

IN THE DISTRICT COURT OF THE FIRST JUDICIAL DISTRICT
FOR THE COUNTY OF SANTA FE, STATE OF NEW MEXICO

MICHAEL P. GRACE and
CORINNE GRACE,

Plaintiffs,

vs.

OIL CONSERVATION COMMISSION,
I. R. TRUJILLO, Chairman,
ALEX J. ARMIJO, Member
and A. L. PORTER, JR., Member
and Secretary of the Commission,

Defendants.

No. 46933

ORDER

This cause having come on for trial, and the following having been stipulated to on October 19, continued to November 2, 1973, by the parties hereto in open court, to wit:

1. That the Plaintiffs' Grace-Atlantic No. 1 well is over-produced beyond the tolerance provided for in Rule 15(b) of the Prorated Gas Pool Rules for Southeastern New Mexico, as promulgated by Commission Order No. R-1670, as amended.
2. That Defendant Commission on October 2 issued Gas Supplement No. SF-3802 ordering that the aforesaid well be shut in until such time that it be overproduced in an amount not in excess of the tolerance specified in Rule 15(b).
3. That on October 5, 1973, Plaintiffs obtained a Temporary Restraining Order in this Cause which purported to stay the effect of the aforesaid shut-in directive.
4. That concurrent with the application for the aforesaid Temporary Restraining Order, Plaintiffs filed an application for a public hearing before the Defendant Commission to determine, among other things, whether the well would incur material damage as a result of a shut-in and whether the well should be allowed to make up overproduction at a rate less than by complete shut in.

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5. That on October 12, 1973, Defendant Commission presented to the Court a Motion in this cause to dissolve the Temporary Restraining Order entered on October 5, 1973.

6. That on October 25 and 26, 1973, Defendant Commission, after notice, held a hearing to determine the questions raised by Plaintiff's application referred to in No. 4 above.

7. That on October 27, Defendant Commission issued its Order No. R-4648 which upheld the shut in directive contained in Gas Supplement No. SF-3802 and ordered that the subject well be shut-in until such time that it be overproduced in an amount that was not in excess of the tolerance provided for by Rule 16(b).

8. That on November 2, 1973, Plaintiffs filed an application for rehearing of the application referred to in No. 4 above.

9. That the Defendant Commission agrees that the Court may stay the effect of its Shut-In Directive and Order if the Plaintiffs agree to make up production at a rate less than by complete shut-in, in accordance with the requirements set forth below.

10. Plaintiffs agree that commencing at 7:00 a.m. November 3, 1973, the daily rate of production from the subject well shall be reduced to a rate commensurate with the daily allowable for November, such rate being 6970 mcf per day.

11. Plaintiffs agree that for a period of two months following the date of this order they will continue producing the subject well at a rate which Plaintiffs in good faith believe is appropriate to reduce the well's overproduced status while avoiding material damage to the well.

12. If upon receipt of December production figures, it is Defendant Commission's opinion that the rate of production from November 3, 1973, through December 31, 1973, if projected to March 31, 1974, is not sufficiently low to bring the well into the permissible six times overproduced tolerance by March 31, 1974,

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based on best known projection of allowables, a committee of three engineers will be formed within ten days: one of Plaintiffs' choice, one of Defendant Commission's choice, and a third of good repute designated by the other two engineers and at no cost to Defendant. This committee will determine the minimum rate of production possible without material damage to the well which will bring the well into the aforesaid permissible tolerance by March 31, 1974.

13. In any event, if upon receipt of March, 1974 production figures the Defendant determines that the well's overproduction has not been reduced to an amount which is not in excess of six times its average monthly allowable for the preceeding eleven and two-thirds months, according to the records of the Defendant, Plaintiffs agree that the well, upon directive from the Defendant, shall be thereupon shut in and remain shut in until the well's overproduction has been reduced to an amount that is not in excess of six times its average monthly allowable.

14. Plaintiffs agree to dismiss two actions pending against the Defendant Commission as follows: Eddy County Cause No. 28329 and Oil Conservation Commission Case No. 5085, Order No. R-4648; and agree not to appeal the pending decision in Eddy County Cause No. 28182.

IT IS, THEREFORE, ORDERED as follows:

1. The effect of the Shut-In Order No. R-4648 issued by Defendant Commission on October 27, 1973, is hereby stayed.

2. The parties herein are hereby ordered to comply with all stipulations hereinabove set forth.

Thomas A. Donnelly
DISTRICT JUDGE

APPROVE:

Michael P. Grace II
MICHAEL P. GRACE II
Plaintiff

Corinne Grace

CORINNE GRACE
Plaintiff

Attorneys for Plaintiffs

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OIL CONSERVATION COMMISSION
Defendant

A. L. Porter, Jr.

A. L. PORTER, JR.
Secretary-Director

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