

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

April 4, 1960

Mr. James Jennings
Box 977
Roswell, New Mexico

Dear Sir:

On behalf of your client, Franklin, Aston & Fair,
Inc., we enclose two copies of Order R-1573-A in
Case 1928 issued by this Commission April 4, 1960.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ir/

Enclosures: (2)

CC - Hobbs
W. L. L. L.

C
O
P
Y

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 23, 1960
EXAMINER HEARING

IN THE MATTER OF:)

Application of Franklin, Aston & Fair, Inc.)
for an amendment of Order R-1573 and for)
permission to install an automatic custody)
transfer system. Applicant, in the above-)
styled cause, seeks an amendment of Order)
R-1573 to include the NW/4 NW/4 of Section)
5, Township 18 South, Range 28 East, Empire-)
Abo Pool, Eddy County, New Mexico, in the)
commingling authorization granted by said)
order. Applicant further seeks permission to)
install an automatic custody transfer system)
to handle the commingled Empire-Abo Pool)
production from the three leases authorized)
by Order R-1573.)

Case 1928

BEFORE:

Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 1928.

MR. PAYNE: "Case 1928. Application of Franklin, Aston & Fair, Inc. for an amendment of Order R-1573 and for permission to install an automatic custody transfer system."

(Marked Applicant's Exhibits A through D for identification.)

MR. JENNINGS: Mr. Examiner, I am James T. Jennings of Roswell, appearing for Franklin, Aston & Fair. We have two witnesses, Mr. Tom Stephens and Mr. Albert Green, and if you gentlemen

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



I N D E X

<u>WITNESS</u>	<u>PAGE</u>
TOM STEPHENS	
Direct Examination by Mr. Jennings	2
ALBERT H. GREEN	
Direct Examination by Mr. Jennings	7
Cross Examination by Mr. Utz	11

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



will stand and be sworn.

(Witnesses sworn.)

TOM STEPHENS

called as a witness, having been previously duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. JENNINGS:

Q Would you state your name, please?

A Tom Stephens.

Q By whom are you employed, Mr. Stephens?

A Franklin, Aston & Fair, Inc.

Q You are the land man for Franklin, Aston?

A Yes, sir.

Q Franklin, Aston & Fair are the operators of the area in the map on the wall which is part of Exhibit A?

A They are.

Q They are currently operating the areas which are outlined now in green and in red and in black and also the area outlined in blue?

A That is correct.

Q How many producing wells do you have in the area?

A We have eight at this time and we have all except the area surrounded by the blue and that well is down now to about 5,000 feet.



Q They are in three separate state leases?

A Three separate state leases.

Q I believe, Mr. Stephens, that you are now commingling production from the area outlined in green, in red and in black pursuant to an order of this Commission in Case No. 1839?

A That is correct.

MR. JENNINGS: At this time, in the interest of conserving time and of getting to lunch on time, we would like to offer the testimony in evidence heretofore offered in Case No. 1839, the companion case.

MR. UTZ: Without objection, the evidence entered in Case 1839 will be made a part of this record.

MR. JENNINGS: Thank you.

Q I think that pursuant to the order entered in Case 1839, which was Order No. R-1573, oil is being commingled in these leases?

A That's right.

Q Where is the tank battery?

A It's in the Southeast Quarter of the Northwest Quarter of Section 6. It's about 400 feet directly south of the BB No. 2 well.

Q You are now in the process of completing the well on the area outlined in blue, which is Lot 4 or Northwest Northwest Quarter of Section 5, Township 18?

A That is correct.



Q The ownership common under all of the four tracts?

A They are.

Q I believe the area in blue is part of the same state lease as the area in green which is Lease No. 11594?

A That is correct.

Q Do all of these leases have the same common beneficiary?

A They're all common schools.

Q Have you obtained the consent of the Commissioner of Public Lands to commingle the production from these various leases?

A We have.

Q I hand you here what has been marked as Exhibit C and ask you to identify it.

A That is correct.

Q What is that, Mr. Stephens?

A It is giving us permission to commingle from all these three separate state leases.

Q From the Commissioner of Public Lands?

A That is correct.

Q In order to commingle production from this latest well, is it necessary to cross another property or lease owned by other parties?

A It is.

Q I believe that is part of State Lease 647.

A That is correct.



Q Do you know the ownership of that lease?

A Yes, it's Hondo, Western Development and Yates Brothers.

Q Have you requested and obtained the permission of any of the owners of this lease to your laying a line across that lease to commingle production?

A Yes, we have.

Q I hand you here what has been marked as Exhibit B and ask you to identify those instruments.

A Those are the instruments giving us permission.

Q Briefly, they are consent from Western Development Company and Hondo Oil & Gas and Yates Brothers?

A That is correct.

Q Mr. Stephens, will it effect a considerable savings if you are permitted to commingle production into one common storage?

A Yes. It will save two 500 barrel tanks at least, maybe more.

Q Unless you are permitted to commingle this production, it will be necessary for you to install two additional 500 gallon tanks on Lot 4?

A That is correct.

Q Roughly what would be the cost of installing these tanks?

A We estimate about \$6,000.

MR. PORTER: Did you say gallons or barrels?

A Barrels.



MR. JENNINGS: I might have said gallons. If I did, it was a mistake.

Q What storage do you have now available at your common storage battery?

A Four 500 barrel tanks.

Q Unless you are permitted to install the lact system, will you of necessity have to install additional tanks at this common storage?

A Yes, we think so.

MR. JENNINGS: That is all the testimony we have to offer by this witness. The technical testimony will be offered by Mr. Green.

MR. UTZ: Are there questions?

MR. JENNINGS: One further question.

Q You have obtained the consent of all of the working interest owners to commingle production and install the lact system?

A That is correct.

Q I believe that Pan American is present and Franklin, Aston, Fair has filed the application and the other two working interest owners are Fair Oil Company and Bert Aston?

A Yes.

Q I hand you what has been marked as Exhibit D and ask you to identify that.



A Yes.

Q What is it?

A It's a consent from Bert Aston and Fair Company for the commingling and for the lact system.

MR. JENNINGS: That's all.

MR. UTZ: Any other questions? The witness may be excused.

(Witness excused.)

ALBERT H. GREEN

called as a witness, having been previously duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. JENNINGS:

Q State your name, please.

A My name is Albert H. Green.

Q You are employed by the Pan American Petroleum Corporation, Mr. Green?

A Yes, sir, that is correct.

Q What capacity?

A Petroleum engineer in the Lubbock District Office.

Q Have you heretofore testified before this Commission and had your qualifications as an engineer accepted by the Commission?

A Yes, sir.

Q Mr. Green, have you prepared, or had caused to have been



prepared a plat showing the area on which you propose to commingle production and install this unit?

A Yes, sir. It's that plat that's now exhibited on the bulletin board and included as Attachment 1 of Exhibit A.

Q As testified by Mr. Stephens, that shows the area on which you propose to install the lact equipment?

A Yes, sir. That's correct. In the lease designated by the area outlined in green.

Q That's where the equipment will be installed?

A Yes, sir, at the commingled battery.

Q Mr. Green, do you know the approximate depth of the well which is located on the tract outlined in blue which is the new well now being drilled?

A Yes, the latest information that I have is that it's down to 5,000 feet.

Q When can we anticipate that well will be completed?

A Within the next seven days.

Q It's proposed to commingle production from this well into the common storage facility located in the Southeast Quarter, Northwest Quarter, Section 6?

A Yes, sir.

Q Will meters be installed in connection with the additional well which will adequately measure all the oil produced?

A Yes, sir, that's correct.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



Q How often will these meters be checked?

A They'll be checked periodically as directed by the Oil Conservation Commission, ordinarily over a period not to exceed thirty days.

Q Mr. Green, would you refer to Attachment 2 of Exhibit A and explain briefly the lact system which you propose to install, bearing in mind that the Commission has been through this on a number of occasions recently?

A Yes, sir. Attachment 2 of Exhibit A shows a schematic drawing of the commingled or central battery as well as the lease automatic custody transfer installation. Referring to that schematic drawing, the flow can be described as after the production passes through the lease production headers, the individual lease separators, the individual lease production meters, and that is shown by color coding to demonstrate that the production does not commingle until it passes through the lease production meters.

After having been metered individually by leases, the oil passes into the surge tank, which is Item F on the schematic drawing. As the level of oil builds up in tank F to float switch G, the pipeline pump marked item I on that drawing is automatically started. The flow of oil is then moved to the pipeline through the various pieces of equipment of the lact system.

MR. JENNINGS: Would the Examiner like Mr. Green to go into this in more detail or is that sufficient?



MR. UTZ: No, I think that's satisfactory. I will ask some questions about the tank later on.

Q Mr. Green, what type meters do you propose to use?

A They will be positive displacement meter type.

Q Has the accuracy of these meters been proven?

A Yes, sir, they have. We have several meters of the type now in operation in the Empire-Abo Pool.

Q Will the meters be checked for accuracy at regular intervals?

A Yes, sir, as directed by the Oil Conservation Commission.

Q Will the lact system which you have just described be equipped so as to prevent undue waste of oil in the event of malfunction or flow line break?

A In the event of malfunction of the lease automatic custody transfer system there are automatic safeguards, yes, sir.

Q Has your past experience with equipment of this type established that it is reliable and an economic means of transferring custody of oil?

A Yes, it is.

Q Will the installation of such equipment result in a substantial saving to the operator and be in the interest of conservation?

A Yes, sir, it certainly will.

Q Just briefly, how will that be effected?



A Well, the lease automatic custody transfer system enables you to have less storage on the lease, and with less storage your hydrocarbon losses are reduced by the fact that you have less storage tanks in which to accumulate oil. There's manpower savings because of the automatic features of the lease automatic custody transfer and there's also a monetary savings to the operator in that the lease automatic custody transfer system costs less than would ordinary lease storage facilities.

Q Mr. Green, do you know who is purchasing the production from this lease, these leases?

A The oil is run by Service Pipeline. I believe Indiana Oil Purchasing Company is the purchaser.

Q Has Service Pipeline Company agreed to take the oil from the system if the system is installed?

A Yes, sir, they have, and they have, we have included in Exhibit a as Attachment 3 a letter from Service Pipeline Company so designating.

MR. JENNINGS: I believe that's all.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Green, how do you run the oil out of the bad oil tank?

A Because such small quantity of bad oil is anticipated the bad oil will be collected in that tank and chemically treated



in the tank and after the emulsion is broken the water is drawn from the tank and the treated oil is then returned to the pipeline surge tank by the means of the recircle pump, which is designated item T.

Q That's manual operation then?

A Yes, sir, because of the small volume of bad oil anticipated.

Q If your sampler indicates bad oil, it automatically runs oil into this tank?

A If the B. S. and W. monitor detects bad oil it automatically diverts to that tank, yes, sir.

Q How long does this go on, as long as it's detecting bad oil?

A Yes, sir, that's correct.

Q What's the capacity of that tank?

A Right now it's anticipated that we'll use a 500 barrel tank for a bad oil tank as well as for the pipeline surge tank.

Q What if the tank gets full?

A It will overflow into the pipe, Surge Tank F, by means of an equalizing line.

Q Is that equalizing line large enough to take the full flow?

A Yes, sir. We normally install it for batteries that handle production of the quantity that this tank handles,

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



which is around 600 barrels a day. That equalizing line is usually a six inch line.

Q Then if tank F fills up with bad oil above switch G, then what happens?

A Well, if both tanks are filled we don't anticipate that it will ever get to that condition because of two 500 barrel storage tanks that provides a thousand barrels of storage with daily production of 600 barrels a day, and with daily attendance by personnel of the operator that condition is not expected to occur.

Q I note you only have one high level switch on this system also?

A Yes, that's the starting switch for the pipeline pump.

Q In the event it fails, the tank will run over?

A No, the tank will overflow into the bad oil tank, tank S.

Q When that tank fills, then what happens?

A Here it's the same condition that because the tanks are joined with equalizing line, we have available a thousand barrels of storage and with the pumper or production information man in daily attendance, he'll catch that situation before the other tanks has an opportunity to overflow.

Q What's the allowables on these leases?

A Right now there's eight wells and we anticipate a ninth well and the current allowable is, I believe, 66 barrels per day.



Q Around close to 700 barrels a day?

A Yes, with a thousand barrels of storage and under ordinary circumstances the lease will not be unattended for any period exceeding eight or ten hours.

Q There will be a maximum number of wells going into this system?

A Yes.

Q Will you be willing to install another safety valve, high level valve on tank F?

A For what purpose?

Q As a safety precaution to avoid running over of the tanks in case of failure of switching.

A This switch would accuate the lease shut in valve?

Q Yes, shut in the wells.

A If that's required, in my opinion it's not necessary at this time, or any time for that matter, so long as the tank battery serves the leases that are in consideration.

Q Isn't it possible that a lease man could come to a lease, actually your switching could be inoperative and he wouldn't catch it unless he checked every item on your entire system, and when he left maybe the tanks would be half full and then you would run another 500 barrels in and start overflowing on the ground for maybe several hours before he returned. That's possible, isn't it?

A That's possible if who was in attendance at the lease did



not bother to check the quantity of oil in the tank before leaving the lease, but we anticipate that the person whose duty it is to look after this lease would make certain that those tanks weren't even near full before he left the lease for an extended period of time.

MR. UTZ: Are there any other questions of the witness? If not, the witness may be excused.

(Witness excused.)

MR. JENNINGS: We would like to offer Exhibits A through D into evidence and call the Examiner's attention to the fact that Exhibit A contains several Attachments, numbered 1, 2, 3 and 4.

Mr. Examiner, on behalf of the Applicant we would like to state that we anticipate completing the well on Section 5 in the very near future and if we could get the approval of commingling as soon as possible, it would be helpful so that we wouldn't have to install any temporary tankage on this lease.

MR. UTZ: How soon will you complete the well?

MR. JENNINGS: Within the next seven days, within a week.

MR. UTZ: All right, we'll do the best we can. Any other statements in this case? The case will be taken under advisement and the hearing is adjourned.



