

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 28, 1960

EXAMINER HEARING

IN THE MATTER OF:

Application of Shell Oil Company for approval
of an automatic custody transfer system.

CASE 1956.

TRANSCRIPT OF HEARING

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 28, 1960
EXAMINER HEARING

IN THE MATTER OF:)

Application of Shell Oil Company for approval
of an automatic custody transfer system.)

Applicant, in the above-styled cause, seeks)
an order authorizing the installation of an)
automatic custody transfer system to handle)
the production from the Townsend-Wolfcamp Pool)
from all wells presently completed or hereafter)
drilled on the State ETA lease comprising all)
of Section 8, Township 16 South, Range 35 East,)
Lea County, New Mexico.)

CASE 1956

BEFORE:

Mr. Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. PAYNE: Case 1956: Application of Shell Oil Company
for approval of an automatic custody transfer system.

(Applicant's Exhibits Nos. 1, 2,
& 3 marked for identification.)

GEORGE W. OLSON

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

DIRECT EXAMINATION

BY MR. FEDERICI:

Q You are the same George Olson who testified in 1954?

A Yes, sir.

Q Will you state what difference, if any, there is in the
type of installation proposed under this cause as compared to 1954?

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



A This installation is identically the same mechanically as proposed for Case 1954. It is proposed to install this system on the Townsend lease, or that is in the Townsend Field on the State ETA lease which is located in Section 8, Township 16 South, Range 35 East, Lea County, New Mexico.

Q You have Exhibit 1 there, will you explain that briefly to the Examiner?

A The Exhibit 1 shows the State ETA lease in the Townsend Field as I have just described it. This lease has eight producing wells producing -- I beg your pardon, it has seven producing wells, one well, No. 1, is temporarily abandoned. It produces approximately 450 barrels of oil per day and 325 barrels of water per day. It has one flowing well and six pumping wells. It has no top allowable wells.

The present tank battery consists of seven 500 barrel tanks. We propose to install the automatic custody transfer system previously described, and remove five of these tanks, leaving two 500 barrel tanks.

Q Is all of the production from one lease?

A To the best of my knowledge, the production is all from one lease.

Q I refer you to Exhibit 2 and ask you to state what that is.

A Exhibit 2 is a schematic drawing of the automatic custody transfer system and a list of materials to be used in the automatic



custody transfer skid unit.

Q Is that the same as the Exhibit 2 in Case No. 1954?

A That is correct.

Q Has the pipeline company been notified of this application?

A Yes, sir, they have, and we have a letter from Service Pipe Line Company stating their approval of this unit.

Q Is that Exhibit 3?

A That is correct.

Q And is that the same as Exhibit 3 in 1954?

A That is right.

MR. FEDERICI: If the Examiner please, at this point we would like to offer in this case the testimony of this witness which was given in 1954, insofar as it's pertinent and material to this case.

MR. UTZ: Yes, sir. It will be accepted.

MR. FEDERICI: At this time we offer Exhibits 1, 2, and 3.

MR. UTZ: Without objection they will be accepted.

CROSS EXAMINATION

BY MR. UTZ:

Q How many flowing wells did you say you had on this lease?

A One flowing well.

Q Six pumping?

A Yes.

Q What's the name of the other well?



A ETA No. 1 is temporarily abandoned.

Q It's not producing at all then?

A No, sir.

Q Is your tank setup the same as you described in Case 1954?

A Yes, sir, it is.

Q And you do not have a high level emergency switch on this system, either?

A No, sir.

Q How much flowing pressure do you have on the one flowing well?

A Well, this well is choked at the well, so its flowing pressure in the flow line would be in the order of fifty pounds, the same as the pumping wells. It flows to the same separator.

Q The gathering lines are ordinary iron pipe?

A Yes, sir. We do not propose to alter our method of operation of the lease, as far as observing the operation of the wells, in any way; so that the lease operator will be equally capable of detecting malfunctions as he now does in normal operations.

Q Don't you think a safety switch in case something happened to your pumper would be worth the added feature to prevent the waste of oil in case of tanks overflowing? How much oil does the lease produce a day?

A Approximately 450 barrels.



Q And you have a thousand barrels of storage?

A Yes, sir. I don't feel that this is any problem, because our pumper will be required to be there on the lease at a minimum of once per day and it would be extremely unusual if he wasn't there to detect such a failure during the time that he is visiting the lease. This lease is declining so that the relationship between surge capacity and oil production will improve as time goes on.

Q You have no way of shutting in the lease in case your tankage does get full?

A No, sir. We would have to install in addition to the safety switch, we would have to install controls on these pumping wells and in this particular lease, five of these pumping wells are gas engine operated, which makes it very undesirable to shut them down. We would have no way of automatically starting them up if we did have an emergency shut-in, until the pumper manually started them up. We feel that the installation of the automatic custody transfer unit will relieve the pumper of some of his present duties related to stock tanks and allow him to spend more of his time observing the operation of his wells.

Q Is there just one pumper who operates this lease at the present time?

A Yes, sir.

Q The pumper wouldn't have any additional duties?

A No.

Q He could spend as much time with the system as he does



now?

A We'll anticipate he'll have at least as much time to devote to the lease as he does now.

MR. UTZ: Any other questions?

BY MR. PAYNE:

Q Mr. Olson, when you have one lease which may have two beneficiaries, are you familiar with how Shell allocates the payments to the two beneficiaries?

A Not completely, no, sir. I don't know there is one single method they have used. In some cases I understand they allocated by well test, provided that is acceptable to the royalty interests; and I believe that there are cases where they have measured continuously to satisfy the royalty interest, but I'm not in a position to say what all methods they have.

Q One of the other factors, I suppose, would be how many wells are involved, is that right?

A That would have some effect on it.

Q In any event, the installation of this automatic custody transfer system on this lease wouldn't change anything that you are now doing in regard to allocation?

A The best of my knowledge, yes, that's right. I'm not completely clear as to what we are now doing as far as the accounting for the oil, but this in no way would affect it.

Q So that even if the Commission approves this automatic custody transfer, a further look could be taken at a further



allocation and some solution arrived at on that?

A I think that's a completely separate problem.

MR. UTZ: Any other questions? If not, the witness may be excused.

(Witness excused.)

MR. UTZ: Any statements in this case?

MR. LEVY: I have a statement I would like to make. Leonard Levy, Assistant Counsel, State Land Office. There are two beneficiaries involved on this lease, even though it's one lease. We would like to request that the Commission withhold approval until such time as we can make arrangements with respect to the proper allocation of the royalty to the various beneficiaries.

MR. PAYNE: How long do you anticipate that will take, Mr. Levy, to work out?

MR. LEVY: I would imagine it could be worked out as soon as they can get the information with respect to accounting, and have a meeting.

MR. UTZ: It should be no longer than two weeks?

MR. LEVY: No longer than that. As a matter of fact, it probably can be taken care of today or the early part of next week.

MR. FEDERICI: If it's going to take any length of time, as was discussed a while ago, I don't think this system involved here would affect the type of allocation or distribution to the various beneficiaries. I wouldn't want to hold it up too long, if



it's all right with the Examiner.

MR. LEVY: Would the requirement of putting meters on the lease cause any trouble?

MR. OLSON: Are you asking me?

MR. LEVY: Yes.

MR. OLSON: It would involve considerable expense, if I understand your question about meters; to install meters to continuously meter that would involve the cost of the meters, the separators to go with them, and probably would involve -- no, I take that back. We have separate flow lines up to the tank batteries, it would not require new lines. But I would like to state that we have a three phase metering separator on the lease now for well testing and that we would certainly like to be able to use that to allocate production to these wells; and that if we're required to separate it out, it would be considerable additional expense to put in meters for continuously metering the production from those two wells.

MR. LEVY: Would it be of such added expense as to whether or not you install the automatic custody transfer?

MR. OLSON: Well, I don't think the two are related completely.

MR. LEVY: You are correct.

MR. UTZ: Which two wells, 6 and 8?

MR. LEVY: 6 and 8.

MR. UTZ: How much do those wells produce, do you have



any idea?

MR. OLSON: I don't have the information here.

MR. UTZ: I'm sure the question involved would be the accuracy of meters versus the charging back of production on the basis of well test, which you'll have to iron out with the Land Office.

Any other statements in this case? If not, the case will be taken under advisement.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO



STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

I, ADA DEARNLEY, 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 9th day of May, 1960, 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. 195-6, heard by me on April 27, 1960.

Thurston W. [Signature]

 Examiner
 New Mexico Oil Conservation Commission

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

