

**CASE 2281: Appli. of CONTINENTAL  
for an exception to RULE 309 (a)  
Lea County, New Mexico.**

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Co. 11

11/11/11

Case No.

2281

Application, Transcript,  
Small Exhibits, Etc.

GOVERNOR  
EDWIN L. MECHEM  
CHAIRMAN

*State of New Mexico*  
**Oil Conservation Commission**

LAND COMMISSIONER  
E. S. JOHNNY WALKER  
MEMBER



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

P. O. BOX 871  
SANTA FE

**Mr. Jason Kellahin**  
**Kellahin & Fox**  
**Box 1713**  
**Santa Fe, New Mexico**

Re: CASE NO. 2281

ORDER NO. B-1995

APPLICANT:  
Continental Oil Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

Handwritten signature of A. L. Porter, Jr.

A. L. PORTER, Jr.  
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC

Artesia OCC

Aztec OCC

OTHER \_\_\_\_\_  
\_\_\_\_\_

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. 2281  
Order No. R-1995

APPLICATION OF CONTINENTAL OIL  
COMPANY FOR AN EXCEPTION TO RULE  
309 (a), LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on May 24, 1961, 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 14th day of June, 1961, 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, Continental Oil Company, is the owner and operator of the A. C. Taylor Lease comprising the SW/4 of Section 14 and of the Federal Miller NX Lease comprising the E/2 of Section 14, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico.

(3) That the applicant seeks permission to commingle the Maljamar Pool production from all wells presently completed or hereafter drilled on both of the above-described leases, after separately metering the production from each lease.

(4) That the proposed installation as shown on Exhibit No. 2 in this case should be authorized, provided, however, that a P. V. meter with a sampler should be installed on each lease, that a metering separator need only be installed on the test circuit, and that all meters should incorporate a non-reset totalizer.

(5) That inasmuch as an industry committee has been appointed to study all phases of commingling and to recommend

-2-

CASE No. 2281  
Order No. R-1995

minimum standards to prevent abuses thereof, it may be that this installation, at a later date, will have to be altered to conform to such standards as the Commission may prescribe.

IT IS THEREFORE ORDERED:

That the applicant, Continental Oil Company, is hereby authorized to commingle the Maljamar Pool production from all wells presently completed or hereafter drilled on its A. C. Taylor Lease comprising the SW/4 of Section 14, Township 17 South, Range 32 East, NMPN, Lea County, New Mexico, and on its Federal Miller BK Lease comprising the E/2 of said Section 14, after separately metering the production from each lease.

PROVIDED HOWEVER, That this installation shall conform to Exhibit No. 2 in this case, except that (a) a P. V. meter with a sampler shall be installed on each lease, (b) a metering separator need only be installed on the test circuit, and (c) all meters shall incorporate a non-reset totalizer.

PROVIDED FURTHER, That it may be that this installation, at a later date, will have to be altered to conform to such standards as the Commission may prescribe.

PROVIDED FURTHER, That all meters 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.

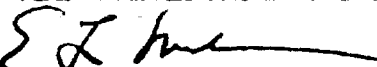
That meters shall be calibrated against a master meter or against a test tank of measured volume and the results of such calibration filed with the Commission on the Commission form entitled "Meter Test Report."

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 hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
EDWIN L. MECHEM, Chairman

  
E. S. WALKER, Member

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

esr/

Case 2281  
Heard 5-24-61  
Rec. 6-6-61

1. Approve Continental's request for  
Permission to co-mingle their  
A.C. Dwyer and Miller "Bx" lease.

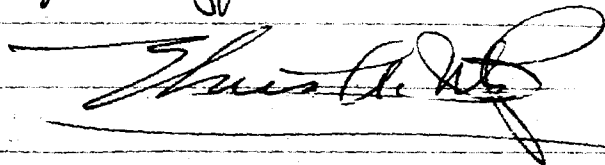
2. The request was for approval of the  
system as shown in exhibit #11.  
However I believe the following  
changes should be made.

(a) The P.O. meters with samplers  
which measure & sample each  
lease should be installed at the  
time the ACT is installed.

(b) When the above (a) installation  
is made there will be no  
need in using metering  
separators, or the only separ-  
ators, on the lease production  
line. Metering separators  
should be used on the test  
circuit.

3. All meters shall have non-reset  
counters.

4. Usual Co-mingling provisions.





# CONTINENTAL OIL COMPANY

825 PETROLEUM BUILDING  
ROSWELL, NEW MEXICO

April 21, 1961

W. A. MEND  
DIVISION SUPERINTENDENT  
OF PRODUCTION  
NEW MEXICO DIVISION

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

Attention: Mr. A. L. Porter, Jr., Secretary-Director

Re: CONTINENTAL OIL COMPANY'S  
APPLICATION FOR AN EXCEPTION  
TO RULE 309 (a) OF THE NEW  
MEXICO OIL CONSERVATION  
COMMISSION'S RULES AND REG-  
ULATIONS IN ORDER TO COMMINGLE  
PRODUCTION FROM ITS TAYLOR AND  
MILLER BX LEASES, MALJAMAR  
POOL, LEA COUNTY, NEW MEXICO

Gentlemen:

We are attaching three copies of Continental Oil  
Company's application as described above.

We respectfully request that this matter be set for  
hearing at the earliest convenient date.

Yours very truly,

WAM-sjk  
cc: RGP HGD CHH JWK

*Noted  
Mailed 5-11-61  
Jr*



BEFORE THE OIL CONSERVATION COMMISSION  
OF THE  
STATE OF NEW MEXICO

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IN THE MATTER OF THE APPLICATION  
OF CONTINENTAL OIL COMPANY FOR AN  
EXCEPTION TO RULE NO. 309 OF THE  
NEW MEXICO OIL CONSERVATION COM-  
MISSION'S RULES AND REGULATIONS  
IN ORDER TO COMMINGLE PRODUCTION  
FROM ITS TAYLOR AND MILLER BX  
LEASES, MALJAMAR POOL, LEA COUNTY,  
NEW MEXICO

A P P L I C A T I O N

Comes now applicant, Continental Oil Company, and petitions the Commission for an order approving the commingling of production from its Taylor lease, located in the SW/4 of Section 14 and its Miller BX lease, located in the E/2 of Section 14, T-17-S, R-32-E, Maljamar Pool, Lea County, New Mexico, and in support thereof would show:

1. That applicant is owner and operator of (a) the Taylor lease containing the SW/4 of Section 14 and (b) the Miller BX lease containing the E/2 of Section 14, T-17-S, R-32-E, N.M.P.M., Lea County, New Mexico.
2. That the mineral rights under the Taylor lease are owned in fee and the mineral rights under the Miller BX lease are owned by the Federal Government.
3. That oil production has been obtained from the Miller BX lease and will be initiated from the Taylor lease upon completion of the No. 1 well.
4. That said leases are within the boundaries of the Maljamar Cooperative Agreement and are subject to Maljamar Cooperative Agreement orders.
5. That installation of separate tank batteries would require considerable additional difficulty and expense, especially considering the possibility of future unitization.
6. That applicant, realizing that different lessors are involved on each lease, proposes to install adequate

metering facilities to protect the royalty rights of each lessor.

7. That the applicant proposes to sell production from the Taylor lease through the automatic custody transfer installation on the Miller BX lease that has been granted Commission approval by Order No. R-1736, and that accurate metering and test facilities will be installed on each lease so that the production from each individual lease will be accurately measured and reported and the performance of each well will be accurately checked.

8. That the proposed installation in exception to Rule 309 is in the interest of conservation and the prevention of waste.

Wherefore, applicant prays that this matter be set for hearing before the Commission's duly qualified examiner, and that upon hearing, an order be entered granting applicant permission to commingle the oil produced from the two leases described hereinabove.

Respectfully submitted,

CONTINENTAL OIL COMPANY

*W. A. Mead*

Wm. A. Mead  
Division Superintendent  
of Production  
New Mexico Division

DOCKET: EXAMINER HEARING - WEDNESDAY, MAY 24, 1961

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

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The following cases will be heard before Elvis A. Utz, examiner, or Daniel S. Nutter, as alternate examiner:

CASES 2291 through 2296 will not be heard before 1:30 p.m.

CASE 2280: Application of Continental Oil Company for a non-standard gas proration unit and for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a 240-acre non-standard gas proration unit in the Eumont Gas Pool consisting of the E/2 E/2, SW/4 SE/4 and the SE/4 SW/4 of Section 17, Township 21 South, Range 37 East, Lea County, New Mexico, to be dedicated to its Lockhart A-17 Well No. 2, at an unorthodox location 1980 feet from the South line and 660 feet from the East line of said Section 17.

CASE 2281: Application of Continental Oil Company for an exception to Rule 309 (a), Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to commingle the Maljamar Pool production from all wells presently completed or hereafter drilled on its Taylor Lease, comprising the SW/4 of Section 14, Township 17 South, Range 32 East, Lea County, New Mexico, and on its Federal Miller BX Lease, comprising the E/2 of said Section 14, after separately metering the production from each lease.

CASE 2282: Application of Continental Oil Company for an amendment of Order No. R-1602. Applicant, in the above-styled cause, seeks an amendment of Order No. R-1602 changing the effective date thereof and making the provisions of said order effective as of March 1, 1960.

CASE 2283: Application of Skelly Oil Company for an exception to Rule 303 (a), Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to commingle the Denton (Devonian) Pool production and the Denton-Wolfcamp Pool production on its Mexico "F" Lease comprising Lots 1, 2, 3, and 4, the SW/4 NE/4 and the SW/4 NW/4 of Section 2, Township 15 South, Range 37 East, Lea County, New Mexico, and to allocate the production to each well in each pool on the basis of periodic well tests.

CASE 2284:

Application of Skelly Oil Company for an exception to Rule 303 (a), Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to commingle the oil production from the Hare and Drinkard Pools with the distillate production from the Blinebry and Tubb Gas Pools on its E. A. Sticher Lease, consisting of the N/2 SW/4 of Section 4, Township 22 South, Range 37 East, Lea County, New Mexico, and to allocate the production to each well in each pool on the basis of periodic well tests.

CASE 2285:

Application of Texaco Inc., for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location in the Tubb Gas Pool for its A. H. Blinebry NCT-1 Well No. 8, located 1980 feet from the North line and 330 feet from the West line of Section 33, Township 22 South, Range 38 East, Lea County, New Mexico.

CASE 2286:

Application of Aztec Oil & Gas Company for an exception to Rule 309 (a), San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to commingle the Totah-Gallup Pool production from the following-described leases, all in Township 29 North, Range 13 West, San Juan County, New Mexico.

Federal Lease No. SF 079065 in Sections 19, 20 and 29.

State Lease B-11017-23 comprising in pertinent part the SW/4 NW/4 of Section 20.

State Lease B-11017-21 comprising in pertinent part the NW/4 NW/4 of Section 20.

Smith-Eaton Lease comprising in pertinent part the NE/4 SE/4, SE/4 NE/4 and the E/2 NW/4 of Section 20.

Applicant proposes to commingle said production in a common tank battery located on the SW/4 of said Section 20 after separately metering the production from the State and fee leases only.

CASE 2287:

Application of Aztec Oil & Gas Company for an exception to Rule 309 (a), San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to commingle the Totah-Gallup Pool production from five separate fee leases, all located in Section 18, Township 29 North, Range 13 West, San Juan County, New Mexico.

CASE 2288:

Application of Southwest Production Company for two non-standard gas proration units, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of two non-standard gas proration units in the Basin-Dakota Gas Pool, San Juan County, New Mexico, described as follows:

(1) W/2 of Section 7, Township 30 North, Range 11 West, except the 8.39-acre tract therein owned by Harold M. Brimhall and Maleta Y. Brimhall, comprising the sum total approximately 327.01 acres.

(2) E/2 of Section 7, Township 30 North, Range 11 West, except the S/2 SW/4 SE/4; comprising in sum total approximately 300 acres.

CASE 2289:

Application of Aspen Crude Purchasing Company for three non-standard oil proration units, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of the following-described non-standard oil proration units in and adjacent to the Cha Cha-Gallup Oil Pool:

(1) Lot 1 and the S/2 SE/4 of Section 7, Township 28 North, Range 13 West;

(2) Lot 5 and the SE/4 SW/4 of said Section 7; and

(3) Lots 2, 3 and 4 of said Section 7, and 40.81 acres located between said Section 7 and Section 36, Township 29 North, Range 14 West;

all in San Juan County, New Mexico.

CASE 2290:

Application of Aspen Crude Purchasing Company for three non-standard oil proration units and for an unorthodox well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of the following-described non-standard oil proration units adjacent to the Totah-Gallup Oil Pool in Section 11, Township 28 North, Range 13 West, San Juan County, New Mexico:

(1) Lots 1 and 2 and the SE/4 SE/4, comprising 97.78 acres, to be dedicated to a well at a non-standard location 263 feet from the North line and 700 feet from the East line of said Section 11.

CASE 2290: (Cont.)

(2) Lots 3 and 4 and the SW/4 SW/4, comprising 97.58 acres.

(3) SW/4 SE/4 and the SE/4 SW/4, comprising 80 acres.

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The following cases will not be heard before 1:30 p.m.

CASE 2291: Application of Pan American Petroleum Corporation for an exception to Rule 303 (a), Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to commingle, prior to measurement, the Paddock, Brunson and Wantz-Abo pool production from all wells on its Hugh Corrigan Lease, comprising the NE/4 SE/4 of Section 33, Township 21 South, Range 37 East, Lea County, New Mexico, and to allocate production to each well in each pool on the basis of periodic well tests.

CASE 2292: Application of Humble Oil & Refining Company for permission to take interference tests and transfer allowables in the Cha Cha-Gallup Oil Pool, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks permission to take interference tests in the Cha Cha-Gallup Oil Pool, San Juan County, New Mexico, by shutting in its Navajo Tribe "L" Well No. 4, located in the SW/4 SE/4 of Section 26, Township 29 North, Range 14 West, and transferring its allowable to other wells on the same basic lease in such a manner that no well will produce more than 125% of its monthly allowable.

CASE 2293: Application of Great Western Drilling Company for approval of the Grain Queen Unit Agreement, for permission to institute a waterflood project therein, for special rules governing said waterflood project including a provision for special allowables, and for permission to commingle the production from all leases in said unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Grain Queen Unit Agreement, which unit embraces 200 acres of State and fee lands in Township 13 South, Range 32 East, Lea County, New Mexico, described as follows:

CASE 2293: (Cont.)

Section 5: SE/4 NW/4, NE/4 SW/4 and the S/2 SW/4  
Section 8: NE/4 NW/4

Applicant further seeks permission to institute a waterflood project in said Grain Queen Unit Area and seeks the promulgation of special rules governing said project including a provision for special allowables. Applicant further seeks permission to commingle the unitized substances produced from all leases in said Grain Queen Unit Area without separate measurement in tanks on each individual lease.

CASE 2294:

Application of El Paso Natural Gas Company for authorization to conduct maximum pressure build-up tests. Applicant, in the above-styled cause, seeks authorization to conduct maximum pressure build-up tests in the Blanco-Mesaverde Gas Pool, the Aztec-Pictured Cliffs Gas Pool, the Ballard-Pictured Cliffs Gas Pool, the Fulcher Kutz-Pictured Cliffs Gas Pool, and the South Blanco-Pictured Cliffs Gas Pool, San Juan and Rio Arriba Counties, New Mexico. Applicant further seeks establishment of special rules governing said tests including a provision authorizing the non-cancellation and/or transfer of allowables from wells to be shut-in in each pool and including a provision allowing substitute tests by administrative approval.

CASE 2295:

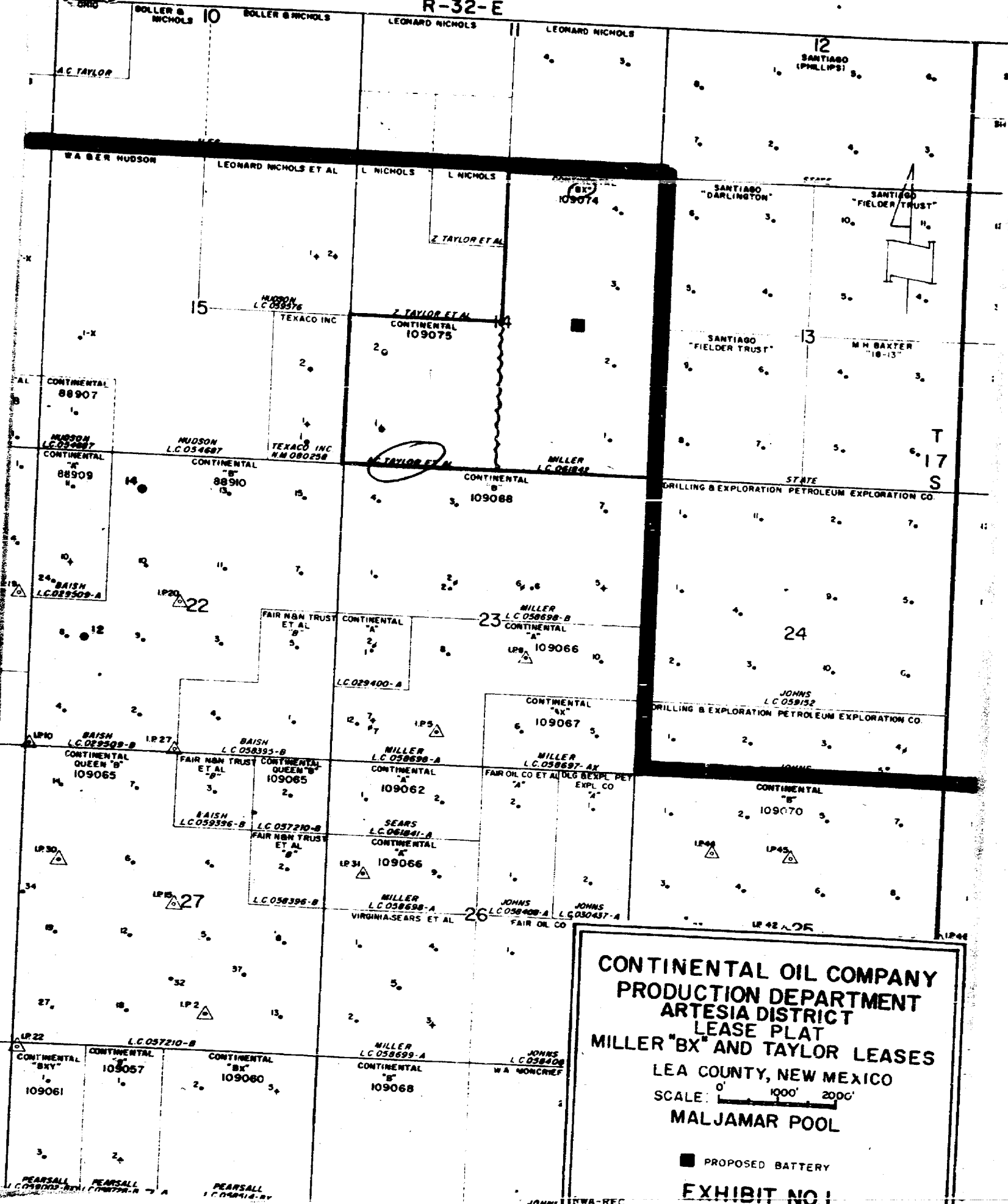
Application of Consolidated Oil & Gas, Inc. for a dual completion, a non-standard gas proration unit and for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a 325.23-acre non-standard gas proration unit in the Basin-Dakota Gas Pool and in the Blanco-Mesaverde Gas Pool consisting of the S/2 of Section 34, Township 32 North, Range 13 West, San Juan County, New Mexico, said unit to be dedicated to its Robinson Brothers Well No. 1, proposed to be dually completed in said pools at an unorthodox gas well location for said pools at a point 1235 feet from the South line and 760 feet from the East line of said Section 34.

CASE 2296:

Application of Consolidated Oil & Gas Inc., for an order force-pooling a standard 320-acre proration unit in the Basin-Dakota Gas Pool, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Basin-Dakota Gas Pool in the E/2 of Section 10, Township 31 North, Range 13 West, San Juan County, New Mexico, to form a standard 320-acre gas proration unit.

R-32-E

R-32-E



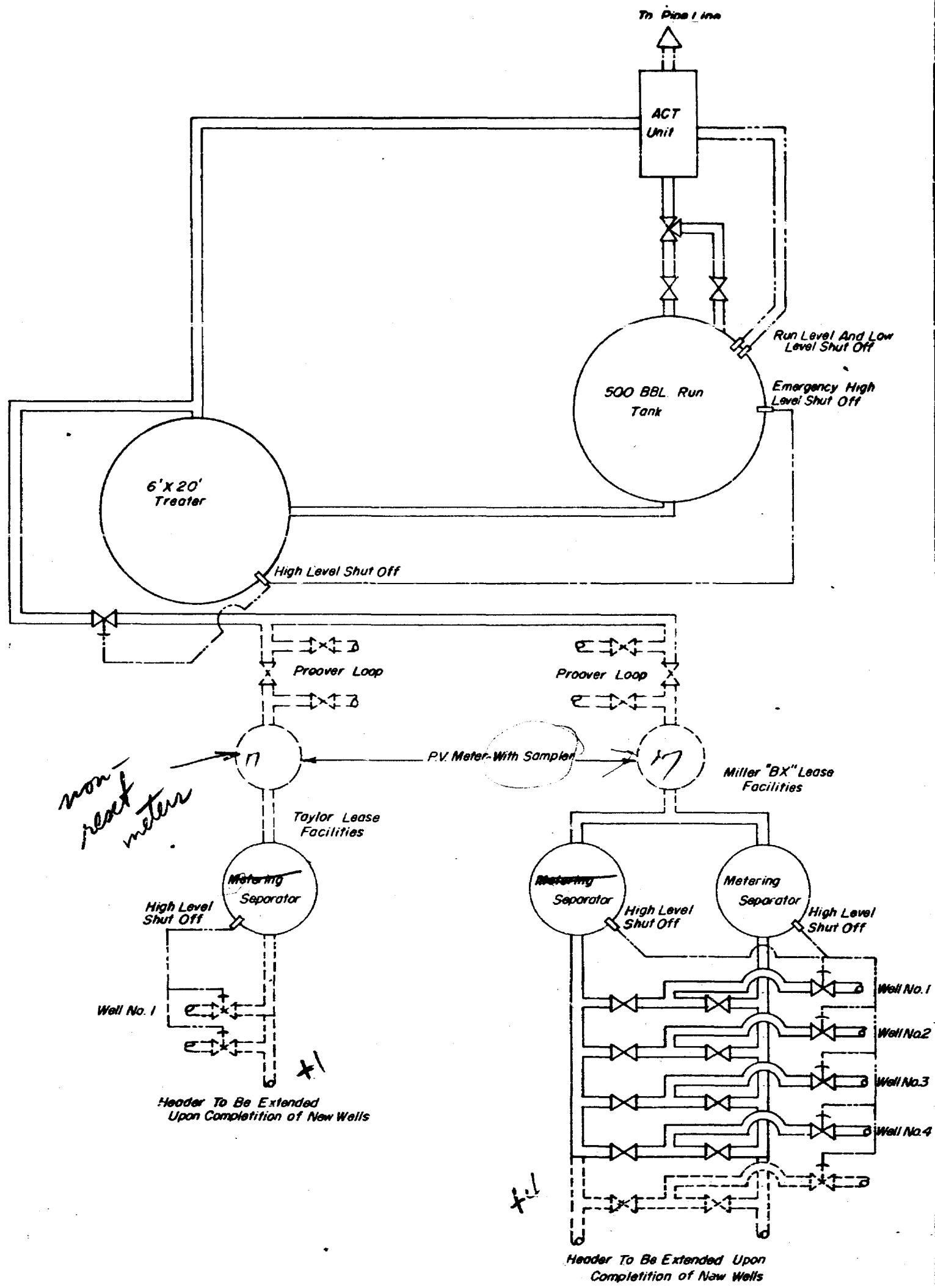
CONTINENTAL OIL COMPANY  
 PRODUCTION DEPARTMENT  
 ARTESIA DISTRICT  
 LEASE PLAT  
 MILLER "BX" AND TAYLOR LEASES  
 LEA COUNTY, NEW MEXICO  
 SCALE: 0' 1000' 2000'  
 MALJAMAR POOL

■ PROPOSED BATTERY

EXHIBIT NO. 1

5-16-61





**EXHIBIT NO. II**

**PROPOSED LEASE FACILITIES FOR MILLER "BX" AND TAYLOR LEASES**

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO  
May 24, 1961

EXAMINER HEARING

IN THE MATTER OF:  
CASE 2281

TRANSCRIPT OF HEARING

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO  
May 24, 1961

EXAMINER HEARING

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IN THE MATTER OF: :

CASE 2281 Application of Continental Oil Company for :  
an exception to Rule 309 (a), Lea County, :  
New Mexico. Applicant, in the above-styled :  
cause, seeks permission to commingle the :  
Maljamar Pool production from all wells pre- :  
sently completed or hereafter drilled on its :  
Taylor Lease, comprising the SW/4 of Section :  
14, Township 17 South, Range 32 East, Lea :  
County, New Mexico, and on its Federal Mil- :  
ler BX Lease, comprising the E/2 of said :  
Section 14, after separately metering the :  
production from each lease. :  
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BEFORE:

Elvis A. Utz, 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. UTZ: We will call Case 2281.

MR. MORRIS: Application of Continental Oil Company for  
an exception to Rule 309 (a), Lea County, New Mexico.

MR. KELLIHAN: Kellihan & Fox appearing on behalf of the  
Applicant. We have one witness whom we'd like to have sworn.

(Witness sworn.)

EDWARD COLTHARP,

called as a witness, having been first duly sworn, was examined

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6891

ALBUQUERQUE, NEW MEXICO



and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Will you state your name, please?

A Edward Coltharp.

Q By whom are you employed and in what position?

A Continental Oil Company as District Engineer for the Artesia District, Artesia, New Mexico.

Q Have you previously testified before the Oil Conservation Commission and had your qualifications made a matter of record?

A Yes I have.

MR. KELLAHIN: Are the witness's qualifications acceptable?

MR. UTZ: Yes, they are.

Q (By Mr. Kellahin) Are you familiar with the Continental application in Case No. 2281?

A Yes, I am.

Q Would you state briefly what is proposed in this application?

A This is an application of Continental Oil Company for permission to commingle these productions from the Miller BX Lease located in the east half of Section 14 and the Taylor Lease comprising the southwest quarter of Section 14, Township 17 South, Range 32 East, Lea County, New Mexico.

Q What is the history of this lease?

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CN 3-6691

ALBUQUERQUE, NEW MEXICO



A The Miller BX Lease had initial production from its Miller BX Number 1 on July 14, 1960. The flowing IP was 286 barrels of oil, no water, with a GOR of 1820 to 1560. Subsequent to this completion, three additional wells have been completed on the lease. Production from this lease is transferred to the pipeline company through a positive displacement pipe ACT unit, approved by Commission's Order R-1736 dated August 4, 1960.

Q What about the Taylor lease?

A The Taylor lease is in initial completion by Taylor Number 1 on April 1, 1961 for a pumping IP of 56 barrels of oil, zero water, with a GOR of 1180. A second well is currently being completed on this lease and there are two additional open locations on the lease.

Q Is it proposed to drill these additional open locations on both the Miller and the Taylor leases?

A Yes, sir. Present plans are to drill open locations as subject to continued commercial production. This will result in a total of twelve wells on the two leases.

Q Do you have any cumulative well production figures?

A The cumulative production on Miller BX Lease at the present time for Number 1 is 10,159 barrels. I might add this is to April 1, 1961, cumulative production to that date. The Miller BX Number 2's cumulative production is 9,719 barrels. BX Number 3's cumulative production is 7,195 barrels; and Miller Number 4's cumulative production is 1,994 barrels. As I said, this is

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6591

ALBUQUERQUE, NEW MEXICO



cumulative production to April 1, 1961. There is no cumulative given to the present date to Taylor Number 1.

MR. KELLIHAN: Would you mark this.

(Whereupon, Applicant's Exhibit 1 marked for identification.)

Q (By Mr. Kellihan) Referring to what has been marked Exhibit Number 1, would you discuss the information shown on that exhibit?

A Exhibit Number 1 shows the ownership location map on which the Miller's BX Lease and the Taylor Leases are outlined in red. As mentioned before, the Miller BX is the east half of the southeast half of Section 14, and the Taylor Lease is the southwest quarter of Section 14, Township 17 South, Range 42 East. The boundaries of the Maljamar cooperative agreement are shown as colored in green. Everything to the southwest of the green line is within the Maljamar cooperative agreement area. The tank battery is located on the Miller BX lease in the center of the east half of Section 14.

Q Is that where you propose to leave the tank batteries for the purposes of commingling production?

A Yes, sir. The tank battery will be located there.

MR. KELLAHIN: Mark this Exhibit 2, please.

(Whereupon, Applicant's Exhibit 2 marked for identification.)

Q (By Mr. Kellahin) Referring to what has been marked Exhibit Number 2, would you discuss that exhibit?

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CN 3-6691

ALBUQUERQUE, NEW MEXICO



A Exhibit Number 2 is a schematic drawing proposing lease facilities for commingling production from two separate leases. The present facilities are for the Miller BX Lease and are shown by solid lines in the proposed facility for commingling and for an additional location to be drilled and added to the individual leases and are shown as dotted lines. One of the metering -- I might state this is a three-phase metering separator for the Miller BX Lease will be used as a production separator for the Taylor Lease. If additional development warrants, an additional production separator will be added to the Taylor leasing side. This will add to existing facilities so that we may comply with Commission requirements on testing wells periodically. Production from each lease will flow through a gas oil three-phase gas oil separator, then through two barrel positive meters equipped with sampling devices so that adjustments may be made for BS and W contents. The meters will be checked to assure accuracy and reliability of measurement.

Q After measurement, where will the oil flow?

A It will flow through the two measuring positive volume meters. The oil will then flow through a heater treater into the sewage tank and through the already approved ACT unit to the pipe lines.

Q All production will be handled through the present ACT unit?

A Yes, sir.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CN 3-6691

ALBUQUERQUE, NEW MEXICO



Q What kind of safety devices do you have in the well?

A We have a high level metering cut-off switch located in the 500-barrel run tank, a high level shut-off switch located in the heater treater, and a high level shut-off switch located in the metering separator or production separator. If they should be installed at a later date. Each one of these high level shut-off switches actuates the valve's inflow lines and high level, low level pressure controls at the well head shut the well in.

Q How will these operate, Mr. Coltharp?

A It's a series of events that may happen. First, if pressure is unable to transfer oil to the pipe line for any reason, such as BSW content, pressure on the pipe line for allowables of the combined leases are obtained, then the ACT will shut in, filling up the storage tank and actuating the high level control switch on the storage tank; at which time, the valve will shut in both the flow line from the positive volume meters to the heater treater and then the positive volume meters will then fill up and actuate the high level switch in the metering separator, thereby shutting in each well. Normally we find the difficulties occur before then and we have high level switches which shut in the separators and then shut in the individual wells as their own individual separators.

Q This application involves the commingling of production from separate leases?

A Yes, sir.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-4691

ALBUQUERQUE, NEW MEXICO





Q Are they state, federal or **fee** leases?

A The Miller BX is a federal lease and the Taylor lease is a **fee**.

Q There is no state land involved in the application, then?

A No, sir.

Q How do you propose to allocate the production from each lease within the installation?

A Production allocation to each lease will be on the basis of mathematical formula. The positive margin meters will be checked for BS and W content. The ACT reading is also checked for BS and W content and temperature. The formula then will be assuming that A equals the metered Taylor lease production, B the Miller BX metered production, and C the ACT metered production, then the net to the Taylor lease would be  $A/B$ , A plus B times C would be its actual volume; and the net to the Miller BX lease production would be  $B/A$  plus B times C.

Q Will this installation enable you to accurately measure the production from the two separate leases as far as commingling?

A Yes, sir, we feel that it would.

Q Who is the pipe line purchaser, do you know?

A Texas-New Mexico.

Q Have they agreed with this type installation?

A Yes, sir. They have approved this type of installation.

Q Were Exhibits 1 and 2 prepared by you or under your supervision?

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A Yes, sir, they were.

MR. KELLAHIN: I'd like to offer in evidence Exhibits 1 and 2.

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

MR. KELLAHIN: That's all the questions I have, Mr. Utz.

MR. UTZ:

Q Mr. Coltharp, is the second metering separator on your Miller lease a test separator?

A Yes, sir, it's considered as a test separator.

Q Which one would it test?

A Either one. They're identical; they are both three-phase metering separators.

Q I'm not sure I understood you. Do you intend to set up a meter separator on the Taylor lease?

A Yes. A three-phase meter separator is presently installed. It was on the Miller BX lease. We had three metering separators and we pulled one of them off.

Q So that each lease will be metered prior to commingling?

A Yes, sir. It will actually be metered through the positive volume meter with samplers located just downstream from the separator.

Q Is it your intention to install non-reset counters on these meters?

A Yes, sir, if its' necessary.

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Q How do you plan to take care of the bad oil?

A The bad oil will be cycled back through and will not go back through either one of the meters. It will be cycled back from the ACT unit, back through the heater treater into the run tank.

Q In the event you are unable to deliver oil and your run tank shuts the lease in, would you explain to me again how it shuts the well in at the well head?

A By shutting in the valve which is located just southwest of the treater, then the oil will build up in the meter separators. It will actuate a valve in the flow lines and the oil built up will actuate a mover valve on the well control itself and shut the well in.

Q Is that high level shut off a flow switch or pressure switch?

A A flow switch.

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

MR. MORRIS: Yes.

MR. MORRIS:

Q How much further development do you anticipate on these leases?

A I believe I mentioned in my testimony that there is a possibility of a total of twelve wells. At the present time, we have one well completed on the Taylor, one in the process of being completed and four on the Miller BX. Depending on additional



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locations, there will be four wells total on the Taylor, eight wells total on the Miller BX or a total of twelve.

Q You mentioned you were going to install a production separator on the Miller BX but not on the Taylor lease. Am I confused in this assumption?

A I am not sure.

Q You mentioned a production separator. I was confused as to whether --

A It could be right next so that we could then have the test facilities as on the Miller BX and if we can't make it rise, then we need to add another one over here.

Q Is it true, Mr. Coltharp, that the reason for hearing on this application, rather than obtaining approval by administrative procedure is because you have a diversity in the ownership of the lease in this case, federal lease and a sea lease involved. If they were both sea leases, you'd be able to get this administratively?

A Yes, sir.

Q You are aware, are you not, sir, that the Commission has appointed an industry committee to study all cases of commingling and that the approval of this installation would be contingent upon conformance to certain minimum standards that might be adopted at a later date?

A Yes, sir, I am.

Q Would Continental Oil be willing to adopt this installa-



tion to conform to those standards?

A I'm sure they would be, sir.

MR. MORRIS: That's all I have; thank you.

MR. UTZ: Mr. Coltharp, you do intend to install samplers as shown on each lease?

THE WITNESS: Yes, sir.

MR. UTZ: Are there any other questions?

The witness may be excused. Are there any other statements in this case.

The case will be taken under advisement.

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STATE OF NEW MEXICO )  
 ) SS  
COUNTY OF BERNALILLO )

I, THOMAS F. HORNE, 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 12th day of June, 1961, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

*Thomas F. Horne*  
NOTARY PUBLIC

My Commission expires:

May 4 1965

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2281, heard by me on *May 24* 1961.

*Thomas F. Horne*, Examiner  
New Mexico Oil Conservation Commission

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