OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

CTB-2

COPY

August 5, 1955

Leonard Nichols
901 Mercantile Securities Building
Dallas 1, Texas

Gentlemen: Re: Exception to Rule 309 (a)

Reference is made to your application for an exception to Rule 309 (a) of the Commission's Statewide Rules and Regulations seeking administrative approval to commingle oil production from two separate oil and gas leases from the Roberts Pool, Lea County, New Mexico.

By authority granted me under the provisions of Rule 309, Section (b) as set forth in Order R-645, you are hereby authorized to operate a single tank battery for your State Wells No. A-1, A-2, and A-4 located in the NE/4 of the NW/4 and the N/2 of the NE/4 of Section 7, Township 17 South, Range 33 East, NMPM, Lea County, New Mexico. These wells are located on State of New Mexico Leases Nos. B-2516 and B-8572.

It is understood that this exception shall apply only to the three wells listed above and the acreage described and assigned thereto.

Very truly yours,

W. B. MACEY,
Secretary-Director

WBM: CMR/ir

cc: Oil Conservation Commission - Hobbs, New Mexico
State Land Office - Santa Fe
Texas-New Mexico Pipeline Company
Box 2332 - Houston, Texas

LEONARD NICHOLS
OIL PRODUCER
901 MERCANTILE SECURITIES BUILDING
Dallas 1, Texas

August 1, 1955

Oil Comservation Commission
Box 871
Santa Fe, New Mexico

Attention: Mr. C. M. Rieder, District Engineer

Gentlemen:

I submit my request in triplicate to commingle production into common storage from the two leases as follows:

Lease No. B-2516 - one well known as State A-1, located in the NW$\frac{1}{4}$ NE$\frac{1}{4}$ and one well known as State A-2, located in the NE$\frac{1}{4}$ NW$\frac{1}{4}$;

Lease No. B-8572 - one well known as State A-4, located in the NE$\frac{1}{4}$ NE$\frac{1}{4}$;

Both leases are located in Sec. 7, T 17S, R 33E, Roberts Pool, Lea County, New Mexico.

Plat showing acreage involved, exact location of all three wells, and the ownership of the direct offsetting leases is enclosed.

Since I purchased these leases, I have gone to considerable expense working them over in order to increase the production. Therefore, my reason for seeking this permission is to eliminate as much expense as I can. Both are state owned leases with no overrides or oil payments payable out of either.

Direct offsetting owners of oil and gas leases are Phillips Petroleum Company, Bartlesville, Oklahoma and Shell Oil Company, Houston, Texas, and letters from both of these companies, expressing their approval of our request, are enclosed.

If the above does not answer your requirements sufficiently, please advise.

Yours very truly,

Leonard Nichols

Leonard Nichols

ln/esg
encls: 3-3

Insert

Color Page/Photo

Here

SHELL OIL COMPANY
MIDLAND AREA

MAILING ADDRESS
P. O. BOX 1509
MIDLAND, TEXAS

GENERAL OFFICES
PETROLEUM BUILDING
MIDLAND, TEXAS

July 26, 1955

Subject: Lea County, New Mexico
Roberts Field
NM-914 - A - State

Mr. Leonard Nichols
901 Mercantile Securities Building
Dallas 1, Texas

Dear Mr. Nichols:

With further reference to your letter of July 7 and ours of July 15, we wish to inform you that we have no objection to your commingling the oil produced from the two wells located in NW/4 NE/4 and NE/4 NW/4 Section 7, and the one well located in NE/4 NE/4 of Section 7, all in Township 17 South, Range 33 East.

Yours very truly,

R. D. Monkress

R. D. Monkress
Land Agent

RDM/rm

JUL 27 1955

# PHILLIPS PETROLEUM COMPANY

**BARTLESVILLE, OKLAHOMA**

PRODUCTION DEPARTMENT
L. E. FITZJARRALD
MANAGER

July 13, 1955

J. M. HOUCHIN
GENERAL SUPERINTENDENT
J. TARNER
TECHNICAL ADVISER TO MGR.
H. S. KELLY
CHIEF ENGINEER

In re: Application Leonard Nichols to Use Common Storage, Roberts Pool, Lea County, New Mexico

Mr. Leonard Nichols
901 Mercantile Securities Building
Dallas 1, Texas

Dear Sir:

This will acknowledge receipt of your letter of July 7, 1955 addressed to our Land and Geological Department pertaining to your request to use common storage facilities for your two leases in Section 7, Township 17 South, Range 33 East, Lea County, New Mexico.

As an offset operator to these properties, we wish to advise that we have no objection to the use of common storage facilities to serve the three wells mentioned in your letter.

Yours very truly,

L. E. Fitzjarrald

LEF:JRB:LLT

June 22, 1955

COPY

Mr. Leonard Nichols
901 Mercantile Securities Bldg.
Dallas 1, Texas

Dear Mr. Nichols:

Reference is made to your letter of June 14, 1955, requesting permission to commingle oil produced from two separate state leases, lease No. B-2516 and lease No. B-8572, into a common tank battery. It will be necessary for you to furnish more complete information on your application to enable this office to investigate your application.

In my last letter to you I neglected to outline the various information and requirements which we deem necessary in all applications for administrative approval. I enclose a memorandum which will, in general, give to you the basic requirments for the filing of applications for administrative approval. Although this memorandum does not specifically apply to the exception which you seek, I have marked those paragraphs which I feel apply.

I would further like to call your attention to paragraphs four and six of the excerpt of Rule 309, as amended, which requires that all owners of adjoining oil and gas leases be notified of your intention and be given an opportunity to object or approve the exception you seek. I regret the delay that this additional information will necessitate. However, it is of considerable aid to this office and your cooperation in this matter will be greatly appreciated.

Very truly yours,

C. M. Rieder
District Engineer

CMR:jh
encl.

LEONARD NICHOLS
OIL PRODUCER
901 MERCANTILE SECURITIES BUILDING
Dallas 1, Texas

June 14, 1955

RE: CASE NO. 879
APRIL 20, 1955

New Mexico Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Attention: Mr. C. M. Rieder, District Engineer

Gentlemen:

In answer to your letter of June 8, 1955, I am re-submitting in triplicate my request to commingle production from separate state leases into common storage. Original request was made in my letter to you on March 18, 1955, and temporary exception to Rule No. 309 was granted me in your letter of April 5, 1955.

Therefore, I request again that you grant me permission to produce oil from two wells, Lease No. B-2516, and one well, Lease No. B-8572, all located in the Roberts Pool, Lea County, New Mexico, into common storage.

Both leases are state-owned leases with no over-rides or oil payments payable out of either. I own the full 7/8ths working interest in both leases. There will be only three wells producing into common storage, all producing from a common source of supply, and adequate facilities will be provided for determining production from each well at reasonable intervals. There are no direct off-setting wells to any of these wells.

If you need additional information, please advise.

Yours very truly,

Leonard Nichols

Leonard Nichols

ln/esg
CC: State Land Office
Santa Fe, New Mexico

June 8, 1955

Leonard Nichols, Oil Producer
901 Mercantile Securities Building
Dallas 1, Texas

Dear Sir:

Reference is made to your letter of May 18, 1955, in which you requested permission to commingle oil produced from two separate state leases into a common battery

As we advised you in our letter of April 5, 1955, at that time we were unable to grant administrative approval to such an exception. However on April 20, 1955, Case No. 879 was heard by this Commission and an order has been entered which will make it possible to approve the exception you have requested.

It will be necessary for you to re-submit your request to commingle production from the separate state leases. I enclose an excerpt from the rule outlining the procedure for you to follow, and the information necessary in your application for you to receive administrative approval.

Very truly yours,

C. M. Rieder
District Engineer

CMR:jh
encl.

Excerpt from Rule:

(b) The Secretary-Director of the Commission shall have authority to grant an exception to Rule 309 (a) and to permit the production of oil from separate state oil and gas leases, all of the acreage therein being contiguous, into a common tank battery without notice and hearing where application has been filed in due form, and

1. The separate state leases are dedicated to a common beneficiary.

2. The wells are producing from a common source of supply.

3. No more than eight units will produce into a common tank battery, and adequate facilities will be provided for accurately determining production from each well at reasonable intervals.

4. All owners of adjoining oil and gas leases have consented in writing to the proposed commingling of oil from separate leases.

5. Applicant shall have furnished a letter from the State Land Commissioner approving the commingline of oil from the two separate state leases.

6. In lieu of paragraph 4 of this rule, the applicant may furnish proof of the fact that said offset operators were notified by registered mail of his intent to so commingle production from separate leases. The Secretary-Director of the Commission may approve the application if, after a period of 30 days following the mailing of said notice, no operator has made objection to the commingling of production from separate leases.

[illegible] The Secretary-Director of the Commission shall be authorized to grant an exception to Rule 40.1 and to permit the production of oil from separate state oil and gas leases, all of the acreage thereto being contiguous, upon a showing that waste will not occur and correlative rights will not be violated by the issuance of the exception, and

1. The separate state leases are dedicated to a common beneficiary,

2. The wells are producing from a common source of supply,

3. Production from the wells will produce into a common tank battery and adequate facilities will be provided for accurately determining production from each well for reasonable intervals,

4. All owners of adjoining oil and gas leases have consented in writing to the proposed commingling of production from the leases,

5. Applicant shall have furnished a letter from the State Land Commissioner approving the commingling of oil from the two separate state leases.

6. In lieu of paragraph 4 of the rule, the applicant may furnish proof of the fact that said tract operators were notified by registered or certified letter of the commingling production from separate leases. The Secretary-Director of the Commission may approve the application if, after a period of 30 days following the mailing of such notice, no operator has made objection to the commingling production from separate leases.

OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

COPY

April 5, 1955

LEONARD NICHOLS, Oil Producer
901 Mercantile Securities Building
DALLAS 1 - TEXAS

Dear Sir:

We refer to recent correspondence relating to your commingling oil produced from two separate state leases (Leases B-2516 and B-8572) into common storage.

As you were advised, such procedure is in violation of Commission regulations and is permissible only when exception has been granted after notice and hearing. However, you apparently inherited this situation when you took over the properties from the previous operator, and in going over the situation, we have decided to grant temporary exception in your case.

As the copy of the attached docket will indicate, the Commission has initiated a case upon its own motion which, when resolved, will permit administrative approval of such exceptions. I believe we will hold your request and issue an approval under terms of the order which will be issued within the next few weeks. In the meantime, this letter will constitute approval of the commingling until such time as Case 879 is given final action.

Very truly yours,

W. B. Macey
Secretary - Director

WBM:nr

cc: Oil Conservation Commission
Box 2045, Hobbs

State Land Office
Attention: Linnie Crook

OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

LEONARD NICHOLS
OIL PRODUCER
901 MERCANTILE SECURITIES BUILDING
Dallas 1, Texas

March 18, 1955

State Land Office
Santa Fe, New Mexico

New Mexico Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Gentlemen:

Please accept this letter as my application to obtain permission to produce oil from two wells, Lease No. B-2516, and one well, Lease No. B-8572, all located in the Roberts Pool, Lea County, New Mexico, into common storage.

Both leases are state owned leases with no overrides or oil payments payable out of either. I own the full 7/8ths working interest in both leases. Therefore, if agreeable with the State and Oil Conservation Commission, I would like permission to produce this oil as requested above.

At the time I purchased these three wells, they were making approximately 15 to 18 barrels all together per day, but I have gone to considerable expense working them over and now all three wells are making approximately 35 to 38 barrels per day.

I hope this meets with your approval.

Yours very truly,

Leonard Nichols

ln/esg

OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

March 15, 1955

COPY

LEONARD NICHOLS
901 Mercantile Securities Building
DALLAS 1 - TEXAS

Attention: Eleanor S. Grisham

Dear Sir:

The State Land Office has made available to us copies of your recent correspondence relative to your commingling oil produced from two separate state leases (B-8572 and B-2516) into a common tank battery. It is our understanding from the facts presented that you recently acquired these properties from C. T. McLaughlin, and that the oil was being run into common storage at the time of your acquisition of the wells.

If so, it was being done in violation of Commission regulations. You should make application as soon as possible for hearing in this matter. If your application is received within the next ten days, it can be set for regular hearing on April 20. This commingling is considered an exception to Rule 309 of the Rules and Regulations, which states:

> Oil shall not be transported from a lease until it has been received and measured in tanks located on the lease. At the option of the operator, common tankage may be used to receive the production from as many as 8 units of the same basic lease, provided adequate tankage and other equipment is installed so that the production from each well can be accurately determined at reasonable intervals.

Please submit your application in triplicate. We will appreciate hearing from you soon in order that proper legal notice may be issued.

Very truly yours,

WBM:nr

W. B. Macey, Secretary-Director

cc: OCC, Hobbs

Linnie Crook
State Land Office

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO