

Return with
order to
Hobbs

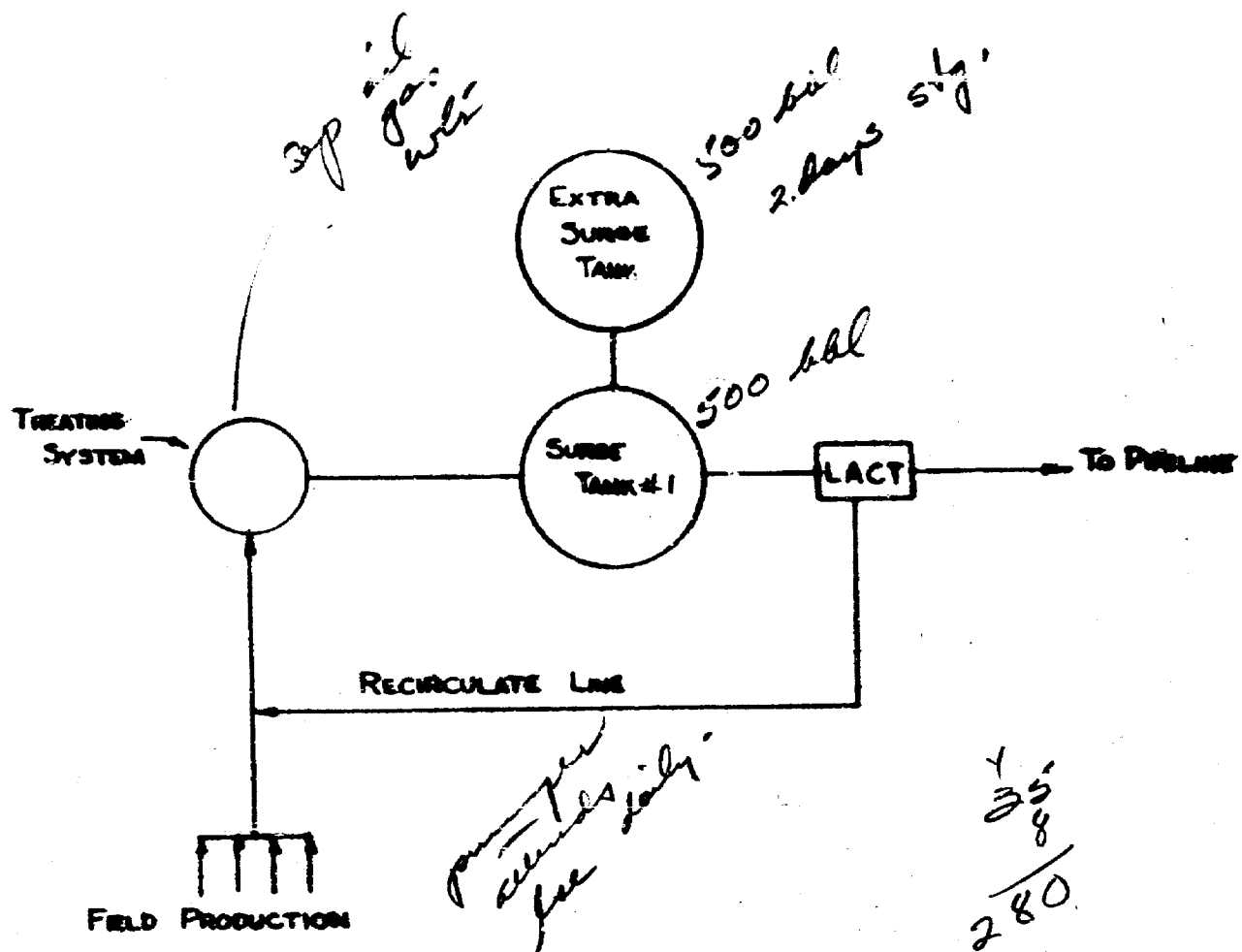
Memo

From
A. L. Porter, Jr.
Secretary, Director
4/20/61

To Legal Dept.

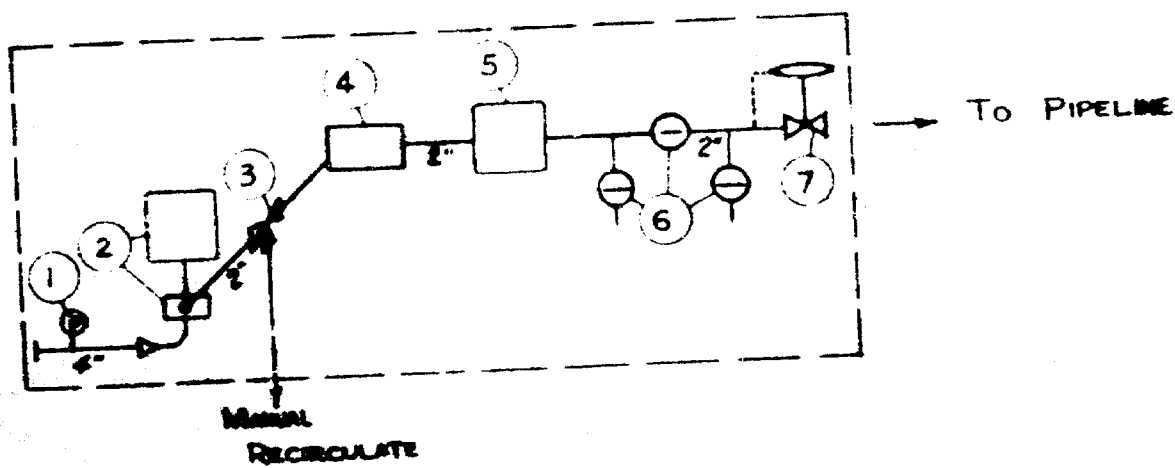
I recommend that an
order of approval be
entered in case 2256.

ALP



L. A. C. T. BATTERY
 HONDO OIL & GAS COMPANY

Exhibit 2
 Case No. 2256



- 1 - PRESSURE CONTROL
- 2 - PUMP AND MOTOR
- 3 - 3-WAY 2-PORT VALVE
- 4 - COMBINATION STRAINER - AIR ELIMINATOR
- 5 - PD METER WITH AUTO. TEMPERATURE COMPENSATION AND ALLOWABLE COUNTER
- 6 - PROVER LOOP
- 7 - BACK PRESSURE REGULATOR VALVE

SKID MOUNTED L.A.C.T. UNIT
 HONDO OIL & GAS COMPANY

*Automation Engineering Co.
 Mich. Corp.*

Exhibit 3
 Case No. 2256

12-61

DOCKET: EXAMINER HEARING - WEDNESDAY, APRIL 19, 1961

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Elvis A. Utz, Examiner, or A. L. Porter, Secretary-Director, as alternate examiner:

CASE 2246:

Application of Sinclair Oil & Gas Company for an exception to Rule 303 (a) and Rule 309 (a). Applicant, in the above-styled cause, seeks permission to commingle, without separate measurement, the oil production from the Tubb Gas Pool, the oil production from the Blinebry Gas Pool and the oil production from the Drinkard Pool from all wells presently completed on its J. R. Cone "A" lease, comprising the W/2 SW/4 of Section 26, Township 21 South, Range 37 East, Lea County, New Mexico, and on its J. R. Cone "B" lease comprising the SE/4 SW/4 and the SW/4 SE/4 of said Section 26.

CASE 2247:

Application of Sinclair Oil & Gas Company for an exception to Rule 303 (a). Applicant, in the above-styled cause, seeks permission to commingle, without separate measurement, the distillate production from the Tubb Gas Pool, the distillate production from the Blinebry Gas Pool, the oil production from the Drinkard Pool and the oil production from the Wantz Abo Pool from all wells presently completed on the S. J. Sarkeys lease, comprising the SE/4 of Section 23, Township 21 South, Range 37 East, Lea County, New Mexico.

CASE 2248:

Application of Sinclair Oil & Gas Company for an exception to Rule 303 (a). Applicant, in the above-styled cause, seeks permission to commingle, without separate measurement, the oil production from the Drinkard Pool with the oil production from the Tubb Gas Pool from all wells presently completed on its A. M. York "B" lease, comprising the NE/4 NE/4 of Section 20, Township 21 South, Range 37 East, Lea County, New Mexico.

CASE 2249:

Application of Southern Union Production Company for an order force-pooling a standard 160-acre proration unit in the Tapacito-Pictured Cliffs Gas Pool. Applicant, in the above-styled cause, seeks an order force pooling all mineral interests in the Tapacito-Pictured Cliffs Gas Pool in the SW/4 of Section 2, Township 25 North, Range 3 West, NMPM, Rio Arriba County, New Mexico, to form a standard 160-acre gas proration unit.

CASE 2250:

Application of Texaco, Inc. for an exception to Rule 309 (a) and for an automatic custody transfer system. Applicant, in the above-styled cause, seeks permission to commingle the Paduca-Delaware Pool production from all wells presently completed or hereafter drilled on the Cotton Draw Unit, comprising portions of Townships 24 and 25 South, Ranges 31 and 32 East, Eddy and Lea Counties, New Mexico. Applicant further proposes to install an automatic custody transfer system to handle said commingled production.

CASE 2251:

Application of Texaco, Inc. for a non-standard gas proration unit. Applicant, in the above-styled cause, seeks the establishment of a 280-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the SW/4, the E/2 SE/4 and the NW/4 SE/4 of Section 31, Township 23 South, Range 37 East, Lea County, New Mexico, to be dedicated to its E. E. Blinbry Well No. 2, located 1980 feet from the South line and 660 feet from the East line of said Section 31.

CASE 2252:

Application of Cities Service Petroleum Company for an automatic custody transfer system. Applicant, in the above-styled cause, seeks permission to install an automatic custody transfer system to handle the production from the Vacuum-Abo Pool from all wells presently completed or hereafter drilled on its State B "J" lease, S/2 of Section 35, Township 17 South, Range 35 East, Lea County, New Mexico.

CASE 2253:

Application of G. E. Reagin for permission to operate a treating plant. Applicant, in the above-styled cause, seeks permission to operate a sediment oil treating plant to be located at or near the City of Hobbs, New Mexico.

CASE 2254:

Application of The Ohio Oil Company for exception to Rule 309 (a) and for two automatic custody transfer systems. Applicant, in the above-styled cause, seeks permission to commingle, prior to measurement, the Lea-Devonian Pool production from all wells presently completed or hereafter drilled in the Lea Unit Area, comprising portions of Township 20 South, Ranges 34 and 35 East, Lea County, New Mexico, and to commingle, prior to measurement, the Lea-Bone Springs Pool production from all wells presently completed or hereafter drilled in said Lea Unit Area. Applicant further proposes to install two automatic custody transfer systems, one to handle the Devonian production, the other to handle the Bone Springs production.

CASE 2255:

Application of Tenneco Corporation for approval of the Kemnitz-Wolfcamp Unit Agreement and for a pressure maintenance project. Applicant, in the above-styled cause, seeks approval of the Kemnitz-Wolfcamp Unit Agreement, which unit embraces 4,520 acres of State lands in Township 16 South, Ranges 33 and 34 East, Lea County, New Mexico. Applicant further seeks an order authorizing it to institute a pressure maintenance project in said Kemnitz-Wolfcamp Unit Area by the injection of gas into 5 wells in said area, and for special rules governing the operation of said project.

CASE 2256:

Application of Hondo Oil & Gas Company for an automatic custody transfer system. Applicant, in the above-styled cause, seeks permission to install an automatic custody transfer system to handle the production from the Culwin-Queen Pool from all wells presently completed or hereafter drilled on the State RD Lease in Section 36, Township 18 South, Range 30 East, Eddy County, New Mexico.

CASE 2257:

Application of J. R. Cone for an exception to Rule 303 (a). Applicant, in the above-styled cause, seeks permission to commingle, without separate measurement, the production from the Blinbry Oil Pool, the Drinkard Pool and the Tubb Gas Pool from all wells presently completed on the Anderson Lease, comprising the NE/4 SE/4 of Section 21, Township 21 South, Range 37 East, Lea County, New Mexico.

CASE 2258:

Application of Markham, Cone & Redfern for an exception to Rule 303 (a). Applicant, in the above-styled cause, seeks permission to commingle, without separate measurement, the production from the Drinkard Pool, the Blinbry Gas Pool and the Tubb Gas Pool from all wells presently completed on the Eubanks lease, comprising the SW/4 of Section 14, Township 21 South, Range 37 East, Lea County, New Mexico.

CASE 2259:

Application of Southwest Production Company for a non-standard oil proration unit and for an unorthodox oil well location. Applicant, in the above-styled cause, seeks the establishment of a 71.3-acre non-standard oil proration unit in the Cha Cha-Gallup Oil Pool comprising that portion of the SW/4 of Section 16, Township 29 North, Range 14 West, San Juan County, New Mexico, lying North of the mid-channel of the San Juan River. Applicant further seeks approval for an unorthodox oil well location in said pool at a point 1850 feet from the South line and 330 feet from the West line of said Section 16, to serve as the unit well.

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Docket No. 12-61

CASE 2260.

Application of Continental Oil Company for an unorthodox gas well location. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location in the Eumont Gas Pool for its State F-1 Well No. 1, located 660 feet from the South and West lines of Section 1, Township 21 South, Range 36 East, Lea County, New Mexico, said well to serve as the unit well for a gas proration unit comprising all of said Section 1.

100-3111-100
100-3111-100

File 2256

Hondo Oil & Gas Company

Box 660
Roswell, New Mexico

March 17, 1961

Oil Conservation Commission
State of New Mexico
Post Office Box 571
Santa Fe, New Mexico

Re: Application for Approval of LACT
System for Production from Culwin
Queen Pool on Hondo Oil & Gas Company
State RD Lease in Section 36, Town-
ship 18 South, Range 30 East, N.M.P.M.,
Eddy County, New Mexico

Gentlemen:

Hondo Oil & Gas Company hereby makes application for permission to operate Lease Automatic Custody Transfer equipment on the subject lease.

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

1. Hondo Oil & Gas Company is the owner and operator of all producing rights in its State RD Lease which includes the $S\frac{1}{2}$, $W\frac{1}{2}NE\frac{1}{2}$ and $SW\frac{1}{2}NW\frac{1}{2}$ of Section 36, Township 18 South, Range 30 East, N.M.P.M., Eddy County, New Mexico.
2. There is no diversity of royalty ownership underlying the above described lease.
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.

*Doyle
Milled
4-5-61
JL*

Oil Conservation Commission, State of New Mexico
March 17, 1961

Page 2

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 OIL & GAS COMPANY

By 
S. H. Cavin, Resident Attorney

GOVERNOR
EDWIN L. MEEHLEN
CHAIRMAN

State of New Mexico
Provisis ad Provisis

Oil Conservation Commission

LAND COMMISSIONER
E. S. JOHANNY WALKER
MEMBER



P. O. BOX 971
SANTA FE

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

April 28, 1961

Mr. S. H. Cavin,
Honda Oil & Gas Company
Box 660
Nowell, New Mexico

Re: Case No. 2256
Order No. N-1952
Applicant:
Honda Oil & Gas Company

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

ir/

Carbon copy of order also sent to:

Hobbs OCC X
Artesia OCC X
Aztec OCC

OTHER

BEFORE THE OIL CONSERVATION COMMISSION
AND STATE BOARD OF LAND COMMISSIONERS

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:**

**CASE No. 2256
Order No. R-1952**

**APPLICATION OF HUNDO OIL & GAS
COMPANY FOR APPROVAL OF AN AUTO-
MATIC CUSTODY TRANSFER SYSTEM IN
THE CUBIER-GREEN POOL, REDDY
COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 19, 1961, at Santa Fe, New Mexico, before A. L. Foster, Jr., Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 114 of the Commission Rules and Regulations.

Now, on this 28th day of April, 1961, the Commission, a quorum being present, having considered the application, the evidence submitted, and the recommendations of the Examiner, A. L. Foster, Jr., 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, Hundo Oil & Gas Company, is the owner and operator of the State NB Lease, comprising the S/2, the SW/4 NW/4 and the W/2 NE/4 of Section 36, Township 18 South, Range 30 East, NMM, Reddy County, New Mexico.

(3) That the applicant proposes to install an automatic custody transfer system to handle the Cubier-Green Pool production from all wells presently completed or hereafter drilled on the above-described State NB Lease.

(4) 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.

-2-

CASE No. 2286
Order No. R-1952

IT IS THEREFORE ORDERED:

That the applicant, Bando Oil & Gas Company, is hereby authorized to install an automatic custody transfer system to handle the Culwin-Green Pool production from all wells presently completed or hereafter drilled on the State SD lease, comprising the S/2, the SW/4 NE/4 and the W/2 NE/4 of Section 36, Township 18 South, Range 10 East, N20W, Bddy County, Baz Mexico.

PROVIDED FURTHER, That the installation shall conform to Exhibit Nos. 1 and 2 in this case, and shall include a set-stop counter to automatically stop the flow of oil through the automatic custody transfer system at or prior to the time the allowable has been run and shall also include a non-reset totalizer.

PROVIDED FURTHER, That the applicant shall install adequate facilities to permit the testing of all wells located on the above-described State SD 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.

PROVIDED FURTHER, 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."

IT IS FURTHER ORDERED:

That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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CASE No. 2256
Order No. B-1991

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

STATE OF NEW MEXICO
OFF. COMMISSIONER COMMISSION

E. L. Nichols

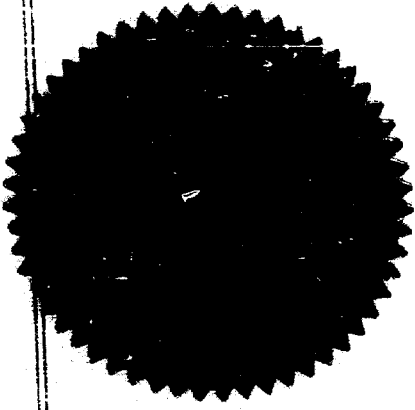
ERWIN L. NICHOLS, Chairman

E. S. Walker

E. S. WALKER, Member

A. L. Foster, Jr.

A. L. FOSTER, JR., Member & Secretary



102/

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

EXAMINER HEARING

IN THE MATTER OF: :

CASE 2256 Application of Hondo Oil & Gas Company for an :
automatic custody transfer system. Applicant, :
in the above-styled cause, seeks permission to :
install an automatic custody transfer system to :
handle the production from the Culwin-Queen :
Pool from all wells presently completed or :
hereafter drilled on the State RD Lease in Sec- :
tion 36, Township 18 South, Range 30 East, Eddy :
County, New Mexico. :

BEFORE:

A. L. Porter, Examiner

T R A N S C R I P T O F P R O C E E D I N G S

MR. PORTER: We are going to deviate from the printed
order of the docket, and take Case 2256.

MR. MORRIS: Case 2256. Application of Hondo Oil & Gas
Company for an automatic custody transfer system.

MR. CAVIN: If the Commission please, my name is S. H.
Cavin. I am employed by Hondo Oil & Gas Company Law Department in
Roswell, New Mexico; I'm appearing for Hondo in this case. Hondo
is seeking an order approving an automatic custody transfer system
to handle production from the Culwin-Queen Pool from all wells

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



presently completed or hereafter drilled on its State RD Lease in Section 36, Township 18 South, Range 30 East, Eddy County, New Mexico. I have some Exhibits I would like to present.

(Whereupon, Hondo's Exhibits 1, 2 & 3 were marked for identification)

MR. CAVIN: Our only witness in this case is Mr. A. J. Deans. Mr. Deans, will you be sworn?

(Witness sworn)

A. J. DEANS,

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

DIRECT EXAMINATION

BY MR. CAVIN:

Q Would you please state your full name, your position, your employer, and your place of residence, Mr. Deans?

A I am A. J. Deans, and work for Hondo Oil & Gas in Artesia, New Mexico as a district production superintendent.

Q Do you reside in Artesia?

A I reside in Artesia.

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

A No, I have not.

Q Would you please state your qualifications?

A Received a B.S. in Education in 1947, and a minor of Math in Physics from Abilene Christian College in '53. Received

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PHONE CH 3 6401

ALBUQUERQUE, NEW MEXICO

post graduate extension work in Petroleum Engineering from the University of Texas as part of Humble's Engineering Development Program. I was employed by Malco Refineries in the Production Department in 1948 in Crockett County and Laycock County, Texas. Joined Humble's North Texas Division, Production Department in 1952, and continued there in various phases of production engineering work until 1957. I returned to Artesia under the employment of Malco Refineries, now Hondo Oil & Gas Company, as District Production Superintendent, and have continued in that capacity to this date, supervising drilling, completion and operation of the company wells in that area.

Q Are you familiar with Hondo's application for the automatic custody transfer system to handle production from the Culwin Queen Pool from all wells completed on the State HD Lease in Section 36, 18, 30, Eddy County, New Mexico?

A I am.

MR. CAVIN: If the Commission please, I move that Mr. Deans' qualifications as an expert witness will be accepted.

MR. PORTER: His qualifications are accepted.

Q (By Mr. Cavin) What is the purpose, Mr. Deans, of Hondo's application for the lease, automatic custody transfer system in this case?

A Primary purpose is to effect the economy through the improved operations on the lease.

Q How will the economy be affected?

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PHONE CI 3-6601

ALBUQUERQUE, NEW MEXICO

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

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

A I have.

Q A plat of the Hondo State RD Lease, covered by this application, is offered as Exhibit 1. Mr. Deans, would you state what's shown on this Exhibit?

A Exhibit 1 is the Hondo's State RD Lease, and covers the south half, west half, northeast quarter and the southwest quarter, northwest quarter of Section 36, Township 18 South, Range 30 East of Eddy County, New Mexico. We have eight wells in the Culwin-Queen Pool.

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

A That's correct.

Q Is it correct that the working interest in this lease is all owned by Hondo Oil & Gas Company?

A That's right.

Q The wells referred to on the plat, designated as Exhibit No. 1, are producing only from the Culwin-Queen Pool?

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PHONE CH 2-6651

ALBUQUERQUE, NEW MEXICO



A That's right.

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

A It's all the same.

Q Has the pipeline been notified of your plan for an automatic custody system?

A They gave approval to the Texas-New Mexico Pipeline Company.

Q Have you had prepared or at your direction had prepared Exhibit No. 2, a schematic diagram which shows the lease automatic custody transfer system and allied equipment on the lease?

A Yes.

Q Are you familiar with Exhibit No. 3, a schematic diagram which shows in detail the lease automatic custody transfer equipment proposed?

A Yes.

Q Who prepared this diagram?

A This is a diagram prepared by Automation Engineering Company.

Q Are they located in Artesia or Midland?

A In Midland, and have an office in Hobbs.

MR. CAVIN: If the Commission please, we offer the

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PHONE CH 3-6191

ALBUQUERQUE, NEW MEXICO



schematic diagrams and Exhibits 2 and 3.

Q (By Mr. Gavin) Mr. Deans, would you please state what is shown on the diagram as Exhibit No. 2?

A Exhibit No. 2 is a schematic drawing of a pipeline layout. It shows field production coming into the treating system where oil, gas and water is separated. We have a 500-barrel surge tank that will sell production through the LACT to the pipeline. We have one extra 500-barrel surge tank to facilitate an overflow, approximately two days' storage.

Q On Exhibit No. 3?

A No. 3 is a schematic drawing of the actual unit consisting of a pressure control pump and motor, three-way valve, combination strainer and air eliminator and a PD meter with automatic temperature compensator and allowable counter, proofer loop and back pressure regulator.

Q Would you tell us how the equipment you described in Exhibit 3 controls the flow of oil from the sublease?

A Just through the treating system into those first 500-barrel surge tanks, which will be the LACT unit, will be regulated by the pressure switch No. 1 on Exhibit 3, to control the 0 and V high level and low level of the production in surge tank one. The extra surge tank will carry the overflow in case there's an interruption of the LACT, give two days' protection, and there will be a pumper by this lease once a day.

Q Let me check my recollection of this. The crude is

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PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



separated before it goes into the first surge tank and BS&W in the treating system at the left-hand side of the diagram?

A Right.

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

A Well, they're standard. The LACT unit will stop in the event the meter counter stops counting. The unit will stop if the transmitter malforms. If it twists off or fails, the light will shut off. The unit will stop if allowable set counter counts out or stops turning, and the unit will stop if the pipeline pipe loses suction, if you have electricity failure or shut-off.

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

A Yes, the equipment is approximately 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, it would.

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. PORTER: Without objection, the Exhibits will be admitted to the record.

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PHONE CH 1-6691

ALBUQUERQUE, NEW MEXICO



(Whereupon, Hondo's Exhibits 1 through 3 were received in evidence)

MR. PORTER: Is this third Exhibit prepared also by Automation Engineering Company?

A Yes.

MR. PORTER: Any questions of Mr. Deans?

CROSS-EXAMINATION

BY MR. NUTTER:

Q Mr. Deans, you mentioned the sampler in your testimony; however, the Exhibit doesn't seem to indicate it. There is a sampler on this unit, is that correct?

A Where did I leave it out? It's in connection with No. 5. It will be a special design of a special capacity to suit Texas-New Mexico. It has to be twenty gallons or more capacity.

Q What will the sampler be operated by, the meter itself?

A Yes.

Q -- to take an intermittent sample at regular intervals?

A Right.

Q It's a sealed sampler, I presume?

A Right. It will be the basis of it.

Q Mr. Deans, is this lease fully developed, in your opinion, or do you think you have some additional wells to drill here?

A At the present time we believe it's fully developed.

Q So you don't contemplate that you'll need more storage than you have available with the two 500-barrel tanks?

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PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



A I do not.

Q The pumper attends this lease once each day, you say?

A One time a day.

Q Including week-ends?

A Right.

MR. WUTTER: Thank you.

MR. PORTER: Any further questions of Mr. Deans? The witness may be excused.

(Witness excused)

MR. PORTER: Does anyone have anything further to offer in Case 2256? The case will be taken under advisement, and we'll go back to the regular order of the docket and take up Case 2249.

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, in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in machine shorthand 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 and Seal this, the 19th day of April, 1961, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Ada Dearnley
NOTARY PUBLIC

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. 2256 heard by me on April 13, 1961.
A. S. Porter
Examiner
New Mexico Oil Conservation Commission

DEARNLEY-MEIER REPORTING SERVICE, Inc.

ALBUQUERQUE, NEW MEXICO

PHONE CH 3-6691

RSM
4/20

DRAFT

RSM/esr
April 20, 1961

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:

Don

CASE No. 2256

Order No. R- 1952

APPLICATION OF HONDO OIL & GAS
COMPANY FOR APPROVAL OF AN AUTO-
MATIC CUSTODY TRANSFER SYSTEM IN
THE CULWIN-QUEEN POOL, EDDY
COUNTY, NEW MEXICO.

A.L.P.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
April 19, 1961, at Santa Fe, New Mexico, before A. L. Porter, Jr.,
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 April, 1961, the Commission,
a quorum being present, having considered the application, the
evidence adduced, and the recommendations of the Examiner,
A. L. Porter, Jr., 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, Hondo Oil & Gas Company, is the
owner and operator of the State RD Lease, comprising the S/2,
the SW/4 NW/4 and the W/2 NE/4 of Section 36, Township 18 South,
Range 30 East, NMPM, Eddy County, New Mexico.

(3) That the applicant proposes to install an automatic
custody transfer system to handle the Culwin-Queen Pool produc-
tion from all wells presently completed or hereafter drilled
on the above-described State RD Lease.

(4) 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 trans-
ferring 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, is hereby authorized to install an automatic custody transfer system to handle the Culwin-Queen Pool production from all wells presently completed or hereafter drilled on the State RD Lease, comprising the S/2, the SW/4 NW/4 and the W/2 NE/4 of Section 36, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico.

FURTHER,
PROVIDED HOWEVER, That the applicant shall install adequate facilities to permit the testing of all wells located on the above-described State RD 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.

PROVIDED FURTHER, 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."

IT IS FURTHER ORDERED:

That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

PROVIDED HOWEVER, That the installation shall conform to Exhibit 2 and 3 in this case, and shall include a set-stop counter to automatically stop the flow of oil through the automatic custody transfer system at or prior to the time the allowable has been run and shall also include a non-reset totalizer.