



SHELL OIL COMPANY

P. O. Box 1858
Roswell, New Mexico

RECEIVED SEP 7 AM 2 34
September 6, 1962

New Mexico Oil Conservation Commission (2)
1000 West Broadway
Hobbs, New Mexico

Attention Mr. Joe D. Ramey

Gentlemen:

We attach hereto a letter submitted to the United States Geological Survey outlining our plans to utilize gas from our recently completed Harris Federal No. 1 in the drilling of a second well in the area. Both wells are located on Federal lands. Form C-110 will be submitted to you when we are able to designate a purchaser for the produced condensate.

If you require additional information, please notify us. Details relating to the completion of Harris Federal No. 1 were recently filed with your office with a request for confidential handling.

Yours very truly,

Original Signed By:

R. L. Rankin

R. L. Rankin

Division Production Manager

Attachment



SHELL OIL COMPANY

P. O. Box 1858
Roswell, New Mexico

September 5, 1962

Mr. John A. Anderson, Regional Supervisor
United States Geological Survey
Branch of Oil and Gas Operations
P. O. Box 6721
Roswell, New Mexico

Dear Mr. Anderson:

Shell Oil Company has recently completed a gas well, Harris Federal No. 1 (Lease No. LC-071949), in SE/4 SW/4 of Section 27, T-23-S, R-34-E, Lea County, New Mexico. This well is now shut-in for lack of a gas sales outlet, and we anticipate that no sustained market will be available in less than one year.

It is now planned to drill a second well in the area, located in NW/4 NE/4 of Section 4, T 24-S, R-34-E. The drilling site is covered by Federal Lease No. NM-021422. Gas for rig fuel and for drilling fluid over certain portions of the hole will be taken from Harris Federal No. 1. A maximum rate of 5 million cubic feet per day is anticipated with an average rate substantially less than this amount.

As the produced gas will be moved from one tract to another, it will be necessary to make appropriate royalty payments to the U. S. Government as lessor. We propose that, as a basis for royalty settlement, gas prices now in effect in the Bell Lake Field, location of the nearest marketed gas, be applied to the Harris Federal No. 1 gas production. Terms of the sales contract between Transwestern Pipe Line Company and the Bell Lake operators provide for a current price of 16.0 cents per thousand cubic feet. Royalty payments accruing from the sale of produced hydrocarbon liquids will be handled in the usual manner.

Will you please notify us if these arrangements will be satisfactory or if you need additional information regarding our plans. Details relating to the completion of Harris Federal No. 1 were filed recently with your Hobbs office.

Yours very truly,

Original Signed By:

R. L. Rankin

R. L. Rankin

Division Production Manager

cc - Mr. E. W. Standley, District Engineer
U. S. Geological Survey
P. O. Box 1838
Hobbs, New Mexico