

STANOLIND OIL AND GAS COMPANY

STANOLIND BUILDING
TULSA, OKLAHOMA

June 30, 1944

Re: Picacho Unit Agreement
Lincoln County, New Mexico

Oil Conservation Commission
Santa Fe, New Mexico

Attention: Mr. John Kelly

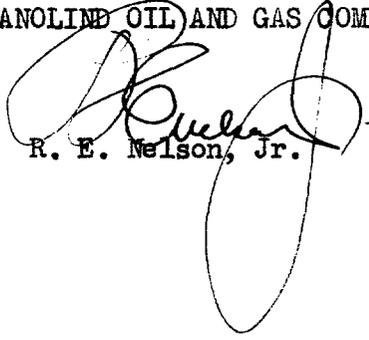
Gentlemen:

We transmit herewith an original Application for Final Approval of the Picacho Unit Agreement. Due to certain contractual obligations and the necessity of securing approval of this same agreement by the Secretary of the Interior, we respectfully request that a hearing on this application be held at the earliest consistent date.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

By


R. E. Nelson, Jr.

REN:ef
Encl.

cc: Mr. J. O. Seth

~~CONFIDENTIAL~~

APPLICATION FOR FINAL APPROVAL OF THE PICACHO UNIT AGREEMENT
LINCOLN COUNTY, NEW MEXICO

To the Oil Conservation Commission of the State of New Mexico

Stanolind Oil and Gas Company, designated as Unit Operator in a contract entitled "Picacho Unit Agreement, Lincoln County, New Mexico," dated May 25, 1944, and subscribed by Stanolind Oil and Gas Company as Unit Operator and by various parties named in said Unit Agreement as working interest owners therein, and likewise consented to by various persons designated as royalty holders therein, hereby submits said contract for the approval of the Oil Conservation Commission of the State of New Mexico and requests that the Oil Conservation Commission issue an order, after such notice and hearing as may be required by statute, approving the said Unit Agreement. In support thereof your applicant shows and represents:

1. There is filed with this petition an unsigned copy of the unit plan for the temporary use of the Oil Conservation Commission pending securing of all necessary official approvals to make the unit plan effective, after which a completely signed copy of said unit plan will be lodged and filed with the Oil Conservation Commission for its permanent record. The unit plan covers a wildcat or undeveloped area of 20,471.33 acres, of which approximately one-half is land of the United States, one-fourth or more is land of the State of New Mexico, and one-fourth or less is privately owned land, so that the official approval of the Commissioner of Public Lands of New Mexico, the Secretary of the Interior of the United States, and the Oil Conservation Commission of New Mexico is required to make said plan fully effective. Contemporaneously herewith application is being made to the Commissioner of Public Lands of the State of New Mexico for his approval of said unit plan. Ten signed copies of the unit plan are being presented with that application to the end that the Commissioner of Public Lands may affix his certificate of approval thereto. Sec. 19 of the Unit Agreement provides that the agreement shall become effective on the first day of the calendar month next following approval by the Secretary of the Interior of the United States and the Commissioner of Public Lands of the State of New Mexico; provided, however, that nothing in said plan shall be construed to waive or limit the right of the Oil Conservation Commission to approve this agreement pursuant to applicable State law. This provision was inserted in the Unit Agreement at the suggestion of State authorities so that the parties in interest might be free to secure the approval of the Secretary of the Interior without waiting for the

approval of the Oil Conservation Commission. Therefore it is contemplated that after the approval of the Commissioner of Public Lands of the State of New Mexico has been secured, the ten signed copies of the unit plan will be presented to the Secretary of the Interior for approval, and your applicant respectfully asks that proceedings looking toward the approval of said contract by the Oil Conservation Commission proceed concurrently with the other above described proceedings to the end that the contract may be consummated without undue delay. It is therefore requested that if the Oil Conservation Commission determines to approve said unit plan before the final approval thereof by the Secretary of the Interior that ten signed copies of the order of approval be executed and delivered to the applicant to the end that he may forward these to Washington to be attached to the ten signed copies of the unit plan.

2. The form of the Unit Agreement has been the subject of frequent discussions between representatives of the Operator and the Commissioner of Public Lands and his representatives and members of the Oil Conservation Commission and the form of the plan as now drawn and the boundaries of the proposed unit area have received the informal approval of these officials. The form of the plan and the boundaries of the unit area have also been officially approved by the Secretary of the Interior of the United States. Geological evidence concerning the structure has been heretofore submitted to the State. As the land is a wildcat structure, there is no engineering evidence available.

3. The only question therefore upon the present submission is to determine whether sufficient acreage has been committed to this unit plan by signature or consent to warrant the final approval of the plan. Exhibit "A" attached to this application is a map of the structure showing the outlines of the unit area. Federal acreage completely committed to the Unit Agreement both as to the working interest and the royalty is shown on this map shaded in pink. State acreage likewise fully committed to the Unit Agreement is shown on said map shaded in yellow. Privately owned or patented land acreage likewise fully committed to the Unit Agreement is shown on said map shaded in blue. Land within the boundary of the unit area at this date not committed to the plan is shown unshaded. Thus at the time of the dictation of this application for approval we calculate that over 88-1/2% of all the lands embraced in the unit area are fully committed to the plan,--an unusually high percentage considering the great size of the unit area and the diverse ownership of

the oil and gas rights in the lands embraced therein. As to the lands not yet committed to the plan, attention is called to the fact that except for three 40-acre tracts all the noncommitted acreage may be classed as edge acreage, having very little possibility for the occurrence of oil or gas.

4. The Operator is still making efforts to contact the owners of lands and oil and gas leases not committed to this unit plan for the purpose of securing their consent thereto. They are being offered the alternate opportunity of joining the Unit Agreement as working interest owners whereby they would participate in the cost of development as well as in the proceeds thereof, and also giving them the opportunity of transferring their rights by option or lease assignment to Stanolind Oil and Gas Company as Operator, and reserving a royalty interest in the property. Encouraging answers have already been received from certain of these parties and it is probable that additional acreage can be committed to the plan. However, the negotiations with the lessees on the NE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 9; SW $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 11, TL2S, R11E, have been such as to indicate that it is unlikely that any equitable basis can be found upon which they can be induced to join the Unit Agreement. Further negotiations are, however, still in progress.

5. This agreement is distinctly in the public interest and tends to achieve the purpose sought to be accomplished by the oil conservation laws of the State of New Mexico and should be approved. It provides generally for the operation of all acreage within the unit area committed to the plan by one operator. It provides for the formation of participating areas to be comprised of the producing area in any formation in which oil or gas is discovered. The production within such participating area is allocated on a strict acreage basis so that an equitable proportion of said production will be allocated to the several tracts of Federal lands, State lands, and privately owned lands on the above basis and all royalties and other interests will be paid at existing contract rates on the oil and gas so allocated to each tract. All existing equities are thereby preserved. The plan fully protects, reserves and secures all statutory powers of the Oil Conservation Commission, as will appear from the provisions of the plan. It is to be noted that the Secretary of the Interior has made the necessary concessions in his supervisory power by his approval of the form of the plan to accomplish these results. Thus it is assured that the drilling program for the development of this field will be conducted in accordance with a proper well spacing system to be approved by the Commission which will at once avoid duplicate and unnecessary wells and at the same time assure the full and necessary development of the field. The plan also assures that production can be adequately controlled to the end that production may be taken from such wells and in such amounts as may be necessary to avoid water intrusion, preserve gas pressures, avoid waste

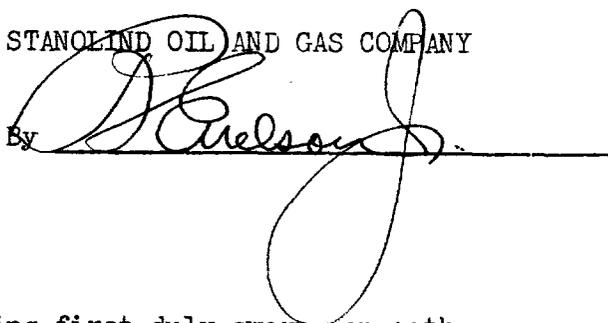
of gas and otherwise conserve the oil and gas resources of the area to the end that the greatest ultimate production of oil or gas may be obtained from the structure without trespassing upon the economic rights of any party to the unit plan and without creating any inequalities. Other features of this agreement also tend to conserve oil and gas resources and to avoid waste in the production of oil and gas.

6. It is submitted that sufficient acreage has been committed to the unit plan to justify the approval of the Commission, even if no additional acreage is committed hereto. However, it is contemplated that prior to the date of hearing and action upon this application, the applicant may be able to report that additional lands have been committed to the plan. Specific attention is directed to Sec. 24 of the plan which authorizes persons having interests within the unit area who have not committed their interests to the unit plan prior to the effective date thereof to commit such land to the plan after the effective date thereof. Hence it is pointed out that the approval of this plan will not preclude the subsequent commitment of acreage and acreage interests within the unit area to this unit contract.

Wherefore your applicant respectfully requests that proceedings be had as required by statute for the approval of this plan by the Oil Conservation Commission of the State of New Mexico, and that in the interest of the early consummation of said plan the Oil Conservation Commission proceed in the matter of this application concurrently with the proceedings before the Commissioner of Public Lands and the Secretary of the Interior. Your applicant fully expects that it can be reported at the hearing on this matter that the Commissioner of Public Lands of the State of New Mexico has issued a certificate giving his final approval to the unit plan.

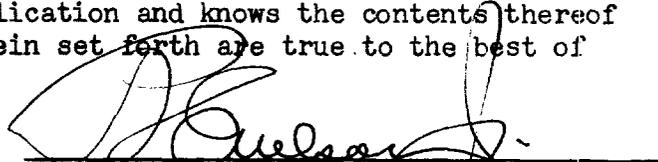
Respectfully submitted,

STANOLIND OIL AND GAS COMPANY

By 

STATE OF OKLAHOMA |
 | SS:
COUNTY OF TULSA |

R. E. NELSON, JR., of lawful age, being first duly sworn, on oath deposes and says that he is the Supervisor of Unitization of Stanolind Oil and Gas Company; that he has read the foregoing application and knows the contents thereof and states that the matters and things therein set forth are true to the best of his information and belief.



Subscribed and sworn to before me this 30th day of June, A. D., 1944.

My commission expires My Commission Expires Dec. 9, 1944

Bernice Riddle, Notary Public
in and for the State of Oklahoma



Notary Public

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION
August 10, 1944

IN THE MATTER OF the application of
the Stanolind Oil and Gas Company for an
order of approval of the Picacho Unit
Agreement, Lincoln County, New Mexico,
embracing as the Unit Area:

Case No. 54.

*In Township 11 South. Range 18 East
All of Sections 17, 20, 21, 26, 27, 28, 33, 34, and 35.

Section 16: S $\frac{1}{2}$
Section 22: W $\frac{1}{2}$, SE $\frac{1}{4}$, S $\frac{1}{2}$, NE $\frac{1}{4}$
Section 23: S $\frac{1}{2}$, S $\frac{1}{2}$ NW $\frac{1}{4}$
Section 24: SW $\frac{1}{4}$
Section 25: W $\frac{1}{2}$
Section 29: E $\frac{1}{2}$, E $\frac{1}{2}$ W $\frac{1}{2}$
Section 32: E $\frac{1}{2}$
Section 36: W $\frac{1}{2}$

*In Township 12 South. Range 18 East.
All of Sections 1, 2, 3, 4, 9, 10, 11, 12, 13, 14, 15, 22,
23, 26, and 27.

Section 5: E $\frac{1}{2}$
Section 8: E $\frac{1}{2}$ E $\frac{1}{2}$
Section 16: E $\frac{1}{2}$, E $\frac{1}{2}$ W $\frac{1}{2}$
Section 21: E $\frac{1}{2}$
Section 24: W $\frac{1}{2}$
Section 28: E $\frac{1}{2}$
Section 34: N $\frac{1}{2}$
Section 35: N $\frac{1}{2}$

Embracing 20,471.33 Acres. *

Pursuant to notice by the Commission, duly made and published, setting
August 4, 1944, at ten o'clock, a.m., for hearing in the above entitled mat-
ter, said hearing was convened on said day, at said hour, in the Coronado
Room of the La Fonda, Santa Fe, New Mexico, the Commission sitting as follows:

HON. JOHN J. DEMPSEY, GOVERNOR - Chairman
HON. JOHN M. KELLY, State Geologist, Secretary
HON. RAY ROGERS, State Land Commissioner, Member
HOR. CARL B. LIVINGSTON, Chief Clerk and Legal Adviser.

R E G I S T E R

<u>NAME</u>	<u>COMPANY</u>	<u>ADDRESS</u>
J. C. Seth	Stanolind Oil Company	Santa Fe, N. M.
R. E. Nelson, Jr.	Stanolind Oil Company	Tulsa, Oklahoma
W. D. Henderson	Stanolind Oil Company	Midland, Texas
George W. Selinger	Skelly Oil Company	Tulsa, Oklahoma
D. W. Spence	Sinclair Prairie Oil Co.	Midland, Texas
H. B. Hurley	Continental Oil Company	Ft. Worth, Texas
R. Van A. Mills	Continental Oil Company	Ponca City, Okla.
J. W. Head	Head & Miller	Borger, Texas
K. H. Dally	Head & Miller	Borger, Texas
A. Knickerbocker	Fred Turner Jr.	Midland, Texas
J. M. Zachary	Neiville G Penrose, Inc.	Ft. Worth, Texas
Hamilton McRae	Fred Turner, Jr.	Midland, Texas
Frank D. Gardner	Sinclair Prairie Oil Co.	Midland, Texas
G. L. Shoemaker	Shell Oil Company, Inc.	Midland, Texas
S. W. House	Humble Oil Company	Midland, Texas
V. C. Maley	Humble Oil & Refining Co.	Midland, Texas
Hugh L. Sawyers	N. M. Oil & Gas Ass'n.	Roswell, N. M.
Claude E. Wood	State Land Office	Santa Fe, N. M.

<u>NAME</u>	<u>COMPANY</u>	<u>ADDRESS</u>
Jesse Hildreth	General Crude Oil Company	Wink, Texas
Leo E. Schultz	Oil & Gas Department - State Land Office	Santa Fe, N.M.
Jerry Curtis	Magnolia Petroleum Company	Roswell, N. M.
S. P. Hammfin	Magnolia Petroleum Company	Midland, Texas
W. K. Davis	El Paso Natural Gas Company	Jal, New Mexico
R. L. Boss	Gulf Oil Corporation	Hobbs, New Mexico
E. J. Gallagher	Gulf Oil Corporation	Hobbs, New Mexico
A. E. Willig	The Texas Company	Ft. Worth, Texas
Glenn Staley	Lea County Operators	Hobbs, New Mexico
Harvey Hardison	Standard of Texas	Houston, Texas
W. S. Patterson	Scouting Service	Santa Fe, N. M.
C. W. Faris	Shell Oil Company	Midland, Texas
John P. Healy	Colo-Mex	Santa Fe, N. M.
Weldon Brigrance	Rowan Drilling Company	Ft. Worth, Texas
Roy O. Yarbrough	Oil Conservation Commission	Hobbs, N. M.
E. H. Foster	Phillips Petroleum Company	Amarillo, Texas
Mrs. Nettie Ogle		Santa Fe, N. M.
Fred Turner Jr.	Independent	Midland, Texas
D. R. McKeithan	Phillips Petroleum Company	Barbersville, Okla.

The meeting was called to order by the Chairman, and upon request of the Secretary, the Chief Clerk read the call of the meeting as follows:

NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

The Oil Conservation Commission, by law invested with jurisdiction as the Oil and Gas regulatory body of the State of New Mexico, hereby gives notice of the following hearing to be held at Santa Fe, New Mexico:

Case No. 54.

In the matter of the application of the Stanolind Oil and Gas Company for an order of approval of the Picacho Unit Agreement, Lincoln County, New Mexico, embracing as the Unit Area:

In Township 11 South - Range 18 East
All of Sections 17, 20, 21, 26, 27, 28, 33, 34 and 35.
Section 16: S $\frac{1}{2}$
Section 22: W $\frac{1}{2}$, SE $\frac{1}{4}$, NE $\frac{1}{4}$
Section 23: S $\frac{1}{2}$, S $\frac{1}{2}$ NW $\frac{1}{4}$
Section 24: SW $\frac{1}{4}$
Section 25: W $\frac{1}{2}$
Section 29: E $\frac{1}{2}$, E $\frac{1}{2}$ W $\frac{1}{2}$
Section 32: E $\frac{1}{2}$
Section 36: W $\frac{1}{2}$

In Township 12 South, Range 18 East.
All of Sections 1, 2, 3, 4, 9, 10, 11, 12, 13, 14, 15, 22, 23, 26 and 27.
Section 5: E $\frac{1}{2}$
Section 8: E $\frac{1}{2}$ E $\frac{1}{2}$
Section 16: E $\frac{1}{2}$, E $\frac{1}{2}$ W $\frac{1}{2}$
Section 21: E $\frac{1}{2}$
Section 24: W $\frac{1}{2}$
Section 28: E $\frac{1}{2}$
Section 34: N $\frac{1}{2}$
Section 35: N $\frac{1}{2}$

Embracing 20,471.33 Acres.

This case is set for 10 A.M., August 4, 1944.

Any person having any interest in the subject of said hearing shall be entitled to be heard.

The foregoing notice of Publication was made pursuant to the direction of the Commission at its Executive Meeting July 6, 1944.

Given under the seal of said Commission at Santa Fe, New Mexico on

P R O C E E D I N G S

BY JUDGE SETH: I am appearing for the Stanolind Oil and Gas Company. The first exhibit here is under Chapter 88 of the Law of 1943, which the Governor had passed at the request of the Secretary of the Interior, or Department of Interior, to enable state lands and federal lands to achieve the beneficial results of unitization - copy of letter from the Secretary of the Interior to Governor Dempsey dated January 4, 1944 and copy of the Governor's letter to the Secretary of the Interior dated February 2, 1944, and copy of Secretary of the Interior's letter to Governor Dempsey, dated May 11, 1944 - they should complete the record.

(Copies of the above letters presented as Exhibits 1, 2, and 3)

After being sworn to tell the truth, the whole truth and nothing but the truth, Mr. R. E. Nelson, Stanolind Oil Company of Tulsa, Oklahoma testified as follows:

JUDGE SETH: Please state your name.

MR. NELSON: R. E. Nelson, Jr.

JUDGE SETH: You a member of the Stanolind Oil and Gas Company?

MR. NELSON: I am.

JUDGE SETH: How long have you been with this Company?

MR. NELSON: Sixteen years.

JUDGE SETH: What is your duty?

MR. NELSON: I am supervisor of Unitization.

JUDGE SETH: You have had some geological training?

MR. NELSON: Yes sir.

JUDGE SETH: Where?

MR. NELSON: University of Missouri.

JUDGE SETH: This Picacho Unit was presented to your Company by someone?

MR. NELSON: Yes sir -

JUDGE SETH: You attended the meeting of the Geological Survey held in Denver last Fall?

MR. NELSON: I did.

JUDGE SETH: It looked rather hopeless at that time to get the State and Federal Government together on this unitization problem?

MR. NELSON: It did.

Judge Seth: You went back to Tulsa and prepared a unit agreement satisfactory to all parties?

Mr. Nelson: That is correct.

Judge Seth: What did you do after this was prepared?

Mr. Nelson: I proceeded to Santa Fe and met with Messrs. Kelly, Manning, Livingston and Commissioner of Public Lands - Rogers.

Judge Seth: That is Leo Manning, oil man employed by the State Land Commission?

Mr. Nelson: Correct.

Judge Seth: Was this form gone over with all officials?

Mr. Nelson: It was.

Judge Seth: Any changes made?

Mr. Nelson: Yes sir.

Judge Seth: After this discussion, where did you take it then?

Mr. Nelson: To Roswell and discussed it with Mr. Foster Morell and Mr. L. G. Snow of the U. S. Geological Survey.

Judge Seth: Did they make any changes?

Mr. Nelson: They did.

Judge Seth: Did you submit those changes to the State officials?

Mr. Nelson: I did, they discussed the matter by letter with the supervisor once again.

Judge Seth: Where did you take it then?

Mr. Nelson: Requested the Supervisor submit the plan to the Department of the Interior at Washington, I then proceeded to Washington, D. C. and discussed it with officials there.

Judge Seth: They made some changes?

Mr. Nelson: Some minor changes.

Judge Seth: Did the Secretary or Assistant Secretary approve this agreement?

Mr. Nelson: He did.

Judge Seth: Have you copies of his letter?

Mr. Nelson: I have two photostatic copies.

Judge Seth: I offer these two letters approving the agreement as to form.

(Photostatic copies of letters from Mr. Chapman, Assistant Secretary of the Interior, addressed to Stanolind Oil and Gas Company, dated May 18, 1944, offered as Exhibits Nol's 4 and 5)

Judge Seth: After that Mr. Nelson, did you have the agreement/executed

by the interested parties?

Judge Seth: (Cont'd) Not officials but interested land owners.

Mr. Nelson: That is correct.

Judge Seth: How many copies did you have executed?

Mr. Nelson: Ten.

Judge Seth: Did you submit these to the Commissioner of Public Lands for his "O.K."?

Mr. Nelson: I did.

Judge Seth: Were they returned to you?

Mr. Nelson. They were.

Judge Seth: What did you do then?

Mr. Nelson: Submitted all ten copies to the Supervisor of the Geological Survey at Roswell - He submitted them to Washington.

Judge Seth: How many acres are there?

Mr. Nelson: 20,471.33.

Judge Seth: Located in - ?

Mr. Nelson: Lincoln County.

Judge Seth: We desire to offer in evidence the copy of the unit agreement that is attached to our application, to this Commission. We don't have any extra copies.

(Attached copy of unit agreement presented as Exhibit No. 6)

This copy attached to your application has typewritten signatures, have the originals been executed by all persons and by all persons signed?

Mr. Nelson: They have been.

Judge Seth: Is there any producing wells anywhere near this unit?

Mr. Nelson: No - none in the County.

Judge Seth: Purely "wildcatting"?

Mr. Nelson: Yes sir.

Judge Seth: In your application to the Commission for the approval of the unit, you state it has been approved by 88.4% of all land membership in the unit, is that correct?

Mr. Nelson: That was correct as of that date.

Judge Seth: Since that date have other holders come in?

Mr. Nelson: Yes.

Judge Seth: What percent of acreage in the unit is approved?

Mr. Nelson: 95.4%.

Judge Seth: You mean the lease holders have approved it?

Mr. Nelson: Yes, and private oil owners.

Judge Seth: The State and Government have not yet submitted their approval?

Mr. Nelson: That is correct.

Judge Seth: Have you submitted this to every holder in the unit?

Mr. Nelson: Yes sir.

Judge Seth: Are some still outstanding that have to be brought in?

Mr. Nelson: That is correct.

Judge Seth: Have you handled other units?

Mr. Nelson: I have.

Judge Seth: How is the percentage compared with this unit?

Mr. Nelson: Very high - have some not more than 66-2/3%.

Judge Seth: The form of unit agreement provides that these others may still come in by signing the agreement?

Mr. Nelson: That is correct - provisions for subsequent joining.

Judge Seth: You have examined all geological data available?

Mr. Nelson: I have.

Judge Seth: State whether or not it is a natural unit.

Mr. Nelson: I consider it is - it is a true anticline and approximately 300 feet of closure and due to possible shift of axis have endeavored to include all acreage which might be affected.

Judge Seth: You have tried to include all the structure as disclosed by geological surveys?

Mr. Nelson: That is correct.

By Mr. Kelly: Has there been a well drilled on this structure?

Mr. Nelson: That is correct.

Mr. Kelly: Has that aided you in your geological work?

Mr. Nelson: I cannot say that has aided us in any way.

Mr. Kelly: In your opinion, was this well drilled to total depth of granite on this structure?

Mr. Nelson: I cannot express an opinion on that, I have never examined it.

Mr. Kelly: In your Company's opinion you have not discontinued this structure?

Mr. Nelson: We think not - We have agreed to go ahead.

Judge Seth: Have you the location of the well in your files?

Mr. Nelson: We will furnish them with copies.

Judge Seth: This area - is it such a one that should be developed as a unit, in your judgment?

Mr. Nelson: It is.

Judge Seth: Now, what are the advantages of unitization in that situation?

Mr. Nelson: I consider unitization is logical because it permits the development of the present field in a more orderly and affixed manner in accordance with the engineering practice. The wells may be so drilled as to properly drain the reservoir, may conserve and utilize reserve. Further reason for unitization is that it permits affixed secondary recovery methods to be entered into after the field has been properly developed.

Judge Seth: You believe all those things will result in a larger recovery of the oil field?

Mr. Nelson: Unquestionably.

Judge Seth: This unitization provides any participation where production will be provided on an acreage basis?

Mr. Nelson: That is correct.

Judge Seth: The institution to which it belongs will pay its fair share oil?

Mr. Nelson: Yes, as their interest bears to other interests.

Judge Seth: You say the field will be developed in accordance with basic engineering practice - It will have to be presented to this Commission and approved first will it not?

Mr. Nelson: That is correct.

Judge Seth: You think this facilitation of gas recovery will tend to increase ultimate recovery for the benefit of the state also?

Mr. Nelson: Yes sir.

Judge Seth: Taking up the agreement - are the rights of the state as to lands presented in the agreement?

Mr. Nelson: They are.

Judge Seth: Does the Land Commissioner have the right to supervise?

Mr. Nelson: He does not.

Judge Seth: Does the Federal Government surrender any of its rights to anyone else?

Mr. Nelson: No sir.

Judge Seth: Are the powers of the Conservation Commission in any way controlled?

Mr. Nelson: They are not.

Judge Seth: The Federal Law requires some control by the Secretary of the Interior on allocation of production to be inserted in the lease, how is that taken care of in this agreement?

Mr. Nelson: The Secretary of the Interior may modify the rate of production on federal lands, but only by reducing it below the limits fixed by the Commission.

Judge Seth: This, in your judgment is the best arrangement that can be worked out by the State and Federal Government and private land owners?

Mr. Nelson: It is.

Judge Seth: The first well that is drilled that contains oil, there will be a plan of development submitted for the approval of this Commission, the State Land Commissioner and Secretary of the Interior?

Mr. Nelson: That is correct.

Judge Seth: How about a line of operation, have you already reached an agreement?

Mr. Nelson: No sir, we are unable to attempt such a plan at this time.

Judge Seth: Have you made arrangements with the other working interests?

Mr. Nelson: Yes we have.

Judge Seth: Only one?

Mr. Nelson: Yes - Neil Wells.

Judge Seth: You have already agreed?

Mr. Nelson: Yes sir.

Mr. Kelly: Who will operate?

Mr. Nelson: Stanolind.

Judge Seth: Stanolind will pay the entire cost for the first well?

Mr. Nelson: Yes sir.

Judge Seth: Under this agreement, the operating cost may be charged to oil owners - the state's share will not be curtailed in any manner?

Mr. Nelson: That is correct.

Judge Seth: Is Stanolind ready to operate if this is approved?

Mr. Nelson: We are - for a long time we have been working that matter

Judge Seth: That had better wait until the actual oil is there.

Mr. Nelson: Yes sir.

Mr. Kelly: Anymore questions?

NEXT WITNESS - MR. W. D. HENDERSON

Judge Seth: Please state your name.

Mr. Henderson: W. D. Henderson

Judge Seth: What is your profession?

Mr. Henderson: District geologist for Stanolind Oil and Gas Company, West Texas and New Mexico district.

Judge Seth: Does this Picacho unit come within your jurisdiction?

Mr. Henderson: Yes sir.

Judge Seth: Have you ever been over the ground?

Mr. Henderson: Yes sir.

Judge Seth: Has there been a structural contour map made of this area?

Mr. Henderson: Yes sir.

Judge Seth: Is this the map? (Exhibit 7)

Mr. Henderson: Yes sir.

Judge Seth: By whom was it prepared?

Mr. Henderson: Originally by Mr. Neil Wills, assisted by George Griggs, later checked by Mr. Shell.

Judge Seth: Have you been over the area more than one time?

Mr. Henderson: Three different times.

Judge Seth: When was the last time?

Mr. Henderson: Yesterday.

Judge Seth: In your judgment, does this, so far as surface is indicated, as may be shown by surface indications, show the structural contour?

Mr. Henderson: Yes sir, I would say it is an accurate surface map.

Judge Seth: No engineering data available?

Mr. Henderson: No sir.

Judge Seth: Except one dry hole up north?

Mr. Henderson: Yes sir.

Judge Seth: The lines in red on the map indicate boundaries in the unit?

Mr. Henderson: They are.

Judge Seth: Mr. Henderson, in your opinion is that geological structure properly developed - is it properly developed as a unit?

Mr. Henderson: Yes sir.

JUDGE SETH: I believe that is all.

MR. KELLY: Mr. Neil Wills and Mr. Griggs are recognized geologists, who prepared this map.

MR. HENDERSON: Yes sir.

MR. KELLY: The Commission will hear further testimony from any interested parties.

GOVERNOR DEMPSEY: Judge, I see no objection to approving at this time - The Commission feels this should be approved at this time, the draft of an order will be signed later, but we will approve this plan.

C E R T I F I C A T E

I hereby certify that the foregoing and attached ten and a fraction pages of typewritten matter constitute a true and complete transcript of the shorthand notes taken by me in Case No. 54, on the 4th day of August, and by me extended into typewriting.

WITNESS MY HAND this 19th day of August 1944.


Vastie Fowler