

Q I refer you to what has been placed on the board as Skelly Oil Company's Exhibit No. 1, and ask you to state if the Mexico E 160 acre unit is outlined in green on that Exhibit?

A It is.

Q How is that described, as the south half of the south half of that section?

A It could be described as such, yes, this being the outlines of Section 2.

Q Will you tell the Commission when this well was completed for oil or gas?

A This well was drilled for gas and completed in September of 1950 in the Yates and Seven Rivers formations of what is now the Langmat Gas Pool by setting seven inch casing at 2900 feet and drilling to total depth of 3500 feet.

(Skelly Oil Company's Exhibits No. 1
and No. 2 Marked for Identification)

Q I hand you what has been marked as Skelly Oil Company's Exhibit No. 2, is that a sample log of Mexico E No. 1?

A It is.

Q Mr. Curry, has the Skelly Oil Company filed the necessary form C104 and C110 with the Commission on this unorthodox unit?

A They have.

Q Has the Commission assigned an eighty acre allowable pending the disposition in this particular application?

A It has.

(Skelly Oil Company's Exhibit No. 3
Marked for Identification)

MR. SELINGER: We have identified as Skelly Oil Company's

Exhibit No. 3 a photostatic signed copy of Order No. R 20, issued by the Oil Conservation Commission in Case No. 220 on May 23, 1950, in which this well was located in an area already spaced on 160 acres for gas, and this Commission granted us permission to commence the drilling of a well at the location indicated on Exhibit No. 1 in which case we did commence and drill and complete a gas well in accordance with that order. As Skelly Exhibit No. 4 we would like to have made a part of this record a transcript of Case No. 220, in which case the Skelly Oil Company went into great detail as to the necessity for having the unorthodox location and shape that it has due to the fact that the north 160 acres being in common ownership by Shell Oil Company as to the oil right and the El Paso Natural Gas as to the gas rights, because of a peculiar quirk in their contract, after months of negotiation we were unable to work anything out, and at that time neither party made any objection and we wish to point out to the Commission that the formation of this unit in its unorthodox shape will permit Shell, and El Paso, ~~whoever~~, ~~owns~~ the lease and contracts, to form a similar unorthodox location, so there will be no dislocation outside of the south half of the governmental section.

(Skelly Oil Company's Exhibit No. 4 Marked for Identification)

MR. SELINGER: We would like to offer in evidence Skelly Oil Company's Exhibits 1 through 4, inclusive, and I believe that is all we have.

MR. WALKER: Without objection they will be admitted.

MR. SELINGER: That is all we have on this matter.

MR. SETH: I would like to read a statement on behalf of Shell Oil Company. I am Mr. Seth. This statement we would like the

Commission to include in the record of each of the Cases 613 to 626 and this statement is not directed to Skelly's application in particular, but I thought this might be a convenient time to read the statement. " Cases number 613 to 626, inclusive, on today's docket are all applications for approval of unorthodox gas proration units as exceptions to field rules recently established by this Commission. All of the fields involved are located in southeastern New Mexico and are fields which might be termed "developed" fields at the time field rules were promulgated.

None of the cases on today's docket directly affect Shell's acreage. As an operator in New Mexico, however, we are vitally interested in orderly development and in the application of the Commission's rules, and it is for that reason that we would like to make a general statement of our position on the matter of approval of unorthodox gas proration units in fields for which rules have been established.

In order to obtain the maximum recovery of gas and to protect the right of each operator to obtain his fair share of such gas, this Commission, after hearings, recently established field rules for all of the fields involved in today's hearings.

Rule 7 of each set of field rules establishes standard gas proration units of 160 acres, and provides that the acreage in a unit shall be contiguous and that such unit shall be substantially in the form of a square which shall be a legal subdivision (quarter section) of the U. S. Public Land Surveys. A pattern was thus set which the Commission found would give the greatest recovery of gas and would come the nearest to guaranteeing to each operator that he would recover

his fair share of such gas.

We recognize that there are some exceptional cases in which exceptions to established field rules are justified, but it is our belief that established field rules should be strictly adhered to except in those very unusual and extraordinary cases in which such adherence would cause injustice or a very real undue hardship.

We do not know all the facts of all of the cases on today's docket in which exceptions are sought, so that we are not in a position to attempt to judge of their merits. We do suggest, however, that in the interest of orderly and fair gas proration, exceptions to field rules should be sparingly granted and operators should be required to conform to the rules which the Commission has found to be best for all concerned. If this principle is not adhered to, then the rule itself is destroyed by the exceptions granted, and we are right back where we were before we started except for more confusion and more inequities.

At the hearings at which these Rules were adopted the representatives of the Commission put into the record examples of inequities and confusion that would result from the adoption of a Gas Proration Unit Rule other than that which was adopted. We consider it proper at this time to point out that such inequities and confusion which the Commission was trying to avoid can and will result from the granting of exceptions to that Rule unless such exceptions are limited to the most unusual cases.

The decision of the Commission on today's applications for exceptions will set the pattern for the future and will determine whether or not we are to have gas proration under field rules or under exceptions. For fear that liberality in granting exceptions

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would destroy the rules and would result in conditions not to be desired, it is our position that exceptions should be granted only in the most unusual and extraordinary cases and that in all other cases we should adhere strictly to the established rules."

MR. WALKER: Does anyone have a question to ask of the witness? If not the witness will be excused.

(Witness excused)

MR. WALKER: Does anyone else have a further statement to make for the record? Does anyone have any objection to this statement being entered into the record or being accepted by the Commission? If not, they are admitted.

MR. SELINGER: I would like to make one short concluding statement, if the Commission remembers at the outset we pointed out that we favored the maintenance of 160 acre governmental quarter section as nearly as possible. At most it should not go outside the government section. I wish to point out in Cases 613 and 615 we have stayed within the government half section. In one instance there are three wells on the governmental quarter section and those wells have been drilled for a number of years, some instances of ten years. There is no possible way that you can avoid an exception in a case like that. We agree wholeheartedly with Shell and with other companies in supporting the Commission and maintaining 160 acre governmental quarter sections as nearly as possible. We wish to point out that in the cases of new wells hereafter drilled we think that such a rule should be strictly adhered to and followed, but you must remember that there are a number of gas wells that have been on production for ten and fifteen years, you are now coming along with

maintenance of a sort of uniform program. It is manifestly evident that you can not follow a governmental pattern with those old wells that have been on production for some fifteen years. I wish to further point out that as a part of our case we proved that there would be no dislocation of surrounding acreage outside of the government half section in these particular three cases.

Second, we also prove that the density would be maintained on our tracts upon which we asked for the exception and surrounding tracts. So, I feel that we have made a showing of unusual circumstances for the granting of these three exceptions. We think that hereafter on new wells drilled that the Commission should strictly adhere to such a policy.

MR. WALKER: Any further comments in this case? If not the case will be taken under advisement and we will move onto Case 619.

STATE OF NEW MEXICO)
)
COUNTY OF BERNALILLO)

I HEREBY CERTIFY that the foregoing and attached transcript of hearing in Case No. 614 before the Oil Conservation Commission, State of New Mexico, at Santa Fe, on December 17, 1953, is a true and correct record of the same to the best of my knowledge, skill and ability.

DATED at Albuquerque, New Mexico, this 18TH day of December, 1953.


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