

**CASE 2127: Application of SINCLAIR
for permission to commingle and for
an automatic custody transfer system.**

Case No.

2127

Application, Transcript,
Small Exhibits, Etc.

DRAFT

RSM/esr
December 1

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

psm
12/2
gdp
12/2
IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 2127
Order No. R- 1836

APPLICATION OF SINCLAIR OIL & GAS
COMPANY FOR PERMISSION TO COMMINGLE
THE PRODUCTION FROM TWO SEPARATE
POOLS, AND FOR PERMISSION TO INSTALL
AN AUTOMATIC CUSTODY TRANSFER SYSTEM,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
November 30, 1960, at Santa Fe, New Mexico, before Daniel S. Nutter
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 December, 1960, the Commission,
a quorum being present, having considered the application, the
evidence adduced, and the recommendations of the Examiner, Daniel S.
Nutter, 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, Sinclair Oil & Gas Company, is the
owner and operator of the State Lea 396 Lease consisting of the
NE/4, S/2 NW/4, and N/2 SW/4 of Section 35, Township 15 South,
Range 36 East, NMPM, Lea County, New Mexico.

(3) That the applicant seeks permission to commingle the
production from the Dean-Devonian Pool with the production from
the Dean Permo-Pennsylvanian Pool from all wells presently
completed or hereafter drilled on the above-described State Lea
396 Lease, after separately metering only the production from
the Dean Permo-Pennsylvanian Pool *since no well on the subject lease*
is capable of producing top unit allowable.

(4) That the applicant further proposes to install an
automatic custody transfer system to handle said commingled
production.

(5) 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.

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

IT IS THEREFORE ORDERED:

(1) That the applicant, Sinclair Oil & Gas Company, be and the same is hereby authorized to commingle the production from the Dean-Devonian Pool with production from the Dean Permo-Pennsylvanian Pool from all wells presently completed or hereafter drilled on the State Lea 396 Lease consisting of the NE/4, S/2 NW/4, and N/2 SW/4 of Section 35, Township 15 South, Range 36 East, NMPM, Lea County, New Mexico, after separately metering only the production from the Dean Permo-Pennsylvanian Pool.

PROVIDED HOWEVER, That should any well on the subject lease become capable of producing a top allowable from either pool, the applicant shall also separately meter the production from the Dean-Devonian Pool, and shall notify the Santa Fe Office of the Commission of such action.

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

PROVIDED HOWEVER, That the applicant shall install adequate facilities to permit the testing of all wells located on the above-described State Lea 396 Lease at least once each month to determine the individual production from each well.

PROVIDED FURTHER, That in order to prevent the overflow and waste of oil in the event the automatic custody transfer system fails to transfer oil to the pipeline, the applicant shall add additional storage facilities from time to time, as it becomes necessary, to store the production which will accrue during the hours that said lease is unattended, or in the alternative, shall

either
so equip the existing facilities as to automatically shut-in the lease production at the wellhead in the event the storage facilities become full, *or test the flow-lines to pressure of at least 1/2 times the shut-in pressure of the wells.*
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.

Case 2127

GILBERT, WHITE AND GILBERT

ATTORNEYS AND COUNSELORS AT LAW
BISHOP BUILDING

SANTA FE, NEW MEXICO

October 20, 1960

CARL H. GILBERT
L. C. WHITE
WILLIAM W. GILBERT
SUMNER S. KOCH
WILLIAM B. KELLY

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

Attention: Ida Rodriguez

Re: Application of Sinclair Oil & Gas Company
for exception to Rules 303 and 309, Lee Whitman
"A" and "B" leases, Lea County, New Mexico.

Application of Sinclair Oil & Gas Company
for exception to Rules 303 and 309, State
Lea 396 lease, Lea County, New Mexico.

Dear Ida:

Enclosed herewith please find applications of Sinclair Oil
& Gas Company requesting exceptions to Rules 303 and 309
in regard to their Lee Whitman "A" and "B" leases, Lea
County, New Mexico and its State Lea 396 lease.

It would be appreciated if these applications could be set
for hearing during the week of November 7th or 21st. Mr.
Anderson, our witness, will be engaged in other hearings in
Austin November 4th and 16th.

With kindest personal regards, I am,

Sincerely,

L. C. White

L. C. WHITE

LCW/ab

Encls.

cc: Mr. Horace N. Burton

*Doyle
M. White
11-17-60*

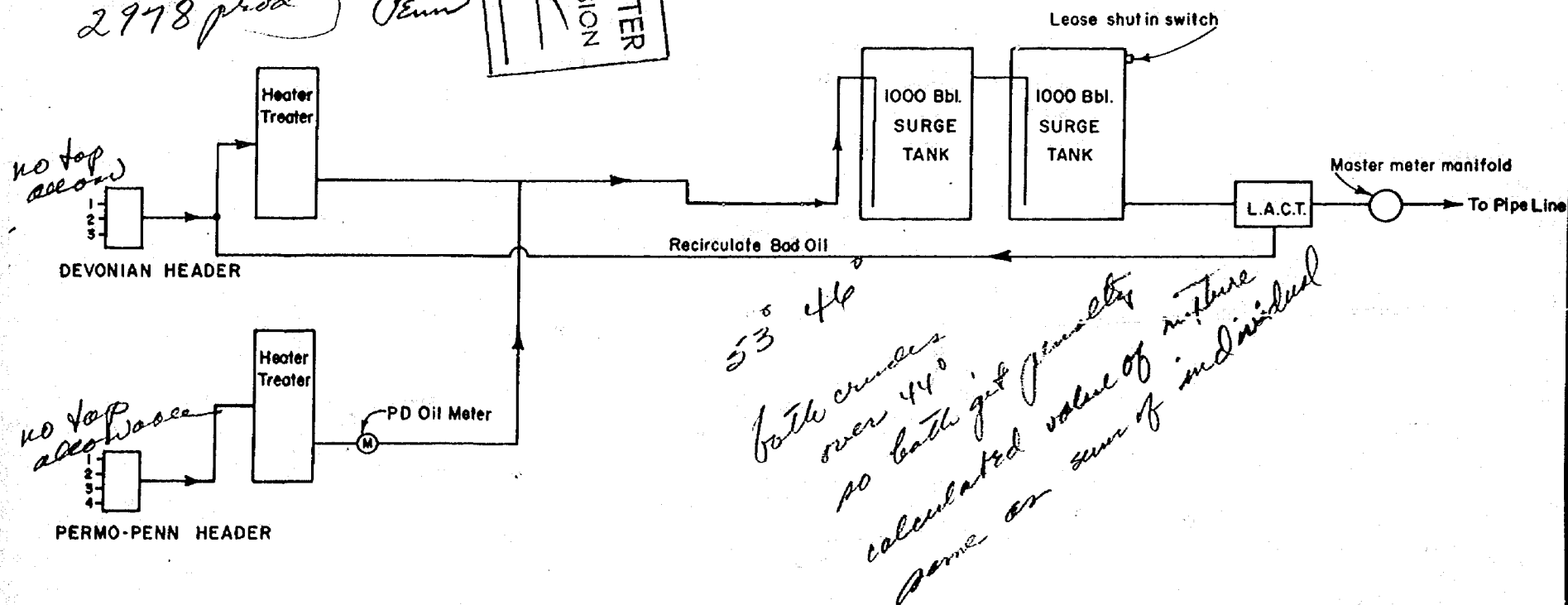
Sept 60

8220 accow
4818 prod } Dev

4380 accow
2978 prod } Perm-o-Penn

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Case Exhibit No. 2127
CASE NO. 2127

SINCLAIR OIL & GAS COMPANY
DEAN POOL
STATE LEA 396 LEASE
LEA COUNTY, NEW MEXICO
PROPOSED TANK BATTERY INSTALLATION



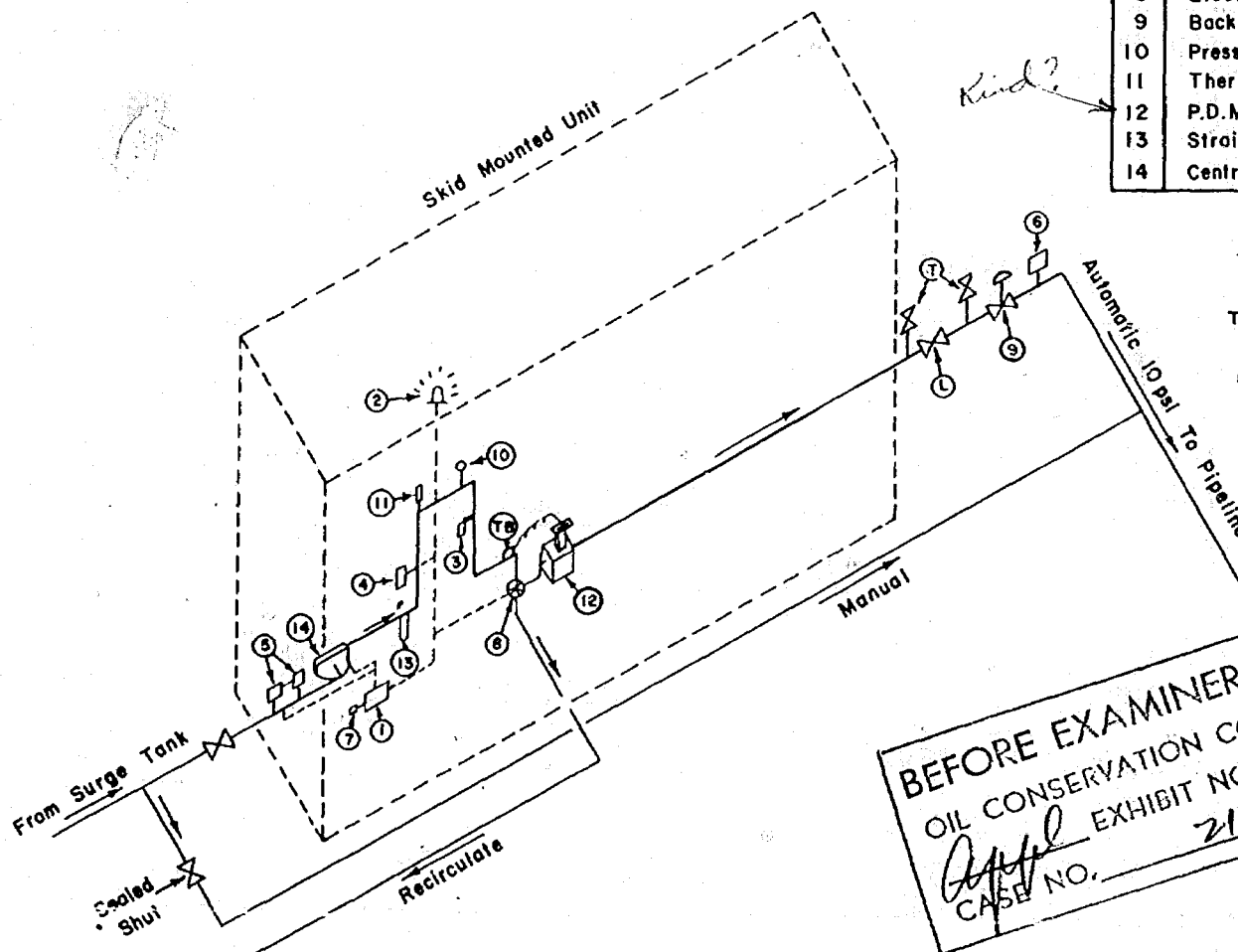
SINCLAIR OIL & GAS COMPANY
 DETAIL OF LEASE AUTOMATIC CUSTODY CONTROL UNIT
 STATE LEA 396 LEASE
 DEAN DEVONIAN & DEAN PERMO-PENNSYLVANIAN POOLS
 LEA COUNTY, NEW MEXICO

LEGEND FOR SKID MOUNTED UNIT

ITEM	DESCRIPTION
1	Starter
2	Beacon Light
3	Sampler
4	Monitor B.S. & W.
5	Low Pressure "Stop" Switch
6	High Pressure "Stop" Switch
7	Timer "Start" Switch
8	Electric Valve, 3 way, 2 position
9	Back Pressure Regulator (to maintain 10 psi)
10	Pressure Gauge
11	Thermometer
12	P.D. Meter (Temperature Compensated)
13	Strainer
14	Centrifugal Pump with Electric Motor

NOTES

- T - Connection For Meter Proving By Master Meter
- TB - Temperature Bulb For Meter Externally Mounted
- L - Plug Valve with Leak Test Drain-cock Assembly For Meter Proving



BEFORE EXAMINER NUTTER
 OIL CONSERVATION COMMISSION
 EXHIBIT NO. 3
 CASE NO. 2127

MODEL 300
 30-700 BPD

EX 3

DOCKET: EXAMINER HEARING, WEDNESDAY, NOVEMBER 30, 1960

Oil Conservation Commission - 9 a.m., STATE LAND OFFICE BUILDING, Santa Fe, N.M.

The following cases will be heard before Daniel S. Nutter, Examiner, or Oliver E. Payne, attorney, as alternate examiner:

- CASE 2125: Application of El Paso Natural Gas Company for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Lusk Deep Unit Well No. 1, located in Unit A, Section 19, Township 19 South, Range 32 East, Lea County, New Mexico, in such a manner as to permit the production of oil from an undesignated Bone Springs pool and the production of oil from an undesignated Pennsylvanian pool through parallel strings of tubing.
- CASE 2126: Application of Tidal Oil Company for an unorthodox gas well location. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location in an undesignated Pictured Cliffs pool at a point 1150 feet from the South line and 2040 feet from the West line of Section 21, Township 24 North, Range 1 West, Rio Arriba County, New Mexico.
- CASE 2127: Application of Sinclair Oil & Gas Company for permission to commingle the production from two separate pools and for an automatic custody transfer system. Applicant, in the above-styled cause, seeks permission to commingle the production from the Dean Devonian and Dean Permo-Pennsylvanian Pools from all wells presently completed or hereafter drilled on its State Lea 396 Lease consisting of the NE/4, S/2 NW/4, and N/2 SW/4 of Section 35, Township 15 South, Range 36 East, Lea County, New Mexico, after separately metering only the production from the Dean Permo-Pennsylvanian Pool. Applicant further seeks permission to install an automatic custody transfer system to handle said commingled production.
- CASE 2128: Application of Sinclair Oil & Gas Company for permission to commingle the production from two separate pools and for an automatic custody transfer system. Applicant, in the above-styled cause, seeks permission to commingle the production from the Denton-Devonian and Denton-Wolfcamp Pools from all wells presently completed or hereafter drilled on its T. D. Pope Lease, consisting of the W/2 of Section 36, Township 14 South, Range 37 East, Lea County, New Mexico after separately metering only the Denton-Wolfcamp production. Applicant further seeks permission to install an automatic custody transfer system to handle said commingled production.

CASE 2129: Application of Sinclair Oil & Gas Company for permission to commingle the production from two separate pools from two separate leases and for an automatic custody transfer system. Applicant, in the above-styled cause, seeks permission to commingle, after separate measurement, the production from the Denton-Devonian and Denton-Wolfcamp Pools from all wells presently completed or hereafter drilled on the following-described leases:

Whitman "A" Lease, NE/4 of Section 26
Whitman "B" Lease, E/2 of Section 23,

both in Township 14 South, Range 37 East, Lea County, New Mexico, and for permission to install an automatic custody transfer system to handle said commingled production.

CASE 2130: Application of Redfern and Herd, Inc., for an order force-pooling a standard 320-acre gas proration unit in the Basin-Dakota Pool. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Dakota Producing Interval in the W/2 of Section 29, Township 29 North, Range 11 West, Basin-Dakota Pool, San Juan County, New Mexico. The following are among the interested parties:

Aztec Oil & Gas Company, Summit Oil Company, Ruth Schrecht, Edwin A. Schrecht, Ella Blaise, and Sam Carson.

CASE 2131: Application of Robinson Brothers Oil Producers for the creation of a new gas pool and for the promulgation of special rules and regulations therefor. Applicant, in the above-styled cause, seeks the creation of a new gas pool for Pennsylvanian production consisting of the N/2 of Section 22, Township 11 South, Range 31 East, Chaves County, New Mexico. Applicant further seeks the promulgation of special rules and regulations governing said pool including a provision for 320-acre gas proration units.

CASE 2132: Application of Humble Oil & Refining Company for permission to commingle the production from several pools. Applicant, in the above-styled cause, seeks permission to commingle the production from the following pools underlying the State "V" Lease consisting of the SW/4, W/2 SE/4, and NE/4 SE/4 of Section 10, Township 21 South, Range 37 East, Lea County, New Mexico: Blinebry Oil Pool, Brunson Pool, Drinkard Pool, Hare Pool, Tubb Oil Pool, Wantz Abo Pool, Blinebry Gas Pool and Tubb Gas Pool, with allocation to the various pools being based on monthly well tests except that separate metering and separation facilities would be used for oil well and gas well completions.

CASE 2133: Application of Humble Oil & Refining Company for an automatic custody transfer system and for an exception to Rule 309 (a). Applicant, in the above-styled cause, seeks permission to install an automatic custody transfer system to handle the Gallup production from an undesignated Gallup pool from all wells presently completed or hereafter drilled on its Navajo "L" Lease consisting of all or portions of Sections 25, 26, 35 and 36; Township 29 North, Range 14 West, San Juan County, New Mexico.

CASE 2134: Application of Nearburg & Ingram for a dual completion, for permission to commingle the production from two separate pools, and for an automatic custody transfer system. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Midhurst Well No. 1, located in the NW/4 NW/4 of Section 35, Township 12 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from an undesignated Pennsylvanian Pool and the production of oil from the Southwest Gladiola-Devonian Pool through parallel strings of tubing. Applicant further seeks permission to commingle the production from said two common sources of supply from all wells on its Midhurst Lease consisting of the NW/4 of said Section 35 and for permission to install an automatic custody transfer system to handle said commingled production.

CASE 2135: Application of Nearburg & Ingram for an order creating a new oil pool and for the promulgation of temporary special rules and regulations therefor. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Pennsylvanian production consisting of the NW/4 of Section 35, Township 12 South, Range 37 East, Lea County, New Mexico. Applicant further seeks the promulgation of temporary special rules and regulations governing said pool including a provision for 80-acre proration units.

MAINE OIL & GAS CO.
RECEIVED
OCT 11 1911
BEFORE THE OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
SINCLAIR OIL & GAS COMPANY FOR
APPROVAL OF AN AUTOMATIC CUSTODY
TRANSFER SYSTEM AND THE COMMINGLING
OF OIL PRODUCED FROM THE DEAN DEVONIAN
POOL AND THE DEAN PERMO-PENNSYLVANIAN
POOL ON ITS STATE LEASE NO. 396 LEASE,
CONSISTING OF NE $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$ and N $\frac{1}{2}$ SW $\frac{1}{4}$ OF
SECTION 35, T-15-S, R-36-E, LEA COUNTY,
NEW MEXICO.

CASE NO. 2127

ORDER NO. _____

A P P L I C A T I O N

SINCLAIR OIL & GAS COMPANY, a Maine corporation with an operating office in Midland, Texas, hereby files its application herein, in triplicate, and represents:

1.

That the applicant, Sinclair Oil & Gas Company, is the owner and operator of its State Lea No. 396 Lease, consisting of the NE $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$ and N $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 35, T-15-S, R-36-E, Lea County, New Mexico, and that said lease is productive of oil from the Dean Devonian Pool and the Dean Permo-Pennsylvanian Pool. There are three Devonian completions and four Dean Permo-Pennsylvanian completions on such lease.

2.

Applicant proposes to install an automatic custody transfer system to handle the Dean Devonian production and the Dean Permo-Pennsylvanian production from all wells presently drilled or hereafter completed on said lease. Applicant proposes to meter the Dean Permo-Pennsylvanian production and to determine the Dean Devonian production by subtraction from the total production commingled in the automatic custody transfer system. Said meters will be checked for accuracy at reasonable intervals and the results of such tests furnished to the Commission as may be required by the Commission. All equipment used in the system will be operated and maintained in such a manner as to insure an accurate measurement of the

oil produced from each pool.

3.

That said lease consists of lands owned by the State of New Mexico and a copy hereof is being furnished to the Commissioner of Public Lands with the request that the Commissioner notify the applicant and the Commission of his approval or any objections hereto, prior to hearing on this application.

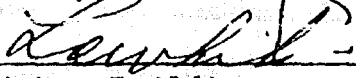
4.

Applicant represents that the automatic custody transfer system which it proposes to install is a reliable and economic means of transferring the custody of oil and that the installation of the system and the commingling of the oil after measurement is in the interest of prevention of waste and will not impair correlative rights.

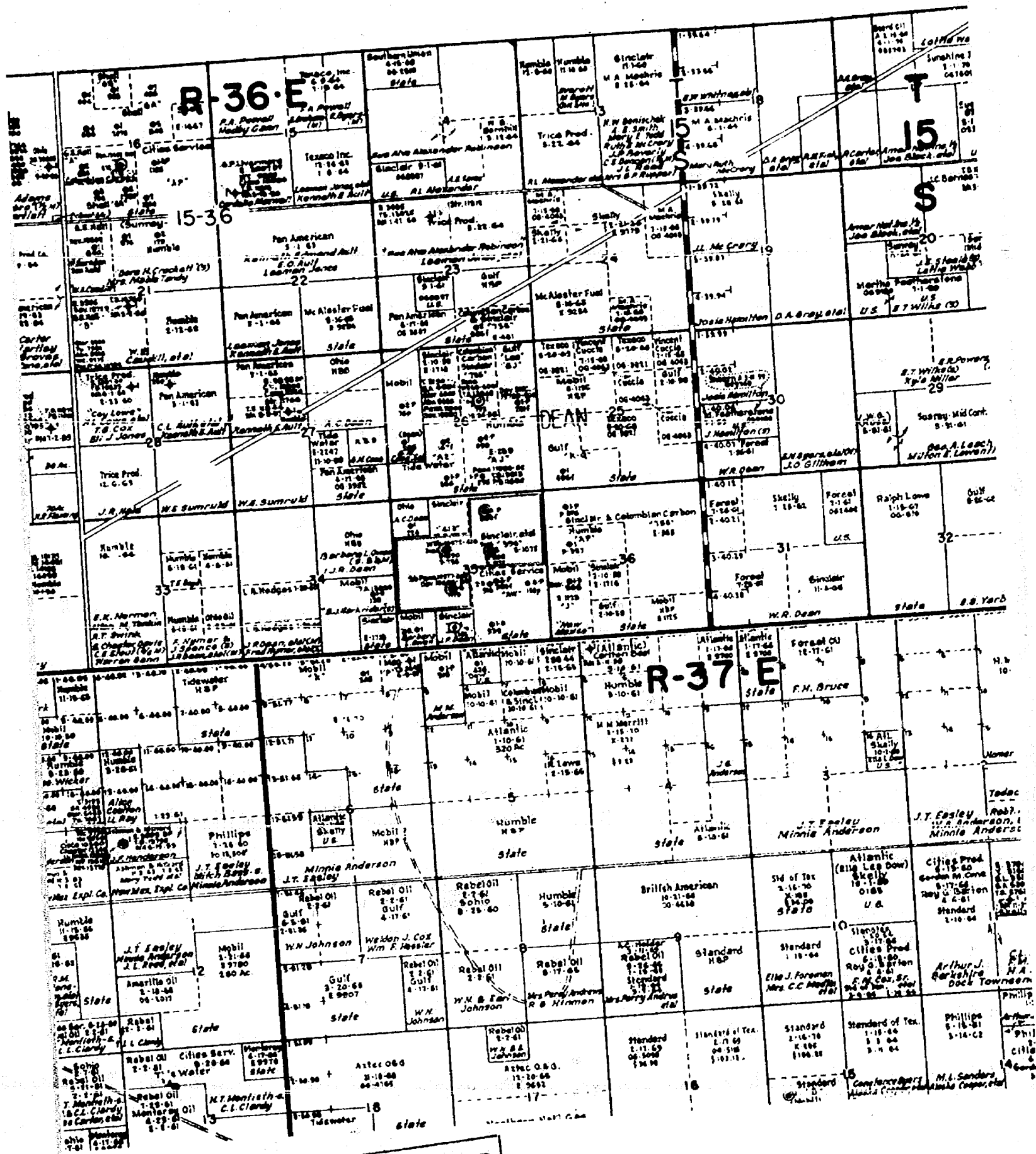
WHEREFORE, applicant prays that this application be set for hearing before an Examiner at Santa Fe, New Mexico, that notice be given hereon, and that upon such hearing the Commission grant its approval of an automatic custody transfer system and the commingling of oil produced from the Dean Devonian and the Dean Permo-Pennsylvanian Pools on its State Lea No. 396 lease, as hereinabove set forth.

HORACE N. BURTON
P. O. Box 1470
Midland, Texas

GILBERT, WHITE AND GILBERT

By 
Bishop Building
Santa Fe, New Mexico

ATTORNEYS FOR APPLICANT
SINCLAIR OIL & GAS COMPANY



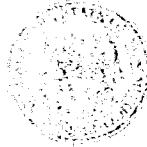
BEFORE EXAMINER NUTTER
OIL CONSERVATION PERMANENT EXHIBIT
DEVONIAN.
CASE NO. 2127

PART OF
LEA COUNTY, NEW MEXICO
Ex 1

GOVERNOR
JOHN BURROUGHS
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
MURRAY E. MORGAN
MEMBER



P. O. BOX 871
SANTA FE

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

December 8, 1960

Mr. Charles White
Gilbert, White & Gilbert
P. O. Box 787
Santa Fe, New Mexico

Re: Case No. 2127
Order No. R-1830
Applicant:
Sinclair Oil & Gas

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 _____

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. 2127
Order No. R-1830

APPLICATION OF SINCLAIR OIL & GAS
COMPANY FOR PERMISSION TO COMMINGLE
THE PRODUCTION FROM TWO SEPARATE
POOLS, AND FOR PERMISSION TO INSTALL
AN AUTOMATIC CUSTODY TRANSFER SYSTEM,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on November 30, 1960, at Santa Fe, New Mexico, before Daniel S. Nutter, 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 December, 1960, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, 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, Sinclair Oil & Gas Company, is the owner and operator of the State Lea 396 Lease consisting of the NE/4, S/2 NW/4, and N/2 SW/4 of Section 35, Township 15 South, Range 36 East, NMPM, Lea County, New Mexico.
- (3) That the applicant seeks permission to commingle the production from the Dean-Devonian Pool with the production from the Dean Permo-Pennsylvanian Pool from all wells presently completed or hereafter drilled on the above-described State Lea 396 Lease, after separately metering only the production from the Dean Permo-Pennsylvanian Pool since no well on the subject lease is capable of producing top unit allowable.
- (4) That the applicant further proposes to install an automatic custody transfer system to handle said commingled production.

CASE No. 2127
Order No. R-1830

(5) 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.

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

IT IS THEREFORE ORDERED:

(1) That the applicant, Sinclair Oil & Gas Company, be and the same is hereby authorized to commingle the production from the Dean-Devonian Pool with production from the Dean Perno-Pennsylvanian Pool from all wells presently completed or hereafter drilled on the State Lea 396 Lease consisting of the NE/4, S/2 NW/4, and N/2 SW/4 of Section 35, Township 15 South, Range 36 East, NMPM, Lea County, New Mexico, after separately metering only the production from the Dean Perno-Pennsylvanian Pool.

PROVIDED HOWEVER, That should any well on the subject lease become capable of producing a top allowable from either pool, the applicant shall also separately meter the production from the Dean-Devonian Pool, and shall notify the Santa Fe Office of the Commission of such action.

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

PROVIDED HOWEVER, That the applicant shall install adequate facilities to permit the testing of all wells located on the above-described State Lea 396 Lease at least once each month to determine the individual production from each well.

PROVIDED FURTHER, That in order to prevent the overflow and waste of oil in the event the automatic custody transfer system fails to transfer oil to the pipeline, the applicant shall add additional storage facilities from time to time, as it becomes necessary, to store the production which will accrue during the hours that said lease is unattended, or in the alternative, shall either so equip the existing facilities as to automatically shut-in the lease production at the wellhead in the event the storage facilities become full, or test the flow-lines to pressure of at least $1\frac{1}{2}$ times the shut-in pressure of the wells.

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

-3-
CASE No. 2127
Order No. R-1830

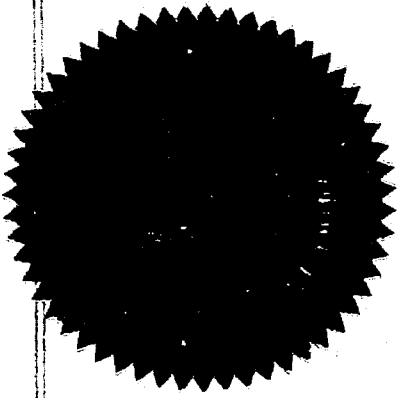
production at all times.

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
STATE LAND OFFICE BLDG.
Santa Fe, New Mexico
November 30, 1960

IN THE MATTER OF:

APPLICATION OF SINCLAIR OIL & GAS COMPANY for permission to commingle the production from two separate pools and for an automatic custody transfer system. Applicant, in the above-styled cause, seeks permission to commingle the production from the Dean Devonian and Dean Permo-Pennsylvanian Pools from all wells presently completed or hereafter drilled on its State Lea 396 Lease consisting of the NE/4, S/2 NW/4, and N/2 SW/4 of Section 35, Township 15 South, Range 36 East, Lea County, New Mexico, after separately metering only the production from the Dean Permo-Pennsylvanian Pool. Applicant further seeks permission to install an automatic custody transfer system to handle said commingled production.

CASE
NO. 2127

BEFORE:

Daniel S. Nutter, Examiner

TRANSCRIPT OF PROCEEDINGS

MR. MORRIS: Application of Sinclair Oil & Gas Company for permission to commingle the production from two separate pools and for an automatic custody transfer system.

MR. WHITE: Charles White of Gilbert White & Gilbert and appearing as counsel for Sinclair. We have Homer Burton from Midland who will present the testimony.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

R. M. ANDERSON

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

DIRECT EXAMINATION

BY MR. BURTON:

Q State your name and employment?

A R. M. Anderson, Senior Petroleum Engineer for Sinclair in
the Midland Division Office at Midland, Texas.

Q Are your qualifications as an engineer before the Commission?

A Yes, I have testified before.

Q I will ask you to produce the exhibits you have prepared in
this matter.

A I prepared three exhibits which I will pass out at this time.

Q What is your Exhibit No. 1?

A Exhibit No. 1 is a map showing the sub-lease Syncline,
State Lea 396 Lease in the Dean Devonian and Dean Permo-Pennsylvanian Pool
outlined in red. At least its - the lease is outlined in red, I have colored the
Permo-Pennsylvanian wells on the lease with red and the Devonian completion
with green and it can be seen that three of the wells are dual completions on
this lease.

Q Is that state land?

A Yes, sir, it is.

Q And the lease is owned entirely by Sinclair?

A Yes. No, there are other interests, working interest owners.



However, ownership is common throughout the lease both horizontally and vertically.

Q Now, with reference to your Exhibit Nos. 2 and 3, will you explain the proposed system?

A We propose to modify the existing battery and put in a lease automatic custody transfer system. The unit we propose to install is shown on Exhibit No. 3. Exhibit No. 2 is a diagrammatic sketch of the proposed tank battery installation. The LACT unit is a package unit that is prefabricated in the Sinclair shops in Tulsa and Sinclair has many of these units in operation throughout the Southwest and also in New Mexico. The sketch shows that the three Devonian wells come into the header and go to the heater treater and from there into the first thousand barrel surge tank which remains full of oil at all times and as additional production enters that tank, it flows over into the second surge tank and is discharged to the LACT system from this second surge tank. The Permo-Pennsylvanian wells flow into the header and thence into a heater treater and then through a positive displacement oil meter, at which time the production will be commingled with the Devonian production into the first surge tank. We are proposing to obtain the Devonian production by subtracting the Permo-Pennsylvanian meter reading from the LACT combined meter reading. We feel that this will be an accurate method of determining the Devonian production because the flow from both streams will be metered under similar conditions and there will not be any weathering or shrinkage or anything of that nature involved to place a discrepancy in the readings. We feel this will be a very accurate way of determining the production from both pools. The master meter manifold



is shown and that is at the request of the pipe line which is Texas - New Mexico Pipe Line Company. They have requested we provide a master meter manifold on this installation for calibration purposes.

Going to Exhibit No. 3 is a detail of the LACT system and we finished - initially we have low pressure stop switches on the stream as it goes into the LACT unit, from the left side of the sheet there marked, Item 5, there are two of them, they are pressure operated Murphy switches and the one is set to shut down the LACT unit at about 36 inches above the outlet on the surge tank. In the event that does not function for some reason or another, we have a second switch which is set to shut it off at a six or eight inch lower depth. Then the next item is a little electric motor which furnishes the power to circulate the oil through the LACT unit and then we have a BS&W monitor, have a sampling device, we have a temperature compensating bulb, instead of being mounted in the meter it is mounted in the line and the purpose of that is to, in this normal operation of this unit we circulate oil before we start to deliver it to the pipe line. We circulate oil through the LACT system and back into the surge tank for 15 minutes whenever the unit comes on. Incidentally, it is not triggered or turned on by a float switch or anything, it is turned on by pre-set clock, just the same type of clock that is frequently installed on electric pumping units and whatnot. You can set in there as many starts per day that is required for a particular installation.

MR. NUTTER: Recirculating pump for turning the LACT on.

A To turn the LACT on, the way it works, the first 15 minutes the LACT merely recirculates to the surge tank and that flushes out the line if

DEARNLEY-MEIER REPORTING SERVICE, Inc.

A. BUQUERQUE, NEW MEXICO

PHONE CH 3-6691



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there has been any gas or air or anything captured in these lines while they are sitting static after the previous delivery. It flushes them out and also brings up to temperature the temperature bulb which is wired over to the meter and during this 15 minutes circulation time everything is brought up to temperature and the BS&W monitor working. The only thing that is not working is the sampler, it will not sample during the initial 15 minute period. At the end of the 15 minutes, the direction changes and the system delivers the oil into the pipe line and provided the BS&W monitor has okayed the stream. This particular installation has just one meter and it is designed for production from 30 to 700 barrels per day which is more than enough to handle the production on these two leases.

Q How will the commingling affect the price of oil?

A It will not have any affect on the selling price of the oil in that both crudes are over 44 gravity and therefore both crudes, the Devonian and Permo-Pennsylvanian crude are subject to similar penalties for high gravity. One crude is 53 gravity, the other is 46 and by commingling the two together, no price advantage or disadvantage is obtained. Selling price of the mixture theoretically will be the same as the selling price of the individual components.

Q In your opinion, is this system a reliable and economic means of transferring the custody of the oil?

A Yes, it is.

Q Is it in the interest of prevention of waste?

A Yes, sir, it certainly is.

Q Will there be any impairment of correlative rights?

A No, sir.



MR. BURTON: We offer the exhibits in this hearing.

MR. NUTTER: Sinclair's 1 through 3 will be admitted. Anyone have any questions of Mr. Anderson?

CROSS EXAMINATION

BY MR. PAYNE:

Q How many of the Dean Devonian wells are top allowable?

A None of them are top allowable.

Q Are any of the Dean Permo-Pennsylvanian wells top allowable?

A No, sir, they are not. All wells are producing at capacity on this lease.

Q Are any of them close to the present allowable?

A To give you an example, September 1960, the Devonian wells total allowable for the month was 8220. The Devonian produced 4418, the Permo-Penn, 4380 barrels, it produced 2978. So we are producing about three-quarters of our allowable, none of the allowables are top allowable.

CROSS EXAMINATION

BY MR. NUTTER:

Q That allowable is assigned to the well or the allowable if they were top allowable?

A That is the allowable that is assigned to the wells. That is the indication of how short of the present limited allowables they are.

Q It would appear then a form 127 requesting a change in allowable may be due on this well?

A Yes, sir.

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Q Would you arrange to see that that form is filed?

A Yes.

QUESTION BY MR. PAYNE:

Q Is your application here limited to the well shown on Exhibit No. 1?

A No, we have our application. It has produced enough and I believe we would like it to include any additional development. I will say this, we have no plans at present to further develop the lease, we would like any additional development in these two reservoirs to be included in it.

Q Were any of these wells top allowable when they were drilled?

A Yes, sir, all of them.

Q Any further development in all probability will produce a top allowable well?

A Not in all probability, the pressures and the stage of completion of the reservoir have declined to a point now where I don't know. We don't anticipate drilling a top allowable anywhere on this lease.

Q If you did have a top allowable well and you proposed to use one meter and subtract your - assuming as you say there is no shrinkage when you have a LACT system.

A I feel if there is, its very minimal.

Q In this case I suppose Sinclair would be willing to take its' allowable as shown by the meter reading rather than from what is sold at the tank, do you follow me?

A Well, maybe I don't. In the event a top allowable well were



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completed in one or the other reservoirs, does it make any difference?

Q No, either one.

A Either one. Your question is, would we, would our production be our allowable, is that the way you would propose?

Q Would you meter the oil that went through the meter as recorded, would that be your total production? In other words, ordinarily you have shrinkage in the tank, you run some oil through the meter and the meter record will actually be more than your allowable; there is no shrinkage, then it seems to me the meter reading should be taken as the allowable and production figures.

A Yes, because both meters, the one on the Permo-Penn header and the one on the LACT unit will be the only record of that what is produced on the LACT and we will not in any way propose to reduce those readings to allow for shrinkage, had we stock tanks and use all other methods, no, we wouldn't propose any reduction in those meter readings. That is one of the things that will prevent waste in that we will be selling actually more of the oil we produce than we have under the regular stock tank system. The difference being the amount of shrinkage, we do not have, we do have now.

Q You don't anticipate any shrinkage?

A I don't think there will be any appreciable amount; there might be a very small amount. The oil will be a few hours in the system, I don't anticipate any magnitude and certainly not enough to justify metering both streams prior to commingling, in my opinion. We will say this, in the event we would further develop the lease and bring in a top allowable well, we might at that time be willing to install a second meter on the Devonian if



required it.

Q Do you have any present plans to rework any of the existing wells in the event they might become top allowable?

A I don't know.

Q Would you explain your fail-safety work on this LACT?

A In the event that anything would happen to the system, let's start with a power failure, electric power failure we have, all of the wells are pumping in both reservoirs and we have solenoid switches and mercuroid switches installed, both at the header and at the wells and those switches will shut the well in in the event of a power failure. In the event of the surge tank becoming full because the oil is being recirculated by the LACT system, a lease shut-in switch on the mounting in the top of the second surge tank, whenever the fluid gets to that level it will actuate the solenoid switches at the headers and thus put a little bit of pressure on the flow lines from the wells, the pumping wells, and that pressure in turn actuates the shut-down switches on the pumping units at the wells. And that is the principal fail-safety feature we have. We also have a bakelite mounted on the LACT system which lights every time that the LACT system is not delivering oil but is in operation. For instance, the 15 minute circulating time, that light is on at that time, anytime that the LACT rejects the oil and starts to recirculate, that light comes on. So we are now making the leases automatic, we are fully automatic as to this extent and we will have personnel around the lease and they will be on hand just possibly not as much as required now but certainly to some extent every day.

Q So that in all probability they would discover any flow line

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break?

A Yes, and again the switches will shut the wells in in case of flow line break. The mercuroid switches are high-low pressure shut-in pressures and if the pressure reduces or increases on the flow line, the pumping units will be shut down.

MR. PAYNE: I see. Thank you.

QUESTION BY MR. NUTTER:

Q Mr. Anderson, would Sinclair Oil & Gas Company be willing in the event the top allowable production was re-established for either or both of these formations to install a second meter downstream from the heater treater on the Devonian system or re-open this case for further consideration?

A Yes, sir.

MR. NUTTER: Any further questions of Mr. Anderson?

MR. BURTON: No, sir.

MR. NUTTER: Does anyone have anything further? We will take the case under advisement and take case 2128.

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I N D E X

WITNESS

R. M. ANDERSON

Direct Examination by Mr. Burton
Cross Examination by Mr. Payne
Cross Examination by Mr. Nutter

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E X H I B I T S

<u>Number</u>	<u>Exhibit</u>	<u>Marked for Identification</u>	<u>Offered</u>	<u>Received</u>
No. 1	Map	2	6	6
No. 2	Sketch	3	6	6
No. 3	LACT	4	6	6



STATE OF NEW MEXICO)
) ss.
 COUNTY OF BERNALILLO)

I, LEWELLYN F. NELSON, 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 *1st day of dec 1960*, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Lewellyn F. Nelson
 Lewellyn F. Nelson, Court Reporter

*My commission expires
 Dec 14, 1961.*

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner Hearing of Case No. *2127*, heard by me on *11/30*, 19*60*.

Asst. Examiner, Examiner,
 New Mexico Oil Conservation Commission

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