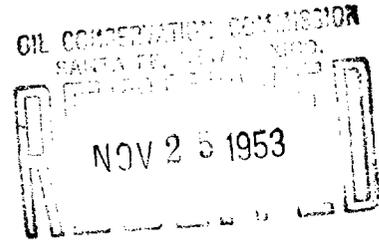


SKELLY OIL COMPANY

Box 38, Hobbs, New Mexico

November 24, 1953



Oil Conservation Commission
State of New Mexico
Santa Fe, New Mexico

Atten: Mr. R. R. Spurrier, Secretary-Director

Gentlemen:

It is requested, on behalf of Skelly Oil Company, that the enclosed petitions be placed on the docket for the regular hearing of the Commission scheduled for December 17, 1953.

Respectfully submitted,

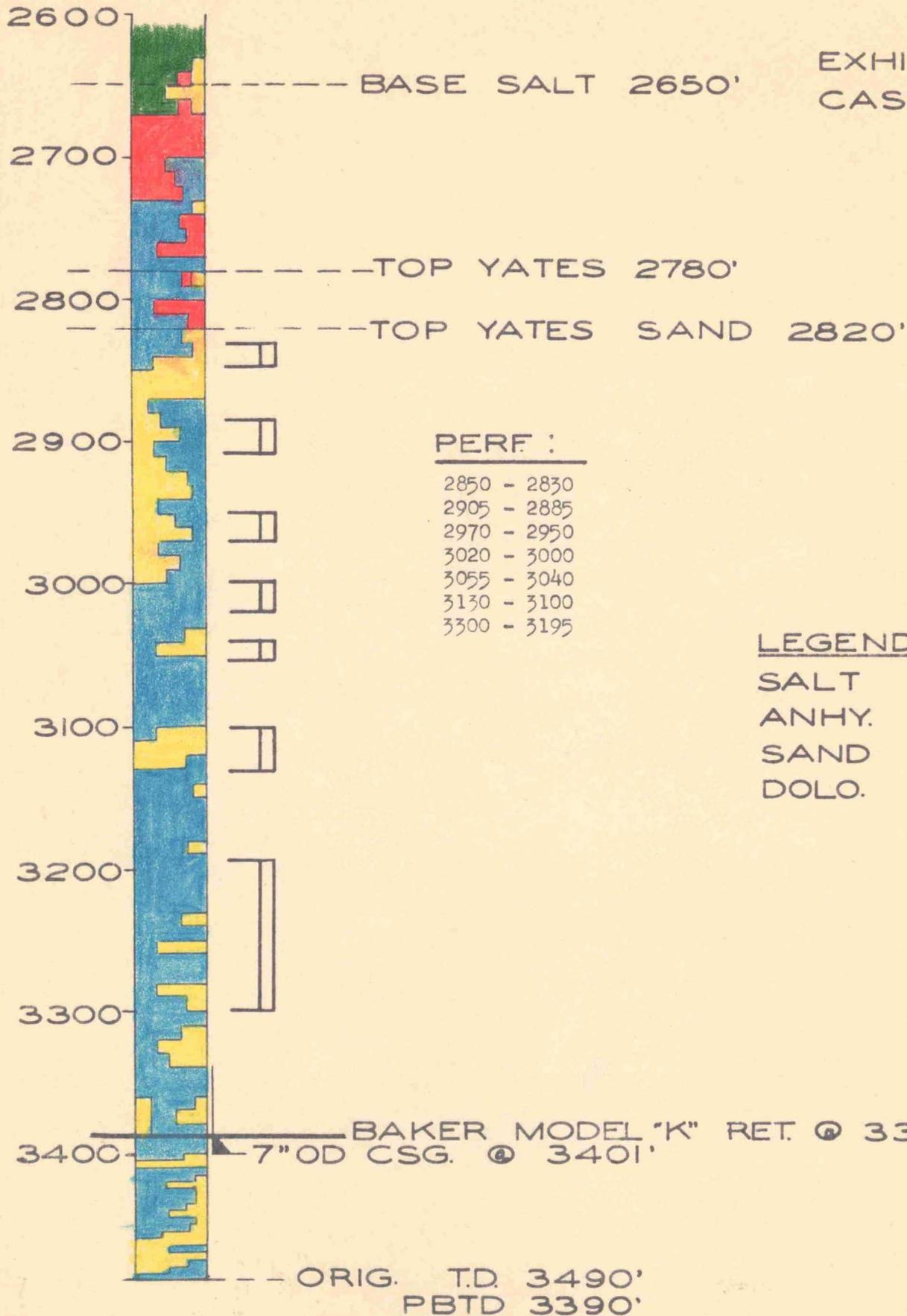

J. N. Dunlavy

JND:MEC:m

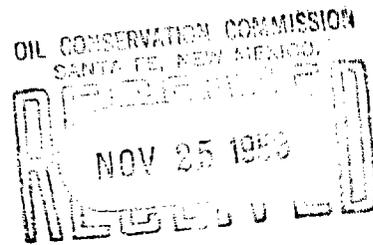
Encl

SHERRELL No 3 SAMPLE LOG

EXHIBIT 2
CASE 613



OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
SANTA FE, NEW MEXICO



Re: IN THE MATTER OF SKELLY OIL
COMPANY FOR APPROVAL OF AN
UNORTHODOX GAS UNIT EMBRAC-
ING 80 CONTIGUOUS ACRES IN
THE JALCO GAS POOL, LEA
COUNTY, NEW MEXICO.

Gentlemen:

Comes now SKELLY OIL COMPANY, a Delaware corporation with offices in Tulsa, Oklahoma, hereby petitioning the New Mexico Oil Conservation Commission for approval of an unorthodox gas pro-
ration unit lying wholly within the limits of the Jalco Gas Pool, namely the NE $\frac{1}{4}$, NW $\frac{1}{4}$ and the NW $\frac{1}{4}$, NE $\frac{1}{4}$ of Section 6, T 25 S, R 37 E., N.M.P.M., Lea County, New Mexico, and in support thereof does state:

1. That the petitioner is the sole owner of all leases on the 80 acres confined by the boundaries of the NW $\frac{1}{4}$, NE $\frac{1}{4}$ and the NE $\frac{1}{4}$, NW $\frac{1}{4}$ of Section 6, T 25 S, R 37 E., N.M.P.M., and concerns but a single royalty owner.

2. That the petitioner's J. W. Sherrell Well No. 3 is located 1650' from the East and 330' from the North boundary of the section, and is completed within the vertical limits of the Jalco Gas Pool as defined by the New Mexico Oil Conservation Commission.

3. That the petitioner's well is entirely surrounded by producing gas wells in the Langmat Gas Pool and is, therefore, itself capable of production.

4. That a plat showing the above described lands and all offset properties indicating well locations and lease ownership to the best of our knowledge is hereto attached.

5. That there are no gas wells in the NW $\frac{1}{4}$ of Section 6 with which that portion under petitioner's lease may be unitized.

Wherefor the petitioner requests that, in the interest of conservation and protection of correlative rights, the Commission grant an exception to Rule 7(a), Order No. R368-A as provided therein, by which the petitioner may operate the above described lands as a single unit.

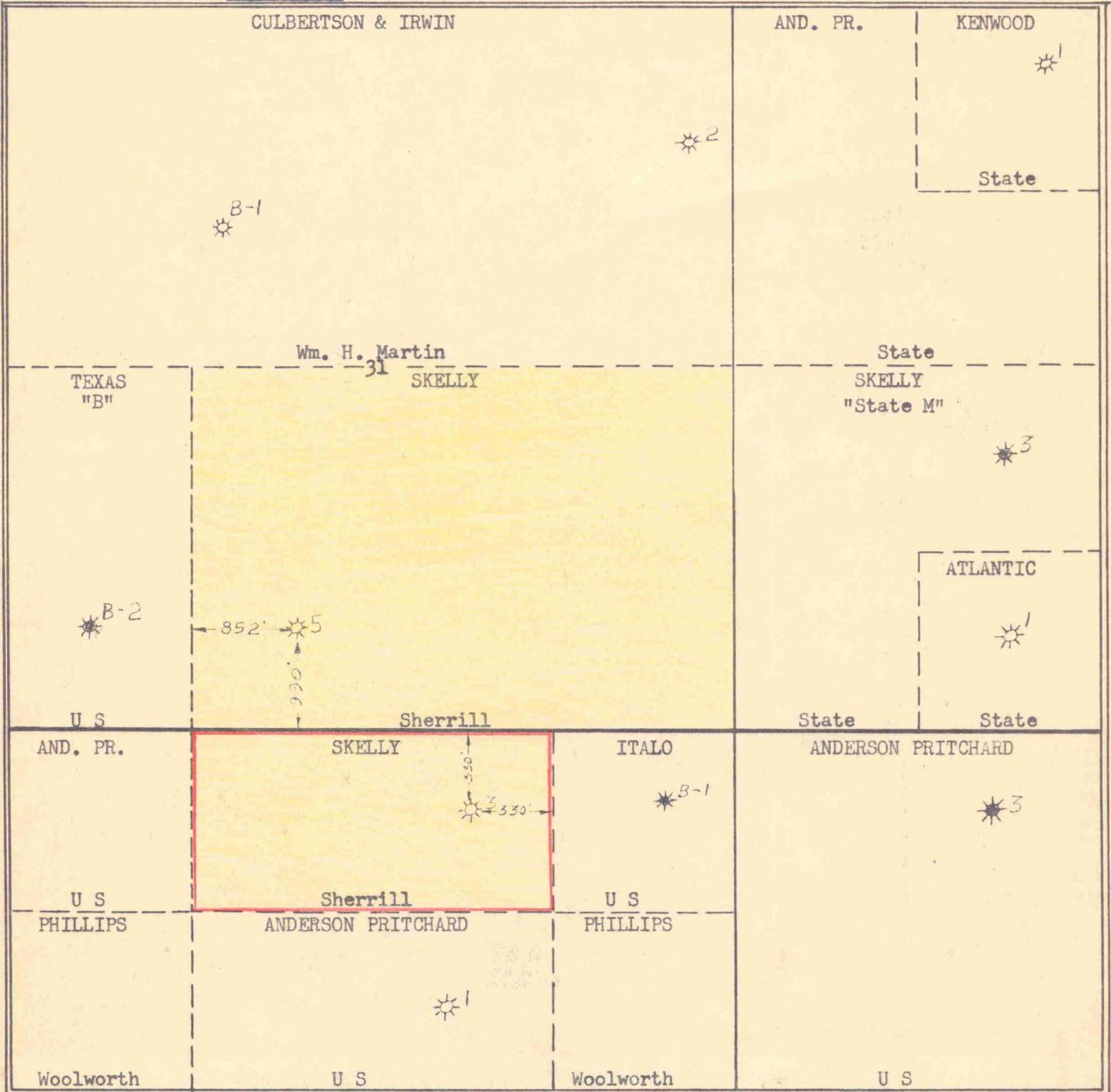
Respectfully submitted
SKELLY OIL COMPANY


J. N. Dunlavey

SKELLY OIL COMPANY

Case No. _____

Exhibit No. _____



STATEMENT OF SHELL OIL COMPANY IN CONNECTION
WITH CASES 613 TO 626, INCLUSIVE, ON THE
DOCKET OF THE NEW MEXICO OIL CONSERVATION COM-
MISSION - HEARINGS ON DECEMBER 17, 1953.

Cases number 613 to 626, inclusive, on today's docket are all applications for approval of unorthodox gas proration units as exceptions to field rules recently established by this Commission. All of the fields involved are located in southeastern New Mexico and are fields which might be termed "developed" fields at the time field rules were promulgated.

None of the cases on today's docket directly affect Shell's acreage. As an operator in New Mexico, however, we are vitally interested in orderly development and in the application of the Commission's rules, and it is for that reason that we would like to make a general statement of our position on the matter of approval of unorthodox gas proration units in fields for which rules have been established.

In order to obtain the maximum recovery of gas and to protect the right of each operator to obtain his fair share of such gas, this Commission, after hearings, recently established field rules for all of the fields involved in today's hearings.

Rule 7 of each set of field rules establishes standard gas proration units of 160 acres, and provides that the acreage in a unit shall be contiguous and that such unit shall be substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys. A pattern was thus set which the Commission found would give the greatest recovery of gas and would come the nearest to guaranteeing to each operator that he would recover his fair share of such gas.

We recognize that there are some exceptional cases in which exceptions to established field rules are justified, but it is our belief that established field rules should be strictly adhered to except in those very unusual and extraordinary cases in which such adherence would cause injustice or a very real undue hardship.

We do not know all the facts of all of the cases on today's docket in which exceptions are sought, so that we are not in a position to attempt

to judge of their merits. We do suggest, however, that in the interest of orderly and fair gas proration, exceptions to field rules should be sparingly granted and operators should be required to conform to the rules which the Commission has found to be best for all concerned. If this principle is not adhered to, then the rule itself is destroyed by the exceptions granted, and we are right back where we were before we started except for more confusion and more inequities.

At the hearings at which these Rules were adopted the representatives of the Commission put into the record examples of inequities and confusion that would result from the adoption of a Gas Proration Unit Rule other than that which was adopted. We consider it proper at this time to point out that such inequities and confusion which the Commission was trying to avoid can and will result from the granting of exceptions to that Rule unless such exceptions are limited to the most unusual cases.

The decision of the Commission on today's applications for exceptions will set the pattern for the future and will determine whether or not we are to have gas proration under field rules or under exceptions. For fear that liberality in granting exceptions would destroy the rules and would result in conditions not to be desired, it is our position that exceptions should be granted only in the most unusual and extraordinary cases and that in all other cases we should adhere strictly to the established rules.