

dearnley, meier & associates

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

Wednesday, November 28, 1973

IN THE MATTER OF:

Application of Skelly Oil  
Company for a unit  
agreement, Lea County, New  
Mexico.

Case No. 5127

BEFORE: Richard L. Stamets,  
Examiner

TRANSCRIPT OF HEARING

1 MR. STAMETS: Case 5127.

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

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

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

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

12 \* \* \* \*

13 KENNETH H. GRIFFIN,  
14 was called as a witness, and having been already duly sworn,  
15 testified as follows:

16 DIRECT EXAMINATION

17 BY MR. BLODGETT:

18 Q Would you state your name?

19 A Kenneth H. Griffin.

20 Q What is your occupation?

21 A Independent petroleum landman.

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

24 A I have.

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

1 Skelly Exhibit Number One. Would you identify that,  
2 please?

3 A Exhibit One is the proposed unit operating agreement to  
4 be used in connection with the Salt Lake South Unit Area.  
5 This area comprises a total of 7080.12 acres containing  
6 6440.12 acres of Federal land, or 90.96 percent; and  
7 640 acres of State land, being 9.04 percent. The form  
8 of the unit agreement is the prescribed form in the  
9 State of New Mexico properly amended to take into account  
10 the State land and its use by the Commissioner's office.

11 We do have the preliminary approval of both the  
12 USGS and the State Land Commission Office saying that  
13 this area is suitable for unitization.

14 Q Was this instrument or this unit agreement prepared by  
15 you or under your supervision?

16 A It was prepared by me, yes.

17 Q Who will be the operator of this unit?

18 A Skelly Oil Company will be the operator.

19 Q What sort of control will the working interest owners  
20 have over the operation?

21 A The standard provisions are in this particular form.

22 Q Will the royalty owners pay---

23 A Our royalty owners are all either State or Federal.

24 Q And they won't pay any part of the development cost?

25 A No costs at all.

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

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

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

7 A Yes, it is an automatic contraction agreement.

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

11 A Definitely.

12 Q By increasing ultimate recovery?

13 A Yes, definitely.

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

16 MR. STAMETS: It will be so admitted.

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

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

20 (No response)

21 MR. STAMETS: He may be excused.

22 (Witness excused.)

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

24 \* \* \* \*

25

1                                    JON T. EDMUNDSON,  
2 was called as a witness, and having been already duly sworn,  
3 testified as follows:

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

11                   MR. STAMETS: That will be fine.

12                                    DIRECT EXAMINATION

13                   BY MR. BLODGETT:

14                   Q     Please state your name.

15                   A     Jon T. Edmundson.

16                   Q     By whom are you employed and in what occupation?

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

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

21                   A     I have.

22                   Q     Are you familiar with the application now being heard?

23                   A     I am.

24                   Q     Have you prepared any exhibits in connection therewith?

25                   A     Yes, the one presented.

1 Q And would you describe that, please?

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

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

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

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

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

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

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

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

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

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

25 Q Where is the prospect to be located?

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

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

6 A Yes, sir.

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

9 MR. STAMETS: Are there any questions of this witness?  
10 (No response)

11 MR. STAMETS: If not, he may be excused.  
12 (Witness excused.)

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

16 MR. BLODGETT: That would be fine.

17 MR. STAMETS: Is there anything further in this case?  
18 (No response)

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

21 This hearing is adjourned.

22 \* \* \* \*

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C E R T I F I C A T E

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

*Richard E. McCormick*  
CERTIFIED SHORTHAND REPORTER

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

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I N D E XWITNESSPAGE

KENNETH H. GRIFFIN

Direct Examination by Mr. Blodgett

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JON T. EDMUNDSON

Direct Examination by Mr. Blodgett

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E X H I B I T SEXHIBITADMITTED    OFFERED

Applicant's #1

Unit agreement

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Applicant's #2

Seismic work

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