

CASE 5775: CITIES SERVICE OIL
CO. FOR CONSENSUALLY POOLING AND AN
UNORTHODOX LOCATION, EDDY CO.

CASE NO.

5775

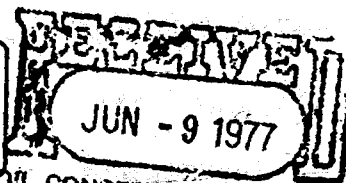
APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

CITIES SERVICE OIL COMPANY DETAILED WELL ESTIMATE

LEASE WELL NO. Tracy "E" #1DATE 8-12-76LOCATION 1880' FNL & 660' FWLPROP. DEPTH 11,480'S 30 T 21S R 27E COUNTY EddySTATE N.M.AFE NO.

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing								
Surface 16" 65# K-55 ST&C	A		400		7404	7404		
10-3/4" 32.75# H-40 ST&C	A		830		7121	7121		
10-3/4" 40.50# K-55 CT&C	A		1420		15024	15024		
7-5/8" 26.40# N-80 LT&C	A		5280		47731	47731		
7-5/8" 29.70# N-80 LT&C	A		2550		25934	25934		
7-5/8" 33.70# N-80 LT&C	A		1030		11886	11886		
5" 18# N-80 Hydril SFJ-P	A		2880		27216			
Well head connections	A				18000	1500		
Tubing 2-7/8" 6.5# N-80 AB-Mod	A		11200		42000	-		
Sucker rod Packer & Acc.	A		1		3000	-		
Bottom hole pump								
Engine or motor								
Pumping unit								
Electrical equip. incl. Labor & Trans.								
Line pipe, fittings incl. Labor & Trans.	A				5000	-		
TANK BATTERY								
Stock tanks	A	300	2		11000	-		
Separator, heater treater, dehydrator	A	1MM	1		15000	-		
Meter run and housing								
Labor & transportation					6000	-		
TOTAL TANGIBLES					242316	116600		
INTANGIBLES								
Contract drilling labor MIRU-RD & MOR					15000	15000		
Rotary day work 45 days @ 2750					123750	123750		
Service rig work 14 days					10500	10500		
Subsurface casing equipment	A				6500	3500		
D. S. T., electric, radioactivity logs, etc.					20000	20000		
Acidizing, fracing					10000	-		
Perforating					5000	-		
Misc. company and contract labor					13000	8000		
Road building, location					12500	12500		
Cement and cementing service					18500	14000		
Cement squeeze jobs								
Drilling mud, chemicals					23000	23000		
Diamond coring & analyses, bits, reamers					25000	25000		
Mud logging unit 20 days					5000	5000		
Rental of miscellaneous equip.					10000	7500		
Contract hauling					7500	6000		
Water, fuel					20000	16000		
Miscellaneous incidentals					4000	2000		
Contingencies					28693	24943		
TOTAL INTANGIBLES					(357943)	(316693)		
Total estimated cost - 100% -					600259	433293		
Total estimate C. S. -								

CITIES SERVICE OIL COMPANY



OIL CONSERVATION COMM.
Box 1919 Santa Fe
Midland, Texas 79701
Telephone (915) 684-7131

June 7, 1977

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey

Re: NMCCC Order No. R-5306

Gentlemen:

As requested by NMCCC Order R-5306 pooling all mineral interests in the Pennsylvanian formation underlying the W/2 Section 30, T-21-S, R-27-E, Eddy County, New Mexico, and designating Cities Service Oil Company as the operator, an actual cost of the Tracy E No. 1 is attached. The calculated open flow on this well was run April 4, 1977 and initial sale of gas was May 16, 1977.

All working interest owners who have voluntarily joined in drilling the Tracy E No. 1 have been billed for their share of the costs. Those known working interest owners who have not voluntarily joined are being furnished a copy of this letter along with the final well costs.

If there are any further questions on this matter, please advise.

Very truly yours,

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

EFM:mfg

Enc.

cc: Mr. and Mrs. Jesse Newton McDowell
c/o Ms. Mary M. Geldmacher
P. O. Box 1042
National City, California 72050

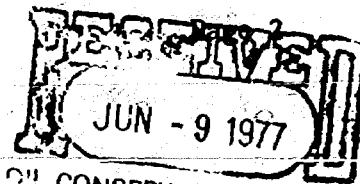
(Continued on Page 2)

Case 5775

Examiner
Nutter

Don
File

NMOCC Order No. R-5306



OIL CONSERVATION COMM.
Santa Fe

cc: Mr. and Mrs. Jerry Lynn Geldmacher
c/o Ms. Mary M. Geldmacher
P. O. Box 1042
National City, California 72050

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

12-44 (12-74)

CITIES SERVICE OIL COMPANY
DETAILED WELL ESTIMATE

LEASE-WELL NO. Tracy "N" #1

LOCATION 1880' FNL & 660' FWL

S 30 T 218 R 27E COUNTY Eddy

STATE N.M. CONSERVATION COMM.

DATE 6-12-74
JUN 9 1977
PROP. DEPT.

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing								
Surface 16" 65# H-40 ST&C	A		400		7404	7404		8908
10-3/4" 32.75# H-40 ST&C	A		1440		7121	7121		12204
10-3/4" 40.50# K-55 ST&C	A		828		10792	10792		10338
7-5/8" 26.40# N-80 LT&C	A		5280		47731	47731		54206
7-5/8" 29.70# N-80 LT&C	A		2550		25934	25934		28272
7-5/8" 33.70# N-80 LT&C	A		1030		11886	11886		12289
5" 18# N-80 Hydril SFJ-P	A		2880		27216			37028
Well head connections	A				18000	1500		18516
Tubing 2-7/8" 6.5# N-80 AB-Mod	A		11200		42000	-		39502
Sucker-rod Packer & Acc.	A		1		3000	-		6008
Bottom hole pump								
Engine or motor								
Pumping unit								
Electrical equip. incl. Labor & Trans.								
Line pipe, fittings incl. Labor & Trans.	A				5000	-		2500
TANK BATTERY								
Stock tanks	A	500	2		11000	-		5075
Separator, heater treater, dehydrator	A	1MM	1		15000	-		16463
Meter run and housing								
Labor & transportation					6000	-		4000
TOTAL TANGIBLES					(238084)	(112368)		(255309)
INTANGIBLES								
Contract drilling labor 12.30/ft.								112956
Rotary day work 24 days @ 2850					138750	138750		70148
Service rig work 33 days					10500	10500		19938
Subsurface casing equipment	A				6500	3500		8365
D. S. T., electric, radioactivity logs, etc.					20000	20000		24954
Acidizing, fracing					10000	-		20135
Perforating					5000	-		8600
Misc. company and contract labor					13000	8000		16243
Road building, location					12500	12500		6324
Cement and cementing service					18500	14000		26172
Cement squeeze jobs								
Drilling mud, chemicals					23000	23000		15599
Diamond coring & analyses, bits, reamers					25000	25000		8071
Mud logging unit 20 days					5000	5000		3640
Rental of miscellaneous equip. & drill pipe					10000	7500		47262
Contract hauling					7500	6000		3658
Water, fuel					20000	16000		6737
Miscellaneous incidentals					4000	2000		3683
Contingencies					32925	29175		-
TOTAL INTANGIBLES					(362175)	(320925)		(402485)
TOTAL ESTIMATED COST - 100%								
Total estimate C. S. 44.1562 %					600259	433293		657794
					265,051	191,325		290457

LEASE - WELL NO. Tracy
LOCATION 1880' FNL & 660' FWL
27E COUNTY ---

LOCATION 1000
S 30 T 21S R 27E COUNTY

Eddy

STATE N.M.

AFE NO.

[illegible]

Docket No. 26-76

Dockets Nos. 27-76 and 28-76 are tentatively set for hearing on October 13 and 27, 1976. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 29, 1976

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:

- CASE 5768: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Service Drilling Company, The Travelers Indemnity Company, and all other interested parties to appear and show cause why the Gonzales-Pittman Well No. 1, located in Unit A of Section 24, Township 21 North, Range 21 East, Mora County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5769: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Juenita Frank, The Aetna Casualty and Surety Company, and all other interested parties to appear and show cause why the Greathouse Frank Well No. 2, located in Unit C of Section 10, Township 23 North, Range 1 West, Rio Arriba County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5770: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit George H. Krause, The Hartford Accident and Indemnity Company, and all other interested parties to appear and show cause why the Krause Beck Well No. 1, located in Unit J of Section 10, Township 29 North, Range 12 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5771: Application of Yates Petroleum Corporation 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 22, Township 17 South, Range 26 East, Eddy County, New Mexico, to be dedicated to its Tom Brown GO Com Well No. 1 to be drilled at an unorthodox location 660 feet from the North line and 1980 feet from the West line of said Section 22. 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 5772: Application of Yates Petroleum Corporation for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Federal B2 Well No. 16 to be drilled at a point 1980 feet from the North line and 660 feet from the East line of Section 28, Township 17 South, Range 25 East, Eddy County, New Mexico, to test the Morrow formation, the N/2 of said Section 28 to be dedicated to the well.
- CASE 5773: Application of Yates Petroleum Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the North Millman Unit Area comprising 2,017 acres, more or less, of State lands in Township 19 South, Range 28 East, Eddy County, New Mexico.
- CASE 5774: Application of Belco Petroleum Corporation 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 N/2 of Section 31, Township 21 South, Range 27 East, Eddy County, New Mexico, to be dedicated to its Mollie Well No. 1 to be drilled at an unorthodox location 1100 feet from the North line and 1500 feet from the East line of said Section 31. 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 5775: Application of Cities Service Oil Company for compulsory pooling and an unorthodox 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 30, Township 21 South, Range 27 East, Eddy County, New Mexico, to be dedicated to its Tracy "Z" Well No. 1 to be drilled at an unorthodox location 1880 feet from the North line and 660 feet from the West line of said Section 30. 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 5776:** Application of Continental Oil Company for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its James Ranch Unit Well No. 9 to be drilled at a point 1980 feet from the North line and 660 feet from the West line of Section 31, Township 22 South, Range 31 East, Los Medanos-Morrow Gas Pool, Eddy County, New Mexico, the N/2 of said Section 31 to be dedicated to the well.
- CASE 5777:** Application of Gifford & Mitchell and M. B. Wisenbaker for pool creation, pool rules, and a non-standard gas spacing unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new gas pool for Atoka production for its Horseback Well No. 1 located 1000 feet from the South line and 1980 feet from the East line of Section 33, Township 26 South, Range 36 East, Lea County, New Mexico, the promulgation of pool rules therefor, including a provision for 640-acre spacing and approval for a 589.52-acre non-standard gas spacing unit comprising all of partial Sections 33 and 34 of the aforesaid Township.
- CASE 5778:** Application of Gas Company of New Mexico for underground gas storage findings, Eddy County, New Mexico. Applicant, in the above-styled cause, pursuant to Section 65-9-5 NMSA 1953 Comp., seeks a decision from the Commission containing findings as to the propriety of utilization for underground gas storage of the sub-surface strata from the top of the Morrow clastic stratum to the top of the Barnett stratum underlying Sections 15, 16, 17, 20, 21, 22, 27, 28, and 29, Township 16 South, Range 27 East, Eddy County, New Mexico.
- CASE 5779:** Application of Agua, Inc. for an extension of time and amendment of Order No. R-4495-A, as amended by R-4495-D, Lea County, New Mexico. Applicant, in the above-styled cause, seeks amendment of Order No. R-4495-A, as amended by Order No. R-4495-D to permit disposal, after the current October 1, 1976, deadline, of produced salt water through perforations from 4230 feet to 4320 feet in its SWD Well No. C-2, located in Unit C of Section 2, Township 22 South, Range 32 East, Lea County, New Mexico. Applicant seeks the amendment of said order to permit such disposal for an additional 30-day period or until it is able to get electrical power to its Blinbry-Drinkard SWD System Well No. A-22, located in Unit A of Section 22, Township 22 South, Range 37 East, Lea County, New Mexico, whichever comes later.
- CASE 5262:** (Reopened) (Continued from September 1, 1976, Examiner Hearing)
- In the matter of Case 5262 being reopened pursuant to the provisions of Order No. R-4822-B, which order extended the special pool rules for Southwest Media-Entrada Oil Pool, Sandoval County, New Mexico, including a provision for 160-acre spacing and proration units and a special depth bracket allowable of 750 barrels of oil per day. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing and why the special depth bracket allowable should not be rescinded.
- CASE 5736:** (Continued from September 1, 1976, Examiner Hearing)
- Application of LCO Inc. for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Basin Dakota Gas Pool and Lybrook-Gallup Oil Pool and undesignated Greenhorn and Mancos production in the wellbore of its Dunn Well No. 2, located in Unit F of Section 10, Township 23 North, Range 7 West, Rio Arriba County, New Mexico.

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
September 29, 1976

EXAMINER HEARING

IN THE MATTER OF:

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

CASE
5775

BEFORE: Daniel S. Nutter, 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.
KELLAHIN & FOX
Attorneys at Law
500 Don Gaspar
Santa Fe, New Mexico

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3	<u>TOM HELLER</u>
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5	Cross Examination by Mr. Nutter 6
6	<u>E. F. MOTTER</u>
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EXHIBIT INDEX

	<u>Offered</u>	<u>Admitted</u>
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12	Cities' Exhibit One, Land Plat 4	14
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1 MR. NUTTER: The hearing will come to order, please.
2 The next case will be Case Number 5775.

3 MR. CARR: Case 5775, application of Cities Service
4 Oil Company for compulsory pooling and an unorthodox well
5 location, Eddy County, New Mexico.

6 MR. KELLAHIN: I'm Tom Kellahin of Kellahin and Fox,
7 Santa Fe, New Mexico appearing on behalf of the applicant and
8 I have two witnesses to be sworn.

9 (THEREUPON, the witness was duly sworn.)
10

11 TOM HELLER

12 called as a witness, having been first duly sworn, was
13 examined and testified as follows:
14

15 DIRECT EXAMINATION

16 BY MR. KELLAHIN:

17 Q Please state your name and occupation?

18 A Tom Heller. I'm a Landman with Cities Service Oil
19 Company in Midland, Texas.

20 Q Mr. Heller, have you previously testified before
21 the Oil Commission in your capacity as a landman and had your
22 qualifications accepted and made a matter of record?

23 A Yes, sir, I have.

24 Q Have you made a study of the land situation involved
25 in this particular application?

1 A Yes, I have.

2 Q And you are prepared to testify on the status of the
3 title for this forced pooling case?

4 A Yes.

5 MR. KELLAHIN: If the Examiner please, are the
6 witness' qualifications acceptable?

7 MR. NUTTER: Yes, they are.

8 Q (Mr. Kellahin continuing.) Mr. Heller, would you
9 refer to what has been marked as Applicant's Exhibit Number One
10 identify it and tell me what you are seeking to accomplish?

11 A This is a land plat designating our proposed Tracy E
12 No. 1 Well which would be composed of the west half of Section 30.
13 We are seeking compulsory pooling of this section of all
14 mineral interest underlying the Pennsylvania formation and
15 an unorthodox location for this well.

16 Q I show you what has been marked as Exhibit Number
17 Two and ask you to identify that?

18 A This is my letter, dated August 19th to all known
19 working interest owners within this unit, requesting them to
20 join with Cities in the drilling of this well.

21 Q As of this date would you identify the individuals
22 or entities that have not agreed to participate in the drilling
23 of the well?

24 A We have two individuals at this date that have not
25 indicated they would join with us, that's Michael P. Grace and

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1 that is Jerry Geldmacker and his wife Charlotte Geldmacker,
2 Jessie McDowell and his wife Pauline McDowell.

3 Q How are the McDowell interests listed on Exhibit
4 Number Two?

5 A The McDowell interests are under the unleased and I
6 might add that unleased on this exhibit shows point four, five,
7 seven, three acres which includes two individuals. I have
8 leased one of these tracts. The only outstanding interest
9 is the McDowell tract which is composed of point two, nine,
10 two, seven acres.

11 Q The original application in this case listed Belco
12 Petroleum Corporation as an uncommitted interest owner, what
13 is the status of that interest?

14 A Belco has indicated they will join with us in the
15 drilling of this well.

16 Q And the H. C. Hood interest?

17 A H. C. Hood has farmed out to another party who is
18 joining with us in this well.

19 Q And the Michael Grace interest is still unsigned
20 at this point?

21 A Yes, it is.

22 Q And the Earl E. Gartner interest.

23 A Earl E. Gartner has also farmed out to another
24 party who has indicated they will join with us in the drilling
25 of this well.

1 Q Please refer to what has been marked as Exhibit
2 Number Three and identify it?

3 A This is a letter I received from Belco dated
4 August 29th, '76 wherein they indicated they would either join
5 with us or farmout their acreage within this unit. They have
6 since indicated that they will join with us.

7 Q Would you identify Exhibit Number Four?

8 A Exhibit Number Four are letters that I have written
9 to the McDowell's in California, numerous letters requesting to
10 lease their acreage. I did not receive a response from any
11 letter. The last letter I asked them to join with us in
12 the drilling of this well.

13 MR. KELLAHIN: That concludes my examination of
14 this witness, Mr. Nutter.

15
16 CROSS EXAMINATION

17 BY MR. NUTTER:

18 Q Okay, Mr. Heller, at the time the application was
19 filed your counsel listed the following people as not
20 participating in the thing: Belco, the McDowell's, Hood,
21 Grace and Gartner. Okay, now, let's run down through those
22 very quickly again. Grace still has not joined?

23 A Grace has not joined.

24 Q Belco has joined?

25 A Yes.

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1 Q And the Hood interests have been farmed out to
2 another company that is joining?

3 A Yes.

4 Q So the Hood deal is in now?

5 A Yes.

6 Q And Gartner, what is the status on that?

7 A They have farmed out to another party also and the
8 other party is joining with us.

9 Q So the only ones that are left now are Grace and
10 McDowell's?

11 A Exactly.

12 Q Grace has twenty-two point one, nine, nine, seven
13 acres?

14 A Yes.

15 Q And McDowell has point two, nine, two, seven acres
16 out of this point four, five, seven, three acres that was
17 listed as unleased on Exhibit Number Two?

18 A Correct.

19 MR. NUTTER: Okay, are there any further questions
20 of Mr. Heller? He may be excused.

21 (THEREUPON, the witness was excused.)

22 MR. KELLAHIN: I would call Mr. Gene Motter.

23 E. F. MOTTER

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Motter, would you please state your name and occupation?

A Gene Motter, I'm Engineering Manager for the Southwest Region, Cities Service Oil Company located in Midland.

Q Mr. Motter, have you previously testified before the Commission and had your qualifications as an expert witness accepted and made a matter of record?

A Yes, numerous times.

Q Mr. Motter, have you made a study of and are you familiar with the facts surrounding this particular application?

A Yes, I am.

MR. KELLAHIN: If the Examiner please, are the witness's qualifications acceptable?

MR. NUTTER: Yes, they are.

Q (Mr. Kellahin continuing.) Would you please refer to what has been marked as Exhibit Number Five, identify it and explain what information it contains?

A Yes, this is an aerial photo of the area of concern right now. The red line around the aerial photo is the west half of Section 30 which is being compulsory pooled or requested to be compulsory pooled. We have two red dots on this aerial photo. The one outside of the red line to the east is Cities Service Ives No. 1 which is producing from the Morrow. The

1 other red dot which is inside of the red line and to the north-
2 west is the proposed location of the Tracy E No. 1. This well
3 is located eighteen, eighty from the north, six, sixty from
4 the west, making it a hundred feet unorthodox.

5 You will note that we have circumscribed a five
6 hundred foot circle around that well trying to indicate
7 approximately the distance to some of the houses around there.
8 Also to the southwest we have drawn in a little square. There
9 has been a house built in that particular area. This map was
10 actually flown in about 1972.

11 MR. NUTTER: Whereabouts are we talking about?

12 A It would be slightly south and west of the proposed
13 location, a little square. Is it not drawn on your map?

14 MR. NUTTER: I don't see it.

15 A The draftsman must have slipped up on that one.

16 MR. NUTTER: So you have added a house that has been
17 built since the photograph was made?

18 A Right, the little square there. And also on the
19 plat which you now have there have been two roads cut through
20 and this is one of the reasons for moving the location slightly.
21 You will note that I have put on there with a black pen this
22 morning a road immediately south of the location which runs
23 through to the road on the west side.

24 MR. NUTTER: That's an east-west road?

25 A It's an east-west road, right. Then there is a north-

1 south road which, if you look almost due south location, there
2 is a house with a road into it. That road takes off from about
3 the same point going into the house but does go right straight
4 north.

5 MR. NUTTER: It cuts through the field where your
6 location is?

7 A Right, it cuts through the field, so for that reason
8 we elected to move it a hundred feet.

9 Q (Mr. Kellahin continuing.) Is your proposed site
10 within the city limits of Carlsbad?

11 A No, sir, this is in the La Huerta subdivision. We
12 are over five hundred feet from any homes in there right now.
13 There are some rather nice homes in this area, especially
14 those across the road to the west and we would just as soon
15 not interfere with any of their operations in there.

16 Q Please refer to what has been marked as Exhibit
17 Number Six and identify it?

18 A Okay, this is a drilling well estimate for the
19 Tracy E No. 1. It indicates that a producer will cost six
20 hundred thousand, two hundred and fifty-nine dollars. A dry
21 hole will cost four hundred and thirty-three thousand, two
22 hundred and ninety-three dollars.

23 I would like to call your attention to one item
24 up there in the casing program. This would not be a casing
25 program that we would utilize if this well were drilled perhaps

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1 a mile north of there or so. This is what we consider a more
2 safe design and I think it follows pretty well the requirements
3 in the Carlsbad City Drilling Ordinance. But in general in this
4 area when we drill a well we will set thirteen-and-three-eighths
5 about four hundred feet, eight-and-five-eighths through the
6 Delaware about three thousand and then the next string of
7 casing is the oil string or production casing which will be
8 set about eleven, five. In this particular case we plan to
9 run sixteen inch to four hundred feet, ten-and-three-quarter
10 to twenty-two, fifty which is nearly through the Delaware. Then
11 we will set eight-and-five-eighths at approximately eighty-
12 eight, fifty, which should be into the Wolfcamp and then drill
13 on in. Now, by setting this string of pipe into the Wolfcamp
14 formation we have cased off most of the formations that may
15 be susceptible to break down if we use heavier weighted muds.
16 In fact, we can use muds to go into the Morrow here, twelve
17 pounds and more with no problems.

18 MR. NUTTER: So you are using four strings of casing?

19 A. We are using four strings of casing.

20 MR. NUTTER: Normally you would use three?

21 A. We would only use three but we just feel because of
22 the area that we are in and everything we want to take every
23 precaution we can.

24 MR. NUTTER: And this permits the use of heavier
25 mud?

1 A Right. From everything that we have seen in this
2 immediate area there should be no problems whatsoever but we
3 just thought we would stay on the safe side.

4 Now, getting back to my DWE you will note the
5 seven-and-five-eighths in here which would be used either on
6 a dry hole or a producing basis, that's about eighty-six
7 thousand dollars worth of pipe but we are willing to spend that
8 just to be on the safe side here.

9 This DWE is well in line with most of our well costs
10 out there and we see no reason why we can't drill it for these
11 costs.

12 Q (Mr. Kellahin continuing.) Mr. Motter, what has
13 been your experience with regards to charges for cost of
14 supervision for the well during drilling and after drilling?

15 A Well, we, as I have stated up here numerous times
16 before, we operate under the COPAS '62 or '68 accounting
17 procedure and I don't think we've had a compulsory pooling
18 hearing since April of this year when all of these increased
19 as normally authorized. We request that the wording in this
20 particular order if it is issued, again be the same. There
21 was a ten point three percent increase in 1976 over 1975 and
22 our new rate is two hundred and seventy-eight dollars per
23 month for production wells and nineteen hundred and seventy-
24 eight dollars for a drilling well supervision. We would
25 request that that be incorporated in the order along with the

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Phone (505) 982-9212

Page 13

1 provision to escalate these as is provided in the COPAS
2 accounting procedure.

3 Q Cities Service desires to be designated the operator
4 of the unit?

5 A Yes, we do.

6 Q What is your opinion and recommendation with regard
7 to a risk factor to be assigned?

8 A We would request a hundred percent risk factor
9 for this particular well and I don't know whether we need to
10 reiterate a lot of things Mr. Nering said in the earlier case
11 but the same things apply here. Sometimes we almost consider
12 that each one of these Morrow wells is a wildcat itself.

13 The other thing, and that's the reason I pointed
14 out on our DWE is the fact that we have eighty-six thousand
15 dollars worth of casing which if we wanted to take at somewhat
16 of a lesser risk we wouldn't have to run this if it happened
17 to be a dry hole but we do prefer to put this in the hole and
18 for that reason I feel that we are entitled to a hundred
19 percent risk on this well.

20 Q The statutory maximum which the Commission can grant
21 in an order is two hundred percent risk and in relation to
22 that statutory maximum, it is your opinion that a hundred
23 percent ought to be assigned?

24 A Yes.

25 Q Okay. In your opinion, Mr. Motter, is the entire

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Page 14

1 proration unit here reasonably productive of gas at the
2 particular location?

3 A Yes, as near as we can determine, not from my
4 expertise but from our geologists', I was given this information.

5 Q In your opinion, Mr. Motter, will the granting and
6 approval of this application be in the best interests of
7 conservation, prevention of waste and the protection of
8 correlative rights?

9 A Yes.

10 Q Were the additions made to the aerial photograph
11 of Exhibit Number Five and Exhibit Number Six compiled under
12 your direction and supervision?

13 A Yes, they were.

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

16 MR. NUTTER: Cities Service Exhibits One through
17 Six will be admitted into evidence.

18 (THEREUPON, Cities Service Exhibits One
19 through Six were admitted into evidence.)

20 MR. KELLAHIN: That concludes our direct examination.

21
22 CROSS EXAMINATION

23 BY MR. NUTTER:

24 Q Mr. Motter, inspection of your Exhibit Number Five
25 would indicate that there is no house or other building within

1 five hundred feet of the proposed location, is that correct?

2 A That's correct. Mr. Nutter, I might point out just
3 for your information that I would say -- well, north is in the
4 upper part of the map so almost directly southeast is a house
5 which is partially covered with trees but you can still pick
6 it out. That is a fairly nice home in there. We wanted to
7 stay away from that home, as well as the one to the south that
8 has been built in the last couple of years.

9 Q That is what appears to be a house under the trees
10 with a little short road running straight south to it?

11 A That's right. And if you will notice then going to
12 the northeast there is a home up in there and we are almost
13 centrally located among all of those homes in there.

14 Q The one with the --

15 A Well, the half-moon affair in the driveway, it
16 looks like.

17 Q And then there are some other homes over to the west
18 besides the house that you have drawn on the map?

19 A Right. Now, we have had no problems with anybody
20 in this area as far as well locations.

21 Q It is outside the city limits?

22 A That's right.

23 MR. NUTTER: Are there any further questions of
24 Mr. Motter? He may be excused.

25 (THEREUPON, the witness was excused.)

1 MR. NUTTER: Do you have anything further, Mr.
2 Kellahin?

3 MR. KELLAHIN: No, sir.

4 MR. NUTTER: Does anyone have anything they wish to
5 offer in Case Number 5775? We will take the case under
6 advisement.

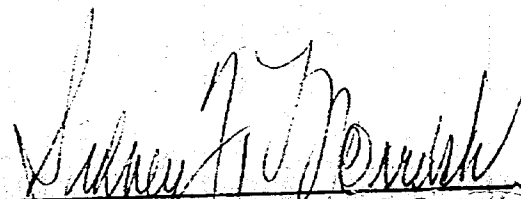
sid morrish reporting service

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Phone (505) 982-9212

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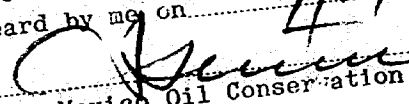
REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand 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, C.S.R.

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

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5775
heard by me on 9/29, 1976.

, Examiner
New Mexico Oil Conservation Commission



CITIES SERVICE OIL COMPANY

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

November 11, 1976

NEW MEXICO OIL CONSERVATION COMMISSION
Post Office Box 2088
Santa Fe, New Mexico 87501

Attention of Mr. Joe D. Ramey

Re: NMOCC Order No. R-5306

Gentlemen:

As requested by NMOCC Order No. R-5306 pooling all mineral interest in the W/2 Section 30, T-21-S, R-27-E, Eddy County, New Mexico, and designating Cities Service Oil Company as the operator, an itemized schedule of estimated well costs is attached.

All working interest owners who have voluntarily joined in drilling the Tracy "E" #1 on this proration unit have been furnished a copy of the itemized schedule of estimated well costs. Those known working interest owners who have not voluntarily joined are being furnished a copy of this letter along with an itemized schedule of the estimated well costs.

If there are any further questions on this matter, please advise.

Very truly yours,

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

EFM:ch

Attachment

cc: Mr. and Mrs. Jesse Newton McDowell
% Ms. Mary M. Geldmacher
Box 1042
National City, California 72050

(Continued on Page No. 2)

file Case 5775
nutter
Examiner

[Signature]

NOV 15 1976
Page No. 2
NMOCC Order No. R-5306
November 11, 1976

cc: Mr. and Mrs. Jerry Lynn Geldmacher
% Ms. Mary M. Geldmacher
Box 1042
National City, California 72050

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

CITIES SERVICE OIL COMPANY

DETAILED WELL ESTIMATE

LEASE-WELL NO. Tracy "E" #1DATE 8-12-76LOCATION 1880' FNL & 660' FWLPROP. DEPTH 11,480'S 30 T 21S R 27E COUNTY EddySTATE N.M.AFE NO. 1

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing								
Surface 16" 65# K-55 ST&C	A		400		7404	7404		
10-3/4" 32.75# H-40 ST&C	A		830		7121	7121		
10-3/4" 40.50# K-55 ST&C	A		1020		10792	10792		
7-5/8" 26.40# N-80 LT&C	A		5260		47731	47731		
7-5/8" 29.70# N-80 LT&C	A		2550		25934	25934		
7-5/8" 33.70# N-80 LT&C	A		1030		11886	11886		
5" 18# N-80 Hydril SEJ-P	A		2880		27216			
Well head connections	A				18000	1500		
Tubing 2-7/8" 16.5# N-80 AB-Mod	A		11200		42000	-		
Subs. Packer & Acc.	A		1		3000	-		
Bottom hole pump								
Engine or motor								
Pumping unit								
Electrical equip. incl. Labor & Trans.								
Line pipe, fittings incl. Labor & Trans.	A				5000	-		
TANK BATTERY								
Stock tanks	A	300	2		11000	-		
Separator, heater treater, dehydrator	A	1MM	1		15000	-		
Water run and housing								
Labor & transportation					6000	-		
TOTAL TANGIBLES					238084	112368		
INTANGIBLES								
Contract drilling labor MIRU-RD & MOR					15000	15000		
Rotary day work 45 days @ 2750					123750	123750		
Service rig work 14 days					10500	10500		
Subsurface casing equipment	A				6500	3500		
D. S. T., electric, radioactivity logs, etc.					20000	20000		
Acidizing, fracturing					10000	-		
Perforating					5000	-		
Misc. company and contract labor					13000	8000		
Road building, location					12500	12500		
Cement and cementing service					18500	14000		
Cement squeeze jobs								
Drilling mud, chemicals					23000	23000		
Diamond coring & analyses, bits, reamers					25000	25000		
Mud logging unit 20 days					5000	5000		
Rental of miscellaneous equip.					10000	7500		
Contract hauling					7500	6000		
Water, fuel					20000	16000		
Miscellaneous incidentals					4000	2000		
Contingencies					32925	29175		
TOTAL INTANGIBLES					(362175)	(320925)		
Total estimated cost + 100%					600259	433293		
Total estimate C. S. 35.6916 %					214,242	154,649		

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. 5775
Order No. R-5306

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

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 29, 1976, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 27th day of October, 1976, 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 30, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill its Tracy "E" Well No. 1 at an unorthodox location 1880 feet from the North line and 660 feet from the West line of said Section 30.
- (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.

- 2 -

Case No. 5775

Order No. R-5306

(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 100 percent 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 \$1978.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling said well, and \$278.00 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.

(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 January 1, 1977, 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 30, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to applicant's Tracy "E" Well No. 1 to be drilled at an unorthodox location 1880 feet from the North line and 660 feet from the West line of said Section 30, said location being hereby approved.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of January, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of January, 1977, 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

-4-

Case No. 5775
Order No. R-5306

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 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, 100 percent 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 \$1978.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling said well, and \$278.00 per month is 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.

(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.

-5-

Case No. 5775

Order No. R-5306

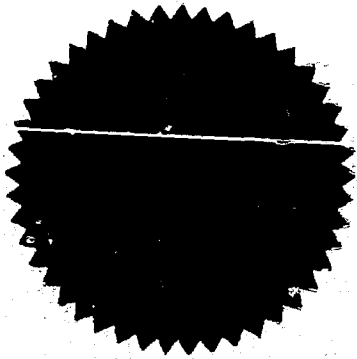
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(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, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

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

S E A L

dr/

CITIES SERVICE OIL COMPANY

RETURN RECEIPT REQUESTED

TO: WORKING INTEREST OWNERS
(Addressee List Attached)

SUBJECT: Cities Proposed Tracy "E" No. 1 Well
W/2 Section 30, T-21-S, R-27-E
Eddy County, New Mexico



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

August 19, 1976

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Cities EXHIBIT NO. 2
CASE NO. 5725

Gentlemen:

Cities Service proposes to drill in the very near future a Morrow test 660' FWL and 1880' FNL of Section 30, T-21-S, R-27-E, Eddy County, New Mexico. The estimated cost to drill and complete this well is \$600,259.00; a dry hole is estimated to cost \$433,293.00.

The estimated ownership in the proposed proration unit covering the W/2 of Section 30 is as follows:

	Net Acres	Percentage
Cities Service Oil Company	117.4493	37.12867
X Belco Petroleum Corporation <i>now in</i>	89.8678	28.40942
Robert S. Light	28.7793	9.09784
R. J. Fuller	3.8384	1.21341
X Michael P. Grace	22.1997	7.01787
Texas Oil & Gas Corp.	35.0600	11.08333
X H. C. Hood <i>now in</i>	5.5999	1.77026
C & K Petroleum Corporation	5.5999	1.77026
X Earl E. Gaertner <i>now in</i>	5.6001	1.77032
Dr. James F. Haynes	1.8792	.59406
X Unleased	1.8792	.59406
<i>McDowell</i>	.4573	.14456
<i>.2927 acres</i>		
TOTALS	316.3309	100.00000

Working Interest Owners
Tracy "E" No. 1 Well

- 2 -

August 19, 1976

We request you join Cities in the drilling of this test. We would sincerely appreciate your advanced decision in this matter prior to receipt of our Operating Agreement and AFE, which will be forwarded at a later date, as we have scheduled a hearing before the New Mexico Oil Conservation Commission with respect to compulsory pooling. In addition, I would also appreciate your advising the undersigned if the interest set out corresponds to your calculations.

Your early response to this request will be appreciated.

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

TH:eh

cc - Mr. R. L. Heinsch
216 Carper Building
Artesia, New Mexico 88210

WORKING INTEREST OWNERS

(Addressee List)

Belco Petroleum Corporation
411 Petroleum Building
204 W. Texas
Midland, Texas 79701
Attn: Mary Ward

Robert S. Light
1409 W. Orchard Lane
Carlsbad, New Mexico 88220

R. J. Fuller
7202 Eccles St.
Dallas, Texas 75227

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

Texas Oil & Gas Corp.
P. O. Drawer 591
Midland, Texas 79701
Attn: Mr. Bill Lively

H. C. Hood
1455 Midland National Bank Tower
Midland, Texas 79701

C & K Petroleum Corporation
C & K Petroleum Building
Suite 607
Midland, Texas 79701

Earl E. Gaertner
703 Gihls Tower West
Midland, Texas 79701

Dr. James F. Haynes
1717 N. Canal
Carlsbad, New Mexico

411 Petroleum Building
204 W. Texas
Midland, Texas 79701
Telephone (915) 683-6366

Belco Petroleum Corporation

August 29, 1976

Belco

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

Attn: Tom Heller

Re: Avalon Prospect
Cities #1 Tracy E
W/2 Section 30
T21S, R27E
Eddy County, New Mexico

Gentlemen:

Please reference your letter of August 19, 1976 in which you propose to drill the captioned land.

Please be advised that Belco Petroleum Corporation will either join or farmout in the drilling of this well. I will give you a definite decision as soon as possible.

According to my calculations, Belco Petroleum Corporation owns 89.5909 net acres or working interest percentage of 28.3219. I have attached a list of Belco's leases involved in this for your information.

Yours very truly,

BELCO PETROLEUM CORPORATION

Mary Ward
Mary Ward
Landman

MW/sam

Enc.

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
<i>Cities</i>	EXHIBIT NO. <u>3</u>
CASE NO. <u>5225</u>	

RECEIVED

AUG 31 1976

CITIES SERVICE OIL
SOUTHWESTERN REG.

No. 660916

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENT TO		POSTMARK OR DATE
Mrs. Mary M. Geldmacher		
STREET AND NO.		
P. O. Box 1042		
P.O., STATE AND ZIP CODE		Sept. 2, 1976
National City, California 72050		
OPTIONAL SERVICES FOR ADDITIONAL FEES		
RETURN RECEIPT SERVICES	1. Shows to whom and date delivered 15¢ With restricted delivery 65¢ 2. Shows to whom, date and where delivered 35¢ With restricted delivery 85¢	
RESTRICTED DELIVERY		50¢
SPECIAL DELIVERY (extra fee required)		
PS Form 3800 Aug. 1975		NO INSURANCE COVERAGE PROVIDED— NOT FOR INTERNATIONAL MAIL (See other side) ☆ GPO: 1975-O-591-452

September 2, 1976

Mrs. Mary M. Geldmacher
P. O. Box 1042
National City, California 72050

Re: A tract of land measuring 85' x 150'
Out of Lot 1, Block 2, Lahuerta Sub-
division, Sec. 30, T-21-S, R-27-E
Eddy County, New Mexico
(File 3014070)

Dear Mrs. Geldmacher:

By a lack of response to my letters requesting to lease the above acreage, I am assuming Pauline Geldmacher McDowell and her husband, Jesse McDowell and Jerry Geldmacher and his wife, Charlotte Geldmacher do not wish to lease at the present time.

Cities Service intends to drill an 11,500 ft. Morrow test 660 ft. from the west line and 1,880 ft. from the north line of Section 30, 21S-27E. The estimated cost to drill and complete this well is \$600,259.00; a dry hole is estimated to cost \$433,293.00. We request the above named parties to join with Cities Service in the drilling of this well. Their estimated .2927 acres is approximately .0922% of the unit comprised of the W/2 of Section 30. Their estimated cost to drill and complete this well is \$553.44; a dry hole will cost them approximately \$399.50.

Please give this offer your consideration and should the above parties elect to join, I will be most happy to forward our Operating Agreement and AFE for your review.

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
Cities	EXHIBIT NO. 4
CASE NO. 5225	

TH:lh

RETURN RECEIPT REQUESTED
CERTIFIED MAIL No. 660916

CITIES SERVICE OIL COMPANY



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

August 19, 1976

RETURN RECEIPT REQUESTED

Mrs. Mary M. Geldmacher
P. O. Box 1042
National City, California 72050

Re: A tract of land measuring 85' x 150'
Out of Lot 1, Block 2, LaHuerta Sub-
division, Sec. 30, T-21-S, R-27-E
Eddy County, New Mexico
(File 3014070)

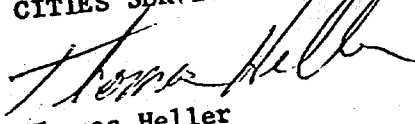
Dear Mrs. Geldmacher:

Please refer to my previous letters concerning attempts by Cities Service to lease the captioned property from Pauline Geldmacher McDowell and husband, Jesse Newton McDowell; Jerry Lynn Geldmacher and wife, Charlotte Geldmacher. We intend to drill a well in the W/2 of Section 30 late this year and we would sincerely appreciate any information concerning the addresses of the previously mentioned parties. Please recall our offer amounted to \$250.00 per acre for a 5-year-term lease providing for a 3/16 royalty.

Please do not hesitate to contact the undersigned collect.

Yours truly,

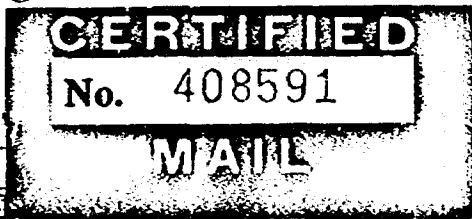
CITIES SERVICE OIL COMPANY


Thomas Heller
Landman

TH:eh



CITIES SERVICE OIL COMPANY
Box 1919



POSTAGE DUE

RETURNED TO
WRITER

REASON CHECKED
Unclaimed
Insufficient address
Moved, Left no address
No such post office in state
No return in this envelope

Mrs. Mary M. Geldmacher
P. O. Box 1042
National City, California 92050

Return Receipt
Requested

POSTAGE DUE

Tom Heller

NAME
1st SEP 9 1976
2nd
Return

1st Notice SEP 2 1976
2nd Notice SEP 3 1976
Return 9/15

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

1. The following service is requested (check one). 25¢

☒ Show to whom and date delivered. 25¢

☐ 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:
Mrs. Mary M. Geldmacher
P. O. Box 1042
National City, California 92050

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

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE

4. DATE OF DELIVERY TO WRITER

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE

REASON CHECKED
Unclaimed
Insufficient address
Moved, Left no address
No such post office in state
No return in this envelope

POSTMARK
AUG 20 1976
C M
CLERK'S INITIALS

GPO : 1976 O - 527-803

BU.
December 12, 1975

Mrs. Mary M. Geldmacher
Box 1042
National City, California 72050

Re: A tract of land measuring 85 feet by 150 feet
out of Lot 1, Block 2, LaQuarta Subdivision,
Section 30, 21S-27E, Eddy County, New Mexico
(3014070)

Dear Mrs. Geldmacher:

Please refer to my letter of November 11, 1975 concerning the ownership of the above tract of land. The records indicate same is owned by Pauline Geldmacher McDowell and husband, Jesse Newton McDowell; Jerry Lynn Geldmacher and wife, Charlotte Geldmacher. We are very interested in leasing this tract and any information you may have concerning the addressed of the above would be sincerely appreciated.

Your early consideration of this request would be appreciated.

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Keller
Landman

THJk
12-29

November 11, 1975

Mrs. Mary M. Geldmacher
Box 1042
National City, California 72050

Re: A tract of land measuring 85 feet by 150 feet
out of Lot 1, Block 2, LaHuerta Subdivision,
Section 30, 21S-27E,
Eddy County, New Mexico (3014070)

Dear Mrs. Geldmacher:

Cities Service is currently purchasing Oil and Gas Leases in Section 30 in the hopes of commencing a well in this section within the very near future. A check of the Eddy County records indicates the above tract of land is owned by Pauline Geldmacher McDowell and husband, Jesse Newton McDowell; Jerry Lynn Geldmacher and wife, Charlotte Geldmacher. The tax rolls; however, carry your name as the party currently paying taxes on this acreage.

Cities Service would like to offer the above parties \$250 per acre for a five-year Oil and Gas Lease providing for 3/16 royalty. Any information you may have regarding the current addresses of Pauline Geldmacher McDowell and Jerry Lynn Geldmacher would be most appreciated.

Should you have any questions, please feel free to contact the undersigned collect.

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

THjt

Case 5775

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

KELLAHIN AND FOX
ATTORNEYS AT LAW
500 DON GASPAR AVENUE
POST OFFICE BOX 1789
SANTA FE, NEW MEXICO 87501

TELEPHONE 982-4315
AREA CODE 505

September 3, 1976

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

Dear Mr. Ramey:

Enclosed please find the original and two copies
of the application of Cities Service Oil Company for
approval of compulsory pooling and an unorthodox well
location, Eddy County, New Mexico. We would appreciate
this being set for the September 29th hearing.

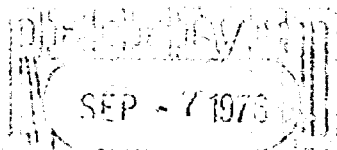
Yours very truly,

Jason W. Kellahin
Jason W. Kellahin

CC: Mr. Gene Motter
Mr. Robert F. LeBlanc
Mr. Charles R. Mitchell

JWK:kjf

Enclosure



OIL CONSERVATION COM. **BEFORE THE**
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF CITIES SERVICE OIL COMPANY FOR
APPROVAL OF COMPULSORY POOLING AND
AND UNORTHODOX WELL LOCATION, 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 compulsory pooling and approval of an unorthodox well location, 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 W/2 of Section 30, Township 21 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and proposes to drill its Tracy "E" No. 1 well, to be located 660 feet from the West line, and 1880 feet from the North line of Section 30, an unorthodox well location, as a Pennsylvanian well.

2. All interest owners have agreed to the drilling of the proposed well with the exception of the following interest owners:

Belco Petroleum Corporation
411 Petroleum Building
Midland, Texas 79701

Pauline Geldmacher McDowell
Jessee McDowell
Jerry Geldmacher
Charlotte Geldmacher
c/o Mary M. Geldmacher
P. O. Box 1042
National City, California 72050

H. C. Hood
1455 Midland National
Bank Tower
Midland, Texas 79701

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

Earl E. Gaertner
703 Ghils Tower West
Midland, Texas 79701

3. Applicant has made diligent effort to obtain voluntary agreement to the drilling of the proposed well, and has been unable to obtain such agreement.

4. Applicant proposes the location of the well at 660 feet from the West line, and 1880 feet from the North line to assure maximum distance from residences in the area, and for topographical reasons occasioned by established trees and fences.

WHEREFORE applicant prays that this applicaiton be set for hearing before the Commission's duly appointed examiner, and that after notice and hearing as provided by law, the Commission enter its order pooling all of the mineral interests, whatever they may be underlining the proposed unit, together with provision for applicant to recover its necessary costs in drilling and equipping the well, charges for supervision, and operation, and for a risk factor for the risk assumed in drilling the well, as provided by law.

Respectfully submitted,

CITIES SERVICE OIL COMPANY

By Jason W. Kellahin
Kellahin & Fox
P. O. Box 1769
Santa Fe, New Mexico 87501
Attorneys for Applicant

SEP - 1970

OIL CONSERVATION COMM.

SEP 19

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF CITIES SERVICE OIL COMPANY FOR
APPROVAL OF COMPULSORY POOLING AND
AND UNORTHODOX WELL LOCATION, EDDY
COUNTY, NEW MEXICO

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National Parks Highway
Carlsbad, New Mexico 88220

Earl E. Gaertner
703 Ghils Tower West
Midland, Texas 79701

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Respectfully submitted,
CITIES SERVICE OIL COMPANY

By Jason W. Kellahin
Kellahin & Fox
P. O. Box 1769
Santa Fe, New Mexico 87501
Attorneys for Applicant

BEFORE THE OIL CONSERVATION COMMISSION
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF CITIES SERVICE OIL COMPANY FOR
APPROVAL OF COMPULSORY POOLING AND
AND UNORTHODOX WELL LOCATION, EDDY
COUNTY, NEW MEXICO

A P P L I C A T I O N

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1. Applicant is the owner of the right to drill and develop the W/2 of Section 30, Township 21 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and proposes to drill its Tracy "E" No. 1 well, to be located 660 feet from the West line, and 1880 feet from the North line of Section 30, an unorthodox well location, as a Pennsylvanian well.
2. All interest owners have agreed to the drilling of the proposed well with the exception of the following interest owners:

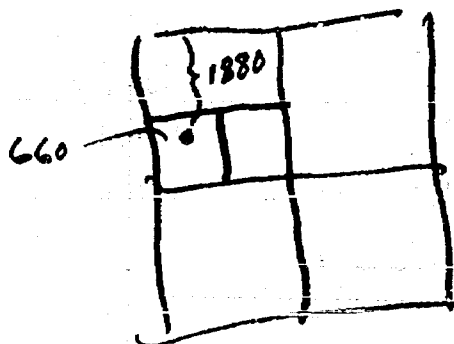
Belco Petroleum Corporation
411 Petroleum Building
Midland, Texas 79701 *now in*

Pauline Geldmacher McDowell
Jessee McDowell
Jerry Geldmacher
Charlotte Geldmacher
c/o Mary M. Geldmacher
P. O. Box 1042
National City, California 72050 *still out*

H. C. Hood *now in*
1455 Midland National
Bank Tower
Midland, Texas 79701

Michael P. Grace *still out*
National Parks Highway
Carlsbad, New Mexico 88220

Earl E. Gaertner *now in*
703 Ghils Tower West
Midland, Texas 79701



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WHEREFORE applicant prays that this applicaiton be set for hearing before the Commission's duly appointed examiner, and that after notice and hearing as provided by law, the Commission enter its order pooling all of the mineral interests, whatever they may be underlining the proposed unit, together with provision for applicant to recover its necessary costs in drilling and equipping the well, charges for supervision, and operation, and for a risk factor for the risk assumed in drilling the well, as provided by law.

Respectfully submitted,

CITIES SERVICE OIL COMPANY

By James W. Kellahin
Kellahin & Fox
P. O. Box 1769
Santa Fe, New Mexico 87501
Attorneys for Applicant

DRAFT

lr/

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. 5775

Order No. R- 5306

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

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 29, 1976
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this day of October, 1976, 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 30, Township 21 South, Range 27 East,
NMPM, Eddy County, New
Mexico.

-2-
Case No.
Order No. R-

(3) That the applicant has the right to drill and proposes its Tracy "E" Well No. 1 at an unorthodox location 1880 feet to drill/xxxxxx from the North line and 660 feet from the West line of said Section 30.

(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 100 percent 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.

(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.

IT IS THEREFORE ORDERED:

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of January, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian Morrow formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of January, 19 77, 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

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, 100 percent 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. *while drilling said well, and \$278.00 per month as a reasonable charge for supervision while producing;*

(9) That \$1978.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) *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.

-6-

Case No.

Order No. R-

(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.