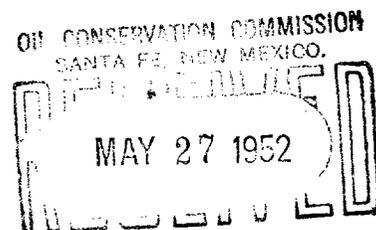


BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

TRANSCRIPT OF PROCEEDINGS

Case No. 369

Regular Hearing
May 20, 1952



ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 12, CROMWELL BLDG.
PHONES 7-9645 AND 5-9546
ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

May 20, 1952

In the Matter of:

Bay Petroleum Corporation's appli-
cation for approval of Bay-Mesaverde
Unit Agreement embracing 320 acres
in E/2 36-30N-8W, NMPM, San Juan
County.

Case No. 369

MR. SPURRIER: We will come to order. The next case
is 369.

(Notice of Publication read by Mr. Graham.)

MR. SPERLING: Gentlemen, I am James E. Sperling, repre-
senting Bay Petroleum Company. The proposed application requests
approval of a unit agreement to be entered into between El Paso
Natural Gas Company, Skelly Oil Company, and Bay Petroleum Com-
pany, embracing the east half of Section 36, Township 30 North,
Range 8 West, San Juan County, New Mexico.

As the reading of the Docket disclosed, the proposed
name of the unit agreement or the unit is the Bay-Mesaverde Unit
with Bay Petroleum Corporation to be the operator under the unit.
The land involved is, of course, all state land and is held as I
have stated respectively by the three participants in the unit
agreement. The north half of the northeast quarter is presently

under lease to Skelly Oil Company. The south half of the north-east quarter to El Paso Natural Gas Company, and the southeast quarter under lease to Bay Petroleum Corporation. The application is made pursuant to a previously existing order relating to spacing with reference to natural gas production in the Blanco pool. This, as the Commission is well aware, has been set up on 320-acre spacing and the proposed unit would be in conformity with the presently existing order. As stated, the proposed operator is Bay Petroleum Corporation, and we have submitted in connection with our application the proposed unit agreement and a copy of the proposed operating agreement. These have not been signed as yet and we have requested leave of the Commission to substitute in the event of an approval of the application properly executed copies to the Commission. The proposed unit, as I have stated, is located within the Blanco pool or the area designated as the Blanco pool, and as a matter of fact the proposed location set forth in the unit contemplates an offset to a presently existing productive natural gas well. There are a number of producing wells in the area at the present time, as will be shown by the plat which has been attached to the application.

I would like, at this time, to have Mr. Ed Kerr of Bay Petroleum Corporation sworn.

E D K E R R,

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. SPERLING:

Q State your name, please.

ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 12, CROMWELL BLDG.
PHONES 7-9645 AND 5-9846
ALBUQUERQUE, NEW MEXICO

A Ed Kerr.

Q What is your position, Mr. Kerr?

A Exploration manager for New Mexico for Bay Petroleum Corporation at Albuquerque, New Mexico.

Q You are, of course, the Bay Petroleum representative in connection with the application for unit agreement which is pending here?

A Yes.

Q What area is embraced by the proposed unit?

A The area embraced is the east half of Section 36, Township 30 North, Range 8 West.

Q Can you designate for the Commission the interest of the respective participants in the proposed unit agreement, the location of their holdings?

A Skelly Oil owns the north half of the northeast quarter, El Paso owns the south half and northeast quarter, and Bay Petroleum Corporation owns the southeast one-quarter.

Q Is it true, Mr. Kerr, that the form of the unit agreement which has been submitted in connection with the application is substantially that as have previously been considered by the Commission and approval orders granted on the basis of the hearing and testimony, and so forth?

A Yes.

Q Can you state what the presently existing well spacing requirement is with reference to natural gas production in the

Blanco pool?

A Three hundred twenty acres.

Q Is it your understanding that the proposed unit area will be subject to the same regulation as far as spacing is concerned?

A Yes.

Q What is the proposed location of the well to be drilled pursuant to unit agreement if approved?

A The location, proposed location, will be 1,650 out of the north and east corner of Section 36.

Q Is it your opinion, Mr. Kerr, that in the event of approval of the agreement and the subsequent drilling of a well pursuant thereto that the development will be in accordance with good conservation practices in view of the presently existing order relating to well spacing?

A Yes.

Q It is contemplated, is it not, that the operator under the proposed agreement will be Bay Petroleum Corporation?

A Correct.

Q And your company is assuming responsibility for the drilling and development of the unit area in accordance with the unit agreement and the operating agreement to be entered into by the respective participants?

A Yes.

Q It is also true, is it not, Mr. Kerr, that the lands

embraced within the area of the unit agreement have previously been designated as common school lands, so far as the State of New Mexico is concerned?

A Yes.

MR. SPERLING: I think that is all.

MR. SPURRIER: Anyone have a question? If not, the witness may be excused. Anyone have a comment in this case?

MR. SPERLING: I think not, Mr. Spurrier.

MR. SPURRIER: If approved, that unit is in a well defined area?

MR. SPERLING: Oh, yes, I overlooked something. Mr. Kerr, if you would come back, please.

Q As I stated in opening consideration of the case, there has been attached to the application a plat showing the present production in the immediate area of the proposed unit. I would like for the record to introduce a copy of that plat for the benefit of the Commission at this time.

MR. SPURRIER: Without objection it will be received.

A It is our understanding that you can unitize any way within the section as long as you have the well in the northeast or southwest.

Q And the proposed location is so located?

A Yes, that is right.

Q Also for the record, I would like to have Mr. Kerr identify an amended unit agreement. It does not conform in one

minor respect with the one attached to the application at the time of its filing with the Commission? If you will please so state for the record, Mr. Kerr, that that is a proposed final form of the unit agreement as you anticipate it will be executed by the participants.

A It is.

MR. GRAHAM: Do you expect 100 per cent signatures?

A Yes, sir.

MR. SPURRIER: Do you have anything further? If not, the witness will be excused and we will take the case under advisement. The next case on the Docket is Case No. 370.

(Witness excused.)

STATE OF NEW MEXICO)
 :
COUNTY OF BERNALILLO)

I HEREBY CERTIFY that the foregoing and attached transcript of hearing in Case No. 369 before the Oil Conservation Commission, State of New Mexico, at Santa Fe, on May 20, 1952, is a true and correct record of the same to the best of my knowledge, skill and ability.

DATED at Albuquerque, New Mexico, this _____ day of May, 1952.

REPORTER