

Case No.

923

Application, Transcript,
Small Exhibits, Etc.

Application of Lowry et al.
Operating Account for exception to Rule 309

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO
June 28, 1955

IN THE MATTER OF:

CASE NO. 923

TRANSCRIPT OF PROCEEDINGS

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

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

IN THE MATTER OF:

Application of Lowry et al Operating Account
for permission to commingle oil produced from
two additional federal leases in the South
Blanco-Tocito Pool, Rio Arriba County, New
Mexico, into common tankage now receiving
production from two other separate federal
leases under the provisions of Order No.
R-532.

Case No. 923

BEFORE:

Honorable John F. Simms
Mr. E. S. (Johnny) Walker
Mr. William B. Macey

TRANSCRIPT OF HEARING

MR. MACEY: The next case on the docket is Case 923.

MR. KELLAHIN: Jason Kellahin, appearing for Lowry Oil
Company. We will call Mr. Holland as a witness.

A. F. HOLLAND,

called as a witness, having been previously duly sworn, testified
as follows:

DIRECT EXAMINATION

By MR. KELLAHIN:

Q Will you state your name, please?

A A. F. Holland.

Q Have you been sworn in this case?

A Yes, I have. I was sworn in Case 922 for both Case 922 and
923.

Q You are the same Mr. Holland that testified in Case 922?

A I am.

MR. KELLAHIN: Are the witness's qualifications acceptable?

MR. MACEY: Yes, sir.

Q Would you state briefly the nature of this application in Case 923?

A The application is to allow Lowry et al Operating Account to meter oil production from the different federal leases in the South Blanco-Tocito Pool that are oil productive and to commingle such oil in a common tank battery. This request is being made to facilitate the operations of the pressure maintenance project and to centralize equipment and facilities.

Q Have you received approval of the Commission in the previous case for producing oil into a central tank battery from leases other than these affected by this application?

A In Case 697 Order R-532, dated October 4, 1954, approval was received to commingle oil production from the Lowry federal leases SFO793-8 and Federal NMO3551.

MR. KELLAHIN: At this time I ask the Commission to take notice of the record in Case 697 in connection with the hearing in Case 923.

Q Have you prepared plats showing the area affected by this proposal?

(Marked Lowry's Exhibits Nos.
1 through 4 for identification).

A Exhibit No. 1 is a plat showing the Lowry operations in the area of the South Blanco-Tocito Pool. The present outlines of the pool, as defined by the Commission, are indicated by a dashed line on the plat. Water injection wells and proposed water injection wells are shown thereon by color indication. The acreage, if I

haven't stated it before, colored in yellow, represents the Lowry operation.

Q Does that exhibit also show the lease numbers, the portion of the leases to be affected by this application?

A That particular plat does not. I have a plat which does.

Q Does it have numbers on it?

A That is right, it shows the lease numbers.

Q What lease numbers are involved in this application?

A Federal No. 03381 and Federal 03553.

Q Have you prepared an exhibit to show the status of the ownership of the leases involved?

A Exhibit No. 2 shows the present working interest ownership, the royalty and over-riding royalty interest, ownership under the four leases involved in this application. The interest is the same in all leases.

Q You mean the two leases in this application and the two leases involved in the prior case, is that correct?

A That is correct, all leases which will --

Q (Interrupting) The ownership of the working interest, the royalty and the over-riding royalty is the same for all four leases, is that correct?

A That is correct.

Q Referring to Exhibit No. 3, Mr. Holland, what does that show?

A Exhibit No. 3 outlines the request as contained in the application. In that a portion of the Federal Lease NM03553, and a portion of the Federal Lease on NM03381 are being requested by the Commission to be allowed to produce into a common tank battery system.

Q Are we to understand then that you are not asking for authority

to produce any oil from any portion of the entire lease into the central tank battery?

A Just a portion of it. The portion of it that is likely to become oil productive by our nearby, future operations.

Q What portion would be affected in each case, referring to the two leases involved in this application?

A I would like to introduce Exhibit No. 4 at this time, and work from that.

Q Go right ahead, refer to Exhibit No. 4.

A Exhibit No. 4 is a plat showing the present area committed to the central tankage system and the proposed addition to such system.

Q How is that shown?

A The area delineated in blue comprises the present area committed to the system, the area in tan represents the area which permission is being requested to add. The area in tan represents Section 11, in the north half of Section 15, Township 26 North, Range 6 West, Rio Arriba County, New Mexico, and is a portion of Federal Lease NM 03553; Section 7 located in Township 26 North, Range 6 West is a portion of Federal Lease NM 03381.

Q That is the only portion for which you are seeking approval at this time, is that correct?

A That is correct. At the present time there is a location, a well location in Section 11 which will be drilled within the next month or so for Section 7.

Q How is that well designated?

A T-185.

Q That is not yet drilled?

A The location has been staked and it will be drilled upon the completion of Well T-87.

Q T-87 is the proposed injection well referred to in Case 922?

A That is correct.

Q What is the status of Well T-123 in Section 7?

A That well is indicated as a gas well. It is a high-gas-oil ratio oil well which at the present time is shut in. As pressure maintenance operations proceed, that well probably will be utilized in the oil production program. For that reason, plus the possibility that additional wells will be drilled in Section 7, make it desirable to produce into the centralized facilities in existence for the project.

Q Have you projected any other wells for that particular lease, Mr. Holland?

A Not at this time.

Q Are such wells contemplated?

A There again, that point will just have to be determined as the pressure maintenance program proceeds. Probably, yes.

Q Referring back to Exhibit No. 3, Mr. Holland, would you state briefly the reasonings for the request in this case?

A There are many reasons why it is desirable to centralize facilities and oil storage in a project of this kind, particularly for the type of area, the region of the South Blanco-Tocito Pool, the extreme weather conditions there. There is a paraffinitic condition of the oil and the operating hazards are great; there is a great saving in being able to transport oil, gas and water through a common pipeline having equipment, oil separation equipment and so forth, as centralized location, so that those facilities can be

housed and heat supplied in the winter time. Better treating of the oil can be achieved. Water that is produced during the operation of the program can be treated and conditioned for proper water injection. Central location allows the casinghead gas to be compressed and sold; centralizing of equipment at one point allows close supervision and makes for more efficient operation of the project. Oil can be produced into storage tanks and heated and easily handled for sale. This particular oil congeals at 60 degrees and it is necessary to heat it for a good portion of the year in order to be able to sell it. That, along with many other reasons, makes it desirable to operate such a project.

Q Have you taken any actions, Mr. Holland, during recent months to save and market the gas from this pool?

A A compressor plan has been in operation for approximately six months and except for mechanical troubles, a major portion of the casinghead gas is processed and sold.

Q Would the production of oil produced from the pool into separate tank batteries, facilitate the saving of this gas which was heretofore vented?

A I think so. It was widely scattered and a doubtful economic venture to get the gas. Having it at a centralized point does allow for an economic situation to sell the gas.

Q Mr. Holland, the same acreage is involved in Case 923 as was involved in 922, is it not?

A That is correct.

Q I assume then that the production is from federal acreage entirely?

A All of the presently producing Lowry wells are located on

federal acreage. The program has been outlined to the United States Geological Survey and has been approved by Mr. P. T. McGrath by letter, dated June the -- it has been approved on the date shown in Case 922.

Q Will you have any facilities to measure or gauge the oil from the separate oil leases as may be required?

A Before commingling the oil it will be separated and metered.

Q What provision, in the event there is production of water, what provision will you make to account for that?

A Periodic testing.

Q Do you have anything you want to add to this?

A I have nothing further.

MR. KELLAHIN: That is all. At this time we offer Exhibits No. 1 through 4, inclusive, in Case 923.

MR. MACEY: Without objection they will be received.

MR. MACEY: Any questions of the witness? If no questions of the witness, the witness may be excused.

(Witness excused.)

MR. MACEY: Does anyone have anything further in this case? If nothing further, we will take the case under advisement.

We will take a short recess.

(Recess.)

STATE OF NEW MEXICO)
: ss.
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby
certify that the foregoing and attached transcript of proceedings
before the New Mexico Oil Conservation Commission at Santa Fe,
New Mexico, is a true and correct record to the best of my
knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial
seal this 8th day of July, 1958.


Notary Public, Court Reporter

My Commission Expires:

June 19, 1959

*Lease No. 2
Case No. 923*

LEASE & ROYALTY OWNERSHIP

Federal Lease No. SF 079035-A

" " MI 03351
" " MI 03353
" " MI 03351

Fractional
Interest

Working Interest:

Leary et al .815000

Royalty and Overriding Royalty Interest:

| | |
|--------------------------------|----------|
| Treasurer of the United States | .1250000 |
| Dacres Corporation | .0112000 |
| Brockhaven Oil Company | .0109000 |
| R. Hine | .0016670 |
| R. L. Crockett | .0016660 |
| F. Schultz | .0003333 |
| P. T. Bee | .0003333 |
| S. B. Petire | .0003333 |
| W. C. Smith | .0003333 |
| S. W. Bartlett | .0003333 |

OIL CONSERVATION COMMISSION
P. O. BOX 571
SANTA FE, NEW MEXICO

August 12, 1955

Mr. Jason W. Kellahin
P.O. Box 597
Santa Fe, New Mexico

Dear Mr. Kellahin:

In behalf of your clients we enclose two copies of each of the following orders of the Oil Conservation Commission:

Order No. R-673 in Case 923
Order No. R-679 in Case 928

These were signed August 11, 1955.

Very truly yours,

W. B. Macey
Secretary - Director

WBM:brp

C
O
P
Y

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW
MEXICO FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 923
Order No. R-673

THE APPLICATION OF LOWRY ET AL
OPERATING ACCOUNT FOR PERMISSION
TO COMMINGLE OIL PRODUCED FROM
TWO ADDITIONAL FEDERAL LEASES IN
THE SOUTH BLANCO-TOCITO POOL, RIO
ARRIBA COUNTY, NEW MEXICO, INTO
COMMON TANKAGE, ALONG WITH PRE-
VIOUSLY APPROVED COMMINGLED TANKAGE
ON TWO OTHER FEDERAL LEASES.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a. m., on June 28, 1955, on the petition of Lowry et al Operating Account, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 11th day of August, 1955, the Commission, a quorum being present, having considered the records and testimony presented, and being fully advised in the premises;

FINDS:

- (1) That due notice of the time and place of hearing and the purpose thereof having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That petitioner is the owner of the following Federal leases in Rio Arriba County, New Mexico: NM-03551, SF-079035-A, NM-03381, and NM-03553.
- (3) That petitioner was granted permission to gauge or meter oil production from Federal lease NM-03551 and Federal lease SF-079035-A into a common or central tank battery by Order R-532 on October 4, 1954.
- (4) That in order to increase the efficiency of operation and reduce economic losses, petitioner should be permitted to meter and gauge oil production from the following leases in the South Blanco-Tocito Oil Pool into a central tank battery: NM-03551, SF-079035-A, NM-03381, and NM-03552, and that such procedure will not adversely affect the royalty owners on the four leases inasmuch as the royalty interests in the four leases is common.

(5) That the use of a central tank battery is in the interests of conservation and will prevent waste .

IT IS THEREFORE ORDERED:

(1) That the application of Lowry et al Operating Account for permission to gauge oil production from Federal Lease NM-03381 and Federal Lease NM-03553 together with the production from Federal Lease NM-03551 and Federal Lease SF-079035-A in a common or central tank battery in exception to Rule 309 (a) be approved, such approval to be effective upon the occurrence of the following events:

(a) The approval of this plan of common tankage by the U. S. Geological Survey.

(b) That the applicant make suitable provision, to be approved by the Commission, for the metering of oil production so that proper accounting can be made to all persons having an interest in such production.

IT IS FURTHER ORDERED, that after the effective date of the approval of this order, tests be made at regular intervals of not less than once each month to determine water content of oil produced, and the oil produced from the various operating accounts under the method of accounting set up by the applicant as operator.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

John F. Simms

JOHN F. SIMMS, Chairman

E. S. Walker

E. S. WALKER, Member

W. B. Macey

W. B. MACEY, Member and Secretary



ir/

*Lowry et al
Lease No. 3
Case No. 923*

SOUTH BLANCO TOCITO POOL

Request

To approve the production, measuring and gauging of oil from the following Lowry et al Operating Account leases into the common tank battery system being utilized for the South Blanco Tocito Pressure Maintenance Project:

- (a) Federal NM 03553. That part of the lease located in Section 11, & N/2 Section 15, T26N, R6W, Rio Arriba County, New Mexico.
- (b) Federal NM 03381. That part of the lease located in Section 7, T26N, R6W, Rio Arriba County, New Mexico.

Lease Currently Authorized to Produce and Gauge
Oil into Common Tank Battery System

Lowry et al Operating Account Lease Nos.:

Federal No. SF 079035-A
Federal No. NM 03551

Approved by New Mexico Oil Conservation Commission
Order No. Q-532 dated October 4, 1954.

Method of Oil Allocation to Leases

Measure oil from each individual lease by the use of oil meters prior to co-mingling oil in a common tank battery system.

Reason for Request

To facilitate and provide a procedure for the efficient operation of the South Blanco Tocito Pressure Maintenance Project. Some of the operations conducted at the location of centralized facilities includes the following:

- (1) Oil, gas, and water transported for processing through a common pipeline thereby rendering it unnecessary to maintain three separate gathering systems.

Reason for Request (cont.)

- (2) Oil, gas, and water separation permitted at a centralized location permitting housing, efficient operating, and heating of facilities.
- (3) Central treatment of oil to remove produced water and maintain mobility of oil for transporting by heat.
- (4) Central collection point to allow for the proper chemical treatment and re-injection of produced water.
- (5) Central collection point to allow for the compression and sale of produced casinghead gas.
- (6) Centralized location of internal gas combustion engines for water injection pumps, water supply well, gas compressor, and high pressure oil pumps which makes it possible to achieve good supervision and maintenance of equipment.
- (7) Common oil storage facilitating the gauging and transporting of oil for sale.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW
MEXICO FOR THE PURPOSE OF CON-
SIDERING:

CASE NO. 697
ORDER NO. R-532

THE APPLICATION OF LOWRY ET AL
OPERATING ACCOUNT FOR THE APPROVAL
OF AN EXTENSION OF ITS PILOT PRESSURE
MAINTENANCE PROGRAM IN THE SOUTH
BLANCO-TOCITO POOL, RIO ARRIBA COUNTY,
NEW MEXICO, AND PERMISSION TO GAUGE OIL
AT A COMMON TANK BATTERY.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m., on July 21, 1954 on the amended petition of Lowry et al Operating Account, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 4th day of October, 1954, the Commission, a quorum being present, having considered the testimony and exhibits offered therein, and the record pertaining to geological and engineering information received in Commission Cases Nos. 537, 555, and 607, received in this case, and testimony and evidence presented at the hearing in this cause on the original petition, on date May 19, 1954, and being fully advised in the premises,

FINDS:

(1) That due notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That petitioner has operated a pilot pressure maintenance program in the South Blanco-Tocito Pool, San Juan County, New Mexico, under authority of Commission Order No. R-349, and has made regular reports as required by said order.

(3) That evidence introduced at the hearing on May 19, 1954, shows that the pilot pressure maintenance program has been successful in maintaining pressures

in the South Blanco-Tocito Pool, will result in a greater ultimate recovery of oil, with reduced waste of gas, and will protect and utilize reservoir energy to the best advantage.

(4) That for successful operation of the pressure maintenance project, said project should be expanded by the addition of injection wells, as hereinafter provided, and water injection should be increased.

(5) That by its amended petition applicant seeks approval for the use of its well, T-85, located in SW/4 Section 4, Township 26 North, Range 6 West, NMPM, and that in all other respects the petition herein is the same as that originally filed.

(6) That, in order to facilitate operations and reduce economic losses, petitioner should be permitted to meter or gauge oil production from its leases in the South Blanco-Tocito Pool into a central tank battery, and such procedure will affect two basic leases of common royalty ownership, and that the rights of royalty owners of overriding royalties will not be impaired, but rather will be fully protected.

(7) That extension of the pressure maintenance program and metering or gauging of oil into a central tank battery by petitioner is in the interests of conservation, will prevent waste, result in an increased ultimate recovery of oil, and that correlative rights will be protected.

IT IS THEREFORE ORDERED:

(1) That the application of Lowry et al Operating Account for permission to extend its pressure maintenance program in the South Blanco-Tocito Pool be, and the same hereby is approved.

(2) That petitioner be authorized to utilize its well T-85, SW/4 Section 4, Township 26 North, Range 6 West, NMPM, as an injection well, as an addition to the authority heretofore granted in Commission Order No. R-349, water to be injected to enter the Tocito sands, producing formation of the South Blanco-Tocito Pool, Rio Arriba County, New Mexico.

(3) That in the event proration of oil is instituted in the South Blanco-Tocito Pool, suitable provision shall be made for the transfer of allowables from injection wells to other producing wells.

(4) That petitioner, as operator, shall submit monthly reports to the Commission showing the monthly oil production, monthly water production, the amount of water injected into each well bore, and such other information as the Commission may from time to time require for the purpose of keeping fully informed as to the progress of operations under the terms of this order.

(5) That petitioner may, as abandonment of producing wells is necessitated by water encroachment, utilize such wells as additional water injection wells upon submitting proper notice to the Commission Secretary and Director, and thereafter reporting operations affecting such wells as hereinabove provided; provided, however, notice of such proposed utilization shall also be given to all parties at interest, and in the event a protest is filed with the Commission within 20 days after the date such notice is served, the Commission may, in its discretion, set the matter for hearing.

IT IS FURTHER ORDERED:

(1) That the application of Lowry et al Operating Account for permission to gauge or meter oil production from Federal Lease NM-03551 and Federal Lease SF-079035-A in a common or central tank battery be, and the same hereby is approved, subject to like approval being obtained from the U. S. Geological Survey; provided, however,

(a) That petitioner make suitable provision for the metering of oil production to the end that proper accounting can be made to all persons having an interest in such production;

(b) That tests be made at regular intervals of not less than once each month to determine water content of oil produced, for the purposes of accounting for oil production under the method of accounting set up by petitioner as operator.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHEM, Chairman

E. S. WALKER, Member

W. B. MACEY, Member and Secretary

S E A L

MAIN OFFICE 000

BROOKHAVEN OIL COMPANY

FIRST NATIONAL BANK BUILDING

(MAIL) P. O. BOX 644

Albuquerque, New Mexico

PHONE 7-8853

TELETYPE AQ-96

REC JUN 14 1955

June 13, 1955.

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

Re: CASE NO. 923
Regular Hearing June 28, 1955.

Gentlemen:

For reasons expressed by testimony and in writing in previous Case No. 697, Order R-532, pertaining to the Tocito Pool in Township 26 North, Range 6 West, the undersigned object to Lowry et al Operating Account commingling oil produced from two Federal leases in the South Blanco Tocito Pool, Rio Arriba County, New Mexico, into common tankage now receiving production from two other separate Federal leases under the provisions of Order R-532.

Very truly yours,

BROOKHAVEN OIL COMPANY
DACRESA CORPORATION

Thomas B. Scott
President

TBS:ms

Case 6723

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO
SANTA FE, NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF LOWRY, et al., OPERATING ACCOUNT
FOR APPROVAL OF PRODUCTION OF OIL
FROM SEPARATE LEASES INTO A COMMON
TANK BATTERY IN THE SOUTH BLANCO-
TOCITO OIL POOL, RIO ARriba COUNTY,
NEW MEXICO

No. _____

Comes now Lowry, Et Al., Operating Account, and petitions the Oil Conservation Commission of New Mexico for an order approving the production, and measuring and gauging of oil from separate leases in the South Blanco-Tocito Oil Pool, Rio Arriba County, New Mexico, into a common tank battery, and in support thereof would show:

1. That the Commission has heretofore, in Case No. 697 approved production of oil into common tankage as an exception to Rule 309, by its Order No. R-532.
2. That, in order to facilitate operations and reduce economic losses, and in the interests of conservation and to prevent waste, Petitioner desires to produce from two additional leases into said common tank battery as an exception to Rule 309.
3. That the leases to be affected are Federal NM 03381 and Federal NM 03553.
4. That adequate measures will be taken to protect the rights and interests of all persons holding interests in the pool, including royalty owners and owners of overriding royalty.
5. That the use of a central or common tank battery is in the interests of conservation and will prevent waste.

WHEREFORE Petitioner requests the Commission, after notice and hearing as required by law and the Rules and Regulations of the Commission, to enter its order approving production of oil from the above mentioned leases into the common tank battery heretofore approved by the Commission as an extension of the authority approved by Commission Order No. R-532.

Jason W. Kellahin
P. O. Box 597
Santa Fe, New Mexico

Respectfully submitted,
LOWRY, ET AL., OPERATING ACCOUNT
BY Jason W. Kellahin
Attorney

Case 923

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO
SANTA FE, NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF LOWRY, et al., OPERATING ACCOUNT
FOR APPROVAL OF PRODUCTION OF OIL
FROM SEPARATE LEASES INTO A COMMON
TANK BATTERY IN THE SOUTH BLANCO-
TOCITO OIL POOL, RIO ARriba COUNTY,
NEW MEXICO

No. _____

Comes now Lowry, Et Al., Operating Account, and petitions the Oil Conservation Commission of New Mexico for an order approving the production, and measuring and gauging of oil from separate leases in the South Blanco-Tocito Oil Pool, Rio Arriba County, New Mexico, into a common tank battery, and in support thereof would show:

1. That the Commission has heretofore, in Case No. 697 approved production of oil into common tankage as an exception to Rule 309, by its Order No. R-532.

2. That, in order to facilitate operations and reduce economic losses, and in the interests of conservation and to prevent waste, Petitioner desires to produce from two additional leases into said common tank battery as an exception to Rule 309.

3. That the leases to be affected are Federal NM 03381 and Federal NM 03353.

4. That adequate measures will be taken to protect the rights and interests of all persons holding interests in the pool, including royalty owners and owners of overriding royalty.

5. That the use of a central or common tank battery is in the interests of conservation and will prevent waste.

WHEREFORE Petitioner requests the Commission, after notice and hearing as required by law and the Rules and Regulations of the Commission, to enter its order approving production of oil from the above mentioned leases into the common tank battery heretofore approved by the Commission as an extension of the authority approved by Commission Order No. R-532.

Jason W. Kellanin
P. O. Box 597
Santa Fe, New Mexico

Respectfully submitted,
LOWRY, ET AL., OPERATING ACCOUNT
BY Jason W. Kellanin
Attorney