

CASE 4861: Application of CITIES
SERVICE FOR THE AMENDMENT OF
ORDER NO. R-4239, EDDY COUNTY.

-ase Number

4861

Application
Transcripts.

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
Tuesday, November 14, 1972

EXAMINER HEARING

IN THE MATTER OF:

Application of Cities Service Oil
Company for the amendment of Order
R-4239, Eddy County, New Mexico.

Case No. 4861

BEFORE: Daniel S. Nutter,
Examiner

TRANSCRIPT OF HEARING

dearnley, meier & mc cormick reporting service, inc.

209 SIMMS BLDG., P.O. BOX 1092, PHONE 243-6691, ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG., EAST ALBUQUERQUE, NEW MEXICO 87108

dearnley, meier & mc cormick reporting service, inc.

209 SIMMS BLDG., P.O. BOX 1092, PHONE 243-0691, ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG., EAST ALBUQUERQUE, NEW MEXICO 87108

1 MR. NUTTER: We will call Case 4861, application of
2 Cities Service Oil Company for the amendment of Order R-4239,
3 Eddy County, New Mexico.

4 MR. KELLAHIN: Thomas Kellahin, Kellahin and Fox,
5 appearing for the applicant, Cities Service Oil Company; and I
6 have one witness to be sworn.

7 E. F. MOTTER,
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 Will you please state your name, by whom you are employed,
13 and in what capacity?

14 A Yes, my name is E. F. Motter, Cities Service Regional
15 Engineering Manager, Midland, Texas.

16 Q Have you previously testified before this Commission, or
17 one of it's hearing examiners and had your qualifications
18 as an engineer accepted and made a matter of record?

19 A Yes, sir.

20 Q And have you examined, and are you familiar with the
21 facts surrounding the application in Case 4861?

22 A Yes, I am.

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

25 MR. NUTTER: Yes, they are. Please proceed.

1 Q (By Mr. Kellahin) Mr. Motter, will you please state
2 briefly what the applicant is seeking in this particular
3 case?

4 A Yes, we are seeking to pool in the north half of Section
5 19, Township 22 South, Range 27 East, Eddy County, New
6 Mexico, to be dedicated to a well to be drilled at an
7 unorthodox location --

8 MR. NUTTER: Mr. Motter, I think you are not seeking
9 to pool the mineral interests in this case, that has been done.
10 You are seeking to amend the order.

11 THE WITNESS: All right, if you would like that,
12 that would be fine.

13 A I would like to bring you up to date on some circumstances
14 which have changed a little bit since then.

15 Q Let us begin, Mr. Motter, by discussing the original order,
16 R-4239 in Case 4643. Now, that was the original order
17 that did what?

18 A That force-pooled all the mineral interests in the north
19 half of Section 19.

20 Q In that order, what are you seeking now to amend?

21 A To change the location of the well and to change the
22 overhead charges.

23 MR. NUTTER: In all other respects, the order would
24 remain the same?

25 THE WITNESS: We are completely satisfied with the

1 remainder of that.

2 If you would bear with me and permit me to read,
3 I think I can briefly summarize what has happened in the past
4 and what we plan to do here.

5 MR. NUTTER: Please proceed.

6 A On January 5, 1972, Cities Service presented data at a
7 hearing for the pooling of all mineral interests in the
8 north half of Section 19, Township 22 South, Range 27
9 East, Eddy County, New Mexico, to be dedicated to a
10 well to be drilled at an unorthodox location 2,173 feet
11 from the north line and 1,200 feet from the east line of
12 Section 19. At the time of the filing for the hearing,
13 our geologist preferred to drill at an unorthodox location
14 1,980 feet from an east line and 1,980 feet from the north
15 line in Section 19. This, at that time, was the most
16 northerly well which had been proposed in the South
17 Carlsbad Pool.

18 However, it was indicated that this location was
19 about 50 feet from Highway 180-62 and very close to the
20 El Rey Motel.

21 The main control, and I'm speaking of geology now,
22 for this location, came from the Cities Service Merlin A
23 No. 1 which had been drilled in the eastern portion in
24 the south half of Section 19. By moving the location
25 approximately 700 feet east, we could serve two purposes.

We felt that we were going to improve the structural position of the well; and also, the well's site would be removed from any surface obstructions.

MR. NUTTER: Mr. Motter, may I interrupt you a moment here.

Where would this unorthodox location that was approved be on this plat that you have?

THE WITNESS: We didn't put it on there. Tom can show you from the old exhibit there. It's about straight south of that little circle called "Water Tank".

MR. NUTTER: Fine, thank you.

A All right. The Commission issued R-4239 on January 12, 1972, authorizing the forced-pooling of all mineral interests in the north half of Section 19 for a well to be drilled at this unorthodox location, named Cities Service as operator, set a risk factor of 30 per cent, and the overhead charge at \$60.00 a month.

Shortly after the order was received, announcement was made concerning the location of the well west of the proposed proration unit and necessary paper work delayed the commencement of a well on the Merlin C-1 unorthodox location. Recently Corene Grace completed the Gopogo No. 2, which is located 1,980 feet from the east and north lines of Section 24, which offsets our proposed proration unit to the west. This well has had one of the better

1 open flows in the South Carlsbad Pool. I believe it's
2 been reported, I don't know whether it's been reported to
3 the Commission or not, but it has been reported to
4 Scouting Services in excess of 50,000,000. This
5 completion indicated to our geologists that an orthodox
6 location 1,980 feet from the north and west lines of
7 Section 19 would be more desirable and also, since the
8 January 5 hearing, many of the vacant buildings fairly
9 close to the unorthodox location are now occupied.

10 The proposed location falls outside the present city
11 limits of the City of Carlsbad. It is located in
12 pasture land and the nearest building is over 800 feet
13 away and in a northeasterly direction. In the meantime,
14 Cities Service has been successful in acquiring additional
15 four tracts of land by leases which were included in the
16 previous forced-pooling order, or forced-pooling of
17 mineral interests; and if you would like, at this time,
18 I would be glad to reiterate those which remain and the
19 reasons that we have been unable to obtain those.

20 If you will note in Exhibit 1 there are four spaces
21 that are not colored, or are in white, and the first one
22 in the north up there would be in about the northwest of
23 the northeast. Those three blocks in there are required
24 by the State of New Mexico through Tax D-2477, and they
25 cannot be leased until reduction period expires. So there

1 is not much we can do there on that.

2 Another tract, this may be a little bit hard, but
3 it would be approximately in the southwest of the northwest
4 of the northeast. This is owned by Mrs. Navarette of
5 229 Alcazar, Northeast, Albuquerque, New Mexico, at least
6 that's the last address we have been able to find. She
7 has not answered any correspondence. We have not been
8 able to contact her by telephone. The only solution we
9 see here is following the forced-pooling order.

10 Q You have, subsequent to the Order 4239 and prior to the
11 hearing today, attempted to notify these interest owners
12 of your proposed change in well location?

13 A This is not necessarily proposed change in well location,
14 Mr. Kellahin, we have continued to try to get them to
15 sign the lease and I will cover, after this, those leases
16 which we have acquired.

17 Immediately east of this last tract in contention is
18 another tract owned by Mr. Obie Upton, 204 L Street,
19 Carlsbad. This gentleman has been contacted by our
20 land people several times. He has not answered any
21 correspondence. We are lead to believe that this
22 probably is in an estate and he is answering, or attempting
23 to answer for other parties in the family and perhaps
24 doesn't have their entire consent on this. But we have
25 had no response from him through any mail, registered

1 mail which has been sent, delivered, and it hasn't
2 returned; so he has at least had notice and the only
3 course there would be the forced-pooling.

4 Now, moving down south there, there is a little
5 triangular-shaped tract which is immediately offsetting
6 Highway 62 and 180. We have half of this lease. The
7 other one-half belongs to Tony Hernandez, 1135 Tracy Place,
8 Carlsbad, New Mexico. He has elected to go non-consent
9 to the forced-pooling.

10 Since the hearing we have picked up the full interest
11 in, well, let me describe first, approximately where it
12 is. You might be able to find it, it would be
13 approximately the northwest of the northwest of the
14 northeast and it's right below Pecan Street there, and
15 we have picked up the full interest in Lots 3, 4, 5, 6,
16 7, 8, 9, 10; the Etley Subdivision, City of Carlsbad,
17 6.5 acres. Also, slightly north of that, we have picked
18 up from a Mrs. Noah Moses, one-half interest in the
19 80 feet of the east 150 feet of the Lot 5, Block B, in
20 the Moore Subdivision which was leased, and I believe that
21 takes care of the leasing situation since then. That is
22 so small, though, that space in there, I think you could
23 see Block B which is nearly on the quarter-section line,
24 and I would have to get a map to tell you which one it is.
25 Well, they are extremely small, but if you take my word

1 for description --

2 MR. NUTTER: Now, which was the tract that you said
3 the lady in Albuquerque hasn't responded to you?

4 THE WITNESS: That is the one and that is Navarette,
5 N-a-v-a-r-e-t-t-e.

6 A We picked all that up since the last hearing. I really
7 don't know what the solution is there, just failure to
8 answer any letters or give us an affirmative answer over
9 the phone or anything.

10 On the receipt of the order on the previous case,
11 we did send copies to all those people, or letters,
12 I should say, saying that this was another opportunity
13 for them to sign and that the Commission had forced-
14 pooled mineral interests and we sent them Afee's for
15 the well, and in these several cases, most of them
16 preferred to sign rather than go the non-consent route.

17 Q Please refer to what has been marked as Exhibit 2, identify
18 it, and explain what information it contains.

19 A In a detailed area well estimate on the Merlin C No. 1,
20 it does show the new location. However, the costs do
21 remain the same at \$338,400.00. I might comment that
22 this well may be drilled for a little bit less, slightly
23 less, but if you will note up there in the casing design,
24 we have had problems in that area with the Strawn
25 formation. We have had problems with the Strawn which are

1 insurmountable; but, anyway, that cost remains the same
2 as was reported before.

3 Q Will you please refer to what has been marked as Exhibit
4 3 and identify it?

5 A This is an exhibit of the existing combined, fixed rates
6 that Cities Service either has interest in or operates
7 in Eddy County and wells which fall in the 8,000 to
8 12,000 foot bracket. These are combined, fixed rates
9 which come from the COPAS Accounting Form. This was
10 introduced into a hearing up here several weeks ago
11 where we were trying to force-pool the mineral interests
12 for the Cauley Well northeast of Carlsbad. I want to
13 point out that these charges in general run, well, the
14 lowest there is \$120.00, but it does have plus
15 distribution and production expenses under our proposals.
16 We have had administrative overhead as one charge and only
17 those charges which would be directly made to the lease
18 would be over and above this. Our land man which
19 testified in a previous hearing in this case either
20 misunderstood the situation -- I think he testified that
21 we are asking for \$160.00 a month and that he thought it
22 would take \$100.00 a month to operate the well. What
23 he failed to say is that the \$100.00 probably would be
24 about right to operate the well, but the \$160.00 is the
25 fixed overhead charge.

1 In January of 1973 the Accountants' Society have
2 been working this past year and it appears that most
3 wells in the 8,000 to 12,000 foot bracket will start at
4 \$200.00 a month and this is what we are proposing on this
5 well. We also would like for the Commission to take
6 into consideration that they, perhaps, include in an
7 order a provision or two which normally are attached to
8 Operating Agreements of this Accounting Society. Now,
9 Cities Service normally uses the COPAS 1962 form. We
10 have used the 1968 form, we do not like a few of the
11 phrases in there, but we do abide by them once in awhile.
12 One of the reasons that we are bringing this up as an
13 issue at this time is that we feel that it is unfair to
14 those people that consent to joining a unit and signing
15 a contract and being charged with, say, \$190.00 to
16 \$200.00 a month overhead where as those that were forced-
17 pooled were only charged \$60.00. Not only is this, to
18 me, an unfair charge, it sets up what you call a dual
19 accounting procedure, and also, under the COPAS
20 Accounting Procedure, the charges are revised, normally
21 in April of each year, and I can read the wording, and
22 will in a little bit; but I would like to point out in
23 Exhibit 3 that that's why you find some odd figuring here.
24 These start at \$160.00 and \$165.00 and were revised after
25 the first year. I do have a code for all those letters,

1 if you are so interested, as whose wells they are, who
2 the operator is and so on; but I will identify one, if
3 you don't ask, and that is under C, that happens to be
4 one of the Cities Service most recent wells out there,
5 and we have \$190.00 in that; as I say, after the first of
6 the year this will probably increase to \$200.00. In the
7 accounting, or administrative, overhead as I comment on
8 this adjustment, there is a place in here which says the
9 well rates should be adjusted on the 1st day of April on
10 each year following the effective date of the adjustment
11 and shall be computed by multiplying the rate currently
12 in use by the percentage increase or decrease in the
13 average weekly earning of crude petroleum and gas
14 production works for the last calendar year compared to
15 the previous years as shown by the index of average
16 weekly earning of crude petroleum and gas production works
17 as published by the United States Department of Labor,
18 Bureau of Labor Statistics, the adjusted rates should be
19 the rates currently in use plus or minus the computed
20 adjustment.

21 The reason I bring this up is that you can see that
22 if you fix the rate for non-consent people that this
23 stays with you throughout the life of the production,
24 whereas others can increase. Again, I feel that this is
25 an unfair practice. I don't know as I can exactly make a

1 recommendation on what would be the best way to go about
2 it; however, one thought has come to my mind is that you
3 might say that, to use the overhead charge which is being
4 used by the majority of those people joining of their
5 own accord or something like this. I will bring out
6 one thing in there that could change this. Now, once in
7 awhile we have to put units together or the overhead
8 charges may be different from one party to the other and
9 this is because of the thinking of that particular
10 operator. He may say, "We will agree to pay for all your
11 overhead charges for X dollars, but you cannot include
12 the price of your production foreman." Whereas, the
13 others may say, "Yes, we will allow you to charge
14 production foreman and go up another price." So, once in
15 awhile we do have two accounting forms on the same
16 operating unit. I don't know really if this can be
17 worded through an order or not to make things a little
18 more equitable, but I do want to point out some of the
19 problems that could exist. For example, if I were a
20 large owner in this tract that had been force-pooled
21 by the Commission back in January, and recognizing that
22 you gave us a 30 per cent risk factor for which we think
23 is adequate and generous, but at the length of time it
24 normally takes to pay out a well, this is just about the
25 current value of money; but if I only had \$60.00 to pay

1 as opposed to a person who voluntarily signed who had
2 to pay \$190.00 or \$200.00, I would take the route of
3 being force-pooled until we can come back to the
4 Commission and ask for more money.

5 Q Do you have anything else you would like to add?

6 A I don't know if I can add anything more to that particular
7 deal. I hope I showed the Examiner some of the problems
8 we have.

9 Q In your opinion, then, the modifications in this original
10 order that you seek by this application will, if
11 approved, prevent waste and not impair the correlative
12 rights of others?

13 A That's correct. And I would like to reiterate that we
14 do propose \$200.00 as overhead charge. This would be a
15 combined, fixed rate and this would be everything from
16 our overhead from our top most office down through
17 district. Anything else would be a direct charge of
18 work performed on the lease.

19 Q Were Exhibits 1 through 3 prepared by you or under your
20 direction?

21 A Yes, they are.

22 MR. KELLAHIN: I move for the introduction, Mr.
23 Examiner, of Applicant's Exhibits 1, 2, and 3.

24 MR. NUTTER: Cities Service Exhibits 1 through 3
25 will be admitted in evidence.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Motter, you mentioned, I think, and I do want to clarify it, the Exhibit Number 2 reflects the same estimated well cost that was estimated in January?

A Yes. We did not produce it, but as I say, it would cost that much to drill the well.

Q And assuming that this application is approved, is it your intent to commence this well in the immediate near future?

A Yes, sir. Our plans are, right now, is to drill the well which you gave us forced-pooling on, the Cauley on November 2, that will be drilled first and we will move immediately from that well and drill this one, if the time is right, it would be around January 1st.

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

(No response.)

MR. NUTTER: He may be excused.

Do you have anything further, Mr. Kellahin?

MR. KELLAHIN: No.

MR. NUTTER: Does anyone have anything they wish to offer in Case 4861?

(No response.)

MR. NUTTER: We will take the case under advisement

dearnley, meier & mc cormick reporting service, inc.

209 SIMMS BLDG., P.O. BOX 1092, PHONE 243-6669, ALBUQUERQUE, NEW MEXICO 87103
1216 FIRST NATIONAL BANK BLDG. EAST, ALBUQUERQUE, NEW MEXICO 87108

PAGE 17

and call the next case.

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO) ss

I, JOHN DE LA ROSA, a Court Reporter, in and for the
County of Bernalillo, State of New Mexico, do hereby certify
that the foregoing and attached Transcript of Hearing before
the New Mexico Oil Conservation Commission was reported by me;
and that the same is a true and correct record of the said
proceedings to the best of my knowledge, skill and ability.

John De La Rosa
COURT REPORTER

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 4861
heard by me on 11/14, 1972

I. N. De La Rosa, Examiner
New Mexico Oil Conservation Commission
PAGE

WITNESS

E. F. MOTTER

Direct Examination by Mr. Kellahin
Cross Examination by Mr. Nutter

3

16

EXHIBITS

ADMITTED

OFFERED

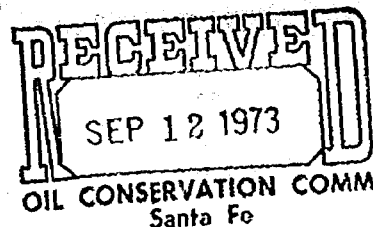
Applicant's Exhibit #1, #2, & #3 15

15

CITIES SERVICE OIL COMPANY



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



August 29, 1973

*File
Case 4861
[Signature]*

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, NMPM, 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.

OP 69

DETAILED WELL ESTIMATE

WELL NUMBER 1 LEASE Merland-C #1
 CONTRACTOR _____ LOCATION 1980' ENL and 1980' FWL
 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 | B-3/8 | 350 | 48 | 2,380 | 2,380 | | 2,846 |
| K-55 ST&C | A | 9-5/8 | 160 | 36 | 17,380 | 17,380 | | 18,169 |
| K-55 ST&C | A | 9-5/8 | 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 | 900 | 17 | 33,264 | | | 35,818 |
| N-80 LT&C | A | 5-1/2 | 2,000 | 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 | | 4,533 |
| 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. 98.60844 % | | | | | 333,732 | 219,904 | | 348,855 |

WORKING INTEREST OWNERS - MERLAND-C NO. 1

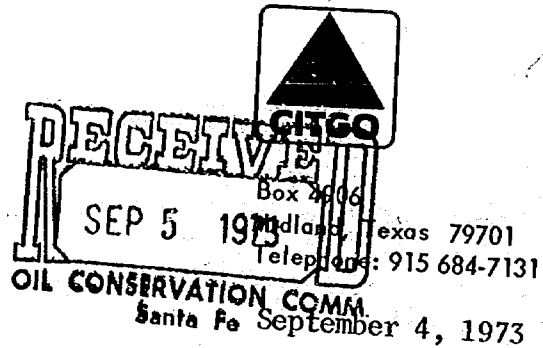
| | <u>%</u> |
|---------------------------------|------------------|
| Cities Service Oil Company | 98.60844 |
| Antonio Hernandez * | .31250 |
| 1135 Tracy Place | |
| Carlsbad, New Mexico 88220 | |
| Orbie Upton * | .07656 |
| 204 "L" Street | |
| Carlsbad, New Mexico 88220 | |
| Zenaida Rey Navarrette * | .06500 |
| 229 Alcarar, N.E. | |
| Albuquerque, New Mexico 87501 | |
| Property Appraisal Department * | .93750 |
| Bataan Memorial Building | |
| Santa Fe, New Mexico 87501 | |
| | <u>100.00000</u> |

* Have not signed Operating Agreement.

8-29-73

Case 4861

CITIES SERVICE OIL COMPANY



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

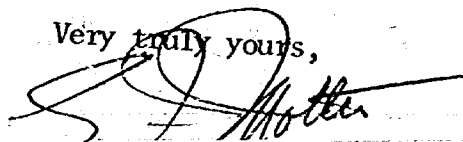
Attention: Mr. A. L. Porter, Jr.

Gentlemen:

Attached is a copy of an envelope addressed to Mr. Orbie Upton, 204 "L" Street, Carlsbad, New Mexico 88220, which was returned. Contained in this envelope was a copy of a letter which was directed to you on August 29, 1973, related to the drilling cost of the Cities Service Oil Company Merland-C No. 1, 1980' FNL and 1980' FWL, Section 19, 21-S, 27-E, NMPM, Eddy County, New Mexico.

Further attempts to determine Mr. Upton's present address have had no results. If you feel additional effort should be made to fulfill Commission Order R-4239 and 4239-A, please advise.

Very truly yours,


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

EFM:mfg

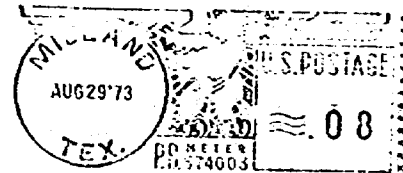


CITIES SERVICE OIL COMPANY
Box 4906
Midland, Texas 79701



REASON CHECKED
Unclaimed Refused
Addressee unknown
Insufficient address
No such street number
No such office in state
Do not re-mail in this envelope

Mr. Orpie Upton
204 'L' Street
Carlsbad, New Mexico 88220



Moved, file 100-100000
100-100000



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

November 28, 1972

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

Re: Case No. 4861
Order No. R-4239-A
Applicant:
Cities Service

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 Mr. E. F. Motter, Cities Service Oil Co.,
800 Vaughn Building - Midland, Texas 79701

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. 4861
Order No. R-4239-A

APPLICATION OF CITIES SERVICE
OIL COMPANY FOR THE AMENDMENT
OF ORDER NO. R-4239, EDDY
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 14, 1972, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 27th 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 Commission entered Order No. R-4239 on January 12, 1972, which order pooled 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, to form a 320-acre gas proration unit to be dedicated to a well to be drilled at an unorthodox gas well location 2,173 feet from the North line and 1,200 feet from the East line of said Section 19.

(3) That said order also designated Cities Service Oil Company as operator of the subject well and unit, and fixed \$60.00 per month as a reasonable charge for supervision (combined fixed rates) for the subject well.

(4) That the applicant in the instant case, Cities Service Oil Company, seeks the amendment of said Order No. R-4239 to provide for the drilling of the unit well for the N/2 of said Section 19 at a standard gas well location for the South Carlsbad-Morrow Gas Pool at a point 1980 feet from the North line and 1980 feet from the West line of said Section 19; that the applicant further seeks the amendment of said order to provide \$200.00 per month as the charge for supervision (combined fixed rates) for the subject well.

-2-

Case No. 4861

Order No. R-4239-A

(5) That the proposed standard location of the unit well is in the interest of conservation, will prevent waste and will protect correlative rights.

(6) That a reasonable charge for supervision (combined fixed rates) for the subject well is \$160.00 per month.

(7) That Commission Order No. R-4239 should be amended to provide for the drilling of the unit well at a standard location and to provide \$160.00 per month as the reasonable charge for supervision (combined fixed rates) for the subject well.

IT IS THEREFORE ORDERED:

(1) That Order (1) of Commission Order No. R-4239, Case No. 4643, be and the same is hereby amended to read in its entirety as follows:

"(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 a standard gas well location 1980 feet from the North line and 1980 feet from the West line of said Section 19."

(2) That Order (9) of said Order No. R-4239 be and the same is hereby amended to read in its entirety as follows:

"(9) That \$160.00 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."

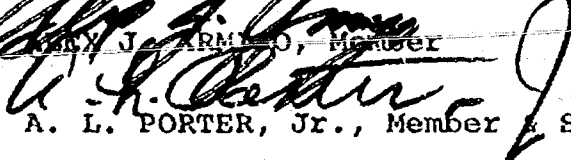
(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


BRUCE KING, Chairman


JERRY J. ARMILLO, Member


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

DOCKET: EXAMINER HEARING - TUESDAY - NOVEMBER 14, 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:

- ALLOWABLE: (1) Consideration of the allowable production of gas for December, 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 December, 1972.
- (3) Consideration of purchasers' nominations for the one-year period beginning January 1, 1973, for both of the above areas.

CASE 4608: (Reopened) (Continued from October 4, 1972)

In the matter of Case 4608 being reopened pursuant to the provisions of Order No. R-4213 which order established special rules and regulations for the Haystack Siluro-Devonian Pool, Chaves County, New Mexico, including a provision for 80-acre spacing units. All interested persons may appear and show cause why said pool should not be developed on 40-acre spacing units.

CASE 4855: Application of Gulf Oil Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of oil production from the Cary-Montoya and South McCormack-Silurian Oil Pools in the wellbore of its R. E. Cole (NCT-A) Well No. 10 in Unit E of Section 16, Township 22 South, Range 37 East, Lea County, New Mexico.

CASE 4856: Application of Gulf Oil Corporation for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the Shugart Pool, Eddy County, New Mexico, by the injection of water into the Queen formation through three wells on its Federal Littlefield "AB" Lease in Section 22, Township 18 South, Range 31 East, Eddy County, New Mexico.

CASE 4857: Application of Perry R. Bass for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox gas well location for his Big Eddy Well No. 7 located 660 feet from the South line and 1980 feet from the East line of Section 19, Township 20 South, Range 31 East, Maroon Cliffs-Morrow Gas Pool, Eddy County, New Mexico, with the E/2 of said Section 19 to be dedicated to the well.

CASE 4858: Application of Continental Oil Company for two non-standard gas proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the two following Blinebry Gas Pool non-standard gas proration units in Township 21 South, Range 37 East:

A 120-acre unit comprising the N/2 SW/4 and the SW/4 SW/4 of Section 21, to be dedicated to applicant's M. E. Wantz Well No. 11 located in Unit L of said Section 21, and a 160-acre unit comprising the NW/4 SE/4, S/2 SE/4 and SE/4 SW/4 of Section 21, to be dedicated to applicant's M. E. Wantz Well No. 8 located in Unit O of said Section 21.

CASE 4859: Application of Continental Oil Company for two non-standard gas proration units, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the two following Blinebry Gas Pool non-standard proration units in Township 21 South, Range 37 East:

An 80-acre unit comprising the SW/4 NW/4 of Section 13 and the SE/4 NE/4 of Section 14, to be dedicated to applicant's Lockhart B-14 "A" Well No. 1 located in Unit H of Section 14, and a 160-acre unit comprising the NW/4 SE/4, N/2 SW/4, and SW/4 SW/4 of Section 13, to be simultaneously dedicated to applicant's Lockhart B-13 "A" Wells Nos. 1 and 8 located in Units M and L, respectively, of said Section 13.

CASE 4860: Application of Craig Polson for an unorthodox oil well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a well to test the Queen formation at an unorthodox oil well location 1340 feet from the South line and 1300 feet from the East line of Section 12, Township 13 South, Range 31 East, Caprock-Queen Pool, Chaves County, New Mexico.

CASE 4861: Application of Cities Service Oil Company for the amendment of Order R-4239, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-4239, which order pooled all mineral interests in the South Carlsbad-Morrow Gas Pool underlying the N/2 of Section 19, Township 22 South, Range 27 East, Eddy County, New Mexico, 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 and provided \$60.00 per month as the charge for supervision (combined fixed rates). Applicant proposes that said order be amended to provide for the drilling of a well on the pooled unit at a standard well location and that \$200.00 a month be established as the charge for supervision.

CASE 4862: Application of Adobe Oil Company for a non-standard gas proration unit and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 520-acre non-standard

(Case 4862 continued from Page 2)

gas proration unit comprising the NE/4, SE/4, E/2 SW/4, N/2 NW/4, and SE/4 NW/4 of Section 11, Township 23 South, Range 24 East, Rock Tank-Upper Morrow and Rock Tank-Lower Morrow Gas Pools in Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 320 feet from the South and East lines of said Section 11.

CASE 4863: Application of C & K Petroleum Inc. for a non-standard gas proration unit and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 225.59-acre non-standard West Atoka-Morrow gas proration unit in Section 18, Township 18 South, Range 26 East, comprising the SW/4, the SW/4 SE/4, and that portion of the NW/4 SE/4 described as follows:

Beginning at the Northwest corner of said NW/4 SE/4, thence South 1320 feet, thence East 1193.4 feet, thence North 639 feet, thence West 242.2 feet, thence North 30 degrees West, 452.6 feet, thence West 267 feet, thence North 8 degrees East, 267 feet to the North line of said NW/4 SE/4, thence West 507.4 feet to the point of beginning.

Applicant further seeks authority to drill a well for said unit at an unorthodox location 990 feet from the South and West lines of said Section 18.

CASE 4864: Southeastern New Mexico nomenclature case calling for an order for the creation and extension of certain pools in Chaves, Eddy and Lea Counties, New Mexico.

(a) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Canyon production and designated as the South Carlsbad-Canyon Gas Pool. The discovery well is the Phillips Petroleum Company Drag B No. 1 located in Unit K of Section 18, Township 23 South, Range 27 East, NMPM. Said pool described as:

TOWNSHIP 23 SOUTH, RANGE 27 EAST, NMPM
Section 18: S/2

(b) Create a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Hat Mesa-Morrow Gas Pool. The discovery well is the Phillips Petroleum Company Hat Mesa No. 1 located in Unit G of Section 11, Township 21 South, Range 32 East, NMPM. Said pool described as:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM
Section 11: E/2

(Case 4864 continued from Page 3)

(c) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Rocky Arroyo-Morrow Gas Pool. The discovery well is the El Paso Natural Gas Company Rocky Arroyo No. 1 located in Unit J of Section 8, Township 22 South, Range 22 East, NMPM. Said pool described as:

TOWNSHIP 22 SOUTH, RANGE 22 EAST, NMPM
Section 8: E/2
Section 17: N/2

(d) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Rocky Arroyo-Wolfcamp Gas Pool. The discovery well is the El Paso Natural Gas Company Rocky Arroyo No. 1 located in Unit J of Section 8, Township 22 South, Range 22 East, NMPM. Said pool described as:

TOWNSHIP 22 SOUTH, RANGE 22 EAST, NMPM
Section 8: SE/4

(e) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Lower Pennsylvanian production and designated as the South Sand Dunes-Lower Pennsylvanian Gas Pool. The discovery well is the El Paso Natural Gas Company Sundance Federal No. 1 located in Unit F of Section 4, Township 24 South, Range 31 East, NMPM. Said pool described as:

TOWNSHIP 24 SOUTH, RANGE 31 EAST, NMPM
Section 4: N/2

(f) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Winchester-Morrow Gas Pool. The discovery well is the Penroc Oil Corporation Dero Federal No. 1 located in Unit P of Section 35, Township 19 South, Range 28 East, NMPM. Said pool described as:

TOWNSHIP 19 SOUTH, RANGE 28 EAST, NMPM
Section 35: S/2

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

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

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

(Case 4864, Paragraph (h) continued from Page 4)

TOWNSHIP 15 SOUTH, RANGE 28 EAST, NMPM

Section 7: S/2

Section 18: N/2

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

TOWNSHIP 23 SOUTH, RANGE 27 EAST, NMPM

Section 18: S/2

(j) Extend the East Chisum-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 11 SOUTH, RANGE 28 EAST, NMPM

Section 16: NW/4 NE/4

(k) Extend the North Eunice-San Andres Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM

Section 17: NW/4

Section 18: NE/4

(l) Extend the Grayburg Jackson Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM

Section 7: SE/4

(m) Extend the Haystack-Cisco Gas Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 6 SOUTH, RANGE 27 EAST, NMPM

Section 9: All

Section 16: N/2

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

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM

Section 5: SW/4

Section 6: S/2

(o) Extend the Red Lake Queen-Grayburg-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM

Section 23: SE/4 NW/4, NE/4 SW/4, and
N/2 SE/4

Section 24: SE/4 and N/2 SW/4

(Case 4864 continued from Page 5)

(p) Extend the East Shoebar-Devonian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPM
Section 29: NW/4

(q) Extend the Shugart Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM
Section 36: NW/4

(r) Extend the West Tres Papalotes-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 34 EAST, NMPM
Section 30: NE/4

(s) Extend the Washington Ranch-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 24 EAST, NMPM
Section 2: W/2
Section 11: All

(t) Extend the White City-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM
Section 32: All

OP 69

DETAILED WELL ESTIMATE

WELL NUMBER 1 LEASE Merland "C" #1
 CONTRACTOR October 4, 1972 LOCATION 1980' FNL & 1980' FNL
 DATE October 4, 1972 SECTION 19-22S-27E
 J. O. NO. DEPTH 11,900' 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 | 13-3/8 | 350 | 48 | 2380 | 2380 | | |
| K-55 ST&C | A | 9-5/8 | 3160 | 36 | 17380 | 17380 | | |
| K-55 ST&C | A | 9-5/8 | 1200 | 40 | 7332 | 7332 | | |
| N-80 LT&C | A | 9-5/8 | 970 | 40 | 6111 | 6111 | | |
| N-80 LT&C | A | 5-1/2 | 9900 | 17 | 33222 | | | |
| N-80 LT&C | A | 5-1/2 | 2000 | 20 | 7900 | | | |
| Well head connections | | | | | 7500 | 3000 | | |
| 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 Drlg. labor (footage) @\$8.95/ft. | | | | | 106505 | 106505 | | |
| Rotary day work | | | | | 13500 | 10000 | | |
| Cable tool work | | | | | | | | |
| Subsurface casing equipment | | | | | 4000 | 2000 | | |
| D. S. T., electric logs, etc. | | | | | 14200 | 14200 | | |
| Acidizing, fracting | | | | | 10000 | | | |
| Perforating | | | | | 3600 | | | |
| Misc. company and contract labor | | | | | 5000 | 2000 | | |
| Road building, location | | | | | 3500 | 3500 | | |
| Cement & cementing service | | | | | 16700 | 11000 | | |
| Cement squeeze jobs | | | | | | | | |
| Drilling mud, chemicals | | | | | 18500 | 18500 | | |
| Drilling bits, coreheads, reamers | | | | | | | | |
| Mud logging unit | | | | | 1600 | 1600 | | |
| Rental of miscellaneous equip. | | | | | 5000 | 1500 | | |
| Company, contract hauling | | | | | 6000 | 3000 | | |
| Water, fuel | | | | | 8000 | 8000 | | |
| Miscellaneous incidentals | | | | | 10000 | 5000 | | |
| Total estimated cost - 100% | | | | | 338,400 | 223,008 | | |
| Total estimate C. S. | | | | % | | | | |

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 |

EXHIBIT NO. _____

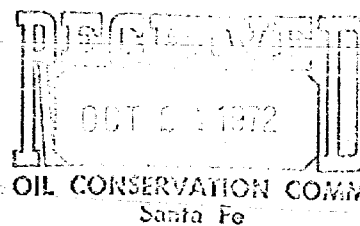
| | |
|---|----------------------|
| BEFORE EXAMINER NUTTER OIL CONSERVATION COMMISSION | |
| Cities Service | EXHIBIT NO. <u>3</u> |
| CASE NO. <u>4861</u> | |
| Submitted by <u>G. Motter</u> | |
| Hearing Date <u>14 Nov 72</u> | |

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

KELLAHIN AND FOX
ATTORNEYS AT LAW
500 DON GASPAR AVENUE
POST OFFICE BOX 1789
SANTA FE, NEW MEXICO 87501

TELEPHONE 982-4315
AREA CODE 505

October 19, 1972



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

Gentlemen:

Enclosed is the application of Cities Service Oil Company for modification of Order No. R-4239, which force-pooled the N/2 of Section 19, Township 22 South, Range 27 East, Eddy County, New Mexico. Cities Service seeks to change the well location, and to change the provision for overhead charges.

To the best of our information and belief the parties interested in the pooling who have not elected to participate are as follows:

Obie Upton
204 L Street
Carlsbad, New Mexico, a 1/2 interest in 1/2 acre

Tony Hernandez
1135 Tracy Place
Carlsbad, New Mexico, a 1/2 interest in 2 acres

State of New Mexico
Property Appraisal Department
Santa Fe, New Mexico, 3 acres held under tax deed
No. 2477

Zenida Rey Navarette
229 Alcazar N. E.
Albuquerque, New Mexico, 1/2 interest in 2 acres

If further information is needed, please let us know.

Very truly yours,

Jason W. Kellahin
Jason W. Kellahin

enclosure

JWK:ys

DOCKET MAILED

11-2-72

Date

DOCKET MAILED

Date-11-2-72

BEFORE THE

OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF CITIES SERVICE OIL COMPANY
FOR AMENDMENT OF ORDER NO. R-4239
WHICH POOLED THE N/2 OF SECTION
19, TOWNSHIP 22 SOUTH, RANGE
27 EAST, N.M.P.M., EDDY COUNTY,
NEW MEXICO

Case 4861

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 amending Order No. R-4239 to provide for drilling of a well on the pooled unit at an orthodox well location, and for modification of the charges permitted for supervision (combined fixed rate) and for such other and further orders as may be proper in the premises, and in support thereof would show the commission:

1. Order No. R-4239, entered January 12, 1972 on application of applicant, pooled all mineral interests in the South Carlsbad-Morrow Gas Pool underlying the N/2 of Section 19, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, to be dedicated to a well to be drilled 2173 feet from the North line and 1200 feet from the East line of said Section 19. The order fixed charge for supervision (combined fixed rate) of \$60.00 per month, and made other provisions.

2. Applicant now proposed to drill its well at an orthodox location, 1980 feet from the North and West lines of said Section 19, Township 22 South, Range 27 East, Eddy County, New Mexico.

3. Applicant states that the rate of \$60.00 per month for a charge for supervision (combined fixed rates)

is unreasonably low, and should be set at \$200.00 per month, wherefore applicant prays that this rate be changed to conform to the usual charges for supervision of wells in the area; together with a provision for adjustment of such charge on an annual basis.

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 modifying Order No. R-4239 as requested, and in all other respects ratifying and confirming said order.

Respectfully submitted,

CITIES SERVICE OIL COMPANY

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

DRAFT

DSN/dr

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 4861

Order No. R-4239-A

APPLICATION OF CITIES SERVICE
OIL COMPANY FOR THE AMENDMENT
OF ORDER NO. R-4239, EDDY
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 14, 1972,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 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 Commission entered Order No. R-4239 on
January 12, 1972, which order pooled 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, to form a 320-acre gas proration unit to be dedicated
to a well to be drilled at an unorthodox gas well location 2,173
feet from the North line and 1,200 feet from the East line of
said Section 19.

(3) That said order also designated Cities Service Oil Company as operator of the subject well and unit, and fixed \$60.00 per month as a reasonable charge for supervision (combined fixed rates) for the subject well.

(4) That the applicant in the instant case, Cities Service Oil Company, seeks the amendment of said Order No. R-4239 to provide for the drilling of the unit well for the N/2 of said Section 19 at a standard gas well location for the South Carlsbad-Morrow Gas Pool at a point 1980 feet from the North line and 1980 feet from the West line of said Section 19; that the applicant further seeks the amendment of said order to provide \$200.00 per month as the charge for supervision (combined fixed rates) for the subject well.

(5) That the proposed standard location of the unit well is in the interest of conservation, will prevent waste and will protect correlative rights.

(6) That a reasonable charge for supervision (combined fixed rates) for the subject well is \$160.00 per month.

(7) That Commission Order No. R-4239 should be amended to provide for the drilling of the unit well at a standard location and to provide \$160.00 per month as the reasonable charge for supervision (combined fixed rates) for the subject well.

-3-

Case No. 4861
Order No. R-4239-A

IT IS THEREFORE ORDERED:

(1) That Order (1) of Commission Order No. R-4239, Case No. 4643, be and the same is hereby amended to read in its entirety as follows:

"(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 a standard gas well location 1980 feet from the North line and 1980 feet from the West line of said Section 19."

(2) That Order (9) of said Order No. R-4239 be and the same is hereby amended to read in its entirety as follows:

"(9) That \$160.00 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."

(3) 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.