

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

June 15, 1955

C
O
P
Y

Shell Oil Company
P.O. Box 1957
Hobbs, New Mexico

Attention: W. E. Owen

Gentlemen:

We enclose a copy of Order R-644 issued on June 13, 1955, by the Oil Conservation Commission in Case 878, which was heard at the April 20th hearing upon your company's application.

Very truly yours,

W. B. Macey
Secretary - Director

WBM:brp
Enclosure

STATE LAND OFFICE

Santa Fe, New Mexico



E. S. WALKER
COMMISSIONER OF PUBLIC LANDS

Refer Reply To:
Oil & Gas Royalty Div.

February 21, 1955

WFO DHT
BAZ CHD
FOH
Caudill Field

Shell Oil Company
P. O. Box 1957
Hobbs, New Mexico

Att: Mr. W. E. Owens
Division Manager

Gentlemen:

With regard to your letter dated February 17th, permission is hereby granted you by the State Land Office to commingle future production from all Shell wells to be located on State leases NM-1269 and NM-1361, subject to approval by the Oil Conservation Commission. The usual procedure is to request a hearing from the Oil Conservation Commission.

No separate accounting of royalty by the individual lease numbers will be required, however, consolidated reports of production and pipeline runs must indicate separately thereon the production and pipeline runs from individual wells, as is done where more than one well is located on the same original lease. All forms and reports should bear both lease numbers. This is for your protection as well as for the benefit of our records, so that no lease could be cancelled in error.

It is understood that the central tank battery will include adequate tankage and other equipment so that the production from each well can be accurately determined at reasonable intervals. No well on the above described leases shall at any time be permitted to produce at a rate in excess of the top allowable as fixed by the Oil Conservation Commission.

Very sincerely yours,

E. S. WALKER
Commissioner of Public Lands

[Faint handwritten notes and stamps at the bottom left corner]

INV File
Case 878

Box 1957
Hobbs, New Mexico

February 25, 1955

Subject: Centralization of Tankage
Shell State Leases NM-1269 (E-1044)
and NM-1361 (E-1667), Caudill Field
Section 16, T-15-S, R-36-E, NMPM
Lea County, New Mexico

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

Gentlemen:

The Shell Oil Company has initiated development of a State oil lease in the Caudill (Devonian) Field, with the number one well currently drilling below 13,000 feet in the SE¹/₄ NW¹/₄ of Section 16, T-15-S, R-36-E, NMPM, Lea County, New Mexico. This lease is Shell's State NM-1269 (New Mexico State E-1044), which consists of an 80-acre tract and a 240-acre tract in Section 16. Further development is planned for NM-1269 as well as State lease NM-1361 (New Mexico State E-1667), an 80-acre lease consisting of two 40-acre tracts in the N¹/₂ of Section 16. These lease holdings and the drilling well are shown on an attached plat.

In view of the attractive saving in initial capital investment costs and operational expense over lease life of centralized battery facilities as compared with a tank battery on each tract, we propose to utilize centralized storage facilities for Shell wells drilled in Section 16 (NM-1269 and NM-1361), with the facilities to be located at a favorable location in the N¹/₂ of Section 16. As advised by Mr. S. J. Stanley, Engineer District 1, New Mexico Oil Conservation Commission, Hobbs, New Mexico, and Mr. W. B. Macey, Secretary and Director, New Mexico Oil Conservation Commission, Santa Fe, New Mexico, the State Land Office was consulted regarding the subject centralization of tankage by letter dated February 17, 1955, in which permission was requested to commingle future production from all Shell wells to be located on State leases NM-1269 and NM-1361 and completed in the same pay formation. A copy of the affirmative reply by the State Land Office dated February 21, 1955 and signed by Mr. E. S. Walker, Commissioner of Public Lands, is attached. In this letter, permission was granted to commingle future production from the Shell State leases in Section 16, subject to approval by the New Mexico Oil Conservation Commission.

All Oil Conservation Commission rules and regulations will be complied with in the centralized handling of oil, including Rule 309 regarding

ILLEGIBLE

New Mexico Oil Conservation Commission

Page 2

February 25, 1955

central tank batteries. No more than eight units will be handled in the same tank battery without prior approval from your office. Adequate tankage and testing facilities will be installed so that the production from each well can be accurately determined at reasonable intervals.

In the event that six wells are completed as producers on the subject leases, it is estimated that the initial capital investment for surface equipment utilizing common, centralized storage will be approximately \$32,000 less than the total cost which would be required with a tank battery on each producing tract. An advantage of a central tank battery in addition to the monetary saving in investment and normal operating expense is the fact that centralized storage is more readily adapted to automatic or semi-automatic control.

Shell's first well in the Caudill Field is nearing completion. The aforementioned investment saving is partially dependent upon knowing at the time of this initial well completion that the centralized tank battery to serve the subject leases meets with the Commission's approval. Therefore, if this plan meets with your approval, an early reply is requested.

Yours very truly,

ORIGINAL SIGNED
BY W. E. OWEN

W. E. Owen
Division Manager

BOC:PD

Attachments

cc: New Mexico Oil Conservation Commission (w/attach.)
P. O. Box 2045
Hobbs, New Mexico

bcc: Production Manager - Midland

ILLEGIBLE

Case 878

Write Letter
let for approval
preparing



FIELD OFFICE SHELL OIL COMPANY
FEB 25 1955

Box 1957
Hobbs, New Mexico

February 25, 1955

Subject: Centralization of Tankage
Shell State Leases NM-1269 (E-1044)
and NM-1361 (E-1667), Caudill Field
Section 16, T-15-S, R-36-E, NMPM
Lea County, New Mexico

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

Gentlemen:

The Shell Oil Company has initiated development of a State oil lease in the Caudill (Devonian) Field, with the number one well currently drilling below 13,000 feet in the SE/4 NW/4 of Section 16, T-15-S, R-36-E, NMPM, Lea County, New Mexico. This lease is Shell's State NM-1269 (New Mexico State (E-1044)), which consists of an 80-acre tract and a 240-acre tract in Section 16. Further development is planned for NM-1269 as well as State lease NM-1361 (New Mexico State (E-1667)), an 80-acre lease consisting of two 40-acre tracts in the N/2 of Section 16. These lease holdings and the drilling well are shown on an attached plat.

In view of the attractive saving in initial capital investment costs and operational expense over lease life of centralized battery facilities as compared with a tank battery on each tract, we propose to utilize centralized storage facilities for Shell wells drilled in Section 16 (NM-1269 and NM-1361), with the facilities to be located at a favorable location in the N/2 of Section 16. As advised by Mr. S. J. Stanley, Engineer District 1, New Mexico Oil Conservation Commission, Hobbs, New Mexico, and Mr. W. B. Macey, Secretary and Director, New Mexico Oil Conservation Commission, Santa Fe, New Mexico, the State Land Office was consulted regarding the subject centralization of tankage by letter dated February 17, 1955, in which permission was requested to commingle future production from all Shell wells to be located on State leases NM-1269 and NM-1361 and completed in the same pay formation. A copy of the affirmative reply by the State Land Office dated February 21, 1955 and signed by Mr. E. S. Walker, Commissioner of Public Lands, is attached. In this letter, permission was granted to commingle future production from the Shell State leases in Section 16, subject to approval by the New Mexico Oil Conservation Commission.

All Oil Conservation Commission rules and regulations will be complied with in the centralized handling of oil, including Rule 309 regarding

New Mexico Oil Conservation Commission

Page 2

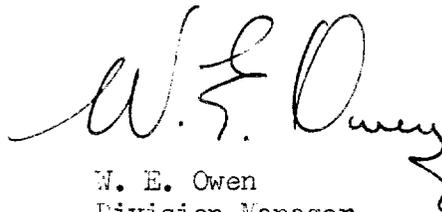
February 25, 1955

central tank batteries. No more than eight units will be handled in the same tank battery without prior approval from your office. Adequate tankage and testing facilities will be installed so that the production from each well can be accurately determined at reasonable intervals.

In the event that six wells are completed as producers on the subject leases, it is estimated that the initial capital investment for surface equipment utilizing common, centralized storage will be approximately \$32,000 less than the total cost which would be required with a tank battery on each producing tract. An advantage of a central tank battery in addition to the monetary saving in investment and normal operating expense is the fact that centralized storage is more readily adapted to automatic or semi-automatic control.

Shell's first well in the Caudill Field is nearing completion. The aforementioned investment saving is partially dependent upon knowing at the time of this initial well completion that the centralized tank battery to serve the subject leases meets with the Commission's approval. Therefore, if this plan meets with your approval, an early reply is requested.

Yours very truly,



W. E. Owen
Division Manager

Attachments

cc: New Mexico Oil Conservation Commission (w/attach.)
P. O. Box 2045
Hobbs, New Mexico

STATE LAND OFFICE

Santa Fe, New Mexico



E. S. WALKER
COMMISSIONER OF PUBLIC LANDS

Refer Reply To:
Oil & Gas Royalty Div.

February 21, 1955

*WFO DHT
BAG CHD
FOH*

Caudill Field

Shell Oil Company
P. O. Box 1957
Hobbs, New Mexico

Att: Mr. W. E. Owens
Division Manager

Gentlemen:

E-1667

2-10-55

With regard to your letter dated February 17th, permission is hereby granted you by the State Land Office to commingle future production from all Shell wells to be located on State leases NM-1269 and NM-1361, subject to approval by the Oil Conservation Commission. The usual procedure is to request a hearing from the Oil Conservation Commission.

No separate accounting of royalty by the individual lease numbers will be required, however, consolidated reports of production and pipeline runs must indicate separately thereon the production and pipeline runs from individual wells, as is done where more than one well is located on the same original lease. All forms and reports should bear both lease numbers. This is for your protection as well as for the benefit of our records, so that no lease could be cancelled in error.

It is understood that the central tank battery will include adequate tankage and other equipment so that the production from each well can be accurately determined at reasonable intervals. No well on the above described leases shall at any time be permitted to produce at a rate in excess of the ton allowable as fixed by the Oil Conservation Commission.

Very sincerely yours,

E. S. Walker

E. S. WALKER
Commissioner of Public Lands

Box 1957
Hobbs, New Mexico

February 17, 1955

BEFORE THE
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

EXHIBIT No. 2
CASE 78

Subject: Centralization of Tankage
Shell Leases NM-1269 (E-1044)
and NM-1361 (E-1667)
Caudill Field, Section 16, T-15-S,
R-36-E, NMPH, Lea County, New Mexico

Mr. E. L. Walker
Commissioner of Public Lands
Santa Fe, New Mexico

Dear Sir:

We have initiated development of a State oil lease in the Caudill (Devonian) field, with the No. 1 well currently drilling below 12,700 feet in the NE¹/₄ NW¹/₄ of Section 16, T-15-S, R-36-E, NMPH, Lea County, New Mexico. This well is on Shell's State lease NM-1269 (New Mexico State E-1044), which consists of an 80-acre tract and a 240-acre tract in Section 16. Further development is planned for this lease as well as State lease NM-1361 (New Mexico State E-1667), an 80-acre lease consisting of two 40-acre tracts in the E¹/₂ of Section 16. These lease holdings and the drilling well are shown on an attached plat.

We propose to utilize centralized oil treating and storage facilities for Shell wells drilled in Section 16 (NM-1269 and NM-1361), with the facilities to be located at a favorable location in the E¹/₂ of Section 16. In view of the attractive saving in initial capital investment cost and operational expense over life of centralized battery facilities as compared with a tank battery on each tract, we request the permission of your office to commingle future production from all Shell wells to be located on State leases NM-1269 and NM-1361 and completed in the same pay formation. After your permission has been obtained, the New Mexico Oil Conservation Commission will be consulted on their requirements regarding com on storage for the subject tracts.

An advantage of centralized storage in addition to the afore-mentioned monetary saving in investment for lease facilities and normal operating expense is the fact that centralized storage is more readily adapted to automatic or semi-automatic control.

ILLEGIBLE

Mr. S. J. Walker

- 2 -

February 17, 1955

Since our first well will be completed in the near future, an early reply from your office will be appreciated.

Yours very truly,

~~ORIGINAL SIGNED~~
~~BY W. E. OWEN~~

W. E. Owen
Division Manager

Attachment

BOC:FD

bcc: Production Manager - Midland