

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING CALLED BY THE
OIL CONSERVATION COMMISSION FOR THE PURPOSE
OF CONSIDERING:

CASE NO. 8901
Order No. R-7393-B

APPLICATION OF YATES PETROLEUM CORPORATION,
YATES DRILLING COMPANY, MYCO INDUSTRIES,
INC., AND ABO PETROLEUM CORPORATION FOR
DETERMINATION OF REASONABLE WELL COSTS,
CHAVES COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 19 and August 7, 1986, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 31st day of December, 1986, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) The applicants, Yates Petroleum Corporation, Yates Drilling Company, Myco Industries, Inc., and Abo Petroleum Corporation (hereinafter referred to as Yates), seek a determination of reasonable well costs in connection with the drilling of the Grynberg State Com Well No. 1 located 1980 feet from the South line and 660 feet from the West line of Section 20, Township 9 South, Range 27 East, Chaves County, New Mexico, said applicants being working interest owners in said well.
- (3) Said Grynberg State Com Well No. 1 was drilled pursuant to Order No. R-7393 in Case No. 7984, wherein the Commission ordered all mineral interests from the surface through and including the Abo formation underlying the SW/4 and all mineral interests from the top of the Wolfcamp to the

Precambrian formation, underlying the W/2 of said Section 20, be pooled to form standard 160-acre and 320-acre gas spacing proration units, respectively, to be dedicated to the Grynberg State Com Well No. 1, with Jack Grynberg designated as the operator.

(4) The applicants own 25 percent of the working interest attributable to the Abo formation and 62.5 percent of the working interest attributable to the Wolfcamp to Precambrian interval.

(5) At the June 19 hearing both the applicants and Grynberg presented calculations of appropriate well costs in said Grynberg State Com Well No. 1 attributable to the working interest owners.

(6) The Commission determined that neither Grynberg nor applicants had calculated the reasonable well costs as stated in the above-described order in accordance with the Commission's interpretation of that order and required the parties to resubmit the allocation of costs based upon such interpretation.

(7) At the hearing on August 7, 1986, applicants and Grynberg submitted schedules showing the revised allocations.

(8) The Commission adopts the allocation of costs submitted by Yates on their August 7, 1986, Exhibit No. 2 except that the cementing costs as shown by the Halliburton invoice dated February 19, 1984 should be reallocated on the basis of the amount of cement above the base of the Abo and the amount of cement below the base of the Abo.

(9) Morris Ettinger, witness for Grynberg, established that the top of the cement was 4,200 feet and that the top of the Wolfcamp was located at 5,378 feet.

(10) One thousand one hundred seventy eight feet (1,178) of cement were placed in the well below the base of the Abo.

(11) In accordance with the formula established by the Commission, \$4,827.97 should be allocated to depths above the Wolfcamp and \$4,172.23 should be allocated to depths below the Wolfcamp. These calculations are shown on Exhibit "A" attached hereto.

(12) Yates has paid Grynberg \$215,706.26 while the total amount due from Yates to Grynberg was \$134,326.99.

(13) After giving Grynberg credit for sums credited by him to applicants, Grynberg owes applicants the sum of \$78,770.96, all as shown on Exhibit "A" attached hereto.

IT IS THEREFORE ORDERED THAT:

(1) The total reasonable well costs and allocation of well costs attributable to the applicants, Yates Petroleum Corporation, Yates Drilling Company, Myco Industries, Inc., and Abo Petroleum Corporation (Yates), for the Grynberg State Com Well No. 1 located 1980 feet from the South line and 660 feet from the West line of Section 20, Township 9 South, Range 27 East, Chaves County, New Mexico, is hereby determined to be as shown on Exhibit "A" attached to this order.

(2) Based on the estimated well costs, Yates has overpaid the well operator in the amount of \$78,770.96.

(3) Jack J. Grynberg, as well operator, should repay the sum of \$78,770.96 to Yates.

IT IS FURTHER ORDERED THAT:

(2) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member

Ed Kelley
ED KELLEY, Member

R. L. Stamets
R. L. STAMETS,
Chairman and Secretary

S E A L

ALLOCATION OF COSTS - GRYNBERG STATE COM WELL NO. 1

Deep Only - (schedule)	\$ 50,631.07	
Deep Allocated - (schedule)	58,481.63	at indicated %
Abo Allocated - (schedule)	111,534.09	
Abo @ .8189 -	98,521.80	
Deep @ .1811 -	<u>21,788.13</u>	
	\$ 340,956.72	

<u>Zone Allocation</u>	<u>Total</u>		<u>Applicants</u>
Deep	\$ 130,900.83	x .625 =	\$ 81,813.02
Abo	<u>210,055.85</u>	x .25 =	<u>52,513.97</u>
	\$ 340,956.72		\$ 134,326.99
			<u>(215,706.26)</u>
			(81,379.27)
	(Grynberg payment)		2,608.31
			<u>(\$ 78,770.96)</u>

Total Deep %

\$130,900.83 340,956.72 + .3839

Total Abo %

\$210,055.89 340,956.72 = .6161

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EXHIBIT "A"