

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
Santa Fe, New Mexico

September 18, 1957

TRANSCRIPT OF HEARING

Case 1313

DEARNLEY - MEIER & ASSOCIATES
INCORPORATED
GENERAL LAW REPORTERS
ALBUQUERQUE, NEW MEXICO
3-6691 5-9546

BEFORE THE
OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO
Santa Fe, New Mexico

September 18, 1957

IN THE MATTER OF:

Application of Skelly Oil Company for approval
of its proposed Blue Quail Unit Agreement in
Lea County, New Mexico. Applicant, in the
above-styled cause, seeks an order approving
the Blue Quail Unit Agreement for purposes
of exploration and development. The proposed
unit area consists of 1,278 acres, more or
less, of State of New Mexico lands comprising
the SE/4 of Section 24 and the NE/4 of Section
25, Township 10 South, Range 33 East, and all
of Section 19 and the N/2 of Section 30, Town-
ship 10 South, Range 34 East, all in Lea
County, New Mexico.

Case
1313

BEFORE:

Mr. A. L. Porter
Mr. Murray Morgan
Honorable Edwin L. Mechem

TRANSCRIPT OF HEARING

MR. PORTER: The meeting will come to order. We'll take
up next Case 1313.

MR. SELINGER: George W. Selinger for Skelly Oil Company.
We have one witness, Mr. E. M. Duffield, whom I would like to have
sworn.

E. M. DUFFIELD

called as a witness, having been first duly sworn, testified as
follows:

DIRECT EXAMINATION

By MR. SELINGER:

(Marked Skelly's Exhibits Nos.
1, 2 and 3, for identification.)

Q State your name.

A E. M. Duffield.

Q You are with Skelly Oil Company?

A Yes.

Q What capacity?

A Special assistant in the Land Department, Tulsa.

Q Are you familiar, Mr. Duffield, with the proposed unit that Skelly and others are forming in Lea County, designated as the Blue Quail Unit?

A I am.

Q I'll hand you what has been marked as Skelly Exhibit No.

1. Is that a copy of the unit agreement?

A It is.

MR. SELINGER: I would like to offer in evidence Skelly Exhibit 1, which is a conformed copy of the unit agreement, and by conformed copy, we mean a copy together with signatures and acknowledgement photostated from the original so that this copy is a complete copy of the original. We have additional copies of the unit agreement that we would like to file also.

Q Referring to Skelly Exhibit 1 which is the unit agreement, and more particularly to Exhibits A, B and C attached thereto, will you indicate to the Commission what Exhibit A to the unit

agreement indicates?

A Exhibit A is drawn to show the outline of the unit which consists of approximately 1278 acres, and sets up tract numbers for each tract owned by the separate companies.

Q Will you describe the unit area as indicated on the unit agreement?

A The unit area covers all of Section 19 and the north half of Section 30 in 10 south, 34 east and in 10 south, 33 east, the southeast quarter of Section 24 and the northeast quarter of Section 25.

Q Is that area outlined on Exhibit A based on the seismic information of the geological depth which is indicated by Exhibit C attached to the unit agreement?

A It is.

Q Does the unit area include all of the probable production as indicated by the seismic interpretation?

A Yes, sir. We think that it is a practical coverage of the structure.

Q I note that on Exhibit C there are arrows which indicate 150 plus 100 plus 175 plus 175 plus as the number of feet per mile of drop, is that correct?

A It indicates the dip as shown by the arrows.

Q So that this area will be small in aerial extent, is that correct?

A That's right.

Q Is the proposed location for the well indicated on Exhibit A?

A Well, it is as being in the approximate center of the southeast, southwest of Section 19, 10 south, 34 east.

Q Now, referring to Exhibit B attached to the unit agreement, does that indicate the ownership and schedule of percentages of all the interest in the unit?

A Yes, sir.

Q This is all State of New Mexico land, is that correct?

A All state land.

Q The companies that have participated in the signing of the unit agreement consist of Skelly, Tidewater, Sinclair, Gulf, Sunray-Mid Continent, et al, and Atlantic, is that correct?

A Seaboard and Atlantic.

Q Seaboard and Atlantic?

A Yes.

Q Who is to be the operator of this unit?

A Skelly Oil Company is designated as operator.

Q Do you believe that the formation of this unit for unit operation and development is in the best interest of conservation as well as the promotion of the interest of the state?

A I do. An attempt to conserve reservoir energy, ultimate greater production.

Q Have the entire working interest in the unit designated on Exhibit A of the unit agreement signed the unit agreement?

A The unit agreement is completely signed.

Q The area defined includes approximately 1278 acres?

A Yes, sir.

Q I hand you what has been marked as Exhibit 2. Is that the unit operating agreement?

A Yes, sir. That's the unit operating agreement.

Q Has this matter in the preliminary stage been taken up with the State Land Office with respect to the proposed unit agreement?

A It has.

Q And as evidence, have you a letter from them dated August 29 indicating their approval as to form and context?

A That's right.

MR. SELINGER: That is Exhibit 3. We would like to offer it in evidence. We will like to offer in evidence Exhibits 1 to 3, both inclusive. I believe that's all we have of this witness.

MR. PORTER: Any objection to the admittance of these exhibits?

MR. SELINGER: That's all we have.

MR. PORTER: Does anyone have a question of the witness Mr. Cooley.

CROSS EXAMINATION

By MR. COOLEY:

Q Mr. Duffield, do the unit areas outlined on Exhibit A, attached to the unit agreement, cover substantially all of the formation considered to be possibly productive?

A Yes, sir. We think from a practical standpoint we have covered the greater part of the area as we shot it out.

Q Then you feel that the coverage is great enough that you can have substantially complete control of the entire structure?

A Yes.

Q Does the unit agreement provide for an extension thereof in the event the productive area is larger than anticipated?

A It does not.

Q Do you feel that you would lose control?

A We feel it is a small feature, and we have, for all practical purposes, covered it with our proposed unit.

Q You feel that there would be no further possibility of extension?

A That's right.

Q What are the unitized substances, Mr. Duffield?

A We propose to drill to the Devonian.

Q You misunderstand my question. What is the unitized substance covered by the unit agreement?

A All oil, gas, casinghead gas.

Q In all formations?

A Yes, sir.

Q And the production in any formation lying under the unit area would perpetuate the unit agreement?

A Yes.

Q But the purpose of unitization is to develop the Devonian formation?

A Yes. We propose at approximately 14,000 feet.

Q That's all. Thank you.

MR. PORTER: Anyone else have a question of Mr. Duffield?
You may be excused.

MR. COOLEY: Mr. Duffield, may I ask you one more question,
please? A Yes.

By MR. COOLEY:

Q In answer to my question, you felt that the unit area
covered substantially all of the structural area if productive.
Would you please direct your attention to the Exhibit C attached
to the unit agreement? A Yes, sir.

Q Do you feel there is any possibility of production in
Sections 20 and 29 of --

A (Interrupting) I would best answer this by saying it was
impossible for us to form this unit and cover all the little lobes
that were developed in mapping. We felt that we had a unit that
covered, from the practical standpoint, the greater part of this
area, but it was not possible for us to form this unit and get
all the little lobes because after all they might not even be there.

Q You do not feel that the exclusion of this area would
cause a loss of control? A That's right.

MR. SELINGER: Our Exhibit C, you will note that is the
purpose of the area showing the severe drop in Section 20 of 175
feet per mile, and the drop in northwest of 29 likewise dropping
100 feet per mile. We felt that information practically indicated
that along the west line of Section 20 and 29 would be approximate

limits of the production.

MR. COOLEY: Thank you very much.

MR. PORTER: If no further questions, we will re-excuse the witness.

(Witness excused.)

MR. PORTER: Does anyone have anything further in this case? We will take the case under advisement and take up next Case 1292.

C E R T I F I C A T E

STATE OF NEW MEXICO)
: SS
COUNTY OF BERNALILLO)

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

IN WITNESS WHEREOF I have affixed my hand and notarial seal this *1st* day of *October*, 1957.

Ada Dearnley

Notary Public - Court Reporter

My commission expires:

June 19, 1959.