

CASE 1977: Application of HMMO
for approval of an automatic custody
transfer system (Hondo-Waters-Rates
State 647 lease.

Case No.

1977

Application, Transcript,
Small Exhibits, Etc.

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

September 5, 1962

Hondo Oil & Gas Company
P. O. Box 129
Artesia, New Mexico

Attention: Mr. A. J. Deans

Gentlemen:

Reference is made to your letter dated August 8, 1962, wherein you have requested that the meter proving frequency on the LACT Unit installed on your H-W-Y State "A" Lease be extended to a two-month interval. The meter is presently being proven on a monthly interval in accordance with Commission Order No. R-1694.

Inasmuch as the tabulated meter factors as well as the graph indicate that reliable performance has been obtained from the subject meter, the requested extension of meter proving frequency is hereby granted.

Very truly yours,

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

ALP/DSH/esr

cc: Service Pipe Line Company
Lovington, New Mexico
Attention: Mr. C. F. Simes

Oil Conservation Commission
Drawer DD
Artesia, New Mexico

10-1-62

Hondo Oil & Gas Company

Box 129
Artesia, New Mexico

August 8, 1962

Subject: Extended Meter Proving
Hondo-Western-Yates
State 'A' Batt. #1
Empire Abo

Mr. A. L. Porter
New Mexico Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Dear Mr. Porter:

Attached are the average factors as required in paragraph 'd' of section 4 of Rule 309-A to obtain an extended meter proving. The LACT Unit at our H-W-Y State 'A' Batt. #1 was secured by Case 1977 and Order R-1694, dated 6-10-60. A copy of a letter from Service Pipe Line Company agreeing to this request is also attached.

If there is anything else required please notify us and we will supply any other information needed.

Yours very truly,

A. J. Deans

A. J. Deans
Dist. Prod. Supt.

AJD/ge

SERVICE PIPE LINE COMPANY

Lovington, New Mexico
June 25, 1962

Subj: Extended Meter Proving
Hondo Western Yates
Battery #1
Abo Pool

Mr. A. J. Deans
Hondo Oil & Gas Company
P. O. Box 129
Artesia, New Mexico

Dear Mr. Deans:

Attached is a graft showing the meter factors, the barrels thru-put, and the date of the meter proving.

It is agreeable with Service Pipe Line Company to extend these provings to approximately every 50,000 bbls thru-out, or one proving every two months. We reserve the right to prove the meter at any time we feel that it is not functioning properly.

If it is agreeable with the New Mexico Oil Conservation Commission that these provings be extended, please notify this office and our schedule can be changed to one proving every two months.

Yours very truly,


C. F. Sims

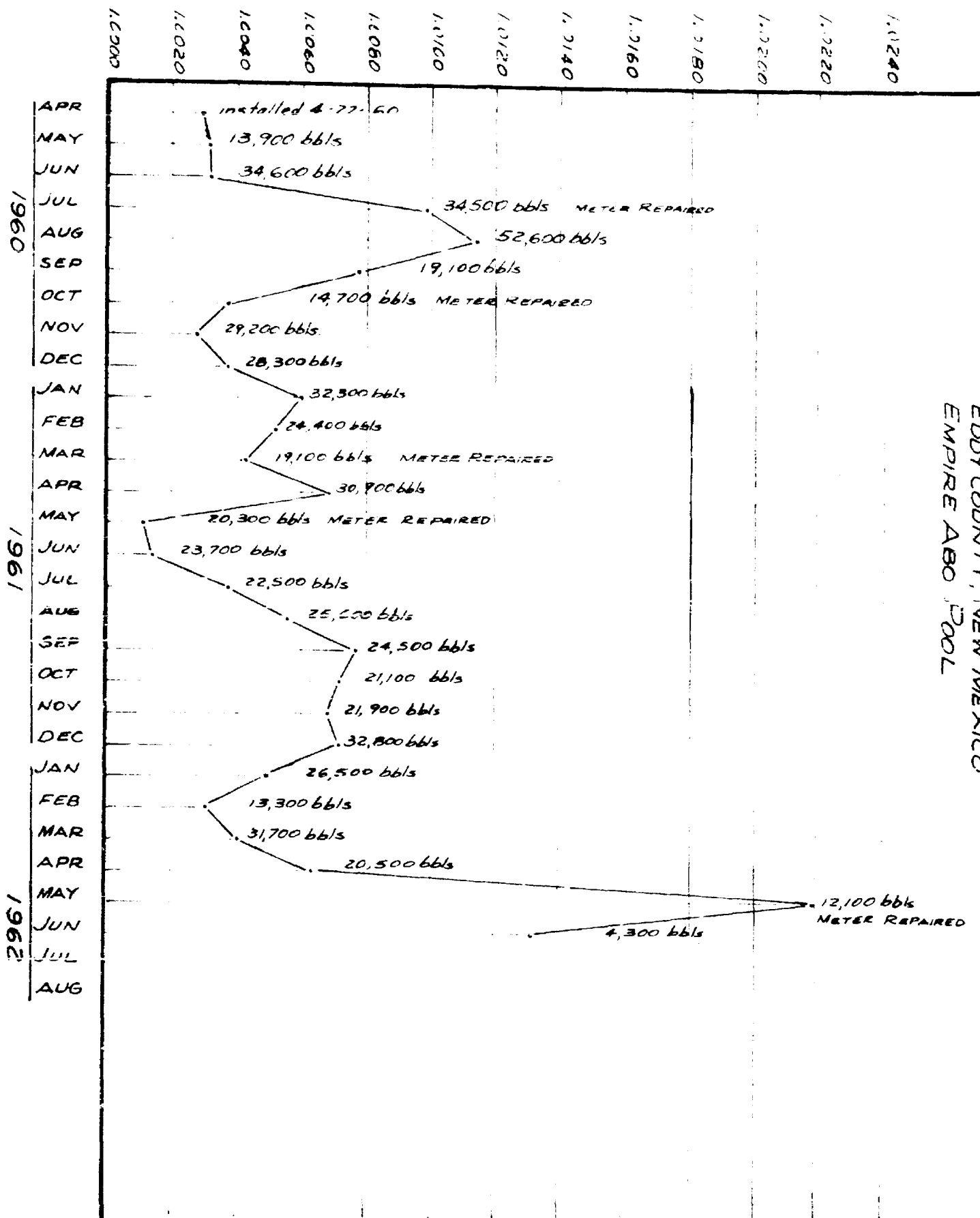
cc: C. E. Wilson
R. A. Hamill

Hondo-Western-Yates
 State 'A' Batt. #1
 Sec. 31, T17S, R28E
 Empire Abo Pool

Meter Factor Tabulation

Date	Metered Oil	Meter Factor
April 1960	Installed 4-22-60	1.0029
May	13,900	1.0032
June	34,600	1.0033
July	34,500	1.0098
Aug.	52,600	1.0114
Sept.	19,100	1.0076
Oct.	14,700	1.0036
Nov.	29,200	1.0028
Dec.	28,300	1.0037
Jan. 1961	32,300	1.0060
Feb.	24,400	1.0052
March	19,100	1.0043
April	30,900	1.0069
May	20,300	1.0012
June	23,700	1.0014
July	22,500	1.0037
Aug.	25,600	1.0056
Sept.	24,500	1.0077
Oct.	21,100	1.0072
Nov.	21,900	1.0069
Dec.	32,800	1.0072
Jan. 1962	26,500	1.0050
Feb.	13,300	1.0031
March	31,700	1.0040
April	20,500	1.0063
May	12,100	1.0218
June	4,300	1.0132

METER FACTOR



HONDO STATE "A" STORAGE #1
SEC 31, T17S, R28E
EDDY COUNTY, NEW MEXICO
EMPIRE ABO POOL

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 6-2-60

CASE 1977

Hearing Date 6-1-60

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

1. Grant Hondok request for LACT in
Empire Abo, their Western Yates lease
No. 647, consisting of:

175-28E.

Sec. 25, All

" 26, All

" 34, N/2SE/4

" 35, NE/4, E/2NW/4, N/2S/2,

" 36, N/2, N/2S/2.

2. Gathering lines shall be 4000 test 6.5" steel.
3. Storage shall have fail safe hi-level switch which will shut-in lease at ACT headers.
4. Exception to Rule 389, more than 16 wells.
5. Std. LACT order otherwise.

Frank A. W.

OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

June 10, 1960

Mr. S. H. Cavin
Hondo Oil & Gas Company
Box 660
Roswell, New Mexico

Dear Sir:

We enclose herewith two copies of Order R-1604 in
Case 1977 issued by the Oil Conservation Commission
this date.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

lr/

Carbon copy of order sent to:

Oil Conservation Commission
Hobbs
Artesia

C
O
P
Y

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. 1977
Order No. R-1694

APPLICATION OF HONDO OIL & GAS COMPANY
FOR APPROVAL OF AN AUTOMATIC CUSTODY
TRANSFER SYSTEM IN THE EMPIRE-ABO POOL,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on June 1, 1960, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 10th day of June, 1960, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant is the owner and operator of the Hondo-Western-Yates State 647 lease comprising in pertinent part the following-described acreage in Eddy County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM

Section 25: All

Section 26: All

Section 34: N/2 SE/4

Section 35: NE/4, E/2 NW/4, and N/2 S/2

Section 36: N/2 and N/2 S/2

(3) That the applicant proposes to install an automatic custody transfer system to handle the Empire-Abo Pool production from all wells presently completed or hereafter drilled on the above-described acreage.

(4) That all meters used in the above-described automatic custody transfer system should be checked for accuracy once each month and the results of such tests furnished to the Commission.

-2-
CASE No. 1977
Order No. R-1694

(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.

IT IS THEREFORE ORDERED:

That the applicant, Hondo Oil & Gas Company, be and the same is hereby authorized to install automatic custody transfer equipment to handle the Empire-Abo Pool production from all wells presently completed or hereafter drilled on that portion of the Hondo-Western-Yates State 647 lease hereinafter described:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 25: All
Section 26: All
Section 34: N/2 SE/4
Section 35: NE/4, E/2 NW/4, and N/2 S/2
Section 36: N/2 and N/2 S/2

all in Eddy County, New Mexico.

PROVIDED HOWEVER, That inasmuch as the lease shut-in facilities will be at the lease header rather than at the wellheads, the flowlines used in the automatic custody transfer system shall be high pressure tubing which shall be tested to at least 1500 psi upon installation.

PROVIDED FURTHER, That the applicant shall install a high-level safety shut-in switch in the storage tank which will shut-in the wells at the header thus preventing the overflow of oil in the event of malfunction of the equipment.

PROVIDED FURTHER, That the applicant shall install adequate facilities to permit the testing of all Empire-Abo Pool wells on the above-described acreage at least once each month to determine the individual production from each well.

IT IS FURTHER ORDERED:

That all meters used in the above-described automatic custody transfer system shall be operated and maintained in such a manner as to ensure an accurate measurement of the liquid hydrocarbon production at all times.

That meters shall be checked for accuracy at least once each month until further direction by the Secretary-Director.

That meters shall be calibrated against a master meter or against a test tank of measured volume and the results of such

-3-
CASE No. 1977
Order No. R-1694

calibration filed with the Commission on the Commission form
entitled "Meter Test Report."

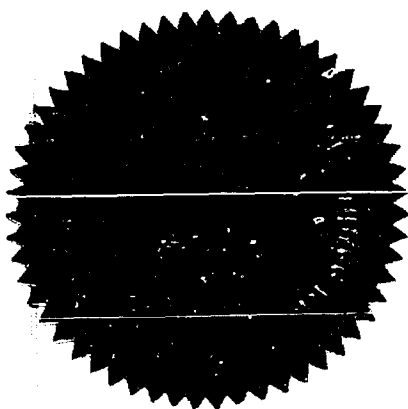
DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

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



EST/

Case

Hondo Oil & Gas Company

Box 660

Roswell, New Mexico

May 3, 1960

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

Re: Application for Approval of LACT System,
and for permission to produce more than
16 wells into a common tank battery, for
production from Empire Abo pool on Hondo-
Western-Yates State 647 Lease in Sections
25; 26; N $\frac{1}{2}$ SE $\frac{1}{4}$ Section 34; NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$ and
N $\frac{1}{2}$ S $\frac{1}{2}$ Section 35; and N $\frac{1}{2}$, N $\frac{1}{2}$ S $\frac{1}{2}$ Section 36,
all in Township 17 South, Range 28 East,
N.M.P.M., Eddy County, New Mexico.

Gentlemen:

Hondo Oil & Gas Company, Operator for Hondo Oil & Gas Company, a corporation, Western Development Company of Delaware, a corporation, and Yates Brothers, a partnership, doing business as Hondo-Western-Yates, hereby makes application for permission to operate Lease Automatic Custody Transfer Equipment on the subject lease, and for permission to produce more than 16 wells into a common tank battery as an exception to Rule 309(a).

In support of this application, Hondo Oil & Gas Company states the following:

1. Hondo-Western-Yates is the owner and Hondo Oil & Gas Company is the operator of all producing rights below 500 feet below the top of the San Andres formation on Hondo-Western-Yates State 647 Lease, which consists of Sections 26; 26; N $\frac{1}{2}$ SE $\frac{1}{4}$ Section 34; NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$ and N $\frac{1}{2}$ S $\frac{1}{2}$ Section 35; and N $\frac{1}{2}$, N $\frac{1}{2}$ S $\frac{1}{2}$ Section 36, all in Township 17 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, among other lands.
2. There is no diversity of royalty ownership underlying the above described lease.

*W. Yates
J. Yates
J. Yates*

Oil Conservation Commission, State of New Mexico
May 3, 1960


Page 2

3. The proposed installation will be adequate to accurately measure oil produced and result in efficient accounting of crude oil transferred to the pipe line gathering system.
4. The pipe line company which purchases the crude oil from subject lease has indicated its approval of the design and equipment for the proposed LACT system.
5. The granting of applicant's request in this case is in the interest of conservation, and will protect correlative rights.
6. In view of proposed Fail Safe features and automatic well control and shut off provisions, the installation of this LACT system will not create any danger of waste.

It is respectfully requested that this matter be set for hearing at any early date.

Respectfully submitted:

HONDO-WESTERN-YATES
BY HONDO OIL & GAS COMPANY, OPERATOR

By 
S. H. Cavin, Resident Attorney

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
June 1, 1960

EXAMINER HEARING

IN THE MATTER OF:)

)
Application of Hondo Oil & Gas Company for)
approval of an automatic custody transfer)
system. Applicant, in the above-styled)
cause, seeks an order authorizing the in-)
stallation of an automatic custody trans-)
fer system to handle the production from)
the Empire-Abo Pool from all wells present-)
ly completed or hereafter drilled on the)
Hondo-Western-Yates State 647 lease, which)
lease consists of acreage in Sections 25,)
26, 34, 35, and 36, all in Township 17)
South, Range 28 East, Eddy County, New)
Mexico.)

Case 1977

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 1977.

MR. PAYNE: Application of Hondo Oil & Gas Company for
approval of an automatic custody transfer system.

(Whereupon Hondo's Exhibits Nos.
1 through 3 were marked for
identification.)

MR. UTZ: Any other appearances?

MR. CAVIN: My name is S. H. Cavin and I am employed
by the Hondo Law Department at Roswell, New Mexico.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



MR. UTZ: What is the name again?

MR. CAVIN: S. H. Cavin. I'm appearing for Hondo in this case. Hondo is seeking approval, seeking an ACT to handle Empire-Abo Pool production from all wells located on the six sections, 25, 26, 34, 35 and 36, Township 17 South, 28 East, Eddy County, New Mexico, and for permission to produce more than 16 wells into a common tank battery as an exception to Rule 309A. Our only witness is Mr. J. R. McMann who was just sworn.

J. R. McMANN

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

DIRECT EXAMINATION

BY MR. CAVIN:

Q Mr. McMann, would you please state your full name and your position, your employer, where you live?

A I am J. R. McMann, petroleum engineer for Hondo Oil & Gas Company at Roswell.

Q Have you previously appeared before the New Mexico Oil Conservation Commission and qualified and testified as an expert witness?

A I have.

Q Are you familiar with Hondo's application for lease automatic custody transfer system and an exception to Rule 309A?

A I am.



MR. CAVIN: If the Commission please, I would like to move that Mr. McMann's qualifications be accepted.

MR. UTZ: He is qualified.

MR. CAVIN: Thank you.

Q What is the purpose, Mr. McMann, of Hondo's application for the ACT and the exception to Rule 309A?

A The primary purpose is to effect economy and to effect improved operations on this lease.

Q In what ways will the economy be effected?

A Through the conservation of crude and the savings on manpower through the operation of the automatic equipment and savings in investment in the equipment.

Q Have you prepared, or at your direction had a plat prepared, showing the location of the lease?

A Yes, I have.

MR. CAVIN: A plat of the 647 lease covered by this application is offered as Exhibit No. 1

Q Mr. McMann, would you please state what is shown on Exhibit No. 1?

A Exhibit No. 1 shows Hondo's State 647 Lease insofar as it covers Sections 25, 26, the North Half of the Southeast Quarter of Section 34, the East Half of the Northwest Quarter, the Northeast Quarter and the North Half of the South Half of Section 35, and the North Half and the North Half of the South Half of Section 36



all in Township 17 South, Range 28 East, Eddy County, New Mexico.

There are several wells on this lease all of which are completed in the Empire-Abo Pool.

Q Those are the wells that are concerned with this application?

A That is correct.

Q Does Hondo plan any further producing wells on this lease?

A Yes, they definitely do.

Q Is it correct that the working interest in this lease is jointly owned by Hondo Oil & Gas Company, Western Development Company of Delaware and Yates Brothers and that Hondo is presently the operator as to the Empire-Abo Pool under a joint operating agreement between these parties?

A That is correct.

Q The wells referred to on the plat designated Exhibit 1 are the only wells on the property and they are producing from the Empire-Abo Pool?

A Yes, those wells indicated by a solid or filled in dot.

Q Hondo is the operator or Hondo Oil & Gas Company and Western Development Company and Yates Brothers as to this horizon?

A That is correct.

Q Is there a diversity of ownership in the lease or is it all the same?



A It is all the same.

Q Has the pipeline been notified of the plan for the ACT system?

A Yes, they have and they approve heartily.

Q Have you prepared, or at your direction had prepared, an exhibit designated Exhibit 2, a schematic diagram which shows the lease automatic custody transfer system and the allied equipment on the lease?

A Yes, sir.

Q Are you familiar with Exhibit No. 3, the schematic diagram which shows in detail the lease ACT system as proposed?

A Yes, sir.

Q Who prepared this diagram?

A Basin Engineering, which is the firm that will install the equipment.

MR. CAVIN: If the Commission please, we will move these be admitted later.

Q Mr. McMann, would you state what is shown on the diagram noted as Exhibit No. 2.

A Exhibit No. 2 shows the automatic tank battery layout. Tankage consists of two 400 barrel welded tanks. Also shown are two oil and gas separators with the fluid meter at the discharge of the test separator. The LACT unit is shown. The flow is indicated of crude oil and gas, the lease automatic custody transfer



unit and controls are shown.

Q On Exhibit No. 3?

A Exhibit No. 3 is a detailed drawing of the items of equipment which constitute the lease automatic custody transfer skid mounted unit. The equipment consists of a three inch pump, a three inch basic sediment and water instruments incorporated monitor with probe, three inch Clayton Model 136E valve with solenoid, three inch Smith Model 1030 deaerator, which is not actually required for Empire-Abo crude; three inch Smith Straightway Model Type E strainer, two inch Smith Model dispose PD meter with accessories, two inch Clayton Model 58E combination back pressure and solenoid valve which is explosion proof; two inch Nordstrom Figure 143 plug, Mecro Model HB-3 sampler, fabricated skid and a control panel.

Q Would you now tell us how the equipment particularly described in Exhibit No. 3, controls the flow of oil from the subject lease?

A The crude oil is separated from the gas in either the bulk separator on the right side of the diagram or the test separator in the lower center of the diagram with the fluid meter at its outlet. It flows to the settling tank, the 400 barrel tank on the right. When the fluid level reaches the equalizing line, it equalizes into the shipping tank, the 400 tank on the left.

The crude oil is shipped to the pipeline through the automatic

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PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



custody transfer below the low level automatic control and the high level dual automatic controls.

The LACT unit measures the crude oil through a PD meter. Also the LACT unit monitors and records the BSW percentage and records crude oil temperature. Dirty or wet oil is automatically returned to the settling tank and the lease is shut in when the tanks become full.

Q What are the so-called fail safe features of this particular equipment?

A The main fail safe feature of this unit are one, the unit will stop in event the meter counter stops counting. The unit will stop if transmitter malfunctions, the unit will stop if allowable set stop counter stops turning, the unit will stop if pipeline pumps lose suction, if electricity fails the unit will be shut in, if air fails the unit will be shut in. A light is included on the panel to show meter malfunction. Lights also show bad oil, good oil, oil bypassing and allowable achieved.

Q Would you now describe the flow line that you propose to use from the wells on this lease to this automatic custody transfer equipment?

A We plan to hook up all wells to this battery using used 2-1/2 inch tubing. The 6.5 pound J-55 ~~seamless~~ pressure tested to 4,000 pounds per square inch gauge.

Q Using this type of flow line, in your opinion, would it



be necessary to have automatic shutin controls on each well?

A No, sir.

Q Would you please explain this?

A The flow lines in all connections on the well side of the automatic shutoff valves at the battery will be capable of containing about four times the surface shutin pressures of the wells and nearly two times the bottomhole pressures of the wells. These high pressure flow lines, in our opinion, can safely stand pressures to which they will be submitted.

Q Could you please now tell us how many wells Hondo's Production Department expects to have on the lease shown in Exhibit No. 1 how they are expected to be located?

A The exhibit itself shows 33 well locations and it is believed that we could have as many as 41 wells in this battery located as shown on Exhibit 1 and it would continue East to the East boundary of that near four section block.

Q Are the installations described here substantially the same as those used on other leases in the field and approved by the New Mexico Oil Conservation Commission?

A Yes, the equipment is substantially the same.

Q In your opinion would the granting of this application be in the interest of conservation and would it protect correlative rights?

A Yes, sir.



MR. CAVIN: If the Commission please, I would like to move at this time for the admission into evidence of Exhibits 1, 2 and 3 heretofore referred to.

MR. UTZ: Without objection, the Exhibits 1, 2 and 3 will be entered into the record.

MR. CAVIN: I have no other questions at this time.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. McMann, is this flow line from your individual wells seamless tubing, did you say?

A Yes, sir.

Q Is it welded?

A Part of it will be welded and part of it will be threaded and collar the original upset threads and collars.

Q Is it plastic coated?

A We hadn't intended it would be.

Q Do you have any corrosion problems in the Abo crude?

A We feel that we very likely could have, to date we haven't had any appreciable flow line trouble. We haven't had any corrosion in evidence that I'm aware of.

Q What did you say the capacity of these tanks were?

A 400 barrels.

Q Each?

A Each.

Q And the switch shown by a dot on the right-hand tank



or the settling tank, is that a high level shutoff?

A Yes, sir. That's actually the dual shutoff which we agreed at the last previous hearing we would install.

Q From your lease, your gathering lines, the oil will proceed through separators prior to going to the tanks, is that correct?

A Yes, sir.

Q And no oil will be metered until after it passes through the tanks?

A The test oil from one or more wells on test, probably one would be metered.

MR. UTZ: Are there other questions?

MR. PAYNE: No questions.

MR. UTZ: If no further questions, the witness will be excused.

(Witness excused.)

MR. UTZ: Any other statements to be made in this case? If not, the case will be taken under advisement.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

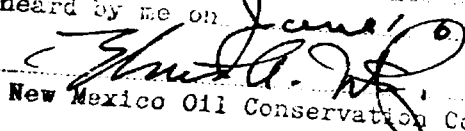
STATE OF NEW MEXICO)
: SS
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 9th day of June, 1960.


Notary Public-Court Reporter

My commission expires:
June 19, 1963.

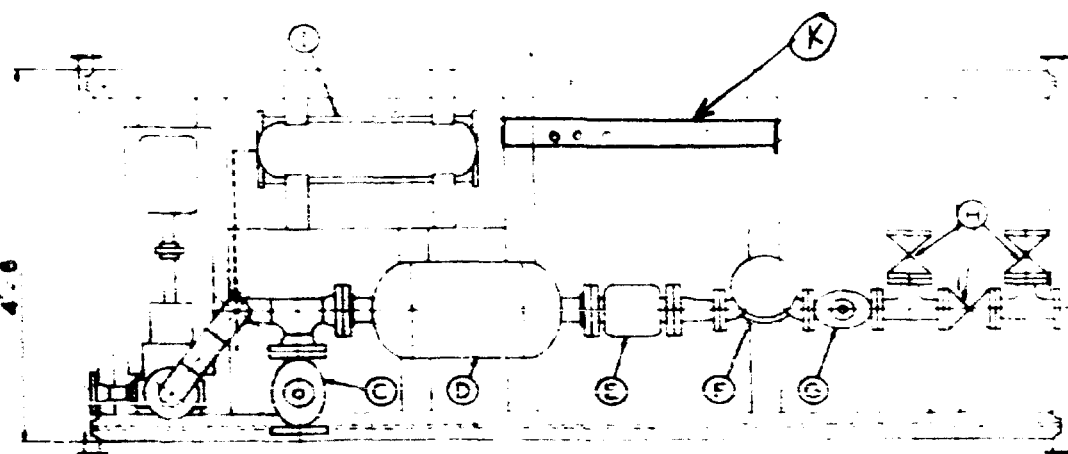
I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 1877,
heard by me on June 6, 1960.

Examiner
New Mexico Oil Conservation Commission



BEFORE EXAMINED UTZ
OIL CONVEYANCE COMMISSION

EXHIBIT NO. 3

CASE NO. 1977-1



PLAN VIEW

ITEM	DESCRIPTION	QUANTITY
A	SUITABLE PUMP	1
B	3 B & W INSTRUMENTS INC MONITOR WITH PROBE	1
C	3 CLAYTON MODEL #36E VALVE C/W SOLENOID, FE	1
D	3 SMITH MODEL #1030 DEAERATOR	1
E	3 SMITH STRAIGHTWAY MODEL TYPE 'E' STRAINER, FE	1
F	2 SMITH MODEL S-12 PD METER WITH REQD ACCESSORIES	1
G	2 CLAYTON MODEL #58E COMBINATION BACK PRESSURE & SOLENOID VALVE, FE, EXP PROOF	1
H	2 NORDSTROM FIG #143 PLUG VALVE FC	3
I	MECO MODEL HB-3 SAMPLER	1
J	FABRICATED SKID	1
K	Control Panel	

Exhibit No. 3
Case No. 1977
June 1, 1980