

CASE 3563: Application of SKELLY  
OIL CO. for an amendment to the  
SE New Mexico Gas Proration Rules

CASE No.  
3563

Application,  
TRANSCRIPTS,  
SMALL Exhibits  
ETC.

State of New Mexico  
Oil Conservation Commission



P. O. BOX 2088  
SANTA FE

Re: Case No. 3563  
Order No. R-3233  
Applicant:  
Skelly Oil Company

*A. L. Porter, Jr.*  
A. L. PORTER, Jr.  
Secretary-Director

Hobbs OCC     x      
 Artesia OCC     x      
 Aztec OCC             
 Other \_\_\_\_\_

**BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO**

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

**CASE No. 3563  
Order No. R-3233**

**APPLICATION OF SKELLY OIL COMPANY  
FOR AN AMENDMENT TO THE SOUTHEAST  
NEW MEXICO GAS PRORATION RULES AND  
REGULATIONS.**

**ORDER OF THE COMMISSION:**

**BY THE COMMISSION:**

This cause came on for hearing at 9 a.m. on April 26, 1967, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 8th day of May, 1967, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

**FINDS:**

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

(2) That the applicant, Skelly Oil Company, seeks an amendment to the Southeast New Mexico Gas Proration Rules and Regulations to permit wells that have been shut in for overproduction to produce up to 500 MCF of gas each month during such shut-in periods.

(3) That in some cases requiring complete shut in of gas wells in order to balance overproduction imposes undue hardship upon the operators of such wells.

(4) That approval of the subject application will tend to prevent premature abandonment of wells that have been ordered shut in because of overproduction, thereby preventing waste.

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CASE No. 3563  
Order No. R-3233

(5) That approval of the subject application will not cause waste.

**IT IS THEREFORE ORDERED:**

(1) That Rule 15(A) and Rule 15(C) of the General Rules and Regulations for the Prorated Gas Pools of Southeast New Mexico, as promulgated by Order No. R-1670, as amended, are hereby amended to read as follows:

**RULE 15(A).** Overproduction: Any well which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period. Said overproduction shall be made up during the succeeding gas proration period. Any well which has not made up the overproduction carried into a gas proration period by the end of said proration period shall be shut in until such overproduction is made up. Provided, however, that special authority to produce up to 500 MCF per month may be assigned any such shut-in well upon proper showing to the Secretary-Director of the Commission that such authority is necessary to avoid undue hardship; provided further, that any well produced in excess of the monthly rate of production authorized by the Secretary-Director shall be shut in until all overproduction is made up.

If, at any time, a well is overproduced an amount equaling six times its current monthly allowable, it shall be shut in during that month and each succeeding month until the well is overproduced less than six times its current monthly allowable. Provided however, that special authority to produce up to 500 MCF per month may be assigned any such shut-in well upon proper showing to the Secretary-Director of the Commission that such authority is necessary to avoid undue hardship; provided further, that any well produced in excess of the monthly rate of production authorized by the Secretary-Director shall be shut in until all overproduction is made up.

**RULE 15(C).** The Commission may allow overproduction to be made up at a lesser rate than permitted under

-3-

CASE No. 3563  
Order No. R-3233

Rule 15(A) upon a showing at public hearing that shut in under Rule 15(A) would result in material damage to the well.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
DAVID F. CARGO, Chairman

  
GUYTON B. HAYS, Member

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

esr/

Case. 3563

Heard 4-26-67

Rec. 4-28-67

1. Grant Skellip's request for  
amendment ~~to~~ Rule 15A of SE  
Mo. Maps Proctored <sup>Post</sup> Rules as  
shown on marked. R-2464-A.

— Just R

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# WESTERN UNION

## TELEGRAM

W. P. MARSHALL, PRESIDENT

1201 (4-60)

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

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LA017 NSA071

1967 APR 25 AM 7 56

NS MDA012 PD=MIDLAND TEX 25 820-A CT=  
NEW MEXICO OIL CONS COMM, ATTN A L PORTER JR=  
STATE LAND OFC BLD SANTA FE NMEX=

SINCLAIR OIL AND GAS CO JOINS SKELLY OIL CO IN PROPOSING  
AN AMENDMENT TO ORDER NUMBER R-1670 AS ADVERTISED IN  
DOCKET #12-67 CASE #3563=

R M ANDERSON REGION REGULATORY ENGR=MAIN OFFICE 0/4

*April 26<sup>th</sup> hearing*

'67 APR 25 AM 8 56

=R-1670 #12-67 #3563=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE



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LA071 KB502

K BRA105 DL PD 2 EXTRA=WUX BARTLESVILLE OKLA 24 354P CST=  
NEW MEXICO OIL CONSERVATION COMMISSION  
SANTA FE NMEX=1

IN RE CASE 35631

PHILLIPS PETROLEUM COMPANY CONCURS IN THE  
APPLICATION OF SKELLY OIL COMPANY TO ALLOW  
OVERPRODUCED GAS WELL IN LEA, EDDY, CHAVES, AND  
ROOSEVELT COUNTIES TO PRODUCE UP TO 500 MCF EACH  
MONTH DURING SHUT IN PERIOD. THIS WILL AVOID  
JEOPARDIZING A LEASEHOLD BY ASSURING COMMERCIAL GAS  
PRODUCTION EACH MONTH=  
PHILLIPS PETROLEUM COMPANY SHOFNER SMITH  
PRODUCTION DIRECTOR=

500 MCF=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

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MAIN OFFICE OKLA

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NS MDAJPRO PD 3 ETRA=MIDLAND TEX 25 1056A CST=  
NEA MEXICO OIL CONSERVATION COMM, ATTN ELVIS A UTZ EXAMINER:  
= SANTAFE NMEX=.

REF DOCKETT #12-67 CASE 3563 APRIL 26 1967.

MOBIL OIL CORP, AS OPERATOR IN SOUTHEAST  
NEW MEXICO PRORAED GAS POOL WHICH ARE REGULATED  
BY ORDER #R1670, AS AMMENDEED, SUPPORTS AND  
RESPECTFULLY REQUEST THAT THE COMMISSION RULE IN  
FAVOR OF SKELLY OIL COMPANIES AMENDMENT=  
IRA B SITT JR DIVN OPERATIONS ENGR MOBIL OIL  
CORP==

#12-67 3563 26 1967 #R1670

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

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W. P. MARSHALL, President

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NEW MEXICO OIL CONSERVATION COMMISSION=

SANTA FE NMEX=

1967 APR 25 AM 11 12

ATTENTION MR A L PORTER JR=

EL PASO NATURAL GAS COMPANY URGES APPROVAL OF  
SKELLY-S APPLICATION IN CASE 3563 FOR ADMINISTRATIVE  
PROCEDURE TO PERMIT SHUT-IN WELLS TO PRODUCE UP TO  
500 MCF PER MONTH IN ORDER TO PREVENT POSSIBLE LOSS OF  
LEASE FOR LACK OF PRODUCTION. THIS PROVISION IS ALREADY  
IN THE NORTHWEST PORTION OF ORDER R-1670 AND SHOULD  
ALSO BE INCLUDED IN THE SOUTHEAST PORTION OF ORDER  
R-1670. THIS IS TO ADVISE FURTHER THAT EL PASO AS

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

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PURCHASER IS WILLING AND ABLE TO COMPLY WITH THE  
PROVISIONS OF THE PROPOSED RULE IN ORDER TO PROTECT  
LEASES=

D H RAINEY ASSISTANT MANAGER GAS PRORATION  
OPERATIONS EL PASO NATURAL GAS CO=

3563 500 MCF R-1670 R-1670=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

# PAN AMERICAN PETROLEUM CORPORATION

OIL AND GAS BUILDING

P. O. BOX 1410

FORT WORTH, TEXAS-76101

D. L. RAY  
DIVISION ENGINEER

April 21, 1967

File: GHF-203-986.510.1

Subject: NMOCC Examiner Hearing  
April 26, 1967  
Case No. 3563

Mr. A. L. Porter, Jr.  
Secretary-Director  
New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico

Dear Sir:

Skelly Oil Company has made application for an amendment to the Southeast New Mexico Gas Proration Rules and Regulations and this application is scheduled for hearing on April 26, 1967, as Case No. 3563. Skelly will seek an amendment to Order No. R-1670 to provide for an administrative procedure whereby wells ordered shut-in for extended periods to make up accumulated overproduction could be permitted to produce up to 500 MCF each month during such shut-in period.

Pan American Petroleum Corporation believes this amendment is both justifiable and needed for efficient operations. Therefore, Pan American Petroleum Corporation supports Skelly in their application.

Yours very truly,

*D. L. Ray*

BHB:df

CC - Skelly Oil Company  
805 N. Linam  
Hobbs, New Mexico

CASE 3559: Application of BTA Oil Producers for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the South Flying "M"-Pennsylvanian Pool, Lea County, New Mexico, including a provision for 80-acre proration units.

CASE 3560: Application of Phillips Petroleum Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Hat Mesa Unit Area comprising 7874 acres, more or less, of Federal and State lands in Township 21 South, Ranges 32 and 33 East, Lea County, New Mexico.

CASE 3561: Application of Continental Oil Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Meyer B-4 Well No. 19 located in Unit O of Section 4, Township 21 South, Range 36 East, to produce oil from an undesignated Paddock pool and from the Oil Center-Blinebry Pool through parallel strings of tubing.

CASE 3562: Application of Continental Oil Company for a dual completion, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Table Mesa Well No. 29 in Unit H of Section 9, Township 27 North, Range 17 West, San Juan County, New Mexico, to produce gas from the Table Mesa-Pennsylvanian "C" Gas Pool and from an undesignated Mississippian gas pool through the casing-tubing annulus and 2-inch tubing, respectively.

CASE 3563: Application of Skelly Oil Company for an amendment to the Southeast New Mexico Gas Proration Rules and Regulations. Applicant, in the above-styled cause, seeks an amendment to Order No. R-1670, as amended, Rules and Regulations for Pro-rated Gas Pools, Lea, Eddy, Chaves and Roosevelt Counties, New Mexico, to provide an administrative procedure whereby wells ordered shut-in for extended periods to make up accumulated overproduction could be permitted to produce up to 500 MCF each month during such shut-in.

CASE 3564: Application of Maxwell Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of its Taylor Unit Area comprising 640 acres, more or less, of federal lands in Sections 12 and 13, Township 18 South, Range 31 East, Eddy County, New Mexico.

Docket No. 12-67

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 26, 1967

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Elvis A. Utz, Examiner,  
or Daniel S. Nutter, Alternate Examiner:

- - -

- CASE 3554: Application of Coastal States Gas Producing Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Flying "M" San Andres Unit Area comprising 4080 acres, more or less, of State, Federal and Fee lands in Township 9 South, Range 33 East, Lea County, New Mexico.
- CASE 3555: Application of Coastal States Gas Producing Company for a pressure maintenance expansion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand the pressure maintenance project in its Flying "M" San Andres Unit by the injection of water into the San Andres formation through 8 injection wells located in Sections 15, 16, 17, 20, 22, 28, 29 and 33, Township 9 South, Range 33 East, Lea County, New Mexico. Applicant further seeks the promulgation of special rules for said project, including provision for future expansion.
- CASE 3556: Application of Southland Royalty Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a proposed Devonian gas test well at an unorthodox gas well location 660 feet from the North and West lines of Section 12, Township 25 South, Range 35 East, Lea County, New Mexico. The well would be dedicated to the N/2 of said Section 12.
- CASE 3557: Application of Gulf Oil Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Inbe-Pennsylvanian Pool underlying the E/2 SW/4 of Section 13, Township 11 South, Range 33 East, Lea County, New Mexico.
- CASE 3558: Application of BTA Oil Producers for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its Lowe 671 Ltd. Well No. 1 as an exception to the well location requirements of Order No. R-2929 for the Nonombre-Upper Pennsylvanian Pool and the Nonombre-Lower Pennsylvanian Pool, Lea County, New Mexico. The proposed well would be located 560 feet from the North and West lines of Section 5, Township 14 South, Range 34 East.

-3-

Docket No. 12-67

April 26, 1967 Examiner Hearing

CASE 3565: Application of Jomar Industries, Inc. for a non-standard oil proration unit, several non-standard locations, temporary exception to Rule 307, and capacity allowables, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill 64 oil wells at non-standard locations on a non-standard oil proration unit comprising the S/2 NW/4 SE/4 and the N/2 SW/4 SE/4 of Section 30, Township 18 South, Range 33 East, Lea County, New Mexico, for production from the Ogallala formation. Said wells would be drilled to a density of four wells to each 2.5 acres and would be no nearer than 32.5 feet to the outer boundary of the unit and no nearer than 165 feet to another well producing from the same formation. Applicant also seeks a temporary exception to Rule 307 for each well to permit utilization of a vacuum-type drilling unit during the drilling and completion operation. Applicant further seeks authority to produce the wells at capacity even though the aggregate production from said wells exceeds the 40-acre normal unit allowable.

CASE 3566: Application of William A. and Edward R. Hudson for a water-flood expansion, Eddy County, New Mexico. Applicants, in the above-styled cause, seek authority to expand their Puckett Waterflood Project, Maljamar Pool, by the injection of water into the Grayburg-San Andres formations through 10 wells in Sections 24 and 25, Township 17 South, Range 31 East, Eddy County, New Mexico. Applicant further seeks an administrative procedure for future expansion of said project.

ir/



WHITE, GILBERT, KOCH & KELLY  
(GILBERT, WHITE AND GILBERT)  
ATTORNEYS AND COUNSELORS AT LAW  
LINCOLN BUILDING  
SANTA FE, NEW MEXICO

CARL H. GILBERT (1891-1963)  
L. C. WHITE  
WILLIAM W. GILBERT  
SUMNER S. KOCH  
WILLIAM BOOKER KELLY  
JOHN F. MCCARTHY, JR.

March 28, 1967

MAIN OFFICE 000

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POST OFFICE BOX 787  
TELEPHONE 982-4301  
(AREA CODE 505)

*Case 35-63*

New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico

Re: Application to Amend Rule 15  
of the General Rules and Regulations  
for Southeastern New Mexico

Gentlemen:

Please enter our firm as local counsel in the above-entitled  
hearing.

Very truly yours,

*L. C. White*  
L. C. WHITE

DOCKET MAILED

Date 4/14/67

LCW:cc

cc: Mr. George W. Selinger  
Skelly Oil Company  
Tulsa, Oklahoma 74102

OIL CONSERVATION COMMISSION  
P. O. BOX 2088  
SANTA FE, NEW MEXICO

March 23, 1967

*Case 3563*

Mr. George W. Selinger  
Skelly Oil Company  
Post Office Box 1650  
Tulsa, Oklahoma 74102

DOCKET MAILED

Date 4-14-67

Dear George:

The application which you requested be placed on the regular hearing on April 19th at Hobbs is being docketed for April 26th.

The regular hearing docket is being limited to the usual allowable and nomenclature cases and the salt water disposal case which has been publicized for sometime. The disposal case is expected to consume a considerable amount of time and we would like to conclude the docket in one day.

Very truly yours,

A. L. PORTER, Jr.  
Secretary-Director

ALP/ir

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Y



# SKELLY OIL COMPANY

P. O. BOX 1650

TULSA, OKLAHOMA 74102

## PRODUCTION DEPARTMENT

C.L. BLACKSHER, VICE PRESIDENT

W.P. WHITMORE, MGR. PRODUCTION

W.D. CARSON, MGR. TECHNICAL SERVICES

BARTON W. RATLIFF, MGR. JOINT OPERATIONS

GEORGE W. SELINGER, MGR. CONSERVATION

March 21, 1967

Re: Application to Amend Rule 15 of the  
General Rules and Regulations for  
Southeastern New Mexico.

Mr. A. L. Porter, Jr., Secretary-Director  
Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Dear Mr. Porter:

Attached is original and four copies of our application to amend Rule 15 of the General Rules and Regulations of Southeastern New Mexico so as to grant the Secretary-Director authority to allow production of up to 500 MCF per month to shut-in gas wells where such authority is necessary to avoid undue hardship.

Since this is a matter of general concern for Southeastern New Mexico, we would think it would be a matter properly to be heard by the Commission at its next Statewide Hearing. We, however, have no objections to the matter being heard by an Examiner.

Yours very truly,

*George W. Selinger*

RJJ:br  
Attach.

OFFICE 000

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*April 26th*

*SF  
Wells  
6-10-67  
Koschick*

*Case 3563*

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF )  
SKELLY OIL COMPANY FOR AN ORDER )  
AMENDING RULE 15 OF THE GENERAL RULES )  
AND REGULATIONS OF SOUTHEASTERN NEW )  
MEXICO. )

CASE NO. 3563

FILED \_\_\_\_\_

HEARING April 26, 1967

MAIN OFFICE 090

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A P P L I C A T I O N

Comes now Skelly Oil Company and alleges and states:

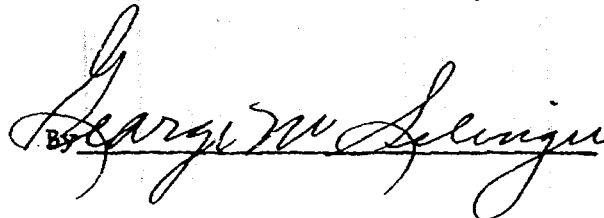
1. That it is an operator of oil and gas wells in Southeastern New Mexico.
2. That this Commission has by Order No. R-1670 as amended by Order No. R-2761 and Order No. R-3168 established General Rules and Regulations for Southeastern New Mexico.
3. That this Commission by Order No. R-1670 as amended by Order No. R-2086, Order No. R-2404-A, Order No. R-2761, and Order No. R-3168 established General Rules and Regulations for Northwestern New Mexico.
4. That Rule 15 of the General Rules and Regulations for both Southeastern and Northwestern New Mexico contain rules pertaining to overproduction of gas and the method by which such overproduction is to be made up, and that Rule 15 of the General Rules and Regulations for Northwestern New Mexico grants the Secretary-Director of the Commission authority to allow operators to produce up to 500 MCF of gas per month to a shut-in well upon proper showing that such authority is necessary to avoid undue hardship. The General Rules and Regulations for Southeastern New Mexico do not contain provisions for allowing the Secretary-Director, upon proper showing, to assign up to 500 MCF per month to avoid undue hardship.
5. That it is necessary and desirable that the Commission, through its Secretary-Director, be given authority to grant such allowable to avoid undue hardship, and, therefore, the General Rules and Regulations for Southeastern New Mexico should be amended to so provide.

WHEREFORE, PREMISES CONSIDERED, applicant prays that this Commission set this matter down for hearing, that notice hereof be given as required by law, that at the conclusion of said hearing the Commission enter its order amending Rule 15 of the General Rules and Regulations for Southeastern New Mexico so as to provide for similar language contained in Rule 15 of the General Rules and Regulations for Northwestern New Mexico, and for such other orders, rules and regulations as may be necessary in the premises.

Respectfully submitted,

SKELLY OIL COMPANY

George W. Selinger  
Ronald J. Jacobs  
James B. Grant, Its Attorneys



P. O. Box 1650  
Tulsa, Oklahoma 74102

Of Counsel:  
Mr. L. C. White  
White, Gilbert, Koch & Kelly  
P. O. Box 787  
Santa Fe, New Mexico



dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS  
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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
EXAMINER HEARING

April 26, 1967

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IN THE MATTER OF: )  
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Application of Skelly Oil Company for  
an amendment to the Southeast New  
Mexico Gas Proration Rules and  
Regulations.

Case 3563

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 3563.

MR. HATCH: Case 3563, application of Skelly Oil Company for an amendment to the Southeast New Mexico gas proration rules and regulations.

MR. GRANT: J. B. Grant, appearing for Skelly Oil Company. I have one witness.

(Witness sworn.)

J. T. COX, called as a witness on behalf of the applicant, first having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. GRANT:

Q Please state your name and address to the Examiner?

A My name is J. T. Cox. I am a Reservoir Engineer with Skelly Oil Company in Hobbs, New Mexico.

Q Have you previously testified before this Commission?

A I have.

Q As a petroleum engineer?

A Yes.

Q As a reservoir engineer?

A As a reservoir engineer, yes, sir.

Q And were your qualifications accepted at that time?

A They were.

MR. GRANT: If there are no objections, I will forego further qualifications of the witness.

MR. UTZ: He is qualified.

Q (By Mr. Grant) In your capacity as the reservoir engineer with Skelly Oil Company, are you reasonably familiar with the gas fields and pools in Southeastern New Mexico?

A Yes, I am.

Q In that capacity, are you also familiar, generally, with leases and the provisions therein contained concerning termination of those leases in that same area?

A Yes, I am generally familiar with these items.

Q Are you also familiar in your capacity with the general rules and regulations of this Commission as they apply both to Northwestern and Southeastern New Mexico?

A Yes, I am.

Q Are you also familiar with Skelly's State "G" Lease?

A Yes, I am. The State "G" Lease contains forty acres and has on it one duly completed well. The gas zone is in the Eumont Pool and the oil zone is in the Eunice Oil Pool.

Q And where is that well located?

A The well is located 1,980 feet from the south and

dearnley-meier

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east lines of Section 30, Township 20 South, Range 37 East, Lea County, New Mexico.

Q Are you familiar with this application and the purpose therein?

A Yes, I am.

(Whereupon, Skelly's Exhibit Number 1 was marked for identification.)

Q I hand you what has been marked as Skelly's Exhibit Number 1 and ask you first, if that was prepared by you or under your supervision?

A It was prepared under my supervision.

Q Would you please explain to the Examiner what that Exhibit is and what it tends to purport?

A Exhibit 1 is a production history for the State "G" Number One Well. Shown on the graph is oil production, monthly, average monthly gas production over a six months period, illustrated in blue and the average gas allowable for a six months period, illustrated in red.

Q What does that tend to show in relation to the production as to the allowable, the status of the well?

A This graph shows that the well had produced gas over and above allowable at different times throughout its history.

Q Does it show the present status of that well?

deariley-meier

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

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dearnley-meier

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1400 FIRST NATIONAL BANK EAST • PHONE 255-1294 • ALBUQUERQUE, NEW MEXICO 87108

A The graph illustrates a three month's average production for 1967. The status for April is that the well is shut in due to over production of gas.

Q How much over produced is that well?

A The well was over produced by 51,253 MCF of gas as of March 1st, 1967.

Q Is there anything further you wish to point out on that Exhibit at this time?

MR. UTZ: What was that over production figure again?

THE WITNESS: 51,253 MCF as of March 1st.

Q (By Mr. Grant) How many times current allowable is that figure, do you have that?

A The prorated allowable for March was 2,590 MCF, indicating that a required shut-in period of approximately nineteen months is required before the over production, less than six times the current monthly allowable, would be made up.

Q That nineteen month figure presumes that the purchaser will take, at a reasonable steady rate throughout the nineteen months, does it not?

A Yes, it does.

Q And with the fluctuation in market demand and the takes from that field by the purchaser, could you reasonably

anticipate that it might take somewhat longer than nineteen months to actually make up the overage?

A Yes, the allowable for April on this well would have been 1,659 MCF.

(Whereupon, Skelly's Exhibit Number 2 was marked for identification.)

Q I now refer you to what has been marked as Skelly's Exhibit Number 2 and ask you first, if that was prepared by you or under your supervision?

A Yes, it was.

Q Would you identify the Exhibit and explain to the Exmainer what it tends to purport?

A Exhibit 2 is a plot of the State "G" cumulative overage gas production. It may be noted in the 1967 period the well has a cumulative over production of approximately 48,000 MCF. This graph is plotted with the point at the end of the periods.

Q In other words, this Exhibit 2 shows essentially the same thing as Exhibit 1, but is depicted in a different fashion for ease of viewing, is that correct?

A That is correct.

Q Mr. Cox, what is the cause or reason behind this excessive over production in this well?

A The over production in this well was caused by

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inadvertent overproduction by a new gas purchaser. The gas purchaser changed in December of 1966. The well was overproduced in the months of December and January.

Q In other words, it was takes by the purchaser which caused the difficulty. Not anything that Skelly did to the well themselves.

A That's correct.

Q Let's talk about the results of this overproduction, a little bit Mr. Cox. Now you mentioned, it will take at least nineteen months and probably more to make up this overproduction and the well is presently shut-in, is it not?

A Yes, the gas zone is shut in.

Q And under the present rule of the Commission, it would have to remain shut-in for that period of time, would it not?

A That is correct.

Q Now, when a well remains shut-in for that long of a time, and when you attempt to put it back on production, do you ever experience any difficulty in doing so?

A Yes, it is possible that difficulty could be encountered by putting a well back on production, after that long of a shut-in.

Q It might require some rework on the well?

A It could require rework on the well.

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Q Is this an expensive proposition?

A Yes, it would be expensive.

Q And, if the rework were not necessary, the expense would not be necessary, would it?

A This is true.

Q Is there a possibility of damage to the reservoir, either by the rework or having it shut-in for this period of time and then trying to open it up again?

A On this specific reservoir, there seems to be no difficulty in getting the gas production back. However, in that the suggested amendment to the rule would pertain to all of Southeastern New Mexico, it would benefit those pools which would encounter some difficulty by it.

Q In other words, this is not totally unheard of when a well is shut-in for a considerable period of time, it does need rework often times when it is attempted to put it back on production?

A This rework often times --

Q Sometimes, you lose a well and often times, or sometimes, you also damage the reservoir, do you not?

A Yes.

Q And with the consequences that the capacity of the well is somewhat diminished?

A This is true.

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Q And if that happens, then what happens to the gas underlying that tract when it is surrounded by producing wells?

A Well, the gas underlying that particular tract would be depleted by other wells.

Q And this would be a violation of correlative rights for the interest owners of that particular tract, would it not?

A Yes, sir.

Q They would lose gas that they would otherwise be entitled to produce?

A Yes.

Q Now, you testified that you were generally familiar with the leases that prevail in the area. In some of the older leases are there termination provisions for non-production?

A Yes, there are.

Q Would you briefly give the gist of, say, Paragraph 13 of the lease that governs this particular lease?

A This particular lease is governed by an old, one of the older type lease agreements. It provides that the lessor is authorized to cancel the lease after notice to the lessee of its default. The lessee is granted thirty days from the date of mailing of such a notice with which to

remedy this specified default.

Q And without intentionally asking you for a legal conclusion, as the rule is now promulgated as to Southeast New Mexico, and if you were to receive a notice such as this from your lessor, you couldn't possibly put this well back on production within thirty days, could you, if it is to be shut-in for some nineteen months before it can, under the rules, be put back in production?

A This is true.

Q As a consequence, Skelly would lose their lease?

A That's correct.

Q In your capacity and with your experience, would you consider this an undue hardship on Skelly Oil Company?

A I would.

Q Or, any other oil company to whom this might happen?

A Yes.

Q Now, these leases, these old leases are fairly prevalent in Southeast New Mexico, are they not?

A Yes, it is my understanding, they are.

Q Skelly, as well as other companies?

A Correct.

Q Now, you testified that you were generally familiar with the general rules and regulations of this Commission as

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they pertain to both Northwest and to Southeast New Mexico. Would you briefly, and I ask the Examiner to take administrative notice of general Rule 15 for Northwestern New Mexico, and ask Mr. Cox to please briefly describe the provisions of that rule?

A Rule 15 pertains to the overproduction that can occur in a particular well. The Northwestern New Mexico general rules and regulations, Rule 15, has five parts, a, b, c, d and e.

Q Would you please explain, I believe it is "c" that pertains to our application?

A Actually Rule, Northwestern New Mexico Rule 15 a and b --

Q I stand corrected, would you please explain that part of those paragraphs to the Examiner?

A There has been an amendment to the original rule -- original order under R 1670. This was amended by Order R 2404A on March 11th, 1963. The amendment, as I understand it, provides for special authority to the Secretary-Director of the Commission to grant production up to 500 MCF per month of gas for any shut-in well, provided further, that this well, that any well produced in excess of the monthly rate of production authorized by the Secretary-Director, shall be shut-in until all overproduction is made up. This same comment is

inserted in Rule 15b. Also, in Rule 15 d, there is a comment which relates back to 15 a and b.

Q What brought about that amendment to Rule 15 in Northwest New Mexico briefly?

A In Northwestern New Mexico there are leases, particularly on Indian land, which provides for automatic termination of a lease upon cessation of production. Consequently, this amendment provided relief for those operators.

Q Was that relief sought and obtained through Case Number R-2404-A, is that correct?

A That's correct.

MR. GRANT: I would ask the Examiner to take administrative notice of that case and that record.

Q Would you briefly describe Rule 15 as it pertains to Southeast New Mexico?

A Rule 15 for Southeastern New Mexico is essentially the same as Rule 15 for Northwestern New Mexico, with the exception that the provision for the special granting of up to 500 MCF of gas per month is not included in the Southeastern New Mexico Rule 15.

Q And is it one of the purposes of our application to seek relief and seek an amendment to the rule that would more equitably obtain to both Southeast and Northwest New Mexico, so that both areas might be fairly and accurately



treated the same?

A This is true.

(Whereupon, Skelly's Exhibit Number 3 was marked for identification.)

Q I now hand you what has been marked Exhibit Number 3, and ask you if that was prepared under your supervision and direction?

A Yes, it was.

Q Would you please identify the Exhibit and explain to the Examiner what it contains?

A Exhibit 3 is our proposed amendment to the general rules and regulations governing Southeastern New Mexico, pro-rated gas pools. In essence this rule is identical to that rule in affect for Northwestern New Mexico. Here again the provision for the production up to 500 MCF per month of gas is included, with the remaining portions of the rule being as they stand at the present time.

Q And this would only prevail when the applicant showed the Secretary-Director that a real need existed and would not be obtained automatically but applications would have to be made for this 500 MCF per month?

A Yes, that is correct.

Q Would you state to the Examiner, then, the basis upon which this application has been filed and the relief

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sought?

A It is our opinion that this amendment is necessary to prevent waste and to protect correlative rights and to avoid undue hardship on the operator.

Q Do you have anything further you wish to offer at this time?

A I might make a clarifying statement that it is intended that this amended rule will not affect any special pool rules that are already established.

MR. GRANT: We offer Exhibits 1 through 3.

MR. UTZ: Without objection, Exhibits 1 through 3 will be entered into the record of this case.

(Whereupon, Skelly's Exhibits 1 through 3 were admitted into evidence.)

MR. GRANT: That is all of the direct testimony we have.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Cox, as I understood portions of your testimony, your request for this appears to be two-fold. One from the danger of causing a rework on a well due to extended shut-in and due to losing, or due to the possibility of losing, a

lease without production, is that true?

A Yes, sir, primarily. The main point is to not lose the lease due to the cessation of production. In our particular case, as pointed out, the well has been, our well has been shut-in for a prolonged period and it does not seem to have suffered any particular damage due to its shut-in. However, this would not necessarily speak for other reservoirs in the ~~prorated~~ gas pool classification.

Q Now, on this particular lease that you used here, your State "G", do you have more than one producing zone on that lease?

A Yes, sir, this is ~~the~~ dual completion. The gas zone is in the Eumont gas pool. The dual, the oil dual is in the Eunice oil pool.

I might refer to Exhibit 1. In the earlier years, from '54 up through 1960, the oil zone produced something in the neighborhood of 100 to 200 barrels of oil per month. Consequently, the shut-down period on the gas zone did not place the lease in jeopardy for cessation of production, in that we did have the oil production. However, in the recent years the oil zone is beginning to drop off in production rather drastically. It may be noted there are several points where only token amounts of oil production, which are not even indicated on the curve, but are less than 10 barrels per

month. For instance, in 1966 in the months of May and June the plot does not reflect production. However, the well produced 8 barrels of oil and, 3 barrels in May and 3 barrels of oil in June. During this period, why there was no gas production.

Q And that is the only other production on the lease, is your completion of this dual?

A Yes, sir, that is correct.

Q Is it your intention to use this rule, if granted, to prevent cancellation of a lease or to prevent damage to a well?

A To prevent cancellation of a lease.

Q In other words, if you had any other production on any lease, you would make a request for this 500?

A Yes, sir, that's correct.

MR. UTZ: Any other questions of the witness?

CROSS EXAMINATION

BY MR. NUTTER:

Q It wouldn't necessarily follow, would it, that an applicant would request 500? Your amendment would provide that up to 500 could be authorized?

A Yes, sir, that is correct.

Q 500 could be the allowable in some of these cases?

A Yes, sir, it could be, particularly during summer months when it takes a lot of oil.

MR. UTZ: Any other questions?

MR. GRANT: Maybe I can either say this in the form of a statement or ask the witness.

RE-DIRECT EXAMINATION

BY MR. GRANT:

Q Mr. Cox, to state the primary reason for the application in a slightly different way than has been stated, would it be correct to say that the primary purpose is to avoid undue hardship through anyone of several possible ways? The hardest hardship, of course, is to lose a lease. Another hardship would be if expensive rework were necessary to put the well back on production and another hardship would be to the royalty owner and working interest owner if part of the reserves were lost, if the lease -- if the well never came back the way it was before it was shut-in. But as an overall explanation, it would be to avoid undue hardship, would that be a correct statement?

A Yes, this would be a correct statement.

MR. GRANT: That's all.

MR. UTZ: I don't have the rule book here but there is a rule in 1670 which states that you can make up overproduction at a lesser rate after notice and hearing, and

if it provides, or if it suspects that you will damage the well to the formation in any way. That is already in the rules.

MR. GRANT: Well, there is this one added feature of lease cancellation or termination, which is not previously provided for and since it is in Northwest New Mexico, it seems only fair and fitting that it should also apply to this.

MR. UTZ: Any other questions? The witness may be excused.

(Witness excused.)

MR. UTZ: Statements?

MR. THOMAS: Mr. Examiner, Mel E. Thomas with Amerada Petroleum Corporation. We would like to concur with Skelly in its request and ask the Commission to grant this amendment.

MR. UTZ: Any other statements?

MR. HATCH: The Commission has received communication in favor of the request of Skelly from El Paso Natural Gas, Mobile Oil Corporation, Sinclair Oil and Gas Company, Phillips Petroleum Corporation and Pan-American Petroleum Corporation. I want to read those. They are all in favor of the request.

MR. UTZ: The Case will be taken under advisement.

STATE OF NEW MEXICO )  
 ) ss  
 COUNTY OF BERNALILLO)

I, JERRY POTTS, Notary Public, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission Examiner 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 15<sup>th</sup> day of June, 1967.

Jerry Potts  
 Notary Public

My Commission Expires:  
 July 10, 1970

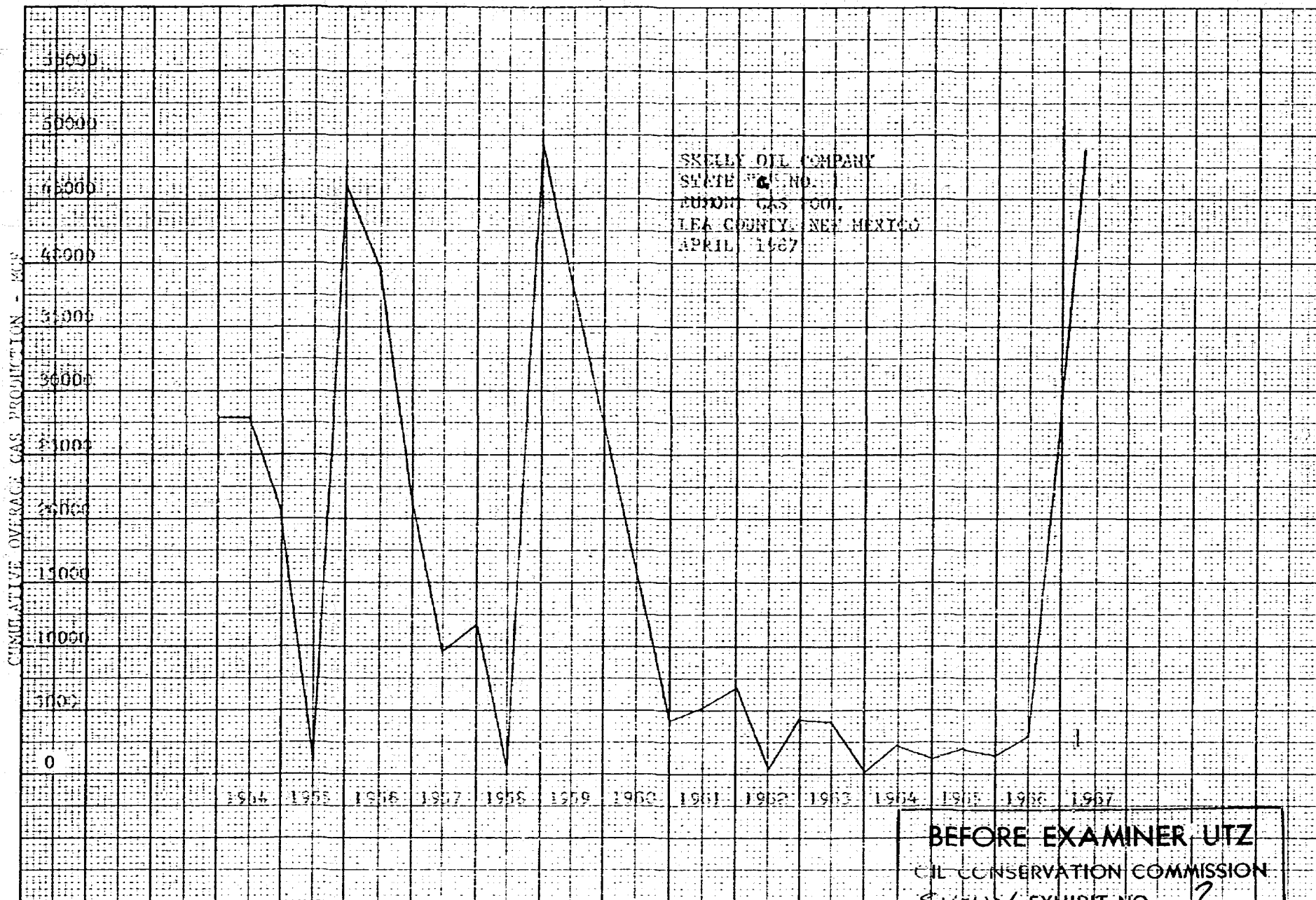
I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 35-63, heard by me on June 26, 1967.  
Charles E. [Signature], Examiner  
 New Mexico Oil Conservation Commission

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BEFORE EXAMINER UTZ  
OIL CONSERVATION COMMISSION  
SKELLY EXHIBIT NO. 2  
CASE NO. 3563



PROPOSED AMENDMENT TO "GENERAL RULES AND REGULATIONS-  
SOUTHEASTERN NEW MEXICO."

RULE 15 (A). Overproduction: Any well which has an overproduced status as of the end of a gas proration period shall carry such overproduction forward into the next gas proration period. Said overproduction shall be made up during the succeeding gas proration period. Any well which has not made up the overproduction carried into a gas proration period by the end of said proration period shall be shut in until such overproduction is made up. Provided, however, that special authority to produce up to 500 MCF per month may be assigned any such shut-in well upon proper showing to the Secretary-Director of the Commission that such authority is necessary to avoid undue hardship; provided further, that any well produced in excess of the monthly rate of production authorized by the Secretary-Director shall be shut in until all overproduction is made up.

RULE 15 (B). If, at any time, a well is overproduced an amount equaling six times its current monthly allowable, it shall be shut in during that month and each succeeding month until the well is overproduced less than six times its current monthly allowable. Provided, however, that special authority to produce up to 500 MCF per month may be assigned any such shut-in well upon proper showing to the Secretary-Director of the Commission that such authority is necessary to avoid undue hardship; provided further, that any well produced in excess of the monthly rate of production authorized by the Secretary-Director shall be shut in until all overproduction is made up.

RULE 15 (C). Allowable assigned to a well during any one month of a gas proration period in excess of the production for the same month shall be applied against the overproduction carried into such period in determining the amount of overproduction, if any, which has not been made up.

RULE 15 (D). The Commission may allow overproduction to be made up at a lesser rate than permitted under Rule 15 (A) or 15 (B) upon a showing at public hearing that shut in under Rule 15 (A) or 15 (B) would result in material damage to the well.

RULE 15 (E). Any allowable accrued to a well at the end of a proration period due to the cancellation of underage and the redistribution thereof shall be applied against the overproduction carried into said proration period.

BEFORE EXAMINER UTZ

OIL CONSERVATION COMMISSION

*Skelly* EXHIBIT NO. 3

CASE NO. 3563