

CASE 5500: CITIES SERVICE OIL CO.
FOR COMPULSORY POOLING AND AN UN-
ORTHODOX GAS WELL LOCATION, Eddy

CASE NO.

5580

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.

(Case 5580)

KELLAHIN AND FOX

ATTORNEYS AT LAW

500 DON GASPAR AVENUE

POST OFFICE BOX 1769

SANTA FE, NEW MEXICO 87501

Oct. 10, 1975

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

TELEPHONE 982-4315
AREA CODE 505

Mr. Joe D. Ramey, Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501



Dear Mr. Ramey:

Enclosed is the application of Cities Service Oil Company for compulsory pooling of the W/2 of Sec. 18, Township 22 South, Range 27 East, Eddy County.

By its Order No. R-5024, entered in Case No 5477, entered May 22, 1975, this tract and all interests in the Pennsylvanian formation were ordered pooled. The order required commencement of a well on or before August 1, 1975, and by letter the time for commencement of the well was extended. Since there may be some question as to this extension, we request that the matter again be set for hearing, at which time we propose to offer the record from the previous case. Notice is being sent to non-consenting interest owners, insofar as known to Cities Service Oil Company.

Your consideration of this will be appreciated.

Sincerely,

Jason Kellahin

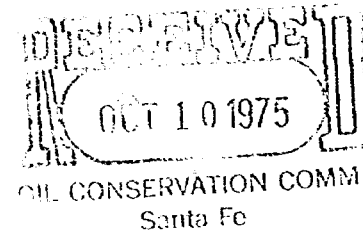
JASON W. KELLAHIN

JK:ss

cc: M. P. Grace
D. L. Hannifin

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



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:

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

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 Kellahin
KELLAHIN & FOX
Post Office Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

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:

5580
CASE NO. ~~5477~~
Order No. ~~R-5024~~

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

OK *W*
ORDER OF THE COMMISSION

BY THE COMMISSION:

November 5, 1975
This cause came on for hearing at 9 a.m. on ~~May 14, 1975~~,
at Santa Fe, New Mexico, before Examiner ~~Daniel S. Nutter~~. *RLS*

Nov 1975
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 for-
mation 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 prora-
tion 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 February 15, 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 ~~15th~~ day of ~~February~~ 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 ~~15th~~ day of ~~February~~ 1975, Order (1) of this order shall be null and void and of no effect whatsoever *unless said operator obtains a time extension from the Commission for good cause shown*;

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 hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman


PHIL R. LUCERO, Member


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

S E A L

jr/

Docket No. 28-75

Dockets Nos. 29-75 and 30-75 are tentatively set for hearing on November 19 and December 3, 1975. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - NOVEMBER 5, 1975

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:

CASE 5533: (Continued from September 24, 1975 Examiner Hearing)

Application of Southern Union Production Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Ellenburger formation underlying the N/2 of Section 21, Township 12 South, Range 26 East, Chaves County, New Mexico, to be dedicated to a well to be drilled at an orthodox location in Unit 2 of said Section 21. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of the applicant as the operator of the well and a charge for the risk involved in drilling said well.

CASE 5565: (Continued from October 8, 1975 Examiner Hearing)

Application of Atlantic Richfield Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the Vacuum Grayburg-San Andres Pool by injection of water through seven wells on its State "B" and State "C" Leases, six of said wells being converted producers located in Units C, E, I, K, M, and O of Section 32, Township 17 South, Range 34 East, Lea County, New Mexico, and the seventh being a new well drilled at an unorthodox location 250 feet from the South line and 2250 feet from the West line of said Section 32. Applicant further seeks an administrative procedure whereby the project area could be expanded and additional wells at standard and non-standard locations put on injection and production.

CASE 5576: (Continued from October 22, 1975 Examiner Hearing)

Application of George D. Riggs for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the Saladar-Yates Pool by the injection of water through his Hughes-Federal No. 4, Malco Well No. 2, and Mayfield Federal No. 4 Wells located, respectively, in Units F, L, and O of Section 33, Township 20 South, Range 28 East, Eddy County, New Mexico.

CASE 5578: Application of Mobil Oil Corporation for a non-standard gas proration unit, two unorthodox gas well locations, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of a 320-acre non-standard gas proration unit comprising the W/2 SW/4 and the SE/4 SW/4 of Section 28, and the NW/4 and SW/4 NE/4 of Section 33, Township 21 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, to its E. O. Carson Wells Nos. 4 and 22 located in Units N and L, respectively, of said Section 28.

CASE 5579: Application of Exxon Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Laguna Grande Unit Area comprising 7640 acres, more or less, of Federal, State, and fee lands in Township 23 South, Range 29 East, Eddy County, New Mexico.

CASE 5580: Application of Cities Service Oil Company for compulsory pooling and an unorthodox gas well 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 Gas Field, Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 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 the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5581: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Astro-Tex Oil Corporation of New Mexico, American Employers' Insurance Company and all other interested parties to appear and show cause why the Cain Well No. 2 located in Unit J of Section 22, Township 15 North, Range 33 East, NMPM, Harding County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5582: Southeastern New Mexico nomenclature case calling for an order for the creation and extension of certain pools in Eddy, Lea, and Chaves Counties, New Mexico.

(a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Bass-Morrow Gas Pool. The discovery well is the Perry R. Bass Big Eddy Unit Well No. 39 located in Unit G of Section 29, Township 21 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 28 EAST, NMPM
Section 29: E/2

(b) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Cherry Canyon production and designated as the South Carlsbad-Cherry Canyon Pool. Further to assign approximately 16,275 barrels of oil discovery allowable to the discovery well, the Belco Petroleum Company Martin Com Well No. 2, located in Unit F of Section 20, Township 22 South, Range 27 East, NMPM. Said well was completed September 12, 1975. The top of the perforations is at 3255 feet. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM
Section 20: NW/4

(c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Corral Draw-Wolfcamp Gas Pool. The discovery well is the Mobil Oil Corporation Corral Draw Unit Well No. 2 located in Unit K of Section 22, Township 25 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 29 EAST, NMPM
Section 22: SW/4

(d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Phantom Draw-Wolfcamp Gas Pool. The discovery well is the Texas Pacific Oil Company, Inc. Phantom Draw Unit Well No. 1, located in Unit M of Section 20, Township 26 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 26 SOUTH, RANGE 31 EAST, NMPM
Section 20: SW/4

(e) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Springs production and designated as the Sand Dunes-Bone Springs Pool. The discovery well is the Skelly Oil Company Federal Sand 18 Well No. 1, located in Unit H of Section 18, Township 23 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 32 EAST, NMPM
Section 18: E/2

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

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 1: W/2
Section 3: E/2

(g) EXTEND the South Bell Lake Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 34 EAST, NMPM
Section 6: S/2
Section 7: N/2

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

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

(i) EXTEND the Casey-Strawn Pool in Lea County, New Mexico, to include therein:

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

(j) EXTEND the East Carlsbad-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:

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

(k) EXTEND the Cemetary-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM
Section 28: N/2

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

TOWNSHIP 14 SOUTH, RANGE 30 EAST, NMPM
Section 32: SE/4
Section 33: SW/4

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

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 18: NE/4

(n) EXTEND the Indian Draw-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM
Section 18: S/2 NE/4 & E/2 SW/4

(o) EXTEND the West Knowles-Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM
Section 35: NW/4

(p) EXTEND the Langlie Mattix Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM
Section 3: NW/4

(q) EXTEND the Llano-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 11 SOUTH, RANGE 35 EAST, NMPM
Section 31: NE/4

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

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM
Section 1: SE/4 SW/4

(s) EXTEND the Red Tank-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM
Section 17: All

(t) EXTEND the Sand Dunes-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM
Section 25: W/2

(u) EXTEND the Shugart Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
Section 23: E/2 SW/4

(v) EXTEND the Tom Tom-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 31 EAST, NMPM
Section 27: SE/4

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

TOWNSHIP 14 SOUTH, RANGE 34 EAST, NMPM
Section 28: SE/4

(x) EXTEND the Tulk-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 32 EAST, NMPM
Section 27: NW/4

(y) EXTEND the North Vacuum-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM
Section 35: SE/4

Examiner Hearing - Wednesday - November 5, 1975

Docket No. 28-75

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TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
Section 2: E/2

(z) EXTEND the Vada-Pennsylvanian Pool in Lea County, New Mexico,
to include therein:

TOWNSHIP 9 SOUTH, RANGE 33 EAST, NMPM
Section 3: SE/4

(aa) EXTEND the Wantz-Granite Wash Pool in Lea County, New Mexico,
to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 1: NE/4

TOWNSHIP 22 SOUTH, RANGE 38 EAST, NMPM
Section 19: SE/4

(bb) EXTEND the Warren-Tubb Gas Pool in Lea County, New Mexico, to
include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 34: NW/4

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KELLAHIN and FOX
500 Don Gaspar
Post Office Box 1769
Santa Fe, New Mexico 87501

PS Form 3811 Nov. 1970 655-16-81277-1

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PAYMENT OF POSTAGE, \$300

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SENDER: Be sure to follow instructions on other side

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RECEIPT
Received the numbered article described below

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

CERTIFIED NO. 005142 **1** *Francis Balderrama*
INSURED NO. _____ **2** SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

DATE DELIVERED OCT 16 1975 **3** SHOW WHERE DELIVERED (Only if requested, and include ZIP Code)

JWK

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 to whom, date and 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. 005143 **1** *D.L. Hannifin*
INSURED NO. _____ **2** SIGNATURE OF ADDRESSEE'S AGENT, IF ANY
Julie Ledbetter

DATE DELIVERED OCT 14 1975 **3** SHOW WHERE DELIVERED (Only if requested, and include ZIP Code)

JWK

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

KELLAHIN AND FOX
ATTORNEYS AT LAW
500 DON GASPAR AVENUE
POST OFFICE BOX 1769
SANTA FE, NEW MEXICO 87501

TELEPHONE 982-4315
AREA CODE 505

October 17, 1975

Case 5580
WTK

Mr. Joe D. Ramey, Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application of Cities Service Oil Company
for Compulsory Pooling, Eddy County,
New Mexico

Dear Mr. Ramey:

The above application covers the W/2 of Section
18, Township 22 South, Range 27 East, N.M.P.M., which
had previously been pooled by Commission Order No.
R-5024, which order expired by its terms on August
1, 1975.

The enclosed receipts for certified mail show
service of a copy of this application on Michael P.
Grace, receipted for by Frances Baldenama, on October
16, 1975, and the other on D. L. Hannifin, receipted
for by Julie Ledbetter, October 14, 1975.

Yours very truly,

Jason W. Kellahin
Jason W. Kellahin

WTK:kjf

Enclosure



sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
November 5, 1975

EXAMINER HEARING

IN THE MATTER OF:

Application of Cities Service Oil
Company for compulsory pooling and an
unorthodox gas well location, Eddy
County, New Mexico.

CASE
5580

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: William F. Carr, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant: W. Thomas Kellahin, Esq.
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1 MR. STAMETS: We will call the next Case, 5580.

2 MR. CARR: Case 5580, application of Cities Service
3 Oil Company for compulsory pooling and an unorthodox gas well
4 location, Eddy County, New Mexico.

5 MR. STAMETS: Call for appearances in this Case.

6 MR. KELLAHIN: Tom Kellahin, Kellahin and Fox,
7 Santa Fe, New Mexico appearing on behalf of Cities Service
8 Oil Company.

9 If the Examiner please, the matter of the hearing
10 today is a new case called upon previous order entered in
11 Case Number 5477, that is Order Number R-5024. The date of
12 the order is 22nd May, 1975.

13 In accordance with paragraph thirteen of that Order,
14 the operator, Cities Service, has failed to commence its well
15 prior to the date August 1st, 1975. We, therefore, have
16 requested the Commission to enter us a new order consistent
17 with those provisions as set forth in the previous order and
18 we would request the Commission to take cognizance of the
19 testimony as presented in the original case.

20 MR. STAMETS: Mr. Kellahin, I suggest that you
21 request that we just incorporate the record of this case in
22 that case.

23 MR. KELLAHIN: I so request.

24 MR. STAMETS: Okay, what's the case number?

MR. KELLAHIN: It's R-5024.

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1 MR. STAMETS: The case number?

2 MR. KELLAHIN: I'm sorry, 5477.

3 MR. STAMETS: The record in Case 5477 will be
4 incorporated in the record of Case 5580.

5 MR. KELLAHIN: Your file will also indicate a letter
6 from Jason W. Kellahin to Joe Ramey, dated October 10th,
7 1975 whereby the non-consenting owners were notified by a
8 copy of that letter of this hearing today, being Mr. Grace
9 and Mr. Hannifin.

10 MR. STAMETS: Mr. Kellahin, do you have anything
11 further?

12 MR. KELLAHIN: No, sir.

13 MR. STAMETS: Does anyone else have anything in
14 this Case?

15 We will take the Case under advisement.

16 At this time we will take a fifteen minute
17 recess.

18 (THEREUPON, the hearing was in recess.)
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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a 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.

Sidney F. Morrish

Sidney F. Morrish, Court Reporter

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examiner hearing of Case No. 5586
 heard by me on 11-5-75, 19 75
Richard L. Ham, Examiner
 New Mexico Oil Conservation Commission

sid morrish reporting service

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

LAND COMMISSIONER
PHIL R. LUCERO
November 18, 1975



STATE GEOLOGIST
EMERY C. ARNOLD

Re: CASE NO. 5580
ORDER NO. R-5115

Applicant:

Cities Service Oil Company

Dear Sir:

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

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x
Artesia OCC x
Aztec OCC

Other

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. 5580
Order No. R-5115

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 November 5, 1975,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 17th day of November, 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 prora-
tion 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 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 February 15, 1976, 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, 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 15th day of February, 197 , 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 15th day of February, 197 , Order (1) of this order shall be null and void and of no effect whatsoever unless said operator obtains a time extension from the Commission for good cause shown;

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

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Case No. 5580

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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 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

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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.

(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.

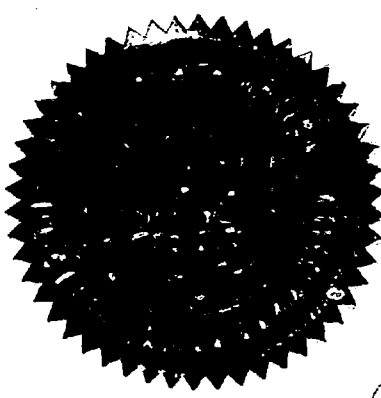
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(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.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


Phil R. Lucero
PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary

S E A L

dr/