

CASE 4643: Application of CITIES
SERVICE FOR COMPULSORY POOLING
& UNORTHODOX GAS WELL LOCATION.

Case Number

4643

Application

Transcripts

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
January 5, 1972

EXAMINER HEARING

IN THE MATTER OF:

Application of Cities Service Oil) Case 4643
Company for compulsory pooling and)
unorthodox gas well location,)
Eddy County, New Mexico.)

BEFORE: Daniel S. Nutter,
Alternate Examiner.

TRANSCRIPT OF HEARING

1 MR. NUTTER: We will go to Case 4643.

2 MR. HATCH: Case 4643, Application of Cities Service
3 for an unorthodox location in Eddy County, New Mexico.

4 MR. KELLAHIN: Jason Kellahin, Kellahin & Fox, Santa
5 Fe, appearing for the Applicant.

6 We would have one witness that I would like to have sworn.

7 RONNIE G. WARD

8 a witness, having been first duly sworn according to law, upon
9 his oath, testified as follows:

10 DIRECT EXAMINATION

11 BY MR. KELLAHIN

12 Q Would you state your name, please?

13 A Ronnie Ward.

14 Q By whom are you employed and in what position, Mr. Ward?

15 A Cities Service Oil Company, Land Man.

16 Q Where are you located?

17 A Midland, Texas.

18 Q In connection with your duties as a land man do you have
19 anything to do with Eddy County area?

20 A Yes, sir.

21 Q Land acquisition?

22 A Yes.

23 Q And leasing?

24 A Yes, sir.

25 Q Did you have anything to do with the efforts to put together

1 a standard proration unit covered by the area involved in
2 Case 4643?

3 A Yes, sir.

4 Q Did you personally make the efforts to obtain leases on the
5 unleased acreage involved here?

6 A Yes.

7 Q Now, referring to what has been marked as Applicant's
8 Exhibit No. 1, would you identify that exhibit, please?

9 A This is the north half, in the green outline, of Section 19,
10 Range 27 East, which we hope to be in a proration unit for
11 the drilling of our No. 1 Merland C well.

12 The acreage colored in yellow is the acreage we have
13 leased, an acreage not colored is in the acreage that we
14 have been unable to lease.

15 Q The proposed unit is outlined in green; is that correct?

16 A Yes, sir.

17 Q Now, turning to the acreage which is shown in white within
18 the unit area, proration unit area, can you tell us just
19 what the situation is as to that acreage?

20 A Up to the north end of the unit, being lots 11, 12, and 13,
21 block L of the Hemer sub-division, these tracts were owned
22 by Mr. C. L. Thacker.

23 They went back to the state by tax deed for delinquent
24 taxes.

25 I have contacted several people in the Land Office in

1 Santa Fe.

2 They are unable to tell me exactly how to go about
3 leasing this land.'

4 They said that the state could not lease it because
5 the prior owner still had the right to come back in and
6 re-claim his right to the land.

7 I do have a letter from the tax department.

8 Q Is the property appraisal department, would that be it, in
9 Santa Fe?

10 A No, it was from Carlsbad, the tax assessor in Carlsbad,
11 notifying Mr. Thacker if he did not respond to this letter
12 within 30 days they would think he was not interested
13 any more and would put it up at a tax sale in January or
14 February of 1972 as for the acreage just south there, being
15 Lots 2 and 8, Block 2, Lots 3, 4, 5, 6, 7, 8 and 9, Block 1.

16 Q And 10?

17 A And 10, I am sorry. These lots are owned by Mr. John J.
18 Elliot of Bloomfield, New Mexico, and I have copies of
19 numerous correspondence and notes about telephone
20 conversations with Mr. Elliot, and he just simply advised
21 me he is trying to sell all of these lots, and he is
22 afraid that an oil and gas lease might hamper his ability
23 to sell.

24 As for the remaining partially colored lots, it is
25 marked O, E. Sumner.

1 It is actually Ralph Holcomb lives in Carlsbad. I
2 have been unable to contact him at his house, and I have
3 three or four letters that I have not received from him.

4 Mr. O. B. Upton lives somewhere in Arizona.

5 The only address I could find at the tax office was
6 his old address here in Carlsbad, and I presume, since I
7 have not received any of the letters back, that the letters
8 are being forwarded to him.

9 The tract in the F. Collier is now owned by Virgil
10 Collier. I have copies of correspondence which he has,
11 two copies of correspondence that were not returned, and
12 the last letter I wrote to Mr. Collier was returned saying
13 he had moved and that they did not know his new address.

14 Q What did he say in the first two letters?

15 A I didn't hear from him. I just have copies of the letters.
16 I wrote to him. He did not answer.

17 MR. NUTTER: So you have had no contact with him at
18 all?

19 THE WITNESS: No.

20 Q (By Mr. Kellahin) The last letter was returned and he had
21 moved, so you couldn't contact him?

22 A Yes, sir.

23 The other tract is a half interest in two acres owned
24 by Mr. Tony Hernandez, who resides in Carlsbad.

25 And when I first talked to him he didn't want a lease

1 because they were building a new Gibson Store in Carlsbad.
2 He was in hope Gibson's would build their new store on this
3 property.

4 I made several--I did contact him two or three times,
5 and he just put me off and said he wanted to wait and see
6 what Gibson was going to do.

7 Then after Gibson's built their store in the other
8 location I went back to him, I had written him two letters
9 since, and I have had no response whatsoever.

10 Q Is Cities Service willing to lease unleased acreage on the
11 same basis as they leased other acreage in the unit?

12 A Yes, sir.

13 Q You would still do that if the leases were available?

14 A Yes.

15 Q Would you be willing to have the owners join you in their
16 proportionate cost of drilling the well?

17 A Yes.

18 Q If they were willing to do so?

19 A Yes.

20 Q Now, turning to what has been marked as Exhibit No. 2, would
21 you identify that exhibit, please?

22 A This is a larger plat showing the location of the unorthodox
23 location which was prepared by John West, a certified
24 surveyor in the State of New Mexico.

25 We are on the very south edge of town with this

1 location.. We are in the city limits.

2 Q The town of Carlsbad?

3 A Yes. This exhibit No. 2 shows the distance in feet, for
4 example, from the Holiday Inn to the southwest, to the
5 nearest occupied house to the northeast, and I guess it
6 would be the house due south, which is used as a barn and
7 a tractor shed, and to the best of my knowledge, there is
8 no one living in this house.

9 Q That is the distance from your proposed well location; is
10 that correct?

11 A Yes, sir.

12 Q That is the location of those buildings and the highway,
13 and the reason you are applying for an unorthodox well
14 location?

15 A Yes.

16 Q Where would an orthodox well location fall; is that shown
17 on the map?

18 A No, it is not. It would be across this Highway No. 62 and
19 180, and would fall within about 20' of the highway right
20 of way to the west.

21 MR. NUTTER: Mr. Ward, you have indicated this Humble
22 station up here on this large exhibit?

23 THE WITNESS: Yes.

24 Q (By Mr. Kellahin) Now, referring to the yellow exhibit, so we
25 can get a better picture of where that would be, it would

1 be on the highway, right about at the corner of the
2 Hamilton Street and the highway, right?

3 A Right. It says vacant buildings. This Humble station has
4 been abandoned.

5 Q You could drill another quarter section, could you not?

6 A Yes.

7 Q What is your reason for wishing to drill at the unorthodox
8 well location?

9 A In our Merlin No. 1A well we got a slight show in pay
10 formation in drilling our Merlin No. 1C. We would like to
11 test the pay formation. Our geologists feel that the
12 location to the east would be preferable to test this
13 formation.

14 Q Where is your Merlin No. 1A?

15 A It is south of ours. It is in the south half of Section 19.

16 Q That is the only well in the pay and offsetting your
17 proposed unit and well location?

18 A Yes.

19 Q What is the situation to the east?

20 A Two sections over there, the Moresant well is drilling a
21 well in Section 21. There are no wells in Section 20.

22 Q On the acreage immediately offsetting your proposed location
23 to the east --

24 A Portion of it. There is, I believe, five or six unleased
25 shale tracts, and Union Oil of California has 20 acres.

1 Q But, you want to drill on the eastern location for
2 structural reasons?

3 A Yes, sir.

4 Q And you have to have an orthodox location because of the
5 location of the buildings and the highway?

6 A Yes, sir.

7 Q Is that correct?

8 A Yes.

9 Q Now, in the Application under our statutes, under our
10 statute, a provision is made for an operator in the forced
11 pooling case to have a provision for recovering his costs
12 of drilling, equipping, and operating the well, including
13 the cost of supervision, and for an appropriate risk factor.

14 Do you have any estimate on the cost of drilling this
15 well?

16 A In relation to other wells in this area, we would say
17 \$338,400.00.

18 Q And what about equipment and operating the well on a gas--?

19 A On a gas well we feel that \$160.00 a month would be the
20 operating expense, and the pay out time would be approxi-
21 mately three years.

22 Q Does that include a cost for supervision or administrative
23 cost; does your figure you have given include an adminis-
24 trative overhead?

25 A Yes.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS
209 SIMMS BLDG., P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO 87108
FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

- 1 Q That is your total costs?
- 2 A Yes.
- 3 Q That would be \$160.00?
- 4 A \$160.00 per month.
- 5 Q Plus what the well cost?
- 6 A \$338,400.00.
- 7 Q That includes equipping it for production?
- 8 A Yes.
- 9 Q You say you have a pay out in about three years?
- 10 A Yes.
- 11 Q What kind of risk factor do you feel would be appropriate for a well drilled in this Pool?
- 12 A We feel that a risk factor of perhaps 10 per cent per year for three years, or 30 per cent risk factor.
- 13 Q So you would ask for a recovery of 130 per cent of your costs of drilling and equipping the well?
- 14 A Yes, sir.
- 15 Q Were Exhibits 1 and 2 prepared by you or under your supervision?
- 16 A Exhibit 1 was. Exhibit 2 was prepared by John W. West.
- 17 Q In your opinion, does it accurately reflect the location of various structures and features shown on it?
- 18 A Yes, it does.
- 19 MR. KELLAHIN: At this time I would like to offer in evidence Exhibits 1 and 2.
- 20
- 21
- 22
- 23
- 24
- 25

1 MR. NUTTER: Applicant's Exhibits 1 and 2 will be
2 admitted in evidence.

3 CROSS-EXAMINATION

4 BY MR. NUTTER

5 Q Mr. Ward, again, we want to confirm these figures that you
6 gave us.

7 What did you estimate your cost to drill and equip to
8 be?

9 A \$338,400.00.

10 Q \$338,400.00?

11 A Right.

12 Q Was that based on what, Mr. Ward, other wells that you have
13 drilled in this area?

14 A Yes, sir, Cities Service has drilled four other wells in
15 this area.

16 Q Now, your \$160.00 a month operating cost, is that what you
17 have experienced as a typical operating cost for these
18 wells in this area?

19 A Yes, sir, we have only one well on production now. We
20 hired a pumper on the gauger in Carlsbad area. That is
21 what it is costing us.

22 Q When you have more than one well you get your cost per well
23 down, wouldn't you?

24 A Well--

25 Q If you hire him to take care of two wells he will give you

1 a lower rate per well?

2 A Right.

3 Q It would appear to be \$160.00, maybe a little higher than
4 what we have been experiencing in similar cases for gas
5 wells, but that is what it has been costing you for your
6 well?

7 A Right, well, operating cost is \$100.00, and overhead expense
8 is \$60.00 a month. That is the way it was broken down.

9 Q In other words, \$60.00 would be--that is your overhead cost?

10 A Yes.

11 Q The \$100.00 would be actual chargeable well costs?

12 A Yes.

13 Q But the \$60.00 would be overhead that you can't directly
14 attribute to the well?

15 A Yes, sir.

16 Q Now, I understood you to say that Mr. Hernandez had a 1/2
17 interest in two acres?

18 A Yes, sir.

19 Q That little triangle is a two acre tract?

20 A Yes.

21 Q How about the other half interest owner that appears to be
22 Strickland or someone by that name?

23 A Yes, Mattie Strickland. We have a lease from Mattie Strick-
24 land on the remaining half interest.

25 Q So you have half of these triangle leased and half unleased

1 then?

2 A Right. I wish I had brought my titles.

3 We have a lease from her.

4 Q I see.

5 A These four other leases that are partially colored, these
6 people earn a half interest in their proportionate lots,
7 some being 0.2.

8 Q So, the only thing outstanding on the tract would be this
9 1/2 undivided interest here?

10 A Yes.

11 Q I missed your comment on the lot owned by Sumner. What is
12 the problem with him?

13 A Mr. Holcomb sold the lot to Mr. Sumner.

14 Mr. Sumner let it go back. He was paying it on a
15 contract of sale. Mr. Holcomb is actually the record owner.

16 Q How do you spell his name?

17 A H-o-l-c-o-m-b, Ralph Holcomb.

18 Q He is the actual owner?

19 A Yes, sir.

20 Q Have you tried to contact him?

21 A Yes.

22 Q What does he say?

23 A I never had a reply from him.

24 Q Does he receive your letters?

25 A They have never come back to me, so I have to assume that

1 he has.

2 Q He has also an undivided 1/2 interest?

3 A Yes.

4 Q And you have a 1/2 interest?

5 A Yes.

6 Q Isn't that the case on the other acreage, Upjohn?

7 A Upton, O. V. Upton, yes, and also Virgil Collier.

8 Q You have a half interest leased?

9 A Right.

10 Q How about the Elliot's, do you have half of them leased, too?

11 A No, sir. It is a full interest. He owned a full interest

12 under his, as does Mr. Thacker just to the north of him.

13 Q Okay. Are there any further questions of Mr. Ward?

14 You may be excused.

15 Do you have anything further, Mr. Kellahin?

16 MR. KELLAHIN: That is all.

17 MR. NUTTER: Does anybody have anything they wish to

18 offer in Case 4643?

19 We will take the case under advisement and call 4642.

20

21

22

23

24

25

dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS
209 SIMMS BLDG., P.O. BOX 1092, ALBUQUERQUE, NEW MEXICO 87103
FIRST NATIONAL BANK BLDG. EAST, ALBUQUERQUE, NEW MEXICO 87108


PAGE 16

1 STATE OF NEW MEXICO)
2) SS.
3 COUNTY OF BERNALILLO)

4 I, RICHARD STURGES, a Certified Shorthand Reporter, in and
5 for the County of Bernalillo, State of New Mexico, do hereby
6 certify that the foregoing and attached Transcript of Hearing
7 before the New Mexico Oil Conservation Commission was reported
8 by me; and that the same is a true and correct record of the
9 said proceedings to the best of my knowledge, skill and ability.

10 
11 CERTIFIED SHORTHAND REPORTER

12
13
14
15
16
17
18
19
20
21 I do hereby certify that the foregoing is
22 a complete record of the proceedings in
23 the hearing of Case No. 4643
24 heard by me on 1/5, 1972.

25 
New Mexico Oil Conservation Commission

dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS
209 SIMMS BLDG., P.O. BOX 1092 • PHONE 243-8691 • ALBUQUERQUE, NEW MEXICO 87103
FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

PAGE 17

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

WITNESS

PAGE

RONNIE G. WARD

Direct Examination by Mr. Kellahin

3

Cross-Examination by Mr. Nutter

12

E X H I B I T S

APPLICANT'S

MARKED

OFFERED AND
ADMITTED

Exhibit No. 1

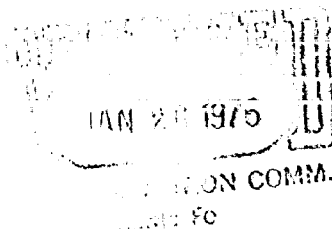
4

11

Exhibit No. 2

7

11



CITIES SERVICE OIL COMPANY

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

January 23, 1976

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

Attention: Mr. R. L. Stamets

Gentlemen:

Attached for your files is a copy of Cities' letter giving actual costs on the Merland-C No. 1, Eddy County, New Mexico which you requested by phone January 23, 1976.

If any other information is desired, please advise.

Very truly yours,

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

EFM:mfg

Enc.

CITIES SERVICE OIL COMPANY



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

August 29, 1973

Case 46432 4861

New Mexico Oil Conservation Commission
P. O. Box 1864
Santa Fe, New Mexico 87501

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

Gentlemen:

Attached, as requested by New Mexico Oil Conservation Commission Orders R-4239 and R-4239-A, is an estimated schedule of actual well costs for the drilling and completion of the Cities Service Oil Company Merland-C No. 1, 1980' from North Line and 1980' from West Line, Section 19, T-21-S, R-27-E, NNPM, Eddy County, New Mexico, for a total cost of \$353,778. Estimated well costs submitted to the New Mexico Oil Conservation Commission at the hearing on November 14, 1972 were \$338,442.

Delivery of gas from this well commenced on August 13, 1973.

All Working Interest Owners shown on the attached list are being furnished a copy of this letter and itemized well costs.

Very truly yours,

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

EFM:mfg

Enc.

UP 69

DETAILED WELL ESTIMATE

WELL NUMBER 1 LEASE Merland-C #1
 CONTRACTOR _____ LOCATION 1980' FNL and 1980' FNL
 DATE October 4, 1972 SECTION 19-22S-27E
 J. O. NO. _____ DEPTH 11,900' COUNTY Eddy STATE New Mexico
 Morrow Test

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing								
H-40 ST&C	A	8-3/8	350	48	2,380	2,380		2,846
K-55 ST&C	A	9-5/8	33,160	36	17,380	17,380		18,169
K-55 ST&C	A	9-5/8	1,200	40	7,332	7,332		7,658
N-80 LT&C	A	9-5/8	970	40	6,111	6,111		7,747
N-80 LT&C	A	5-1/2	29,900	17	33,264			35,818
N-80 LT&C	A	5-1/2	22,000	20	7,900			8,505
Well head connections					7,500			11,623
Tubing N-80 Non-Upset, Imp Buttress	A	2-3/8	11,900	4.6	15,470			18,840
Sucker rods								
Bottom hole pump								
Packers					2,000			1,707
Engine or motor								
Pumping unit								
Electrical equip. inc. Labor & Trans.								
Line pipe, fittings inc. Labor & Trans.								1,109
TANK BATTERY								
Stock tanks	A	500	2		3,000			2,364
G. B., settler, free water K. O. tank								
Separator, heater treater, etc.					8,000			8,000
Cost to install T. B.					2,000			2,000
INTANGIBLES								
Contract Drlg. labor (footage) \$8.95/Ft.					106,505	106,505		108,513
Rotary day work					13,500	10,000		8,456
Cost of tool work Comp. Unit								4,231
Subsurface casing equipment					4,000	2,000		
D. S. T., electric logs, etc.					14,200	14,200		19,745
Acidizing, fracing					10,000			4,468
Perforating					3,600			4,874
Misc. company and contract labor					5,000	2,000		14,189
Road building, location					3,500	3,500		4,555
Cement & cementing service					16,700	11,000		17,768
Cement squeeze jobs								
Drilling mud, chemicals					18,500	18,500		22,235
Drilling bits, coreheads, reamers								
Mud logging unit					1,600	1,600		2,493
Rental of miscellaneous equip.					5,000	5,000		8,333
Company, contract hauling					6,000	3,000		5,281
Water, fuel					8,000	8,000		
Miscellaneous incidentals					10,000	5,000		2,273
Total estimated cost - 100%					338,442	223,008		353,778
Total estimate C. S. 98.60841 %					333,732	219,904		318,855

WORKING INTEREST OWNERS - MERLAND-C NO. 1

	<u>%</u>
Cities Service Oil Company	98.50844
Antonio Hernandez *	
1135 Tracy Place	.31250
Carlsbad, New Mexico 88220	
Orbie Upton *	
204 "L" Street	.07656
Carlsbad, New Mexico 88220	
Zenaida Rey Navarrette *	
229 Alcarar, N.E.	.06500
Albuquerque, New Mexico 87501	
Property Appraisal Department *	
Bataan Memorial Building	.93750
Santa Fe, New Mexico 87501	
	<u>100.00000</u>

* Have not signed Operating Agreement.

8-29-73

bcc: Mr. Jason Kellahin
P. O. Box 1769
Santa Fe, New Mexico 87501

Mr. C. R. Mitchell



CITIES SERVICE OIL COMPANY

RECEIVED
FEB-4 1972

OIL CONSERVATION COMM.
SANTA FE

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

February 3, 1972

State of New Mexico Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

*file
Case 4643*

Subject: Case No. 4643,
Order No. R-4239.

Gentlemen:

As set out in Paragraph 3 of Page 3 of the above mentioned Order, Cities Service is required to furnish you with the attached copies of the itemized schedule of estimated well costs.

If we can be of further assistance, please advise.

Yours truly,

CITIES SERVICE OIL COMPANY

Ronnie G. Ward

Ronnie G. Ward
Landman

RGW:vp

Attachment

OF 62

DETAILED WELL ESTIMATE

RECEIVED

WELL NUMBER 1 LEASE Merland "C" #1
 CONTRACTOR 2173' FNL & 1200 FFL of NE Quarter
 DATE 19-223-27E SECTION Oil COUNTY Eddy
 J. O. NO. Morrow Test DEPTH 11,900' CONSERVATION COMM. 1978
STATA New Mexico

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing								
H-40 ST&C	A	13-3/8	350	48	2380			
K-55 ST&C	A	9-5/8	3160	36	17380			
K-55 ST&C	A	9-5/8	1200	40	7332			
N-80 LT&C	A	9-5/8	970	40	6111			
N-80 LT&C	A	5-1/2	9900	17	33264			
N-80 LT&C	A	5-1/2	2000	20	7900			
Well head connections					7500			
Tubing N-80, Non-Upset, Imp Buttress	A	2-3/8	11900	4.6	15470			
Sucker rods								
Bottom hole pump								
Packers					2000			
Engine or motor								
Pumping unit								
Electrical equip. inc. Labor & Trans.								
Line pipe, fittings inc. Labor & Trans.								
TANK BATTERY								
Stock tanks	A	500	2		3000			
G. B., settler, free water K. O. tank								
Separator, heater treater, etc.					8000			
Cost to install T. B.					2000			
INTANGIBLES								
Contract Drig. labor (footage) @\$8.95/ft.					106505			
Rotary day work					13500			
Cable tool work								
Subsurface casing equipment					4000			
D. S. T. electric logs, etc.					14200			
Acidizing, fracturing					10000			
Perforating					3600			
Misc. company and contract labor					5000			
Road building, etc.					3500			
Cement & cementing service					16700			
Cement squeeze jobs								
Drilling mud, chemicals					18500			
Drilling bits, coreheads, reamers								
Mud logging unit					1600			
Rental of miscellaneous equip.					5000			
Company, contract hauling					6000			
Water, fuel					8000			
Miscellaneous incidentals					10000			
Total estimated cost - 100%					338,142			
Total estimate G. S.								



OIL CONSERVATION COMMISSION

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

**GOVERNOR
BRUCE KING
CHAIRMAN**

**LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER**

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

January 12, 1972

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

Re: Case No. 4643
Order No. R-4239
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.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

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. 4643
Order No. R-4239

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

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 5, 1972, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 12th day of January, 1972, 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 South Carlsbad-Morrow Gas Pool underlying the N/2 of Section 19, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico, said acreage to be dedicated to a well to be drilled at an unorthodox gas well location 2173 feet from the North line and 1200 feet from the East line of said Section 19.

(3) That the applicant has the right to drill and proposes to drill a well at said location in the N/2 of said Section 19 to the South Carlsbad-Morrow Gas Pool.

-2-

CASE NO. 4643

Order No. R-4239

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

(5) That the proposed location, within a populated area, has been chosen because it provides the maximum feasible distance from homes, buildings, and highways and should be approved to prevent waste and protect correlative rights.

(6) 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, all mineral interests, whatever they may be, in the South Carlsbad-Morrow Gas Pool underlying the N/2 of said Section 19, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico, should be pooled to form a 320-acre gas proration unit to be dedicated to a well to be drilled at an unorthodox gas well location 2173 feet from the North line and 1200 feet from the East line of said Section 19.

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

(8) 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.

(9) 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 30% thereof as a reasonable charge for the risk involved in the drilling of the well.

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

(11) 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.

-3-

CASE NO. 4643

Order No. R-4239

(12) That \$60.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) for the subject well; 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 is hereby 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.

(13) 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 South Carlsbad-Morrow Gas Pool underlying the N/2 of Section 19, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a 320-acre gas proration unit to be dedicated to a well to be drilled at an unorthodox gas well location 2173 feet from the North line and 1200 feet from the East line of said Section 19.

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

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

(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.

-4-

CASE NO. 4643

Order No. R-4239

(5) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs within 30 days following completion of the well; that if no objection to the actual well costs are received by the Commission, and the Commission has not objected within 60 days following completion of the well, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 30 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, 30% 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 \$60.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) for the subject well; that the operator is hereby authorized to withhold from

-5-

CASE NO. 4643

Order No. R-4239

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 the subject 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


BRUCE KING, Chairman


ALEX J. ARMILLO, Member


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


S E A L

dr/



Leo

CITIES SERVICE OIL COMPANY **RECEIVED**

FEB 25 1972

OIL CONSERVATION COMM.
SANTA FE

800 Vaughn Building
Midland, Texas 79701
Telephone: 915 684-7131
February 24, 1972

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

Re: Case No. 4643, Order No. R-4238
Eddy County, New Mexico

Gentlemen:

In reference to the above mentioned Case No. and Order No., I would like to advise you of the following as set out in Paragraph 3, Page 3. I have furnished the Commission and each known Working Interest Owner in the subject unit an itemized schedule of the estimated well cost.

With each letter to the Working Interest owners I furnished ballots listing three alternatives that they had. I am attaching copies of these ballots along with the return receipts showing that each received their letter by certified mail. As you will note, Letters 1, 2 and 3 accepted my last lease offer. Letter No. 4 indicated he wanted to go non consent. I have had no reply from the Working Interest Owner on Letter No. 5.

One of the land owners on Letter No. 5 is Mrs. Navarette. At the time of the hearing, I was under the impression that we already had her property leased, but through further checking I found that we did not and within the first thirty-day period of the order I mailed her the same information that I had mailed the others. There is a possibility that I may hear from her next week.

As for the three acres, being Lots 11, 12 and 13, Block L, Hemler Subdivision, I have done nothing inasmuch as title is vested in the State of New Mexico. As I stated at the time of the hearing, authorities of the State advised me that they could not lease the property until such time as the redemption period for the taxes had been concluded. Since these three acres lie on the North edge of the proposed unit, it may be necessary to have an unorthodox sized unit and cut these three acres out.

This correspondence is for your information and if we may be of further assistance, please advise.

Yours truly,

CITIES SERVICE OIL COMPANY

Ronnie G. Ward
Landman

RGW:db
Attachments

PLEASE FURNISH SERVICES INDICATED BY CHECKED BLOCK(S).
REQUIRED FEE(S) PAID.

☒ Show to whom, date and address
where delivered

☐ Deliver ONLY
to addressee

RECEIPT

Received the numbered article described below.

REGISTERED NO.

SERIALIZED NO.

113136

WEIGHT NO.

DATE DELIVERED

JAN 26 1972

SIGNATURE OR NAME OF ADDRESSEE (Must always be filled in)

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

SHOW WHERE DELIVERED (only if requested)

46-20-71340-11 247-100 GPO

Letter #1

~~Noted by Mr. Ward~~
RALPH HOLCOMB

RECEIVED

FEB 25 1972

OIL CONSERVATION COMM.
SANTA FE

Cities Service Oil Company
800 Vaughn Building
Midland, Texas 79701

Attention: Mr. Ronnie G. Ward

Gentlemen:

I desire to:

- (A) I accept your last lease offer.
- (B) I prefer to participate and pay my share of cost.
- (C) I prefer to go non consent and let operator recover 130% of drilling cost.

Please circle your choice.

PLEASE FURNISH SERVICE(S) INDICATED BY CHECK BLOCK(S).	
<input type="checkbox"/> Show to whom, date and address where delivered	<input type="checkbox"/> Deliver ONLY to addressee
RECEIPT	
Received the numbered article described below.	
REGISTERED NO.	SIGNATURE OR NAME OF ADDRESSEE (Must always be filled in)
CERTIFIED NO.	<i>Vincent Pollina</i>
113137	SIGNATURE OF ADDRESSEE'S AGENT, IF ANY
INSURED NO.	<i>John M...</i>
DATE DELIVERED	SHOW WHERE DELIVERED (only if requested)
JAN 27 1972	
GSA-16-71848-11 247-293 GPO	

Letter #2

Cities Service Oil Company
800 Vaughn Building
Midland, Texas 79701

Attention: Mr. Ronnie G. Ward

Gentlemen:

I desire to:

- ☒ (A) I accept your last lease offer.
- ☐ (B) I prefer to participate and pay my share of cost.
- ☐ (C) I prefer to go non consent and let operator recover 130% of drilling cost.

Please circle your choice.

Mr. George Moore

PLEASE FURNISH SERVICE(S) INDICATED BY CHECKED BLOCK(S).
REQUIRED FEE(S) PAID.

☐ Show to whom, date and address
where delivered

☐ Deliver ONLY
to addressee

RECEIPT

Received the numbered article described below.

REGISTERED NO.

SIGNATURE OR NAME OF ADDRESSEE (Must always be filed in)

CERTIFIED NO.

113138

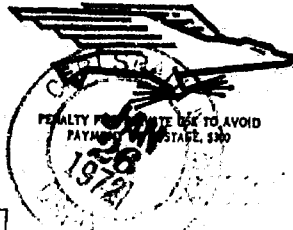
SECURED NO.

DATE DELIVERED

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

SHOW WHERE DELIVERED (only if requested)

POST OFFICE DEPARTMENT
OFFICIAL BUSINESS



POSTMARK OF DELIVERING OFFICE

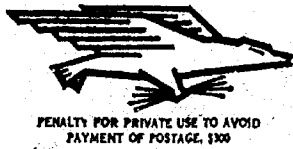
Print your name and address below. If you want to restrict delivery, or to have the address of delivery shown on this receipt, check block(s) on other side. Moisten gummed ends and attach this card to back of article.

RETURN
TO

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

POD Form 3811 Apr. 1969 CS-16-71548-11

POST OFFICE DEPARTMENT
OFFICIAL BUSINESS



POSTMARK OF DELIVERING OFFICE

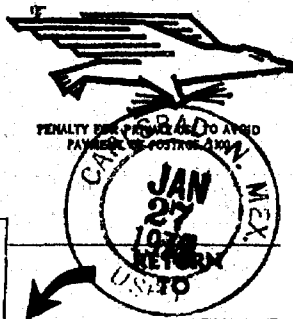
Print your name and address below. If you want to restrict delivery, or to have the address of delivery shown on this receipt, check block(s) on other side. Moisten gummed ends and attach this card to back of article.

RETURN
TO

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

POD Form 3811 Apr. 1969 CS-16-71548-11

POST OFFICE DEPARTMENT
OFFICIAL BUSINESS



POSTMARK OF DELIVERING OFFICE

Print your name and address below. If you want to restrict delivery, or to have the address of delivery shown on this receipt, check block(s) on other side. Moisten gummed ends and attach this card to back of article.

RETURN
TO

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

POD Form 3811 Apr. 1969 CS-16-71548-11

Letter # 3

John J. Elliott

Cities Service Oil Company
800 Vaughn Building
Midland, Texas 79701

Attention: Mr. Ronnie G. Ward

Gentlemen:

I desire to:

- (A) I accept your last lease offer.
- (B) I prefer to participate and pay my share of cost.
- (C) I prefer to go non consent and let operator recover 130% of drilling cost.

Please circle your choice.

PLEASE FURNISH SERVICE(S) INDICATED BY CHECKED BLOCK(S).
REQUIRED FEE(S) PAID.

☐ Show to whom, date and address
where delivered

☐ Deliver ONLY
to addressee

RECEIPT

Received the numbered article described below.

REGISTERED NO.

SIGNATURE OR NAME OF ADDRESSEE (Must always be filled in)

CERTIFIED NO.

113139

INSURED NO.

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

DATE DELIVERED

SHOW WHERE DELIVERED (only if requested)

JAN 27 1972

65-10-7500-15 5-5-100 GPO

POST OFFICE DEPARTMENT
OFFICIAL BUSINESS



POSTMARK OF DELIVERING OFFICE

Print your name and address below. If you want to
restrict delivery, or to have the address of delivery
shown on this receipt, check block(s) on other side.
Moisten gummed ends and attach this card to back of
article.

RETURN
TO

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

Post Form 3811, Apr. 1969

Letter # 4

Re: Antonio J. Hernandez Land
All that part of the S/3 of the NW/4 NE/4 and
the N/3 of the SW/4 NE/4 Section 19, T-22-S,
R-27-E, lying SE of the Carlsbad Cavern Highway
62 & 180 Eddy County, New Mexico

Cities Service Oil Company
800 Vaughn Building
Midland, Texas 79701

Attention: Mr. Ronnie G. Ward

Gentlemen:

I desire to:

- (A) I accept your last lease offer.
- (B) I prefer to participate and pay my share of cost.
- (C) I prefer to go non consent and let operator recover 130% of drilling cost.

Please circle your choice.

Antonio J. Hernandez

POST OFFICE DEPARTMENT
OFFICIAL BUSINESS



PENALTY FOR PRIVATE USE TO AVOID
PAYMENT OF POSTAGE, \$300

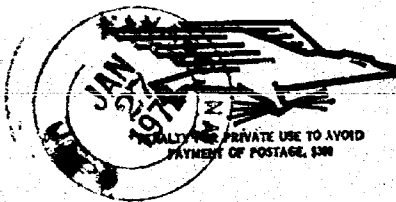
POSTMARK OF DELIVERING OFFICE

Print your name and address below. If you want to
restrict delivery, or to have the address of delivery
shown on this receipt, check block(s) on other side.
Moisten gummed ends and attach this card to back of
article.

RETURN
TO

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

POST OFFICE DEPARTMENT
OFFICIAL BUSINESS



PENALTY FOR PRIVATE USE TO AVOID
PAYMENT OF POSTAGE, \$300

POSTMARK OF DELIVERING OFFICE

Print your name and address below. If you want to
restrict delivery, or to have the address of delivery
shown on this receipt, check block(s) on other side.
Moisten gummed ends and attach this card to back of
article.

RETURN
TO

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

PLEASE FURNISH SERVICE(S) INDICATED BY CHECKED BLOCK(S).
REQUIRED FEE(S) PAID.

☐ Show to whom, date and address where delivered ☐ Deliver ONLY to addressee

RECEIPT

Received the numbered article described below.

REGISTERED NO.	1 2 3	SIGNATURE OR NAME OF ADDRESSEE (Must always be filled in)
CERTIFIED NO. 816665		SIGNATURE OF ADDRESSEE'S AGENT, IF ANY
INSURED NO.		
DATE DELIVERED 2-18-72		SHOW WHERE DELIVERED (only if requested)

405-16-71840-11 347-105 GPO

PLEASE FURNISH SERVICE(S) INDICATED BY CHECKED BLOCK(S).
REQUIRED FEE(S) PAID.

☐ Show to whom, date and address where delivered ☐ Deliver ONLY to addressee

RECEIPT

Received the numbered article described below.

REGISTERED NO.	1 2 3	SIGNATURE OR NAME OF ADDRESSEE (Must always be filled in)
CERTIFIED NO. 113135		SIGNATURE OF ADDRESSEE'S AGENT, IF ANY
INSURED NO.		
DATE DELIVERED JAN 27 1972		SHOW WHERE DELIVERED (only if requested)

405-16-71840-11 347-105 GPO

Letter #5

Cities Service Oil Company
800 Vaughn Building
Midland, Texas 79701

Attention: Mr. Ronnie G. Ward

Gentlemen:

I desire to:

- (A) I accept your last lease offer.
- (B) I prefer to participate and pay my share of cost.
- (C) I prefer to go non consent and let operator recover 130% of drilling cost.

Please circle your choice.

Docket No. 1-72

DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 5, 1972

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 Elvis A. Utz, Alternate Examiner:

CASE 4621: (Continued from the November 10, 1971 Examiner Hearing)

Application of Jack L. McClellan for a dual completion, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of his Bar-J Federal Well No. 1 located in Unit E of Section 15, Township 5 South, Range 27 East, Chaves County, New Mexico, in such a manner as to produce oil from an undesignated Siluro-Devonian pool through tubing and gas from the Haystack-Cisco Gas Pool through the casing-tubing annulus.

CASE 4609: (Continued from the November 17, 1971 Examiner Hearing)

Application of Jack L. McClellan for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Sulimar-Queen Unit Area comprising 1520 acres, more or less, of Federal lands in Sections 13, 23, 24, 25, and 26 of Township 15 South, Range 29 East, and Sections 18 and 19 of Township 15 South, Range 30 East, Chaves County, New Mexico.

CASE 4482: (Reopened):

In the matter of Case 4482 being reopened pursuant to the provisions of Order No. R-4093, which order established 160-acre spacing units and established a maximum gas-oil ratio limitation of 3,000 cubic feet of gas for each barrel of oil produced for the Parkway-Strawn Pool, Eddy County, New Mexico. All interested parties may appear and show cause why said pool should not be developed on 40-acre or 80-acre spacing units and why the limiting gas-oil ratio should not revert to the statewide limit of 2,000 to one.

CASE 3709 (Reopened):

In the matter of Case 3709 being reopened pursuant to the provisions of Order No. R-3366-B, which order continued 80-acre spacing for the Akah Nez-Devonian Oil Pool, San Juan County, New Mexico, for an additional one-year period. All interested persons may appear and show cause why said pool should not be developed on 40-acre spacing units.

CASE 4638: Application of Holder Petroleum Corporation for downhole

(Case 4638 continued)

and surface commingling, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle production from the Todd Lower-San Andres Pool and the Todd Upper-San Andres Gas Pool in the well-bores of its BA Wells Nos. 1 and 2, located respectively, in Units A and H of Section 34, Township 7 South, Range 35 East, Roosevelt County, New Mexico. Applicant further seeks authority to commingle, on the surface, production from said wells prior to measurement.

CASE 4639: Application of Great Western Drilling Company to directionally drill, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill out its State Well No. 1, having a surface location 330 feet from the North and East lines of Section 17, Township 16 South, Range 35 East, Townsend-Morrow Gas Pool, Lea County, New Mexico, to a depth of approximately 8,000 feet and whipstock the well in a southwesterly direction to a bottom-hole location within the NE/4 of said Section 17 at a depth of approximately 11,800 feet.

CASE 4640: Application of Amoco Production Company for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special rules for the East Gem-Yates Pool, Lea County, New Mexico, including a provision for 80-acre spacing and proration units.

CASE 4641: Application of Reserve Oil and Gas Company for a waterflood expansion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand its South Langlie Jal Unit Jalmat Waterflood Project, Jalmat Oil Pool, by the conversion of water injection of its Unit Well No. 23, located 2310 feet from the South and West lines of Section 17, Township 25 South, Range 37 East, Lea County, New Mexico.

CASE 4642: Application of Fluid Power Pump Company for special pool rules and a pressure maintenance project, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special rules for the Media-Entrada Pool, including a provision for 160-acre spacing and proration units. Applicant further seeks authority to institute a pressure maintenance project in said pool by the injection of water into the Entrada formation through various wells located in Sections 10, 11, 22, and 23 of Township 19 North, Range 3 West, Sandoval County, New Mexico, and promulgation of rules for said project including a procedure whereby additional injection or production wells at orthodox or un-orthodox locations may be approved administratively.

CASE 4643: Application of Cities Service Oil Company for compulsory pooling and unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the N/2 of Section 19, Township 22 South, Range 27 East, South Carlsbad-Morrow Gas Pool, Eddy County, New Mexico, to form a standard 320-acre proration unit for the production of gas from the Morrow formation with said unit to be dedicated to a well to be drilled at an unorthodox location 2173 feet from the North line and 1200 feet from the East line of said Section 19.

CASE 4644: Application of Continental Oil Company for four non-standard gas proration units and rededication of acreage, Lea County New Mexico. Applicant, in the above-styled cause, seeks the rededication of acreage and the establishment of the following-described non-standard gas proration units for wells on its Meyer A-29 Lease in Section 29, Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico.

1. A 240-acre unit comprising the SE/4 and E/2 SW/4 to be dedicated to Well No. 3 in Unit N;
2. An 80-acre unit comprising the W/2 SW/4 to be dedicated to Well No. 4 in Unit L;
3. An 80-acre unit comprising the E/2 NE/4 to be dedicated to Well No. 5 in Unit A;
4. A 240-acre unit comprising the NW/4 and W/2 NE/4 to be dedicated to Well No. 9 in Unit E.

CASE 4563: (Continued from the December 1, 1971, Examiner Hearing) Application of Corrinne Grace for special gas-oil ratio limitation and pressure maintenance project, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to produce her State Well No. 1 located in Unit A of Section 1, Township 15 South, Range 29 East, Double L-Queen Pool, Chaves County, New Mexico, with no gas-oil ratio limitation, strip the liquids, and institute a pressure maintenance project by the injection of all said gas back into the producing formation through her State Well No. 2 located in Unit B of said Section 1. Applicant further seeks to transfer an oil allowable from said Well No. 2 to said Well No. 1.

CASE 4619: (Continued from the December 1, 1971, Examiner Hearing)

Application of Corinne Grace for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface of the ground down to and including the Morrow formation underlying the N/2 of Section 25, Township 22 South, Range 26 East, which acreage is within one mile of the South Carlsbad-Morrow Gas Pool, Eddy County, New Mexico. Said acreage to be dedicated to a well to be drilled to the Morrow formation at a location 1980 feet from the North and East lines of said Section 25. Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges of supervision of said well.

CASE 4620: (Continued from the December 1, 1971, Examiner Hearing)

Application of Corinne Grace for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface of the ground down to and including the Morrow formation underlying the N/2 of Section 24, Township 22 South, Range 26 East, which acreage is in the vicinity of the South Carlsbad-Morrow Gas Pool, Eddy County, New Mexico. Said acreage to be dedicated to a well to be drilled to the Morrow formation at a location 1980 feet from the North and East lines of said Section 24. Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

JASON W. KELLAHIN
ROBERT E. FOX

KELLAHIN AND FOX
ATTORNEYS AT LAW
542 EAST SAN FRANCISCO STREET
POST OFFICE BOX 1769
SANTA FE, NEW MEXICO 87501

TELEPHONE 982-4315
AREA CODE 505

December 10, 1971

Case 4643

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

Gentlemen:

Enclosed are the applications, in triplicate, of Cities Service Oil Company for approval of an unorthodox well location, for forced pooling, or in the alternative, for approval of a non-standard proration unit, Eddy County, New Mexico; and Fluid Power Pump Company for approval of a pressure maintenance project and adoption of pool rules, Sandoval County, New Mexico.

It is requested that these applications be set for hearing before the Commissioner's examiner at the January 5, 1972, hearing.

Yours very truly,

Jason W. Kellahin
Jason W. Kellahin

JWK:abs

Enclosures: as stated

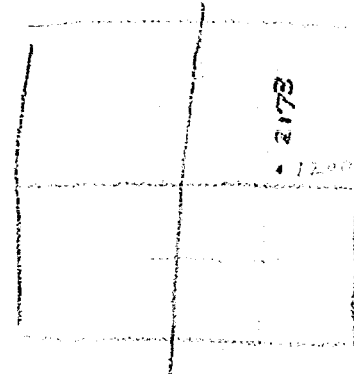
DOCKET MAILED

Date 12-21-71

C-4643

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF CITIES SERVICE OIL COMPANY
FOR APPROVAL OF AN UNORTHODOX WELL
LOCATION, AND FOR FORCED POOLING, OR
FOR A NON-STANDARD PRORATION UNIT,
SOUTH CARLSBAD-MORROW GAS POOL,
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 approval of an unorthodox well location, and for forced pooling, or in the alternative for approval of a non-standard gas spacing and proration unit, in the undesignated South Carlsbad-Morrow Gas Pool, Eddy County, New Mexico, and in support thereof would show the Commission:

1. Applicant, because of topographical reasons, proposes to drill its Merland "C" No. 1 well 1200 feet from the East line and 2173 feet from the North line of Section 19, Township 22 South, Range 27 East, Eddy County, New Mexico, projected to the Morrow formation, dedicating to said well the N1/2 of Section 19, except as hereinafter shown.

2. Applicant has attempted to obtain leases or the right to drill and operate, insofar as the Morrow formation is concerned, from all owners in the N1/2 of Section 19, Township 22 South, Range 27 East, N.M.P.M., and has obtained leases or operating rights on approximately 310 acres of the 320 unit. A portion of the proposed unit is located within the townsite of the City of Carlsbad, is divided into numerous town lots of small size, with numerous owners, some of whom are unknown

to operator after diligent inquiry, and applicant has been unable to obtain leases or operating rights as to such properties.

3. Applicant as the owner of the right to drill and develop substantially all of the proposed unit, seeks an order forcepooling all of the mineral interest under the entire unit, together with suitable provision for recovery of its costs of drilling, equipping and operating the well, including a provision for costs of supervision. In the alternative applicant seeks approval of a non-standard gas unit in the undesignated South Carlsbad-Morrow Gas Pool, Eddy County, New Mexico, omitting the uncommitted acreage from the unit.

WHEREFORE applicant prays that this application be set for hearing before the Commission or the Commission's duly appointed examiner, and that after notice and hearing as required by law the Commission enter its order approving the unorthodox well location, force pooling the proposed unit, or in the alternative, approving a non-standard gas unit, as prayed for, and for such other and further provision as to recovery of well costs, operating costs and supervision, as may be proper in the premises.

Respectfully submitted,

CITIES SERVICE OIL COMPANY

By Jason W. Kellahin

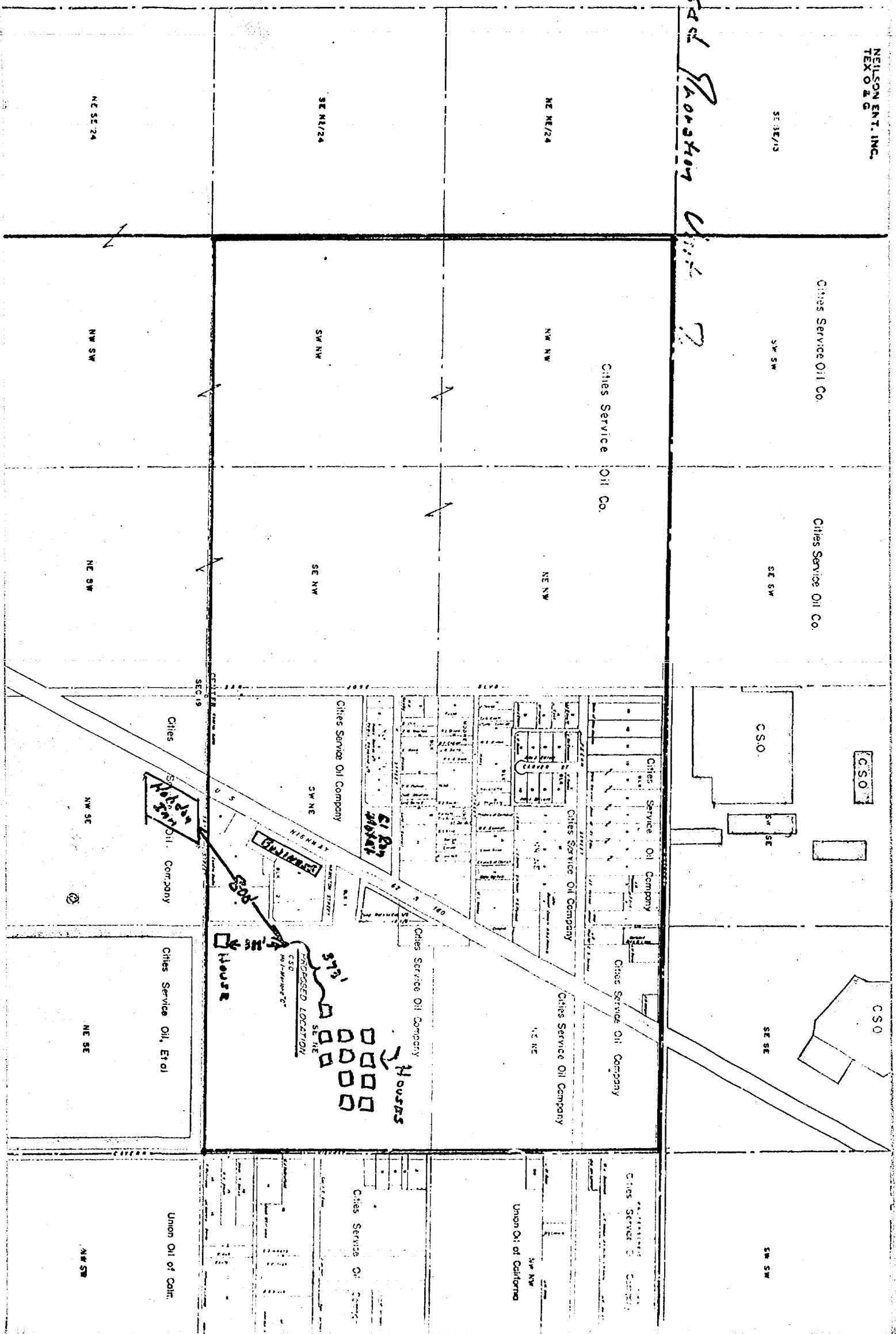
KELLAHIN & FOX

P. O. Box 1769

Santa Fe, New Mexico

Attorneys for Applicant

Proposed Houston Unit 2



DRAFT

GMH/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:

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

CASE No. 4643

Order No. R- 4239

1-7-72

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 5, 1972,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this day of January, 1972, 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 South Carlsbad-Morrow
Gas Pool underlying the N/2 of Section 19, Township 22 South,
Range 27 East, NMPM, Eddy County, New Mexico, said acreage to be
dedicated to a well to be drilled at an unorthodox gas well loca-
tion 2173 feet from the North line and 1200 feet from the East line
of said Section 19.

(3) That the applicant has the right to drill and proposes to drill a well at said location in the N/2 of said Section 19 to the South Carlsbad-Morrow Gas Pool.

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

(5) That the proposed location, ^{within ~~an~~ ~~area~~ a} ~~is within the city limits~~ ^{populated area,} of the City of Carlsbad, has been chosen because it provides the maximum ^{feasible} distance from homes, buildings, ^{and} highways ~~and rail~~ roads, and should be approved to prevent waste and protect correlative rights.

(6) 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, all mineral interests, whatever they may be, in the South Carlsbad-Morrow Gas Pool underlying the N/2 of said Section 19, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico, should be pooled to form a 320-acre gas proration unit to be dedicated to a well to be drilled at an unorthodox gas well location 2173 feet from the North line and 1200 feet from the East line of said Section 19.

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

(8) 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.

-3-

CASE NO. 4643

Order No. R-

30% →
(9) 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 ~~25%~~ ^{30%} thereof as a reasonable charge for the risk involved in the drilling of the well.

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

(11) 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.

^{\$60.00}
(12) That ~~\$50.00~~ per month should be fixed as a reasonable charge for supervision, ^(combined fixed rates) for the subject well; 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 is hereby 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.

-4-

CASE NO. 4643

Order No. R-

(13) 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 South Carlsbad-Morrow Gas Pool underlying the N/2 of Section 19, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a 320-acre gas proration unit to be dedicated to a well to be drilled at an unorthodox gas well location 2173 feet from the North line and 1200 feet from the East line of said Section 19.

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

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

(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-

CASE NO. 4643

Order No. R-

(5) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs within ~~30~~⁶⁰ days following completion of the well; that if no objection to the actual well costs are received by the Commission, and the Commission has not objected within 60 days following completion of the well, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 30 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.

-6-

CASE NO. 4643

Order No. R-

(B) As a charge for the risk involved in the drilling of the well, ~~15%~~^{30%} 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 ~~\$50.00~~^{\$60.00} per month is hereby fixed as a reasonable charge for supervision ^(combined fixed rates) for the subject well; 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 the subject 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.

-7-

CASE NO. 4643

Order No. R-

(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.