

WHALEY COMPANY, INCORPORATED

CONTINENTAL LIFE BUILDING
FORT WORTH 2, TEXAS

WILLIAM D. MORRIS
PRESIDENT

July 20, 1961

OIL AND GAS PRODUCTION
TEXAS AND NEW MEXICO

Cities Service Petroleum Company
Cities Service Building
Bartlesville, Oklahoma

Attention: Mr. E. E. Funk
Chief Secondary Recovery Engineer

Re: Drickey Queen Sand Unit Waterflood
Chaves County, New Mexico

Gentlemen:

We acknowledge receipt of your letter of July 17, 1961. It is not our intention to sign the proposed arrangement or agreement mentioned in your letter of June 26. The reason we sent the Commission our telegram and filed the amended C-115 Reports on our State Lease Well No. 2 was simply for the purpose of disclosing the facts in the matter to the Commission. Your application to the Commission was completely in error due possibly to the fact that our C-115s had not included all of the pertinent information. A very vital part of this was the fact that the extra fluid produced by our Well No. 2 was due to the fact that we had put water in the well to dissolve the salt and not from any energy from your waterflood sources. Your engineers are perfectly at liberty to check our well at any time by simply notifying our Superintendent, Mr. H. B. Phillips, P. O. Box 925, Kermit, Texas, or telephoning him at Kermit, Texas, Telephone Number Juniper-6-3805. He will make any reasonable tests on the well at any reasonable time so that you may determine to your own satisfaction that up to now we have received no energy benefits from your waterflood operations.

Our telegram and amended C-115 Reports to the Commission was and is in the interest of getting the true facts before the Commission and so far as we are concerned, we are sure they will take any action that they think is proper in the matter and there will be no objections from us.

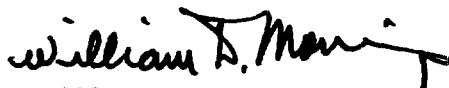
While from your statements of estimated original reserves, there was in the beginning only a very nominal amount of oil under our 40-acre tract and our No. 2 Well has already produced approximately this amount of oil, we do not believe you should anticipate that we will get any benefit from your waterflood. Of course, we have never agreed to this conclusion and do not now agree on it.

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We reiterate the previous statement that we as a general proposition have no desire to ride you or anyone else's deal. However, if we did, you gentlemen went into this situation with your eyes wide open and ample notice from us that we had no intention of going into the project on the basis you had suggested as to original reserves, costs and so forth.

We renew our suggestion that when, as and if we do receive any benefit from your waterflood that you furnish us with an overall cost estimate on the entire project on a per barrel basis with your suggestion as to how much per barrel we pay you for the extra oil, if any, produced from our unit. We have no doubt that we can get together on such a figure in the event we receive any benefits and we believe you will find us a little bit on the generous side. One other thing. At one time one of your engineers seemed to suggest that if we did not go into this unit you would "flood us out". As we have previously stated, we doubt seriously that any responsible official of Cities Service Petroleum Company had or has any such an idea but if they do, we will not hesitate to secure proper damages in the courts of New Mexico or otherwise. We never like trouble with anyone and learn over backwards to dodge it and we hope that you will not take any kind of action in your waterflood operations which will damage our well. We renew our request that you give us some suggested figure that you think would be fair compensation per barrel for any extra oil we may produce from the well in the future. May we also say in this connection that either the writer or Superintendent, Mr. H. B. Phillips, will be most happy to discuss this matter with you at any time in person.

Yours very truly,



William D. Morris

WDM:dbk

cc: Oil Conservation Commission ✓
P. O. Box 871
Santa Fe, New Mexico
cc: Oil Conservation Commission
P. O. Box 2045
Hobbs, New Mexico
cc: State Engineer
P. O. Box 1069
Santa Fe, New Mexico
cc: Cities Service Petroleum Company
P. O. Box 97
Hobbs, New Mexico
cc: Mr. H. B. Phillips, Superintendent
Whaley Company, Inc.
P. O. Box 925
Kermit, Texas