

Case 1353

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PAN AMERICAN PETROLEUM CORPORATION

Roswell, New Mexico
November 27, 1957

File: S-185-986.510.1

Subject: Application for an Exemption
From Proration for the
Hogback Dakota Field,
San Juan County, New Mexico

*Emergency
Order
A-97-c*

New Mexico Oil Conservation Commission (3)
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

Pan American Petroleum Corporation respectfully requests that the Oil Conservation Commission issue an emergency order granting a temporary exemption from proration for the Hogback Dakota Field until such time as a hearing for permanent relief can be held before the Oil Conservation Commission. Due to the special characteristics of the Hogback Dakota reservoir and its produced crude, as well as the special market conditions existing for this crude, it is believed that this field requires special consideration. It is our understanding that on its own motion, the Commission will provide an opportunity at the December 19, 1957, Regular Hearing for applicants to be heard seeking exemption from proration orders in Northwestern New Mexico. At that time, Pan American Petroleum Corporation will be prepared to present testimony supporting our request for exemption.

To facilitate consideration of our request for an emergency order, certain basic information and the reasons justifying exemption from the proration order are set forth below:

1. Pan American is the sole operator in the Hogback Dakota Field and owns 100 per cent of the working interest in and around the productive limits of the field.
2. All of the acreage in and around the Hogback Field is Indian land and therefore has one common royalty owner.
3. The gravity of the Dakota crude during the month of October averaged 61.7° corrected API gravity on 25 runs totaling 7938 barrels. The unusually high gravity of this crude permits special marketing, making it essentially non-competitive with normal gravity crudes.

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4. All of the crude produced from the Hogback Dakota Field is processed at the Four States Western Refinery located between Farmington and Aztec and constitutes approximately 40 per cent of the total refinery runs. It is our understanding that the remaining 60 per cent of refinery runs consist of associated hydrocarbons produced from classified gas wells.

5. During 1956 and the first 10 months of 1957 daily production from the Hogback Field averaged 251 barrels of oil per day. Actual runs during October, 1957 were 7938 barrels or 256 barrels of oil per day. Production is obtained from 9 flowing wells which are irregularly located in 6 contiguous quarter-quarter sections. Assuming assignment of allowables to 40 acre proration units on a normal basis, the total allowable for the 9 wells will be reduced to about 102 barrels of oil per day. Wells on three of the 40 acre tracts have a producing capacity in excess of the proposed 28 barrels of oil per day allowable per tract. Wells on the other three tracts have a combined capacity of only 18 barrels of oil per day. It is apparent that application of proration to this field would reduce daily production by approximately 150 barrels of oil per day or 60 per cent below its established producing rate. The market for crude produced from the Hogback Field has been limited. For this reason, the maximum rate at which the field has been produced is 270 barrels per day.

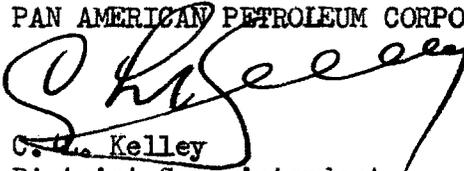
6. The Hogback Dakota Field produces from a small anticlinal reservoir under the influence of an active water drive. Solution gas produced from the entire field is too small to measure. To the present time the field has produced approximately 3,000,000 barrels of crude with a reduction in reservoir pressure of less than 5 per cent. This has been made possible by the active water drive and the care exercised to regulate the flow of each well to keep water production at a minimum.

7. Production data now available indicates that the wells are rate sensitive and curtailment of producing rate will result in waste of reservoir energy.

Therefore, exemption of the Hogback Dakota Field from general proration is requested in order that we may meet our contracted obligations to furnish Hogback Dakota crude to a local market, which market cannot be met with normal low gravity crude oil produced in Northwestern New Mexico.

Yours very truly,

PAN AMERICAN PETROLEUM CORPORATION


C. G. Kelley

District Superintendent