

CASE 2024: Application of GULF OIL  
for permission to commingle on its  
Harry Leonard "P" Lease.

Case No.

2084

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Application, Transcript,  
and Exhibits, Etc.

**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. 2084  
Order No. R-1813**

**APPLICATION OF GULF OIL CORPORATION  
FOR PERMISSION TO COMMINGLE THE  
PRODUCTION FROM SEVERAL SEPARATE  
POOLS AND FOR PERMISSION TO INSTALL  
TWO AUTOMATIC CUSTODY TRANSFER  
SYSTEMS, LEA COUNTY, NEW MEXICO.**

**ORDER OF THE COMMISSION**

**BE THE COMMISSION:**

This cause came on for hearing at 9 o'clock a.m. on September 23, 1960, at Santa Fe, New Mexico, before Daniel S. Mutter, 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 24th day of October, 1960, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Mutter, 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, Gulf Oil Corporation, is the owner and operator of the Harry Leonard "F" Lease consisting of the E/2 of Section 2, Township 21 South, Range 37 East, NMPN, Lea County, New Mexico.
- (3) That the applicant seeks permission to commingle the production from the Brunson-Ellenburger Pool with the production from the Hare Pool from all wells on the above-described Harry Leonard "F" Lease.
- (4) That the production from the Brunson-Ellenburger Pool should be limited to the allowable from that pool as shown by a non-reset type meter.
- (5) That the applicant further proposes to install an automatic custody transfer system to handle said commingled production.

CASE No. 2004  
Order No. R-1813

(6) That the applicant further proposes to install a separate automatic custody transfer system to handle the production from the Terry-Blinchry Pool from all wells on the said Harry Leonard "F" Lease.

(7) 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.

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

IT IS THEREFORE ORDERED:

(1) That the applicant, Gulf Oil Corporation, be and the same is hereby authorized to commingle the production from the Brunson-Blenchry Pool with production from the Hare Pool from all wells on the Harry Leonard "F" Lease consisting of the E/2 of Section 2, Township 21 South, Range 37 East, NMPN, Lea County, New Mexico.

PROVIDED HOWEVER, That the production from the Brunson-Blenchry Pool shall be limited to the allowable from that pool as shown by a non-reset type meter.

PROVIDED FURTHER, That should any well on the subject lease become capable of producing a top allowable from the Hare Pool, the applicant shall notify the Commission's Santa Fe Office, at which time the case may be reopened.

(2) That the applicant be and the same is hereby authorized to install automatic custody transfer equipment to handle said commingled production.

(3) That the applicant be and the same is hereby authorized to install a separate automatic custody transfer system to handle the production from the Terry-Blinchry Pool from all wells on the said Harry Leonard "F" Lease.

PROVIDED HOWEVER, That the applicant shall install adequate facilities to permit the testing of all wells located on the above-described Harry Leonard "F" Lease at least once each month to determine the individual production from each well.

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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

**OIL CONSERVATION COMMISSION**

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

August 7, 1968

Gulf Oil Corporation  
P. O. Box 670  
Hobbs, New Mexico 88240

Attention: Mr. C. D. Berland

Administrative Order PC-358

Gentlemen:

Reference is made to your application dated June 4, 1968, for an amendment to Commission Order No. R-1787 which authorized the commingling of Wants-Abo, Paddock, Pearose Skelly, and Drinkard oil production and Tubb and Blinbry distillate production in one battery on your Benice King Lease in the N/2 of Section 28, Township 21 South, Range 37 East, Lea County, New Mexico, and the commingling of Brunson and Hare production in another battery on the same lease after separately metering the production from each pool. We are now in receipt of the 60-day production record supporting your request to delete the metering requirement of the subject order inasmuch as all production going into these batteries is of marginal nature.

An R- order of the Commission cannot be amended without a hearing. However, this installation is eligible for administrative approval and you are hereby authorized to commingle the aforesaid production as before except that the allocation to each well and to each pool shall be on the basis of periodic well tests. Please notify the Commission at such time as any well connected to either battery is capable of top allowable production.

That portion of Commission Order No. R-1787, dated October 3, 1960, relating to commingling is hereby put in abeyance.

Very truly yours,

A. L. PORTER, Jr.  
Secretary-Director

ALP/DSM/esr

cc: Oil Conservation Commission - Hobbs  
Oil & Gas Engineering Committee - Hobbs

GOVERNOR  
JOHN BURROUGHS  
CHAIRMAN

State of New Mexico  
**Oil Conservation Commission**

LAND COMMISSIONER  
MURRAY E. MORGAN  
MEMBER



STATE GEOLOGIST  
A. L. PORTER, JR.  
SECRETARY DIRECTOR

P. O. BOX 871  
SANTA FE

October 24, 1960

Mr. Bill Eastler  
Gulf Oil Corporation  
Box 600  
Roswell, New Mexico

Re: Case No. 2084  
Order No. E-1813  
Applicant:

Gulf Oil Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.,  
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC ☒ \_\_\_\_\_  
Artesia OCC \_\_\_\_\_  
Aztec OCC \_\_\_\_\_

Other \_\_\_\_\_

OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

Date 10/20/60  
9-25

CASE 3084

Hearing Date 9 am 10/5/60  
DSN 10 SF

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

- Enter an order approving gulf's application to commingle in this case subject to the following:
- 1 Applicant will meter the production from the Brunson Pool only and shall limit the production thru the meter to the actual allowable.
  - 2 Applicant shall use a non-reset type of meter.
  - 3 Should either ~~of~~ or both of the wells in the Hare Pool become capable of making top allowance, applicant shall notify the SF ofc of the Commission at which time the case may be reopened (for consideration of the possibility of requiring metering facilities on the Hare Pool also)
- Scrubman*



27-60

DOCKET: EXAMINER HEARING, WEDNESDAY, SEPTEMBER 21, 1960

The following cases will be heard before Daniel S. Nutter, Examiner, or Oliver E. Payne, Attorney, as Alternate Examiner:

\* Case Nos. 2083 through 2089 will not be heard before 1 p.m.

CASE 2055: (Continued)

Application of Aztec Oil & Gas Company for a gas-gas dual completion utilizing two strings of casing. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Hanks Well No. 12-D, located in Unit H, Section 7, Township 27 North, Range 9 West, San Juan County, New Mexico, in such a manner as to permit the production of gas from the Fulcher Kutz-Pictured Cliffs Pool and the production of gas from the Dakota Producing Interval through parallel strings of 2 7/8-inch and 4 1/2-inch casing cemented in a common well bore. Applicant proposes to install 2 3/8-inch tubing to produce the Dakota gas.

NEW CASES

CASE 2073:

Application of Aztec Oil & Gas Company for a gas-gas dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Hanks Well No. 18-D, located in Unit B, Section 5, Township 27 North, Range 9 West, San Juan County, New Mexico, in such a manner as to permit the production of gas from the Fulcher Kutz-Pictured Cliffs Pool and the production of gas from the Dakota Producing Interval through parallel strings of 2 7/8-inch and 4 1/2-inch casing cemented in a common well bore. Applicant also proposes to install 2 3/8-inch tubing to produce the Dakota gas.

CASE 2074:

Application of Aztec Oil & Gas Company for a gas-gas dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Hanks Well No. 16-D, located in Unit K, Section 6, Township 27 North, Range 9 West, San Juan County, New Mexico, in such a manner as to permit the production of gas from the Fulcher Kutz-Pictured Cliffs Pool and the production of gas from the Dakota Producing Interval through parallel strings of 2 7/8-inch and 4 1/2-inch casing cemented in a common well bore. Applicant also proposes to install 2 3/8-inch tubing to produce the Dakota gas.

CASE 2075:

Application of Aztec Oil & Gas Company for a gas-gas dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Hanks Well No. 15-D, located in Unit B, Section 6, Township 27 North, Range 9 West, San Juan County, New Mexico, in such a manner as to permit the production of gas from the Fulcher Kutz-Pictured Cliffs Pool and the production of gas from the Dakota Producing Interval through parallel strings of 2 7/8-inch and 4 1/2-inch casing cemented in a common well bore. Applicant also proposes to install 2 3/8-inch tubing to produce the Dakota gas.

CASE 2076:

Application of Aztec Oil & Gas Company for a gas-gas dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Hare Well No. 15-D located in Unit D, Section 10, Township 29 North, Range 10 West, San Juan County, New Mexico, in such a manner as to permit the production of gas from the Aztec-Pictured Cliffs Pool and the production of gas from the Dakota Producing Interval through parallel strings of 2 7/8-inch and 4 1/2-inch cemented in a common well bore. Applicant also proposes to install 2 3/8-inch tubing to produce the Dakota gas.

CASE 2077:

Application of El Paso Natural Gas Company and Sinclair Oil & Gas Company for two non-standard gas proration units. Applicants, in the above-styled cause, seek an order establishing two 191-acre non-standard gas proration units in the South Blanco-Pictured Cliffs Gas Pool, Rio Arriba County, New Mexico, one comprising the NE/4 and lots 1 and 2 of Section 18, the other comprising the SE/4 and lots 3 and 4 of said Section 18, both in Township 24 North, Range 3 West. Said units are to be dedicated respectively to the Tonkin Federal Well No. 3, located 1470 feet from the North line and 1750 feet from the East line of said Section 18 and to the Tonkin Federal Well No. 4, located 1500 feet from the South line and 990 feet from the East line of said Section 18.

CASE 2078:

Application of Chambers & Kennedy for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Monterey State Well No. 2, Unit D, Section 32, Township 18 South, Range 31 East, Eddy County, New Mexico, in such a manner as to permit the production of oil from an undesignated Yates oil pool and the production of oil from the North Shugard Queen-Grayburg Pool through parallel strings of 1 1/2-inch and 2 3/8-inch tubing respectively.

CASE 2079:

Application of Socony Mobil Oil Company for a "slim-hole" oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its E. O. Carson Well No. 23, located 760 feet from the South line and

860 feet from the West line of Section 28, Township 21 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Paddock Pool and the production of oil from the Wantz-Abo Pool using parallel stings of 2<sup>7</sup>/<sub>8</sub>-inch tubing cemented in a common well bore.

CASE 2080:

Application of W. H. Swearingen for an amendment of Order No. R-1748. Applicant, in the above-styled cause, seeks an amendment of Order No. R-1748 to include the SE/4 NW/4 of Section 21 with the remainder of the N/2 of said Section 21, both in Township 18 South, Range 26 East, Eddy County, New Mexico, to form a standard 320-acre gas unit in the Atoka-Pennsylvanian Gas Pool. Applicant further seeks a determination of the well costs which are to be paid by the parties.

CASE 2081:

Application of Phillips Petroleum Company and Phillips Chemical Company for permission to commingle the production from three separate leases. Applicant, in the above-styled cause, seeks permission to commingle the production from the Vacuum Pool from all wells on the following-described portions of three State leases:

State Lease No. B-2073, SE/4 NE/4 of Section 19

State Lease No. B-2388, NW/4 SE/4 of Section 20

State Lease No. B-1501, NE/4 NW/4 of Section 29

all in Township 17 South, Range 35 East, Lea County, New Mexico.

CASE 2082:

Application of Pan American Petroleum Corporation for off-lease storage of oil. Applicant, in the above-styled cause, seeks an order authorizing it to store the Empire-Abo Pool production from its Malco "N" Lease (NW/4 and N/2 SW/4 of Section 15) in a separate tank battery to be located on its State "BR" Lease (NE/4 NE/4 of Section 16), both in Township 18 South, Range 27 East, Eddy County, New Mexico.

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The following cases will not be heard before 1 p.m. on September 21, 1960.

CASE 2083:

Application of Gulf Oil Corporation for a 160-acre non-standard gas proration unit and for an order force-pooling the mineral interests therein. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests within the vertical limits of the Tubb Gas Pool in a 160-acre

non-standard gas proration unit consisting of the W/2 E/2 of Section 14, Township 21 South, Range 37 East, Lea County, New Mexico, including the following non-consenting interest owners: J. M. Newton, Ronald J. Byers, Robert E. Byers, and Constance E. Byers. Said unit is to be dedicated to the Naomi Keenum Well No. 2, located 660 feet from the South line and 1980 feet from the East line of said Section 14.

CASE 2084:

Application of Gulf Oil Corporation for permission to commingle the production from several separate pools and for permission to install two automatic custody transfer systems. Applicant, in the above-styled cause, seeks permission to commingle the production from the Brunson-Ellenburger Pool with production from the Hare Pool, and to commingle the production from the Terry-Blinebry Pool with the production from the North Paddock Pool, on its Harry Leonard "F" Lease, consisting of the E/2 of Section 2, Township 21 South, Range 37 East, Lea County, New Mexico. Applicant further seeks permission to install two automatic custody transfer systems to handle the aforesaid commingled production.

CASE 2085:

Application of Gulf Oil Corporation for permission to commingle the production from several separate pools and for permission to install two automatic custody transfer systems. Applicant, in the above-styled cause, seeks permission to commingle the production from the Brunson-Ellenburger Pool with production from the Hare Pool, and to commingle the production from the Wantz-Abo Pool, Paddock Pool, Penrose-Skelly Pool and Brinkard Pool with the gas condensate production from the Tubbs Gas Pool and the Blinebry Gas Pool, from all wells on its Eunice King Lease consisting of the N/2 of Section 28, Township 21 South, Range 37 East, Lea County, New Mexico. Applicant further seeks permission to install two automatic custody transfer systems to handle the aforesaid commingled production.

CASE 2086:

Application of Gulf Oil Corporation for 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 Gladiola (Devonian) Pool production from all wells presently completed or hereafter drilled on the M. M. Harris Lease comprising the NW/4 of Section 8, Township 12 South, Range 38 East, Lea County, New Mexico.

CASE 2087:

Application of Gulf Oil Corporation for 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 Gladiola (Devonian) Pool production from all wells presently completed or hereafter drilled

Docket No. 27-60

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on the Lea-State "AV" Lease comprising the NW/4 of Section 19, Township 12 South, Range 38 East, Lea County, New Mexico.

CASE 2088:

Application of Tennessee Gas Transmission Company for an amendment of Order No. R-1755. Applicant, in the above-styled cause, seeks an order amending Order No. R-1755 to expressly designate the applicant as operator of the unit pooled in said order with all powers incidental to the proper operation of the unit including the power and authority to market the production from the unit well.

CASE 2089:

Application of Val R. Reese & Associates, Inc. for the promulgation of special rules and regulations governing the Escrito-Gallup Oil Pool. Applicant, in the above-styled cause, seeks an order promulgating special rules and regulations governing the drilling, spacing and production of oil and gas wells in the Escrito-Gallup Oil Pool, Rio Arriba County, New Mexico and further, to extend said pool to include all of Section 25, Township 25 North, Range 7 West.

# Gulf Oil Corporation

ROSWELL PRODUCTION DISTRICT

W. A. Shellshear  
DISTRICT MANAGER  
F. O. Mortlock  
DISTRICT EXPLORATION  
MANAGER  
M. I. Taylor  
DISTRICT PRODUCTION  
MANAGER  
G. A. Price  
DISTRICT SERVICES MANAGER

1960 SEP 2 AM 8:41  
August 31, 1960

P. O. Drawer 669  
Roswell, New Mexico

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

Re: Application for Approval of Two  
ACT Systems and Request for  
Permission to Commingle the Sweet  
Crudes from the Brunson and Hare  
Pools and to Commingle the Sour  
Crudes from the Terry-Blinbry and  
Paddock Pools underlying Gulf's  
Harry Leonard "F" Lease, Lots 1,  
2, 7, 8, 9, 10, 15, 16 and SE/4  
of Section 2, T-21-S, R-37-E,  
Lea County, New Mexico

Gentlemen:

Gulf Oil Corporation herewith makes application for exception to the applicable Rules and Regulations of the New Mexico Oil Conservation Commission to install and operate two ACT systems for sweet and sour crudes and to commingle into one battery the sweet crude from the Brunson and Hare Pools and commingle into another battery the sour crude from the Terry-Blinbry and Paddock Pools, underlying the subject lease.

Gulf will request exceptions to:

- (1) NMOCC's Rule 309 (a) which requires measurement of oil in tanks before such oil is transported from the lease.
- (2) NMOCC's Rule 303 which prohibits the commingling of oil between pools.

In support of this application, Gulf Oil Corporation states the following:

- (A) Applicant is the owner and operator of the Harry Leonard "F" Lease which consists of Lots 1, 2, 7, 8, 9, 10, 15, 16 and the SE/4 of Section 2, Township 21 South, Range 37 East, Lea County, New Mexico. Lease plat is attached.
- (B) There is no diversity of royalty ownership underlying the above described lease.



August 31, 1960

- (C) Applicant proposes to commingle the Brunson and Hare crudes in one battery after separately metering the Brunson crude. Applicant also proposes to commingle the Terry-Blinbry and Paddock crudes in another battery after separately metering the Terry-Blinbry crude. The production will be allocated on the basis of individual well tests.
- (D) The proposed ACT installation will have adequate facilities for all required tests and will result in efficient accounting of crude oil transferred to the pipeline gathering system.
- (E) The granting of this application is in the interest of conservation and will protect correlative rights.
- (F) By copy of this letter, all offset operators and the pipeline concerned are notified of this application.

Gulf Oil Corporation respectfully requests that this matter be set for Examiner Hearing at an early date.

Yours very truly,



W. A. Shellshear

JHH:dd

cc: Oil Conservation Commission  
Post Office Box 2045  
Hobbs, New Mexico

Commissioner of Public Lands  
Post Office Box 791  
Santa Fe, New Mexico

Aztec Oil and Gas Company  
Post Office Box 847  
Hobbs, New Mexico

Shell Oil Company  
Post Office Box 845  
Roswell, New Mexico

Continental Oil Company  
Post Office Box 749  
Roswell, New Mexico

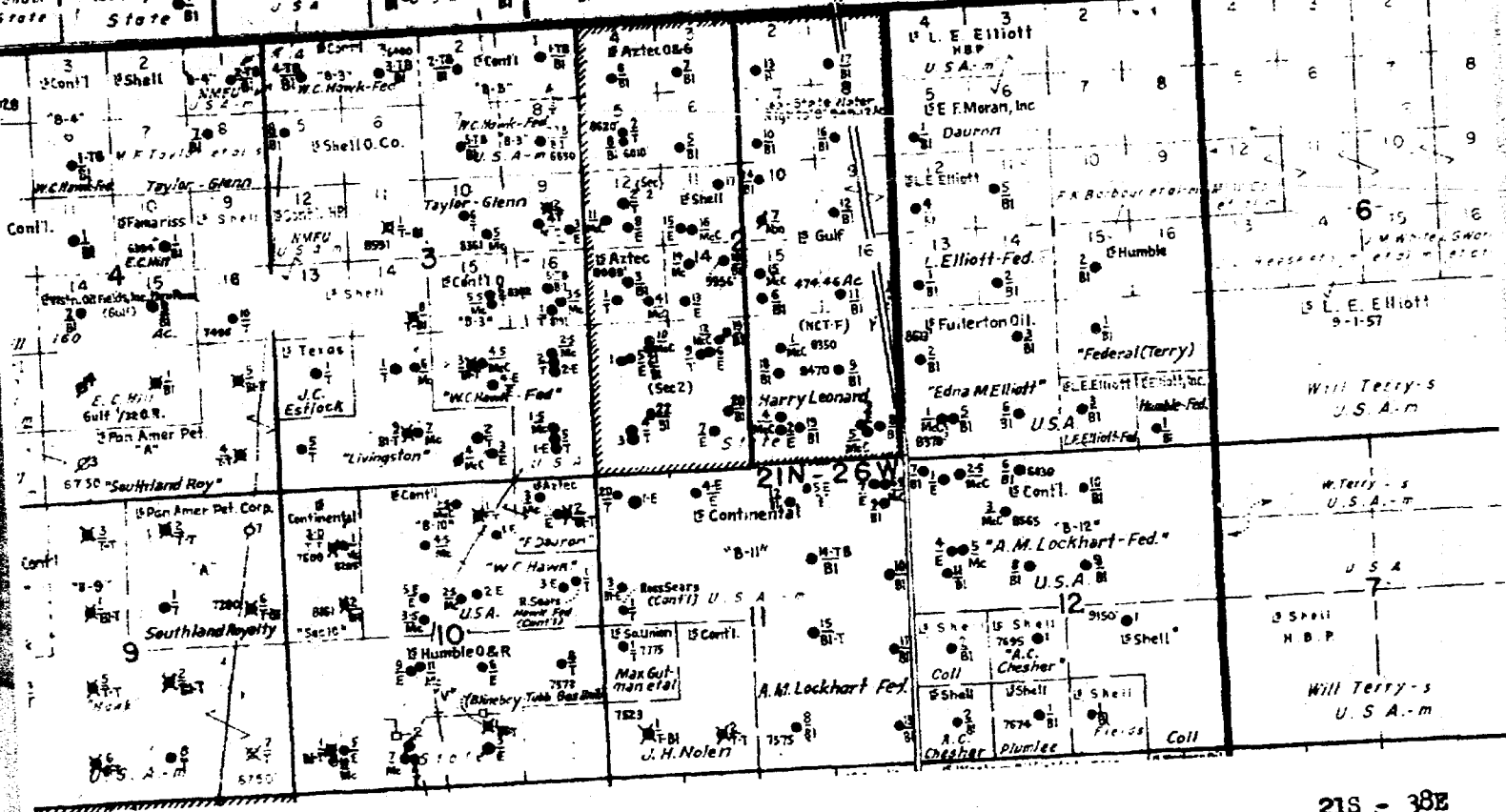
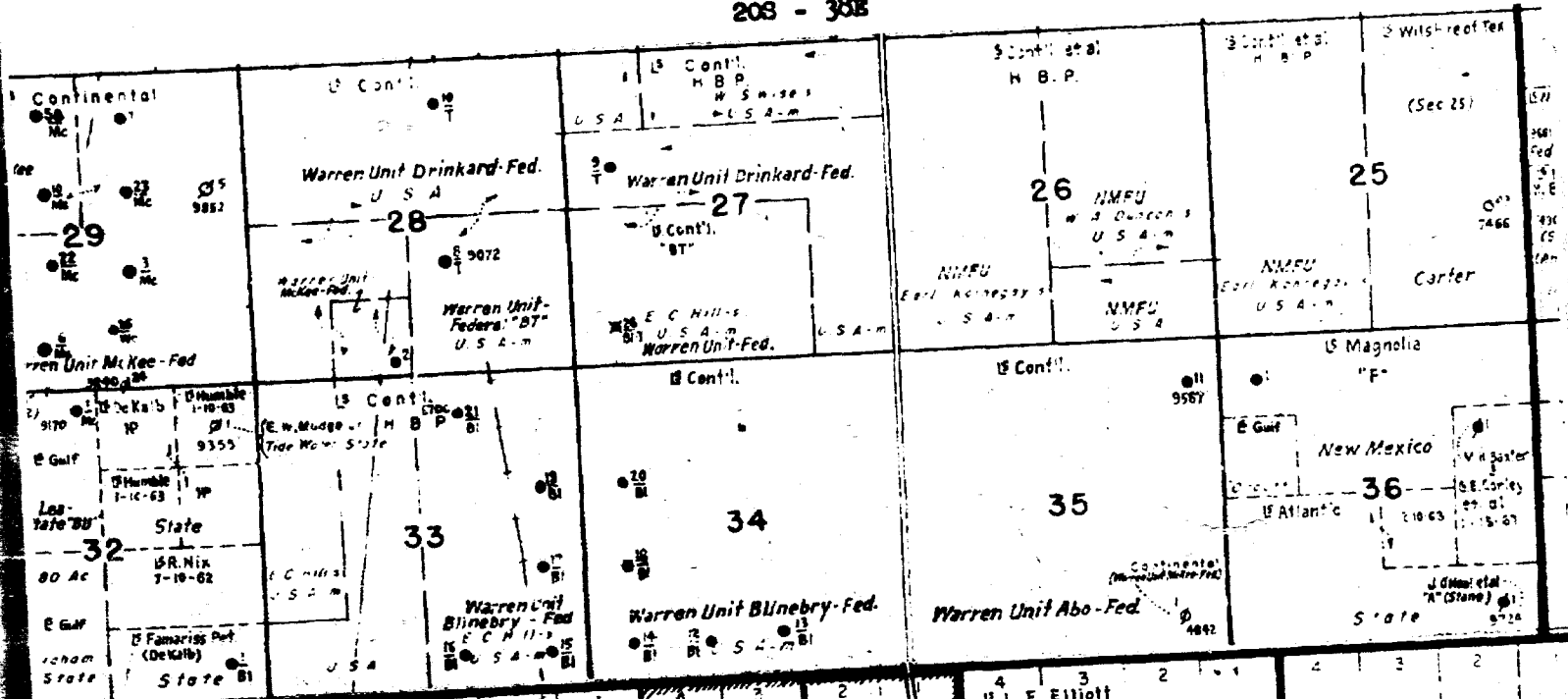
Fullerton Oil Company  
Post Office Box 2227  
Hobbs, New Mexico

L. E. Elliott  
Post Office Box 703  
Roswell, New Mexico

E. F. Moran, Inc.  
Post Office Box 1718  
Hobbs, New Mexico

Shell Pipe Line Corporation  
Post Office Box 1509  
Midland, Texas

208 - 38E



215 - 38E

215 - 37E

LEASE PLAT  
HARRY LEONARD (NCT-F)  
Lea County, New Mexico

- LEGEND -

Pertinent Gulf Lease

Gulf Oil Corporation



BEFORE THE  
OIL CONSERVATION COMMISSION  
MABRY HALL  
Santa Fe, New Mexico  
September 21, 1960

IN THE MATTER OF:

Application of Gulf Oil Corporation for permission to complete the production from several separate pools and for permission to install two automatic custody transfer systems. Applicant, in the above-styled cause, seeks permission to commingle the production from the Brunson-Ellenburger Pool with production from the Hare Pool, and to commingle the production from the Terry-Blinbry Pool with the production from the North Paddock Pool, on its Harry Leonard "F" Lease, consisting of the E/2 of Section 2, Township 21 South, Range 37 East, Lea County, New Mexico. Applicant further seeks permission to install two automatic custody transfer systems to handle the aforesaid commingled production.

Case 2084

BEFORE:

Daniel Nutter

TRANSCRIPT OF HEARING

MR. NUTTER: We will call case 2084.

MR. PAYNE: Application of Gulf Oil Corporation for permission to commingle the production from several separate pools and for permission to install two automatic custody transfer systems.

(Whereupon witness was sworn.)

LONNIE SMITH

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

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



DIRECT EXAMINATION

BY MR. KASTLER

Q Will you please state your name, by what company you are employed, where you are employed and what is your position.

A My name is Lonnie C. Smith. I'm employed by Gulf Oil Corporation at Hobbs, New Mexico as a petroleum engineer.

Q Mr. Smith, have you previously appeared before the Oil Conservation Commission for an Examiner Hearing of that body and been qualified as an expert witness and given testimony in cases for Gulf?

A Yes, sir.

Q Are you familiar with Gulf's application in Case 2084?

A Yes, sir I am.

Q Will you briefly state what is involved in case 2084.

A We are seeking application in this case to install and operate two ACT systems on our Harry Leonard NCT-F lease one for sweetcrude production and one for sourcrude production. The sweetcrude battery would consist of commingled production from the Brunson and Hare Pools. While the other ACT unit would be Terry-Blinebry production from this lease.

Q As I understand it, you have a proposal to commingle two pays and to install two automatic custody transfer systems, is that right?

A The two pays for one system and a single pay for the



other system.

Q Are you proposing to commingle from the Paddock pay zone?

A No, sir, there is one Paddock Well on this lease, Well No. 13 and it is now penalized to three barrels per day and we will leave it out of this, either one of these units, and plan to either re-work this well or abandon it in the near future.

MR. NUTTER: So while your application was for Paddock, do you want that portion of that thing stricken?

A Yes, sir.

Q (By Mr. Kastler) We would like to have this thing ammended. Have you prepared an exhibit for introduction as Exhibit No. 1?

A Yes, sir.

Q Does this show Gulf's lease?

A Outlined in red is Gulf's lease involved the Harry Leonard NCT-F lease, it consists of blocks 1, 2, 7, 8, 9, 10, 15, 16, and the southeast quarter of Section 2, Township 21 South, Range 37 East, Lea County, New Mexico.

Q Substantially this embraces all of the east half of Section 2 which is an irregular section.

A Yes, sir.

Q Is this a State, Federal or Fee lease?

A This is a State Lease.

Q Does it have one common beneficiary?

A Yes, sir, it does.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

Q And that being the Schools, is that right?

A Common Schools, yes, sir.

Q Does this plat Exhibit No. 1 also show the location of all wells?

A Yes, sir.

Q And would you please state what pay zones are productive on this Gulf Harry Leonard lease.

A We have the Brunson zone, the Hare, the Terry-Blinebry and the one existing Paddock Well.

Q Now, Mr. Smith, isn't it true that there are also other wells completed in other zones shown on this plat which are not necessarily at the present time producing from those zones?

A Several, yes, sir, are temporarily abandoned, two or three, one for instance number 7 has ABO in lot 10, that was re-tried for completion there in the Wantz-ABO and did not get it and that well is abandoned.

Q Finally, does Exhibit No. 1 identify and show all off-set operators?

A Yes, sir.

Q Thank you. I now wish to call your attention to Exhibit No. 2. Would you please identify what this exhibit is.

A Exhibit No. 2 is the production flow diagram of the proposed tank batteries and LACT systems.

Q Referring now to Exhibit No. 2, would you please trace



the flow in the direction of flow from the wells to the surge tanks as to the respective pay zone involved in this application.

A Yes, sir. Starting from the left hand side of the page, the uppermost battery is sweet production and we want to commingle the Brunson and Hare production. The Brunson production which consists of two wells and I believe one of these is a top allowable well so we proposed a metering separator and a sampler to come in from the header to the metering separator and the oil and water would be separated as well as the gas and the oil would be measured and a sample taken before it joined the commingled with the production joining from the Hare Well. And the two Hare Wells coming in there they would join the production with that of the Brunson and then go into a separator where the gas would be taken off and then the atmospheric heater treater will commingle into the atmospheric heater separator.

Q Would pass into the heater treater after the Brunson oil had first been separately measured.

A That is right.

Q Proceed.

A Upon leaving the atmospheric heater separator on the right side it will come through a BS and W monitor and through a diverter valve and if the BS and W monitor should show it to be good it would go to the low 500 barrel surge tank and if the BS and W monitor showed the oil to be excessive, it would be diverted by



the valve and come and swing back around to the up stream heater treater and join the normal flow production. If this situation did not correct itself before the heater treater filled up to the high level, the lease would be shut in by means of the valve at the headers.

Q Do you have a high level float switch at the atmospheric heater treater?

A Yes, sir.

Q All right.

A And then presuming the oil itself is good, it comes on into the surge tank and there by means of verec fluids which actuates the PD meter pump on the pipeline meter run, we would send it on to the pipeline and meter it there.

Q Suppose you had an occasion to test the oil from the Brunson zone, Hare, would you trace the flow in that instance.

A We have a common test facilities for both proposed batteries, and back to the header. For instance one of the Hare Wells we put one of them on lease, the valves on the header arrangement would allow one well to go to the flow stream down to the bottom of the page from the header and then join the test stream there and go into the pressure heater treater. The heater pressure where the gas would be separated and run through a gas meter and then go to the sales and the water would be separated and run through a dump meter and join the other waste water to



the pit and the oil production would be separately metered by a dump meter and diverted by the uppermost diverter valve back to its normal flow stream just up stream from the BS and W monitor.

Q From this test well it would be monitored and if found saleable would go into the surge tank, is that correct?

A If it was saleable, it would go to the surge tank, and if the BS and W monitor showed excess it would be diverted to the heater treater with the rest of the production.

Q You have safety production in the event the lease, the leases, would be shut in.

A Yes, sir, on the test heater treater a high level float control, also that would be in case the dump valves failed to work and the vessels filled up, it would divert the well on test back to production at the header, at the production header.

Q Would these tests be manually scheduled or automatically set?

A Automatically set.

Q I now wish to call your attention to Exhibit No. 3. Would you please identify this.

A This is the proposed automatic custody transfer system which is identical with many others we have installed around and are operating satisfactorily in the field at this time. The surge tank contains a verec fluid control which operates to the pump, at a certain high level it will turn the pump on and when



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it gets down to a certain low level it would cut it off. Production comes in from the surge tank through the de-aireator, through the strainer to the proportioning type sampler and at this point it goes through a PD meter with the set stop counter control, the monthly allowable for the lease and then through a lease shut-in valve and a back pressure valve and on to the pipeline and at this point there is a master meter prover and connections with pipeline seals. We are dealing with Shell pipeline and they are approving both ways at this time.

Q There will be two automatic custody transfer systems, is that correct?

A Yes, sir.

Q And both of them would be substantially the same?

A Yes, sir, they would.

Q As shown in Exhibit No. 3?

A Yes, sir.

Q Do you have the pipeline company's approval?

A Yes, sir, we do. The Shell pipeline has been contacted and they are agreeable to taking this oil as we propose from this proposed system.

Q Has the Commissioner of Public Lands given approval to this proposal for commingling as the trustee for one of the royalty owners?

A We advised them of our application and we have a letter,





a copy of their letter and we will submit that as Exhibit No. 4, a verifax copy, I have the original here if you would like to verify it. It is their agreement to that that it is one beneficiary and its common schools and it is okay for this proposed project.

Q Have the off-set operators been given notice to this application?

A Yes, sir.

Q In your opinion would the granting of this application result in the prevention of waste and the protection of correlative rights?

A Yes, sir.

Q Would it result in the substantial savings to Gulf?

A Yes, sir. It would prevent or reduce our labor force involved in taking care of the production on this lease and at the same time allow us to salvage a great deal of the equipment on the lease and use it elsewhere.

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

A Yes, sir.

Q Is Exhibit 4 a true copy of the letter from the Commissioner of Public Lands?

A Yes, sir.

MR. KASTLER: This concludes the testimony.

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CROSS EXAMINATION

BY MR. PAYNE

Q Are any Brunson or Hare Wells top allowable?

A One Brunson Well that is, yes, sir.

Q How are you going to determine the production from the Hare Well?

A By well tests, the same way we do now, sir. Of course all the production will really be allocated back on the basis of the well tests. They are set on the basis of the well test but we have put additional control of a metering separator with a set-stop counter and a sampler and we can take and set our monthly allowable for the Brunson Pool on that and taking into account the BS and W and the sampler, we can shut in our Brunson Wells when they reach their total production.

Q Well, now, you only separate the Brunson production, is that right?

A Yes, sir.

Q Would that charge all the shrinkage to one pool, if any there be?

A If any there be, we do not feel the shrinkage factor is significant enough for additional metering on marginal wells two marginal wells when we have the best test facilities that we can get which are better than what we have now as far as accuracy goes.

MR. NUTTER: You are not commingling two pools now, are you?

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A No, sir, we have allocated back to these wells.

Q You could not exceed your allowable when you are not commingling, isn't it possible that you could when you are commingling <sup>and</sup> ~~or~~ metering production from one pool?

A No, sir, I don't believe so. We have also a set stop on the master PD meter on the pipeline. We would not run more than the allowable from the Brunson and Hare Pools.

Q Do you intend to adjust your Brunson allowable through that meter?

A Through which meter?

Q Through the meter <sup>ing</sup> ~~and~~ separator.

A Yes, sir.

Q I see. So that you wouldn't ever produce more from the Brunson than the reading on the meter <sup>ing</sup> ~~and~~ separator.

A Yes, sir.

Q You usually do, don't you, <sup>its</sup> the oil that you sell that counts <sup>and</sup> ~~not~~ what your meter reads? In other words, you <sup>do</sup> ~~did~~ have shrinkage.

A You are saying we would have some volume on hand from the Hare <sup>in</sup> ~~and~~ the surge tank. ?

Q No, what I am saying is ordinarily if you, say you were producing from one pool only, and you were metering it for one <sup>reason?</sup> recommendation or another, you wouldn't take your allowable as determined by the meter reading, would you take it from what you



sell at the stock tank so you would have credit <sup>for</sup> of whatever shrinkage there may have been.

A That is true.

Q You don't propose to do that here?

A Well, to comply with other Commission orders about top allowable wells, we didn't feel we could so we submitted it in this way, the only door we had open.

Q I see. I think I <sup>just</sup> got it straight now. Thank you. What size of a separator is this metering separator?

A What size?

Q Yes, sir.

A Well, it's I don't know as its even been sized yet, <sup>its</sup> adequate to take care of the production <sup>at</sup> water and gas from those two wells.

Q Regardless of what its size is, I presume this other separator is a larger separator, isn't it, because it handles production for more than two wells.

A Yes, sir it would have to handle ~~more~~ It would have to handle all of it.

Q When the two Brunson <sup>wells,</sup> Pools, when they come through the metering separator, the oil production comes on out of the separator and goes through this sampler and then into a common line, that is coming from the Hare Pool?

A From the Hare header just as the well have joined the <sup>?</sup>



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Hare production down stream on this Hare separator just so it is up stream of the heater treater so we can use the common heating facilities.

Q What I was wondering, you got a large separator to handle the production from the two pools whereas you can place a small separator up stream, a small metering separator up stream from the junction of the Brunson line and the Hare, couldn't you? A metering separator to meter the Hare production?

A We already have these other vessels. They are the only thing we will have to buy, that is the metering separator. That is one reason we have a separator at all. You will notice I don't have a separator, that is a pressure heater treater. There's an old atmospheric on the Hare production stream and we already have a separator with it to prevent big new vessels, we propose to use these.

Q What capacity do these Brunson Wells have, do you have their production figures there?

A I am not sure I brought that. I have number 3 as 13 barrels and of oil and two barrels of water. I mean number 2 and number 3 Brunson has 94 barrels of oil, that is per day and no water.

Q How about the Hare Pool, you got two wells there.

A No. 1 is capable of 28 barrels of oil per day and 10 barrels of water per day and number 15 is capable of 31 barrels



of oil per day and no water.

Q And then there are a total of 11 Terry-Blinebry Wells, are there?

A Yes, sir.

Q However, the Terry-Blinebry production is not commingled with any production, is that right?

A That is right.

Q Are there any safeguards to prevent the oil which is being produced from the Brunson or the Hare when it's on test and coming through the heater treater, the test heater treater being accidentally diverted into the Terry-Blinebry surge tank rather than into their proper surge tank.

A It would be a matter of electrical contacts because when you switch the well at the production header, the diverter valves are normally closed, the motor valves are normally closed, closed all the time when you switch a well into it. It gives the same signal to open the respective right valves.

Q So these aren't hand operated valves.

A They are tied in electrically with each header valve.

Q I see.

BY MR. KASTLER: In the event of failure, they close.

A That is right. They are normally closed all the time and failure of electricity they would close.

BY MR. NUTTER: You mentioned you have some high level float

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switches in these treaters to the surge tank, have you any low level in them?

A They'reat fluid level control or gauge which we use a 5 point electrical contact gauge and you use two of them one for a low level shut off on your pump and one for high level start on your pump and you have three other contacts you use for anything you want to. We use at least two of them for high level shut offs.

Q That is the working level?

A That is the working level. This works - are you familiar with the verec fluid level?

Q No, sir.

A At the higher, the higher it gets you can set these contacts and they will make it break at certain points, any level, we usually use at least two of them for shut in contacts.

Q To handle the situation in the event the automatic custody transfer did not take the oil?

A Yes, sir.

Q Then the oil level exceeds the upper working level.

A It turns on the pump, the pump won't go on, it continues up to the high level. It signals to shut the lease in.

Q That shuts the wells in at the header.

A That shuts the wells in at the header.

Q Do you believe any high pressure wells are flowing into

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this lease?

A Not high pressure. I think some of the flowing wells, not many go up to around 600 pounds on 48 hour shut-in. We plan on shutting in, of course killing the electricity by pressure build-up arrangement on the pumping wells and putting well head shut in valves on the flowing wells.

Q So in other words, when your headers are shut in.

A You build up a flow line, you shut down all the wells at the well.

Q And the headers are shut in?

A Yes, sir.

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

(No response.)

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

MR. KASTLER: I would like to have Exhibits 1 through 4 made a part of this record.

MR. NUTTER: Gulf's 1 through 4 will be admitted into evidence. Does anyone have anything further for Case 2084?

(No response.)

MR. NUTTER: We will take the case under advisement and take case 2085.

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I N D E X

WITNESSES

LONNIE SMITH  
 Direct Examination by Mr. Kastler  
 Cross Examination by Mr. Payne

PAGE

2  
 10

E X H I B I T S

| <u>Number</u> | <u>Marked for<br/>Identification</u> | <u>Offered</u> | <u>Received</u> |
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| 4             |                                      | 16             | 16              |

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ALBUQUERQUE, NEW MEXICO



STATE OF NEW MEXICO )  
COUNTY OF BERNALILLO ) ss

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

DATED this 27th day of September, 1960 in the City of Albuquerque, County of Bernalillo, State of New Mexico.

*Lewellyn F. Nelson*  
NOTARY PUBLIC

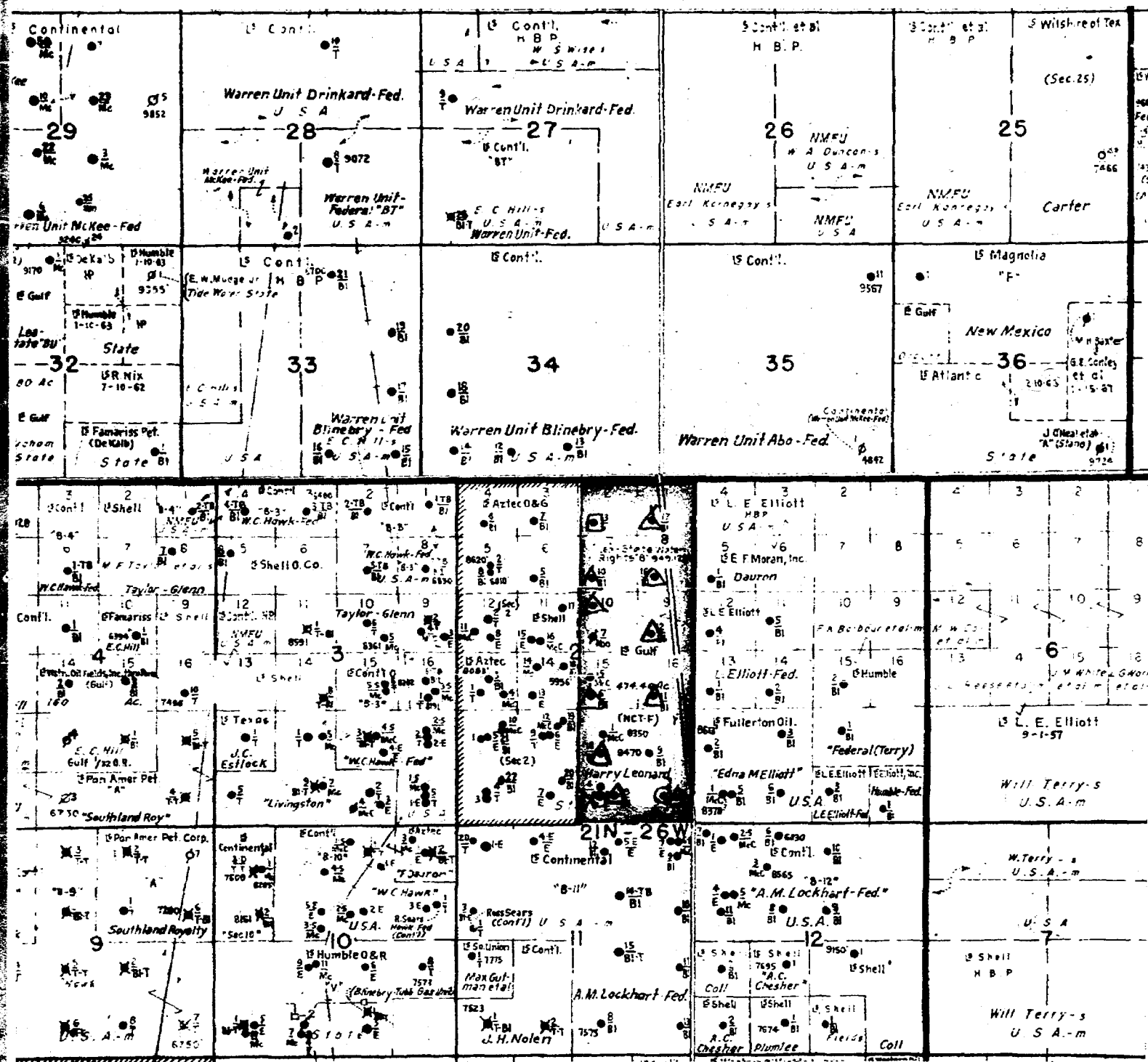
My Commission Expires:  
June 14, 1964.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6691





BEFORE EXAMINER NUTTER  
 OIL CONSERVATION COMMISSION  
 EXHIBIT NO. 1  
 INC. 2084

LEASE PLAT  
 HARRY LEONARD (NCT-F)  
 Lea County, New Mexico

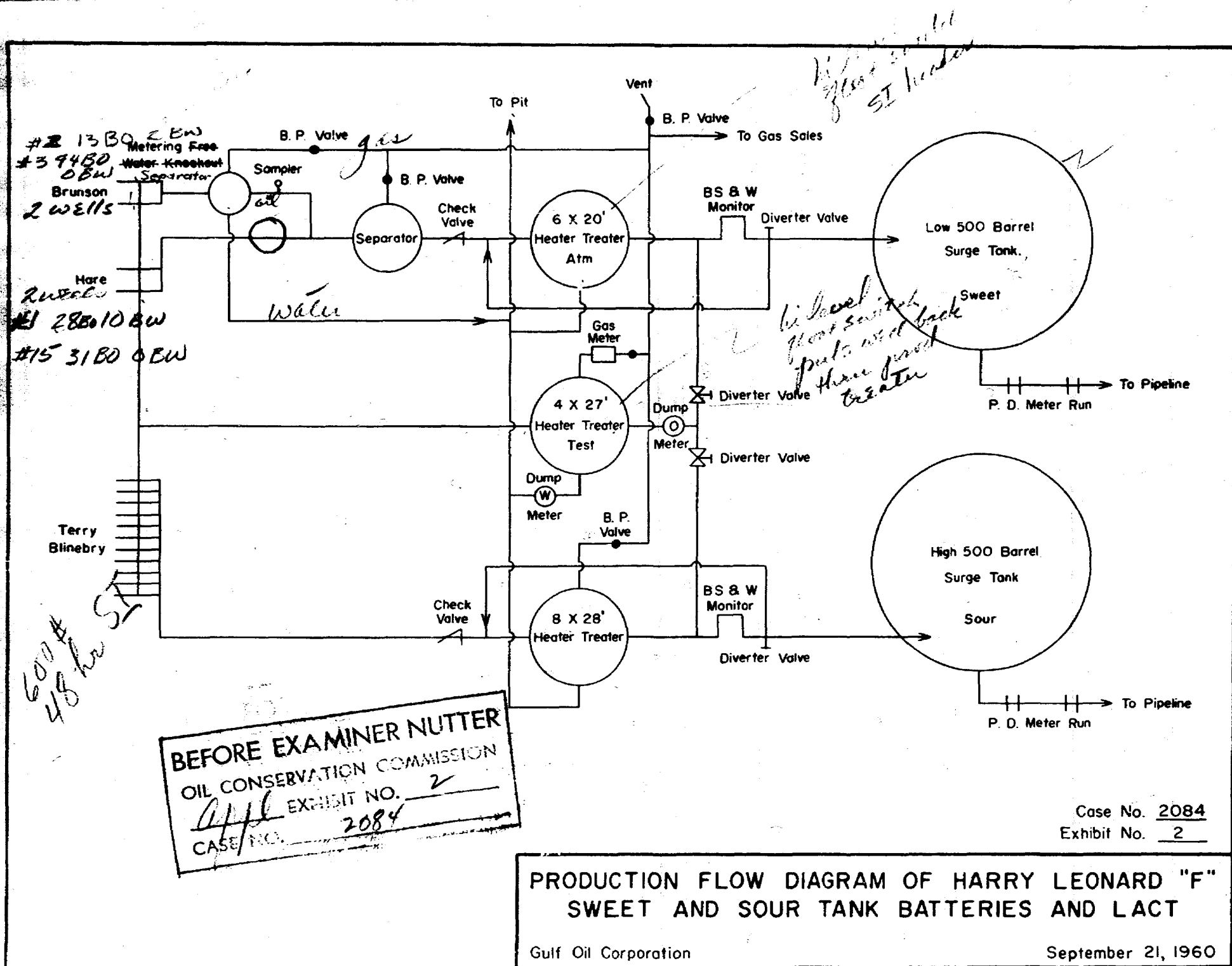
- LEGEND -

Pertinent Gulf Lease

Gulf Oil Corporation

September 21, 1960

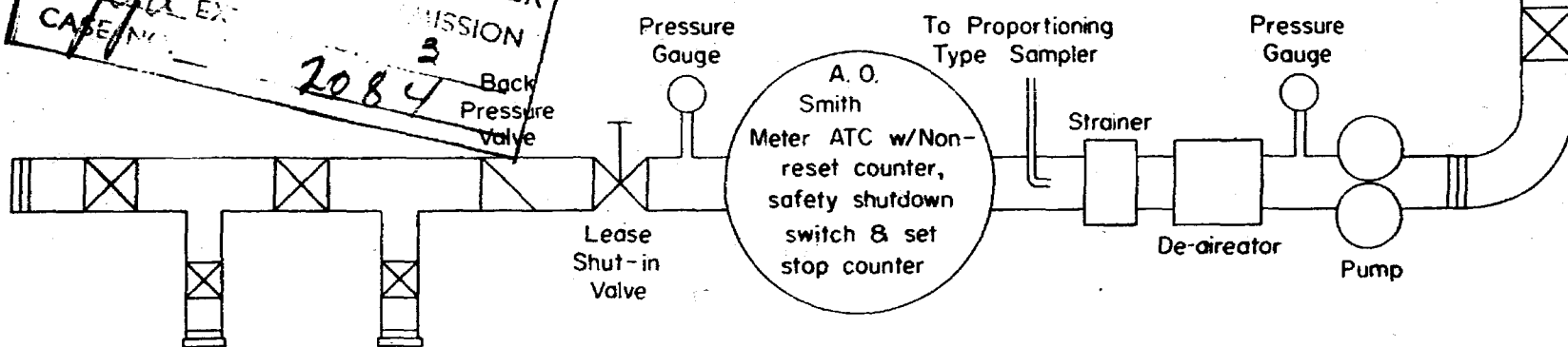
Case No. 2084  
 Exhibit No. 1



# CENTRAL BATTERY LACT UNIT

Surge Tank

BEFORE EXAMINER NUTTER  
OIL CONSERVATION  
CASE NO. 2084  
MISSION  
Back Pressure Valve



Master Meter Prover  
Connections with  
Pipeline Seals and  
Evertite quick change  
couplings w/dust caps

Case No. 2084  
Exhibit No. 3

## PROPOSED AUTOMATIC CUSTODY TRANSFER SYSTEM

Harry Leonard "F" Lease  
Gulf Oil Corporation September 21, 1960

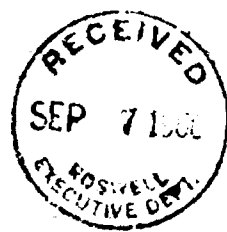
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State of New Mexico

5176



Commissioner of Public Lands



MURRAY E. MORGAN  
COMMISSIONER

Refer Reply To:  
Oil & Gas Royalty Division



September 6, 1960

P.O. BOX 791  
SANTA FE, NEW MEXICO

Gulf Oil Corporation  
P. O. Drawer 669  
Roswell, New Mexico

Gentlemen:

Permission is hereby granted to you to commingle the sweet crude from the Brunson and Hare Pools into one battery and to commingle into another battery the sour crude from the Terry-Bilberry and Paddock Pools covering Gulf's Harry Leonard "F", State Lease B-1732, Lots 1,2,7,8,9,10,15,16 and Sk/4 of Section 2, T-22S R-37E, Lea County, State of New Mexico. All of this acreage is committed to one beneficiary, that being Common Schools.

|                      |      |
|----------------------|------|
| BEFORE EXAMINER I    |      |
| I. CONSERVATION COM. |      |
| EXHIBIT NO.          | 4    |
| CASE NO.             | 2084 |

TB:ME

cc: Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

Sincerely yours,

MURRAY E. MORGAN,  
Commissioner of Public Lands

BY: *Ted Bilberry*  
Ted Bilberry, Supervisor  
Oil & Gas Royalty Division

Case No. 2084

Exhibit No. 4