CASE 2000: Application of GULF OIL CORP. for permission to complete from 3 separate leases. LACT

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Small Exhibits, Etc.

BEFORE THE OIL CONSERVATION COMMISSION MABRY HALL Santa Fe, New Mexico June 22, 1960

EXAMINER HEARING

IN THE MATTER OF:

Case 2000

Application of Gulf Oil Corporation for permission to commingle the production from three separate leases and for permission to install an automatic custody transfer system. Applicant, in the above-styled cause, seeks permission to commingle the Monument Pool production from the following-described leases in Lea County, New Mexico: R. R. Bell (NCT-G) lease consisting of the S/2 SE/4 of Section 13, Graham State (NCT-H) lease consisting of the W/2 SW/4 of Section 13, and the H. T. Orcutt (NCT-D) lease consisting of the W/2 NE/4 of Section 13, all in Township 20 South, Range 36 East. Applicant further seeks permission to install an automatic custody transfer system to handle the Monument Pool production from said leases.

BEFORE:

D. S. Nutter, Chief Engineer

O. E. Payne, General Counsel

TRANSCRIPT OF HEARING

Mr. Nutter: Case 2000.

Mr. Payne: Application of Gulf Oil Corporation for permission to commingle the production from three separate leases and for permission to install an automatic custody transfer system.

Mr. Kastler: Bill Kastler, New Mexico. Our witness will be John Hoover.

(Witness sworm.)

Mr. Kastler: These have already been numbered Case Number 2000.

Mr. Payne: Yes, sir.



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JOHN HOOVER

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

DIRECT EXAMINATION

BY MR. KASTLER:

- Will you state your name, your position, where you live, and what Company you work for?
- John Hoover, Petroleum Engineer with Gulf Oil Corporation, Roswell, New Mexico.
- Mr. Hoover, have you previously appeared and qualified as an expert witness before the New Mexico Oil Conservation Commission?
 - Yes, sir.
 - Are you familiar with Gulf's application in Case No. 2000? Q.
 - Yes, sir, I am.

Mr. Kastler: Mr. Examiner, are the witness' qualifications satisfactory?

- Mr. Nutter: They are, Mr. Kastler, and will you proceed?
- (By Mr. Kastler) Briefly, will you proceed and state what is being sought in Case 2000?
- Gulf is asking for permission to commingle Monument oil production from three State leases described as the Orcutt "D" lease located in the West 1/2 of the Northeast 1/4, the Graham State "H" lease located in the Mest 1/2 of the Southwest 1/4 and the R. R. Bell "G" lease located in the South 1/2 of the Southeast



1/4 of Section 13, Township 20 South, Range 35 East, Lea County, New Mexico.

9 Have you prepared for introduction here as an Exhibit, the lease plat?

A Yes, sir, and we have marked this as Exhibit 1. This shows the location of the leases involved in this Case and they are outlined in red.

Q Would you please give the numbers of the wells and the location of the wells, referring to Exhibit Number 1, which are involved in this application?

A On the Orcutt "D" there are two wells, being wells Number 1 and 2. The Graham State "H", two wells, Number 1 and 2, and the R. R. Bell "G", two wells, also Number 1 and Number 2. These are producing from the Monument Oil Pool.

Q Are all three of these lesses estually developed at this time as to these three tracts?

A Yes, sir, they are.

Q Where will your common battery be located if this application is approved?

A It will be located on the Orcutt "D" lease.

Q Mr. Hoover, does Exhibit 1 also identify the offset operators?

A Yes, sir, they are listed on this Exhibit.

Q And, have all of these offset operators been given a copy



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of this application?

- A Yes, sir, they have.
- Q Who is the lessor in these three Gulf leases?
- A These are State leases with the Common Schools as beneficiary.
- Q And, now, I refer you to Exhibit Number 2, the Production and Test Flow Diagram.

Yes, sir, this is a schematic sketch of our proposed battery and to briefly go through to the Flow Diagram, we show, down in the left-hand corner, lines coming in which represent the flow lines from each well. On this Exhibit we show seven lines there and, actually, that should be sixty-six lines, one for each well, but the wells will come into the header at the central battery, the wells on production will go through the production facilities, being a separator, a free water knockout, then to the production heater treater through a BS and to the 250 barrel surge tank, the wells there are on test, will be diverted through with the test facilities and that has been described as through a separator, test separator, a test heater treater and then the production from the test heater treater ties back into the production line down a stem from the production heater treater where it is commingled with the wells that are on production, all other production then goes through the BS, and with monitor problem through the surge tank. On the test facilities, we will have a meter at the separator for taking gas



that correct?

Only one pool, the Monument Oil Pool. On this installation we will have safety shut-down equipment, we will have for high level in the surge tank, either the production heater treater or the separators, we will shut in the lease sheath 'in' valve on the left-hand side on the production line and test line.

Mr. Hoover, either the separators or heater treaters would have this sneath, would both of them have it?

Yes, let me correct myself if I said 'either'. The high level will be in both the test heater treater and the test and production separators. This high level which shut in the lease valve which will, in turn, shut in valves at the wells and in the case of pumping wells, will shut down the pump. The production that goes into the surge tank will go through an ACT system and the description of that system is on Exhibit 3.

Before you go to Exhibit Number 3, Mr. Hoover, does the 205 gallon surge tank have a high level shut-off valve?

Yes, sir, it does.



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So then, in this case, this proposed installation is designed for failure, a safeguard, is that correct?

Yes, sir.

In the event you have unmerchantable oil that shows up in your monitor and comes from the tank bottom pump would you, please, briefly review how that oil would be treated further before going into production?

We show one pump, which is also a tank bottom pump, in addition to the pump for recirculating bad oil showing up through the monitor. The tank bottom pump, taking it separately in the monitor would be set to recirculate tank bottoms back through the heater treater at intervals that could be set at will. In the event that the BS and where monitor problems indicate there is bad oil passing by that point, it will override the circulating system on the tank hottoms and will recirculate all the oil back through the heater treater.

> Mr. Nutter: Is that through that automatic divider valve? The Witness: Yes, sir.

(By Mr. Kastler) It runs it back up and then to the left? Q

Yes, sir. When the pump is not running.

In other words, if the oil is indicated to be good that valve would be open in a position that the oil would go to the surge tank, left to right?

If the oil indicates bad, the pump indicates that, and Α



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the valve closes to the surge tank and opens around to the suction of the pump back there, back through the heater treater.

Or you can turn on the tank bottom pump and withdraw the oil from the 205 gallon surge tank from the right to go back through the heater treater?

Yes, sir.

Would you now refer to Exhibit 3 and explain what is shown on the proposed automatic custody transfer system diagram?

Yes, sir. This is a similar installation to other automatic custody transfer systems that we have put in and received approval by this commission. The general equipment is through a pump, the oil coming from the tank through the pump strainer, and deaerated through a PD meter, in this case will be an A. O. Smith, Smith T-6 through a sampler to the pipeline. We will have a valving arrangement, that master meter can be installed for checking the PD meter. This particular meter will have a non-reset counter, will have a safety shutdown switch, and that is for the purpose if the meter fails to register, then it closes and shuts the in valve shown to the right, or if the pump should fail to operate, it will also close that valve when the pump starts under normal conditions, which is actuated by a low and high level switch in the surge tank. That valve is also closed and opened respectively.

Mr. Hoover, have you obtained the permission of the Commissioner of Public Lands as a representative of the royalty owner



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for this proposed installation?

Yes, sir, we have, and we have a letter from the Land Commissioner's office approving the commingling of the production of these leases. We have made a copy of his letter and we would like to submit this original and then withdraw it and submit our copies.

Mr. Nutter: Photostats are adequate.

- (By Mr. Kastler) That letter is dated May 31, 1960?
- Yes, sir, it is and he verifies that the beneficiary on all three leases is on common scales and are granted their permission to commingle the production.
- In your opinion, will the commingling of the oil from these three leases freeze the Monument Pool, result in a substantial savings to the operator over the present installation of three separate tank batteries?
- No, sir. We have three tank batteries on these leases at the present time. However, we do have some wooden tanks that need to be replaced, but the cost of installing the tanks would be less than this installation, this is more efficient installation for handling the production and will save some in labor costs.
- In your opinion, will the granting of this application impair anyone's correlative rights?
- No, sir, in my opinion it would not and by the fact that all three wells, all six wells, are in the Monument Oil Pool, we



would expect no decrease in royalty, or if an increase, they should all be approximately the same.

- Does Gulf propose to allocate production to the individual leases on the basis of individual well tests?
 - Yes, sir. Α
- Does Gulf propose to comply with all required tests and reports of the 0.C.C.?
 - Α Yes, sir, we do.
- And, I think you already testified, all offset operators and pipeline operators concerned have been notified of this application?
 - Yes, sir, they were furnished a copy of our application. Α
- What is the name of the pipeline which you are carrying in this production?
- It's Shell pipeline and our proposed installation meets with their standards and approval.
- Were Exhibits 1, 2 and 3 prepared by you, or under your supervision?
 - Yes, sir. А
- And, you have already testified that Exhibit 4 is a true copy of a letter dated May 31, 1960, and received by Gulf from the Commission of Public Lands?
 - Yes, sir.

Mr. Kastler: This completes my questions on direct exam-



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ination and I would like to move the introduction of Exhibits Numbers 1, 2, 3 and 4.

Mr. Nutter: Gulf's Exhibits one through four will be admitted.

Mr. Payne: Gulf if working all three of these leases, is that right?

- A (By Witness) Yes.
- Q And the royalty owner is on common scales with the beneficiary?
 - A Yes, sir.
 - Q No diversity of overriding royalties?
 - A No.
- Q Have you taken care of all of your problems relative to Easements, since these leases are continuous?
 - A Insofar as--

Mr. Nutter: Right of way for your flow lines?

A We have not put in installations in the well.

Mr. Payne: You don't anticipate any problems in that regard?

- A No, sir.
- Q (By Mr. Nutter) Mr. Hoover, I believe you stated you have shut in float switches in test and production separators, correct?
 - A Yes, sir.



DEARNLEY-MEIER REPORTING SERVICE, ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6691

And, then you mentioned you had it in one of the treaters ର also? Both treaters. Both treaters. So both separators and both treaters and Q

the surge tank have shut in float switches?

Yes, sir.

Mr. Nutter: I believe that is all. Any further questions of Mr. Hoover? You may be excused.

(Witness excused.)

Mr. Nutter: Do you have anything further, Mr. Kastler?

Mr. Kastler: Nothing further.

Mr. Nutter: Does anyone have anything further?

We will take the case under advisement.



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DEARNLEY-MEIER	ALBUQUERQUE, NEW MEXICO

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WITNESS			<u>Pag</u> e
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Number	Exhibit	Offered	Received
Applicant's	1-4	10	10
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STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

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

DATED this 8th day of July, 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Tewelleys 7- Milson NOTARY PUBLIC

My Commission Expires: June 14, 1964

I do hereby certify that the foregoing is

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hereby certify that the foregoing is

the define of the proceedings in

New Mexico Oil Conservation Commission



CH 3-6691

STATE OF NEW MEXICO SS COUNTY OF BERNALILLO

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

DATED this 8th day of July, 1960, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Levelleyor 7- Melson NOTARY PUBLIC

My Commission Expires:

June 14, 1964

I do hereby certify that the foregoing is Examiner. New Mexico Oil Conservation Commission



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BEFORE EXAMINER NUTTER

R. R. Bell (NCT-G), Greham-State (NCT-H) and H. T. Orcutt (NCT-D)

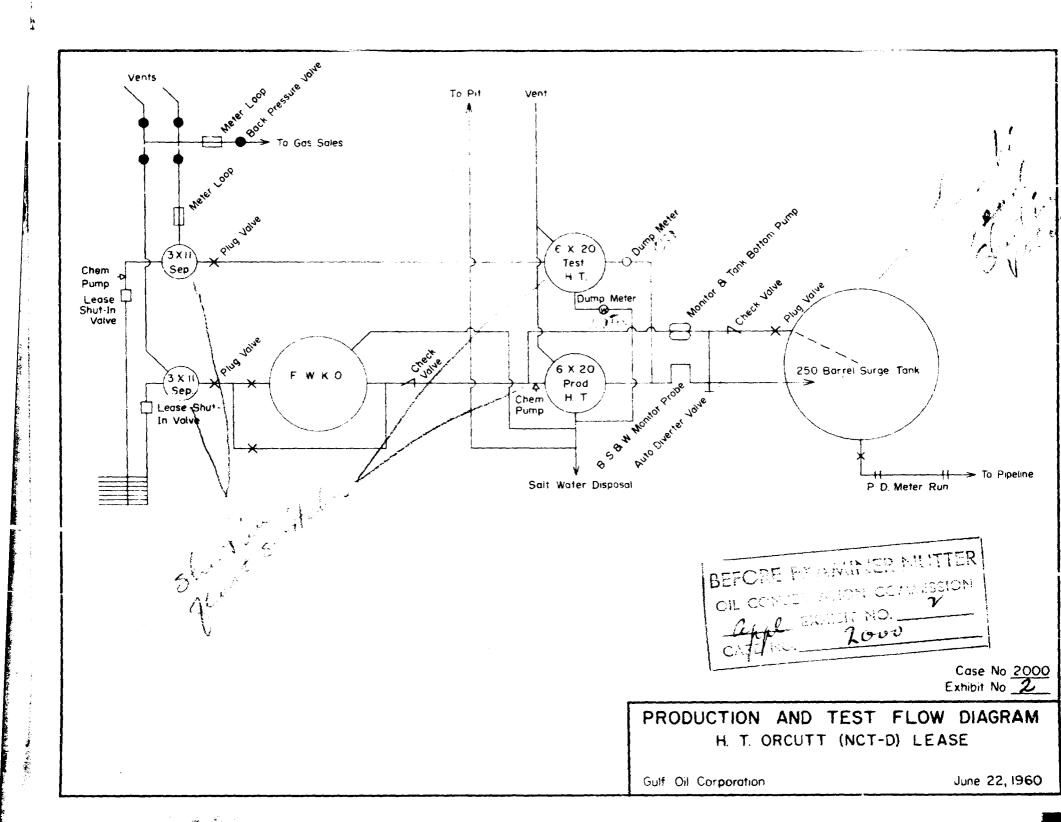
Lea County, New Mexico

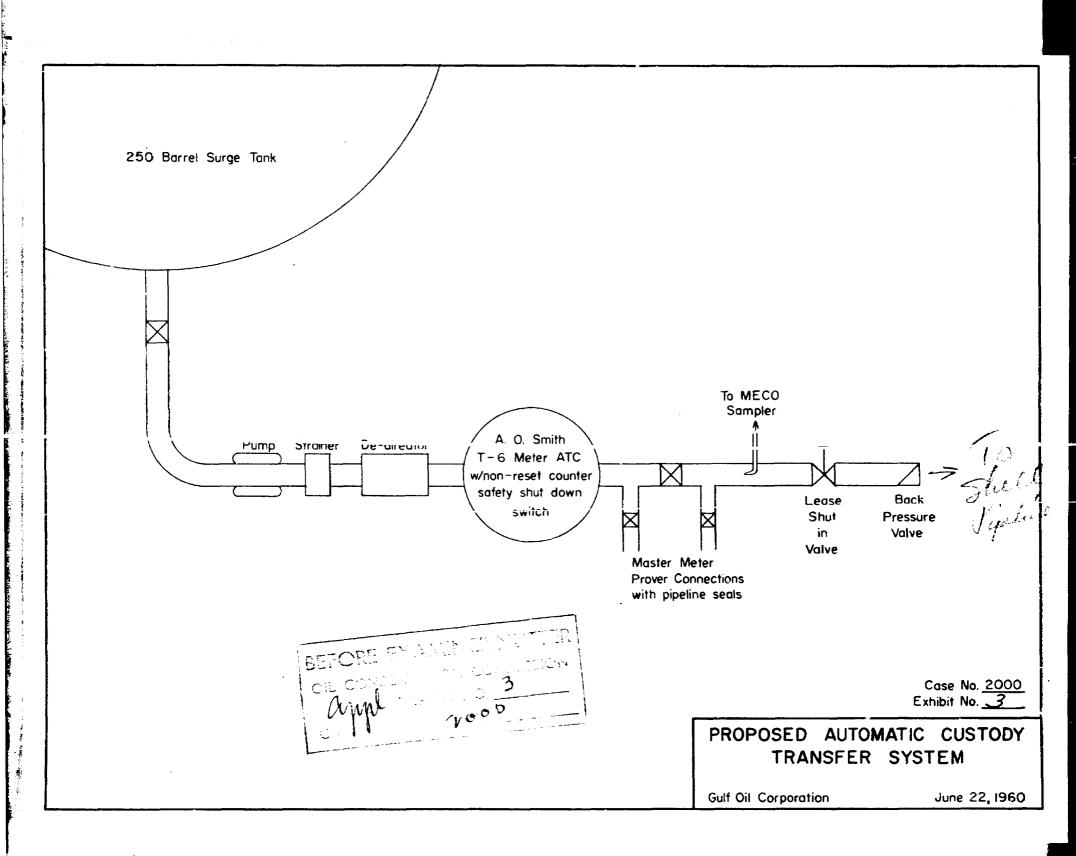
-LEGEND
Pertinent Gulf Leases

Case No. 2000 Exhibit No. _/_

Gulf Oil Corporation

June 22, 1960





State of New Mexico





Commissioner of Public Lands

COMMISSIONER



FO BOX TO

appl 2000

May 31, 1960

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

Re: Commingling of production from Monument Pool from Leases A-1543-1, B-230-1 and B-244-1.

Attention: W. A. Shellshear District Manager

Gentlemen:

Permission is hereby granted to you to commingle production from the Monument Pool of wells located on the following Leases:

A-1543-1 concaining the Whyswig B-230-1 containing Shelf, and B-244-1 containing White

All in Section 13, Township 20 South, Range 36 East, Lea County, New Mexico.

All this acreage is committed to the same beneficiary, that being Common Schools.

Yours very truly,

MURRAY E. MORGAN Commissioner of Public Lands By:

Ted Bilberry Supervisor Oil & Gas Division

cc: Oil Conservation Commission

MEM: TB: ML

Case No. $\frac{2000}{4}$

BEFORE THE OIL COMSERVATION 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. 2000 Order No. R-1704

APPLICATION OF GULF OIL CORPORATION FOR PERMISSION TO COMMINGLE THE PRO-DUCTION FROM THREE SEPARATE LEASES 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 June 22, 1960, at Samta 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 30th day of June, 1960, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Mutter, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant is the owner and operator of the following-described leases located in Section 13, Township 20 Bouth, Range 36 East, NNPM, Lea County, New Mexico:
 - R. R. Bell (NCT-G) lease consisting of the S/2 SE/4

 Graham-Stace (NCT-H) lease consisting of the W/2 SW/4
 - H. T. Orgutt (NCT-D) lease consisting of the W/2 ME/4
- (3) That the ownership of the above-described leases is common throughout.
- (4) That the applicant proposes to commingle the Monument Pool production from each of the above-described leases into a common battery to be located in the said H. T. Ozcutt (MCT-D) lease.
- (5) That the production will be allocated to the individual leases on the basis of individual well tests.

CASE No. 2000 Order No. R-1704

- (6) That the applicant proposes that an automatic custody transfer system be utilized to handle the commingled production.
- (7) That the previous use of automatic custody transfer equipment, similar to that proposed by the applicant, has shown that such equipment is a reliable and economic means of transferring the custody of oil, and that the use of such equipment should be permitted, provided that adequate safety features are incorporated therein.
- (8) That imaginch as the ownership of the above-described leases is common throughout, approval of the subject application will neither impair correlative rights nor cause waste.

IT IS THEREFORE ORDERED:

- (1) That the applicant, Gulf Oil Corporation, be and the same is hereby authorized to commingle the production from the Monument Fool from all wells presently completed on the following-described leases:
 - R. R. Bell (NCT-G) lease consisting of the S/2 SE/4

 Graham-State (NCT-H) lease consisting of the W/2 SW/4
- H. T. Orcutt (NCT-D) lease consisting of the W/2 ME/4 all in Section 13, Township 20 South, Range 36 Hast, NMPM, Lea County, New Mexico.

PROVIDED HOWEVER, That the applicant shall install highlevel safety shut-in switches in the storage tanks which will shut-in the wells at the wellhead in the event of malfunction of the equipment.

PROVIDED FURTHER, That the applicant shall conduct monthly tests of all wells on the above-described leases in order to determine the individual production from each well.

(2) That the applicant be and the same is hereby authorized to install automatic custody transfer equipment to handle the said commingled production from all wells located on the above-described leases.

IT IS FURTHER ORDERED:

That all maters 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 all maters shall be checked for accuracy at least once each mouth until further direction by the Secretary-Director.

-3-CASE No. 2000 Order No. R-1704

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."

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

STATE OF NEW MEXICO OIL CONSERVATION COMMISSION

JOHN BURROUGHS, Chairman

MURRAY B. MORGAN, Member

A. L. PORTER, Jr., Member & Secretary

The state of the s

OIL CONSERVATION COMMISSION P. O. BOX 871

SANTA FE, NEW MEXICO

June 20, 1960

Mr. Bill Kastler Box 669 Roswell, New Mexico

Dear Sir:

We exclose herewith two copies of Order R-1704 in Case 3000 issued by the Oil Conservation Commission this date.

Very truly yours,

A. L. PORTER, Jr. Secretary-Director

ir/

Carbon copy of order sent to:

Oil Conservation Commission Hobbs, New Mexico

GULF POT TO THE PETROLEUM AND ITS PRODUCTS

RUSWELL DISTRICT

W. A. SHELLSHEAR District Menales P. O. DRAWER 669 • ROSWELL, NEW MEXICO

F. O. MORTLOCK
District Exploration Manager

June 27, 1960

FORT WORTH PRODUCTION DIVISION

M. I. TAYLOR District Production Manager

G. A. PRICE District Services Manager

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

Attention: Mr. A. L. Porter, Jr.

Gentlemen:

In accordance with the conversation between Mr. Hoover of this office and Mr. Dan Nutter, Gulf Oil Corporation respectfully requests that the testimony given in Case No. 2,000 heard before the Examiner on June 22, 1960 be corrected as follows: The purchaser of the Monument oil production from the H. T. Orcutt "D", Graham-State "H" and R. R. Bell "G" Leases is Gulf Refining Company instead of Shell Pipeline Corporation.

Yours very truly,

Mullshear

W. A. Shellshear

JHH:hs

ROSWELL DISTRICT

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GULF OIL CORPORATION

P. O. DRAWER 669 • ROSWELL, NEW MEXICO

W. A. SHELLEHEAR District Manager F. D. MORTLOCK

F. D. MURTLUCK
District Exploration Manager

M. I. TAYLOR

District Production Manager

G. A. PRICE District Services Manager

May 18, 1960

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

Re: Application for Approval of ACT System and Request for Exception to Rule 309 (a) for Gulf Oil Corporation's R. R. Bell (NCT-G), Graham State (NCT-H), and H. T. Orcutt (NCT-D) Leases, located in the Monument Pool, Lea County, New Mexico

Gentlemen:

Gulf Oil Corporation herewith makes application for exception to applicable rules and regulations of the New Mexico Oil Conservation Commission to obtain permission to install and operate automatic custody transfer equipment to handle production from the subject leases in the Monument Pool.

In order to fully utilize the proposed ACT system, Gulf Oil Corporation will request exceptions to:

- (1) NMOCC Rule 309 (a) which requires measurement of oil in tanks before such oil is transported from the lease.
- (2) Commingle production from each of the subject leases into a common battery to be located on the H. T. Orcutt (NCT-D) Lease.

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

- (A) Applicant is the owner and operator of the following leases located in Section 13, Township 20 South, Range 36 East, Lea County, New Mexico: R. R. Bell (NCT-G) consisting of the S/2 of the SE/4; Graham { ate (NCT-H) consisting of the W/2 of the SW/4; and H. T. Orcut; (NCT-D) consisting of the W/2 of the NE/4 of Section 13.
- (B) There is no diversity of royalty ownership underlying the above described leases.

- (C) Applicant proposes to replace present individual lease batteries with an automatic custody transfer system using dump-type or positive displacement meters and appropriate companion equipment as necessary to measure in barrels the amount of merchantable oil delivered to the pipe line. This ACT battery will be located on the H. T. Orcutt (NCT-D) Lease.
- (D) Applicant proposes to allocate production to the individual leases on the basis of individual well tests.
 - (E) The proposed installation will have adequate facilities to permit the taking of all required tests.
 - (F) The granting of this application is in the interest of conservation and will protect correlative rights.
 - (C) By copy of this letter, all offset operators and the pipe line concerned are notified of this application.

Respectfully submitted,

GULF OIL CORPORATION

BY: District Manager

JCG:dd

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

> Amerada Petroleum Corporation Post Office Box 2040 Tulsa, Oklahoma

Continental Oil Company Post Office Box 427 Hobbs, New Mexico

El Paso Natural Gas Company Post Office Box 1384 Jal, New Mexico

Pan American Petroleum Corporation Post Office Box 268 Lubbock, Texas

Phillips Petroleum Company Post Office Box 2105 Hobbs, New Mexico Shell Oil Company Post Office Box 1957 Hobbs, New Mexico

Sunray Mid-Continent Oil Company 1101 Wilco Building Midland, Texas

Superior Oil Company Post Office Box 510 Midland, Texas

Texaco, Inc.
Post Office Box 3109
Midland, Texas

Tidewater Associated Oil Company Post Office Box 1404 Houston, Texas

Gulf Refining Company Post Office Box 4232 Odessa, Texas