

CASE 5211: Application of CITIES
SERVICE FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE No.

5211

Application,

Transcripts,

Small Exhibits

ETC.

Memo

From

R. L. STAMETS
Technical
Support Chief

To

Do not send
order directly
to Mrs. I. F. Loving
because of her health.
Order should go
to daughter, Mrs.
Horace E. Engle Dow,
P.O. Box 564, Kilgore,
Texas 75669

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 10, 1974

EXAMINER HEARING

)
 IN THE MATTER OF:)
)
 Application of Cities)
 Service Oil Company for) Case No. 5211
 compulsory pooling,)
 Eddy County, New Mexico.)

BEFORE: Richard L. Stamets, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
 Conservation Commission: Thomas Derryberry, Esq.
 Legal Counsel for the
 Commission
 State Land Office Building
 Santa fe, New Mexico

For the Applicant: W. Thomas Kellahin, Esq.
 Jason W. Kellahin, Esq.
 KELLAHIN & FOX
 52-1/2 East San Francisco
 Santa Fe, New Mexico

I N D E X

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MR. STAMETS: Call Case Number 5211.

MR. DERRYBERRY: Case 5211, Application of Cities Service Oil Company for compulsory pooling, Eddy County, New Mexico.

MR. KELLAHIN: If the Examiner please, the same appearances on behalf of the applicant and I tender the same expert witness.

MR. STAMETS: The record will show that the witness has previously been sworn.

E. F. MOTTER

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

DIRECT EXAMINATION

BY MR. TOM KELLAHIN:

Q Mr. Motter, will you identify Exhibit Number One and explain what the applicant is seeking?

A Yes. Exhibit Number One is the same proration unit as described in the previous case which is composed of the west half of Section 8, Township 22 South, Range 22 East, Eddy County, New Mexico. This is dedicated to our Paslay "A" No. 1, which I previously testified is producing.

We have one small tract that remains unsigned as far as the mineral is concerned. It is shown down there in

MOTTER-DIRECT

Page.....4.....

the Riverside Farms subdivision of Carlsbad as the I.F. Loving tract. That is a small tract which is fifty feet wide and two hundred and six feet long, composed of about point two seven acres.

Cities Service has made repeated attempts to lease this. I really didn't mean to say that. We have made attempts, we have and some other people, have made attempts.

We were more or less advised that this property would probably come into the unit and we in good faith went ahead and drilled a well. It appears now that we are not going to get that tract in unless it is compulsory pooled, and I will go into the reasons for that later.

Q What acreage, Mr. Motter, is dedicated presently to your drilling unit?

A Well, the entire west half of Section 8 which is the plat, itself.

Q How much of that has voluntarily been committed to that unit?

A The entire three hundred and twenty acres with the exception of the point two seven acres.

Q Will you please refer to what has been marked as Exhibit Number Two, and identify it?

A Yes, this is a detailed well estimate. If you look

MOTTER-DIRECT

Page.....5.....

across the top there we have listed several columns. One of them says, Estimated Producer, Dryhole, and Actual Cost.

Under the Estimated Producer we have four hundred and nine thousand fifty dollars. The well ran a little bit more than we anticipated. This is as close as we can get at the present time, five hundred and sixteen thousand, six hundred and seventy-six dollars.

I explained in a previous case that one of the reasons for this is the fact that we had to run seven and five-eighths casing to protect the Strawn which we had not anticipated.

When we ran the smaller casing we were obligated to rent the drill pipe from the contractor. If you look down there, oh, about seven items from the bottom where it says rental of miscellaneous equipment, we estimated four thousand and it wound up to be forty-one thousand which basically is the rental of drill pipe and other equipment that is associated when you have to drill a smaller hole. Our mud bill was considerably more and also when we went in to complete the Strawn we had some problems. We had to weight up to eleven and a half pound mud and the barite settled out on us, which caused considerable time in cleaning out to where we could properly dual this well.

MOTTER-DIRECT

Page.....6.....

I think that in itself more or less explains why the overrun. I thought it might be well, since we are asking for a recovery risk factor that the Commission be apprised of this matter.

Q Please refer to what has been marked as Exhibit Number Three and explain the circumstances surrounding this exhibit.

A Well, Exhibit Number Three is a letter from a Frank Riney who is a landman in our office. I might point out to the Commission that the letter is dated March Twenty-ninth, 1973, long before we started the well. Even prior to this -- I am going from memory now -- but I think a year prior to this we attempted to contact Mrs. Loving with no success as to leasing.

We did find out that her daughter and her son-in-law lives in Kilgore, Texas. Mrs. Loving is quite elderly. I will point out in one of my later exhibits why we have refrained with dealing with her too much more. But we did go to this Mrs. Engledow a year ago and she advised us over the phone that she thought that she could get her mother to sign these leases.

We have typed in on the bottom here some phone calls that were related back to Mr. Riney on April the

MOTTER-DIRECT

Page..... 7.....

second. This was in '73, by the way. He advised that he would be in Carlsbad to talk to his mother-in-law. Then he called back later in '73 and said that he was unsuccessful. Then on March the eighteenth of this year his wife, or the daughter, Mrs. Engledow, advised that her mother was in very poor health and made a further request that we make no further attempts to contact her mother on the leasing of this.

Q Please identify Exhibit Four?

A Exhibit Four is from Leonard May who is a broker who actually tried to obtain this lease for us.

I would like to point out to the Examiner in the middle of the second paragraph there where Mrs. Loving states that prior to the death of her husband he told her never to sign any papers regarding the place and that she is following his instructions and is adamant in her refusal to sign any papers regarding the property.

Q Please refer to Exhibit Five.

A Exhibit Five is a letter from Bennett, who is also a broker in Midland who made a contact and -- well, the letter speaks for itself. I can read it in the record if you desire.

Q Mr. Motter, do you have any recommendations with

MOTTER-DIRECT

Page..... 8.....

regards of costs of supervision to be applied?

A. Yes. We would like to go with our normal rate that we have asked for on numerous times up here, two hundred and five dollars a month that Cities Service currently charges for wells of this depth. This is a combined fixed rate.

We would like to follow the same procedure that we have asked in previous cases that this rate be adjusted annually. I think the Commission has in all of these instruments that we have supplied, that it is based on the index of the average weekly earnings of the petroleum and gas production workers which changes from year to year.

MR. KELLAHIN: If it please the Commission, I believe that the language will be found in Commission order on R4721, Case Number 5158.

Q (Mr. Kellahin continuing.) Mr. Motter, do you have any recommendations with the risk factor to be applied?

A. Yes. In lieu of all of the problems and really the small nature of the interest, we are asking for a hundred and fifty per cent risk factor.

Q In your opinion, Mr. Motter, will the approval of this application avoid the drilling of unnecessary wells and protect the correlative rights of others and be in the best interests of conservation?

MOTTER-DIRECT
-CROSS

Page.....9

A. Yes, I do.

Q. Were Exhibits One through Five prepared and compiled under your supervision and direction?

A. Yes, they were.

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

MR. STAMETS: Without objection Exhibits One through Five will be admitted into evidence.

MR. MOTTER: If I may, I don't know if this is the proper time or not, but due to the fact that we have been asked for no further contract we would like to work through our attorney, Mr. Kellahin here, and through Mrs. Loving's daughter on this particular matter

We respect their request that she not be contacted. I don't know what the Commission's normal procedure is in advising people such as this, but Mr. Kellahin will be glad to advise the daughter of any decisions on it.

CROSS EXAMINATION

BY MR. STAMETS:

Q. Mr. Motter, on this risk factor of one hundred fifty per cent, the well has been drilled and in fact Cities Service has accepted all of the risk to this point and you have asked for a hundred and fifty per cent. Are you asking for that to

MOTTER-CROSS

Page.....10.....

pay for the costs of financing of the well or what is your purpose in asking for a risk factor at this point?

A. Well, naturally we are out some money. It is a rather small amount, their share for drilling the well.

I admit that it is probably not that much but there has been considerable problems involved in obtaining -- quite frankly, this was a management decision. They said let's stick with our normal procedure as though we were drilling the well prior to obtaining this lease. I honestly admit that we have a well and an excellent well there

Q So, the well is very good and the fact that the risk has all been taken --

A. Well, with the exception that Cities Service did put up the money for several months before it went on production.

Q All right. Essentially, you are stating that would be the standard forced pooling order that we would issue?

A. That is right.

MR. STAMETS: Any other questions of this witness? Is there anything further in this case? You may be excused. The case will be taken under advisement.

(THEREUPON, the witness was excused.)



OIL CONSERVATION COMMISSION

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

April 16, 1974

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

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

Re: CASE NO. 5204
5205
5211
ORDER NO. B-4766, B-4767, B-4768

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 Mrs. Horace E. Engledow, Box 564, Kilgore, Texas 75669

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. 5211
Order No. R-4768

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 April 10, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 16th day of April, 1974, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Cities Service Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 8, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.
- (3) That the applicant has drilled a well at a standard 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 that has not paid his share of reasonable well costs should have withheld from production his share of the reasonable well costs.

(8) 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.

(9) That \$205.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that this charge should be adjusted annually based upon the percentage increase or decrease in the average weekly earnings of crude petroleum and gas production workers; that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) 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:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the W/2 of Section 8, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to the applicant's Pasiay Well No. 1, located in Unit K of said Section 8.

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

(3) That the operator shall furnish each known working interest owner an itemized schedule of actual well costs within 30 days following the entry of this order; that if no objection to the actual well costs is received by the Commission, 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.

(4) That the operator is hereby authorized to withhold from production the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of reasonable well costs.

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

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CASE NO. 5211
Order No. R-4768

(6) That \$205.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates), provided that this rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(7) 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.

(8) 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.

(9) 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.

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

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. TRUJILLO, Chairman

J. J. Armijo
J. J. ARMILLO, Member

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


S E A L

jr/

5711

Pooling OK

\$205 per month combined
fixed rates

Well has been drilled and
completed, ~~PTT~~

No risk factor authorized

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 10, 1974

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

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

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

CASE 5201: Application of Mobil Oil Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 33, Township 22 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, to form a standard 320-acre proration unit to be dedicated to a well to be drilled at a standard location for said unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5202: Application of El Paso Natural Gas Company for special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the West Sand Dunes-Morrow Gas Pool in Township 23 South, Range 31 East, Eddy County, New Mexico, including a provision for 640-acre spacing.

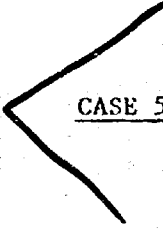
CASE 5203: Application of Jake L. Hamon for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Devonian formation in the perforated interval from 13,230 feet to 13,320 feet in his Getty State L-736 Well No. 1 located in Unit D of Section 32, Township 16 South, Range 36 East, East Shoe Bar-Devonian Pool, Lea County, New Mexico.

CASE 4790: (Reopened)

In the matter of Case No. 4790 being reopened pursuant to the provisions of Order No. R-4370, which order established temporary rules for the Dublin-Ellenburger Gas Pool, Lea County, New Mexico, including a provision for 640-acre spacing. All interested parties may appear and show cause why said pool should not be developed on 320-acre spacing units.

CASE 5204: Application of Cities Service Oil Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Government T Well No. 1 located in Unit C of Section 14, Township 20 South, Range 28 East, Russell Field, Eddy County, New Mexico, in such a manner as to produce gas from the Wolfcamp and Morrow formations through the casing-tubing annulus and tubing, respectively.

CASE 5205: Application of Cities Service Oil Company for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Paslay "A" Com Well No. 1 located in Unit K of Section 8, Township 22 South, Range 27 East, Eddy County, New Mexico, to produce gas from undesignated Strawn and Morrow gas pools through the casing-tubing annulus and tubing, respectively.



CASE 5211: Application of Cities Service Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 8, Township 22 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to its Paslay Well No. 1, located in Unit K of said Section 8. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5212: Application of Cities Service Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Citgo Empire-Abo Unit Area comprising 361 acres, more or less, of Federal and State lands in Townships 17 and 18 South, Range 27 East, Empire-Abo Pool, Eddy County, New Mexico.

CASE 5213: Application of Cities Service Oil Company for a pressure maintenance project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project on its Citgo Empire-Abo Unit, Empire-Abo Pool, Eddy County, New Mexico, by the injection of gas into the Abo formation through a well to be drilled at an unorthodox location 990 feet from the South line and 2635 feet from the East line of Section 35, Township 17 South, Range 27 East. Applicant further seeks the establishment of special rules for said pressure maintenance project including a provision for the operation of the project under a net GOR rule and the establishment of a gas injection credit "bank" against which injection credit could be drawn in order to maintain full allowables during such times as injection plant shut-downs, etc.

- CASE 5206: Application of Continental Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle West Warren-Blinebry and East Skaggs-Drinkard production in the wellbore of its SEMU Burger Well No. 21 located in Unit C of Section 19, Township 20 South, Range 38 East, Lea County, New Mexico.
- CASE 5207: Application of Craig Folsom for a non-standard proration unit and compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying a non-standard oil proration unit comprising the SW/4 NE/4 SE/4, NW/4 SE/4 SE/4, NE/4 SW/4 SE/4, and the SE/4 NW/4 SE/4 of Section 12, Township 13 South, Range 31 East, Caprock-Queen Pool, Chaves County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 1340 feet from the South line and 1300 feet from the East line of said Section 12, said location having been previously been approved by Order No. R-4750. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5208: Application of S. P. Yates for an exception to Order No. R-3221, as amended, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to Order No. R-3221, as amended, authority to dispose of produced salt water in an unlined surface pit on its Federal LC 065598 lease in the SW/4 SW/4 of Section 4, and the NE/4 of Section 5, Township 17 South, Range 30 East, Square Lake Pool, Eddy County, New Mexico.
- CASE 5209: Application of Union Oil Company of California for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Estacado Unit Area comprising 1280 acres, more or less, of State and fee lands in Township 14 South, Range 35 East, Lea County, New Mexico.
- CASE 5210: In the matter of the application of the Oil Conservation Commission on its own motion for the contraction of the House-Tubb Gas Pool by the deletion of all of Section 12, Township 20 South, Range 38 East, Lea County, New Mexico, and the creation of the East House-Tubb Oil Pool comprising all of the NW/4 of said Section 12.
- CASE 5214: Application of Inexco Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Robb Spring Unit Area comprising 6402 acres, more or less, of State, Federal, and fee lands in Townships 23 and 24 South, Range 25 East, Eddy County, New Mexico.
- CASE 5215: Application of Morris R. Antweil for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order

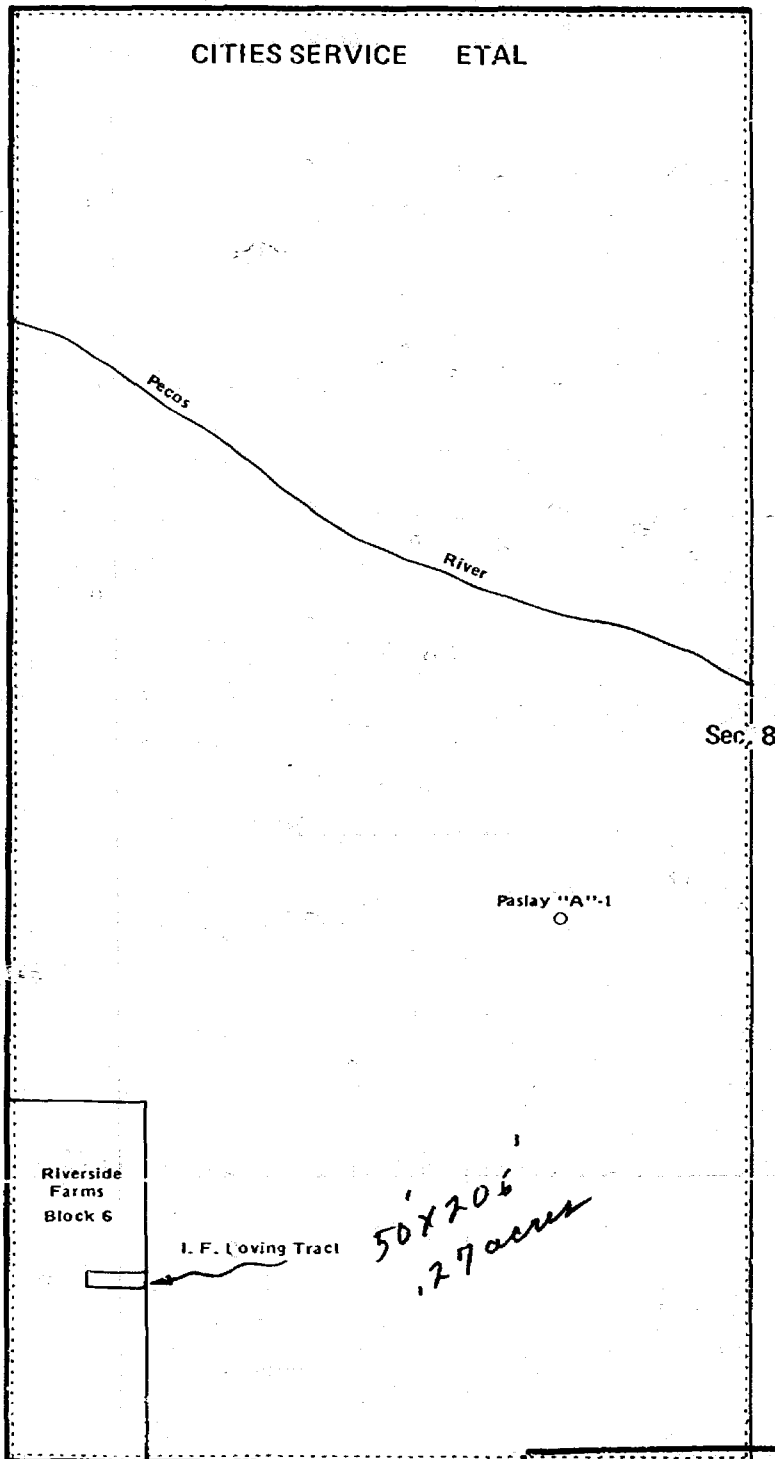
Examiner Hearing - Wednesday - April 10, 1974

Docket No. 9-7

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(Case 5215 continued from Page 3)

pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 17, Township 22 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.



CITIES SERVICE ETAL

Sec. 8

Paslay "A"-1

Riverside Farms Block 6

I. F. Loving Tract

50x706'
27 acres

CITIES SERVICE OIL CO.
Southwestern Region
Midland, Texas

CSO
Paslay "A"-1
W/2 Sec. 8 T-22-S R-27-E
Eddy Co., New Mexico
Scale 8" = 1 Mile

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
Cities EXHIBIT NO. 1
CASE NO. 5211
Submitted by MOTER
Hearing Date 10 APR 74

OP 69

DETAILED WELL ESTIMATE

WELL NUMBER 1 LEASE Paslay
 CONTRACTOR _____ LOCATION 1980' FSL and 1980' FWL
 DATE Revised 7-12-73 SECTION 8, T-22-S, R-27-E
 J. O. NO. _____ DEPTH 11,650 COUNTY Eddy STATE New Mexico
Dual Completion (Narrow-Strawn)

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing @ 350'	H-40	A	16	355	65	3,950	3,950	4,420
	H-40 ST&C	A	10-3/4	840	32.8	4,550	4,550	3,849
@ 1850'	H-40 ST&C	A	10-3/4	11,030	40.5	6,700	6,700	7,198
	N-80 LT&C	A	7-5/8	33,422	26.4	18,450	4,600	52,880
	N-80 LT&C	A	7-5/8	33,029	29.7	18,350	4,600	
@ 8850'	N-80 LT&C	A	7-5/8	32,483	33.7	17,100	17,100	
@ 11,650'	N-80 HydrilEJP	A	5-1/2	23,150	19.81	14,250	-	17,218
Well head connections						12,000	3,500	12,000
Tubing	A	2-7/8	1,600	6.1	29,500	-		20,219
Sucker rods								
Bottom hole pump								
Packers						5,000		8,488
Engine or motor								
Pumping unit								
Electrical equip. inc. Labor & Trans.								
Line pipe, fittings inc. Labor & Trans.								
TANK BATTERY								
Stock tanks	B	500	2			6,000	-	5,000
G. B., settler, free water K: O. tank								
Separator, heater triater, etc. HSU-10F	A		2			18,000	-	27,911
Cost to install T. B.						3,000	-	6,449
INTANGIBLES								
Contract Drlg. labor (footage) \$9.50/ft.						66,400	66,400	87,242
Rotary day work 41 @ \$1650/day						67,700	67,700	65,816
Cable tool work Unit Time 10 days						5,000	-	20,153
Subsurface casing equipment						4,500	3,000	7,458
D. S. T., electric logs, etc.						15,000	15,000	16,489
Acidizing, fracing						8,000	-	3,967
Perforating						3,600	-	6,845
Misc. company and contract labor						4,000	3,000	6,875
Road building, location						3,500	3,500	10,345
Cement & cementing service						14,000	12,000	19,457
Cement squeeze jobs								
Drilling mud, chemicals						18,000	18,000	26,797
Drilling bits, coreheads, reamers						13,000	13,000	10,528
Mud logging unit						4,500	4,500	5,949
Rental of miscellaneous equip.						4,000	3,000	41,625
Company, contract hauling						4,500	3,500	6,427
Water, fuel						9,000	9,000	3,286
Miscellaneous incidentals						7,500	5,000	11,785
Total estimated cost - 100%						409,050	271,600	516,676
Total estimate C. S.								%

BEFORE EXAMINER STAMETS
 OIL CONSERVATION COMMISSION
 CASE NO. 5244
 EXHIBIT NO. 2
 Submitted by MATTER
 Hearing Date 10 APR 74

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
Cities	EXHIBIT NO. 3
CASE NO.	5211
Submitted by	MOTTER
Hearing Date	10 APR 74

March 29, 1973

Telephone: 915-684-7131

Mrs. Horace E. Engledow
P. O. Box 564
Kilgore, Texas 75669

Dear Mrs. Engledow:

We have been advised that you are the daughter of Mrs. I. F. Loving of Carlsbad. We have made numerous attempts to contact your mother to obtain an Oil and Gas Lease covering the minerals under Tract 8 of the Riverside Farms Addition, a 50' x 100' lot located in the SW/4 of Section 8, T-22-S, R-27-E, Eddy County, New Mexico, but to date we have been unable to do so. We have been told that she has turned down all offers to lease this land.

We plan to drill a 12,400' Strawn-Morrow test at a location 1980' FSL and 1980' FWL of Section 8, T-22-S, R-27-E. This location is roughly 1/2 mile from your mother's lot.

There is a possibility we may obtain compulsory pooling approval from the New Mexico Oil Conservation Commission; however, we would prefer to arrive at a mutually satisfactory solution.

We will appreciate any help you can give us in obtaining a 5-year Oil and Gas Lease from your mother. The lease to be for a term of 5 years, provides for a 3/16th royalty and a \$1.00 per acre annual delay rental.

We are enclosing a self-addressed stamped envelope for your convenience in answering this letter.

Please feel free to call me collect at the telephone number set out in this heading.

Yours very truly,

CITIES SERVICE OIL COMPANY

J. Frank Riney
Landman

JFR:eh
Enclosure

Telephone Calls:

- April 2, 1973 - Mr. Engledow called and advised he will be in Carlsbad April 12, 1973 and will attempt to get Mrs. Loving to lease her lands.
- April, 1973 - Mr. Engledow advised he was unsuccessful.
- Mar. 18, 1974 - Mrs. Engledow advised that her mother was in very poor health and made a firm request that we make no further attempts to contact her mother on the leasing of this tract.

LEONARD T. MAY
LAWYER
304-B NORTH CANYON
CARLSBAD, NEW MEXICO 88220

AREA CODE 505
865-2939
865-9353

JOSEPH ERWIN GANT III

April 3, 1974

Mr. Ronnie G. Ward
Cities Service Oil Company
800 Vaughn Building
Midland, Texas 79701

Re: Mrs. I. F. Loving
Tract 10 in SW/4 SW/4
Section 8, T-22-S, R-27-E,
N.M.P.M., Eddy County, N.M.

Dear Mr. Ward:

Mrs. I. F. Loving is an elderly person, extremely hard of hearing, and hard to communicate with. We have tried on at least three occasions to lease the above described tract in the west half of Section 8, Township 22 South, Range 27 East, from Mrs. Loving, but she has refused to even consider leasing for oil and gas.

Mrs. Loving states that prior to the death of her husband, he told her never to sign any papers regarding the place and she is following his instructions to her and is adamant in her refusal to even consider signing any papers regarding the property.

Mrs. Betty Cookston tried to explain the matter of oil and gas leasing through Mrs. Loving's daughter, but she still refused to sign, even though we offered her a lease bonus of \$250.00 per acre plus a 3/16ths royalty for her signature to a five-year oil and gas lease.

Very truly yours,

Leonard T. May
Leonard T. May

BEFORE EXAMINER STAMETS OIL CONSERVATION COMMISSION
<i>Cities</i> LTM/nc EXHIBIT NO. <u>4</u>
CASE NO. <u>5211</u>
Submitted by <u>MOTTER</u>
Hearing Date <u>10 APR 74</u>

RECEIVED
APR 4 1974

Cities Service Oil
Southwestern Reg.

R. C. BENNETT

OIL & GAS INVESTMENTS
MIDLAND, TEXAS 79701

April 3, 1974

OFF. 683-3062
RES. 694-2721

102 PERMIAN BLDG.
BOX 263

Mr. John Young
Cities Service Oil Company
800 Vaughn Building
Midland, Texas 79701

RE: Mrs. I.F. Loving, Mineral Interest,
Block 6, Riverside Farms Addition,
City of Carlsbad, New Mexico.

Dear Sir,

This is to advise you that prior to the spudding date of Cities Service Pasley #1 well located in Section 8, T-22-S, R-27-E, NMPM, Eddy County, I visited with Mrs. I. F. Loving in regard to leasing her mineral interest in the above captioned area for oil, gas and other hydrocarbons. She advised me in no uncertain terms that she was not interested in the leasing or selling at any price. I then asked her if she would be interested in paying her proportionate part in the drilling of a well which could possibly include her property in a proration unit. She advised me that she definitely would not and stated her desire not to be bothered further concerning these matters.

If I may be of any further help to you in this matter please advise.

Sincerely,


R. C. Bennett

RCB/km

BEFORE EXAMINER STAMETS	
OIL CONSERVATION COMMISSION	
Cities	EXHIBIT NO. 5
CASE NO.	5211
Submitted by	MATTER
Hearing Date	10 APR 74

RECEIVED

APR 4 1974

Cities Service Oil
Southwestern Reg.

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

Case 5211

IN THE MATTER OF THE APPLICATION
OF CITIES SERVICE OIL COMPANY FOR
AN ORDER POOLING ALL OF THE MINERAL
INTERESTS IN THE W/2 OF SECTION 8,
T 22 S, R 27 E, Eddy County, New
Mexico.

A P P L I C A T I O N

COMES NOW Cities Service Oil Company and applies to
the Oil Conservation Commission of New Mexico for an order
pooling all of the mineral interests in and under the W/2
of Section 8, Township 22 South, Range 27 East, N.M.P.M.,
Eddy County, New Mexico, and in support thereof would
show the Commission:

1. Applicant has drilled its Pasley No. 1 well, in
said unit, and has completed it for production from the
Morrow formation.

2. All interest owners in said unit have agreed to
pool their interests with the exception of Mrs. I. F.
Loving, whose address is c/o Mrs. Horace Ingledow, P.O.
Box 564, Kilgore, Texas, 75669. Applicant has made
diligent effort to obtain voluntary agreement for the
pooling of this acreage, but has been unable to obtain
such agreement.

3. The interest of Mrs. Loving consists of .2708
acres, more or less, described as follows:

Commencing at the NW corner of SW/4 SW/4 of
Section 8, T 22 S, R 27 E, thence E 266 feet
thence S 607.5 feet for a point of beginning:
E 206 feet, S 50 feet, W 206 feet, N 50 feet;
to a point of beginning, the same being a
portion of SW/4 SW/4 of Section 8, T 22 S,
R 27 E, Eddy County, New Mexico, containing
approximately .2708 acres more or less.

DOCKET MAILED

Date 3-29-74

DOCKET MAILED

Date 3-29-74

WHEREFORE, applicant prays for an order of the Commission pooling all of the mineral interests underlying the W/2 of Section 8, Township 22 South, Range 27 East, N.M.P.M., together with provisions for applicant to recover the costs of drilling, completing and equipping the well, the costs of operation, supervision, and a reasonable allowance for a risk factor, all to be recovered out of production, as provided by law, and for such other and further relief as may be proper.

Respectfully submitted,
CITIES SERVICE OIL COMPANY

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

ATTORNEYS FOR APPLICANT

DRAFT

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. 5211

Order No. R-4768

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 April 10, 1974
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

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

FINDS:

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

(2) That the applicant, Cities Service Oil Company,
seeks an order pooling all mineral interests in the
Pennsylvanian formation underlying the W/2
of Section 8, Township 22 South, Range 27 East,
NMPM, South Carlsbad Field, Eddy County, New
Mexico.

Case No.
Order No. R-

(3) That the applicant has ^{been drilled} ~~the right to drill and proposes~~
~~to drill~~ a well Standard Production 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.

^{has not paid} (8) That any non-consenting working interest owner that ~~does not pay~~ his share of ^{reasonable} ~~estimated~~ well costs should have withheld from production his share of the reasonable well costs, plus an additional ~~thereof~~ 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.

9 That \$205.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that this charge should be adjusted annually based upon the percentage increase or decrease in the average weekly earnings of crude petroleum and gas production workers; that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

~~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.~~

(10) 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.

11 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 July 15, 1974, 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 8, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320 acre gas spacing and proration unit to be dedicated to ~~the well to be drilled~~ the applicants Paslay Well No. 1, located in Unit K of said Section 8.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of July, 1974, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of July, 1974, Order (1) of this order shall be null and void and of no effect whatsoever;

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

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

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

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

(5) That the operator ^{shall furnish} ~~shall furnish~~ the Commission and each known working interest owner an itemized schedule of actual well costs within ~~30~~ ^{the entry of this order} 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) That the operator is hereby authorized to withhold *from* the following costs and charges ~~from production~~:

do not intend
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 *reasonable well costs* 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, _____ 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.

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

(6) That \$205.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates), provided that this rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

Case No.
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⁷
(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.

⁸
(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.

⁹
(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.

¹⁰
(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.