

STATE LAND OFFICE

MEMORANDUM

June 27, 1956

TO: THE COMMISSIONER (For information)

FROM: WILLIAM O. JORDAN, Legal Division

Following Mr. C. D. Fleet's call to the Commissioner this morning, Mrs. Rhea, Mr. Bilberry, Mr. Downs and myself, along with Mr. Warren Mankin of the OCC, called Mr. Fleet regarding their proposed unitization of leases B-11297 (Penrose lease) and E-5146-1 (Astec Oil Company's lease).

Mr. Fleet stated that at first they were drilling for gas on the Penrose lease and therefore needed a communitization, but they went ahead and drilled the well and it turned out to be an oil well. He stated that they wanted the unitization so they could treat this all as one lease, credit production to one lease, etc.

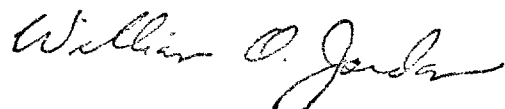
I told him that I doubted that this office or the OCC could approve a unit under these circumstances where it was not in the interest of conserving oil and gas, and asked him if what he really wanted was to commingle the oil from these two wells, and he said, "Yes, that was actually what they wanted to do."

I told him that Mrs. Crook, as he knew, had already given him a letter authorizing that, and it was agreed at this conference that he would submit one royalty statement listing both leases and the portion to be accredited to each one (all acreage involved in both leases is common school).

Warren Mankin then advised him that, since the Commissioner and both lessees had agreed to the commingling of the oil in a common tank battery, the OCC would approve same and would require the report to be submitted, designated as 1 through 4 wells and designated as 11,297, being Penrose and Astec. Mr. Fleet's attention was called to the fact that Notice of Intention to Drill on well No. 4 stated that it was being drilled on lease B-11,297, when, in fact, the well is located on lease E-5146-1.

I asked Mr. Fleet what he wanted us to do with the proposed unit agreement which he had submitted -- whether he wanted it returned or filed as a Miscellaneous Instrument, inasmuch as neither the Commissioner nor the OCC would approve same. He requested that his \$10.00 fee be applied to filing this instrument as a Miscellaneous Instrument. He is returning the two copies to us that were formerly returned to him. This should clear the situation up.

cc: ✓ OCC, Mrs. Crook, Mrs. Rhea  
and Mr. Bilberry



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William O. Jordan  
Attorney, Legal Division

UNITED STATES OFFICE

MEMORANDUM

June 27, 1958

TO: THE COMMISSIONER (For Information)

FROM: WILLIAM H. JOHNSON, Legal Division

Following Mr. J. D. Rieck's call to the Commissioner this morning, Mrs. Hines, Mr. Cribbeny, Mr. Lewis and myself, along with Mr. Warren, advised Mr. Rieck regarding their proposed withdrawal of lease E-2142 (Warren lease) and E-2142-1 (Atas Oil Company's lease).

Mr. Rieck stated that at first they were willing for use in the Warren lease and therefore needed a communitization, but they were already satisfied the well and it turned out to be an oil well. He stated that they wanted the unitization so they could treat this all as one lease, create production to one lease, etc.

I told him that I doubted that this action on the OCC could approve a unit under these circumstances where it was not in the interest of conservation of oil and gas, and asked him if what he really wanted was to combine the two from these two wells, and he said, "Yes, that was exactly what they wanted to do."

I told him that Mrs. Brock, as he knew, had already given him a letter authorizing that, and it was agreed at this conference that he would prepare one royalty statement listing both leases and the portion to be allocated to each one (all acreage involved in both leases as common acreage).

Warren advised him that since the Commissioner and both leases had agreed to the communitization of the oil in a common pool, the OCC would approve same and would require the report to be submitted, designated as a through the wells and designated as E-2142, E-2142-1, E-2142-2, E-2142-3, E-2142-4, E-2142-5, E-2142-6, E-2142-7, E-2142-8, E-2142-9, E-2142-10, E-2142-11, E-2142-12, E-2142-13, E-2142-14, E-2142-15, E-2142-16, E-2142-17, E-2142-18, E-2142-19, E-2142-20, E-2142-21, E-2142-22, E-2142-23, E-2142-24, E-2142-25, E-2142-26, E-2142-27, E-2142-28, E-2142-29, E-2142-30, E-2142-31, E-2142-32, E-2142-33, E-2142-34, E-2142-35, E-2142-36, E-2142-37, E-2142-38, E-2142-39, E-2142-40, E-2142-41, E-2142-42, E-2142-43, E-2142-44, E-2142-45, E-2142-46, E-2142-47, E-2142-48, E-2142-49, E-2142-50, E-2142-51, E-2142-52, E-2142-53, E-2142-54, E-2142-55, E-2142-56, E-2142-57, E-2142-58, E-2142-59, E-2142-60, E-2142-61, E-2142-62, E-2142-63, E-2142-64, E-2142-65, E-2142-66, E-2142-67, E-2142-68, E-2142-69, E-2142-70, E-2142-71, E-2142-72, E-2142-73, E-2142-74, E-2142-75, E-2142-76, E-2142-77, E-2142-78, E-2142-79, E-2142-80, E-2142-81, E-2142-82, E-2142-83, E-2142-84, E-2142-85, E-2142-86, E-2142-87, E-2142-88, E-2142-89, E-2142-90, E-2142-91, E-2142-92, E-2142-93, E-2142-94, E-2142-95, E-2142-96, E-2142-97, E-2142-98, E-2142-99, E-2142-100.

I asked Mr. Rieck what he wanted us to do with the proposed unitization which he had submitted -- whether he wanted it returned or filed as a Miscellaneous Instrument, inasmuch as neither the Commissioner nor the OCC would approve same. He requested that his \$10.00 fee be applied to this instrument as a Miscellaneous Instrument. As he returning the two copies of the instrument to him, this should cover the situation.

*William H. Johnson*  
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William H. Johnson  
Attorney, Legal Division

cc: Mrs. Brock, Mrs. Hines  
and Mr. Cribbeny

RECEIVED  
JUN 11 1956

NEVILLE G. PENROSE, INC.  
FAIR BUILDING  
FORT WORTH 2, TEXAS  
June 6, 1956

*File to  
Neville G. Penrose  
June 6 1956*

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

Attn: Mr. A. L. Porter, Jr.  
Secretary Director

*Received 7/7/56  
E. L. Gas Pool*

Re: Magruder State Lease, SE/4, Section 28, T-20-S, R-36-E, Lea County, New Mexico,  
New Mexico State Leases B-11297 and E-5146

Gentlemen:

In July 1954, our Magruder #1 was completed as an oil well flowing 46 bbls. of oil in eleven hours. Prior to the commencement of this well, we had anticipated obtaining gas production, and, therefore, had made arrangements to communitize the SE/4 of Section 28 with the Aztec Oil and Gas Company, who at that time were the owners of the State Lease covering the NE/4 SE/4 of Section 28. Because of the proposed communitization, Aztec Oil and Gas bore one-fourth of the cost of drilling this well. Subsequent to the discovery of oil, three additional wells for oil were drilled in all of which Aztec bore their proportionate share of the cost. We have repeatedly attempted to obtain permission to communitize the SE/4 of Section 28, but in a letter dated April 24, 1956, the State Land Office denied our request.

Inasmuch as all production since the completion of the first well has been handled in a common tank battery, and since our request for pooling the acreage has been denied, we respectfully request an exception to Rule 309-A, in order that production from the four wells on this lease may be commingled and produced into common tankage. In support of this request, the following is offered:

1. Both State Leases are dedicated to Neville G. Penrose, Inc., Aztec Oil and Gas, Broseco Corporation and John B. Rich.
2. The wells are producing from a common source of supply.
3. No more than the four wells now producing will be completed on this lease.
4. All owners of adjoining oil and gas leases have been notified of our intention to request this exception as noted by copy of registered letter attached.
5. A letter from the State Land Commissioner approving the commingling of oil from the two separate State Lease is attached.

If there are no objections to this request within thirty days, we will appreciate your approving our application for exception to Rule 309-A.

Very truly yours,

*John P. McNaughton*  
John P. McNaughton

JPM:gc  
cc: Aztec Oil & Gas Company  
Dallas, Texas

*Handwritten notes and signatures in the bottom right corner, including "E. L. Gas Pool" and other illegible scribbles.*

NEVILLE G. PENROSE, INC.

1815 FAIR BUILDING  
FORT WORTH 2, TEXAS

June 6, 1956

Amerada Petroleum Corporation  
Box 312  
Midland, Texas

Wilson Oil Company  
Eunice, New Mexico

Aztec Oil & Gas Company  
920 Mercantile Securities Building  
Dallas, Texas

Two States Oil Company  
Hobbs, New Mexico

Charm Oil Company  
Artesia, New Mexico

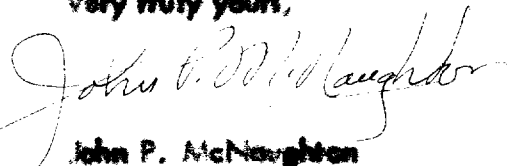
Re: Magnuder State Lease, SE/4, Section 28, T-28-S, R-36-E,  
Lee County, New Mexico -- New Mexico Leases B-11297  
and E-5146

Gentlemen:

This letter will serve as notice that Neville G. Penrose, Inc. is requesting an exception to Rule 309-A, in order to permit the production of oil and gas from the two State Leases mentioned above into common tankage.

Permission to commingle this oil has been granted by the State Land Office, as evidenced by copy of their June 1st letter attached. If there are objections to this request, please advise.

Very truly yours,

  
John P. McNaughton

IPM:gc  
Enclosure

Registered Mail -- Return Receipt Requested

✓ cc: New Mexico Oil Conservation Commission  
P. O. Box 871  
Santa Fe, New Mexico

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1938 JUN 1  
QUILMAN B. DAVIS  
SECRETARY AND GENERAL ATTORNEY 22

AZTEC OIL & GAS COMPANY

920 MERCANTILE SECURITIES BUILDING  
DALLAS 1, TEXAS

June 8, 1956

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

Attention: Mr. A. L. Porter, Jr.  
Secretary-Director

Re: Magruder State Lease  
SE $\frac{1}{4}$  of Sec. 28, T-20-S,  
R-36-E, Lea County, N.M.,  
New Mexico State Leases  
B-11297 and E-5146

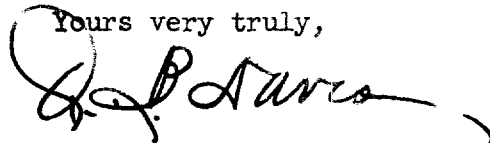
Gentlemen:

Reference is made to application dated June 6, 1956, by Neville G. Penrose, Inc. for approval of a common tank battery for the oil production from the SE $\frac{1}{4}$  of Section 28.

We, as non-operator and an undivided one-fourth owner of the production of oil from the SE $\frac{1}{4}$  of Section 28, concur in the above mentioned application and recommend its approval by the Commission.

With thanks, I am

Yours very truly,



QBD:NL

cc - Mr. John P. McNaughton  
Neville G. Penrose, Inc.

# STATE LAND OFFICE

*State of New Mexico*

Oil & Gas

**E. S. WALKER**  
COMMISSIONER OF PUBLIC LANDS



June 1, 1956

Neville G. Penrose, Inc.  
Fair Bldg.  
Ft. Worth 2, Texas

Gentlemen:

Permission is hereby granted to commingle oil produced from wells located in SE/4 of Section 28 T-20-S, R-36-E; Lea County, New Mexico, State Leases B-11297 and E-5146. This acreage in both leases will be credited to Common Schools.

When reporting production on our Production and Royalty Statements Form SLO-111-A please combine production on the SLO showing both lease numbers.

Sincerely yours,

Handwritten signature of E. S. Walker in cursive script.

**E. S. WALKER**  
COMMISSIONER OF PUBLIC LANDS

LC:ESW:mb

cc: Oil Conservation Commission