

EXHIBIT

**PAN AMERICAN PETROLEUM CORPORATION
APPLICATION FOR EXCEPTIONS TO STATEWIDE
RULES 303(a) AND 309(a) TO PERMIT
COMINGLING AND OFFLEASE STORAGE OF
CRUDE FROM VARIOUS LEASES IN THE HOBBS,
BOWERS, AND HOBBS DRINKARD POOLS.**

**EXAMINER HEARING CASE NO. 2341
JULY 19, 1961**

DISCUSSION

Pan American Petroleum Corporation respectfully requests that the New Mexico Oil Conservation Commission grant exceptions to Statewide Rules 303(a) and 309(a) to permit commingling of production and offlease storage of crude from various Pan American leases in the Hobbs, Bowers, and Hobbs-Drinkard Pools of Lea County, New Mexico.

Attachment I is a plat showing all leases and wells which will be involved in this project. Consolidated Battery No. I will serve 26 Hobbs pool wells and one Bowers pool well. Consolidated Battery No. II will serve 33 Hobbs pool wells, 4 Bowers pool wells, and one Hobbs-Drinkard pool well. The leases involved, the number of wells thereon, and a description of the lease acreage are shown as Attachment II.

Off lease storage of crude from the W. S. Capps Lease at a battery on the State A Tract 7 Lease was previously authorized by the Commission's Order No. R-647 in Case No. 901. By Order No. R-838, Case No. 1089, the Commission authorized offlease storage of crude from the B. H. Turner Tract 2 Lease (Bowers Pool) and by Order No. 837, Case No. 1090 authorized offlease storage of crude from the B. H. Turner Tract 1, R/A "A" and "B" and Tract 2, R/A "C" Hobbs Pool at the same site on the State "A" Tract 7 Lease. Crude from all of these leases is now produced into separate storage facilities on the State "A" Tract 7 Lease. Consolidated Battery No. I will be constructed at this site and will utilize the flow lines and test facilities of the aforementioned leases.

Attachment III is a diagrammatic sketch showing the treating, separating, metering, sampling, storage and custody transfer equipment which will be utilized at Consolidated Battery No. I. Treaters will serve all leases which do not produce pipeline oil while separators will serve those leases which produce pipeline oil. After passing through the treater or separator, crude from each lease will be metered with a temperature compensated meter and then pass into a 1000 barrel storage tank where it will be commingled with crude from other leases, etc. Custody transfer from this tank to the pipeline will be through automatic equipment similar to that now in service at other Pan American LACT installations. A manifold is provided to permit proving each meter into a 1000 barrel tank which will be strapped in accordance with applicable API standards. Check valves are provided to prevent accidental diversion of crude from one lease to another and with this installation it will be physically impossible to divert crude from one lease into the flow stream from another lease ahead of that lease's meter.

Well testing will be accomplished in one of three ways at this battery: (1) Single well leases, royalty accounts, and the Bowers pool well will be on continuous test at all times; (2) Existing test facilities will be used to test the Turner Tract 2 wells, E. H. Byers "A" wells and W. S. Capps wells. Oil will be diverted at the lease manifold through a test line, thence through a separator, meter and sampler and then be recombined in the appropriate flow stream ahead of the lease meter; (3) Wells on the

State "A" Tract 7, W. N. Terry Tract 2, and B. L. Thorp R/A "A" leases will be tested with portable test equipment which will be moved to the appropriate manifold on the lease for testing. After passing through the test equipment the well fluid will be combined with other lease production and pass through the lease flowline to the consolidated battery site.

Attachment IV is a diagrammatic sketch showing the installation proposed for Consolidated Battery No. II. Individual separators, meters and samplers will be provided for each individual lease, royalty account and pool therein. After passing through a separator, production from each lease will be metered with a positive displacement meter, sampled and then commingled with other crude from other leases. The commingled crude will then be treated to remove water and then pass into a 1000 barrel storage tank from which custody will be transferred to the pipeline with automatic equipment.

A manifold is provided to permit proving of the individual lease meters into a 1000 barrel tank. Check valves in this manifold will prevent transfer of crude through this manifold from facilities of one lease to those of another lease.

No well testing equipment will be used at this site. The single well leases, etc. will be on continuous test at all times. Testing of the multiple well leases will be accomplished with portable testing equipment which will be moved to a manifold on the appropriate lease. After passing through the test equipment the well fluid will be combined with other lease production and then pass through the lease flowline to the consolidated battery site.

Applications for permission to install automatic custody transfer equipment at both consolidated battery sites will be submitted to the New Mexico Oil Conservation Commission through administrative channels.

The purchaser, Shell Pipeline, has verbally indicated his approval of this proposal.

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ATTACHMENT II

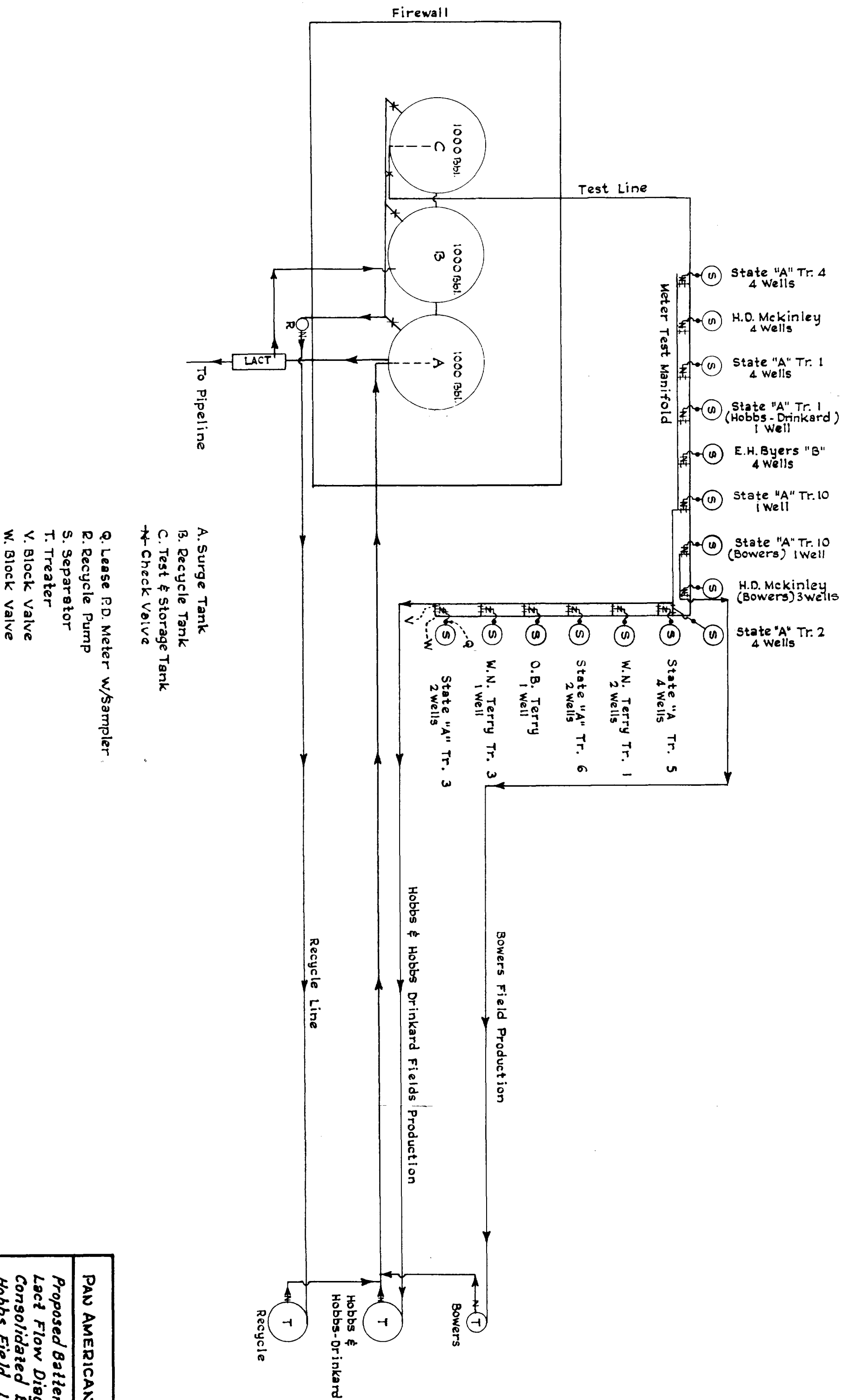
PAN AMERICAN LEASES PROPOSED FOR CONSOLIDATION

Consolidated Battery No. 1

<u>Lease</u>	<u>No. of Wells</u>	<u>Pool</u>	<u>Description of Acreage</u>
E. H. Byers "A"	4	Hobbs	NW/4 Sec. 3, T-19-S, R-38-E
W. S. Capps	8	Hobbs	S/2 Sec. 3, T-19-S, R-38-E
State "A" Tract 7	2	Hobbs	W/2 NW/4 Sec. 10 T-19-S, R-38-E
W. N. Terry Tract 2	2	Hobbs	N/2 SW/4 Sec. 10, T-19-S, R-38-E
B. L. Thorp R/A "A"	2	Hobbs	E/2 NW/4 Sec. 10, T-19-S, R-38-E
B. L. Thorp R/A "B"	1	Hobbs	N/2 NE/4 Section 10, T-19-S, R-38-E
B. L. Thorp R/A "C"	1	Hobbs	S/2 NE/4 Sec. 10, T-19-S, R-38-E
B. H. Turner R/A "A"	1	Hobbs	SW/4 NW/4 Sec. 34, T-18-S, R-38-E
B. H. Turner R/A "B"	1	Hobbs	NW/4 NW/4 Sec. 34, T-18-S, R-38-E
B. H. Turner Tract 2	4	Hobbs	SW/4 Sec. 34, T-18-S, R-38-E
B. H. Turner Tract 2	1	Bowers	SW/4 Sec. 34, T-18-S, R-38-E
Total Wells	27	(26 Hobbs Pool Wells and 1 Bowers Pool Well)	

Consolidated Battery No. 2

<u>Lease</u>	<u>No. of Wells</u>	<u>Pool</u>	<u>Description of Acreage</u>
E. H. Byers "B"	4	Hobbs	NE/4 Sec. 4, T-19-S, R-38-E
H. D. McKinley	4	Hobbs	NW/4 Sec. 5, T-19-S, R-38-E
H. D. McKinley	3	Bowers	NW/4 Sec. 5, T-19-S, R-38-E
State "A" Tract 1	4	Hobbs	NW/4 Sec. 4, T-19-S, R-38-E
State "A" Tract 1	1	Hobbs- Drinkard	NW/4 Sec. 4, T-19-S, R-38-E
State "A" Tract 2	4	Hobbs	SE/4 Sec. 4, T-19-S, R-38-E
State "A" Tract 3	2	Hobbs	E/2 SW/4 Sec. 4, T-19-S, R-38-E
State "A" Tract 4	4	Hobbs	SW/4 Sec. 5, T-19-S, R-38-E
State "A" Tract 5	4	Hobbs	NE/4 Sec. 9, T-19-S, R-38-E
State "A" Tract 6	2	Hobbs	E/2 NW/4 Sec. 9, T-19-S, R-38-E
State "A" Tract 10	1	Hobbs	SE/4 SE/4 Sec. 33, T-18-S, R-38-E
State "A" Tract 10	1	Bowers	SE/4 SE/4 Sec. 33, T-18-S, R-38-E
O. B. Terry	1	Hobbs	NW/4 NW/4 Sec. 9, T-19-S, R-38-E
W. N. Terry Tract 1	2	Hobbs	N/2 SE/4 Sec. 9, T-19-S, R-38-E
W. N. Terry Tract 3	1	Hobbs	SW/4 NW/4 Section 9, T-19-S, R-38-E
Total Wells	38	(33 Hobbs Pool Wells; 4 Bowers Pool Wells; and 1 Hobbs-Drinkard Pool Well)	



PAN AMERICAN PET. CORP.

Proposed Battery Plat and
Lact Flow Diagram, Hobbs
Consolidated Battery No.2,
Hobbs Field, Lea County,
New Mexico