

BEFORE THE
Oil Conservation Commission
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE NO. 1081

TRANSCRIPT OF PROCEEDINGS

DEARNLEY-MEIER AND ASSOCIATES
COURT REPORTERS
605 SIMMS BUILDING
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ALBUQUERQUE, NEW MEXICO

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
June 14, 1956

IN THE MATTER OF:

Application of Skelly Oil Company for an order granting approval of the West Tatum Unit embracing 1280 acres, more or less, in Township 12 South, Range 35 East, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order granting approval of the Unit Agreement for the development and operation for its West Tatum Unit consisting wholly of State of New Mexico lands and embracing All of Sections 26 and 35, Township 12 South, Range 35 East, Lea County, New Mexico; said agreement having been entered into by Skelly Oil Company, as operator and Sinclair Oil and Gas Company.

Case No.
1081

BEFORE:

Mr. A. L. Porter
Mr. E. S. (Johnny) Walker
Honorable John F. Simms, Jr.

TRANSCRIPT OF HEARING

MR. PORTER: The next case on the docket is Case 1081.

MR. GURLEY: Application of Skelly Oil Company for an order granting approval of the West Tatum Unit embracing 1280 acres, more or less, in Township 12 South, Range 35 East, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order granting approval of the Unit Agreement for the development and operation for its West Tatum Unit consisting wholly of State of New Mexico lands and embracing All of Sections 26 and 35, Township 12 South, Range 35 East, Lea County, New Mexico; said agreement having been entered into by Skelly Oil Company, as operator and Sinclair Oil and Gas Company.

W. J. STEWART

having first been duly sworn, testified as follows:

DIRECT EXAMINATION

By **MR. SELINGER:**

Q State your name. A W. J. Stewart.

Q You are associated with Skelly Oil Company?

A Yes, sir.

Q What capacity?

A Supervisor of Contracts and Units.

Q As such have you been investigating and acquiring the agreements with respect to a unit in Lea County designated as the West Tatum Unit?

A Yes, sir, I have.

(Marked Skelly's Exhibits No. 1, and 2,
for identification.)

Q As a result of your work, have you had compiled what has been designated as Skelly Exhibit 1 and 2, the unit agreement and unit operating agreement?

A Yes, sir.

MR. SELINGER: We would like to offer into evidence the original unit agreement and unit operating agreement as Exhibits 1 and 2 with permission to withdraw same and substitute exact copies thereof in order for the originals to be lodged in the proper State agency.

GOVERNOR SIMMS: That will be fine.

Q Now, attached to both Exhibits 1 and 2 are three attachments marked A, B and C, is that correct?

A Yes, sir.

Q They are the same?

A Yes, sir.

Q Attachment A is the area that is designated as the West Tatum Unit with Skelly Oil Company as operator?

A That is correct.

Q The area sought in the unit agreement covers two sections, is that correct?

A That is right.

Q Will you name those sections and describe them?

A All of Section 26 and 35, 12 South, 35 East, Lea County, New Mexico.

Q Is the entire acreage embraced within the unit owned by one lessor?

A Yes, the State of New Mexico.

Q And are the entire acreages owned by one or more lessee?

A By Sinclair and Skelly.

Q Have the two companies agreed as evidenced by unit operating agreement and your unit agreement?

A Yes, sir.

Q Does the attachment A to both Exhibits indicate the proposed location of the well?

A Yes, sir. In the southeast quarter of the southwest quarter of Section 26.

Q Now, referring to attachment B of both exhibits, indicate to the Commission what that is briefly.

A It is a schedule of the leases in the unit and the ownership of same.

Q As attachment C is the structure map based on seismic interpretation near the Devonian horizon indicate that the area embraced in the unit covers all the probable productive acreage?

A Yes, sir.

Q Immediately adjacent to the area embraced in the unit, doesn't Sinclair and Skelly own the majority of the adjacent acreage?

A They do.

Q Does your unit agreement provide for the enlargement of the unit?

A Yes, sir.

Q If a well is drilled on this unit will it be drilled, operated and produced in accordance with the existing rules and regulations of the state?

A It will.

MR. SELINGER: We offer in evidence Skelly's Exhibits 1 and 2, and that is all.

MR. PORTER: Is there objection to the admittance of these exhibits? They will be admitted. Does anyone else have a question of the witness?

MR. NUTTER: Yes, sir, I have.

MR. PORTER: Mr. Nutter.

CROSS EXAMINATION

By MR. NUTTER:

Q I didn't get your name.

A Stewart.

Q This unit area is primarily based on the seismigraphic picture that was obtained in the area, is that not correct?

A Yes.

Q Do you feel that perhaps some acreage included in the enclosure could have been put in the unit whereas you have acreage not in the enclosure, is not enclosed it?

A I am not qualified to say.

MR. SELINGER: The acreage that is outside it that is included in the contour there is owned by Skelly Oil Company.

MR. NUTTER: I was going to ask the ownership.

MR. SELINGER: That is similarly Skelly and similarly State land.

Q All the land in the unit is State land?

A Yes, and it provides for expansion in the event it is warranted.

Q What percentage of the working unit owners have committed their working interest?

A All of them. There are two parties, Sinclair and Skelly.

Q Are there additional wells planned in the unit area in the event the first test well is a dry hole?

A I can't answer that. That would be based on geological information.

Q Does the unit agreement contain the segregation clause?

A Yes, sir.

Q One more question. Would SKelly Oil Company be willing to file a periodic statement of progress every six months?

MR. SELINGER: Yes, sir.

MR. NUTTER: That is all I have.

MR. PORTER: Anyone else have a question?

MR. WALKER: Who will the progress report go to?

MR. SELINGER: I think both the Oil Conservation Commission and the Land Commission.

MR. PORTER: Any other questions? The witness will be excused and we will take the case under advisement.

(Witness excused.)

C E R T I F I C A T E

STATE OF NEW MEXICO)
 : SS
 COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 20th day of June, 1956.

Ada Dearnley
 Notary Public - Court Reporter

My commission expires:

June 19, 1959.