

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 1139

TRANSCRIPT OF PROCEEDINGS

DEARNLEY-MEIER AND ASSOCIATES
COURT REPORTERS
605 SIMMS BUILDING
TELEPHONE 3-6691
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
Santa Fe, New Mexico

September 5, 1956

IN THE MATTER OF:)

Application of Lowry, et al, Operating Account,)
for an order granting approval of a non-stand-)
ard drilling and gas spacing unit in the South)
Blanco-Dakota Gas Pool, Rio Arriba County, New)
Mexico, in exception to Rule 104 (d) of the)
New Mexico Oil Conservation Commission Rules)
and Regulations. Applicant, in the above-)
styled cause, seeks an order granting approval)
of a 160 acre non-standard drilling and gas)
spacing unit in the South Blanco-Dakota Gas)
Pool consisting of the S/2 of the NE/4 and the)
N/2 of the SE/4 of Section 16, Township 26 North,)
Range 6 West, Rio Arriba County, New Mexico;)
said unit to be assigned to applicant's State)
Well No. D-268 located 1980 feet from the North)
Line and 660 feet from the East line of said)
Section 16.)

Case No.
1139

BEFORE:

Mr. Warren Mankin

TRANSCRIPT OF HEARING

MR. MANKIN: The last case on the docket is Case 1139.

MR. COOLEY: Application of Lowry, et al, Operating Account,
for an order granting approval of a non-standard drilling and gas
spacing unit in the South Blanco-Dakota Gas Pool, Rio Arriba County,
New Mexico, in exception to Rule 104 (d) of the New Mexico Oil
Conservation Commission Rules and Regulations.

MR. KELLAHIN: Jason W. Kellahin, Santa Fe, New Mexico,
representing the applicant. I was advised this morning that Mr.
Art Holland would be unable to be present, and he asked me to under-
take to present the case as the only witness.

J A S O N W. K E L L A H I N

having first been duly sworn, testified as follows:

A This is an application for approval of a non-standard gas drilling and spacing unit in the South Blanco-Dakota Gas Pool, consisting of the south half of the northeast quarter, the north half of the southeast quarter of Section 16, Township 26 North, Range 6 West. The acreage to be dedicated to Lowrey, et al., Operating Account, Well D-268, located 1980 feet from the north line and 660 feet from the east line of the Section 16.

Referring to what has been marked as Applicant's Exhibit No. 1, that is a well record copied from the record which is on file with the Oil Conservation Commission. That record shows Well D-268 was completed as the Applicant's State No. 1, and I believe that designation has not been changed on the Commission's record. It was completed on March 2 of 1951 for 2500 MCF per day after treatment between 7165 feet and 7333 feet. The exhibit which is marked as Applicant's Exhibit No. 2 outlines the proposed unit, the ownership and surrounding acreage. This plat shows the proposed unit colored in yellow and outlined by dashed lines. The area in Section 16 consisting of the north half of the north half of the section, and the area consisting of the remainder of the section were originally on one basic state lease which was subsequently divided prior to the time that Lowrey took over the operation of the lease.

There are shown on the Exhibit 3 other Dakota wells which I believe to be the only Dakota wells within this immediate area. These are designated as D-83 in the northwest quarter of the southeast quarter of Section 5, D-204 in the southeast quarter of the southeast quarter of Section 9, and D-268 which is the subject of this

application. The Well B-204 offsets the well on the proposed unit, and according to the production figures which are on file with the Commission has produced approximately 1,000 MCF per day. I am informed that the core analysis indicates a low magnitude of reserves and is not a profitable well. Now, the ownership in the section, as I previously stated, has been divided and appears as follows at the present time:

The north half of the north half of Section 16 is, of course, a state lease with the state overriding with a state royalty. James I. Harvey and Clyde B. Harvey hold a five percent overriding royalty interest on that portion of the section as tenants in common. Charles Reuter and Tim G. Lowry own an 82½% working interest subject to payments out of production to seven individuals in the amounts of one-third of \$576,000 to be paid out of the 12½% royalty. As to the south half of the north half in the southeast quarter of Section 16, again that is a state lease with the state royalty against it, the five percent overriding interest is held by J. I. Harvey and Clyde Harvey and the 82½% working interest is held by Myron S. Fox and Tim G. Lowry. As to the southwest quarter of the section, it is a state lease with state royalty, Francis L. Lowry holding five percent overriding and Myron S. Fox and Tim G. hold an 82½% working interest. These ownerships are as shown on the division order and are also, I have checked them against the records on file with the State Land Office and I believe them to be correct.

Now, referring to what has been marked as Applicant's Exhibit No. 3, this exhibit shows the production data on the Well D-268 from the date it commenced producing in April of 1951 to July of 1956.

This shows a cumulative gas production of 601,886 MCF with distillate production of 2,208 barrels of distillate. The exhibit, of course, is broken down first by years for the years 1951 through 1955 inclusive, and by months for the year 1956, and reflects a productive capacity of the well.

Now, referring to what has been marked as Applicant's Exhibit No. 4, this exhibit presents the economic data on this particular well and shows the basis upon which it is figured at the price of distillate after severance and commission taxes, \$2.80, price of gas of 11.7¢ per MCF. On this basis the production to date approximates \$63,234 with expenditures of some \$303,844 which leaves in the approximate amount before payout of \$240,210 on this particular well. At the date of drilling of their well, for reasons which I am afraid I cannot answer, the acreage which is now proposed to be dedicated to the well was dedicated and royalty was paid both to the state and to the overriding royalty owner and to those who held interests in the well on the basis of that dedication. At this date to change the dedication of the acreage would cause an extremely serious accounting problem due to the difference in the ownership of the separate tracts within the section, and that is primarily, we must frankly admit, the reason for this application at this date. The application was also made at the request of the State Land Office in order to correct their accounting procedures up there.

The other factor which I think should be brought out and is reflected by the exhibits, is that no further development of the Dakota could reasonably be expected in this immediate area due to the economic factors involved. In regard to the exhibits I have checked personally. None of these were prepared by me or under my

direction and supervision. However, I have checked the information contained on all the exhibits with the exception of Exhibit No. 4, upon which no information was available to me. I believe that on the face of the exhibit itself, however, it shows the manner in which the economics was figured with the exception of the past expenses and cost of operation, and on that I have no information. I move the introduction of the Exhibits 1 through 4 inclusive.

MR. MANKIN: Is there objection to entering Exhibits 1 through 4 in this case? If not they will be so entered.

MR. KELLAHIN: That is all I have.

MR. MANKIN: If there is nothing further, the witness will be excused. We will take the case under advisement and the hearing is adjourned.

(Witness excused.)

MR. MANKIN: We will reopen Case 1139 to read a telegram that the Oil Commission received on August 31 which essentially Stanolind Oil and Gas Company requests that their objection be made in, for an order.

"New Mexico Oil Conservation Commission, 25 Mabry Hall, Capitol Building, Santa Fe, New Mexico. Stanolind Oil and Gas Company requests their objection be noted to the application of Lowry et al, in Case No. 1139 for an order granting approval of a non-standard 160 acre drilling and gas spacing unit in the South Blanco-Dakota Gas Pool. Although it is recognized that the application is probably due to varying ownership of acreage, granting such application is undesirable in that it does not permit a uniform and orderly development pattern. It is further requested that this telegram be read into the record for Case 1139 at the September 5 Examiner Hearing.

C. L. Kelley. Stanolind Oil and Gas Company, Roswell, New Mexico"

Anything further? We will close the case and the hearing is adjourned in respect to that.

C E R T I F I C A T E

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings in the matter of Case No. 1139 were taken by me on September 5, 1956; that the same is a true and correct record to the best of my knowledge, skill and ability.

Ada Dearnley

Reporter