

CASE 5014: Application of CITIES
SERVICE FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE No.

5014

Application,

Transcripts,

Small Exhibits

ETC.

dearnley, meier & associates reporting service inc.

200 SIMMS BLDG., P.O. BOX 1092, PHONE 243-0681 • ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
CONFERENCE ROOM, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
June 27, 1973

EXAMINER HEARING

IN THE MATTER OF:)
Application of Cities Service)
Oil Company for compulsory)
pooling, Eddy County, New Mexico)

Case No. 5014

BEFORE: ELVIS A. UTZ
Examiner.

TRANSCRIPT OF HEARING

1 MR. UTZ: Call, now, Case 5014.

2 MR. CARR: 5014, Application of Cities Service
3 Oil Company for compulsory pooling, Eddy County, New
4 Mexico.

5 MR. KELLAHIN: If the Examiner please, Jason
6 Kellahin, Kellahin & Fox, appearing for the applicant.
7 We have three witnesses I'd like to have sworn.

8 * * * *

9 FRANK RINEY,
10 was called as a witness, and after being duly sworn,
11 testified as follows:

12 DIRECT EXAMINATION

13 BY MR. KELLAHIN:

14 Q Would you state your name, please?

15 A Frank Riney.

16 Q By whom are you employed and in what position, Mr. Riney?

17 A Cities Service Oil Company, employed as a land man.

18 Q And how long have you worked for Cities Service Oil
19 Company?

20 A Approximately thirty-eight years.

21 Q And in connection with your work as a land man, do you
22 operate in the State of New Mexico?

23 A Yes, sir.

24 Q Are you familiar with the lease ownership involved in
25 Case No. 5014?

1 A Yes, sir.

2 Q Now, referring to what has been marked as Applicant's
3 Exhibit 1 in this case, would you identify that exhibit,
4 please?

5 A This is a lease ownership map showing Section 26, West
6 half, which we propose to communitize, and the surrounding
7 lease ownership.

8 Q Now, what is the lease ownership in the West half of
9 Section 26?

10 A Cities Service owns 79 percent plus, Black River owns
11 4 percent plus, Roy G. Barton owns 4 plus percent, and
12 Michael P. Grace owns 12 and one-half percent.

13 Q Would you discuss just what the ownership is in which
14 portion of the unit?

15 A In the North half of the Northwest of 26, Cities Service
16 owns a 46 percent interest, Roy Barton owns a one-sixth
17 unleased interest, and Black River owns a one-sixth
18 interest, and in the Southwest of the Northwest Quarter,
19 Michael P. Grace owns a Federal lease covering that
20 40-acre tract, the balance of the West half is owned
21 100 percent by Cities Service.

22 Q Now, does Cities Service Oil Company propose to drill a
23 well on this unit?

24 A Yes, sir, a 7200 foot Morrow test at a location 1980 feet
25 from the South and 660 feet from the West line of Section 26.

1 Q Now, have you made an effort to obtain voluntary
2 agreements to pool this acreage?

3 A Yes, sir.

4 Q Would you outline just what you have done in this
5 connection?

6 A On March 23, I wrote a letter to each of the interest
7 owners, and in answer to that letter I received a letter
8 from Mr. Barton, saying that he did not wish to
9 participate. We also received a letter from Mrs. Grace
10 in which she more or less made a counter proposal that
11 we join them in drilling a well in Section 12.

12 Q Now, is that one of the exhibits that had been handed
13 to the Examiner?

14 A Yes, sir. That letter of Mrs. Grace's is dated
15 April 11, 1973; and in discussing that letter with
16 Mrs. Grace, we don't have anything in Section 12, so we
17 couldn't participate with them.

18 Q Is that Exhibit No. 4?

19 A Yes. I was going to say we discussed this matter with
20 her by phone on several occasions later, and we couldn't
21 get a definite commitment one way or the other, whether
22 they would participate or not.

23 Q And you never had any further information from her as
24 to whether she would not?

25 A That is right.

1 Q Did you write to the individual owners again on a later
2 date?

3 A On May 15, 1973, my immediate superior, the manager of
4 the land department, wrote another letter to the interest
5 owners and we received no direct communication from any
6 one of them. We did, however, receive a carbon copy of
7 Black Rivers' letter to the Oil Conservation Commission
8 dated June 18, 1973.

9 Q Now, are copies of all those letters marked as Exhibits
10 2 through 6 inclusive?

11 A Yes, sir.

12 Q Do you feel that a voluntary agreement can be reached
13 to drill a well in this unit?

14 A No, sir.

15 Q And do you ask the Commission, then, to enter an order
16 including the acreage so you can drill to a standard
17 Morrow unit for a Morrow test?

18 A Yes, sir, I do.

19 MR. KELLAHIN: That's all I have of this witness.

20 CROSS-EXAMINATION

21 BY MR. UTZ:

22 Q Did you ever discover why she wanted you to help her drill
23 a well?

24 A I guess the ownership map she had showed that we did have
25 an interest.

1 A Yes, sir.

2 Q Now, referring to what has been marked as Exhibit No. 7,
3 would you identify that exhibit, please?

4 A This is a structure map of the Washington Ranch Field in
5 Eddy County, New Mexico. It's contoured on top of what
6 we call the Zone Six Sand, which is one of the lower
7 Morrow sands. It's the main pay sand in the field.

8 Q Now, what other information is shown on the Exhibit, what
9 are the wells that are circled?

10 A The circled wells are wells that produce from the Zone
11 Six Sand, and there are two wells, two producers, one in
12 Section 2, the Black River No. 1 Miller. It produces
13 out of what we call the Zone Seven, a younger sand, a
14 younger Morrow sand, and likewise the Hubert No. 1 Superior
15 USA in Section 11 produces out of the Zone Seven Sand.

16 Q Now, what wells does Cities Service operate in this area?

17 A We operate the Government M-1 in Section 28, the
18 Government M-2 in Section 27, the Government M-3 in
19 Section 27, and we have a half interest with Black River
20 in the areas Sections 33, 34, 35, and Section 3 and 2.

21 Q Now, where is the best area of production in this field?

22 A The best well was the discovery well, and the best
23 production is centered around in Section 34. Black Rivers'
24 No. 1 Cities Federal was the discovery well.

25 Q Now, is the Zone Seven your objective in drilling this

1 MR. UTZ: Are there other questions of the witness?

2 (No response.)

3 MR. UTZ: He may be excused.

4 MR. KELLAHIN: I call Mr. Taylor as our next witness

5 * * * *

6 E. E. TAYLOR,

7 was called as a witness, and after being duly sworn,
8 testified as follows:

9 DIRECT EXAMINATION

10 BY MR. KELLAHIN:

11 Q Would you state your name, please?

12 A E. E. Taylor.

13 Q By whom are you employed and in what position, Mr. Taylor?

14 A I'm employed by Cities Service Oil Company and I am the
15 Southwest Region development geologist in Midland, Texas.

16 Q Have you ever testified before the Oil Conservation
17 Commission under one of its Examiners and made your
18 qualifications a matter of record?

19 A Yes, sir.

20 MR. KELLAHIN: Are the witness' qualifications
21 acceptable?

22 MR. UTZ: Yes, sir.

23 Q (by Mr. Kellahan) Mr. Taylor, are you familiar with the
24 geology in the area involved in the case before the
25 Examiner?

1 West half of the section?

2 A No, sir.

3 Q Zone Six?

4 A Zone Six.

5 Q Now, what has been your experience in obtaining production
6 from this or any other zone in the vicinity of this
7 location?

8 A We have -- Excuse me?

9 Q What I am getting at, is there a risk that you will not
10 obtain production by drilling at this location?

11 A Yes, sir.

12 Q Could you outline what that risk is?

13 A There are two factors which contribute to the risk of
14 drilling here; One being, if you will notice, there is
15 a Northwest by Southeast trending major fault on the
16 Northeast side of the field. This is the Southern
17 extension of the Waupachi Fault. This Fault has about
18 3500 feet of throw.

19 Q And on what do you base that?

20 A I base that on the fact that there is a well which
21 unfortunately is off the border of the map, but it can
22 be verified, the Skelly Number 1 Federal in Section 30,
23 Township 25 South, Range 25 East. This well is approximately
24 9200 feet Northeast of Penroc's Number 1 State L down there
25 in Section 36 of 25 South, 24 East.

1 Now, the top of Zone Six in the Skelly well is
2 approximately minus 7235; And you will note the minus
3 of Penroc's well is 3757. So therefore it's in the
4 neighborhood of 3500 feet of displacement.

5 Q Now, how does that affect the risk factor in drilling
6 at the proposed location?

7 A There could be drag, which is not uncommon at all to
8 drag into a fault of this magnitude, which would steepen
9 the dip in the region of our drill site or in the whole
10 region of the Northeast side of the field, and the drag
11 could pull our objective down to the point that it would
12 be as low as or possibly lower than Cities Service No. 1
13 Government P in the Southeast Quarter of Section 22,
14 which was a dry hole. Another factor, other than drag
15 into this fault, would be the fact that we might encounter
16 sand that is even less permeable than the sand that is
17 now in the Cities Service No. 3 Government M or this
18 Black River 1-E Federal. Now, these two wells are the
19 lowest capacity producing wells in the field, and it's
20 my theory that their capacity is limited due to the fact
21 of the dispositional environment of the sand in that part
22 of the field, say on the nearest flank of the fault the
23 dispositional environment was so low that the sand is not
24 near as clean as it is in the central region and field
25 where the production is better. So we could get a dry hole

1 due simply to the fact that the sand would not be permeable
2 enough to produce.

3 Q Now, do you have any low circulation zones in this area?

4 A We have some, but I don't believe they are serious enough
5 to lose the hole. They could cost us some money.

6 Q They do add to the risk in drilling the well, do they not?

7 A Yes, sir.

8 Q In your opinion, is this a high-risk well?

9 A Yes, sir.

10 Q What risk would you ask be granted in connection with
11 this case?

12 A Two hundred percent.

13 Q Was Exhibit Seven prepared by you or under your supervision?

14 A Yes, sir.

15 MR. KELLAHIN: At this time I offer Exhibit Seven.

16 MR. UTZ: Without objection, Exhibit Seven will
17 be entered into the record of this case.

18 MR. KELLAHIN: That completes the direct examination.

19 MR. UTZ: Are there questions of the witness?

20 (No response.)

21 MR. UTZ: He may be excused.

22 MR. KELLAHIN: I call Mr. Lowery as our next witness.

23 * * * *

24 EDWIN H. LOWERY,

25 was called as a witness, and after being duly sworn,

1 testified as follows:

2 DIRECT EXAMINATION

3 BY MR. KELLAHIN:

4 Q Would you state your name, please?

5 A Edwin H. Lowery.

6 Q By whom are you employed and in what position, Mr. Lowery?

7 A Cities Service Oil Company, I'm reservoir engineer in
8 our Southwestern Region.

9 Q Have you ever testified before the Commission or one of
10 its examiners and made your qualifications a matter of
11 record?

12 A Yes, sir.

13 MR. KELLAHIN: Are the witness' qualifications
14 acceptable?

15 MR. UTZ: Yes, sir, they are.

16 Q (by Mr. Kellahin) Mr. Lowery, have you made an estimate
17 of the well costs?

18 A Yes, sir, we estimate the drill and equipment costs for
19 a producing well at \$190,323.

20 Q Is that set forth as what has been marked as Applicant's
21 Exhibit Eight?

22 A Yes, sir, it is.

23 Q What other information is shown on that exhibit? Is it
24 a detailed breakdown?

25 A Yes, sir, this is a detailed well estimate we use on all

dearnley, meier & associates

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1 of our oil drilling wells.

2 Q You heard me ask Mr. Taylor if there was any loss of
3 circulation in the zone here. You have made provision
4 for additional casing or a liner in case you do lose
5 circulation, have you not?

6 A Yes, sir, the eight and five-eighths was listed in "Other"
7 at approximately 5000 feet as contingency for just that
8 purpose. If we don't lose circulation, we don't have any
9 need for it, we won't have the eight and five eighths; We
10 will raise the five and one-half to the surface, which will
11 lower the cost by approximately \$15,000.

12 Q Your cost is for drilling and completing the well ready
13 for production, is it not?

14 A That's correct.

15 Q Have you considered the actual operating cost and charges
16 for supervision anticipated on this well?

17 A Our overhead charges are estimated as \$190 a month, which
18 includes all fixed, overhead, and supervision charges down
19 to but not including the pumper.

20 Q Now, is that a figure that is normally used by Cities Service
21 in the operation of all of its wells where you have a
22 voluntary agreement?

23 A Yes, sir, this was a recently adopted company policy in
24 the Southwest Region, to set overhead charges at \$190 a
25 month as opposed to breaking the charges down into a

1 department bracket.

2 Q So that's just a uniform charge that Cities Service makes?

3 A Yes, sir.

4 Q Do you consider it a reasonable charge for your overhead

5 supervision?

6 A Yes, sir, this number was arrived at by merely taking an

7 average of all wells in the Southwestern Region in this

8 respect.

9 Q And the operating costs, would you anticipate any extra

10 operating costs in connection with this particular well?

11 A No, it depends on several factors, including the amount

12 of water that's produced; But no anticipated anything.

13 Q Do you request the Commission to designate Cities Service

14 Oil Company as the operator of the proposed unit?

15 A Yes, sir.

16 Q Was Exhibit Number Eight prepared by you or under your

17 supervision?

18 A Yes, it was.

19 MR. KELLAHIN: At this time, I offer Exhibit Number

20 Eight.

21 MR. UTZ: Without objection, Exhibit Number Eight

22 will be entered into the record of this case.

23 MR. KELLAHIN: That completes our testimony, Mr. Utz.

24 CROSS-EXAMINATION

25 BY MR. UTZ: Mr. Lowery, what do you anticipate pumping

dearnley, meier & associates roofing service, inc.

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1 costs would be?

2 A They've been averaging between \$30 and \$35 a month. That's

3 a number from the South Carlsbad Field.

4 Q Do you understand that you are asking for monthly costs

5 of \$190 plus \$30 or \$35?

6 A Well, yes, the \$190 a month is fixed overhead, including

7 the production foreman. The pumper and some of the charges

8 will be charged directly to the lease.

9 MR. UTZ: Are there questions of the witness?

10 (No response.)

11 MR. UTZ: The witness may be excused. Are there

12 statements in the case?

13 MR. KELLAHIN: That's all we have, Mr. Utz.

14 MR. UTZ: The case will be taken under advisement.

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R E P O R T E R ' S C E R T I F I C A T E

I, JOHN DE LA ROSA, 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 that the same is a true and correct record of the said proceedings to the best of my knowledge, skill and ability.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5-1-77 heard by me on January 7, 1977.

John De La Rosa
COURT REPORTER

Frank Riney, Examiner
New Mexico Oil Conservation Commission

I N D E X

<u>WITNESS</u>	<u>PAGE</u>
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	<u>E X H I B I T S</u>	<u>OFFERED</u>	<u>ADMITTED</u>
Applicant's Exhibit 1			
Applicant's Exhibits 2 - 6			
Applicant's Exhibit 7		11	11
Applicant's Exhibit 8		14	14



CITIES SERVICE OIL COMPANY

Box 4906
Midland, Texas 79701
Telephone: 915 684-7131

November 13, 1973

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

File Case 5014

Attn: Mr. A. L. Porter, Jr.

Re: Cities Service Government-Q No. 1
1980' FSL and 660' FWL, Section 26,
T-25-S, R-24-E, Washington Ranch
Morrow Pool, Eddy County, New Mexico

Gentlemen:

New Mexico Oil Conservation Commission Order No. 4592 requires the Operator to furnish the Commission and each non-Working Interest Owner an itemized schedule of actual costs within ninety days following completion of the well. The Cities Service Oil Company Government-Q No. 1 located 1980' FSL and 660' FWL (area force pooled W/2), Section 26, T-25-S, R-24-E, N.M.P.M., Eddy County, New Mexico, was dry in the Morrow and the well was plugged and abandoned.

All Working Interest Owners under the W/2, Section 26, either agreed to back in the well after a certain payout or were force pooled. Since the entire cost of the well will be borne by Cities Service, these parties are not being furnished a final cost (this matter was discussed with Mr. Nutter on November 12, 1973).

Attached for your information is a Detailed Well Estimate giving actual costs of the well. This cost is now \$110,410 and should be a final figure; however, occasionally a late billing charge may arrive which could increase this amount slightly.

Very truly yours,

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

EFM:nfg

OP 69

DETAILED WELL ESTIMATE

WELL NUMBER 1 LEASE Government-Q
 CONTRACTOR _____ LOCATION 1980' FSL and 660' FWL
 DATE _____ SECTION 26, T-25-S, R-24-E
 J. O. NO. _____ DEPTH 7200' COUNTY Eddy STATE New Mexico

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing 20"	A		30'		510	510		0
13-3/8"	A		885'		5,996	5,996		8,844
8-5/8"	A		5,000'		27,950	27,950		0
5-1/2"	A		2,200'		6,168	0		0
Well head connections	A				4,500	1,500		347
Tubing 2-7/8"	A		7,000'		8,680	0		0
Sucker rods								
Bottom hole pump								
Packer					1,200	0		0
Engine or motor								
Pumping unit								
Electrical equip. inc. Labor & Trans.								
Line pipe, fittings inc. Labor & Trans.	A		300'		549	0		0
TANK BATTERY								
Stock tanks	A		2		3,000	0		0
G. B., settler, free water K. O. tank								
Separator, heater treater, etc.					8,000	0		0
Cost to install T. B.					3,000	0		0
INTANGIBLES								
Contract Drlg. labor (footage) \$7.00 Ft.					50,400	50,400		59,484
Rotary day work					11,550	8,250		3,250
Cable tool work Completion Unit					5,220	720		0
Subsurface casing equipment					2,000	1,000		739
D. S. T., electric logs, etc.					8,100	8,100		5,200
Acidizing, fracing					5,000	0		0
Perforating					3,000	0		0
Misc. company and contract labor					5,000	3,500		5,262
Road building, location & Clean Up					3,000	3,000		7,596
Cement & cementing service					4,500	2,500		4,976
Cement squeeze jobs								
Drilling mud, chemicals					12,000	12,000		9,034
Drilling bits, coreheads, reamers								
Mud logging unit					3,500	3,500		1,622
Rental of miscellaneous equip.								811
Company, contract hauling					2,500	1,750		789
Water, fuel					2,000	2,000		1,634
Miscellaneous incidentals					3,000	3,000		822
Total estimated cost - 100%					190,323	135,676		110,410
Total estimate C. S.				%				

CITIES SERVICE OIL COMPANY



Can 5014

Box 4906
Midland, Texas 79701
Telephone: 915 684-7131
RECEIVED
JUL 30 1973 July 24, 1973
OIL CONSERVATION COMM
Santa Fe

New Mexico Oil Conservation Commission
P. O. Box 2038
Santa Fe, New Mexico 87501

Attention: Mr. A. L. Porter, Jr.

Re: Cities Service Government-Q
No. 1 - 1980' FSL and 660'
FWL, Section 26, T-25-S,
R-24-E, Washington Ranch
Morrow Pool, Eddy County,
New Mexico

Gentlemen:

New Mexico Oil Conservation Commission Order R-4592 authorizes that all mineral interests in the Morrow formation underlying the west half of Section 26 was pooled to form a 320 acre gas spacing and proration unit to be dedicated to a well to be drilled to an orthodox location and further provided that operator should furnish the Commission and each Working Interest Owner in the subject unit an itemized schedule of estimated well costs. Attached is a copy of the Cities Service Detailed Well Estimate for a producing well in the amount of \$190,323 which includes all drilling expenses plus equipping the well for production.

Copies of this letter are being sent each Working Interest Owner in the subject proration unit.

The itemized schedule of actual well costs will be submitted as requested within ninety (90) days after the well is completed.

Yours very truly,

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

EFM:mfg

Enc.

Cities Service Government-Q No. 1
July 24, 1973

Page 2

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

Mr. Roy G. Barton, Jr.
P. O. Box 968
Hobbs, New Mexico 88240

Black River Corporation
620 Commercial Tower Bldg.
Midland, Texas 79701
Attn: Mr. Tommy Phipps

OP 49

DETAILED WELL ESTIMATE

WELL NUMBER 1 LEASE Government "0"
 CONTRACTOR _____ LOCATION 1980' FSL & 660' FWL
 DATE 7-26-73 SECTION 26-T25S-R24E
 J. O. NO. _____ DEPTH 7,200' COUNTY Eddy STATE New Mexico

DESCRIPTION	GRADE	SIZE	QUAN.	W.	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing 20"	A		30'		510	510		
13-3/8"	A		750'		5996	5996		
8-5/8"	A		5000'		27950	27950		
5-1/2"	A		2200'		6168	0		
Well head connections	A				4500	1500		
Tubing 2-7/8"	A		7000'		8680	0		
Sucker rods								
Bottom hole pump								
Packer					1200	0		
Engine or motor								
Pumping unit								
Electrical equip. inc. Labor & Trans.								
Line pipe, fittings inc. Labor & Trans. 2-7/8"	A		300'		549	0		
TANK BATTERY								
Stock tanks 250 bbls.	A		2		3000	0		
G. B., settler, free water K. tank								
Separator, heater treater, etc.					8000	0		
Cost to install T. B.					3000	0		
INTANGIBLES								
Contract Drlg. labor (footage) \$7.00/ft.					50400	50400		
Rotary day work					11550	8250		
Cable tool work Pulling Unit					5220	720		
Subsurface casing equipment					2000	1000		
D. S. T., electric logs, etc.					8100	8100		
Acidizing, fracing					5000	0		
Perforating					3000	0		
Misc. company and contract labor					5000	3500		
Road building, location					3000	3000		
Cement & cementing service					4500	2500		
Cement squeeze jobs								
Drilling mud, chemicals					12000	12000		
Drilling bits, coreheads, reamers								
Mud logging unit					3500	3500		
Rental of miscellaneous equip.								
Company, contract hauling					2500	1750		
Water, fuel					2000	2000		
Miscellaneous incidentals					3000	3000		
Total estimated cost - 100%					190323	135676		
Total estimate C. S. %								



OIL CONSERVATION COMMISSION

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

July 31, 1973

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

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

Re: CASE NO. 5014
ORDER NO. R-4592-A
Applicant:
Cities Service Oil Company

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X
Artesia OCC X
Aztec OCC

Other Michael P. Grace and Corinne Grace, Box 763, Hobbs, N.M.
and to P. O. Box 1418, Carlsbad, New Mexico 88220

Black River Corp., and Roy G. Barton

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. 5014
Order No. R-4592

APPLICATION OF CITIES SERVICE OIL
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 27, 1973,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 13th day of July, 1973, 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 Morrow Formation
underlying the W/2 of Section 26, Township 25 South, Range 24
East, NMPM, adjacent to the Washington Ranch-Morrow Gas Pool,
Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes
to drill a well at an orthodox location for said unit.

(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.

-2-

Case No. 5014
Order No. R-4592

(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 140% 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 \$160 per month should be fixed as a reasonable charge for supervision (combined fixed rates); 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 wells 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 November 1, 1973, 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 Morrow formation underlying the W/2 of Section 26, Township 25 South, Range 24 East, NMPM, adjacent to the Washington Ranch-Morrow Gas Pool, 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 orthodox location for said unit.

-3-

Case No. 5014

Order No. R-4592

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of November, 1973, 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 1st day of November, 1973, Order (1) of this order shall be null and void and of no effect whatsoever;

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

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

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

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

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

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

-4-

Case No. 5014
Order No. R-4592

(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, 140% 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 \$160 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.

(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.

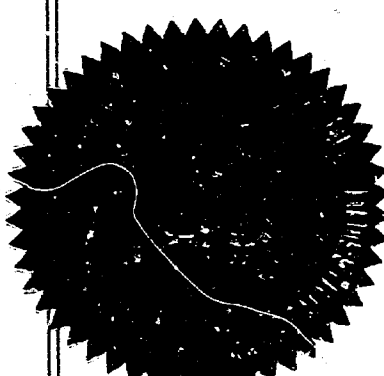
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

-5-

Case No. 5014
Order No. R-4592

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



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

Alex J. Armijo
ALEX J. ARMILLO, Member

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

S E A L

dr/

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. 5014
Order No. R-4592-A

APPLICATION OF CITIES SERVICE OIL
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

NUNC PRO TUNC

BY THE COMMISSION:

It appearing to the Commission that Order No. R-4592, dated July 13, 1973, does not correctly state the intended order of the Commission.

IT IS THEREFORE ORDERED:

(1) That Paragraph (3) on Page 3 of Order No. R-4592 shall be amended to read in its entirety as follows:

"(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."

(2) That the amendment set forth in this order be entered nunc pro tunc as of July 13, 1973.

DONE at Santa Fe, New Mexico, on this 31st day of July, 1973.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



[Signature]
I. R. TRUJILLO, Chairman

[Signature]
ALEX J. ARMIJO, Member

[Signature]
A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

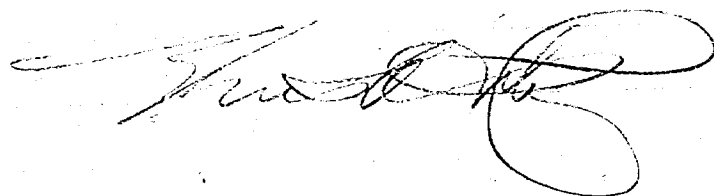
5814

Heard - 7-27-73

Rec. 7-28-73

✓ Grant Cities service
a compound pooled unit.
~~for the~~ w/ 26-25-24.
to be pooled with the Penn
in the Washington Ranch
pool.

✓ Grant. 200 D. Hook,
190 m.o. Overhead.



Chgs for supervision

R4410	10/10/72	Kroce	135
R4426	10/27/72	Western	125
R4431	11/2/72	Cities	160
R4432	11/8/72	Kroce	135
R4447	12/8/72	Tax 046	130
R4531	5/17/73	T. Bawn	125



OIL CONSERVATION COMMISSION

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

GOVERNOR
BRUCE KING
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMijo
MEMBER

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

July 16, 1973

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

Re: Case No. 5014

Order No. R-4592

Applicant:

Cities Service Oil Company

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x

Artesia OCC x

Aztec OCC

Other Michael P. Grace and Corinne Grace, Box 763, Hobbs, N.M.
and also to P. O. Box 1418, Carlsbad, N. M. 88220
Black River Corp., Roy G. Barton

BLACK RIVER CORPORATION

620 COMMERCIAL BANK TOWER
MIDLAND, TEXAS 79701

915 682-7354

June 18, 1973

[Handwritten signature]

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

Re: Oil Conservation Commission
Case 5014
June 27, 1973

Gentlemen:

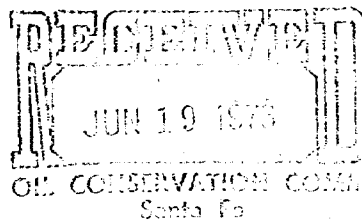
We hereby acquiesce as a nonparticipant to the compulsory pooling of all mineral interests under the W/2 Section 26, T25S, R24E, Eddy County, New Mexico.

Black River Corporation urges that the well be drilled at an orthodox location, and that there be no higher than 150% charge for the risk involved in drilling said well. We would be strongly opposed to anyone other than Cities Service Oil Company being designated as operator of the unit.

Very truly yours,

[Handwritten signature: Tommy Phipps]
Tommy Phipps
Executive Vice President

TP:rm



Docket No. 17-73

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 27, 1973

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

The following cases will be heard before Elvis A. Utz, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 4983: (Continued from the June 6, 1973, Examiner Hearing)

Application of Gulf Oil Corporation for simultaneous well dedication and non-standard locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of two wells to a standard 640-acre gas proration unit comprising all of Section 35, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, said wells being the W. A. Ramsay (NCT-A) Wells Nos. 20 and 7 at non-standard locations in the center of Units E and N, respectively, of said Section 35.

CASE 4966: (Continued from the June 6, 1973, Examiner Hearing)

Application of Read & Stevens, Inc. for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the N/2 of Section 36, Township 12 South, Range 30 East, Chaves County, New Mexico, to be dedicated to a well to be drilled to the Queen formation in Unit B of said Section 36, in the Southeast Chaves Queen Gas Area. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a 200 percent charge for risk involved in drilling said well.

CASE 5008: Application of Hondo Drilling Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Delaware formation in the perforated interval from 5034 feet to 5038 feet, or in the alternative, from 5128 feet to 5134 feet in its Gulf "NW" State Well No. 2 located in Lot 6 of Section 6, Township 24 South, Range 33 East, Triple "X" Delaware Pool, Lea County, New Mexico.

CASE 5009: Application of Wendell C. Welch for an oil treating plant permit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at a site in the SE/4 of Section 35, Township 17 South, Range 27 East, Eddy County, New Mexico.

CASE 5010: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down to and including the Pennsylvanian formation underlying the N/2 of Section 18, Township 18 South, Range 26 East adjacent to the West Atoka Morrow Gas Pool, Eddy County, New Mexico, to be dedicated to a well to be drilled 1650 feet from the North line and 660 feet from the West line of said Section 18, the unorthodox location of which was previously approved by Commission Order No. R-4508. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and up to 200 percent charge for risk involved in drilling said well.

CASE 5011: Application of El Paso Natural Gas Company for extension of Order No. R-4342, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the extension of the provisions of Order No. R-4342, which order authorized the applicant to produce certain non-marginal wells in the San Juan 32-9 Unit Area, Blanco Mesaverde Pool, San Juan County, New Mexico, at full capacity while conducting tests, making up said overproduction by underproducing other non-marginal wells within the participating area.

CASE 5012: Application of Gandy Construction for an oil treating plant permit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at a site in the SE/4 of Section 11, or the SW/4 of Section 12, Township 10 South, Range 35 East, Lea County, New Mexico.

CASE 5013: Application of Phillips Petroleum Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Grayburg-San Andres formation through its Lea Wells Nos. 4 and 6 located in Units I and O, respectively, of Section 29, Township 17 South, Range 34 East, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico.

Applicant further seeks an administrative procedure for the drilling of additional injection and producing wells at orthodox and unorthodox locations without further notice and hearing.

CASE 5014: Application of Cities Service Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the W/2 of Section 26, Township 25 South, Range 24 East, adjacent to the Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico, to be dedicated to a well to be drilled at an orthodox location for said unit.

(Case 5014 continued from page 2)

Also to be considered will be the cost of drilling and completing said well and the allocation of such costs as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and up to 200 percent charge for risk involved in drilling said well.

CASE 5015: Application of Michael P. Grace II and Corinne Grace for compulsory pooling, Eddy County, New Mexico. Applicants, in the above-styled cause, seek an order pooling all mineral interests down to and including the Morrow formation underlying the S/2 of Section 16, Township 24 South, Range 26 East, adjacent to the White City-Pennsylvanian Gas Pool, Eddy County, New Mexico, to be dedicated to a well to be drilled at an orthodox location for said unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and up to 200 percent charge for risk involved in drilling said well.

CASE 4988: (Continued and Readvertised)

Application of Texaco Inc. for down-hole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Blinebry, Tubb, and Drinkard Oil Pools in the wellbore of its A. H. Blinebry Well No. 28 located in Unit A of Section 29, Township 22 South, Range 38 East, Lea County, New Mexico.

CASE 5016: Application of Atlantic Richfield Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Seven Rivers-Queen Unit Area comprising 2262 acres, more or less, of State and Fee lands in Townships 22 and 23 South, Range 36 East, Lea County, New Mexico.

CASE 5017: 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 its Seven Rivers-Queen Unit Area by the injection of water into the Seven Rivers and Queen formations through 28 wells located in Sections 27, 34, and 35, Township 22 South, Range 36 East, and Sections 2 and 3, Township 23 South, Range 36 East, Lea County, New Mexico.

CASE 5018: Southeastern nomenclature case calling for an order for the creation, extension and contraction of certain pools, and the assignment of an oil discovery allowable, Lea and Roosevelt Counties, New Mexico.

(a) Create a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the Humble City-Wolfcamp Pool. The discovery well is the Pubco Petroleum Corporation

(Case 5018 continued from page 3)

Shipp No. 4 located in Unit L of Section 11, Township 17 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM
Section 11: SW/4

Also the assignment of an oil discovery allowable of approximately 47,970 barrels of oil to the aforesaid Shipp Well No. 4.

(b) Create a new pool in Lea County, New Mexico, classified as an oil pool for Queen production and designated as the Shinnery-Queen Pool. The discovery well is the Burleson & Huff Cinco de Mayo Federal No. 1 located in Unit C of Section 24, Township 18 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 24: NW/4

(c) Contract the Bagley-Pennsylvanian Pool in Lea County, New Mexico, by the deletion of the following described area:

TOWNSHIP 11 SOUTH, RANGE 33 EAST, NMPM
Section 34: S/2 NE/4

(d) Extend the North Bagley-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 11 SOUTH, RANGE 33 EAST, NMPM
Section 34: S/2 NE/4

(e) Contract the South Prairie-Cisco Pool in Roosevelt County, New Mexico, by the deletion of the following described area:

TOWNSHIP 8 SOUTH, RANGE 36 EAST, NMPM
Section 28: NW/4

(f) Extend the East Brunson-Granite Wash Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 13: NW/4

(g) Extend the Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM
Section 1: NE/4

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 6: N/2

(h) Extend the Flying "M"-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 33 EAST, NMPM
Section 7: NE/4

(i) Extend the Justis Tubb-Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
Section 12: NW/4

CITIES SERVICE OIL COMPANY



800 Valero Building
Midland, Texas 79701
Telephone: 915 684-7131

March 23, 1973

FILE

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

Black River Corporation
620 Commercial Bank Tower
Midland, Texas 79701

Mr. Roy G. Barton, Jr.
P. O. Box 968
Hobbs, New Mexico 88240

Re: Cities Service #1 Government "Q"
1980' FSL and 660' FWL of
Section 26, T-25-S, R-24-E,
Eddy County, New Mexico.

Gentlemen:

Subject to management approval, we propose to communitize the W/2 of Section 26, T-25-S, R-24-E, and the joint drilling of a 7200 foot Morrow test at a location 1980' FSL and 660' FWL of Section. We estimate the cost of a dry hole at \$150,796.00 and a producer at \$205,443.00.

Our records reflect that you own a leasehold interest or a mineral interest in the proposed communitized area. Our files reflect the following interests:

Cities Service	79.1666%
Michael P. Grace	12.5000%
Black River Corporation	4.1667%
Roy G. Barton, Jr.	4.1667%

Please advise at your earliest convenience if you are interested in participating in the drilling of this proposed test.

Yours truly,

CITIES SERVICE OIL COMPANY

Frank Riney
S. Frank Riney
Landman

JFR:ch

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
<i>Cities</i> EXHIBIT NO. <u>2</u>
CASE NO. <u>5014</u>
Submitted by <u>Riney</u>
Hearing Date <u>June 27, 1973</u>

OFFICE PHONE 805 393-5515
RESIDENCE 805 392-5309

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

ROY G. BARTON, JR.
OIL PRODUCER

March 26, 1973

Cities Service Oil Company
800 Vaughn Building
Midland, Texas 79701

Re: #1 Government "Q" - Washington Ranch Field
W/2 Section 26, T-25-S, R-24-E, Eddy County, New Mexico

Dear Mr. Riney:

Thank you for your letter of March 23, 1973.

I do not believe that at the present time I would be interested
in joining with you to drill a test on the above acreage.

I think I would be more inclined to go non-consent with my 4.1667%
mineral interest.

Thanking you for your interest, I remain.

Very truly yours,

Roy G. Barton Jr.
Roy G. Barton Jr.

BEFORE EXAMINER UTZ OIL CONSERVATION COMMISSION	
<i>Citis</i>	EXHIBIT NO. <u>3</u>
CASE NO. <u>5014</u>	
Submitted by <u>Riney</u>	
Hearing Date <u>6-27-73</u>	

*Black
River
150% min
consent
3/28/73*

RECEIVED

MAR 27 1973
Cities Service Oil
Southwestern Reg.

Michael P. Grace II
Corinne Grace
P. O. BOX 1418
CARLSBAD, NEW MEXICO 88220

April 11, 1973

Mr. J. Frank Riney
Landman
Cities Service Oil Company
800 Vaughn Building
Midland, Texas 79701

RE: Eddy County, New Mexico
Cities Service #1 Government "Q"
1980' FSL and 660' FWL of
Section 26, T.25S, R.24E

Dear Mr. Riney:

This is to confirm our conversation today regarding the
above acreage.

My husband owns approximately 40 acres in the above Section 26
and you own approximately 60 acres in the above Section 12.

You requested a few days ago that my husband join you in
the drilling of a test well in the above Section 26. We are requesting
that you join us in the drilling of a Morrow test to approximately 12,200'
maximum depth in the above Section 12.

I shall await your advisement regarding the above.

Sincerely yours,

Corinne Grace
CORINNE GRACE

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
Cities	CG:dm EXHIBIT NO. 4
CASE NO. 5014	
Submitted by Riney	
Hearing Date 6-27-73	

4/18/73 Jones & Miller decided w/ and Grace -
no acreage in 225-24E sec 12

Now account for 150 & Black river

Called NEW
5/2/73
SHE was to let
us know the
5/3/73.

Called her again
5/8/73 - left word
for her to call

RECEIVED

APR 17 1973

Cities Service Oil
Company

BLACK RIVER CORPORATION
620 COMMERCIAL BANK TOWER
MIDLAND, TEXAS 79701

915 682-7354

June 18, 1973

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

Re: Oil Conservation Commission
Case 5014
June 27, 1973

Gentlemen:

We hereby acquiesce as a nonparticipant to the compulsory pooling of all mineral interests under the W/2 Section 26, T25S, R24E, Eddy County, New Mexico.

Black River Corporation urges that the well be drilled at an orthodox location, and that there be no higher than 150% charge for the risk involved in drilling said well. We would be strongly opposed to anyone other than Cities Service Oil Company being designated as operator of the unit.

Very truly yours,

Tommy Phipps
Tommy Phipps
Executive Vice President

TP:rm

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
<i>etis</i>	EXHIBIT NO. <u>5</u>
CASE NO.	<u>5014</u>
Submitted by	<u>Ring</u>
Hearing Date	<u>6-27-73</u>

JUN 19 1973

Cities Service Oil
Southwestern Reg.

CITIES SERVICE OIL COMPANY



800 Vaughn Building
Midland, Texas 79701
Telephone: 915 684-7131
May 15, 1973

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

Mr. Roy G. Barton, Jr.
P. O. Box 968
Hobbs, New Mexico 88240

Black River Corporation
620 Commercial Tower Building
Midland, Texas 79701
Attention: Mr. Tommy Phipps

Re: Proposed Cities Service #1 Government "Q"
1980' FSL and 660' FWL Section 26,
T-25-S, R-24-E
Eddy County, New Mexico

Gentlemen:

This is to again invite you to participate in the drilling of the #1 Government "Q". We propose to communitize the W/2 Section 26, T-25-S, R-24-E, for this Unit. Unless you notify us by May 25, 1973, that you voluntarily join in this proposal, we intend to apply to the New Mexico Oil Conservation Commission for approval of compulsory pooling of all the mineral interest in and under the W/2 of said Section 26, T-25-S, R-24-E, Eddy County, New Mexico, as provided by Section 65-3-14, New Mexico Statutes, Annotated 1953, as amended.

Yours very truly,

CITIES SERVICE OIL COMPANY

John W. Young
Region Landman

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
Cities	EXHIBIT NO. 6
CASE NO.	5014
Submitted by	Ring
Hearing Date	JWYbd 6-27-73

OP 69

DETAILED WELL ESTIMATE

WELL NUMBER 1 LEASE Government 'Q'
 CONTRACTOR _____ LOCATION 1950' FSL & 660' FWL
 DATE _____ SECTION 26-T25S-R24
 J. O. NO. _____ DEPTH 7,200' COUNTY Eddy STATE New Mexico

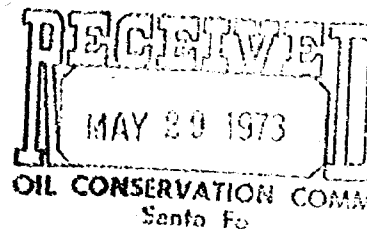
DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing 20"	A		30'		510	510		
13-3/8"	A		750'		5996	5996		
8-5/8"	A		5000'		27950	27950		
5-1/2"	A		2200'		6168	0		
Well head connections	A				4500	1500		
Tubing 2-7/8"	A		7000'		8680	0		
Sucker rods								
Bottom hole pump								
Packer					1200	0		
Engine or motor								
Pumping unit								
Electrical equip. inc. Labor & Trans.								
Line pipe, fittings inc. Labor & Trans 2-7/8"	A		300'		549	0		
TANK BATTERY								
Stock tanks 250 Bbls.	A		2		3000	0		
G. B., settler, free water K. O. tank								
Separator, heater treater, etc.					8000	0		
Cost to install T. B.					3000	0		
INTANGIBLES								
Contract Drlg. labor (footage) \$7.00/Ft.					50400	50400		
Rotary day work					11550	8250		
Cable tool work Rathole Mach. & Pulling Unit					5220	720		
Subsurface casing equipment					2000	1000		
D. S. T., electric logs, etc.					8100	8100		
Acidizing, fracing					5000	0		
Perforating					3000	0		
Misc. company and contract labor					5000	3500		
Road building, location					3000	3000		
Cement & cementing service					4500	2500		
Cement squeeze jobs								
Drilling mud, chemicals					12000	12000		
Drilling bits, coreheads, reamers								
Mud logging unit					3500	3500		
Rental of miscellaneous equip.								
Company, contract hauling					2500	1750		
Water, fuel					2000	2000		
Miscellaneous incidentals					3000	3000		
Total estimated cost - 100%					190323	135676		
Total estimate C. S. 79.16660 %					150672	107410		

EXHIBIT NO. _____

for Review 57

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.



Case 5014

A P P L I C A T I O N

COMES NOW CITIES SERVICE OIL COMPANY and, as provided by Section 65-3-14, New Mexico Statutes Annotated, 1953 Compilation, as amended, applies to the Oil Conservation Commission of New Mexico for an order pooling all of the mineral interest in and under the W/2 of Section 26, Township 25 South, Range 24 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.

2. Applicant would propose to dedicate the above referred pool unit to a well to be drilled at an orthodox location within the boundary of said pooled unit.

3. Applicant further requests that it be designated operator of the pooled unit requested above.

4. Applicant has obtained voluntary agreement for pooling from all but the following:

a) Michael P. Grace and Corinne Grace, Box 763 Hobbs, New Mexico, 88240, owners of a 12 1/2% working interest underlying the W/2 of Section 26, Township 25 South, Range 24 East, N.M.P.M., Eddy County, New Mexico.

b) Blackriver Corporation, 620 Commercial Bank Tower, Midland, Texas, 79701, owner of a 4.1667 working interest underlying the W/2 of Section 26, Township 25 South, Range

POCKET MAILED
Date 6/12/73

DOCKET M-1123
Date 6-12-13

24 East, N.M.P.M., Eddy County, New Mexico.

c) Roy G. Barton, Jr., Box 968, Hobbs, New Mexico, 88240, owner of a 4.1667 working interest underlying the W/2 of Section 26, Township 25 South, Range 24 East, N.M.P.M., Eddy County, New Mexico.


5. Applicant has been unable to obtain voluntary agreement for the pooling of the unpooled interest indicated in paragraph 2 above, and in order to avoid the drilling of unnecessary wells, to protect correlative rights, and to prevent waste, the Commission should pool all interest in the above described acreage.

WHEREFORE, Applicant respectfully requests that the Commission set this matter 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 all interest underlying the W/2 of Section 26, Township 25 South, Range 24 East, N.M.P.M., Eddy County, New Mexico, and designating applicant operator of the pooled unit together with provision for applicant to recover his costs out of the production including a risk factor to be determined by the Commission and with provision for the payment of operating costs and costs of supervision out of production to be allocated among the owners as their interest may appear and for such further orders as may be proper in the premises.

Respectfully submitted,

CITIES SERVICE OIL COMPANY

By


KELLAHIN & FOX

P. O. 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 THE STATE OF NEW
MEXICO FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 5014
Order No. R-4592-A

APPLICATION OF CITIES SERVICE OIL
COMPANY FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

NUNC PRO TUNC

BY THE COMMISSION:

It appearing to the Commission that Order No. R-4592, dated July 13, 1973, does not correctly state the intended order of the Commission.

IT IS THEREFORE ORDERED:

(1) That Paragraph (3) on Page 3 of Order No. R-4592 shall be amended to read in its entirety as follows:

"(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."

(2) That the amendment set forth in this order be entered nunc pro tunc as of July 13, 1973.

DONE at Santa Fe, New Mexico, on this _____ day of July, 1973.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DRAFT

dr/
ac/

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. 5014

Order No. R- 4592

APPLICATION OF CITIES SERVICE OIL COMPANY FOR
COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 27, 1973
at Santa Fe, New Mexico, before Examiner Richard L. Stamets EAU.

NOW, on this 27th day of June, 1973, 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
Morrow Formation underlying the W/2
of Section 26, Township 25 South, Range 24 East,
Eddy,
NMPM, adjacent to the Washington Ranch-Morrow County, New
Mexico.
Gas Pool,

(3) That the applicant has the right to drill and proposes to drill a well at an orthodox location for said unit.

(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 ^{140%} ~~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.

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Case No.
Order No. R

(11) That ¹⁶⁰~~\$190~~ per month should be fixed as a reasonable charge for supervision (combined fixed rates); 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 wells 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.

OK → (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 November 1, 1973, 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 Morrow formation underlying the W/2 of Section 26, Township 25 South, Range 24 East, NMPM, adjacent to the Washington Ranch-Morrow Gas Pool, 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 orthodox location for said unit.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of November, 1973, 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 1st day of November, 1973, Order (1) of this order shall be null and void and of no effect whatsoever;

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

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

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

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

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

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

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Case No.

Order No. R-

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, ^{140/100}~~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 ¹⁶⁰~~\$190~~ 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.

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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.