

State of New Mexico
Oil Conservation Commission



P. O. BOX 871
SANTA FE

Re: Case No. 2622
Order No. R-2333
Applicant:
Cactus Drilling Company

OTHER

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

Case 2622

September 11, 1962

Cactus Drilling Company
P. O. Drawer 71
San Angelo, Texas

Attention: Mr. L. E. Nilsson

Re: Request for non-standard gas proration
unit, Catron State "B" Well No. 1, W-H
E/2 NE/4 and NW/4 NE/4, Section 11,
Township 18 South, Range 36 East, Lea
County, New Mexico

Gentlemen:

Thank you for your letter of September 8, 1962. Please be advised that you will need to retain an attorney licensed to practice law in the State of New Mexico to present your case before the Commission on September 27, 1962. Mr. Sharp may appear as a witness on your behalf and you may retain an out-of-state attorney to present your case but he must be associated with an attorney licensed to practice law in New Mexico before he can appear before the Commission.

In general, your witness should be familiar with the subject application and should be prepared to establish that granting the same will not cause waste or impair correlative rights. Your attorney will be able to give you more detailed information concerning the evidence that should be presented to the Commission.

Please inform me if you need any additional information.

Very truly yours,

JAMES M. DURRETT, Jr.,
Attorney

*Doyle
mailed
9/14/62
JMD/esr*

CACTUS DRILLING COMPANY

FIRST SAVINGS BUILDING
SAN ANGELO, TEXAS

September 8, 1962

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

Attention: James M. Durrett, Jr.

Re: Request for non-standard gas proration
unit, Catron State "B" Well No. 1, W-H
E/2 NE/4 and NW/4 NE/4, Section 11, Twp. 18S
Range 36 E, Lea County, New Mexico

Gentlemen:

We have your letter of August 30, 1962 on the above captioned and first thank you for your consideration and secondly we apologize for our contribution to the mix up involved.

We are not familiar with procedure in such cases and kindly ask that you advise if it will be permissible for our geologist, Mr. James L. Sharp of Hobbs, New Mexico, to appear September 27, 1962 or if we will need legal representation before the commission.

Also if any other information is needed by our representative, kindly advise and we will appear fully prepared.

Yours very truly,

CACTUS DRILLING COMPANY


L. E. Nilsson

LEN/gr
CC to J. L. Sharp
110 W. Mesa
Hobbs, New Mexico

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

Order 2622

August 30, 1962

Cactus Drilling Company
First Savings Building
Post Office Drawer 71
San Angelo, Texas

BEST AVAILABLE COPY

Attention: Mr. L. E. Nilsson

Re: Request for non-standard gas proration
unit, Catron State "B" Well No. 1, W-H
E/2 NE/4 and NW/4 NE/4, Section 11,
Township 18 South, Range 36 East, Lea
County, New Mexico

Gentlemen:

In accordance with our letter of August 7, 1962, your application for a 120-acre non-standard gas proration unit to be dedicated to the above well was set for hearing and came on before the Commission at the Examiner Hearing held August 29, 1962, in the Oil Conservation Commission Conference Room, State Land Office Building, Santa Fe, New Mexico. As no one appeared on your behalf, I moved the Commission to continue the case and the motion was granted. The case was continued to the Examiner Hearing to be held September 27, 1962, in the Oil Conservation Commission Conference Room, State Land Office Building, Santa Fe, New Mexico. You will once again receive a copy of the Docket prior to the hearing.

When your case was called during the August 29 Hearing, I did not move to dismiss the case for lack of prosecution as I felt there might have been some misunderstanding of our letter of August 7, 1962, advising you that the application could only be granted after notice and hearing and that the case

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mailed
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OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

-2-

August 30, 1962

Cactus Drilling Company

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would be docketed for the August 29, 1962, Hearing. However, I must advise you that I will be forced to move the Commission to dismiss the case for lack of prosecution if someone does not appear for you on September 27, 1962.

Also, please be advised that the Commission will be forced to shut the subject well in if appropriate action is not taken before September 27, 1962, and the case is dismissed for lack of prosecution as no unit will have been approved for production. May we suggest the following three alternatives that we see at this time:

- (1) Proceed with the application for a 120-acre non-standard proration unit.
- (2) Form a voluntary 160-acre standard proration unit.
- (3) File an application to force-pool all non-consenting interests and establish a standard 160-acre proration unit.

We will be happy to discuss this matter further with you or furnish you any additional information you may desire.

Very truly yours,

JAMES M. DURRETT, Jr.,
Attorney

JMD/esr

cc: Mrs. Marian M. Rhea
Supervisor, Unit Division
State Land Office
Santa Fe, New Mexico

OIL CONSERVATION COMMISSION

P. O. BOX 871

SANTA FE, NEW MEXICO

Case 2622

August 7, 1962

Cactus Drilling Company
P. O. Drawer 71
San Angelo, Texas

Attention: Mr. L. E. Nilsson

Gentlemen:

Reference is made to your letter of August 3, 1962, wherein you have requested that the Commission approve a 120-acre non-standard unit in the Arkansas Junction-Queen Gas Pool for your Catron State "B" Well No. 1, located in the NE/4 NE/4 of Section 11, Township 19 South, Range 36 East, Lea County, New Mexico. It is our understanding that you seek to dedicate the E/2 of the NE/4 and the NW/4 NE/4 of said Section 11 to the aforesaid well.

New Mexico Oil Conservation Commission Rules and Regulations do not permit the assignment of a non-standard unit to a non-prorated well except after notice and hearing, unless special pool rules for the pool make provision for same. Your application will, therefore, be set for hearing on our August 29, 1962, Docket. You will receive a copy of the Docket for this hearing as soon as it has been published.

Very truly yours,

DANIEL S. NUTTER
Chief Engineer

DSN/esr

Case 2622

December 2, 1961

Continental Oil Company
825 Petroleum Building
Roswell, New Mexico

Attention: Mr. W. A. Mead

RE: Proposed 160-Acre proration
Unit, Catron State "B" No. 1
Arkansas Junction Queen Gas
Pool, Lea County, New Mexico

Gentlemen:

Answering your letter of November 28th in connection with the above captioned with particular reference to our letter of November 3rd in which we failed to acknowledge receipt of your letter of October 24th. Catron Drilling Company does not approve the proposal as submitted in your letter. Since that would mean that we would wind up with a 1/16 of 1/4 interest out of which we would have to pay all operating expenses and/or remedial expenses that may be incurred during the life of the producing well.

We are attaching copy of our letter to Mr. John Kelly wherein it is set out he had verbally agreed to assign the acreage in question and retain a 1/8th over ride. On the basis of this verbal agreement, we submitted a C-128, New Mexico form assigning 160 acres to the gas proration unit. Subsequent to this letter, Conoco took over the Kelly acreage when he was appointed to his present federal office and we had assumed this tentative verbal agreement would be carried through by Conoco.

If Conoco can not see its way clear to assigning the acreage and retaining a 1/8th over ride, or joining in the unit and paying their proportionate share of the cost of the drilling of this well, kindly advise and we will file an amended New Mexico form C-128 for the 120 acre allocation to this well with corresponding reduction in gas production. The well will be shut in to compensate for any over production that has been erroneously allocated to your 40 acre tract.

Yours very truly,

CACTUS DRILLING COMPANY

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L. E. Nilsson

LEN/wh

CONTINENTAL OIL COMPANY

625 PETROLEUM BUILDING
ROSWELL, NEW MEXICO
November 28, 1961

WM. A. MEAD
DIVISION SUPERINTENDENT
OF PRODUCTION
NEW MEXICO DIVISION

Mr. L. E. Nilsson
J. H. Phillips Company
1111 West Beaver Road
San Angelo, Texas

Dear Sir:

Re: PROPOSED 160-ACRE PRORATION
UNIT, CATRON STATE "B" NO. 1,
ARKANSAS JUNCTION QUEEN GAS
POOL, LEA COUNTY, NEW MEXICO

This refers to previous correspondence ending with your letter of November 3, 1961. This office has no record of any contract - verbal or written - in regard to the assignment of the SW/4 NE/4, Section 11, T18N, R36E to a gas unit involving the NE/4 of Section 11. Your letter of November 3, 1961, does not recognize a receipt of my letter of October 24, 1961, and, therefore, it is not clear whether you have refused our proposal as set out in my letter dated October 24, 1961. No further action is proposed in regard to this matter pending receipt of your comment to our proposal.

It has been noted that your company has signed NMOC Form No. 1 in regard to assignment of the NE/4 of Section 11, T18N, R36E to a proration unit stipulating that the acreage be submitted. This form was signed by your Mr. George Baker in 1961. Please inform this office as to your plans for accounting for the gas produced from the Catron State B No. 1 well.

Yours very truly,

JAQ-am

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November 3, 1961

Copy 2

Continental Oil Company
P. O. Box 1377
Roswell, New Mexico

Attention: Mr. William A. Mond

Re: Proposed 160 acre proration
unit, Catron State "B" No. 1,
Arkansas Junction Queen Gas
Pool, Lea County, New Mexico

Gentlemen:

In discussing the above proposed unit with Mr. Late upon his return, I have learned there was a definite understanding with Mr. Kelly that he would either join the unit, or would retain a 1/8 override and assign the acreage in question. Since this was the original agreement we feel that Continental should carry out this transaction on that basis.

For your information total cost of this well was \$99,840.97, which would mean that the cost to Continental for drilling would be 1/4 of this or \$14,960.24.

We will appreciate your advising Continental's decision as to whether they will join us or assign and retain their override.

Yours truly,

GACINS DRILLING COMPANY

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L. E. Nilsson

LEN:lp
cc: Mr. George Baker

CONTINENTAL OIL COMPANY

P. O. BOX 1877

ROSWELL, NEW MEXICO

October 24, 1961

WM. A. MEAD
DIVISION SUPERINTENDENT
OF PRODUCTION
NEW MEXICO DIVISION

828 PETROLEUM BUILDING
TELEPHONE MAIN 2420.

Cactus Drilling Company
219 East Beauregard
San Angelo, Texas

Attn: Mr. L. E. Nilsson

Gentlemen:

Re: Proposed 160 acre proration
unit, Catron State "B" N. 1/4
Arkansas Junction Que G.
Pool, Lea County, New Mexico

Your letter of July 8, 1961, proposed the formation of a 160 acre gas proration unit in the NE/4 Section 11, T-18 R-36E, including our 40 acre tract in the SW/4 NE/4, to be dedicated to your Catron State "B" well No. 1.

We are agreeable to the formation of a 160 acre gas unit, in which we will own a 1/4 working interest, with the following stipulations:

1. That Continental Oil Company will assign to Cactus Drilling Company 7/8 of its 1/4 share of the total quantity of natural gas and liquids produced until Cactus has recouped a total of \$11,300, or 1/4 of the cost of the well.
2. That after 1/4 of the cost of the well has been recouped, then during the remainder of the life of the agreement, Cactus will retain 1/16 of Continental's 1/4 share of the production in lieu of all future operating and remedial costs allocable to Continental.
3. That Cactus Drilling Company shall equip and maintain the well for the production and delivery of gas at its sole cost and expense.

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4. That Cactus Drilling Company will retain title to the well, and upon depletion of the well the agreement will terminate, and Cactus will bear all disposal costs incurred and retain all salvage values received.

If you agree to these points, please prepare the necessary agreements and submit them to us for examination and approval.

Yours very truly,

CRA-LD

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October 24, 1941

Continental Oil Company
605 Petroleum Building
Kansas, New Mexico

Attention: Mr. William H. Hall

Mr. William H. Hall
Continental Oil Company
605 Petroleum Building
Kansas, New Mexico

Gentlemen:

Continental Oil Company has completed a gas well on our Section 28, T₁N, R₁W, S₄E, Lea County, New Mexico, the well being located in the center of the NE/4 of the NE/4.

U. S. Shelling Mining and Refining Company has assigned 40 acres described as the NE/4 of the NE/4 to this gas well production unit leaving a 1/8 overriding royalty interest.

Prior to Continental taking over the John H. Holly acreage, Mr. Holly had discussed contributing the NE/4 of the NE/4 to this unit reserving a 1/8 overriding royalty interest. However, we have received no answer from our correspondence to Mr. Holly inquiring by what of such that it was to be handled in connection. We would therefore appreciate your advising if Continental could consider including this 40 acres to the production unit described in this well and reserving a 1/8 overriding or if they could consider including and paying a proportionate cost of drilling a well for a 1/8 overriding interest.

We will appreciate hearing from you as to what we may plan accordingly and will appreciate it.

Very truly,
L. E. Wilson

Continental Oil Company

L. E. Wilson

cc: Mr. George Baker

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July 8, 1961

Continental Oil Company
888 Petroleum Building
Roswell, New Mexico

Re: Catron State "B" Lease
Well No. 1
C/OE Sec. 11-10-06
Lee County, New Mexico
Arkansas Junction
Green Gas Pool

Gentlemen:

We are writing with reference to forming a 160 acre gas protection unit dedicated to the above captioned well. Our acreage covers the E/2 of the NE/4 and U. S. Smelting, Mining and Refining Company have assigned the NE/4 of the NE/4 to this unit retaining an override.

Prior to your taking over the John E. Kelly acreage, we had discussed with Mr. Kelly either joining with us or assigning the SE of the NE/4 to complete the unit. We have heard nothing further in this connection; and we would appreciate hearing your recommendation in this matter.

Total cost of the well was approximately \$41,000.00 and should you decide to join and pay your proportionate share we will submit itemized invoice.

The well has been placed on production and Warren Petroleum Company is taking gas.

Yours truly,

CACHEM DRILLING COMPANY

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L. E. Nilsson

LEN:lp

February 16, 1961

Mr. John H. Kelly
P. O. Box 5081
Bismarck, ND 58105

Dear Mr. Kelly:

We are in the process of placing our Gopher State Trp. No. 1 Gas Unit on production and of course before we can do so, we must complete the arrangements whereby 160 acres will be dedicated to this unit. Gopher States Swilling Company is furnishing us with assignment of 40 acres being the NW 1/4 of the NE 1/4 of section 11; and to complete the one-fourth (1/4) section we will need assignment of the SW 1/4 of the NE 1/4 from your acreage, which according to Gopher State Trp. No. 1 we have agreed to assign and retain a one-fourth (1/4) over-ride.

We would appreciate your furnishing this assignment at your earliest convenience so that we may proceed with securing approval with the State Land Office and the Oil Conservation Commission dedicating this acreage to the gas unit assigned to our Gopher State Trp. No. 1.

Sincerely,
Gopher Swilling Company

GOPHER SWILLING COMPANY

L. E. Milson

LMW:lp
cc: Mr. George Baker

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