

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

IN THE MATTER OF:

CASE NO. 923

TRANSCRIPT OF PROCEEDINGS

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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 NMO3553, and a portion of the Federal Lease on NMO3381 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.)

