

DEARNLEY-MEIERS REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
JULY 19, 1961

EXAMINER HEARING

IN THE MATTER OF:
CASE NO. 2341

TRANSCRIPT OF HEARING



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EXAMINER HEARING

IN THE MATTER OF:)

Application of Pan American Petroleum Corporation)
for an exception to Rule 303 (a) and 309 (a),)
Lea County, New Mexico. Applicant, in the above-)
styled cause, seeks permission to commingle the)
production from the Hobbs, Bowers, and Hobbs-)
Drinkard Pools from a number of leases in)
Sections 3, 4, 5, 9 and 10, in Township 19 South,)
Range 38 East, and Sections 33 and 34 in Town-)
ship 18 South, Range 38 East, Lea County, New)
Mexico, after separately metering the production)
from each lease and from each pool prior to com-)
mingling.)

Case
2341

BEFORE:

Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 2341.

MR. MORRIS: Application of Pan American Petroleum Corporation for an exception to Rule 303 (a) and 309 (a), Lea County, New Mexico.

MR. NEWMAN: Kirk Newman of Roswell, New Mexico representing the Applicant; one witness, the same witness we had in the preceding case.

MR. MORRIS: Let the record show that the witness was sworn in a previous case, please.



MR. UTZ: Are there other Appearances in this case?

W. J. SANDIDGE, JR.,

recalled as a witness herein, having been previously duly sworn on oath, was examined and testified further as follows:

DIRECT EXAMINATION

BY MR. NEWMAN:

Q Are you the same Mr. Sandidge who testified in the preceding case?

A I am.

Q Would you state briefly the purpose of this Application in this case?

A Pan American has a number of tank batteries in and adjacent to the southern site of Hobbs, New Mexico. It is our desire to consolidate these tank batteries into two central sites which will be served by automatic custody transfer facilities. These batteries presently serve a number of Hobbs pools, Bowers Pool and Hobbs Drinkard Well.

Q Is there residential development in the area of these wells?

A The residential development is encroaching on a number of these tank batteries.

Q Would you refer to what will be offered as our Exhibit 1 and explain the layout of that exhibit, please, sir.

A Exhibit 1 is a brochure which we have prepared. On the left side it contains the discussion which we feel represents the



merits of our case. On the right side, there are four attachments consisting of a map, a list of leases affected, and two schematic drawings showing the manner in which the consolidation will be effected.

Q Will you refer to your Attachment 1 and state what is shown on that Attachment, please, sir?

A Attachment 1 is a plat of the portion of the Hobbs Field. It has outlined in blue the two groups of leases which we propose to serve by these two consolidated tank batteries. There is a railroad track running north and south paralleling the west edge of Section 34, Section 3, and Section 10. We plan to consolidate everything to the east of that railroad into one battery which is LACT Unit 1. It's in the Northwest Quarter of the Northwest Quarter of Section 10.

Q Is the approximate location of that represented by the double blue line, there?

A It's my impression that the railroad is several hundred feet to the east of the double blue line. For practical purposes, the double blue line in the break between the two consolidated projects.

Q And, there are two groups of wells outlined in blue on the west part of the plat. And, the center on the group, that will be served by your LACT Unit 2?

A That is correct. We have indicated flow lines from the present battery locations to the proposed consolidated battery



sites. Along that line, I might add that we have previously obtained permission, authorization for off-lease storage for our B. H. Turner Royalty Tract B starting up at the very north of the map, our B. H. Turner Royalty Tract A to the south of it, on B. H. Turner 2, our E. H. Byers Tract 2, and W. S. Kapps. Now, we have used the same symbol to show the previous battery sites there. However, all of those leases I have just mentioned to the north of the Section are in line Section 34 and Section 3 -- are presently produced and tested at a site at the proposed location of LACT Unit 2.

Q No. 1.

A No. 1. I beg your pardon. I can recite those orders, if you would like, or they are written over here in the discussion.

Q What was indicated by your red and your green and your orange dots on this plat?

A The wells described by the red dots, or covered by the red dots, are Hobbs Pool Wells, and the green dots indicate Bowers Pool Wells. The one orange dot indicates our one Hobbs Drinkard Pool Well.

Q And, except for the wells which you have previously obtained off-lease storage approval by order of the Commission, that caps the Byers and the three Turner Wells. What is indicated by the rectangle shown?

A In general, the rectangles show the location of existing tank batteries which serve the appropriate leases or pools. As



I previously mentioned, the rectangles in Sections 34 and 3 up in the upper right portion of the plat, show only where the batteries were originally. There is nothing there more now than a manifold for test purposes.

Q And so, these other indicated tank batteries would be removed and replaced by the common battery off-lease?

A By the two common batteries; that is correct.

Q You testified that the lines showed flow lines from the wells to both LACT Unit 1 and LACT Unit 2. What is shown by the dotted lines connected to LACT Unit 1?

A Well, as I previously testified, we are storing crude off-lease at the LACT Unit 1 Site. We also have test facilities for the multiple well leases down there, and the dotted line indicates test lines from the manifold to these existing test facilities.

Q Do you have any further remarks in connection with this Exhibit?

A I think we have covered it pretty well.

Q Would you read over your Attachment 2, and state, briefly, what that is? I don't believe we need to testify as to the acreage.

A Attachment 2 is a tabulation which shows the leases which will be consolidated into consolidated battery 1 and into battery 2. The primary purpose of this is to furnish a list to aid in reviewing the plat which we have classified as Attachment 1.



Q Would you now refer to Attachment 3, and state what it is and what it shows?

A Attachment 3 is a schematic diagram indicating the manner in which the various leases, royalty accounts, and pools will be consolidated into Consolidating Battery 1. That is the one on the eastern portion of the plat. Each lease royalty account and pool will be served by separate meter. There will be no commingling until after the production is metered. Testing of these leases will be accomplished in one of three ways as indicated at the upper portion of the plat: Wells on the Turner Tract 2 Lease, the E. H. Byers Lease, and the W. S. Kapps Lease, all of which are multiple well leases, have separate test facilities and, as I previously testified, by manipulating the manifold on the lease production, can be diverted from the proper well through these facilities, and then on leaving these facilities it will be diverted into the proper lease or royalty account. For example, after a well is tested for Turner Tract 2 Lease 1 of those wells, the oil will come through the line down to the lower portion of the plat and be diverted through the treating facilities for the Turner Tract 2 Lease. Now then, the other two ways in which wells can be tested here: The single well leases or royalty accounts or pool will be on continuous test at all times, of course. There are three multiple well leases or tracts in the southern portion of this project where we propose to use portable test facilities which will be moved to the appropriate manifold on the lease for

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testing. After the fluid is passed through the test facilities it will be combined with the other lease fluid and passed up to the consolidated battery site where it will pass through its treating facilities and the appropriate lease meter. So far as we can determine, there is no way whereby a person could accidentally or otherwise divert production through test facilities into the wrong lease meter.

Q I notice on here that you have indicated the LACT Unit. Does this Application cover that, or are you going to request that --

A We have not included the LACT Unit in this Application. We plan to submit an application through administrative channels for the LACT Unit. That applies for both of the consolidated batteries.

Q Do you have any other remarks in connection with this Attachment?

A It might be well to say a word regarding the check valves which we propose to install. We have a little symbol. I can best describe it: There is a check valve below each lease meter which will prevent backflow through that meter. We might also point out that the lines downstream of the meters are manifolded to permit proving of the meter into one of the 1,000-barrel storage stations. So production, after passing through the lease meter and being recorded, can be diverted to prove the meter, or it can pass directly to the storage tank and thereby into the



automatic custody transfer facilities.

Q Would you state what the allowable for these wells will be in relation to the storage that is available for these wells?

A The allowable, the total allowable for wells served by this battery is approximately 825 barrels per day.

Q And, you have how much storage facilities?

A 3,000 barrels.

Q Will this lease be attended, and with what frequency?

A The lease will be attended off and on for an 8-hour period daily. It will be unattended for approximately 16 hours during the night.

Q Would you now refer to your Attachment 4, and state what that Attachment shows, and explain it, please, sir?

A Attachment 4 is a schematic diagram of the facilities we propose for Consolidated Battery Site 2. We propose to use separators for each individual lease, royalty account, and pool. Downstream of the separators we will install a temperature compensated positive displacement meter and a sampling device. After passing through these separators, the metering, and sampling equipment, production from the various leases, pools, royalty accounts, will be commingled and will pass to common treating facilities. After passing through the treater, the production will go to a 1,000-barrel storage tank and thence through the automatic custody transfer equipment.

Q What is your arrangement for testing the wells connected



to this battery?

A There will be no testing of wells at the consolidated battery site. Here again, we will provide portable test facilities, and all testing will be provided at the lease manifold to the appropriate lease. After passing through the test facilities, the production will be joined with the production from the wells that are not on test, and passed through a common flow line for that lease, royalty account, or pool, into the common battery site. And, I want to emphasize that we have a separate flow line setup for each lease, or royalty account, or pool on this side. For example, if you will refer to the one on the plat. The H. D. McKinley Lease has both Bowers Pool and Hobbs Pool oil. Well, we have two separate flow lines coming into the consolidated battery sites. And, if you will refer, now, to Attachment 4, a schematic diagram, we also have a separate separator for each pool for the H. D. McKinley Lease.

Q What is your relationship of allowable production to storage here?

A Here again, it's rather favorable. The combined allowables of all of the wells that will be served by this battery is 1,077 barrels. We will have three one thousand-barrel tanks, or somewhat under three times the allowable. These leases, again, will be attended 8 hours daily.

Q Will the granting of this Application and the use of the common tank batteries in any way affect correlative rights?



A We feel that with the facilities just discussed in great detail, that correlative rights will be adequately protected.

Q Will the granting of this Application in any way effect waste?

A It will greatly enhance our position in that regard and in a couple of respects in that with Hobbs Crude, the Hobbs Pool Crude will be upgraded by commingling with the Hobbs Drinkard and the Bowers Pool Crude. According to the best information we can find, the Hobbs Crude has a gravity of 35.8 degrees API. The Bowers Pool has a gravity of 42.5, and the Hobbs Drinkard Pool has 37.0; and by commingling that, the commingled crude, according to our calculations, will fall just over the dividing line to 36 gravity crude, and therefore, the price received for the Hobbs Crude will be increased. We estimate that the additional income to both Pan American and its royalty owners will be on the order of \$8,850.00 per year due to this commingling. Also, there are some low-capacity leases involved here where the pipeline runs are rather infrequent and there is quite a loss of gravity, I understand, due to weathering. We feel that a great deal of this weathering will be eliminated, or certainly all of it will be eliminated through use of the automatic custody transfer equipment. In addition to the savings there, we anticipate \$10,400.00 per year savings in labor, and as a wild guess, something like \$5,000.00 savings in maintenance expense, giving us a total savings of \$24,250.00.

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Q And, resulting operational savings, that will extend the economic life of the leases in this area?

A We feel it will.

Q Do you have any more remarks in connection with this case?

A I have nothing further.

Q Were these Exhibits prepared by you or under your direction?

A They were.

MR. NEWMAN: We would like to offer Exhibit 1. I believe that is all of the direct.

MR. UTZ: Without objection, Exhibit 1, with its attachments will be entered into the record in this case.

(Whereupon Petitioner's Exhibit 1 and its attachments received in evidence.)

Q (By Mr. Utz) Mr. Sandidge, as I understand this system, each lease will be of its individual test facilities.

A Well, it's more than that, Mr. Utz. Each lease, each pool, and each royalty account on the lease will.

Q Yes, sir. And, that will be tested before metering. The tests will be made before metering?

A All testing will be done before the crude passes through the appropriate meters; that is correct.

Q There will be no testing after metering, in other words?

A There will be no testing after metering.



Q Now, that is true for each pool on each lease, also?

A That is correct; yes, sir.

Q And, on your recycling that has been recycled, any oil that you have to recycle will be recycled out of your non-storage and back into your common storage. You do not use any lease facilities for treating?

A No lease facilities will be used for recycling.

Q What type meters do you propose to install?

A They are A. O. Smith temperature compensating meters.

Q These are a re-set recording device?

A It's my understanding that they will have a non-re-set counter, and that the counter will be sealible.

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

MR. PORTER: Yes, sir; I have one.

Q (By Mr. Porter) You only have one Drinkard Well producing?

A That is correct, yes.

Q That is the Hobbs Drinkard?

A I believe that is a Hobbs Drinkard Pool in its entirety.

Q What is that well production? About 11 barrels a day?

A I have a fairly recent test taken here within the past three to six months, if I can find it. I'll have to figure it's on the order of 10 barrels, Mr. Porter. If you want it --

Q That's all right. The thing I was getting at here, is that the bulk of the oil here that we are talking about comes from



the Hobbs paddock. Your Bowers Leases are very, very marginal, too.

A I have that test. The Hobbs Drinkard makes 14 barrels per day. The Bowers makes 39 on the west side and 10 on the east side, a total of 49.

Q That is for several wells?

A Yes, sir. Yes, sir; that is combined.

Q Or a number of wells in the Bowers?

A I believe that is for five wells.

Q And, that is Seven Rivers production?

A Yes, sir; I believe that is correct.

Q You say the gravity, there, is on the order of 38?

A It's 42.5.

Q How many tank batteries does this eliminate?

A I'll have to count them. It will eliminate 14 on the west side, and it will eliminate 6 on the east side. It will eliminate 12 on the west side, bearing in mind that 6 of them have already been moved down there but they will be taken out. We would like one point -- I forgot to mention -- We would like to emphasize the safety aspect of this. As I previously testified, residential development is encroaching on a number of these batteries. In at least one case children have been caught on top of these tanks which, of course, is a very dangerous practice; and it will consolidate our operations where we can watch them better and prevent such a practice in the future.



Q You probably have the support of the Hobbs City Council on that?

A We have not discussed it with the Council, but I do not see as how they would object.

MR. NEWMAN: Probably just one jump ahead of them.

Q (By Mr. Utz) Mr. Sandidge, would Pan American be willing to incorporate any changes that a subsequent order of the Commission might want in this system?

A Well of course, we are very aware of your Committee on Commingling. In fact, we have members on it. So far as we can determine, this will comply with what we anticipate the order will embrace with one or two exceptions. We might ask for an exception, but we will comply with the Commission's orders.

MR. UTZ: Are there any other questions?

MR. MORRIS: No.

MR. UTZ: The Witness may be excused. Are there other statements in this case? The case will be taken under advisement, and the Hearing will be adjourned until 1:30 P.M.

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