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MR. STAMETS: Case 5127.

MR. CARR: Case 5127: Application of Skelly Oil Company for a unit agreement, Lea County, New Mexico.

MR. STAMETS: I will call for appearances in this case.

MR. BLODGETT: Chester Blodgett, representing Skelly Oil Company, and Louis C. Witt, of Santa Fe is here, and has entered his appearance as our resident counsel. I will give you a copy of that notice. We have two witnesses that have to be sworn.

(Whereupon two witnesses were sworn by Mr. Carr.)

* * * *

KENNETH H. GRIFFIN,

was called as a witness, and having been already duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. BLODGETT:

Q Would you state your name?

A Kenneth H. Griffin.

Q What is your occupation?

A Independent petroleum landman.

Q Have you heretofore testified before this Commission and had your qualifications accepted?

A I have.

Q I will call your attention to what has been marked as

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- 1 Skelly Exhibit Number One. Would you identify that,
2 please?
- 3 A Exhibit One is the proposed unit operating agreement to
4 be used in connection with the Salt Lake South Unit Area.
5 This area comprises a total of 7080.12 acres containing
6 6440.12 acres of Federal land, or 90.96 percent; and
7 640 acres of State land, being 9.04 percent. The form
8 of the unit agreement is the prescribed form in the
9 State of New Mexico properly amended to take into account
10 the State land and its use by the Commissioner's office.
- 11 We do have the preliminary approval of both the
12 USGS and the State Land Commission Office saying that
13 this area is suitable for unitization.
- 14 Q Was this instrument or this unit agreement prepared by
15 you or under your supervision?
- 16 A It was prepared by me, yes.
- 17 Q Who will be the operator of this unit?
- 18 A Skelly Oil Company will be the operator.
- 19 Q What sort of control will the working interest owners
20 have over the operation?
- 21 A The standard provisions are in this particular form.
- 22 Q Will the royalty owners pay---
- 23 A Our royalty owners are all either State or Federal.
- 24 Q And they won't pay any part of the development cost?
- 25 A No costs at all.

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1 Q When will the agreement become effective if the Commission
2 issues an order approving it?

3 A On its final approval by the USGS, which is subsequent to
4 the approval by the State Land Commission.

5 Q Does the unit provide a method by which the unit may be
6 dissolved?

7 A Yes, it is an automatic contraction agreement.

8 Q In your opinion, would this unit agreement and the
9 operations contemplated thereunder tend to protect
10 correlative rights and tend to prevent waste?

11 A Definitely.

12 Q By increasing ultimate recovery?

13 A Yes, definitely.

14 MR. BLODGETT: We move for the admission of Exhibit
15 One, and pass the witness.

16 MR. STAMETS: It will be so admitted.

17 (Whereupon Applicant's Exhibit One was admitted in
18 evidence.)

19 MR. STAMETS: Are there any questions of the witness?

20 (No response)

21 MR. STAMETS: He may be excused.

22 (Witness excused.)

23 MR. STAMETS: You may call your next witness.

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25JON T. EDMUNDSON,

was called as a witness, and having been already duly sworn,
testified as follows:

MR. BLODGETT: Mr. Examiner, the contour maps based
on the seismic work that we have done we hope to keep
confidential. You can handle them now so that you can
look at them, and we would like to follow the same
procedure that was heretofore followed today that we can
withdraw them and then perhaps re-introduce them later
after we have proven that they are right by our wells.

MR. STAMETS: That will be fine.

DIRECT EXAMINATIONBY MR. BLODGETT:

Q Please state your name.

A Jon T. Edmundson.

Q By whom are you employed and in what occupation?

A I am employed by Skelly Oil Company in Midland, Texas
as a senior geologist.

Q Have you heretofore testified before this Commission and
had your qualifications accepted?

A I have.

Q Are you familiar with the application now being heard?

A I am.

Q Have you prepared any exhibits in connection therewith?

A Yes, the one presented.

1 Q And would you describe that, please?

2 A Well, back in the early part of 1972, I came up with a
3 prospective area which I felt had potential for Morrow
4 production. We then proceeded to do detailed seismic
5 work in the area, and the Salt Lake South prospect was
6 issued.

7 This was done also in conjunction with the original
8 Morrow isopack work which is indicated by the blue
9 isopack lines superimposed over the Saluro-Devonian
10 contours on the elevations. I think I have established
11 by the wells which have previously been drilled in the
12 area that there is a sand bar complex running through
13 the area, which is the mode of production in the Salt
14 Lake South Area, which is producing at present from the
15 Morrow.

16 Subsequent to this, others came in and drilled
17 numerous wells immediately north of our area where we
18 were doing extensive work, and this made me feel pretty
19 good when their wells upheld my previous interpretation
20 of the area.

21 The prospect, as it is presented and the way we see
22 it now, does not have adequate Saluro-Devonian potential
23 from a structural viewpoint to warrant drilling to that
24 horizon. We, at present, see about 100 to 150 feet of
25 critical northwest dip into the Salt Lake field structure

1 on the north end of the map. So we do not propose at
2 this time to drill a Devonian well. We do feel however
3 that the Morrow is the prime production potential in
4 the area.

5 I think from previous testimony today with everybody
6 talking about the Salt Lake Field No. 1 "CM" Well, Texaco's
7 well in Section 31. This well has produced approximately
8 5.5 million MCF, and 67,000 barrels of condensate, and
9 is still producing at a rate of a half a billion a year.
10 This well is immediately north of our prospective area.

11 To the east of our area is the Phillips Mesa Unit
12 "N" Well in Section 11 of 21 South, 32 East. It was
13 completed in 1967 for 7.5 million. It was only recently,
14 in the latter part of 1972 in approximately October,
15 hooked up to the pipe line, and it has been producing
16 into that, and its present production is about a million
17 and a half.

18 Q The secondary consideration in the area would be the
19 Atoka?

20 A That's correct. The Strawn also is a good secondary
21 possibility. It produces to the west of us.

22 All in all, some of the prospects that we feel have
23 good potential are the Morrow for primary production, the
24 Atoka and Strawn as possible secondary production.

25 Q Where is the prospect to be located?

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1 A In the Northwest quarter of Section 21, Township 21 South,
2 Range 32 East.

3 Q In your opinion, would the granting of this application
4 protect the correlative rights of others and help prevent
5 waste?

6 A Yes, sir.

7 MR. BLODGETT: I have no further question, and will
8 pass the witness.

9 MR. STAMETS: Are there any questions of this witness?

10 (No response)

11 MR. STAMETS: If not, he may be excused.

12 (Witness excused.)

13 MR. STAMETS: Mr. Blodgett, I presume you will
14 submit these exhibits for our records within 120 days
15 after the day of the order?

16 MR. BLODGETT: That would be fine.

17 MR. STAMETS: Is there anything further in this case?

18 (No response)

19 MR. STAMETS: Case 5127 will be taken under
20 advisement.

21 This hearing is adjourned.

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C E R T I F I C A T E

I, RICHARD E. McCORMICK, Certified Shorthand Reporter, in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the proceedings to the best of my knowledge, skill and ability.

Richard E. McCormick
CERTIFIED SHORTHAND REPORTER

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5127, heard by me on Nov 28, 1973.
Richard L. [Signature], Examiner
New Mexico Oil Conservation Commission

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25WITNESSPAGE

KENNETH H. GRIFFIN

Direct Examination by Mr. Blodgett

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JON T. EDMUNDSON

Direct Examination by Mr. Blodgett

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E X H I B I T SEXHIBITADMITTED OFFERED

Applicant's #1

Unit agreement

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Applicant's #2

Seismic work

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