

CASE 5477: CITIES SERVICE OIL COMPANY
FOR COMPULSORY POOLING AND AN UNORTHODOX
LOCATION, EDDY COUNTY, NEW MEXICO.

CASE No.

5477

Application,

Transcripts,

Small Exhibits

ETC.

For the New Mexico Oil
Conservation Commission:

William F. Carr, Esq.
Legal Counsel for the Com-
mission
State Land Office Building
Santa Fe, New Mexico 87501

For the Applicant,
Cities Service Oil Company:

Tom Kellahin, Esq.
KELLAHIN & FOX
500 Don Gaspar
Santa Fe, New Mexico 87501

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

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MR. NUTTER: Case 5477.

MR. CARR: Application of Cities Service Oil Company for compulsory pooling and an unorthodox location, Eddy County, New Mexico.

MR. KELLAHIN: Tom Kellahin, Kellahin and Fox, Santa Fe, New Mexico, appearing for the applicant, Cities Service Oil Company. I'd like the record to reflect that we have the same two witnesses as in the previous case and that my witnesses have been sworn and qualified. (Referring to Case 5476.)

MR. NUTTER: The witnesses are still under oath.

TOM HELLER,

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Heller, would you please refer to what has been marked as applicant's Exhibit Number One, identify it, and state briefly what Cities Service is seeking?

A This is a land plat covering the proposed pro-ration unit, the west half of Section 18, 22 South, 27 East, which is the offset to the aforementioned Tracy Well. The colored areas of this map, of course, reflect

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the legend down in the corner of the map.

Q Please identify Exhibit Two.

A The unleased acreage on the map, of course, is indicated in white, Pages Two through Seven of the attached exhibit are the mineral owners of each block.

MR. NUTTER: Okay, before we go any further, Mr. Heller, you said that the unleased acreage is white and I note that the streets are white.

A I did not color the streets. The mineral ownership does go to the middle of the street.

MR. NUTTER: I see.

Q Please refer to what has been marked as Exhibit Three and identify it.

A This is my first letter to the working interest owners of February 21st requesting them to join in the proposed test in the west half of Section 18. This February 21st net acres of course differs from the attached plat. The attached plat is our latest figures.

Q According to your latest information, Mr. Heller, what individuals or entities have not joined you and what percentage does that constitute of the entire unit?

A Mr. Grace has 13 -- well, it's 14.116 acres in the total unit. I have not had a response from him, as

well as Mr. Hannah (sic) who owns, I believe it is two lots in the unit; one lot, excuse me, with mineral interests of 5.63 acres.

Q Have all the other mineral interests owners agreed to join you or participate in the venture?

A The working interest owners, yes. Mr. Bennett, Bellico, Barton, Latham have indicated they will join with us in the proposed test.

Q You indicate a percentage of unleased property. Does the State of New Mexico hold any of that acreage?

A Yes, they do. They have in excess of five acres in there, 5.1 acres I believe, to be exact.

Q Is that tabulated on any exhibit?

A Yes, it is, the last page, I believe, second to the last page of my tabulation starts with the Property Appraisal Department. I had written the Property Appraisal Department asking them if they had the authority to lease. They cannot lease this acreage. They received it on deeds for back taxes.

Q Will you identify Exhibit Four and state what it contains?

A This is my letter of March 21st, 1975, again to the working interest owners requesting them to join

with us in the proposed test.

Q Can you identify letters marked as Exhibits Five, Six, and Seven?

A On the unleased interests owned by various parties in Carlsbad according to the attached exhibit, I sent them first Letter A, which requested them that we would be interested in leasing their minerals, requesting them to see if they would be acceptable to leasing with us, if they would provide us with the information on the letter. If this was returned I then forwarded Letter B with our lease in draft to each party. If I did not receive a response from Letter A, Letter C was sent to each party requesting them to join with us; also set out were their estimated mineral interests, their percent of the proration unit, as well as their share of a dry hole and a producer.

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

MR. NUTTER: Maybe I should direct this question to Mr. Kellahin rather than the witness. I don't know, but what about this land that is owned or there's some question to the ownership of, that is in the hands of the Property Appraisal Department of the State of New Mexico

at the present time? Is it subject to compulsory pooling just like any other lands?

MR. KELLAHIN: I quite frankly don't know the answer to that question. Perhaps if you like, I could provide you with a letter with my opinion as to what should be done with that acreage.

MR. NUTTER: The question is if it's not subject to compulsory pooling maybe the description of those lands should be omitted; if it is subject to the pooling, then there would be no need for mentioning it whatsoever. The order would be directed to the entire 320 acre tract.

MR. KELLAHIN: Let me do some research on that, Mr. Nutter, and provide you a written opinion.

MR. NUTTER: Thank you.

QUESTIONS BY MR. NUTTER:

Q Now, Mr. Heller, you said that the ownership of the streets was carried by the lots, to the middle of the streets.

A Exactly.

Q Now what about cases here where the streets adjoin the canal? Does the canal own a portion of the street there too, or --

A No, it does not. The canal is a right-of-way

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also. In each case the acreage would go to the center of the canal, the offset leases to the canal, go to the center.

Q And Cities Service does have a lease on the canal right-of-way, is that right?

A Yes, it does; correct.

Q And there's no lands here that belong -- or minerals here that belong to the City of Carlsbad?

A Yes, there are. We have a lease on the minerals, if I may point to this area right up in here (indicating); it's Troy Young Park; all of this park acreage, including up here, is City property, which we do have a lease on.

Q But as far as streets and things like that are concerned, there's no street property that belongs to the City?

A No, sir, there is no unleased interest that belongs to the City in this unit.

Q Okay. Are there any further questions of Mr. Heller?

(No response.)

MR. NUTTER: He may be excused.

MR. KELLAHIN: We call Mr. Gene Motter.

E. F. (GENE) MOTTER,
being called as a witness and being duly sworn
upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Motter, would you identify what has been
marked as Exhibit Eight?

A Yes. This is a detailed well estimate to
drill a well in this area of Section 18, 22 South, 27
East. The well is proposed 1980 from west and 1650 from
south. The cost of this well is \$666,520. It will be
in the city limits and I think that perhaps now might
be a good time to advise the Commission that we've just
completed our Tracy "B" Number 1 and this well would not
be deviated as was it, but we found that in drilling
this well that there's about \$165,000 over and above
the normal cost; were attributed with having to comply
with City ordinance.

MR. NUTTER: What was that again?

A \$165,000. If you'd really like a little fur-
ther breakdown, we had anticipated that this well should
be drilled in a little over fifty days. We estimated
that the penetration rate was reduced so much because

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of the higher mud rates that were required; that this cost us about twenty-four days additional drilling time; about twenty-two, of course, from the deviated hole. We had problems with this and I discussed this with your office here by phone and fortunately we hit the target after everything was over and so on and so forth, but the well --

MR. NUTTER: Well, Mr. Motter, your \$165,000 additional cost, did that include the cost of directional drilling itself?

A That absolutely did not include that.

MR. NUTTER: That was additional cost incurred because of slowed down drilling with mud and stops for inspections and things like that?

A That is correct. I could give you a breakdown if you wanted to take the time, but that is the absolute figure that we feel was required to drill in the city limits.

MR. NUTTER: I think that would be an interesting addenda to place in the file of the original case.

A If you like, I'd be more than happy to supply you this. By the way, this well, we feel like we have the final closed figures in now. It's about \$984,000 and

we originally proposed it at about \$652,000.

MR. NUTTER: Which was a high cost because of the anticipated work in drilling.

A It was high then but we found out it just wasn't quite high enough. I might comment that Cities Service maintained an excellent relationship with the City of Carlsbad. We've been complimented many times because of our way we handled this well; the way it was drilled; the way we kept the well site clean, and this sort of thing. We think that we will have no problem in drilling any other well. There are some things in the ordinance that you might say are in a little bit of a grey area that we hope to do on this other well, is the reason we brought the figure back down. As an example, the heavy mud, it says in the ordinance that you shall obtain heavy mud and have it available to create a bottom hole pressure of about 6200 pounds after you reach, I think, 10,000 feet. A loose interpretation or maybe our interpretation doesn't say that mud has to be in the hole; it says you shall obtain it. Our plan would be now to probably purchase and store about a thousand barrels of twelve and one-half pound mud but not use it unless it's necessary, and if we can do this, well, this will maintain

our penetration rate.

Q And the subject well was Colonia "A" Number 1, and is inside the city limits and will be subject to the City ordinances, is that correct?

A Again, I didn't have this as an exhibit, but you can see our penetration rate down to the point where we started having to use the heavy mud and see what happened to us. It was extremely difficult.

Q Now, please refer to what is marked as Exhibit Number Nine.

A That is a survey plat of the well location and we have a couple of identifications in there; it's 548 feet from a house to the east and 385 feet from a baseball field. Now this is a baseball field that's I think more or less on private land but yet the people in this area use it, or the kids do, and the ordinance down there calls for 500 feet from any building, so naturally we want to stay away from the buildings, and as you can see, we have, but we were concerned about a baseball field; there are no buildings but we recognize there will be children out there, so we tried to come back as far as we could and as you'll see the designation PPP, that's a primary transformation electrical line through there,

and we felt that 300 and some feet was just about the minimum that we could drill and still feel safe being away from that, so we elected to come 330 south of regular location, which makes it 1650. The well is proposed to be drilled straight down. I might comment that this well, although it's in the city limits, it is further away than the Tracy out of the city. We're quite away from, with the exception of one house, from any buildings or structures or anything of this type.

Q Does this proposed unorthodox location conform in all respects to the City of Carlsbad ordinance?

A Yes, in our interpretation. Now we have not received approval yet from the City of Carlsbad. Hopefully, it will be approved.

Q This exhibit represents the basis for your request for an unorthodox location?

A Yes, it does.

Q Do you have an opinion with regard to what the risk factor should be assessed against this well?

A Well, in this particular case, recognizing we're in the city limits, we would like to ask for -- will ask for two hundred percent; recognizing that there are certain things in this ordinance. Although we had very

favorable results from working with the City on this other that would -- if they wanted, perhaps, to be a little more rigid, could have cost us considerably more money, and recognizing what happened on the other well.

Q Was two hundred percent risk factor an amount assessed against the Tracy "B"?

A That's correct.

Q And this would be consistent with the risk factor assessed in that order?

A Right.

Q With regards to cost of supervision, Mr. Motter, do you have a recommendation?

A Yes, it would be the same as in the previous case, \$1793 per month for drilling supervision and \$252 per month for overhead supervision, down to and including production foreman salaries.

Q Were exhibits Eight and Nine either prepared by you directly or under your direction and supervision?

A Well, the detailed oil well estimate prepared under my supervision. You'll note the plat was prepared by John West, a registered surveyor in the State of New Mexico.

Q Have you been upon the property and confirmed

the correctness of this exhibit?

A Well, I have driven, I haven't measured any footages. I'm taking it from his field notes.

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

A Yes, I do.

MR. KELLAHIN: If the Examiner please, we move the introduction of Exhibits One through Nine.

MR. NUTTER: Cities Exhibits One through Nine will be admitted in evidence.

MR. KELLAHIN: That concludes our direct Examination.

MR. NUTTER: Are there any questions of Mr. Motter?
(No response.)

MR. NUTTER: He may be excused. Do you have anything further, Mr. Kellahin?

MR. KELLAHIN: No, sir.

MR. NUTTER: Does anyone have anything they wish to offer in Case 5477?

(No response.)

MR. NUTTER: We'll take the case under advisement.
(Hearing concluded.)



OIL CONSERVATION COMMISSION

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

May 22, 1975

I. R. TRUJILLO
CHAIRMAN

LAND COMMISSIONER
PHIL R. LUCERO
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. 5477
ORDER NO. R-5024

Applicant:

Cities Service Oil Company

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.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X
Artesia OCC X
Aztec OCC

Other Mr. M. P. Grace and D. L. Hammifin

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. 5477
Order No. R-5024

APPLICATION OF CITIES SERVICE OIL
COMPANY FOR COMPULSORY POOLING AND
AN UNORTHODOX LOCATION, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 14, 1975, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 22nd day of May, 1975, 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) That the applicant, Cities Service Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at an unorthodox location for said unit 1650 feet from the South line and 1980 feet from the West line of said Section 18.

(4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) That the applicant should be designated the operator of the subject well and unit.

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Case No. 5477
Order No. R-5024

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) That \$1793.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$252.00 per month should be fixed as a reasonable charge for supervision while producing; that this charge should be adjusted annually based upon the percentage increase or decrease in the average weekly earnings of crude petroleum and gas production workers; that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before August 1, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the W/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field,

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Case No. 5477
Order No. R-5024

Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location for said unit 1650 feet from the South line and 1980 feet from the West line of said Section 18.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of August, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of August, 1975, Order (1) of this order shall be null and void and of no effect whatsoever;

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.

(2) That Cities Service Oil Company is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 30 days prior to commencing said well, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided

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Case No. 5477
Order No. R-5024

above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 200% of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$1793.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$252.00 per month is hereby fixed as a reasonable charge for supervision while producing, provided that this rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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Case No. 5477
Order No. R-5024

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

(13) 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 herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



I. R. Trujillo
I. R. TRUJILLO, Chairman

Phil R. Lucero
PHIL R. LUCERO, Member

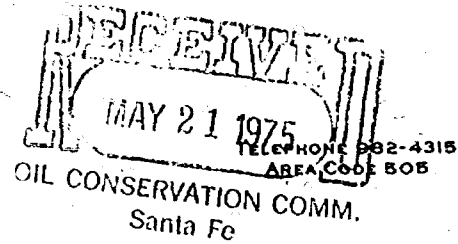
A. L. Porter, Jr.
A. L. PORTER, Jr., Member & Secretary

S E A L

jr/

JASON W. KELLAHIN
ROBERT E. FOX
W. THOMAS KELLAHIN

KELLAHIN AND FOX
ATTORNEYS AT LAW
800 DON GASPAR AVENUE
POST OFFICE BOX 1700
SANTA FE, NEW MEXICO 87501



May 20, 1975

Mr. Dan Nutter
New Mexico Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

File

Re: NMOCC Case No. 5477
May 14, 1975

Dear Mr. Nutter:

At the hearing of Cities Service Oil Company's application for forced pooling in the above referenced case, the acreage to be pooled included certain unleased lots held under tax deeds by the Property Appraisal Department of the State of New Mexico.

It is our opinion that said lots can properly be pooled. Precedent for such action can be found in Oil Conservation Commission case No. 5324, Order No. R-4866 entered on October 9, 1974.

Very truly yours,

Tom Kellahin
W. Thomas Kellahin

WTK:ksh

cc: Mr. E. F. Motter

WORKING INTEREST OWNERS AND UNLEASED MINERAL INTERESTS

	<u>Acres</u>	<u>Status</u>
Cities Service Oil Company P. O. Box 1919 Midland, Texas 79701	264.2118	
Michael P. Grace P. O. Box 1418 Carlsbad, New Mexico 88220	13.2366 Leased 1.3750 UMI	No Response
R. C. Bennett 102 Permian Building Midland, Texas 79701	4.3639 -	Will Join
R. G. Barton, Jr. P. O. Box 978 Hobbs, New Mexico 88240	.4488	Will Join
E. L. Latham, Jr. Box 1392 Hobbs, New Mexico 88240	.0976	Will Join
Belco Petroleum Corporation 204 West Texas Midland, Texas 79701	10.5228 -	Will Join
D. L. Hannifin P. O. Box 182 Roswell, New Mexico 88201	.5463	No Response

BEFORE EXAMINER NUTTER
OF CONSERVATION COMMISSION
CITIES EXHIBIT NO. 2
CASE NO. 5479

UNLEASED TOWN LOTS

	Acres	Last Known Address	Status
<u>New San Jose Subdivision - Block 1</u>			
Lot 3	.1928	1214 W. Thomas	Lease
<u>New San Jose Subdivision - Block 2</u>			
Lots 1 & 3 (E/100')	.3857	655 E. Pepper St. Mesa, AZ	Request to join
Lots 1 & 3 (W/60')	.1928	122 S. 5th St.	Request to join
Lot 5	.2410	Box 181	Lease
<u>New San Jose Subdivision - Block 3</u>			
Lot 9	.1928	936 Standpipe Rd.	Request to join
<u>New San Jose Subdivision - Block 5</u>			
Lot 5	.2410	2605 San Jose Blvd.	Request to join
Lot 7 (E/120')	.1836	2607 San Jose Blvd.	Request to join
<u>New San Jose Subdivision - Block 6</u>			
Lots 1 & 3 (W/80')	.2479	No Address	
<u>New San Jose Subdivision - Block 6</u>			
Lot 2	.2342	No Address	
Lot 4	.1951	No Address	
Lot 6	.1951	No Address	
<u>New San Jose Subdivision - Block 7</u>			
Lot 6	.1951	512 Alvarado St.	Request to join
Lot 7	.3512	c/o Woodrow Irving, 2708 S. Carver	Request to join
<u>New San Jose Subdivision - Block 8</u>			
Lots 1, 3 & 5	.6244	409 Tampico	Request to join
Lot 6 (W/2)	.0977	Box 1718 - 112 N. Canyon	Request to join
Lot 8	.3512	416 W. Monterey	Request to join

UNLEASED TOWN LOTS

	<u>Acres</u>	<u>Last Known Address</u>	<u>Status</u>
<u>New San Jose Subdivision - Block 9</u>			
Lot 3	.1951	Box 144, Loving NM	Request to join
Lot 5	.1951	413 W. Monterey	Request to join
Lot 7	.3512	1410 Alvarado	Request to join
<u>New San Jose Subdivision - Block 10</u>			
Lot 1	.2342	409 Presidio	Request to join
Lot 3	.1951	411 Presidio	Lease
Lot 5	.1951	No Address	
<u>New San Jose Subdivision - Block 11</u>			
Lot 8	.1951	Route 1 - Box 4	Request to join
Lot 4	.1951	Box 1546, Visalia, CA	Request to join
Lot 10	.1951	Route 1 - Box 4	Request to join
<u>New San Jose Subdivision - Block 12</u>			
Lot 11	.1951	210 L St.	Request to join
Lot 12	.1951	602 1/2 Franklin, Santa Fe, NM	Will Not Lease
<u>New San Jose Subdivision - Block 13</u>			
Lot 1	.3512	No Address	
Lot 5	.1951	No Address	
<u>New San Jose Subdivision - Block 14</u>			
Lot 1	.3512	613 N. Ash	Request to join
Lot 13	.3512	No Address	
<u>New San Jose Subdivision - Block 15</u>			
Lot 5	.1951	No Address	Request to join
Lot 7	.1951	Box 1718	Request to join
Lot 8	.1951	210 L St.	Request to join
Lot 9	.1951	509 Presidio	Request to join
Lot 10	.1951	No Address	

UNLEASED TOWN LOTS

	<u>Acres</u>	<u>Last Known Address</u>	<u>Status</u>
<u>New San Jose Subdivision - Block 15 (cont'd)</u>			
Lot 12	.1951	No Address	Request to join
Lot 13	.3512	513 W. Presidio	
Ramon & Marcelina M. Estrada Dominga B. & Eleuterio Galindo			
<u>New San Jose Subdivision - Block 17</u>			
Lot 6	.1951	No Address	Lease
Lot 7	.1951	No Address	
Lot 8	.7415	No Address	
lots 10, 12 & 14		No Address	
Edna Hatcher & Susie Worthy Susie & Elbert Worthy Ynosente Hernandez D. B. Carreon			
<u>New San Jose Subdivision - Block 18</u>			
Lot 5	.1951	Box 1546, Visalia CA	Request to join
Lot 6	.1951	606 W. Presidio	
Lot 13	.3512	613 Monterey	
Lot 14	.3512	814 W. Monterey	
Amado M. Juarez Efren Parras Cantarlino O'Con Francisco Arredondo			
<u>New San Jose Subdivision - Block 19</u>			
Lot 1	.3512	601 W. Presidio	Request to join
Lot 7	.1951	810 W. Alvarado	
Lot 8	.1951	604 N. 5th - Apt. 32	
Lot 10	.1951	No Address	
Secundino L. Lara Florence S. Sandoval Antonio & Manuela Valenzuela Joe J. & Belen Florez			
<u>New San Jose Subdivision - Block 21</u>			
lots 1 & 3	.5464	No Address	Request to join
Lot 5	.1951	705 W. Tampico	
Lot 7	.1951	" " "	
Lot 10	.1951	703 W. Monterey	
Lot 12	.1951	210 "L" St.	
Albert Allan Leo R. & Swamle Young " " " Reynaldo O. Bulza Charles Stearts, Jr.			
<u>New San Jose Subdivision - Block 22</u>			
lots 1 & 3	.5464	Rt. 1 - Box 243-B	Request to join
Lot 4	.1951	No Address	
Lot 6	.1951	706 Presidio	
Pedro & R. O. Balza Viviana Villa Pando Delores Villa Pando			

UNLEASED TOWN LOTS

New San Jose Subdivision - Block 22 (contd.)

	<u>Acres</u>	<u>Last Known Address</u>	<u>Status</u>
Lot 8	.1951	708 W. Presidio	Request to join
Lot 9	.1951	711 W. Monterey	Request to join
Lot 11	.1951	" "	" "
Lot 12	.1951	No Address	" "
Lot 14	.3512	507 Diaz	Lease

New San Jose Subdivision - Block 23

Lot 5	.1951	No Address	
Lot 6	.1951	706 W. Del Rio	Request to join
Lot 9	.1951	709 W. Presidio	Request to join
Lot 10	.1951	711 W. Presidio	Request to join
Lot 11	.1951		
Lot 12	.1951	713 Presidio	Request to join
Lot 13	.3512		
Lot 14	.3512		

New San Jose Subdivision - Block 24

Lot 3	.1951	No Address	Request to join
Lot 6	.1951	806 W. Monterey	Request to join
Lot 8	.1951	808 Monterey	Request to join
Lot 14	.3512	814 W. Monterey	Request to join

New San Jose Subdivision - Block 25

Lot 3	.1951	1011 W. Green	Request to join
Lot 9	.1951	Box 477, Clifton, AZ	Request to join
Lot 13	.3512	813 Monterey	Request to join

New San Jose Subdivision - Block 26

Lot 1	.3512	No Address	Request to join
Lot 9	.1951	809 W. Presidio	Request to join

New San Jose Subdivision - Block 27

Lot 1	.3512	805 W. Tampico	Request to join
-------	-------	----------------	-----------------

Redusinda Navarette

Lucia Aldas
Jesus Ramirez

Benseraldo F. Gomez
Anselmo P. Gutierrez
Alfredo F. Gonzales

Elsie Prinda
Antonio Trujillo
Jesus T. Hernandez
Francisco & Mary Lou Arredondo

Dan Carreon
Elias & Ester Hernandez
Johnny R. & Flora Corona
Board of Missions of the Methodist Church
Marta R. Corona
Board of Missions of the Methodist Church
Enocento & Delma Castillo
Board of Missions of the Methodist Church

Rolando Salazar
Felix Dorado
Felix Dorado
Francisco Lewis
Monsez C. Galindo

UNLEASED TOWN LOTS

	<u>Acres</u>	<u>Last Known Address</u>	<u>Status</u>
<u>New San Jose Subdivision - Block 28</u>			
Lot 8	.2342	503 Diaz	Request to join
<u>New San Jose Subdivision - Block 29</u>			
Lot 6	.2640	110 Stone Canyon Dr., Los Angeles, CA	Request to join
<u>New San Jose Subdivision - Block 30</u>			
Lot 8	.2640	210 "L" St.	Request to join
<u>New San Jose Subdivision - Block 31 - First Addition</u>			
Lots 1 & 3 (W/80')	.1653	2208 Algerita	Request to join
Lot 9	.1928	Box 1053	Request to join
Lots 11, 13 & 15	.5785	Box 966	Request to join
Lot 37	.1928	1001 Alvarado Street	Request to join
<u>New San Jose Subdivision - Block 21</u>			
Lot 13	.3512	Tampico & Oklahoma St.	Request to join
Lot 14	.3512	1011 S. Chavez St.	Request to join
<u>New San Jose Subdivision - Block 24</u>			
Lot 4	.1951	804 W. Monterey	Request to join
<u>New San Jose Subdivision - Block 25</u>			
Lot 1	.1756	427 S. Halagueno	Request to join
<u>New San Jose Subdivision</u>			
<u>Property Appraisal Dept. State of New Mexico</u>			
Lot 1 - Block 1	.2410	Santa Fe	
Lots 7, 9 & 11 (W/40') - Block 5	.1951	Santa Fe	
Lot 3 - Block 7	.1951	Santa Fe	
Lot 2 - Block 10	.2342	Santa Fe	
Lot 5 - Block 12	.1951	Santa Fe	
Lots 12 & 14 - Block 13	.5464	Santa Fe	
Lots 4 & 7 - Block 14	.3902	Santa Fe	
Lots 4 & 6 - Block 16	.3902	Santa Fe	

UNLEASED TOWN LOTS

Acres

Last Known Address

Status

New San Jose Subdivision
Property Appraisal Dept., State of New Mexico (contd.)

Lots 8, 10 & 12 - Block 18
Lot 2 - Block 19
Lots 6 & 8 - Block 20
Lot 11 - Block 21
Lot 7 - Block 23
Lot 12 - Block 24
Lots 5, 12 & 14 - Block 25
First Addition - New San Jose Subdivision
Lots 5 & 35 - Block 31

.5854 Santa Fe
.3512 Santa Fe
.3902 Santa Fe
.1951 Santa Fe
.1951 Santa Fe
.1951 Santa Fe
.7414 Santa Fe

.3857 Santa Fe

February 21, 1975

TO: (See Attached Mailing List)

RE: Proposed Bone "A" #1
11,700' Morrow Test
W/2 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

We propose to drill, in the very near future, an 11,700' Morrow Test 990 FSL and 1980 FWL of Section 18, 22-S, 27-E, Eddy County, New Mexico. The estimated cost to drill and complete this well is \$646,195. A dry hole is estimated to cost \$419,372.

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

	<u>NET ACRES</u>	<u>PERCENTAGES</u>
① Cities	252.6411	78.9503%
4 R. C. Bennett	4.0129	1.2540%
② M. P. Grace	13.8741	4.3357%
3 Belco Petroleum	3.1336	.9792%
6 R. G. Barton, Jr.	.4488	.1402%
5 D. L. Hannifin	.5463	.1707%
7 E. L. Latham, Jr.	.0976	.0305%
① Unleased	45.2456	14.1394%

We request you join Cities in the drilling of this test. This unit will require a compulsory pooling hearing and your earliest reply to this request will be appreciated.

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

THjt

cc: Mr. R. E. Groves

Mr. E. F. Motter

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Cities EXHIBIT NO. 3
CASE NO. 5477

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

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

Belco Petroleum Corporation
411 Petroleum Building
204 West Texas
Midland, Texas 79701
Attention: Ms. Mary Ward

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

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

Mr. E. L. Latham, Jr.
P. O. Box 1392
Hobbs, New Mexico 88240

PS Form 3811, Nov. 1973

● SENDER: Complete items 1 and 2. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
 Show to whom and date delivered..... 15¢
 Show to whom, date, & address of delivery.. 35¢
 DELIVER ONLY TO ADDRESSEE and show to whom and date delivered..... 65¢
 DELIVER ONLY TO ADDRESSEE and show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:
Mr. Michael P. Grace
P. O. Box 1418
Carlsbad, New Mexico 88220

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. | INSURED NO.
| 103995 | |

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE
Frederick Baldwin

4. DATE OF DELIVERY | POSTMARK
2/25/75 |

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS
| *llc*

* GPO : 1974 O - 527-803

No. 635938

PS Form 3811, Nov. 1973

● SENDER: Complete items 1 and 2. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
 Show to whom and date delivered..... 15¢
 Show to whom, date, & address of delivery.. 35¢
 DELIVER ONLY TO ADDRESSEE and show to whom and date delivered..... 65¢
 DELIVER ONLY TO ADDRESSEE and show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:
Mr. D. L. Hannifin
P. O. Box 182
Roswell, New Mexico 88201

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. | INSURED NO.
| 635938 | |

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE
William Sedtetter

4. DATE OF DELIVERY | POSTMARK
2-24 | FEB 24 1975

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS
|

* GPO : 1974 O - 527-803

No. 103995

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENT TO
Mr. Michael P. Grace
STREET AND NO.
P. O. Box 1418
P.O., STATE AND ZIP CODE
Carlsbad, New Mexico 88220

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

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

POSTMARK OR DATE
2-21-75

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

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENT TO
Mr. D. L. Hannifin
STREET AND NO.
P. O. Box 182
P.O., STATE AND ZIP CODE
Roswell, New Mexico 88201

OPTIONAL SERVICES FOR ADDITIONAL FEES
RETURN 1. Shows to whom and date delivered 15¢
RECEIPT 2. Shows to whom, date and where delivered .. 35¢
SERVICES With delivery to addressee only 85¢
DELIVER TO ADDRESSEE ONLY 50¢
SPECIAL DELIVERY (extra fee required) 45¢

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

POSTMARK OR DATE
2-21-75

PS Form 3800
Apr. 1971
NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
* GPO : 1973 O - 460-743
(See other side)

March 21, 1975

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

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

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

Belco Petroleum Corporation
204 West Texas
Midland, Texas 79701
Attention: Ms. Mary Ward

RE: Proposed Bone "A" #1
11,700' Morrow Test
W/2 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Under date of February 21, 1975, we requested you join Cities in the drilling of an 11,700' Morrow Test 1650' FSL and 1980' FWL of Section 18, T-22-S, R-27-E, Eddy County, New Mexico.

The W/2 of Section 18 will require a compulsory pooling hearing and your decision in regard to participation will be most helpful. Please let us hear from you in this matter at your earliest convenience.

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENT TO Mr. M. P. Grace	POSTMARK OR DATE
STREET AND NO. P. O. Box 1418	
P.O., STATE AND ZIP CODE Carlsbad, New Mexico	3-21-75
OPTIONAL SERVICES FOR ADDITIONAL FEES	
RETURN RECEIPT SERVICES	1. Shows to whom and date delivered 15¢ With delivery to addressee only 65¢
	2. Shows to whom, date and where delivered ... 35¢ With delivery to addressee only 85¢
DELIVER TO ADDRESSEE ONLY	50¢
SPECIAL DELIVERY (extra fee required)	

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Cities EXHIBIT NO. 4
CASE NO. 5477

No. 686326

PS Form 3800 Apr. 1971 NO INSURANCE COVERAGE PROVIDED—NOT FOR INTERNATIONAL MAIL (See other side)

● SENDER: Complete items 1 and 2. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
 Show to whom and date delivered..... 15¢
 Show to whom, date, & address of delivery.. 35¢
 DELIVER ONLY TO ADDRESSEE and show to whom and date delivered..... 65¢
 DELIVER ONLY TO ADDRESSEE and show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:
Mr. M. P. Grace
P. O. Box 1418
Carlsbad, New Mexico 88220

3. ARTICLE DESCRIPTION:
REGISTERED NO. 686326 INSURED NO.
(Always obtain signature of addressee or agent)
I have received the article described above.
SIGNATURE M.P. Grace
DATE OF DELIVERY Rec'd Heller POSTMARK 3/21/75

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

9 GPO 1974 O - 327-603

A.



CITIES SERVICE OIL COMPANY

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

January 28, 1975

SUBJECT:

Dear

Cities Service Oil Company is presently drilling its #1 Tracy "B" Well in the East One-Half of Section 18, 22-S 27-E, Eddy County, New Mexico. (Rig is located on South Canal Street next to the Drive Inn.) We plan to develop the West One-Half of Section 18 in the near future and your lot(s) will be included within the 320 acres committed to this well.

Cities Service would be interested in leasing the minerals under your land and would like to offer you a bonus consideration of \$50.00 for each lot you own. Our lease is a non-drilling lease form and provides for a 3/16 royalty in lieu of the normal one-eighth. The bonus consideration is equivalent to \$250.00 per acre.

If you find these terms acceptable, please supply the information requested below and return in the enclosed stamped, self-addressed envelope. Upon receipt of this information, I will forward our lease and draft for your execution.

Should you have any questions, please do not hesitate to call the undersigned "collect".

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

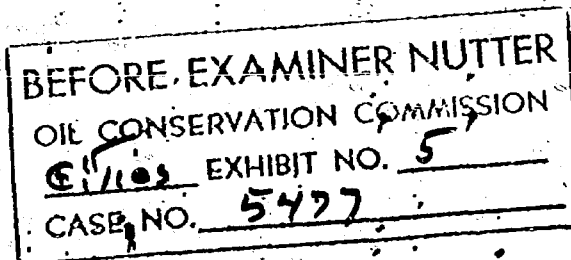
YOUR FULL NAME _____

WIFE OR HUSBAND'S FULL NAME _____

YOUR SOCIAL SECURITY NUMBER _____

THjt

Enclosure



B



CITIES SERVICE OIL COMPANY

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

Pursuant to the information furnished me by way of my letter dated
I am attaching our Oil and Gas Lease and draft
covering your minerals under the caption.

Please execute the lease in the presence of a notary public (your bank
will provide this service free of charge) and present both the lease
and draft to the collection department at your bank.

We wish to thank you for leasing to Cities Service and we hope the
lease proves to be a mutually profitable venture.

Yours very truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

THjt

Attachments

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Cities EXHIBIT NO. 6
CASE NO. 5477

C



CITIES SERVICE OIL COMPANY

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

Re: Proposed Cities No. 1 Bone "A"
11,700-foot Morrow Test
SE/4 SW/4 Section 18-22S-27E
Eddy County, New Mexico

Dear

This is further to my letter under which Cities Service made an offer to lease your minerals under the above proposed proration unit. By lack of response, we are assuming you do not wish to lease to Cities at the present time.

I now wish to advise that we propose to drill an 11,700-foot Morrow test in the W/2 of Section 18, T-22-S, R-27-E, Eddy County, New Mexico. The estimated cost to drill and complete this well as a producer is \$646,195.00. A dry hole is estimated to cost \$419,372.00.

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

In the event you do elect to join with us, your estimated share of the cost of completing this well as a producer is _____, and as a dry hole _____ . A producing well could return your costs plus a profit; however, a dry hole will return none of your investment.

If you elect not to join, Cities Service will pay your share of the well costs. If the well is a producer, we will recover your costs plus a percentage penalty that will be set by the New Mexico Oil Conservation Commission, at which time you will become a participant and share in the production. You will receive your royalty, however, during the time we are recovering your cost plus penalty.

Please let us hear from you in this matter and if you elect to join we will forward the necessary instruments for your signature. Please do not hesitate to call the undersigned collect should you have any questions.

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

Tll:eh

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Cities EXHIBIT NO. 2
CASE NO. 6477

OP 69

DETAILED WELL ESTIMATE

WELL NUMBER 1 LEASE Colonia "A"
 CONTRACTOR Big West LOCATION 1650' FSL, 1980' FWL
 DATE 5/9/75 SECTION 18-T22S-R27E
 J. O. NO. _____ DEPTH 11700' COUNTY Eddy STATE New Mexico

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES					DUAL			
Casing								
13-3/8" 48# H-40 ST&C	A		350		6804	6804		
9-5/8" 36# K-55 ST&C	A		3160		39658	39658		
9-5/8" 40# K-55 ST&C	A		1200		16740	16740		
9-5/8" 40# N-80 LT&C	A		940		16920	16920		
5-1/2" 17# N-80 BUTT	A		1500		16011	-		
5-1/2" 17# N-80 LT&C	A		8500		67575	-		
5-1/2" 20# N-80 LT&C	A		1700		15887	-		
Well head connections	A				7500	1500		
Tubing 2-7/8" 6.5# N-80 AB MOD	A		11100		38850	-		
Sucker rods								
Bottom hole pump								
Packer & Tbg Accessories	A				6000	-		
Engine or motor								
Pumping unit								
Electrical equip. inc. Labor & Trans.								
Line pipe, fittings inc. Labor & Trans.								
TANK BATTERY								
Stock tanks	A	500	3		12000	-		
G. B., settler, free water K. O. tank								
Separator, heater treater, etc.	A		2		45000	-		
Cost to install T. B.					5000	-		
(Total Producer Tangibles 288945)								
INTANGIBLES								
Contract Drlg. labor (footage)								
Rotary day work 50 Days @ \$3000/day					150000	150000		
Cable tool work								
Subsurface casing equipment					3500	1500		
D. S. T., electric logs, etc.					20000	20000		
MIRU-RD & MOR					25000	25000		
Acidizing, fracturing					15000	15000		
Perforating					5000	5000		
Misc. company and contract labor					10000	7500		
Road building, location					15000	15000		
Cement & cementing service					10000	5000		
Cement squeeze jobs					25000	25000		
Drilling mud, chemicals					20000	20000		
Drilling bits, coreheads, reamers					2250	2250		
Mud logging unit					10000	10000		
Rental of miscellaneous equip.					7500	5000		
Company, contract hauling					10000	10000		
Water, fuel					10000	7500		
Miscellaneous incidentals					34325	32375		
Contingencies					666520	437747		
Total estimated cost - 100%								
Total estimate C. S.								

Super
only used
1793/mud
backhead
252/mud
prod well
nick factor
rough
200/10

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
 EXHIBIT NO. 5477
 CASE NO. 8

MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form 10-74
Superseded 6-1-78
Effective 1-1-75

All distances shall be from the outer boundaries of the Section

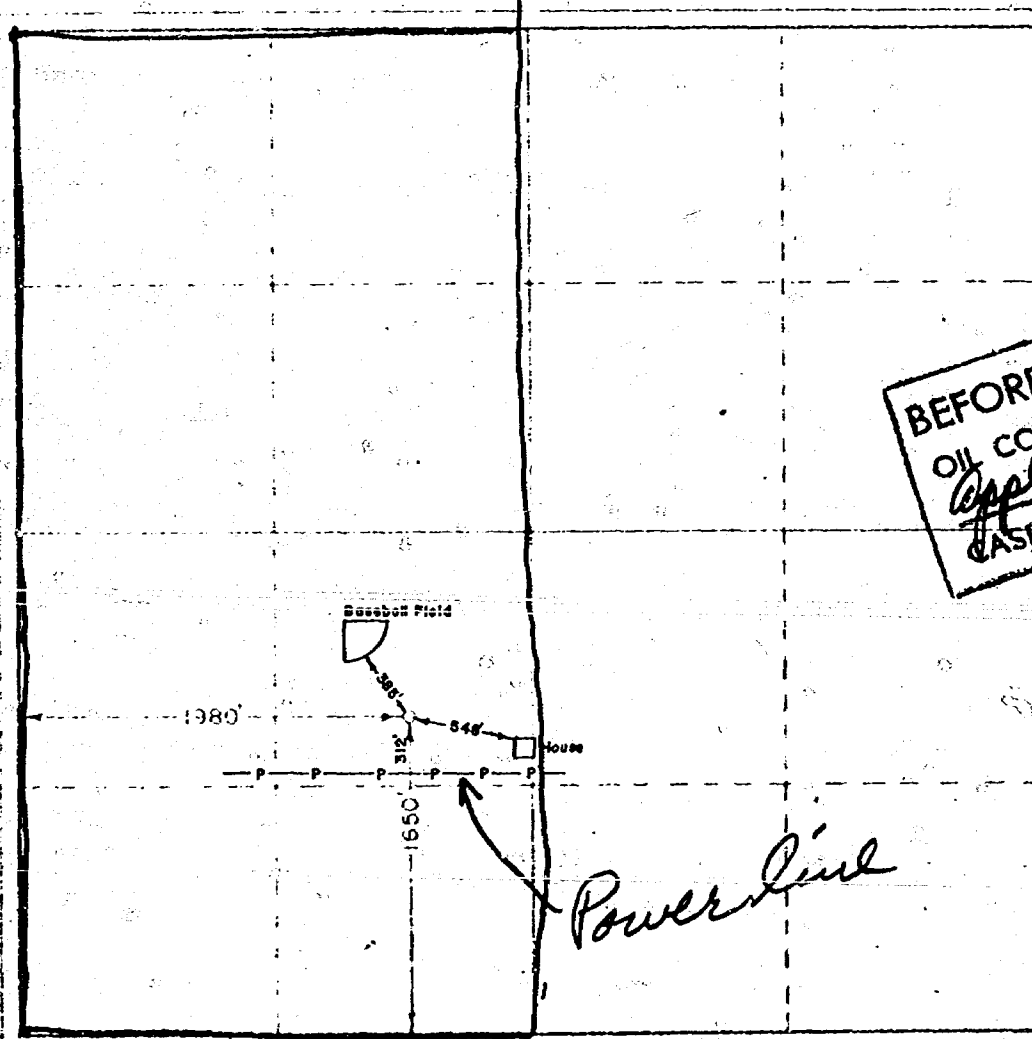
Cities Service Oil Company		Colonla A		Well No. 1
K	18	22 South	27 East	Eddy
1650	South	1980	West	
3142.9		Dedicated Acreage		

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated (Use reverse side of this form, if necessary) _____

No allowance will be assigned to the well until all interests have been consolidated (by communitization, unitization, force-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. 9
CASE NO. 5477

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

January 24, 1975

Registered Professional Engineer,
and/or Land Surveyor

John W. West

676

OIL CONSERVATION COMMISSION
P. O. BOX 2088
SANTA FE NEW MEXICO 87501

June 10, 1975

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

Attention: Mr. E. F. Motter

Re: Order No. R-5024

Gentlemen:

Reference is made to your letter dated June 2, 1975, wherein you requested an extension of time in which to commence drilling the well provided for in the subject order.

Your request was presented to the Commission at its regular meeting on this date, and approval granted for extension of time to September 1, 1975, for starting the well.

Very truly yours,

DANIEL S. NUTTER
Chief Engineer

DSN/dr

cc: Oil Conservation Commission - Artesia
✓ Case File 5477

C
O
P
Y

CITIES SERVICE OIL COMPANY



Box 1919
Midland, Texas 79701
Telephone (915) 684-7131

June 2, 1975

New Mexico Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Dan Nutter

Gentlemen:

Re: Case No. 5477
Order No. R 5024

New Mexico Oil Conservation Commission Order No. R 5024 compulsory pooled all mineral interests in the W/2 of Section 18, T22S, R27E, NMPM, South Carlsbad Field, Eddy County, New Mexico, for a well to be drilled at an unorthodox location 1650' FSL, 1980' FWL, Section 18. The Operator (Cities Service) is to commence drilling of said well by August 1, 1975.

The proposed drilling site is in the Carlsbad, New Mexico city limits. Cities Service withheld application to the City of Carlsbad until approval was received for the compulsory pooling and unorthodox location. It is anticipated it will require a minimum of two (2) weeks after receipt of the application to obtain approval from the City of Carlsbad. To provide continuity in our schedule of drilling rigs, we intend to complete Government AC No. 2 in approximately 14-20 days; move this rig to our "Little Box Canyon" prospect southwest of Carlsbad which should require 35-40 days drilling and then move the rig to the proposed well in Section 18.

As you can see, with no unforeseen delays, time is critical to commence drilling of the well by August 1, 1975. We, therefore, respectfully request an extension of time to commence drilling operations to September 1, 1975.

Your cooperation in this matter will be appreciated.

Very truly yours,

E. F. Motter
Engineering Manager
Southwest Region
E & P Division

EFM/lis

*OK to
Sept 1*

*for Commission
mtg*



OIL CONSERVATION COMMISSION

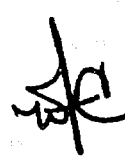
STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

I. R. TRUJILLO
CHAIRMAN

LAND COMMISSIONER
PHIL R. LUCERO
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

MEMORANDUM

TO: CASE FILE 5477 

FROM: WILLIAM F. CARR, GENERAL COUNSEL

I was contacted by Ferrill Lines, on this date, requesting that the record in this case reflect that Michael P. Grace opposes the assignment of a risk factor and requests that if a risk factor is assigned that it be assigned at a low percentage figure.

May 15, 1975

dr/

Dockets Nos. 12-75 and 13-75 are tentatively set for hearing on May 28 and June 11, 1975. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 14, 1975

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

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, 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 June, 1975.
 - (2) Consideration of the allowable production of gas from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for June, 1975.

CASE 5429: (Continued from the March 5, 1975 Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Charles M. Goad and United States Fidelity & Guaranty Company and all other interested parties to appear and show cause why the Charles M. Goad, State No. 1 Well located in Unit M of Section 28, Township 2 South, Range 26 East, De Baca County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5408: (Continued from the April 2, 1975 Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit W. E. Medlock and Reliance Insurance Company and all other interested parties to appear and show cause why the Queen Ridge No. 1 Well located in Unit M of Section 36, Township 10 South, Range 26 East, Chaves County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5469: Application of Read & Stevens for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox gas well location of a well to be drilled at a point 990 feet from the South and East line of Section 7, Township 15 South, Range 28 East, Chaves County, New Mexico, in exception to the Buffalo Valley-Pennsylvanian Gas Pool Rules.

CASE 5470: Application of Maralo, Inc. for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Butler Springs Unit Area comprising 3841 acres, more or less, of state and federal lands in Townships 14 and 15 South, Range 28 East, Chaves County, New Mexico.

- CASE 5471: Application of Union Texas Petroleum for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Justis Blinbry and Justis Tubb-Drinkard production in the wellbore of its Carlson "B" Wells Nos. 1 and 2 located in Unit P of Section 23 and Unit H of Section 26, respectively, Township 25 South, Range 37 East, Lea County, New Mexico.
- CASE 5472: Application of Mesa Petroleum Co. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox gas well location of a well to be drilled at a point 660 feet from the North and East line of Section 6, Township 26 South, Range 33 East, Red Hills Field, Lea County, New Mexico.
- CASE 5473: Application of Mesa Petroleum Co. for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Drinkard production for its West Knowles Well No. 1 located in Unit P of Section 34, Township 16 South, Range 37 East, Lea County, New Mexico, and for the promulgation of special rules therefore, including a provision for 80-acre spacing units.
- CASE 5474: Application of Gulf Oil Company for two non-standard locations and the amendment of Order Nos. R-2904 and R-2909, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Central Drinkard Unit Wells Nos. 101 and 401 located, respectively, 554 feet from the North line and 766 feet from the East line, and 660 feet from the North and East lines of Section 28, Township 21 South, Range 37 East, Drinkard Pool, Lea County, New Mexico. Applicant further seeks the amendment of Order No. R-2904 which order approved the Central Drinkard Unit Agreement to provide that the vertical limits of the unitized formation shall include the entire Drinkard formation; application further seeks the amendment of Order No. R-4909 which approved the Central Drinkard Unit Waterflood Project to provide an administrative procedure for the approval of additional unorthodox well locations.
- CASE 5475: Application of Mobil Oil Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Lower Siluro-Devonian formation in the open-hole interval from 12,188 feet to 12,525 feet in its Santa Fe Pacific Well No. 9, located in Unit E of Section 35, Township 9 South, Range 36 East, Crossroads Siluro-Devonian Pool, Lea County, New Mexico.
- CASE 5476: 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 in the Wolfcamp formation underlying the NE/4 of Section 30, Township 22 South, Range 27 East, and in the Pennsylvanian formation underlying the E/2 of said Section 30, to be dedicated to a proposed gas well to be drilled at an orthodox location for both formations. 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 will be the designation of the applicant as operator of the well and a charge for the risk involved in drilling said well.

- CASE 5477: Application of Cities Service Oil Company for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 18, Township 22 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location for said unit 1650 feet from the South line and 1980 feet from the West 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 will be the designation of the application as operator of the well and a charge for the risk involved in drilling said well.
- CASE 5478: Application of Continental Oil Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Warren Unit Well No. 31 located in Unit O of Section 27, Township 20 South, Range 38 East, Lea County, New Mexico, in such a manner as to produce oil from the Blinebry Oil and Gas Pool and oil from the Warren-Tubb Gas Pool through parallel strings of tubing.
- CASE 5479: Application of Continental Oil Company for two non-standard gas proration units, two unorthodox locations, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a non-standard gas proration unit comprising Lots 1, 2, and 3 and Lots 6 through 11 of Section 4, Township 11 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be dedicated to its Meyer B-4 Well No. 14 located in Unit G of said Section 4. Applicant further seeks approval of a 360-acre Eumont Gas proration unit comprising Lots 14, 15, and 16 and the SE/4 and E/2 SW/4 of said Section 4 to be simultaneously dedicated to its Meyer B-4 Well No. 4 and 29 at unorthodox locations in Units S and P, respectively, of said Section 4.
- CASE 5480: Application of Continental Oil Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Pennsylvanian formation through the perforated interval 7648 to 7690 feet in its SEMU Well No. 7 located in Unit F of Section 23, Township 20 South, Range 37 East, Cass-Pennsylvanian Gas Pool, Lea County, New Mexico.
- CASE 5481: Application of Phillips Petroleum Company for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of South Carlsbad-Atoka and South Carlsbad-Morrow gas production in the wellbore of its Tidwell-A "COM" Well No. 1 located in Unit E of Section 8, Township 23 South, Range 27 East, Eddy County, New Mexico.
- CASE 5482: Application of Phillips Petroleum Company for an unorthodox gas well location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Lusk Deep Unit "A" Well No. 1 located in Unit A of Section 19, Township 19 South, Range 32 East, Lusk-Morrow Gas Pool, Lea County, New Mexico, and the simultaneous dedication of said Section 19 to the above well and to applicant's Lusk Deep Unit "A" Well No. 5 located in Unit J of said Section 19.

CASE 5483: Application of Phillips Petroleum Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval to dually complete its Lusk Deep Unit "A" Well No. 12 located in Unit G of Section 20, Township 19 South, Range 32 East, Lusk Field, Lea County, New Mexico, in such a manner as to produce oil from the Wolfcamp formation through the casing-tubing annulus and gas from the Lusk-Morrow Gas Pool through tubing.

CASE 5484: Southeastern New Mexico nomenclature case calling for the creation and extension of certain pools in Lea, Eddy, and Chaves Counties, New Mexico and for the assignment of certain oil well discovery allowables.

(a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the East Carlsbad-Wolfcamp Gas Pool. The discovery well is the Champlin Petroleum Co. Nix-Yates Well No. 1, located in Unit G of Section 2, Township 22 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 36: SW/4

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM
Section 1: NW/4
Section 2: NE/4

(b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Cemetary-Wolfcamp Gas Pool. The discovery well is the Read & Stevens, Inc. Allirish Well No. 1, located in Unit P of Section 30, Township 20 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM
Section 30: SE/4

(c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Crooked Creek-Strawn Gas Pool. The discovery well is the C & K Petroleum Inc. Lowe State Well No. 1, located in Unit C of Section 16, Township 24 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 24 EAST, NMPM
Section 16: N/2

(d) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for San Andres production and designated as the Dickenson-San Andres Pool. The discovery well is the Hanson Oil Corporation Santa Fe Well No. 1, located in Unit F of Section 35, Township 10 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 10 SOUTH, RANGE 36 EAST, NMPM
Section 35: NW/4

(e) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Golden Lane-Atoka Gas Pool. The discovery well is the Meadco Properties Ltd. Harris 6 Well No. 1, located in Unit I of Section 6, Township 21 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 29 EAST, NMPM
Section 6: Lots 1, 2, 7, 8, 9, 10, 15, and 16

(f) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Grayburg-Atoka Gas Pool. The discovery well is the Horizon Oil & Gas Co. of Texas State 28 Com Well No. 2, located in Unit K of Section 28, Township 17 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM
Section 28: S/2
Section 29: E/2

(g) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Premier production and designated as the High Nitro-Premier Gas Pool. The discovery well is the McClellan Oil Corporation Hinkle Federal Well No. 1, located in Unit A of Section 9, Township 16 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM
Section 3: SW/4
Section 4: SE/4
Section 9: NE/4

(h) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Hoag Tank-Morrow Gas Pool. The discovery well is the Yates Petroleum Corporation Allison CQ Federal Well No. 1, located in Unit P of Section 22, Township 19 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM
Section 22: E/2

(i) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the N. W. Indian Basin-Morrow Gas Pool. The discovery well is the Charles A. Dean Northwest Indian Basin Well No. 1Y, located in Unit K of Section 28, Township 20 South, Range 23 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 23 EAST, NMPM
Section 28: W/2

(j) CREATE a new pool in Chaves County, New Mexico, classified as an oil pool for San Andres production and designated as the Lonesome-San Andres Pool. The discovery well is the Phillips Petroleum Company Luther A Well No. 1 located in Unit N of Section 18, Township 8 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 8 SOUTH, RANGE 32 EAST, NMPM
Section 18: SW/4

(k) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the South Rocky Arroyo-Wolfcamp Gas Pool. The discovery well is the El Paso Natural Gas Co. Patterson A Well No. 1, located in Unit N of Section 20, Township 22 South, Range 22 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 22 EAST, NMPM
Section 20: SW/4

(l) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Sheep Draw-Atoka Gas Pool. The discovery well is the Hanagan Petroleum Corp. Mary Federal Well No. 1, located in Unit H of Section 11, Township 23 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM
Section 11: E/2

(m) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Sheep Draw-Morrow Gas Pool. The discovery well is the Hanagan Petroleum Corp. Mary Federal Well No. 1 located in Unit H of Section 11, Township 23 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM
Section 11: E/2
Section 12: W/2

(n) CREATE a new pool in Lea County, New Mexico, classified as an oil pool and designated as the Shipp-Drinkard Pool and assign 41,650 barrels of discovery allowable to the discovery well, the Mesa Petroleum Company West Knowles Well No. 1, located in Unit P of Section 34, Township 16 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM
Section 34: SE/4

(o) EXTEND the Atoka-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 2: All

(p) EXTEND the North Benson Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM
Section 32: N/2 NE/4

(q) EXTEND the Blinebry Oil and Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 27: SE/4

(r) EXTEND the Buffalo Valley-Pennsylvanian Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 27 EAST, NMPM
Section 3: N/2

(s) EXTEND the Burton Flat-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 18: N/2

(t) EXTEND the South Carlsbad-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM
Section 3: W/2
Section 11: All

TOWNSHIP 23 SOUTH, RANGE 27 EAST, NMPM
Section 8: All
Section 17: N/2

(u) EXTEND the South Carlsbad-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM
Section 16: S/2

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM
Section 1: W/2

(v) ESTABLISH a discovery allowable in the Casey-Strawn Pool in Lea County, New Mexico, and assign 56,630 barrels of discovery allowable to the discovery well, the C & K Petroleum, Inc. Shipp "27" Well No. 1, located in Unit 0 of Section 27, Township 16 South, Range 37 East, NMPM.

(w) EXTEND the Cerca-Upper Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 13 SOUTH, RANGE 34 EAST, NMPM
Section 27: S/2 and NE/4

(x) EXTEND the East Chisum San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 11 SOUTH, RANGE 28 EAST, NMPM
Section 16: NE/4 NE/4

(y) EXTEND the Double L Queen Associated Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 29 EAST, NMPM
Section 23: NE/4

TOWNSHIP 14 SOUTH, RANGE 30 EAST, NMPM
Section 32: N/2 and SW/4

TOWNSHIP 15 SOUTH, RANGE 30 EAST, NMPM
Section 17: N/2

(z) EXTEND the Double X-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 32 EAST, NMPM
Section 27: NE/4

(aa) EXTEND the Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
Section 36: SW/4

(bb) EXTEND the East Empire Yates Seven Rivers Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 28 EAST, NMPM
Section 34: W/2 NE/4

(cc) EXTEND the Kennedy Farms-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 26 EAST, NMPM
Section 22: E/2

(dd) EXTEND the Penasco Draw-San Andres-Yeso Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 30: NW/4 SW/4

(ee) EXTEND the Ranger Lake-Bough Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM
Section 23: SW/4

(ff) EXTEND the Rock Tank-Lower Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM
Section 18: All

(gg) EXTEND the Round Tank San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM
Section 31: NW/4 NW/4

(hh) EXTEND the vertical limits of the Sand Hills-San Andres Pool in Lea County, New Mexico, to include the Grayburg formation.

(ii) EXTEND the Sulimar Queen Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 30 EAST, NMPM
Section 18: SW/4 SW/4

(jj) EXTEND the Tres Papalotes-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 34 EAST, NMPM
Section 5: SW/4

(kk) EXTEND the Turkey Track Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 32: NE/4 NE/4

Case 5477

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF CITIES SERVICE OIL COMPANY
FOR COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO

RECEIVED
APR 22 1975
OIL CONSERVATION COMM.
Santa Fe

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 an order
pooling all mineral interests as to the Pennsylvanian
formation, South Carlsbad Pool, underlying the W/2 of
Section 18, Township 22 South, Range 27 East, N.M.P.M.,
Eddy County, New Mexico, and in support thereof would show
the Commission:

1. Applicant is the owner of the right to drill and
develop the above-described acreage, and proposes to drill
its Bone "A" No. 1 well at an unorthodox location, 1980
feet from the West line, and 1650 feet from the South line
of said Section 18, to test the Pennsylvanian formation.

2. The well location and unit are within the city
limits of the City of Carlsbad, and the unorthodox well
location is required to comply with the city ordinance
of said city and avoid a surface installation.

3. The proposed unit consists of a governmental half
section consisting of approximately 323.6267 acres. All
working interest owners have agreed to the drilling of
said well with the exception of the following:

DOCKET MAILED
Date 5-2-75
See page 2

M. P. Grace
Post Office Box 1418
Carlsbad, New Mexico
14.6 acres, or 4.56% of the unit

DOCKET MAIL
5-2-75

D. L. Hannifin
Post Office Box 182
Roswell, New Mexico
.5463 acres, or .17% of the unit

In addition, there are within the proposed unit 119 town lots what are unleased. The names and addresses of the owners of these lots is not presently available to applicant but will be presented, to the best of applicant's ability, at the time of the hearing on this case. These lots represent 28.8239 acres within the unit.

WHEREFORE applicant prays that this application be set for hearing before the Commission's duly appointed examiner, and that after notice and hearing as required by law, the Commission enter its order pooling said unit, together with an order designating Cities Service Oil Company as operator, provision for recovery of its necessary costs of drilling, completing and equipping said well, with provision for a risk factor, and provision for recovery of costs of supervision and operation of said well, with provision for a "cost of living" adjustment, and such other and further provision as may be proper in the premises.

Respectfully submitted,

CITIES SERVICE OIL COMPANY

By Jason W. Kellahin
KELLAHIN & FOX
Post Office Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

DRAFT

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

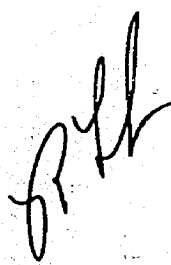
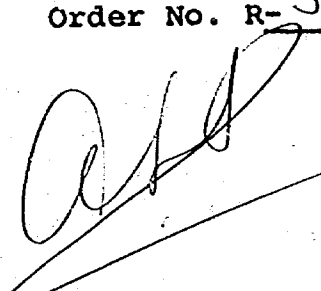
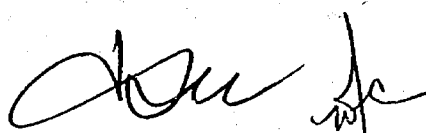
dr/

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

CASE NO. 5477

Order No. R-5024

APPLICATION OF CITIES SERVICE OIL
COMPANY FOR COMPULSORY POOLING AND
AN UNORTHODOX LOCATION, EDDY COUNTY,
NEW MEXICO.



ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 14, 1975
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this day of MAY, 1975, 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) That the applicant, Cities Service Oil Company,
seeks an order pooling all mineral interests in the
Pennsylvanian formation underlying the W/2
of Section 18, Township 22 South, Range 27 East,
NMPM, South Carlsbad Field, Eddy County, New
Mexico.

(3) That the applicant has the right to drill and proposes at an unorthodox location for said unit 1650 feet to drill a well/ from the South line and 1980 feet from the West line of said Section 18.

(4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) That the applicant should be designated the operator of the subject well and unit.

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 % thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) That \$1793.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling, ~~and that \$252.00 per month should be fixed as a reasonable charge for supervision while producing; that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest~~

~~that \$252.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that this charge should be adjusted annually based upon the percentage increase or decrease in the average weekly earnings of crude petroleum and gas production workers; that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.~~

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before August 1, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(i) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the W/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320 - acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location for said unit 1650 feet from the South line and 1980 feet from the West line of said Section 18.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of July August, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of July August, 1975, Order (1) of this order shall be null and void and of no effect whatsoever;

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.

(2) That Cities Service Oil Company is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and ^{within} ~~at least~~ 30 days prior to commencing said well, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided

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above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200% of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and

(B) As a charge for the risk involved in the drilling of the well, 200% of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$1793.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, ~~and that \$252.00 per month is hereby fixed as a reasonable charge for supervision while producing; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.~~

→ and that \$252.00 per month is hereby fixed as a reasonable charge for supervision ^{while producing} ~~(combined fixed rates)~~, provided that this rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

(13) 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.