

NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

APPLICATION FOR APPROVAL OF UNIT AGREEMENT FOR DEVELOPMENT
AND OPERATION OF THE SPENCER UNIT AREA
LEA COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

COMES the undersigned, Shell Oil Company, a corporation, with offices at Midland, Texas, and files herewith a copy of a proposed Unit Agreement for the development and operation of the Spencar Unit Area embracing land situated in Lea County, New Mexico, and hereby makes application for an order approving said Unit Agreement, and in support thereof shows:

1.

That the unit area designated in said agreement and the source of supply to be affected by the order hereby sought comprises 3840 acres, more or less, situated in Lea County, New Mexico, more particularly described as follows:

Sections 23, 24, 25, 26, 35 and 36, in Township 17-South, Range 36-East, N.M.P.M.

That all of the above described lands are lands owned by the State of New Mexico upon which the applicant and others are owners of Oil and Gas Leases issued by the Commissioner of Public Lands of the State of New Mexico.

2.

That there is attached to said copy of the proposed Unit Agreement, as Exhibit "A" thereto, a plat of the proposed Unit Area, and because of the geological and geophysical information available applicant believes that the above said area is an area suitable and proper for unitization.

3.

That the undersigned, Shell Oil Company, is designated as the Unit Operator in said agreement, and the Unit Operator is given the authority under the terms thereof to carry on all operations which are necessary for the development and operation of the Unit Area for oil and gas subject to all

applicable laws and regulations. That said Unit Agreement provides for the commencement of a test well for oil and gas upon some part of the lands committed to the Unit Agreement on or before June 9, 1954, and for the drilling of a said well to a depth of 12,300 feet, or a depth sufficient to test the Devonian Formation expected to be encountered at about said depth.

4.

That said Unit Agreement is in substantially the same form as unit agreements heretofore approved by the Commissioner of Public Lands of the State of New Mexico, and by the New Mexico Oil Conservation Commission; and that under the terms of the proposed Unit Agreement, the rights of the royalty owner, the State of New Mexico, are fairly protected and said royalty owner will receive its fair share of recoverable oil and gas in place under its lands embraced in the Unit Area.

5.

That operations to be carried on under the terms of said Unit Agreement will tend to promote the conservation of oil and gas in place under the lands in the proposed unit area and to prevent waste in that if production in paying quantities is obtained from such unit area (1) the production may be controlled without regard to interior lease lines to the end that reservoir energy will be utilized to the greatest advantage, (2) recovery methods that might not be practicable on a small area will be feasible and more efficient on the area of the proposed unit, and (3) the drilling of unnecessary wells with attendant fire and other hazards conducive to waste may be avoided. That said Unit Agreement is believed in all respects for the best interest of the State of New Mexico with respect to the lands embraced therein.

6.

That approximately 85 per cent of the owners of oil and gas leases embracing lands within said area have agreed to join in said Unit Agreement, and it is believed that all such owners will have joined therein by the time this application is heard.

7.

That an application is being filed for approval of said Unit Agreement by the Commissioner of Public Lands, and it is believed that his approval will be had if this Commission enters the order of approval hereby requested.

Wherefore applicant prays for an order permitting the unit operation of said lands and adopting the plan set forth in the said Unit Agreement and approving the said Unit Agreement for development and operation of said lands.

Respectfully submitted,

SHELL OIL COMPANY

By

D. V. Lawrence
Agent

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APPLICATION FOR EXTENSION OF TIME FOR COMMENCE-
MENT OF TEST WELL

TO THE COMMISSIONER OF PUBLIC LANDS OF THE STATE OF NEW MEXICO:

Shell Oil Company, as unit operator of the unit agreement for the development and operation of the (Spencer Unit Area), County of Lea, State of New Mexico, has heretofore completed the first test well referred to in Article 8 of said unit agreement, such well being a dry hole. The said unit operator is now obligated to commence the drilling of an additional test well on the unit area on or before October 11, 1955; it having been granted a six months extension of the time for the commencement of such test in order that data obtained from electric, radioactive and velocity surveys on the Spencer Unit No. 1 Well and from approximately five miles of additional seismic profile might be studied. Negotiations with a major operator are now under way the object of which is to cause an additional test well to be drilled on the unit and the prospects of a contract for the additional well are such that unit operator believes that a reasonable extension of time for the commencement of the additional test well would be proper.

Premises considered, Shell Oil Company, unit operator under the Spencer Unit Agreement, hereby makes application to the Commissioner of Public Lands of the State of New Mexico, pursuant to Article 8 of said unit agreement, for an extension of three months for the commencement of the additional test well hereinabove referred to, so that said well shall be commenced on or before January 11, 1956. A copy of this application has been filed with the Oil Conservation Commission of the State of New Mexico.

IN WITNESS WHEREOF, this application is hereby made this 30 day of September, 1955.

ATTEST:

Samuel Howard
Assistant Secretary

SHELL OIL COMPANY
Unit Operator of the
Spencer Unit Agreement

By J. E. Coak
Vice President

APPROVED THIS 10th DAY OF October, 1955.

E. Walker
COMMISSIONER OF PUBLIC LANDS

APPLICATION FOR EXTENSION OF TIME FOR COMMENCEMENT OF
TEST WELL

TO THE COMMISSIONER OF PUBLIC LANDS OF THE STATE OF NEW MEXICO:

Shell Oil Company, as unit operator of the unit agreement for the development and operation of the Spencer Unit Area, County of Lea, State of New Mexico, has heretofore completed the first test well referred to in Article 8 of said unit agreement, such well being a dry hole. The said unit operator is now obligated to commence the drilling of an additional test well on the unit area on or before April 11, 1955; however, further study is being made of this area based on the electric, radioactive and velocity surveys which were run on the Spencer Unit No. 1 test, and additional information has been obtained from shooting approximately five miles of new seismic profile in the Spencer Unit Area. Data from all of these sources are currently being studied, and revised structural interpretations are being prepared, and unit operator believes that a reasonable extension of time for the commencement of such additional test well would be proper.

Premises considered, Shell Oil Company, unit operator under the Spencer Unit Agreement, hereby makes application to the Commissioner of Public Lands of the State of New Mexico, pursuant to Article 8 of said unit agreement, for an extension of six months for the commencement of the additional test well hereinabove referred to, so that said well shall be commenced on or before October 11, 1955. A copy of this application has been filed with the Oil Conservation Commission of the State of New Mexico.

IN WITNESS WHEREOF, this application is hereby made this 20th day of February, 1955.

SHELL OIL COMPANY

Unit Operator of the
Spencer Unit Agreement

ATTEST:

Richard L. Neelston
Assistant Secretary

BY

J. E. Leach
Vice President