

CASE 5476: CITIES SERVICE OIL COMPANY  
FOR COMPULSORY POOLING, EDDY COUNTY

CASE No.

5476

Application,

Transcripts,

Small Exhibits

ETC.

EXAMINER HEARING

Application of Cities Service  
Oil Company for compulsory  
pooling, Eddy County, New Mexico.

CASE NO. 5476

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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

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

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MR. NUTTER: Case 5476.

MR. CARR: Case 5476. Application of Cities Service Oil Company for compulsory pooling, Eddy County, New Mexico.

MR. KELLAHIN: If the Examiner please, Jason Kellahin of Kellahin and Fox, appearing for the Applicant. This case was heard on May 14th, but has be readvertised because of an error in the description and some other problems. Mr. Motter is present and can testify, but I don't really think any additional testimony is necessary, the Examiner taking notice of the previous hearing in the same case.

The well will be designated as the Ives A No. 1, and the well will be located 1980 feet from the south line and 2190 feet from the east line which is an orthodox location and complies with the advertising, and the Applicant does ask 90 days from the date of the order as the time in which to commence drilling, but would also request some provision in the order for an administrative procedure for additional time in the event it becomes necessary. As the Examiner knows, this well is within the City limits of the City of Carlsbad, and we sometimes encounter problems that are not foreseen in the ordinary case.

MR. NUTTER: At the time we heard the case, Mr. Kellahin, I realize that it was advertised as an orthodox location, but there was a certain surface location that was discussed at the time of the hearing. Is this location that you gave us the same surface location?

MR. KELLAHIN: It is not. We were unable to locate the well at the location proposed in the previous hearing.

MR. NUTTER: So the record will now show that the location is 1980 from the south line and 2190 from the east line?

MR. KELLAHIN: That is correct.

MR. NUTTER: Of Section 30, Township 21 South, 27 East?

MR. KELLAHIN: That's right.


MR. NUTTER: Does anyone have anything they wish to offer in Case No. 5476?

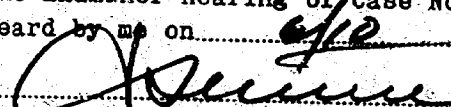
MR. KELLAHIN: I have been corrected. It is not in the City limits. It is just outside.

MR. NUTTER: Just outside the City limits. If there is nothing further in Case No. 5476, we will take this case under advisement.

STATE OF NEW MEXICO )  
COUNTY OF SANTA FE ) SS.

I, RICHARD L. NYE, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

  
COURT REPORTER

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5476 heard by me on 6/2, 1975.  
 Examiner  
New Mexico Oil Conservation Commission

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
14 May 1975

EXAMINER HEARING

-----  
IN THE MATTER OF:

Application of Citiles Service Oil Company  
for compulsory pooling, Eddy County, New  
Mexico. Applicant, in the above-styled  
cause, seeks an order pooling all mineral  
interests in the Wolfcamp formation under-  
lying the NE/4 of Section 30, Township 22  
South, Range 27 East, and in the Pennsyl-  
vanian formation underlying the E/2 of  
said Section 30, to be dedicated to a pro-  
posed gas well to be drilled at an ortho-  
dox location for both formations. Also  
to be considered will be the cost of  
drilling and completing said well and the  
allocation of such costs as well as  
actual operating costs and charges for  
supervision. Also to be considered will  
be the designation of the applicant as  
operator of the well and a charge for  
the risk involved in drilling said well.

NO. 5476

-----  
BEFORE: Daniel S. Nutter, Examiner.

For the New Mexico Oil  
Conservation Commission:

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

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CASE 5476

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For the Applicant,  
Cities Service Oil  
Company:

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

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I N D E X

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MR. NUTTER: Case 5476.

MR. CARR: Case 5476. Application of Cities Service Oil Company for compulsory pooling, Eddy County, New Mexico.

MR. KELLAHIN: Tom Kellahin, Kellahin and Fox, Santa Fe, New Mexico, appearing on behalf of the applicant, Cities Service Oil Company, and I have two witnesses.

(Witnesses sworn.)

MR. KELLAHIN: If the Examiner please, we have a correction to make in the advertisement. The description reads Section 30, Township 22 South, and it should be Township 21 South.

MR. NUTTER: Mr. Kellahin, this would be a fatal error and the case will have to be re-advertised. Are you proposing at this time to go ahead and present your case and the Commission withhold any order until the case has been re-advertised with the correct location and recalled?

MR. KELLAHIN: Yes, sir, that is correct. That's our desire.

MR. NUTTER: All right, proceed.

TOM HELLER,

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you please state your name, by whom  
you're employed and in what capacity?

A My name is Tom Heller. I'm employed with  
Cities Service Oil Company as a Land Man, Midland, Texas.

Q Mr. Heller, in connection with your duties as  
a land man, what have you done with regards to this ap-  
plication of Cities Service?

A I have leased the majority of the acreage with-  
in that unit and have sent out requests to join with us  
in the drilling of our proposed test to all the working  
interest parties within the unit.

Q Please refer to what has been marked as Exhibit  
One and identify it and explain briefly what Cities Ser-  
vice is seeking.

A This is a plat of our proposed unit covering  
the east half of Section 30. We propose to drill a well  
in this proration unit. This plat also reflects the in-  
terest of the parties involved.

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Q Of those parties involved in this unit, what if any, of the interests have not been committed to it?

A Mr. Michael P. Grace has not committed to it.

Q And what percentage of his interest is represented in the whole unit?

A Mr. Grace has ten acres, approximately, in the unit.

Q Would you please refer to what has been marked as Exhibit Two and identify it, please.

A This is my first letter to the working interests owners of March 3rd, 1975, requesting them to join with us in the drilling of this well.

Q And did you obtain a return receipt from Michael P. Grace?

A I certainly did.

Q Or his agent, indicating receipt of that letter?

A Yes, I did.

Q And what, if any, response did you in turn receive?

A None.

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

A This is my second letter to Mr. Grace, dated

March 21st, again requesting him to join. I do have the return receipt and I have not had a response from this letter.

Q Please refer to what is marked as Exhibit Four and identify it.

A This is my letter of May 9th to the working interest owners within the unit forwarding to them our operating agreement covering this well.

Q Please identify Exhibit Five.

A This is a certified letter of May 8th to Mr. Michael P. Grace informing him of the incorrect advertising of this hearing.

Q And Exhibit Six?

A This is a Western Union telegram again to Mr. Grace informing him of the incorrect advertising.

Q And despite your efforts, you have not had any communication or responses from Mr. Grace?

A None whatsoever.

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

MR. NUTTER: Are there any questions of the witness?

(No response.)

QUESTIONS BY MR. NUTTER:

Q Mr. Heller, on your Exhibit Number One and also Exhibit Number Two, you list five working interest owners, four that are named and five being unleased. Is that unleased a group of more than one?

A The unleased interest in there, according to the plat is your reference to? Well, --

Q Looking at the Exhibit Number Two there.

A Oh, excuse me, yes. My first letter here of March 3rd, I was working on these interests and I have since leased them or they have given their consent to join with us in the test.

Q So now your Exhibit Number One reflects the current status of ownership in here?

A Yes, it does, the current status, and the uncolored portions are the approximate locations of Mr. Grace's interest in that unit.

Q And Delco and Echols and Haynes have all signed?

A They have not signed; they have said they will join.

Q And you have sent them a copy of the operating agreement?

A May 8th.

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Q And they've indicated to you they will sign it but so far you haven't got it back yet?

A Correct.

Q So we're talking now, as far as you know, the only person who would be pooled under this prospective order would be Mr. Grace?

A Exactly.

Q With 10.2058 acres.

A Correct.

MR. NUTTER: Are there any further questions of Mr. Heller?

(No response.)

MR. NUTTER: Then he may be excused.

MR. KELLAHIN: Call Mr. Gene Motter.

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you please state your name, by whom you are employed, and in what capacity?

A My name is E. F. Motter. I'm employed by Cities Service Oil Company in Midland, Texas. I'm Region

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Engineering Manager.

Q In that capacity and as part of your employment for Cities Service have you made a study of the facts surrounding the particular application?

A Yes, I have.

Q Have you previously testified before this Commission and had your qualifications as an expert witness accepted and made a matter of record?

A Yes, numerous times.

MR. KELLAHIN: Mr. Examiner, are the witness' qualifications acceptable?

MR. NUTTER: Yes, they are.

Q (By Mr. Kellahin) Mr. Motter, would you please refer to what has been marked as Exhibit Number Seven, identify it, and state briefly what it contains?

A All right. This is a plat with a red arrow indicating the location of the proposed well. The pro-  
ration unit will consist of the east half of Section 30. The well will be drilled in an orthodox location. If I may, I would like to proceed to the next couple of exhibits and then come back to this. I think that will speed things up a little.

Q All right. If you'll refer to Exhibit Number

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Eight and identify it.

A All right. Exhibit Number Eight is a detailed well estimate for this well and we have called this McCord "A"; however, due to some recent land transactions out there, there may be another name applied to this; however, it still would be drilled in an orthodox location. I'd like to point out that this is a single completion for \$567,057 as a producer, and again I would explain later on why we have two detailed well estimates here. If I may go right on to Exhibit Number Nine, this is a detailed well estimate and you'll notice up there at the top where it says under estimate producer, it says dual. That is for dual completion. We would hope for a completion in both the Wolfcamp and the Morrow, and in the application as filed we are setting out the northeast quarter of Section 30 for the Wolfcamp and the east half of Section 30 for the Morrow. I might also while I'm at it, just go right ahead and say that after the first of the year there were adjustments due to the cost of living that we all have seen affect the overhead and drilling wells, and Cities current rate is \$1793 per month for supervision of the drilling well; \$252 per month for supervision overhead. This includes all supervision down to the production

foreman and including the production foreman.

Q It will be your recommendation that that cost of supervision be charged against the nonconsenting owners?

A Right.

MR. NUTTER: What were those numbers again, Mr. Motter?

A \$1793 per month for drilling; \$252 per month for overhead.

As you can see here, I think it was testified previously, in the two proration units since Mr. Grace owns some interest in both, there may be a little bit of difference in ownership in these wells should be get a Wolfcamp completion or a Morrow completion. It would be our plan to handle this accounting by probably testing the Wolfcamp if it's there, and this will be charged to that interest group. If it's nonproductive we would proceed with the single detailed well estimate and if it does prove productive we will submit the second detailed well estimate for the dual completion. At that time we would charge the people in the Wolfcamp for one-half of the cost of drilling down to the Wolfcamp and plus the cost of completion of that zone, and all remainder costs will be charged to those owners in the Morrow zone.

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We, I may be jumping ahead of you here, but in the interest of time, we're going to ask for one hundred percent risk factor on this, and now if I can again ask you to turn back to Exhibit Number Seven, I'd like to point out why we are doing this. If you'll follow me, immediately east of Section 30, in Section 29, Cities Service has the Simpson "A" Number 1, and that well was dry in Morrow, was completed in the Wolfcamp, but after a few months production is not a very good well. Immediately south of there in Section 32 you'll note the Cities Service "C" Number 1. That well was completed last week; it was a dry hole and I think about one of the first wells in Eddy County that casing was not run on the Morrow.

MR. NUTTER: Which one was that?

A Pardon?

MR. NUTTER: Which well was that?

A It was a Tracy "C" Number 1. It was in Section 32, immediately below 29. Down in the next section south of there, and it would be in another township, is the Bellico Petroleum Number 1 John Joyce. It would be in the west half of Section 5. That well was dry. We go, to find any production around the proposed well you need to go about two miles north to the Mobil Number 2 Federal 00

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or we go about two miles east to the Cities Service in Section 28, the Elizondo Federal; that well is currently capable of producing well over two million a day. It is shut in because of contract. The Elizondo Number 1 in Section -- pardon me. The previous well is in Section 21 to the north; that's Number 2. The Elizondo Number 1 is in Section 28. It no longer will buck the pressure of the gather up there, so it is shut in at present. To the south of that well in Section 28 is our Calley. I don't -- yes, there it is, there's a Calley; and that well is currently, will produce a little over a million a day but it is also shut in for contractual problems. And down in Section 33, that is a little misnomer there. That should be our Tracy Number 1, and that well is capable of producing about five million a day but it currently also is shut in for contractual reasons. Because of the fact that production in the Morrow is about two miles from this proposed location, we're asking for a risk factor here of one hundred percent.

Q Is this well within the city limits of Carlsbad?

A No, sir, it's immediately north of the city limits. It's been subdivided and recent land transactions have indicated to us that it will be further subdivided,

so fortunately right now we will not come under the ordinance of the City of Carlsbad and we will drill the well immediately if approved by this Commission.

Q Mr. Motter, were Exhibits Seven, Eight, and Nine prepared by you directly or under your direction and supervision?

A Yes, they were.

Q Cities Service desires to be designated the operator?

A Yes, that is correct.

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

A Yes, it will.

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

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

MR. KELLAHIN: That concludes our direct examination.

QUESTIONS BY MR. NUTTER:

Q Mr. Motter, what is the status of the Stagner "A" 1 location in Section 29?

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A That is a proposed location and also the same thing applies, also if you'll notice down in 32, we have a location for Tracy "C" Number 2. This is in a drilling unit. It is not marked on this plat but if you'll notice my larger, see the green outline is drilling unit. Our partners have not agreed to drilling this well until we see a little more; in fact, they're waiting for us to drill the proposed well before they'll approve any --

Q I imagine the outcome of drilling Tracy "C" Number 1 there in Section 32 might affect the drilling of Tracy Number 2, right?

A Very much.

Q Now, this well that you mentioned that Bellico had drilled in Section 5 was a dry hole, when was that well completed?

A That well was completed probably some time last fall; I'd say October or September; October, it might be; the well was dry.

Q And your well that you were recently drilling in Section 18 of Township --

A Right; that's down in Section 18; that's our Tracy "B" Number 1, which was drilled in the city limits.

Q That was the one that was directionally drilled?

A Directionally drilled in the city limits and that well has been completed. We have an open flow on it of 6.236 million per day.

Q 6.236.

A Now, you may be aware that our succeeding application is for an offset for this well, again in the city limits. By the way, it was supposedly, hopefully a dual in the Strawn; it was dry in the Strawn; we did get a Morrow completion.

Q Now you mentioned that your Wolfcamp well in Section 29 was not too good any more. What's that well capable of making?

A At the present time that well is capable of making about 400 M a day and about 90 barrels of distillate. To show you how disappointing it was, the well was produced for about sixty days and in that period of time it produced about 24 million cubic foot of gas and about 14,000 barrels of oil and the bottom hole pressure dropped approximately 3000 pounds.

Q I see, so apparently it must be a limited reservoir?

A Very much, we're thinking.

MR. NUTTER: Are there any further questions of Mr.

Motter?

(No response.)

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

MR. KELLAHIN: No, sir, not in this case.

MR. NUTTER: Does anyone have anything they wish to offer in Case Number 5476?

(No response.)

MR. NUTTER: We'll take the case under advisement.

(Hearing concluded.)

STATE OF NEW MEXICO)

COUNTY OF SANTA FE )

ss

## REPORTER'S CERTIFICATE

I, Sally Walton Boyd, Notary Public and General Court Reporter, Santa Fe, New Mexico, DO HEREBY CERTIFY that the facts as stated in the caption hereto are true and correct; that I reported the captioned proceedings; that the foregoing 18 pages, numbered 1 through 18, inclusive, is a full, true, and correct transcript of my notes taken during the course of the hearing.

WITNESS my hand this 23rd day of May, 1975, at Santa Fe, New Mexico.

Sally Walton Boyd

Sally Walton Boyd  
Notary Public and General Court  
Reporter

My Commission expires:

10 September 1975

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5476, heard by me on 5/14, 1975.

[Signature] Examiner  
New Mexico Oil Conservation Commission

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# OIL CONSERVATION COMMISSION

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

June 17, 1975

I. R. TRUJILLO  
CHAIRMAN

LAND COMMISSIONER  
PHIL R. LUCERO  
MEMBER

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

Re: CASE NO. 5476  
ORDER NO. R-5052

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

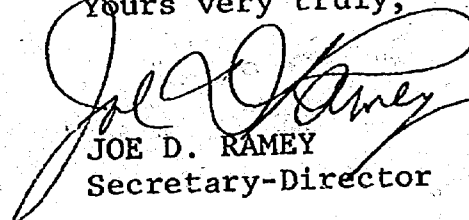
Applicant:

Cities Service Oil Co.

Dear Sir:

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

Yours very truly,

  
JOE D. RAMEY  
Secretary-Director

JDR/fd

Copy of order also sent to:

Hobbs OCC X  
Artesia OCC X  
Aztec OCC       

Other

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE NO. 5476  
Order No. R-5052

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 10, 1975, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 17th day of June, 1975, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Cities Service Oil Company, seeks an order pooling all mineral interests in the Wolfcamp formation underlying the SE/4 of Section 30, Township 21 South, Range 27 East, and in the Pennsylvanian formation underlying the E/2 of said Section 30, Eddy County, New Mexico.

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

(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.

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Case No. 5476  
Order No. R-5052

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 100% thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1793.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$252.00 per month should be fixed as a reasonable charge for supervision (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.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before September 15, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp formation underlying the SE/4 of Section 30, Township 21 South, Range 27 East, and in the Pennsylvanian formation underlying the E/2 of said Section 30, Eddy County, New Mexico, are hereby pooled to form a standard 160-acre Wolfcamp gas spacing and proration unit and a standard 320-acre Pennsylvanian gas spacing and proration unit to be dedicated to a well to be drilled at an orthodox location for both formations.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of September, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Wolfcamp and Pennsylvanian formations;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of September, 1975, Order (1) of this order shall be null and void and of no effect whatsoever;

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

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

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

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

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

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Order No. R-5052

that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

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

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

(B) As a charge for the risk involved in the drilling of the well, 100% of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$1793.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$252.00 per month is hereby fixed as a reasonable charge for supervision (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

Case No. 5476  
Order No. R-5052

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.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



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

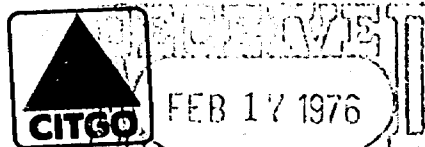
*Phil R. Lucero*  
PHIL R. LUCERO, Member

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

S E A L

dr/

CITIES SERVICE OIL COMPANY



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

February 12, 1976

*File Case 5476*

NEW MEXICO OIL CONSERVATION COMMISSION  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Attention of Mr. Joe D. Ramey

Re: NMOC Order R-5052

Gentlemen:

As requested by NMOC Order R-5052, pooling all mineral interest in the Pennsylvanian formation underlying the E/2 Section 30, T-21-S, R-27-E, Eddy County, New Mexico, and designating Cities Service Oil Company as operator, an itemized schedule of actual well costs is attached.

All known working interest owners are being furnished a copy of this letter and schedule of well costs.

If there is any further consideration on this matter, please advise.

Very truly yours,

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

EFMpk

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







CITIES SERVICE OIL COMPANY

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

March 3, 1975

TO: ADDRESSEES  
(See attached list)

SUBJECT: Proposed McCord "A" #1  
11,650' Morrow Test  
E/2 Section 30, T-21-S, R-27-E  
Eddy County, New Mexico

GENTLEMEN:

We propose to drill, in the very near future, an 11,650' Morrow test 1980' FNL and 1650' FEL of Section 30, T-21-S, R-27-E, Eddy County, New Mexico. The estimated cost to drill and complete this well is \$530,246. A dry hole is estimated to cost \$320,837.

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

	<u>Net Acres</u>	<u>Percentage</u>
Cities	302.1257	94.45%
M. P. Grace	9.1864	2.87%
W. Ray Echols	1.7064	0.53%
Belco Petroleum	2.4706	0.77%
Unleased	4.3796	1.38%
	319.8687	100.00%

We request you join Cities in the drilling of this test.

Please advise us of your decision in this matter at your earliest convenience so we may proceed with the preparation of our Operating Agreement for your review.

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller  
Landman

Tfbd  
Attachment

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
Cities EXHIBIT NO. 2  
CASE NO. 5476

PROPOSED McCORD "A" #1

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

Belco Petroleum Corp.  
204 West Texas  
Midland, Texas 79701  
Attn.: Mr. Pat Patterson

Mr. W. Ray Echols  
c/o Mr. J. R. Rowan  
217 Mid-America Building  
P. O. Box 162  
Midland, Texas 79701

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
EXHIBIT NO. \_\_\_\_\_  
CASE NO. \_\_\_\_\_

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

NO. 103998

POSTMARK OR DATE	3-3-75
STREET AND NO. P.O., STATE AND ZIP CODE	
OPTIONAL SERVICES FOR ADDITIONAL FEES	
RETURN RECEIPT SERVICES	1. Shows to whom and date delivered ..... 15¢ With delivery to addressee only ..... 35¢ 2. Shows to whom, date and where delivered ..... 35¢ With delivery to addressee only ..... 50¢
DELIVER TO ADDRESSEE ONLY	45¢
SPECIAL DELIVERY (2 pounds or less) ..... 45¢	
POD Form 3800 July 1969	
NO INSURANCE COVERAGE PROVIDED— NOT FOR INTERNATIONAL MAIL	
(See other side) * GPO : 1969 O-258-512	

PS Form 3811, Nov. 1973

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

1. The following service is requested (check one):

<input checked="" type="checkbox"/> Show to whom and date delivered.....	15¢
<input type="checkbox"/> Show to whom, date, & address of delivery.....	35¢
<input type="checkbox"/> DELIVER ONLY TO ADDRESSEE and show to whom and date delivered.....	65¢
<input type="checkbox"/> DELIVER ONLY TO ADDRESSEE and show to whom, date, and address of delivery.....	85¢

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

3. ARTICLE DESCRIPTION: REGISTERED NO. 103998 INSURED NO. \_\_\_\_\_  
(Always obtain signature of addressee or agent)  
I have received the article described above.

SIGNATURE \_\_\_\_\_

4. DATE OF DELIVERY 3/6/75 POSTMARK \_\_\_\_\_

5. ADDRESS (Complete only if requested) \_\_\_\_\_

6. UNABLE TO DELIVER BECAUSE: \_\_\_\_\_

7. OFFICIAL'S INITIALS \_\_\_\_\_

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

\* GPO : 1974 O-527-513

Case 5476

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

March 21, 1975

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

RE: Proposed McCord "A" #1  
11,650' Morrow Test  
E/2 Section 30, T-21-S, R-27-E  
Eddy County, New Mexico

Dear Mr. Grace:

Under date of March 3, 1975, we requested you join Cities in the drilling of an 11,650' Morrow Test 1980' FNL and 1650' FEL of Section 30, T-21-S, R-27-E, Eddy County, New Mexico.

We are most anxious to commence this well in the near future and would greatly appreciate being advised if you wish to join Cities in this test.

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller  
Landman

THjt

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENT TO		POSTMARK OR DATE
Mr. M. P. Grace		3-21-75
STREET AND NO.		
P. O. Box 1418		
P.O., STATE AND ZIP CODE		
Carlsbad, New Mexico 88220		
OPTIONAL SERVICES FOR ADDITIONAL FEES		
RETURN RECEIPT SERVICES	1. Shows to whom and date delivered	15¢
	With delivery to addressee only	65¢
	2. Shows to whom, date and where delivered	35¢
	With delivery to addressee only	85¢
DELIVER TO ADDRESSEE ONLY		50¢
SPECIAL DELIVERY (extra fee required)		

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
Cities EXHIBIT NO. 3  
CASE NO. 5476

● SENDER: Complete items 1 and 2. Add your address in the "RETURN TO" space on reverse.	
1. The following service is requested (check one). <input checked="" type="checkbox"/> Show to whom and date delivered..... 15¢ <input type="checkbox"/> Show to whom, date, & address of delivery..... 35¢ <input type="checkbox"/> DELIVER ONLY TO ADDRESSEE and show to whom and date delivered..... 65¢ <input type="checkbox"/> DELIVER ONLY TO ADDRESSEE and show to whom, date, and address of delivery..... 85¢	
2. ARTICLE ADDRESSED TO: Mr. M. P. Grace P. O. Box 1418 Carlsbad, New Mexico 88220	
3. ARTICLE DESCRIPTION: REGISTERED NO. 686327 INSURED NO.	(Always obtain signature of addressee or agent) I have received the article described above. SIGNATURE <u>M. P. Grace</u> <u>Becky Heller</u>
4. DATE OF DELIVERY	POSTMARK <u>3/21/75</u> <u>NEW</u>
5. ADDRESS (Complete only if requested)	
6. UNABLE TO DELIVER BECAUSE:	
CLERK'S INITIALS	

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

May 9, 1975

TO: ADDRESSEES  
(See attached list)

SUBJECT: Operating Agreement dated April 23, 1975  
covering E/2 of Section 30, 21S-27E  
Eddy County, New Mexico  
(NMC-3848)

**CERTIFICATE:**

Please find attached two copies of the subject Operating Agreement covering our scheduled McCord "A" No. 1 in the E/2 of Section 30.

We kindly request one fully executed copy be returned to this office. We have scheduled a Compulsory Pooling Hearing covering this proration unit for May 14, 1975 and your early consideration in returning the executed agreement will be most appreciated.

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller  
Landman

THjt

Enclosures

bcc: Mr. R. E. Groves

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
Cities EXHIBIT NO. 4  
CASE NO. 5476

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

Mr. W. Ray Echols  
c/o Mr. J. R. Rowan  
217 Mid-America Building  
P. O. Box 162  
Midland, Texas 79701

Dr. James F. Haynes  
1012 West Pierce Street  
Carlsbad, New Mexico 88220

Belco Petroleum Corporation  
204 West Texas Street  
Midland, Texas 79701  
Attention: Mr. Pat Patterson

PS Form 3811, Nov. 1973

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

1. The following service is requested (check one):

☒ Show to whom and date delivered..... 15¢

☐ Show to whom, date, & address of delivery... 35¢

☐ DELIVER ONLY TO ADDRESSEE and show to whom and date delivered..... 65¢

☐ DELIVER ONLY TO ADDRESSEE and show to whom, date, and address of delivery..... 85¢

2. ARTICLE ADDRESSED TO:

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

3. ARTICLE DESCRIPTION:

REGISTERED NO. 686297 CERTIFIED NO. INSURED NO.

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE

DATE OF DELIVERY 5/12/75

POSTMARK

5. ADDRESS (Completed only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

GPO: 1974 O - 527-803

# RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENT TO		POSTMARK OR DATE
Mr. Michael P. Grace		5-9-75
STREET AND NO.		
P. O. Box 1418		
P.O., STATE AND ZIP CODE		
Carlsbad, New Mexico 88220		
OPTIONAL SERVICES FOR ADDITIONAL FEES		
RETURN RECEIPT SERVICES	1. Shows to whom and date delivered..... 15¢	
	With delivery to addressee only..... 65¢	
	2. Shows to whom, date and where delivered... 35¢	
	With delivery to addressee only..... 85¢	
DELIVER TO ADDRESSEE ONLY..... 50¢		
SPECIAL DELIVERY (extra fee required).....		

PS Form 3800 Apr. 1971 NO INSURANCE COVERAGE PROVIDED—NOT FOR INTERNATIONAL MAIL (See other side) GPO: 1972 O - 440-743

No. 762989

Case 5476 file

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

May 8, 1975

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

RE: Proposed McCord "A" No. 1  
E/2 of Section 30, T21S-27E  
Eddy County, New Mexico

Dear Mr. Grace:

Please be advised the New Mexico Oil Conservation Commission's Case 5476 to be heard May 14, 1975, Application of Cities Service Oil Company for compulsory pooling of all mineral interests in the Wolfcamp formation underlying the NE/4 Section 30, T21S, R27E and the Pennsylvanian formation underlying the E/2 of said Section 30 to be dedicated to a proposed gas well to be drilled at an orthodox location for both formations was erroneously filed. The proposed proration units are located in T21S rather than T22S as transmitted in the New Mexico Oil Conservation Commission's notice of hearing Docket No. 1175. The proper identification for compulsory pooling of all mineral interest is: Wolfcamp formation - NE/4 Section 30, T21S, R27E; Pennsylvanian formation - E/2 Section 30, T21S, R27E, both located in Eddy County, New Mexico.

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller  
Landman

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENT TO		POSTMARK OR DATE
Mr. Michael P. Grace		
STREET AND NO.		
P. O. Box 1418		
P.O., STATE AND ZIP CODE		5-8-75
Carlsbad, New Mexico 88220		
OPTIONAL SERVICES FOR ADDITIONAL FEES		
1. Shows to whom and date delivered ..... 15¢ With delivery to addressee only ..... 65¢ 2. Shows to whom, date and where delivered ..... 35¢ With delivery to addressee only ..... 85¢ DELIVER TO ADDRESSEE ONLY ..... 50¢ SPECIAL DELIVERY (extra fee required) .....		
PS Form 3800 Apr. 1971		
NO INSURANCE COVERAGE PROVIDED— (See other side) NOT FOR INTERNATIONAL MAIL * GPO: 1972 O-460-743		

No. 686296

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
Cities EXHIBIT NO. 5  
CASE NO. 5476

MGMMIDA MID  
2-037065E127002 05/07/75  
ICS IPMBNGZ CSP  
1 9156847131 MGM TDBN MIDLAND TX 05-07 0330P EST  
ZIP 79701



western union

Mailgram



Case 5476

CITY SERVICE OIL CO LS  
BOX 1919  
MIDLAND TX 79701

THIS MAILGRAM IS A CONFIRMATION COPY OF THE FOLLOWING MESSAGE:

9156847131 TDBN MIDLAND TX 148 05-07 0330P EST  
FON 5058272432  
NEW MEXICO OIL CONVERSATION COMMISSION ATTN D. L. PORTER, JR.  
, DUPLICATE  
PO BOX 2088  
SANTA FE NM 87501

THE FOLLOWING IS A COPY OF THE TELEGRAM SENT TO:

M. P. GRACE  
PO BOX 1418  
CARLSBAD NM 88220

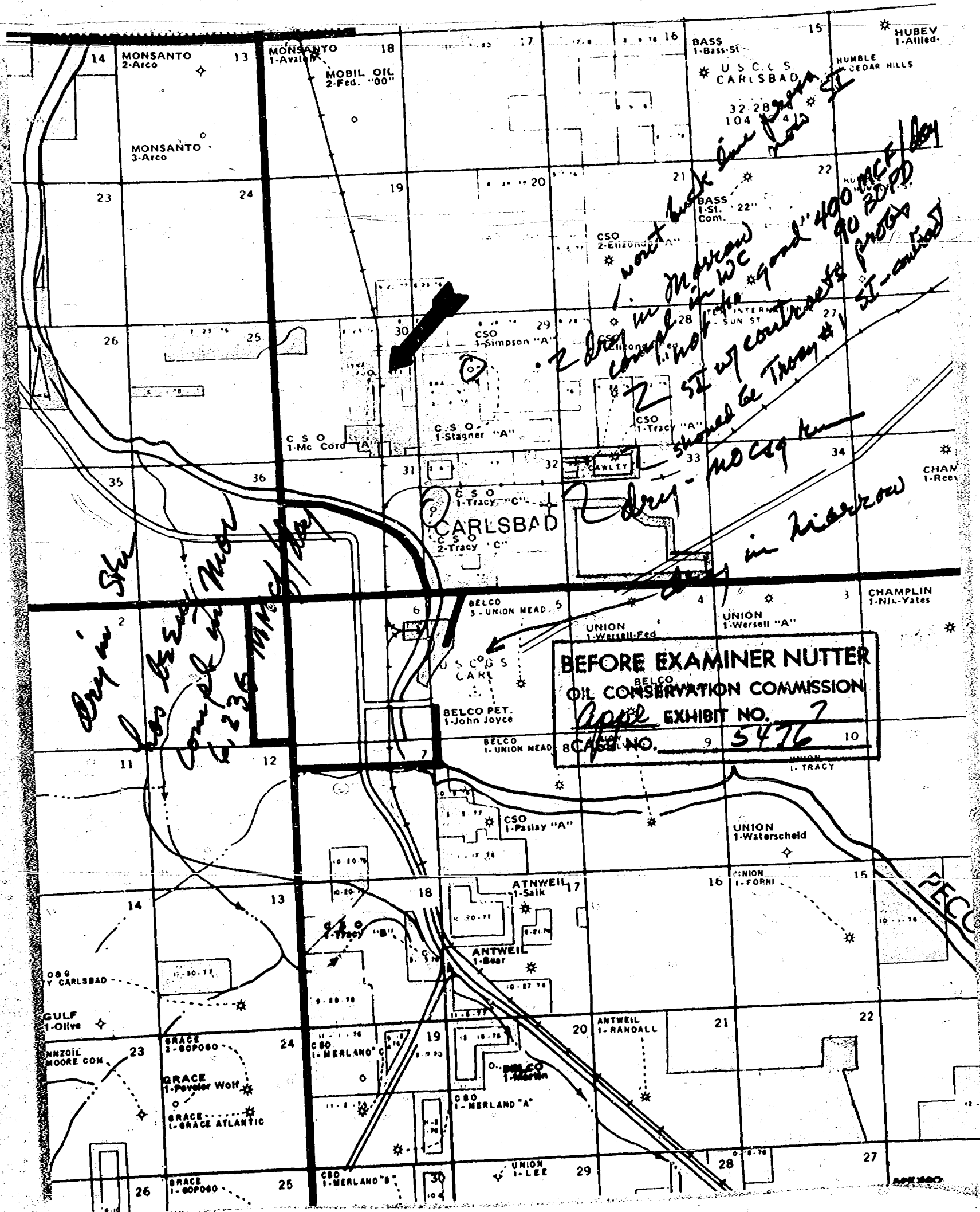
NMOCC CASE 5476 TO BE HEARD MAY 14 1975, APPLICATION OF CITY SERVICE OIL COMPANY FOR A COMPULSORY POOLING OF ALL MINERAL INTERESTS IN THE WOLFCAMP FORMATION UNDERLYING THE NE/4 SECTION 30 TOWNSHIP 21 SOUTH RANGE 27 EAST AND THE PENNSYLVANIAN FORMATION UNDERLYING THE E/2 OF SAID SECTION 30 TO BE DEDICATED TO A PROPOSED GAS WELL TO BE DRILLED AT AN ORTHODOX LOCATION FOR BOTH FORMATIONS WAS ERRONEOUSLY FILED THE PROPOSED PRORATION UNITS ARE LOCATED IN TOWNSHIP 21 SOUTH RATHER THAN TOWNSHIP 22 SOUTH AS TRANSMITTED IN NMOCC NOTICE OF HEARING DOCKET NUMBER 11-75 PROPER IDENTIFICATION FOR COMPULSORY POOLING OF ALL MINERAL INTEREST IS WOLFCAMP FORMATION - NE/4 SECTION 30 TOWNSHIP 21 SOUTH RANGE 27 EAST; PENNSYLVANIAN FORMATION - E/2 SECTION 30 TOWNSHIP 21 SOUTH RANGE 27 EAST BOTH LOCATED IN EDDY COUNTY NEW MEXICO

CITY SERVICE OIL CO E F MOTTER ENGINEERING MANAGER SOUTHWEST REGION

1533 EST

MGMMIDA MID

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
City's EXHIBIT NO. 6  
CASE NO. 5476



REVISED BY MIKE DANIEL

# DETAILED WELL ESTIMATE

OP 69

WELL NUMBER 1 LEASE McCord "A" 790  
 CONTRACTOR 1 LOCATION 1980' FNL. 790' FEL  
 DATE 5/8/75 SECTION 30-T21S-R27E  
 J. O. NO. 11650 COUNTY Eddy STATE New Mexico

CONTRACTOR		DATE		5/8/75		DEPTH		11650		COUNTY		Eddy	
J. O. NO.													
DESCRIPTION		GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST				
TANGIBLES													
Casing		A		400		7776	7776						
13-3/8" 48# 11-40 ST&C		A		1415		16273	16273						
9-5/8" 32# H-40 ST&C		A		450		5648	5648						
9-5/8" 36# K-55 ST&C		A		1230		22140	22140						
9-5/8" 40# K-55 LT&C		A		9650		79990	-						
5-1/2" 17# N-80 LT&C		A		2000		19060	-						
5-1/2" 20# N-80 LT&C		A				7500	1500						
Well head connections		A				39550	-						
Tubing 2-7/8" 6.5# N-80 AB MOD		A		11300									
Sucker rods						2000	-						
Bottom hole pump		A											
Packer & Tbg Acces.													
Engine or motor													
Pumping unit													
Electrical equip. inc. Labor & Trans.		A				2000	-						
Line pipe, fittings <del>XXXXXX</del>													
TANK BATTERY		A	500	2		8000	-						
Stock tanks		A			1	22500	-						
G. B., settler, free water K. O. tank						3000	-						
Separator, heater treater, etc.													
Cost to install T. B.													
(Total Producer Tangibles 232437)						16000	16000						
INTANGIBLES						123750	123750						
Contract Drlg. labor (footage) MIRU - RD & MOR													
Rotary day work 45 days @ \$2750/Day						3500	1500						
Cable tool work		A				20000	20000						
Subsurface casing equipment						7700	-						
D. S. T., electric logs, etc.						8500	-						
Completion Unit 14 days						5000	-						
Acidizing, fracing													
Perforating													
Misc. company and contract labor						7500	5000						
Road building, location						15000	15000						
Cement & cementing service						9000	4000						
Cement squeeze jobs						25000	25000						
Drilling mud, chemicals						30000	30000						
Drilling bits, coreheads, reamers						5250	5250						
Mud logging unit						10000	8000						
Rental of miscellaneous equip.						5000	3000						
Company, contract hauling						5000	5000						
Water, fuel						5000	4000						
Miscellaneous incidentals						30420	26550						
Contengencies						567057	345387						
Total estimated cost - 100%				%									
Total estimate C. S.													

overhead costs.  
1793/mo  
drill used  
252/mo  
prod  
100/10  
risk factor

BEFORE EXAMINER NUTTER  
OIL CONSERVATION COMMISSION  
EXHIBIT NO. 5426  
CASE NO. 5426

*overhead costs.*  
*1793/mo*  
*dry hole*  
*252/mo*  
*prod*  
*100%*  
*risk factor*

BEFORE EXAMINER NUTTER  
 OIL CONSERVATION COMMISSION  
 EXHIBIT NO. 5472  
 CASE NO. 5472

OP 69

## DETAILED WELL ESTIMATE

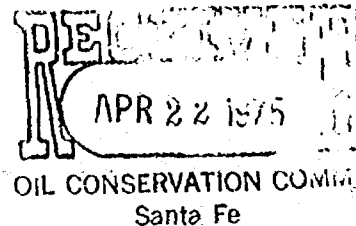
REVISED BY: MIKE DANIEL

WELL NUMBER 1 LEASE McCord "A"  
 CONTRACTOR \_\_\_\_\_ LOCATION 1980' FNL, 1980' FEL  
 DATE 5-8-75 SECTION 30-T21S-R27E  
 J. O. NO. \_\_\_\_\_ DEPTH 11650 COUNTY Eddy STATE New Mexico

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES					DUAL			
Casing								
13-3/8" 48// H-40 ST&C	A		400		7776	7776		
9-5/8" 32// H-40 ST&C	A		1415		16273	16273		
9-5/8" 36// K-55 ST&C	A		450		5648	5648		
9-5/8" 40// K-55 LT&C	A		1230		22140	22140		
5-1/2" 17// N-80 LT&C	A		9650		79990	-		
5-1/2" 20// N-80 LT&C	A		2000		19060	-		
Well head connections	A				10500	1500		
Tubing 2-7/8" 6.5// N-80 AB MOD	A		11100		38850	-		
Sucker rods								
Bottom hole pump								
Packer & Tbg Acces.	A				7500	-		
Engine or motor								
Pumping unit								
Electrical equip. inc. Labor & Trans.								
Line pipe, <del>XXXXXX</del> <del>XXXXXX</del> <del>XXXXXX</del> <del>XXXXXX</del>	A				4000	-		
TANK BATTERY								
Stock tanks	A	500	4		16000	-		
G. B., settler, free water K. O. tank								
Separator, heater treater, etc.	A		2		45000	-		
Cost to install T. B.					5000	-		
(Total Producer Tangibles = 272737)								
INTANGIBLES								
Contract <del>day</del> labor (footage) MIRU-RD & MOR					16000	16000		
Rotary day work 45 Days @ \$2750/Day					123750	123750		
Cable tool work								
Subsurface casing equipment	A				4000	1500		
D. S. T., electric logs, etc.					20000	20000		
Completion Unit 28 Days					15400	-		
Acidizing, fracturing					17000	-		
Perforating					7500	-		
Misc. company and contract labor					8500	5000		
Road building, location					15000	15000		
Cement & cementing service					10000	4000		
Cement squeeze jobs								
Drilling mud, chemicals					25000	25000		
Drilling bits, coreheads, reamers					30000	30000		
Mud logging unit					5250	5250		
Rental of miscellaneous equip.					12000	8000		
Company, contract hauling					6000	3000		
Water, fuel					5000	5000		
Miscellaneous incidentals					7000	4000		
Contingencies					33240	26550		
Total estimated cost - 100%					638377	345387		
Total estimate C. S.				%				

BEFORE THE  
OIL CONSERVATION COMMISSION OF NEW MEXICO

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



A P P L I C A T I O N

COMES NOW CITIES SERVICE OIL COMPANY and applies to the Oil Conservation Commission of New Mexico for an order pooling all mineral interests as to the Wolfcamp and Pennsylvanian formations in an undesignated pool, underlying the E/2 of Section 30, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of the right to drill and develop the above-described acreage, and proposes to drill its McCord "A" No. 1 well and an orthodox location as required for a 320-acre unit under the Commission's rules and regulations. The well will be projected to test the Wolfcamp and Pennsylvanian formations.

2. The proposed unit consists of a governmental half section consisting of approximately 319.5177 acres. All working interest owners have agreed to the drilling of said well with the exception of the following:

M. P. Grace  
Post Office Box 1418  
Carlsbad, New Mexico  
10.205 acres

DOCKET MAILED

Date \_\_\_\_\_

*for June 10<sup>th</sup>*

DOCKET MAILED

Date *5-2-75*

*James says:  
well will be  
drilled in  
NE 1/4 of Section  
4/24/75  
[Signature]*

*Pool NE for  
WC for  
E/2 Penn  
zone  
not within  
1 mi of  
S Cld  
WC  
Pool.*

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

Respectfully submitted,

CITIES SERVICE OIL COMPANY

BY

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

MGMABQA ABQ  
2-036934E127 05/07/75  
ICS IPMBNG7 CSP  
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MAY 8 - 1975

NEW MEXICO OIL CONSERVATION COMMISSION, DUPLICATE  
PO BOX 2088  
SANTA FE NM 87501

OIL CONSERVATION COMM.  
Santa Fe

THE FOLLOWING IS A COPY OF THE TELEGRAM SENT TO:

M. P. GRACE  
PO BOX 1418  
CARLSBAD NM 88220

NMOCC CASE 5476 TO BE HEARD MAY 14 1975, APPLICATION OF CITY SERVICE OIL COMPANY FOR A COMPULSORY POOLING OF ALL MINERAL INTERESTS IN THE WOLFCAMP FORMATION UNDERLYING THE NE/4 SECTION 30 TOWNSHIP 21 SOUTH RANGE 27 EAST AND THE PENNSYLVANIAN FORMATION UNDERLYING THE E/2 OF SAID SECTION 30 TO BE DEDICATED TO A PROPOSED GAS WELL TO BE DRILLED AT AN ORTHODOX LOCATION FOR BOTH FORMATIONS WAS ERRONEOUSLY FILED THE PROPOSED PRORATION UNITS ARE LOCATED IN TOWNSHIP 21 SOUTH RATHER THAN TOWNSHIP 22 SOUTH AS TRANSMITTED IN NMOCC NOTICE OF HEARING DOCKET NUMBER 11-75 PROPER IDENTIFICATION FOR COMPULSORY POOLING OF ALL MINERAL INTEREST IS WOLFCAMP FORMATION - NE/4 SECTION 30 TOWNSHIP 21 SOUTH RANGE 27 EAST; PENNSYLVANIAN FORMATION - E/2 SECTION 30 TOWNSHIP 21 SOUTH RANGE 27 EAST BOTH LOCATED IN EDDY COUNTY NEW MEXICO  
CITY SERVICE OIL CO E F MOTTER ENGINEERING MANAGER SOUTHWEST REGION

1531 EST

MGMABQA ABQ

REPLY BY MAILGRAM - SEE REVERSE SIDE FOR WESTERN UNION'S TOLL - FREE PHONE NUMBERS

Case 5476

Telegram phoned in and taken by Ida Rodriguez

To: A. L. Porter, Jr.

From: Midland, Texas - Cities Service Oil Company  
E. F. Motter, Engineering Manager - Southwest Region

"NMOCC Case 5476 to be heard May 14, 1975, application of Cities Service Oil Company for compulsory pooling of all mineral interests in the Wolfcamp formation underlying the NE/4 of Section 30, Township 21 South (she said 21, but she had to mean 22)- Range 27 East and the Pennsylvanian formation underlying the E/2 of said Section 30 should be dedicated to a proposed gas well to be drilled at an orthodox location for both formations was erroneously filed. The proposed proration units are located in Township 21 South rather than Township 22 South, as transmitted in NMOCC notice of hearing. Docket No. 11-75 proper identification for compulsory pooling of all mineral interests in the Wolfcamp formation NE/4 Section 30, Township 21 South, Range 27 East; Pennsylvanian formation - E/2 Section 30, Township 21 South, Range 27 East, both located in Eddy County, New Mexico.

/s/ Cities Service Oil Company

The following is a copy of a telegram sent to Michael P. Grace,  
P. O. Box 1418, Carlsbad, New Mexico 88220

*JSu*

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

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 14, 1975

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

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

- ALLOWABLE:
- (1) Consideration of the allowable production of gas from seventeen prorated pools in Lea, Eddy, Roosevelt and Chaves Counties, New Mexico, for June, 1975.
  - (2) Consideration of the allowable production of gas from five prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico, for June, 1975.

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

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

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

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

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

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

CASE 5471: Application of Union Texas Petroleum for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Justis Blinbry and Justis Tubb-Drinkard production in the wellbore of its Carlson "B" Wells Nos. 1 and 2 located in Unit P of Section 23 and Unit H of Section 26, respectively, Township 25 South, Range 37 East, Lea County, New Mexico.

CASE 5472: Application of Mesa Petroleum Co. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox gas well location of a well to be drilled at a point 660 feet from the North and East line of Section 6, Township 26 South, Range 33 East, Red Hills Field, Lea County, New Mexico.

CASE 5473: Application of Mesa Petroleum Co. for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Drinkard production for its West Knowles Well No. 1 located in Unit P of Section 34, Township 16 South, Range 37 East, Lea County, New Mexico, and for the promulgation of special rules therefore, including a provision for 80-acre spacing units.

CASE 5474: Application of Gulf Oil Company for two non-standard locations and the amendment of Order Nos. R-2904 and R-2909, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Central Drinkard Unit Wells Nos. 101 and 401 located, respectively, 554 feet from the North line and 766 feet from the East line, and 660 feet from the North and East lines of Section 28, Township 21 South, Range 37 East, Drinkard Pool, Lea County, New Mexico. Applicant further seeks the amendment of Order No. R-2904 which order approved the Central Drinkard Unit Agreement to provide that the vertical limits of the unitized formation shall include the entire Drinkard formation; application further seeks the amendment of Order No. R-4909 which approved the Central Drinkard Unit Waterflood Project to provide an administrative procedure for the approval of additional unorthodox well locations.

CASE 5475: Application of Mobil Oil Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Lower Siluro-Devonian formation in the open-hole interval from 12,188 feet to 12,525 feet in its Santa Fe Pacific Well No. 9, located in Unit E of Section 35, Township 9 South, Range 36 East, Crossroads Siluro-Devonian Pool, Lea County, New Mexico.

CASE 5476: Application of Cities Service Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp formation underlying the NE/4 of Section 30, Township 22 South, Range 27 East, and in the Pennsylvanian formation underlying the E/2 of said Section 30, to be dedicated to a proposed gas well to be drilled at an orthodox location for both formations. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs as well as actual operating costs and charges for supervision. Also to be considered will be the designation of the applicant as operator of the well and a charge for the risk involved in drilling said well.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TOWNSHIP 21 SOUTH, RANGE 29 EAST, NMPM

Section 6: Lots 1, 2, 7, 8, 9, 10, 15, and 16

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

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 28: S/2

Section 29: E/2

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

TOWNSHIP 16 SOUTH, RANGE 29 EAST, NMPM

Section 3: SW/4

Section 4: SE/4

Section 9: NE/4

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

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM

Section 22: E/2

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

TOWNSHIP 20 SOUTH, RANGE 23 EAST, NMPM

Section 28: W/2

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

TOWNSHIP 8 SOUTH, RANGE 32 EAST, NMPM

Section 18: SW/4

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



## OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

P. O. BOX 2088 - SANTA FE

87501

I. R. TRUJILLO  
CHAIRMAN

LAND COMMISSIONER  
PHIL R. LUCERO  
MEMBER

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

### MEMORANDUM

TO: CASE FILE 5476

FROM: WILLIAM F. CARR, GENERAL COUNSEL

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

May 15, 1975

dr/

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. 5476

Order No. R-5052

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

*Contd to June 11  
and read.*

*[Signature]*

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 11, 19 75  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this    day of May, 1975, the Commission,  
a quorum being present, having considered the testimony, the record,  
and the recommendations of the Examiner, and being fully advised  
in the premises,

FINDS:

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

(2) That the applicant, Cities Service Oil Company,  
seeks an order pooling all mineral interests in the  
Wolfcamp formation    underlying the SE/4  
of Section 30, Township 22 South, Range 27 East, 30,  
and in the Pennsylvanian formation underlying the E/2 of said Section  
Eddy County, New  
Mexico.

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

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 100% 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 <sup>1793.00</sup>~~\$1550.00~~ per month should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling, ~~and that \$242.00 per month should be fixed~~

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

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before September 15, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp formation underlying the <sup>SE/4</sup>~~NE/4~~ of Section 30, Township <sup>21</sup>~~22~~ South, Range 27 East <sup>E/2 of said Section 30</sup> and in the Pennsylvanian formation underlying the Eddy County, New Mexico, are hereby pooled to form a standard 160 - <sup>Wolfcamp</sup> acre gas spacing <sup>and a standard 320-acre Pennsylvanian gas spacing and proration unit</sup> to be dedicated to a well to be drilled at an orthodox location for both formations.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of September, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Wolfcamp and Pennsylvanian formations.

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of September, 1975, Order (1) of this order shall be null and void and of no effect whatsoever;

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

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

(3) That after the effective date of this order and <sup>within</sup> ~~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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(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.