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July 11, 1958

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
EXHIBIT No. 3
CASE 1473-2

Re: Your Federal Lease
(Formerly Rowan Oil Company Operator)
South Sawyer San Andres Field,
Section 33, Township 9 South,
Range 38 East
Lea County, New Mexico

Texas Pacific Coal and Oil Company
P. O. Box 2110
Ft. Worth, Texas

Attention: Mr. E. T. Adair

Gentlemen:

This letter has reference to telephone conversation with your Mr. Stanley Davis on date of July 1, 1958, at which time your company took over the operation of the above-captioned lease, and refers specifically to that portion of our conversation relative to the field designation of such lease.

As discussed verbally with Mr. Davis, when initial production was developed on subject lease in the month of March 1958, our company was requested to purchase the production therefrom as, at that time, we were buying the production from the adjacent Buckshot field. Subsequent to our purchase and handling of production in the Buckshot field, final sale arrangement was under contract agreement with the Atlantic Refining Company which, under its terms, specified production from the Buckshot field. We were able to make market arrangement for the Rowan-Federal Lease with Atlantic after indicating to them that Cactus was the nearest logical purchaser and that the lease was adjacent to the Buckshot field production on the Texas side and in all probability was producing from a common reservoir and possibly would be designated as Buckshot field by the New Mexico Oil Conservation Commission, although at that time it carried an unclassified category.

In May of 1958 subsequent to the assignment by the New Mexico Oil Conservation Commission of the South Sawyer San Andres Field classification for the Rowan-Federal Lease, we found it necessary to temporarily cease the

purchase of production from such lease as it was in definite contradiction to our sale arrangement to Atlantic specifying Buckshot crude. On May 19, 1958, we did write the Rowan Oil Company a letter pointing out this difficulty and suggesting that possibly this matter could be resolved by requesting that this lease be classified as Buckshot field in New Mexico. We understand that the Rowan Oil Company did pursue such a request with the Oil Conservation Commission in New Mexico and it is the purpose of this letter to officially notify all parties concerned that after our discontinuing the purchase of this production in May we were able to get the Atlantic Refining Company to review this situation and they did agree to Cactus' resuming purchase of this production with its existing classification in the South Sawyer San Andres Field, as it was possibly producing from a common reservoir, and included it as a part of our Buckshot sale arrangement. We did resume the purchase of production from this lease shortly after the first of June 1958.

We therefore wish to go on record establishing the fact that the South Sawyer San Andres Field designation for subject lease is no longer a factor in our purchase of this production.

Yours very truly,

CACTUS PETROLEUM, INC.

ORIGINAL SIGNED BY
SAM F. WEIR

Sam F. Weir

Copy to:

Oil Conservation Commission
State of New Mexico
Santa Fe, New Mexico
Attn: Mr. Pete Porter

Oil Conservation Commission
State of New Mexico
Hobbs, New Mexico
Attn: Mr. Robert Montgomery

Rowan Oil Company
P. O. Box 1873
Midland, Texas
Attn: Mr. J. T. Klingler

Western Drilling Company
Longview, Texas
c/o Mr. Ralph Cooley ✓
P. O. Box 4575
Midland, Texas