



Case Number
4900

Application
Transcripts.

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 5, 1975

EXAMINER HEARING

IN THE MATTER OF:

Case 4900 being reopened pursuant
to the provisions of Order No.
R-4478, which order established
temporary special pool rules for
the West Jal-Fusselman Gas Pool,
Lea County, New Mexico, including
a provision for 640-acre spacing
units.

CASE NO. 4900

BEFORE: Richard L. Stamets, Examiner

For the New Mexico Oil
Conservation Commission:

William Carr, Esq.
Legal Counsel for the
Commission
State Land Office Building
Santa Fe, New Mexico

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

MR. STAMETS: Case 4900.

MR. CARR: Case 4900. In the matter of Case 4900 being reopened pursuant to the provisions of Order No. R-4478, which order established temporary special pool rules for the West Jal-Fusselman Gas Pool, Lea County, New Mexico, including a provision for 640-acre spacing units.

MR. STAMETS: Are there any appearances in this case?

MR. BLODGETT: Mr. Examiner, I believe we were the ones that got the temporary rules in the beginning, and we have no objection to it being abandoned at this time.

MR. STAMETS: I believe we do have a letter here from Skelly indicating the only well in the field was plugged and abandoned, and in the absence of any testimony, the special rules for this pool will be rescinded.

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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. 4900 heard by me on 3-5-1975.
Richard L. Nye, Examiner
New Mexico Oil Conservation Commission

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
OIL CONSERVATION COMMISSION CONFERENCE ROOM
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
Wednesday, January 31, 1973

EXAMINER HEARING

IN THE MATTER OF:

Application of Skelly Oil
Company for pool creation and
special pool rules, Lea County,
New Mexico

Case No. 4900

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

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1 MR. STAMETS: Call next Case 4900.

2 MR. CARR: Case 4900, Application of
3 Company for pool creation and special pool rules, Lea County,
4 New Mexico.

5 MR. STAMETS: Do you have the same witnesses in this
6 case?

7 MR. BLODGET: No. There is a different engineer,
8 same geologist.

9 MR. STAMETS: Well, we might as well swear everybody
10 in this case then.

11 MR. BLODGET: Same entry for Skelly as far as
12 attorney, and I also have the appearance of Mr. White.

13 MR. STAMETS: Okay. Mr. Blodget, you may proceed.

14 ELTON RODGERS

15 was called as a witness and after being duly sworn according
16 to law, testified as follows:

17 DIRECT EXAMINATION

18 BY MR. BLODGET

19 Q For the record, will you state your name?

20 A Elton Rodgers.

21 Q And what is your occupation and by whom are you employed?

22 MR. STAMETS: I think we can qualify him as the same
23 Mr. Rodgers who testified in Case 4899.

24 Q Mr. Rodgers, I call your attention to Applicants Exhibit
25 No. 1, in this Case, 4900. Could you identify that and
explain what it shows?

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1 A Again, this is a geographical plat of our discovery well
2 in the West Jal field with the proposal that this would
3 be a Fusselman pool. This well formerly was a strong
4 discovery in 1962. I believe the well was complete, the
5 drill completed in 1962. The well was actually completed
6 in early 1963. The well had reached depletion, and had a
7 seismic picture on the original prospect area which
8 covers from approximately five sections that we drilled
9 the original well to the Devonian and found the Devonian
10 to be tight limestone only about 30 feet thick. The well
11 was bottomed in the upper part of the Silurian; and
12 subsequent to that time, the Silurian and Fusselman
13 development within the Delaware Basin has transpired
14 prior in Texas; and we thought that this would be a
15 logical place to deepen the well when it became
16 non-commercial to produce as a strong producer. This
17 does not show the town of Jal. It's approximately three
18 miles to the right of the edge of the map to the town site
19 of Jal. There are no other penetrations within this area
20 this deep until you get east of the town of Jal up to the
21 Central Basin platform of the Permian Basin.

22 Q Mr. Rodgers, I call your attention to Applicants Exhibit
23 No. 2. Would you state what that is?

24 A This is a copy of, reduced copy of our electric log,
25 Gamma Ray Sonic Log, on this well. It shows the limits
of the reservoir that we are considering at this time.

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1 The Fusselman down to the top of the Montoya would be
 2 the proper name as Fusselman, a part of the Silurian
 3 Formation. Within this interval, we have dolomite and
 4 limestones. The dolomite is principally the poorest
 5 portion of the reservoir and the perforations that are
 6 shown in the depth column are restrictive in the upper
 7 part where the dolomite facies was encountered. We
 8 could consider that if we developed dolomite throughout
 9 this interval, that it would be a common-all complete
 10 part of the reservoir. As we penetrated the Fusselman
 11 in this case, we did go through the limestone facies
 12 which did not have porosity, and we did not put rations
 13 into it.

14 Q Now, Mr. Rodgers, I call your attention to Exhibit No. 3.
 15 Will you identify that Exhibit and explain it, please?

16 A Again, I have the one inch to six mile regional plat.
 17 Principally, this goes from the West Jal field south into
 18 Texas, and I have colored the producing fields from the
 19 Silurian yellow in this case. In most cases, these are
 20 Fusselman producers. However, in the Evetts field,
 21 which is approximately twenty miles south of the West Jal
 22 just north of the center portion of the plat, the
 23 production in this area has been restricted to the
 24 Silurian section above the Fusselman. There is one well
 25 with perforations in the upper part of Fusselman crest

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1 of the surge which may be giving gas, which principally
2 gas is from the silurian. The West and Evetts are
3 faced on 640 acres. To the east of Evetts, there are
4 two fields labeled Emperor and Halley; and to the east
5 of West Jal is the Crosby, originally the Crosby
6 Devonian Field. It has recently had Fusselman completions
7 in this. It's a gas well. These are also associated
8 with the Central Basin platform of the Delaware Basin.
9 They are only around 11,000 feet deep. Principally,
10 though, in Texas, the development has been on 640 acres.
11 To the best of our knowledge, data has been furnished
12 to this, that the formation will drain 640 acres. We
13 have some fields where there is very definite pressure
14 anomalies in subsequent wells after the discovery. There
15 would apparently exhibit some interference. We do not
16 have that data, however, in hand. It's principally
17 just ~~heavy~~ for us at this time.

18 Q I call your attention to Exhibit No. 4. Would you state
19 what that is?

20 A This again is a tabular listing of the fields which
21 reduce from the Fusselman. I have, as I mentioned on
22 the Evetts field, I have some question marks there as
23 to whether the Fusselman is actually the producing
24 interval; but in all cases, these fields are
25 producing from dolomite. It's been the data furnished

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1 to me, is that the Crosby Fusselman is on 320 acre
2 spacing. To my knowledge, there are only two wells
3 completed in it at this time. The Orla, Southwest,
4 field is a recent discovery. Field rules have not been
5 requested on Orla, Southwest in Texas; and, therefore,
6 it's on a 40 acre spacing as the Texas Statewide rule is
7 for those fields.

8 Q Mr. Rodgers, were Exhibits 1, 2, 3, and 4 prepared by
9 you or under your supervision and direction?

10 A Yes, they were.

11 MR. STAMETS: Without objection, Exhibits 1 through
12 4 will be admitted into evidence.

13 CROSS EXAMINATION

14 BY MR. STAMETS

15 Q Mr. Rodgers, is there good communication in the
16 Fusselman?

17 A As far as we can determine, there is, yes, excellent
18 permeability that would transmit pressure response
19 from well to well in the fields.

20 Q What are the permeability and porosity figures in this
21 well?

22 A I do not have them. I think they have been determined.

23 Q And it's your opinion that one in the Fusselman would
24 efficiently and economically drain 640 acres?

25 A Yes.

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1 Q At least with the evidence that you have at this time?

2 A Present evidence, yes.

3 MR. STAMETS: Are there any other questions of this

4 witness? If not, he may be excused.

5 MR. BLODGET: Call Mr. Moseley.

6 JOHN MOSELEY

7 was called as a witness and after being duly sworn according

8 to law, testified as follows:

9 DIRECT EXAMINATION

10 BY MR. BLODGET

11 Q Mr. Moseley, will you state your name, occupation, by

12 whom you are employed?

13 A John L. Moseley, Skelly Oil Company, Midland, Texas.

14 Q And what is your occupation?

15 A Senior reservoir engineer.

16 Q And have you testified before this Commission previously?

17 A No. I have not.

18 Q Could you give us a resume of your educational background?

19 A I graduated from the University of Oklahoma in 1960,

20 was employed by Amarada Petroleum Corporation for

21 approximately ten years, joined Skelly in 1970, and have

22 been with Skelly since that date.

22 Q Whereabouts were you employed? Which was it, Amarada?

23 A Right. New Mexico, North Dakota, Tulsa, Oklahoma,

24 Midland, Texas.

25 Q And then by Skelly, where has your work been?

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1 A Midland, Texas.

2 Q Did that cover the New Mexico area, too?

3 A Yes, sir. It did.

4 Q Are you familiar with Skelly's application in this case

5 No. 4900?

6 A Yes, sir. I am.

7 MR. STAMETS: Mr. Moseley, your degree is in

8 engineering?

9 THE WITNESS: Yes, sir.

10 MR. STAMETS: Petroleum engineering, and that's

11 what your work has consisted of?

12 THE WITNESS: Yes, sir.

13 MR. STAMETS: The witness is qualified.

14 Q Mr. Moseley, I call your attention to Applicants

15 Exhibit No. 5, and would you state what that purports

16 to be?

17 A Yes. This is a data sheet that includes the location

18 of the well in question, West Jal Unit No. 1, Fusselman.

19 Discovery date in November of 1972. It shows the

20 perforations, the calculated absolute open flow

21 potential of 16.5 million cubic feet per day, the

22 pertinent reservoir fluid and rock characteristics

23 that were considered in our calculation of the

24 recoverable reserves. We estimate that there are

25 approximately 12 million MCF of gas reserves per

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1 section. Now, this is based on a standard gas in place
2 formula as shown here, using a porosity of seven percent,
3 an estimated water saturation of thirty percent, and the
4 other pertinent factors in the equation.

5 Q I call your attention to Applicants Exhibit No. 6.
6 Would you identify that, please?

7 A Yes. This is a well schematic showing the casing and
8 cementing practices that were used on the well, also,
9 the perforations and completion technique used.

10 Q I call your attention to Applicants Exhibit No. 7.
11 Would you identify that and explain it, please?

12 A Yes. Page one is the economics involved in the case
13 in which we have two wells per section or in which we
14 would drill two wells per section, 320 acre spacing.
15 It shows the producing rate on the left by year, the
16 gross working interest income, production taxes,
17 operating expenses, capital expenditures of approximately
18 1.2 million dollars per well, and the undiscounted
19 cash flow, and the discounted cash flow. As you will
20 notice in this case, we show a net loss of \$68,000.00
21 undiscounted as a result of drilling two wells per
22 section. Page 2 of this Exhibit No. 7 is the case in
23 which we drill one well per section or 640 acres which
24 is what we are requesting; and it also shows the
25 production stream, the income, and operating expense

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1 estimate, capital expenditure, and the cash flow
2 analysis. This shows a net profit before income tax
3 of approximately 1.4 million dollars undiscounted.
4 Discounted cash flow would be approximately \$16,000.00
5 discounted at ten percent which would be equivalent to
6 slightly over a ten percent return on our money here.

7 Q Is this well connected?

8 A Yes, sir, it is. It's connected. El Paso is the
9 transporter.

10 Q Is the price on that one 30¢ or have they got us to 27¢?

11 A As far as I know, the last I heard, the contract was
12 still being negotiated; and they were estimating
13 something on the order of 30¢ for a price here.

14 MR. BLODGET: We offer Exhibits 5, 6, and 7 into
15 evidence.

16 MR. STAMETS: Without objection, say, these were
17 prepared --

18 Q (By Mr. Blodget) Were 5, 6, and 7 prepared by you or under
19 your supervision and direction?

20 A Yes, sir. They were.

21 MR. STAMETS: Without objection, Exhibits 5 through
22 7 will be admitted into evidence.

23 CROSS EXAMINATION

24 BY MR. STAMETS:

25 Q Mr. Moseley, do you know if there is an escalation

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1 clause in this contract under negotiation?

2 A No, sir. I do not. As I said, at the time that we
3 prepared these Exhibits, the contract was being
4 negotiated at that time. So I'm not sure what the final
5 outcome was.

6 Q Do you know what the normal increase is under such
7 contract?

8 A No, I do not.

9 MR. BLODGET: We can get you that information or
10 try to, because that's really handled out of our office,
11 really.

12 Q Now, I notice here again this application is for
13 temporary pool rules for a period of two years.

14 A Yes, sir.

15 Q Skelly has a program for developing this area that they
16 believe will take two years?

17 A Yes, sir. We would anticipate in a period of two years
18 to the time involved in offsetting this well. We are
19 considering that at this time and, of course, it takes,
20 I mean, it would probably take close to a year to drill
21 the well since it is 17,000 feet, plus we need additional
22 time to evaluate the production from the well and
23 evaluate the pressure data, and that we would get from a
24 second well drilled.

25 MR. BLODGET: I might interject this information,

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1 that part of these leases are U. S. G. S., aren't they?

2 THE WITNESS: Yes, sir. There are some Federal
3 leases involved.

4 MR. BLODGET: Have you discussed this application
5 with the U. S. G. S.?

6 THE WITNESS: Yes, sir. I contacted them by phone
7 Friday and notified them that we had made application for 640
8 acre spacing in this well.

9 MR. BLODGET: Did they indicate any objection?

10 THE WITNESS: No, sir. They did not. They had no
11 objection.

12 Q (By Mr. Stamets) This west Jal unit, does it take up
13 two sections?

14 A We have an operating agreement here that would cover
15 parts of five sections. Of course, this well is drilled
16 in Section 20 and that section would be communally
17 advertised at such time as we get 640 acre spacing.

18 MR. STAMETS: Are there any other questions of the
19 witness? He may be excused. Any statements in this case?
20 We will take the case under advisement.

21

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1 STATE OF NEW MEXICO)
2) ss
3 COUNTY OF BERNALILLO)

4 I, JANET RUSSELL, a Notary Public, in and for the
5 County of Bernalillo, State of New Mexico do hereby certify
6 that the foregoing and attached Transcript of Hearing before
7 the New Mexico Oil Conservation Commission was reported by me;
8 and that the same is a true and correct record of the said
9 proceedings to the best of my knowledge, skill and ability.

10 Janet Russell
11 NOTARY PUBLIC

22 I do hereby certify that the foregoing is
23 a complete record of the proceedings in
24 the Examiner hearing of Case No. 4900
25 heard by me on January 31, 1973
Richard F. Hunt Examiner
New Mexico Oil Conservation Commission

dearnley, meier & mc cormick

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WITNESS

ELTON RODGERS

Direct Examination by Mr. Blodget 3

Cross-Examination by Mr. Stamets 7

WITNESS

JOHN MOSELEY

Direct Examination by Mr. Blodget 8

Cross-Examination by Mr. Stamets 11

E X H I B I T SADMITTEDOFFERED

Exhibit #1 - Geographical plat 7

Exhibit #2 - Gamma Ray Sonic Log 7

Exhibit #3 - Regional plat West Jal 7

Exhibit #4 - Tabular listing 7

Exhibit #5 - Data sheet 11 11

Exhibit #6 - Well schematic 11 11

Exhibit #7 - Economics 11 11

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:

CASF NO. 4900 (Reopened)
Order No. R-4478-A

IN THE MATTER OF CASE 4900 BEING REOPENED
PURSUANT TO THE PROVISIONS OF ORDER NO.
R-4478, WHICH ORDER ESTABLISHED TEMPORARY
SPECIAL POOL RULES FOR THE WEST JAL-FUSSELMAN
GAS POOL, LEA COUNTY, NEW MEXICO, INCLUDING A
PROVISION FOR 640-ACRE SPACING UNITS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 5, 1975,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 11th day of February, 1975, 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 Order No. R-4478, dated February 14, 1973,
established temporary pool rules for the West Jal-Fusselman
Gas Pool, Lea County, New Mexico, which rules provided for
640-acre spacing in the pool.

(3) That Order No. R-4478 provided that Case No. 4900
would be reopened in February of 1975 to allow operators in
the subject pool to appear and show cause why the pool should
not be developed on 320-acre spacing.

(4) That no operator has offered evidence to establish
that the pool should be developed on other than 320-acre spacing.

(5) That the Temporary Special Rules and Regulations for
the West Jal-Fusselman Gas Pool should be rescinded and said
pool should be governed by the Statewide Rules for gas pools in
the State, effective March 1, 1975.

-2-

CASE NO. 4900 (Reopened)
Order No. R-4478-A

IT IS THEREFORE ORDERED:

(1) That effective March 1, 1975, the ~~Temporary~~ Special Rules and Regulations for the West Jal-Fusselman Pool, promulgated by Order No. R-4478, dated February 14, 1973, are hereby rescinded and the pool is placed under the Statewide Rules for gas pools in the State.

(2) 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


Phil R. Lucero
PHIL R. LUCERO, Member

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

S E A L

jr/



SKELLY OIL COMPANY

January 28, 1975

DOMESTIC EXPL. & PROD. DEPARTMENT
MIDLAND E & P DISTRICT

AUDRA B. CARY, DISTRICT MANAGER
F. L. FRANZ, DISTRICT PRODUCTION MANAGER
J. R. GISBURNE, DISTRICT EXPLORATION MANAGER
J. R. AVENT, DIST. ADMINISTRATIVE COORDINATOR

ADDRESS REPLY TO:
P. O. BOX 1281
MIDLAND, TEXAS 79701

Re: Examiner Hearing For
February 5, 1975
Case 4900

Mr. A. L. Porter, Jr.
Secretary - Director
Oil Conservation Commission
State of New Mexico
P. O. Box 2088
Santa Fe, New Mexico

Dear Sir:

Case 4900 requests interested parties to show cause why the Jal, West Fusselman Gas Pool, Lea County, New Mexico should not be developed on 320 acre spacing. This is to advise you that there is at present no production from the Fusselman in the Jal, West field. The one and only Fusselman gas well in the field went to water and the Fusselman zone was plugged and abandoned on June 5, 1974. This well was plugged back and recompleted in the Delaware.

Since there is no Fusselman production in the Jal, West field, we ask that Case 4900 be dropped from the February 5, 1975 docket.

Yours truly,

John R. Gisburne
John R. Gisburne
District Exploration Manager

JRG:sdh

WHITE,
KOCH, KELLY
&
McCARTHY

February 3, 1975

New Mexico Oil Conservation Commission
State Land Office
Santa Fe, New Mexico 87501

Re: In the Matter of Case 4900 Being Reopened
Pursuant to the Provisions of Order No.
R-4478

In the Matter of Case 4899 Being Reopened
Pursuant to the Provisions of Order No.
R-4477

Gentlemen:

I have enclosed an original entry of appearance in
both of the above captioned matters on behalf of Skelly
Oil Company.

Sincerely,

L. C. White
L. C. WHITE *L.C.*

LCW:m
enclosures as indicated
of/8700

L.C. White
Sumner S. Koch
William Booker Kelly
John F. McCarthy, Jr.
Kenneth Bateman
Benjamin Phillips
Ronald M. Friedman

Attorneys and Counselors at Law

220 Otero St., P.O. Box 787, (505)982-4374, Santa Fe, N.M. 87501 — P.O. Drawer E, (505)758-4338, Taos, N.M. 87571

BEFORE THE NEW MEXICO
OIL CONSERVATION COMMISSION

IN THE MATTER OF CASE 4900 BEING REOPENED
PURSUANT TO THE PROVISIONS OF ORDER NO.
R-4478, WHICH ORDER ESTABLISHED TEMPORARY
SPECIAL POOL RULES FOR THE WEST JAL-
FUSSELMAN GAS POOL, LEA COUNTY, NEW MEXICO,
INCLUDING A PROVISION FOR 640 ACRE SPACING
UNITS. ALL INTERESTED PARTY MAY APPEAR
AND SHOW CAUSE WHY SAID POOL SHOULD NOT BE
DEVELOPED ON 320 ACRE SPACING UNITS.

FORMAL APPEARANCE OF
LOCAL COUNSEL

Comes now L. C. White, of the firm of White, Koch, Kelly &
McCarthy, P. O. Box 787, Santa Fe, New Mexico 87501 and herewith
enters his formal appearance as local counsel for Skelly Oil
Company in the above entitled matter.

WHITE, KOCH, KELLY & MCCARTHY

By L. C. White

CASE 539): (Continued from the January 8, 1975, Examiner Hearing)

Application of Coastline Petroleum Company, Inc., for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of undesignated Gallup and Basin-Dakota gas production in the wellbore of its Schalk 94 Well No. 1, located in Unit A of Section 26, Township 32 North, Range 8 West, San Juan County, New Mexico.

CASE 4899: (Reopened)

In the matter of Case 4899 being reopened pursuant to the provisions of Order No. R-4477, which order established temporary special pool rules for the Cedar Canyon-Morrow Gas Pool, including a provision for 640-acre spacing units. All interested parties may appear and show cause why said pool should not be developed on 320-acre spacing units.

CASE 4900: (Reopened)

In the matter of Case 4900 being reopened pursuant to the provisions of Order No. R-4478, which order established temporary special pool rules for the West Jal-Fusselman Gas Pool, Lea County, New Mexico, including a provision for 640-acre spacing units. All interested parties may appear and show cause why said pool should not be developed on 320-acre spacing units.

CASE 5099: (Reopened)

In the matter of Case 5099 being reopened pursuant to the provisions of Order No. R-4683, which order established temporary special pool rules for the South Carlsbad-Wolfcamp Gas Pool, Eddy County, New Mexico, including a provision for 320-acre spacing units. All interested parties may appear and show cause why said pool should not be developed on 160-acre spacing units.

CASE 5409: Application of Atlantic Richfield Company for a non-standard gas proration unit, an unorthodox gas well location, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the SE/4 of Section 12 and the NE/4 of Section 13, both in Township 24 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its George W. Toby WN Wells Nos. 4, 1, and 1-A, located, respectively, in Units A and H of said Section 12 and in Unit A of said Section 13.

CASE 5410: Application of Texas Pacific Oil Co., Inc. for two unorthodox gas well locations, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox locations of its Barry Well No. 1, to be located 990 feet from the South and West lines of Section 23, and its Hnulik Well No. 1, located 1315 feet from the North line and 660 feet from the West line of Section 26, both in Township 17 South, Range 26 East, Kennedy Farms-Morrow Gas Pool, Eddy County, New Mexico, the W/2 of said Section 23 and the N/2 of said Section 26 to be dedicated, respectively, to said wells.



OIL CONSERVATION COMMISSION

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

**GOVERNOR
BRUCE KING
CHAIRMAN**

**LAND COMMISSIONER
ALEX J. ARMUJO
MEMBER**

**STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR**

February 14, 1973

Re: Case No. 4899 and 4900

Order No. R-4477 and R-4478

Applicant:

Mr. Chester Blodgett
Skelly Oil Company
Post Office Box 1650
Tulsa, Oklahoma 74102

DOCKET MAILED

SKELLY OIL COMPANY

Date 1-24-75

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 (R-4477)
Aztec OCC

Other _____

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. 4900
Order No. R-4478

NCMENCLATURE

APPLICATION OF SKELLY OIL COMPANY
FOR POOL CREATION AND SPECIAL POOL
RULES, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 31, 1973, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 14th day of February, 1973, 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 the creation of a new gas pool for Fusselman production in Lea County, New Mexico, and the promulgation of special rules and regulations governing said pool, including a provision for 640-acre spacing and proration units and fixed well location requirements.

(3) That the Skelly Oil Company West Jal Unit Well No. 1 located 1980 feet from the North line and 660 feet from the East line of Section 20, Township 25 South, Range 36 East, NMPM, Lea County, New Mexico, having its top perforations at 16,449 feet, has discovered a separate common source of supply which should be designated the West Jal-Fusselman Gas Pool; that the vertical limits of said pool should be the Fusselman formation and that the horizontal limits of said pool should be all of said Section 20.

Case No. 4900
Order No. R-4478

(4) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 640-acre spacing units should be promulgated for the West Jal-Fusselman Gas Pool.

(5) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(6) That special rules and regulations should be established for a temporary period to expire two years from the date of this order; that during the temporary period all operators in the subject pool should furnish all available information relative to drainage and recoverable reserves.

(7) That this case should be reopened at an examiner hearing during the month of February, 1975, at which time the operators in the West Jal-Fusselman Gas Pool should appear and show cause why said pool should not be developed on 320-acre spacing units.

IT IS THEREFORE ORDERED:

(1) That a new pool in Lea County, New Mexico, classified as a pool for Fusselman production, is hereby created and added to the West Jal-Fusselman Gas Pool, with vertical limits including the Fusselman formation and horizontal limits comprising the following-described area:

LEA COUNTY, NEW MEXICO
TOWNSHIP 25 SOUTH, RANGE 36 EAST, NMPM
Section 20: All

(2) That temporary Special Rules and Regulations for the West Jal-Fusselman Gas Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE
WEST JAL-FUSSELMAN GAS POOL

RULE 1. Each well completed or recompleted in the West Jal-Fusselman Gas Pool or in the Fusselman formation within one mile thereof, and not nearer to or within the limits of another designated Fusselman gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

Case No. 4900
Order No. R-4478

RULE 2. Each well shall be located on a standard unit containing 640 acres, more or less, consisting of a governmental section.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a governmental section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection

-4-

Case No. 4900
Order No. R-4478

to the unorthodox location has been entered within 20 days after the Secretary-Director has received the application.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the West Jal-Fusselman Gas Pool or in the Fusselman formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before April 1, 1973.

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the West Jal-Fusselman Gas Pool shall have dedicated thereto 640 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 640 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the date of this order shall subject the well to cancellation allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the West Jal-Fusselman Gas Pool or in the Fusselman formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

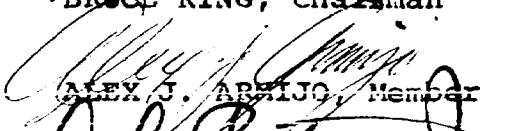
(3) That this cause shall be reopened at an examiner hearing during the month of February, 1975, at which time the operators in the West Jal-Fusselman Gas Pool may appear and show cause why said pool should not be developed on 320-acre spacing units.


(4) 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


BRUCE KING, Chairman


ALEX J. ARRIJO, Member

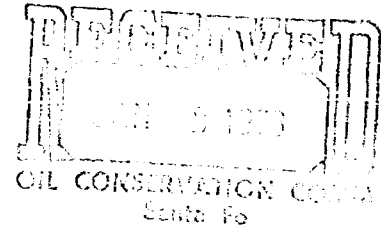

A. L. PORTER, Jr., Member & Secretary

dr/

WHITE,
KOCH, KELLY
&
McCARTHY

Box 4900

December 28, 1972



Mr. A. L. Porter, Jr.
Secretary Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Porter:

Enclosed herewith please find an original and two
copies of my formal Entry of Appearance as local counsel
for Skelly Oil Company in the applications as therein stated.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. C. White".

L. C. WHITE

LCW:dt
Enclosures

DOCKET MAILED

Date 1-18-73

L. C. White
Sumner S. Koch
William Booker Kelly
John F. McCarthy, Jr.
Kevin D. Dorman
Benjamin Phillips
Ronald M. Friedman

Attorneys and Counselors at Law

220 Otero St., P.O. Box 787, (505)982-4374, Santa Fe, N.M. 87501 — P.O. Drawer E, (505)758-4338, Taos, N.M. 87571

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. 4900

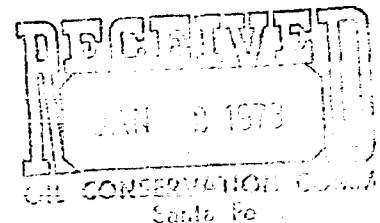
APPLICATION OF SKELLY OIL COMPANY
FOR AN ORDER FOR THE CREATION OF
WEST JAL (FUSSELMAN) GAS POOL,
AND TEMPORARY SPECIAL POOL RULES,
LEA COUNTY, NEW MEXICO.

ENTRY OF APPEARANCE

COMES NOW L. C. White of WHITE, KOCH, KELLY & McCARTHY of
Santa Fe, New Mexico, and herewith enters his appearance as
Resident Counsel for the Petitioner, SKELLY OIL COMPANY, in the
above-captioned matter.

WHITE, KOCH, KELLY & McCARTHY

BY: *L. C. White*
L. C. WHITE
P. O. Box 787
Santa Fe, New Mexico



DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 31, 1973

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

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

CASE 4897: Application of Coastal States Gas Producing Company for an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Gonzales Federal 31 Well No. 1 located 650 feet from the South line and 760 feet from the East line of Section 31, Township 9 South, Range 33 East, Flying "M"-San Andres Pool, Lea County, New Mexico, said well being located nearer than 330 feet to another well capable of producing from the same pool.

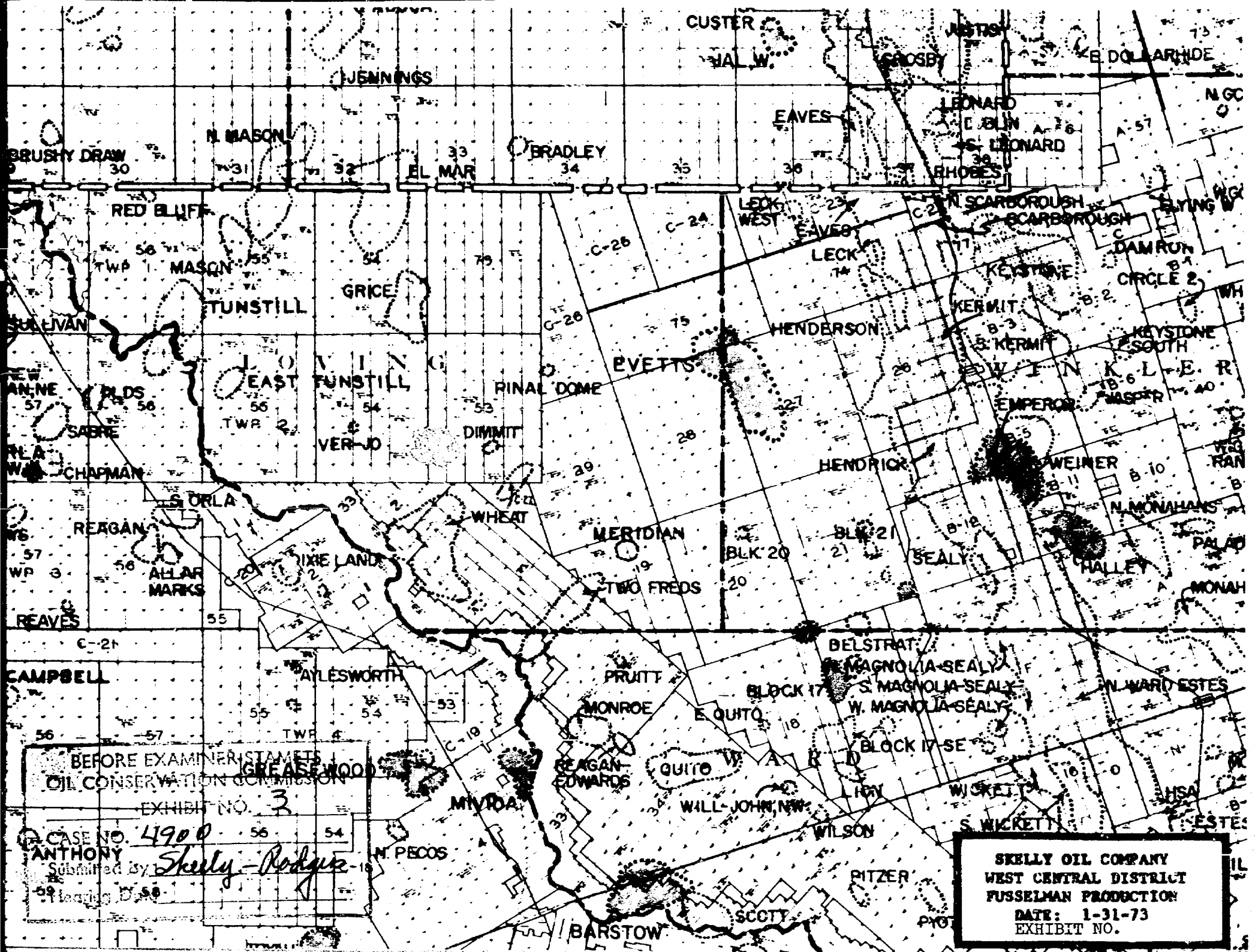
CASE 4898: Application of Eastern Petroleum Company for salt water disposal, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water in the Dakota formation in the open-hole interval from 1385 feet to 1446 feet in its Navajo Well No. 21 in Unit C of Section 3, Township 27 North, Range 17 West, Table Mesa-Dakota Pool, San Juan County, New Mexico.

CASE 4899: Application of Skelly Oil Company for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Morrow gas pool for its well located in Unit P of Section 9, Township 24 South, Range 29 East, Eddy County, New Mexico. Applicant further seeks the promulgation of temporary special rules therefor, including a provision for 640-acre spacing units.

CASE 4900: Application of Skelly Oil Company for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new Fusselman gas pool for its well located in Unit H of Section 20, Township 25 South, Range 36 East, Lea County, New Mexico. Applicant further seeks the promulgation of temporary special rules therefor, including a provision for 640-acre spacing units.

CASE 4901: Application of Belco Petroleum Corporation for two dual completions, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Union Mead Well No. 1 located in Unit H of Section 8, and its Union Mead Com Well No. 2 located in Unit N of Section 4, both in Township 22 South, Range 27 East, Eddy County, New Mexico, to produce gas from undesignated Strawn and Morrow gas pools through the casing-tubing annulus and through tubing, respectively.

CASE 4902: Application of Belco Petroleum Corporation for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its James Ranch Unit Well No. 3 located in Unit J of Section 1, Township 23 South, Range 30 East, Eddy County,



SKELLY OIL COMPANY
WEST CENTRAL DISTRICT

FUSSELMAN GAS FIELDS

NEW MEXICO

<u>Field</u>	<u>Pool</u>	<u>Lithology</u>	<u>Spacing</u>
* Crosby	Fusselman	Dolomite	320 acres
Jal, West	Fusselman	Dolomite	640 requested

TEXAS

<u>Field</u>	<u>Pool</u>	<u>Lithology</u>	<u>Spacing</u>
Barstow	Fusselman	Dolomite	640 acres
Emperor	Fusselman	Dolomite	320 acres
Greasewood	Fusselman	Dolomite	640 acres
Evetts	? Fusselman?	Dolomite	640 acres
Halley Ranch	Fusselman	Dolomite	320 acres
Mivida	Fusselman	Dolomite	640 acres
* Orla, Southwest?	Fusselman	Dolomite	40 acres
Toyah	Fusselman	Dolomite	640 acres

* Statewide spacing rule. Texas - 40 acres, New Mexico - Pennsylvanian or older 320 acres

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
EXHIBIT NO. 4
CASE NO. 4900
Submitted by Shelly Rodgers
Hearing Date _____

Exhibit No.
1-31-73

EXHIBIT NO. 5
SKELLY OIL COMPANY
PROPOSED WEST JAL (FUSSELMAN) GAS POOL
LEA COUNTY, NEW MEXICO

DATA SHEET

DISCOVERY WELL - West Jal Unit No. 1
1980' FNL, 660' FEL, Sec. 20, T25S, R36E

DISCOVERY DATE - November 12, 1972

PRODUCING FORMATION - Fusselman, Top 16,425' (-13,324')
Base 17,053' (-13,952')

PERFORATIONS - 16,449' to 16,614'

CALCULATED ABSOLUTE OPEN FLOW - 16,500 MCF/D 12-21-72

NET PAY - 29 feet

RESERVOIR PRESSURE - 6967 psig @ 16,450' (-13,349')

RESERVOIR TEMPERATURE - 216° F

GAS GRAVITY - 0.588

GAS DEVIATION FACTOR - 1.16 (Fig. 1.3, Applied Petroleum Reservoir Engineering by Craft and Hawkins)

VOLUMETRIC GAS IN PLACE:

(Sec. 11, Chapt. 1, Applied Petroleum Reservoir Engineering by Craft and Hawkins)

$$\begin{aligned} G &= 43,560 \phi (1-S_w) B_{gi}, \text{SCF/ac.-ft.} \\ &= (43560)(.07)(1-.3)(356) \\ &= 759.9 \text{ MCF/ac.-ft.} \end{aligned}$$

Where: 43560 = cu.-ft./ac.-ft.

ϕ = Porosity, % of PV

S_w = Conate Water Saturation, % of PV

B_{gi} = Initial Gas Volume Factor, SCF/cu.-ft.

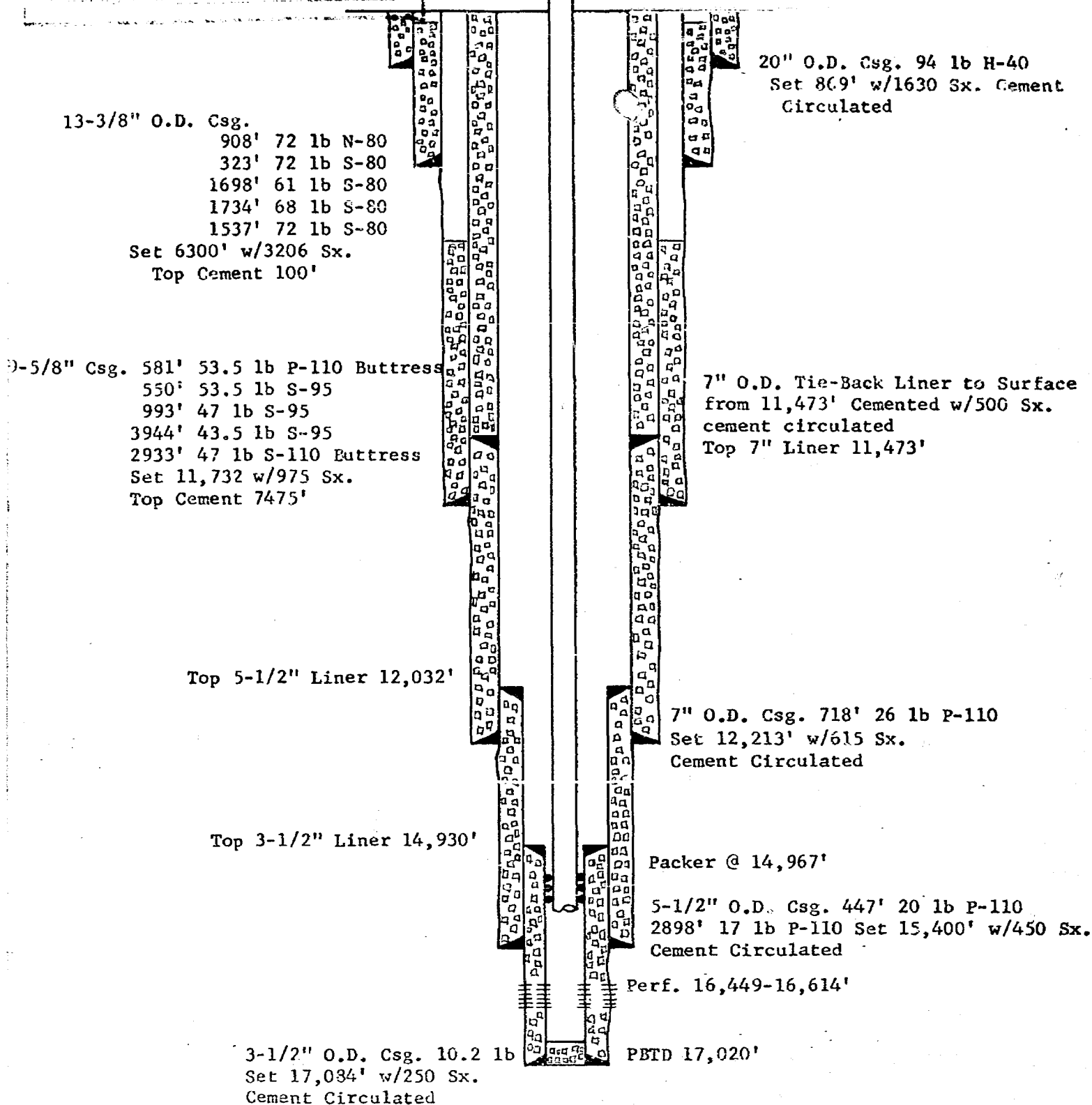
RECOVERABLE GAS: Recovery Factor, 85%
759.9 MCF/ac.-ft. x 0.85
645.9 MCF/ac.-ft.

645.9 MCF/ac.-ft. x 29 ft. x 640 acres
11,988,000 MCF Per Section

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	<u>5</u>
CASE NO.	<u>4900</u>
Submitted by	<u>Shelly - Mosley</u>
Hearing Date	_____

WEST JAL UNIT NO. 1
LEA COUNTY, NEW MEXICO

4900
Shelly-Moseley



SKELLY OIL COMPANY
EXHIBIT NO. _____

EXHIBIT NO. _____

SHELLEY OIL COMPANY

PROPOSED WEST JAL (FUSSELMAN) GAS POOL

ECONOMICS - 320 ACRE SPACING (2 WELLS PER SECTION)

YEAR	ANNUAL GROSS PRODUCTION		GROSS WORKING INTEREST INCOME	PRODUCTION TAXES*	G.W.I.I. AFTER PRODUCTION TAXES	DIRECT OPERATING EXPENSES**	OPERATING INCOME	CAPITAL EXPENDITURES	CASH FLOW	DISCOUNTED CASH FLOW***
	GAS	MISC								
1972	0	0	0	0	0	0	0	1,254,800	(1,254,800)	(1,194,570)
1973	730	0.30	191,625	12,775	178,850	15,600	163,250	1,254,800	(1,091,550)	(943,099)
1974	730	0.30	191,625	12,775	178,850	31,200	147,650		147,650	115,758
1975	730	0.30	191,625	12,775	178,850	31,200	147,650		147,650	104,979
1976	730	0.30	191,625	12,775	178,850	31,200	147,650		147,650	95,234
1977	730	0.30	191,625	12,775	178,850	31,200	147,650		147,650	86,375
1978	730	0.30	191,625	12,775	178,850	31,200	147,650		147,650	78,255
1979	730	0.30	191,625	12,775	178,850	31,200	147,650		147,650	71,020
1980	730	0.30	191,625	12,775	178,850	31,200	147,650		147,650	64,375
1981	730	0.30	191,625	12,775	178,850	31,200	147,650		147,650	58,469
1982	730	0.30	191,625	12,775	178,850	31,200	147,650		147,650	53,006
1983	730	0.30	191,625	12,775	178,850	31,200	147,650		147,650	48,134
1984	730	0.30	191,625	12,775	178,850	31,200	147,650		147,650	43,557
1985	730	0.30	191,625	12,775	178,850	31,200	147,650		147,650	39,570
1986	730	0.30	191,625	12,775	178,850	31,200	147,650		147,650	35,879
1987	730	0.30	191,625	12,775	178,850	31,200	147,650		147,650	32,483
1988	730	0.30	191,625	12,775	178,850	31,200	147,650		147,650	29,530
1989	308	0.30	80,850	5,390	75,460	12,480	62,980		62,980	11,399
TOTAL	11,968		3,146,850	209,790	2,937,060	496,080	2,440,980	2,509,600	(68,620)	(1,169,646)

* \$0.02/MCF

** \$1300/Well-Month (2 Wells)

*** 10% Per Annum, Discount Factors from Table A-1, Appendix, Oil Property Valuation by R. V. Hughes

JLM

January 1973

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
EXHIBIT NO. 7
CASE NO. 4900
Submitted by Shelley - Dracely
Hearing Date _____

SKELLY OIL COMPANY

PROPOSED WEST JAL (FUSSELMAN) GAS POOL

ECONOMICS - 640 ACRE SPACING (1 WELL PER SECTION)

YEAR	ANNUAL GROSS PRODUCTION		GROSS WORKING INTEREST INCOME	PRODUCTION TAXES*	G.W.I.I. AFTER PRODUCTION TAXES	DIRECT OPERATING EXPENSES**	OPERATING INCOME	CAPITAL EXPENDITURE	CASH FLOW	DISCOUNTED CASH FLOW***
	GAS	MMSCF								
1972	0	0	0	0	0	0	0	1,254,800	(1,254,800)	(1,194,570)
1973	730	0.30	191,625	12,775	178,850	15,600	163,250		163,250	141,048
1974	730	0.30	191,625	12,775	178,850	15,600	163,250			127,988
1975	730	0.30	191,625	12,775	178,850	15,600	163,250			116,971
1976	730	0.30	191,625	12,775	178,850	15,600	163,250			105,296
1977	730	0.30	191,625	12,775	178,850	15,600	163,250			95,501
1978	730	0.30	191,625	12,775	178,850	15,600	163,250			86,523
1979	730	0.30	191,625	12,775	178,850	15,600	163,250			78,523
1980	730	0.30	191,625	12,775	178,850	15,600	163,250			71,177
1981	730	0.30	191,625	12,775	178,850	15,600	163,250			64,647
1982	730	0.30	191,625	12,775	178,850	15,600	163,250			58,607
1983	730	0.30	191,625	12,775	178,850	15,600	163,250			53,220
1984	730	0.30	191,625	12,775	178,850	15,600	163,250			48,159
1985	730	0.30	191,625	12,775	178,850	15,600	163,250			43,751
1986	730	0.30	191,625	12,775	178,850	15,600	163,250			39,670
1987	730	0.30	191,625	12,775	178,850	15,600	163,250			35,915
1988	730	0.30	191,625	12,775	178,850	15,600	163,250			32,650
1989	308	0.30	80,850	5,390	75,460	6,240	69,220		69,220	12,525
TOTAL	11,988		3,146,850	209,790	2,937,060	255,840	2,681,220	1,254,800	1,426,420	16,705

* \$0.02/MCF
 ** \$1303/Well-Month (1 Well)
 *** 10% Per Annum, Discount Factors from Table A-1, Appendix, Oil Property Valuation by R. V. Hughes

JLM
 January 1973

OIL CONSERVATION COMMISSION

BOX 1980

HOBBS, NEW MEXICO

NOTICE OF GAS CONNECTION

DATE November 16, 1972

This is to notify the Oil Conservation Commission that connection for
the purchase of gas from the Skelly Oil Co. West Jal Ut.

Operator

Lease

#1 II 20-25-36 Undesignated-Russelmann, El Paso Natural Gas Co.
Well Unit S.T.R. Pool Name of Purchaser

was made on November 12, 1972

El Paso Natural Gas Company.

Purchaser

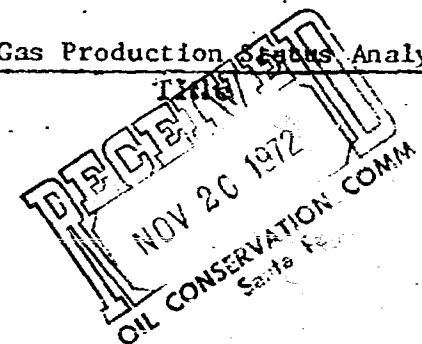
Travis R. Elliott
Representative

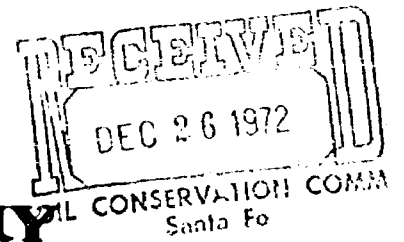
Travis R. Elliott

Gas Production ~~Analysis~~ Analysis

TRE:bl

cc: To operator
Oil Conservation Commission - Santa Fe
Oil Conservation Commission - Artesia (2)
Proration
H. P. Logan
T. J. Crutchfield
File





SKELLY OIL COMPANY

P. O. BOX 1650

LAW DEPARTMENT
CHESTER E. BLODGET
SENIOR ATTORNEY

TULSA, OKLAHOMA 74102

December 22, 1972

Case 4900

Re: Application for an Order for the
Creation of Cedar Canyon (Morrow)
Gas Pool, and Temporary Special
Pool Rules, Eddy County, New Mexico; and

Application for An Order for the
Creation of West Jal (Fusselman) Gas
Pool, and Temporary Special Pool
Rules, Lea County, New Mexico

Mr. A. L. Porter, Jr., Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Porter:

Attached is the original and four copies of two applications, one for the creation of Cedar Canyon (Morrow) Gas Pool, and Temporary Special Pool Rules, Eddy County, New Mexico; and the other for the creation of West Jal (Fusselman) Gas Pool, and Temporary Special Pool Rules, Lea County, New Mexico.

We would appreciate your setting these matters down for hearing on January 31, 1972.

Yours very truly,

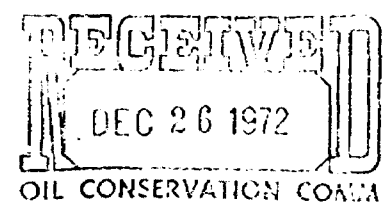
CEB:br

Chester E. Blodget
Chester E. Blodget

DOCKET MAILED

Date 1-18-73

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO



IN THE MATTER OF THE APPLICATION OF SKELLY)
OIL COMPANY FOR AN ORDER FOR THE CREATION)
OF A WEST JAL (FUSSELMAN) GAS POOL, AND)
FOR TEMPORARY SPECIAL POOL RULES, LEA)
COUNTY, NEW MEXICO.)

CASE NO. 14900

A P P L I C A T I O N

Comes now Skelly Oil Company and states and alleges:

1. That it is a Delaware corporation with offices in Tulsa, Oklahoma, and authorized to do business in the state of New Mexico.
2. That on November 12, 1972, it completed a well capable of producing gas in commercial quantities from the Fusselman Sand formation; that the well is located 1980' FNL and 660' FEL, Section 20, Township 25 South, Range 36 East, Lea County, New Mexico; and that the said formation is found between 16,449' and 16,614' below the surface.
3. That said well is the first gas well producing from the Fusselman formation in the West Jal Field, and a new gas pool for the Fusselman formation should be created and designated the West Jal (Fusselman) Gas Pool.
4. That temporary special rules and regulations should be promulgated for the subject pool, including the establishment of 640-acre spacing, in order to prevent the possibility of economic loss resulting from the drilling of unnecessary wells and in order to allow the operators in the subject pool to gather information concerning the reservoir characteristics of the pool.
5. That the temporary special rules and regulations should provide for the limited well locations in order to assure orderly development of the pool and to protect correlative rights.
6. That the temporary special rules and regulations should be established for a two-year period, and that during this two-year period all operators in the subject pool should gather all available information relative to drainage and recoverable reserves. That at the end of said two-year period a hearing may be had, at which time the operators in the subject pool could appear and show cause why the West Jal (Fusselman) Pool should not be developed on 640-acre spacing units.

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 creating a new pool for the West Jal (Fusselman) Gas Pool promulgating temporary special rules and regulations covering said pool, including a provision for 640-acre spacing units; and that the area to be included in said field rules include Section 20, Township 25 South, Range 36 East, Lea County, New Mexico, and any well drilled within one mile of said Section 20.

Respectfully submitted,

SKELLY OIL COMPANY

George W. Selinger
Chester E. Blodget
Its Attorneys

Of Counsel:
Mr. L. C. White
White, Koch, Kelly & McCarthy
P. O. Box 787
Santa Fe, New Mexico 87501

By Chester E. Blodget

DRAFT

dr/

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. 4900 (REOPENED)

Order No. R-4478-A
4478-A

IN THE MATTER OF CASE 4900 BEING REOPENED
PURSUANT TO THE PROVISIONS OF ORDER NO.
R-4478, WHICH ORDER ESTABLISHED TEMPORARY
SPECIAL POOL RULES FOR THE WEST JAL-FUSSELMAN
GAS POOL, LEA COUNTY, NEW MEXICO, INCLUDING A
PROVISION FOR 640-ACRE SPACING UNITS.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on February 5, 1975
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of February, 1975, 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 Order No. R-4478, dated February 14, 1973, established
temporary pool rules for the West Jal-Fusselman Gas Pool, Lea
County, New Mexico, which rules provided for 640-acre spacing
in the pool.

Case No. 4900 (Reopened)
Order No. R-

(3) That Order No. R-4478 provided that Case No. 4900 would be reopened in February of 1975 to allow operators in the subject pool to appear and show cause why the pool should not be developed on 320-acre spacing.

(4) That no operator has offered evidence to establish that the pool should be developed on other than 320-acre spacing.

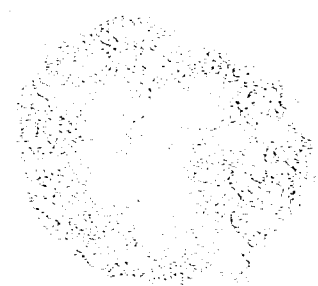
(5) That the Temporary Special Rules and Regulations for the West Jal-Fusselman Gas Pool should be rescinded and said pool should be governed by the Statewide Rules for gas pools in the State, effective March 1, 1975.

IT IS THEREFORE ORDERED:

(1) That effective March 1, 1975, the Temporary Special Rules and Regulations for the West Jal-Fusselman Gas Pool, promulgated by Order No. R-4478, dated February 14, 1973, are hereby rescinded and the pool is placed under the Statewide Rules for gas pools in the State.

(2) 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.



DRAFT

dr/

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. 4900

Order No. R-4478
NOMENCLATURE

APPLICATION OF SKELLY OIL COMPANY
FOR POOL CREATION AND SPECIAL POOL
RULES, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 31, 1973
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this _____ day of February, 1973, 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 the
creation of a new gas pool for Fusselman production in Lea
County, New Mexico, and the promulgation of special rules and
regulations governing said pool, including a provision for 640-
acre spacing and proration units, ~~and fixed well location require-~~
~~ments.~~ *and fixed well location*

requirements.

(3) That the Skelly Oil Company West J. 1 Unit Well No. 1 located 1980 feet from the N line and 660 feet from the East line of Section 20, Township 25 South, Range 36 East, NMPM, Lea County, New Mexico, having its top perforations at 16, ⁴⁴⁸ ~~448~~ feet, has discovered a separate common source of supply which should be designated the West J. 1 - Fusselman Gas Pool; that the vertical limits of said pool should be the Fusselman formation and that the horizontal limits of said pool should be all of said Section 20.

(4) That in order to prevent the economic loss caused by the drilling of unnecessary wells, to avoid the augmentation of risk arising from the drilling of an excessive number of wells, to prevent reduced recovery which might result from the drilling of too few wells, and to otherwise prevent waste and protect correlative rights, temporary special rules and regulations providing for 640-acre spacing units should be promulgated for the West J. 1 - Fusselman Gas Pool.

(5) That the temporary special rules and regulations should provide for limited well locations in order to assure orderly development of the pool and protect correlative rights.

(6) That special rules and regulations should be established for a temporary period to expire Two years of this ~~one year~~ from the date ~~that a~~ pipeline connection is first obtained for a well in the pool; that during this temporary period all operators in the subject pool should gather all available information relative to drainage and recoverable reserves.

(7) That this case should be reopened at an examiner hearing during the month of February, 1975, ~~one year from the date that a pipeline connection is first~~ obtained for a well in the ~~-Fusselman~~ West J. 1 - Fusselman Gas Pool ~~Gas Pool~~, at which time the operators in the ~~subject pool~~ should appear and show cause why ~~the~~ said pool ~~-Fusselman~~ Gas Pool should not be developed on 320-acre spacing units.

order ;

(8) That the first operator to obtain a pipeline connection for a well in the _____-Fusselman Gas Pool should notify the Commission in writing of such fact, and that the Commission should thereupon issue a supplemental order designating an exact date for reopening this case.

IT IS THEREFORE ORDERED:

(1) That a new pool in Lea County, New Mexico, classified as a gas pool for Fusselman production, is hereby created and designated the West J. 1-Fusselman Gas Pool, with vertical limits comprising the Fusselman formation and horizontal limits comprising the following-described area:

LEA COUNTY, NEW MEXICO
TOWNSHIP 25 SOUTH, RANGE 36 EAST, NMPM
Section 20: 111

(2) That temporary Special Rules and Regulations for the West J. 1-Fusselman Gas Pool, Lea County, New Mexico, are hereby promulgated as follows:

SPECIAL RULES AND REGULATIONS
FOR THE

West J. 1 - Fusselman Gas Pool

RULE 1. Each well completed or recompleted in the West J. 1-Fusselman Gas Pool or in the Fusselman formation within one mile thereof, and not nearer to or within the limits of another designated Fusselman gas pool, shall be spaced, drilled, operated, and produced in accordance with the Special Rules and Regulations hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 640 acres, more or less, consisting of a governmental section.

RULE 3. The Secretary-Director of the Commission may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit and the unorthodox size or shape of the unit is necessitated by a variation in the legal subdivision of the United States Public Land Surveys, or the following facts exist and the following provisions are complied with:

- (a) The non-standard unit consists of quarter-quarter sections or lots that are contiguous by a common bordering side.
- (b) The non-standard unit lies wholly within a governmental section and contains less acreage than a standard unit.
- (c) The applicant presents written consent in the form of waivers from all offset operators and from all operators owning interests in the section in which the non-standard unit is situated and which acreage is not included in said non-standard unit.
- (d) In lieu of paragraph (c) of this rule, the applicant may furnish proof of the fact that all of the aforesaid operators were notified by registered or certified mail of his intent to form such non-standard unit. The Secretary-Director may approve the application if no such operator has entered an objection to the formation of such non-standard unit within 30 days after the Secretary-Director has received the application.

RULE 4. Each well shall be located no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line.

RULE 5. The Secretary-Director may grant an exception to the requirements of Rule 4 without notice and hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Secretary-Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Secretary-Director has

received the application.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Woot J. 1 -Fusselman Gas Pool or in Fusselman formation within one mile thereof are hereby approved that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Commission in writing of the name and location of the well on or before April 1, 1973.

(2) That, pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, contained in Chapter 271, Laws of 1969, existing wells in the Woot J. 1 -Fusselman Gas Pool shall have dedicated thereto 640 acres in accordance with the foregoing pool rules; or, pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard spacing or proration units established by the Commission and dedicated thereto.

Failure to file new Forms C-102 with the Commission dedicating 640 acres to a well or to obtain a non-standard unit approved by the Commission within 60 days from the date of this order shall subject the well to cancellation of allowable. Until said Form C-102 has been filed or until a non-standard unit has been approved, and subject to said 60-day limitation, each well presently drilling to or completed in the Woot J. 1 -Fusselman Gas Pool or in the Fusselman formation within one mile thereof shall receive no more than one-half of a standard allowable for the pool.

(3) That this cause shall be reopened at an examiner hearing during the month of February, 1975. ~~one year from the date that a pipeline connection is first~~
~~obtained for a well in the~~ Woot J. 1 - Fusselman Gas Pool, at which time the operators in the ~~subject pool~~ Woot J. 1 - Fusselman Gas Pool may appear and show cause why ~~the said pool~~ the said pool ~~Fusselman Gas Pool~~ should not be developed on 320-acre spacing units.

-6-

Case No. 4900

Order No. R-

(4) That the first operator to obtain a pipeline connection for a well in the _____ -Fusselman Gas Pool shall notify the Commission in writing of such fact, and that the Commission will thereupon issue a supplemental order designating an exact date for reopening this case.

(4) (b) 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.