one exhibit has an error.

We would appreciate it if you would change the exhibit to conform to the correct description insofar as the range is concerned.

If I can be of further assistance in making this change, please advise.

Very truly yours,

Wm Federici

WRF:dd

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

CASE 1956

Date 5-2-60

Hearing Date 4-27-60

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

1. Grant Shell's request for an A.C.T. for their St. ETA lease consisting of Sec 8-165-35 E in the Townsend-Wolfcamp Pool (Exception Rule 309(a))
2. In lieu of not having M.H. shut-in valves the lease gathering lines shall not carry more than 504 pressure.
3. In lieu of not having a hi-level emergency lease shut-in feature the lease storage shall be maintained at a minimum of $1\frac{1}{2}$ times the lease daily allowable excluding the "burnback".
4. 1 flowing well + 6 pumping.
5. Usual A.C.T. order otherwise.



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. 1956
Order No. R-1668

APPLICATION OF SHELL OIL COMPANY
FOR APPROVAL OF AN AUTOMATIC
CUSTODY TRANSFER SYSTEM IN THE
TOWNSEND-WOLFCAMP 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 April 27, 1960, 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 9th day of May, 1960, 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, Shell Oil Company, is the owner and operator of the State ETA lease comprising all of Section 8, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico.
- (3) That the applicant proposes to install an automatic custody transfer system to handle the Townsend-Wolfcamp Pool production from all wells presently completed or hereafter drilled on said State ETA lease.
- (4) 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, provided adequate safety features are incorporated therein.

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Case No. 1956
Order No. R-1668

IT IS THEREFORE ORDERED:

That the applicant, Shell Oil Company, be and the same is hereby authorized to install automatic custody transfer equipment to handle the Townsend-Wolfcamp Pool production from all wells presently completed or hereafter drilled on its State ETA lease comprising all of Section 8, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico.

PROVIDED HOWEVER, That the applicant shall either install high level safety shut-in switches in the storage tanks which will shut-in the wells at the header and at the well-head, thus preventing the overflow of oil in the event of malfunction of the equipment, or it shall install and maintain sufficient storage capacity to handle one and one-half times the daily lease allowable excluding the storage capacity of the gun barrel.

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

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.

That 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."

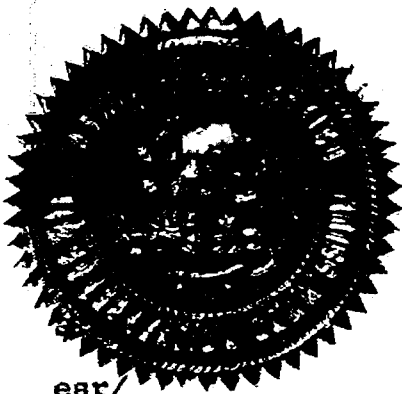
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

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



esr/

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Shell Oil Company for approval
of an automatic custody transfer system.

CASE 1956.

TRANSCRIPT OF HEARING

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

IN THE MATTER OF:

Application of Shell Oil Company for approval of an automatic custody transfer system. Applicant, in the above-styled cause, seeks an order authorizing the installation of an automatic custody transfer system to handle the production from the Townsend-Wolfcamp Pool from all wells presently completed or hereafter drilled on the State ETA lease comprising all of Section 8, Township 16 South, Range 35 East, Lea County, New Mexico.

CASE 1956

BEFORE:

Mr. Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. PAYNE: Case 1956: Application of Shell Oil Company
for approval of an automatic custody transfer system.

(Applicant's Exhibits Nos. 1, 2,
& 3 marked for identification.)

GEORGE W. CLSON

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

DIRECT EXAMINATION

BY MR. FEDERICI:

Q You are the same George Olson who testified in 1954?

A Yes, sir.

Q Will you state what difference, if any, there is in the
of installation proposed under this cause as compared to 1954?



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PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

A This installation is identically the same mechanically as proposed for Case 1954. It is proposed to install this system on the Townsend lease, or that is in the Townsend Field on the State ETA lease which is located in Section 8, Township 16 South, Range 35 East, Lea County, New Mexico.

Q You have Exhibit 1 there, will you explain that briefly to the Examiner?

A The Exhibit 1 shows the State ETA lease in the Townsend Field as I have just described it. This lease has eight producing wells producing -- I beg your pardon, it has seven producing wells. one well, No. 1, is temporarily abandoned. It produces approximately 450 barrels of oil per day and 325 barrels of water per day. It has one flowing well and six pumping wells. It has no top allowable wells.

The present tank battery consists of seven 500 barrel tanks. We propose to install the automatic custody transfer system previously described, and remove five of these tanks, leaving two 500 barrel tanks.

Q Is all of the production from one lease?

A To the best of my knowledge, the production is all from one lease.

Q I refer you to Exhibit 2 and ask you to state what that is.

A Exhibit 2 is a schematic drawing of the automatic custody transfer system and a list of materials to be used in the automatic



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PHONE CH 3-1691

ALBUQUERQUE, NEW MEXICO

custody transfer skid unit.

Q Is that the same as the Exhibit 2 in Case No. 1954?

A That is correct.

Q Has the pipeline company been notified of this application?

A Yes, sir, they have, and we have a letter from Service Pipe Line Company stating their approval of this unit.

Q Is that Exhibit 3?

A That is correct.

Q And is that the same as Exhibit 3 in 1954?

A That is right.

MR. FEDERICI: If the Examiner please, at this point we would like to offer in this case the testimony of this witness which was given in 1954, insofar as it's pertinent and material to this case.

MR. UTZ: Yes, sir. It will be accepted.

MR. FEDERICI: At this time we offer Exhibits 1, 2, and 3.

MR. UTZ: Without objection they will be accepted.

CROSS EXAMINATION

BY MR. UTZ:

Q How many flowing wells did you say you had on this lease?

A One flowing well.

Q Six pumping?

A Yes.

Q What's the name of the other well?



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ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6691

PAGE 5

A ETA No. 1 is temporarily abandoned.

Q It's not producing at all then?

A No, sir.

Q Is your tank setup the same as you described in Case 1954?

A Yes, sir, it is.

Q And you do not have a high level emergency switch on this system, either?

A No, sir.

Q How much flowing pressure do you have on the one flowing well?

A Well, this well is choked at the well, so its flowing pressure in the flow line would be in the order of fifty pounds, the same as the pumping wells. It flows to the same separator.

Q The gathering lines are ordinary iron pipe?

A Yes, sir. We do not propose to alter our method of operation of the lease, as far as observing the operation of the wells, in any way; so that the lease operator will be equally capable of detecting malfunctions as he now does in normal operations.

Q Don't you think a safety switch in case something happened to your pumper would be worth the added feature to prevent the waste of oil in case of tanks overflowing? How much oil does the lease produce a day?

A Approximately 450 barrels.



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PHONE CH 3-6671

ALBUQUERQUE, NEW MEXICO

Q And you have a thousand barrels of storage?

A Yes, sir. I don't feel that this is any problem, because our pumper will be required to be there on the lease at a minimum of once per day and it would be extremely unusual if he wasn't there to detect such a failure during the time that he is visiting the lease. This lease is declining so that the relationship between surge capacity and oil production will improve as time goes on.

Q You have no way of shutting in the lease in case your tankage does get full?

A No, sir. We would have to install in addition to the safety switch, we would have to install controls on these pumping wells and in this particular lease, five of these pumping wells are gas engine operated, which makes it very undesirable to shut them down. We would have no way of automatically starting them up if we did have an emergency shut-in, until the pumper manually started them up. We feel that the installation of the automatic custody transfer unit will relieve the pumper of some of his present duties related to stock tanks and allow him to spend more of his time observing the operation of his wells.

Q Is there just one pumper who operates this lease at the present time?

A Yes, sir.

Q The pumper wouldn't have any additional duties?

A No.

Q He could spend as much time with the system as he does



now?

A We'll anticipate he'll have at least as much time to devote to the lease as he does now.

MR. UTZ: Any other questions?

BY MR. PAYNE:

Q Mr. Olson, when you have one lease which may have two beneficiaries, are you familiar with how Shell allocates the payments to the two beneficiaries?

A Not completely, no, sir. I don't know there is one single method they have used. In some cases I understand they allocated by well test, provided that is acceptable to the royalty interests; and I believe that there are cases where they have measured continuously to satisfy the royalty interest, but I'm not in a position to say what all methods they have.

Q One of the other factors, I suppose, would be how many wells are involved, is that right?

A That would have some effect on it.

Q In any event, the installation of this automatic custody transfer system on this lease wouldn't change anything that you are now doing in regard to allocation?

A The best of my knowledge, yes, that's right. I'm not completely clear as to what we are now doing as far as the accounting for the oil, but this in no way would affect it.

Q So that even if the Commission approves this automatic custody transfer, a further look could be taken at a further

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PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



allocation and some solution arrived at on that?

A I think that's a completely separate problem.

MR. UTZ: Any other questions? If not, the witness may be excused.

(Witness excused.)

MR. UTZ: Any statements in this case?

MR. LEVY: I have a statement I would like to make. Leonard Levy, Assistant Counsel, State Land Office. There are two beneficiaries involved on this lease, even though it's one lease. We would like to request that the Commission withhold approval until such time as we can make arrangements with respect to the proper allocation of the royalty to the various beneficiaries.

MR. PAYNE: How long do you anticipate that will take, Mr. Levy, to work out?

MR. LEVY: I would imagine it could be worked out as soon as they can get the information with respect to accounting, and have a meeting.

MR. UTZ: It should be no longer than two weeks?

MR. LEVY: No longer than that. As a matter of fact, it probably can be taken care of today or the early part of next week.

MR. FEDERICI: If it's going to take any length of time, as was discussed a while ago, I don't think this system involved here would affect the type of allocation or distribution to the various beneficiaries. I wouldn't want to hold it up too long, if

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PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



it's all right with the Examiner.

MR. LEVY: Would the requirement of putting meters on the lease cause any trouble?

MR. OLSON: Are you asking me?

MR. LEVY: Yes.

MR. OLSON: It would involve considerable expense, if I understand your question about meters; to install meters to continuously meter that would involve the cost of the meters, the separators to go with them, and probably would involve -- no, I take that back. We have separate flow lines up to the tank batteries, it would not require new lines. But I would like to state that we have a three phase metering separator on the lease now for well testing and that we would certainly like to be able to use that to allocate production to these wells; and that if we're required to separate it out, it would be considerable additional expense to put in meters for continuously metering the production from those two wells.

MR. LEVY: Would it be of such added expense as to whether or not you install the automatic custody transfer?

MR. OLSON: Well, I don't think the two are related completely.

MR. LEVY: You are correct.

MR. UTZ: Which two wells, 6 and 8?

MR. LEVY: 6 and 8.

MR. UTZ: How much do those wells produce, do you have

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PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



any idea?

MR. OLSON: I don't have the information here.

MR. UTZ: I'm sure the question involved would be the accuracy of meters versus the charging back of production on the basis of well test, which you'll have to iron out with the Land Office.

Any other statements in this case? If not, the case will be taken under advisement.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6691



STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss

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 Hearing was reported by me in stenotype, and that the same was reduced to typewritten transcript under my personal supervision and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

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

Ada Dearnley
NOTARY PUBLIC

My Commission Expires:
June 19, 1963.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1856, heard by me on April 27, 1960.
Shirley H. [Signature], Examiner
New Mexico Oil Conservation Commission

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



SERVICE PIPE LINE COMPANY

Lovington, New Mexico
April 19, 1960

APR 20 1960

Mr. P. A. Dennie
Division Production Manager
SHELL OIL COMPANY
P. O. Box 845
Roswell, New Mexico

Subj: LACT Units
Shell-State "A", Saunders Pool
Shell-State "B", Townsend Pool
Shell-Priest, Darden Pool

Dear Sir:

We have reviewed your plans for LACT units to automatically transfer oil to Service Pipe Line Company on subject leases.

Your proposed facilities are satisfactory to us, and we are agreeable to receive oil at these locations on an automatic basis. Please inform us as soon as these installations are approved so we may order proving tanks. We would also like to know your estimated completion date.

If we can be of any further assistance to you, please feel free to call on us.

Yours very truly,

C. F. Sines
C. F. Sines

