

# PHILLIPS PETROLEUM COMPANY

BARTLESVILLE, OKLAHOMA

May 17, 1957

PRODUCTION DEPARTMENT

L. E. FITZJARRALD  
MANAGER

EARL GRIFFIN  
GENERAL SUPERINTENDENT  
JACK TARNER  
TECHNICAL ADVISER TO MGR.  
H. S. KELLY  
CHIEF ENGINEER

In re: Field Facilities - Carson Unit, Bisti Field - San Juan County,  
New Mexico.

Shell Oil Company  
108 N. Behrand Avenue  
Farmington, New Mexico

Attention Mr. R. R. Robison

Gentlemen:

Reference is made to your letter of April 29, 1957, on the subject as above stated.

Phillips Petroleum Company concurs in general with your proposals with respect to the metering and handling of oil produced within and outside of the participating area, as it may be defined from time to time, provided that the distribution of participating and non-participating oil on the basis of periodic well tests is acceptable to State and Federal authorities in their capacities as royalty owners and regulatory agencies. Relative to the assignment of cost of the oil handling facilities to the non-participating wells, it is requested that the cost per barrel of oil handled be broken down into an operating cost and a cost of amortization of a suitable portion of the investment in the area stations and central plant.

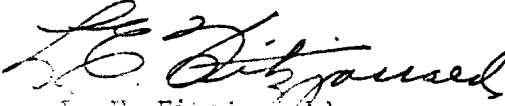
It is noted that two of the proposed test stations will serve areas which have no producing wells in the proposed first revision of the participating area. It is presumed that these stations will not be installed until the facilities are required for wells within a participating area.

Phillips Petroleum Company's experience with dead end and looped road systems conclusively supports the use of a looped system despite the higher initial cost of such a system. Using a hypothetical looped system to serve the wells connected to test stations No. 17 and No. 20 would result in a reduction in distance traveled to visit each well of 45 percent as compared to the dead end system proposed. When considered in terms of pumper travel cost of \$.35 per mile, it is certain that a favorable payout could be

Shell Oil Company  
Attn: Mr. R. R. Robison  
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developed for a looped system for the entire Unit.

Yours very truly,

  
L. E. Fitzjerald

LEF:EFL:61

July 8, 1957

P.O. Box 1469  
Denver, Colorado

New Mexico Oil Conservation Commission  
Box 671  
Santa Fe, New Mexico.

Gentlemen,

We would appreciate receiving a copy of transcript  
from the hearing on Case 1275. This, we understand,  
is an application by Shell to initiate LACT in the  
Carson area.

Thanking you in advance for your consideration,  
I am

Yours truly,

PETROLEUM PUBLISHERS, INC.

A. Hamilton Mencher  
Field Editor

AHM/so

*Original letter  
given to [unclear]  
Deanley*

ILLEGIBLE

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

July 19, 1957

C  
O  
P  
Y  
  
Seth & Montgomery  
P.O. Box 828  
Santa Fe, New Mexico

ATTENTION: Oliver Seth

Re: Case 1275

Gentlemen:

This is to notify you that the Oil Conservation Commission of New Mexico has rendered a favorable decision on Shell Oil Company's application in Case 1275 concerning automatic custody transfer and central testing plants. You are hereby authorized to notify Shell Oil Company that they may proceed with the installation of the project.

The Commission is still considering the advisability of authorizing the commingling of non-participating area production with participating area production in the Carson Unit with royalty payments to be calculated by means of periodic production rate tests. You will be notified as soon as a decision is reached on this question.

A copy of the formal order will be forwarded to you as soon as the same has been written.

Very truly yours,

William J. Cooley  
Commission Attorney

WJC:bp