

CASE 2622: Application of CACTUS
DRLG. CO. for 120-acre non-stand-
ard gas unit.

207-15
Sept. 27, 1953

2622

Section, Transcript,
// Exhibits, Etc.

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER



STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

P. O. BOX 871
SANTA FE

October 19, 1962

Mr. Richard Morris
Seth, Montgomery, Federici &
Andrews
Attorneys at Law
Box 828
Santa Fe, New Mexico

Re: Case No. 2622
Order No. R-2333
Applicant:
Cactus Drilling Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC

Aztec OCC

OTHER

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 2622
Order No. R-2333

APPLICATION OF CACTUS DRILLING COMPANY
FOR A NON-STANDARD GAS PRORATION UNIT,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on September 27, 1962, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 18th day of October, 1962, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Cactus Drilling Company, seeks the establishment of a 120-acre non-standard gas proration unit in the Arkansas Junction-Queen Gas Pool, comprising the E/2 NE/4 and NW/4 NE/4 of Section 11, Township 18 South, Range 36 East, NMPM, Lea County, New Mexico.

(3) That the applicant proposes to dedicate said 120-acre non-standard gas proration unit to its Catron State "B" Well No. 1 located 660 feet from the North line and 660 feet from the East line of said Section 11.

(4) That the proposed 120-acre non-standard gas proration unit can reasonably be presumed to be productive of gas from the Arkansas Junction-Queen Gas Pool.

(5) That establishment of the above-described non-standard gas proration unit will neither cause waste nor impair correlative rights.

-2-

CASE No. 2622
Order No. R-2333

IT IS THEREFORE ORDERED:

(1) That a 120-acre non-standard gas proration unit in the Arkansas Junction-Queen Gas Pool is hereby established, comprising the E/2 NE/4 and NW/4 NE/4 of Section 11, Township 13 South, Range 36 East, NMPM, Lea County, New Mexico. Said unit shall be dedicated to the Catron State "B" Well No. 1, located 660 feet from the North line and 660 feet from the East line of said Section 11.

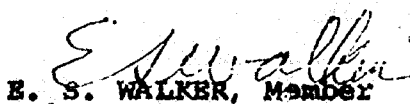
(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

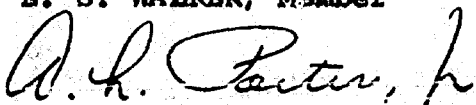
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



EDWIN L. MECHEM, Chairman



E. S. WALKER, Member



A. L. PORTER, Jr., Member & Secretary



esr/

2240
2147
2122
2110

Case 2622

Heard ~~9-27-62~~

Rec. 10-8-62

Grant Cactus a N & P for their
Cation H. "B" No 1 660/ N & E lines sec.
11-185-36 E. Acreage to consist,
N/2 NE/4, SW/4 NE/4 of said sec 11.
2-Cont refused to join the unit
on a W.P. Basis. or on 1/5 O.R.
Basis. Not Contented.

John A. [Signature]

- CASE 2645: Application of Pioneer Production Corporation for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force pooling all mineral interests in the Basin Dakota Gas Pool to form a 320-acre gas proration unit comprising the S/2 of Section 2, Township 29 North, Range 13 West, San Juan County, New Mexico.
- CASE 2646: Application of Texaco Inc., for permission to dispose of salt water, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to dispose of salt water into the Devonian formation through the Shell State of New Mexico "A" Well No. 3, located 990 feet from the South line and 660 feet from the West line of Section 2, Township 11 South, Range 37 East, Echols (Devonian) Pool, Lea County, New Mexico.
- CASE 2647: Application of Carper Drilling Company for a tubingless completion, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to complete its Baetz Well No. 1, located in the SE/4 SW/4 of Section 35, Township 14 South, Range 27 East, Chaves County, New Mexico, as a tubingless gas well completion producing through perforations from 8182-8270' in 2 7/8 inch casing.
- CASE 2648: Application of El Paso Natural Gas Company for an unorthodox oil well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location for its Canyon Largo Unit Well No. 118 at a point 1090 feet from the South line and 800 feet from the East line of Section 8, Township 24 North, Range 6 West, Devils Fork Gallup Pool, Rio Arriba County, New Mexico.
- CASE 2649: Application of Tidewater Oil Company for two triple completions, (conventional), Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to add the Blinebry zone to its A. B. Coates "C" Wells Nos. 11 and 12, located in Unit F and Unit K respectively of Section 24, Township 25 South, Range 37 East, Justis Field, Lea County, New Mexico. Both of said wells are presently Tubb-Drinkard and Fusselman dual completions.
- CASE 2650: Application of Tidewater Oil Company for a triple completion, (conventional), Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to add the Blinebry zone to its A. B. Coates "C" Well No. 14, located in Unit G of Section 24, Township 25 South, Range 37 East, Justis Field, Lea County, New Mexico. Said well is presently a Tubb-Drinkard and Montoya dual completion.

DOCKET; EXAMINER HEARING - THURSDAY - SEPTEMBER 27, 1962

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Elvis A. Utz, Examiner, or Daniel S. Nutter, as Alternate Examiner:

CASE 2622: (Continued)

Application of Cactus Drilling Company for a non-standard gas unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a 120-acre non-standard gas unit comprising the E/2 NE/4 and NW/4 NE/4 of Section 11, Township 18 South, Range 36 East, Arkansas Junction-Queen Gas Pool, Lea County, New Mexico.

CASE 2642:

Application of Phillips Petroleum Company for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the West Cap Queen Sand Unit Agreement embracing 1,680 acres, more or less, of State, Federal and fee lands in Township 14 South, Range 31 East, Caprock Queen Pool, Chaves County, New Mexico.

CASE 2643:

Application of Phillips Petroleum Company for a waterflood project, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of a waterflood project on its proposed West Cap Queen Sand Unit Area, Caprock Queen Pool, Chaves County, New Mexico, by the injection of water into the Queen formation through 17 wells located in Sections 8, 17, 20, and 21, Township 14 South, Range 31 East. Applicant proposes to operate the waterflood project under the provisions of Rule 701.

CASE 2644:

Application of Pan American Petroleum Corporation for a dual completion (oil production and salt water disposal), San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of the dual completion (conventional) of its U. S. G. Section 19 Well No. 13, located 2050 feet from the North line and 1810 feet from the East line of Section 19, Township 29 North, Range 16 West, Hogback Pennsylvanian Pool, San Juan County, New Mexico, in such a manner as to dispose of salt water into a former gas producing zone (6514-6524') and to produce oil from a lower zone (6620-6632') through the casing-tubing annulus and through tubing, respectively.

CASE 2651: Application of Tidewater Oil Company for a triple completion (conventional), Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to add the Blinebry zone to its A. B. Coates "C" Well No. 16, located in Unit O, of Section 24, Township 25 South, Range 37 East, Justis Field, Lea County, New Mexico. Said well is presently a Tubb-Drinkard and McKee dual completion.

CASE 2652 Application of Tidewater Oil Company for a triple completion (conventional), Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to add the Blinebry zone to its A. B. Coates "C" Well No. 20, located in Unit A, of Section 24, Township 25 South, Range 37 East, Justis Field, Lea County, New Mexico. Said well is presently a McKee and Ellenburger dual completion.

CASE 2653: Application of Tidewater Oil Company for a triple completion (conventional), Lea County, New Mexico. Applicant, in the the above-styled cause, seeks authority to add the Blinebry zone to its A. B. Coates "C" Well No. 21, located in Unit J of Section 24, Township 25 South, Range 37 East, Justis Field, Lea County, New Mexico. Said well is presently a Montoya-McKee dual completion.

iqg/

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

Case 2622

C
O
P
Y

September 11, 1962

Cactus Drilling Company
P. O. Drawer 71
San Angelo, Texas

Attention: Mr. L. E. Nilsson

Re: Request for non-standard gas proration
unit, Catron State "B" Well No. 1, W-H
E/2 NE/4 and NW/4 NE/4, Section 11,
Township 18 South, Range 36 East, Lea
County, New Mexico

Gentlemen:

Thank you for your letter of September 8, 1962. Please be advised that you will need to retain an attorney licensed to practice law in the State of New Mexico to present your case before the Commission on September 27, 1962. Mr. Sharp may appear as a witness on your behalf and you may retain an out-of-state attorney to present your case but he must be associated with an attorney licensed to practice law in New Mexico before he can appear before the Commission.

In general, your witness should be familiar with the subject application and should be prepared to establish that granting the same will not cause waste or impair correlative rights. Your attorney will be able to give you more detailed information concerning the evidence that should be presented to the Commission.

Please inform me if you need any additional information.

Very truly yours,

JAMES M. DURRETT, Jr.,
Attorney

Doyle
9/12/62
JMD/esr

TELEPHONE
653.4868

POST OFFICE
DRAWER 71

CACTUS DRILLING COMPANY

FIRST SAVINGS BUILDING
SAN ANGELO, TEXAS

September 8, 1962

State of New Mexico
Oil Conservation Commission
P.O. Box 871
Santa Fe, New Mexico

Attention: James M. Durrett, Jr.

Re: Request for non-standard gas proration
unit, Catron State "B" Well No. 1, W-H
E/2 NE/4 and NW/4 NE/4, Section 11, Twp. 18S
Range 36 E, Lea County, New Mexico

Gentlemen:

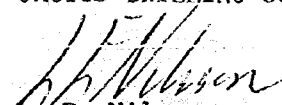
We have your letter of August 30, 1962 on the above captioned and first
thank you for your consideration and secondly we apologize for our contri-
bution to the mix up involved.

We are not familiar with procedure in such cases and kindly ask that you
advise if it will be permissible for our geologist, Mr. James L. Sharp of
Hobbs, New Mexico, to appear September 27, 1962 or if we will need legal
representation before the commission.

Also if any other information is needed by our representative, kindly
advise and we will appear fully prepared.

Yours very truly,

CACTUS DRILLING COMPANY


L. E. Nilsson

LEN/gr
CC to J. L. Sharp
110 W. Mesa
Hobbs, New Mexico

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

Page 2622

C
O
P
Y

August 30, 1962

Cactus Drilling Company
First Savings Building
Post Office Drawer 71
San Angelo, Texas

Attention: Mr. L. E. Nilsson

Re: Request for non-standard gas proration
unit, Catron State "B" Well No. 1, W-H
E/2 NE/4 and NW/4 NE/4, Section 11,
Township 18 South, Range 36 East, Lea
County, New Mexico

Gentlemen:

In accordance with our letter of August 7, 1962, your application for a 120-acre non-standard gas proration unit to be dedicated to the above well was set for hearing and came on before the Commission at the Examiner Hearing held August 29, 1962, in the Oil Conservation Commission Conference Room, State Land Office Building, Santa Fe, New Mexico. As no one appeared on your behalf, I moved the Commission to continue the case and the motion was granted. The case was continued to the Examiner Hearing to be held September 27, 1962, in the Oil Conservation Commission Conference Room, State Land Office Building, Santa Fe, New Mexico. You will once again receive a copy of the Docket prior to the hearing.

When your case was called during the August 29 Hearing, I did not move to dismiss the case for lack of prosecution as I felt there might have been some misunderstanding of our letter of August 7, 1962, advising you that the application could only be granted after notice and hearing and that the case

*Docket
mailed
9/12/62*

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

-2-

August 30, 1962

Cactus Drilling Company

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would be docketed for the August 29, 1962, Hearing. However, I must advise you that I will be forced to move the Commission to dismiss the case for lack of prosecution if someone does not appear for you on September 27, 1962.

Also, please be advised that the Commission will be forced to shut the subject well in if appropriate action is not taken before September 27, 1962, and the case is dismissed for lack of prosecution as no unit will have been approved for production. May we suggest the following three alternatives that we see at this time:

- (1) Proceed with the application for a 120-acre non-standard proration unit.
- (2) Form a voluntary 160-acre standard proration unit.
- (3) File an application to force-pool all non-consenting interests and establish a standard 160-acre proration unit.

We will be happy to discuss this matter further with you or furnish you any additional information you may desire.

Very truly yours,

JAMES M. DURRETT, Jr.,
Attorney

JND/esr

cc: Mrs. Marian M. Rhea
Supervisor, Unit Division
State Land Office
Santa Fe, New Mexico

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

*Set for
Hearing
Aug 29*

Case 2622

August 7, 1962

Cactus Drilling Company
P. O. Drawer 71
San Angelo, Texas

Attention: Mr. L. R. Nilsson

Gentlemen:

Reference is made to your letter of August 3, 1962, wherein you have requested that the Commission approve a 120-acre non-standard unit in the Arkansas Junction-Queen Gas Pool for your Catron State "B" Well No. 1, located in the NE/4 NE/4 of Section 11, Township 18 South, Range 36 East, Lea County, New Mexico. It is our understanding that you seek to dedicate the E/2 of the NE/4 and the NW/4 NE/4 of said Section 11 to the aforesaid well.

The Oil Conservation Commission Rules and Regulations do not permit the assignment of a non-standard unit non-prorated well except after notice and hearing, unless special pool rules for the pool make provision for same. Your application will, therefore, be set for hearing on our August 29, 1962, Docket. You will receive a copy of the Docket for this hearing as soon as it has been published.

Very truly yours,

DANIEL S. MUTTER
Chief Engineer

DSM/esr

*Noted
8/17/62*

C
O
P
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CACTUS DRILLING COMPANY

FIRST SAVINGS BUILDING
SAN ANGELO, TEXAS

August 3, 1962

20

Case 2622

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Attention: Mr. A. L. Porter, Jr.

Re: Request for Non-standard Gas Proration Unit
Catron State "B" Well No. 1; W-H E/2 NE/4
NW/4 NE/4; Section 11, Twp. 18-S, Rge. 36E
Lea County, New Mexico

Gentlemen:

We hereby request approval for a Non-standard Proration Unit consisting of 120 acres as above captioned.

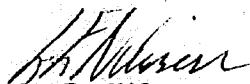
Cactus Drilling Company completed a producing gas well located 660' from the North line and 660' from the East line of Section 11 and located within a proposed proration gas unit consisting of 160 acres to which United States Smelting Mining and Refining Company contributed 40 acres described as the NW/4 of the NE/4 and Mr. John M. Kelly had agreed to contribute the SW/4 of the NE/4 with the 80 acres owned by Cactus Drilling Company described as the E/2 of the NE/4.

Mr. John M. Kelly, upon his appointment to a federal office, disposed of his oil holdings and Continental Oil Company acquired that portion of the above unit which had been committed by Mr. Kelly.

Subsequent correspondence from February 16, 1961 through December 2, 1961 was unsuccessful in securing Continental Oil Company approval to participate in the unit and we received no answer to our letter of December 2, 1961 wherein we advised Continental if they could not agree to carrying out the verbal agreement Mr. Kelly had made, then we would apply for a 120 acre allocation to this well. In view of the stand taken by Continental and supported by copies of correspondence attached, Cactus Drilling Company respectfully requests the Commission's favorable consideration of our application for a 120 acre unit applicable to our Catron State "B" Well No. 1.

Yours very truly,

CACTUS DRILLING COMPANY


L. E. Nilsson

LEN/gr
Encls.

13.3.

Case 2622

December 2, 1961

Continental Oil Company
825 Petroleum Building
Roswell, New Mexico

Attention: Mr. W. A. Mead

RE: Proposed 160-Acre proration
Unit, Catron State "B" No. 1
Arkansas Junction Queen Gas
Pool, Lea County, New Mexico

Gentlemen:

Answering your letter of November 28th in connection with the above captioned with particular reference to our letter of November 3rd in which we failed to acknowledge receipt of your letter of October 24th. Catron Drilling Company does not approve the proposal as submitted in your letter. Since that would mean that we would wind up with a 1/16 of 1/4 interest out of which we would have to pay all operating expenses and/or remedial expenses that may be incurred during the life of the producing well.

We are attaching copy of our letter to Mr. John Kelly wherein it is set out he had verbally agreed to assign the acreage in question and retain a 1/8th over ride. On the basis of this verbal agreement, we submitted a C-126, New Mexico form assigning 160 acres to the gas proration unit. Subsequent to this letter, Conoco took over the Kelly acreage when he was appointed to his present federal office and we had assumed this tentative verbal agreement would be carried through by Conoco.

If Conoco can not see its way clear to assigning the acreage and retaining a 1/8th over ride, or joining in the unit and paying their proportionate share of the cost of the drilling of this well, kindly advise and we will file an amended New Mexico form C-126 for the 120 acre allocation to this well with corresponding reduction in gas production. The well will be shut in to compensate for any over production that has been erroneously allocated to your 40 acre tract.

Yours very truly,

CACTUS DRILLING COMPANY

L. E. Nilsson

LEN/mh

CONTINENTAL OIL COMPANY

625 PETROLEUM BUILDING
ROSWELL, NEW MEXICO
November 28, 1961

WM. A. HEAD
DIVISION SUPERVISOR
OF PRODUCTION
NEW MEXICO DIVISION

*2 Nov
2622*

Mr. L. E. Nilsson
Cactus Drilling Company
212 East Beaveregard
San Angelo, Texas

Dear Sir:

Re: PROPOSED 160-ACRE PRORATION
UNIT, CATRON STATE "B" NO. 1,
ARKANSAS JUNCTION QUEEN GAS
POOL, LEA COUNTY, NEW MEXICO

This refers to previous correspondence ending with your letter of November 3, 1961. This office has no record of any contract -verbal or written- in regard to the assignment of the SW/4 NE/4, Section 11, T18S, R36E to a gas unit involving the NE/4 of Section 11. Your letter of November 3, 1961, does not recognize a receipt of my letter of October 24, 1961, and, therefore, it is not clear whether you have refused our proposal as set out in my letter dated October 24, 1961. No further action is proposed in regard to this matter pending receipt of your comment to our proposal.

It has been noted that your company has signed NMOC Form C-172 in regard to assignment of the NE/4 of Section 11, T18S, R36E as a proration unit stipulating that the acreage is communitized. This form was signed by your Mr. George Baker by J.S.S. Please inform this office as to your plans for accounting for the gas produced from the Catron State B No. 1 well.

Yours very truly,

JAQ-sm

November 3, 1961

Copy 2622

Continental Oil Company
P. O. Box 1377
Roswell, New Mexico

Attention: Mr. William A. Reed

Re: Proposed 140 acre association
unit, Catron State "B" No. 1,
Artemas Junction Queen Gas
Pool, Lea County, New Mexico

Gentlemen:

In discussing the above proposed unit with Mr. Lato upon his return, I have learned there was a definite understanding with Mr. Kelly that he would either join the unit, or would retain a 1/8 override and assign the acreage in question. Since this was the original agreement we feel that Continental should carry out this transaction on that basis.

For your information total cost of this well was \$59,840.97, which would mean that the cost to Continental for drilling would be 1/4 of this or \$14,960.24.

We will appreciate your advising Continental's decision as to whether they will join us or assign and retain their override.

Yours truly,

CACUS DRILLING COMPANY

L. E. Nilsson

LEN:lp
cc: Mr. George Baker

CONTINENTAL OIL COMPANY

P. O. BOX 1877
ROSWELL, NEW MEXICO

October 24, 1961

WM. A. MEAD
DIVISION SUPERINTENDENT
OF PRODUCTION
NEW MEXICO DIVISION

328 PETROLEUM BUILDING
TELEPHONE MAIN 2-4202

Cactus Drilling Company
219 East Beauregard
San Angelo, Texas

Attn: Mr. L. E. Nilsson

Gentlemen:

Re: Proposed 160 acre proration
unit, Catron State "B" No. 1,
Arkansas Junction Queen Gas
Pool, Lea County, New Mexico

Your letter of July 8, 1961, proposed the formation of a 160 acre gas proration unit in the NE/4 Section 11, T-18° R-36E, including our 40 acre tract in the SW/4 NE/4, to be dedicated to your Catron State "B" well No. 1.

We are agreeable to the formation of a 160 acre gas unit, in which we will own a 1/4 working interest, with the following stipulations:

1. That Continental Oil Company will assign to Cactus Drilling Company 7/8 of its 1/4 share of the total quantity of natural gas and liquids produced until Cactus has recouped a total of \$11,300, or 1/4 of the cost of the well.
2. That after 1/4 of the cost of the well has been recouped, then during the remainder of the life of the agreement, Cactus will retain 1/16 of Continental's 1/4 share of the production in lieu of all future operating and remedial costs allocable to Continental.
3. That Cactus Drilling Company shall equip and maintain the well for the production and delivery of gas at its sole cost and expense.

PIONEERING IN PETROLEUM PROGRESS SINCE 1875

4. That Cactus Drilling Company will retain title to the well, and upon depletion of the well the agreement will terminate, and Cactus will bear all disposal costs incurred and retain all salvage values received.

If you agree to these points, please prepare the necessary agreements and submit them to us for examination and approval.

Yours very truly,

CRA-LD

October 24, 1941

Continental Oil Company
605 Petroleum Building
Ottawa, New Mexico

Attention: Mr. William H. Hays

Re: Order of Sale No. 1

Artesian Reservoir No. 1

Gentlemen:

Continental Drilling Company completed a gas well on our Order of Sale No. 1 lease covering the E/4 of the NE/4 Section 11, Township 10-N, Range 26-E, Lea County, New Mexico, the well being located in the center of the NE/4 of the NE/4.

U. S. Shelling Mining and Refining Company has assigned to itself described as the NE/4 of the NE/4 to this gas well production unit leaving a 1/8 overriding royalty interest.

Prior to Continental taking over the John H. Kelly common, Mr. Kelly had discussed contributing the NE/4 of the NE/4 to this unit reserving a 1/8 overriding royalty interest. However, we have received no answer from our correspondence to Mr. Kelly bearing in mind of such fact it was to be located in the NE/4. We would therefore appreciate your advising if Continental could consider assigning this 40 acres to the production unit mentioned in this unit and reserving a 1/8 overriding, or if they want complete jointing and paying a proportionate cost of drilling a well for a 1/8 overriding interest.

We will appreciate hearing from you so that we may plan accordingly as far as unitization is concerned.

Very truly,

James H. Hays

L. E. Wilson

LHW:lp
cc: Mr. George Baker

July 8, 1961

Continental Oil Company
825 Petroleum Building
Boswell, New Mexico

Re: Catron State "B" Lease
Well No. 1
C/MR No. 11-10-60
Lee County, New Mexico
Arkansas Junction
Boswell Gas Pool

Gentlemen:

We are writing with reference to forming a 160 acre gas production unit dedicated to the above captioned well. Our coverage covers the E/2 of the NE/4 and E. S. Smelting, Mining and Refining Company have assigned the NE/4 of the NE/4 to this unit retaining an override.

Prior to your taking over the John H. Kelly coverage, we had discussed with Mr. Kelly either joining with us or assigning the SW of the NE/4 to complete the unit. We have heard nothing further in this connection and we would appreciate hearing your recommendation in this matter.

Total cost of the well was approximately \$41,000.00 and should you decide to join and pay your proportionate share we will submit itemized invoice.

The well has been placed on production and Marathon Petroleum Company is taking gas.

Yours truly,

CACUS DRILLING COMPANY

L. E. Nilsson

LEN:lp

February 16, 1961

Mr. John H. Kelly
P. O. Box 908
Newark, New Jersey

Dear Mr. Kelly:

We are in the process of planning our Cotton State No. 1 Gas Well on production, and of course before we can do so, we must complete the arrangements whereby 160 acres will be dedicated to this well. United States Drilling Company is furnishing us with assignment of 40 acres being the NW 1/4 of the NW 1/4 of section 11, and to complete the one-fourth (1/4) section we will need assignment of the SW 1/4 of the NW 1/4 from your acreage, which, according to George Baker you have agreed to assign and within a one-half (1/2) acre side.

We would appreciate your furnishing this assignment at your earliest convenience so that we may proceed with securing approval with the State Land Office and the Oil Conservation Commission dedicating this acreage to the gas well assigned to our Cotton State No. 1.

Sincerely,
United States Drilling Company

L. E. Wilson

LEN:lp
cc: Mr. George Baker

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
August 29, 1962

EXAMINER HEARING

IN THE MATTER OF:

Application of Cactus Drilling Company for a
non-standard gas unit, Lea County, New Mexico.
Applicant, in the above-styled cause, seeks
the establishment of a 120-acre non-standard
gas unit comprising the E/2 NE/4 and NW/4 of
Section 11, Township 18 South, Range 38 East,
Arkansas Junction-Queen Gas Pool, Lea County,
New Mexico.

CASE 2622

BEFORE: Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: Call Case 2622. Is there anyone present
from Cactus Drilling Company?

MR. DURRETT: Mr. Examiner, at this time, since there
doesn't seem to be anyone present from Cactus Drilling Company,
we'll move to have this case continued until the next Examiner
Hearing.

MR. NUTTER: This case will be continued to the next
Examiner Hearing, which is going to be at this same place on
September 27, 1962.

(Whereupon, the hearing was adjourned.)

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STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached transcript of proceedings was reported by me in stenotype and that the same was reduced to typewritten transcript under my personal supervision and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal this 9th day of October 9, 1962, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Ada Dearnley
 NOTARY PUBLIC

My Commission Expires:

June 19, 1963.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2622 heard by me on Aug 25, 1962.
[Signature], Examiner
 New Mexico Oil Conservation Commission

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BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

September 27, 1962

EXAMINER HEARING

IN THE MATTER OF:

(Continued) Application of Cactus
Drilling Company for a non-standard
gas unit, Lea County, New Mexico.

Case No. 2622

Applicant, in the above-styled cause,
seeks the establishment of a 120-acre
non-standard gas unit comprising the
E/2 NE/4 and NW/4 NE/4 of Section 11,
Township 18 South, Range 36 East,
Arkansas Junction-Queen Gas Pool, Lea
County, New Mexico.

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

EXAMINER UTZ: Case 2622.

MR. DURRETT: Application of Cactus Drilling Company
for a non-standard gas unit, Lea County, New Mexico.

MR. MORRIS: Richard Morris of Seth, Montgomery, Federico
and Andrews, Santa Fe, New Mexico, on behalf of Cactus Drilling
Company. We would offer one witness, Mr. Jim Sharp, whom we
would like to have sworn, please.

EXAMINER UTZ: Are there other appearances in this case?

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You may swear the witness.

(Witness sworn.)

JIM SHARP,

called as a witness, having been first duly sworn on oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Sharp, will you state your name and position for the record, please?

A I am Jim L. Sharp. I am a geologist with the Cactus Drilling Company in Hobbs, New Mexico.

Q Have you ever testified before the New Mexico Oil Conservation Commission or one of its examiners?

A No, sir, I haven't.

Q Mr. Sharp, would you briefly outline your education and experience in the oil business for the Commission, for the Examiner?

A I graduated from Texas Tech in 1955 with a petroleum geology degree and after graduating, went to work for Pan American Petroleum Company in Roswell and was associated with them for five years in Roswell and Lubbock, Texas. I left them in 1960 to go to work for the Cactus Drilling Company as a geologist.

Q Did you do general geological work with Pan American?

A Yes, sir.

Q Mr. Sharp, are you familiar with the application of

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the Cactus Drilling Company in Case 2622?

A Yes, sir, I am.

MR. MORRIS: Mr. Examiner, may Mr. Sharp testify as an expert witness in this case?

EXAMINER UTZ: Yes, sir, he may.

(Whereupon Applicant's Exhibit No. 1 marked for identification.)

Q (by Mr. Morris) Referring first, Mr. Sharp, to what has been marked as Applicant's Exhibit No. 1 in this case, would you state to the Examiner what that exhibit shows?

A That is a land replat map showing Township 18 South, Range 36 East in Lea County, New Mexico, outlining the known limits of the Arkansas Junction-Queen Gas Pool in green. Of course, this is, as I say, the known limits and further drilling could show a larger field. There is a well now producing in the field. The 160 acres in question is colored in yellow with the Catherine State No. 1-B Well pointed out in it; that is in the Northeast of the Northeast of Section 11 in this 160 acres.

Q Will you identify more specifically the Catherine State Well No. 1-B as to its location?

A It's in the Northeast of the Northeast of Section 11, Township 18 South, Range 36 East, Lea County, New Mexico.

Q This plat also shows the location of other wells in the Arkansas Junction-Queen Gas pool, does it not?

A Right now there are twelve wells, gas wells, producing

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now with two locations having now been staked. I don't believe they have been started yet. One is a Gulf well and one Tide-water. They probably haven't been started yet.

Q Your well, the Catherine State Well No. 1-B, that was the discovery well in this pool?

A Yes, sir, it was. We originally showed the well on the outline. We showed two locations west out of the top of the Queen, at the time, and drilling a little deeper, we ran into the lower well, the gas section; and consequently, we did not have the 160 acres tied up before we drilled the well.

(Whereupon Applicant's
Exhibit No. 2 marked
for identification.)

Q Now, referring to what has been marked as Applicant's Exhibit No. 2 in this case, would you state to the Examiner what that exhibit shows?

A That exhibit shows Section 11 of Township 18, Range 36, especially the Northeast quarter, ownership there being 80 acres drilled by the Cactus Drilling Company. Forty acres are by us committed and the remaining forty by Continental.

Q Now, the eighty acres is in the East half of the quarter?

A The East half of the Northeast.

Q You say Continental controls the Northwest quarter of the Northeast?

A Continental controls the Southwest quarter of the Northeast.



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Q At the time you drilled your discovery well, was the ownership the same as it is shown on this plat at the present time?

A No. When we drilled the discovery well, which was completed in March of 1960, the forty acres now controlled by Continental was owned by John Kelly. For the record, that was all state acreage that was owned by Mr. John Kelly. In the meantime, from the time we drilled the well, John Kelly had taken his federal position and sold his properties in this area to Continental Oil Company.

Q When was the subject well actually drilled and completed?

A It was completed in March of 1960.

Q And when was it put on the line?

A In June of 1961, due to no connection available for over a year before it was put on the line.

Q What arrangements did Cactus Drilling Company make with respect to acquiring acreage other than the eighty it controls within the 160 acres?

A After our completing and so forth, John Kelly acquired from us and submitted a farm-out from them with one-eighth override of that proportion. We offered them this or let them join and pay their quarter share of the well and join in as a quarter working interest.

They elected to farm it out and we wrote them a letter saying: "Gentlemen, we offered Mr. John Kelly the same deal and he asked us to let him look at the well a while before he made the



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decision before he would join or farm-out. In the meantime, he sold out to Continental, which was later offered the same deal.

"Continental was offered the same deal you gave us, that being a chance to farm out the acreage but retaining a one-eighth overriding royalty to pay their proportionate share of the cost of the well and come in as a working interest on it."

Q Did Continental later elect either alternative?

A No, they refused our offer. Also, a letter to them was mailed in October of 1961 in which we stated that if they didn't, we would like to go to the Commission and ask for a non-standard unit cutting them out of the 160 acres.

(Whereupon Applicant's
Exhibit No. 3 marked
for identification.)

Q Referring now to what has been marked as Applicant's Exhibit No. 3, would you state what that exhibit shows?

A This exhibit shows the monthly production of the subject well, the Catherine B-1 well, since it was put on the line on June 26, 1961, through August, 1962.

The production has steadily declined in a little over a year's production and it also, at the bottom, shows the total cost of the well, which is high too, since it was a discovery well, some eight hundred feet deeper than the pay zone, and also shows the gross revenue received as of September 1, 1962.

Q Your total cost of this well was approximately five hundred thousand dollars?



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A Right, \$495,847 and some cents.

Q And deducting royalties and taxes, how much revenue have you had from this well?

A \$14,893.61.

Q Does it look like you are going to get a pay-out on this well, Mr. Sharp?

A With taxes and all, it doesn't even come close to paying out the well.

Q Do you feel that the poor economic picture on this well had something to do with Continental's position in refusing to elect either one of the alternatives offered to them?

A I do, yes, I do.

Q So it will probably pay out?

A It probably will pay out. There are a few poor ones like that one that will never come close, however.

Q Then your position in this Hearing in accordance with your application is that you, the Cactus Drilling Company, seek the establishment of a 120-acre non-standard unit comprised of the East Half, Northeast Quarter and the Northeast Quarter Northeast Quarter of Section 11?

A That is correct.

Q Mr. Sharp, did you prepare Exhibits 1, 2 and 3, or were they prepared under your supervision?

A Yes, sir, I prepared them or they were prepared under my supervision.



MR. MORRIS: If the Examiner please, we offer them in Case 2622 and that completes our presentation.

EXAMINER UTZ: Without objection, they will be entered into the record in this case.

(Whereupon Applicant's Exhibits 1, 2, and 3 admitted in evidence.)

CROSS EXAMINATION

BY EXAMINER UTZ:

Q Mr. Sharp, is the U. S. Smelting's quarter section federal acreage or state?

A It's state, all in the Northeast quarter of Section 11. It's all state acreage.

Q You actually took a farm-out on that so you do have the operating interest?

A That is right. Fletcher Catron et al, that was Mr. Catron's lease we had the farm-out on, the East half of the Northeast quarter, too.

Q You have a twenty-five percent override on this?

A Right, and U. S. Smelting an eighth and the State an eighth.

Q The state an eighth?

A Right, eighth of override from production, which is an eighth or greater of the well.

Q To the forty?

A Yes, sir.

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Q Is the two months' production, July and August, all the well is capable of producing?

A In July the well would not buck line pressure. The reason in August, most of the other wells were shut down.

Q What kind of line pressure do you have?

A I think about two-fifty.

Q Warren is purchasing the gas?

A Yes, sir.

Q For use in the gasoline plant?

A Yes, sir.

EXAMINER UTZ: Are there other questions of the witness?

CROSS EXAMINATION

BY MR. DURRETT:

Q Mr. Sharp, have you considered force pooling Continental in this situation, filing an application for such an action?

A We considered this as an alternative, yes, sir.

Q Could you give us some idea as to why you decided not to go through that route?

A Well, I don't know; I don't think it would make for a force pooling. It would make a little more paper work. The well will not pay out. I don't believe it will make any difference to my company.

MR. DURRETT: I am familiar with the force pooling. That is all I have.

CROSS EXAMINATION



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BY MR. PORTER:

Q Mr. Sharp, you probably stated over what period of time you had accumulated this fifteen thousand dollars of revenue from the well. What was that?

A That was from June 26, 1961, through August of 1962, which would be a little over a year.

Q The period of time the well was produced at capacity, were you selling all the gas you could produce at that time?

A Yes, sir.

MR. PORTER: Thank you.

CROSS EXAMINATION

BY EXAMINER UTZ:

Q Mr. Sharp, do you recall what the date was you filed the C-128 requesting the 120 acres on this well?

A No, sir, I don't. I might have that. It's -- this might be it. It's probably a copy of it. I don't know for sure.

Q Yes, sir, it is.

A Our last letter to Continental was in October of 1961, in which we stated we would do this unless we heard from them otherwise.

Q So you produced from the first of June to the first of December when the plat shows in our files 160 acres?

A That is correct.

EXAMINER UTZ: Are there any other questions?

MR. MORRIS: Yes, sir, I have a few, if I may.



REDIRECT EXAMINATION

BY MR. MORRIS:

Q Mr. Sharp, would you explain a little more fully to the Examiner just why 160 acres had been dedicated to this well prior to the time the 120 acres dedication plat was filed?

A We filed this because we had an agreement with Mr. Kelly, who owned the acreage at the time, that he would either farm out on an eighth or join us and pay his portion of the well.

When he sold out, which I don't know exactly the date, to Continental, then we were producing before he sold out and we were starting negotiations with Continental.

Q In other words, Mr. Sharp, the 160 acres was dedicated to the well in good faith by Cactus, proceeding upon the unwritten understanding with Mr. Kelly that some deal would be or could be worked out with respect to his forty acres?

A Yes. When that fell through, we filed a new plat.

MR. MORRIS: That is all I have.

EXAMINER UTZ: Are there any other questions?

The witness may be excused.

The case will be taken under advisement.

* * * *

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STATE OF NEW MEXICO)
) ss.
 COUNTY OF BERNALILLO)

I, MICHAEL RICE, NOTARY PUBLIC in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached transcript of proceedings was reported by me in stenotype and that the same was reduced to typewritten transcript under my personal supervision and contains a true and correct record of said proceedings, to the best of my knowledge, skill and ability.

Michael Rice
 NOTARY PUBLIC

My Commission Expires:

May 11, 1966

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examiner hearing of Case No. 2622,
 heard by me on Sept. 27, 1962
Thos. A. Hill, Examiner
 New Mexico Oil Conservation Commission

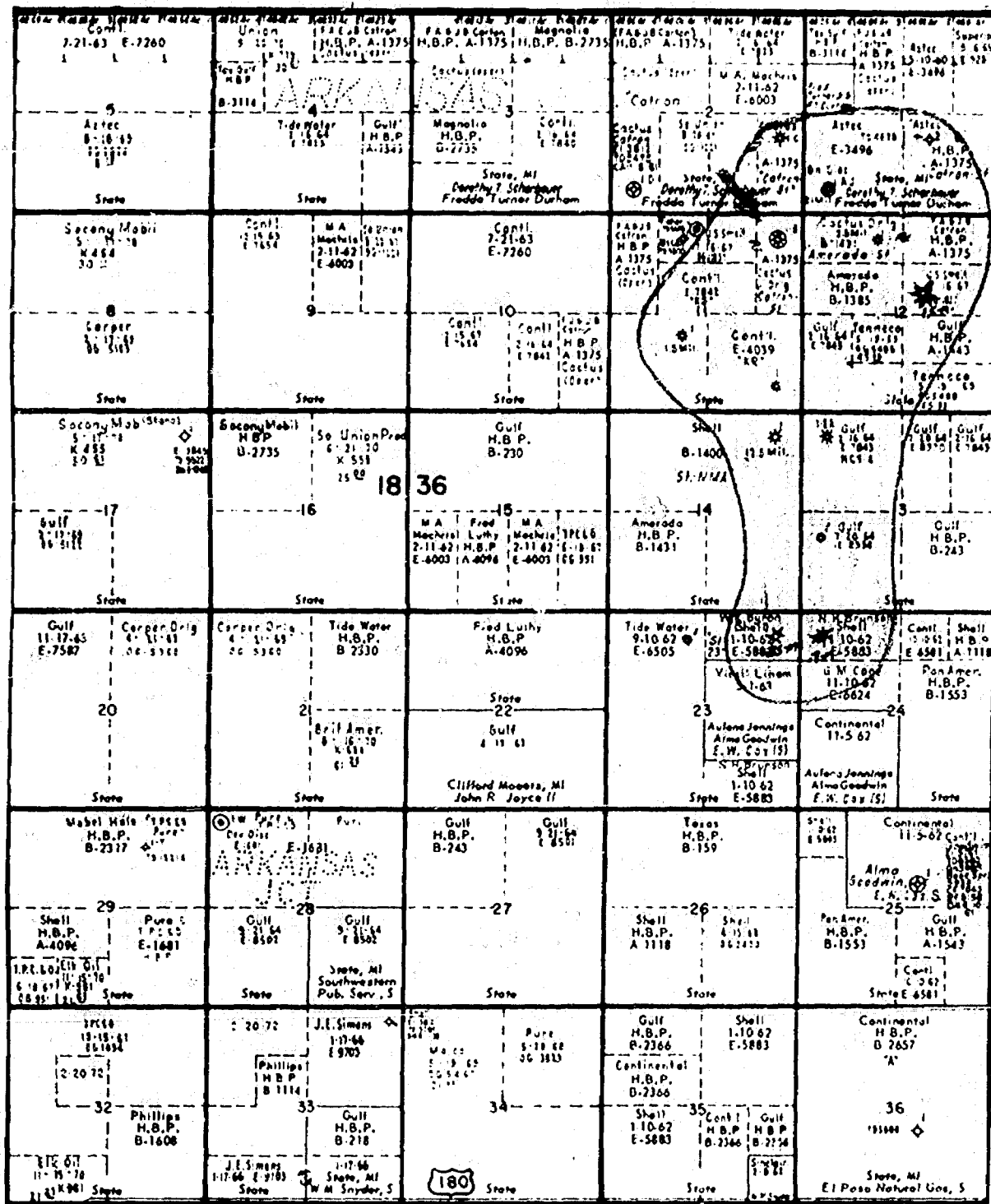
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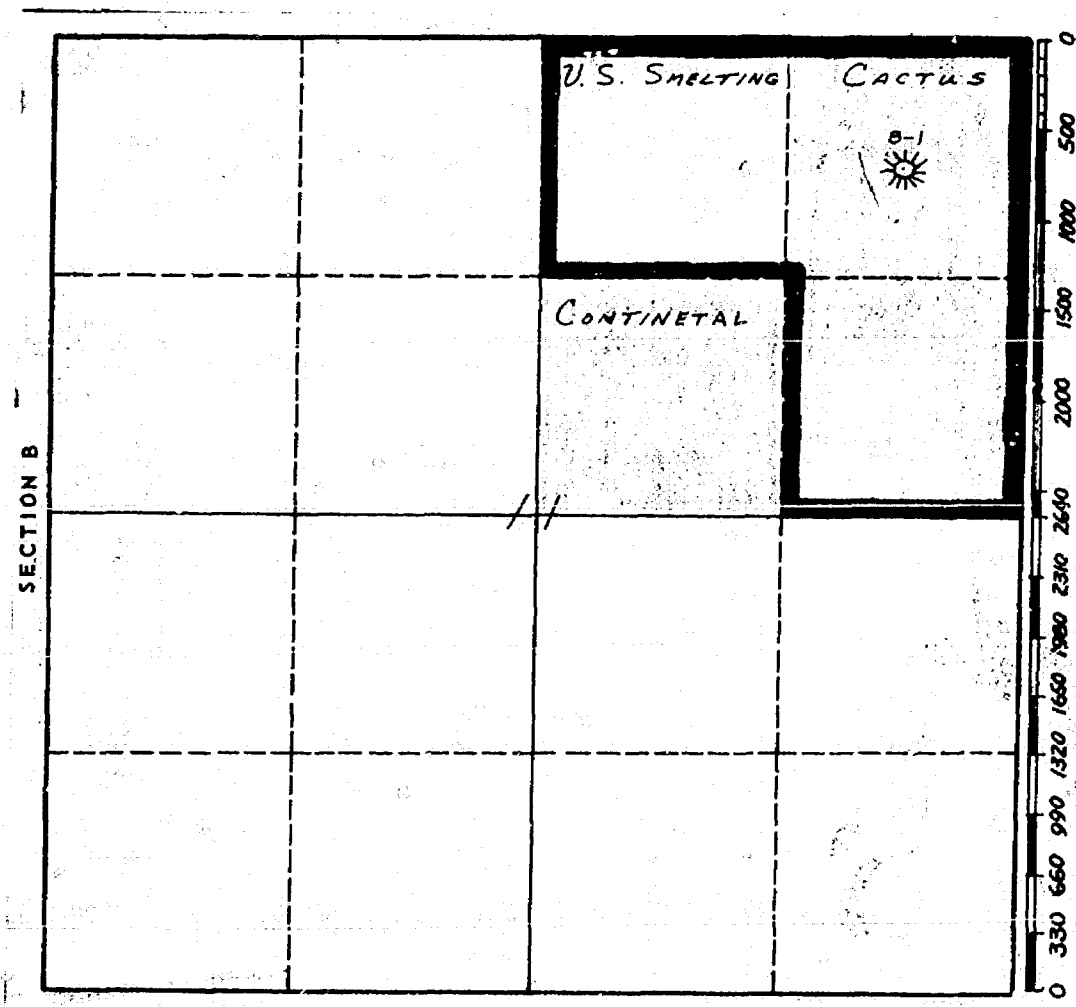
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Known limits of Arkansas Jct. Queen Field
160 acres in Question

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
EXHIBIT NO. 1
CASE NO. 2622



Section 11 Township 18-S Range 36-E

Lea County, New Mexico

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
<i>Lynd</i>	EXHIBIT NO. <u>2</u>
CASE NO.	<u>2622</u>

CACTUS DRILLING COMPANY

CATRON "B" LEASE
Well No. 1

Transporter of Lease Production: Warren Petroleum Company

Lease Connection Date: June 26, 1961.

Transcript from Company records of Gas Volumes reported to
Oil Conservation Commission on Form C-115, Operator's Report.

MONTH	MCF GAS
June 1961	1103
July 1961	19893
August 1961	18587
September 1961	18928
October 1961	17686
November 1961	14437
December 1961	12366
January 1962	7670
February 1962	9828
March 1962	8617
April 1962	5669
May 1962	1998
June 1962	4429
July 1962	0
August 1962	3327

TOTAL COST OF WELL: \$59,840.97

Gross Revenue Received to

September 1, 1962: \$15,893.61

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
Cypel EXHIBIT NO. 3
CASE NO. 2622

