

Case No.

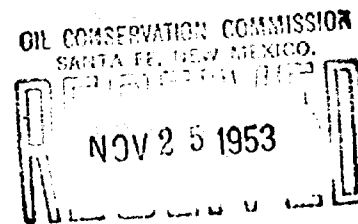
613

Application, Transcript,
Small Exhibits, Etc.

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
J. N. Dunlavy

JND:MEC:m

Encl

SHERRELL No 3
SAMPLE LOG

2600

----- BASE SALT 2650'

EXHIBIT 2
CASE 613

2700

----- TOP YATES 2780'

2800

----- TOP YATES SAND 2820'

2900

PERF :

2850 - 2830
2905 - 2885
2970 - 2950
3020 - 3000
3055 - 3040
3130 - 3100
3300 - 3195

3000

LEGEND:

SALT ■
ANHY. ■
SAND ■
DOLO. ■

3100

3200

3300

BAKER MODEL "K" RET. @ 3390'
3400 7" OD CSG. @ 3401'

----- ORIG. T.D. 3490'
PBTD 3390'

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF THE STATE OF NEW
MEXICO FOR THE PURPOSE OF CON-
SIDERING:

CASE NO. 613
Order No. R-423

THE APPLICATION OF SKELLY OIL
COMPANY FOR AN ORDER GRANTING
APPROVAL OF AN EXCEPTION TO
RULE 7 (a) OF ORDER NO. R-368-A
IN ESTABLISHMENT OF AN UNORTHODOX
GAS PRORATION UNIT OF 80 CONTIGUOUS
ACRES CONSISTING OF THE NE/4 NW/4 AND
THE NW/4 NE/4 OF SECTION 6, TOWNSHIP
25 SOUTH, RANGE 37 EAST, NMPM., IN
THE JALCO GAS POOL, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a. m., on Decem-
ber 17, 1953, at Santa Fe, New Mexico, before the Oil Conservation Com-
mission, hereinafter referred to as the "Commission".

NOW, on this ¹⁸15 day of April, 1954, the Commission, a
quorum being present, having considered the records and testimony adduced,
and being fully advised in the premises;

FINDS:

(1) That due notice of the time and place of hearing and the
purpose thereof having been given as required by law, the Commission has
jurisdiction of this case and the subject matter thereof.

(2) That pursuant to provisions of Rule 7 (a) of Order No. R-368-A,
the Commission has power and authority to permit the formation of a gas pro-
ration unit consisting of other than a legal quarter section after notice and
hearing by the Commission.

(3) That applicant, Skelly Oil Company, is the owner of an oil
and gas lease in Lea County, New Mexico the land consisting of other than a
legal quarter section, and described as follows, to-wit:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM.

Section 6, NW/4 NE/4, NE/4 NW/4

containing 80 acres, more or less.

(4) That applicant, Skelly Oil Company, has a producing well
on the aforesaid lease known as #3 J. W. Sherrell, located 330' from the
north line and 1650' from the east line of Section 6, Township 25 South, Range
37 East.

-2-
Order No. R-423

(5) That the aforesaid well was completed and in production prior to January 1, 1954, the effective date of Order No. R-368-A, and is located within the limits of the pool heretofore delineated and designated as the Jalco Gas Pool.

(6) That it is impossible to pool applicant's said lease with adjoining acreage in the NE/4 and NW/4 of Section 6, Township 25 South, Range 37 East, and that the owners of adjoining acreage in said quarter sections have not objected to the formation of the proposed proration unit of 80 acres.

(7) That unless a proration unit consisting of applicant's aforesaid acreage is permitted, applicant will be deprived of the opportunity to recover his just and equitable share of the natural gas in the Jalco Gas Pool.

(8) That creation of a proration unit consisting of the aforesaid acreage will not cause but will prevent waste, will protect correlative rights, and is necessary to prevent confiscation of applicant's property.

IT IS THEREFORE ORDERED:

(1) That the application of the Skelly Oil Company for approval of an unorthodox proration unit consisting of the following described acreage:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM

Section 6, NW/4 NE/4 NE/4 NW/4

be and the same is hereby approved, and a proration unit consisting of aforesaid acreage is hereby created.

(2) That applicant's well, #3 J. W. Sherrell, located in the NW/4 NE/4 of Section 6, Township 25 South, Range 37 East, NMPM., shall be granted an allowable from January 1, 1954 in the proportion that the above described 80 acres bears to the standard or orthodox proration unit for said pool, all until further order of the Commission.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


EDWIN L. MECHEM, Chairman


E. S. WALKER, Member


R. R. SPURRIER, Secretary and Member

(S E A L)

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
at
Santa Fe, New Mexico
December 17, 1953

In the Matter of:

Application of Skelly Oil Company for exception
to Rule 7(a) of Order No. R-368-A in establish-
ment of an unorthodox gas proration unit of 80
contiguous acres consisting of NE/4 NW/4 and the
NW/4 NE/4 of Section 6, Township 25 South, Range
37 East, in the Jalco Gas Pool, Lea County, New
Mexico

Application of Skelly Oil Company for exception
to Rule 7(a) of Order No. R-368-A in establish-
ment of an unorthodox gas proration unit of 240
contiguous acres consisting of the SE/4 and the
E/2 SW/4 of Section 31, Township 24 South, Range
37 East, in the Jalco Gas Pool, Lea County, New
Mexico.

Case No.s
613 & 615
(Consolidated)

TRANSCRIPT OF HEARING

BEFORE:

Hon. Edwin L. Mechem

Hon. E. S. (Johnny) Walker

Hon. R. R. Spurrier

MR. SPURRIER: The meeting will come to order.

(Notice of Publication read by Mr. Graham.)

MR. SELINGER: We would like to have Case No. 613 and 615
consolidated for the purpose of taking testimony. On behalf of
Skelly Oil Company we have one witness that we would like to have
sworn. I would like to make a brief preliminary statement.

ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 105-106, EL CORTEZ BLDG.
PHONES 7-9645 AND 5-9546
ALBUQUERQUE, NEW MEXICO

I believe this is the first unorthodox ~~exception~~ hearing to be held by the Commission with regards to the new gas regulations. It is our view and I think it would be rather enlightening to the Commission, preliminary to these cases, as nearly as possible we tried to confine our unorthodox units to the governmental quarter section. If not we try to confine it to half government quarter section, and in no event do we try to get out of the governmental section. We also are trying to work out these units in the cases of wells that have been on production for a number of years. The formation of these units tried to avoid the drilling of unnecessary wells. We believe that these two cases, the granting of the exceptions in these regards would not dislocate any acreage outside of the governmental half section, and will have no adverse effect on the surrounding properties.

In the case of 613 it happens that our No. 3 well is located in a governmental quarter section which contains two additional gas wells, making a total of three gas wells. We do have, however, an adjoining forty acres which makes this an eighty acre unit, forty lying in the southeast quarter of the governmental section and forty lying in the southwest.

In the case of 615 there are two wells, two gas wells in the south half of the governmental half section, the governmental section, but they are directly offsetting each other on forty acres. The assignment of the two hundred and forty acres lying within that governmental half section would eliminate the drilling of an unnecessary well and would in no way adversely effect or interfere with the surrounding formation of units. In other words, in both

ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 105-106, EL CORTEZ BLDG.
PHONES 7-9643 AND 5-9546
ALBUQUERQUE, NEW MEXICO

instances of 613 and 615 it will not go outside the governmental half section and will not cause any dislocation whatsoever.

MAX E. CURRY

having been first duly sworn, testified as follows:

DIRECT EXAMINATION

By MR. SELINGER:

(Skelly Oil Company's Exhibit No. 1
Marked for Identification)

Q Will you please state your name?

A Max E. Curry.

Q You are associated with Skelly Oil Company?

A I am.

Q In what capacity?

A As a Petroleum Engineer.

Q Where are you located, Mr. Curry?

A In Hobbs, New Mexico.

Q Are you familiar with Skelly Oil Company's operations in the Jalco Pool?

A I am.

Q Do the Sherrill No. 3 and the Sherrill No. 5 wells of Skelly Oil Company produce gas in the Jalco Gas Pool?

A They do.

MR. STANLEY: Excuse me, Mr. Selinger, could we put that plat up on the board?

MR. SELINGER: Yes.

Q On the board is what has been marked as Skelly's Exhibit No. 1 in Cases 613 and 615, the Sherrill No. 3 is on the eighty acres in the south part of the area outlined in green, is that correct?

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COURT REPORTERS
ROOM 108-106, EL CORTEZ BLDG.
PHONES 7-9648 AND 5-9546
ALBUQUERQUE, NEW MEXICO

A That is correct.

Q How many wells are located in the southeast quarter of Section 1?

A Just a minute.

Q I mean the northeast quarter of Section 1?

A This is Section 5.

Q How many wells are located in that quarter section of Section 6?

A There are three wells located in this quarter section.

Q And Skelly's acreage is an eighty acres lying in the one quarter section of the governmental section and the other forty acres in the other governmental quarter section, is that correct?

A That is correct.

Q Does Anderson-Prichard have a similarly situated eighty acres immediately south on which there is a gas well?

A They do. I believe that this also includes some acreage below in the same lease, but in this same half section they do have a similar eighty acre tract.

Q With respect to the two hundred and forty acres lying in Section 31, how many gas wells are there in the south half of that governmental section?

A There are two gas wells, Texas Company's B No. 2 and Skelly Oil Company's Sherrell No. 5.

Q Are there gas wells located in the north half of that governmental section?

A They are located, there are two, I believe, there is another in this same half section up here, but these wells are located in

the Langmat Gas Pool.

Q But they are similar gas wells, are they not?

A That is correct.

Q So at the present time, with respect to that Section 31, there are two gas wells in the north half and there are two gas wells in the south half?

A That is correct.

Q Now, with respect to the Sherrell No. 3, was that well originally completed as an oil or gas well?

A This well was originally completed as an oil well, it was completed in 1940, it was completed as an oil well in February of 1940, in the Cooper-Jal Field for initial potential of 49 barrels of oil per day. It was drilled to original total depth of 3490 feet. This well was, later in December, 1946, retainer was set in the seven inch casing at 3390 feet, and the well was perforated, seven inch casing was perforated as follows: - -

Q (Interrupting) You don't have to give all of them.

A I will give the top and bottom, from 2830 feet to 3300 feet.

(Skelly Oil Company's Exhibit No. 2
Marked for Identification)

Q Is that the log of the Sherrell No. 3 well?

A That is correct. This is a sample log of the Sherrell No. 3 well.

Q I will ask you, Mr. Curry, whether or not the necessary forms C104 and C110 have been filed with the Commission?

A They have been filed and the proper forms returned.

Q And in the returning of that form forty acres has been assigned to the No. 3 Sherrell well pending the Commission's action in this

matter, is that correct?

A That is correct.

Q Now, with respect to the No. 5 well, give the date that well was completed.

A This well was completed in September, 1949. It was completed by setting seven inch casing at 2720 feet and completing an open hole to a total depth of 3350 feet. The initial potential of this well was sixteen million standard cubic feet of gas per day. Shut-in pressure of twenty-four hours of nine hundred and sixty pounds.

(Skelly Oil Company's Exhibit No. 3
Marked for Identification)

Q I will hand you what has been marked by the Reporter as Skelly Oil Company's Exhibit No. 3, is that a sample log of the Sherrell No. 5 well?

A It is.

Q Mr. Curry, has the necessary forms, with respect to C104 and C110, on the J. W. Sherrell No. 5 well, been filed with the Commission?

A They have.

Q Has the Commission assigned eighty acres pending the disposition of the Commission in this particular hearing?

A That is correct.

Q If an exception is granted to the applicant in both wells, No.3 for eighty acres and Well No. 5 for two hundred and forty acres, will that prevent the drilling of unnecessary wells in order to maintain equal density with the offset quarter sections or governmental sections?

A That is correct, it will do that.

Q Will there be no dislocation or interference of the normal

operation of the Commission rules, with respect to the surrounding governmental sections or quarter sections?

A It should have no effect on the surrounding operators.

MR. SELINGER: We would like to offer into evidence Skelly's Exhibits 1, 2 and 3.

MR. SPURRIER: Without objection they will be admitted.

MR. SELINGER: That is all we have, with respect to Cases 613 and 615.

MR. SPURRIER: Any questions of the witness? We will take these cases under advisement and move on to Case 614.

STATE OF NEW MEXICO)
)
COUNTY OF BERNALILLO)

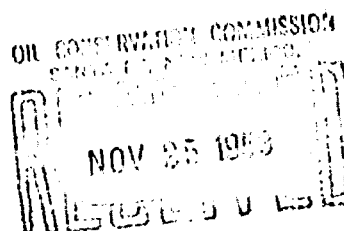
I HEREBY CERTIFY that the foregoing and attached transcript of hearing in Cases No. 613 and 615 before the Oil Conservation Commission, State of New Mexico, at Santa Fe, on December 17, 1953, is a true and correct record of the same to the best of my knowledge, skill and ability.

DATED at Albuquerque, New Mexico, this 18th day of December, 1953.


COURT REPORTER

ADA DEARNLEY & ASSOCIATES
COURT REPORTERS
ROOM 105-106, EL CORTEZ BLDG.
PHONES 7-9545 AND 5-9546
ALBUQUERQUE, NEW MEXICO

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 production 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.

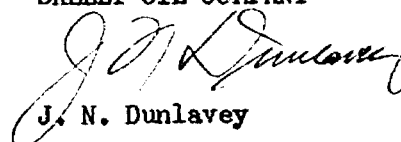
3. That the petitioner's well is entirely surrounded by producing gas wells in the Langmat Gas Pool and is, therefore, itself capable of production.

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.

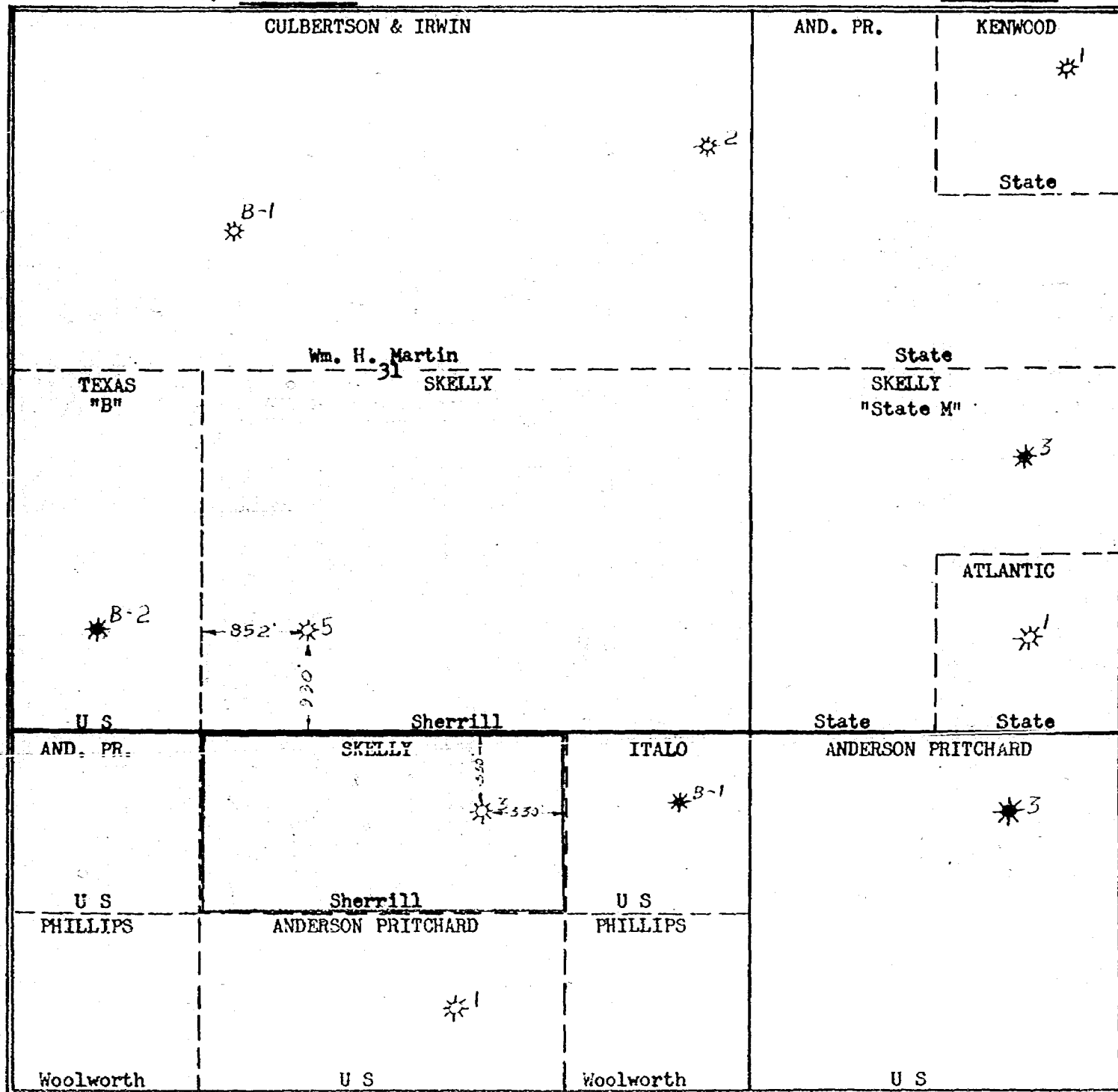
Respectfully submitted
SKELLY OIL COMPANY


J. N. Dunlavy

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.