BEFORE THE
OIL CONSERVATION COMMISSION
NOVEMBER 19, 1958

IN THE MATTER OF:

APPLICATION OF THE TEXAS COMPANY, CASE 1554

Transcript of Hearing

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BEFORE THE
OIL CONSERVATION COMMISSION
NOVEMBER 19, 1958

IN THE MATTER OF: Application of The Texas Company for an automatic custody transfer system and for permission to commingle the production from five separate leases. Applicant in the above-styled cause, seeks an order authorizing it to install an automatic custody transfer system and to commingle the production from the Bisti-Lower Gallup Oil Pool on five Navajo Allottee Leases located in Sections 14, 15, and 23, Township 25 North, Range 11 West, San Juan County, New Mexico. Applicant proposes to separately meter the production from each lease prior to being commingled.	Case 1554

BEFORE:

ELVIS UTZ, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: The next case on the Docket will be Case 1554.

MR. PAYNE: Application of The Texas Company for an automatic custody transfer system and for permission to commingle the production from five separate leases.

MR. WHITE: Charles White, of Gilbert, White and Gilbert, appearing on behalf of The Texas Company. We have one witness to be sworn.

(Witness sworn.)

H. N. WADE

the witness, having first been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. WHITE:

Q State your full name, please?

A H. N. Wade.

Q Mr. Wade, by whom are you employed and in what capacity?

A The Texas Company as Division Proration Engineer.

Q Have you previously testified before the Commission as an expert in such capacity?

A I have.

Q Are you familiar with the subject application?

A Yes, sir.

MR. WHITE: Are the witness' qualifications acceptable?

A Yes, sir, they are.

Q (By Mr. White) Mr. Wade, I direct your attention to what has been marked as Exhibit One. Explain what that is and explain what it intends to show?

A Exhibit One was prepared to show, as outlined, the Navajo Allottee Leases, which are the subject of this hearing. These leases are in Range 11 West, Township 25 North, San Juan County, New Mexico. The Texas Company Leases are outlined in yellow. The offset operators are shown to the best of our knowledge, and all wells on which we have information are also shown. This is a rather poor area on the northeast edge of the Bisti-Lower Gallup Field. The "T" Number One shown in the southwest quarter of the southwest quarter of Section 14 is at this time in the process of completion. The depth of all of these wells is in the vicinity of

5,000 feet.

Q Do you have a plat showing the proposed location of the Lact System and the testing stations?

A Yes, sir. Exhibit Two is essentially the same type of Exhibit as Number One, except by numbers as indicated in the legend at the bottom of the plat. We have indicated the location of lease test stations by the designation "2", the central Lact System Unit as Number "1", and those which are the letter "3" or the "3" in circles are the proposed, or lease test stations to be added as needed. That is essentially what this exhibit was prepared to show.

Q Do you have a diagrammatic sketch showing the testing facilities?

A Yes, sir, I have. It has been marked as Exhibit Three. As indicated by the legend, what has been designated by the letter, the number "1" is a metering separator, a three-phase metering separator, for testing purposes. Number "2" is a metering separator, a two-phase, for production, normal production tests. Number "3" is an automatic sampler for the purpose of determining water cut under normal producing tests.

The diagrammatic sketch also indicates the gathering system or the mainfold system by which the wells can be switched to test or switched to normal flow.

Q Do you have also a sketch of the Lact System itself?

A Yes, sir, I have. It has been marked as Exhibit Number

Four. This diagrammatic sketch has shown on it, as indicated in the legend, the various primary components of the system. Production from the various leases will enter the surge tank when the oil level reaches the middle float switch designated as "9" opens on the surge tank. The pipe line valve "6" will open and the pipe line pump, which is shown as "1", will start. We don't know whether this pipe line pump will be required, but it will be provided in the event it is necessary to utilize pumping; the oil will pass through the capacity tanks probe, which is shown as "10" through the strainer number "2", the deaerator number "3", the Smith Meters, and there are two of these, which are shown as "4", through the flow rate controller, which is "5", and the shut in valve to the pipe line, which is "6".

When the oil level drops to the float switch, the pipe line valve closes. Another pipe control will open. The leads will be shut in the surge when it reaches the highest switch of the tank. Oil will be continuously circulated through the treater if necessary. Should that open the BS & W, the pipe line valve would close; the pumps will open and the leads will be shut in by the use of pressure switches.

Q Is there any electric power available to it?

A Thereis none available at this time. This is an out of the way lease, and we plan to use pneumatic type controls on this system. The BS & W. Monitor can be operated by a storage

battery, but the pipeline pump, if it is necessary to use such a pump, will have to be started manually until electric power can be obtained.

Q Mr. Wade, has the Commission heretofore approved similar installations such as you propose at this time?

A Yes, sir. I can't pinpoint any particular ones. It's my recollection similar installations have been approved by the Commission.

Q Has your company had prior experience with this type of installation?

A Yes, sir. We have an installation identical to this one operating pneumatically in southeast Utah and San Juan County, Utah. It has operated very satisfactorily and has given very good service.

Q Is this a truly automatic layout?

A Yes, sir, it is.

Q Will there be any means of determining the storage of oil at any time?

A Yes, sir, hand gauging will be possible in the surface tanks to determine the storage.

Q Is the Applicant the only one involved?

A Yes, sir.

Q How often do you contemplate taking production tests on the various wells?

A Well, at least once a month. We'll be set up where we can

take them as often as we like.

Q How many wells will the batteries presently serve?

A Currently, as shown on our Exhibit One, three wells which have been completed and one which is in the process of completion. For the time being, that will be the number of wells served by the battery.

Q Ultimately, how many wells do you propose this unit to serve?

A It could serve as many as ten.

Q What precautions have you taken against any back flow?

A Of course, check valves will be placed on all lead lines prior to the commingling of the crude at the central battery.

Q Were Exhibits One to Four prepared by you or under your direction?

A Yes, sir.

Q Have you obtained the consent of any of the offset operators?

A Yes, sir, we have. We have obtained the consent of three of the offset operators and also the consent of the pipe line, which is Four Corners Pipe Line.

Q And are those consents marked Exhibit Five collectively?

A Yes, they are.

MR. WHITE: We offer at this time Exhibits One through Five.

MR. UTZ: Without objection they will be received.

MR. WHITE: We have no more direct.

MR. UTZ: Are there questions of the witness?

CROSS-EXAMINATION

BY MR. FISCHER:

Q It's not shown here, Mr. Wade, but I imagine your float switches are being installed on the first surge line also?

A That will be where?

Q Your float switches will be installed on each tank?'

A Actually, I think this drawing is -- the location of that line between the two may be poorly drawn. I don't see any reason for the installation of float switches on but one of the tanks, the one that is shown there.

Q You will come into that same tank all the time?

A We will be coming into the first surge tank. It will then be going over into the second surge tank and the float switches will control.

MR. FISCHER: That's all.

MR. UTZ: Any other questions of the witness?

EXAMINATION BY MR. PAYNE:

Q Mr. Payne, I presume you intend to meet all the specifications set forth by the Four Corners Pipe Line, is that correct?

A Yes, sir. In fact, I'd like to go into that. The failsafe features indicated under "1", we feel we will have those failsafe features incorporated into our system, and also this flow rate controller will be set at the five pounds gauge pressure

we think they would like to have.

Q The system is designed to prevent undue waste of oil in case of a line break?

A Yes, sir.

Q (By Mr. White) Have you met all the pipe line requirements they suggested?

A Yes, sir, we feel we have.

EXAMINATION BY MR. UTZ:

Q Mr. Wade, I'm confused on what area your are asking for Lact approval. Referring to Exhibit Number One, does this entire area consist of the east half of 15, the northwest quarter of 23?

A Yes, sir, that's as our application was designed to show.

Q How about the royalty interest under these individual leases?

A The royalty interests are owned individually by the various Indians. However, the USGS considers this to be a common lease, so far as royalty is concerned.

Q There is no difference between the royalty interest under any of the allottee leases then, is that my understanding; is it correct?

A That's my understanding, yes, sir.

Q Who did you pay the royalty to on these leases?

A It was paid, as I understand it, to the -- I believe it goes to the Department of Interior; I'm not sure.

EXAMINATION BY MR. PAYNE:

Q They allocate it?

A Yes, sir, they handle that allocation.

Q You do propose to meter each lease prior to commingling?

A Yes, sir.

EXAMINATION BY MR. UTZ: Referring to Exhibit Four, I believe you stated that when the oil in the surge tank reached the upper switch, the leads would be shut in?

A Yes, sir.

Q How would this lead be shut in?

A I think we failed to show a valve which would be back on the lead line, the central line, coming into the battery. It should properly be up where the test station is shown up there. The shutting of that line would be reflected by the increase in pressure on the various leads, and such was shut in the leads.

Q Are these flowing wells in this area?

A No, sir, they are all pumping wells.

Q When the lead is shut in, will pressure build up in the lead lines between the well head and the lead shut in valve?

A Yes, sir, it will.

Q How much would that pressure be do you think?

A I am sure it would not exceed 50 pounds at the very most. It would be just enough to reflect so that the pressure switches would be able to respond and shut the wells in.

Q Shut the pumps off?

A Yes, sir, and shut the engines down.

MR. UTZ: Any other questions of the witness? If there are no other questions, the witness may be excused.

(Witness excused.)

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

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, John Calvin Bevell, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me in Stenotype and reduced to typewritten transcript by me; that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my hand and seal this 25th of November, 1958, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

John Calvin Bevell
NOTARY PUBLIC

My Commission Expires:

January 24, 1962

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1554, heard by me on Nov. 19, 1958.

....., Examiner
New Mexico Oil Conservation Commission