

P. O. Box 997
Roswell, New Mexico

August 31, 1951

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Texas Railroad Commission
Austin, Texas

Gentlemen:

The United States of America owns the mineral rights to many lots as delineated by Public Land Surveys along the eastern portion of the State of New Mexico adjoining the state line between New Mexico and Texas. These lots extend usually one-fourth ($\frac{1}{4}$) mile north to south and vary in width from 58 feet to 1,759 feet east to west. The lots vary in size from as little as 2.12 acres to more than 55.00 acres. Federal oil and gas leases have been issued for most of these lots under the Mineral Leasing Act of February 25, 1920 (41 Stat. 437), as amended.

In the interest of conservation of oil and gas, and of limitation in use of steel during the present emergency, it is desirable that satisfactory arrangements be initiated to avoid drilling of unnecessary wells, and at the same time protect correlative rights and equities involved.

This subject was previously reviewed during an informal conference with members of the two State regulatory bodies in Midland, Texas, several years ago but no decisions were reached. As recent discoveries of oil and gas have been made in Texas at locations 660 feet or less from the state line, some of which locations offset Federal oil and gas leases, it is desirable that definite plans be formulated to cover drilling and proration matters affecting these Federal leases at the earliest practical date.

As a practical approach to this subject, it appears to this office that the Federal leases in New Mexico should be operated and developed consistent with the general practices of the industry within New Mexico, and so far as possible consistent with the rules and regulations of the New Mexico Oil Conservation Commission. To this end it would seem best that the smaller lots be communitized with the adjoining full 40-acre tracts to the west. Where the lots are of medium size, possibly from 20 to 30 acres, it may be desirable to communitize two of such lots for a drilling and proration unit that would more closely

approximate a normal 40-acre unit rather than to communitize such lots with the adjoining 40 acres and have an excessive amount of acreage comprise a drilling and proration unit. The larger lots could be considered as acceptable units for drilling purposes.

In all cases involving individual lots or communitized lots, it would seem proper that the proration allowable in New Mexico should be based on a factor being the ratio of the acreage of the lot or communitized tract to 40 acres, applied to the normal 40-acre allowable for the particular pool.

The difference in proration methods between the State of New Mexico and the State of Texas presents an additional problem. If legal and subject to reasonable administration, it would appear that a common oil and gas reservoir or pool embracing lands in the two states should be subject to the same proration rules and regulations. It has been suggested that if the pool or field is first discovered and developed in the State of New Mexico, that the extension into the State of Texas might be governed by the New Mexico proration schedules as adopted for that pool or field by the Texas Railroad Commission. Likewise, for a pool or field first discovered in the State of Texas and later extended into New Mexico, the New Mexico portion might be governed by applicable proration rules and regulations of the Texas Railroad Commission to be adopted by the New Mexico Oil Conservation Commission for that particular pool or field.

As we must take appropriate action to protect the Federal interests involved, this office suggests that the matter be given your earnest and early consideration, and that we be advised of your findings.

It may be desirable that the two State regulatory bodies hold a joint open hearing on the subject. Some informal discussions might also be informative and helpful. To this end I shall be glad to discuss the subject with representatives of both Commissions at any convenient place, having in mind either Santa Fe or Roswell, New Mexico, Midland or Austin, Texas.

Very truly yours,

FOSTER MORRELL
Oil and Gas Supervisor
Southwestern Region

cc: Hobbs
FMorrell:JMC

STATE OF NEW MEXICO
OFFICE OF STATE GEOLOGIST
SANTA FE, NEW MEXICO

Case 316

October 31, 1951

C
O
P
Y

Lt. Gen. E. O. Thompson
Texas Railroad Commission
State Capitol
AUSTIN - TEXAS

Dear General Thompson:

Enclosed are copies of New Mexico newspapers carrying stories on the joint meeting of the Texas Railroad Commission and the New Mexico Oil Conservation Commission which I thought would be of interest to you.

Our meeting together was most enjoyable, and we are looking forward to future meetings to carry out our joint regulation along the Texas - New Mexico border.

Yours very truly,

R. R. Spurrier

RRS:nr

Encl.

F



RAILROAD COMMISSION OF TEXAS
AUSTIN

ERNEST O. THOMPSON
COMMISSIONER

November 8, 1951

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

Dear Dick:

I was pleased to have the newspaper items about the joint meeting, and I am highly gratified by the spirit of cooperation in handling the regulation of drilling along the borders of our states.

Again may I say that our visit and conference with you was a most enjoyable one.

Sincerely yours

Ernest
Ernest O. Thompson

Enclosed is
Freedom's oil.

FREEDOM'S OIL

An Address
before
The American Petroleum Institute

General Session, 9:30 A. M., November 7, 1951
Stevens Hotel, Chicago

By

Lieut. General Ernest O. Thompson
Texas Railroad Commissioner

Mr. Chairman, Distinguished Guests, Ladies and Gentlemen of the Convention:

It is in the name of oil and gas conservation and for the good work of conservation officials everywhere that I accept with all humility this American Petroleum Institute Industry Award. You are most generous and kind to me. I thank you all for this token of appreciation of my twenty years' work as a state official in the oil and gas conservation field of endeavor in the public interest.

Appreciation is the rarest flower found in the garden of human virtues--all the more rare is this rose of appreciation when found in the field of public service.

Your expression of approval of my work is a source of happiness to my family and myself. It is a joy to work when results are noted in such a fine manner.

In 1924 it was my privilege to attend your Fort Worth convention. Some of you will recall that Mr. Henry L. Doherty there attempted to explain his views on oil reservoir behavior and its proposed control. He was not given the floor to make a public presentation of his views to the convention from the platform, but he did considerable presenting of his views to any and everyone he could get to listen to him. He was completely imbued with his theory of oil reservoir characteristics. His was the inventive mind of the researcher. He had unbounded enthusiasm for this theory of his about the use of gas-oil ratios and compulsory unit operation of an oil field. It was my very good fortune to know him and to have listened to him with a completely open mind. It was a new and challenging theory to me.

Because I was a good listener, Mr. Doherty gave me a lot of his time there in Fort Worth. When the convention adjourned, we went down to the depot together to take our respective trains for home, Mr. Doherty to New York and me to Amarillo. Mr. Doherty said, "Ernest, it's not time for our train departures. Send your grip to your pullman and you come on to my car, and we will continue our discussion."

I gladly agreed. The next morning when Mr. Doherty's train rolled into St. Louis, he was still telling me about his theory of reservoir gas-oil-ratio control. He had been talking, and I had been listening to that genius all through the night. My baggage about that time was arriving in Amarillo.

The reason Mr. Doherty was not given the floor at Fort Worth was doubtless because the directors of the A. P. I. did not at that time go along with his new idea of compulsory unit operation of oil fields. It was too new. What we think we know often blinds us to knowledge.

He did get a public forum before the American Institute of Mining and Metallurgical Engineers in New York in February, 1925.

In 1927 the A. P. I. appointed a committee under E. W. Marland as its enthusiastic chairman, known as the Gas Conservation Committee meeting in Ponca City in September and again in October, 1927. This committee work resulted in a paper entitled "The Function of Natural Gas in the Production of Oil" by H. C. Miller, which was published by the A. P. I. in 1929.

It is in a large measure to the persistent work of Henry L. Doherty and E. W. Marland that we owe so much today in our advance toward reservoir control. At last we are getting conclusive results in greater oil recovery.

How difficult it is for science to forward itself even for the great benefit of mankind!

Happily today we are not so averse to new ideas. I well remember the troubles I had in 1932 when we shut in the East Texas Field to take bottomhole pressures. The operators and landowners resisted the efforts of our Commission in court and on the ground. But we shut in the field for twenty-one days. During this shut-in period the field gained 14 p. s. i. in reservoir pressure. We opened the field again at greatly reduced rates of flow, and after three months' operation shut the field in again for twenty-one days and again had the same increase in bottomhole pressure--thus proving a natural law was at work in the reservoir and available for conservation's utilization.

Today research in your laboratories is bringing forth the newer and fuller life for our people. Your researchers point the way to better methods.

We have been learning how to get ever-increasing percentages of the oil in place. In East Texas we have already recovered 2.8 billion barrels where only one or at most two billion barrels of oil were expected as ultimate recovery. We produced the last one billion barrels with an accompanying increase of 18 pounds' reservoir pressure. The experts now tell me we will get an additional 2.6 billion barrels from this field. This illustrates true conservation, which means wise, efficient use of the motivating energy in the reservoir. Conservation does not mean the hoarding of our oil and gas. It is wise use of oil and gas energy. We are there pursuing secondary recovery by reinjecting the salt water produced with the oil back into the reservoir on the side of water intrusion coincidental with the primary flowing and pumping operation. The East Texas Field was twenty-one years old October 5, 1951. Today it has 11,950 flowing, and 9,579 pumping wells producing 280,000 barrels of oil daily.

Secondary recovery should start as soon after discovery as the producing characteristics of the reservoir are known, if you are to get ever better recoveries. There is the conservation challenge. It is the researcher's job to improve our reservoir-control technique.

Oil for 1975

Herein lies a great untapped reserve of oil for the future--I mean hidden oil, left behind in old thought-to-be depleted fields where not more than 15 or 20 per cent of the oil was recovered by methods then in vogue, the old unrestricted open-flow days. There are perhaps 75 billion or more barrels of oil in these old oil fields waiting to be loosened from the rocks.

I know of an excellent example where by waterflooding a field that was about to the point of economic abandonment--the wells having gotten down as low as two barrels a day, and one was a five-barrel well--the new operators have gotten the two-barrel wells up to 200 barrels daily and the five-barrel well is now making 500 barrels per day. Already in a few months this field has produced by waterflooding more oil per acre than was recovered in the primary flowing and pumping stages of production over a period of twenty-one years.

In the past twenty-five years we have supplied all demands for oil and constantly built up our reserves. Certainly with all your research and with ever better drilling and conservation practices in production, we can be assured that, come 1975, you can look back with even greater pride than you take in surveying the period 1926 to 1951. The next twenty-five years can be supplied with petroleum easier than the past quarter century was supplied.

Research is American tradition.

Sometimes we overlook the fact that research has been a part of American tradition.

Benjamin Franklin on his many crossings of the Atlantic, representing young America, dropped a canvas bucket over the shipside several times a day, testing and recording the temperature of the sea water at that location.

He read the barometer and noted its change; recorded the mileage from day to day, the wind directions and velocities. And then in 1786 when he had facts enough to warrant generalization, and leisure to organize and examine them.

he sat down and made the first map of the Gulf Stream.

For two hundred years mariners had known there was a northeasterly current somewhere in the North Atlantic, and that sailing with it was easier than sailing against it. But it remained for our first Minister to France to carry on the studies that made it possible to locate the current, and then--in the spirit of the true scholar the world over--to publish his findings for the benefit of all mankind in the Transactions of the American Philosophical Society.

In 1860, when Lincoln was preparing his "Cooper Union Address," he wished to know exactly what each of the thirty-nine signers of the Constitution had said or done relative to federal control of slavery in the territories. In the search for an answer to this question, he carried on meticulous historical research. When he had his facts, he presented them in such fashion that this address, more than any other utterance or publication, sent Lincoln to the White House and Douglas to oblivion.

Yes, the spirit of research, the spirit that "wants to know" is native to America.

Research has found a friendly climate here in this democracy of ours-- perhaps the most congenial in the world.

Oil and gas conservation

Man does not waste that which he can presently profitably use or readily sell at a profit.

We have many wise conservation and waste-prevention laws, rules, and regulations. Our Texas Legislature, in line with the lawmakers of the other twenty oil-producing states, has kept abreast with technological advances in the production of oil and gas through the meetings of the Interstate Oil Compact Commission. Full credit should go to the lawmakers and to our splendid courts. They chart the course.

Price is the greatest conservation agent.

Do not allow this industry to be seduced by a subsidy! A fair price in a free competitive field is the greatest incentive to prevent waste in oil and gas production. The better the price the more exacting can be your conservation practices.

To illustrate more clearly I will use the example of flare gas-casinghead gas produced with and as an incident to oil production from oil wells.

In days past gas had no sale value because there was no market for it.

With the advent of the gas pipelines from Texas to outside markets, natural gas began to take on market value due to competitive market demand for this clean, efficient, convenient fuel.

Our Commission accordingly required that this casinghead gas be gathered from each well to a central plant where the more easily liquefied hydrocarbons were removed, and then we required that the gas be returned to the oil-producing reservoir to lift more oil or that the gas be utilized for light or fuel or for manufacturing or for some other lawful purpose. No oil was allowed to be produced unless the gas was saved for use.

This is pure waste prevention. The oil industry has already spent some \$300 million erecting such conservation systems in Texas. We are saving two billion cubic feet of gas a day and recovering 358,996 barrels daily of liquid hydrocarbons. This is in addition to our crude production of 2,870,000 barrels daily and 12 billion cubic feet of gas daily.

Our market-demand statute in Texas says, "Production of oil or gas in excess of market demand or transportation facilities is waste and is forbidden." We allow to be produced all the oil and gas that can be sold ratably and carried on hand in storage above ground. This law properly administered protects the consumer by providing plenty of crude and prevents physical waste of oil and gasoline in excess storage.

I know of no business that is more keenly competitive than is the oil and gas business in all its branches. It is an open field where anybody can get in if he has the money and the courage to lose it hunting for oil or refining or marketing it.

Oil hard to find.

The search for oil is a hard one. New-discovery or so-called wildcat wells are successful only one in nine holes. Eight out of nine efforts are failures--dry holes.

The chances of finding even a very small oil field are one in sixteen tries. By a very small field I mean one that would supply the United States with oil for only four hours.

The chances of finding a small field are one in fifty-three. Such a field would supply the United States two days.

The chances of finding a medium-sized oil field are one in three hundred and thirty tries. Such a field would supply the United States one week.

The chances of hitting a major oil field are one in nine hundred and ninety-one. A major oil field is one that will produce over a hundred million barrels of oil in its life.

The average cost of a wildcat well in the United States, including all exploratory developments and necessary overhead expenses, is approximately \$90,000.00. Many of them cost \$500,000.00 up to \$1 million, and then prove to be dry. Only tax depletion recognition makes such efforts possible--and remember, the depletion comes only out of profit you make, if you make it.

Depletion is the recognition that every time you take out a hundred barrels of oil there is just that much less oil (capital) in your reserve under the ground.

If the people generally knew these facts, there would be no effort made to change the law; I mean there would be no successful effort possible in the face of an informed electorate.

The people are fair when they are fully and correctly informed.

Congress oil-policy wise

Twenty-five years ago, in 1926, the Congress of the United States enacted the percentage-depletion law as applied to oil and gas for three purposes: First, to assure continuing abundant supplies for an expanding economy; second, to assure equitable taxation of the petroleum industry; third, to provide adequate oil reserves for defense.

This wise depletion recognition on the part of Congress has accomplished all those purposes.

Given a continuance of the opportunity which this time-tested method has provided, in my opinion the industry will continue to find the oil as needed. It will meet the plea of the Government for additional oil-producing capacity to supply the needs for defense. Yes, we can supply the nearly 4 million barrels per day for defense, great though that estimate may be. I think we will need about that much. It is safer to have plenty of oil, come war.

As further proof of the wisdom of the 27½-per-cent depletion recognition, I should like to point out that in 1926 the oil reserves of the United States in known fields were 8 billion barrels. Now, twenty-five years later, in 1951, the reserves of the United States in known fields are 26 billion barrels of crude alone, plus about 4 billion more if you include natural gas, naturals, distillates and condensates.

During this period of twenty-five years we not only met our demand but increased the reserve in known, proven fields by 17 billion barrels in crude oil.

During these same twenty-five years there were produced in the United States 33 billion barrels of crude oil. Now ponder that carefully. Twenty-five years ago when the depletion recognition was established by the Congress of the United

States, we had in the United States only 8 billion barrels of reserves. Since that time we have produced 33 billion barrels to meet current demand, and now find ourselves with reserves of 26 billion barrels in the ground in known fields. I do not believe that stronger proof could be made as to the wisdom of the 27½-per-cent depletion. It works. It furnishes the proper incentive. It is dependable. It should not be tampered with.

Let the consumers know that depletion makes certain a long, ample supply of good gasoline at a low price.

Gasoline cheap and better

The average price today of gasoline in fifty cities, including tax, is 27.2 cents per gallon. Gasoline, like everything else, is cheaper and better where healthy, free competition prevails under a private-capital-ownership system.

According to the U. S. Bureau of Labor Statistics, the wholesale prices of all commodities have increased since the start of the Korean War on the average 9.9 per cent, while in the same period crude petroleum has increased only eight-tenths of one per cent. In other words, wholesale prices of all commodities have gone up twelve times as much as has crude oil.

With all of the increase in demand and with a tremendously improved product, gasoline today sells at a lower figure than it did in 1926, tax excluded. Two gallons of today's gasoline does the work of three gallons of 1926 gasoline. In 1926 one bushel of No. 1 hard wheat in the Panhandle of Texas would buy approximately five gallons of gasoline. On a recent quotation, October 2, 1951, the same bushel of wheat will purchase ten gallons of gasoline. In 1926, a 1,000-pound steer brought enough money to purchase 360 gallons of gasoline, while in 1951 a 1,000-pound steer will bring in enough money to purchase 1,500 gallons of gasoline at the retail pump price of regular gasoline. This is not to say that the prices of wheat and cattle are too high today in comparison to other commodities, but it points up the fine job that is being done by the oil industry. Gasoline sells for about three cents per pound. What other necessity of life can you get so cheaply?

Again may I say that this is being done under state control of production by your own state officials and by an active industry under the free, competitive, profit-motive system.

It's the American way of life in action. Let's steer clear of federal control that lays a withering hand on inventive initiative. We do not want security that stifles progress. We do not want any welfare state. All the oil industry wants is a free opportunity in a fair field to serve the people with their oil and gas needs at bargain prices.

We have built America by wise and efficient use of our resources. By wise laws we have given men the opportunity and incentive to find enough oil to make our great progress possible.

Never in our history has the United States been so rich, so strong, so powerful, and with brighter prospects of going ahead for peace and human freedom in the world.

I feel that a true awakening is taking place in America today, and that we shall in a few years have peace through strength and world cooperation.

Thank you.

ADDENDA

TEXAS CRUDE OIL PRODUCTION
1932 to November 1, 1951

| <u>Year</u> | <u>Barrels</u> |
|--|-----------------------|
| 1932 | 312,478,000 |
| 1933 | 402,609,000 |
| 1934 | 381,516,000 |
| 1935 | 375,617,368 |
| 1936 | 418,775,601 |
| 1937 | 506,066,861 |
| 1938 | 468,781,632 |
| 1939 | 476,550,095 |
| 1940 | 486,661,808 |
| 1941 | 499,208,329 |
| 1942 | 477,828,220 |
| 1943 | 587,436,107 |
| 1944 | 741,126,397 |
| 1945 | 751,045,143 |
| 1946 | 755,899,971 |
| 1947 | 816,188,478 |
| 1948 | 898,313,973 |
| 1949 | 736,626,671 |
| 1950 | 817,044,994 |
| 1951 to November 1 (September and October Estimated) | 823,178,343 |
| TOTAL | <u>11,732,952,991</u> |

Thus far in Texas in 1951:

| | |
|------------------------------|-----|
| New Oil Fields to November 1 | 481 |
| New Gas Fields to November 1 | 58 |

Total number of oil fields in Texas today: 2,602

During my service on the Texas Railroad Commission, we have superintended the orderly production of 11 billion 732 million barrels of oil. Today Texas supplies one-half of the U. S. requirements and produces one-fourth of the world oil. Texas has 131,204 producing oil wells with a daily production of 2,864,000 barrels of crude and 358,996 other liquid hydrocarbons, which would be the crude equivalent of one million barrels per day. The Bureau of Mines' estimate of demand for Texas crude for October was 2,720,000 barrels daily. We have consistently exceeded this federal estimate so as to be sure there was ample oil for every demand.

W. H. Black Drilling Co.

Box 832

Midland, Texas

December 3, 1951

Case 316

Mr. Harry M. Batis
Railroad Commission
Austin, Texas

Dear Mr. Batis:

W. H. Black Drilling Company has just completed E. E. Jones A-3 in a new pay in the East Hobbs Field of Gaines County, Texas. Currently the field has rules for the 3900-foot, 5900-foot, and 6900-foot pay zones. The new pay is located at approximately 4400-foot in the San Andres section. You will recall that the Texas-New Mexico state line passes through this field and that during October, 1951, a meeting of the Texas Railroad Commission and the Oil Conservation Commission of New Mexico was held in Santa Fe, New Mexico, for the purpose of considering a course of action should a well in a Texas field become a direct offset to a well in the same reservoir in New Mexico.

Our records reveal that Jones A-3 is a direct offset in the same reservoir to Aurora Gasoline Company's R. R. Davis No. 1 in Lea County, New Mexico, which was completed during November, 1951. Since the Jones well is the first in this field in Texas to be completed in the San Andres pay, it is presumed that discovery allowable rights would be applicable until such time as the Texas and New Mexico regulatory bodies can be called together for consideration of field rules and allowables for this reservoir.

Attached are completion records for Jones A-3, and it is respectfully requested that you please advise us:

- (1) Allowable for Jones A-3;
- (2) Course of action to be taken to get this 4400-foot reservoir handled uniformly in both the Texas and New Mexico portions of the field.

Yours very truly,

W. H. BLACK DRILLING COMPANY

By: Harvin L. Landua
Harvin L. Landua



HLL:mhg

bcc: Mr. R. R. Spurrier:

This copy is being sent to you for your personal information.

COPY

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

3/6
Case 308

November 21, 1951

J
O
P
Y
General E. O. Thompson
Railroad Commission of Texas
State Capitol
Austin, Texas

Dear General Thompson:

We have just received the reporter's transcript covering the joint hearing on October 25, and felt that you probably would want to have this in your files. A copy is therefore enclosed for your retention.

Sincerely,

R. R. Spurrier

RRS:nr



Case 316

KS

**RAILROAD COMMISSION OF TEXAS
AUSTIN**

ERNEST O. THOMPSON
COMMISSIONER

November 26, 1951

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

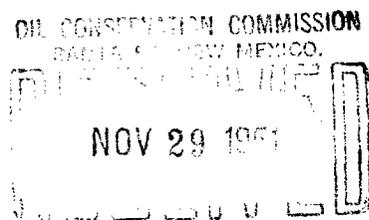
Dear Dick:

Thanks for sending me the copy of the reporter's
transcript covering our joint hearing of October 25. }
I deeply appreciate your sending this transcript to
me, and I have put the matter on the agenda of the
Legal Committee for consideration and report of the
Interstate Oil Compact meeting in Little Rock, Arkan-
sas, December 11.

With highest regards, and asking to be remembered
to Governor Mechem and Guy Shepard and yourself, I
am

Sincerely yours

Ernest O. Thompson
Ernest O. Thompson



THE PURE OIL COMPANY

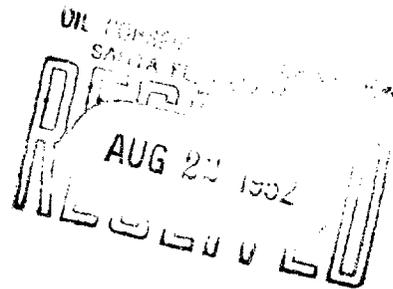
GENERAL OFFICES, 35 EAST WACKER DRIVE, CHICAGO.

TEXAS PRODUCING DIVISION

P. O. BOX 2107

FORT WORTH 1, TEXAS

August 20, 1952



Railroad Commission of Texas
Austin, Texas
Attention: Mr. A. H. Barbeck

New Mexico Conservation Commission
Santa Fe, New Mexico
Attention: Mr. R. R. Spurrier/

Gentlemen:

A joint Hearing of the Texas Railroad Commission and the New Mexico Conservation Commission was held October 25, 1951, to take under consideration those fields which were productive in both states. The Dollarhide Fields were cited as one case where apparently the same fields are produced in both States. The thought was expressed that when sufficient development had been had on the New Mexico side to show the characteristics of the fields another Hearing would be held.

The New Mexico proration schedule for August 1952, shows six wells completed in the Dollarhide, West (Ellenburger), three in the Dollarhide, West Devonian, one in the Dollarhide, West (Drinkard), and four in the Dollarhide, West (Fusselman) Fields. At the present time, one well in Dollarhide, West Field (Gulf Oil Corporation's Leonard "A" 11-E completed in the Devonian) directly offsets a Devonian well in the Dollarhide Field (The Pure Oil Company's E. P. Cowden "A" 91-D). Two additional Dollarhide, West wells (Gulf's Leonard "A" 15-E and 16-E) are drilling and are direct offsets to Dollarhide wells (Pure's Cowden "A" 106-D and Cities Production Company's E. P. Cowden 9-G). During August, the allowable assigned to Devonian wells on a forty acre tract in New Mexico amounted to 3,999 barrels; whereas, the allowable for a similar well in Texas only amounted to 2,000 barrels.

In view of the additional development that has taken place in the Dollarhide Fields in New Mexico, and particularly those wells in the two states which are direct offsets, The Pure Oil Company suggests that consideration be given to holding a Hearing to again consider these fields and the promulgation of such rules and regulations as might be needed to permit development and producing of these fields in a similar manner.

Yours very truly,

Jack T. Duree

JTD:br
cc: Operators, Dollarhide Fields

Operators, Dollarhide Fields

Magnolia Petroleum Company
Dallas, Texas
Attention: Mr. E. P. Keeler

Humble Oil and Refining Company
Houston, Texas
Attention: Mr. W. E. Hubbard

Humble Oil and Refining Company
Midland, Texas
Attention: Mr. R. S. Dewey

Cities Service Oil Company
Bartlesville, Oklahoma
Attention: Mr. R. E. Adams

Union Oil Company
Midland, Texas
Attention: Mr. Byron Denson

Lion Oil Company
El Dorado, Arkansas

Gulf Oil Corporation
Fort Worth, Texas
Attention: Mr. Mattison Taylor

The Texas Company
Fort Worth, Texas
Attention: Mr. G. P. Brown

Skelly Oil Company
Tulsa, Oklahoma
Attention: Mr. G. W. Selinger

U. S. Geological Survey
Department of Interior
Hobbs, New Mexico
Attention: Mr. M. D. Murrell

P. O. Box 1838
Hobbs, New Mexico

October 15, 1951

Mr. R. S. Magruder
601 Sinclair Building
Fort Worth 2, Texas

Re: Las Cruces 069752

Dear Sir:

The records of this office show that you are the owner of the above described Federal lease embracing Lots 1 and 2, section 33, T. 24S, R. 3rdE, 14.45 acres in Lea County, New Mexico and that these lands are now subject to drainage of oil by dually completed oil wells No. G-9 and G-10 Cowden of Cities Service Oil Company located in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ and NW $\frac{1}{4}$ SW $\frac{1}{4}$, section 15, Block A-52, P.S.L. Survey, Andrews County, Texas. Well No. G-9 is reported to have been completed April 29, 1951 in the Devonian formation for an initial production of 810 barrels of oil per day from the interval 7890-7935' and on May 13, 1951 in the Clearfork formation for an initial production of 468 barrels of oil per day from the interval 6535-6690'. Well No. G-10 is reported to have been completed July 9, 1951 in the Clearfork formation for an initial production of 864 barrels of oil per day from the interval 6608-6754', and on July 10, 1951 in the Devonian formation for an initial production of 1104 barrels of oil per day from the interval 8000-8035'.

Please inform this office within 15 days of the receipt of this letter of your intentions as to compliance with the provisions of the above numbered oil and gas lease and with the Oil and Gas Operating Regulations regarding protection of the leasehold from drainage.

In view of the smallness of the tracts involved, drilling of wells thereon may not be permitted in the absence of an acceptable showing that the Federal interests could not be adequately protected by communitizing the lots with the two 40-acre tracts immediately to the west. In the interest of the conservation of steel during the present emergency, such action would prevent the drilling of unnecessary wells.

It is suggested that you make application to the New Mexico Oil Conservation Commission for a hearing to provide for an increased allowable based on the acreage of such communitized tract compared to a normal 40-acre tract. This increased allowable would be the interest that you as lessee of Las Cruces 069752 would have in the two wells needed to be drilled in the E NW $\frac{1}{4}$, sec. 33 to protect that land as well as the subject lease from drainage by wells on the Cities Service Oil Company, Cowden lease.

October 15, 1951

Page 2

Communitization agreements in general should be limited to single drilling units, that is a 40-acre tract plus a small additional lot. However, if you prefer, this Department has no objection to receiving and submitting to Washington for consideration a single agreement including two such drilling units involving normal 40-acre tracts in the same legal quarter section plus the adjoining lots if both units are considered proven acreage and include land in the same Federal lease.

Very truly yours,

(Orig. Sgd.) M. H. Soyster

M. H. SOYSTER
District Engineer

MHSoyster:brj

cc. Roswell Office
Accounts

cc- Hunker 10-19-51

OIL CONSERVATION COMMISSION

SANTA FE, NEW MEXICO

October 10, 1951

C
O
P
Y

Mr. George W. Selinger
Skelly Oil Company
Tulsa, Oklahoma

Dear Mr. Selinger:

This is in reply to your letter of October 2 in which you inquire whether the joint hearing of the Texas Railroad Commission and the Oil Conservation Commission will consider sections 29 and 32, T. 24 S, R. 38 E, etc.

This is known as Case 316 and will consider all pools which are situated both in New Mexico and Texas.

Very truly yours,

RRS:bpw

Secretary and Director



SKELLY OIL COMPANY

PRODUCTION DEPARTMENT

J. S. FREEMAN
VICE PRESIDENT

E. A. JENKINS
GENERAL SUPERINTENDENT

TULSA 2, OKLAHOMA

October 2, 1951

W. P. WHITMORE
CHIEF PETROLEUM ENGINEER

G. W. SELINGER
PRORATION ATTORNEY

J. H. McCULLOCH
CHIEF CLERK

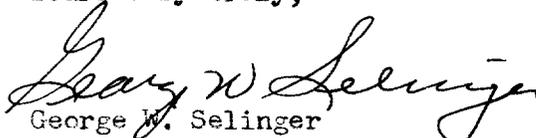
Mr. R. R. Spurrier
Box 871
Santa Fe, New Mexico

Dear Sir:

We note that on Thursday, October 25 at 10:00 a.m. in Mabry Hall, Capitol Building, Santa Fe, New Mexico, the states of New Mexico and Texas have called a hearing to provide rules for overlapping fields. We are wondering whether or not this hearing will include the area in Sections 29 and 32, Township 24 South, Range 38 East, and Sections 5 and 8, Township 25 South, Range 38 East, which is the area designated by us as the West Dollanhide Field.

Since we have production in this area we would appreciate being advised as to the matters to be discussed at this joint hearing which might affect this area.

Yours very truly,


George W. Selinger

GWS:dd

cc: Mr. Dunlavey

OIL CONSERVATION COMMISSION

SANTA FE, NEW MEXICO

October 3, 1951

C
O
P
Y

Mr. Foster Morrell
U. S. Geological Survey
Box 997
Roswell, New Mexico

Dear Mr. Morrell:

The joint hearing of the Texas Railroad Commission and the New Mexico Oil Conservation Commission has now been officially set and advertised for October 25, 1951, beginning at 10 o'clock a.m. at Mabry Hall in Santa Fe.

As we have discussed, I am sure that all parties involved will appreciate your attendance at this meeting in order that your views and opinions might be presented. The Commission's regular hearing will be October 23, and this date of October 25 was the one considered most convenient by members of the Texas Commission who plan to be in attendance, and was also approved by the governor and other members of the New Mexico Commission.

Yours very truly,

Jason Kellahin, Attorney

JK:nr

File: Case 316

CLASS OF SERVICE
This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION

1201

| SYMBOLS | |
|---------|---------------------|
| DL | =Day Letter |
| NL | =Night Letter |
| TL | =Telegram |
| VL | =Int'l Victory Ltr. |

W. P. MARSHALL, PRESIDENT

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

LA25 DA122

(15) 1951 SEP 27 AM 8 33

D=AUB004 PD=AUSTIN TEX 27 906A:

=J C KELLAHIN=

=NEW MEXICO OIL CONSERVATION SANTA FE NMEX=

=RETEL SEPTEMBER TWENTY-FOURTH DATE OF OCTOBER TWENTY-FIVE IS OKEY FOR MEETING RAILROAD COMMISSION WILL ISSUE NOTICES TO ALL WEST TEXAS OPERATORS TO THAT EFFECT=

=JACK K BAUMEL CHIEF ENGINEER
OIL & GAS DIVISION RR COM =

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

| DOMESTIC SERVICE | |
|---|--------------|
| Check the class of service desired; otherwise this message will be sent as a full rate telegram | |
| FULL RATE TELEGRAM | SERIAL |
| DAY LETTER | NIGHT LETTER |

WESTERN UNION

1206

| INTERNATIONAL SERVICE | |
|--|-----------------|
| Check the class of service desired; otherwise this message will be sent at the full rate | |
| FULL RATE | LETTER TELEGRAM |
| VICTORY LETTER | SHIP RADIOGRAM |

W. P. MARSHALL, PRESIDENT.

| NO. WDS.-CL. OF SVC. | PD. OR COLL. | CASH NO. | CHARGE TO THE ACCOUNT OF | TIME FILED |
|----------------------|--------------|----------|--------------------------|------------|
| | | | | |

Send the following message, subject to the terms on back hereof, which are hereby agreed to

4-24-51

**Jack Baumel, Chief Engineer
Railroad Commission of Texas
Austin, Texas**

**Calling joint meeting Texas-New Mexico Commissions 10 a. m. October 25, Mabry
Hall, Santa Fe, New Mexico. If time not satisfactory please notify at once.**

**New Mexico Oil Conservation Commission
Jason Kellahin**

ALL MESSAGES TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS:

To guard against mistakes or delays, the sender of a message should order it repeated, that is, telegraphed back to the originating office for comparison. For this, one-half the unrepeatd message rate is charged in addition. Unless otherwise indicated on its face, this is an unrepeatd message and paid for as such, in consideration whereof it is agreed between the sender of the message and this Company as follows:

1. The Company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the unrepeatd-message rate beyond the sum of five hundred dollars; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the repeatd-message rate beyond the sum of five thousand dollars, unless specially valued; nor in any case for delays arising from unavoidable interruption in the working of its lines.

2. In any event the Company shall not be liable for damages for mistakes or delays in the transmission or delivery, or for the non-delivery, of any message, whether caused by the negligence of its servants or otherwise, beyond the actual loss, not exceeding in any event the sum of five thousand dollars, at which amount the sender of each message represents that the message is valued, unless a greater value is stated in writing by the sender thereof at the time the message is tendered for transmission, and unless the repeatd-message rate is paid or agreed to be paid, and an additional charge equal to one-tenth of one percent of the amount by which such valuation shall exceed five thousand dollars.

3. The Company is hereby made the agent of the sender, without liability, to forward this message over the lines of any other company when necessary to reach its destination.

4. Except as otherwise indicated in connection with the listing of individual places in the filed tariffs of the Company, the amount paid for the transmission of a domestic telegram or an incoming cable or radio message covers its delivery within the following limits: In cities or towns of 5,000 or more inhabitants where the Company has an office which, as shown by the filed tariffs of the Company, is not operated through the agency of a railroad company, within two miles of any open main or branch office of the Company; in cities or towns of 5,000 or more inhabitants where, as shown by the filed tariffs of the Company, the telegraph service is performed through the agency of a railroad company, within one mile of the telegraph office; in cities or towns of less than 5,000 inhabitants in which an office of the Company is located, within one-half mile of the telegraph office. Beyond the limits above specified the Company does not undertake to make delivery, but will endeavor to arrange for delivery as the agent of the sender, with the understanding that the sender authorizes the collection of any additional charge from the addressee and agrees to pay such additional charge if it is not collected from the addressee. There will be no additional charge for deliveries made by telephone within the corporate limits of any city or town in which an office of the Company is located.

5. No responsibility attaches to this Company concerning messages until the same are accepted at one of its transmitting offices; and if a message is sent to such office by one of the Company's messengers, he acts for that purpose as the agent of the sender.

6. The Company will not be liable for damages or statutory penalties when the claim is not presented in writing to the Company, (a) within sixty days after the message is filed with the Company for transmission in the case of a message between points within the United States (except in the case of an intrastate message in Texas) or between a point in the United States on the one hand and a point in Alaska, Canada, Labrador, Mexico, Newfoundland and St. Pierre & Miquelon Islands on the other hand, or between a point in the United States and a ship at sea or in the air, (b) within 95 days after the cause of action, if any, shall have accrued in the case of an intrastate message in Texas, and (c) within 180 days after the message is filed with the Company for transmission in the case of a message between a point in the United States and a foreign or overseas point other than the points specified above in this paragraph; provided, however, that this condition shall not apply to claims for damages or overcharges within the purview of Section 415 of the Communications Act of 1934.

7. It is agreed that in any action by the Company to recover the tolls for any message or messages the prompt and correct transmission and delivery thereof shall be presumed, subject to rebuttal by competent evidence.

8. Special terms governing the transmission of messages according to their classes, as enumerated below, shall apply to messages in each of such respective classes in addition to all the foregoing terms.

9. No employee of the Company is authorized to vary the foregoing.

1-49

CLASSES OF SERVICE

DOMESTIC SERVICES

FULL RATE TELEGRAM

A full rate expedited service.

DAY LETTER (DL)

A deferred service at lower than the full rate.

SERIAL (SER)

Messages sent in sections during the same day.

NIGHT LETTER (NL)

Accepted up to 2 A. M. for delivery not earlier than the following morning at rates substantially lower than the full rate telegram or day letter rates.

INTERNATIONAL SERVICES

FULL RATE (FR)

The standard fast service at full rates. May be written in any language that can be expressed in Roman letters, or in secret language. A minimum charge for 5 words applies.

LETTER TELEGRAM (LT)

Overnight plain language messages. Minimum charge for 22 words applies.

VICTORY LETTER TELEGRAM (VLT)

Overnight plain language messages to armed forces overseas. Minimum charge for 10 words applies.

SHIP RADIOGRAM

A service to and from ships at sea. Plain or secret language may be used. Minimum charge for 5 words applies.

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

September 21, 1951

C
O
P
Y

Mr. Jack Baumel, Chief Engineer
Railroad Commission of Texas
Austin, Texas

Dear Jack:

This will acknowledge your letter of September 17 in which you mentioned either the 23rd or 24th of October as a date for the joint meeting for the Railroad Commission of Texas and the New Mexico Oil Conservation Commission to consider certain pools which overlap between New Mexico and Texas.

I have checked with both commissioners here and we feel that it would be suitable to call the hearing for October 23, which is our regular hearing day, but we will set the joint matter down for 2 o'clock, whereas we can dispose of the regular items before us at ten. So, if the Commission agrees - meaning your Commission, we will advertise a hearing for two o'clock on the 23rd day of October.

Very truly yours,

R. R. Spurrier

RRS:nr

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

September 14, 1951

C
O
P
Y

Mr. Foster Morrell
U. S. Geological Survey
Box 997
Roswell, New Mexico

Dear Sir:

This will acknowledge your letter of August 31, 1951, in which you address the New Mexico Oil Conservation Commission and the Texas Railroad Commission referring to lots on the eastern boundary of Lea County and the state of New Mexico which adjoin oil-producing lands of West Texas.

I have discussed the matter of a joint hearing with William J. Murray, jr., and Jack Baumel of the Texas Commission. It is my understanding that the Texas Commission would prefer a hearing in Santa Fe some time in October for the purpose of considering the problem of the lots which you have mentioned. We have not yet reached an agreement for the date, but when we do, we will forward a letter of announcement to your office.

Very truly yours,

R. R. Spurrier

RRS:nr

cc: Mr. Wm. J. Murray, jr.
Austin, Texas

Governor Edwin L. Mechem
Santa Fe, N. M.

Land Commissioner Guy Shepard
Santa Fe, N. M.

F



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

P. O. Box 997
Roswell, New Mexico



August 31, 1951

New Mexico Oil Conservation Commission ✓
Santa Fe, New Mexico

Texas Railroad Commission
Austin, Texas

Gentlemen:

The United States of America owns the mineral rights to many lots as delineated by Public Land Surveys along the eastern portion of the State of New Mexico adjoining the state line between New Mexico and Texas. These lots extend usually one-fourth ($\frac{1}{4}$) mile north to south and vary in width from 58 feet to 1,759 feet east to west. The lots vary in size from as little as 2.12 acres to more than 55.00 acres. Federal oil and gas leases have been issued for most of these lots under the Mineral Leasing Act of February 25, 1920 (41 Stat. 437), as amended.

In the interest of conservation of oil and gas, and of limitation in use of steel during the present emergency, it is desirable that satisfactory arrangements be initiated to avoid drilling of unnecessary wells, and at the same time protect correlative rights and equities involved.

This subject was previously reviewed during an informal conference with members of the two State regulatory bodies in Midland, Texas, several years ago but no decisions were reached. As recent discoveries of oil and gas have been made in Texas at locations 660 feet or less from the state line, some of which locations offset Federal oil and gas leases, it is desirable that definite plans be formulated to cover drilling and proration matters affecting these Federal leases at the earliest practical date.

As a practical approach to this subject, it appears to this office that the Federal leases in New Mexico should be operated and developed consistent with the general practices of the industry within New Mexico, and so far as possible consistent with the rules and regulations of the New Mexico Oil Conservation Commission. To this end it would seem best that the smaller lots be communitized with the adjoining full 40-acre tracts to the west. Where the lots are of medium size, possibly from 20 to 30 acres, it may be desirable to communitize two of such lots for a drilling and proration unit that

would more closely approximate a normal 40-acre unit rather than to communitize such lots with the adjoining 40 acres and have an excessive amount of acreage comprise a drilling and proration unit. The larger lots could be considered as acceptable units for drilling purposes.

In all cases involving individual lots or communitized lots, it would seem proper that the proration allowable in New Mexico should be based on a factor being the ratio of the acreage of the lot or communitized tract to 40 acres, applied to the normal 40-acre allowable for the particular pool.

The difference in proration methods between the State of New Mexico and the State of Texas presents an additional problem. If legal and subject to reasonable administration, it would appear that a common oil and gas reservoir or pool embracing lands in the two states should be subject to the same proration rules and regulations. It has been suggested that if the pool or field is first discovered and developed in the State of New Mexico, that the extension into the State of Texas might be governed by the New Mexico proration schedules as adopted for that pool or field by the Texas Railroad Commission. Likewise, for a pool or field first discovered in the State of Texas and later extended into New Mexico, the New Mexico portion might be governed by applicable proration rules and regulations of the Texas Railroad Commission to be adopted by the New Mexico Oil Conservation Commission for that particular pool or field.

As we must take appropriate action to protect the Federal interests involved, this office suggests that the matter be given your earnest and early consideration, and that we be advised of your findings.

It may be desirable that the two State regulatory bodies hold a joint open hearing on the subject. Some informal discussions might also be informative and helpful. To this end I shall be glad to discuss the subject with representatives of both Commissions at any convenient place, having in mind either Santa Fe or Roswell, New Mexico, Midland or Austin, Texas.

Very truly yours,


FOSTER MORRELL
Oil and Gas Supervisor
Southwestern Region

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

September 21, 1951

**Mr. Jack Baumel, Chief Engineer
Railroad Commission of Texas
Austin, Texas**

Dear Jack:

This will acknowledge your letter of September 17 in which you mentioned either the 23rd or 24th of October as a date for the joint meeting for the Railroad Commission of Texas and the New Mexico Oil Conservation Commission to consider certain pools which overlap between New Mexico and Texas.

I have checked with both commissioners here and we feel that it would be suitable to call the hearing for October 23, which is our regular hearing day, but we will set the joint matter down for 2 o'clock, whereas we can dispose of the regular items before us at ten. So, if the Commission agrees - meaning your Commission, we will advertise a hearing for two o'clock on the 23rd day of October.

Very truly yours,

R. R. Spurrier

RRS:nr

C
O
P
Y

Railroad Commission of Texas

OIL AND GAS DIVISION



AUSTIN, TEXAS

COMMISSIONERS

OLIN CULBERSON
CHAIRMAN

ERNEST O. THOMPSON

WILLIAM J. MURRAY, JR.

O. D. HYNDMAN, SECRETARY

HARRY M. BATIS
CHIEF SUPERVISOR

JACK K. BAUMEL
CHIEF ENGINEER

L. E. DAVIS
AUDITOR

September 17, 1951

Mr. R. R. Spurrier
Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Dear Dick:

To confirm our conversation we had in Fort Worth at the Interstate Oil Compact Commission meeting in regard to Foster Morrell's letter in having a joint hearing on certain fields overlapping in New Mexico and Texas, please be advised that the Commission felt that the date which you gave me, that is around October 23 or any date during that week, would be all right with them and it would be all right to have that meeting in Santa Fe, New Mexico.

If you will be so kind as to give us the exact date, either the 23rd or 24th, then we will go ahead and issue a hearing notice accordingly. *as a note*

Thank you for your consideration, and

Very truly yours,

Jack K. Baumel
Jack K. Baumel,
Chief Engineer

JKB:cbr

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO.

