

CASE 5325: Application of CITIES
SERVICE FOR DIRECTIONAL DRILLING.
EDDY COUNTY, NEW MEXICO.

CASE No.

5325

Application,

Transcripts,

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
September 18, 1974

EXAMINER HEARING

IN THE MATTER OF:

Application of Cities Service
Oil Company for compulsory
pooling, Eddy County, New Mexico.

and

IN THE MATTER OF:

Application of Cities Service
Oil Company for directional
drilling, Eddy County, New Mexico.

Case No. 5324

Case No. 5325

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

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Commission
State Land Office Building
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For the Applicant:
(Cities Service)

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APPEARANCES (Continued):

For Michael and Corrine Grace: Nick Franklin, Esq.
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MR. STAMETS: Case 5324.

MR. CARR: Case 5324. Application of Cities Service Oil Company for compulsory pooling, Eddy County, New Mexico.

MR. KELLAHIN: If the Examiner please, I would like to consolidate Cases 5324 and 5325.

MR. STAMETS: Is there any objections to consolidation of these two cases?

If the attorney will call Case 5325, we will then consolidate them for the purposes of testimony.

MR. CARR: Case 5325. Application of Cities Service Oil Company for directional drilling, Eddy County, New Mexico.

MR. STAMETS: We call for appearances in Case 5324 and Case 5325.

MR. KELLAHIN: If the Examiner please, Tom Kellahin, Kellahin and Fox, appearing on behalf of Cities Service Oil Company. We have two witnesses to be sworn.

MR. FRANKLIN: If the Examiner please, Nick Franklin, appearing for Corrine and Michael Grace.

MR. STAMETS: Are there any other appearances? If all the witnesses will stand and be sworn, please?

(Witnesses sworn.)

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MR. KELLAHIN: If the Examiner please, I would like the record to reflect that I have the same two witnesses, Mr. Tom Heller and Mr. Gene Motter in these two consolidated cases as Case No. 5323, and I would move that their previous qualifications be accepted in this case.

MR. STAMETS: Any objections? The qualifications will be included in the record in these two cases.

TOM HELLER

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Heller, let me direct your attention to what has been marked as Applicant's Exhibit No. 1 and have you identify that for us, please?

A This is a map that I personally made myself of the proposed unit under the Tracy B No. 1.

Q Would you identify for us what color code you have used?

A The yellow acreage is Cities Service acreage. The red is Mr. Bob Bennett's acreage. The purple is Mr. Michael Grace's acreage. The gray, the majority of it which is in the southeast quarter is Belco's. The

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marron, I guess it is, is Mr. Barton and E. L. Latham, Jr. And brown, of which there are only two lots up in the north, is Mr. Dan Haffens and Joe Don Cook.

Q Is this a plat of the entire ownership concerning the east half of Section 18, Township 22 South, Range 27 East, Eddy County, New Mexico?

A Yes, it is.

Q In connection with Exhibit No. 1, would you now refer to what has been marked as Exhibit 2 and identify it?

A This is a tabulation that I have made concerning the working interest owners and unleased mineral owners under the east half of Section 18.

Q Mr. Heller, attached to the Application when it was filed for Cities Service Oil Company is an Exhibit A. Is the current Exhibit 2 a correction and amplification or an addition to that exhibit?

A This is an amplification, a more correct copy, if not an exactly correct copy, that I have made on record check myself.

Q May we now disregard what has been marked as Exhibit A for the Application?

A Yes.

Q Directing your attention now to Exhibit 2, the

First column indicates that Cities Service Oil Company controls 184.28 plus acres, is that correct?

A That is correct.

Q What percentage is that?

A Approximately 57 percent.

Q In the last column on this page and subsequent page is the term, "Status." Below that column are different entries. Are all those entries correct and corresponding to the individuals names on the left margin?

A Yes, they are.

Q Are there any current additions or corrections to this exhibit?

A Not to my knowledge.

Q Would you please refer to what has been marked as Exhibit 3 and identify it?

A These are letters that I had written to Mr. Grace and various other parties in the proposed unit, asking them to join. Of course, copies of their return receipts are on these letters. I might add -- this is a copy of Mr. Grace's here -- I might add I did call their office three times and visited their office once in an attempt to get an answer from them.

Q Mr. Heller, as of this date, Mr. Grace has not

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agreed to pool his interest, has he?

A No.

Q I show you what has been marked as Exhibit 4.
Would you identify it?

A This is the correspondence, much of it is similar to that of Mr. Grace, written to Mr. Roy G. Barton, Jr., asking him to participate in the proposed test.

Q And as of this date, has Mr. Barton agreed to pool his interest?

A There is a letter in here in which Mr. Barton indicates he does not wish to join in the test.

Q Please refer to what has been marked as Exhibit No. 5 and identify it?

A This is the information I have written to Mr. Joe Don Cook, requesting him to join. A letter from Mr. Cook requesting an A.F.E. on this acreage which I did send to him, and of course, the second copy does have that.

Q As of this date, has Mr. Cook voluntarily committed his acreage to the unit?

A He has not.

Q Please identify what is marked as Exhibit 6?

A This is approximately exactly the same thing as written to Mr. Cook. This is written to Mr. Haffens,

asking him to join.

Q As of this date has Mr. Haffens joined?

A No.

Q Please refer to what is marked as Exhibit 7?

A This is a portion of the correspondence that I had with the attorney, Mr. Jerome D. Matkins, for the Carlsbad Municipal School District regarding their participation of the proposed test.

Q What if any response do you have from the school district?

A They elect not to participate.

Q Were Exhibits 1 through 7 either compiled or corresponded with you directly or through someone under your direction and control?

A Directly to me.

MR. KELLAHIN: I move the introduction of Exhibits 1 through 7.

MR. STAMETS: Without objections, Exhibits 1 through 7 --

MR. FRANKLIN: (Interrupting) If the Examiner please, we would reserve objections strictly on the basis of acceptance of the acreage figures and so forth, otherwise we would not object to the admission of the Exhibits.

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MR. STAMETS: You are referring to the acreage shown on Exhibit 1 and the exact percentages and totals?

MR. FRANKLIN: Right.

MR. STAMETS: With those reservations being noted, the exhibits will be admitted into evidence.

(Whereupon, Applicant's Exhibits Nos. 1 through 7 were marked for identification, and were admitted into evidence.)

MR. KELLAHIN: That concludes my examination of this witness.

MR. STAMETS: Are there questions of this witness?

MR. FRANKLIN: No questions.

MR. STAMETS: I do have some questions.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Heller, your Exhibit No. 2 indicates a status, and on the first page you have the major interest owners listed?

A Yes.

Q And they keep getting smaller and smaller. In all of these where you say, "Letter, visits, letter, phone," that is an indication that you have made some attempt to contact these owners?

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A That is correct. That is my mode of contact.

Q And since there is nothing else there, I would assume that your responses have either been negative or no response?

A The majority of them -- of course, when I did first complete this list in May or a little later than that, in fact, there were a lot more visits in there. Since then, leases are coming in. They are coming in. They have come in, many of these that I have personally visited. The majority of those that I have written a letter to included a lease and a draft and no response was ever heard, and in many cases, I have written them twice.

Q What was the date of your last correspondence?

A I will say it would be Tuesday -- Monday -- it would be Monday.

MR. KELLAHIN: Of this week?

THE WITNESS: Of this week. I might add, I have sent out so many leases and drafts that they do come in one or two -- sometimes two a week, sometimes one a week -- but we do usually pick up 1.2 acres per week.

BY MR. STAMETS:

Q And this would still provide these persons plenty of opportunity to voluntarily agree prior to the date that

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they would be compulsorily pooled?

A I would say the majority of those letters have been written in the last two months, and of course, this last correspondence Monday, if a person did indicate that they wished to lease, I did send them a lease and a draft.

Q You said most of these people that you have listed here on the 2nd, 3rd and 4th pages of Exhibit No. 2 are familiar or unfamiliar with the workings of leasing oil and gas operations?

A Very unfamiliar.

MR. STAMETS: Are there any other questions of this witness?

MR. KELLAHIN: No, sir.

MR. STAMETS: You may be excused.

(Witness dismissed.)

E. F. MOTTER

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION BY MR. KELLAHIN:

Q Mr. Motter, would you please refer to what has been marked as Exhibit No. 2, identify it and state briefly what Cities Service is seeking here?

A Yes. That is a plat. Actually, it is a surveyor's

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plat of surface locations of the proposed Tracy B No. 1 and the proposed bottomhole location in the Morrow.

Mr. Kellahin, before I go any further, I would like to make a few remarks about the fact that this is in the City of Carlsbad. It is not the first well that has been drilled in the City, however, it is the first well, to my knowledge, that has been applied or an attempt made to drill since the adoption of the Carlsbad City Ordinance 748 which was on the 12th day of July of this year.

There are several of us in here, Mr. Grace, myself and others that attended several meetings that the Commission had down there. We worked with them and we tried to help them in any possible. They have what I consider one of the most rigid ordinances in the United States, however, we feel we can drill this particular well and still stay within the confines of that ordinance. There are certain things in the wording that are perhaps not entirely clear. This matter, I will explain a little later, and perhaps some of it may mean some additional time which is also money in the drilling of a well. I think that Cities Service, if we are allowed to drill this well in the City of Carlsbad, we will both gain some experience in operating in the City down there.

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MR. STAMETS: I take it from your statement, Mr. Motter, that Cities Service intends to fully comply with the new City drilling regulations?

THE WITNESS: Yes, we most certainly do, and I might also advise you that we hand-delivered on September 10th our application to the City of Carlsbad. I have a copy with me. We do not intend to make it a part of the record, but I understand that it will be acted upon soon. As of right now, to my knowledge, they have not acted on it.

BY MR. KELLAHIN:

Q What was the reason, Mr. Motter, for the preparation of Exhibit 8?

A Well, the Carlsbad Ordinance 748 stipulates that you cannot drill within 500 feet of any surface building, structure, et cetera, and this mainly shows that we are 500 feet from the Big Sky Drive-In fence. We are 500 feet from an abandoned building with the concrete slabs still there. We are 503 feet from the curb of the highway, and I think the only other specific thing I would like to point out is that there was some consideration and fear shown at the hearings on this ordinance about schools, churches, hospitals. We are 940 feet from the

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school building, 1190 feet from the church, 1103 feet from some residences. If you will note on this deal, with our proposed bottomhole location, we could not meet these requirements at that particular location. That is the purpose of deviating the hole.

Q Were there any other locations within the east half of Section 18 in which you could have complied with the surface location requirements of the ordinance?

A Well, I think perhaps there could have been if we moved clear over here to the southwest of this. You can see a blank spot down here on the southwest portion of this plat, but that would have meant we would deviate the whole -- the exploration people feel we would have a better chance of establishing production at this particular location, and so that is the reason we want to go -- the bottom of the well north of this present location.

Q Please refer to what has been marked as Exhibit No. 9, and identify it?

A Okay. If I may, let's take a look at both 9 and 10 concurrently. One of those is a vertical displacement of the deviated hole. The other is the surface displacement of the deviated hole. It is our plan

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to deviate this hole approximately 1144 feet to the north. It will fall within a regular orthodox location for the Morrow formation or Pennsylvanian. For that reason, as you are aware, there is a little 330-foot square that makes it orthodox, so we have chosen a target radius of 165 feet. Our plans are to kick off at 7500 feet. We will use a hook-up of a Dynadrill with a Monel collar. We will drill, probably 60 feet, and this will be monitored at the surface through an electric wire line until we get oriented in the proper direction and get our angle built properly. After making about 60 feet, we will probably pull our wellbore out of the hole and go back in and remove the Dynadrill and go back in with a somewhat more regular assembly, although it will be a directional assembly, and we will resume rotating the drill pipe. For those of you who may not be familiar with a Dynadrill, it is a mud pump that is driven by the hydrostatic heads going through it and pump down drill pipe. The drill pipe is not oriented. It does not rotate. These things are quite tricky. Sometimes they work when you get on the bottom and sometimes they don't. We have estimated -- our best estimate if everything goes right, we will probably use this Dynadrill itself about

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four days, and the rent on one of these is between \$90 and \$100 an hour while it is being used.

We will continue drilling, then, building an angle at about 2 degrees per hundred until we reach an angle of 17.33 degrees and then it would be our plan to use a packed hole assembly and maintain this angle until we reach TD. We will stop in there, and we should have our angle built before we reach this, and set casing 7 and 5/8, 8850 which is required in the City Ordinance, and then pursue this angle until we get to TD.

I have shown one thing in there, and also part of this request is for an unorthodox location in the event there is production established in the Strawn. And as you will note, on the vertical displacement, that is only 648 feet from the wellbore which makes it an orthodox location for the 320-acre spaced unit. We had considered kicking this well at a much steeper angle and letting it drift back to vertical so that both of these would be orthodox, but quite frankly, with the extreme limitations of the availability of drill pipe and so on, most contractors don't like to have a double dogleg in their hole if they can keep from it, so we ask you to give us consideration -- if we establish production in the

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Strawn to give us an unorthodox location for Strawn production in the event it is established.

I really don't know much more I can tell you on those two. I would be glad to answer any questions either now or later.

Q Please refer to what has been marked as Exhibit 11 and identify it?

(Whereupon, a discussion was held off the record.)

A Now, the Tracy B No. 1 -- the drilling well estimate on this well is \$610,653. I would like to point out that we have a little bit stronger casing program. It is, I would say, stronger than most casing being used as required by the City Ordinance, and higher cost because of directional drilling. Because of drilling in the City, they do require a \$5 million insurance policy and \$50,000 bond. And for provisions for an inspector, you pay initially \$2000 and then -- and this is one of the things that I mentioned earlier -- if he deems it necessary to spend more time out there than what he feels is covered by the \$2000, he can bill us for more. It is an open end, so we don't know. Another thing, the Ordinance requires firefighting apparatus. I am not sure exactly what will

be acceptable. The blow-out equipment that is necessary, Carlsbad did change some of their earlier requirements, but it still is not what is normal in that particular area. We are going to have to rent some additional equipment. We will have to use larger accumulator equipment to operate the blow-out equipment. The mud monitoring equipment has to be more than is normal. They require a 24-hour watchman. They require a fence around the drill site while you are drilling and even a more rigid fence after you establish production. The wording on keeping the hole full on trips will require the use of trip tanks. Not too many rigs in this area have one available, so we will probably have to make one or rent one. They also require the use of steel tanks all the way through. This includes the reserve pit as well as the tank to put your cuttings in. Again, this will have to be over and above what is normally furnished by the rig. They have required what we feel is a little bit higher than necessary mud weight, so there is an expense here going higher, and also, this could be a source of problems. You may make circular break and have lost circulation break down in the formation. They also require two tube bushings drilling below 8500 feet. So, basically, that is the reason for the extra higher

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cost on this particular well.

Q Would you please refer to Exhibit 12 and identify that?

A Yes. This is a portion of the exhibit that was submitted along with the Application to the City of Carlsbad. It specifically shows the hole size to be drilled, the casing to be set, the cement. The only thing that I would point out that might be a little bit different -- and this is in the Ordinance -- on the lefthand side down below, 8850, where it says we use brine water from 8850 to 9900 and then we will increase the hydrostatic to 6200 because it says we must have that much prior to drilling below 10,000 feet. Other than that, I think it is straight forward.

Q Are you aware of any other wells in the area in which a deviation has been attempted?

A Not to my knowledge unless somebody deviated around junk, and this would be an intentional deviation, but not in direction. They usually just cut a whip-stop-go which ever way the well -- and this normally doesn't involve time and effort as it is required to deviate in a particular direction.

Q Would you please state briefly the potential

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risk involved in deviation of a well in this manner?

A Well there is quite a bit of risk. The drill pipe, of course, has to flex more often, and I might point out on the exhibit -- I believe you called it 8 -- we don't have any contract footage in there. The people we have discussed this with due to this matter of drilling a directional hole, they want to do day work all the way down, so that puts us on 63 days.

There is times, as I told you, that the Dynadrill is not going to work when you get on the bottom so that means a trip out and either replacement, clean-up and run them back. There are twist-offs with these things that happen quite frequently. Fortunately, we are not going to have to set a plug or anything to kick off. We just kick off from the bottom and we can use some regular bits. This wouldn't be exactly the type you would use in drilling because the mud pump turns at a much higher speed. We generally use diamond bits, but we don't plan to use any in this particular hole so we can keep the cost down a little bit.

Q How would you relate the risk involved in drilling to the Morrow as opposed to drilling to other formations?

A Well, I don't know if I follow you, sir.

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Q Well, is the Morrow a risky zone in which to --

A(Int.)If we establish production?

Q Yes, that is what I am trying to say.

A It does have some problems, however, we think that we will be able to overcome many of the problems that have originated out there, and I think, in general, most people are able to get away with some of the problems from experience in the past now.

Q Do you assign any potential risk to the fact that you are dilling within the City limits of Carlsbad?

A Yes, most certainly we have some risks because, admittedly, there are things that can go wrong, and with churches, schools and so on in the neighborhood, well, we just have to face the situation. We think that all precautions are taken to prevent a blow-out or anything like this, but I think even the best efforts, man fails once in a while, and I refer to some wells in other areas where they drilled in a densely populated area where you have to evacuate people and stuff like this. Now, we hope this never happens. I think I can safely say it probably won't, but I recognize there is a problem.

Q Where is your well location in relation to Belco's

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John Joyce dry hole?

A It is about two locations south and one west. Also, our Merlin C is immediately south. It is a pretty sorry well as far as the Morrow is concerned.

Q Taking into consideration those factors, Mr. Motter, what if any opinion do you have with regard to a risk factor to be assigned in this case?

A Well, we would like to have 200 percent, the maximum on this, mainly because it is the first well in the City and we just honestly don't know what we are going to be faced with. You can see, maybe the inspector wants to be real hard-nosed and you will have to shut down half the time. Also, we are taking into consideration some of the geology in the area. I would like to point out that the well immediately east of us, the direct east offset of Antweil's, the Bear, was given a 200 percent risk factor and it is not even in the City limits.

Q Which well was that that had a 200 percent risk factor?

A The Antweil Bear which is immediately east of this proposed location.

Q Was that drilled in the Morrow?

A It hasn't been drilled yet. I think it is

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being spudded today. We are a partner in that well.

Q Do you have an opinion with regard to a monthly charge, fixed rate for supervision?

A Yes, without going into a lot of detail, I just suggest that the same procedures we are asking for the Tracy C be adopted in this case. The figures will be the same.

Q And that figure was \$206 per month?

A \$216.

Q I am sorry. \$216. With regard to the charge to be assessed while drilling, what is that figure?

A \$1536, I believe.

Q And Cities Services desires to be designated the operator?

A Yes, we do.

Q Because this well is to be drilled within the City limits, do you anticipate being able to comply with the normal Commission requirements of commencing drilling the well within 90 days and having it completed within an additional 120 days?

A If everything goes as planned and the Commission rules that this well can be drilled, we have a rig available to move in there approximately November 1st.

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Q How long will it take you to obtain the City of Carlsbad approval?

A Well, the Ordinance says that they have to give approval within 30 days, I believe, or else give us a 10-day notice and set it for hearing. They have had it since the 10th and this is the 18th. They have had 8 days to -- actually, it was reviewed when it was handed to these people and it was indicated that they thought we had covered all requests.

Q Were Exhibits 8 through 12 either prepared by you directly or under your direction and supervision?

A Yes, they were.

Q In your opinion, Mr. Motter, will approval of this application be in the best interest of conservation and prevention of waste and the protection of correlative rights?

A Yes, it will.

MR. KELLAMIN: If the Examiner please, we move the introduction of Exhibits 8 through 12.

MR. STAMETS: Are there any objections to these exhibits? They will be so admitted.

(Whereupon, Applicant's Exhibits Nos. 8 through 12 were marked for identification, and were admitted into evidence.)

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MR. KELLAHIN: That concludes our direct examination.

MR. STAMETS: Are there any questions of this witness?

MR. FRANKLIN: Yes, we have a couple of questions.

MR. STAMETS: Mr. Franklin?

CROSS EXAMINATION

BY MR. FRANKLIN:

Q How much would you estimate the municipal ordinance has increased the cost?

A Sir, I hate to really go out on a limb. I have a figure in mind and I would be happy to give it and it is as of this date. If you recall, you don't acquire the insurance and bond until you get the permit, but we have roughly figured it is going to cost us an additional \$50,000.

Q You have indicated on your Exhibit No. 6 that the cost had been increased because of the City Ordinance. Is this \$50,000 figure the one you had in mind?

A You will not find it as such in there, but I can point out the items where we have included some extra money for that particular -- now, this is not for bonds, so this is everything that we think could increase the

cost because, as an example, I am going to show you here under DST -- do you have that item? The Ordinance says that they will have an inspector every time we run a drill stem test, so we increased the money in there for that. Going on down, we've got contract laborers. We have added some money in there because they say 24-hour supervision and also the pushers after you reach 8850 feet. Going on down to rental of miscellaneous equipment, we put \$35,000. Some of this equipment that I described, monitoring of mud, the blow-out preventers, mud tanks and all this is included in there. This is required by the Ordinance. Miscellaneous incidentals is where I have to tell you that probably our insurance and bonding will come from there.

Q So insurance and bonding basically is in this figure?

A Yes, but I honestly can't tell you what it is going to be. We will find out soon, I guess.

Q Will you provide the Commission with the name of the insurer?

A We are bound by the Ordinance to utilize a New Mexico insurance agent and furnish insurance through this group. I don't know that we are required to furnish it to the Oil Commission, but if they so desire, we would

have no question or no problem there.

Q We would request, perhaps, and hope that the findings of the Commission would further request, since we are up against a new City Ordinance, I would very strongly request the name of the insurer be provided to the Commission.

A Okay.

Q Referring to the same Exhibit, I notice that your Tracy B-1 and Tracy C cost is about a \$140,000 difference?

A Right.

Q Now, is part of that increase also due to directional drilling?

A Yes. About \$60,000 and some for directional drilling and about \$50,000 for drilling in the City.

Q 60 and 50 is 110, and you had \$140,000.

A I might also point out one other item here under separators, heater treater --

Q (Interrupting) Yes.

A We have \$44,000 where we had \$22,000 on the Tracy B, and that is an anticipation of perhaps a dual completion, and we don't have a dual in the Tracy C.

Q On the Tracy C, the contract drilling, combining the contract drilling, the rotary work and the rig work

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and so forth, the Tracy C is \$10,000 lower than on the Tracy B-1?

A I think I can explain that. As you will note on the contract drilling, that is on a footage basis for \$12.25 a foot, and in the case of the Tracy B, it is all on regular day work, 63 days, at \$200 a day, but then you will have the directional drilling over and above that.

Q You did say that you would have to go to another kind of rig because of the Ordinance and its stricter requirements?

A No, sir. We don't have to go to another type of rig. Some of the container equipment will have to be stronger where it will stand more pressure than normally used in the area.

MR. FRANKLIN: Our client would want us to make a statement on the record that he felt the risk factor was well proven this time.

(Whereupon, a discussion was held off the record.)

MR. STAMETS: That concludes your examination, Mr. Franklin?

MR. FRANKLIN: Yes, sir.

CROSS EXAMINATION

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BY MR. STAMETS:

Q Mr. Motter, do you anticipate that you might need an administrative procedure to extend the start date on this particular well at least once over the 90 days because of the City problems?

A Yes. There is a possibility of that, however, we think that we have all this taken into account. I don't know whether you are familiar with what we call a "first diagram," but I have one on this particular well and the critical path is marked along the top and shows a spud date of November 1st, and all these other little lines are the things we have to do like getting the City's permission and all that.

MR. KELLAHIN: Regardless of that fact, Mr. Examiner, we would appreciate an administrative proceeding whereby we can obtain at least one continuance of the 90-day drilling date upon written application.

MR. STAMETS: I would suggest that such an application be at one of the regular Commission meetings held on Tuesday of each week and representatives of Cities Service, such as their attorney, make the application orally to avoid having to notify each of the individuals here.

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MR. KELLAHIN: That would be satisfactory.

THE WITNESS: If I could enter a word, I think this is an excellent idea because this is programmed on the fact that we would have no problem with the rig that is coming from another well and they might be on this well longer than anticipated. This is programmed for everything to go just as we planned.

BY MR. STAMETS:

Q Now, Mr. Motter, I notice from Exhibit No. 2 and Exhibit No. 1 that there is City land, school land, a lot of privately owned acreage in here and we have discussed that people are unsophisticated so far as the oil and gas industry goes. Do you think it appropriate to apply a 200 percent risk factor to people who don't really understand the situation and are not properly able to make up their minds as to whether they want to risk their capital in this venture?

A Mr. Examiner, I am in agreement with you. I don't know how to educate these people, whether to gather them up -- I honestly don't know. I talked to you recently about some things we have been involved in, and I think we know what is going on, but there have been some things get by us which we didn't particularly like.

Q Also the schools and the City, do you think they would really be able to get the money to participate if they even wanted to?

A Well, that, I really can't tell you on that particular item. Sure, they are probably on a budget and things of this nature would have to be budgeted. I am going to make a little bit of a facetious statement right now, but the School Board met and considered this, and we did not attend the School Board meeting, but we do have a copy of the papers that a writer or reporter attended the meeting, and reported in the Carlsbad paper that they preferred to wait and see whether we got a well to make up their mind whether they wanted to participate or not. Now, I wish that opportunity was afforded all of us in this room.

Q There might be some necessity in this case to balance the risk which you testified to against, as I said, the sophistication and situation of the various small interest owners in the tract?

MR. KELLAHIN: I would prefer to keep the risk factor at 200 percent assessed against all individuals regardless of how complicated this kind of matter is. I can relate it to my own situation. The I.R.S. doesn't give

MOTTER-CROSS

Page.....33

me this kind of consideration, and I don't understand the I.R.S. regulations. The City of Carlsbad and the schools apparently have counsel. There is a letter from an attorney. If he doesn't know the law or doesn't understand it, he is in a position where I think he can find somebody that does, but I think it is appropriate to assess it on an equal basis against everyone.

THE WITNESS: If I may state -- I don't mean to talk against my attorney, but my personal opinion on this is where do you start discrimination?

BY MR. STAMETS:

Q You mentioned the Antweil Bear Well is one with a 200 percent risk factor that was assessed. To your knowledge, were all the working interests in there familiar with oil and gas operations?

A Yes, I think I know them all and I think they were.

Q Is there any reason you left the Atoka out?

A Yes, mainly because I don't think, or our geologists don't think there is any Atoka in this particular area or location.

MR. STAMETS: Are there any other questions of this witness? He may be excused.

(Witness dismissed.)

MR. STAMETS: Is there anything further in this case?

MR. KELLAHIN: No, sir.

MR. STAMETS: If there is nothing further, we will take the case under advisement.

STATE OF NEW MEXICO)
COUNTY OF SANTA FE) SS.

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

Richard L. Nye
COURT REPORTER

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5324, heard by me on 9-18-74.
Richard L. Hunt, Examiner
New Mexico Oil Conservation Commission

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

October 9, 1974

I. R. TRUJILLO
CHAIRMAN
LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

Mr. Tom Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: CASE NO. 532J-
ORDER NO. R-4863, R-4864,
R-4865, R-4866 and R-4868
Applicant: _____

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X
Artesia OCC R-4865, R-4866, R-4868
Aztec OCC R-4863

Other Mr. Nick Franklin

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5325
Order No. R-4868

APPLICATION OF CITIES SERVICE OIL
COMPANY FOR DIRECTIONAL DRILLING,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 18, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of October, 1974, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Cities Service Oil Company, seeks authority to directionally drill its Tracy "B" Well No. 1, the surface location of which is to be 2045 feet from the South line and 479 feet from the East line of Section 18, Township 22 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, in such a manner as to bottom said well in the Morrow formation at an orthodox location within 165 feet of a point 2145 feet from the North line and 825 feet from the East line of said Section 18.

(3) Applicant further seeks approval for the unorthodox location of said well in the Strawn formation, in the event production is therein encountered, for a subsurface location within a 100-foot radius of a point 2600 feet from the North line and 675 feet from the East line of said Section 18.

(4) That the E/2 of said Section 18 is to be dedicated to the well for both formations.

Case No. 5325
Order No. R-4868

(5) That the proposed well is to be drilled within the city limits of the city of Carlsbad and that the unorthodox surface location for the well is necessitated by city ordinance.

(6) That there were no objections to the application.

(7) That the applicant should determine the subsurface location of the kick off point by means of a continuous multi-shot directional survey.

(8) That the applicant should determine the subsurface location of the bottom of the hole and of the hole opposite the producing horizon(s) by means of a continuous multi-shot directional survey.

(9) That the application for directional drilling should be approved.

IT IS THEREFORE ORDERED:

(1) That the applicant, Cities Service Oil Company, is hereby granted authority to locate a well at a point 2045 feet from the South line and 479 feet from the East line of Section 18, Township 22 South, Range 27 East, Eddy County, New Mexico, and to directionally drill said well in such a manner as to bottom said well in the Morrow formation at a subsurface location within 165 feet of a point 2145 feet from the North line and 825 feet from the East line of said Section 18.

(2) Applicant is further granted approval for the unorthodox subsurface location of said well in the Strawn formation, in the event production is therein encountered, within a 100-foot radius of a point 2600 feet from the North line and 675 feet from the East line of said Section 18.

(3) That the applicant shall determine the subsurface location of the kick-off point, the bottom of the hole, and of the hole opposite the producing horizon(s), by means of continuous multi-shot directional surveys.

PROVIDED HOWEVER, that shot points in all multi-shot directional surveys shall not be more than 100 feet apart; that the operator shall notify the Commission's Artesia District Office of the date and time of each such survey, and that the operator shall cause the surveying company to forward one copy of each survey report directly to the Santa Fe office of the Commission.

-3-

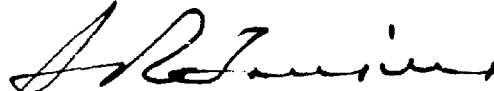
Case No. 5325

Order No. R-4868

(4) That 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


F. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member


A. L. PORTER, Jr., Member & Secretary


S E A L

dr/

Dockets Nos. 29-74 and 30-74 are tentatively set for hearing on October 2 and October 16, 1974. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 18, 1974

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas from seventeen prorated pools in Lea, Eddy, Roosevelt, and Chaves Counties, New Mexico, for October, 1974;
- (2) Consideration of the allowable production of gas from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for October, 1974;

CASE 5288: (Continued from the August 7, 1974, Examiner Hearing)

Application of Merrion & Bayless for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of hydrocarbon production from the top of the Gallup formation at 5434 feet to the base of the Dakota formation at 6570 feet in its Keeling Federal Well No. 1 located in Unit B of Section 20, Township 25 North, Range 8 West, Dufers Point-Dakota Pool, San Juan County, New Mexico.

CASE 5313: Application of El Paso Natural Gas Company for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Aztec-Pictured Cliffs and Blanco-Mesaverde production in the wellbore of its Ludwick Well No. 11 located in Unit B of Section 9, Township 30 North, Range 10 West, San Juan County, New Mexico.

CASE 5292: (Continued from the August 7, 1974, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit El Paso Natural Gas Company, United States Fidelity and Guaranty Co., and all other interested parties to appear and show cause why each of the following wells should not be plugged and abandoned in accordance with a Commission-approved plugging program:

EPNG Ludwick Well No. 11, located in Unit B, Section 19, Township 30 North, Range 10 West, San Juan County, New Mexico;

EPNG Rincon Unit Well No. 127, located in Unit A, Section 28, Township 27 North, Range 6 West, Rio Arriba County, New Mexico; and

EPNG Warren A Well No. 2, located in Unit A, Section 23, Township 28 North, Range 9 West, San Juan County, New Mexico.

- CASE 5316: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Benson-Montin-Greer Drilling Corporation and Hartford Accident and Indemnity Company and all other interested parties to appear and show cause why the Segal Well No. 1 located in Unit K of Section 10, Township 31 North, Range 13 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5317: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit R & G Drilling Company, Inc., and all other interested parties to appear and show cause why the Marron Well No. 42 in Unit M of Section 22, Township 27 North, Range 8 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5318: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit William C. Russell and United States Fidelity and Guaranty Company and all other interested parties to appear and show cause why the Marron Well No. 46 located in Unit K of Section 23, Township 27 North, Range 8 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5326: Application of William C. Russell for directional drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the directional drilling of his Hammond Well No. 1, the surface location of which is 1800 feet from the North line and 1650 feet from the East line of Section 26, Township 27 North, Range 8 West, Largo-Chacra Pool, San Juan County, New Mexico.
- CASE 5328: Application of R & G Drilling Company for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blanco-Mesaverde and Basin-Dakota gas production in the wellbore of its Hammond Well No. 47, located in Unit K of Section 35, Township 27 North, Range 8 West, San Juan County, New Mexico.
- CASE 5312: Application of SEC Corporation for two non-standard carbon dioxide gas units, Harding County, New Mexico. Applicant, in the above-styled cause, seeks approval for two non-standard gas units in the South Bueyeros Carbon Dioxide Field, Harding County, New Mexico, the first comprising the W/2 NE/4, SE/4 NE/4, and NE/4 SE/4 of Section 32, Township 19 North, Range 30 East, to be dedicated to a well to be drilled in the approximate center of the SW/4 NE/4 of said Section 32; the second non-standard unit would comprise the SW/4 NE/4, N/2 SE/4 and SE/4 SE/4 of Section 5, Township 18 North, Range 30 East, and would be dedicated to a well in the approximate center of the NW/4 SE/4 of said Section 5.

- CASE 5314: Application of Gulf Oil Corporation for simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of its W. A. Ramsay Wells Nos. 6, 7, and 20 located in Units H, N, and E, respectively, of Section 35, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to a standard 640-acre gas proration unit comprising all of said Section 35. Each of the aforesaid wells is at a non-standard location for a 640-acre unit in said pool.
- CASE 5315: Application of Texaco Inc. for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blinbry, Tubb-Drinkard, and Fusselman production in the wellbore of its G. L. Erwin "B" Federal Well No. 4 located in Unit O of Section 35, Township 24 South, Range 37 East, Justis Field, Lea County, New Mexico.
- CASE 5319: Application of Alan Ralston dba Apollo Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Jalmat Gas Pool underlying the NW/4 of Section 25, Township 25 South, Range 36 East, Lea County, New Mexico, to form a 160-acre non-standard gas proration unit to be dedicated to applicant's Brown Well No. 1 located 1980 feet from the North line and 2310 feet from the West line of said Section 25. Applicant further seeks the pooling of all mineral interests in the Jalmat Pool underlying the following 40-acre oil proration units in said Section 25: the NW/4 NW/4 to be dedicated to Brown Well No. 2 located 330 feet from the North line and 825 feet from the West line; the NE/4 NW/4 to be dedicated to Brown Well No. 3 located 365 feet from the North line and 1650 feet from the West line; the SE/4 NW/4 to be dedicated to Brown Well No. 4 located 1690 feet from the North line and 1870 feet from the West line; and the SW/4 NW/4 to be dedicated to Brown Well No. 5 located 1650 feet from the North line and 990 feet from the West line. Also to be considered will be the cost of reworking said wells and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the wells and a charge for risk involved in reworking said wells.
- CASE 5320: Application of Lively Exploration Company for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 341.33-acre non-standard gas proration unit comprising Lots 9, 10, 11, and 12 of Section 7, and Lots 1, 2, 3, and 4 and the E/2 W/2 of Section 18, Township 29 North, Range 8 West, Basin-Dakota Pool, San Juan County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit.

CASE 5321: Application of Northern Minerals, Inc. for pool creation and special pool rules, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the creation of the Miguel Creek-Hospah Oil Pool in Township 16 North, Range 6 West, McKinley County, New Mexico, and for the promulgation of special pool rules therefor, including the elimination of the requirement for surface casing and authority to inject water through casing. Applicant is currently conducting waterflood operations in said pool pursuant to authority granted by Order No. R-4649 and seeks administrative provision for the drilling of additional injection and production wells at orthodox and unorthodox locations.

CASE 5322: Application of Phillips Petroleum Company for an exception to Rule 104-C-I, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Commission Rule 104-C-I to permit the production of its Santa Fe Wells Nos. 41 and 86, both of which are located in Unit C of Section 26, Township 17 South, Range 35 East, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico, said wells being located closer than the required 330 feet apart.

CASE 5323: Application of Cities Service Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests of Pennsylvanian age, or older, underlying the E/2 of Section 32, Township 21 South, Range 27 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5324: Application of Cities Service Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests of Pennsylvanian age, or older, underlying the E/2 of Section 18, Township 22 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to applicant's Tracy "B" Well No. 1, the surface location of which is 2045 feet from the South line and 479 feet from the East line of said Section 18. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5325: Application of Cities Service Oil Company for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its Tracy "B" Well No. 1, the surface location of which is 2045 feet from the South line and 479 feet from the East line of Section 18, Township 22 South, Range 27 East, South

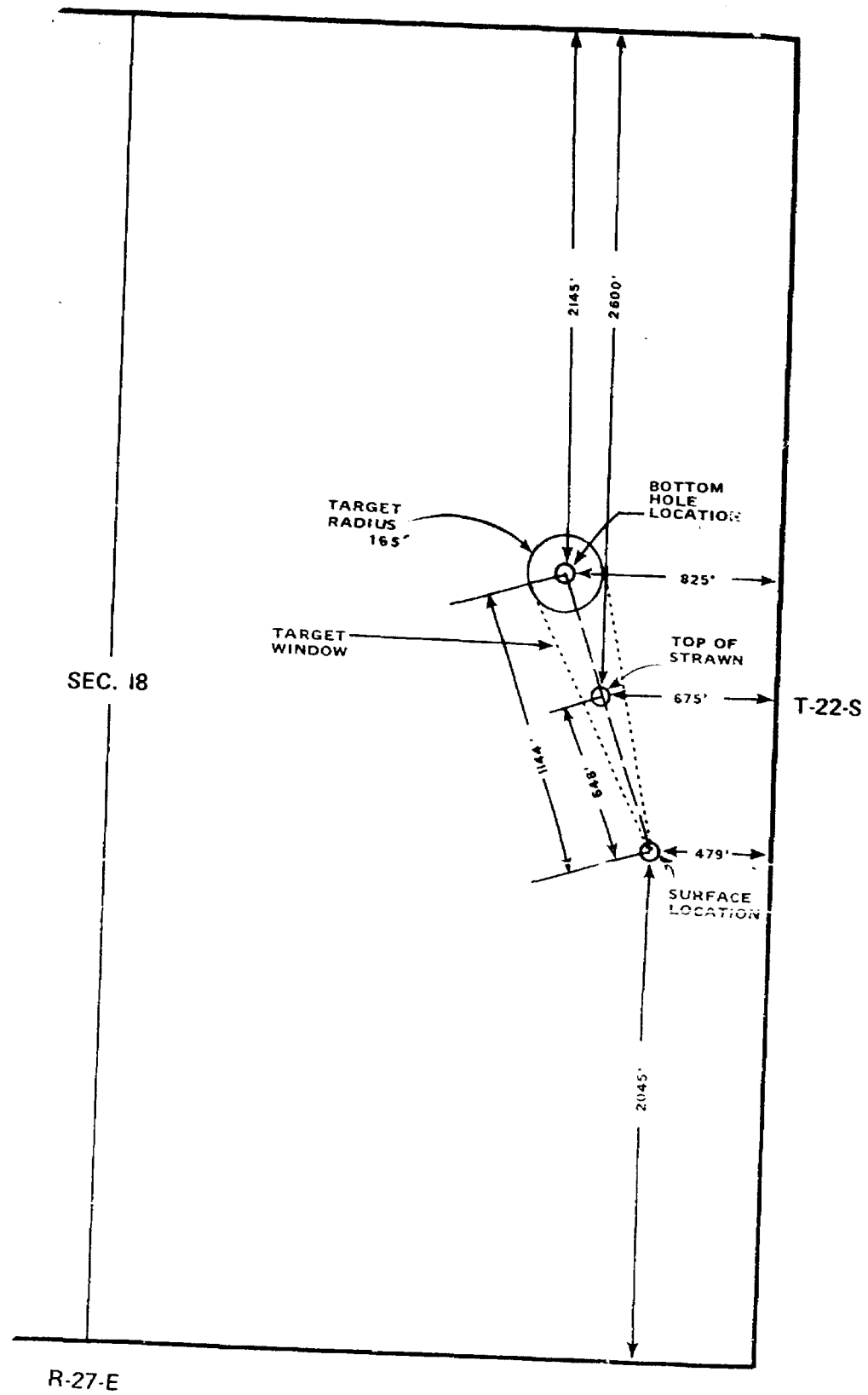
(Case 5325 continued from Page 4)

Carlsbad Field, Eddy County, New Mexico, in such a manner as to bottom said well in the Morrow formation at an orthodox location within 165 feet of a point 2145 feet from the North line and 825 feet from the East line of said Section 18. Applicant further seeks approval for the unorthodox location of said well in the Strawn formation, in the event production is therein encountered, within a 100-foot radius of a point 2600 feet from the North line and 675 feet from the East line of said Section 18. The E/2 of said Section 18 would be dedicated to the well for both formations.

CASE 5327: Application of Cities Service Oil Company for an unorthodox location and gas injection, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Empire-Abo Unit Well No. 111 to be drilled at a point 990 feet from the South line and 1880 feet from the West line of Section 35, Township 17 South, Range 27 East, Empire-Abo Pool, Eddy County, New Mexico. This well is to be used as a gas injection well and, in exception to the provisions of Order No. R-4808, is located 1140 feet from the outer boundary of the Citgo Empire-Abo Unit Boundary, rather than the required 1650 feet from the outer boundary.

CSOC TRACY B NO. 1
EDDY COUNTY, NEW MEXICO
SEC. 18 T-22-S R-27-E

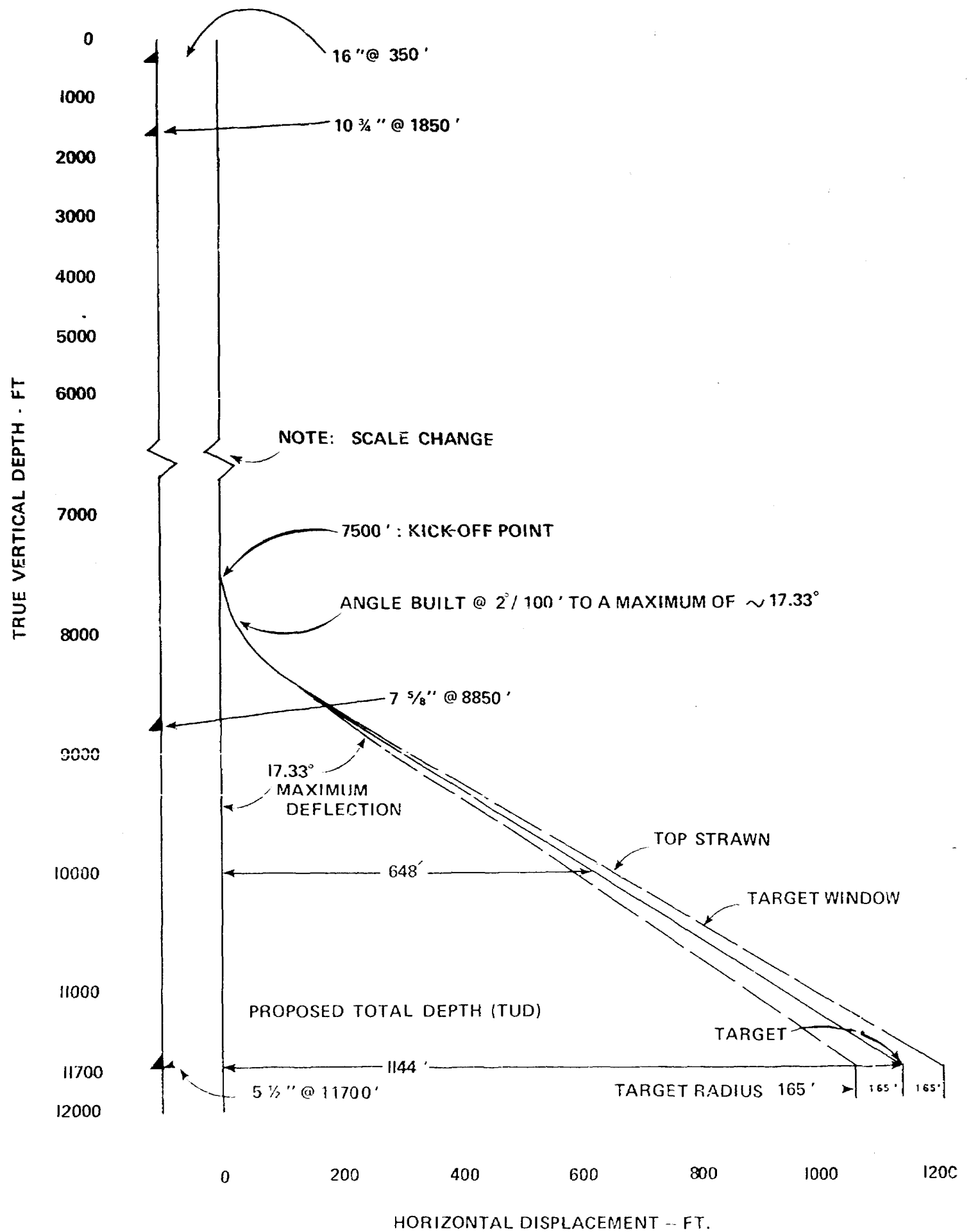
HORIZONTAL DISPLACEMENT



SCALE 1" = 625'

CSOC TRACY B NO. 1
EDDY COUNTY, NEW MEXICO

VERTICAL DISPLACEMENT



WORKING INTEREST OWNERS AND UNLEASED MINERAL INTERESTS

Cities Service Oil Company
P. O. Box 1919
Midland, Texas 79701

Acres
184.280485

*Conservation
5 or 6 sec. 1, 2, 3, 4
40' off*

Michael Grace
National Parks Highway
Carlsbad, New Mexico 88220

27.709741 (total) 25.433556 leased
2.276185 UMI

No response

R. C. Bennett
102 Permian Building
Midland, Texas 79701

54.818812

Will participate

R. G. Barton, Jr. & E. L. Latham, Jr.
P. O. Box 978
Hobbs, New Mexico 88240

2.457812

Will not participate

Belco Petroleum Corp.
Wilco Building
Midland, Texas 79701

25.068563

Will participate

Joe Don Cook
P. O. Box 159
Roswell, New Mexico 88201

.134871 (UMI)

Will not participate

Dan L. Hannifin
P. O. Box 182
Roswell, New Mexico 88201

.132001 (UMI)

Will not participate

E. C. Paine
P. O. Box 1718
Carlsbad, New Mexico
Tom R. and Sallie L. Caviness
c/o Toddy Ship, 1722 State Line Ave.
Texarkana, Arkansas 75501
Aulton W. & Frances L. Hefner
305 W. Riverside Drive
Carlsbad, New Mexico)
)
)
)

c/o E. C. Payne
Box 1718
Carlsbad, New Mexico
5.612000 (UMI)

Will participate

Carlsbad Municipal Schools, District #C
103 W. Hagerman
Carlsbad, New Mexico 88220

5.300000 (UMI)

Will not participate

BEFORE EXAMINER STATEMENTS	
OIL CONSERVATION COMMISSION	
CASE NO.	EXHIBIT NO. 2
Submitted by Grace Hefner	
Hearing Date 18 Sep 74	

3rd Add. to New San Jose Subdivision - Block 1

	Acres	Last Known Address	Status
Lot 2	.112389	204 Peach Tree	Letter
Lot 5	.161919	210 Peach Tree	Letter
Lot 4	.156180	1413 W. Bronson	Visit
Lot 11	.185450	2404 Avenue B	Letter
Lots 19 and 20	.349093	Fox 922	Letter

3rd Add. to New San Jose Subdivision - Block 11

Lot 1	.118801	"J" Grocery, S. Canal St.	Visit
Lct 6	.132001	608 N. Maple	Letter
Lot 12	.132001	Box 269	Letter
Lots 15 & 38	.261134	605 Lakeside Dr.	Phone
Lot 23 & W. 8' Strip between 22 & 23	.153122	319 Peach Tree	Visit
Lots 29 & 30, & W. 8' Strip between 30 & 31	.278925	Box 846	Letter
Lots 36 & 37	.258264	Rt. 7, Box 62, Conroe, Texas	Letter
Lot 39	.129132	2602 Carver	Visit
Lot 46	.129132	220 Plum St.	Letter
Lot 48	.129132	214 Plum St.	Visit
Lot 50	.129132	210 Plum St.	Visit
Lot 51	.116219	206 Plum St.	Visit
		Carlsbad Nat'l Bank Trust Dept.	Visit

Davis Subdivision - Block A

Lot 2, & N. 25' Lot 4

Fred R. Williams

.275482

Box 269

Letter

Davis Subdivision - Block B

Lot 11

Trustees of Church of God in Christ

.215306

2817 Davis

Visit

Davis Subdivision - Block C

Lot 4	.190082	2306 Carver	Letter
Lot 5	.178489	State Land Office	Phone
Lot 10	.190082	604 W. Alvarado	Letter

Davis Subdivision - Block C

Lot 11 Frank Valenzuela
 Lot 14 Hugh Gustus

Acres

.178489
 .190082

Last Known Address

2312 Algerita
 No address

Status

Letter
 Letter

Tracts in SW NE

Tract 52
 Tract 20
 Tract 53
 Tract 30 (W. 150' of S. 100')

Mrs. N. S. Hurd
 Lobelia King
 Eugene O. Rodrigues
 M. M. Martinez

.163567
 .255492
 .204430
 .537190

305 Plum St.
 Corner of Carver and Plum Sts.
 2205 Carver
 14202 Fairgrove, La Puente,
 California

Letter
 Visit
 Letter
 Letter

Tract 30 (W. 50' of E. 100')
 Tract 30 (E. 50')

Ruben Fernandez
 Property Appraisal Dept., St. of NM

.206611
 .206611

320 E. Etter St.
 State Land Office

Letter
 Phone

Hill Top Subdivision

Lot 7 (W. 15')

Trustees of Rice Memorial (CME) Church

.064049

2601 Carver

Letter

Southridge Subdivision - Block 7

Lot 9 James H. Orgain
 Lot 41 Henry Burgett
 Lot 36 Ezequiel D. Hernandez
 Lot 43 Calvin Ross
 Lot 45 Salvador Navarrette
 Lot 46 Alvesa & Amador Alveraz
 Lot 49 Joseph F. Huffman

.189393
 .189393
 .189393
 .189393
 .189393
 .189393
 .189393

2609 Carver
 1111 N. 8th
 520 Virginia NE., Albuquerque
 Box 769
 2907 Carver
 2908 Carver
 No Address

Letter
 Letter
 Letter
 Letter
 Letter
 Letter
 Letter

Southridge Subdivision - Block 8

Lot 1 Marie Jennings
 Lot 2 Frank Giddens
 Lot 13 Bicernte Almanza
 Lot 19 Luriline Washington

.284664
 .293847
 .177915
 .177915

2520 San Jose Blvd.
 Corner of Carver & Etter Sts.
 Grants, NM
 6910 Weston, Apt. 3, Houston,
 Texas 77033

Letter
 Visit
 Letter
 Letter

Lot 27 Cruz Molinar
 Lot 28 Benito Fletero
 Lot 31 Ruby Brown
 Lot 33 Sam Alexander

.202522
 .196395
 .223372
 .426187

6224 S. 3rd, Phoenix, Arizona
 1304 Carver
 No Address
 Corner of Carver & Davis

Letter
 Letter
 Letter
 Visit

<u>Southridge Subdivision - Block 9</u>		<u>Acres</u>	<u>Last Known Address</u>	<u>Status</u>
Lot 1	Robert L. Cummings	.293847	2302 N. Florez Dr., Tucson, AZ	Letter
Lot 4	Adm'n. of Veterans Affairs & Curtis Moore	.183654	Havis St.	Letter
Lot 8	Mildred Johnson	.183654	No Address	-
Lot 16	Homer Rogers	.183654	2700 Stanton Dr., Las Vegas, NV 89031	Letter
<u>Southridge Subdivision - Blocks 2 & 3</u>				
Lot 6	Alvaro H. Molinar	.189393	306 Monclair	Letter
Lot 20	Adm'n. of Veterans Affairs	.189393	Monclair	Letter
Lot 22	Roxie Doyle	.454545	Corner of San Jose Blvd. & Monclair Streets	Visit
Lot 15	Fernando Rencieria, Jr.	.189393	Prices Dairy	Visit
Lot 17	Evelyn Ford	.189393	Box 236, Dexter, NM 88230	Letter
Lot 21	Paul Balza	.454545	No Address	-
<u>Southridge Subdivision - Block 4</u>				
Lot 14	Allen DePew	.183654	1106 Normandy	Letter
<u>Murray Subdivision</u>				
Lots 3 & 4	Jullean Harkness	.564049	Rt. 1, Box 71, Loving, NM	Letter
Lot 5	Victorio Rodriguez	.349954	Box 211, Grants, NM	Letter
<u>Tracts in SE SE</u>				
Portion of Tract 55	Latin American Assemblies of God	.380000	Corner of Kircher & Ridgeway	Letter
<u>Bindel Subdivision #2 - Block 2</u>				
Lot 4	Jim B. Carson	<u>1.200000</u>	Curtsbad	Visit
		<u>TOTAL</u>		
		<u>14.485684</u>		

GRACE

No. 103486

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENT TO		POSTMARK OR DATE
Mr. Michael P. Grace		8-1-74
STREET AND NO. P. O. Box 1418		
P.O., STATE AND ZIP CODE Carlsbad, New Mexico 88220		
OPTIONAL SERVICES FOR ADDITIONAL FEES		
RETURN RECEIPT SERVICES	<input checked="" type="checkbox"/> 1. Shows to whom and date delivered 15¢ With delivery to addressee only 65¢ <input checked="" type="checkbox"/> 2. Shows to whom, date and where delivered 35¢ With delivery to addressee only 85¢	
DELIVER TO ADDRESSEE ONLY 50¢		
SPECIAL DELIVERY (2 pounds or less) 45¢		

POD Form 3800 July 1963 NO INSURANCE COVERAGE PROVIDED—NOT FOR INTERNATIONAL MAIL (See other side) * GPO : 1969 O-358-312

RYDER: Be sure to follow instructions on other side

PLEASE FURNISH SERVICE(S) INDICATED BY CHECKED BLOCK(S)
(Additional charges required for these services)

☐ Show address
where delivered

☐ Deliver ONLY
to addressee

RECEIPT

Received the numbered article described below

REGISTERED NO.

SIGNATURE OR NAME OF ADDRESSEE (Must always be filled in)

REGISTERED NO.

103486

INSURED NO.

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

DATE DELIVERED

AUG 1 1974

SHOW WHERE DELIVERED (Only if to home, and include ZIP Code)

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

CIVILS EXHIBIT NO. 3

CASE NO. 5374 + 5325

Submitted by Matter

Hearing Date 18 Sep 74

CITIES SERVICE OIL COMPANY



Box 1919
Midland, Texas 79701
Telephone: 915 684-7131
August 1, 1974

TO: ADDRESSEES
(See Attached List)

SUBJECT: Proposed Cities #1 Tracy "3"
10,950' Morrow-Strawn Test
SE/4 NE/4 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

GENTLEMEN:

We propose to drill in the very near future a 10,950' Morrow-Strawn test at a surface location in the SE/4 NE/4 Section 18, T-22-S, R-27-E, Eddy County, New Mexico, and directionally drill to a bottom hole location 1980' FNL and 660' FEL. The estimated cost to drill and complete this well as a dual producer is \$610,653. A dry hole is estimated to cost \$416,309. The location is within the city limits and the above costs do not include the expense of conformance to the recently adopted ordinance by the City of Carlsbad.

The estimated ownership in the proposed proration unit covering the E/2 Section 18 is as follows:

	<u>Net Acres</u>	<u>Percentage</u>
Cities	177.80	55.56%
Bennett	53.00	16.36%
Grace	28.34	8.85%
Belco	21.80	6.81%
Barton	2.00	.62%
Hannifin	.50	.16%
Unleased	36.56	11.44%

We request that you join Cities in the drilling of this test. Please advise us of your decision in this matter at your earliest convenience so that we may proceed with the preparations for the drilling of this well.

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

Tfhd
Attachment

CITIES #1 TRACY "B"

Mr. R. C. Bennett
Permian Building
Midland, Texas 79701

Mr. Michael P. Grace
P. O. Box 1418
Carlsbad, New Mexico 88220

Belco Petroleum Corporation
Wilco Building
Midland, Texas 79701

Mr. R. G. Barton, Jr.
P. O. Box 978
Hobbs, New Mexico 88240

Mr. Robert H. Hannifin
Petroleum Building
Midland, Texas 79701



CITIES SERVICE OIL COMPANY

Box 1919
Midland, Texas 79701
Telephone: 915 684-7131

August 6, 1974

TO: ADDRESSEES
(See Attached List)

SUBJECT: Proposed Cities #1 Tracy "B"
10,950' Morrow-Strawn Test
SE/4 NE/4 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

GENTLEMEN:

Further to my letter of August 1, 1974, I wish to advise the top of the Morrow is expected at 10,950' and complete penetration should be accomplished at 11,600'. The exact surface and bottom hole locations are as follows:

Surface Location: 2180' FSL & 520' FEL Section 18

Bottom Hole Location: 1980' FNL & 660' FEL Section 18

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Helier
Landman

THbd
Attachment

P. S. To Belco - Attached is Detailed Well Estimate.

CITIES #1 TRACY "B"

Mr. R. C. Bennett
Permian Building
Midland, Texas 79701

Mr. Michael P. Grace
P. O. Box 1418
Carlsbad, New Mexico 88220

Belco Petroleum Corporation
Wilco Building
Midland, Texas 79701

Mr. R. G. Barton, Jr.
P. O. Box 978
Hobbs, New Mexico 88240

Mr. Robert H. Hannifin
Petroleum Building
Midland, Texas 79701



CITIES SERVICE OIL COMPANY

Box 1919
Midland, Texas 79701
Telephone: 915 684-7131

August 21, 1974

Mr. R. G. Barton, Jr.
Mr. E. L. Latham, Jr.
P. O. Box 978
Hobbs, New Mexico 88240

Belco Petroleum Corporation
Wilco Building
Midland, Texas 79701

Mr. C. R. Cahill
P. O. Box 162
Midland, Texas 79701

Mr. Michael Grace
National Parks Highway
Carlsbad, New Mexico 88220

Mr. Dan L. Hannifin
P. O. Box 182
Roswell, New Mexico 88201

Re: Proposed Cities No. 1 Tracy "B"
Morrow-Strawn Test
E/2 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

As we have previously discussed, the above proposed Unit, with the exception of the SE/4 NE/4 and the NE/4 SE/4, is chiefly made up of town lots. In order that we may proceed with the tabulation of each party's interest, it would be most advantageous to us if you could furnish Cities with a list of exactly what acreage you have leased in the E/2.

Your early response to this request will be greatly appreciated.

Yours truly,

CITIES SERVICE OIL COMPANY

Tom Heller
Landman

TH:eh

BARTON

No. 816625

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENT TO		POSTMARK OR DATE
Ir. R. G. Barton, Jr.		8-1-74
STREET AND NO.		
P. O. Box 978		
P.O., STATE AND ZIP CODE		
Midland, TX Hobbs, NM 88240		
OPTIONAL SERVICES FOR ADDITIONAL FEES		
RETURN	1. Shows to whom and date delivered	10¢
RECEIPT	With delivery to addressee only	60¢
SERVICES	2. Shows to whom, date and where delivered	35¢
	With delivery to addressee only	85¢
DELIVER TO ADDRESSEE ONLY		50¢
SPECIAL DELIVERY (2 pounds or less)		30¢

POD Form 3800
Sep. 1968

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

(See other side)

SENDER: Be sure to follow instructions on other side

PLEASE INDICATE SERVICE(S) INDICATED BY CHECKED BOX(S)
(Additional charges required for these services)

☐ Show address where delivered ☐ Deliver ONLY to addressee

RECEIPT

Received the numbered article described below

REGISTERED NO.	SIGNATURE OR NAME OF ADDRESSEE (Must also be filled in)
CERTIFIED NO.	SIGNATURE OF ADDRESSEE'S AGENT, IF ANY
816625	
INSURED NO.	
DATE DELIVERED	SHOW WHERE DELIVERED (Only if requested, and include ZIP CODE)
AUG - 2 1974	

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

Copies EXHIBIT NO. 4

CASE NO. 53244 5325

Submitted by Mutter

Hearing Date 18 Sep 74

CITIES SERVICE OIL COMPANY



Box 1919
Midland, Texas 79701
Telephone: 915 684-7131
August 1, 1974

TO: ADDRESSEES
(See Attached List)

SUBJECT: Proposed Cities #1 Tracy "S"
10,950' Morrow-Strawn Test
SE/4 NE/4 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

GENTLEMEN:

We propose to drill in the very near future a 10,950' Morrow-Strawn test at a surface location in the SE/4 NE/4 Section 18, T-22-S, R-27-E, Eddy County, New Mexico, and directionally drill to a bottom hole location 1980' FNL and 660' FEL. The estimated cost to drill and complete this well as a dual producer is \$610,653. A dry hole is estimated to cost \$416,309. The location is within the city limits and the above costs do not include the expense of conformance to the recently adopted ordinance by the City of Carlsbad.

The estimated ownership in the proposed proration unit covering the E/2 Section 18 is as follows:

	<u>Net Acres</u>	<u>Percentage</u>
Cities	177.80	55.56%
Bennett	53.00	16.56%
Grace	28.34	8.85%
Belco	21.80	6.81%
Barton	2.00	.62%
Hannifin	.50	.16%
Unleased	36.56	11.44%

We request that you join Cities in the drilling of this test. Please advise us of your decision in this matter at your earliest convenience so that we may proceed with the preparations for the drilling of this well.

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

TTHd
Attachment

CITIES #1 TRACY "B"

Mr. R. C. Bennett
Permian Building
Midland, Texas 79701

Mr. Michael P. Grace
P. O. Box 1418
Carlsbad, New Mexico 88220

Belco Petroleum Corporation
Wilco Building
Midland, Texas 79701

Mr. R. G. Barton, Jr.
P. O. Box 978
Hobbs, New Mexico 88240

Mr. Robert H. Hannifin
Petroleum Building
Midland, Texas 79701



CITIES SERVICE OIL COMPANY

Box 1919
Midland, Texas 79701
Telephone: 915 684-7131

August 6, 1974

TO: ADDRESSEES
(See Attached List)

SUBJECT: Proposed Cities #1 Tracy "B"
10,950' Morrow-Strawn Test
SE/4 NE/4 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

GENTLEMEN:

Further to my letter of August 1, 1974, I wish to advise the top of the Morrow is expected at 10,950' and complete penetration should be accomplished at 11,600'. The exact surface and bottom hole locations are as follows:

Surface Location: 2180' FSL & 520' FEL Section 18

Bottom Hole Location: 1980' FNL & 660' FEL Section 18

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

THbd
Attachment

P. S. To Belco - Attached is Detailed Well Estimate.

CITIES #1 TRACY "B"

Mr. R. C. Bennett
Permian Building
Midland, Texas 79701

Mr. Michael P. Grace
P. O. Box 1418
Carlsbad, New Mexico 88220

Belco Petroleum Corporation
Wilco Building
Midland, Texas 79701

Mr. R. G. Barton, Jr.
P. O. Box 978
Hobbs, New Mexico 88240

Mr. Robert H. Hannifin
Petroleum Building
Midland, Texas 79701



CITIES SERVICE OIL COMPANY

Box 1919
Midland, Texas 79701
Telephone: 915 684-7131

August 21, 1974

Mr. R. G. Barton, Jr.
Mr. E. L. Latham, Jr.
P. O. Box 978
Hobbs, New Mexico 88240

Belco Petroleum Corporation
Wilco Building
Midland, Texas 79701

Mr. C. R. Cahill
P. O. Box 162
Midland, Texas 79701

Mr. Michael Grace
National Parks Highway
Carlsbad, New Mexico 88220

Mr. Dan L. Hannifin
P. O. Box 182
Roswell, New Mexico 88201

Re: Proposed Cities No. 1 Tracy "B"
Morrow-Strawn Test
E/2 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

As we have previously discussed, the above proposed Unit, with the exception of the SE/4 NE/4 and the NE/4 SE/4, is chiefly made up of town lots. In order that we may proceed with the tabulation of each party's interest, it would be most advantageous to us if you could furnish Cities with a list of exactly what acreage you have leased in the E/2.

Your early response to this request will be greatly appreciated.

Yours truly,

CITIES SERVICE OIL COMPANY

Tom Heller
Landman

TH:eh

OFFICE PHONE 505 393-5515
RESIDENCE 505 392-5309

300 W. TAYLOR STREET
P. O. BOX 978
HOBBS, NEW MEXICO 88240

ROY G. BARTON, JR.
OIL PRODUCER

August 7, 1974

Cities Service Oil Co.
Box 1919
Midland, Texas 79701

Attention: Mr. Thomas Heller:

Re: Cities #1 Tracy "B"
SE/4NE/4 Sec. 18, T-22-S, R-27-E, Eddy County, N.M.

Dear Mr. Heller:

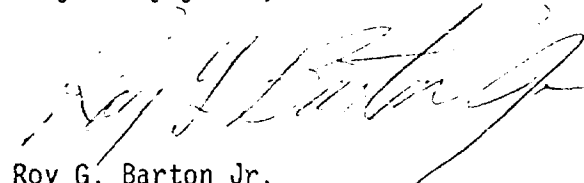
Thank you for your letter of August 1st.

Mr. E. L. Latham Jr. and myself have taken Cities proposal under consideration, and we do not feel that at the present time we can justify participating with you.

We will consider signing an operating agreement wherein Cities would recover 125% of the drilling and completion costs spent on our behalf.

We wish you the best of luck on this venture.

Very truly yours,



Roy G. Barton Jr.

Barton Jr.

has exactly 1.252525%

RECEIVED
AUG 12 1974

Cities Service Oil
Southwestern Reg.

COOK

No. 103494

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

S	0	POSTMARK OR DATE
STREET AND NO.		
P.O., STATE AND ZIP CODE		
OPTIONAL SERVICES FOR ADDITIONAL FEES		
RETURN RECEIPT SERVICES	1. Shows to whom, and date delivered With delivery to addressee only	15¢ 65¢
	2. Shows to whom, date and where delivered With delivery to addressee only	35¢ 85¢
DELIVER TO ADDRESSEE ONLY		50¢
SPECIAL DELIVERY (2 pounds or less)		45¢

POD Form 3800 July 1969 NO INSURANCE COVERAGE PROVIDED—NOT FOR INTERNATIONAL MAIL (See other side) * GPO : 1969 O-356-312

SENDER: Be sure to follow instructions on other side

PLEASE	NISH SERVICE(S) INDICATED BY CHECKED (CK(S))	
(Additional charges required for these services)		
<input type="checkbox"/> Show address where delivered	<input type="checkbox"/> Deliver ONLY to addressee	

RECEIPT

Received the numbered article described below

REGISTERED NO. _____ SIGNATURE OF NAME OF ADDRESSEE (must always be filled in)

CERTIFIED NO. _____

103494 _____ SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

INSURED NO. _____

DATE DELIVERED _____ SHOW WHERE DELIVERED (Only if requested, and include ZIP Code)

5-27-74

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
Cities	EXHIBIT NO. 5
CASE NO.	5324 & 5325
Submitted by	Mott
Hearing Date	18 Sep 74



CITIES SERVICE OIL COMPANY

Box 1919
Midland, Texas 79701
Telephone: 915 684-7131

September 9, 1974

Dan L. Hannifan
P. O. Box 132
Roswell, New Mexico 88201

THIS COPY FOR

Don Cook
P. O. Box 159
Roswell, New Mexico 88201

Subject: Tracy "B" No. 1
E/2 Section 13
22S, 27E
Eddy County, New Mexico

Gentlemen:

Attached for your information is one copy each of Cities Service Oil Company's Detailed Well Estimate regarding our proposed Tracy "B" #1. After examining same we trust you will join Cities in this proposed test.

We anticipate a Commission hearing around the middle of September.

Yours very truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

THde

Attachment

August 28, 1974

Mr. Joe Don Cook
P. O. Box 159
Roswell, New Mexico 88201

Re: Proposed Cities #1 Tracy "B"
11,600' Morrow-Strawn Test
SE/4 NE/4 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

Dear Mr. Cook:

We propose to drill in the very near future an 11,600' Morrow-Strawn test at a surface location in the NE/4 SE/4 Section 18, T-22-S, R-27-E, Eddy County, New Mexico, and directionally drill to a bottom hole location 1980' FNL and 660' FEL. The estimated cost to drill and complete this well as a dual producer is \$610,653. A dry hole is estimated to cost \$416,309. The location is within the city limits and the above costs do not include the expense of conformance to the recently adopted ordinance by the City of Carlsbad.

As you are the owner of an estimated .1214 acre mineral interest in the proration unit covering the E/2 Section 18, we request that you join Cities in the drilling of this proposed test. We estimate that your mineral interest covers .0379% of the proposed proration unit.

Please advise us of your decision in this matter at your earliest convenience. A self-addressed, stamped envelope is enclosed for your use.

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

TTHd
Enclosure

P.O. Box 159
~~XXXXXXXXXXXX~~

Joe Don Cook
Oil Properties
Roswell, New Mexico 88201

PHONE 505 623-7096

August 30, 1974

Cities Service Oil Co.
Box 1919
Midland, Texas 79701

RE: Cities # 1 Tracy "B"

Dear Sir:

How much money will you receive per million cubic feet
of gas ?

If you have a proper AFE, please furnish us with same.
Thank you.

Sincerely,

Joe Don Cook
Joe Don Cook

JDC/ew

*called cook
Sending OWE for his
possible approval*

HANNIFIN

No. 103489

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

Mr. Dan L. Hannifin		POSTMARK OR DATE 8-13-74
STREET AND NO.		
P. O. Box 182		
P.O., STATE AND ZIP CODE		
Midland, Texas 79701		
OPTIONAL SERVICES FOR ADDITIONAL FEES		
RETURN	1. Shows to whom and date delivered	15¢
RECEIPT	With delivery to addressee only	65¢
SERVICES	2. Shows to whom, date and where delivered	35¢
	With delivery to addressee only	85¢
DELIVER TO ADDRESSEE ONLY		50¢
SPECIAL DELIVERY (2 pounds or less)		45¢

POD Form 3800
July 1969

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

(See other side)
* GPO : 1969 O-355-312

SENDER: Be sure to follow instructions on other side

PLEASE FURNISH SERVICE(S) INDICATED BY CHECKED BLOCK(S)
(Additional charges required for these services)

☐ Show address
where delivered

☐ Deliver ONLY
to addressee

RECEIPT

Received the numbered article described below

REGISTERED NO.

SIGNATURE OR NAME OF ADDRESSEE (Must always be filled in)

CERTIFIED NO.

103489

INSURED NO.

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

DATE DELIVERED

SHOW WHERE DELIVERED (Only if requested, and include ZIP Code)

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

CITIZEN'S EXHIBIT NO. 6

CASE NO. 5324 + 5325

Submitted by Mutton

Hearing Date 18 Sep 74



CITIES SERVICE OIL COMPANY

Box 1919
Midland, Texas 79701
Telephone: 915 684-7131

September 9, 1974

Dan L. Hannifan
P. O. Box 132
Roswell, New Mexico 88201

THIS COPY FOR

Joe Don Cook
P. O. Box 159
Roswell, New Mexico 88201

Subject: Tracy "B" No. 1
E/2 Section 18
22S, 27E
Eddy County, New Mexico

Gentlemen:

Attached for your information is one copy each of Cities Service Oil Company's Detailed Well Estimate regarding our proposed Tracy "B" #1. After examining same we trust you will join Cities in this proposed test.

We anticipate a Commission hearing around the middle of September.

Yours very truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

THde

Attachment



CITIES SERVICE OIL COMPANY

Box 1919
Midland, Texas 79701
Telephone: 915 684-7131

August 21, 1974

Mr. R. G. Barton, Jr.
Mr. E. L. Latham, Jr.
P. O. Box 978
Hobbs, New Mexico 88240

Belco Petroleum Corporation
Wilco Building
Midland, Texas 79701

Mr. C. R. Cahill
P. O. Box 162
Midland, Texas 79701

Mr. Michael Grace
National Parks Highway
Carlsbad, New Mexico 88220

Mr. Dan L. Hannifin
P. O. Box 182
Roswell, New Mexico 88201

Re: Proposed Cities No. 1 Tracy "B"
Morrow-Strawn Test
E/2 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

As we have previously discussed, the above proposed Unit, with the exception of the SE/4 NE/4 and the NE/4 SE/4, is chiefly made up of town lots. In order that we may proceed with the tabulation of each party's interest, it would be most advantageous to us if you could furnish Cities with a list of exactly what acreage you have leased in the E/2.

Your early response to this request will be greatly appreciated.

Yours truly,

CITIES SERVICE OIL COMPANY

Tom Heller
Landman

TH:eh

August 13, 1974

Mr. Dan L. Hannifin
P. O. Box 182
Roswell, New Mexico 88201

Re: Proposed Cities "1 Tracy "B"
11,600' Morrow-Strawn Test
SE/4 NE/4 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

Dear Dan:

We propose to drill in the very near future an 11,600' Morrow-Strawn test at a surface location in the NE/4 SE/4 Section 18, T-22-S, R-27-E, Eddy County, New Mexico, and directionally drill to a bottom hole location 1980' FNL and 660' REL. The estimated cost to drill and complete this well as a dual producer is \$610,553. A dry hole is estimated to cost \$416,329. The location is within the city limits and the above costs do not include the expense of conformance to the recently adopted ordinance by the City of Carlsbad.

As you are the owner of an estimated .2640 acre mineral interest in the proration unit covering the E/2 Section 18, we request that you join Cities in the drilling of this proposed test. We estimate that your mineral interest covers .0825% of the proposed proration unit.

Please advise us of your decision in this matter at your earliest convenience. A self-addressed, stamped envelope is enclosed for your use.

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

THbd
Enclosure



CITIES SERVICE OIL COMPANY

Box 1919
Midland, Texas 79701
Telephone: 915 684-7131

August 21, 1974

Mr. R. G. Barton, Jr.
Mr. E. L. Latham, Jr.
P. O. Box 978
Hobbs, New Mexico 88240

Belco Petroleum Corporation
Wilco Building
Midland, Texas 79701

Mr. C. R. Cahill
P. O. Box 162
Midland, Texas 79701

Mr. Michael Grace
National Parks Highway
Carlsbad, New Mexico 88220

✓ Mr. Dan L. Hannifin
P. O. Box 182
Roswell, New Mexico 88201

Re: Proposed Cities No. 1 Tracy "B"
Morrow-Strawn Test
E/2 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

As we have previously discussed, the above proposed Unit, with the exception of the SE/4 NE/4 and the NE/4 SE/4, is chiefly made up of town lots. In order that we may proceed with the tabulation of each party's interest, it would be most advantageous to us if you could furnish Cities with a list of exactly what acreage you have leased in the E/2.

Your early response to this request will be greatly appreciated.

Yours truly,

CITIES SERVICE OIL COMPANY

Tom Heller

Tom Heller
Landman

TH:eh

RECEIVED
AUG 28 1974

Cities Service Oil
Southwestern Reg.

Lot 16, Block 2 3rd East San Jose
Total Acreage: ?

D. L. Hannifin

CARLSBAD MUNICIPAL SCHOOLS

No. 103487

PD Form 3800 July 1969
NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See other side)
GPO : 1969 O-350-312

1. Shows to whom and date delivered	15¢
2. Shows to whom, date and where delivered	35¢
With delivery to addressee only	85¢
DELIVER TO ADDRESSEE ONLY	50¢
SPECIAL DELIVERY (2 pounds or less)	45¢

OPTIONAL SERVICES FOR ADDITIONAL FEES

RETURN RECEIPT 1. Shows to whom and date delivered 15¢
RECEIPT 2. Shows to whom, date and where delivered 35¢
With delivery to addressee only 85¢
DELIVER TO ADDRESSEE ONLY 50¢
SPECIAL DELIVERY (2 pounds or less) 45¢

STREET AND NO.
P.O., STATE AND ZIP CODE

TO
POSTMARK OR DATE

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENDER: Be sure to follow instructions on other side

PLEASE, SHOW SERVICE(S) INDICATED BY CHECKED BOX(S)
(Additional charges required for these services)

☐ Show address
where delivered

☐ Deliver ONLY
to addressee

RECEIPT

Received the numbered article described below

REGISTERED NO. SIGNATURE OR NAME OF ADDRESSEE (must always be filled in)

CERTIFIED NO.

103487

INSURED NO.

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

DATE DELIVERED

AUG 9 - 1974

PLACE WHERE DELIVERED (only if required, and include ZIP Code)

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
Cities. EXHIBIT NO. 7
CASE NO. 5384 & 5325
Submitted by Miller
Hearing Date 18 Aug 74

August 2, 1974

Carlsbad Municipal Schools
District #C
103 West Hagerman
Carlsbad, New Mexico 88220

Attention: Mr. Jerome D. Matkins, Attorney

Re: Proposed Cities #1 Tracy "B"
10,950' Morrow-Strawn Test
SE/4 NE/4 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

We propose to drill in the very near future a 10,950' Morrow-Strawn test at a surface location in the SE/4 NE/4 Section 18, T-22-S, R-27-E, Eddy County, New Mexico, and directionally drill to a bottom hole location 1980' FNL and 660' FEL. The estimated cost to drill and complete this well as a dual producer is \$610,653. A dry hole is estimated to cost \$416,309. The location is within the city limits and the above costs do not include the expense of conformance to the recently adopted ordinance by the City of Carlsbad.

As the school district is the owner of an estimated 5.3 acre mineral interest in the proration unit covering the E/2 Section 18, we request that you join Cities in the drilling of this proposed test. We estimate that your mineral interest covers 1.65% of the proposed proration unit.

Please advise us of your decision in this matter at your earliest convenience. A self-addressed, stamped envelope is enclosed for your use.

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

THBd
Enclosure

August 6, 1974

Carlsbad Municipal Schools
District #C
103 West Hagerman
Carlsbad, New Mexico 88220

Attention: Mr. Jerome D. Matkins, Attorney

Re: Proposed Cities #1 Tracy "B"
10,950' Morrow-Strawn Test
SE/4 NE/4 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Further to my letter of August 2, 1974, I wish to advise the top of the Morrow is expected at 10,950' and complete penetration should be accomplished at 11,600'. The exact surface and bottom hole locations are as follows:

Surface Location: 2180' FSL & 520' FEL Section 18

Bottom Hole Location: 1980' FNL & 650' FEL Section 18

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

THbd

JEROME D. MATKINS
W. T. MARTIN, JR.

MATKINS AND MARTIN
ATTORNEYS AT LAW
601 NORTH CANAL STREET
P. O. DRAWER N
CARLSBAD, NEW MEXICO 88220

AREA CODE 505
885-2445
885-2312

August 22, 1974

Mr. Thomas Heller, Landman
Cities Service Oil Company
P. O. Box 1919
Midland, Texas 79701

Re: Proposed Cities #1 Tracy "B"
10,950' Morrow-Strawn Test
SE/4 NE/4 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

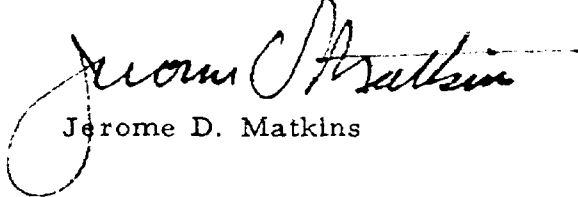
Dear Mr. Heller:

As I advised you by phone, the contents of your letters of August 2nd and 6th were presented to the Board of Education of the Carlsbad Municipal School District at its regular meeting on August 20, 1974.

I am instructed to inform you that the School District is not in the business of exploring for and developing production of oil and gas. The District declines your request to join in this drilling. The members of the Board of Education understand that should you obtain pooling through the Oil & Gas Conservation Commission, that you will be entitled to recovery of your costs and such additional amounts as fixed by the Commission before any payments would be made to the District from production. Thereafter, however, the District would be entitled to full payment for its approximately 5.3 acres that would be in the pooled land.

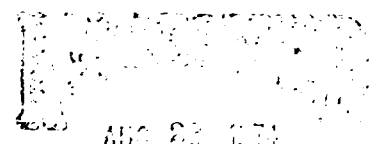
Yours very truly,

MATKINS AND MARTIN


Jerome D. Matkins

cw

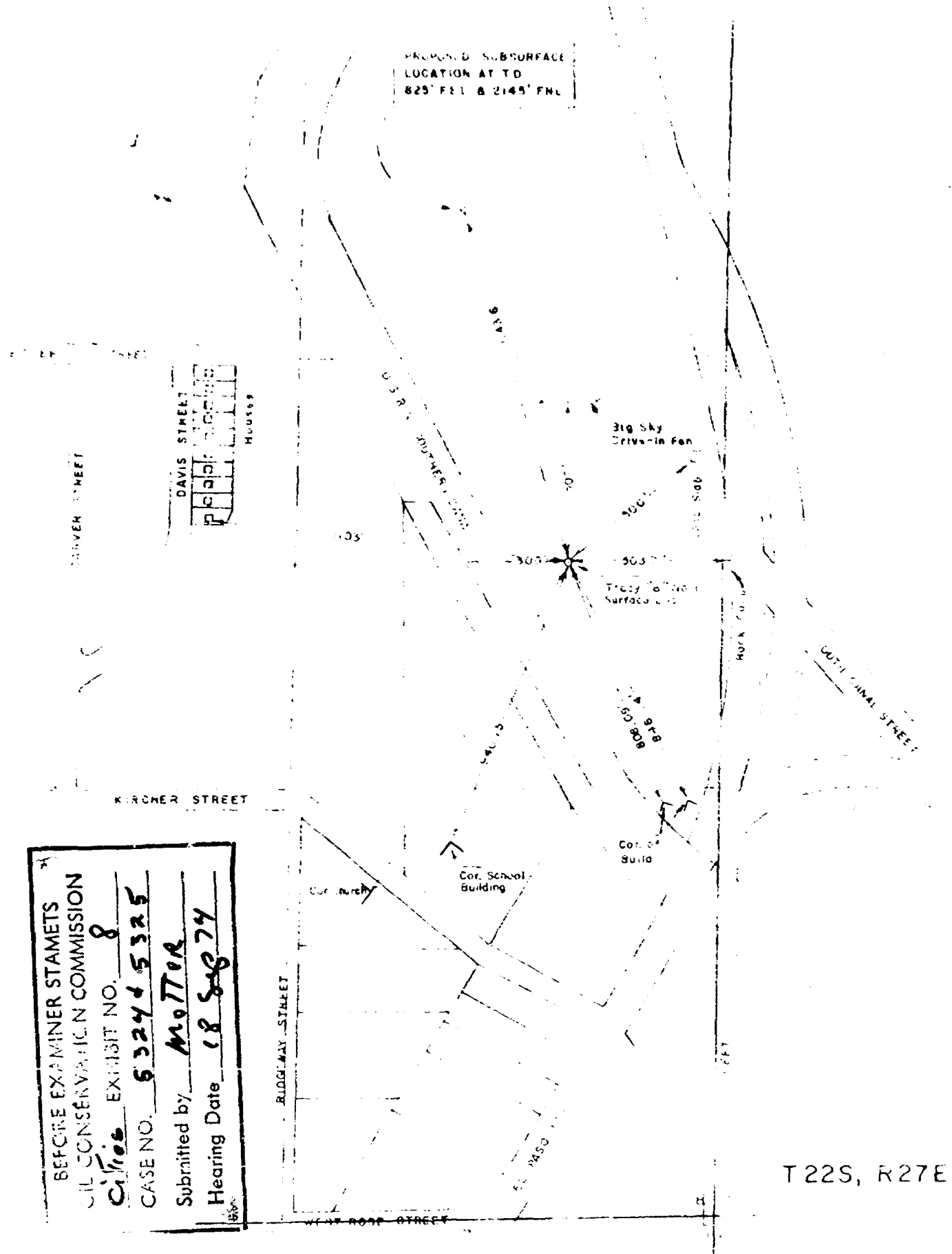
cc: Mr. Tom Hansen
Mr. Francis Duren
Dr. Jere K. Reld
Mr. Raul Quintana
Dr. A. H. Franzblau
Mr. Karl Elers



Cities Service Oil
Southwestern Reg.

PROPOSED SUBSURFACE
LOCATION AT T.D.
825' FSL & 2145' FNL

BEFORE EXAMINER STAMETS
CIL CONSERVATION COMMISSION
CITE EXHIBIT NO. 8
CASE NO. 632445325
Submitted by MOTTER
Hearing Date 18 Aug 74



T22S, R27E

Revised Aug. 17, 1974

ITILS SERVICE

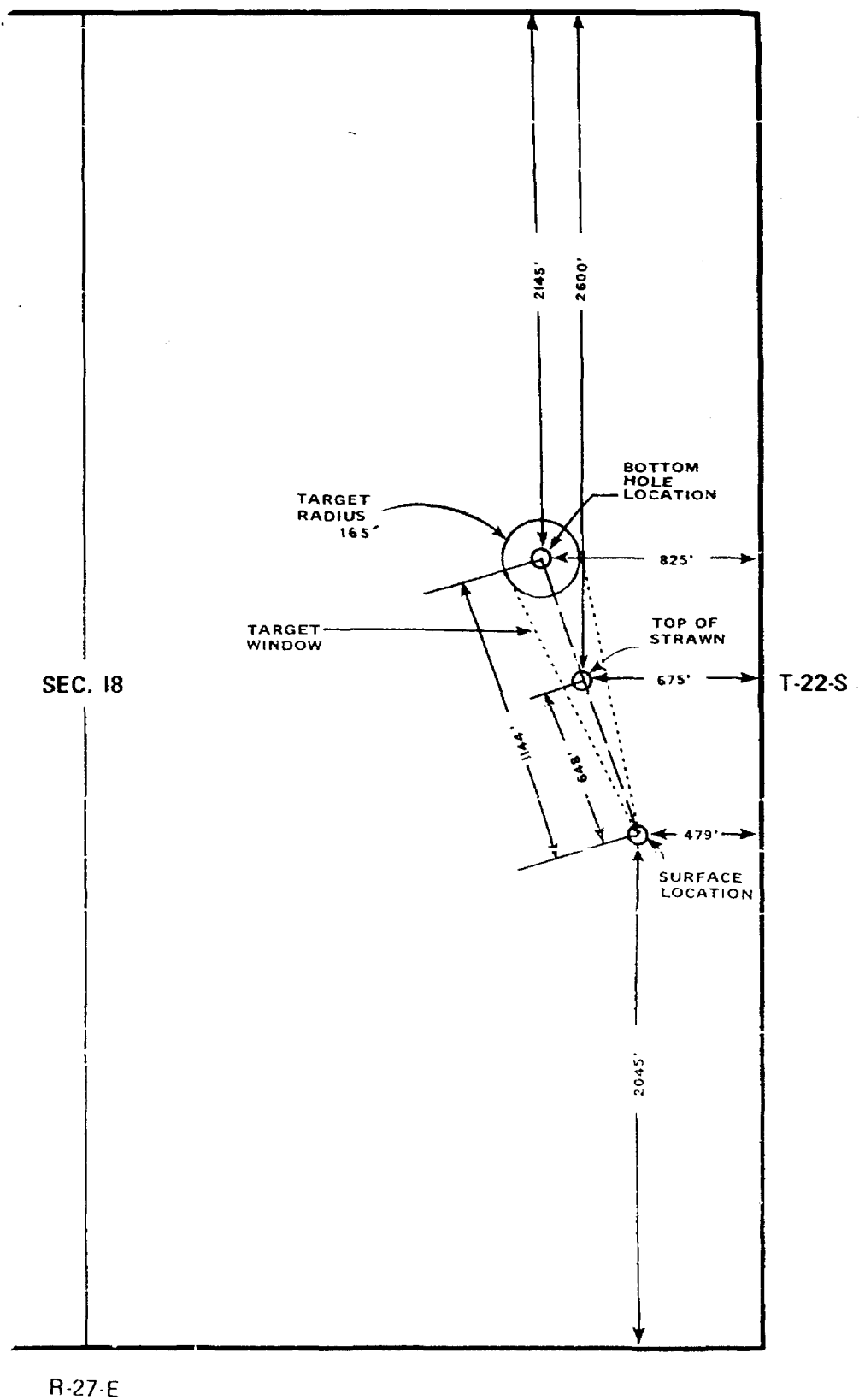
Vicinity map showing to
No. 1 being 479 feet in
2045' from the south
Township 22 South, Range
Eddy County, New Mexico.

1" = 400'
Aug. 20, 1974

CSOC TRACY B NO. 1
EDDY COUNTY, NEW MEXICO
SEC. 18 T-22-S R-27-E

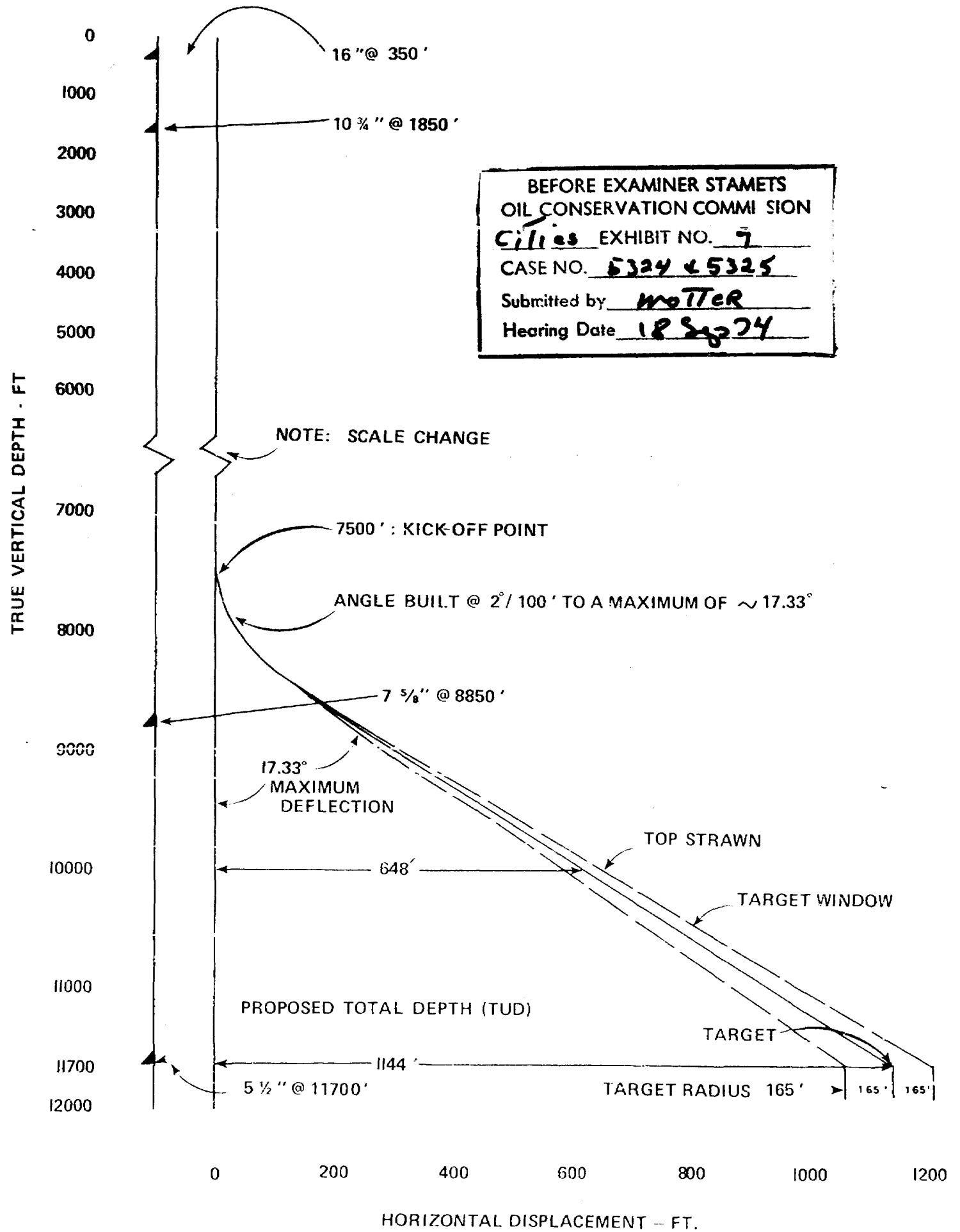
HORIZONTAL DISPLACEMENT

EXAMINER'S NAME
OIL CONSERVATION COMMISSION
Civilis EXHIBIT NO. 10
CASE NO. 5324 & 5325
Submitted by Mother
Hearing Date 18 Sep 74



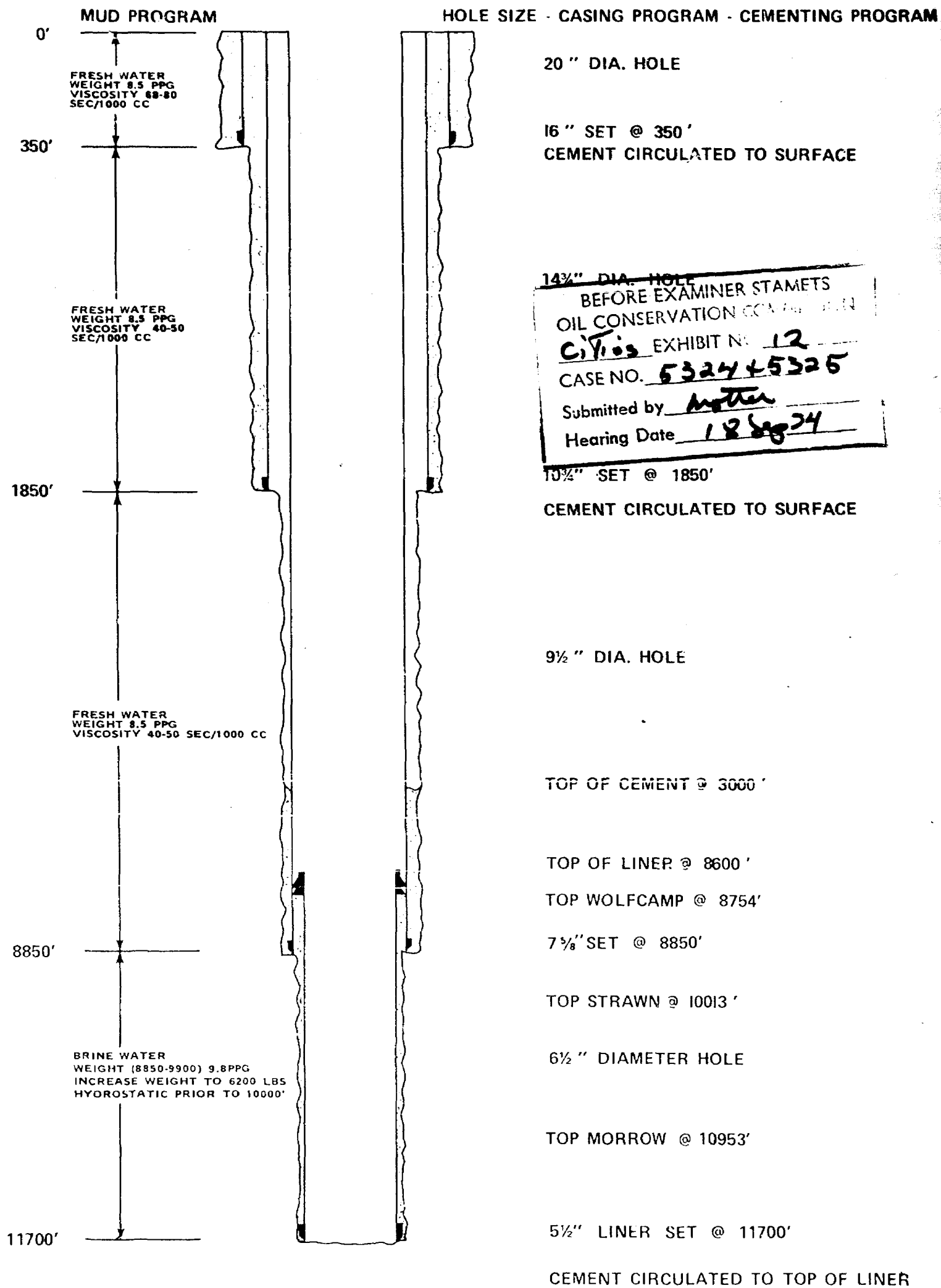
CSOC TRACY B NO. 1
EDDY COUNTY, NEW MEXICO

VERTICAL DISPLACEMENT



CSOC TRACY B NO. 1
EDDY COUNTY, NEW MEXICO

CASING SCHEMATIC



LEASE - WELL NO. Tracy B #1

DATE 7/29/74

LOCATION Sur. Loc: 2180' FSL, 520' FEL; BILoc: 2145' FNL, 825' FEL PROP. DEPTH 12150'

S 18 T 22S R 27E COUNTY Eddy

STATE N. M. AGE NO.

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES					Dual			
Casing								
Surface 16" 65# H-40 ST&C	A		355		6600	6600		
10-3/4" 40.5# H-40 ST&C	A		1745		18092	18092		
10-3/4" 40.5# K-55 ST&C	A		1255		12428	12428		
7-5/8" 26.4# N-80 LT&C	A		3422		30000	5500		
7-5/8" 29.7# N-80 LT&C	A		3029		29500	15000		
7-5/8" 33.7# N-80 LT&C	A		2633		29373	29373		
5-1/2" 19.81# N-80 LT&C	A		3500		27344	-		
Well head connections	A				11500	1500		
Tubing 2-7/8" 6.4# N-80	A		11300		22600	-		
Sucker rods								
Bottom hole pump								
Engine or motor								
Pumping unit								
Electrical equip. incl. Labor & Trans.								
Line pipe, fittings incl. Labor & Trans.								
Packer and TBG Accessories	A				5000	-		
TANK BATTERY								
Stock tanks	A	310	4		14000			
Separator, heater treater, dehydrator	A		2		44000	-		
Meter run and housing								
Labor & transportation					5000	-		
INTANGIBLES								
Contract drilling labor								
Rotary day work \$2200/Day - 63 Days					138600	138600		
Service rig work \$600/Day - 14 Days					8400	-		
Subsurface casing equipment					6500	3000		
D. S. T., electric, radioactivity logs, ect.					17000	17000		
Acidizing, fracing					3000	-		
Perforating					2500	-		
Misc. company and contract labor					7000	5000		
Prod building, location					10000	10000		
Cement and cementing service					15000	13000		
Cement squeeze jobs								
Drilling mud, chemicals					20000	20000		
Diamond-drilling & diamond bits, reamers, Dir. Equip.					60716	60716		
Mud logging unit					6500	6500		
Rental of miscellaneous equip.					35000	31000		
Contract hauling					7000	5000		
Water, fuel					6000	6000		
Miscellaneous incidentals					12000	12000		
Total estimated cost - 100% - U.S. Dollars					610653	416309		
Total estimate C. S. - U.S. Dollars								

BEFORE EXAMINER STATES
OIL CONSERVATION COMMISSION
EXHIBIT NO. 11
CASE NO. 53244-5325
Submitted by [Signature]
Hearing Date 12 Aug 74

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

EXHIBIT NO. 11

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CASE NO.

Subject: _____

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF CITIES SERVICE OIL COMPANY
TO INTENTIONALLY DEVIATE A WELL,
EDDY COUNTY, NEW MEXICO

Case 5325

A P P L I C A T I O N

COMES NOW Cities Service Oil Company; and applies to the Oil Conservation Commission of New Mexico for permission to intentionally deviate a well as an exception to the provisions of Commission Rule 111, and in support thereof would show the Commission:

1. Applicant is the owner of the right to drill and develop the E/2 of Section 18, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and proposes to drill its Tracy "B" Well No. 1, 2045 feet from the South line, and 479 feet from the East line of Section 18. Application for approval of the unorthodox well location is sought by this application.

2. Applicant proposes to bottom said well, insofar as the Morrow formation is concerned, at a point approximately 2145 feet from the North line, and 825 feet from the East line of said Section 18, deviating said well while drilling to arrive at the projected target point. Approval of a target within 165 feet of the proposed bottom hole location is requested, which would be an orthodox well location.

DOCKETED

9-6-74

3. In the event production is encountered in the Strawn formation, the bottom-hole location will be at an unorthodox location approximately 2600 feet from the North line, and 675 feet from the East line of Section 18, and approval of a target radius of 100 feet from said point is requested.

4. The East half of Section 18, will be dedicated to the well, as to both formations.

5. The E/2 of Section 18 is located within the city limits of the City of Carlsbad, and subject to the drilling ordinance adopted by the City of Carlsbad. The proposed surface location is the only location available to applicant for said well that complies with the provisions of the Carlsbad city ordinance.

6. Approval of the surface location for the proposed well, and approval of deviation of the well bore to the proposed bottom-hole locations is necessary to permit applicant to recover its oil and gas underlying the E/2 of Section 18, and such approval is in the interests of conservation, prevention of waste, and the protection of correlative rights.

WHEREFORE applicant prays that this application be set for hearing before the Commission or before the Commission's duly appointed Examiner, and that after notice and hearing as required by law the Commission enter its order approving the surface location for the Tracy "B" Well No. 1 as proposed, together with approval of the right to intentionally deviate the well bore as an excep-

tion to the provisions of Commission Rule 111, to bottom said well in the Morrow, or in the Strawn, or both, as proposed, together with such requirements for directional surveys as the Commission deems proper, and for such other and further provisions as may be proper in the premises.

Respectfully submitted,
CITIES SERVICE OIL COMPANY

By Joan W. Kellahin
KELLAHIN & FOX
P. O. Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

DRAFT.

jr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5325

Order No. R-4868

APPLICATION OF CITIES SERVICE OIL
COMPANY FOR DIRECTIONAL DRILLING,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 18, 1974
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this day of October, 1974, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) The applicant, Cities Service Oil Company, seeks
authority to directionally drill its Tracy "B" Well No. 1, the
surface location of which is ⁷⁴⁶² 2045 feet from the South line and
479 feet from the East line of Section 18, Township 22 South,
Range 27 East, South Carlsbad Field, Eddy County, New Mexico,
in such a manner as to bottom said well in the Morrow formation
at an orthodox location within 165 feet of a point 2145 feet from
the North line and 825 feet from the East line of said Section 18.

1 -2-
2 CASE NO. 5325
3 Order No. R-

4 (3) Applicant further seeks approval for the unorthodox
5 location of said well in the Strawn formation, in the event
6 production is therein encountered, ^{for a subsurface location} within a 100-foot radius of a
7 point 2600 feet from the North line and 675 feet from the East
8 line of said Section 18.

9 (4) That the E/2 of said Section 18 is to be dedicated to
10 the well for both formations.

11 (5) That the proposed well is to be drilled within the city
12 limits of the city of Carlsbad and that the unorthodox surface
13 location for the well is necessitated by city ordinance.

14 (6) That there were no objections to the application.

15 (7) That the applicant should determine the subsurface
16 location of the kick off point by means of a continuous multi-shot
17 directional survey.

18 (8) That the applicant should determine the subsurface
19 location of the bottom of the hole and of the hole opposite the
20 producing horizon(s) by means of a continuous multi-shot directional
21 survey.

22 (9) That the application for directional drilling should be
23 approved.

24 IT IS THEREFORE ORDERED:

25 (1) That the applicant, Cities Service Oil Company, is here-
26 by granted ~~approval~~ ^{authority} to locate a well at a point 2045 feet from the
27 South line and 479 feet from the East line of Section 18, Township
28 22 South, Range 27 East, Eddy County, New Mexico and to direction-
29 ally drill said well in such a manner as to bottom said well in
30 the Morrow formation at a ~~surface~~ ^{subsurface} location within 165 feet of a
31 point 2145 feet from the North line and 825 feet from the East
32 line of said Section 18.

1 -3-

2 CASE NO. 5325
3 Order No. R-

4 (2) Applicant is further granted approval for the unortho-
5 ^{subsurface}dox location of said well in the Strawn formation, in the event
6 production is therein encountered, within a 100-foot radius of a
7 point 2600 feet from the North line and 675 feet from the East
8 line of said Section 18.

9 (3) That the applicant shall determine the ^{subsurface} location of the
10 kick-off point, ~~and the subsurface location of~~ the bottom of the
11 hole, and of the hole opposite the producing horizon(s), by means
12 of • continuous multi-shot directional surveys.

13 PROVIDED HOWEVER,

14 That shot points in all multi-shot directional surveys shall
15 not be more than 100 feet apart; that the operator shall notify
16 the Commission's Artesia District Office of the date and time of
17 each such survey, and that the operator shall cause the surveying
18 company to forward one copy of each survey report directly to the
19 Santa Fe office of the Commission.

20 (4) That jurisdiction of this cause is ~~being~~ retained for
21 the entry of such further orders as the Commission may deem
22 necessary.

23 DONE at Santa Fe, New Mexico, on the day and year herein-
24 above designated.

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