

CASE 1051: Skelly Oil Co. application for
2 160 acre NS proration units & 2 unorthodox
well locations thereon in Sec. 15-27N-9W.

Case No.

1851

Application, Transcript,
Small Exhibits, Etc.

Julie I believe Mr Walker
would like to see this -
JR

Send back to acc for
their files - ESW



SKELLY OIL COMPANY

TULSA 2, OKLAHOMA

PRODUCTION DEPARTMENT
J. S. FREEMAN, VICE PRESIDENT

April 20, 1956

Re: Case No. 1051
San Juan County, New Mexico

✓ Honorable E. S. Walker
Land Commissioner
Mabry Hall
Santa Fe, New Mexico

Mr. A. L. Porter, Jr.
New Mexico Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Gentlemen:

On April 18, 1956, you heard our application for an order granting exception to two 160-acre non-standard gas proration units. At this hearing certain members of the staff of the Oil Conservation Commission by statements indicated that the granting of the request of Skelly Oil Company would establish a precedent in the San Juan Basin.

Rather than unduly prolong the hearing by arguments and avoiding embarrassment on the part of those involved at the hearing, we let the matter drop with the express idea of correcting by means of correspondence.

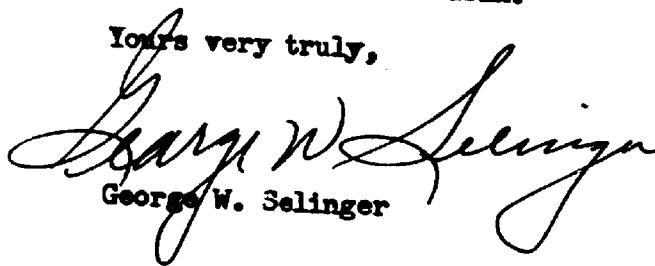
The Oil Conservation Commission has heretofore, in a number of instances, already granted such exceptions and the granting of ours would in nowise have established this precedent since it has already been established. The exceptions heretofore granted cover a number of instances including fractional sections and location of wells at one end of unorthodox units as well as regular sections. Without attempting to historically go back too far, we would like to refer you to the following orders: R-413, R-562, R-626, R-653, R-654, R-658, R-661, R-662, R-665, R-666, R-669.

Page 2

April 20, 1956

We, therefore, feel that the matter of precedent was wholly irrelevant at the hearing in view of the fact that the Commission has already established this policy in the San Juan Basin.

Yours very truly,

A handwritten signature in cursive script, reading "George W. Selinger". The signature is written in dark ink and is positioned above the printed name.

George W. Selinger

GWS:zmr

cc-Mr. W. J. Stewart



MAIN OFFICE OCC

1955 MAR 12 AM 8:36
SKELLY OIL COMPANY

PRODUCTION DEPARTMENT
J. S. FREEMAN, VICE PRESIDENT

FULSA 2, OKLAHOMA

March 9, 1956

*April
18 reg. hearing*

*Put at top
of docket.*

Mr. W. B. Macey
New Mexico Oil Conservation Commission
Mabry Hall
Santa Fe, New Mexico

Dear Sir:

We are herewith attaching original and two copies of application seeking exception to Order No. R-565-C for unorthodox locations and unorthodox gas units in the Fulcher Kutz-Pictured Cliffs and/or South Blanco-Pictured Cliffs gas pools in San Juan and Rio Arriba Counties, New Mexico.

We would appreciate it if this application could be set for your next series of hearings in Santa Fe on Wednesday, April 18, 1956, as early on the docket as possible, since the undersigned has several hearings in Austin, Texas, on the next day.

Yours very truly,

George W. Selinger
George W. Selinger

GWS:emr

cc-Mr. P. E. Cosper
Mr. W. J. Stewart

MAIN OFFICE

1955 MAR 12 AM 8:36

THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF SKELLY OIL COMPANY
FOR AN EXCEPTION TO ORDER NO. R-565-C, SAN JUAN AND
RIO ARriba COUNTIES, NEW MEXICO, AS TO LOCATION OF TWO
WELLS AND AN UNORTHODOX 160-ACRE UNIT IN THE FULCHER
KUTZ-PICTURED CLIFFS GAS POOL AND/OR SOUTH BLANCO-
PICTURED CLIFFS GAS POOL.

APPLICATION

Comes now Skelly Oil Company and alleges and states:

1. That it is a producer and operator of wells in Pictured Cliffs reservoirs in the various classified fields in San Juan and Rio Arriba Counties, New Mexico, and, more specifically in and around Section 15-27N-9W.

2. That heretofore on October 13, 1955, this Commission issued its Order No. R-565-C in consolidated cases 729, 859, 860 and 941 establishing special rules and regulations for the Fulcher Kutz-Pictured Cliffs and South Blanco-Pictured Cliffs gas pools in San Juan and Rio Arriba Counties, New Mexico. That by such rules in both fields the Commission established location of wells to be at least 990' from the outer boundaries of each governmental quarter section with a tolerance of 200' and established a drilling unit of 160 acres in the form of a square which shall be a legal quarter section subdivision of the U. S. Public Land Survey.

3. That Applicant owns all of Section 15, Township 27 North, Range 9 West, insofar as leases are concerned, and with respect to the S/2 of said Section 15-27N-9W, Applicant has a lease on the N/2 of the S/2 of said Section 15 and another and separate lease on the S/2 of the S/2 of said Section 15. That it will be an undue burden on Applicant to attempt to unitize portions of these separate leases into two gas units following governmental quarter sections; whereas, Applicant can form two 160-acre units composed of the N/2 of the S/2 of Section 15 and the S/2 of the S/2 of Section 15.


4. That in the formation of such unorthodox 160-acre gas units, Applicant proposes to locate the well for the N/2 of the S/2 of said Section 15, 1320' West of the East line and 990' South of the North line of the N/2 of the S/2 of Section 15 and proposes to locate the well for the S/2 of the S/2 of Section 15, 1320' East of the West line and 990' North of the South line of the S/2 of the S/2 of Section 15.

5. That such exception to the location of said two wells and the formation of two such unorthodox 160-acre gas units will not cause waste and is not in violation of correlative rights of any interested party.

WHEREFORE, PREMISES CONSIDERED, Applicant requests and exception for its two wells as above described and an exception to the 160-acre governmental quarter section unit to permit two 160-acre unorthodox gas units, all of which is located in the S/2 Section 15, Township 27 North, Range 9 West, San Juan County, New Mexico.

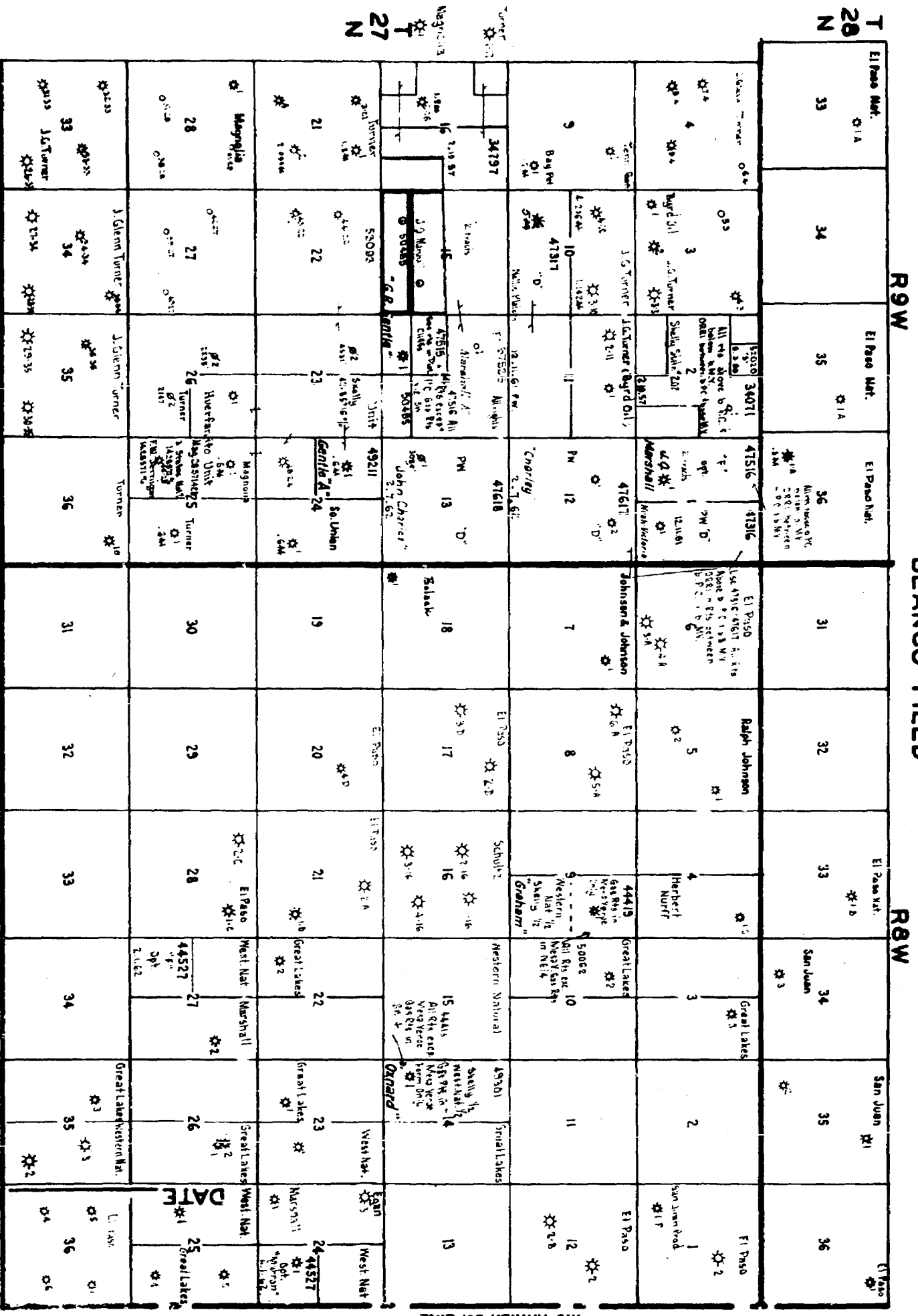
Respectfully submitted,

SKELLY OIL COMPANY

By 
George W. Selinger

SAN JUAN COUNTY NEW MEXICO BLANCO FIELD

DATE _____



RIO ARRIBA CO. LINE

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

May 22, 1956

C
O
P
Y

Mr. George W. Selinger
Shelly Oil Company
P.O. Box 1650
Tulsa, Oklahoma

Dear Sir:

We enclose a copy of Order R-804 issued May 16, 1956, by the
Oil Conservation Commission in Case 1051, which was heard on April
18th.

Very truly yours,

A. L. Porter, Jr.
Acting Secretary - Director

ALP:brp
Encl.

CLASS OF SERVICE
This is a fast message
unless its deferred char-
acter is indicated by the
proper symbol.

WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

1201

SYMBOLS
DL = Day Letter
NL = Night Letter
LT = International
Letter Telegram

The filing time shown in the date line on domestic telegrams is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination.

LA202 KA454

K TUC287 PD=WUX TULSA OKLA 21 347PMC=

MR WARREN MANKIN OIL CONSERVATION COMMISSION=

MARRY HALL SANTA FE NMEX=

~~YOU~~ ADVISED THAT ORDER NO R=804 WAS ISSUED IN CASE NO
1051 EXCEPTIONS SAN JAUN BASIN. PLEASE SEND COPY OF
ORDER SO WE CAN PROCEED OPERATIONS=

GEORGE W SELINGER SKELLY OIL CO=

*Sent 5-22-56
BP*

R=804 1051=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

BEFORE THE
Oil Conservation Commission

SANTA FE, NEW MEXICO

April 18, 1956

IN THE MATTER OF:

CASE NO. 1051

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES

COURT REPORTERS

805 SIMMS BUILDING

TELEPHONE 3-8691

ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 18, 1956

IN THE MATTER OF:

CASE NO. 1051: Application of Skelly Oil Company for an order granting an exception to Rules 2 and 3 of the Special Rules and Regulations for the Fulcher Kutz-Pictured Cliffs Gas Pool and Rules 2 and 3 of the Special Rules and Regulations for the South Blanco-Pictured Cliffs Pool, as set forth in Order R-565-C in the establishment of two 160 non-standard gas proration units and the approval of two unorthodox well locations thereon in Section 15, Township 27 North, Range 9 West, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order granting the approval of two 160 acre non-standard gas proration units; one to consist of the N/2 S/2 Section 15, the second to consist of the S/2 S/2 of Section 15, Township 27 North, Range 9 West, San Juan County, New Mexico, and in addition applicant seeks the approval of two unorthodox well locations for the above-described units, one to be located 1320 feet west of the east line and 1650 feet from the south line of said Section 15, the second well to be located 1320 feet east of the west line and 990 feet from the south line of said Section 15.

BEFORE:

Honorable John F. Simms, Jr.,
Mr. E. S. (Johnny) Walker,
Mr. A. L. Porter, Jr.

TRANSCRIPT OF PROCEEDINGS

MR. PORTER: The next case on the Docket is 1051.

MR. GURLEY: 1051, Application of Skelly Oil Company for an order granting an exception to Rules 2 and 3 of the Special Rules and Regulations for the Fulcher Kutz-Pictured Cliffs Gas Pool and Rules 2 and 3 of the Special Rules and Regulations for the South Blanco-Pictured Cliffs Gas Pool, as set forth in Order R-565-C in the

establishment of two 160 acre non-standard gas proration units and the approval of two unorthodox well locations thereon in Section 15, Township 27 North, Range 9 West, San Juan County, New Mexico.

MR. SELINGER: We have one witness, W. J. Stewart, who we would like to have sworn in at this time.

(Witness sworn.)

W. J. STEWART,

a witness, called on behalf of Skelly Oil Company, having been first duly sworn on oath, testified as follows:

DIRECT EXAMINATION,

BY MR. SELINGER:

Q State your name. A W. J. Stewart.

Q You are associated with what company?

A Skelly Oil Company.

Q In what capacity?

A Supervisor of Units and Contracts in the Land Department of Skelly.

Q Are you at the present time familiar with the status of leases owned by Skelly Oil Company in or about Section 15, Township 27 North, Range 9 West, San Juan County, New Mexico?

A Yes, sir.

Q Are you familiar with the status of the leases that Skelly Oil Company has and owns in the S/2 of this Section 15?

A Yes, sir.

Q I hand you what has been marked Skelly Exhibit No. 1; is that a map of the area in or about this Section 15?

A Yes, sir.

Q Are the two proposed units outlined in colors on the S/2

of this section?

A Yes, sir.

Q And are the locations of the wells indicated by small red circles?

A Yes, sir, they are.

Q Now, you are familiar in a general way with the requirements of the two fields in this area, the exact boundaries of which is unknown in or about this Section, which requires the 160 acre Governmental Quarter Sections as the normal gas unit for gas from the Pictured Cliffs?

A I am familiar with them, yes, sir.

Q Will you state to the Commission the reasons for deviating from the normal Governmental Quarter Section and requesting the two proposed units as outlined on Skelly Exhibit No. 1?

A Skelly has two Federal Leases in the S/2 of Section 15; one covering the N/2 S/2 of the Section, and a separate Federal Lease covering the S/2 of the S/2 of Section 15. In the event we followed the normal spacing as now set up, it would be necessary for us to form two Federal Gas Units covering the Pictured Cliffs Formation, one on the SE/4 and one on the SW/4. There are several reasons why we have made application for an exception; basically, they are economically and to eliminate the time element necessary to secure approval of these two units by the Government. It has been our experience in the past that it would take several months, and much paper work, to get each of the units approved by the Government, and we would be forced to withhold development until such time as we got this approval, and, from an accounting standpoint, it would be burdensome to handle these wells as separate unit wells, rather than additional wells on each Federal Lease.

Q I ask you, Mr. Stewart, on the north unit, the lessee is James Q. Marshall, is that correct? A Yes, sir.

Q And on the south unit, the lessee is Glenn R. Gentle?

A Yes, sir.

Q These wells will be located 1320 feet from the east and west lines of their respective units, the nearest outside boundaries, is that correct? A Yes, sir.

Q And from the north and south, they will be located at least 990 from the south, with respect to the south unit, and 990 from the north line of the north unit? A That is true.

Q And the only deviation from the normal location of the well would be on the inside where these two units join, they will be 330 feet from the respective boundaries? A Yes, sir.

Q Does Skelly own the entire leasehold of Section 15?

A Yes, they do.

Q Now, with respect to development surrounding, completely surrounding these two proposed units, are there any producing wells from this reservoir in the S/2 of Section 10, to the north?

A Yes, sir, there is, Nellie Platero No. 1.

Q Are there any producing wells in the S/2 of Section 9 to the northwest?

A Yes, sir, in the SE/4, Section 9.

Q Are there any producing wells in the S/2 of Section 16, to the west of these proposed units?

A Yes, in the SW/4, Section 16.

Q Are there any producing wells to the southwest in Section 21?

A Yes, sir, there is several.

Q Are there any producing wells to the south of these proposed units in Section 22? A There are.

Q Are there any producing wells from this formation to the east of these two proposed units in the SW/4 of Section 14?

A Skelly has a well there.

Q From the facts indicated by you, these two proposed units are completely surrounded by producing wells in the Pictured Cliffs?

A That's right.

MR. SELINGER: We now offer in evidence Skelly's Exhibit No. 1, and that is all we have.

MR. PORTER: Is there any objection to the introduction of this exhibit? Hearing no objection, it will be received.

MR. SELINGER: We have one more thing I would like to ask Mr. Stewart. Have you been advised as to the attitude of the Geological Survey with respect to the proposed two units?

A The United States Geological Surevy has given its tentative approval to our application.

MR. SELINGER: That's all.

MR. PORTER: Are there any questions of the witness?

EXAMINATION BY MR. UTZ:

Q Mr. Stewart, if either of these two wells should turn out to be a dry hde, then what would be your intentions as to communi-tization?

A If either was a dry hole?

Q Yes.

A You mean in the event we do not get the exception to spac-ing we are asking for?

Q No, I mean if you do get it, and -- well, as a matter of

fact, if you do get it, I guess there is nothing you can do about it, but the question I had in mind is if either of these wells is a dry hole, what would be your intention, would you be willing to change and try to dedicate the quarter section in which the well was located --

MR. SELINGER: Mr. Utz, these wells are located within 330 feet of the center of the 160 acres, of the Governmental 160 acres. I don't know whether we would be permitted to drill another well on that 160 acres.

MR. UTZ: You won't have to drill another well. The point I am making is this, if the well in the SW/4, we'll say, should happen to be a dry hole, then the N/2 of the SW/4 would be dry acreage, and you would be dedicating 80 acres of dry acreage to that well in the SW/4.

MR. SELINGER: I think with respect to the productiveness of any acreage of any units would depend upon the action of the Commission. I think that would have to come up as a result of a hearing by the Commission; if the Staff felt there wasn't 160 acres productive of this gas, then it could reduce the allowable accordingly, in which event Skelly would either accept it or take exception to it.

Q Mr. Stewart, can you tell me what the reason for locating these wells on the quarter quarter section line is, 1320 location?

A Well, I'm not qualified to answer that, sir.

MR. SELINGER: That is as close as we could get. If you desire for us to drill in the center of the 160 acres we will be glad to do that, too, in each unit. There is no magic in the location of the well, except to get as close to the center of the 160 acres

as possible and stay at least 3,000 feet apart.

MR. UTZ: Then you have no topographic reason for putting it on a quarter quarter section line?

MR. SELINGER: No, except that the two units, the north line of the south unit and the south line of the north unit, if you drilled a well on that, we would have the same thing right back where we started from. We can locate the well on each of the respective leases; if you want us to drill 50 feet from the line, we will be perfectly willing to do that.

MR. UTZ: I think it is common practice to try to stay off the quarter quarter section lines by a reasonable amount.

MR. SELINGER: You are referring to the east and west?

MR. NUTTER: He is referring to the location east and west.

MR. SELINGER: We will be glad to make it 1230 feet, or any other point. We figured we would stay back 1320 feet in order not to crowd anybody.

MR. UTZ: You will be agreeable to move it off?

MR. SELINGER: Yes, sir.

MR. UTZ: Is royalty and working interests common in the N/2 S/2 and S/2 S/2 of this section?

A They are both Federal Leases, yes, sir.

Q (By Mr. Utz) And the royalty interests are common?

A Yes, sir.

Q Are you familiar with our scheme of prorationing in the San Juan Basin area?

A Generally, yes, sir.

Q Then you do know that deliverability plays a great part in allowables in the area?

A Well, as I say, very vaguely and generally, sir.

Q I am kind of lost as to how to bring this out, but perhaps the best thing to do is just make a statement. I believe it is something that should be brought out in a case of this nature, and I may ask you whether or not you agree with it. At any rate I want to get it into the record. If one of these wells is considerably larger than the other well, we'll say, as an example, the well in the SE/4 would have a deliverability of 1-million, and the well in the SW/4 have a deliverability of 5-hundred; under our scheme of prorationing and based on March allocation factors, the well with a million would have an allowable of something like 7,913 MCF for the month; the well in the SW/4, with 5-hundred MCF deliverability would only have an allowable of 4,360 MCF. That is a difference of 3553 allowable. Then, it looks to me as though the operator, or the interestholder, which had the interest in the S/2 of the SE/4 would be losing his interest in 1776 MCF of gas, simply because he was unfortunate enough to have the small well on his tract, which extends, of course within the drainage area of a large well.

MR. SELINGER: Mr. Utz, you are basing your question on the thought that the S/2 of 15 is in a prorated area. Can you tell us what field the S/2 of 15 is in?

MR. UTZ: Well, that is a very pertinent question. As far as I am concerned, it is in one pool.

MR. SELINGER: It may be in the unallocated, as it exists right now. All the wells to the south --

MR. UTZ: It is within one mile of both pools, so it can be allocated under both.

MR. SELINGER: Why aren't the remaining Ballard-Pictured

Cliffs wells allocated within a mile of the allocated wells? They are undesignated pools. You have got forty-five wells in this area on undesignated pools, within a mile of prorated wells.

MR. UTZ: Well, I grant you that, but that will probably be taken care of next month, too.

MR. SELINGER: I think so, too.

MR. GRENIER: I think so, too.

MR. SELINGER: Thank you again for your cooperation.

MR. UTZ: I just wanted to point out that under an oblong unit such as this, it is possible for an operator to be hurt so far as receiving income from his interest, simply because the larger well has more allowable and he would be within the drainage radius of a large well. Still, he would only receive an allowable based on the smaller well.

MR. SELINGER: That would apparently be true of any unit, Mr. Utz.

MR. UTZ: In the form of a square, I doubt that it would be true.

MR. SELINGER: Wells located 660 feet from the outside boundaries have drainage, and you have some drilled 660 from the outside unit lines of the Governmental quarter section, and we are trying to stay back 1320 and 990.

MR. NUTTER: But you are crowding the other line 330.

MR. SELINGER: Mr. Nutter, Skelly Oil Company owns the leases, all the interested parties are agreeable to it. I can't see where there is any objection on the part of the Commission Staff.

MR. NUTTER: I certainly don't object to it. I think Mr. Utz is bringing out that you have got overriding royalty owners in

the two tracts that are different.

MR. SELINGER: That's right, and I don't think anybody can say which well is going to be the largest of the two or even, as he suggests, a dry hole.

MR. NUTTER: They may have identical deliverabilities.

MR. UTZ: If they do, nobody is going to be hurt.

MR. SELINGER: Let's wait until we do that.

MR. UTZ: This is a study I made, and I wanted to get it into the record so that these royalty owners can be informed if they want to read the record.

MR. PORTER: Is there any further questions of the witness?

EXAMINATION BY MR. MANKIN:

Q Mr. Stewart, --

A Yes, sir.

Q -- I cannot foresee why it is any great hardship for Skelly to form standard units here, it is both Federal acreage. I understand there is overriding royalty owners, which might further complicate the problem, but as far as actual drilling of these two wells, I still do not see why they couldn't be drilled as standard locations, wells completed and shut in until such time as proper agreements could be worked up with the Federal authorities and other overriding interests in this case.

A Well, your statement is correct, it is not impossible. It is simply a matter of the time element involved.

Q Are these leases expiring?

A No, it takes several months, it has been our experience, as I testified, to get approval of these units. As you know, there is a lot of paperwork, and a lot of time in between the commission of your communitization agreements in this case, and the date of the

final approval by the government, and we would like to get the wells drilled.

Q Do you feel this will set a precedent?

A I cannot testify as to that, sir.

MR. SELINGER: You mean in this field? We have obtained two similar exceptions in the oil over toward the east there in the southeast part of the State; we have received two exceptions for elongated 160 acres, similar matter.

MR. MANKIN: That is true in the southeast; that is more of the ordinary thing rather than an exception. This would be a precedent in the San Juan Basin Pictured Cliffs.

MR. SELINGER: You might ask the witness if he is familiar with that.

A Let's state that again.

Q Might it set a precedent by elongated 160-acre units?

A It may do so, sir, but we found, in our experience, that most of the companies will try to avoid Federal units where possible, if no damage is done.

Q Have you requested approval from the Federal Government for such unit?

A Not as yet, no, sir. We discussed it with the U.S.G.S., and they indicated verbal approval.

Q I'm speaking of standard units.

A Have we ever done it before?

Q In this particular case.

A Not in the particular case, no, sir.

MR. MANKIN: That's all.

EXAMINATION BY MR. GURLEY:

Q Is your only reason, then, for requesting this oblong unit, Mr. Stewart, based upon the fact that it would take such a lengthy period of time to get approval from the U.S.G.S?

A That is a part of it, and then, of course, there is a lot of extra paper work and the accounting and recordkeeping problems which arise by virtue of the formation of the two units here.

Q Do you feel, Mr. Stewart, -- in any case, where you have all of the lease, or leases under which you wish to form a unit, do you feel you would be justified in asking for an exception to the rules purely because of the paperwork and length of time it takes to get the approval of the U.S.G.S.?

A I would not make a general statement; I would say in the instant situation we are justified, I believe.

Q Why in the instant situation?

A We own practically all the acreage surrounding this, we have production offsetting it in every direction, that is the reason.

Q Have you, before, received approval of your units from the New Mexico Oil Conservation Commission while you were still in the process of getting approval from the U.S.G.S., unitization?

A You mean Federal units?

Q Yes.

A The only other one we have had in this area was the SW/4 of Section 14, and I personally didn't handle that, so I cannot say.

MR. SELINGER: I can tell you we have not, we have always waited for approval.

MR. GURLEY: Before you asked for a proration unit?

MR. SELINGER: Yes, sir.

MR. GURLEY: That's all.

MR. PORTER: Any further questions of the witness?

MR. UTZ: Yes, sir. I would like to clarify one thing.

Mr. Stewart, if proration formula in the area involved in this non-standard unit application were straight acreage, then the shape of the unit would not make any difference, is that correct?

A What do you mean by "straight acreage," sir, 160?

MR. UTZ: I mean every 160 received the same allowable whether the 160 acres was oblong or square would not make any difference as far as the --

MR. SELINGER: Mr. Utz, I want to caution you that this man is a land man, he is not familiar with proration. As a matter of fact, this is the first time he has been to Santa Fe.

MR. UTZ: The reason I was asking this question, Mr. Selinger, was the interjection that you had done this in the southeast.

MR. SELINGER: That's right.

MR. UTZ: I want to call the Commission's attention to the type of formula in the northwest is deliverability-type formula and not straight acreage, as it is in the southeast. Therefore, on the straight-acreage formula, it wouldn't make any difference what size or shape your acreage is, it gets the same allowable.

MR. SELINGER: Except the capability of the wells, yes. One may have better ability to produce than the other, regardless of its allowable, --

MR. UTZ: Well, yes.

MR. SELINGER: -- under any formula.

MR. UTZ: Well, that's true. Where you have deliverability type formula, if I were the owner of the eighty acres, I would put

it this way, if I were the owner of the eighty acres offsetting that eighty acres, I would object.

MR. SELINGER: You are assuming that there is a good well and a bad well?

MR. UTZ: Well, yes, I would have to make that assumption in order to bring this in. That's all.

MR. PORTER: Are there any other questions of the witness? If not, the witness may be excused.

(Witness excused.)

MR. PORTER: Does anyone have anything further in this case? We will take the case under advisement.

** * **

STATE OF NEW MEXICO)
: ss
COUNTY OF BERNALILLO)

I, THURMAN J. MOODY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in stenotype and reduced to typewritten transcript by me, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal, this, the 4th day of May, 1956, in the City of Albuquerque, County of Bernalillo, State of New Mexico.


Notary Public.

My Commission Expires:
April 3, 1960.

NEW MEXICO
OIL CONSERVATION COMMISSION

Gas Well Plat

Date _____

Operator _____

Lease _____

Well No. _____

Name of Producing Formation _____

Pool _____

No. Acres Dedicated to the Well _____

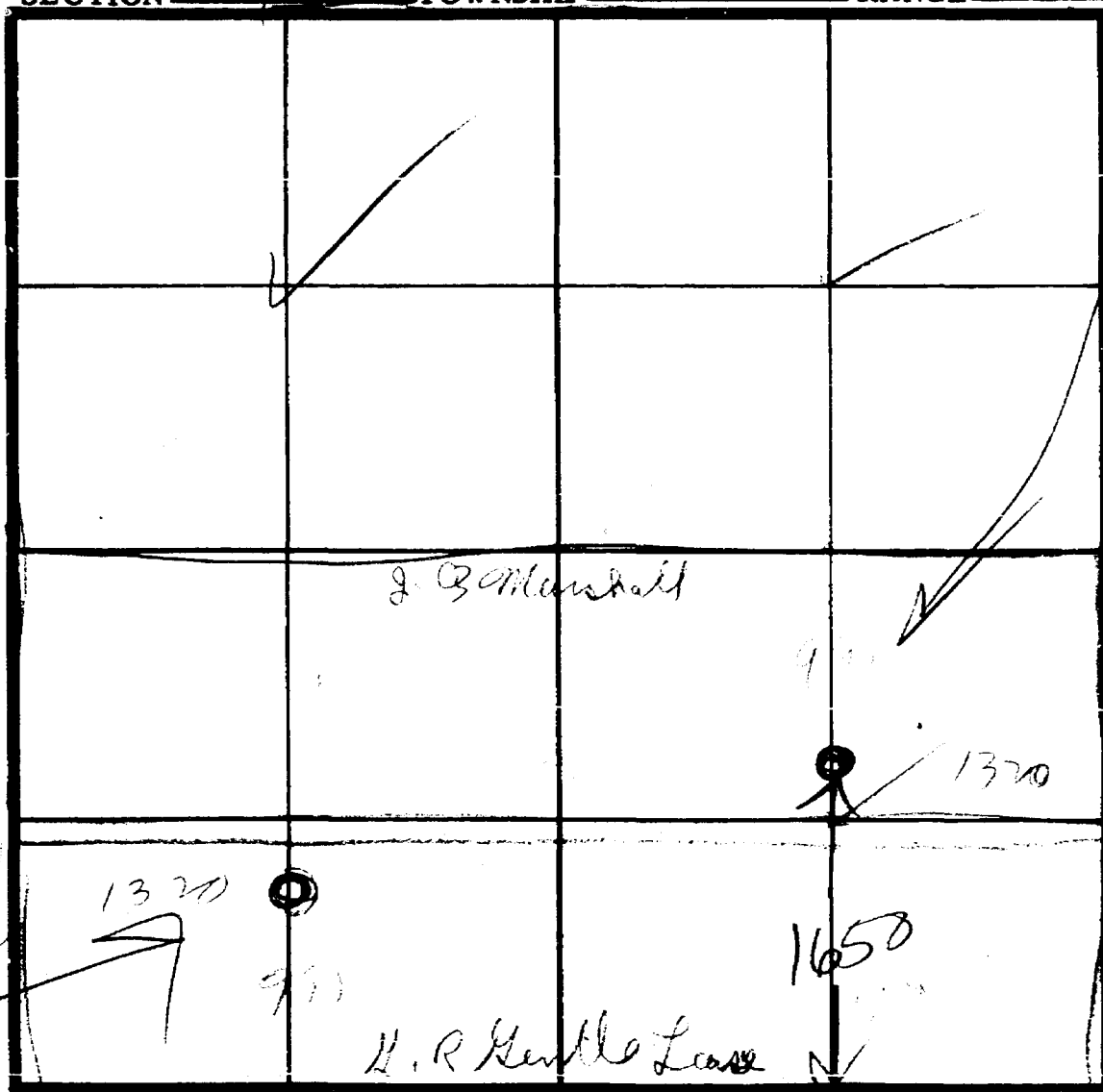
SECTION _____

TOWNSHIP _____

27

RANGE _____

9



Sumner
8-16
Location
Tulsa
Kut

I hereby certify that the information given above is true and complete to the best of my knowledge.

Name _____
Position _____
Representing _____
Address _____

(over)

INSTRUCTIONS

1. Is this gas well a dual completion? Yes _____ No _____
2. If the answer to Question 1 is Yes, are there any other dually completed wells within the dedicated acreage?
Yes _____ No _____

A separate plat must be filed for each gas well, outlining the area dedicated to such well and showing the location of all other wells (oil and gas) within the outlined area.

Mail in duplicate to the district office for the district in which the well is located.

Recommendation for
Case 1051

Skelley's application for 2 more standard
units in S1/2 of 15-27N-9W.

This is the first application for
more standard units where the wells
have not already been drilled and where
the survey is a regular 640 acres.

The other cases where 4-40 acre
tracts in a line were approved was in
Duluth Co., P.C. where the wells were
drilled by the spacing or location.

Other instances were caused by
correction lines on the edge of a
township.

This is a situation which probably
will not be to the best interest of one
of the Royalty owners. This situation
would exist if one well is consider-
ably larger than the others. This is
caused by the fact that the delinability
of a well is given considerable
weight in the location formula.

However, this fact was aired
at public hearing and no protest
was received, therefore, it is my
opinion that the Commission has
fulfilled its obligation.

Therefore, I recommend that:

1. The units be approved as
requested.
2. The location of the wells be
moved from the $1/4$ section line

at least 130 ft. to conform with
the spacing pattern of the well
sinks. testimony but the hearing
indicated there was no topographic
reason for locating the wells
on a 1320 location.

Guiding should include.

1. That there was no objection raised
at the hearing as to the formations of these units.
2. That there was no evidence ^{at the hearing} showing
the need of locating the wells on
a quarter-quarter section line.

It should order the well drilled at
least 130 ft. from the $\frac{1}{4}$ $\frac{1}{4}$ section line.

Lina P

April 18, 1961

Case 1051. Skelly smothadex location. (

1. Q. If either well is a dry hole would it be your intention to communitize the quarter sections in which the wells are located?

2. Q. What is the reason for locating the wells on the quarter quarter section lines.

3. Q. Is the Royalty and working interest common in the N/2 of the S/4, and in the S/2 of S/2 of Section 15.

4. Q. Are you familiar with proration method in San Juan Basin.

5. Allowable comparison:

$$\text{Sub. Katy} - (1.00 \times 556.76) + (10.167071 \times 500) = 5640$$

$$\text{" } (556.76) (10.167071 \times 1000) = 10724$$

$$\text{S. Blanco. } (1.00 \times 807.53) + (7.105814 \times 500) = 4360$$

$$\text{" } (807.53) + (7.105814 \times 1000) = 7913$$

Care 1051

If there well in the SE/4 is the large well
say (1000 Del.) and the well in SW/4 is
the small well (500 Del.) then the interests
in 1/2 of the SE/4 will not receive as
much income as he would if the SE/4
was dedicated to the well.

S.B.	SE/4 well	1000 Del.	All.	7913 mo.
F.K.	SW/4 "	500 "	All.	<u>5640 "</u>
				2273

1/2 SE - 80 acres would lose his
interest in 2042 MCF 1136 -

S.B.	SE/4 well	500 Del.	All.	4360
F.K.	SW/4 "	1000 "	"	<u>10724</u>
				6364

1/2 SW/4 - 80 acres would lose
his interest in 3162 MCF

If Both wells are in Same Pool.

SE/4 well	1000 Del.	All.	7913 mo.
SW/4 "	500 "	"	<u>4360 "</u>
			3553

Then the operator in the 1/2 SE/4
lose his interest in 1776 MCF

14 wells over 1000 D out of 120 wells.

**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. 1051
Order No. R-804**

**THE APPLICATION OF SKELLY OIL
COMPANY FOR AN ORDER GRANTING
AN EXCEPTION TO RULES 2 AND 3
OF THE SPECIAL RULES AND REGULATIONS
FOR THE FULCHER KUTX-PICTURED CLIFFS
GAS POOL AND RULES 2 AND 3 OF THE
SPECIAL RULES AND REGULATIONS FOR
THE SOUTH BLANCO-PICTURED CLIFFS
GAS POOL AS SET FORTH IN ORDER
R-565-C IN THE ESTABLISHMENT OF
TWO 160-ACRE NON-STANDARD GAS
PRODUCTION UNITS AND THE APPROVAL
OF TWO UNORTHODOX WELL LOCATIONS
THEREIN IN N/2 S/2 SECTION 15 AND
S/2 S/2 SECTION 15, TOWNSHIP 27
NORTH, RANGE 9 WEST, NMPN, SAN
JUAN COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on April 18, 1956, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 16th day of May, 1956, the Commission, a quorum being present, having considered the evidence adduced at said hearing 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 case and the subject matter thereof.

(2) That applicant, Skelly Oil Company, is the owner of federal oil and gas leases consisting of other than legal quarter sections in San Juan County, New Mexico, and described as follows:

**TOWNSHIP 27 NORTH, RANGE 9 WEST, NMPN
N/2 S/2 Section 15
S/2 S/2 Section 15**

consisting of a total of 320 acres, more or less.

(3) Applicant proposes to form two non-standard gas proration units each consisting of 160 acres, one consisting of N/2 S/2 of said Section 15, the other consisting of the S/2 S/2 of said Section 15.

(4) That there was no objection entered at the hearing to the establishment of aforesaid gas proration units.

(5) That applicant proposes to locate the well for the N/2 of S/2 of said Section 15 1320 feet West of the East line and 1650 feet North of the South line of said Section 15 and proposes to locate the well for the S/2 of the S/2 of Section 15 1320 feet East of the West line and 990 feet North of the South line of said Section 15.

(6) That insufficient evidence was introduced to justify locating the aforesaid wells on unorthodox locations on quarter quarter section lines.

IT IS THEREFORE ORDERED:

That the application of Shelly Oil Company for an order granting the establishment of two 160-acre non-standard gas proration units in the South Blanco-Pictured Cliffs Gas Pool to consist of the following described acreage in San Juan County, New Mexico:

TOWNSHIP 27 NORTH, RANGE 9 WEST, NMPM
Unit No. 1 N/2 S/2 Section 15
Unit No. 2 S/2 S/2 Section 15

be and the same is hereby approved.

IT IS FURTHER ORDERED: That application of Shelly Oil Company for an order granting approval of two unorthodox locations on aforesaid gas units, the well location for the unit described as N/2 S/2 of said Section 15 to be 1320 feet from the East line and 1650 feet from the South line of Section 15 and the well location for the unit described as the S/2 S/2 of Section 15, to be 1320 feet from the West line and 990 feet from the South line of said Section 15 be and the same is hereby approved with the exception that said locations shall be altered so that neither location will be nearer than 130 feet to any quarter-quarter section line.

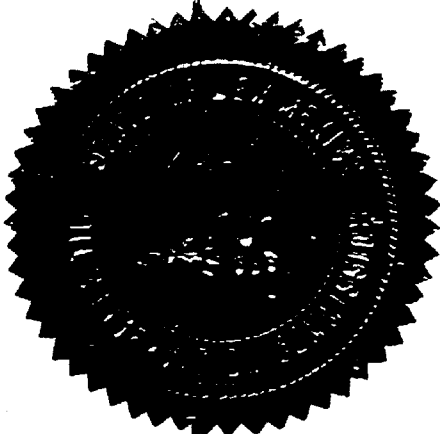
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

John F. Sims
JOHN F. SIMS, Chairman

E. S. Walker
E. S. WALKER, Member

A. L. Porter, Jr.
A. L. PORTER, Jr., Member & Secretary



Mex. / - Capt 105-1
 MEXICO
 DATE _____

DATE _____

RIO ARRIBA CO. LINE

1.3 MILE

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF SKELLY OIL COMPANY
FOR AN EXCEPTION TO ORDER NO. R-565-C, SAN JUAN AND
RIO ARriba COUNTIES, NEW MEXICO, AS TO LOCATION OF TWO
WELLS AND AN UNORTHODOX 160-ACRE UNIT IN THE FULCHER
KUTZ-PICTURED CLIFFS GAS POOL AND/OR SOUTH BLANCO-
PICTURED CLIFFS GAS POOL.

APPLICATION

Comes now Skelly Oil Company and alleges and states:

1. That it is a producer and operator of wells in Pictured Cliffs reservoirs in the various classified fields in San Juan and Rio Arriba Counties, New Mexico, and, more specifically in and around Section 15-27N-9W.

2. That heretofore on October 13, 1955, this Commission issued its Order No. R-565-C in consolidated cases 729, 859, 860 and 941 establishing special rules and regulations for the Fulcher Kutz-Pictured Cliffs and South Blanco-Pictured Cliffs gas pools in San Juan and Rio Arriba Counties, New Mexico. That by such rules in both fields the Commission established location of wells to be at least 990' from the outer boundaries of each governmental quarter section with a tolerance of 200' and established a drilling unit of 160 acres in the form of a square which shall be a legal quarter section subdivision of the U. S. Public Land Survey.

3. That Applicant owns all of Section 15, Township 27 North, Range 9 West, insofar as leases are concerned, and with respect to the S/2 of said Section 15-27N-9W, Applicant has a lease on the N/2 of the S/2 of said Section 15 and another and separate lease on the S/2 of the S/2 of said Section 15. That it will be an undue burden on Applicant to attempt to unitise portions of these separate leases into two gas units following governmental quarter sections; whereas, Applicant can form two 160-acre units composed of the N/2 of the S/2 of Section 15 and the S/2 of the S/2 of Section 15.

4. That in the formation of such unorthodox 160-acre gas units, Applicant proposes to locate the well for the N/2 of the S/2 of said Section 15, 1320' West of the East line and 990' South of the North line of the N/2 of the S/2 of Section 15 and proposes to locate the well for the S/2 of the S/2 of Section 15, 1320' East of the West line and 990' North of the South line of the S/2 of the S/2 of Section 15.

5. That such exception to the location of said two wells and the formation of two such unorthodox 160-acre gas units will not cause waste and is not in violation of correlative rights of any interested party.

WHEREFORE, PREMISES CONSIDERED, Applicant requests and exception for its two wells as above described and an exception to the 160-acre governmental quarter section unit to permit two 160-acre unorthodox gas units, all of which is located in the S/2 Section 15, Township 27 North, Range 9 West, San Juan County, New Mexico.

Respectfully submitted,

SKELLY OIL COMPANY

(Signed) GEORGE W. SELINGER

By _____
George W. Selinger

Memo

4/19/54

From
WWM

Re: Case #1051

To
JWG

OK to write order.

Find among other things that:

① that there was no objection to the two units & should approve both.

② that there was no evidence presented that would indicate that the wells should be located on the quarter-quarter section lines

Order: ① That the location of the wells be approved but not closer than 130 feet from quarter quarter section corner boundaries.
② approve both units in the south 1/4 of Sec. 10, T. 2 N., R. 56 E., S. 3