

CASE 5138: Application of SKELLY
FOR A WATERFLOOD PROJECT AND 4
DUAL COMPLETIONS, EDDY COUNTY.

CASE No.

5/38

Application,

Transcripts,

Small Exhibits

ETC.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5138
Order No. R-4717

APPLICATION OF SKELLY OIL
COMPANY FOR A WATERFLOOD PROJECT
AND FOUR DUAL COMPLETIONS,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 3, 1974,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 25th day of January, 1974, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Skelly Oil Company, seeks authority
to institute a waterflood project by injection of water into the
Seven Rivers formation, Fren Pool, through six injection wells in
its Skelly Unit Area in Sections 21, 22, and 28, Township 17
South, Range 31 East, NMPM, Eddy County, New Mexico.

(3) That injection of water in the subject project is to
take place through three singly completed wells converted to water
injection, those being applicant's Skelly Unit Well No. 10, located
in Unit "H" of Section 21; Skelly Unit Well No. 12, located in
Unit "J" of Section 21; and Skelly Unit Well No. 16, located in
Unit "N" of Section 21, all in Township 17 South, Range 31 East,
NMPM, Eddy County, New Mexico, and through three wells to be
recompleted as dual completions (conventional) to inject water
into both the Seven Rivers and the San Andres formations, those
being applicant's Skelly Unit Well No. 54, located in Unit "L"
of Section 22; Skelly Unit Well No. 77, located in Unit "P" of
Section 21; and Skelly Unit Well No. 89, located in Unit "B" of
Section 28, all in Township 17 South, Range 31 East, NMPM, Eddy
County, New Mexico.

(4) That the applicant further seeks authority to recomplete
said Skelly Unit Wells Nos. 54, 77, and 89, which are presently
completed as injection wells in the Skelly Unit Waterflood Project,
Grayburg-Jackson Pool, as dual completions (conventional) to
inject water into the Seven Rivers and the San Andres formation

-2-

CASE NO. 5138
Order No. R-4717

through a single string of tubing with separation of said formations achieved by means of a packer.

(5) That the applicant further seeks authority to recomplete its Skelly Unit Well No. 76, located in Unit "O" of Section 21, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico as a dual completion (conventional) to produce oil from the Fren-Seven Rivers and the San Andres formations through parallel strings of tubing with separation of the zones by means of a packer set at approximately 3100 feet.

(6) That the wells in the proposed waterflood project area are in an advanced state of depletion and may properly be classified as "stripper" wells.

(7) That approval of the subject waterflood will result in the recovery of oil which would otherwise not be recovered, thereby preventing waste and protecting correlative rights.

(8) That the mechanics of the proposed dual completions are feasible and in accord with good conservation practices.

(9) That the operator should take all steps necessary to ensure that the injected water enters only the proposed injection zones and is not permitted to escape to other formations or onto the surface from injection, production, or plugged and abandoned wells.

(10) That the subject waterflood project should be approved and governed by rules 701, 702, and 703 of the Commission Rules and Regulations.

(11) That the subject dual completion producer should be approved and governed by rule 112-A of the Commission Rules and Regulations.

IT IS THEREFORE ORDERED:

(1) That the applicant, Skelly Oil Company, is hereby authorized to institute a waterflood project in its Skelly Unit Area by the injection of water into the Seven Rivers formation, Fren Pool through the following-described wells, all in Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico:

SKELLY UNIT WELL NO.	UNIT	SECTION
10	"H"	21
12	"J"	21
16	"N"	21
77	"P"	21
54	"L"	22
89	"B"	28

(2) That the applicant is further authorized to recomplete its Skelly Unit Well No. 54, located in Unit "L" of Section 22, its Skelly Unit Well No. 77, located in Unit "P" of Section 21, and its Skelly Unit Well No. 89, located in Unit "B" of Section 28, all in Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico, as dual completions (conventional) to inject water into the Seven-Rivers and the San Andres formations through a single string of tubing with separation of the zones achieved by means of a packer.

(3) That the applicant is further authorized to recomplete its Skelly Unit Well No. 76, located in Unit "O" of Section 21, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico as a dual completion (conventional) to produce oil from the Seven Rivers and the San Andres formations through parallel strings of 2 3/8-inch tubing with separation of the zones achieved by means of a packer set at approximately 3,100 feet.

(4) That injection into each of the subject injection wells shall take place through 2 3/8-inch EUE internally coated tubing set in a packer located above and as near as practicable to the uppermost perforations and, in the case of the subject dually completed injection wells, an additional packer shall be located between the perforations for the respective zones; that the casing-tubing annulus of each injection well shall be loaded with an inert fluid and equipped with an approved pressure gauge or attention-attracting leak detection device.

(5) That the operator shall immediately notify the supervisor of the Commission's Artesia District Office of the failure of the tubing or packer in any of said injection wells, the leakage of water or oil from around any producing well, or the leakage of water or oil from any plugged or abandoned well within the project area and shall take such timely steps as may be necessary or required to correct such failure or leakage.

(6) That the above authorized waterflood project is hereby designated the Skelly Unit Fren-Seven Rivers Waterflood Project and shall be governed by the provisions of Rules 701, 702, and 703 of the Commission Rules and Regulations.

(7) That monthly progress reports of the waterflood project herein authorized shall be submitted to the Commission in accordance with Rules 704 and 1120 of the Commission Rules and Regulations.

(8) That the applicant shall complete and operate its Skelly Unit Well No. 76 as hereinabove described in accordance with Rule No. 112-A of the Commission Rules and Regulations insofar as said rule is not inconsistent with this order.

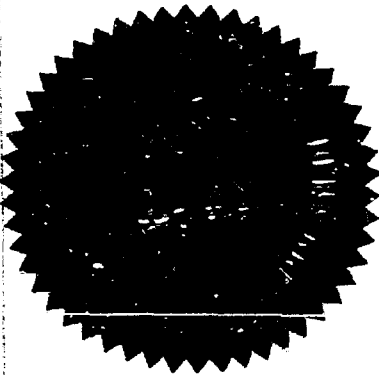
(9) That the applicant shall take packer-leakage tests on its Skelly Unit Well No. 76, as hereinabove described, upon its completion and annually thereafter during the Annual Shut-In Pressure Test Period for the Grayburg-Jackson Pool.

-4-
CASE NO. 5138
Order No. R-4717

(10) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



I. R. TRUJILLO, Chairman

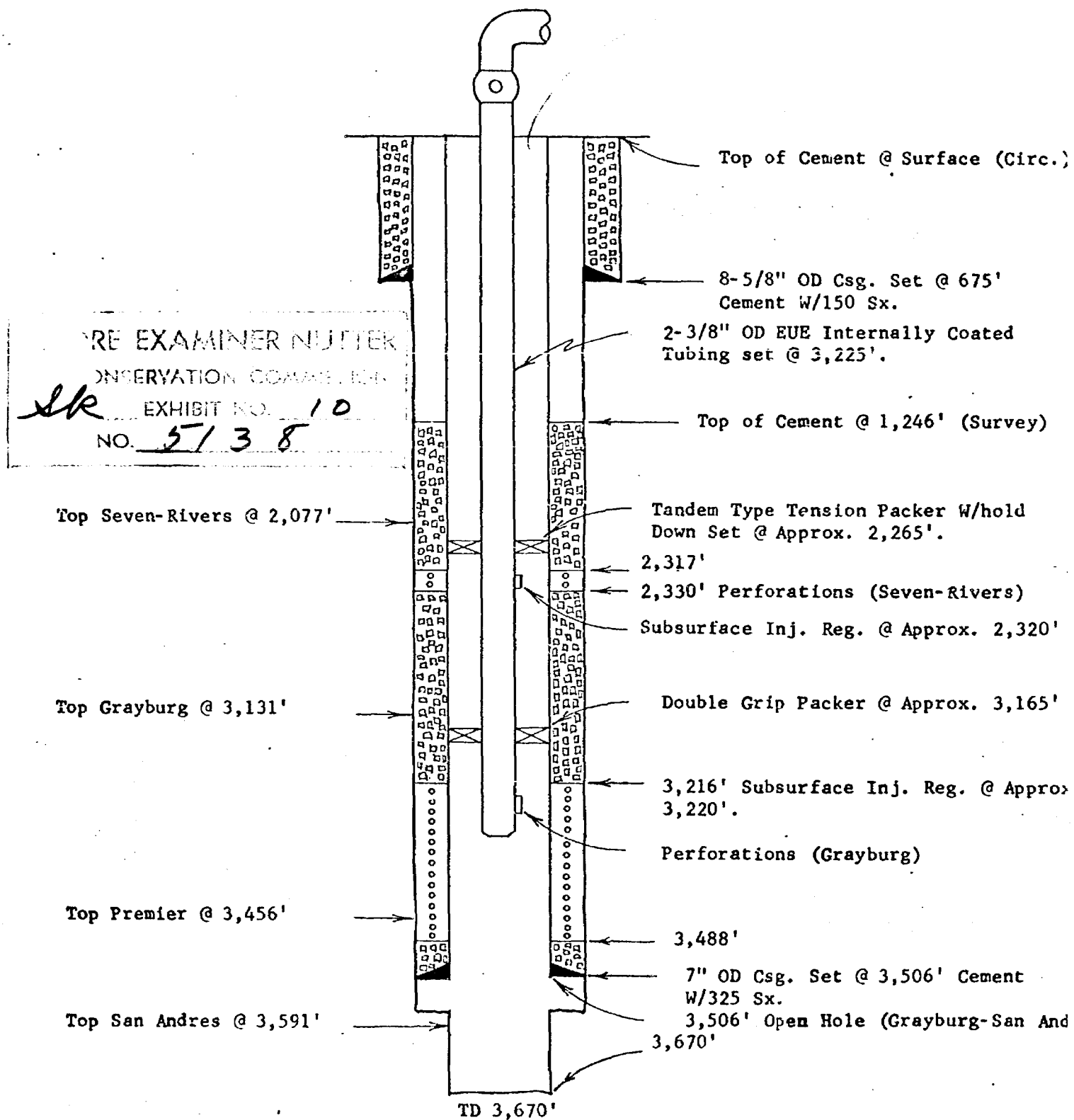
Alex J. Armijo
ALEX J. ARMIJO, Member

A. L. Porter Jr.
A. L. PORTER, JR., Member & Secretary

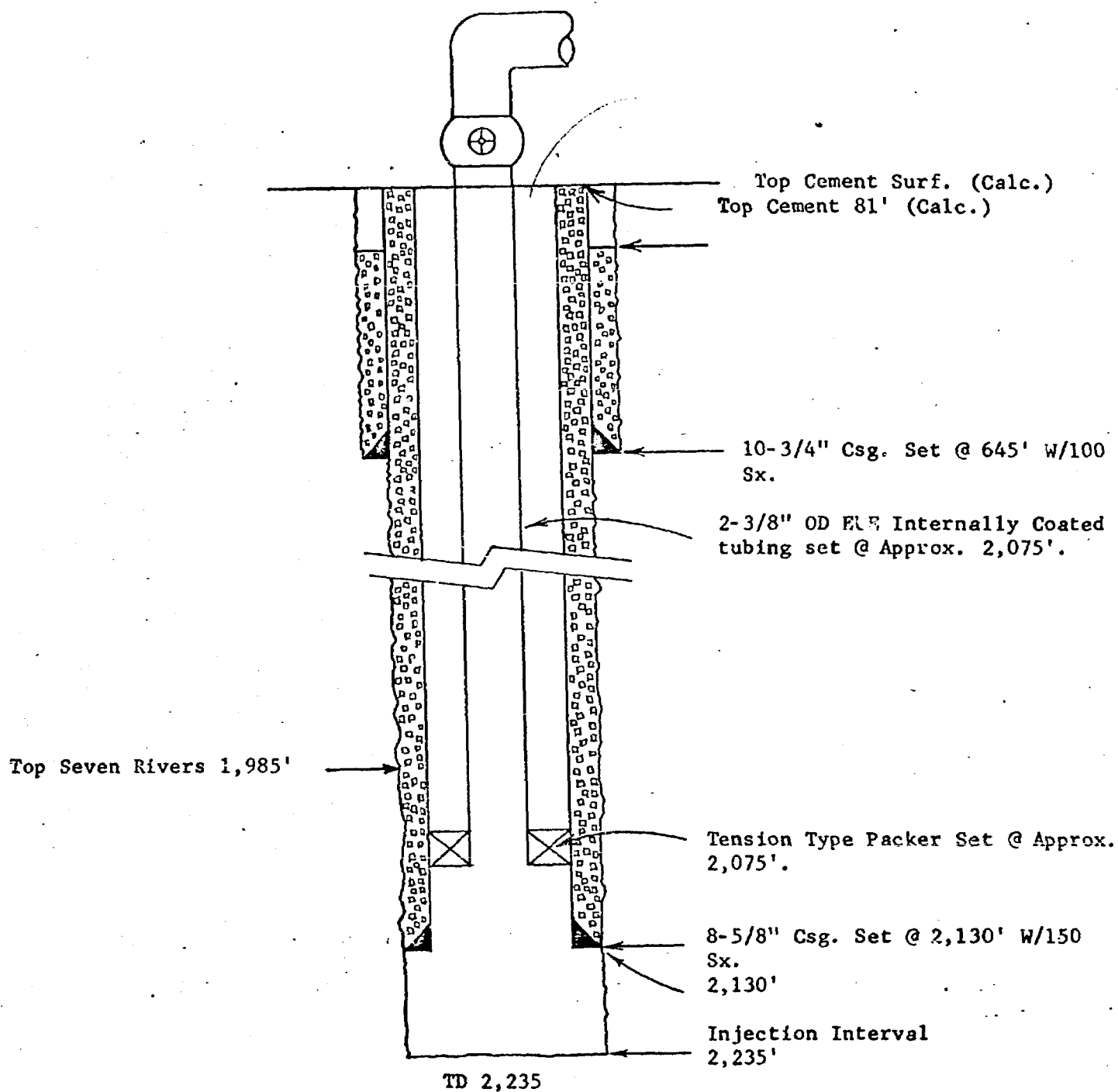
S E A L

jr/

SKELLY OIL COMPANY
 SKELLY UNIT WELL NO. 89
 660' FNL & 1,980' FEL, SECTION 28, T-17-S, R-31-E
 DUAL FREN SEVEN-RIVERS & GRAYBURG SAN ANDRES INJECTION WELL

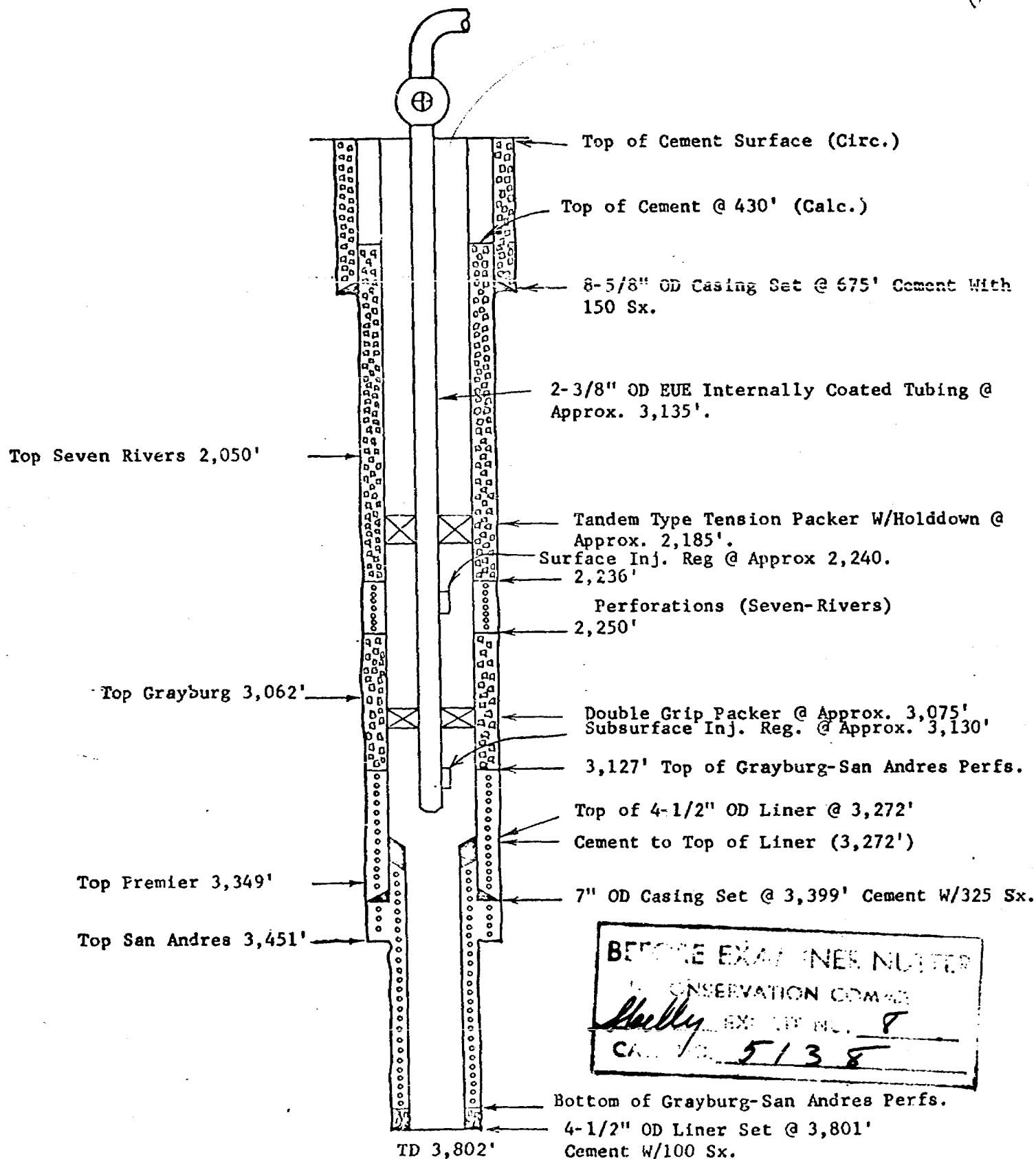


SKELLY OIL COMPANY
 SKELLY UNIT WELL NO. 12
 1,980' FSL & 1,980' FEL, SECTION 21, T-17-S, R-31- E
 FREN-SEVEN RIVERS INJECTION WELL



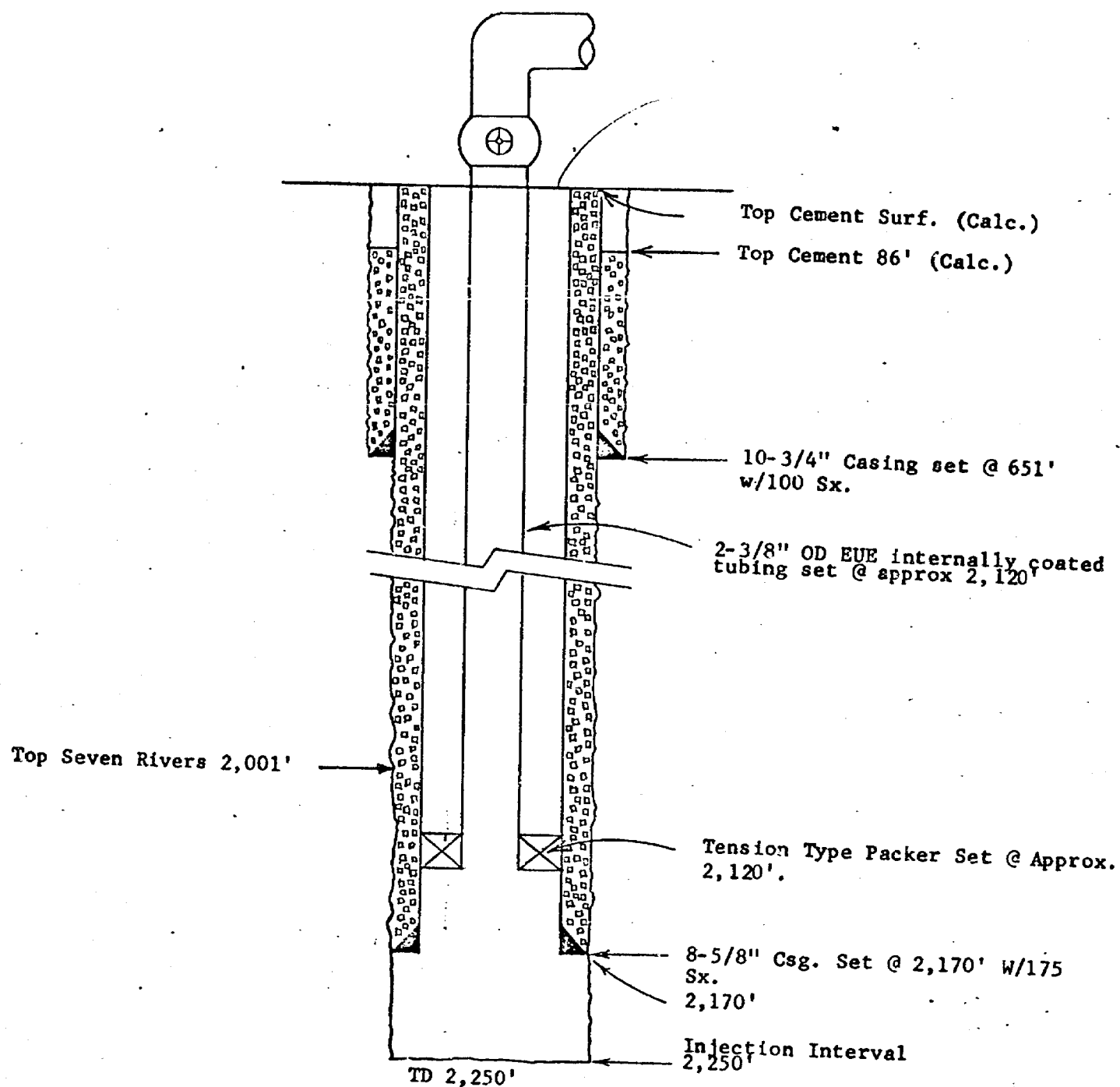
BEFORE EXAMINE AFTER
 OIL CONSERVATION COMMISSION
 Skelly EXHIBIT NO. 6
 CASE NO. 5138

SKELLY OIL COMPANY
 SKELLY UNIT WELL NO. 54
 1,980' FSL & 660' FWL, Section 22, T-17-S, R-31-E
 DUAL FREN SEVEN-RIVERS & GRAYBURG SAN ANDRES INJECTION WELL



BEFORE EXAMINER NOTED
 CONSERVATION COM.
 Skelly EX. UNIT NO. 54
 C.A. NO. 5138

SKELLY OIL COMPANY
 SKELLY UNIT WELL NO. 16
 660' FSL & 1,980' FWL, SECTION 21, T-17-S, R-31-E
 FREN-SEVEN RIVERS INJECTION WELL



BEFORE EXAMINED BY NUTTER
 OIL CONSERVATION COMMISSION
Skelly EXHIBIT NO. 7
 CASE NO. 5138

NEW MEXICO OIL CONSERVATION COMMISSION
BOX 2088 SANTA FE, NEW MEXICO
OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C-113 REV. 10-1-71
 SUBMIT: ORIGINAL TO OCC SANTA FE
 ONE COPY TO OCC DIST. OFFICE
 ONE COPY TO TRANSPORTER

Company or Operator: Skelly Oil Company 8 (Address) P.O. Box 1351, Midland, Tex. 79701 MONTH OCT 1973 Page 76

WELL NO. UNIT SEC. TWP. RMB.	WELL STATUS	TOTAL LIQUIDS PRODUCED			GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS					DISPOSITION OF OIL						
		MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED			VENTED	USED ON LEASE	SOLD	PURCH.	OTHER	C O D E	OIL ON HAND BEG. OF MONTH	BARRELS TO TRANS-PORTER	OTHER	C O D E	TRANS-PORTER	OIL ON HAND END OF MONTH
LEASE NAME AND STATE LAND LEASE NUMBER OR FEDERAL LEASE NUMBER																		
Commingle Batteries With Same Lease Name - Eddy																		
ACT NO. 1																		
Fren																		
Skelly Unit - Commingle With Skelly Unit - Grayburg-Jackson Pool																		
2 C 22 17 31	P	62	46	69	0	31	—											
Grayburg-Jackson																		
Skelly Unit - Commingle With Skelly Unit - Fren Pool																		
7 B 15 17 31	P	1116	1054	53	412	31												
8 D 15 17 31	P	186	124	0	3	31												
9 F 15 17 31	I		Water Injection Well															
10 G 15 17 31	P	1240	1172	271	3	31												
11 H 15 17 31	I		Water Injection Well															
12 J 14 17 31	I		Water Injection Well															
13 K 14 17 31	P	558	371	104	4	31												
Totals this page		3162	2722	497	427													
(Continued on next page)																		

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
AK EXHIBIT NO. 17
CASE NO. 5138

BEFORE EXAMINER NUTTER
 OIL CONSERVATION COMMISSION
 EXHIBIT NO. 17
 CASE NO. 5138

WELL CODE
 FLOWING
 PUMPING
 GAS LIFT
 SHUT IN
 TEMP. ABANDONED
 INJECTION

"OTHER" GAS DISPOSITION CODE
 A - - - - USED OFF LEASE
 D - - - - USED FOR DRILLING
 G - - - - GAS LIFT
 L - - - - LOST (MCF ESTIMATED)
 E - - - - EXPLANATION ATTACHED
 R - - - - REPRESSURING OR PRESSURE MAINTENANCE

"OTHER" OIL DISPOSITION CODE
 C - - - - CIRCULATING OIL
 L - - - - LOST
 S - - - - SEDIMENTATION (BS&W)
 E - - - - EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

D. R. Crow NOV 23 1973
 (SIGNATURE) (DATE)

Lead Clerk

(POSITION)

Submitted in Lieu of Form No. 9-329

NEW MEXICO OIL CONSERVATION COMMISSION
BOX 2088 SANTA FE, NEW MEXICO
OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C-115 REV. 10-1-61
 SUBMIT ORIGINAL TO OCC SANTA FE
 ONE COPY TO OCC DIST. OFFICE
 ONE COPY TO TRANSPORTER

Company or Operator: Skelly Oil Company 8 (Address) P.O. Box 1351, Midland, Tex. 79701 FOR MONTH OCT 1973 Page 92

WELL NO. UNIT SEC. TWP. RMB.	WELL STATUS	TOTAL LIQUIDS PRODUCED			GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS					C O D E	DISPOSITION OF OIL					OIL ON HAND END OF MONTH
		MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED			VENTED	USED ON LEASE	SOLD	PURCH.	OTHER		OIL ON HAND BEG. OF MONTH	BARRELS TO TRANSPORTER	OTHER	C O D E	TRANSPORTER	
POOL NAME (UNDERLINE):																		
LEASE NAME AND STATE LAND LEASE NUMBER OR FEDERAL LEASE NUMBER																		
ommingled Batteries With Same Lease Name - Eddy																		
rayburg-Jackson																		
kelly Unit - Commingled With Skelly Unit - Fren Pool (Continued)																		
4 L 14 17 31	I		Water	Injection Well														
5 I 15 17 31	P	155	93	2	1222	31												
6 J 15 17 31	I		Water	Injection Well														
7 K 15 17 31	P	1240	867	26	16	31												
8 L 15 17 31	P	330	248	0	2	31												
9 M 15 17 31	P	341	279	11	6	31												
0 N 15 17 31	I		Water	Injection Well														
1 O 15 17 31	P	713	651	625	10	31												
2 P 15 17 31	I		Water	Injection Well														
3 M 14 17 31	P	992	929	929	2	31												
4 N 14 17 31	I		Water	Injection Well														
TOTALS THIS PAGE		3771	3067	1593	1258													

STATUS CODE
 F-----FLOWING
 P-----PLUMPING
 G-----GAS LIFT
 S-----SHUT IN
 T-----TEMP ABANDONED
 I-----INJECTION

"OTHER" GAS DISPOSITION CODE
 A-----USED OFF LEASE
 D-----USED FOR DRILLING
 G-----GAS LIFT
 L-----LOST (MCF ESTIMATED)
 E-----EXPLANATION ATTACHED
 R-----REPRESSURING OR PRESSURE MAINTENANCE

(Continued on next page)

"OTHER" OIL DISPOSITION CODE
 C-----CIRCULATING OIL
 L-----LOST
 S-----SEDIMENTATION (BS&W)
 E-----EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

Submitted in Lieu of Form No. 9-329

Lead Clerk

D. R. Crow NOV 23 1973
 (SIGNATURE) (DATE)

(POSITION)

NEW MEXICO OIL CONSERVATION COMMISSION
BOX 2088 SANTA FE, NEW MEXICO
OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C-118 REV. 10-1-61
 SUBMIT ORIGINAL TO OCC SANTA FE
 ONE COPY TO OCC DIST. OFFICE
 ONE COPY TO TRANSPORTER

Company or Operator Skelly Oil Company (Address) P.O. Box 1351, Midland, Tex. 79701 FOR MONTH OCT 1973 Page 92

WELL NO. UNIT SEC. TWP. RMB.	WELL STATUS	TOTAL LIQUIDS PRODUCED			GAS PRODUCED MCP	DAYS 9900	DISPOSITION OF GAS					DISPOSITION OF OIL					
		MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED			VENTED	USED ON LEASE	SOLD	PURCH.	OTHER	CODE	OIL ON HAND BEG. OF MONTH	BARRELS TO TRANS-PORTER	OTHER	CODE	TRANS-PORTER
POOL NAME (UNDERLINE)		LEASE NAME AND STATE LAND LEASE NUMBER OR FEDERAL LEASE NUMBER															
Commingled Batteries With Same Lease Name - Eddy																	
Grayburg-Jackson																	
Skelly Unit - Commingled with Skelly Unit - Fren Pool (Continued)																	
35 O 14 17 31	P	527	310	0	1	31											
36 P 14 17 31	P	186	61	41	5	31											
37 A 23 17 31	P	124	548	992	10	31											
38 B 23 17 31	I		Water Injection Well														
39 C 23 17 31	P	558	620	620	4	31											
40 D 23 17 31	I		Water Injection Well														
41 A 22 17 31	P	837	619	111	2	31											
42 B 22 17 31	I		Water Injection Well														
43 C 22 17 31	P	217	155	28	43	31											
44 F 22 17 31	I		Water Injection Well														
45 G 22 17 31	P	992	960	451	49	31											
Totals This Page		3441	2973	2243	111												

(Continued on next page)

STATUS CODE
 F-----FLOWING
 P-----PUMPING
 S-----GAS LIFT
 T-----SHUT IN
 Y-----TEMP ABANDONED
 I-----INJECTION

"OTHER" GAS DISPOSITION CODE
 A-----USED OFF LEASE
 D-----USED FOR DRILLING
 G-----GAS LIFT
 L-----LOST (MCP ESTIMATED)
 E-----EXPLANATION ATTACHED
 R-----REPRESSURING OR PRESSURE MAINTENANCE

"OTHER" OIL DISPOSITION CODE
 C-----CIRCULATING OIL
 L-----LOST
 S-----SEDIMENTATION (B&W)
 E-----EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

D. R. Crow NOV 23 1973
 (SIGNATURE) D. R. CROW (DATE)

Lead Clerk
 (POSITION)

Submitted in lieu of Form No. 9-329

NEW MEXICO OIL CONSERVATION COMMISSION
BOX 2088 SANTA FE, NEW MEXICO
OPERATOR'S MONTHLY REPORT

STATE OIL FORM C-111 REV. 10-1-61
 SUBMIT: ORIGINAL TO OCC SANTA FE
 ONE COPY TO OCC DIST. OFFICE
 ONE COPY TO TRANSPORTER

(Company or Operator) Skelly Oil Company 8 (Address) P.O. Box 1351, Midland, Tex. 79701 FOR MONTH OCT 1973 Page 99 of 99

WELL NO. UNIT SEC. TWP. RNB.	WELL STATUS	TOTAL LIQUIDS PRODUCED			GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS					DISPOSITION OF OIL					
		MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED			VENTED	USED ON LEASE	SOLD	PURCH.	OTHER	C O D E	OIL ON HAND BEG. OF MONTH	BARRELS TO TRANS-PORTER	OTHER	C O D E	TRANS-PORTER
LEASE NAME AND STATE LAND LEASE NUMBER OR FEDERAL LEASE NUMBER																	
Commingled Batteries With Same Lease Name - Eddy																	
Grayburg-Jackson																	
Skelly Unit - Commingled with Skelly Unit - Fren Pool (Continued)																	
46 H 22 17 31	I		Water	Injection Well													
47 E 23 17 31	P	744	558	0	5	31											
48 F 23 17 31	I		Water	Injection Well													
49 G 23 17 31	P	837	557	1186	6	31											
50 H 23 17 31	P	124	322	41	14	31											
51 I 22 17 31	P	992	806	266	23	31											
52 J 22 17 31	I		Water	Injection Well													
53 K 22 17 31	P	248	185	109	32	31											
54 L 22 17 31	I		Water	Injection Well													
55 M 22 17 31	P	248	837	42	23	31											
56 N 22 17 31	I		Water	Injection Well													
Totals this page		3193	3315	1644	103												

STATUS CODE
 F-----FLOWING
 P-----PUMPING
 G-----GAS LIFT
 S-----SHUT IN
 T-----TEMP ABANDONED
 I-----INJECTION

"OTHER" GAS DISPOSITION CODE
 A-----USED OFF LEASE
 D-----USED FOR DRILLING
 G-----GAS LIFT
 L-----LOST (MCF ESTIMATED)
 P-----EXPLANATION ATTACHED
 R-----REPRESSURING OR PRESSURE MAINTENANCE

(Continued on next page)
 (ESTIMATION MUST BE SHOWN ON FORM C-11)

Submitted in Lieu of Form No. 9-329

"OTHER" OIL DISPOSITION CODE
 C-----CIRCULATING OIL
 L-----LOST
 S-----SEDIMENTATION (RESERVED)
 E-----EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

D. R. Crow NOV 23 1973
 (SIGNATURE) (DATE)
 Lead Clerk

NEW MEXICO OIL CONSERVATION COMMISSION
BOX 2088 SANTA FE, NEW MEXICO
OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C-112 REV. 10-1-61
 SUBMIT ORIGINAL TO OCC SANTA FE
 ONE COPY TO OCC DIST. OFFICE
 ONE COPY TO TRANSPORTER

(Company or Operator) Skelly Oil Company 8 (Address) P.O. Box 1351, Midland, Tex. 79701 FOR MONTH OCT 1973 Page 100

WELL NO. UNIT SEC. TWP. RND.	WELL STATUS	TOTAL LIQUIDS PRODUCED			GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS					DISPOSITION OF OIL				
		MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED			VENTED	USED ON LEASE	SOLD	PURCH.	OTHER	C O D E	OIL ON HAND BEG. OF MONTH	BARRELS TO TRANS-PORTER	OTHER	C O D E
LEASE NAME AND STATE LAND LEASE NUMBER OR FEDERAL LEASE NUMBER																
Commingled Batteries With Same Lease Name - Eddy																
Grayburg-Jackson																
Skelly Unit - Commingled with Skelly Unit - Fren Pool (Continued)																
57 O 22 17 31	P	496	309	114	8	31										
58 P 22 17 31	I		Water Injection Well													
106 C 15 17 31	P	217	155	0	84	31										
108 A 15 17 31	P	620	434	651	265	31										
109 E 15 17 31	P	868	496	243	100	31										
111 I 14 17 31	P	155	93	3	232	31										
Totals This Page		2356	1487	1011	689											
Grayburg-JACKSON Total		15861	13568	6919	2588				2588	CON						
Fren Total		62	46	69	0				0	CON						
LACT No. 1 Total		15929	13614	6988	2588				2588	CON		1032	13591		TMM	1055

STATUS CODE
 F-----FLOWING
 P-----PUMPING
 S-----GAS LIFT
 B-----SHUT IN
 T-----TEMP. ABANDONED
 I-----INJECTION

"OTHER" GAS DISPOSITION CODE
 A-----USED OFF LEASE
 D-----USED FOR DRILLING
 G-----GAS LIFT
 L-----LOST (MCF ESTIMATED)
 E-----EXPLANATION ATTACHED
 R-----REPRESSURING OR PRESSURE MAINTENANCE

"OTHER" OIL DISPOSITION CODE
 C-----CIRCULATING OIL
 L-----LOST
 S-----SEDIMENTATION (BS&W)
 E-----EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

Submitted in Lieu of Form No. 9-329

D. R. Brown D. R. Brown NOV 22 1973
 (SIGNATURE) (DATE)

Lead Clerk

(POSITION)

NEW MEXICO OIL CONSERVATION COMMISSION
BOX 2088 SANTA FE, NEW MEXICO
OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C-118 REV. 10-1-61
 SUBMIT ORIGINAL TO OCC SANTA FE
 ONE COPY TO OCC DIST. OFFICE
 ONE COPY TO TRANSPORTER

Company or Operator: Skelly Oil Company 8 (Address: P.O. Box 1351, Midland, Tex. 79701) FOR MONTH OCT 1973 Page 101

WELL NO. UNIT SEC. TWP. RMB.	WELL STATUS	TOTAL LIQUIDS PRODUCED			GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS					DISPOSITION OF OIL				
		MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED			VENTED	USED ON LEASE	SOLD	PURCH.	OTHER	C O D E	OIL ON HAND BEG. OF MONTH	BARRELS TO TRANS-PORTER	OTHER	C O D E
POOL NAME (UNDERLINE)		LEASE NAME AND STATE LAND LEASE NUMBER OR FEDERAL LEASE NUMBER														
Commingled Batteries With Same Lease Name - Eddy																
LACT NO. 2																
Fren																
Skelly Unit - Commingled With Skelly Unit - Grayburg-Jackson Pool																
4 B 21 17 31	P	124	90	0	15	31	167									
5 C 21 17 31	P	93	60	0	12	31	200									
6 D 21 17 31	P	93	60	0	21	31	350									
7 E 21 17 31	P	124	91	0	12	31	132									
8 F 21 17 31	P	155	90	0	18	31	200									
9 G 21 17 31	P	124	60	0	13	31	217									
10 H 21 17 31	P	93	61	0	14	31	230									
11 I 21 17 31	P	155	90	0	17	31	189									
12 J 21 17 31	P	155	60	0	18	31	300									
13 K 21 17 31	P	155	60	0	13	31	217									
Totals This Page		1271	722	0	153											

STATUS CODE
 F-----FLOWING
 P-----PUMPING
 S-----GAS LIFT
 S-----SHUT IN
 T-----TEMP ABANDONED
 I-----INJECTION

"OTHER" GAS DISPOSITION CODE
 A-----USED OFF LEASE
 D-----USED FOR DRILLING
 G-----GAS LIFT
 L-----LOST (MCF ESTIMATED)
 E-----EXPLANATION ATTACHED
 R-----REPRESSURING OR PRESSURE MAINTENANCE

(Continued on next page)
 (ESTIMATION MUST BE SHOWN ON FORM C-11)

Submitted in Lieu of Form 9-329

"OTHER" OIL DISPOSITION CODE
 C-----CIRCULATING OIL
 L-----LOST
 S-----SEDIMENTATION (BS&W)
 E-----EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

D. R. Crow D. R. Crow NOV 23 1973
 (SIGNATURE) (DATE)

Lead Clerk

NEW MEXICO OIL CONSERVATION COMMISSION
BOX 2088 SANTA FE, NEW MEXICO
OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C-115 REV. 10-1-65
 SUBMIT ORIGINAL TO OCC SANTA FE
 ONE COPY TO OCC DIST. OFFICE
 ONE COPY TO TRANSPORTER

Company or Operator Skelly Oil Company 8 (Address) P.O. Box 1351, Midland, Tex. 79701 FOR MONTH OCT 1973 Page 102

WELL NO. UNIT SEC. TWP. RMB.	WELL STATUS	TOTAL LIQUIDS PRODUCED			GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS					C O D E	DISPOSITION OF OIL					OIL ON HAND END OF MONTH
		MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED			VENTED	USED ON LEASE	SOLD	PURCH.	OTHER		BARRELS TO TRANS-PORTER	OTHER	C O D E	TRANS-PORTER		
POOL NAME (UNDERLINE)		LEASE NAME AND STATE LAND LEASE NUMBER OR FEDERAL LEASE NUMBER											OIL ON HAND BEG. OF MONTH					
<u>Commingled Batteries With Same Lease Name - Eddy</u>																		
<u>TRACT NO. 2</u>																		
<u>FREN</u>																		
<u>Skelly Unit - Commingled with Skelly Unit - Grayburg-Jackson Pool.</u>																		
14 L 21 17 31	P	93	61	0	11	31	180											
15 M 21 17 31	P	155	60	0	14	31	233											
16 N 21 17 31	P	124	60	0	13	31	217											
<u>Grayburg-Jackson</u>																		
<u>Skelly Unit - Commingled with Skelly Unit - Fren Pool</u>																		
11 I 21 17 31	P	248	151	17	29	31												
59 A 21 17 31	P	186	120	2	76	31												
60 B 21 17 31	P	186	121	0	62	31												
61 C 21 17 31	P	248	150	0	60	31												
Totals This Page		1240	72.3	19	320													

STATUS CODE

F-----FLOWING
 P-----PUMPING
 S-----GAS LIFT
 B-----SHUT IN
 T-----TEMP ABANDONED
 I-----INJECTION

"OTHER" GAS DISPOSITION CODE

X-----USED OFF LEASE
 D-----USED FOR DRILLING
 G-----GAS LIFT
 L-----LOST (MCF ESTIMATED)
 E-----EXPLANATION ATTACHED
 R-----REPRESSURING OR PRESSURE MAINTENANCE

(Continued on next page)

(DESTINATION MUST BE SHOWN ON FORM C-11)

"OTHER" OIL DISPOSITION CODE

C-----CIRCULATING OIL
 L-----LOST
 S-----SEDIMENTATION (BS&W)
 E-----EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

D. R. Crow NOV 23 1973
 (SIGNATURE) (DATE)

Lead Clerk

(POSITION)

NEW MEXICO OIL CONSERVATION COMMISSION
BOX 2088 SANTA FE, NEW MEXICO
OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C-115 REV. 10-1-61
 SUBMIT: ORIGINAL TO OCC SANTA FE
 ONE COPY TO OCC DIST. OFFICE
 ONE COPY TO TRANSPORTER

(Company or Operator) Skelly Oil Company (Address) P.O. Box 1351, Midland, Tex. 79701 FOR MONTH OCT 1973 Page 103 of 103

WELL NO. UNIT SEC. TWP. RMB.	WELL STATUS	TOTAL LIQUIDS PRODUCED			GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS					DISPOSITION OF OIL						
		MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED			VENTED	USED ON LEASE	SOLD	PURCH.	OTHER	C O D E	OIL ON HAND BEG. OF MONTH	BARRELS TO TRANS-PORTER	OTHER	C O D E	TRANS-PORTER	OIL ON HAND END OF MONTH
POOL NAME (UNDERLINE)		LEASE NAME AND STATE LAND LEASE NUMBER OR FEDERAL LEASE NUMBER																
Commingled Batteries With Same Lease Name - Eddy																		
Grayburg-Jackson																		
Skelly Unit - Commingled with Skelly Unit - Fren Pool																		
62 D 21 17 31	P	527	572	63	81	31												
63 E 21 17 31	P	62	31	47	68	31												
64 F 21 17 31	I		Water	Injection Well														
65 G 21 17 31	P	403	451	99	115	31												
66 H 21 17 31	I		Water	Injection Well														
67 J 21 17 31	I		Water	Injection Well														
68 K 21 17 31	P	186	121	7	53	31												
69 L 21 17 31	I		Water	Injection Well														
70 J 23 17 31	P	1984	753	2259	0	31												
Totals This Page		3162	1928	2475	312													
(Continued on next page)																		

STATUS CODE
 F-----FLOWING
 P-----PUMPING
 S-----GAS LIFT
 S-----SHUT IN
 T-----TEMP ABANDONED
 I-----INJECTION

"OTHER" GAS DISPOSITION CODE
 A-----USED OFF LEASE
 D-----USED FOR DRILLING
 G-----GAS LIFT
 L-----LOST (MCF ESTIMATED)
 E-----EXPLANATION ATTACHED
 R-----REPRESSURING OR PRESSURE MAINTENANCE

"OTHER" OIL DISPOSITION CODE
 C-----CIRCULATING OIL
 L-----LOST
 S-----SEDIMENTATION (BS&W)
 E-----EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

Submitted in lieu of Form No. 9-329

D. R. Cro NOV 23 1973
 (SIGNATURE) (DATE)
 Lead Clerk

(POSITION)

NEW MEXICO OIL CONSERVATION COMMISSION
BOX 2088 SANTA FE, NEW MEXICO
OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C-115 REV. 10-1-61
 SUBMIT ORIGINAL TO OCC SANTA FE
 ONE COPY TO OCC DIST. OFFICE
 ONE COPY TO TRANSPORTER

(Company or Operator) Skelly Oil Company 8 (Address) P.O. Box 1351, Midland, Tex. 79701 FOR MONTH OCT 1973 Page 104

WELL NO. UNIT SEC. TWP. RMB.	WELL STATUS	TOTAL LIQUIDS PRODUCED			GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS					C O D E	DISPOSITION OF OIL				
		MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED			VENTED	USED ON LEASE	SOLD	PURCH.	OTHER		OIL ON HAND BEG. OF MONTH	BARRELS TO TRANSPORTER	OTHER	C O D E	TRANSPORTER
POOL NAME (UNDERLINE)		LEASE NAME AND STATE LAND LEASE NUMBER OR FEDERAL LEASE NUMBER															
<u>Commingle Batteries With Same Lease Name - Eddy</u>																	
<u>Grayburg-Jackson</u>																	
<u>Skelly Unit - Commingle With Skelly Unit - Fren Pool (Continued)</u>																	
71 J 23 17 31	I		Water	Injection Well													
72 K 23 17 31	P	868	602	602	266	31											
73 L 23 17 31	I		Water	Injection Well													
74 M 21 17 31	P	713	1355	339	109	31											
75 N 21 17 31	I		Water	Injection Well													
76 O 21 17 31	P	1209	1085	2018	207	31											
77 P 21 17 31	I		Water	Injection Well													
78 M 23 17 31	P	558	391	74	119	31											
79 N 23 17 31	I		Water	Injection Well													
80 O 23 17 31	P	713	512	420	207	31											
Totals This Page		4061	3945	3453	908												

STATUS CODE
 F - FLOWING
 P - PUMPING
 G - GAS LIFT
 S - SHUT IN
 T - TEMP ABANDONED
 I - INJECTION

"OTHER" GAS DISPOSITION CODE
 B - USED OFF LEASE
 D - USED FOR DRILLING
 O - GAS LIFT
 L - LOST (MCF ESTIMATED)
 E - EXPLANATION ATTACHED
 R - REPRESSURING OR PRESSURE MAINTENANCE

SUBMITTED IN LIEU OF FORM NO. 9-329

"OTHER" OIL DISPOSITION CODE
 C - CIRCULATING OIL
 L - LOST
 S - SEDIMENTATION (BS&W)
 E - EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

D. R. Crow NOV 23 1973
 (SIGNATURE) DATE
 Lead Clerk

NEW MEXICO OIL CONSERVATION COMMISSION
BOX 2088 SANTA FE, NEW MEXICO
OPERATOR'S MONTHLY REPORT

STATEMENT FORM C-112 REV. 10-1-65
 SUBMIT ORIGINAL TO OCC SANTA FE
 ONE COPY TO OCC DIST. OFFICE
 ONE COPY TO TRANSPORTER

Company or Operator: Skelly Oil Company 8 (Address) P.O. Box 1351, Midland, Tex. 79701 FOR MONTH OCT 1973 Page 105

WELL NO. UNIT SEC. TWP. RMO.	WELL STATUS	TOTAL LIQUIDS PRODUCED			GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS					DISPOSITION OF G.L.					
		MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED			VENTED	USED ON LEASE	SOLD	PURCH.	OTHER	C O D E	OIL ON HAND BEG. OF MONTH	BARRELS TO TRANS-PORTER	OTHER	C O D E	TRANS-PORTER
POOL NAME (UNDERLINE)		LEASE NAME AND STATE LAND LEASE NUMBER OR FEDERAL LEASE NUMBER															
Commingled Batteries With Same Lease Name - Eddy																	
Grayburg-Jackson																	
Skelly Unit - Commingled With Skelly Unit - Fren Pool (Continued)																	
81 P 23 17 31	I		Water	Injection Well													
82 C 26 17 31	P	527	482	5115	136	31											
83 D 26 17 31	I		Water	Injection Well													
84 A 27 17 31	P	248	301	99	105	31											
85 B 27 17 31	I		Water	Injection Well													
86 C 27 17 31	P	186	121	121	154	31											
87 D 27 17 31	I		Water	Injection Well													
88 A 28 17 31	P	403	301	99	170	31											
89 B 28 17 31	I		Water	Injection Well													
90 C 28 17 31	P	1612	1295	65	163	31											
Totals This Page		2976	2500	5499	728												
			(Continued next page)														

STATUS CODE
 F-----FLOWING
 P-----PUMPING
 D-----GAS LIFT
 S-----SHUT IN
 T-----TEMP ABANDONED
 I-----INJECTION

"OTHER" GAS DISPOSITION CODE
 A-----USED OFF LEASE
 D-----USED FOR DRILLING
 G-----GAS LIFT
 L-----LOST (MCF ESTIMATED)
 E-----EXPLANATION ATTACHED
 R-----REPRESSURING OR PRESSURE MAINTENANCE
 (ESTIMATION MUST BE SHOWN ON FORM C-11)

Submitted in Lieu of Form No. 9-329

"OTHER" OIL DISPOSITION CODE
 C-----CIRCULATING OIL
 L-----LOST
 S-----SEDIMENTATION (BS&W)
 E-----EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

Dillon D. R. Crow NOV 23 1973
 (SIGNATURE) (DATE)

Lead Clerk
 (POSITION)

NEW MEXICO OIL CONSERVATION COMMISSION
BOX 2088 SANTA FE, NEW MEXICO
OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C-115 REV. 10-1-61
 SUBMIT ORIGINAL TO OCC SANTA FE
 ONE COPY TO OCC DIST. OFFICE
 ONE COPY TO TRANSPORTER

(Company or Operator) Skelly Oil Company 8 (Address) P.O. Box 1351, Midland, Texas 79701 FOR MONTH OCT 1973 Page 106 of 106

Operator		TOTAL LIQUIDS PRODUCED					GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS					DISPOSITION OF OIL				
WELL NO. UNIT SEC. TWP. RMB.	WELL STATUS	MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED		VENTED			USED ON LEASE	SOLD	PURCH.	OTHER	C O D E	OIL ON HAND BEG. OF MONTH	BARRELS TO TRANS-PORTER	OTHER	C O D E	TRANS-PORTER
POOL NAME (UNDERLINE)		LEASE NAME AND STATE LAND LEASE NUMBER OR FEDERAL LEASE NUMBER																
Commingled Batteries With Same Lease Name - Eddy																		
Grayburg-Jackson																		
Skelly Unit - Commingled With Skelly Unit - Fren Pool (Continued)																		
91 D 28 17 31	I		Water	Injection Well														
92 E 28 17 31	P	1209	1084	14849	262	31												
93 F 28 17 31	I		Water	Injection Well														
94 G 28 17 31	P	310	151	227	130	31												
95 H 28 1731	I		Water	Injection Well														
96 F 27 17 31	I		Water	Injection Well														
97 G 27 17 31	P	124	60	540	65	31												
98 J 28 17 31	I		Water	Injection Well														
99 K 28 17 31	T		Temporarily Abandoned															
100 L 28 17 31	I		Water	Injection Well														
107 E 27 17 31	P	372	227	25	403	31												
Totals This Page		2,015	152.2	15641	860													

STATUS CODE
 F-----FLOWING
 P-----PUMPING
 G-----GAS LIFT
 S-----SHUT IN
 T-----TEMP ABANDONED
 I-----INJECTION

"OTHER" GAS DISPOSITION CODE (Continued on next page)
 A-----USED OFF LEASE
 D-----USED FOR DRILLING
 G-----GAS LIFT
 L-----LOST (MCF ESTIMATED)
 E-----EXPLANATION ATTACHED
 R-----REPRESSURING OR PRESSURE MAINTENANCE

"OTHER" OIL DISPOSITION CODE
 C-----CIRCULATING OIL
 L-----LOST
 S-----SEDIMENTATION (BS&W)
 E-----EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

D. R. NOV 23 1973
 (SIGNATURE)

Lead Clerk

(POSITION)

Submitted in Lieu of Form No. 9-329

NEW MEXICO OIL CONSERVATION COMMISSION
BOX 2088 SANTA FE, NEW MEXICO
OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C-115 REV. 10-1-61
 SUBMIT: ORIGINAL TO OCC SANTA FE
 ONE COPY TO OCC DIST. OFFICE
 ONE COPY TO TRANSPORTER

(Company or Operator) **Skelly Oil Company** **8** (Addressee) **P.O. Box 1351, Midland, Texas 79701** FOR MONTH **OCT 1973** Page **102**

WELL NO. UNIT SEC. TWP. RMB.					WELL STATUS	TOTAL LIQUIDS PRODUCED			GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS					C O D E	DISPOSITION OF OIL					OIL ON HAND END OF MONTH
POOL NAME (UNDERLINE)						MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED			VENTED	USED ON LEASE	SOLD	PURCH.	OTHER		OIL ON HAND BEG. OF MONTH	BARRELS TO TRANS-PORTER	OTHER	C O D E	TRANS-PORTER	
LEASE NAME AND STATE LAND LEASE NUMBER OR FEDERAL LEASE NUMBER																						
Commingled Batteries With Same Lease Name - Eddy																						
Grayburg-Jackson																						
Skelly Unit - Commingled With Skelly Unit - Fren Pool (Continued)																						
Grayburg-Jackson																						
Total																						
Fren Total																						
LACT NO. 2 TOTALS																						

(Continued on next page)

STATUS CODE
 F - - - - - FLOWING
 P - - - - - PLUGGING
 G - - - - - GAS LIFT
 S - - - - - SHUT IN
 T - - - - - TEMP ABANDONED
 I - - - - - INJECTION

"OTHER" GAS DISPOSITION CODE
 R - - - - - USED OFF LEASE
 D - - - - - USED FOR DRILLING
 G - - - - - GAS LIFT
 L - - - - - LOST (MCF ESTIMATED)
 E - - - - - EXPLANATION ATTACHED
 R - - - - - REPRESSURING OR PRESSURE MAINTENANCE
 (DESTINATION MUST BE SHOWN ON FORM C-11)

"OTHER" OIL DISPOSITION CODE
 C - - - - - CIRCULATING OIL
 L - - - - - LOST
 S - - - - - SEDIMENTATION (ASSET)
 E - - - - - EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

Submitted in Lieu of Form No. 9-329

[Signature] **R. C. CROW** **NOV 23 1973**
 (SIGNATURE) (DATE)
 Lead Clerk
 (POSITION)

NEW MEXICO OIL CONSERVATION COMMISSION

BOX 2088 SANTA FE, NEW MEXICO

OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C-115 REV. 10-1-61
SUBMIT: ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER

Company or Operator: Skelly Oil Company

8

(Address)

P.O. Box 1351, Midland, Tex. 79701

FOR MONTH

OCT 1973

Page 108 of 108

WELL NO. UNIT SEC. TWP. RMB.	WELL STATUS	TOTAL LIQUIDS PRODUCED			GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS					C O D E	DISPOSITION OF OIL					OIL ON HAND END OF MONTH
		MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED			VENTED	USED ON LEASE	SOLD	PURCH.	OTHER		OIL ON HAND BEG. OF MONTH	BARRELS TO TRANS-PORTER	OTHER	C O D E	TRANS-PORTER	
POOL NAME (UNDERLINE)		LEASE NAME AND STATE LAND LEASE NUMBER OR FEDERAL LEASE NUMBER																
<u>Commingled Batteries With Same Lease Name - Eddy</u>																		
<u>Battery No. 5</u>																		
<u>Fren</u>																		
<u>Skelly Unit - Commingled With Skelly Unit - Grayburg-Jackson Pool</u>																		
3 D 22 17 31	P	279	174	0	406	31	2333											
Fren Total		279	174	0	406					406	CON							
<u>Grayburg-Jackson</u>																		
<u>Skelly Unit - Commingled With Skelly Unit - Fren Pool</u>																		
3 D 22 17 31	I		Water Injection Well															
101 E 22 17 31	P	248	184	0	0	31												
Grayburg-Jackson Total		248	184	0	0					0	CON							
Battery No. 5 Totals		527	358	0	406					406	CON		92	185			TNM	270

STATUS CODE

7-----FLOWING
P-----PUMPING
G-----GAS LIFT
S-----SHUT IN
Y-----TEMP ABANDONED
J-----INJECTION

"OTHER" GAS DISPOSITION CODE

X-----USED OFF LEASE
D-----USED FOR DRILLING
G-----GAS LIFT
L-----LOST (MCF ESTIMATED)
E-----EXPLANATION ATTACHED
R-----REPRESSURING OR PRESSURE MAINTENANCE

"OTHER" OIL DISPOSITION CODE

C-----CIRCULATING OIL
L-----LOST
S-----SEDIMENTATION (BSAW)
E-----EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

Submitted in Lieu of Form No. 9-329

D. R. CRAWFORD 23 1973

Lead Clerk

NEW MEXICO OIL CONSERVATION COMMISSION

BOX 2088 SANTA FE, NEW MEXICO

OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C-115 REV. 10-1-61
DUPHIT. ORIGINAL TO OCC SANTA FE.
ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER

(Company or Operator) Skelly Oil Company

(Address) P.O. Box 1351, Midland, Texas 79701

FOR MONTH OCT 1973

Page 109

WELL NO. UNIT SEC. TWP. RNO.		WELL STATUS	TOTAL LIQUIDS PRODUCED			GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS					CODE	DISPOSITION OF OIL					OIL ON HAND BEG. OF MONTH	BARRELS TO TRANS-PORTER	OTHER	CODE	TRANS-PORTER	OIL ON HAND END OF MONTH		
POOL NAME (UNDERLINE)			MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED			VENTED	USED ON LEASE	SOLD	PURCH.	OTHER														
LEASE NAME AND STATE LAND LEASE NUMBER OR FEDERAL LEASE NUMBER																										
Commingled Batteries With Same Lease Name - Eddy (Continued)																										
Battery No. 6																										
Fren																										
Skelly Unit - Commingled With Skelly Unit - Grayburg-Jackson Pool																										
114 D 14 17 31		P	31	9	1	1	31	111																		
Grayburg-Jackson																										
Skelly Unit - Commingled With Skelly Unit - Fren Pool																										
102 B 14 17 31		I		Water Injection Well																						
103 C 14 17 31		P	124	62	120	11	31																			
104 E 14 17 31		P	248	154	108	5	31																			
105 F 14 17 31		I		Water Injection Well																						
110 G 14 17 31		P	620	461	23	240	31																			
112 A 14 17 31		P	186	92	10	581	31																			
Total This Page			1209	778	262																					
(Continued on next page)																										

STATUS CODE

F-----FLOWING
P-----PUMPING
S-----GAS LIFT
B-----SHUT IN
T-----TEMP ABANDONED
I-----INJECTION

"OTHER" GAS DISPOSITION CODE

A-----USED OFF LEASE
D-----USED FOR DRILLING
G-----GAS LIFT
L-----LOST (MCF ESTIMATED)
E-----EXPLANATION ATTACHED
R-----REPRESSURING OR PRESSURE MAINTENANCE

"OTHER" OIL DISPOSITION CODE

C-----CIRCULATING OIL
L-----LOST
S-----SEDIMENTATION (BS&W)
E-----EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE
COMPLETE TO THE BEST OF MY KNOWLEDGE.

D. R. CROW D. R. CROW NOV 23 1973
(SIGNATURE) (DATE)

Submitted in Lieu of Form No. 9-329

Lead Clerk
(POSITION)

NEW MEXICO OIL CONSERVATION COMMISSION

BOX 2088 SANTA FE, NEW MEXICO

OPERATOR'S MONTHLY REPORT

P.O. Box 1351, Midland, Tex. 79701

STATEWIDE FORM C-115 REV. 10-1-61
SUBMIT ORIGINAL TO OCC SANTA FE
ONE COPY TO OCC DIST. OFFICE
ONE COPY TO TRANSPORTER

Skelly Oil Company

(Company or Operator)

(Address)

FOR MONTH

OCT

1973

Page 110 of 110

Operator:																		
WELL NO. UNIT SEC. TWP. RMB.	WELL STATUS	TOTAL LIQUIDS PRODUCED			GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS					C O D E	DISPOSITION OF OIL					OIL ON HAND END OF MONTH
		MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED			VENTED	USED ON LEASE	SOLD	PURCH.	OTHER		OIL ON HAND BEG. OF MONTH	BARRELS TO TRANS-PORTER	OTHER	C O D E	TRANS-PORTER	
POOL NAME (UNDERLINE)																		
LEASE NAME AND STATE LAND LEASE NUMBER OR FEDERAL LEASE NUMBER																		
Commingled Batteries With Same Lease Name - Eddy																		
Battery No. 6																		
Grayburg-Jackson																		
Skelly Unit - Commingled With Skelly Unit - Fren Pool																		
113 H 14 17 31	P	186	92	10	494	31												
114 D 14 17 31	I		Water Injection Well															
Grayburg-Jackson Total		1364	861	271	1331				1331	CON								
Fren Totals		31	9	1	1				1	CON								
Battery No. 6 Totals		1395	870	272	1332				1332	CON		326	949			TNM	247	

STATUS CODE

F.....FLOWING
P.....PUMPING
G.....GAS LIFT
S.....SHUT IN
T.....TEMP ABANDONED
I.....INJECTION

"OTHER" GAS DISPOSITION CODE

A.....USED OFF LEASE
D.....USED FOR DRILLING
G.....GAS LIFT
L.....LOST (MCF ESTIMATED)
E.....EXPLANATION ATTACHED
R.....REPRESSURING OR PRESSURE MAINTENANCE

"OTHER" OIL DISPOSITION CODE

C.....CIRCULATING OIL
L.....LOST
S.....SEDIMENTATION (BSEW)
E.....EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

Submitted in Lieu of Form No. 9-329

D.R. Crow NOV 23 1973

(SIGNATURE)

(DATE)

Lead Clerk
(POSITION)

NEW MEXICO OIL CONSERVATION COMMISSION
 BOX 2088 SANTA FE, NEW MEXICO
OPERATOR'S MONTHLY REPORT

STATEWIDE FORM C-113 REV. 10-1-61
 SUBMIT ORIGINAL TO OCC SANTA FE
 ONE COPY TO OCC DIST. OFFICE
 ONE COPY TO TRANSPORTER

(Company or Operator) **SKELLY OIL COMPANY** (Address) **P. O. Box 1357 Midland, Texas** FOR MONTH **OCT 1973** Page **111**

WELL NO. UNIT SEC. TWP. RMB.	WELL STATUS	TOTAL LIQUIDS PRODUCED			GAS PRODUCED MCF	DAYS PROD.	DISPOSITION OF GAS					C O D E	DISPOSITION OF OIL				
		MONTHLY OIL ALLOWABLE	ACTUAL BARRELS PRODUCED	BARRELS OF WATER PRODUCED			VENTED	USED ON LEASE	SOLD	PURCH.	OTHER		OIL ON HAND BEG. OF MONTH	BARRELS TO TRANS-PORTER	OTHER	C O D E	TRANS-PORTER
POOL NAME (UNDERLINE)																	
LEASE NAME AND STATE LAND LEASE NUMBER OR FEDERAL LEASE NUMBER																	
<u>Fren Pennsylvanian - Gas Distillate Well - Eddy County</u>																	
<u>Skelly Unit No. 1 - Section 276</u>																	
<u>1 N 15 17 31</u>	S		shut IN							CON		15	0			TNM	15
<u>Summary - Skelly Unit - Eddy County</u>																	
<u>Fren Pool</u>		2615	1132	70	598				598	CON		133	1176			TNM	89
<u>Grayburg - Jackson</u>		30555	25050	34277	7014				7014	CON		2293	24283			TNM	2460
<u>Fren Penn.</u>	S		SHUT IN							CON		15	0			TNM	15
<u>Total F/Skelly Unit</u>		32570	26182	34347	7612				7612	CON		2441	26059			TNM	2564

STATUS CODE
 F-----FLOWING
 P-----PUMPING
 G-----GAS LIFT
 S-----SHUT IN
 T-----TEMP ABANDONED
 I-----INJECTION

"OTHER" GAS DISPOSITION CODE
 X-----USED OFF LEASE
 D-----USED FOR DRILLING
 G-----GAS LIFT
 L-----LOST (MCF ESTIMATED)
 E-----EXPLANATION ATTACHED
 R-----REPRESSURING OR PRESSURE MAINTENANCE

"OTHER" OIL DISPOSITION CODE
 C-----CIRCULATING OIL
 L-----LOST
 S-----SEDIMENTATION (BS&W)
 E-----EXPLANATION ATTACHED

I HEREBY CERTIFY THAT THE INFORMATION GIVEN IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

[Signature] NOV 23 1973
 (SIGNATURE) (DATE)
District Administrative Coordinator
 (POSITION)

Submitted in Lieu of Form No. 9-329

DRAFT

TWD/jr



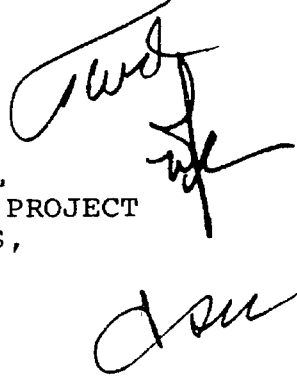
BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5138

Order No. R- 4717

APPLICATION OF SKELLY OIL
COMPANY FOR A WATERFLOOD PROJECT
AND FOUR DUAL COMPLETIONS,
EDDY COUNTY, NEW MEXICO.



ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 3, 1974,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this day of January, 1974, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Skelly Oil Company seeks authority
to institute a waterflood project by injection of water into the
Seven Rivers formation, Fren Pool, through six injection wells in
its Skelly Unit Area in Sections 21, 22, and 28, Township 17 South,
Range 31 East, NMPM, Eddy County, New Mexico.

-2-

CASE NO. 5138

Order No. R-

(3) That injection of water in the subject project is to take place through three singly completed wells converted to water injection, those being applicant's Skelly Unit Well No. 10, located in Unit "H" of Section 21; Skelly Unit Well No. 12, located in Unit "J" of Section 21; and Skelly Unit Well No. 16, located in Unit "N" of Section 21, all in Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico, and through three wells to be recompleted as dual completions (conventional) to inject water into both the Seven Rivers and the San Andres formations, those being applicant's Skelly Unit Well No. 54, located in Unit "L" of Section 22; Skelly Unit Well No. 77, located in Unit "P" of Section 21; and Skelly Unit Well No. 89, located in Unit "B" of Section 28, all in Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico.

(4) That the applicant further seeks authority to recomplete *which are presently completed as injection wells in the Skelly Unit* said Skelly Unit Wells Nos. 54, 77, and 89 *as a dual completions* (conventional) to inject water into the Seven Rivers and the San Andres formation *through a single string of tubing with separation of said formations achieved by means of a packer.*

(5) That the applicant further seeks authority to recomplete its Skelly Unit Well No. 76, located in Unit "O" of Section 21, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico. *34*

a dual completion (conventional) to produce
~~such a manner as to permit production of~~ oil from the Fren-Seven Rivers and the San Andres formations through parallel strings of tubing *with separation of the zones by means of a packer set at approximately 3100 feet.*

(6) That the wells in the proposed waterflood project area are in an advanced state of depletion and may properly be classified as "stripper" wells.

Water Flood Project, Grayburg-Jackson Pool,

-3-
CASE NO. 5138
Order No. R-

(7) That approval of the subject waterflood will result in the recovery of oil which would otherwise not be recovered, thereby preventing waste and protecting correlative rights.

(8) That the mechanics of the proposed dual completions are feasible and in accord with good conservation practices.

(9) That the operator should take all steps necessary to ensure that the injected water enters only the proposed injection zones and is not permitted to escape to other formations or onto the surface from injection, production, or plugged and abandoned wells.

(10) That the subject waterflood project should be approved and governed by rules 701, 702, and 703 of the Commission Rules and Regulations.

(11) That the subject dual completion^{producer} should be approved and governed by rule 112-A of the Commission Rules and Regulations.

IT IS THEREFORE ORDERED:

(1) That the applicant, Skelly Oil Company, is hereby authorized to institute a waterflood project in its Skelly Unit Area by the injection of water into the Seven Rivers formation, Fren Pool through the following-described wells, all in Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico:

SKELLY UNIT WELL NO.	UNIT	SECTION
10	"H"	21
12	"J"	21
16	"N"	21
77	"P"	21
54	"L"	22
89	"B"	28

(2) That the applicant is further authorized to recomplete its Skelly Unit Well No. 54, located in Unit "L" of Section 22, its Skelly Unit Well No. 77, located in Unit "P" of Section 21, and its Skelly Unit Well No. 89, located in Unit "B" of Section 28,

-4-

CASE NO. 5138

Order No. R-

all in Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico, as dual completions (conventional) to inject water into the Seven-Rivers and the San Andres formations through a single string of tubing with separation of the zones achieved by means of a packer.

(3) That the applicant is further authorized to recomplete its Skelly Unit Well No. 76, located in Unit "O" of Section 21, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico as a dual completion (conventional) to produce oil from the Seven Rivers and the San Andres formations through parallel strings of 2 3/8-inch tubing with separation of the zones achieved by means of a packer set at approximately 3,100 feet.

(4) That injection into each of the subject injection wells shall take place through 2 3/8-inch EUE internally coated tubing set in a packer located above and as near as practicable to the uppermost perforations and, in the case of the subject dually completed injection wells, an additional packer shall be located between the perforations for the respective zones; that the casing-tubing annulus of each injection well shall be loaded with an inert fluid and equipped with an approved pressure gauge or attention-attracting leak detection device.

(5) That the operator shall immediately notify the supervisor of the Commission's Artesia District Office of the failure of the tubing or packer in any of said injection wells, the leakage of water or oil from around any producing well, or the leakage of water or oil from any plugged or abandoned well within the project area and shall take such timely steps as may be necessary or required to correct such failure or leakage.

-5-

CASE NO. 5138

Order No. R-

(6) That the above authorized waterflood project is hereby designated the Skelly Unit ^{Fran-}Seven Rivers Waterflood Project and shall be governed by the provisions of Rules 701, 702, and 703 of the Commission Rules and Regulations.

(7) That monthly progress reports of the waterflood project herein authorized shall be submitted to the Commission in accordance with Rules 704 and 1120 of the Commission Rules and Regulations.

(8) That the applicant shall complete and operate its Skelly Unit Well No. 76 as hereinabove described in accordance with Rule No. 112-A of the Commission Rules and Regulations insofar as said rule is not inconsistent with this order.

(9) That the applicant shall take packer-leakage tests on its Skelly Unit Well No. 76, as hereinabove described, upon its completion and annually thereafter during the Annual Shut-In Pressure Test Period for the Grayburg-Jackson Pool.

(10) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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



SKELLY OIL COMPANY

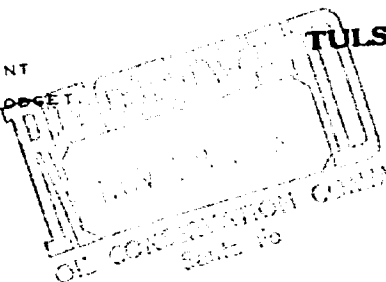
P. O. BOX 1650

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

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF SKELLY
OIL COMPANY FOR AN ORDER AUTHORIZING A
WATERFLOOD PROJECT IN THE FREN SEVEN-RIVERS
POOL, UNDERLYING THE SKELLY UNIT AREA COVER-
ING ALL OF SECTIONS 14, 15, 21, 22, 23, THE
NORTH HALF OF THE NORTHWEST QUARTER (N/2
NW/4) OF SECTION 26, THE NORTHWEST QUARTER
(NW/4), THE WEST HALF OF THE NORTHEAST
QUARTER (W/2 NE/4), AND THE NORTHEAST
QUARTER OF THE NORTHEAST QUARTER (NE/4
NE/4) OF SECTION 27, THE NORTH HALF (N/2),
AND THE NORTH HALF OF THE SOUTH HALF
(N/2 S/2) OF SECTION 28, TOWNSHIP 17 SOUTH,
RANGE 31 EAST, EDDY COUNTY, NEW MEXICO.

CASE NO. 2138

FILED _____

HEARING _____

10 } inj Fren SR
12 }
16 }
54 } inj Fren SR
77 } Grayburg Jackson
89 }
76 } prod Fren SR
Grayburg Jackson

A P P L I C A T I O N

Comes now Skelly Oil Company and alleges and states:

1. That it is a Delaware corporation authorized to do business in the state of New Mexico. That it operates the Skelly Unit Area covering the following described land:

All of Sections 14, 15, 21, 22, 23, the North Half of the Northwest Quarter (N/2 NW/4) of Section 26, the Northwest Quarter (NW/4), the West Half of the Northeast Quarter (W/2 NE/4), and the Northeast Quarter of the Northeast Quarter (NE/4 NE/4) of Section 27, the North Half (N/2), and the North Half of the South Half (N/2 S/2) of Section 28, Township 17 South, Range 31 East, Eddy County, New Mexico.

2. That Applicant proposes to conduct a waterflood project in the Fren Seven-Rivers Pool underlying said Skelly Unit Area by initiating a pilot flood operation involving a double five-spot pattern. It is proposed to effect this pattern by: (1) converting three wells (Nos. 10, 12 and 16) to water injection in the Fren Seven-Rivers zone, (2) dual completing three existing Grayburg-Jackson wells (Nos. 54, 77 and 89) for injection in both the Fren Seven-Rivers zone and the Grayburg-Jackson zone, and (3) dual completing one existing Grayburg-Jackson producing well (No. 76) as a producer in both the Grayburg-Jackson and the Fren Seven-Rivers intervals.

3. That attached hereto and made a part hereof as Exhibit 1 is a plat showing the location of the proposed injection wells.

4. That attached hereto and made a part hereof as Exhibits 2, 3 and 4 are the logs of the proposed injection wells, Nos. 54, 77 and 89. The logs are not available for Well Nos. 10, 12 and 16.

5. That attached hereto and made a part hereof as Exhibits 5, 6, 7, 8, 9 and 10 are well schematics of the proposed injection wells showing all casing strings, including diameter and setting depths, quantities used and tops of cement, perforated intervals, tubing strings, including diameter and setting depths, and type and location of packers.

6. That attached hereto and made a part hereof as Exhibits 11 and 12 are analyses of the water to be injected.

7. That Applicant anticipates that the initial volume of water to be injected will be at the rate of 200 to 400 barrels per well per day at 1,200 psi wellhead pressure.

8. That attached hereto and made a part hereof as Exhibit 13 is

the log on Skelly Unit Well No. 76.

9. That attached hereto and made a part hereof as Exhibit 14 is a well schematic depicting the proposed dual completion of Well No. 76 as a producer in both the Grayburg-Jackson and Fren Seven-Rivers intervals.

10. That attached hereto and made a part hereof as Exhibit 15 is a plat including the subject area, together with the properties within a two-mile radius from same.

11. That the wells in the project area are in an advanced state of depletion and could possibly be classified as "stripper" wells.

12. That the proposed waterflood project should result in the recovery of otherwise unrecoverable oil, thereby preventing waste.

WHEREFORE, PREMISES CONSIDERED, Applicant prays that this Commission set this matter down for hearing, that notice hereof be given as required by law, and that at the conclusion of said hearing based on the evidence adduced the Commission enter its order granting Skelly Oil Company permission to conduct a waterflood project in the Fren Seven-Rivers Pool underlying the Skelly Unit Area by converting the Skelly Unit Well Nos. 10, 12 and 16 to water injection, and by dually completing Skelly Unit Well Nos. 54, 77 and 89 for injection into both the Fren Seven-Rivers interval and the Grayburg-Jackson interval, and to dually complete Well No. 76 as a producer from both the Grayburg-Jackson and the Fren Seven-Rivers intervals, and to further provide for administrative expansion of the project and conversion of additional wells by administrative means without the necessity of separate hearings, and for such other orders, rules and regulations as may be necessary in the premises.

Respectfully submitted,

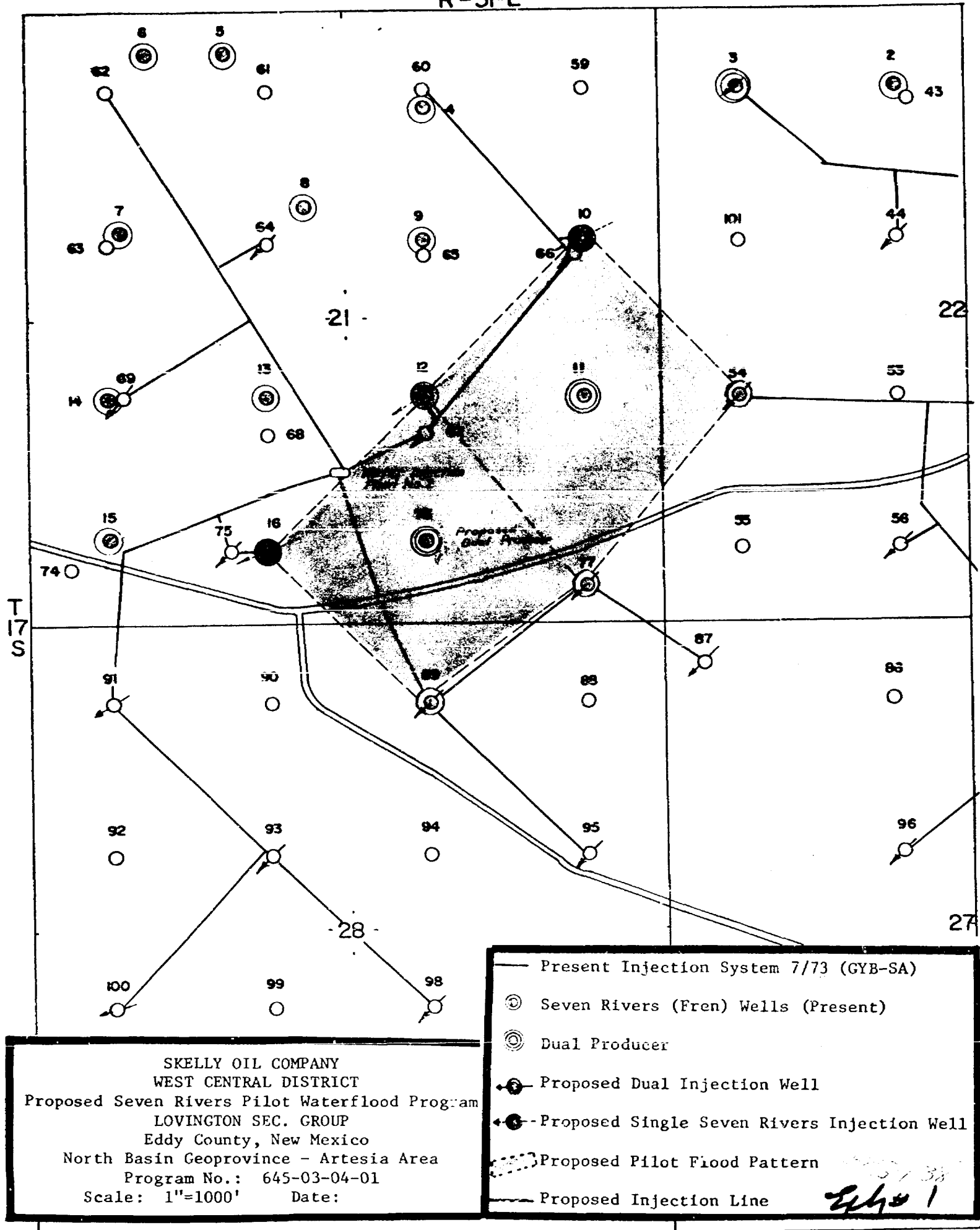
SKELLY OIL COMPANY

By *Chester E. Blodget*
Chester E. Blodget, Attorney

Of Counsel:

L. C. White, Attorney
White, Koch, Kelly & McCarthy
P. O. Box 787
Santa Fe, New Mexico 87501

R-31-E



834-0013

EXXON CHEMICAL COMPANY U.S.A.
SPECIALTIES LABORATORY
October 5, 1973
8230 Stedman, Houston, Texas 77029

EXXON
CHEMICALS

WATER ANALYSIS

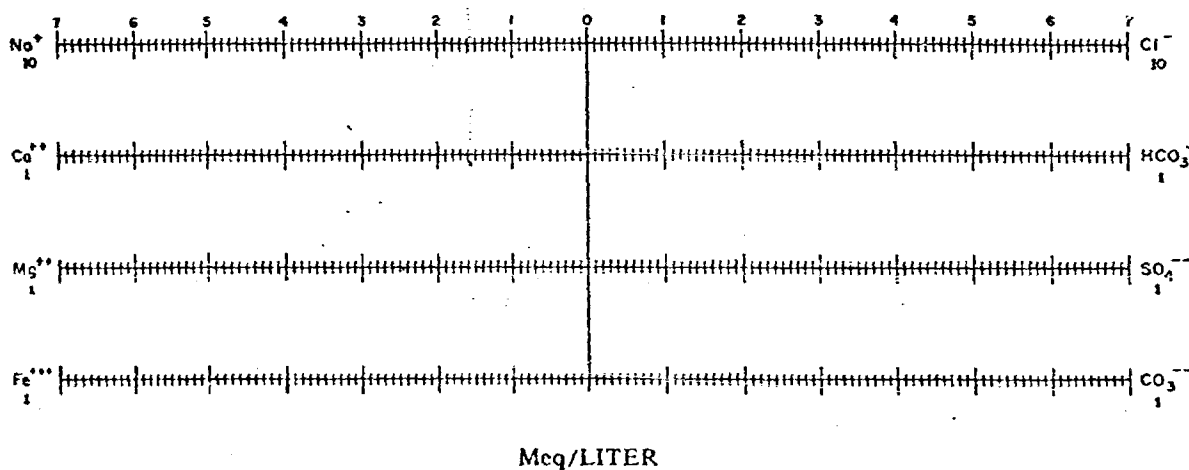
SAMPLE DESCRIPTION: Water sample from Skelly Unit WF #1 submitted for routine correlation.
Sample taken 10-2-73.

COMPANY: Skelly Oil Company
STSR NUMBER: 107330
REQUESTED BY: Harold Langen

DATE RECEIVED: 10-3-73
ANALYZED BY: Gene Keil

	<u>Mg/L</u>	<u>Meq/L</u>		
Sodium	55	2.4	pH	6.8
Calcium	73	3.7	Specific Gravity at 60°F.	1.0019
Magnesium	4	0.3	Resistivity ohms/m @77°F	10.00
Chloride	34	1.0		<u>Mg/L</u>
Sulfate	142	3.0	Oil Content	
Bicarbonate	151	2.5	Organic Matter	
Carbonate	0	0.0	Hydrogen Sulfide	0.0
Hydroxide	0	0.0		
TOTAL	459			
Dissolved Iron				
Total Iron	0.59	0.0		

WATER PATTERN (Stiff Method)



Remarks:

Ch 5738
Zyha 11

834-C015

EXXON CHEMICAL COMPANY U.S.A.

SPECIALTIES LABORATORY

October 5, 1973

8230 Stedman, Houston, Texas 77029

EXXON
CHEMICALS
WATER ANALYSIS

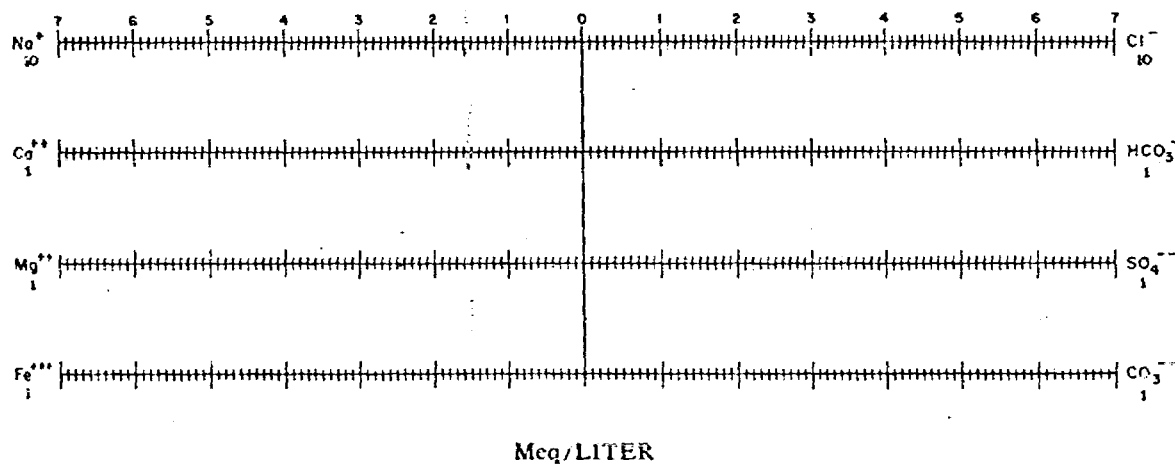
SAMPLE DESCRIPTION: Water sample from Skelly Unit WF #2 submitted for routine correlation.
 Sample taken from 10-2-73.

COMPANY: Skelly Oil Company
 STSR NUMBER: 107331
 REQUESTED BY: Harold Langen

DATE RECEIVED: 10-3-73
 ANALYZED BY: Gene Keil

	<u>Mg/L</u>	<u>Meq/L</u>		
Sodium	6,981	303.5	pH	7.7
Calcium	774	38.7	Specific Gravity at 60°F.	1.1072
Magnesium	259	21.3	Resistivity ohms/m @ 77°F	0.310
Chloride	11,718	330.5		<u>Mg/L</u>
Sulfate	1,272	26.5	Oil Content	
Bicarbonate	403	6.6	Organic Matter	
Carbonate	0	0.0	Hydrogen Sulfide	35.0
Hydroxide	0	0.0		
TOTAL	21,407			
Dissolved Iron				
Total Iron	2.5	0.1		

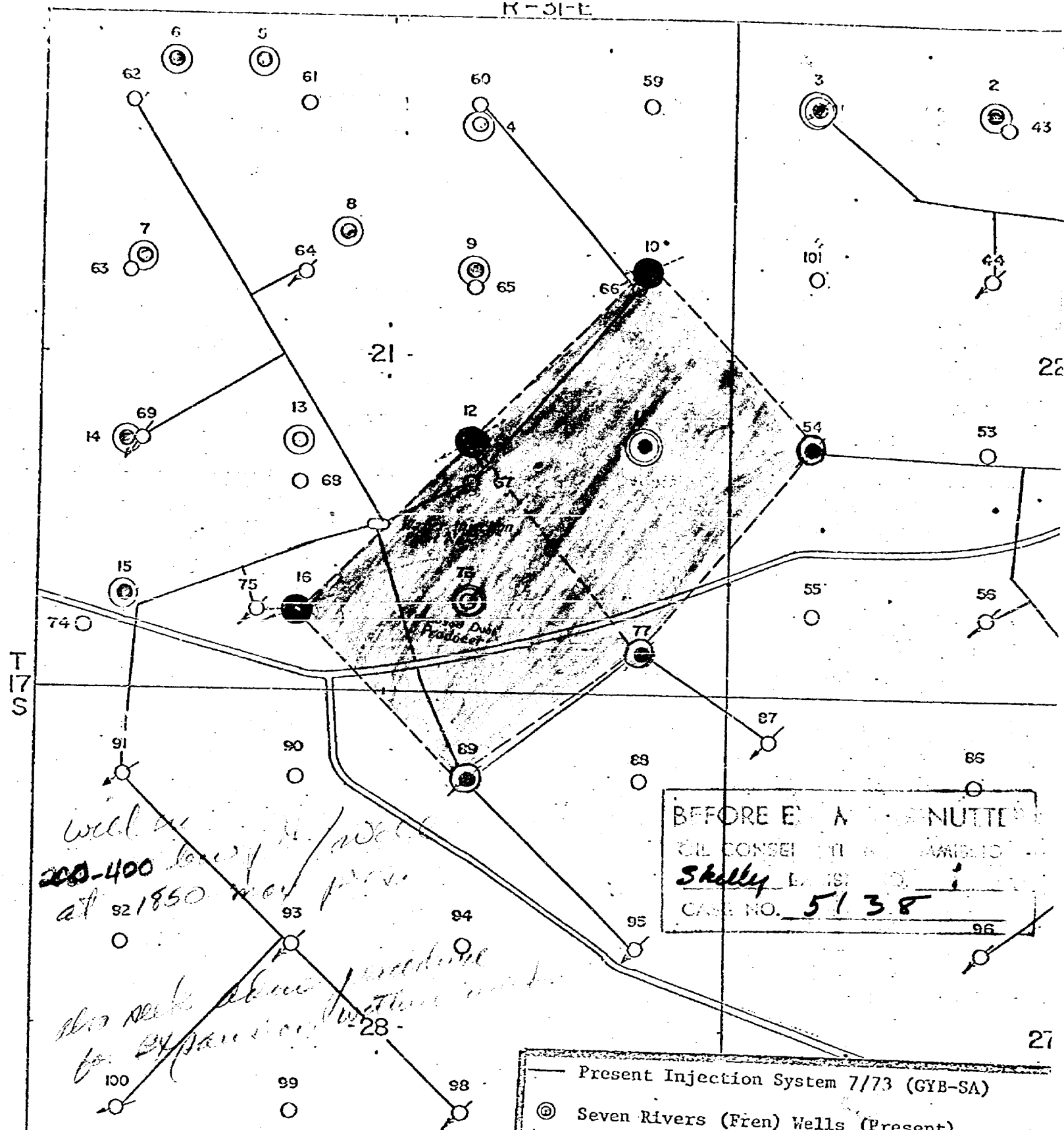
WATER PATTERN (Stiff Method)



Remarks:

Gene 5/3/8
 Eph 4/12

R-31-E



SKELLY OIL COMPANY
WEST CENTRAL DISTRICT
Proposed Seven Rivers Pilot Waterflood Program
LOVINGTON SEC. GROUP
Eddy County, New Mexico
North Basin Geoprovence - Artesia Area
Program No.: 645-03-04-01
Scale: 1"=1000' Date: 9-5-73

- Present Injection System 7/73 (GYB-SA)
- ⊙ Seven Rivers (Fren) Wells (Present)
- ⊙ Dual Producer
- Proposed Dual Injection Well
- Proposed Single Seven Rivers Injection Well
- Proposed Pilot Flood Pattern
- Proposed Injection Line



SKELLY OIL COMPANY

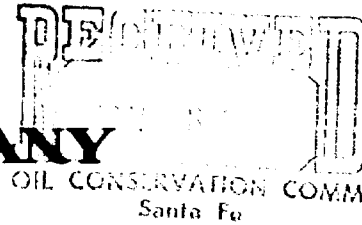
P. O. BOX 1650

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 over-riding royalty owners.

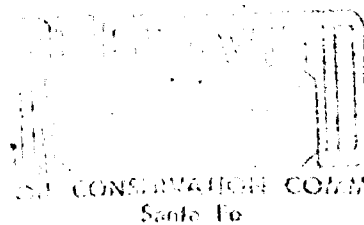
You will note that the Unit Agreement provides in Paragraph 3, "That all oil, gas, natural gasoline, and associated fluid hydrocarbons within the unit area in any and all sands or horizons, hereinafter called unitized substances, are unitized under the terms of this agreement."

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:lr
Encl. 2



UNIT AGREEMENT

THIS AGREEMENT, dated the 17th day of December, 1937, by and between SKELLY OIL COMPANY, a corporation, first party, and TRIMAN OIL COMPANY, W. G. SKELLY, C. C. HERNDON and W. P. Z. GERMAN, as second parties, and any other persons or companies consenting hereto,

WITNESSETH:

WHEREAS, oil and gas prospecting permits and leases for lands owned by the United States have been issued pursuant to the Act of Congress approved February 25, 1920 (41 Stat. 437), as amended, on the lands, comprising the Dow, Lea and Lynch permit areas shown on the map hereto attached and marked Exhibit A-1;

WHEREAS, the amendatory Act of Congress approved March 4, 1931 (46 Stat. 1523), authorizes permittees and lessees and their representatives to unite with each other or jointly or separately with others in collectively adopting and operating under a cooperative or unit plan of development or operation of any single oil or gas area, field or pool, for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest;

WHEREAS, the amendatory Act of Congress approved August 21, 1935 (49 Stat. 674), provides that the Secretary of the Interior for the purpose of more properly conserving the oil or gas resources of any area, field or pool, may require that leases hereafter issued under any section of this Act be conditioned upon an agreement by the lessee to operate, under such reasonable cooperative or unit plan for the development and operation of any such area, field or pool, as said Secretary

may determine to be practicable and necessary or advisable, which plan shall adequately protect the rights of all parties in interest, including the United States;

WHEREAS, the Skelly unit area, as hereinafter defined, constitutes a single oil or gas area, field or pool within the meaning of the Acts of March 4, 1921, and August 21, 1935, supra;

WHEREAS, the Government permittees and lessees, or their representatives, hold such a part of the said unit area as will give effective control thereof;

WHEREAS, for the purpose of more properly conserving the oil and gas resources of said area, field or pool, it is necessary, convenient, and advisable in the public interest, for the parties signatory hereto, with the consent of the Secretary of the Interior, to unite in a unit plan of development and operation to promote economical and efficient development, the maximum recovery of oil, gas and associated fluid hydrocarbon substances that may be produced from said unit area without waste, and a fair apportionment of the costs and benefits involved among the parties entitled thereto.

NOW, THEREFORE, in consideration of the premises and the promises hereinafter contained, the parties hereto agree severally among themselves, and with the Secretary of the Interior, as follows:

ENABLING ACT AND REGULATIONS 1. That the said Act of February 25, 1920, as amended, and all pertinent regulations heretofore and all pertinent and reasonable regulations hereafter issued thereunder, including operating regulations, are accepted and made a part of this agreement; Provided, that no such regulations hereby accepted shall be inconsistent with the specific terms of the leases or of this agreement, particularly in the matter of rates of royalty and rental, or in conflict with the laws of the State in which the unit area is situated.

UNIT AREA

2. That the following described lands are hereby designated and recognized as constituting the unit area:

All Sections 14, 15, 21, 22 and 23, and the North Half of the Northwest Quarter (N/2 NW/4) of Section 26, and the North Half (N/2) of Section 27, and the North Half (N/2) and the Southwest Quarter (SW/4), and the North Half of the Southeast Quarter (N/2 SE/4) of Section 28, all in Twp. 17S, Rge. 31E, Eddy County, New Mexico.

UNITIZED SUBSTANCES

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.

OPERATOR

4. That first party, Skelly Oil Company, is hereby designated as the unit operator to conduct and manage the operation of said unit area for the discovery and development of unitized substances, as hereinafter provided, and is hereinafter called "Operator." In case the Operator designated in this section shall hereafter cease, discontinue, or relinquish his rights as Operator under this agreement, first and second parties, according to their interests in the participating area, shall determine, subject to the approval of the Secretary of the Interior, who shall be the new unit operator hereunder, but the Operator designated herein, or its successors and assigns, shall continue as Operator for a period of three (3) months after notice of such relinquishment, unless the new unit operator shall have been so determined and shall have taken over and assumed the duties and obligations of Operator prior to the expiration of said period.

The right to relinquish all rights as unit operator, as hereinbefore provided, may be exercised whenever Operator is not in default under this agreement.

Relinquishment of Operator's rights, as unit operator, to less than the entire unit area subject to this agreement shall be made only on approval of the Secretary of the Interior, to be given whenever, in the judgment of said Secretary.

accomplishment of the purposes of this agreement will not be affected adversely thereby.

Assignment of any right or rights as unit operator shall be subject to approval by the Secretary of the Interior.

The costs and expenses of the development, equipment and operation of the premises for oil and gas purposes shall be borne by the first and second parties, respectively, in proportion to their respective interests in the participating area.

RIGHTS AND
OBLIGATIONS
OF OPERATOR

5. That the exclusive right and privilege, except as hereinafter specified, of exercising any and all rights of the non-operating (the second) parties, necessary or convenient for prospecting for, producing, and disposing of the unitized substances, are hereby vested in Operator; but, subject to any provision hereof to the contrary, and subject to the prior rights of the United States with respect to royalties due to it in the event of default in their payment, each of the parties of the first and second parts shall be entitled to receive directly payment for his or its respective share, less amounts to be received by the Operator for payment as royalties to the United States and overriding royalties to the persons and companies consenting hereto, of the proceeds of the sale of the unitized substances produced, saved and sold from said premises, and all such sales shall be upon joint division orders or contracts of sale executed by the first and second parties hereto; and second parties shall each have the right of access to any of the premises covered hereby at all reasonable times to inspect the logs, samples and cuttings from any and all wells drilled hereunder, and the right to inspect and audit at all reasonable times the Operator's books, records and invoices pertaining to any matter of accounting arising hereunder. Evidence of title of non-operating parties to their rights shall be deposited with Operator and, together with this agreement, shall constitute and define Operator's rights, privileges and obligations in the premises; provided

that nothing herein shall be construed to transfer title to any lands, permits, or leases.

Operator shall pay and discharge all costs and expenses incurred in the conduct and management of the operation and development of said premises under this agreement from and after effective date hereof, and shall charge the second parties hereto with their respective proportionate shares thereof on the basis of the interest of each in the participating area, as set forth in Exhibit A, attached hereto. Each of the parties shall promptly pay and discharge its proportionate part of all such costs and expenses. Operator shall bill the second parties on or before the last day of each month for their proportionate shares of such costs and expenditures during the preceding calendar month. Itemized statements shall accompany such bills. Each party shall pay its proportion of all such bills within fifteen (15) days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the highest legal rate until paid. Payment of any such bill shall not prejudice the right of any party to protest or question the correctness thereof. The Operator shall have a lien on the interest of each of the other parties in the unitized area, and in the well or wells on the premises and in the oil, gas and casinghead gas produced therefrom and in the proceeds of the sale thereof and in the equipment and material on the premises, to secure the payment to the Operator of their proportionate shares of all such costs and expenses incurred or paid by Operator hereunder; and the written order of the Operator served on the purchaser or purchasers of their said respective shares in the oil, gas and casinghead gas shall authorize such purchaser or purchasers to pay the proceeds thereof to the Operator until the Operator shall have been fully reimbursed to date for and on account of such parties' respective shares of such costs and expenses together with the interest thereon, but this remedy shall not be exclusive, and said lien and remedy shall be subordinate to the rights of the United States in respect of its

claims for royalties. Operator, at its election, may require the parties hereto to advance their respective proportions of development and operating costs. Adjustments between advances required and actual costs and expenses shall be made by the Operator at the close of each succeeding calendar month and the accounts of the parties shall be adjusted accordingly.

DRILLING
AND
DISCOVERY

6. On the unitized area the following discoveries have been made:

Lynch Well No. 1, located about the center of the Northeast Quarter of the Northeast Quarter of the Northeast Quarter of Section 22, Township 17 South, Range 31 East, was commenced June 27, 1926, and drilled to a total depth of 4260 feet and plugged back to a depth of 3811 feet and completed at that depth on October 30, 1927, as a well capable of producing approximately 50 barrels of oil per day, and it was put on the pump for production on or about November 3, 1927, and is now capable of producing approximately 45 barrels per day. Said well has been twice acidized since its completion.

Lee Well No. 1, located about the center of the Northwest Quarter of the Northwest Quarter of Section 23, Township 17 South, Range 31 East, was commenced on or about July 21, 1934, and was drilled to a total depth of 3828 feet and was plugged back to 3811 feet and completed at that depth on or about October 9, 1934, as a well capable of producing approximately 49 barrels of oil per day, and is now capable of producing approximately 27 barrels per day.

Dox Well No. 1, located about the center of the Southwest Quarter of the Southeast Quarter of Section 15, Township 17 South, Range 31 East, was commenced on or about December 13, 1934, and was drilled to a total depth of 3788 feet and was completed at that depth on or about February 21, 1935, as a well capable of producing approximately 24 barrels of oil per day, and said well is now capable of producing approximately 15½ barrels of oil per day.

DEVELOPMENT 7. Prior to drilling any additional wells or within sixty (60) days after demand by the Secretary of the Interior, Operator shall submit for the approval of the Federal Oil and Gas Supervisor a plan for the further development of the unit area, which plan when so approved shall constitute the further drilling obligations of Operator and shall include an adequate and effective well-casing and well-spacing program, shall provide for complete exploration of the unit area under agreement and for the determination of the commercially productive area thereof in each and every productive sand or horizon, shall afford protection to the interests of the parties hereto and of the United States against operations not under this agreement, and shall specify the number of wells proposed to be drilled to production during each calendar year; provided that, upon approval of said supervisor, said plan for further development may be modified from time to time to meet changed conditions and the further drilling obligations shall be conformed thereto. The parties hereto agree that no further wells, except such as may be necessary to afford protection against operations not under this agreement, shall be drilled until such plan of development shall have been approved in writing by the said supervisor, and that all drilling requirements of permits, leases, operating agreements, or other contracts affecting the unit area subject to this agreement are hereby modified to conform to and be satisfied by the drilling requirements of this agreement.

PARTICIPATION 8. The parties herewith submit for approval by the Secretary of the Interior a schedule of lands, Exhibit A, attached hereto, based on aliquot parts of subdivisions of the public-land survey, which covers all lands within the unit area subject to this agreement which are now regarded as reasonably proved to be commercially productive of oil or gas; all lands in said schedule on approval by said Secretary to constitute a participating area, effective as of

the date of approval hereof. (See Exhibits A and A-1). Said schedule sets forth the ownership of operating rights to all lands included therein and the percentage interest of each owner in the total participating area subject to this agreement. Such percentage interest shall govern the participation of the owner in costs and benefits of operation from and after the date the participating area becomes effective. The participating area so established shall be revised from time to time, upon application by Operator or on the demand of the Secretary of the Interior, and subject to the approval of the Secretary of the Interior, to include additional lands regarded as reasonably proved to have become commercially productive or to exclude lands regarded as reasonably proved not to be commercially productive; and a new schedule of percentage interests conformable thereto shall thereupon be fixed. No land shall be excluded from the participating area on account of depletion of the unitized substances.

It is the intent of this section that the participating area shall at all times represent the area known or reasonably estimated to be commercially productive but, regardless of any increase or decrease of the participating area, nothing herein contained shall be construed as requiring any retroactive apportionment of any sums accrued or paid for production obtained prior to the effective date of revision of the participating area; such date to be the first day of the month next following the date of first authentic knowledge of information on which such revision is predicated.

In the absence of agreement at any time between the Operator and the Secretary of the Interior as to the proper definition of the participating area, the portion of all payments affected by such absence of agreement shall be impounded in a mutually acceptable bank pending final action.

ALLOCATION OF 9. That all unitized substances produced from PRODUCTION the participating area subject to this agreement, except any part thereof used for production and develop-

ment purposes hereunder, or unavoidably lost, shall be apportioned among and allocated on an acreage basis to the several tracts of land comprising said area; and each such tract shall have allocated to it such percentage of said production as its area bears to said participating area.

DEVELOPMENT OR
OPERATION BY
SECOND PARTIES

10. That any party hereto owning or controlling a majority interest of the operating rights in any tract included

in the non-participating area having thereon a regular well location in accordance with the approved well spacing program may drill a well at such location at his own expense, unless operator elects and commences to drill such well within ninety (90) days of receipt of notice from said party of his intention to drill the well.

If such well, drilled at the expense of said party, results in production such that the land upon which it is situated may properly be included in the participating area, said party shall be reimbursed one hundred per cent (100%) of the average cost of drilling similar producing wells in the participating area subject to this agreement and appropriate revision shall be made in the participating area.

If any well drilled on the non-participating area by Operator or by said party obtains production insufficient to justify inclusion in the participating area of the land on which said well is situated, said party at his election, within thirty (30) days after determination of such insufficiency, shall be wholly responsible for and may operate and produce the well at his sole expense and for his sole benefit. If such well was drilled by Operator, said party shall pay the Operator a fair salvage value price for the casing and other equipment left in the well.

Wells drilled at the sole expense of any party, or produced at his sole expense and for his sole benefit, shall be subject to the drilling and producing requirements of this

agreement the same as though drilled or produced by Operator; and royalties in amount or value of production from any such well on land of the United States shall be paid as specified in the permit or lease affected, unless otherwise authorized in writing by the Secretary of the Interior.

RENTAL AND
ROYALTY
PAYMENTS

11. That Operator, on behalf of the respective permittees and lessees, shall pay all rentals and royalties due the United States on account of lands subject to this agreement and shall distribute the cost thereof to the parties conformably with their respective rental and royalty obligations. On request of any second party, Operator shall pay other royalties on his behalf in accordance with a schedule furnished by him and charge the cost thereof to his account; provided, that Operator shall incur thereby no responsibility to any royalty owner, but such responsibility shall be and remain an obligation of the second parties. Payments to the parties hereto and the persons and companies consenting hereto shall be made as provided in existing contracts except that such payments shall be based on production allocated to land in which they hold an interest instead of on production obtained from such land. For a statement of a consolidation of the overriding royalty interests of the persons and companies consenting hereto see Exhibit B.

GOVERNMENT
ROYALTIES AND
RENTALS

12. That royalty to the United States shall be paid at the rates specified in the respective Federal permits or leases based on the amount of production allocated to the tracts thereof; provided that, for leases in which the royalty rate on oil depends on the average daily oil production per well, the royalty rate for each such lease in each participating area shall be determined by the average daily production of the oil wells subject to this agreement producing from that participating area; and for leases in which the royalty rate on gas depends on the average daily gas production per well, the royalty rate for each such lease in

each participating area shall be determined by the average daily production of gas per well from the wells subject to this agreement producing from that participating area.

Rental for lands of the United States subject to this agreement at the rates specified in the respective Federal leases shall be paid or suspended as determined by the Secretary of the Interior, pursuant to applicable law and regulations, anything in this agreement to the contrary notwithstanding.

CONSERVATION 13. That operations shall be conducted so as to provide for the most economical and efficient recovery of unitized substances to the end that maximum ultimate yield may be obtained without waste. For the purpose of more properly conserving the natural resources of the lands embraced within this agreement, the production of unitized substances shall at all times be without waste as defined by State or Federal law; shall be limited to such production as can be put to beneficial use with adequate realization of fuel values; and in the discretion of the Secretary of the Interior shall be limited by the beneficial demand as determined by said Secretary for gas or for oil, whichever would tend to avoid excessive production of either oil or gas.

DRAINAGE 14. That Operator shall take appropriate and adequate measures to prevent drainage of oil or gas from lands subject to this agreement by wells on lands not subject to this agreement, or, with approval of the Secretary of the Interior, pay a fair and reasonable compensatory royalty as determined by the Federal oil and gas supervisor.

LEASES CONFORMED TO AGREEMENT 15. The parties hereto holding leases or permits embracing lands of the United States subject to this agreement, and the persons and companies consenting hereto, consent that the Secretary of the Interior shall, and said Secretary by his approval of this agreement does, establish, alter, change, or revoke the drilling, producing, and

royalty requirements of such leases and permits and the regulations in respect thereof, to conform said requirements to the provisions of this agreement.

The Secretary of the Interior further agrees and consents that during the effective life of this agreement, the prospecting, drilling, and producing operations performed by the unit operator upon any lands subject hereto will be accepted and deemed to be operations under and for the benefit of all such leases; that suspension of operations or production on any such lease shall be deemed not to have occurred if there be operations or production on any part of the unit area subject to this agreement; that no such lease shall be deemed to expire by reason of failure to produce wells situated on land therein embraced; and that suspension of all operations and production on the unit area pursuant to direction or consent of said Secretary shall be deemed to constitute such suspension pursuant to such direction or consent with respect to each such lease.

All agreements among the parties hereto and the persons and companies consenting hereto are hereby modified or amended to the extent they conflict with this agreement so that the terms of this agreement shall prevail.

EXTENSION OF PERMITS AND ISSUANCE OF LEASES 16. The Secretary of the Interior as evidenced by his approval of this agreement, consents and agrees that, as to the lands of the United States within the unit area;

(1) Compliance with the terms of this agreement shall be deemed to be compliance with the applicable conditions of prior extensions of oil and gas prospecting permits subject hereto that were conditionally extended to December 31, 1937, by Act of Congress approved August 21, 1935, supra.

(2) Oil and gas prospecting permits subject to this agreement and in good standing thereunder, expiring on or before December 31, 1937, shall be and they are hereby

extended to said date subject to compliance with the terms of this agreement by and on behalf of the permittee.

(3) When any oil and gas prospecting permit has been determined by said Secretary to have been, on or before its date of expiration, wholly or in part within the limits of any producing oil or gas field to which this agreement shall pertain, which permit has been included in this agreement, on prompt and proper application therefor a lease or leases in conformity with Section 14 of the Act of February 26, 1920, as amended, supra, will be issued for the area of the permit included in this agreement without further proof of discovery.

COVENANTS RUN WITH LAND 17. That the covenants herein run with the land

_____ until this agreement terminates, and any grant, transfer, or lease of interest in lands, permits, or leases subject hereto shall be conditioned on the assumption of all privileges and obligations hereunder by the grantee, transferee, lessee, or other successor in interest and as to Federal land shall be subject to approval by the Secretary of the Interior.

EFFECTIVE DATE AND TERM 18. That this unit plan shall become effective

_____ on the first of the calendar month next following approval by the Secretary of the Interior and shall remain in effect so long thereafter as oil or gas can be produced in paying quantities or until it is proved that the unit area is no longer capable of commercial production of oil or gas and, with approval of the Secretary of the Interior, notice of termination for non-productivity is given by Operator to all parties in interest; provided, that this agreement may be terminated at any time by unanimous consent of the first and second parties hereto with approval of the Secretary of the Interior.

RATE OF PROSPECTING DEVELOPMENT AND PRODUCTION 19. That all production and the disposal thereof

_____ shall be in conformity with allocations, allotments, and quotas made or fixed by any duly authorized

person or regulatory body under any Federal or State statute; provided, that the Secretary of the Interior is vested with authority, pursuant to the amendatory Acts of March 4, 1931, and of August 21, 1935, to alter or modify from time to time in his discretion, the rate of prospecting and development and the quantity and rate of production under this agreement, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification.

DETERMINATIONS
BY OPERATOR
AND REVIEW THEREOF

20. That Operator shall determine the date of first authentic knowledge of information on which revision of any participating area shall be predicated; shall determine whether any well, horizon, land, or area subject to this agreement is proved or regarded as reasonably proved to be or to have been commercially productive or not commercially productive, it being understood and agreed that commercial productivity shall be the productive capacity estimated to be sufficient to return normal drilling and production costs under wise and skillful management; and shall determine other matters involved in this agreement for which a different method of determination is not herein established; Provided, that Operator shall give timely notice of all such determinations to all interested parties, including the Secretary of the Interior; Provided, further, that all such determinations may be reviewed by the Secretary of the Interior on his own initiative or on written request of any interested party, notice of any such review to be given to all interested parties, including Operator, within sixty (60) days after receipt of notice of Operator's determination; and Provided, further, that any matters so reviewed, on request or consent of Operator, may be submitted to a committee of three competent persons appointed by said Secretary, one on nomination of Operator, one on nomination of the second parties (Shell Oil Company to become a second party for this purpose if it should cease to be

the Operator), and the third on nomination of the first two, the cost of such committee to be a cost of operation and its report (which shall be binding on the committee when concurred in by any two of its members) to be submitted to said Secretary and copies thereof by him to Operator and other interested parties; and Provided, further, that opportunity shall be given in said review for all first and second parties to present their contentions and supporting evidence by written or oral communication to said committee or said Secretary, and that after consideration of all credible evidence said Secretary shall render a reasonable decision based thereon and in conformity therewith, which decision, so made and rendered, shall be final and binding on all parties hereto and those consenting hereto.

COUNTERPARTS 21. That this agreement may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and have set opposite their respective names the date of execution and a list of the lands made subject to this agreement.

DESCRIPTION OF LAND: DATE OF EXECUTION

Sec. 22 and N/2 of
Sec. 27, T. 17S, R. 21E Dec. 20, 1937 By

SKELLY COMPANY

Vice-President

Attest:

Secretary

Witness:

Hal G. Lich

Harshull

FIRST PARTY

DESCRIPTION OF LAND:

DATE OF
EXECUTION:

TRIMBLE COMPANY

Secs. 15 and 21, and
N2 and SW4 and N2 SE4
Sec. 28, T. 17S, R. 31E.

Dec. 17, 1937

V. President

Attest:

[Signature]
Asst. Secretary

Witness:

[Signature]
[Signature]

S2 and S2 of NW4 of
Sec. 14, and N2 and
N2 SW4 of Sec. 23,
T. 17S, R. 31E.

Dec. 17, 1937

(W. G. Skelly)

Witness:

[Signature]
R. J. Buchanan

NE4 and N2 NW4 of
Sec. 14, T. 17S,
R. 31E.

Dec. 17, 1937

(C. G. Herndon)

Witness:

[Signature]
[Signature]

N2 NW4 of Sec. 26
and SE4 and S2 SW4
of Sec. 23, T. 17S,
R. 31E.

Dec. 17, 1937

(W. F. German)

Witness:

[Signature]
[Signature]

SECOND PARTIES

3

CONSENT TO AGREEMENT BY OVERRIDING ROYALTY OWNERS

The undersigned owners of royalty in the participating acreage covered by the above and foregoing unit agreement hereby consent to and agree to be bound by the terms of said agreement as and when same is approved by the Secretary of the Interior in so far as their respective royalty interests are concerned.

Witness:

_____	(Beulah V. Lynch)
_____	(J. S. Lea)
_____	(Hiram M. Dow)
_____	(Marshall & Winston, Inc.)
_____	(S. S. Sherman)
_____	(Paul McCune)
_____	(Charles M. Rath)
_____	(Oil Royalties Corporation)
_____	(E. C. Higgins)
_____	(F. A. Andrews)

CONSENTING PARTIES

CONSENT TO AGREEMENT BY OVERRIDING ROYALTY OWNERS

The undersigned owners of royalty in the participating acreage covered by the above and foregoing unit agreement hereby consent to and agree to be bound by the terms of said agreement as and when same is approved by the Secretary of the Interior in so far as their respective royalty interests are concerned.

Witness:

(Beriah V. Lynch)

(J. S. Lea)

(Hiram M. Dow)



ATTEST: *Samuel S. Sherman*
Secretary and Treasurer.

(Marshall & Winston, Inc.)
THE INTERMOUNTAIN ROYALTY COMPANY
By: *Samuel S. Sherman*
(~~Samuel S. Sherman~~ President.)

(Paul McCune)
Charles M. Rath
(Charles M. Rath)

(Oil Royalties Corporation)

(E. C. Higgins)

(P. A. Andrews)

CONSENTING PARTIES

CONSENT TO AGREEMENT BY OVERRIDING ROYALTY OWNERS

The undersigned owners of royalty in the participating acreage covered by the above and foregoing unit agreement hereby consent to and agree to be bound by the terms of said agreement as and when same is approved by the Secretary of the Interior in so far as their respective royalty interests are concerned.

Witness:

_____	_____ (Beulah V. Lynch)
_____	_____ (J. S. Lea)
_____	_____ (Hiram M. Dow)
_____	_____ (Marshall & Winston, Inc.)
_____ <i>E. B. Michael</i>	_____ (S. S. Sherman)
_____	_____ <i>Paul McCune</i>
_____	_____ (Paul McCune)
_____	_____ (Charles M. Rath)
_____	_____ (Oil Royalties Corporation)
_____	_____ (E. C. Higgins)
_____	_____ (P. A. Andrews)

CONSENTING PARTIES

CONSENT TO AGREEMENT BY OVERRIDING ROYALTY OWNERS

The undersigned owners of royalty in the participating acreage covered by the above and foregoing unit agreement hereby consent to and agree to be bound by the terms of said agreement as and when same is approved by the Secretary of the Interior in so far as their respective royalty interests are concerned.

Witness:

(Bulah V. Lynch)

(J. S. Lea)

(Hiram M. Dow)

Sam H. Marshall
(Marshall & Winston, Inc.)

(S. S. Sherman)

(Paul McCune)

(Charles M. Rath)

J. J. Gordon
(Oil Royalties Corporation)

(E. C. Higgins)

F. A. Andrews
(F. A. Andrews)

Sam H. Marshall

CONSENTING PARTIES

HAZARD

HAZARD

HAZARD

EXHIBIT A

Schedule of Lands Included Within Participating Area
and Percentage Acreage Interest of Each Owner

<u>OWNER</u>	<u>ACREAGE OWNED</u>	<u>PERCENTAGE OF INTEREST IN TOTAL PARTICIPATING AREA</u>
Skelly Oil Company	N2 & N2 S2 of Section 22	33 - 1/3%
Triman Oil Company	S2 of Section 15	33 - 1/3%
W. C. Skelly (1/3 undivided)	N2 & N2 SW4 & NW4 SE4 of	33 - 1/3%
C. C. Herndon (1/3 interest)	Sec. 23, and	
W. P. Z. German (1/3 each)	S2 Sec. 14, All T. 17S, R. 31E.	

1560 acres

(See Exhibit A-1 attached)

EXHIBIT B

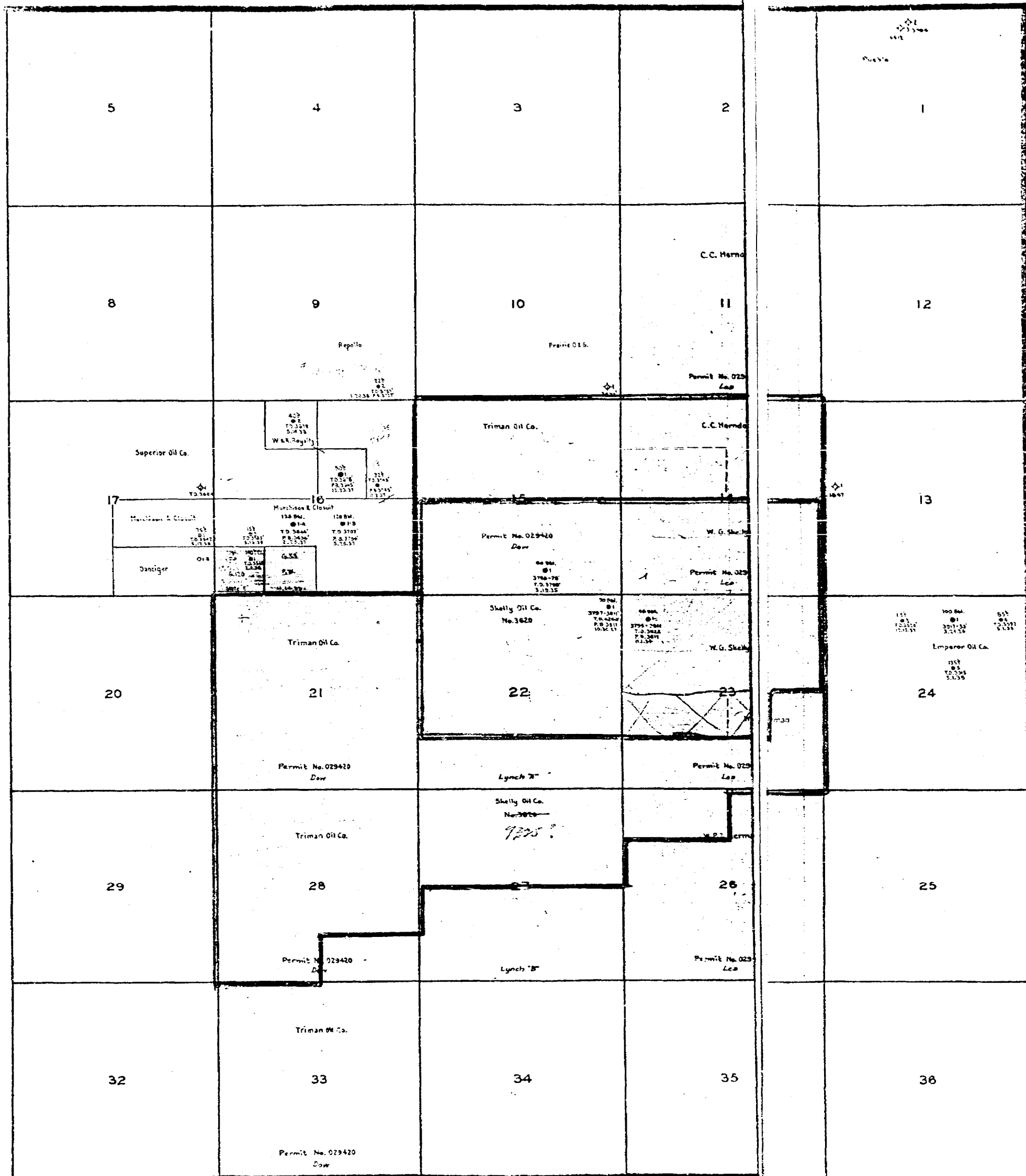
PROPORTIONATE OVERRIDING ROYALTY OWNERSHIP UNDER
PROPOSED PARTICIPATING AREA OF SKELLY UNIT AREA.

BEULAH V. LYNCH LEASE #3622,
J. S. LEA PERMIT #029418, and
HIRAM M. DOW PERMIT #029420,
EDDY COUNTY, NEW MEXICO

Beulah V. Lynch	124/585 of 7½%	Roswell, New Mexico
XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
Hiram M. Dow	204/585 of 7½%	Roswell, New Mexico
✓ Marshall & Winston, Inc.	72/585 of 7½%	480 I. W. Hellman Bldg. Los Angeles, Calif.
XXXXXXXXXX S. S. Sherman	12/585 of 7½%	1401 E. 12th Avenue Denver, Colorado
Paul McCune	2/585 of 7½%	Fort Worth, Texas (Burk Burnett Bldg.)
✓ Charles M. Rath	2/585 of 7½%	1254 Cook St., Denver, Colorado
✓ Oil Royalties Corporation	22/585 of 7½%	826 I. N. Van Hays Bldg. Los Angeles, Calif.
E. C. Higgins	30/585 of 7½%	Artesia, New Mexico
✓ F. A. Andrews	72/585 of 7½%	233 S. Van Ness Ave., Los Angeles, Calif.

T. 17 S. - R. 31 E.
EDDY COUNTY, NEW MEXICO

EXHIBIT A-1



- ☐ Proposed Unitized Area
☐ Permit No. 029418
☐ Proposed Participating Area
☐ Shelly Oil Co. - Lynch Lease
☐ Permit No. 029420



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.

Mr. E. C. Higgins
April 24, 1939
Page Two

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% 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% 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
Page Three

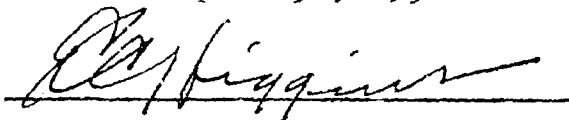
a copy of this letter with space provided for you to indicate your consent and acceptance. If you desire to so indicate your consent, we request that you do so on the copy of this letter, and that it be returned to this office in the enclosed stamped addressed envelope at your earliest opportunity, in 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:

May 10th, 1939 



SKELLY OIL COMPANY

Tulsa, Oklahoma

April 19, 1959

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 utilized 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 $2/585$ 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 $1/8$ of $1\frac{1}{2}\%$ under and by

Mr. Paul McCune
April 19, 1959
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, 1959

(Signed) Paul McCune



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 $22/565$ 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. P. R. Frum



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 $1\frac{1}{2}\%$ under and by virtue of the 640 acre "A" lease secured under the Lea Permit #029418, which "A" lease is described as the 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 $1\frac{1}{2}\%$ 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,

HWH:W

Consented to and accepted this

Apr. 19, 1939.

(Signed)

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 $7\frac{1}{3}\%$, 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 $1\frac{1}{3}\%$ 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 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 $1\frac{1}{2}\%$ 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

HSH:W

Consented to and accepted this

April 29 - 39, 1939.

(Signed) *Marshall & Winston Inc*
Samuel 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 utilized 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 $2/585$ 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 $1/8$ 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,

HTH:W
Encl.

Consented to and accepted this

24 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% 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,

HWH:W
Encl.

Consented to and accepted this

5th day of May, 1939.

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



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,

Beulah V. Lynch

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
Page Two

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

Honorable Hiram M. Dow
April 22, 1939
Page Three

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:

7/6, 1939

DOCKET: EXAMINER HEARING - THURSDAY - JANUARY 3, 1974

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

CASE 5000: (Continued from the June 20, 1973, Regular Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Aztec Oil and Gas Company and United States Fidelity and Guaranty Company and all other interested parties to appear and show cause why the Aztec Totah Unit Wells Nos. 17 and 18, located in Unit E of Section 20, and Unit H of Section 19, respectively, Township 29 North, Range 13 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5006: (Continued from the June 20, 1973, Regular Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Aztec Oil and Gas Company and United States Fidelity and Guaranty Company and all other interested parties to appear and show cause why the Southeast Cha Cha Unit Well No. 1 located in Unit M of Section 32, Township 29 North, Range 13 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5128: Application of Gulf Oil Corporation for a non-standard gas proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 160-acre non-standard gas proration unit comprising the NE/4 SW/4 and W/2 SE/4 of Section 28 and the NW/4 NE/4 of Section 33, both in Township 21 South, Range 37 East, Blinbry Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its J. N. Carson Wells Nos. 4 and 9 located in Units O and K, respectively, of Section 28.

CASE 5129: Application of Dorchester Exploration Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order force pooling all mineral interests in the Wilson-Pennsylvanian Pool underlying the E/2 of Section 13, Township 21 South, Range 34 East, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location in Unit I of said Section 13. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5130: Application of Mesa Petroleum Company for the amendment of Order No. R-4658, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-4658, which order promulgated special

(Case 5130 continued from Page 1)

pool rules for the North Shoe Bar-Strawn Pool, Lea County, New Mexico. Applicant seeks the amendment of said rules to provide for a special gas-oil ratio limitation of 4000 to one.

CASE 5131: Application of Jake Hamon for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Devonian formation through the perforated interval from 12,935 feet to 12,946 feet and the open-hole interval from 12,960 feet to 13,023 feet in his Getty State L-736 Well No. 1 located in Unit D of Section 32, Township 16 South, Range 36 East, East Shoe Bar-Devonian Pool, Lea County, New Mexico.

CASE 5132: Application of American Quasar Petroleum Company of New Mexico for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the White City Unit Area comprising 5,120 acres, more or less, of Federal, State and fee lands in Township 25 South, Ranges 25 and 26 East, Eddy County, New Mexico.

CASE 5133: Application of Atlantic Richfield Company for four non-standard gas proration units and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the following 320-acre non-standard gas proration units in Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico:

The N/2 of Section 34 to be dedicated to its Curran Jones Wells Nos. 1 and 10 located in Units A and C, respectively, of Section 34;

McDonald State Lease:

The N/2 of Section 14 to be dedicated to Wells Nos. 11 and 25 both located in Unit D of Section 14;

The E/2 of Section 26 to be dedicated to Wells Nos. 22, 9, and 8 located in Units A, G, and P, respectively, of Section 26;

The W/2 of Section 24 to be dedicated to Wells Nos. 26 and 12 located in Units D and M, respectively, of Section 24.

CASE 5134: Application of Atlantic Richfield Company for simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of four wells to a standard 640-acre unit comprising all of Section 15, Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, said wells being applicant's McDonald State WN Wells Nos. 23, 14, 15, and 13, located in Units C, G, L, and P, respectively, of Section 15.

CASE 5135: Application of Atlantic Richfield Company for the amendment of Order No. R-4549, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Rule 1 of the Special Rules for the Empire-Abo Pressure Maintenance Project as promulgated by Order No. R-4549 to expand the project area as defined therein to include the

(Case 5135 continued from Page 2)

SW/4 SE/4 of Section 27 and the S/2 SE/4 of Section 34, both in Township 17 South, Range 28 East, and the NW/4 NE/4 and the SE/4 SW/4 of Section 6, Township 18 South, Range 28 East, Empire-Abo Pool, Eddy County, New Mexico.

Applicant further seeks the amendment of Rules 3 and 4 of said special rules to provide that effective January 1, 1974, the maximum allowable for the project area be 33,000 barrels per day rather than 30,000 as presently provided.

CASE 5136: Application of Coastal States Gas Producing Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox oil well location of its McGuffin Well No. 2 at a point 1980 feet from the North line and 660 feet from the West line of Section 29, Township 9 South, Range 33 East, Flying "M"-San Andres Pool, Lea County, New Mexico.

CASE 5137: Application of Skelly Oil Company for two unorthodox locations, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill two producing wells at two unorthodox locations, one 2630 feet from the North line and 1330 feet from the West line and the other 1330 feet from the South line and 10 feet from the West line, both in Section 22, Township 17 South, Range 31 East, Grayburg-Jackson Pool, Eddy County, New Mexico.

CASE 5138: Application of Skelly Oil Company for a waterflood project and four dual completions, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Seven Rivers formation, Fren Pool, through six injection wells in its Skelly Unit Area in Sections 21, 22 and 28, Township 17 South, Range 31 East, Eddy County, New Mexico, three of which wells would be dually completed for injection into the Seven Rivers formation and the existing Grayburg-Jackson waterflood project. Applicant further seeks authority to dually complete its Skelly Unit Well No. 76 located in Unit O of said Section 21 as a dual completion to produce from the Fren Seven Rivers Pool and the Grayburg-Jackson Pool through parallel strings of tubing.

CASE 5139: Application of Skelly Oil Company for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Grayburg-San Andres formation through three wells on its Lea "C" Lease in Section 11, Township 17 South, Range 31 East, Grayburg-Jackson Pool, Eddy County, New Mexico.

CASE 5141: Application of David Fasken for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to re-enter an existing well, the unorthodox surface location of which is 660 feet from the South and West lines of Section 7, Township 18 South, Range 26 East, West Atoka-Morrow Gas Pool, Eddy County, New Mexico,

(Case 5141 continued from Page 3)

and to directionally drill said well in such a manner as to bottom the well in the Morrow formation at a point 915 feet from the South line and 660 feet from the West line of said Section 7.

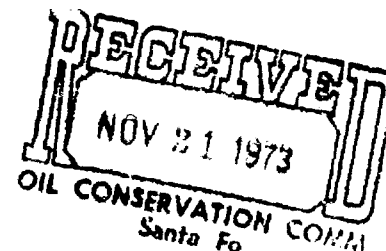
CASE 5142: Application of Amoco Production Company for special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Black River-Pennsylvanian Gas Pool, Eddy County, New Mexico, including a provision for 320-acre drilling and proration units. In the absence of objection, this pool will be placed on the standard 320-acre spacing for Pennsylvanian gas pools rather than the present 160-acre spacing.

CASE 5140: (This case will be continued to January 16, 1974, Examiner Hearing)

Application of Pierce & Dehlinger for compulsory pooling, Vada-Pennsylvanian Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Vada-Pennsylvanian Pool underlying the NW/4 of Section 24, Township 9 South, Range 33 East, Lea County, New Mexico, to be dedicated to the King Resources Sheridan Well No. 1-A located in Unit C of said Section 24; Also to be considered is designation of the applicant as operator of the NW/4 of said Section 24 and the well located thereon, provision for allocation of actual operating costs and charges for supervision, and allocation of costs for reworking said well including a 200% charge attributable to any non-consenting working interest owner's pro rata share of said workover costs, for the risk involved in said workover.

CASE 4956: (Reopened) (This case will be continued to January 16, 1974, Examiner Hearing)

Application of Pierce & Dehlinger for a determination of well costs, Lea County, New Mexico. Applicant, as operator of the Sheridan Well No. 1 located in Unit M of Section 13, Township 9 South, Range 33 East, Lea County, New Mexico, to which well is dedicated the SW/4 of said Section 13, all mineral interests in the Vada-Pennsylvanian Pool thereunder having been pooled by Commission Order No. R-4560, seeks the determination of reasonable well costs attributable to applicant and to King Resources, including, but not limited to, the costs of reworking and placing said Sheridan Well No. 1 back on production and attorneys fees in connection therewith. Applicant further seeks an order assessing, as a charge for the risk involved in the reworking of the well, 120% of the pro rata share of the reasonable well costs attributable to the working interest of King Resources.



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

Case 5138

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 MAILED

Date *12-18-73*



OIL CONSERVATION COMMISSION

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

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

January 25, 1974

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.
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

Memo

1/21
From
D. S. NUTTER
CHIEF ENGINEER

To Legal —

OK to approve this
water flood. We have re-
ceived copies of the unit
agreement and all formations
are unitized, so there is
no problem with these
lease lines.

OK



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

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 3, 1974

EXAMINER HEARING

IN THE MATTER OF:

Application of Skelly Oil Company
for a waterflood project and four
dual completions, Eddy County, New
Mexico.

Case No. 5138

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For New Mexico Oil Conservation
Commission:

Thomas Derryberry, Esq.
Legal Counsel for the Com-
mission
State Land Office Bldg.
Santa Fe, New Mexico

For the Applicant:

Chester E. Blodget, Esq.
SKELLY OIL COMPANY
P. O. Box 1650
Tulsa, Oklahoma 74102

and

L. C. White, Esq.
220 Otero
Santa Fe, New Mexico

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

I N D E X

	<u>Page</u>
BERT BROWN	
Direct Examination by Mr. Blodget	3
Cross Examination by Mr. Nutter	9

E X H I B I T S

	<u>Marked</u>	<u>Admitted</u>
Applicant's Exhibits Nos. 1 thru 17	--	9
Applicant's Exhibit No. 18	--	12

MR. NUTTER: Call Case No. 5138.

MR. DERRYBERRY: Case No. 5138. Application of Skelly Oil Company for a waterflood project and four dual completions, Eddy County, New Mexico.

MR. BLODGETT: Mr. Examiner, I'm Chester Blodgett, representing Skelly Oil Company. Mr. L. C. White of Santa Fe has entered his appearance as local counsel in this matter. We have one witness in this matter, Mr. Bert Brown, who has just been sworn in the previous case.

(Whereupon, a discussion was
held off the record.)

BERT BROWN

called as a witness, having been previously affirmed, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. BLODGETT:

Q Mr. Brown, are you familiar with the Application of Skelly Oil Company Order authorizing waterflood project in the Fren Rivers Pool underlying Skelly Unit area covering all section 14, 15, 21, 22, 23 in the North half of the Northwest quarter, Section 26 of the Northwest quarter of the West half of the Northeast quarter and the Northeast quarter of the Northeast quarter of Section 27, and the North

half and the North half of the South half of Section 28,
Township 17 South, Range 31 East, Eddy County, New Mexico.

A Yes, sir.

Q I'll call your attention to Skelly's Exhibit No.
1. Would you identify that, please?

A Skelly's Exhibit No. 1 is a plat of a pilot, pro-
posed pilot waterflood project in the Seven Rivers formation
within the confines of the Grayburg-Jackson Pool in the
aforementioned Section in Eddy County, New Mexico.

Q Skelly proposed to conduct a pilot flood operation
involving the W-5 spot pattern?

A Yes, we propose to inject water into the wells
No. 10, 12, 16, 54, 77 and 89 and to monitor and produce
Wells Nos. 11 and 76.

Q Do you have anything else you want to explain
about that particular Exhibit?

A I might. Let's see, I might add that Skelly operate
16 Fren Seven Rivers wells in the Fren Seven Rivers Pool here
and 15 of them are in this area here and one is about a mile
north of here and in order to accomplish this waterflood
pilot installation, we propose to dual -- let's see -- three
Seven Rivers Grayburg-Jackson injectors and the equip three
single-completion Seven Rivers injectors and dual --

yes, it would be two dual Seven Rivers Grayburg-Jackson producers and No. 11 and 76.

Q I call your attention to Skelly's Exhibit No. 2. Would you identify that, please?

A Skelly Exhibit No. 2 is a log, gamma rays neutron log, on Skelly's Unit No. 10.

Q Skelly's Exhibit No. 3?

A Exhibit No. 3 is a gamma rays neutron log on Skelly Unit No. 77.

Q Would you identify Skelly Exhibit No. 4?

A Skelly Exhibit No. 4 is gamma rays neutron log on Skelly Unit No. 89.

Q Well No. 89?

A Yes, Well No. 89.

Q I call your attention to Skelly Exhibit No. 5. Would you identify that, please?

A Skelly Exhibit No. 5 is a schematic of a proposed injection Well No. 10.

Q Would you identify Skelly Exhibit No. 6?

A Skelly Exhibit No. 6 is a schematic diagram of an injection well, proposed injection Well No. 12.

Q Identify Skelly Exhibit No. 7.

A Skelly Exhibit No. 7 is a schematic diagram of a

Seven Rivers injection well No. 16.

Q Would you identify Skelly Exhibit No. 8?

A Skelly Exhibit No. 8 is diagramatic diagram of a proposed dual Skelly Injection Well No. 54.

Q Identify Skelly Exhibit No. 9.

A Skelly Exhibit No. 9 is a down-hole schematic of Skelly Unit Well No. 77, a dual Seven Rivers unit at Jackson-Grayburg.

Q Identify Exhibit No. 10.

A Exhibit No. 10 is a down-hole schematic of Skelly Unit Well No. 89 proposed Seven Rivers Grayburg-Jackson injection well.

I might mention at this point, Well No. 11, we don't have a diagram on it for the reason that it is equipped now as it would be after the pilot is installed. It's a dual producing well.

Q Would you then identify Skelly Exhibit No. 11?

A Skelly Exhibit No. 11 is an analysis of the water that would be injected into this reservoir through wells 10, 12, 16, 77 and 89.

Q Would you identify Skelly Exhibit No. 12?

A I beg your pardon. I have to make a correction here. Skelly Exhibit No. 11 is the water that would be

injected in the Well No. 54. It comes from Skelly Unit Grayburg-Jackson Plant 1.

Exhibit No. 12 is an analysis of the water that will be injected in the well in 12, 16, 77 and 89.

Q In other words, Mr. Brown, it looks like you're putting fresh water in No. 54 and this would be produced water into the other wells?

A That's right, sir.

Q Would you identify Exhibit No. 13, please?

A Exhibit No. 13 is a gamma rays neutron log of Skelly Well No. 76.

Q Would you identify Exhibit No. 14?

A Exhibit No. 14 is a down-hole schematic of producing Well No. 76 proposed after it's at full completion and a producer in the Fren Seven Rivers Grayburg-Jackson Pool.

Q Would you identify Skelly Exhibit No. 15, please?

A Skelly Exhibit No. 15 is a two-mile radius map around the proposed project showing all wells in the zones from which they produce, operators, lease names.

Q I call your attention to Skelly Exhibit No. 16. Would you explain and identify that, please?

A Exhibit No. 16 is a letter from the United States Department of Interior indicating their approval of this

pilot Seven Rivers Project.

Q I call your attention to Skelly Exhibit No. 17.

A Skelly Exhibit No. 17, it's C-1115, filed with the Oil Conservation Commission in the State of New Mexico for October '73 which shows the production for that month on the Fren Seven Rivers wells and shows the state of depletion of the wells indicating there are in advance stage of completion.

Q What initial volume of water do you plan to inject into these wells?

A We plan to inject from two to 400 barrels of water per day per well, about 1850 pounds would be our maximum pressure.

Q In your opinion, would this proposed waterflood result in recovery of otherwise unrecoverable oil and thereby prevent waste?

A Yes, sir.

Q Skelly is also asking in this Application that any Order issued hereunder would if favorable in granting the Application provide for administration expansion of -- administrative expansion of the project and conversion of additional wells by administrative means?

A Yes.

Q Were the Skelly Exhibits 1 through 17 prepared by

you or under your supervision and request?

A Yes, sir.

MR. BLODGET: Mr. Examiner, we move the admission of Skelly Exhibits 1 through 17.

MR. NUTTER: Applicant's Exhibits Nos. 1 through 17 will be admitted in evidence.

(Whereupon, Applicant's Exhibits Nos. 1 through 17 for identification were admitted in evidence.)

MR. BLODGET: We have no further questions.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Brown, this unit was originally formed for waterflooding in the Grayburg-Jackson Pool. Now, this proposed pilot here is in the Fren. Is the Fren formation unitized also?

A No, sir. It is not.

Q So, actually, this project then is in two separate leases, is it not?

A No, sir.

Q It's on the Dow Lease and also on the Lynch Lease?

A Let me see. I'd have to restate that. It is my --
to the best of my knowledge, it is unitized in the same

respect as the Grayburg-Jackson.

Q Suppose what we'd really have to do is refer to the Unit Agreement and see what the unitized formations are unless you really know. Of course, the Grayburg-Jackson Pool, I believe, is the San Andres formation?

A Right.

Q And the Fren Pool is the Seven Rivers formation?

A Right.

Q Only.

A However, all that is a royalty unit. It is not an operator's unit.

Q I realize that. Skelly is the sole working interest owner on the Dow and the Lynch State and those leases that you've got in there.

A You brought up a question there I really can't answer right now. It is my opinion, that it would be on the same -- see, we keep separate -- we keep the leases separate on the Grayburg-Jackson and sell the oil separately. It's not all one big unit. It's cut up into two parts, two different royalty interests. We have Lack 1 and Lack 2 and we'd have to do, this is already commingled. It is a commingled lease already and with that in mind, I don't really see where that would come into it right now. If we commingle

now, putting the oil in the proper place, we'll continue to put it in the same place.

Q Yes, but your injections are wrong. You've got an injection well on the Lynch lease with no producing well there and you'll be moving oil off of the Lynch lease onto the Dow lease for production and if it's not unitized, how do you handle two leases that way?

You may be commingling on the surface now, but the oil is attributed to the lease from which it came based on some kind of test or measurement or something.

MR. BLODGET: I think what we'll probably have to do is just check the agreements and see.

MR. NUTTER: I think we better have something a little more concrete on this, Mr. Blodget.

MR. BLODGET: Okay.

BY MR. NUTTER:

Q Now, another point, Mr. Brown, referring to Exhibits 5 through 10, I notice that each one of these injection wells is equipped with a factor. What means would you have to determine whether there was leakage in the tubing, casing or packer? Would you load this annulus with some kind of inert fluid?

A Yes, sir, water.

Q And equip it at the surface with a pressure gauge?

A Yes, sir.

Q Okay. That would be the same in each well's case?

A Yes.

MR. NUTTER: Okay. Thank you. Are there any further questions of the witness?

(Whereupon, a discussion was held off the record.)

MR. BLODGET: Mr. Examiner, we offer into evidence, Exhibit to be designated Skelly Exhibit No. 18, the unit agreement pertaining to the property involved.

MR. NUTTER: All right, sir. Exhibit 18 will be the unit agreement covering the acreage involved in this Hearing for this pilot waterflood project and it will be admitted into the evidence. That Exhibit is on record with the Commission, I think.

(Whereupon, Applicant's Exhibit No. 18 was admitted in evidence.)

MR. NUTTER: Does anyone else have any questions of the witness? He may be excused.

(Witness is excused.)

MR. NUTTER: Do you have anything further, Mr. Blodget?

MR. BLODGET: Nothing further.

MR. NUTTER: Does anyone have anything they wish
to offer in Case 5138?

We will take the case under advisement.

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SANTA FE)

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

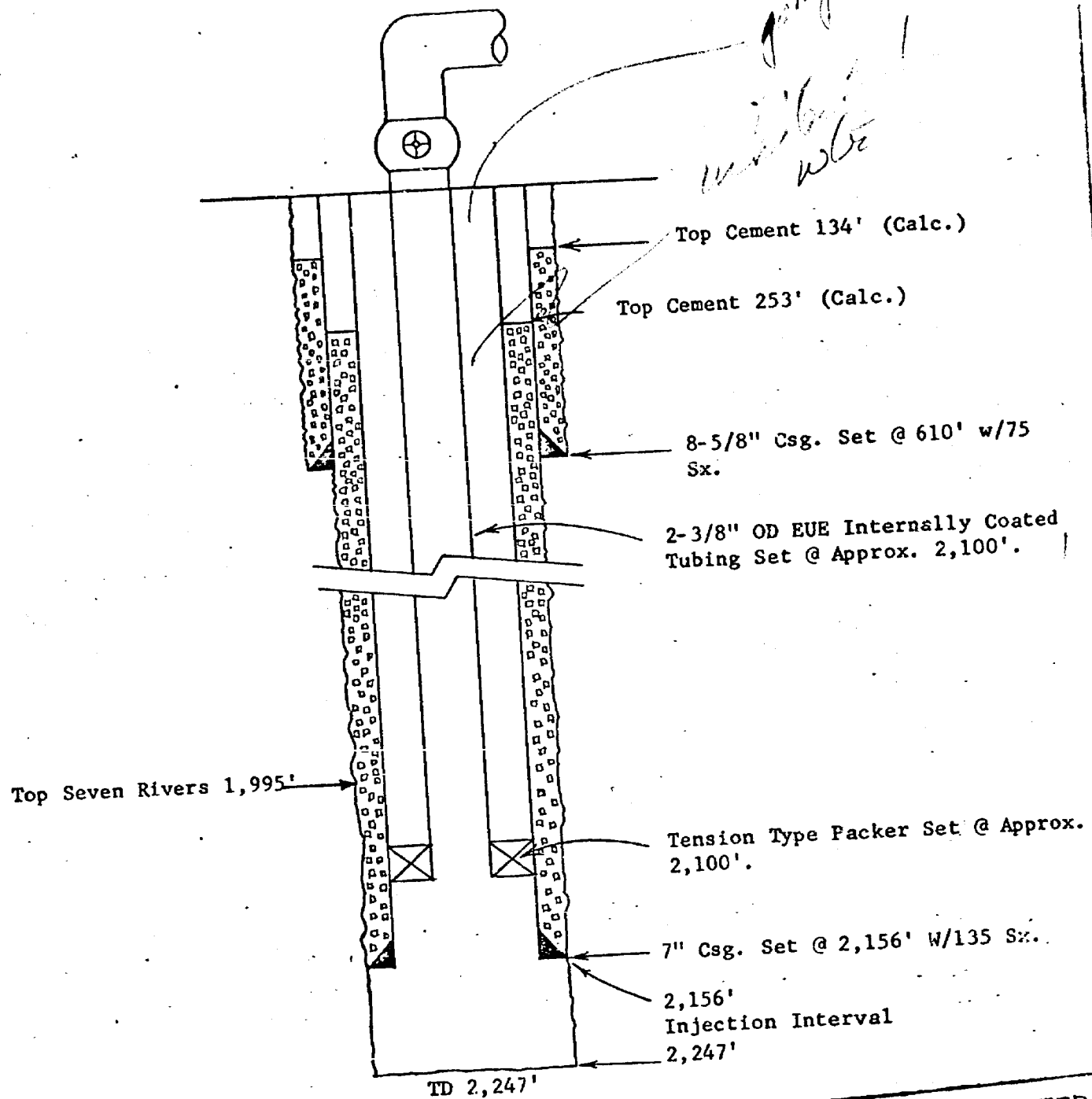
Richard L. Nye
 COURT REPORTER

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5138 heard by me on 1-3, 1974.

Arthur, Examiner
 New Mexico Oil Conservation Commission

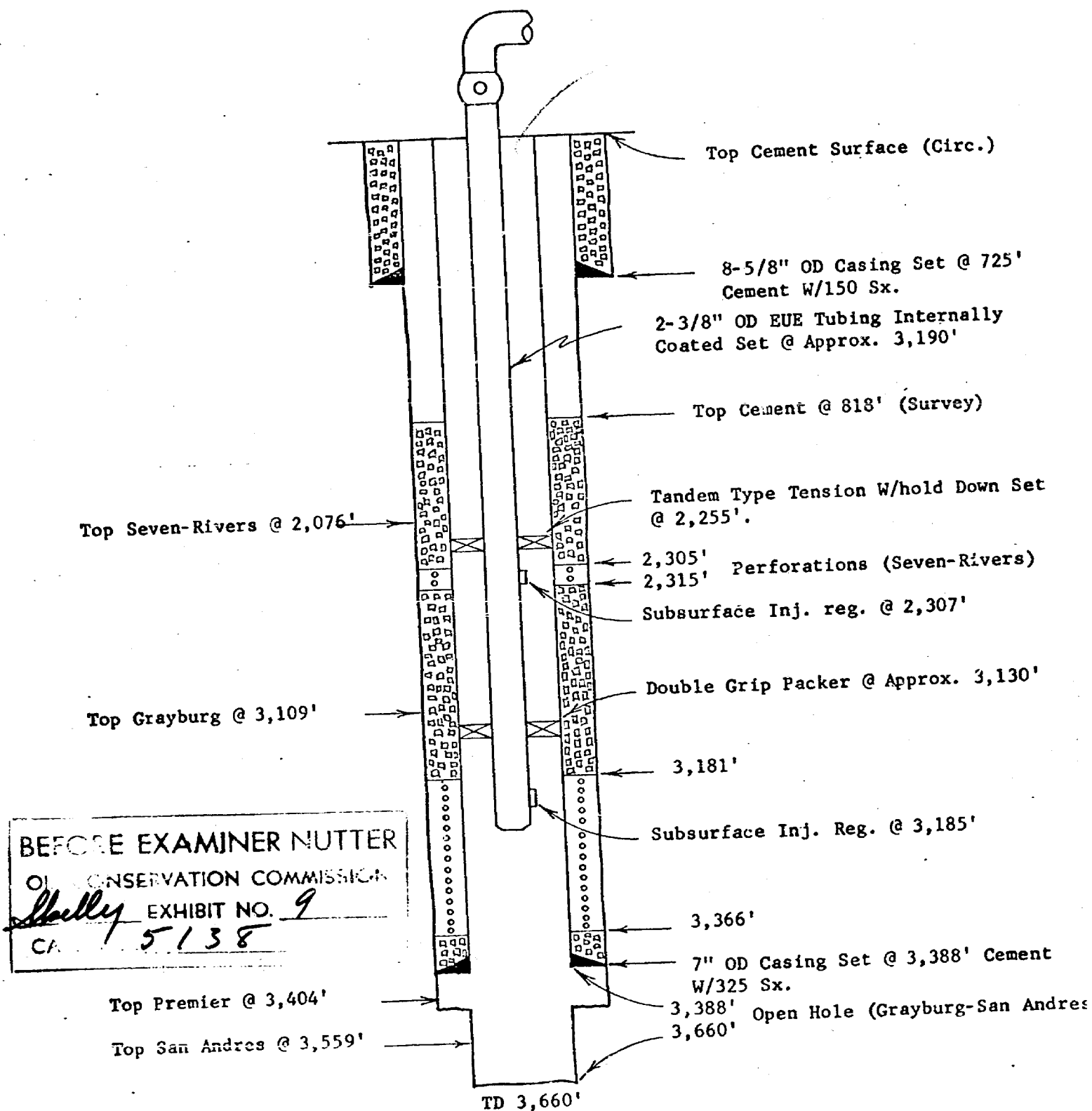
THE NYE REPORTING SERVICE
 STATE-WIDE DEPOSITION NOTARIES
 225 JOHNSON STREET
 SANTA FE, NEW MEXICO 87501
 TEL. (505) 982-0386

SKELLY OIL COMPANY
 SKELLY UNIT WELL NO. 10
 1,980' FNL & 660' FEL, SECTION 21, T-17-S, R-31-E
 FREN-SEVEN RIVERS INJECTION WELL



BEFORE EXAMINER NOTER
 OIL CONSERVATION COMMISSION
 Skelly EXHIBIT NO. 5
 CASE NO. 5138

SKELLY OIL COMPANY
 SKELLY UNIT WELL NO. 77
 330' FSL & 660' FEL, SECTION 21, T-17-S, R-31-E
 DUAL FREN SEVEN-RIVERS & GRAYBURG-SAN ANDRES INJECTION WELL





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

	CYL	
	TAB	
✓		<i>P. J. Love</i>

SKELLY OIL CO EXPL. & PROD.
NOV 27 1973
WEST CENTRAL DISTRICT

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.

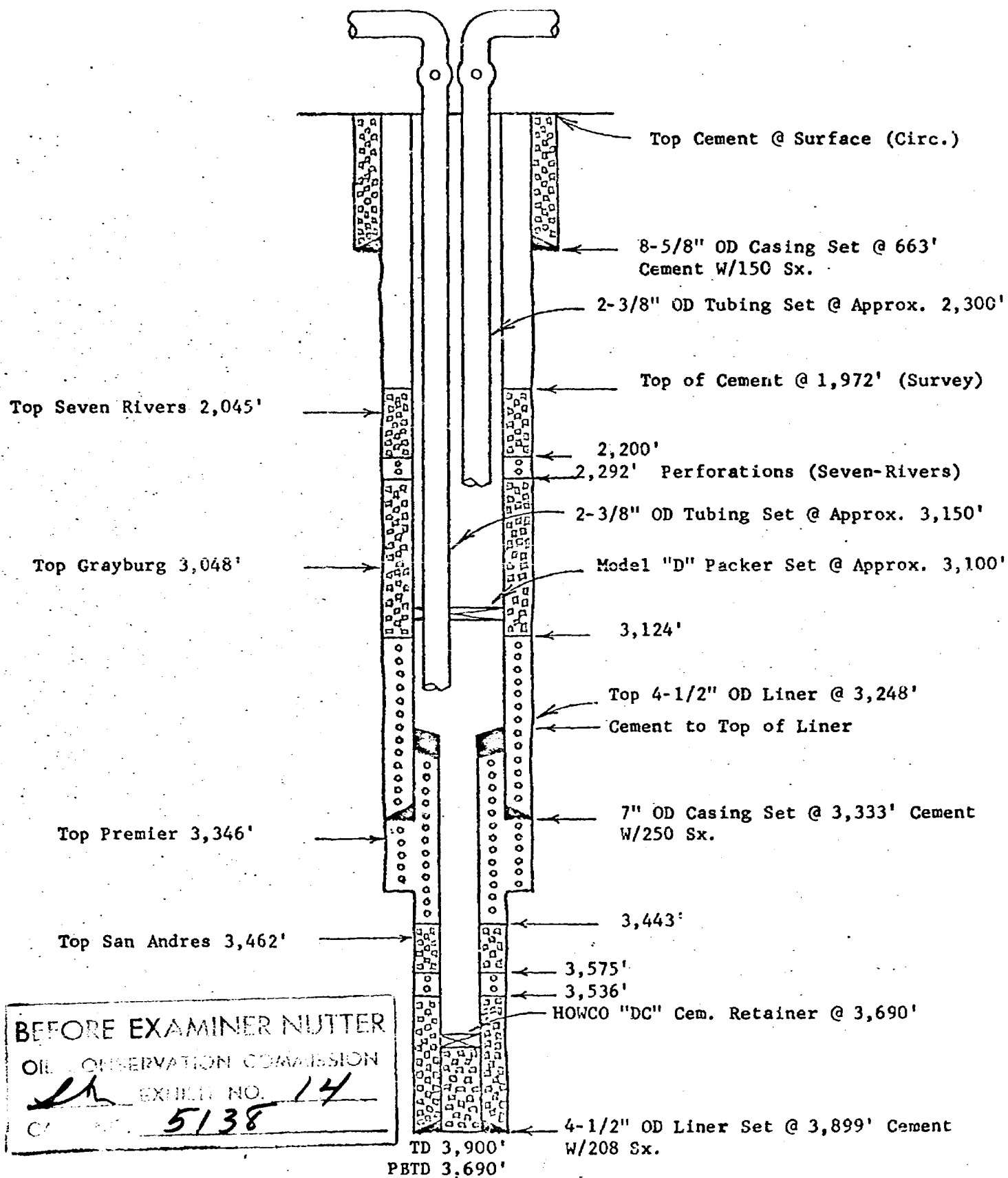
Sincerely yours,

Carl C. Traywick

CARL C. TRAYWICK
Acting Area Oil & Gas Supervisor

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
<i>AR</i> EXHIBIT NO. <u>16</u>
CASE NO. <u>5138</u>

SKELLY OIL COMPANY
 SKELLY UNIT WELL NO. 76
 720' FSL & 1,980' FEL, SECTION 21, T-17-S, R-31-E
 DUAL FREN SEVEN-RIVERS & GRAYBURG-SAN ANDRES PRODUCER



834-0012

EXXON CHEMICAL COMPANY U.S.A.
SPECIALTIES LABORATORY
October 5, 1973
8230 Stedman, Houston, Texas 77029

EXXON
CHEMICALS

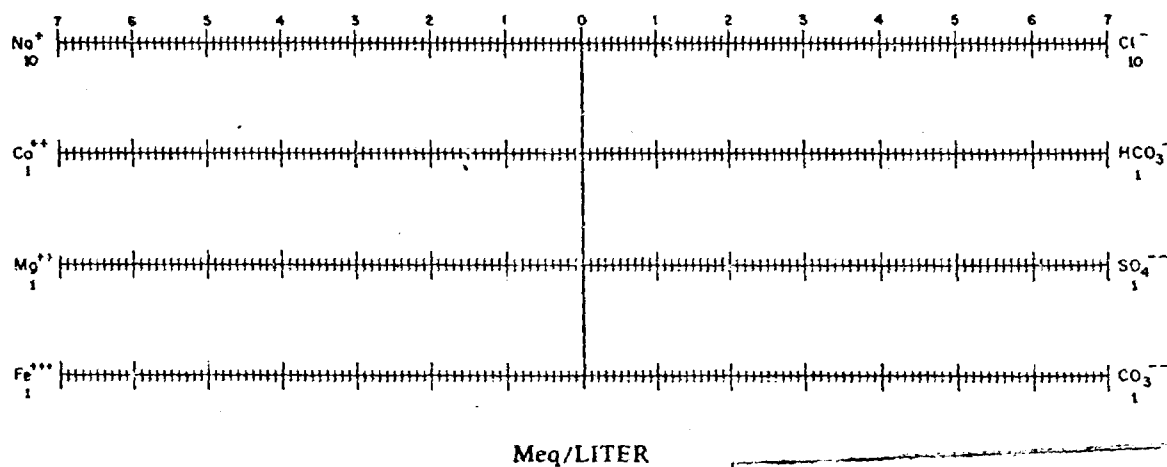
WATER ANALYSIS

SAMPLE DESCRIPTION: Water sample from Skelly Unit WF #2 submitted for routine correlation.
Sample taken from 10-2-73.

COMPANY: Skelly Oil Company
STSR NUMBER: 107331
REQUESTED BY: Harold Langen

DATE RECEIVED: 10-3-73
ANALYZED BY: Gene Keil

	<u>Mg/L</u>	<u>Meq/L</u>	
Sodium	6,981	303.5	pH 7.7
Calcium	774	38.7	Specific Gravity at 60 °F. 1.1072
Magnesium	259	21.3	Resistivity ohms/m @ 77°F 0.310
Chloride	11,718 ✓	330.5	
Sulfate	1,272	26.5	<u>Mg/L</u>
Bicarbonate	403	6.6	Oil Content
Carbonate	0	0.0	Organic Matter
Hydroxide	0	0.0	Hydrogen Sulfide 35.0
TOTAL	21,407		
Dissolved Iron			
Total Iron	2.5	0.1	

WATER PATTERN (Stiff Method)

Remarks:

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. 12
CASE NO. 5138

EXXON CHEMICAL COMPANY U.S.A.
SPECIALTIES LABORATORY
October 5, 1973
8230 Stedman, Houston, Texas 77029

EXXON
CHEMICALS

WATER ANALYSIS

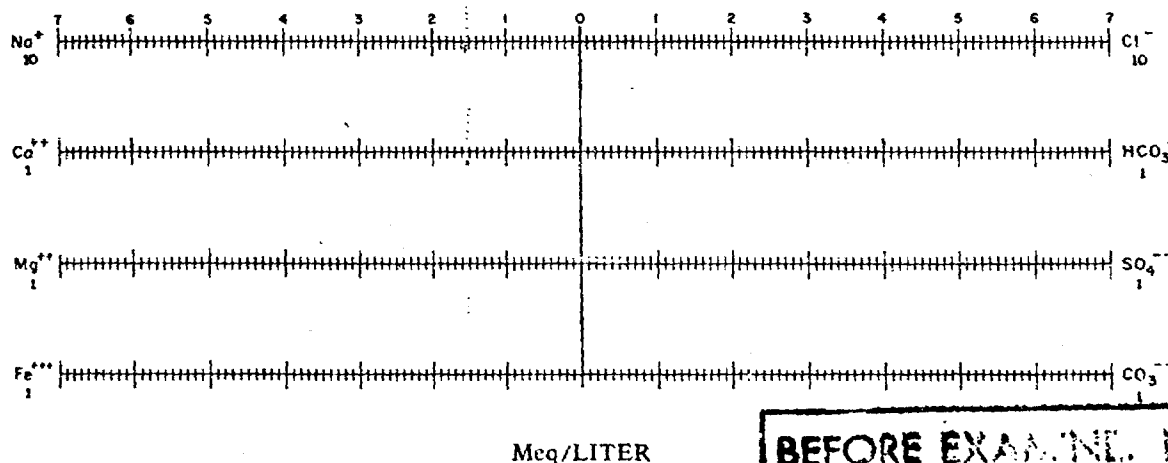
SAMPLE DESCRIPTION: Water sample from Skelly Unit WF #1 submitted for routine correlation.
Sample taken 10-2-73.

COMPANY: Skelly Oil Company
STSR NUMBER: 107330
REQUESTED BY: Harold Langen

DATE RECEIVED: 10-3-73
ANALYZED BY: Gene Keil

	<u>Mg/L</u>	<u>Meq/L</u>		
Sodium	55	2.4	pH	6.8
Calcium	73	3.7	Specific Gravity at 60°F.	1.0019
Magnesium	4	0.3	Resistivity ohms/m @77°F	10.00
Chloride	34	1.0		<u>Mg/L</u>
Sulfate	142	3.0	Oil Content	
Bicarbonate	151	2.5	Organic Matter	
Carbonate	0	0.0	Hydrogen Sulfide	0.0
Hydroxide	0	0.0		
TOTAL	459			
Dissolved Iron				
Total Iron	0.59	0.0		

WATER PATTERN (Stiff Method)



Remarks:

BEFORE EXAMINE. NOTED
CONSERVATION COMMISSION
EXHIBIT NO. 11
CASE NO. 5138