

CASE No.

4847

Application,

Transcripts,

Small Exhibits

ETC.

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

October 17, 1972

EXAMINER HEARING

IN THE MATTER OF:

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

Case No. 4847

BEFORE: Richard L. Stamets,
Examiner.

TRANSCRIPT OF HEARING

dearnley, meier & mc cormick report

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1 MR. STAMETS: Case 4847.

2 MR. HATCH: Case 4847: Application of Cities
3 Service Oil Company for compulsory pooling, Eddy County, New
4 Mexico.

5 MR. KELLAHIN: Jason Kellahin, of Kellahin and Fox,
6 Santa Fe, appearing for the Applicant. We have two witnesses
7 that I would like to be sworn at this time.

8 MR. STAMETS: Are there any other appearances in
9 this case?

10 (No response)

11 (Whereupon the witnesses for the Applicant, Ronnie
12 G. Ward and E. H. Lowrey , were sworn.)

13 RONNIE G. WARD,
14 was called as a witness, and having been already duly sworn,
15 testified as follows:

16 DIRECT EXAMINATION

17 BY MR. KELLAHIN:

18 Q Will you state your name, please?

19 A Ronnie Ward.

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

21 A I am employed by Cities Service Oil Company as a land
22 man.

23 Q Where are you located, Mr. Ward?

24 A Midland, Texas.

25 Q Have you ever testified before the Oil Conservation

1 Commission and made your qualifications a matter of
2 record?
3 A Yes, sir.
4 MR. KELLAHIN: Are the witness's qualifications
5 acceptable?
6 MR. STANETS: They are.
7 Q (By Mr. Kellahin) Are you familiar with the application
8 of Cities Service in Case 4847?
9 A Yes, sir.
10 Q Briefly, what is proposed by the Applicant in this case?
11 A We have formed an eight-section unit with approximately
12 six or seven other companies to explore the possibility
13 of a Morrow formation northeast of Carlsbad, New Mexico.
14 We have formed our first proration unit in the South
15 half of Section 28--
16 Q Before we get to that, you referred to an eight-section
17 unit. Has that area been unitized and have the units
18 been approved by this Commission, or is this just a
19 voluntary agreement between working interest owners?
20 A Well, we have nothing signed as of yet, but we have
21 an exhibit of approximately forty pages--
22 Q You do have a working agreement among the working
23 interest owners?
24 A Yes, with one exception.
25 Q Now, will you discuss the proposed proration unit with

1 is the subject of this hearing?

2 A Yes.

3 Q Has that all been unitized, or do you have an agreement
4 with all of the working interest owners in the unit?

5 A Yes, all except one.

6 Q What is that one?

7 A The widow of Mr. Victor Jiminez, who owns approximately
8 two acres in the Southwest quarter of Section 28.

9 Q Referring to Exhibit One, would you discuss the
10 information shown on that exhibit?

11 A Well, it shows the lessor, Cities Service, having
12 approximately one hundred eighty acres; there are five
13 acres owned by J. Hiram Moore, located in the Northwest
14 of the Southwest quarter, and he has agreed to participate
15 in the unit.

16 Q What efforts have you made to obtain the voluntary
17 consent of Mrs. Jiminez?

18 A I have visited with her approximately five times; I
19 telephoned her approximately twelve times. In one of
20 my last telephone conversations, she informed me that
21 her son, Mr. Mike Martinez, would give the final say
22 whether she would lease or not. I met with Mr. Martinez
23 in Carlsbad while he was there on a vacation from
24 California and discussed the matter with him. I have
25 telephoned him three times since then, and made what

1 we consider-- we offered them thirty-five dollars more
2 an acre than any other price we have paid in the area,
3 plus a shorter term lease. All of the leases are for
4 five years, and we offered her a four-year lease.
5 Thirty-five dollars above what we paid anyone else in
6 the area, plus a four-year lease.

7 Q Were you able to obtain their agreement?

8 A No, I was not.

9 Q And that is the reason for filing this application?

10 A Yes.

11 Q Are you willing for them to join at any time on payment
12 of their proportionate share of the drilling cost of
13 this well?

14 A Yes, sir.

15 Q Was Exhibit One prepared by you or under your supervision?

16 A Yes, sir.

17 MR. KELLAHIN: I would like to offer in evidence
18 Exhibit One.

19 MR. STAMETS: Without objection, Exhibit One will
20 be admitted into evidence.)

21 (Whereupon Applicant's Exhibit One was admitted in
22 evidence.)

23 MR. KELLAHIN: That completes our direct examination.

24 * * * *

25

CROSS EXAMINATION

BY MR. STAMETS:

Q I believe the application shows 1,980 feet from the south and west lines of Section 28.

A My location must be wrong on the plat, because I meant 1,980 feet from the center section line and the west line.

Q So Exhibit One is to be corrected to show the location as advertised?

A Yes.

MR. KELLAHIN: It would be a standard well location.

MR. STAMETS: I will just go ahead and make the correction on the exhibit here.

Q (By Mr. Stamets) You spoke of five acres being owned by J. Hiram Moore.

A Yes, sir.

Q I think I see what you mean here, the Northwest quarter of the Southwest quarter as outlined here shows Cities Service and J. Hiram Moore?

A Yes, sir.

Q Cities Service has seventy-five percent and J. Hiram Moore has twenty-five percent?

A Yes, sir.

MR. STAMETS: I don't believe I have any further questions of this witness. Are there any other questions?

(No response)

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1 MR. STAMETS: He may be excused.

2 (Witness excused.)

3 MR. KELLAHIN: I will call our next witness, he has
4 already been sworn.

5 * * * *

6 EDWIN H. LOWREY,

7 was called as a witness, and having been already duly sworn,
8 testified as follows:

9 DIRECT EXAMINATION

10 BY MR. KELLAHIN:

11 Q Would you state your name, please?

12 A Edwin H. Lowrey.

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

15 A I work for Cities Service Oil Company in Midland, Texas.

16 Q Are you a petroleum engineer?

17 A Yes, I am.

18 Q Have you testified before the Oil Conservation Commission
19 and made your qualifications a matter of record?

20 A No, sir.

21 Q For the benefit of the Examiner, will you briefly
22 outline your education and experience as a petroleum
23 engineer?

24 A I received a bachelor of science degree in petroleum
25 engineering from the University of Kansas in 1961. I

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1 went to work for Cities Service at that time, and I
2 have been with them for eleven and a half years. I
3 was in East Kansas for three and a half years; Oklahoma
4 for three years; and I have been in the New Mexico-
5 West Texas area since 1967.

6 Q In connection with your work in West Texas and New Mexico,
7 has the area involved in this application come under
8 your jurisdiction?

9 A Yes.

10 Q Are you familiar with the application that is before the
11 Commission at this time?

12 A Yes, I am.

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

15 MR. STAMETS: They are.

16 Q (By Mr. Kellahin) Mr. Lowrey, you heard the testimony
17 in regard to the well location. Is the correct location
18 1,980 feet from the south and west lines?

19 A Yes, sir.

20 Q And the exhibit should be corrected?

21 A Yes, that's right.

22 Q Now, what do you propose to drill to in the drilling
23 of your Cawley "A" Well Number One?

24 A We propose to drill to the Morrow and investigate the
25 Strawn zone also for production.

1 Q So that you might make a dual completion if you find
2 production in both zones?

3 A Yes, sir.

4 Q Are you asking that the mineral interests be pooled
5 from the surface of the ground down to and including
6 the Morrow formation in this application?

7 A Yes, sir.

8 Q Have you made any estimates of the cost of drilling in
9 this area?

10 A Yes, sir.

11 Q Will you refer to what has been marked as Exhibit Number
12 Two and go ahead and discuss it?

13 A Yes, sir. It shows that we have estimated a dry-hole
14 cost of \$233,550.

15 Q And is that based on your experience in drilling other
16 wells in the South Carlsbad area?

17 A Yes, sir, but the wildcat nature of this well causes
18 this estimate to be somewhat higher than I have
19 experienced in the past.

20 Q You refer to a wildcat. What is the nearest production?

21 A I believe the closest well is three and a half, four
22 miles to the south.

23 Q Is it producing from the Morrow?

24 A Yes, it is.

25 Q There is no Morrow production in the immediate vicinity

1 of this proposed well?

2 A No, sir.

3 Q So in your opinion, that will increase the well cost,
4 is that correct?

5 A Yes, there is the possibility that it will.

6 Q Now, your Exhibit Two shows that Cities Service interest
7 is thirty-eight percent, is that correct?

8 A I can't testify absolutely to the accuracy of this, this
9 is the number they have used in connection with drilling
10 this well.

11 Q Is that because of the agreement involving the eight
12 sections?

13 A Yes, sir.

14 Q And it really doesn't have any bearing on the immediate
15 drilling unit?

16 A No, sir.

17 Q Except for your agreement?

18 A That's right.

19 Q Because Cities Service owns more than thirty-eight
20 percent in this unit?

21 A Yes, in this unit.

22 Q Referring to what has been marked as Exhibit Three,
23 would you discuss the information shown on that exhibit?

24 A Yes, I have merely listed the rates in effect in Eddy
25 County on wells which Cities Service operates or has

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- 1 interests in in the 8,000 to 12,000-foot bracket.
- 2 Q Is that the cost of supervision you are talking about?
- 3 A This is administrative overhead, and includes all
- 4 indirect charges.
- 5 Q That are not directly attributable to the well?
- 6 A That's correct, except as noted under remarks, where
- 7 some of them include production expenses and some do not.
- 8 Q What figure are you asking for regarding supervision of
- 9 this well?
- 10 A We are requesting \$200.00 per well per month, which
- 11 would include production forms and expenses and all
- 12 indirect charges.
- 13 Q Which would be your overhead.
- 14 A Yes, sir.
- 15 Q Are you asking for a risk factor in connection with this
- 16 well?
- 17 A Yes, we would like to see a fifty percent risk factor
- 18 applied to this well, mainly due to the wildcat nature
- 19 of this location.
- 20 Q You are asking for a fifty percent risk factor?
- 21 A Yes, sir.
- 22 Q Do you feel that is a reasonable risk factor considering
- 23 the circumstances of this well?
- 24 A Yes, I believe so.
- 25 Q And you are asking for the right to recover your actual

1 operating costs out of production, is that correct?

2 A Yes, sir. We would also like to see a combined fixed
3 rate subject to Copus 62 and Copus 68 with the escalation
4 of the combined figure rate in April of each year.

5 Q What is that based on?

6 A It is based on the United States and Canadian Wage and
7 Labor Index. The Copus 62 does not include the Canadian
8 Index, but Copus 68 does.

9 Q Could you read that into the record, please?

10 A Yes. The Copus 68 states: well rates shall be adjusted
11 as of the first day of April each year following the
12 effective date of the agreement. The adjustment shall
13 be compiled by multiplying the rate currently in use
14 by the percentage increase or decrease of the average
15 weekly earnings of the crude petroleum workers. The
16 average weekly earnings are published by the United
17 States Department of Labor and Statistics or the
18 equivalent Canadian Index. The adjusted rates shall be
19 the rates currently in use plus or minus the computed
20 adjustments.

21 Q That would be in the nature of a cost of living increase?

22 A Yes, essentially.

23 Q Is that in common use in the oil industry today?

24 A Yes, we have three contracts in the South Carlsbad
25 Morrow area that have been escalated three times

1 according to the code.

2 Q And you are asking that that be included in the cost of
3 supervision?

4 A That is correct.

5 Q Were Exhibits Two and Three prepared by you or under
6 your supervision?

7 A Yes, sir.

8 MR. KELLAHIN: I would like to offer into evidence
9 Exhibits Two and Three.

10 MR. STAMETS: Without objection, Exhibits Two and
11 Three will be admitted into evidence.

12 (Whereupon Applicant's Exhibits Two and Three were
13 entered into evidence.)

14 MR. STAMETS: Are there any questions of this witness?

15 MR. HATCH: Yes.

16 * * * *

17 CROSS EXAMINATION

18 BY MR. HATCH:

19 Q The case was advertised as the South Carlsbad Morrow
20 field, but if I understood your testimony correctly,
21 this is beyond any limit of the South Carlsbad pool by
22 several miles.

23 A Yes.

24 Q Is that only the Morrow, or is there production from
25 the Strawn?

1 A I don't know whether there is or not--

2 MR. WARD: The closest well is located in Section 28,
3 Township 22 South, Range 27 East, and it is not yet completed.
4 It is the Belco-Mead Number One.

5 A -- It's outside of the limits of the field right now.

6 Q One other question. I know your primary target is the
7 Morrow, what other zones do you think might be productive
8 here?

9 A The Strawn is the only one the geologists have mentioned
10 to me.

11 MR. HATCH: That's all I have.

12 * * * *

13 CROSS EXAMINATION

14 BY MR. STAMETS:

15 Q Mr. Lowrey, what you have proposed here is that the
16 cost of supervision will be escalated annually in
17 accordance with the cost of living index?

18 A Yes, either up or down, whatever the index shows.

19 Q How would you propose to administer this under a forced
20 pooling order?

21 A Well, this would just have to be, as far as I can
22 determine, it would just have to be by notification.
23 I don't know how it has been handled in the past, whether
24 there have been any problems or not.

25 MR. KILLAHIN: I don't think the Commission has

1 ever included such a provision in an order. It does not
2 involve the cost of living index actually, it involves wages
3 for oil field workers. I feel it could be included in the
4 order, and then the operator upon notification to the working
5 interest owners could escalate or reduce it.

6 MR. STAMETS: Mr. Kellahin, could you furnish us
7 with a copy of the particular statute that has been cited
8 here and the proposed form of the order for this particular
9 thing which you have requested?

10 MR. KELLAHIN: Yes, we would be happy to.

11 Q (By Mr. Stamets) Mr. Lowrey, how close is this to the
12 City of Carlsbad?

13 MR. WARD: Well, on Exhibit One, you can see the
14 Southwest quarter of the La Puerto subdivision in the City
15 of Carlsbad, so we are approximately 1,980 feet from the
16 actual city limits.

17 Q (By Mr. Stamets) Do you anticipate any special precautions
18 being necessary in the drilling of this well?

19 A Other than good control and the normal safety devices,--
20 we are always pretty careful with a wildcat.

21 Q On Exhibit Number Three, are any of these rates set by
22 pooling orders or are all of these just voluntary rates?

23 A They are all voluntary to my knowledge.

24 Q Do you know that if the cost for supervision in the
25 pooling order normally contains a provision for a

1 production formula?

2 A I can't answer that, sir-- our production formula is
3 usually set out separately from any other indirect
4 charge. It is allocated with the same money for any
5 other direct charge.

6 MR. STAMETS: Do you have any knowledge of that, Mr.
7 Kellahin?

8 MR. KELLAHIN: I have never seen any provision for it.
9 In the cases I have been involved in, it has just been
10 included in the costs.

11 MR. STAMETS: Just a combined figure?

12 MR. KELLAHIN: Yes.

13 Q (By Mr. Stamets) If I understood the first witness
14 properly on this thing, all the working interest owners
15 with the exception of two acres owned by Mr. Jiminez
16 have agreed?

17 A I believe that's correct.

18 MR. WARD: Yes.

19 MR. KELLAHIN: I believe all of them have actually
20 signed with the exception of J. Hiram Moore, and he has
21 agreed to sign, and Mrs. Jiminez has not agreed.

22 MR. STAMETS: Any other questions of this witness?

23 (No response)

24 MR. STAMETS: He may be excused.

25 (Witness excused.)

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1 MR. WARD: I would like to say one other thing
2 concerning the city limits. I was incorrect in what I said
3 before. I think we can enter this as an exhibit, but this
4 dark line (indicating) shows the city limits, and this part
5 of the subdivision is not in the city limits. So it would be
6 farther distant from the city limits than I indicated.

7 MR. STAMETS: This is helpful.

8 Are there any statements in this case?

9 (No response)

10 MR. STAMETS: Any other appearances?

11 (No response)

12 MR. STAMETS: The case will be taken under
13 advisement.
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1 STATE OF NEW MEXICO)
2 COUNTY OF BERNALILLO) ss

3 I, RICHARD E. MCCORMICK, a Certified Shorthand
4 Reporter, in and for the County of Bernalillo, State of New
5 Mexico, do hereby certify that the foregoing and attached
6 Transcript of Hearing before the New Mexico Oil Conservation
7 Commission was reported by me; and that the same is a true
8 and correct record of the said proceedings to the best of
9 my knowledge, skill and ability.
10

Richard E. McCormick
CERTIFIED SHORTHAND REPORTER

4547
Examiner
Commissioner

25

I N D E X

WITNESS

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RONNIE G. WARD

Direct Examination by Mr. Kellahin

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Cross Examination by Mr. Stamets

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EDWIN H. LOWREY

Direct Examination by Mr. Kellahin

8

Cross Examination by Mr. Hatch

14

Cross Examination by Mr. Stamets

15

E X H I B I T S

APPLICANT'S

ADMITTED

OFFERED

Exhibit #1 Plat

6

5

Exhibit #2 Cost estimate

14

10

Exhibit #3 Rates

14

11



OIL CONSERVATION COMMISSION

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

November 3, 1972

GOVERNOR
BRUCE KING
CHAIRMAN
LAND COMMISSIONER
ALEX J. ARMijo
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

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

Re: Case No. 4847
Order No. R-4431
Applicant:
Cities Service Oil Co.

Dear Sir:

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

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC x
Artesia OCC x
Aztec OCC _____

Other Mrs. Martina Jimenez, 711 Ortega Street, Carlsbad, N.M.

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. 4847
Order No. R-4431

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 October 17, 1972, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 2nd day of November, 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 from the surface of the ground down to and including the Morrow formation underlying the S/2 of Section 28, Township 21 South, Range 27 East, NMPM, Eddy County, New Mexico.

(3) That the applicant has the right to drill and plans to drill its Cawley "A" Well No. 1 to be located 1980 feet from the South line and 1980 feet from the West line of said Section 28 to the Morrow formation.

(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 the S/2 of said Section 28 the opportunity to recover or receive without unnecessary expense his just and fair share of the gas underlying said tract, all mineral interests, whatever they may be, from the surface of the ground down to and including the Morrow formation underlying the S/2 of said Section 28 should be pooled.

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Case No. 4847
Order No. R-4431

(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 operators 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 50% 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 said 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 operators any amount that reasonable well costs exceed estimated well costs and should receive from the operators any amount that paid estimated well costs exceed reasonable well costs.

(11) That \$160.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operators 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 operators 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.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, from the surface of the ground down to and including the Morrow formation underlying the S/2 of Section 28, Township 21 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 located 1980 feet from the South line and 1980 feet from the West line of said Section 28.

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Case No. 4847
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(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) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period, the Commission will determine reasonable well costs after public notice and hearing.

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

(7) That the operators are 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, 50% 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.

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

(9) That \$160.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) for the subject well; that the operators are 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 operators are 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.

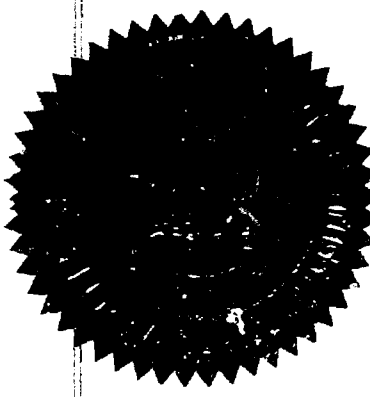
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(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



Bruce King
BRUCE KING, Chairman

Alex J. Armiijo
ALEX J. ARMIJO, Member

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

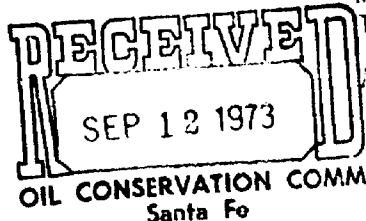
S E A L

dr/

CITIES SERVICE OIL COMPANY



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



August 29, 1973

New Mexico Oil Conservation Commission
P. O. Box ~~1864~~ 2088
Santa Fe, New Mexico 87501

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

*File Case
No. 4847
Jsu*

Gentlemen:

Attached, as requested by New Mexico Oil Conservation Commission Order R-4431, is an itemized schedule of actual well costs for the drilling and completion of the Cities Service Oil Company Cawley-A No. 1, 1980' from the South Line and 1980' from the West Line, Section 28, T-21-S, R-27-E, NMPM, Eddy County, New Mexico, for a total amount of \$556,000. Estimated well costs submitted to the New Mexico Oil Conservation Commission at the time of the hearing October 17, 1972 were \$395,800. The overrun on estimated cost for this well was caused by the following reasons:

1. Increased cost of drilling fluid caused by dry drilling from 975' to 3299' where 9-5/8" casing was set instead of the proposed depth of 5300'.
2. With less 9-5/8" casing than planned, 7" casing was set at 8996' to safely control pressures anticipated in drilling the Wolfcamp formation. This procedure transferred the contract drilling from a footage rate to a day rate which also placed the burden of rental drill pipe, drill collars, reamers, stabilizers and purchase of bits (19) on the Company. In addition, it was necessary to drill a 6-1/8" hole which greatly reduced the penetrating rate, thus increasing the total drilling time, thereby reflecting an increased cost for drilling mud and chemicals.
3. More over hole logging and drill stem testing was done than originally planned.
4. Completion costs exceeded the estimate because four separate Morrow zones were tested before final completion. This resulted in additional cement and cementing services. Also, the use of a through-the-bit perforating gun failed to penetrate the casing on two occasions, preventing acid stimulation and requiring additional in-and-out of hole trips with casing and packers.

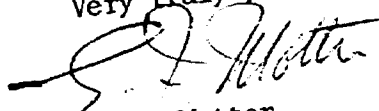
Page 2

Cawley-A No. 1 Well Costs

This well is currently shut-in waiting on gas pipeline connection. We are advised the well will be connected in approximately thirty (30) days.

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.

OP 69

DETAILED WELL ESTIMATE

WELL NUMBER 1 LEASE Cawley-A
 CONTRACTOR _____ LOCATION 1980' FSL and 1980' FWL
 DATE 3-16-73 SECTION 28-21S-27E
 J. O. NO. _____ DEPTH 11,613 COUNTY Eddy STATE New Mexico

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing H-40 ST&C	A	133/8	350	48	2,350	2,350		4,105
K-55 ST&C	A	9-5/8	3600	36	20,200	20,200		-
K-55 ST&C	A	9-5/8	1100	40	6,800	6,800		18,898
N-80 LT&C	A	9-5/8	600	40	4,600	4,600		-
N-80 LT&C	A	7	4700	23	21,200	-		-
N-80 LT&C	A	7	2800	26	14,000	-		42,415
N-80 LT&C	A	7	3200	29	17,900	-		-
K-55 SFJ Liner	A	5	1000	18	4,200	-		16,199
Well head connections					8,000	3,500		9,003
Tubing Buttress N-80	A	23/8	21000	4.6	23,950			14,488
Sucker rods								
Bottom hole pump								
Packers					2,500			2,606
Engine or motor								
Pumping unit								
Electrical equip. inc. Labor & Trans.								
Line pipe, fittings inc. Labor & Trans.								
TANK BATTERY								
Stock tanks	A	500	3		9,000			2,460
G. B., settler, free water K. O. tank								
Separator, heater treater, etc.					12,000			5,152
Cost to install T. B.					4,500			1,397
INTANGIBLES								
Contract Drlg. labor (footage) \$8.95/Ft.					103,600	103,600		86,198
Rotary day work					12,000	12,000		84,406
Cable tool work Comp. Unit					10,000	-		18,079
Subsurface casing equipment					5,000	1,500		2,000
D. S. T., electric logs, etc.					14,000	14,000		51,428
Acidizing, fracing					15,000	-		14,635
Perforating					3,500	-		9,481
Misc. company and contract labor					3,000	2,500		15,255
Road building, location					4,000	4,000		4,264
Cement & cementing service					9,000	5,000		22,792
Cement squeeze jobs								
Drilling mud, chemicals					28,000	28,000		57,955
Drilling bits, coreheads, reamers					-	-		19,165
Mud logging unit					7,000	7,000		7,000
Rental of miscellaneous equip.					4,000	1,500		59,120
Company, contract hauling					7,500	3,000		4,804
Water, fuel					9,000	9,000		16,022
Miscellaneous incidentals					10,000	5,000		6,697
Total estimated cost - 100%					395,800	233,550		556,000
Total estimate C. S. 36.08386 %					149,453	88,155		200,626

WORKING INTEREST OWNERS - CAWLEY-A NO. 1

Amarillo Oil Company
401 GIHLS Tower, West
Midland, Texas 79701
Attn: Mr. W. L. Goode

Flag-Redfern Oil Company
P. O. Box 23
Midland, Texas 79701
Attn: Mr. Earl A. Rogers

Champlin Petroleum Company
P. O. Box 1797
Midland, Texas 79701
Attn: Mr. Morris C. Howell

Midwest Oil Corporation
1500 Wilco Building
Midland, Texas 79701
Attn: Mr. Tom Coleman

Mr. James L. Pierce
201 GIHLS Tower, West
Midland, Texas 79701

Mrs. Martina Jiminez *
711 Ortega Street
Carlsbad, New Mexico 88220

Mr. Mark Martinez *
14202 Fairgrove Street
La Puente, California 71446

Mrs. Jiminez is the mother of
Mr. Martinez who handles her
affairs.

Union Oil Company of California
300 Security National Bank Bldg.
Roswell, New Mexico 88201
Attn: Mr. W. M. Stanley

J. M. Huber Corporation
1900 Wilco Building
Midland, Texas 79701
Attn: Mr. G. S. Cromwell

Patoil Corporation
610 Midland National Bank Bldg.
Midland, Texas 79701
Attn: Mr. Henry de Compiegne, Jr.

Mr. J. Hiram Moore
Suite 314
Gulf Building
Midland, Texas 79701

Mr. J. C. Davis
Building of the Southwest
Midland, Texas 79701

* - Have not signed Operating Agreement

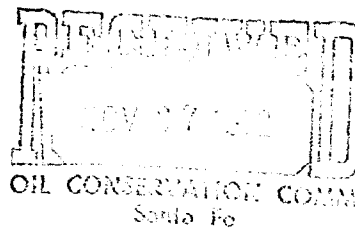
8-29-73

CITIES SERVICE OIL COMPANY



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

November 21, 1972



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

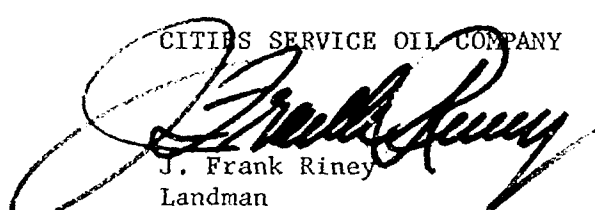
Re: Case No. 4847
Order No. R-4431

Gentlemen:

As required under Paragraph 3, Page 3, of the subject Order, we are enclosing a copy of a Detailed Well Estimate on the Cawley "A" #1 well to be located 1980' FSL and 1980' FWL Section 28, T-21-S, R-27-E, Eddy County, New Mexico. Each Working Interest Owner, including Mrs. Martina Jiminez of 711 Ortega Street, Carlsbad, New Mexico, have been furnished with a copy of this Detailed Well Estimate. You will be advised of the decision of Mrs. Jiminez when this information is received in this office.

Yours very truly,

CITIES SERVICE OIL COMPANY


J. Frank Riney
Landman

JFRbd
Enclosure

OP 49

DETAILED WELL ESTIMATE

WELL NUMBER 1 LEASE Cawley "A"
 CONTRACTOR _____ LOCATION 1980¹ FSL & 1980¹ FWL
 DATE 2-14-72 SECTION 28-21S-27E
 J. O. NO. _____ DEPTH 11,575' COUNTY Eddy STATE N.M.

Dual Completion

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	2,350	2,350		
K-55 ST&C	A	9 5/8	3600	36	20,200	20,200		
K-55 ST&C	A	9 5/8	1100	40	6,800	6,800		
N-80 LT&C	A	9 5/8	600	40	4,600	4,600		
N-80 LT&C	A	7	4700	23	21,200			
N-80 LT&C	A	7	2800	26	14,000			
N-80 LT&C	A	7	3200	29	17,900			
K-55 SFJ Liner	A	5	1000	18	4,200			
Well head connections					8,000	3,500		
Tubing Butress N-80	A	2 3/8	21000	4.6	23,950			
Sucker rods								
Bottom hole pump								
Packers					2,500			
Engine or motor								
Pumping unit								
Electrical equip. inc. Labor & Trans.								
Line pipe, fittings inc. Labor & Trans.								
TANK BATTERY								
Stock tanks	A	500	3		9,000			
G. B., settler, free water K. O. tank								
Separator, heater treater, etc.					12,000			
Cost to install T. B.					4,500			
INTANGIBLES								
Contract Drlg. labor (footage) \$8.95/ft					103,600	103,600		
Rotary day work					12,000	12,000		
Core work Unit time					10,000	---		
Subsurface casing equipment					5,000	1,500		
D. S. T., electric logs, etc.					14,000	14,000		
Acidizing, fracturing					15,000	---		
Perforating					3,500	---		
Misc. company and contract labor					3,000	2,500		
Road building, location					4,000	4,000		
Cement & cementing service					9,000	5,000		
Cement squeeze jobs					---	---		
Drilling mud, chemicals					28,000	28,000		
Drilling bits, coreheads, reamers					---	---		
Mud logging unit					7,000	7,000		
Rental of miscellaneous equip.					4,000	1,500		
Company, contract hauling					7,500	3,000		
Water, fuel					9,000	9,000		
Miscellaneous incidentals					10,000	5,000		
Total estimated cost - 100%					395,800	233,550		
Total estimate C. S. 30,10179 %					150,807	88,987		

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

KELLAHIN AND FOX
ATTORNEYS AT LAW
500 DON GASPAR AVENUE
POST OFFICE BOX 1788
SANTA FE, NEW MEXICO 87501

TELEPHONE 982-4315
AREA CODE 505

October 19, 1972

Mr. Richard L. Stamets
Oil Conservation Commission of New Mexico
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: OCC Case No. 4847
Application of Cities Service Oil Company
for Compulsory Pooling

Dear Mr. Stamets:

In connection with the above case, heard October 17, 1972, testimony was presented to support a charge of \$200.00 per month for supervision of the subject well, and for a periodic adjustment of the charges on an annual basis.

In connection with this proposal, we suggest that a paragraph be incorporated in the findings, as follows:

"_____. That a procedure should be adopted to permit adjustment of the charges for supervision (combined fixed rates) on an annual basis to meet changes in costs of operation and supervision."

A suggested provision to be included in the order portion of the order, could read as follows:

"_____. The charges for supervision shall be adjusted as of the first day of April each year following the effective date of the order. 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. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment."

This suggestion is submitted for your consideration.

Yours very truly,

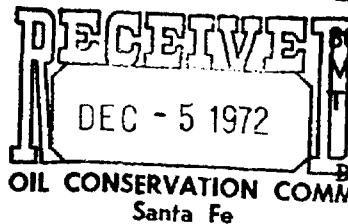
Jason W. Kellahin

Jason W. Kellahin

enclosure

JWK:ys

CITIES SERVICE OIL COMPANY



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

December 4, 1972

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

Re: Case No. 4847
Order R-4431

Gentlemen:

Please refer to Cities Service Oil Company's letter of November 21, 1972 in connection with the subject order. We submit the following:

1. A copy of Cities Service letter of November 21, 1972 to Mrs. Martina Jiminez. Please note a carbon copy was forwarded to her son, Mark Martinez, who advises her in matters of this type.
2. A copy of receipt for certified mail for each of the parties mentioned in No. 1 above.
3. A copy of a letter from Mike Martinez in which he turns down the offer set out in our letter of November 21, 1972.

Please advise if any additional information is required.

Yours very truly,

CITIES SERVICE OIL COMPANY

J. Frank Riney
J. Frank Riney
Landman

JFRii

Enclosure

November 21, 1972

*Perkins & Co.
conveyance involved
in case order 44431*

Mrs. Martina Jimenez
711 Ortega Street
Carlsbad, New Mexico 88220

Re (That part of SW/4 SE/4 Section 25 and that part of NE/4 NW/4 Section 33, T-21-S, R-27-E, lying south of East Canal, Carlsbad Irrigation District, and north of the county road extending easterly from the east end of Orchard Lane, Eschmerta, containing slightly more than two acres of land. Also a tract described as follows: Beginning at a point on the east line of Section 32, T-21-S, R-27-E, 435.2 feet south of the NE corner of said section, being also a point on the south line of the county road, thence south along the section line, 209 feet; thence east, at right angles to said line, 418 feet; thence north, parallel to said section line, 209 feet to the south line of the county road; thence west along the south line of said road 418 feet, to the point of beginning, containing two acres of land, more or less, in the SW/4 NW/4 Section 33, T-21-S, R-27-E, Eddy County, New Mexico.

Dear Mrs. Jimenez:

Through numerous telephone calls and visits between May 17, 1972, through September 13, 1972, Cities Service Oil Company has attempted to obtain an Oil and Gas lease from you on the above mentioned property. Our last offer was by letter on September 14, 1972, when we offered you \$75.00 per acre for a four year paid-up non-drilling lease providing for a 1/3 royalty.

In the event the terms set out in the first paragraph are acceptable at this time, we are enclosing the original and one copy of an Oil and Gas lease and a 30-day collection draft in the amount of \$463.00. Please execute the original copy of the lease before a Notary Public, having your signature acknowledged, endorse the draft on the reverse side, and place the original copy of the lease and draft in your bank as a collection item. The carbon copy of the lease is for your file.

A hearing was held before the New Mexico Oil Conservation Commission on October 17, 1972, being Case No. 4847. On November 2, 1972, the Commission issued Order No. R-4431, a copy of which is attached. The Order sets out the choices you have concerning the drilling of our Casley "A" well on a proration unit covering the S/2 Section 28, T-21-S, R-27-E. You have the option to give us a lease at our last offer or to participate as a Working Interest Owner by either paying your

proportionate share of the cost of drilling the well or going non-consent and permitting the Operator to recover 150% of the drilling cost.

The estimated cost of a producing well is \$395,800.00. In the event you elect to participate and pay your proportionate share of the cost of this test, you will be required to pay your share within thirty days after the completion of the well. A copy of the Detailed Well Estimate is attached.

As set out in Order No. R-4431, we must report our findings to the State Oil Conservation Commission within thirty days from November 2, 1972.

In order to comply with the Commission order, please indicate your preference on the attached ballot, retain one copy for your file, and return two copies to this office in the enclosed self-addressed, stamped envelope.

Your early attention to this matter will be greatly appreciated.

Yours very truly,

CITIES SERVICE OIL COMPANY

J. Frank Riney
Landman

JFRbd
Attachments

cc: Mr. Mark Martinez
14202 Fairgrove Street
La Puente, California 71446

Cities Service Oil Company
800 Vaughn Building
Midland, Texas 79701

Attention: Mr. J. Frank Riney

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 150% of drilling cost.

Please circle your choice.

Martina Jiminez

BALLOT

No. 113109

To: Mr. Martin Jimenez 711 Ortega Street Carlsbad, New Mexico 88220		11-21-72
Postage paid by addressee		
NO INSURANCE ROUTING PROVIDED— (See other side) NOT FOR INTERNATIONAL MAIL		

PLEASE PRINT OR TYPE CLEARLY IN BLOCK LETTERS

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

Received the numbered article described below.

REGISTERED NO. _____ SIGNATURE OR NAME OF ADDRESSEE (ALWAYS REQUIRED)

CERTIFIED NO. 113109 SIGNATURE OF POSTMASTER AGENT, IF ANY

INSURED NO. _____

DATE DELIVERED NOV 27 1972

U.S. POST OFFICE DEPARTMENT

POST OFFICE DEPARTMENT
OFFICIAL BUSINESS

U.S. 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. J. Frank Riney
Cities Service Oil Company
30 Vaughn Building
Midland, Texas 79701

No. 113111

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENDER'S NAME Mr. Mark Martinez		POSTMARK OR DATE 11-21-72
STREET AND NO. 14202 Fairgrove Street		
CITY, STATE AND ZIP CODE La Puente, California 71446		
OPTIONAL SERVICES FOR ADDITIONAL FEES		
RETURN	1. Return to sender and to be delivered to sender's address to return only	15¢
DEFERRED	2. Ship to addressee and return to sender's address to return only	15¢
SERVICES	3. Ship to addressee and return to sender's address to return only	15¢
DELIVER TO ADDRESSEE ONLY		50¢
SPECIAL DELIVERY (2 to 10 lbs. or less)		65¢

PS Form 3811 July 1969 NO RETURN CONTAINER PROVIDED— (See other side)
NOT FOR INTERNATIONAL MAIL CPO : 1769 C—311-312

PLEASE PRINT: SIGNATURE REQUIRED BY CHECKED ()

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

Received the numbered article described below.

REGISTERED NO.	SIGNATURE OF ADDRESSEE (PRINT NAME)
CERTIFIED NO. 113111	<i>Mark Martinez</i>
INSURED NO.	SIGNATURE OF ADDRESSEE (PRINT NAME)
DATE DELIVERED 11-24-72	<i>Mark Martinez</i>
SHOW WHERE DELIVERED (only if required)	

65-10-11311-11 347-103 CPO

POST OFFICE REPRESENTATIVE
OFFICIAL ENDORSEMENT

PS Form 3811 Apr. 1969 65-10-11311-11

POSTMARK OF DELIVERING OFFICE

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

PENALTY FOR PRIVATE USE TO AVOID PAYMENT OF POSTAGE \$1.00

RETURN TO

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

Mr. J. Frank Riney;

In regards to your letter of Nov. 21, 1972.
The terms set out by you are unacceptable
at this time.

The copy of the lease that was sent to me
on sept. 14, was different than the one
sent Nov. 21, 1972.

If you can:

1. Delete this part of the agreement
I'm sending you.
2. Be more considerate money wise.
3. Make three separate leases.
4. Provide 3/16 royalty.

It will be appreciated and considered
further.

Thank you,

Mike Martinez

19702 Fairglove

L & P. Co. 101

91746

RECEIVED

DEC 4 1972

Cities Service Oil
Southwestern Reg.

DOCKET: EXAMINER HEARING - TUESDAY - OCTOBER 17, 1972

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

The following cases will be heard before Richard L. Stamets, Examiner, or Elvis A. Utz, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for November, 1972, from seventeen prorated pools in Lea, Eddy, Roosevelt and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico for November, 1972.

CASE 4747: (Continued from the September 13, 1972, Examiner Hearing)

Application of Union Texas Petroleum, A Division of Allied Chemical Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests below the base of the Devonian formation underlying the N/2 of Section 33, Township 25 South, Range 37 East, Crosby Field, Lea County, New Mexico. Said acreage to be dedicated to its well to be located 1650 feet from the North line and 2310 feet from the East line of said Section 33. 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.

CASE 4842: Application of Dalport Oil Corporation for amendment of pool rules, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of the special rules governing the Double L-Queen Associated Pool, Chaves County, New Mexico, to change the size of a standard gas well proration unit from 160 acres to 320 acres with the provision that said 320-acre units not be permitted to produce more gas than is presently permitted under 160-acre spacing.

CASE 4843: Application of Dalport Oil Corporation for designation of a special gas area and special rules therefor, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Southeast Chaves Queen Gas Area comprising all of Townships 12 and 13 South, Ranges 30 and 31 East, Township 14 South, Ranges 29, 30 and 31 East, and Township 15 South, Ranges 29 and 30 East.

Applicant further seeks the promulgation of special rules for said area including a provision for 320-acre spacing for gas wells, location of gas wells in conformance with the Southeast New Mexico 320-acre gas well location rules, and classification

Case 4843 continued from Page 1

of wells as gas wells at a gas-liquid ratio of 30,000 or more.
Oil wells in said area would be governed by the statewide rules.

CASE 4844: Application of Western Oil Producers, Inc. for a non-standard gas spacing unit and unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a non-standard spacing unit in the Osudo-Morrow Gas Pool comprising the W/2 SE/4 of Section 6, and the NE/4 of Section 7, Township 21 South, Range 35 East, Lea County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 330 feet from the South line and 1980 feet from the East line of said Section 6.

CASE 4845: Application of Western Oil Producers, Inc. for compulsory pooling and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Osudo-Morrow Gas Pool underlying Lots 11, 12, 13 and 14 and the SW/4 of Section 5, Township 21 South, Range 35 East, Lea County, New Mexico, to form a non-standard spacing unit to be dedicated to a well to be drilled 3300 feet from the South line and 660 feet from the West line of said Section 5.

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.

CASE 4846: Application of Universal Resources Corporation for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the N/2 of Section 16, Township 32 North, Range 12 West, Blanco Mesaverde Pool, San Juan County, New Mexico, to be dedicated to a well to be located at a standard location. 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 the supervision of said well.

CASE 4847: 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 from the surface of the ground down to and including the Morrow formation underlying the S/2 of Section 28, Township 21 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, said acreage to be dedicated to applicant's Cawley "A" Well No. 1 to be drilled to the Morrow formation at a location 1980 feet from the South and West lines of said Section 28.

Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of

Case 4847 continued from Page 2

actual operating costs, and the establishment of charges for supervision of said well.

CASE 4720: (Reopened)

In the matter of the application of Rotary Oil & Gas Company for an unorthodox location and non-standard proration unit, Lea County, New Mexico, being reopened on the motion of Rotary Oil & Gas Company. Applicant, in the above-styled cause, seeks amendment of Order No. R-4318 which order established a non-standard proration unit in the Osudo-Devonian Gas Pool comprising the NE/4 of Section 32 and the NW/4 of Section 33, Township 20 South, Range 36 East, Lea County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the North line and 1980 feet from the East line of said Section 32. Applicant seeks removal of the ratable take and acreage factor assigned to the subject well by said Order No. R-4318.

CASE 4848: Southeastern New Mexico nomenclature case calling for an order for the creation, contraction and extension of certain pools in Lea County, New Mexico.

(a) Create a new pool in Lea County, New Mexico, classified as a gas pool for San Andres production and designated as the Hare-San Andres Gas Pool. The discovery well is Shell Oil Company, Turner No. 16 located in Unit M of Section 22, Township 21 South, Range 37 East, NMPM. Said pool described as:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 22: SW/4

(b) Create a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the Hightower-Wolfcamp Pool. The discovery well is Blackrock Oil Company, State CY No. 1 located in Unit M of Section 30, Township 12 South, Range 34 East, NMPM. Said pool described as:

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM
Section 30: SW/4

(c) Create a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the West Sombrero-Atoka Gas Pool. The discovery well is Thunderbird Oil Corporation, Bell "15" State No. 1 located in Unit L of Section 15, Township 16 South, Range 33 East, NMPM. Said pool described as:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM
Section 15: W/2

Case 4848 continued from page 3

- (d) Contract the Arrowhead-Grayburg Pool in Lea County, New Mexico, by the deletion of the following described area:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 19: All
Section 20: W/2

- (e) Contract the Eumont Gas Pool in Lea County, New Mexico, by the deletion of the following described area:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 20: W/2 NW/4 and NW/4 SW/4

- (f) Extend the vertical limits of the Langlie Mattix Pool in Lea County, New Mexico, to include the Grayburg formation. Also, extend said Langlie Mattix Pool to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 20: W/2 NW/4 and NW/4 SW/4

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

TOWNSHIP 11 SOUTH, RANGE 33 EAST, NMPM
Section 34: NW/4

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

TOWNSHIP 11 SOUTH, RANGE 33 EAST, NMPM
Section 34: NW/4

- (i) Extend the Blinebry Oil Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
Section 25: SW/4

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

TOWNSHIP 9 SOUTH, RANGE 33 EAST, NMPM
Section 8: E/2

- (k) Extend the Fowler-Upper Paddock Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM
Section 15: NW/4
Section 22: S/2 and NW/4

(l) Extend the North Lynch Yates-Seven Rivers Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM
Section 19: NE/4

(m) Extend the Querecho Plains-Queen Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 27: S/2

(n) Extend the North Skaggs-Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM
Section 8: N/2 NW/4

(o) Extend the Townsend-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 16: W/2

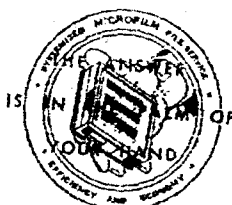
(p) Extend the North Vacuum-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
Section 1: SE/4

TOWNSHIP 17 SOUTH, RANGE 35 EAST, NMPM
Section 29: NW/4

(q) Extend the Vada-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 34 EAST, NMPM
Section 7: NW/4



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A DIVISION OF



OP 69

DETAILED WELL ESTIMATE

WELL NUMBER 1 LEASE Cawley "A"
 CONTRACTOR _____ LOCATION 1980' FSL & 1980' FWL
 DATE 9-72 SECTION 28-21S-27E
 J. O. NO. _____ DEPTH 11,575' COUNTY Eddy STATE N.M.
 Dual Completion

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	2,350	2,350		
K-55 ST&C	A	9 5/8	3600	36	20,200	20,200		
K-55 ST&C	A	9 5/8	1100	40	6,800	6,800		
N-80 LT&C	A	9 5/8	600	40	4,600	4,600		
N-80 LT&C	A	7	4700	23	21,200			
N-80 LT&C	A	7	2800	26	14,000			
N-80 LT&C	A	7	3200	29	17,900			
K-55 SFJ Liner	A	5	1000	18	4,200			
Well head connections					8,000	3,500		
Tubing Buttress N-80	A	2 3/8	21000	4.6	23,950			
Sucker rods								
Bottom hole pump								
Packers					2,500			
Engine or motor								
Pumping unit								
Electrical equip. inc. Labor & Trans.								
Line pipe, fittings inc. Labor & Trans.								
TANK BATTERY								
Stock tanks	A	500	3		9,000			
G. B., settler, free water K. O. tank								
Separator, heater treater, etc.					12,000			
Cost to install T. B.					4,500			
INTANGIBLES								
Contract Drlg. labor (footage) \$8.95/Ft					103,600	103,600		
Rotary day work					12,000	12,000		
Cost to install Unit Time					10,000	---		
Subsurface casing equipment					5,000	1,500		
D. S. T., electric logs, etc.					14,000	14,000		
Acidizing, fracing					15,000	---		
Perforating					3,500	---		
Misc. company and contract labor					3,000	2,500		
Road building, location					4,000	4,000		
Cement & cementing service					9,000	5,000		
Cement squeeze jobs					---	---		
Drilling mud, chemicals					28,000	28,000		
Drilling bits, coreheads, reamers					---	---		
Mud logging unit					7,000	7,000		
Rental of miscellaneous equip.					4,000	1,500		
Company, contract hauling					7,500	3,000		
Water, fuel					9,000	9,000		
Miscellaneous incidentals					10,000	5,000		
Total estimated cost - 100%					895,800	233,550		
Total estimate C. S. 38.10179 %					150,807	88,987		

EXHIBIT NO. - 2

EXISTING COMBINED FIXED RATES

Rates in effect on wells in which Cities Service Oil Company has an interest or operates in the 8000-12000 foot bracket - Eddy County, New Mexico.

Operator	Charge (\$/Well/Month)	Remarks
A	163	— Plus Production Foreman Expense
B	169	Includes Production Foreman Expense
C	190	Includes Production Foreman Expense
D	163	— Plus Production Foreman Expense
E	169	Includes Production Foreman Expense
F	173	— Plus Production Foreman Expense
G	120	— Plus District & Production Foreman Expense
H	144	Includes Production Foreman Expense
I	173	Includes Production Foreman Expense
J	173	— Plus Production Foreman Expense
K	157	— Plus Production Foreman Expense
L	152	— Plus Production Foreman Expense
M	166	— Plus Production Foreman Expense
N	160	— Plus Production Foreman Expense
O	149	— Plus Production Foreman Expense

10 Plus 1576 Average 158
5 with 845 Average 169

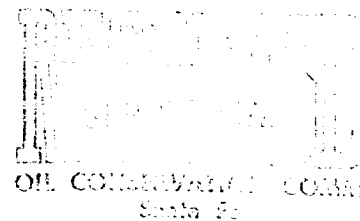
BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
Cities Service EXHIBIT NO. 3
CASE NO. 4847
Submitted by Ed Larry
Hearing Date Oct 17, 1972

EXHIBIT NO. 3

10-5-72

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 of the mineral interests in and under the S/2 of Section 28, Township 21 South, Range 27 East, Eddy County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the lease owner of all the acreage in the proposed standard proration unit except that acreage indicated in paragraph 3 below.

2. Applicant proposes to drill a Morrow gas well at a location of 1980 feet from the South line and 1980 feet from the West line in Section 28.

3. The owner of the remaining acreage in the standard spacing and proration unit is Mrs. Martina ^{Jimenez} Jimenez of 711 Ortega Street, Carlsbad, New Mexico 88220, whose acreage is as follows: all that part of the SW/4 SW/4 of Section 28, Township 21 South, Range 27 East, Eddy County, New Mexico lying South of the East Canal of the Carlsbad Irrigation District and North of the county road extending Easterly from the East end of Orchard Lane, La Huerta, containing slightly more than two acres of land. Mrs. Jimenez will not agree to sell her acreage, join in the drilling of a well, or otherwise participate in the drilling of a well,

10-5-72

on the standard proration unit.

4. In order to prevent waste, and to permit applicant to obtain its just and equitable share of the hydrocarbons underlying its acreage in the S/2 of Section 28, the mineral interest should be pooled.

WHEREFORE applicant prays that the Commission set this matter 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 pooling all of the mineral interest underlying the S/2 of Section 28, Township 21 South, Range 27 East, Eddy County, New Mexico, together with a charge for the risk involved in drilling the well, a provision for the allocation of actual operating costs, and the establishment of charges for supervision for said well.

Respectfully submitted,

CITIES SERVICE OIL COMPANY

By

W. F. Kellahin

Kellahin & Fox
P. O. Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

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,
EDDY COUNTY, NEW MEXICO.

CASE NO. 4847

Order No. R- 4431

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 17, 1972,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 10th day of October, 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 ^{from the surface of the ground down to and including} the Morrow formation
underlying the S/2 of Section 28, Township 21 South, Range 27
East, NMPM, ~~South Carlsbad Field~~, Eddy County, New Mexico.

(3) That the applicant has the right to drill and plans to drill its Cawley "A" Well No. 1 to be located 1980 feet from the South line and 1980 feet from the West line of said Section ²⁸~~25~~ to the Morrow formation.

(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 the S/2 of said Section 28 the opportunity to recover or receive without unnecessary expense his just and fair share of the gas ^{underlying said tract,} ~~in said pool,~~ all mineral interests, whatever they ^{from the surface of the ground down to and including} may be, ~~in~~ the Morrow formation underlying the S/2 of said Section 28 should be pooled.

(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 actual 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 ⁵⁰~~25~~% 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 said actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That \$130.00 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

(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 applicants should be designated the operators 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 operators 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 50% thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting working 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.

(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 operators any amount that reasonable well costs exceed estimated well costs and well costs exceed reasonable well costs.

(11) That ~~\$125.00~~ ^{160.00} per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operators 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 operators 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.

-3-

Case No. 4847

Order No. R-

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.

(11) 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:

ground down to and including
(1) That all mineral interests, whatever they may be, *from the surface of the* the Morrow formation underlying the S/2 of Section 28, Township 21 South, Range 27 East, NMPM, ~~South Carlsbad Field~~, Eddy County, New Mexico, are hereby pooled to form a 320-acre gas proration unit to be dedicated to a well to be located 1980 feet from the South line and 1980 feet from the West line of said Section 28.

(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 actual well costs within 60 days following the date of this order; that if no objection to the actual well costs is received by the Commission, and the Commission has not objected within 60 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 60-day period, the Commission will determine reasonable well costs after public notice and hearing.~~

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, from a depth of 3500 feet down to and including the Grayburg-Morrow Gas Pool underlying the W/2 of Section 15, Township 17 South, Range 29 East, NMPN, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location in the W/2 of said Section 15.

(2) That Paul M. Marshon, Jr. and Vincent Shryack are hereby designated the operators of the subject well and unit.

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

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that

has paid his share of estimated costs in advance as provided above shall pay to the operators his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operators his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operators are 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, 50% 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 operators shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

~~\$125.00~~ \$160.00
(9) That ~~\$125.00~~ per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) for the subject well; that the operators are 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 operators are 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

BRUCE KING, Chairman

ALEX J. ARMIJO, Member

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

S E A L

Gene Matthe -

Cities Service - Compulsory pooling

*S/2 of Sec 28 - 21S 27 East
Eddy County -*

*Cowley "A" No. 1 - 1980 FSL
1980 FWL*

*Surface down to and including Morrow -
- 1.3 acres released -*

