



SKELLY OIL COMPANY

P. O. BOX 1650

TULSA, OKLAHOMA 74102

November 8, 1973

LAW DEPARTMENT
CHESTER E. BLODGET
SENIOR ATTORNEY

Re: Application of Skelly Oil Company
for an Order Authorizing a Water-
flood Project in the Fren Seven-
Rivers Pool, Underlying the Skelly
Unit Area, Eddy County, New Mexico.

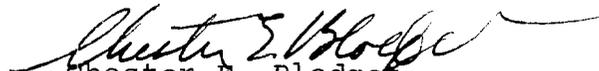
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

We are enclosing herewith the original and two copies of the above-referenced application.

We would appreciate your setting this matter down for hearing on the next Examiner Docket, which we understand will be January 3, 1974.

Yours very truly,


Chester E. Blodget

CEB:br
Encl.

DOCKET MAILED

Date 12-18-73



SKELLY OIL COMPANY

P. O. BOX 1650

TULSA, OKLAHOMA 74102

January 15, 1974

LAW DEPARTMENT

CHESTER E. BLODGET
SENIOR ATTORNEY

Re: Case No. 5138
Application of Skelly Oil Company
for an Order Authorizing Waterflood
Project in the Fren Seven Rivers
Pool Underlying the Skelly Unit
Area, Eddy County, New Mexico

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. D. S. Nutter

Gentlemen:

I enclose herewith in duplicate Unit Agreement dated December 17, 1937, executed by Skelly Oil Company and others covering the Skelly Unit Area, together with ratification by the then overriding royalty owners.

You will note that the Unit Agreement provides in Paragraph 3, "That all oil, gas, natural gasoline, and associated fluid hydrocarbons within the unit area in any and all sands or horizons, hereinafter called unitized substances, are unitized under the terms of this agreement."

I believe that this Unit Agreement was introduced as Exhibit No. 18 in the captioned Case No. 5138.

Yours very truly,


Chester E. Blodget

CEB:br
Encl. 2

RECEIVED
NOV 21 1973
OIL CONSERVATION COMMISSION
Santa Fe

BEFORE THE NEW MEXICO
OIL CONSERVATION COMMISSION

APPLICATION OF SKELLY OIL COMPANY
FOR AN ORDER AUTHORIZING A WATER-
FLOOD PROJECT IN THE FREN SEVEN-
RIVERS POOL, UNDERLYING THE SKELLY
UNIT AREA, EDDY COUNTY, NEW MEXICO

12-18-73

ENTRY OF APPEARANCE

Comes now L. C. White, of White, Koch, Kelly & McCarthy, P. O.
Box 787, Santa Fe, New Mexico, and herewith enters their appearance
as local counsel for and on behalf of the applicant Skelly Oil
Company in the above entitled matter.

WHITE, KOCH, KELLY & MCCARTHY

By L. C. White

DOCKET # 12-18-73
Date 12-18-73



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

January 25, 1974

I. R. TRUJILLO
CHAIRMAN
LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

Mr. Chester E. Blodget
Skelly Oil Company
Post Office Box 1650
Tulsa, Oklahoma 74102

Re: CASE NO. 5138

ORDER NO. R-4717

Applicant:

SKELLY OIL COMPANY

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x
Artesia OCC x
Aztec OCC

Other State Engineer Office



United States Department of the Interior

GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

November 26, 1973

Skelly Oil Company
Attention: Mr. C. J. Love
P.O. Box 1351
Midland, Texas 79701

Gentlemen:

One copy of your 1973 supplemental plan of development and operation for the Skelly unit area, Eddy County, New Mexico, approved on this date, is enclosed. Such plan proposes to initiate pilot waterflood operations in the Seven-Rivers employing eight wells in a conventional 5-spot pattern and the drilling of two infill producing wells for additional reservoir data and evaluation of current waterflood operation in the Grayburg-San Andres.

Sincerely yours,

CARL C. TRAYWICK
Acting Area Oil & Gas Supervisor

cc:
NMOCC, Santa Fe (ltr only)
Artesia (w/cy of plan)

JAGillham:ds



United States Department of the Interior

GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

January 4, 1974

Skelly Oil Company
Attention: Mr. C. J. Love
P.O. Box 1351
Midland, Texas 79701

Gentlemen:

Four approved copies of your 1974 plan of development and operation for the Skelly unit area, Eddy County, New Mexico, are enclosed. Such plan proposes to continue operation and expansion of the present San Andres waterflood pattern and to initiate operation of a pilot waterflood in the Seven Rivers.

Sincerely yours,

[(ORIG. SGD.)] J. A. GILLHAM

J. A. GILLHAM
Acting Area Oil & Gas Supervisor

cc:

NMOCC, Santa Fe (ltr only)
Com. Pub. Lands, Santa Fe (ltr only)
Artesia (w/cy plan)

JAGillham:ds



SKELLY OIL COMPANY

Tulsa, Oklahoma

April 19, 1939

Mr. Paul McCune
Burkburnett Bldg.
Ft. Worth, Texas

Dear Sir:

This is to advise you, an owner of an interest in the overriding royalty reserved in the operating contract relating to the Dow Permit in Eddy County, New Mexico, that we have at last been successful in securing oil and gas lease from the United States of America, covering the lands embraced in said permit. We are, therefore, anxious to complete our records in connection with this permit and release payment to you for your proportionate part of the overriding royalty which has accrued since the date of said lease.

You will doubtless recall that the permit named, together with the Lynch lease and Lea Permit, have been unitized under the terms of a unit agreement as prescribed by the Department of the Interior. You signified your consent to such unit operations by signing a counterpart of the unit agreement mentioned. This unit agreement contained a schedule designated as "Exhibit B" which set out the proportionate ownership of said overriding royalty. We wish to advise that the fractional interest, designated as your proportionate ownership, in said "Exhibit B" was in error. Through an erroneous calculation, your fractional interest was designated as $\frac{2}{585}$ of $7\frac{1}{2}\%$, which is less than the proportion to which you are actually entitled.

Before releasing payment of the amounts which have accrued to the overriding royalty interest owners, we desire to correct the error made in said exhibit in order that you may be properly credited with the amount of overriding royalty to which you are entitled.

According to the various operating agreements affecting the leases in question, and subsequent assignments of portions of the overriding royalty therein reserved, you are entitled to receive an overriding royalty interest of $\frac{1}{8}$ of $1\frac{1}{2}\%$ under and by

Mr. Paul McCune
April 19, 1939
Page Two

virtue of the 640 acre "A" lease secured under the Dow Permit #029420, which "A" lease is described as all of Section 15, Township 17 South, Range 31 East, Eddy County, New Mexico. You own no interest in the overriding royalty under and by virtue of the 640 acre "A" lease secured under the Lea Permit #029418, which "A" lease is described as the S/2 of Section 14 and the N/2 of Section 23, Township 17 South, Range 31 East, Eddy County, New Mexico, and no interest in the overriding royalty under and by virtue of the 640 acre "A" lease secured under the Lynch Permit #029419, which "A" lease is described as all of Section 22, Township 17 South, Range 31 East, Eddy County, New Mexico. Under the terms of the unit agreement in question, all three properties are unitized and operated as a single lease. Therefore, under the three "A" leases, as combined and unitized, your net interest is $1/24$ of 1% .

Before releasing payment of accrued sums, it will be necessary to circulate division orders for execution by all of the overriding royalty interest owners. But, before we will be able to circulate such division orders, it will be necessary that we have your approval of and consent to the distribution of such royalties on the revised basis as described above.

A letter similar to this is being addressed to all remaining owners of fractions of overriding royalty, and immediately upon receipt of approval from all, division orders will be prepared and circulated.

We, therefore, request that you indicate your approval and consent to the revised interest by signing the copy of this letter enclosed, returning same to this office in the enclosed stamped addressed envelope. If you will give this your immediate attention, it will enable us to release payment to you at an early date.

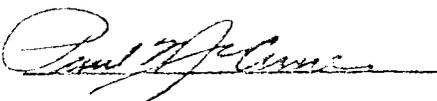
Yours very truly,

HWH:W
Encl.

Consented to and accepted this

April 20, 1939

(Signed)





SKELLY OIL COMPANY

Tulsa, Oklahoma

April 19, 1939

Oil Royalties Corporation
826 I. N. Van Nuys Building
Los Angeles, California

Gentlemen:

This is to advise you, an owner of an interest in the overriding royalty reserved in the operating contracts relating to the Lea and Dow Permits in Eddy County, New Mexico, that we have at last been successful in securing oil and gas leases from the United States of America, covering the lands embraced in said permits. We are, therefore, anxious to complete our records in connection with these permits and release payment to you for your proportionate part of the overriding royalty which has accrued since the date of said leases.

You will doubtless recall that the two permits named, together with the Lynch lease, have been unitized under the terms of a unit agreement as prescribed by the Department of the Interior. You signified your consent to such unit operations by signing a counterpart of the unit agreement mentioned. This unit agreement contained a schedule designated as "Exhibit B", which set out the proportionate ownership of said overriding royalty. We wish to advise that the fractional interest, designated as your proportionate ownership, in said "Exhibit B" was in error. Through an erroneous calculation, your fractional interest was designated as $22/585$ of $7\frac{1}{2}\%$, which is less than the proportion to which you are entitled.

Before releasing payment of the amounts which have accrued to the overriding royalty interest owners, we desire to correct the error made in said exhibit in order that you may be properly credited with the amount of overriding royalty to which you are entitled.

According to the various operating agreements affecting the leases in question and subsequent assignments of portions of the overriding royalty therein reserved, you are entitled to receive an overriding royalty interest of $1/2$ of 1% under and

Oil Royalties Corporation
April 19, 1939
Page Two

by virtue of the 640 acre "A" lease secured under the Dow Permit #029420, which "A" lease is described as all of Section 15, Township 17 South, Range 31 East, Eddy County, New Mexico; an overriding royalty interest of 1/4 of 1% under and by virtue of the 640 acre "A" lease secured under the Lea Permit #029418, which "A" lease is described as the S/2 of Section 14 and the N/2 of Section 23, Township 17 South, Range 31 East, Eddy County, New Mexico; and an overriding royalty interest of 1/4 of 1% under and by virtue of the 640 acre "A" lease secured under the Lynch Permit #029419, which "A" lease is described as all of Section 22, Township 17 South, Range 31 East, Eddy County, New Mexico. Under the terms of the unit agreement in question, all three properties are unitized and operated as a single lease. Therefore, under the three "A" leases as combined and unitized, your net interest is 1/3 of 1%.

Before releasing payment of accrued sums, it will be necessary to circulate division orders for execution by all of the overriding royalty interest owners. But, before we will be able to circulate such division orders, it will be necessary that we have your approval of and consent to the distribution of such royalties on the revised basis as described above.

A letter similar to this is being addressed to all remaining owners of fractions of overriding royalty, and immediately upon receipt of approval from all, division orders will be prepared and circulated.

We, therefore, request that you indicate your approval and consent to the revised interest by signing the copy of this letter enclosed herewith, returning same to this office in the enclosed stamped addressed envelope. If you will give this your immediate attention, it will enable us to release payment to you at an early date.

Yours very truly,

H. W. Hull

HWH:W
Encl.

Consented to and accepted this

April 24th, 1939.

(Signed) Oil Royalties Corp
B. A. Thomas Jr.



SKELLY OIL COMPANY

Tulsa, Oklahoma

April 19, 1939

Mr. F. A. Andrews
233 S. Van Ness Avenue
Los Angeles, California

Dear Sir:

This is to advise you, an owner of an interest in the overriding royalty reserved in the Operating Contracts relating to the Lea and Dow Permits in Eddy County, New Mexico, that we have at last been successful in securing oil and gas leases from the United States of America, covering the lands embraced in said permits. We are, therefore, anxious to complete our records in connection with these permits and release payment to you for your proportionate part of the overriding royalty which has accrued since the date of said leases.

You will doubtless recall that the two permits named, together with the Lynch lease, have been unitized under the terms of a unit agreement as prescribed by the Department of the Interior. You signified your consent to such unit operations by signing a counterpart of the unit agreement mentioned. This unit agreement contained a schedule designated as "Exhibit B" which set out the proportionate ownership of said overriding royalty. We wish to advise that the fractional interest, designated as your proportionate ownership, in said "Exhibit B" was in error. Through an erroneous calculation, your fractional interest was designated as $72/585$ of $7\frac{1}{2}\%$, which is less than the proportion to which you are actually entitled.

Before releasing payment of the amounts which have accrued to the overriding royalty interest owners, we desire to correct the error made in said exhibit in order that you may be properly credited with the amount of overriding royalty to which you are entitled.

According to the various operating agreements affecting the leases in question and subsequent assignments of portions of the overriding royalty therein reserved, you are entitled to receive an overriding royalty interest of $1\frac{1}{2}\%$ under and by virtue of the 640 acre "A" lease secured under the Dow Permit #029420, which "A" lease is described as all of Section 15, Township

Mr. A. Andrews
April 19, 1939
Page Two

17 South, Range 31 East, Eddy County, New Mexico; an overriding royalty interest of 1% under and by virtue of the 640 acre "A" lease secured under the Lea Permit #029418, which "A" lease is described as the S/2 of Section 14 and the N/2 of Section 23, Township 17 South, Range 31 East, Eddy County, New Mexico; and an overriding royalty interest of 1% under and by virtue of the 640 acre "A" lease secured under the Lynch Permit #029419, which "A" lease is described as all of Section 22, Township 17 South, Range 31 East, Eddy County, New Mexico. Under the terms of the unit agreement in question, all three properties are unitized and operated as a single lease. Therefore, under the three "A" leases as combined and unitized, your net interest is 1%. Before releasing payment of accrued sums, it will be necessary to circulate division orders for execution by all of the overriding royalty interest owners. But, before we will be able to circulate such division orders, it will be necessary that we have your approval of and consent to the distribution of such royalties on the revised basis as described above.

A letter similar to this is being addressed to all remaining owners of fractions of overriding royalty, and immediately upon receipt of approval from all, division orders will be prepared and circulated.

We, therefore, request that you indicate your approval and consent to the revised interest by signing the copy of this letter enclosed herewith, returning same to this office in the enclosed stamped addressed envelope. If you will give this your immediate attention, it will enable us to release payment to you at an early date.

Yours very truly,

BWH:W

Consented to and accepted this

Apr. 19, 1939.

(Signature) A. Andrews



SKELLY OIL COMPANY

Tulsa, Oklahoma

April 19, 1939

Marshall & Winston, Inc.
480 I. W. Hellman Building
Los Angeles, California

Attention: Mr. Sam Marshall

Gentlemen:

This is to advise you, an owner of an interest in the overriding royalty reserved in the Operating Contracts relating to the Lea and Dow Permits in Eddy County, New Mexico, that we have at last been successful in securing oil and gas leases from the United States of America, covering the lands embraced in said permits. We are, therefore, anxious to complete our records in connection with these permits and release payment to you for your proportionate part of the overriding royalty which has accrued since the date of said leases.

You will doubtless recall that the two permits named, together with the Lynch lease, have been unitized under the terms of a unit agreement as prescribed by the Department of the Interior. You signified your consent to such unit operations by signing a counterpart of the unit agreement mentioned. This unit agreement contained a schedule designated as "Exhibit B" which set out the proportionate ownership of said overriding royalty. We wish to advise that the fractional interest, designated as your proportionate ownership, in said "Exhibit B" was in error. Through an erroneous calculation, your fractional interest was designated as $72/585$ of $7\frac{1}{2}\%$, which is less than the proportion to which you are actually entitled.

Before releasing payment of the amounts which have accrued to the overriding royalty interest owners, we desire to correct the error made in said exhibit in order that you may be properly credited with the amount of overriding royalty to which you are entitled.

According to the various operating agreements affecting the leases in question and subsequent assignments of portions of the overriding royalty therein reserved, you are entitled to receive an overriding royalty interest of $1\frac{1}{2}\%$ under and by virtue of the 640 acre "A" lease secured under the Dow Permit #029420, which "A" lease is described as all of Section 15, Township

Marshall & Winston, Inc.
April 19, 1939
Page Two

17 South, Range 31 East, Eddy County, New Mexico; an overriding royalty interest of $1\frac{1}{2}\%$ under and by virtue of the 640 acre "A" lease secured under the Lea Permit #029418, which "A" lease is described as the $\frac{3}{2}$ of Section 14 and the N/2 of Section 23, Township 17 South, Range 31 East, Eddy County, New Mexico; and an overriding royalty interest of $1\frac{1}{2}\%$ under and by virtue of the 640 acre "A" lease secured under the Lynch Permit #029419, which "A" lease is described as all of Section 22, Township 17 South, Range 31 East, Eddy County, New Mexico. Under the terms of the unit agreement in question, all three properties are unitized and operated as a single lease. Therefore, under the three "A" leases as combined and unitized, your net interest is $1\frac{1}{2}\%$. Before releasing payment of accrued sums, it will be necessary to circulate division orders for execution by all of the overriding royalty interest owners. But, before we will be able to circulate such division orders, it will be necessary that we have your approval of and consent to the distribution of such royalties on the revised basis as described above.

A letter similar to this is being addressed to all remaining owners of fractions of overriding royalty, and immediately upon receipt of approval from all, division orders will be prepared and circulated.

We, therefore, request that you indicate your approval and consent to the revised interest by signing the copy of this letter enclosed herewith, returning same to this office in the enclosed stamped addressed envelope. If you will give this your immediate attention, it will enable us to release payment to you at an early date.

Yours very truly,

Marshall

MWH:W

Consented to and accepted this

April 29 - 39, 1939.

(Signed) Marshall & Winston Inc
Sam'l H. Marshall



SKELLY OIL COMPANY

Tulsa, Oklahoma

April 19, 1939

Mr. Chas. M. Rath
1254 Cook Street
Denver, Colorado

Dear Sir:

This is to advise you, an owner of an interest in the overriding royalty reserved in the operating contract, relating to the Dow Permit in Eddy County, New Mexico, that we have at last been successful in securing oil and gas lease from the United States of America, covering the lands embraced in said permit. We are, therefore, anxious to complete our records in connection with this permit and release payment to you for your proportionate part of the overriding royalty which has accrued since the date of said lease.

You will doubtless recall that the permit named, together with the Lea Permit and the Lynch lease, have been unitized under the terms of a unit agreement as prescribed by the Department of the Interior. You signified your consent to such unit operations by signing a counterpart of the unit agreement mentioned. This unit agreement contained a schedule designated as "Exhibit B", which set out the proportionate ownership of said overriding royalty. We wish to advise that the fractional interest, designated as your proportionate ownership, in said "Exhibit B" was in error. Through an erroneous calculation, your fractional interest was designated as $\frac{2}{585}$ of $7\frac{1}{2}\%$, which is less than the proportion to which you are entitled.

Before releasing payment of the amounts which have accrued to the overriding royalty interest owners, we desire to correct the error made in said exhibit in order that you may be properly credited with the amount of overriding royalty to which you are entitled.

According to the various operating agreements affecting the leases in question, and subsequent assignments of portions of the overriding royalty therein reserved, you are entitled to receive an overriding royalty interest of $\frac{1}{3}$ of $1\frac{1}{2}\%$ under and

Mr. Chas. M. Rath
April 19, 1939
Page Two

by virtue of the 640 acre "A" lease secured under the Dow Permit #029420, which "A" lease is described as all of Section 15, Township 17 South, Range 31 East, Eddy County, New Mexico. You own no interest in the overriding royalty under and by virtue of the 640 acre "A" lease secured under the Lea Permit #029418, which "A" lease is described as the S/2 of Section 14 and the N/2 of Section 23, Township 17 South, Range 31 East, Eddy County, New Mexico, and no interest in the overriding royalty under and by virtue of the 640 acre "A" lease secured under the Lynch Permit #029419, which "A" lease is described as all of Section 22, Township 17 South, Range 31 East, Eddy County, New Mexico. However, under the terms of the unit agreement in question, all three properties are unitized and operated as a single lease. Therefore, under the three "A" leases, as combined and unitized, your net interest is $1/24$ of 1%.

Before releasing payment of accrued sums, it will be necessary to circulate division orders for execution by all of the overriding royalty interest owners. But, before we will be able to circulate such division orders, it will be necessary that we have your approval of and consent to the distribution of such royalties on the revised basis as described above.

A letter similar to this is being addressed to all remaining owners of fractions of overriding royalty, and immediately upon receipt of approval from all, division orders will be prepared and circulated.

We, therefore, request that you indicate your approval and consent to the revised interest by signing the copy of this letter enclosed herewith, returning same to this office in the enclosed stamped addressed envelope. If you will give this your immediate attention, it will enable us to release payment to you at an early date.

Yours very truly,

HWH:W
Encl.

Consented to and accepted this

2^d day of May, 1939

(Signed) Charles M. Rath



SKELLY OIL COMPANY

Tulsa, Oklahoma

April 19, 1939

The Intermountain Royalty Company
520 Equitable Building
Denver, Colorado

Gentlemen:

This is to advise you, an owner of an interest in the overriding royalty reserved in the operating contract relating to the Dow Permit in Eddy County, New Mexico, that we have at last been successful in securing oil and gas lease from the United States of America, covering the lands embraced in said permit. We, therefore, are anxious to complete our records in connection with this permit and release payment to you for your proportionate part of the overriding royalty which has accrued since the date of said lease.

You will doubtless recall that the permit named, together with the Lea Permit and Lynch lease, had been unitized under the terms of a unit agreement as prescribed by the Department of the Interior. You signified your consent to such unit operations by signing a counterpart of the unit agreement mentioned. This unit agreement contained a schedule designated as "Exhibit B" which set out the proportionate ownership of said overriding royalty. We wish to advise that the fractional interest, designated as your proportionate ownership, in said "Exhibit B" was in error. Through an erroneous calculation, your fractional interest was designated as $12/585$ of $7\frac{1}{2}\%$, which is less than the proportion to which you are actually entitled.

Before releasing payment of the amounts which have accrued to the overriding royalty interest owners, we desire to correct the error made in said exhibit in order that you may be properly credited with the amount of overriding royalty to which you are entitled.

According to the various operating agreements affecting the leases in question, and subsequent assignments of portions of the overriding royalty therein reserved, you are entitled to receive an overriding royalty interest of $3/4$ of $1\frac{1}{2}\%$ under and by

The Intermountain Royalty Company
April 19, 1939
Page Two

virtue of the 640 acre "A" lease secured under the Dow Permit #029420, which "A" lease is described as all of Section 15, Township 17 South, Range 31 East, Eddy County, New Mexico. You own no overriding royalty interest under and by virtue of the 640 acre "A" lease secured under the Lea Permit #029418, which "A" lease is described as the S/2 of Section 14 and the N/2 of Section 23, Township 17 South, Range 31 East, Eddy County, New Mexico, or under and by virtue of the 640 acre "A" lease secured under the Lynch Permit #029419, which "A" lease is described as all of Section 22, Township 17 South, Range 31 East, Eddy County, New Mexico. Under the terms of this unit agreement in question, all three properties are unitized and operated as a single lease. Therefore, under the three "A" leases, as combined and unitized, your net interest is 1/4 of 1%.

Before releasing payment of accrued sums, it will be necessary to circulate division orders for execution by all of the overriding royalty interest owners. But, before we will be able to circulate such division orders, it will be necessary that we have your approval of and consent to the distribution of such royalties on the revised basis as described above.

A letter similar to this is being addressed to all remaining owners of fractions of overriding royalty, and immediately upon receipt of approval from all, division orders will be prepared and circulated.

We, therefore, request that you indicate your approval and consent to the revised interest by signing the copy of this letter enclosed herewith, returning same to this office in the enclosed stamped addressed envelope. If you will give this your immediate attention, it will enable us to release payment to you at an early date.

Yours very truly,

HVK:W
Encl.

Consented to and accepted this

5th day of May, 1939.

(Witnessed) The Intermountain Royalty Company
By: Samuel S. Sherman



SKELLY OIL COMPANY

Tulsa, Oklahoma

April 24, 1939

Mrs. Beulah V. Lynch
100 N. Richardson
Roswell, New Mexico

Dear Madam:

We wish to call your attention to a matter affecting the Dow, Lea and Lynch area of Eddy County, New Mexico, now known as the Skelly Unit Area by virtue of unit agreement approved by the Secretary of the Interior December 17, 1937.

We have at last been successful in securing oil and gas leases, applied for and dated April 30, 1938, from the United States of America, covering the lands embraced in the Dow Permit #029420 and the Lea Permit #029418. The "A" lease on the Dow area covers all of Section 15, Township 17 South, Range 31 East. The "A" lease on the Lea area covers the S/2 of Section 14 and the N/2 of Section 23, Township 17 South, Range 31 East. We are, therefore, quite anxious to complete our records in connection with each of the above permits in order that the payments of overriding royalty, in keeping with the terms of the operating agreements affecting said permits, may be made.

You will no doubt recall that in December of 1937 our representative approached you to secure your consent to said unit agreement. At that time you declined to signify your consent, as did Mr. Hiram M. Dow and Mr. E. C. Higgins. All other overriding royalty interest owners signified their consent to such unit operation of all three of the properties named. The unit agreement mentioned was subsequently submitted to the Secretary of the Interior in keeping with the expressed desire of the Department of the Interior that federal leases and permits be unitized. The Secretary of the Interior approved the said agreement, and by such approval, made the leases issued under the two permits mentioned, as well as the Lynch lease, subject to the terms of such unit agreement. The "A" lease on the Lynch area covers, as you recall, all of Section 22, Township 17 South, Range 31 East.

Mrs. Beulah V. Lynch
April 24, 1939
Page two

The failure of yourself, Mr. Dow and Mr. Higgins to consent to the unit agreement will work considerable hardship upon us by reason of a complicated accounting procedure, which now exists because of the willingness of all other overriding royalty owners to have the three leases operated as a unit, while you have not consented to such unit operations. Such involved accounting could be avoided, and the payment to overriding royalty interest owners greatly facilitated, if you, Mr. Dow, and Mr. Higgins would now join with the remaining overriding royalty interest owners in consenting to the unit operation of the three properties mentioned.

The recent exchange of fractional interests between yourself and Mr. Dow appears to us to indicate an intention upon the part of each of you to approximate the same condition as would be accomplished by consenting to such unit operations. In other words, the exchange of interests indicates to us that you may feel there are advantages in such unit operation of the group of leases, and that now you would take a different view of the matter from that previously held by you.

According to the various operating agreements affecting the permits in question, and the subsequent assignment of portions of the overriding royalties therein reserved, you are entitled to receive an overriding royalty interest of $1-1/3\%$ under and by virtue of the 640 acre "A" lease secured under the Dow Permit #029420; an overriding royalty interest of $1-5/6\%$ under and by virtue of the 640 acre "A" lease secured under the Lea Permit #029418; and an overriding royalty interest of $1-5/6\%$ under and by virtue of the 640 acre "A" lease secured under the Lynch Permit #029419. However, under the terms of the unit agreement in question, all three properties are unitized and operated as a single lease. Under the combined three "A" leases, your net interest would be $1-2/3\%$.

Before releasing payment of overriding royalty, it will be necessary for us to circulate division orders for execution by all of the overriding royalty interest owners. But, before we will be able to circulate such division orders, it will be necessary, if we are to avoid complications in accounting, that we secure your consent to such unit operations and your approval of the above computation of your net interest in the unitized "A" leases.

While not intending to anticipate your desire to signify your consent, we nevertheless feel confident of your willingness to cooperate, and we, therefore, forward to you

Mrs. Beulah V. Lynch
April 24, 1939
Page Three

a copy of this letter with space provided for you to indicate your consent and acceptance. If you desire to so indicate your consent, we request that you do so on the copy of this letter, and that it be returned to this office in the enclosed stamped addressed envelope at your earliest opportunity, in order to enable us to bring the entire matter to a conclusion at an early date.

Yours very truly,

HWH:W
Encl.

The unit operation of the properties above referred to is consented to. My present net overriding royalty interest is as stated above. Effective as of April 30, 1938.

Dated:

Beulah V. Lynch
May 16th, 1939



SKELLY OIL COMPANY

Tulsa, Oklahoma

April 22, 1939

Honorable Hiram M. Dow
Roswell, New Mexico

Dear Sir:

At the suggestion of Mr. German, the writer is addressing you concerning a matter affecting the Dow, Lea and Lynch area of Eddy County, New Mexico, now known as the Skelly Unit Area by virtue of unit agreement approved by the Secretary of the Interior December 17, 1937.

We have at last been successful in securing oil and gas leases, applied for and dated April 30, 1938, from the United States of America, covering the lands embraced in the Dow Permit #029420 and the Lea Permit #029418. The "A" lease on the Dow area covers all of Section 15, Township 17 South, Range 31 East. The "A" lease on the Lea area covers the S/2 of Section 14 and the N/2 of Section 23, Township 17 South, Range 31 East. We are, therefore, quite anxious to complete our records in connection with each of the above permits in order that the payments of overriding royalty, in keeping with the terms of the operating agreements affecting said permits, may be made.

You will no doubt recall that in December of 1937 our representative approached you to secure your consent to said unit agreement. At that time you declined to signify your consent, as did Mrs. Beulah V. Lynch and Mr. E. C. Higgins. All other overriding royalty interest owners signified their consent to such unit operation of all three of the properties named. The unit agreement mentioned was subsequently submitted to the Secretary of the Interior in keeping with the expressed desire of the Department of the Interior that federal leases and permits be unitized. The Secretary of the Interior approved the said agreement, and by such approval, made the leases issued under the two permits mentioned, as well as the Lynch lease, subject to the terms of such unit agreement. The "A" lease on the Lynch area covers, as you recall, all of Section 22, Township 17 South, Range 31 East.

Honorable Hiram M. Dow
April 22, 1939
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The failure of yourself, Mrs. Lynch and Mr. Higgins to consent to the unit agreement will work considerable hardship upon us by reason of a complicated accounting procedure, which now exists because of the willingness of all other overriding royalty owners to have the three leases operated as a unit, while you have not consented to such unit operations. Such involved accounting could be avoided, and the payment to overriding royalty interest owners greatly facilitated, if you, Mrs. Lynch and Mr. Higgins would now join with the remaining overriding royalty interest owners in consenting to the unit operation of the three properties mentioned.

The recent exchange of fractional interests between yourself and Mrs. Lynch appears to us to indicate an intention upon the part of each of you to approximate the same condition as would be accomplished by consenting to such unit operations. In other words, the exchange of interests indicates to us that you may feel there are advantages in such unit operation of the group of leases, and that now you would take a different view of the matter from that previously held by you.

According to the various operating agreements affecting the permits in question, and the subsequent assignment of portions of the overriding royalties therein reserved, you are entitled to receive an overriding royalty interest of $1\frac{2}{3}\%$ under and by virtue of the 640 acre "A" lease secured under the Dow Permit #029420; an overriding royalty interest of $3\frac{1}{6}\%$ under and by virtue of the 640 acre "A" lease secured under the Lea Permit #029418; and an overriding royalty interest of $3\frac{1}{6}\%$ under and by virtue of the 640 acre "A" lease secured under the Lynch Permit #029419. However, under the terms of the unit agreement in question, all three properties are unitized and operated as a single lease. Under the combined three "A" leases, your net interest would be $2\frac{2}{3}\%$.

Before releasing payment of overriding royalty, it will be necessary for us to circulate division orders for execution by all of the overriding royalty interest owners. But, before we will be able to circulate such division orders, it will be necessary, if we are to avoid complications in accounting, that we secure your consent to such unit operations and your approval of the above computation of your net interest in the unitized "A" leases.

Mr. German also suggests that, while not intending to anticipate your desire to signify your consent, he nevertheless feels confident of your willingness to cooperate, especially

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since the recent compromise settlement of our differences of opinion, and that we, therefore, might forward to you a copy of this letter with space provided for you to indicate your consent and acceptance, and this we are doing. If you desire to so indicate your consent, we request that you do so on the copy of this letter, and that it be returned to this office in the enclosed stamped addressed envelope at your earliest opportunity, in order to enable us to bring the entire matter to a conclusion at an early date.

In event you decide to cooperate with us to the extent indicated above, we would greatly appreciate your further cooperation to the extent of advising Mrs. Beulah V. Lynch thereof, as we are this day addressing a letter similar to this to Mrs. Lynch and to Mr. Higgins requesting their like consent.

Yours very truly,

HMH:W
Encl.

The unit operation of the properties above referred to is consented to. My present net overriding royalty interest is as stated above. Effective as of April 30, 1938.

Dated:

5/16, 1939

Hiram M. Dow
Hiram M. Dow



SKELLY OIL COMPANY

Tulsa, Oklahoma

April 24, 1939

Mr. E. C. Higgins
Box 596
Artesia, New Mexico

Dear Sir:

We wish to call your attention to a matter affecting the Dow, Lea and Lynch area of Eddy County, New Mexico, now known as the Skelly Unit Area by virtue of unit agreement approved by the Secretary of the Interior December 17, 1937.

We have at last been successful in securing oil and gas leases, applied for and dated April 30, 1938, from the United States of America, covering the lands embraced in the Dow Permit #029420 and the Lea Permit #029418. The "A" lease on the Dow area covers all of Section 15, Township 17 South, Range 31 East. The "A" lease on the Lea area covers the S/2 of Section 14 and the N/2 of Section 23, Township 17 South, Range 31 East. We are, therefore, quite anxious to complete our records in connection with each of the above permits in order that the payments of overriding royalty in keeping with the terms of the operating agreements affecting said permits, may be made.

You will no doubt recall that in December of 1937 our representative approached you to secure your consent to said unit agreement. At that time you declined to signify your consent, as did Mr. Hiram M. Dow and Mrs. Beulah V. Lynch. All other overriding royalty interest owners signified their consent to such unit operation of all three of the properties named. The unit agreement mentioned was subsequently submitted to the Secretary of the Interior in keeping with the expressed desire of the Department of the Interior that federal leases and permits be unitized. The Secretary of the Interior approved the said agreement, and by such approval, made the leases issued under the two permits mentioned, as well as the Lynch lease, subject to the terms of such unit agreement. The "A" lease on the Lynch area covers, as you recall, all of Section 22, Township 17 South, Range 31 East.

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The failure of yourself, Mr. Dow and Mrs. Lynch to consent to the unit agreement will work considerable hardship upon us by reason of a complicated accounting procedure, which now exists because of the willingness of all other overriding royalty owners to have the three leases operated as a unit, while you have not consented to such unit operations. Such involved accounting could be avoided, and the payment to overriding royalty interest owners greatly facilitated, if you, Mr. Dow, and Mrs. Lynch would now join with the remaining overriding royalty interest owners in consenting to the unit operation of the three properties mentioned.

We could go into a lengthy discussion of unit operations in general. But we assume that your knowledge of the industry is such that you are aware of the many advantages to be gained from such unit operations. This fact is further evidenced by the fact that the Secretary of the Interior, by various recent regulations, has indicated that, in so far as federal oil and gas leases are concerned, unitization is to be accomplished wherever possible.

According to the various operating agreements affecting the permits in question, and the subsequent assignment of portions of the overriding royalties therein reserved, you are entitled to receive an overriding royalty interest of $1\frac{1}{2}\%$ under and by virtue of the 640 acre "A" lease secured under the Dow Permit #029420; an overriding royalty interest of $1/4$ of 1% under and by virtue of the 640 acre "A" lease secured under the Lea Permit #029418; and an overriding royalty interest of $1/4$ of $1\frac{1}{2}\%$ under and by virtue of the 640 acre "A" lease secured under the Lynch Permit #029419. However, under the terms of the unit agreement in question, all three properties are unitized and operated as a single lease. Under the combined three "A" leases, your net interest would be $1/2$ of 1% .

Before releasing payment of overriding royalty, it will be necessary for us to circulate division orders for execution by all of the overriding royalty interest owners. But, before we will be able to circulate such division orders, it will be necessary, if we are to avoid complications in accounting, that we secure your consent to such unit operations and your approval of the above computation of your net interest in the unitized "A" leases.

While not intending to anticipate your desire to signify your consent, we nevertheless feel confident of your willingness to cooperate, and we, therefore, forward to you

Mr. E. C. Higgins
April 24, 1939
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a copy of this letter with space provided for you to indicate your consent and acceptance. If you desire to so indicate your consent, we request that you do so on the copy of this letter, and that it be returned to this office in the enclosed stamped addressed envelope at your earliest opportunity, in order to enable us to bring the entire matter to a conclusion at an early date.

Yours very truly,

HWH:W
Encl.

The unit operation of the properties above referred to is consented to. My present net overriding royalty interest is as stated above. Effective as of April 30, 1938.

Dated:

May 10th, 1939

