

P. O. Box 997
Roswell, New Mexico

August 31, 1951

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Texas Railroad Commission
Austin, Texas

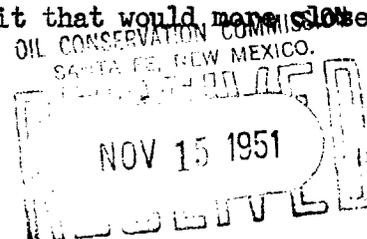
Gentlemen:

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

P. O. Box 1838
Hobbs, New Mexico

Case no.

October 15, 1951

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

Re: Las Cruces 069752

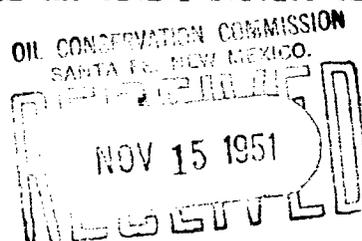
Dear Sir:

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. 38E, 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,

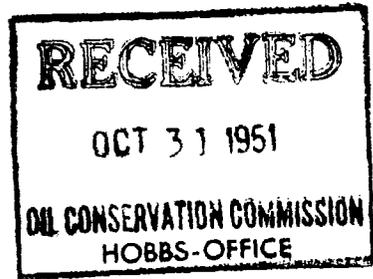
(Orig. Sgd.) M. H. Soyster

M. H. SOYSTER
District Engineer

MHSoyster:brj

cc. Roswell Office
Accounts

cc- Hunker 10-19-51



R. S. MAGRUDER
601 SINCLAIR BLDG. :: PHONE FANNIN 1487
FORT WORTH 2, TEXAS

October 29, 1951.

serial 104(e)

Oil Conservation Commission,
Hobbs, New Mexico.,

US Oil & Gas Lease LC 069752
Lots 1 & 2, Sec 33, 24S-38E
14.45 acres, Lea County, N.M.,

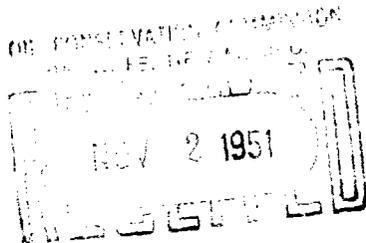
Gentlemen:-

As Lessee in the above, and, at the suggestion of Mr. M. H. Soyster, District Engineer, U. S. G. S., Hobbs, New Mexico, his letter of October 15, I am hereby making application for a hearing and for the communitizing of each of the above numbered lots, with each of two 40 acre tracts of State lease immediately to the west and being NE $\frac{1}{4}$ NW $\frac{1}{4}$ and SE $\frac{1}{4}$ NW $\frac{1}{4}$ of the same section, township and range, and for provision for increased allowable based on the amount of acreage in such communitized tracts as compared to a normal 40 acre tract. It is my understanding that such communitization would allow for the drilling of two wells on the state acreage and protect the U. S. acreage from drainage and also prevent the drilling of unnecessary wells.

I am sending to the Gulf Oil Corporation, Roswell, New Mexico., owner of the aforesaid NE $\frac{1}{4}$ NW $\frac{1}{4}$ & SE $\frac{1}{4}$ NW $\frac{1}{4}$ Sec 33, 24S-38E, copy of this letter and also copy to Mr. Soyster of the USGS at Hobbs, New Mexico.

Yours very truly,

[Handwritten signature]



R. S. MAGRUDER
601 SINCLAIR BLDG. :: PHONE FANNIN 1487
FORT WORTH 2, TEXAS

October 29, 1951.

Oil Conservation Commission,
Santa Fe, New Mexico.,

US Oil & Gas Lease LC 069752
Lots 1 & 2, Twp 24S Range 38E
14.45 acres, Lea County, N.M.,

Gentlemen:-

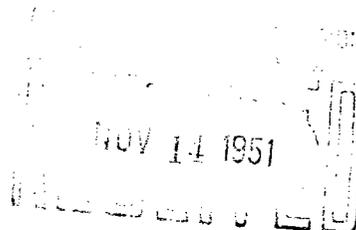
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I am sending to the Gulf Oil Corporation, Roswell, New Mexico, owner of the aforesaid NE $\frac{1}{4}$ NW $\frac{1}{4}$ & SE $\frac{1}{4}$ NW $\frac{1}{4}$ Sec 33, 24S-38E copy of this letter and also copy to Mr. Soyster of the U.S.G.S. at Hobbs, New Mexico.,

Yours very truly,

R S Magruder

The above is a copy of letter addressed to Oil Conservation Commission, Hobbs, New Mexico, as I was under the impression that the office was at Hobbs, and am duplicating it herewith in case it has not been forwarded to Santa Fe.



OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

November 26, 1951

Mr. R. S. Magruder
601 Sinclair Building
Ft. Worth 2 - Texas

Dear Mr. Magruder: RE: Unitization of Lots 1 and 2, Sec. 33,
Twp. 24 South, Range 38 East, Lea County

Your letter of October 29, 1951, requesting a hearing on unitization of the above-numbered lots was referred to me to prepare an advertisement for hearing at our regular December meeting. It is not clear from your letter as to which of the lots would be unitized with which 40-acre tract. Although we could probably correct this deficiency here, and would be glad to do so, the petition has not been prepared in the form required by the Commission, and some essential information is missing.

We invite your attention to Commission Rule 104, sub-section (e), which provides that an application for an exception to a normal drilling unit shall be accompanied by a plat drawn to scale accurately showing the property on which the exception is sought, all completed wells on that and adjoining property, and the names and addresses of all adjoining lessees shall be shown in the application.

Your application should be prepared in the form of a petition and submitted in triplicate with the accompanying plat, as provided for by this rule. If received prior to our December 20 hearing, it will be possible to set this case for hearing in January.

Yours very truly,

Jason Kellehin, Attorney

JK:nr

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

January 2, 1952

C
O
P
Y

Mr. R. S. Magruder
601 Sinclair Building
Ft. Worth 2 - Texas

Dear Mr. Magruder: RE: Unitisation of Lots 1 and 2, Sec. 33,
Twp. 24 South, Range 38 East, Lea County

We wish to advise that the above matter, as set out in your application of December 17, 1951, has been set for hearing before the Oil Commission at 10 a.m. January 22, 1952, Mabry Hall (State Capitol), Santa Fe, New Mexico.

It has been designated as Case 337, and legally advertised for the described hearing.

Very truly yours,

R. R. Spurrier
Secretary - Director

RRS:nr

Case 337

R. S. MAGRUDER

601 SINCLAIR BLDG. :: PHONE FANNIN 1487
FORT WORTH 2, TEXAS

February 2, 1952.

US Lease LC 069752
Case #337, January 22nd, hearing
Lots 1 & 2, Sec 33, 24S-38E
Lea County, New Mexico.

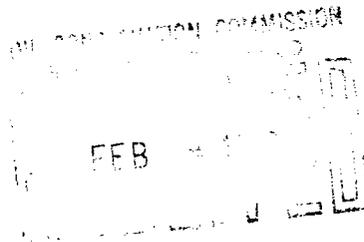
Oil Conservation Commission,
Santa Fe, New Mexico.,

Gentlemen:-

In connection with the above, this is to advise you, I have assigned the above lease to J. H. Snowden, 750 W 5th St, Fort Worth, Texas,, and have furnished Mr. Snowden with all correspondence from your Commission and from the U.S.G.S., in connection with the case.

I feel sure that Mr. Snowden will cooperate with you fully in any future matters that may come up concerning the case.

Yours very truly,



OIL CONSERVATION COMMISSION
FEB 4 1952

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

October 6, 1952

C Mr. W. H. Slay, jr.
1202 Oil and Gas Building
Ft. Worth, Texas

Dear Sir:

O Reference is made to our telephone conversation of today concerning the allowable to be assigned the Gulf Oil Corp., No. 15, Leonard 'A' Well, Sect. 33, Tw. 24 S., R. 38 E., West Dollarhide - Devonian Pool, Lea County, N. M.

P A check of our records reveals that this well was given an allowable of 159 barrels per day effective September 21, 1952. This allowable was computed by multiplying the basic per-well allowable in the West Dollarhide-Devonian Pool (135 bbls.) times $47/40$, or 1.175. (This allowable being based on Order R-144).

Y Although the communitization agreement between yourself and Gulf Oil Corp. has not been received by this office, it is recognized that an agreement of this type necessitates considerable time in preparation, and therefore the provisions of the order (Par. 1 A) are temporarily waived.

Very truly yours,

W. B. Macey
Chief Engineer

WBM:nr

cc: Mr. A. L. Porter, jr.
Box 2045
Hobbs, N. M.

Well file

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

April 23, 1952

C
O
P
Y

Mr. R. S. Magruder
601 Sinclair Building
Ft. Worth 2 - Texas

Dear Mr. Magruder:

We enclose signed copy of Oil Conservation Commission Order R-144 issued in Case 337, which you initiated.

In line with information furnished by you in your letter of February 2, 1952, copy of the order is also being sent to the present holder of the lease involved, Mr. J. H. Snowden, 750 West 5th Street, Fort Worth, Texas, to whose attention we call Paragraph 1-a under the clause IT IS THEREFORE ORDERED.

Very truly yours,

W. B. Macey
Chief Engineer

WBM:mr

cc: Mr. J. H. Snowden

Case 337

uom

ATWOOD, MALONE & CAMPBELL
LAWYERS

JEFF D. ATWOOD
ROSS L. MALONE, JR.
JACK M. CAMPBELL

CHARLES F. MALONE

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO.

J. P. WHITE BUILDING
ROSWELL, NEW MEXICO

APR 7 1952

April 4, 1952

Mr. W. B. Macy,
Chief Engineer,
Oil Conservation Commission,
Santa Fe, New Mexico.

Dear Bill:

I am returning the composed order in Case No. 337. There is only one suggestion, which is certainly a minor one. In connection with the last paragraph you referred to the approval of the communitization by the Oil and Gas Supervisor of the U.S.C.S. This approval should technically be by the Director and it may be that you will want to change the words "Oil and Gas Supervisor" to "Director". Otherwise, I think the order is well drawn and will adequately cover the situation.

I am in the process of preparing a communitization agreement at this time and I will appreciate the early issuance of this order if such is practical.

Thanking you for your assistance, and with kindest personal regards, I am

Very truly yours,

Jack M. Campbell

JMC:h1

Encl.