

WHALEY COMPANY, INCORPORATED

CONTINENTAL LIFE BUILDING  
FORT WORTH 2, TEXAS

WILLIAM D. MORRIS  
PRESIDENT

July 24, 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  
Chaves County, New Mexico

Dear Mr. Funk:

Accept our thanks for your letter of July 21, 1961 with reference to our 40 acre tract, which is inside the perimeter of your waterflood project.

We have carefully noted the full contents of your letter and restate that our only reason for declining to go into this Unit to start with was that we felt our 40 acre tract was given insufficient reserves. That situation still stands.

We now suggest, as a matter of preliminary negotiations, that you propose a plan to complete your flood operations as though we were fully in the Unit, and that you carry out these plans exactly as you would do from an engineering standpoint assuming that we were in the Unit and that it was the desire of everyone that we got our full share of oil under the tract. We will have these plans checked, both as to initial installation and proposed operations, by a competent waterflood engineer. In all probability, we will use Mr. William E. Pickart of the Ryder Scott Company of Midland, Texas, as he has represented us in an engineering and reservoir study in another area.

We suggest further that after we have agreed on the above plans, we make a cash contribution to the waterflood Unit of somewhere between \$500 and \$2500 as soon as any kind of favorable results are shown. We would be willing to make an initial contribution of \$500, regardless of the results, if this would be of any interest to you, as the operator.

We further suggest that the production from our well over all of 1960 and through June 30th, 1961 be taken as its normal production, and that when, as and if this production increases, we will pay you \$.75 per barrel as a general lifting cost item for any increase received by us.

We believe from a study of the operating agreement on this property that it would be far too difficult to now include us in the Unit and we would also probably run up against the fact that we would not be happy with secondary reserves assigned to our tract.

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July 24, 1961  
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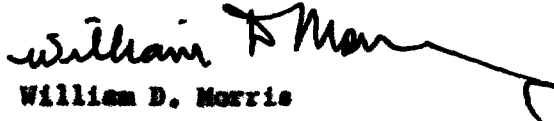
If the above proposition is of interest to you, you may let us know, and we suggest that we mutually take such steps to put the plan into operation promptly.

May we also say in this connection that we have further difficulty should we even consider entering the Unit. The Base Lease, of which the 40 acres inside your flood unit, namely SW/4 of the NE/4 of Section 2, Twp-14-S, Rge-31-E, Chaves County, New Mexico contains 717.08 acres. The well on this tract is our #2. #1 well on the same Base Lease is located in the NE/4 of the NE/4 of Section 36, Twp-12-S, Rge-31-E, Chaves County, New Mexico. This well is some ten miles north of #2 well where our tank battery is situated. It has no pipeline connection and with the approval of Texaco, Inc., the purchaser, and the New Mexico Conservation Commission, we are trucking the oil down from #1 to #2 battery. Texaco, Inc., Division Order, of course, covers the entire lease of 717.08 acres. #1 well has recently been reworked, and is making from 25 to 35 barrels per day on the pump.

We are sending copies of this letter to all parties at interest, which are the same parties mentioned in your letter, and in addition, have included Mr. William E. Fickart of the Ryder Scott Company of Midland.

We will be glad to hear from you, after you have considered our letter.

Yours very truly,

  
William D. Morris

WDM:bw

cc: Oil Conservation Commission ✓  
Box 871, Santa Fe, New Mexico

Oil Conservation Commission  
Box 2045, Hobbs, New Mexico

New Mexico State Engineer  
Box 1069, Santa Fe, New Mexico

Cities Service Petroleum Co  
Box 97, Hobbs, New Mexico

Mr. H. C. Bland  
Cities Service Petroleum Co  
Bartlesville, Oklahoma

Ryder Scott Company  
Petroleum Engineers  
408 Wilkins-Foster Bldg  
Midland, Texas  
Attn: Mr. William E. Fickart

Mr. H. B. Phillips, Supt.  
Whaley Company, Inc.  
Box 925, Kermit, Texas