

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO
January 19, 1956

IN THE MATTER OF:

CASE NO. 996

TRANSCRIPT OF PROCEEDINGS

ADA DEARNLEY AND ASSOCIATES
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A That is correct.

Q And are you familiar with them? A Yes, sir, that is correct.

Q Now, Exhibit A of the unit agreement which is Exhibit 1 in this case indicates the unit area, does it not? A That is correct.

Q Are all the lands inside the unit area owned by one royalty owner?

A That is correct.

Q Who is that royalty owner? A State of New Mexico.

Q And how many working interest parties or operators are involved in the unit area? A Two.

Q Name those two?

A Skelly Oil Company and the Superior Oil Company.

Q Have both of those operators signed the unit agreement as Exhibit 1?

A They have, sir.

Q Attached to the unit agreement which is marked Exhibit 1, in this case and is indicated as Exhibit B to the unit agreement is a schedule of the percentage and ownership of oil and gas leases in all lands, is that correct?

A That is correct.

Q Does that give the description and the number of acres in all of the leases within the unit area? A That is correct.

Q And attached to the unit operating agreement is an Exhibit marked C which is a structure map based on seismic interpretations, is that correct?

A That is correct.

Q In your opinion would the unit area reasonably contain all of the productive portions as far as you know at the present time?

A Yes, sir.

Q Referring to Exhibit 2 which is the operating agreement, are you familiar with those operating agreements and Exhibits attached there to?

A Yes, they were prepared under my direction.

Q Are they usual and normal in the traditional oil field operation of partnership operations?

A Yes, sir, almost universally used.

Q Now, with respect to Exhibit 1, particularly calling your attention to A attached thereto, does it indicate where the proposed location of the first well within the unit is to be drilled?

A It does.

Q Would you give that approximate location?

A In the approximate center of the Southwest quarter of the Southwest quarter of Section 16, Township 11 South, Range 34 East of the NMPM Lea County, New Mexico.

Q In order for the record to be fully comprehensive, will you indicate by description the unit area?

A Yes, the unit area is comprised of the following acreage. As stated all in Township 11 South, Range 34 East of the NMPM Lea County, New Mexico, South half Section 9, all Section 16, East half Section 17, East half Section 20, all of Section 21.

Q Now, are all of the lands in the leases included with the unit area? Do you understand the question?

A Yes, I understand the question. As to four of the leases, yes, as to two of the leases, no.

Q And as to those two leases, are any portions outside the unit area?

A Yes.

Q Are they immediately adjacent and adjoining the unit area?

A They are.

Q Do they involve the same ownerships both as to working interest and royalty interest as the other leases within the unit area?

A They do.

Q Are these tracts immediately adjacent and adjoining the unit area?

A They are.

Q And from a ratio or comparative standpoint, are they relatively small in acreage as compared to the unit area itself?

A They are.

Q Are they in the proportion of five to one or thereabouts?

A Approximately thereabouts, yes.

Q In your opinion, Mr. Kaderli, would the approval of such agreement tend to promote the conservation of oil and gas and the better utilization of reservoir energy in this area?

A It would.

Q Would, under the operations proposed, the state receive its fair share of the recoverable oil or gas in place under its land in the unit area?

A It would.

Q Would the agreement be in other respects to the best interests of the state?

A In all other respects and in every respect, it would be to the best interest of the state.

Q And, finally, would the agreement provide for an allocation of production and the sharing of proceeds from a part of the area covered by the agreement on an acreage basis be a reasonable and fair method of allocation?

A Yes, it would.

Q If the Oil Conservation Commission should approve the unit from a conservation standpoint, would you recommend that the approval of the Conservation Commission Order become effective upon the approval of the State Land Commission or Commissioner of Public Lands?

A I would.

Q And such approval would be a condition precedent for the approval of the unit by the Oil Conservation Commission and any changes made by the Commissioner would be acceptable to the applicant?

A That is correct.

MR. SELINGER: We would like to offer into evidence Skelly's Exhibit 1 and 2. That is all we have at this time.

MR. MACEY: Are there any objections? If not, they will be received in evidence.

Any questions of the witness?

MR. NUTTER: I have one question.

CROSS EXAMINATION

BY MR. NUTTER:

Q You do not feel that the boundaries as set forth for this unit are unduly large to contain the structure that the seismic crews have picked up?

A We do not. Our records were very good and the theory we applied which

was reflex shooting justifies us in that stand that it is not too large.

Q One other thing. Would Skelly Oil Company be willing to file a statement of progress that is being made in this unit at reasonable intervals of time, say every six months?

MR. SELINGER: The witness may not be able to answer, but on behalf of the Skelly Oil Company we would be agreeable.

MR. NUTTER: That is all.

MR. MACEY: Anyone have any questions of the witness?

BY MR. MACEY:

Q Are you familiar with the land office requirement on segregation clause.

A I am familiar with the land Offices regulations in a general way. It has been my understanding that the Commissioner in the land Office approval is based on examination and study of each individual case, perhaps.

Q I am not sure, I haven't had a chance to read the unit, but I can't find the segregation clause in the unit and I suggest that you discuss it with some land officer personnel to be sure you are right before you go any further.

A Be happy to.

MR. SELINGER: We have so been doing, if the Commission please. Our position in calling for this hearing at this time is one of timely importance secondly, it is felt that the matter is being presented to this board from a conservation standpoint and is solely a conservation order and the order by its own terms indicates in the last paragraph of practically every order that this Conservation Commission issues for unit establishment that the order becomes effective only upon the approval of the Commissioner of Public Land,

