

May 29, 1963

J. Cleo Thompson
1203 Kirby Building
Dallas 1, Texas

Re: J. Cleo Thompson - USA Etz,
No. 1 J, 26-16-30, and
Newmont Oil Co. - A.N. Etz,
No. 7 J, 26-16-30, Square
Lake Pool, Eddy County, N.M.

Dear Sir:

It has come to our attention that the subject wells are completed in the same pool on the same proration unit. Currently these wells carry a total allowable in excess of one normal unit allowable. However, the Commission Rules and Regulations limit the allowable of a forty acre tract to a maximum of one top unit allowable regardless of the number of wells thereon.

It is our understanding that in this instance each operator has the right to a portion of the vertical limits of the Square Lake Pool, those being the Grayburg and San Andres formations in full. Therefore, it will be necessary for each operator to meet with the other and arrive at some division of the allowables which will, hereafter, be assigned the unit. For example, it might be decided that it would be proper to split the allowable 50-50 or 40-60 or 35-65, or at any other ratio you desire.

Please file these factors with this office as soon as they are determined or by July 18, 1963, whichever is sooner.

Very truly yours,

RLS/uh

R. L. Stamets

cc: James Durrett, Oil Conservation Commission, Santa Fe, N.M.
James Knauf, U.S.G.S., Artesia, New Mexico
Newmont Oil Co, Artesia, New Mexico

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