

CASE 5324: Application of CITIES
SERVICE FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

Case 5324

*Given with and receipt
of 10.12*

CASE No.

5324

Application,

Transcripts,

Small Exhibits

ETC.

WORKING INTEREST OWNERS AND UNLEASED MINERAL INTERESTS

	<u>Acres</u>	<u>Status</u>
Cities Service Oil Company P. O. Box 1919 Midland, Texas 79701	184.280485	
Michael Grace National Parks Highway Carlsbad, New Mexico 88220	27.709741 (total) 25.433556 leased 2.276185 UMI	No response
R. C. Bennett 102 Permian Building Midland, Texas 79701	54.818812	Will participate
R. G. Barton, Jr. & E. I. Latham, Jr. P. O. Box 978 Hobbs, New Mexico 88240	2.457812	Will not participate
Belco Petroleum Corp. Wilco Building Midland, Texas 79701	25.068563	Will participate
Joe Don Cook P. O. Box 159 Roswell, New Mexico 88201	.134871 (UMI)	Will not participate
Dan L. Hannifin P. O. Box 182 Roswell, New Mexico 88201	.132001 (UMI)	Will not participate
E. C. Paine) P. O. Box 1718) Carlsbad, New Mexico) Tom R. and Sallie L. Caviness) c/o Toddy Ship, 1722 State Line Ave.) c/o E. C. Payne Texarkana, Arkansas 75301) Box 1718 Aulton W. & Frances L. Hefner) Carlsbad, New Mexico 305 W. Riverside Drive) Carlsbad, New Mexico)	5.612000 (UMI)	Will participate
Carlsbad Municipal Schools, District #C 103 W. Hagerman Carlsbad, New Mexico 88220	5.300000 (UMI)	Will not participate

<u>3rd Add. to New San Jose Subdivision - Block 1</u>			<u>Acres</u>	<u>Last Known Address</u>	<u>Status</u>
Lot 2	Maria Contreras	.112389	204 Peach Tree	Letter	
Lot 5	Juan Sarabli	.161919	210 Peach Tree	Letter	
Lot 4	Mrs. E. M. Javarrette	.156180	1413 W. Bronson	Visit	
Lot 11	Thomas Granjer	.185450	2404 Avenue B	Letter	
Lots 19 and 20	Meliton Fletero	.349093	Box 922	Letter	
<u>3rd Add. to New San Jose Subdivision - Block 11</u>					
Lot 1	Armando Laraz	.118801	"J" Grocery, S. Canal St.	Visit	
Lot 6	Property Appraisal Dept., State of New Mexico & Ester Vasquez	.132001	608 N. Maple	Letter	
Lot 12	Fred R. Williams	.132001	Box 269	Letter	
Lots 15 & 38	Nettle Montgomery & E. Barker; City of Carlsbad	.261134	605 Lakeside Dr.	Phone	
Lot 23 & W. 8' Strip between 22 & 23	Margie McBech	.153122	319 Peach Tree	Visit	
Lots 29 & 30, & W. 8' Strip between 30 & 31	Alberto Mendoza	.278925	Box 346	Letter	
Lots 36 & 37	Polly C. Frazier	.258264	Rt. 7, Box 62, Conroe, Texas	Letter	
Lot 39	Lela Bell Giddens	.129132	2602 Carver	Visit	
Lot 40	Charles-Geliman	.129132	220 Plum St.	Letter	
Lot 46	Manuel Juarez	.129132	214 Plum St.	Visit	
Lot 48	Joe C. Saraya	.129132	210 Plum St.	Visit	
Lot 50	Canuto Salcido	.129132	206 Plum St.	Visit	
Lot 51	Carlsbad Nat'l Bank Trust Dept.	.116219	Carlsbad	Visit	
<u>Davis Subdivision - Block A</u>					
Lot 2, & N. 25' Lot 4	Fred R. Williams	.275482	Box 269	Letter	
<u>Davis Subdivision - Block B</u>					
Lot 11	Trustees of Church of God in Christ	.215306	2317 Davis	Visit	
<u>Davis Subdivision - Block C</u>					
Lot 4	Harmon N. Colley	.190082	2306 Carver	Letter	
Lot 5	Property Appraisal Dept., St. of NM	.178489	State Land Office	Phone	
Lot 10	Leonel Martinez	.190082	604 W. Alvarado	Letter	

<u>Davis Subdivision - Block C</u>		<u>Acres</u>	<u>Last Known Address</u>	<u>Status</u>
Lot 11	Frank Valenzuela	.178489	2312 Algerita	Letter
Lot 14	Hugh Gustus	.190082	No address	Letter
<u>Tracts in SW NE</u>				
Tract 52	Mrs. N. S. Hurd	.163567	305 Plum St.	Letter
Tract 20	Lobelia King	.255492	Corner of Carver and Plum Sts.	Visit
Tract 53	Eugene O. Rodrigues	.204430	2205 Carver	Letter
Tract 30 (W. 150' of S. 100')	M. M. Martinez	.537190	14202 Fairgrove, La Puente, California	Letter
Tract 30 (W. 50' of E. 100')	Ruben Fernandez	.206611	320 W. Etter St.	Letter
Tract 30 (E. 50')	Property Appraisal Dept., St. of NM	.206611	State Land Office	Phone
<u>Hill Top Subdivision</u>				
Lot 7 (W. 15')	Trustees of Rice Memorial (CME) Church	.064049	2601 Carver	Letter
<u>Southridge Subdivision - Block 7</u>				
Lot 9	James H. Orgain	.189393	2609 Carver	Letter
Lot 41	Henry Burgett	.189393	1111 N. 8th	Letter
Lot 36	Ezequiel D. Hernandez	.189393	520 Virginia NE., Albuquerque	Letter
Lot 43	Calvin Ross	.189393	Box 769	Letter
Lot 45	Salvador Navarrette	.189393	2907 Carver	Letter
Lot 46	Alvesa & Amador Alveraz	.189393	2908 Carver	Letter
Lot 49	Joseph F. Huffman	.189393	No Address	Letter
<u>Southridge Subdivision - Block 8</u>				
Lot 1	Marie Jennings	.284664	2520 San Jose Blvd.	Letter
Lot 2	Frank Giddens	.293847	Corner of Carver & Etter Sts.	Visit
Lot 13	Bicente Almanza	.177915	Grants, NM	Letter
Lot 19	Lurilline Washington	.177915	6910 Weston, Apt. 3, Houston, Texas 77033	Letter
Lot 27	Cruz Molinar	.202522	6224 S. 3rd, Phoenix, Arizona	Letter
Lot 28	Benito Fierro	.196395	1804 Carver	Letter
Lot 31	Ruby Brown	.223372	No Address	Letter
Lot 33	Sam Alexander	.426187	Corner of Carver & Davis	Visit

	<u>Acres</u>	<u>Last Known Address</u>	<u>Status</u>
<u>Southridge Subdivision - Block 9</u>			
Lot 1	.293847	Robert L. Cummings 302 N. Florez Dr., Tucson, AZ	Letter
Lot 4	.183654	Admin. of Veterans Affairs & Davis St.	Letter
Lot 8	.183654	Curtis Moore No Address	-
Lot 16	.183654	Mildred Johnson 2700 Stanton Dr., Las Vegas, NV 89031	Letter
<u>Southridge Subdivision - Blocks 2 & 3</u>			
Lot 6	.189393	Alvaro H. Molinar 306 Monclair	Letter
Lot 20	.189393	Admin. of Veterans Affairs Montclair	Letter
Lot 22	.454545	Roxie Doyle Corner of San Jose Blvd. & Montclair Streets	Visit
Lot 15	.189393	Fernando Renteria, Jr. Prices Dairy	Visit
Lot 17	.189393	Evelyn Ford Box 236, Dexter, NM 88230	Letter
Lot 21	.454545	Paul Balza No Address	-
<u>Southridge Subdivision - Block 4</u>			
Lot 14	.183654	Allen DePew 1106 Normandy	Letter
<u>Murray Subdivision</u>			
Lots 3 & 4	.564049	Jullean Harkness Rt. 1, Box 71, Loving, NM	Letter
Lot 5	.349954	Victorio Rodriguez Box 211, Grants, NM	Letter
<u>Tracts in SE SE</u>			
Portion of Tract 55	.380000	Latin American Assemblies of God Corner of Kircher & Ridgeway	Letter
<u>Bindel Subdivision #2 - Block 2</u>			
Lot 4	1.200000	Jim B. Carson Carlsbad	Visit
	<u>TOTAL</u>		
	14.485684		

RECEIVED
APR 29 1981
OIL CONSERVATION DIVISION
SANTA FE

CITIES SERVICE COMPANY

BOX 300

TULSA, OKLAHOMA 74102

April 24, 1981

Energy and Minerals Department
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Ernest L. Padilla

RE: Tracy "B" #1
Eddy County, New Mexico

Gentlemen:

Your letter of April 15, 1981 concerning the interest of Victorio and Trinidad Rodriguez in the subject well has been forwarded to my office for reply. Due to various oversights in the accounting of this interest, we are unable to furnish all of the production figures at this time. However, this information is currently being accumulated and will be furnished as soon as possible. In the meantime, if you have any other questions, please direct them to my attention.

Very truly yours,



H. C. Bland
Manager Joint Interest Administration
Energy Resources Group

HCB:NW:ct

cc: Victorio and Trinidad Rodriguez
Box 211
Grants, New Mexico 87020

Mr. Charles O'Connell - 647 OCB



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

April 15, 1981

BRUCE KING
GOVERNOR
LARRY KEHLOE
SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Mr. C. M. O'Connell
Credit Services Representative
Cities Service Company
P. O. Box 300
Tulsa, Oklahoma 74102

Mr. D. F. Motter
Engineering Manager
Cities Service Company
P. O. Box 1919
Midland, Texas 79702

Re: Oil Conservation Commission
Order R-4866, Case No. 5324

Gentlemen:

Oil Conservation Commission Order No. R-4866 pooled the E/2 of Section 18, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico, to be dedicated to the Tracy "B" Com Well No. 1.

The Division has received an inquiry from Mr. Victorio Rodriquez concerning the current status of the well that was drilled on the E/2 of Section 18. Mr. Rodriquez is inquiring specifically as to the minerals underlying Lot 5 in the Murray subdivision containing .349954 acres.

Mr. Rodriquez has received correspondence from Cities Service Company concerning certain billings which had been directed to pay. Mr. Rodriquez has, to his knowledge, never obtained an accounting as to production and payout status regarding the well.

Please furnish Mr. Rodriquez, whose address is Box 211, Grants, New Mexico 87020 with an up-to-date accounting of his interest in the above-mentioned well, and send a copy of that accounting to this office. Enclosed are copies of letters sent to Mr. Rodriquez dated January 15, 1981, and February 23, 1981, for your reference. An explanation of the necessity of these

Mr. C. M. O'Connell
Mr. D. F. Matter

-2-

April 15, 1961

billings would seem to be appropriate in light of Mr. Rodriguez' inquiries to us.

Very truly yours,

ERNEST L. PADILLA
General Counsel

ELP/dr

cc: Mr. Victorio Rodriguez
P. O. Box 211
Grants, New Mexico 87020

Case File 5324

CITIES SERVICE COMPANY

BOX 300

TULSA, OKLAHOMA 74102

January 15, 1981

Victorio and Trinidad Rodriguez
P. O. Box 211
Grants, NM 87020

RE: Joint Interest Account

Dear Sirs:

To date we have no record of receiving payment for the invoices as listed below. This covers expenses incurred on your percentage interest in the well as identified by owner number.

If payment has been made within the past few days, please disregard and accept our thanks. If you have any questions regarding the amount due, please let us know.

<u>Owner #</u>	<u>Date</u>	<u>Invoice #</u>	<u>Amount</u>
05071915-01,	05/31/80	9535	\$1.02
05071915-01	06/30/80	1938	\$.63
06071915-01	07/31/80	4355	\$.72
05071915-01	08/31/80	6835	\$.95
06071915-01	09/30/80	9412	\$.80

Please make payment to:

Cities Service Company
P. O. Box 300
Tulsa, Oklahoma 74102

Attention Cash Operations

Very truly yours,

C. M. O'Connell
C. M. O'Connell
Credit Services Representative

CMO:vbjt1

CITIES SERVICE COMPANY

BOX 300

TULSA, OKLAHOMA 74102

February 23, 1981

Victorio & Trinidad Rodriguez
P. O. Box 211
Grants, NM 87020

Re: Joint Interest Account
#06071915 01
Past Due Balance \$6.99

Dear Sir & Madam:

A review of your joint interest account reveals that we have neither received payment or a response to our previous letters concerning the past due balance.

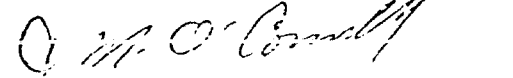
We would appreciate your giving this matter your prompt attention and remitting payment so that we may bring the account back to a current status. Please make payment to:

Cities Service Company
P. O. Box 300
Tulsa, Oklahoma 74102

Attention Cash Operations

If you should have any questions concerning the billings on the account, please contact me immediately.

Very truly yours,



C. M. O'Connell
Credit Services Representative

CMO:vbjt2

2785

CITIES SERVICE COMPANY

BOX 300

TULSA, OKLAHOMA 74102

January 15, 1981

Victorio and Trinidad Rodriguez
P. O. Box 211
Grants, NM 87020

RE: Joint Interest Account

Dear Sirs:

To date we have no record of receiving payment for the invoices as listed below. This covers expenses incurred on your percentage interest in the well as identified by owner number.

If payment has been made within the past few days, please disregard and accept our thanks. If you have any questions regarding the amount due, please let us know.

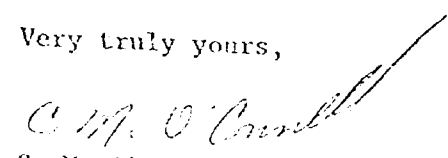
<u>Owner #</u>	<u>Date</u>	<u>Invoice #</u>	<u>Amount</u>
06071915-01	05/31/80	9535	\$1.02
06071915-01	06/30/80	1938	\$.63
06071915-01	07/31/80	4355	\$.72
06071915-01	08/31/80	6835	\$.95
06071915-01	09/30/80	9412	\$.80

Please make payment to:

Cities Service Company
P. O. Box 300
Tulsa, Oklahoma 74102

Attention Cash Operations

Very truly yours,


C. H. O'Connell
Credit Services Representative

CHO:vbjtl

CITIES SERVICE COMPANY

BOX 300

TULSA, OKLAHOMA 74102

February 23, 1981

Victorio & Trinidad Rodriguez
P. O. Box 211
Granis, NM 87020

Re: Joint Interest Account
#06071915 01
Past Due Balance \$6.99

Dear Sir & Madam:

A review of your joint interest account reveals that we have neither received payment or a response to our previous letters concerning the past due balance.

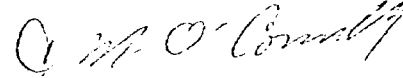
We would appreciate your giving this matter your prompt attention and remitting payment so that we may bring the account back to a current status. Please make payment to:

Cities Service Company
P. O. Box 300
Tulsa, Oklahoma 74102

Attention Cash Operations

If you should have any questions concerning the billings on the account, please contact me immediately.

Very truly yours,



C. M. O'Connell
Credit Services Representative

CMO:vbjt2

2785

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
September 18, 1974

EXAMINER HEARING

IN THE MATTER OF:

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

and

IN THE MATTER OF:

Application of Cities Service
Oil Company for directional
drilling, Eddy County, New Mexico.

Case No. 5324

Case No. 5325

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

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

For the Applicant:
(Cities Service)

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

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

APPEARANCES (Continued):

For Michael and Corrine Grace: Nick Franklin, Esq.
LAMB, METZGAR, FRANKLIN &
LINES, P.A.
500 Second Street, N. W.
Albuquerque, New Mexico

I N D E X

	<u>PAGE</u>
<u>TOM HELLER</u>	
Direct Examination by Mr. Kellahin	5
Cross Examination by Mr. Stamets	10
<u>E. F. MOTTER</u>	
Direct Examination by Mr. Kellahin	12
Cross Examination by Mr. Franklin	26
Cross Examination by Mr. Stamets	29

E X H I B I T S

Applicant's Exhibits Nos. 1 through 7	10
Applicant's Exhibits Nos. 8 through 12	25

MR. STAMETS: Case 5324.

MR. CARR: Case 5324. Application of Cities Service Oil Company for compulsory pooling, Eddy County, New Mexico.

MR. KELLAHIN: If the Examiner please, I would like to consolidate Cases 5324 and 5325.

MR. STAMETS: Is there any objections to consolidation of these two cases?

If the attorney will call Case 5325, we will then consolidate them for the purposes of testimony.

MR. CARR: Case 5325. Application of Cities Service Oil Company for directional drilling, Eddy County, New Mexico.

MR. STAMETS: We call for appearances in Case 5324 and Case 5325.

MR. KELLAHIN: If the Examiner please, Tom Kellahin, Kellahin and Fox, appearing on behalf of Cities Service Oil company. We have two witnesses to be sworn.

MR. STAMETS: If the Examiner please, Nick Franklin, appearing for Corrine and Michael Grace.

MR. STAMETS: Are there any other appearances? If all the witnesses will stand and be sworn, please.

(Witnesses sworn.)

MR. KELLAHIN: If the Examiner please, I would like the record to reflect that I have the same two witnesses, Mr. Tom Heller and Mr. Gene Motter in these two consolidated cases as Case No. 5323, and I would move that their previous qualifications be accepted in this case.

MR. STAMETS: Any objections? The qualifications will be included in the record in these two cases.

TOM HELLER

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

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Heller, let me direct your attention to what has been marked as Applicant's Exhibit No. 1 and have you identify that for us, please?

A This is a map that I personally made myself of the proposed unit under the Tracy B No. 1.

Q Would you identify for us what color code you have used?

A The yellow acreage is Cities Service acreage. The red is Mr. Bob Bennett's acreage. The purple is Mr. Michael Grace's acreage. The gray, the majority of it which is in the southeast quarter is Belco's. The

HELLER-DIRECT

Page 6

marron, I guess it is, is Mr. Barton and E. L. Latham, Jr. And brown, of which there are only two lots up in the north, is Mr. Dan Haffens and Joe Don Cook.

Q Is this a plat of the entire ownership concerning the east half of Section 18, Township 22 South, Range 27 East, Eddy County, New Mexico?

A Yes, it is.

Q In connection with Exhibit No. 1, would you now refer to what has been marked as Exhibit 2 and identify it?

A This is a tabulation that I have made concerning the working interest owners and unleased mineral owners under the east half of Section 18.

Q Mr. Heller, attached to the Application when it was filed for Cities Service Oil Company is an Exhibit A. Is the current Exhibit 2 a correction and amplification or an addition to that exhibit?

A This is an amplification, a more correct copy, if not an exactly correct copy, that I have made on record check myself.

Q May we now disregard what has been marked as Exhibit A for the Application?

A Yes.

Q Directing your attention now to Exhibit 2, the

HELLER-DIRECT

CASES 5324-5325

Page.....7

first column indicates that Cities Service Oil Company controls 184.28 plus acres, is that correct?

A That is correct.

Q What percentage is that?

A Approximately 57 percent.

Q In the last column of this page and subsequent page is the term, "Status." Below that column are different entries. Are all those entries correct and corresponding to the individuals names on the left margin?

A Yes, they are.

Q Are there any current additions or corrections to this exhibit?

A Not to my knowledge.

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

A These are letters that I had written to Mr. Grace and various other parties in the proposed unit, asking them to join. Of course, copies of their return receipts are on these letters. I might add -- this is a copy of Mr. Grace's here -- I might add I did call their office three times and visited their office once in an attempt to get an answer from them.

Q Mr. Heller, as of this date, Mr. Grace has not

HELLER-DIRECT

Page 8

agreed to pool his interest, has he?

A No.

Q I show you what has been marked as Exhibit 4. Would you identify it?

A This is the correspondence, much of it is similar to that of Mr. Grace, written to Mr. Roy G. Barton, Jr., asking him to participate in the proposed test.

Q And as of this date, has Mr. Barton agreed to pool his interest?

A There is a letter in here in which Mr. Barton indicates he does not wish to join in the test.

Q Please refer to what has been marked as Exhibit No. 5 and identify it?

A This is the information I have written to Mr. Joe Don Cook, requesting him to join. A letter from Mr. Cook requesting an A.F.E. on this acreage which I did to him, and of course, the second copy does have that.

Q As of this date, has Mr. Cook voluntarily committed his acreage to the unit?

A He has not.

Q Please identify what is marked as Exhibit 6?

A This is approximately exactly the same thing as written to Mr. Cook. This is written to Mr. Haffens,

HELLER-DIRECT

Page 9

asking him to join.

Q As of this date has Mr. Haffens joined?

A No.

Q Please refer to what is marked as Exhibit 7?

A This is a portion of the correspondence that I had with the attorney, Mr. Jerome D. Matkins, for the Carlsbad Municipal School District regarding their participation of the proposed test.

Q What if any response do you have from the school district?

A They elect not to participate.

Q Were Exhibits 1 through 7 either compiled or corresponded with you directly or through someone under your direction and control?

A Directly to me.

MR. KELLAHIN: I move the introduction of Exhibits 1 through 7.

MR. STAMETS: Without objections, Exhibits 1 through 7 --

MR. FRANKLIN: (Interrupting) If the Examiner please, we would reserve objections strictly on the basis of acceptance of the acreage figures and so forth, otherwise, we would not object to the admission of the Exhibits.

HELLER-DIRECT

Page 10

MR. STAMETS: You are referring to the acreage shown on Exhibit 1 and the exact percentages and totals?

MR. FRANKLIN: Right.

MR. STAMETS: With those reservations being noted, the exhibits will be admitted into evidence.

(Whereupon, Applicant's Exhibits Nos. 1 through 7 were marked for identification, and were admitted into evidence.)

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

MR. STAMETS: Are there questions of this witness?

MR. FRANKLIN: No questions.

MR. STAMETS: I do have some questions.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Heller, your Exhibit No. 2 indicates a status, and on the first page you have the major interest owners listed?

A Yes.

Q And they keep getting smaller and smaller. In all of these where you say, "Letter, visits, letter, phone," that is an indication that you have made some attempt to contact these owners?

HELLER-CROSS

Page 11

A That is correct. That is my mode of contact.

Q And since there is nothing else there, I would assume that your responses have either been negative or no response?

A The majority of them -- of course, when I did first complete this list in May or a little later than that, in fact, there were a lot more visits in there. Since then, leases are coming in. They are coming in. They have come in, many of these that I have personally visited. The majority of those that I have written a letter to included a lease and a draft and no response was ever heard, and in many cases, I have written them twice.

Q What was the date of your last correspondence?

A I will say it would be Tuesday -- Monday -- it would be Monday.

MR. KELLAHIN: Of this week?

THE WITNESS: Of this week. I might add, I have sent out so many leases and drafts that they do come in one or two -- sometimes two a week, sometimes one a week -- but we do usually pick up 1.2 acres per week.

BY MR. STAMETS:

Q And this would still provide these persons plenty of opportunity to voluntarily agree prior to the date that

HELLER-CROSS

Page..... 12

they would be compulsorily pooled?

A I would say the majority of those letters have been written in the last two months, and of course, this last correspondence Monday, if a person did indicate that they wished to lease, I did send them a lease and a draft.

Q You said most of these people that you have listed here on the 2nd, 3rd and 4th pages of Exhibit No. 2 are familiar or unfamiliar with the workings of leasing oil and gas operations?

A Very unfamiliar.

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

MR. KELLAHIN: No, sir.

MR. STAMETS: You may be excused.

(Witness dismissed.)

E. F. MOTTER

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

DIRECT EXAMINATION BY MR. KELLAHIN:

Q Mr. Motter, would you please refer to what has been marked as Exhibit No. 8, identify it and state briefly what Cities Service is seeking here?

A Yes. That is a plat. Actually, it is a surveyor's

MOTTER-DIRECT

Page..... 13

plat of surface locations of the proposed Tracy B No. 1 and the proposed bottomhole location in the Morrow.

Mr. Kellahin, before I go any farther, I would like to make a few remarks about the fact that this is in the City of Carlsbad. It is not the first well that has been drilled in the City, however, it is the first well, to my knowledge, that has been applied or an attempt made to drill since the adoption of the Carlsbad City Ordinance 748 which was on the 12th day of July of this year.

There are several of us in here, Mr. Grace, myself and others that attended several meetings that the Commission had down there. We worked with them and we tried to help them in any possible. They have what I consider one of the most rigid ordinances in the United States, however, we feel we can drill this particular well and still stay within the confines of that ordinance. There are certain things in the wording that are perhaps not entirely clear. This matter, I will explain a little later, and perhaps some of it may mean some additional time which is also money in the drilling of a well. I think that Cities Service, if we are allowed to drill this well in the City of Carlsbad, we will both gain some experience in operating in the City down there.

MOTTER-DIRECT

Page 14

MR. STAMETS: I take it from your statement, Mr. Motter, that Cities Service intends to fully comply with the new City drilling regulations?

THE WITNESS: Yes, we most certainly do, and I might also advise you that we hand-delivered on September 10th our application to the City of Carlsbad. I have a copy with me. We do not intend to make it a part of the record, but I understand that it will be acted upon soon. As of right now, to my knowledge, they have not acted on it.

BY MR. KELLAHIN:

Q What was the reason, Mr. Motter, for the preparation of Exhibit 8?

A Well, the Carlsbad Ordinance 748 stipulates that you cannot drill within 500 feet of any surface building, structure, et cetera, and this mainly shows that we are 500 feet from the Big Sky Drive-In fence. We are 500 feet from an abandoned building with the concrete slabs still there. We are 503 feet from the curb of the highway, and I think the only other specific thing I would like to point out is that there was some consideration and fear shown at the hearings on this ordinance about schools, churches, hospitals. We are 940 feet from the

MOTTER-DIRECT

Page 15

school building, 1190 feet from the church, 1103 feet from some residences. If you will note on this deal, with our proposed bottomhole location, we could not meet these requirements at that particular location. That is the purpose of deviating the hole.

Q Were there any other locations within the east half of Section 18 in which you could have complied with the surface location requirements of the ordinance?

A Well, I think perhaps there could have been if we moved clear over here to the southwest of this. You can see a blank spot down here on the southwest portion of this plat, but that would have meant we would deviate the whole -- the exploration people feel we would have a better chance of establishing production at this particular location, and so that is the reason we want to go to the bottom of the well north of this present location.

Q Please refer to what has been marked as Exhibit No. 9, and identify it?

A Okay. If I may, let's take a look at both 9 and 10 concurrently. One of those is a vertical displacement of the deviated hole. The other is the surface displacement of the deviated hole. It is our plan

MOTTER-DIRECT

Page 16

to deviate this hole approximately 1144 feet to the north.

It will fall within a regular orthodox location for the Morrow formation or Pennsylvanian. For that reason, as you are aware, there is a little 330-foot square that makes it orthodox, so we have chosen a target radius of 165 feet. Our plans are to kick off at 7500 feet.

We will use a hook-up of a Dynadrill with a Monel collar.

We will drill, probably 60 feet, and this will be monitored at the surface through an electric wire line until we get oriented in the proper direction and get our angle built properly. After making about 60 feet, we will probably pull our wellbore out of the hole and go back in and remove the Dynadrill and go back in with a somewhat more regular assembly, although it will be a directional assembly, and we will resume rotating the drill pipe. For those of you who may not be familiar with a Dynadrill, it is a mud pump that is driven by the hydrostatic heads going through it and pump down the drill pipe. The drill pipe is not oriented. It does not rotate. These things are quite tricky. Sometimes they work when you put on the hammer and sometimes they don't. We have estimated -- our best estimate if everything goes right, we will probably use this Dynadrill itself about

MOTTER-DIRECT

Page.....17

four days, and the rent on one of these is between \$90 and \$100 an hour while it is being used.

We will continue drilling, then, building an angle at about 2 degrees per hundred until we reach an angle of 17.33 degrees and then it would be our plan to use a packed hole assembly and maintain this angle until we reach TD. We will stop in there, and we should have our angle built before we reach this, and set casing 7 and 5/8, 8850 which is required in the City Ordinance, and then pursue this angle until we get to TD.

I have shown one thing in there, and also part of this request is for an unorthodox location in the event there is production established in the Strawn. And as you will note, on the vertical displacement, that is only 648 feet from the wellbore which makes it an orthodox location for the 320-acre spaced unit. We had considered kicking this well at a much steeper angle and letting it drift back to vertical so that both of these would be orthodox, but quite frankly, with the extreme limitations of the availability of drill pipe and so on, most contractors don't like to have a double dogleg in their hole if they can keep from it, so we ask you to give us consideration -- if we establish production in the

MOTTER-DIRECT

Page.....18

Strawn to give us an unorthodox location for Strawn production in the event it is established.

I really don't know much more I can tell you on those two. I would be glad to answer any questions either now or later.

Q Please refer to what has been marked as Exhibit 11 and identify it?

(Whereupon, a discussion was held off the record.)

A Now, the Tracy B No. 1 -- the drilling well estimate on this well is \$610,653. I would like to point out that we have a little bit stronger casing program. It is, I would say, stronger than most casing being used as required by the City Ordinance, and higher cost because of directional drilling. Because of drilling in the City, they do require a \$5 million insurance policy and \$50,000 bond. And for provisions for an inspector, you pay initially \$2000 and then -- and this is one of the things that I mentioned earlier -- if he deems it necessary to spend more time out there than what he feels is covered by the \$2000, he can bill us for more. It is an open end, so we don't know. Another thing, the Ordinance requires firefighting apparatus. I am not sure exactly what will

be acceptable. The blow-out equipment that is necessary, Carlsbad did change some of their earlier requirements, but it still is not what is normal in that particular area. We are going to have to rent some additional equipment. We will have to use larger accumulator equipment to operate the blow-out equipment. The mud monitoring equipment has to be more than is normal. They require a 24-hour watchman. They require a fence around the drill site while you are drilling and even a more rigid fence after you establish production. The wording on keeping the hole full on trips will require the use of trip tanks. Not too many rigs in this area have one available, so we will probably have to make one or rent one. They also require the use of steel tanks all the way through. This includes the reserve pit as well as the tank to put your cuttings in. Again, this will have to be over and above what is normally furnished by the rig. They have required what we feel is a little bit higher than necessary mud weight, so there is an expense here going higher, and also, this could be a source of problems. You may have circulation break and have lost circulation break down in the formation. They also require two tube cushions drilled below 8500 feet. — So, basically, that is the reason for the extra higher

MOTTER-DIRECT

cost on this particular well.

Q Would you please refer to Exhibit 12 and identify that?

A Yes. This is a portion of the exhibit that was submitted along with the Application to the City of Carlsbad. It specifically shows the hole size to be drilled, the casing to be set, the cement. The only thing that I would point out that might be a little bit different -- and this is in the Ordinance -- on the lefthand side down below, 8850, where it says we use brine water from 8850 to 9900 and then we will increase the hydrostatic to 6200 because it says we must have that much prior to drilling below 10,000 feet. Other than that, I think it is straight forward.

Q Are you aware of any other wells in the area in which a deviation has been attempted?

A Not to my knowledge unless somebody deviated around junk, and this would be an intentional deviation, but not in direction. They usually just cut a whip-stop-go which ever way the well -- and this normally doesn't involve time and effort as it is required to deviate in a particular direction.

Q Would you please state briefly the potential

MOTTER-DIRECT

Page 21

risk involved in deviation of a well in this manner?

A Well there is quite a bit of risk. The drill pipe, of course, has to flex more often, and I might point out on the exhibit -- I believe you called it 8 -- we don't have any contract footage in there. The people we have discussed this with due to this matter of drilling a directional hole, they want to do day work all the way down, so that puts us on 63 days.

There is times, as I told you, that the Dynadrill is not going to work when you get on the bottom so that means a trip out and either replacement, clean-up and run them back. There are twist-offs with these things that happen quite frequently. Fortunately, we are not going to have to set a plug or anything to kick off. We just kick off from the bottom and we can use some regular bits. This wouldn't be exactly the type you would use in drilling because the mud pump turns at a much higher speed. We generally use diamond bits, but we don't plan to use any in this particular hole so we can keep the cost down a little bit.

Q How would you relate the risk involved in drilling to the Morrow as opposed to drilling to other formations?

A Well, I don't know if I follow you, sir.

Q Well, is the Morrow a risky zone in which to --

A (Int) If we establish production?

Q Yes, that is what I am trying to say.

A It does have some problems, however, we think that we will be able to overcome many of the problems that have originated out there, and I think, in general, most people are able to get away with some of the problems from experience in the past now.

Q Do you assign any potential risk to the fact that you are dilling within the City limits of Carlsbad?

A Yes, most certainly we have some risks because, admittedly, there are things that can go wrong, and with churches, schools and so on in the neighborhood, well, we just have to face the situation. We think that all precautions are taken to prevent a blow-out or anything like this, but I think even the best efforts, man fails once in a while, and I refer to some wells in other areas where they drilled in a densely populated area where you have to evacuate people and stuff like this. Now, we hope this never happens. I think I can safely say it probably won't, but I recognize there is a problem.

Q Where is your well location in relation to Belco's

MOTTER-DIRECT

Page 23

John Joyce dry hole?

A It is about two locations south and one west. Also, our Merlin C is immediately south. It is a pretty sorry well as far as the Morrow is concerned.

Q Taking into consideration those factors, Mr. Motter, what if any opinion do you have with regard to a risk factor to be assigned in this case?

A Well, we would like to have 200 percent, the maximum on this, mainly because it is the first well in the City and we just honestly don't know what we are going to be faced with. You can see, maybe the inspector wants to be real hard-nosed and you will have to shut down half the time. Also, we are taking into consideration some of the geology in the area. I would like to point out that the well immediately east of us, the direct east offset of Antweil's, the Bear, was given a 200 percent risk factor and it is not even in the City limits.

Q Which well was that that had a 200 percent risk factor?

A The Antweil Bear which is immediately east of this proposed location.

Q Was that drilled in the Morrow?

A It hasn't been drilled yet. I think it is

MOTTER-DIRECT

Page 24

being spudded today. We are a partner in that well.

Q Do you have an opinion with regard to a monthly charge, fixed rate for supervision?

A Yes, without going into a lot of detail, I just suggest that the same procedures we are asking for the Tracy C be adopted in this case. The figures will be the same.

Q And that figure was \$206 per month?

A \$216.

Q I am sorry. \$216. With regard to the charge to be assessed while drilling, what is that figure?

A \$1536, I believe.

Q And Cities Services desires to be designated the operator?

A Yes, we do.

Q Because this well is to be drilled within the City limits, do you anticipate being able to comply with the normal Commission requirements of commencing drilling the well within 90 days and having it completed within an additional 120 days?

A If everything goes as planned and the Commission rules that this well can be drilled, we have a rig available to move in there approximately November 1st.

MOTTER-DIRECT

Page..... 25

Q How long will it take you to obtain the City of Carlsbad approval?

A Well, the Ordinance says that they have to give approval within 30 days, I believe, or else give us a 10-day notice and set it for hearing. They have had it since the 10th and this is the 18th. They have had 8 days to -- actually, it was reviewed when it was handed to these people and it was indicated that they thought we had covered all requests.

Q Were Exhibits 8 through 12 either prepared by you directly or under your direction and supervision?

A Yes, they were.

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

A Yes, it will.

MR. KELLAHIN: If the Examiner please, we move the introduction of Exhibits 8 through 12.

MR. STAMETS: Are there any objections to these exhibits? They will be so admitted.

(Whereupon, Applicant's Exhibits Nos. 8 through 12 were marked for identification, and were admitted into evidence.)

MR. KELLAHIN: That concludes our direct examination.

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

MR. FRANKLIN: Yes, we have a couple of questions.

MR. STAMETS: Mr. Franklin?

CROSS EXAMINATION

BY MR. FRANKLIN:

Q How much would you estimate the municipal ordinance has increased the cost?

A Sir, I hate to really go out on a limb. I have a figure in mind and I would be happy to give it and it is as of this date. If you recall, you don't acquire the insurance and bond until you get the permit, but we have roughly figured it is going to cost us an additional \$50,000.

Q You have indicated on your Exhibit No. 6 that the cost had been increased because of the City Ordinance. Is this \$50,000 figure the one you had in mind?

A You will not find it as such in there, but I can point out the items where we have included some extra money for that particular -- now, this is not for bonds, so this is everything that we think could increase the

cost because, as an example, I am going to show you here under DST -- do you have that item? The Ordinance says that they will have an inspector every time we run a drill stem test. so we increased the money in there for that. Going on down, we've got contract laborers. We have added some money in there because they say 24-hour supervision and also the pushers after you reach 8850 feet. Going on down to rental of miscellaneous equipment, we put \$35,000. Some of this equipment that I described, monitoring of mud, the blow-out preventers, mud tanks and all this is included in there. This is required by the Ordinance. Miscellaneous incidentals is where I have to tell you that probably our insurance and bonding will come from there.

Q So insurance and bonding basically is in this figure?

A Yes, but I honestly can't tell you what it is going to be. We will find out soon, I guess.

Q Will you provide the Commission with the name of the insurer?

A We are bound by the Ordinance to utilize a New Mexico insurance agent and furnish insurance through this group. I don't know that we are required to furnish it to the Oil Commission, but if they so desire, we would

have no question or no problem there.

Q We would request, perhaps, and hope that the findings of the Commission would further request, since we are up against a new City Ordinance, I would very strongly request the name of the insurer be provided to the Commission.

A Okay.

Q Referring to the same Exhibit, I notice that your Tracy B-1 and Tracy C cost is about a \$140,000 difference?

A Right.

Q Now, is part of that increase also due to directional drilling?

A Yes. About \$60,000 and some for directional drilling and about \$50,000 for drilling in the City.

Q 60 and 50 is 110, and you had \$140,000.

A I might also point out one other item here under separators, heater treater --

Q (Interrupting) Yes.

A We have \$44,000 where we had \$22,000 on the Tracy B, and that is an anticipation of perhaps a dual completion, and we don't have a dual in the Tracy C.

Q On the Tracy C, the contract drilling, combining the contract drilling, the rotary work and the rig work

MOTTER-CROSS

Page..... 29

and so forth, the Tracy C is \$10,000 lower than on the Tracy B-1?

A I think I can explain that. As you will note on the contract drilling, that is on a footage basis for \$12.25 a foot, and in the case of the Tracy B, it is all on regular day work, 63 days, at \$200 a day, but then you will have the directional drilling over and above that.

Q You did say that you would have to go to another kind of rig because of the Ordinance and its stricter requirements?

A No, sir. We don't have to go to another type of rig. Some of the container equipment will have to be stronger where it will stand more pressure than normally used in the area.

MR. FRANKLIN: Our client would want us to make a statement on the record that he felt the risk factor was well proven this time.

(Whereupon, a discussion was held off the record.)

MR. STAMETS: That concludes your examination, Mr. Franklin?

MR. FRANKLIN: Yes, sir.

CROSS EXAMINATION

THE NYE REPORTING SERVICE
STATE-WIDE DEPOSITION NOTARIES
225 JOHNSON STREET
SANTA FE, NEW MEXICO 87501
TEL. (505) 982-0386

MOTTER-CROSS

Page.....30.....

BY MR. STAMETS:

Q Mr. Motter, do you anticipate that you might need an administrative procedure to extend the start date on this particular well at least once over the 90 days because of the City problems?

A Yes. There is a possibility of that, however, we think that we have all this taken into account. I don't know whether you are familiar with what we call a "first diagram," but I have one on this particular well and the critical path is marked along the top and shows a spud date of November 1st, and all these other little lines are the things we have to do like getting the City's permission and all that.

MR. KELLAHIN: Regardless of that fact, Mr. Examiner, we would appreciate an administrative proceeding whereby we can obtain at least one continuance of the 90-day drilling date upon written application.

MR. STAMETS: I would suggest that such an application be at one of the regular Commission meetings held on Tuesday of each week and representatives of Cities Service, such as their attorney, make the application orally to avoid having to notify each of the individuals here.

MOTTER-CROSS

Page 31

MR. KELLAHIN: That would be satisfactory.

THE WITNESS: If I could enter a word, I think this is an excellent idea because this is programmed on the fact that we would have no problem with the rig that is coming from another well and they might be on this well longer than anticipated. This is programmed for everything to go just as we planned.

BY MR. STAMETS:

Q Now, Mr. Motter, I notice from Exhibit No. 2 and Exhibit No. 1 that there is City land, school land, a lot of privately owned acreage in here and we have discussed that people are unsophisticated so far as the oil and gas industry goes. Do you think it appropriate to apply a 200 percent risk factor to people who don't really understand the situation and are not properly able to make up their minds as to whether they want to risk their capital in this venture?

A Mr. Examiner, I am in agreement with you. I don't know how to educate these people, whether to gather them up -- I honestly don't know. I talked to you recently about some things we have been involved in, and I think we know what is going on, but there have been some things get by us which we didn't particularly like.

Q Also the schools and the City, do you think they would really be able to get the money to participate if they even wanted to?

A Well, that, I really can't tell you on that particular item. Sure, they are probably on a budget and things of this nature would have to be budgeted. I am going to make a little bit of a facetious statement right now, but the School Board met and considered this, and we did not attend the School Board meeting, but we do have a copy of the papers that a writer or reporter attended the meeting, and reported in the Carlsbad paper that they preferred to wait and see whether we got a well to make up their mind whether they wanted to participate or not. Now, I wish that opportunity was afforded all of us in this room.

Q There might be some necessity in this case to balance the risk which you testified to against, as I said, the sophistication and situation of the various small interest owners in the tract?

MR. KELLAHIN: I would prefer to keep the risk factor at 200 percent assessed against all individuals regardless of how complicated this kind of matter is. I can relate it to my own situation. The I.R.S. doesn't give

MOTTER-CROSS

Page 33

me this kind of consideration, and I don't understand the I.R.S. regulations. The City of Carlsbad and the schools apparently have counsel. There is a letter from an attorney. If he doesn't know the law or doesn't understand it, he is in a position where I think he can find somebody that does, but I think it is appropriate to assess it on an equal basis against everyone.

THE WITNESS: If I may state -- I don't mean to talk against my attorney, but my personal opinion on this is where do you start discrimination?

BY MR. STAMETS:

Q You mentioned the Antweil Bear Well is one with a 200 percent risk factor that was assessed. To your knowledge, were all the working interests in there familiar with oil and gas operations?

A Yes, I think I know them all and I think they were.

Q Is there any reason you left the Atoka out?

A Yes, mainly because I don't think, or our geologists don't think there is any Atoka in this particular area or location.

MR. STAMETS: Are there any other questions of this witness? He may be excused.

(Witness dismissed.)

MR. STAMETS: Is there anything further in this
case?

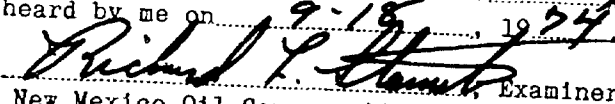
MR. KELLAHIN: No, sir.

MR. STAMETS: If there is nothing further, we
will take the case under advisement.

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

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


 COURT REPORTER

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 5324 heard by me on 9-18-74, 1974.

 Richard L. Nye, Examiner
 New Mexico Oil Conservation Commission

THE NYE REPORTING SERVICE
 STATE-WIDE DEPOSITION NOTARIES
 225 JOHNSON STREET
 SANTA FE, NEW MEXICO 87501
 TEL. (505) 982-0386

Carlsbad, New Mexico
Sept. 2, 1977

Dear Sir:

After talking to you on the telephone
a few days ago, and you advise me to
write and send you all the information
about the well.

Being a Working Interest owner the
last letter, along with the Drilling
well estimate, they sent me July 22,
1975, is about all the information I
have, so I enclose a copy of each.
Looking to hear from you soon
Very Truly Yours

Trustees of Church of God in Christ
2817 Davis

Carlsbad, New Mexico 88220

Case 5325
R 4868 10/9/74
auth Tracy B
I-18-22-27 to be
dir dild to
H-18-22-27

Case 5324
R-4866
10/9/74
pooled E/2
for well in
I-18-22-27



SEP -6 1975

CITIES SERVICE OIL COMPANY

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

July 22, 1975

Case 5324

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

Attention: Mr. Joe D. Ramsey

Re: New Mexico Oil Conservation Commission
Orders R-4866 and R-4868
South Carlsbad Morrow Pool
Eddy County, New Mexico

Gentlemen:

Cities Service Oil Company was authorized by New Mexico Oil Conservation Commission Order R-4866 to drill the Tracy-B No. 1 2180 feet from South Line and 520 feet from East Line, Section 18, T-22-S, R-27-E, Eddy County, New Mexico. located on a compulsory pooled proration unit composed of the E/2 Section 18. N.M.O.C.C. Order R-4868 authorized the well to be directionally drilled to a target center 2145 feet from North Line and 825 feet from East Line in the Morrow formation in Section 18.

As provided in N.M.O.C.C. Order R-4866, an itemized schedule of well costs is attached. This well overran the original estimate and is due primarily to the following reasons:

1. Increased Cost of Tubulars

Since tubulars of certain size, grade and weight were not available from regular suppliers, it was necessary to purchase a portion at premium prices far above those prices estimated. (An example is the 2-7/8" tubing which was estimated at \$2.00/foot but was purchased at \$3.57/foot.)

2. Rotary Day Work

It was estimated the Tracy-B No. 1 would be drilled in sixty-three (63) days, which included extra time for the directional drilling. Most wells in this area required forty-five (45) days to drill to the Morrow formation and the rotary was actually on the Tracy-B No. 1 ninety-six (96) days. Since this was a deviated hole, bids were taken from rotary

Trustees of Church of God in Christ Inc.

New Mexico Oil Conservation Commission
Orders R-4866 and R-4868
South Carlsbad Morrow Pool
Eddy County, New Mexico

Page 2

contractors on a day work basis rather than footage. It was necessary for the operator to pay \$16,000 to move the rotary which was not included in the original estimate.

3. Directional Drilling

It was extremely difficult to maintain the desired angle to bottom the hole in the "target area". This required considerably more Dynadrill runs, rotary time, supervision and equipment rental. The major directional costs were:

Directional Supervision	\$18,657
Directional Equipment Rental	32,924
Dynadrill Rental	20,956
Orientation Tools and Supervision	39,685
Wireline Services	<u>13,713</u>

Total: \$125,935

The directional drilling was on the Detailed Well Estimate, partially under three (3) categories - "Contract Labor", "Rental of Miscellaneous Equipment" and "Drilling Bits, Coreheads and Reamers" for a total amount of \$36,000.

4. Drilling Under Restriction of City of Carlsbad Ordinance No. 748

Steel reserve pits were required, making it necessary to dispose cuttings daily with earth moving equipment. On the original estimate, we had planned to use vacuum trucks to move the drill cuttings and excess fluids; however, the cuttings solidified in the pits requiring a more expensive method of removal. Several times the drilling rate had to be retarded because we were unable to move the solidified cuttings at a rate which they were being produced, resulting in 7.8 more days of rotary time. The extra cost of moving drill cuttings was \$75,467.

To acquire sufficient mud weight for a hydrostatic pressure of 6200 psi or greater prior to 10,000 feet required the rental of storage tanks, cost of building 850 barrels of 12#/gallon mud and rental of pump equipment to roll and transfer the weighted mud into the system at a cost of \$17,282. This procedure was not planned in the original Detailed Well Estimate.

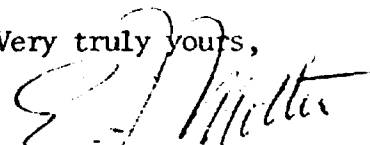
New Mexico Oil Conservation Commission
Orders R-4866 and R-4868
South Carlsbad Morrow Pool
Eddy County, New Mexico

Page 3

The entire location was fenced with a chain link fence complete with locked gates but did not provide adequate security. A security guard was used on a 24 hour basis after the rotary was moved, which was not included in the original estimate.

This explanation for overrun of the original Detailed Well Estimate could be explained in more detail; therefore, if you have any further questions on this matter, please advise.

Very truly yours,



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

EFM:mfg

Enc.

OP 69.

DETAILED WELL ESTIMATE

WELL NUMBER 1 LEASE Tracy-B
 CONTRACTOR _____ LOCATION 2180' FSL, 520' FEL
 DATE July 8, 1975 SECTION 18, T-22-S, R-27-E
 J. O. NO. _____ DEPTH _____ COUNTY Eddy STATE New Mexico

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing 16" 65# H-40 ST&C	A		355		6,600	6,600		1,775
10-3/4" 40.5# H-40 ST&C	A		1,715		18,092	18,092		11,600
10-3/4" 40.5# K-55 ST&C	A		1,255		12,428	12,428		7,600
7-5/8" 26.4# N-80 LT&C	A		3,422		30,000	5,500		21,500
7-5/8" 29.7# N-80 LT&C	A		3,029		29,500	15,000		59,500
7-5/8" 33.7# N-80 LT&C	A		2,633		29,373	29,373		22,000
5-1/2" 19.81# N-80 LT&C	A		3,500		27,344	-		-
5" 17.93# N-80 SEJ-P	A		3,208		-	-		50,000
Well head connections	A				11,500	1,500		19,900
Tubing 2-7/8" 6.4# N-80 AB Mod.	A		11,300		22,600	-		40,500
Sucker rods								
Bottom hole pump								
Pkr. & Tbg. Access.	A				5,000	-		4,000
Engine or motor								
Pumping unit								
Electrical equip. inc. Labor & Trans.								
Line pipe, fittings inc. Labor & Trans.	A				-	-		4,517
TANK BATTERY								
Stock tanks	A	310	4		14,000	-		7,600
G. B., settler, free water K. O. tank								
Separator, heater treater, etc.	A		2		44,000			18,755
Cost to install T. B.					5,000			5,885
INTANGIBLES								
Contract Drlg. labor (footage)								
Rotary day work \$2200/Day - 63 Days					138,600	138,600		257,511
Cable tool work								
Subsurface casing equipment	A				6,500	3,000		15,510
D. S. T., electric logs, etc.					17,000	17,000		24,000
Completion Unit					8,400	-		8,500
Acidizing, fracing					3,000	-		8,421
Perforating					2,500	-		5,120
MIRU, RD & MDR					-	-		16,000
Misc. company and contract labor					7,000	5,000		145,075
Road building, location					10,000	10,000		17,000
Cement & cementing service					15,000	13,000		19,241
Cement squeeze jobs								
Drilling mud, chemicals					20,000	20,000		62,160
Drilling bits, coreheads, reamers					60,716	60,716		52,170
Mud logging unit					6,500	6,500		8,500
Rental of miscellaneous equip. Inc. Dir. Equip.					55,000	51,000		117,701
Company, contract hauling					7,000	5,000		7,500
Water, fuel					6,000	6,000		14,300
Miscellaneous incidentals					12,000	12,000		1,600
Total estimated cost - 100%					610,655	416,500		1,010,700
Total estimate C. S.					382,280	260,617		

Carlsbad, New Mexico

Sept. 2, 1977

Dear Sir:

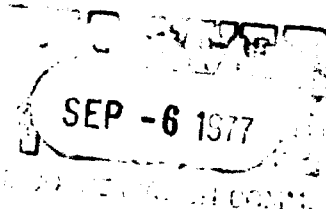
After talking to you on the telephone a few days ago, and you advise me to write and send you all the information about the well.

Being a Working Interest Owner the last letter along with the Drilling well estimate they sent me, July 22, 1975 is about all the information I have so I enclose a copy of each, looking to hear from you soon

Very Truly yours

Samuel Alexander
2817 Davis St.

Carlsbad, New Mexico
88220



CITIES SERVICE OIL COMPANY

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

July 22, 1975

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

Attention: Mr. Joe D. Raney

Re: New Mexico Oil Conservation Commission
Orders R-4866 and R-4868
South Carlsbad Morrow Pool
Eddy County, New Mexico

Gentlemen:

Cities Service Oil Company was authorized by New Mexico Oil Conservation Commission Order R-4866 to drill the Tracy-B No. 1 2180 feet from South Line and 520 feet from East Line, Section 18, T-22-S, R-27-E, Eddy County, New Mexico, located on a compulsory pooled proration unit composed of the E/2 of Section 18. N.M.O.C.C. Order R-4868 authorized the well to be directionally drilled to a target center 2145 feet from North Line and 825 feet from East Line in the Morrow formation in Section 18.

As provided in N.M.O.C.C. Order R-4866, an itemized schedule of well costs is attached. This well overran the original estimate and is due primarily to the following reasons:

1. Increased Cost of Tubulars

Since tubulars of certain size, grade and weight were not available from regular suppliers, it was necessary to purchase a portion at premium prices far above those prices estimated. (An example is the 2-7/8" tubing which was estimated at \$2.00/foot but was purchased at \$3.55/foot.)

2. Rotary Day Work

It was estimated the Tracy-B No. 1 would be drilled in sixty-three (63) days, which included extra time for the directional drilling. Most wells in this area required forty-five (45) days to drill to the Morrow formation and the rotary was actually on the Tracy-B No. 1 ninety-six (96) days. Since this was a deviated hole, bids were taken from rotary

Samuel Alexander

New Mexico Oil Conservation Commission
Orders R-4866 and R-4868
South Carlsbad Morrow Pool
Eddy County, New Mexico

Page 2

contractors on a day work basis rather than footage. It was necessary for the operator to pay \$16,000 to move the rotary which was not included in the original estimate.

3. Directional Drilling

It was extremely difficult to maintain the desired angle to bottom the hole in the "target area". This required considerably more Dynadrill runs, rotary time, supervision and equipment rental. The major directional costs were:

Directional Supervision	\$18,657
Directional Equipment Rental	32,924
Dynadrill Rental	20,956
Orientation Tools and Supervision	39,685
Wireline Services	<u>13,713</u>

Total: \$125,935

The directional drilling was on the Detailed Well Estimate, partially under three (3) categories - "Contract Labor", "Rental of Miscellaneous Equipment" and "Drilling Bits, Coreheads and Reamers" for a total amount of \$36,000.

4. Drilling Under Restriction of City of Carlsbad Ordinance No. 748

Steel reserve pits were required, making it necessary to dispose cuttings daily with earth moving equipment. On the original estimate, we had planned to use vacuum trucks to move the drill cuttings and excess fluids; however, the cuttings solidified in the pits requiring a more expensive method of removal. Several times the drilling rate had to be retarded because we were unable to move the solidified cuttings at a rate which they were being produced, resulting in 7.8 more days of rotary time. The extra cost of moving drill cuttings was \$75,467.

To acquire sufficient mud weight for a hydrostatic pressure of 6200 psi or greater prior to 10,000 feet required the rental of storage tanks, cost of building 850 barrels of 12#/gallon mud and rental of pump equipment to roll and transfer the weighted mud into the system at a cost of \$17,282. This procedure was not planned in the original Detailed Well Estimate.

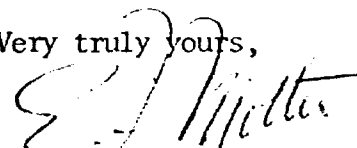
New Mexico Oil Conservation Commission
Orders R-4866 and R-4868
South, Carlsbad Morrow Pool
Eddy County, New Mexico

Page 3

The entire location was fenced with a chain link fence complete with locked gates but did not provide adequate security. A security guard was used on a 24 hour basis after the rotary was moved, which was not included in the original estimate.

This explanation for overrun of the original Detailed Well Estimate could be explained in more detail; therefore, if you have any further questions on this matter, please advise.

Very truly yours,



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

EFM:mfg

Enc.

DETAILED WELL ESTIMATE:

WELL NUMBER 1 LEASE Tracy-B
CONTRACTOR LOCATION 2180' FSL, 520' FBL
DATE July 8, 1975 SECTION 18, T-22-S, R-27-E
J. O. NO. DEPTH COUNTY Eddy STATE New Mexico

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing 16" 65# H-40 ST&C	A		555		6,600	6,600		4,780
10-3/4" 40.5# H-40 ST&C	A		1,745		18,092	18,092		11,000
10-3/4" 40.5# K-55 ST&C	A		1,255		12,428	12,428		7,600
7-5/8" 26.4# N-80 LT&C	A		3,422		50,000	5,500		21,500
7-5/8" 29.7# N-80 LT&C	A		3,029		29,500	15,000		59,310
7-5/8" 35.7# N-80 LT&C	A		2,635		29,575	29,575		23,200
5-1/2" 19.81# N-80 LT&C	A		3,500		27,344	-		-
5" 17.93# N-80 SFJ-P	A		3,208		-	-		50,610
Well head connections	A				11,500	1,500		19,900
Tubing 2-7/8" 6.4# N-80 AB Mod.	A		11,300		22,600	-		40,380
Sucker rods								
Bottom hole pump								
Pkr. & Tbg. Access.	A				5,000	-		4,240
Engine or motor								
Pumping unit								
Electrical equip. inc. Labor & Trans.								
Line pipe, fittings inc. Labor & Trans.	A				-	-		4,510
TANK BATTERY								
Stock tanks	A	310	4		14,000	-		7,600
G. B., settler, free water K. O. tank								
Separator, heater treater, etc.	A		2		44,000			18,750
Cost to install T. B.					5,000			3,580
INTANGIBLES								
Contract Drlg. labor (footage)								
Rotary day work \$2200/Day - 63 Days					138,600	138,600		257,510
Cable tool work								
Subsurface casing equipment	A				6,500	3,000		15,540
D. S. T., electric logs, etc.					17,000	17,000		24,070
Completion Unit					8,400	-		8,500
Acidizing, fracing					5,000	-		8,120
Perforating					2,500	-		5,120
MTRU, RD & MDR					-	-		16,000
Misc. company and contract labor					7,000	5,000		143,075
Road building, location					10,000	10,000		17,050
Cement & cementing service					15,000	13,000		19,240
Cement squeeze jobs								
Drilling mud, chemicals					20,000	20,000		62,460
Drilling bits, coreheads, reamers					60,716	60,716		52,470
Mud logging unit					6,500	6,500		8,500
Rental of miscellaneous equip. Inc. Dir. Equip.					35,000	31,000		147,700
Company, contract hauling					7,000	5,000		7,000
Water, fuel					6,000	6,000		14,510
Miscellaneous incidentals					12,000	12,000		1,600
Total estimated cost - 100%					610,655	416,509		1,016,260
Total estimate C. S. %					382,280	260,617		

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

September 7, 1977

Cities Service Oil Company
P. O. Box 1919
Midland, Texas 79701

Attention: Mr. E. F. Motter

Re: Commission Order No. R-4866

Gentlemen:

Reference is made to Commission Order No. R-4866, which pooled the E/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to your Tracy "B" Com Well No. 1, the surface location of which is in Unit I of said Section 18.

The Commission has received an inquiry from one of the parties pooled by this order concerning the current status of the working interests underlying two tracts. Re, Mr. Samuel Alexander, is inquiring both for himself as the owner of the minerals underlying Southridge Subdivision Block 8, Lot 33, which contains 0.426187 acres, and as a trustee of the Church of God in Christ, Inc., which owns the minerals underlying Davis Subdivision Block B, Lot 11, which contains 0.215306 acres.

The last correspondence which Mr. Alexander received from Cities Service Oil Company was your letter of July 22, 1975, explaining the overruns in drilling this well. According to Mr. Alexander, subsequent attempts to obtain a production and payout status accounting have been unsuccessful.

Page 2

Letter to Cities Service Oil Company
September 7, 1977

Please furnish Mr. Alexander, whose address is 2817 Davis Street, Carlsbad, New Mexico 88220, with an up-to-date accounting of his interest and the church's interest and send a carbon copy to this office. It might be well to also provide Mr. Alexander with an estimate as to when these interest's share of well costs will be paid out if they have not already been paid, so that he and the church trustees will have some idea as to when they might expect to receive some revenues from the well and how much it might be.

We realize that due to being within the city limits of Carlsbad and also due to having to be directionally drilled, the well was very expensive and that the non-participating working interest owners may not yet be paid out. However, we do feel that Mr. Alexander should receive an up-to-date accounting at this time.

Very truly yours,

DANIEL S. NUTTER
Chief Engineer

DSN/fd

cc: Mr. Samuel Alexander
2817 Davis Street
Carlsbad, New Mexico 88220

Case File 5324

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. 5324
Order No. R-4866

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 September 18, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of October, 1974, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Cities Service Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.
- (6) That the applicant should be designated the operator of the subject well and unit.

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month should be fixed as a reasonable charge for supervision while producing, provided that the producing supervision charge should be adjusted annually on the first day of April of each year. That the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

(14) That an administrative procedure should be established to permit a delay in the required date of commencement set forth in Finding No. (13) above for good cause shown.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 18,

CASE NO. 5324
Order No. R-4866

Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and production unit to be dedicated to a well to be drilled at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

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

PROVIDED FURTHER, that for good cause shown, the Secretary-Director of the Commission may grant an extension of time in which to commence said well of up to 90 days.

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

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

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

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

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

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

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

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month is hereby fixed as a reasonable charge for supervision while producing, provided that this latter rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-5-

CASE NO. 5324

Order No. R-4866

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

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

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



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

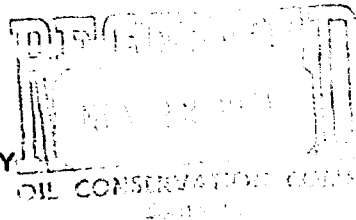
ALEX J. ARMIJO, Member

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

S E A L

jr/

CITIES SERVICE OIL COMPANY



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

November 18, 1974

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

Attention: Mr. R. L. Stametz

Gentlemen:

The attached letter and drilling well estimate was sent to each known Working Interest Owner in the E/2 Section 18, T22S, R27E, Eddy County, New Mexico.

Cities Service has been successful in leasing minerals which were not leased at the time of the hearing before the NMOC on October 9, 1974. As a matter of interest, Cities sent forty-three (43) letters to town lot owners who, according to our records, had not leased their minerals on October 22, 1974 (copy to NMOC). Response was as follows: one (1) lease to Cities Service, fourteen (14) returned - no forwarding address and twenty-eight (28) - no response.

It is anticipated we will be able to move to this location about mid-December 1974. All approvals have been obtained from the City of Carlsbad for the drilling of Tracy B No. 1.

Also enclosed, as per your request, is an article taken from the Carlsbad Current-Argus relating to Cities acquiring a lease from the Carlsbad Board of Education.

Very truly yours,

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

EFM/lis

Enclosures



CITIES SERVICE OIL COMPANY

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

November 18, 1974

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

Re: Compulsory Pooling E/2 Section 18,
T22S, R27E, NMPM, South Carlsbad
Field, Eddy County, New Mexico
Dedicated to Cities Service Oil
Company's Tracy B No. 1

Gentlemen:

Attached hereto is a Drilling Well Estimate for the Cities Service Tracy B No. 1 located 2045' FSL, 479' FEL, Section 18, T22S, R27E, NMPM, Eddy County, New Mexico. Proration unit dedicated to the well will be composed of the E/2 of Section 18 as provided in NMCCC Order R-4866. Copies of this letter along with the drilling well estimate are being sent to each known Working Interest Owner on subject well (address list attached).

NMCCC Order R-4868 authorizes the directional drilling of subject well to an orthodox bottomhole location for the Morrow formation.

Very truly yours,

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

EFM/lis

Attachments

Cities Service Oil Company
DETAILED WELL ESTIMATE

LEASE - WELL NO. Tracy B #1

DATE 7/29/74

LOCATION Sur.Loc: 2180' FSL 520' FEL; BHLoc: 2145' FNL, 825' FEL PROP.DEPTH 12150'

S 18 T 22S R 27E COUNTY Eddy

STATE N. M.

AFE NO.

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES					Dual			
Casing								
Surface 16" 65# H-40 ST&C	A		355		6600	6600		
10-3/4" 40.5# H-40 ST&C	A		1745		18092	18092		
10-3/4" 40.5# K-55 ST&C	A		1255		12428	12428		
7-5/8" 26.4# N-80 LT&C	A		3422		30000	5500		
7-5/8" 29.7# N-80 LT&C	A		3029		29500	15000		
7-5/8" 33.7# N-80 LT&C	A		2633		29373	29373		
5-1/2" 19.81# N-80 LT&C	A		3500		27344	-		
Well head connections	A				11500	1500		
Tubing 2-7/8" 6.4# N-80	A		11300		22600	-		
Sucker rods								
Bottom hole pump								
Engine or motor								
Pumping unit								
Electrical equip.incl.Labor & Trans.								
Line pipe, fittings incl.Labor & Trans.								
Packer and TBG Accessories	A				5000	-		
TANK BATTERY								
Stock tanks	A	310	4		14000			
Separator, heater treater, dehydrator	A		2		44000	-		
Meter run and housing								
Labor & transportation					5000	-		
INTANGIBLES								
Contract drilling labor								
Rotary day work \$2200/Day - 63 Days					138600	138600		
Service rig work \$600/Day - 14 Days					8400	-		
Subsurface casing equipment					6500	3000		
D. S. T., electric, radiactivity logs, ect.					17000	17000		
Acidizing, fracturing					3000	-		
Perforating					2500	-		
Misc. company and contract labor					7000	5000		
Road building, location					10000	10000		
Cement and cementing service					15000	13000		
Cement squeeze jobs								
Drilling mud, chemicals					20000	20000		
Diamond-drilling & analyses, bits, reamers, Dirac. Equip.					60716	60716		
Mud logging unit					6500	6500		
Rental of miscellaneous equip.					35000	31000		
Contract hauling					7000	5000		
Water, fuel					6000	6000		
Miscellaneous incidentals					12000	12000		
Total estimated cost - 100% - U.S. Dollars					610653	416309		

Schools Will Lease Land To Oil Firm

Carlsbad's Board of Education last night voted to enter into a lease agreement with Cities Service Oil Company for the latter to utilize 5.3 acres of school district land for gas drilling purposes.

The issue surfaced some months ago and the school board turned down a lease agreement offering the school district \$300 an acre and a royalty share if the well is a producer.

The new agreement gives the school district \$350 per acre and three-sixteenths royalties of the value of oil and gas produced at the wellhead. The 5.3 acres is a portion of the 320-acre pool required for gas drilling and is located south of Carlsbad on vacant land.

Correspondence from the New Mexico Oil and Gas Commission was the deciding factor for the board to enter into the agreement. Under New Mexico oil and gas regulations, only the majority of a 320-acre site (161 acres) need be acquired by an approved company. The remainder of the land can be pooled without the landowner's consent, according to school district attorney Jerry Matkins.

ADDRESS LIST
WORKING INTEREST OWNERS

Tracy B No. 1

R. C. Bennett
102 Permian Building
Midland, Texas 79701

R. G. Barton, Jr. & E. L. Latham, Jr.
P. O. Box 978
Hobbs, New Mexico 88240

Belco Petroleum Corporation
Wilco Building
Midland, Texas 79701

Beren Corporation
1130 Vickers
KSB and T Building
Wichita, Kansas 67202
Attn: Robert M. Beren

Joe Don Cook
P. O. Box 159
Roswell, New Mexico 88201

Michael Grace
National Parks Highway
Carlsbad, New Mexico 88220

Dan L. Hannifin
P. O. Box 182
Roswell, New Mexico 88201

E. C. Paine, Tom R. Caviness and Sallie L. Caviness,
Aulton W. Hefner and Frances L. Hefner
% E. C. Paine
Box 1718
Carlsbad, New Mexico 88220

Mrs. Maria Contreros
204 Peach Tree
Carlsbad, New Mexico 88220

Mr. Juan Saribia
210 Peach Tree
Carlsbad, New Mexico 88220

Mrs. E. M. Navarrette
1413 W. Bronson
Carlsbad, New Mexico 88220

ADDRESS LIST
WORKING INTEREST OWNERS
Tracy B No. 1

Page 2

Mr. Thomas Granger
2404 Avenue B
Carlsbad, New Mexico 88220

Mr. Meliton Fierro
Box 922
Carlsbad, New Mexico 88220

Mr. Armando Larez
"J" Grocery
South Canal Street
Carlsbad, New Mexico 88220

Mr. Fred R. Williams
Box 269
Carlsbad, New Mexico 88220

Mrs. Margie McBeth
319 Peach Tree
Carlsbad, New Mexico 88220

Mr. Alberto Mendoza
Box 846
Carlsbad, New Mexico 88220

Mrs. Polly C. Frazier
Rt. 7, Box 62
Conroe, Texas 77301

Mrs. Lela Bell Giddens
2602 Carver
Carlsbad, New Mexico 88220

Mr. Manuel Juarez
214 Plum Street
Carlsbad, New Mexico 88220

Mr. Joe C. Sarabia
210 Plum Street
Carlsbad, New Mexico 88220

Mr. Canuto Salcido
206 Plum Street
Carlsbad, New Mexico 88220

Carlsbad National Bank
Trust Department
Carlsbad, New Mexico 88220

ADDRESS LIST
WORKING INTEREST OWNERS
Tracy B No. 1

Page 3

Trustees of Church of God in Christ
2817 Davis Street
Carlsbad, New Mexico 88220

Mr. Harmon N. Colley
2306 Carver
Carlsbad, New Mexico 88220

Mr. Frank Valenzuela
2312 Algerita
Carlsbad, New Mexico 88220

Mr. Hugh Gustas
Carlsbad, New Mexico 88220

Mrs. Lobelia King
Corner of Carver and Plum Streets
Carlsbad, New Mexico 88220

Mr. Eugene O. Rodriques
2205 Carver
Carlsbad, New Mexico 88220

Mr. Ruben Fernandez
320 Etter Street
Carlsbad, New Mexico 88220

Trustees of Rice Memorial (CME) Church
2601 Carver
Carlsbad, New Mexico 88220

Mr. James H. Orgain
2609 Carver
Carlsbad, New Mexico 88220

Mr. Henry Burgett
1111 North 8th
Carlsbad, New Mexico 88220

Mr. Ezequil D. Hernandez
520 Virginia NE
Albuquerque, New Mexico 87108

Mr. Calvin Ross
Box 769
Carlsbad, New Mexico 88220

ADDRESS LIST
WORKING INTEREST OWNERS
Tracy B No. 1
Page 4

Salvador Navarrette
2907 Carver
Carlsbad, New Mexico 88220

Mr. Amador Alvarez
2908 Carver
Carlsbad, New Mexico 88220

Mrs. Marie Jennings
2520 San Jose Blvd.
Carlsbad, New Mexico 88220

Mr. Frank Giddens
Corner of Carver and Etter Streets
Carlsbad, New Mexico 88220

Mr. Bicente Almanza
Grants, New Mexico 87020

Mr. Cruz Molinar
6224 South 3rd
Phoenix, Arizona 85041

Mr. Benito Fierro
1804 Carver
Carlsbad, New Mexico 88220

Mr. Sam Alexander
Corner of Carver and Davis
Carlsbad, New Mexico 88220

Mr. Robert L. Cummins
2302 N. Florez Drive
Tucson, Arizona 85705

Mr. Alvaro H. Molinar
306 Monclair
Carlsbad, New Mexico 88220

Mrs. Roxie Doyle
Corner of San Jose and Monclair
Carlsbad, New Mexico 88220

Mr. Fernando Renteria, Jr.
Prices Dairy
Carlsbad, New Mexico 88220

Mrs. Evelyn Ford
Box 236
Dexter, New Mexico 88230

ADDRESS LIST
WORKING INTEREST OWNERS
Tracy B No. 1

Page 5

Mr. Allen De Pew
1106 Normandy
Carlsbad, New Mexico 88220

Mrs. Julian Harkness
Box 71
Loving, New Mexico 88256

Latin American Assemblies of God
Corner of Kircher and Ridgeway
Carlsbad, New Mexico 88220



CITIES SERVICE OIL COMPANY

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

October 29, 1974

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

Attention: Mr. R. L. Stamets

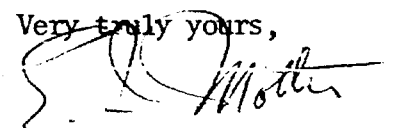
Re: New Mexico Oil Conservation
Commission Order R-4866

Gentlemen:

Attached is a copy of a letter which has been sent to all known potential working interest owners in the E/2 Section 18, 22-S, 27-E, Eddy County, New Mexico, which was compulsory pooled by Commission Order R-4866. Proration unit will be dedicated to the Cities Tracy-B No. 1.

As a matter of interest, the Carlsbad Municipal School Board has elected to lease their five plus acre tract to Cities Service.

Very truly yours,


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

EFM:mfg

Enc.



CITIES SERVICE OIL COMPANY

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

RE: Proposed Cities #1 Tracy 'B'
11,700' Morrow-Strawn Test
SE NE Section 18, 22S 27E
Eddy County, New Mexico

Dear

We propose to drill in the very near future an 11,700' Morrow-Strawn Test in the E/2 of Section 18, 22S 27E, Eddy County, New Mexico. The estimated cost to drill and complete this well as a dual producer is \$610,653. A dry hole is estimated to cost \$416,309.

As you are the owner of an estimated acre mineral interest in the proration unit covering the E/2 of Section 18, we request that you join Cities in the drilling of this proposed test. We estimate your mineral interest covers of the proration unit.

In the event you do elect to join with us, your estimated share of the cost of completing this well as a producer is and as a dry hole A producing well could return your costs plus a profit, however, a dry hole will return none of your investment.

If you do not elect to join, Cities Service and the other working interest owners will pay your share of the well costs. If the well is a producer we will recover your costs plus 200%, as set by the New Mexico Oil Conservation Commission Order No. R-4866, at which time you will become a participant and share in the production.

Please let us hear from you in this matter and if you elect to join we will forward the necessary instruments for your signature. Please do not hesitate to call the undersigned collect should you have any questions.

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

THjt



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

P. O. BOX 2088 - SANTA FE

87501

October 9, 1974

L. R. TRUJILLO
CHAIRMAN

LAND COMMISSIONER
ALEX I. ARMijo

MEMBER

STATE GEOLOGIST

A. L. PORTER, JR.

SECRETARY - DIRECTOR

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

Re: CASE NO. 5324
ORDER NO. R-4863, R-4864,
R-4865, R-4866 and R-4868
Applicant: _____

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 R-4863, R-4866, R-4868
Aztec OCC R-4863

Other Mr. Nick Franklin

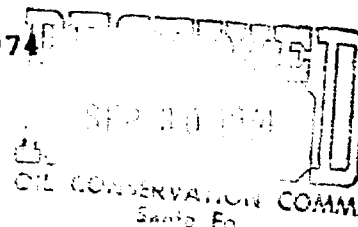
Lamb, Metzgar, Franklin & Lines P.A.

ATTORNEYS AND COUNSELLORS AT LAW

500 SECOND STREET, NW
ALBUQUERQUE, NEW MEXICO 87101
TELEPHONE (505) 247-0107

LARRY L. LAMB
BERNARD P. METZGAR
NICK FRANKLIN
FARRELL L. LINES

September 26, 1974



Oil Conservation Commission
State of New Mexico
Santa Fe, New Mexico 87501

RE: Case Nos. 5324 and 5325

Gentlemen:

On September 18, 1974 this law firm represented Mr. Michael P. Grace and Mrs. Corinne Grace at a hearing before the Commission. Your hearing office was considering the application of Cities Service Oil Company for compulsory pooling of properties in Eddy County, New Mexico, which were the subject of the above referenced case numbers.

During the process of the hearing, the question of what percent the Commission should set as a reasonable charge for the risk involved in the drilling of the well was raised. CITCO requested that 200% be set and indicated that other wells in the area, including that of Morris R. Antwell, had been set at 200%, and therefore, was very reasonable.

In reviewing the past history on this matter, we find that in the application of Morris R. Antwell, case no. 5215, and the subsequent order, order no. R-4772, that in fact, a 150% charge for the risk involved in the drilling of the well was approved by the Commission. We bring this to the attention of the Commission so that it might take this matter into account when it makes its finding and issues its order with regard to the above referenced case numbers 5324 and 5325.

Sincerely,

Nick Franklin

NF:cls

Dockets Nos. 29-74 and 30-74 are tentatively set for hearing on October 2 and October 16, 1974. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 18, 1974

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

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

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

CASE 5288: (Continued from the August 7, 1974, Examiner Hearing)

Application of Merrion & Bayless for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of hydrocarbon production from the top of the Gallup formation at 5434 feet to the base of the Dakota formation at 6570 feet in its Keeling Federal Well No. 1 located in Unit B of Section 20, Township 25 North, Range 8 West, Dufers Point-Dakota Pool, San Juan County, New Mexico.

CASE 5313: Application of El Paso Natural Gas Company for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Aztec-Pictured Cliffs and Blanco-Mesaverde production in the wellbore of its Ludwick Well No. 11 located in Unit B of Section 9, Township 30 North, Range 10 West, San Juan County, New Mexico.

CASE 5292: (Continued from the August 7, 1974, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit El Paso Natural Gas Company, United States Fidelity and Guaranty Co., and all other interested parties to appear and show cause why each of the following wells should not be plugged and abandoned in accordance with a Commission-approved plugging program:

EPNG Ludwick Well No. 11, located in Unit B, Section 19, Township 30 North, Range 10 West, San Juan County, New Mexico;

EPNG Rincon Unit Well No. 127, located in Unit A, Section 28, Township 27 North, Range 6 West, Rio Arriba County, New Mexico; and

EPNG Warren A Well No. 2, located in Unit A, Section 23, Township 28 North, Range 9 West, San Juan County, New Mexico.

- CASE 5316: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Benson-Montin-Greer Drilling Corporation and Hartford Accident and Indemnity Company and all other interested parties to appear and show cause why the Segal Well No. 1 located in Unit K of Section 10, Township 31 North, Range 13 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5317: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit R & G Drilling Company, Inc., and all other interested parties to appear and show cause why the Marron Well No. 42 in Unit M of Section 22, Township 27 North, Range 8 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5318: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit William C. Russell and United States Fidelity and Guaranty Company and all other interested parties to appear and show cause why the Marron Well No. 46 located in Unit K of Section 23, Township 27 North, Range 8 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5326: Application of William C. Russell for directional drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the directional drilling of his Hammond Well No. 1, the surface location of which is 1800 feet from the North line and 1650 feet from the East line of Section 26, Township 27 North, Range 8 West, Largo-Chacra Pool, San Juan County, New Mexico.
- CASE 5328: Application of R & G Drilling Company for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blanco-Mesaverde and Basin-Dakota gas production in the wellbore of its Hammond Well No. 47, located in Unit K of Section 35, Township 27 North, Range 8 West, San Juan County, New Mexico.
- CASE 5312: Application of SEC Corporation for two non-standard carbon dioxide gas units, Harding County, New Mexico. Applicant, in the above-styled cause, seeks approval for two non-standard gas units in the South Bueyeros Carbon Dioxide Field, Harding County, New Mexico, the first comprising the W/2 NE/4, SE/4 NE/4, and NE/4 SE/4 of Section 32, Township 19 North, Range 30 East, to be dedicated to a well to be drilled in the approximate center of the SW/4 NE/4 of said Section 32; the second non-standard unit would comprise the SW/4 NE/4, N/2 SE/4 and SE/4 SE/4 of Section 5, Township 18 North, Range 30 East, and would be dedicated to a well in the approximate center of the NW/4 SE/4 of said Section 5.

CASE 5314: Application of Gulf Oil Corporation for simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of its W. A. Ramsay Wells Nos. 6, 7, and 20 located in Units H, N, and E, respectively, of Section 35, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to a standard 640-acre gas proration unit comprising all of said Section 35. Each of the aforesaid wells is at a non-standard location for a 640-acre unit in said pool.

CASE 5315: Application of Texaco Inc. for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blinebry, Tubb-Drinkard, and Fusselman production in the wellbore of its G. L. Erwin "B" Federal Well No. 4 located in Unit O of Section 35, Township 24 South, Range 37 East, Justis Field, Lea County, New Mexico.

CASE 5319: Application of Alan Ralston dba Apollo Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Jalmat Gas Pool underlying the NW/4 of Section 25, Township 25 South, Range 36 East, Lea County, New Mexico, to form a 160-acre non-standard gas proration unit to be dedicated to applicant's Brown Well No. 1 located 1980 feet from the North line and 2310 feet from the West line of said Section 25. Applicant further seeks the pooling of all mineral interests in the Jalmat Pool underlying the following 40-acre oil proration units in said Section 25: the NW/4 NW/4 to be dedicated to Brown Well No. 2 located 330 feet from the North line and 825 feet from the West line; the NE/4 NW/4 to be dedicated to Brown Well No. 3 located 365 feet from the North line and 1650 feet from the West line; the SE/4 NW/4 to be dedicated to Brown Well No. 4 located 1690 feet from the North line and 1870 feet from the West line; and the SW/4 NW/4 to be dedicated to Brown Well No. 5 located 1650 feet from the North line and 990 feet from the West line. Also to be considered will be the cost of reworking said wells and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the wells and a charge for risk involved in reworking said wells.

CASE 5320: Application of Lively Exploration Company for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 341.33-acre non-standard gas proration unit comprising Lots 9, 10, 11, and 12 of Section 7, and Lots 1, 2, 3, and 4 and the E/2 W/2 of Section 18, Township 29 North, Range 8 West, Basin-Dakota Pool, San Juan County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit.

CASE 5321: Application of Northern Minerals, Inc. for pool creation and special pool rules, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the creation of the Miguel Creek-Hospah Oil Pool in Township 16 North, Range 6 West, McKinley County, New Mexico, and for the promulgation of special pool rules therefor, including the elimination of the requirement for surface casing and authority to inject water through casing. Applicant is currently conducting waterflood operations in said pool pursuant to authority granted by Order No. R-4649 and seeks administrative provision for the drilling of additional injection and production wells at orthodox and unorthodox locations.

CASE 5322: Application of Phillips Petroleum Company for an exception to Rule 104-C-I, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Commission Rule 104-C-I to permit the production of its Santa Fe Wells Nos. 41 and 86, both of which are located in Unit C of Section 26, Township 17 South, Range 35 East, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico, said wells being located closer than the required 330 feet apart.

CASE 5323: 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 of Pennsylvanian age, or older, underlying the E/2 of Section 32, Township 21 South, Range 27 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5324: 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 of Pennsylvanian age, or older, underlying the E/2 of Section 18, Township 22 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to applicant's Tracy "B" Well No. 1, the surface location of which is 2045 feet from the South line and 479 feet from the East line of said Section 18. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5325: Application of Cities Service Oil Company for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its Tracy "B" Well No. 1, the surface location of which is 2045 feet from the South line and 479 feet from the East line of Section 18, Township 22 South, Range 27 East, South

(Case 5325 continued from Page 4)

Carlsbad Field, Eddy County, New Mexico, in such a manner as to bottom said well in the Morrow formation at an orthodox location within 165 feet of a point 2145 feet from the North line and 825 feet from the East line of said Section 18. Applicant further seeks approval for the unorthodox location of said well in the Strawn formation, in the event production is therein encountered, within a 100-foot radius of a point 2600 feet from the North line and 675 feet from the East line of said Section 18. The E/2 of said Section 18 would be dedicated to the well for both formations.

CASE 5327: Application of Cities Service Oil Company for an unorthodox location and gas injection, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Empire-Abo Unit Well No. 111 to be drilled at a point 990 feet from the South line and 1880 feet from the West line of Section 35, Township 17 South, Range 27 East, Empire-Abo Pool, Eddy County, New Mexico. This well is to be used as a gas injection well and, in exception to the provisions of Order No. R-4808, is located 1140 feet from the outer boundary of the Citgo Empire-Abo Unit Boundary, rather than the required 1650 feet from the outer boundary.



CITIES SERVICE OIL COMPANY

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

July 22, 1975

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

Attention: Mr. Joe D. Ramey

File Case 5324
(Also see case 5325)

Re: New Mexico Oil Conservation Commission
Orders R-4866 and R-4868
South Carlsbad Morrow Pool
Eddy County, New Mexico

Gentlemen:

Attached is a letter which has been sent all known Working Interest Owners in the Tracy-B No. 1, South Carlsbad Pool, Eddy County, New Mexico, as required by Order R-4866.

The New Mexico Oil Conservation Commission staff asked if we would furnish information on costs incurred by drilling the Tracy-B No. 1 in the city limits of Carlsbad. In addition to those items listed in Item 4 of the attached letter, the following are required by Carlsbad Ordinance 748:

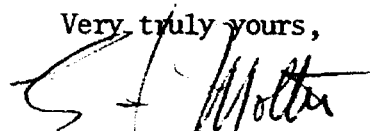
Permit Fee	\$ 500
Inspection Fee	2,000
Insurance	(Cities Service Blanket)
Bond	150
Extra Accumulator and BOP Equipment	8,090
Mud Monitoring Equipment:	
Flow Sensor	1,665
Pit Level Indicator	1,665
Trip Tank	4,285
Trip Tank Pump	3,506
Trip Tank Readout	2,080
Rotating Head	4,929
Hydraulic Choke	2,621
Degasser	2,854
Mud Gas Separator	4,280
Fire Fighting Equipment	849
Fence and Gates	1,225

New Mexico Oil Conservation Commission
Orders R-1966 and R-1968
South Carlsbad Morrow Pool
Eddy County, New Mexico

Page 2

A large portion of this equipment is used by Cities Service regardless of whether the well is being drilled in the City of Carlsbad but we are not sure this would apply to all operators. Cities is proud of their drilling record in the Carlsbad area and use equipment which we feel should take care of most problems that may occur with drilling operations in the area.

Very truly yours,



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

EFM:mfg

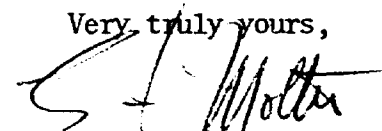
Enc.

New Mexico Oil Conservation Commission
Orders R-4866 and R-4868
South Carlsbad Morrow Pool
Eddy County, New Mexico

Page 2

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Very truly yours,



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

EFM:mfg

Enc.



CITIES SERVICE OIL COMPANY

Box 1919
Midland, Texas 79701
Telephone (915) 684-7121

July 22, 1975

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

Attention: Mr. Joe D. Ramey

Re: New Mexico Oil Conservation Commission
Orders R-4866 and R-4868
South Carlsbad Morrow Pool
Eddy County, New Mexico

Gentlemen:

Cities Service Oil Company was authorized by New Mexico Oil Conservation Commission Order R-4866 to drill the Tracy-B No. 1 2180 feet from South Line and 520 feet from East Line, Section 18, T-22-S, R-27-E, Eddy County, New Mexico, located on a compulsory pooled proration unit composed of the E/2 of Section 18. N.M.O.C.C. Order R-4868 authorized the well to be directionally drilled to a target center 2145 feet from North Line and 825 feet from East Line in the Morrow formation in Section 18.

As provided in N.M.O.C.C. Order R-4866, an itemized schedule of well costs is attached. This well overran the original estimate and is due primarily to the following reasons:

1. Increased Cost of Tubulars

Since tubulars of certain size, grade and weight were not available from regular suppliers, it was necessary to purchase a portion at premium prices far above those prices estimated. (An example is the 2-7/8" tubing which was estimated at \$2.00/foot but was purchased at \$3.57/foot.)

2. Rotary Day Work

It was estimated the Tracy-B No. 1 would be drilled in sixty-three (63) days, which included extra time for the directional drilling. Most wells in this area required forty-five (45) days to drill to the Morrow formation and the rotary was actually on the Tracy-B No. 1 ninety-six (96) days. Since this was a deviated hole, bids were taken from rotary

contractors on a day work basis rather than footage. It was necessary for the operator to pay \$16,000 to move the rotary which was not included in the original estimate

3. Directional Drilling

It was extremely difficult to maintain the desired angle to bottom the hole in the "target area". This required considerably more Dynadrill runs, rotary time, supervision and equipment rental. The major directional costs were:

Directional Supervision	\$18,657
Directional Equipment Rental	32,924
Dynadrill Rental	20,956
Orientation Tools and Supervision	39,685
Wireline Services	<u>13,713</u>
Total:	\$125,935

The directional drilling was on the Detailed Well Estimate, partially under three (3) categories - "Contract Labor", "Rental of Miscellaneous Equipment" and "Drilling Bits, Coreheads and Reamers" for a total amount of \$36,000.

4. Drilling Under Restriction of City of Carlsbad Ordinance No. 748

Steel reserve pits were required, making it necessary to dispose cuttings daily with earth moving equipment. On the original estimate, we had planned to use vacuum trucks to move the drill cuttings and excess fluids; however, the cuttings solidified in the pits requiring a more expensive method of removal. Several times the drilling rate had to be retarded because we were unable to move the solidified cuttings at a rate which they were being produced, resulting in 7.8 more days of rotary time. The extra cost of moving drill cuttings was \$75,467.

To acquire sufficient mud weight for a hydrostatic pressure of 6200 psi or greater prior to 10,000 feet required the rental of storage tanks, cost of building 850 barrels of 12#/gallon mud and rental of pump equipment to roll and transfer the weighted mud into the system at a cost of \$17,282. This procedure was not planned in the original Detailed Well Estimate.

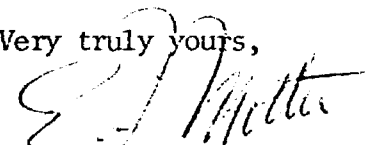
New Mexico Oil Conservation Commission
Orders R-4866 and R-4868
South Carlsbad Morrow Pool
Eddy County, New Mexico

Page 3

The entire location was fenced with a chain link fence complete with locked gates but did not provide adequate security. A security guard was used on a 24 hour basis after the rotary was moved, which was not included in the original estimate.

This explanation for overrun of the original Detailed Well Estimate could be explained in more detail; therefore, if you have any further questions on this matter, please advise.

Very truly yours,



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

EFM:mfg

Enc.

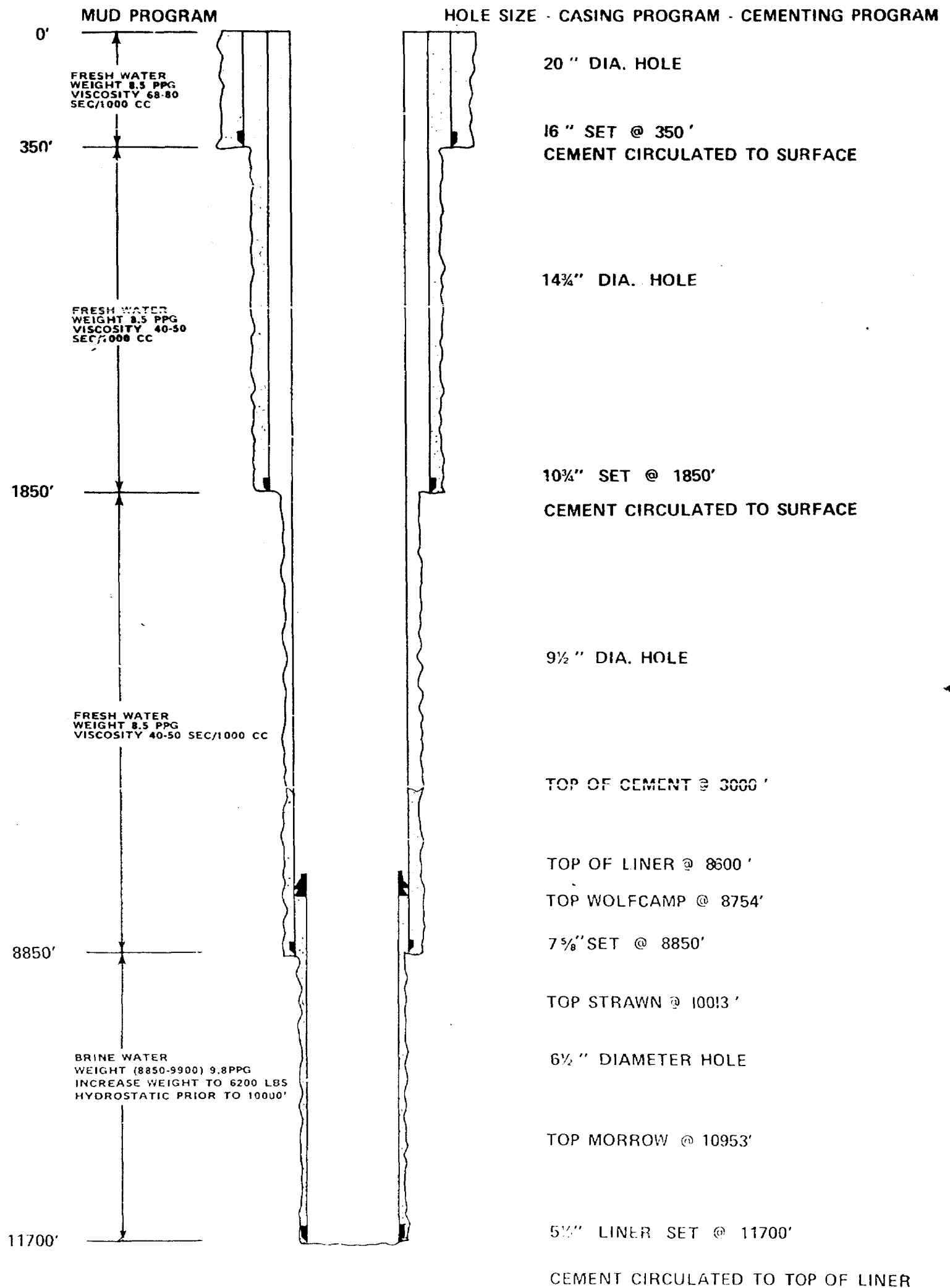
CP-39

DETAILED WELL ESTIMATE

WELL NUMBER 1 LEASE Tracy-B
 CONTRACTOR _____ LOCATION 2180' ESL, 520' FEL
 DATE July 8, 1975 SECTION 18, T-22-S, R-27-E
 J. O. NO. _____ DEPTH _____ COUNTY Eddy STATE New Mexico

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing 16" 65# H-40 ST&C	A		355		6,600	6,600		4,789
10-3/4" 40.5# H-40 ST&C	A		1,745		18,092	18,092		11,635
10-3/4" 40.5# K-55 ST&C	A		1,255		12,428	12,428		7,620
7-5/8" 26.4# N-80 LT&C	A		3,422		30,000	5,500		21,539
7-5/8" 29.7# N-80 LT&C	A		3,029		29,500	15,000		39,314
7-5/8" 33.7# N-80 LT&C	A		2,653		29,373	29,373		22,225
5-1/2" 19.81# N-80 LT&C	A		3,500		27,344	-		-
5" 17.93# N-80 SFJ-P	A		3,208		-	-		30,615
Well head connections	A				11,500	1,500		19,978
Tubing 2-7/8" 6.4# N-80 AB Mod.	A		11,300		22,600	-		40,388
Sucker rods								
Bottom hole pump								
Pkr. & Tbg. Access.	A				5,000	-		4,242
Engine or motor								
Pumping unit								
Electrical equip. inc. Labor & Trans.								
Line pipe, fittings inc. Labor & Trans.	A				-	-		4,517
TANK BATTERY								
Stock tanks	A	310	4		14,000	-		7,601
G. B., settler, free water K. O. tank								
Separator, heater treater, etc.	A		2		44,000			18,733
Cost to install T. B.					5,000			3,585
INTANGIBLES								
Contract Drlg. labor (footage)								
Rotary day work \$2200/Day - 65 Days					138,600	138,600		257,314
Cable tool work								
Subsurface casing equipment	A				6,500	3,000		15,540
D. S. T., electric logs, etc.					17,000	17,000		24,076
Completion Unit					8,400	-		8,508
Acidizing, fracing					3,000	-		8,424
Perforating					2,500	-		5,126
MIRU, RD & MOR					-	-		16,000
Misc. company and contract labor					7,000	5,000		143,073
Road building, location					10,000	10,000		17,053
Cement & cementing service					15,000	13,000		19,241
Cement squeeze jobs								
Drilling mud, chemicals					20,000	20,000		62,467
Drilling bits, coreheads, reamers					60,716	60,716		52,473
Fluid logging unit					6,500	6,500		8,530
Rental of miscellaneous equip. inc. Dir. Equip.					35,000	31,000		147,704
Company, contract hauling					7,000	5,000		7,905
Water, fuel					6,000	6,000		11,319
Miscellaneous incidentals					12,000	12,000		1,679
Total estimated cost - 100%					610,655	416,309		1,016,265
Total estimate C. S.				%	382,280	260,617		

CASING SCHEMATIC



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. 5324
Order No. R-4866

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 September 18, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of October, 1974, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Cities Service Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month should be fixed as a reasonable charge for supervision while producing, provided that the producing supervision charge should be adjusted annually on the first day of April of each year. That the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

(14) That an administrative procedure should be established to permit a delay in the required date of commencement set forth in Finding No. (13) above for good cause shown.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 18,

-3-
CASE NO. 5324
Order No. R-4866

Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

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

PROVIDED FURTHER, that for good cause shown, the Secretary-Director of the Commission may grant an extension of time in which to commence said well of up to 90 days.

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

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

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

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

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

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

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

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

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month is hereby fixed as a reasonable charge for supervision while producing, provided that this latter rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-5-

CASE NO. 5324

Order No. R-4866

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

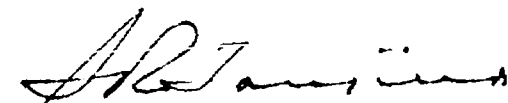
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

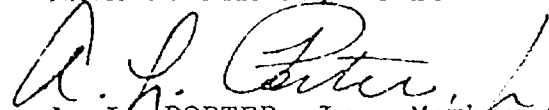
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member


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

S E A L

jr/

Dockets Nos. 29-74 and 30-74 are tentatively set for hearing on October 2 and October 16, 1974. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 18, 1974

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

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

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

CASE 5288: (Continued from the August 7, 1974, Examiner Hearing)

Application of Merrion & Bayless for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of hydrocarbon production from the top of the Gallup formation at 5434 feet to the base of the Dakota formation at 6570 feet in its Keeling Federal Well No. 1 located in Unit B of Section 20, Township 25 North, Range 8 West, Dufers Point-Dakota Pool, San Juan County, New Mexico.

CASE 5313: Application of El Paso Natural Gas Company for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Aztec-Pictured Cliffs and Blanco-Mesaverde production in the wellbore of its Ludwick Well No. 11 located in Unit B of Section 9, Township 30 North, Range 10 West, San Juan County, New Mexico.

CASE 5292: (Continued from the August 7, 1974, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit El Paso Natural Gas Company, United States Fidelity and Guaranty Co., and all other interested parties to appear and show cause why each of the following wells should not be plugged and abandoned in accordance with a Commission-approved plugging program:

EPNG Ludwick Well No. 11, located in Unit B, Section 19, Township 30 North, Range 10 West, San Juan County, New Mexico;

EPNG Rincon Unit Well No. 127, located in Unit A, Section 28, Township 27 North, Range 6 West, Rio Arriba County, New Mexico; and

EPNG Warren A Well No. 2, located in Unit A, Section 23, Township 28 North, Range 9 West, San Juan County, New Mexico.

- CASE 5316: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Benson-Montin-Greer Drilling Corporation and Hartford Accident and Indemnity Company and all other interested parties to appear and show cause why the Segal Well No. 1 located in Unit K of Section 10, Township 31 North, Range 13 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5317: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit R & G Drilling Company, Inc., and all other interested parties to appear and show cause why the Marron Well No. 42 in Unit M of Section 22, Township 27 North, Range 8 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5318: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit William C. Russell and United States Fidelity and Guaranty Company and all other interested parties to appear and show cause why the Marron Well No. 46 located in Unit K of Section 23, Township 27 North, Range 8 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5326: Application of William C. Russell for directional drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the directional drilling of his Hammond Well No. 1, the surface location of which is 1800 feet from the North line and 1650 feet from the East line of Section 26, Township 27 North, Range 8 West, Largo-Chacra Pool, San Juan County, New Mexico.
- CASE 5328: Application of R & G Drilling Company for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blanco-Mesaverde and Basin-Dakota gas production in the wellbore of its Hammond Well No. 47, located in Unit K of Section 35, Township 27 North, Range 8 West, San Juan County, New Mexico.
- CASE 5312: Application of SEC Corporation for two non-standard carbon dioxide gas units, Harding County, New Mexico. Applicant, in the above-styled cause, seeks approval for two non-standard gas units in the South Bueyeros Carbon Dioxide Field, Harding County, New Mexico, the first comprising the W/2 NE/4, SE/4 NE/4, and NE/4 SE/4 of Section 32, Township 19 North, Range 30 East, to be dedicated to a well to be drilled in the approximate center of the SW/4 NE/4 of said Section 32; the second non-standard unit would comprise the SW/4 NE/4, N/2 SE/4 and SE/4 SE/4 of Section 5, Township 18 North, Range 30 East, and would be dedicated to a well in the approximate center of the NW/4 SE/4 of said Section 5.

CASE 5314: Application of Gulf Oil Corporation for simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of its W. A. Ramsay Wells Nos. 6, 7, and 20 located in Units H, N, and E, respectively, of Section 35, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to a standard 640-acre gas proration unit comprising all of said Section 35. Each of the aforesaid wells is at a non-standard location for a 640-acre unit in said pool.

CASE 5315: Application of Texaco Inc. for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blinebry, Tubb-Drinkard, and Fusselman production in the wellbore of its G. L. Erwin "B" Federal Well No. 4 located in Unit O of Section 35, Township 24 South, Range 37 East, Justis Field, Lea County, New Mexico.

CASE 5319: Application of Alan Ralston dba Apollo Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Jalmat Gas Pool underlying the NW/4 of Section 25, Township 25 South, Range 36 East, Lea County, New Mexico, to form a 160-acre non-standard gas proration unit to be dedicated to applicant's Brown Well No. 1 located 1980 feet from the North line and 2310 feet from the West line of said Section 25. Applicant further seeks the pooling of all mineral interests in the Jalmat Pool underlying the following 40-acre oil proration units in said Section 25: the NW/4 NW/4 to be dedicated to Brown Well No. 2 located 330 feet from the North line and 825 feet from the West line; the NE/4 NW/4 to be dedicated to Brown Well No. 3 located 365 feet from the North line and 1650 feet from the West line; the SE/4 NW/4 to be dedicated to Brown Well No. 4 located 1690 feet from the North line and 1870 feet from the West line; and the SW/4 NW/4 to be dedicated to Brown Well No. 5 located 1650 feet from the North line and 990 feet from the West line. Also to be considered will be the cost of reworking said wells and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the wells and a charge for risk involved in reworking said wells.

CASE 5320: Application of Lively Exploration Company for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 341.33-acre non-standard gas proration unit comprising Lots 9, 10, 11, and 12 of Section 7, and Lots 1, 2, 3, and 4 and the E/2 W/2 of Section 18, Township 29 North, Range 8 West, Basin-Dakota Pool, San Juan County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit.

- CASE 5321: Application of Northern Minerals, Inc. for pool creation and special pool rules, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the creation of the Miguel Creek-Hospah Oil Pool in Township 16 North, Range 6 West, McKinley County, New Mexico, and for the promulgation of special pool rules therefor, including the elimination of the requirement for surface casing and authority to inject water through casing. Applicant is currently conducting waterflood operations in said pool pursuant to authority granted by Order No. R-4649 and seeks administrative provision for the drilling of additional injection and production wells at orthodox and unorthodox locations.
- CASE 5322: Application of Phillips Petroleum Company for an exception to Rule 104-C-I, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Commission Rule 104-C-I to permit the production of its Santa Fe Wells Nos. 41 and 86, both of which are located in Unit C of Section 26, Township 17 South, Range 35 East, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico, said wells being located closer than the required 330 feet apart.
- CASE 5323: 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 of Pennsylvanian age, or older, underlying the E/2 of Section 32, Township 21 South, Range 27 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5324: 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 of Pennsylvanian age, or older, underlying the E/2 of Section 18, Township 22 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to applicant's Tracy "B" Well No. 1, the surface location of which is 2045 feet from the South line and 479 feet from the East line of said Section 18. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5325: Application of Cities Service Oil Company for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its Tracy "B" Well No. 1, the surface location of which is 2045 feet from the South line and 479 feet from the East line of Section 18, Township 22 South, Range 27 East, South

(Case 5325 continued from Page 4)

Carlsbad Field, Eddy County, New Mexico, in such a manner as to bottom said well in the Morrow formation at an orthodox location within 165 feet of a point 2145 feet from the North line and 825 feet from the East line of said Section 18. Applicant further seeks approval for the unorthodox location of said well in the Strawn formation, in the event production is therein encountered, within a 100-foot radius of a point 2600 feet from the North line and 675 feet from the East line of said Section 18. The E/2 of said Section 18 would be dedicated to the well for both formations.

CASE 5327: Application of Cities Service Oil Company for an unorthodox location and gas injection, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Empire-Abo Unit Well No. 111 to be drilled at a point 990 feet from the South line and 1880 feet from the West line of Section 35, Township 17 South, Range 27 East, Empire-Abo Pool, Eddy County, New Mexico. This well is to be used as a gas injection well and, in exception to the provisions of Order No. R-4808, is located 1140 feet from the outer boundary of the Citgo Empire-Abo Unit Boundary, rather than the required 1650 feet from the outer boundary.

Dockets Nos. 29-74 and 30-74 are tentatively set for hearing on October 2 and October 16, 1974. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 18, 1974

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

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Examiner Hearing - Wednesday - September 18, 1974

Docket No. 27-74

-5-

(Case 5325 continued from Page 4)

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(Case 5325 continued from Page 4)

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DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 18, 1974

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- CASE 5323: 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 of Pennsylvanian age, or older, underlying the E/2 of Section 32, Township 21 South, Range 27 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5324: 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 of Pennsylvanian age, or older, underlying the E/2 of Section 18, Township 22 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to applicant's Tracy "B" Well No. 1, the surface location of which is 2045 feet from the South line and 479 feet from the East line of said Section 18. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5325: Application of Cities Service Oil Company for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its Tracy "B" Well No. 1, the surface location of which is 2045 feet from the South line and 479 feet from the East line of Section 18, Township 22 South, Range 27 East, South

(Case 5325 continued from Page 4)

Carlsbad Field, Eddy County, New Mexico, in such a manner as to bottom said well in the Morrow formation at an orthodox location within 165 feet of a point 2145 feet from the North line and 825 feet from the East line of said Section 18. Applicant further seeks approval for the unorthodox location of said well in the Strawn formation, in the event production is therein encountered, within a 100-foot radius of a point 2600 feet from the North line and 675 feet from the East line of said Section 18. The E/2 of said Section 18 would be dedicated to the well for both formations.

CASE 5327: Application of Cities Service Oil Company for an unorthodox location and gas injection, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Empire-Abo Unit Well No. 111 to be drilled at a point 990 feet from the South line and 1880 feet from the West line of Section 35, Township 17 South, Range 27 East, Empire-Abo Pool, Eddy County, New Mexico. This well is to be used as a gas injection well and, in exception to the provisions of Order No. R-4808, is located 1140 feet from the outer boundary of the Citgo Empire-Abo Unit Boundary, rather than the required 1650 feet from the outer boundary.

Dockets Nos. 29-74 and 30-74 are tentatively set for hearing on October 2 and October 16, 1974. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 18, 1974

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

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

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

CASE 5288: (Continued from the August 7, 1974, Examiner Hearing)

Application of Merrion & Bayless for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of hydrocarbon production from the top of the Gallup formation at 5434 feet to the base of the Dakota formation at 6570 feet in its Keeling Federal Well No. 1 located in Unit B of Section 20, Township 25 North, Range 8 West, Dufers Point-Dakota Pool, San Juan County, New Mexico.

CASE 5313: Application of El Paso Natural Gas Company for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Aztec-Pictured Cliffs and Blanco-Mesaverde production in the wellbore of its Ludwick Well No. 11 located in Unit B of Section 9, Township 30 North, Range 10 West, San Juan County, New Mexico.

CASE 5292: (Continued from the August 7, 1974, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit El Paso Natural Gas Company, United States Fidelity and Guaranty Co., and all other interested parties to appear and show cause why each of the following wells should not be plugged and abandoned in accordance with a Commission-approved plugging program:

EPNG Ludwick Well No. 11, located in Unit B, Section 19, Township 30 North, Range 10 West, San Juan County, New Mexico;

EPNG Rincon Unit Well No. 127, located in Unit A, Section 28, Township 27 North, Range 6 West, Rio Arriba County, New Mexico; and

EPNG Warren A Well No. 2, located in Unit A, Section 23, Township 28 North, Range 9 West, San Juan County, New Mexico.

- CASE 5316: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Benson-Montin-Creer Drilling Corporation and Hartford Accident and Indemnity Company and all other interested parties to appear and show cause why the Segal Well No. 1 located in Unit K of Section 10, Township 31 North, Range 13 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5317: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit R & G Drilling Company, Inc., and all other interested parties to appear and show cause why the Marron Well No. 42 in Unit M of Section 22, Township 27 North, Range 8 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5318: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit William C. Russell and United States Fidelity and Guaranty Company and all other interested parties to appear and show cause why the Marron Well No. 46 located in Unit K of Section 23, Township 27 North, Range 8 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5326: Application of William C. Russell for directional drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the directional drilling of his Hammond Well No. 1, the surface location of which is 1800 feet from the North line and 1650 feet from the East line of Section 26, Township 27 North, Range 8 West, Largo-Chacra Pool, San Juan County, New Mexico.
- CASE 5328: Application of R & G Drilling Company for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blanco-Mesaverde and Basin-Dakota gas production in the wellbore of its Hammond Well No. 47, located in Unit K of Section 35, Township 27 North, Range 8 West, San Juan County, New Mexico.
- CASE 5312: Application of SEC Corporation for two non-standard carbon dioxide gas units, Harding County, New Mexico. Applicant, in the above-styled cause, seeks approval for two non-standard gas units in the South Bueyeros Carbon Dioxide Field, Harding County, New Mexico, the first comprising the W/2 NE/4, SE/4 NE/4, and NE/4 SE/4 of Section 32, Township 19 North, Range 30 East, to be dedicated to a well to be drilled in the approximate center of the SW/4 NE/4 of said Section 32; the second non-standard unit would comprise the SW/4 NE/4, N/2 SE/4 and SE/4 SE/4 of Section 5, Township 18 North, Range 30 East, and would be dedicated to a well in the approximate center of the NW/4 SE/4 of said Section 5.

CASE 5314: Application of Gulf Oil Corporation for simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of its W. A. Ramsay Wells Nos. 6, 7, and 20 located in Units H, N, and E, respectively, of Section 35, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to a standard 640-acre gas proration unit comprising all of said Section 35. Each of the aforesaid wells is at a non-standard location for a 640-acre unit in said pool.

CASE 5315: Application of Texaco Inc. for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blinbry, Tubb-Drinkard, and Fusselman production in the wellbore of its G. L. Erwin "B" Federal Well No. 4 located in Unit O of Section 35, Township 24 South, Range 37 East, Justis Field, Lea County, New Mexico.

CASE 5319: Application of Alan Ralston dba Apollo Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Jalmat Gas Pool underlying the NW/4 of Section 25, Township 25 South, Range 36 East, Lea County, New Mexico, to form a 160-acre non-standard gas proration unit to be dedicated to applicant's Brown Well No. 1 located 1980 feet from the North line and 2310 feet from the West line of said Section 25. Applicant further seeks the pooling of all mineral interests in the Jalmat Pool underlying the following 40-acre oil proration units in said Section 25: the NW/4 NW/4 to be dedicated to Brown Well No. 2 located 330 feet from the North line and 825 feet from the West line; the NE/4 NW/4 to be dedicated to Brown Well No. 3 located 365 feet from the North line and 1650 feet from the West line; the SE/4 NW/4 to be dedicated to Brown Well No. 4 located 1690 feet from the North line and 1870 feet from the West line; and the SW/4 NW/4 to be dedicated to Brown Well No. 5 located 1650 feet from the North line and 990 feet from the West line. Also to be considered will be the cost of reworking said wells and the allocation of such costs, as well as actual operating and charges for supervision. Also to be considered is the designation of applicant as operator of the wells and a charge for risk involved in reworking said wells.

CASE 5320: Application of Lively Exploration Company for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 341.33-acre non-standard gas proration unit comprising Lots 9, 10, 11, and 12 of Section 7, and Lots 1, 2, 3, and 4 and the E/2 W/2 of Section 18, Township 29 North, Range 8 West, Basin-Dakota Pool, San Juan County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit.

- CASE 5321: Application of Northern Minerals, Inc. for pool creation and special pool rules, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the creation of the Miguel Creek-Hospah Oil Pool in Township 16 North, Range 6 West, McKinley County, New Mexico, and for the promulgation of special pool rules therefor, including the elimination of the requirement for surface casing and authority to inject water through casing. Applicant is currently conducting waterflood operations in said pool pursuant to authority granted by Order No. R-4649 and seeks administrative provision for the drilling of additional injection and production wells at orthodox and unorthodox locations.
- CASE 5322: Application of Phillips Petroleum Company for an exception to Rule 104-C-I, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Commission Rule 104-C-I to permit the production of its Santa Fe Wells Nos. 41 and 86, both of which are located in Unit C of Section 26, Township 17 South, Range 35 East, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico, said wells being located closer than the required 330 feet apart.
- CASE 5323: 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 of Pennsylvanian age, or older, underlying the E/2 of Section 32, Township 21 South, Range 27 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5324: 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 of Pennsylvanian age, or older, underlying the E/2 of Section 18, Township 22 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to applicant's Tracy "B" Well No. 1, the surface location of which is 2045 feet from the South line and 479 feet from the East line of said Section 18. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5325: Application of Cities Service Oil Company for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its Tracy "B" Well No. 1, the surface location of which is 2045 feet from the South line and 479 feet from the East line of Section 18, Township 22 South, Range 27 East, South

(Case 5325 continued from Page 4)

Carlsbad Field, Eddy County, New Mexico, in such a manner as to bottom said well in the Morrow formation at an orthodox location within 165 feet of a point 2145 feet from the North line and 825 feet from the East line of said Section 18. Applicant further seeks approval for the unorthodox location of said well in the Strawn formation, in the event production is therein encountered, within a 100-foot radius of a point 2600 feet from the North line and 675 feet from the East line of said Section 18. The E/2 of said Section 18 would be dedicated to the well for both formations.

CASE 5327: Application of Cities Service Oil Company for an unorthodox location and gas injection, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Empire-Abo Unit Well No. 111 to be drilled at a point 990 feet from the South line and 1880 feet from the West line of Section 35, Township 17 South, Range 27 East, Empire-Abo Pool, Eddy County, New Mexico. This well is to be used as a gas injection well and, in exception to the provisions of Order No. R-4808, is located 1140 feet from the outer boundary of the Citgo Empire-Abo Unit Boundary, rather than the required 1650 feet from the outer boundary.

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. 5324
Order No. R-4866

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 September 18, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of October, 1974, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Cities Service Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

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

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

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

-2-

CASE NO. 5324

Order No. R-4866

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month should be fixed as a reasonable charge for supervision while producing, provided that the producing supervision charge should be adjusted annually on the first day of April of each year. That the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

(14) That an administrative procedure should be established to permit a delay in the required date of commencement set forth in Finding No. (13) above for good cause shown.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 18,

-3-

CASE NO. 5324
Order No. R-4866

Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

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

PROVIDED FURTHER, that for good cause shown, the Secretary-Director of the Commission may grant an extension of time in which to commence said well of up to 90 days.

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

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

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

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

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

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

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

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month is hereby fixed as a reasonable charge for supervision while producing, provided that this latter rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-5-

CASE NO. 5324
Order No. R-4866

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

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

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member


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

S E A L

jr/

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. 5324
Order No. R-4866

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 September 18, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of October, 1974, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Cities Service Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month should be fixed as a reasonable charge for supervision while producing, provided that the producing supervision charge should be adjusted annually on the first day of April of each year. That the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

(14) That an administrative procedure should be established to permit a delay in the required date of commencement set forth in Finding No. (13) above for good cause shown.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 18,

-3-

CASE NO. 5324

Order No. R-4866

Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

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

PROVIDED FURTHER, that for good cause shown, the Secretary-Director of the Commission may grant an extension of time in which to commence said well of up to 90 days.

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

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

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

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

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

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

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

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

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month is hereby fixed as a reasonable charge for supervision while producing, provided that this latter rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-5-

CASE NO. 5324

Order No. R-4866

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

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

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

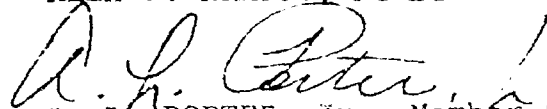
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member


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

S E A L

Jr/

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. 5324
Order No. R-4866

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 September 18, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of October, 1974, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Cities Service Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.
- (6) That the applicant should be designated the operator of the subject well and unit.

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month should be fixed as a reasonable charge for supervision while producing, provided that the producing supervision charge should be adjusted annually on the first day of April of each year. That the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

(14) That an administrative procedure should be established to permit a delay in the required date of commencement set forth in Finding No. (13) above for good cause shown.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 18,

-3-

CASE NO. 5324
Order No. R-4866

Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

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

PROVIDED FURTHER, that for good cause shown, the Secretary-Director of the Commission may grant an extension of time in which to commence said well of up to 90 days.

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

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

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

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

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

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

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

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month is hereby fixed as a reasonable charge for supervision while producing, provided that this latter rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-5-

CASE NO. 5324
Order No. R-4866

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

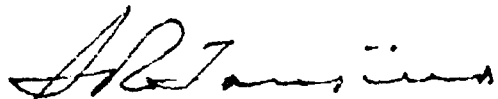
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member


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

S E A L

jr/

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. 5324
Order No. R-4866

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 September 18, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of October, 1974, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Cities Service Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month should be fixed as a reasonable charge for supervision while producing, provided that the producing supervision charge should be adjusted annually on the first day of April of each year. That the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

(14) That an administrative procedure should be established to permit a delay in the required date of commencement set forth in Finding No. (13) above for good cause shown.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 18,

-3-
CASE NO. 5324
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Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

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

PROVIDED FURTHER, that for good cause shown, the Secretary-Director of the Commission may grant an extension of time in which to commence said well of up to 90 days.

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

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

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

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

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

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

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

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- (B) As a charge for the risk involved in the drilling of the well, 200 percent 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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-5-

CASE NO. 5324

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(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

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

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

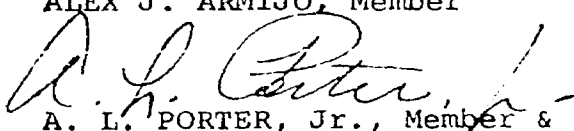
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


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BEFORE THE OIL CONSERVATION COMMISSION
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IN THE MATTER OF THE HEARING
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COMPANY FOR COMPULSORY POOLING,
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ORDER OF THE COMMISSION

BY THE COMMISSION:

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NOW, on this 9th day of October, 1974, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Cities Service Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month should be fixed as a reasonable charge for supervision while producing, provided that the producing supervision charge should be adjusted annually on the first day of April of each year. That the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

(14) That an administrative procedure should be established to permit a delay in the required date of commencement set forth in Finding No. (13) above for good cause shown.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 18,

-3-

CASE NO. 5324
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Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

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

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

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

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CASE NO. 5324
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(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

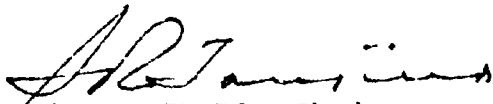
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(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member


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

S E A L

jr/

Dockets Nos. 29-74 and 30-74 are tentatively set for hearing on October 2 and October 16, 1974. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 18, 1974

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
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(Case 5325 continued from Page 4)

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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. 5324
Order No. R-4866

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 September 18, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of October, 1974, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Cities Service Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month should be fixed as a reasonable charge for supervision while producing, provided that the producing supervision charge should be adjusted annually on the first day of April of each year. That the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

(14) That an administrative procedure should be established to permit a delay in the required date of commencement set forth in Finding No. (13) above for good cause shown.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 18,

-3-

CASE NO. 5324
Order No. R-4866

Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

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

PROVIDED FURTHER, that for good cause shown, the Secretary-Director of the Commission may grant an extension of time in which to commence said well of up to 90 days.

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

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

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

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

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

-4-

CASE NO. 5324
Order No. R-4866

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

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

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month is hereby fixed as a reasonable charge for supervision while producing, provided that this latter rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-5-

CASE NO. 5324
Order No. R-4866

(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.

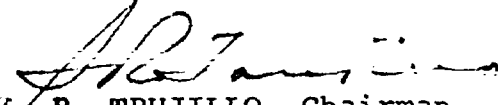
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(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


R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member


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

S E A L

jr/

Dockets Nos. 29-74 and 30-74 are tentatively set for hearing on October 2 and October 16, 1974. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 18, 1974

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

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

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

CASE 5288: (Continued from the August 7, 1974, Examiner Hearing)

Application of Merrion & Bayless for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of hydrocarbon production from the top of the Gallup formation at 5434 feet to the base of the Dakota formation at 6570 feet in its Keeling Federal Well No. 1 located in Unit B of Section 20, Township 25 North, Range 8 West, Dufers Point-Dakota Pool, San Juan County, New Mexico.

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EPNG Ludwick Well No. 11, located in Unit B, Section 19, Township 30 North, Range 10 West, San Juan County, New Mexico;

EPNG Rincon Unit Well No. 127, located in Unit A, Section 28, Township 27 North, Range 6 West, Rio Arriba County, New Mexico; and

EPNG Warren A Well No. 2, located in Unit A, Section 23, Township 28 North, Range 9 West, San Juan County, New Mexico.

- CASE 5316: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Benson-Montin-Greer Drilling Corporation and Hartford Accident and Indemnity Company and all other interested parties to appear and show cause why the Segal Well No. 1 located in Unit K of Section 10, Township 31 North, Range 13 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5317: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit R & G Drilling Company, Inc., and all other interested parties to appear and show cause why the Marron Well No. 42 in Unit M of Section 22, Township 27 North, Range 8 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5318: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit William C. Russell and United States Fidelity and Guaranty Company and all other interested parties to appear and show cause why the Marron Well No. 46 located in Unit K of Section 23, Township 27 North, Range 8 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5326: Application of William C. Russell for directional drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the directional drilling of his Hammond Well No. 1, the surface location of which is 1800 feet from the North line and 1650 feet from the East line of Section 26, Township 27 North, Range 8 West, Largo-Chacra Pool, San Juan County, New Mexico.
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- CASE 5314: Application of Gulf Oil Corporation for simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of its W. A. Ramsay Wells Nos. 6, 7, and 20 located in Units H, N, and E, respectively, of Section 35, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to a standard 640-acre gas proration unit comprising all of said Section 35. Each of the aforesaid wells is at a non-standard location for a 640-acre unit in said pool.
- CASE 5315: Application of Texaco Inc. for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blinebry, Tubb-Drinkard, and Fusselman production in the wellbore of its G. L. Erwin "B" Federal Well No. 4 located in Unit O of Section 35, Township 24 South, Range 37 East, Justis Field, Lea County, New Mexico.
- CASE 5319: Application of Alan Ralston dba Apollo Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Jalmat Gas Pool underlying the NW/4 of Section 25, Township 25 South, Range 36 East, Lea County, New Mexico, to form a 160-acre non-standard gas proration unit to be dedicated to applicant's Brown Well No. 1 located 1980 feet from the North line and 2310 feet from the West line of said Section 25. Applicant further seeks the pooling of all mineral interests in the Jalmat Pool underlying the following 40-acre oil proration units in said Section 25: the NW/4 NW/4 to be dedicated to Brown Well No. 2 located 330 feet from the North line and 825 feet from the West line; the NE/4 NW/4 to be dedicated to Brown Well No. 3 located 365 feet from the North line and 1650 feet from the West line; the SE/4 NW/4 to be dedicated to Brown Well No. 4 located 1690 feet from the North line and 1870 feet from the West line; and the SW/4 NW/4 to be dedicated to Brown Well No. 5 located 1650 feet from the North line and 990 feet from the West line. Also to be considered will be the cost of reworking said wells and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the wells and a charge for risk involved in reworking said wells.
- CASE 5320: Application of Lively Exploration Company for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 341.33-acre non-standard gas proration unit comprising Lots 9, 10, 11, and 12 of Section 7, and Lots 1, 2, 3, and 4 and the E/2 W/2 of Section 18, Township 29 North, Range 8 West, Basin-Dakota Pool, San Juan County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit.

- CASE 5321: Application of Northern Minerals, Inc. for pool creation and special pool rules, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the creation of the Miguel Creek-Hospah Oil Pool in Township 16 North, Range 6 West, McKinley County, New Mexico, and for the promulgation of special pool rules therefor, including the elimination of the requirement for surface casing and authority to inject water through casing. Applicant is currently conducting waterflood operations in said pool pursuant to authority granted by Order No. R-4649 and seeks administrative provision for the drilling of additional injection and production wells at orthodox and unorthodox locations.
- CASE 5322: Application of Phillips Petroleum Company for an exception to Rule 104-C-I, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Commission Rule 104-C-I to permit the production of its Santa Fe Wells Nos. 41 and 86, both of which are located in Unit C of Section 26, Township 17 South, Range 35 East, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico, said wells being located closer than the required 330 feet apart.
- CASE 5323: 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 of Pennsylvanian age, or older, underlying the E/2 of Section 32, Township 21 South, Range 27 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5324: 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 of Pennsylvanian age, or older, underlying the E/2 of Section 18, Township 22 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to applicant's Tracy "B" Well No. 1, the surface location of which is 2045 feet from the South line and 479 feet from the East line of said Section 18. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5325: Application of Cities Service Oil Company for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its Tracy "B" Well No. 1, the surface location of which is 2045 feet from the South line and 479 feet from the East line of Section 18, Township 22 South, Range 27 East, South

Examiner Hearing - Wednesday - September 18, 1974

Docket No. 27-74

-5-

(Case 5325 continued from Page 4)

Carlsbad Field, Eddy County, New Mexico, in such a manner as to bottom said well in the Morrow formation at an orthodox location within 165 feet of a point 2145 feet from the North line and 825 feet from the East line of said Section 18. Applicant further seeks approval for the unorthodox location of said well in the Strawn formation, in the event production is therein encountered, within a 100-foot radius of a point 2600 feet from the North line and 675 feet from the East line of said Section 18. The E/2 of said Section 18 would be dedicated to the well for both formations.

CASE 5327: Application of Cities Service Oil Company for an unorthodox location and gas injection, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Empire-Abo Unit Well No. 111 to be drilled at a point 990 feet from the South line and 1880 feet from the West line of Section 35, Township 17 South, Range 27 East, Empire-Abo Pool, Eddy County, New Mexico. This well is to be used as a gas injection well and, in exception to the provisions of Order No. R-4808, is located 1140 feet from the outer boundary of the Citgo Empire-Abo Unit Boundary, rather than the required 1650 feet from the outer boundary.

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. 5324
Order No. R-4866

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 September 18, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of October, 1974, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Cities Service Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month should be fixed as a reasonable charge for supervision while producing, provided that the producing supervision charge should be adjusted annually on the first day of April of each year. That the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

(14) That an administrative procedure should be established to permit a delay in the required date of commencement set forth in Finding No. (13) above for good cause shown.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 18,

Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

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

PROVIDED FURTHER, that for good cause shown, the Secretary-Director of the Commission may grant an extension of time in which to commence said well of up to 90 days.

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

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

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

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

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

-4-

CASE NO. 5324
Order No. R-4866

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

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

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month is hereby fixed as a reasonable charge for supervision while producing, provided that this latter rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-5-

CASE NO. 5324
Order No. R-4866

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

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

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member


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

S E A L

jr/

Docket No. 27-74

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Examiner Hearing - Wednesday - September 18, 1974

Docket No. 27-74

-5-

(Case 5325 continued from Page 4)

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(Case 5325 continued from Page 4)

Carlsbad Field, Eddy County, New Mexico, in such a manner as to bottom said well in the Morrow formation at an orthodox location within 165 feet of a point 2145 feet from the North line and 825 feet from the East line of said Section 18. Applicant further seeks approval for the unorthodox location of said well in the Strawn formation, in the event production is therein encountered, within a 100-foot radius of a point 2600 feet from the North line and 675 feet from the East line of said Section 18. The E/2 of said Section 18 would be dedicated to the well for both formations.

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DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 18, 1974

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
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- CASE 5323: 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 of Pennsylvanian age, or older, underlying the E/2 of Section 32, Township 21 South, Range 27 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5324: 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 of Pennsylvanian age, or older, underlying the E/2 of Section 18, Township 22 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to applicant's Tracy "B" Well No. 1, the surface location of which is 2045 feet from the South line and 479 feet from the East line of said Section 18. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5325: Application of Cities Service Oil Company for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its Tracy "B" Well No. 1, the surface location of which is 2045 feet from the South line and 479 feet from the East line of Section 18, Township 22 South, Range 27 East, South

(Case 5325 continued from Page 4)

Carlsbad Field, Eddy County, New Mexico, in such a manner as to bottom said well in the Morrow formation at an orthodox location within 165 feet of a point 2145 feet from the North line and 825 feet from the East line of said Section 18. Applicant further seeks approval for the unorthodox location of said well in the Strawn formation, in the event production is therein encountered, within a 100-foot radius of a point 2600 feet from the North line and 675 feet from the East line of said Section 18. The E/2 of said Section 18 would be dedicated to the well for both formations.

CASE 5327: Application of Cities Service Oil Company for an unorthodox location and gas injection, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Empire-Abo Unit Well No. 111 to be drilled at a point 990 feet from the South line and 1880 feet from the West line of Section 35, Township 17 South, Range 27 East, Empire-Abo Pool, Eddy County, New Mexico. This well is to be used as a gas injection well and, in exception to the provisions of Order No. R-4808, is located 1140 feet from the outer boundary of the Citgo Empire-Abo Unit Boundary, rather than the required 1650 feet from the outer boundary.

Dockets Nos. 29-74 and 30-74 are tentatively set for hearing on October 2 and October 16, 1974. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 18, 1974

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

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

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

CASE 5288: (Continued from the August 7, 1974, Examiner Hearing)

Application of Merrion & Bayless for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of hydrocarbon production from the top of the Gallup formation at 5434 feet to the base of the Dakota formation at 6570 feet in its Keeling Federal Well No. 1 located in Unit B of Section 20, Township 25 North, Range 8 West, Dufers Point-Dakota Pool, San Juan County, New Mexico.

CASE 5313: Application of El Paso Natural Gas Company for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Aztec-Pictured Cliffs and Blanco-Mesaverde production in the wellbore of its Ludwick Well No. 11 located in Unit B of Section 9, Township 30 North, Range 10 West, San Juan County, New Mexico.

CASE 5292: (Continued from the August 7, 1974, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit El Paso Natural Gas Company, United States Fidelity and Guaranty Co., and all other interested parties to appear and show cause why each of the following wells should not be plugged and abandoned in accordance with a Commission-approved plugging program:

EPNG Ludwick Well No. 11, located in Unit B, Section 19, Township 30 North, Range 10 West, San Juan County, New Mexico;

EPNG Rincon Unit Well No. 127, located in Unit A, Section 23, Township 27 North, Range 6 West, Rio Arriba County, New Mexico; and

EPNG Warren A Well No. 2, located in Unit A, Section 23, Township 28 North, Range 9 West, San Juan County, New Mexico.

CASE 5316: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Benson-Montin-Greer Drilling Corporation and Hartford Accident and Indemnity Company and all other interested parties to appear and show cause why the Segal Well No. 1 located in Unit K of Section 10, Township 31 North, Range 13 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5317: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit R & G Drilling Company, Inc., and all other interested parties to appear and show cause why the Marron Well No. 42 in Unit M of Section 22, Township 27 North, Range 8 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5318: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit William C. Russell and United States Fidelity and Guaranty Company and all other interested parties to appear and show cause why the Marron Well No. 46 located in Unit K of Section 23, Township 27 North, Range 8 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 5326: Application of William C. Russell for directional drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the directional drilling of his Hammond Well No. 1, the surface location of which is 1800 feet from the North line and 1650 feet from the East line of Section 26, Township 27 North, Range 8 West, Largo-Chacra Pool, San Juan County, New Mexico.

CASE 5328: Application of R & G Drilling Company for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blanco-Mesaverde and Basin-Dakota gas production in the wellbore of its Hammond Well No. 47, located in Unit K of Section 35, Township 27 North, Range 8 West, San Juan County, New Mexico.

CASE 5312: Application of SEC Corporation for two non-standard carbon dioxide gas units, Harding County, New Mexico. Applicant, in the above-styled cause, seeks approval for two non-standard gas units in the South Bueyeros Carbon Dioxide Field, Harding County, New Mexico, the first comprising the W/2 NE/4, SE/4 NE/4, and NE/4 SE/4 of Section 32, Township 19 North, Range 30 East, to be dedicated to a well to be drilled in the approximate center of the SW/4 NE/4 of said Section 32; the second non-standard unit would comprise the SW/4 NE/4, N/2 SE/4 and SE/4 SE/4 of Section 5, Township 18 North, Range 30 East, and would be dedicated to a well in the approximate center of the NW/4 SE/4 of said Section 5.

CASE 5314: Application of Gulf Oil Corporation for simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of its W. A. Ramsay Wells Nos. 6, 7, and 20 located in Units H, N, and E, respectively, of Section 35, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to a standard 640-acre gas proration unit comprising all of said Section 35. Each of the aforesaid wells is at a non-standard location for a 640-acre unit in said pool.

CASE 5315: Application of Texaco Inc. for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blinbry, Tubb-Drinkard, and Fusselman production in the wellbore of its G. L. Erwin "B" Federal Well No. 4 located in Unit O of Section 35, Township 24 South, Range 37 East, Justis Field, Lea County, New Mexico.

CASE 5319: Application of Alan Ralston dba Apollo Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Jalmat Gas Pool underlying the NW/4 of Section 25, Township 25 South, Range 36 East, Lea County, New Mexico, to form a 160-acre non-standard gas proration unit to be dedicated to applicant's Brown Well No. 1 located 1980 feet from the North line and 2310 feet from the West line of said Section 25. Applicant further seeks the pooling of all mineral interests in the Jalmat Pool underlying the following 40-acre oil proration units in said Section 25: the NW/4 NW/4 to be dedicated to Brown Well No. 2 located 330 feet from the North line and 825 feet from the West line; the NE/4 NW/4 to be dedicated to Brown Well No. 3 located 365 feet from the North line and 1650 feet from the West line; the SE/4 NW/4 to be dedicated to Brown Well No. 4 located 1690 feet from the North line and 1870 feet from the West line; and the SW/4 NW/4 to be dedicated to Brown Well No. 5 located 1650 feet from the North line and 990 feet from the West line. Also to be considered will be the cost of reworking said wells and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the wells and a charge for risk involved in reworking said wells.

CASE 5320: Application of Lively Exploration Company for a non-standard gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 341.33-acre non-standard gas proration unit comprising Lots 9, 10, 11, and 12 of Section 7, and Lots 1, 2, 3, and 4 and the E/2 W/2 of Section 18, Township 29 North, Range 8 West, Basin-Dakota Pool, San Juan County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit.

- CASE 5321: Application of Northern Minerals, Inc. for pool creation and special pool rules, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the creation of the Miguel Creek-Hospah Oil Pool in Township 16 North, Range 6 West, McKinley County, New Mexico, and for the promulgation of special pool rules therefor, including the elimination of the requirement for surface casing and authority to inject water through casing. Applicant is currently conducting waterflood operations in said pool pursuant to authority granted by Order No. R-4649 and seeks administrative provision for the drilling of additional injection and production wells at orthodox and unorthodox locations.
- CASE 5322: Application of Phillips Petroleum Company for an exception to Rule 104-C-I, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Commission Rule 104-C-I to permit the production of its Santa Fe Wells Nos. 41 and 86, both of which are located in Unit C of Section 26, Township 17 South, Range 35 East, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico, said wells being located closer than the required 330 feet apart.
- CASE 5323: 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 of Pennsylvanian age, or older, underlying the E/2 of Section 32, Township 21 South, Range 27 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location for said unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5324: 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 of Pennsylvanian age, or older, underlying the E/2 of Section 18, Township 22 South, Range 27 East, South Carlsbad Field, Eddy County, New Mexico, to be dedicated to applicant's Tracy "B" Well No. 1, the surface location of which is 2045 feet from the South line and 479 feet from the East line of said Section 18. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5325: Application of Cities Service Oil Company for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its Tracy "B" Well No. 1, the surface location of which is 2045 feet from the South line and 479 feet from the East line of Section 18, Township 22 South, Range 27 East, South

(Case 5325 continued from Page 4)

Carlsbad Field, Eddy County, New Mexico, in such a manner as to bottom said well in the Morrow formation at an orthodox location within 165 feet of a point 2145 feet from the North line and 825 feet from the East line of said Section 18. Applicant further seeks approval for the unorthodox location of said well in the Strawn formation, in the event production is therein encountered, within a 100-foot radius of a point 2600 feet from the North line and 675 feet from the East line of said Section 18. The E/2 of said Section 18 would be dedicated to the well for both formations.

CASE 5327: Application of Cities Service Oil Company for an unorthodox location and gas injection, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Empire-Abo Unit Well No. 111 to be drilled at a point 990 feet from the South line and 1880 feet from the West line of Section 35, Township 17 South, Range 27 East, Empire-Abo Pool, Eddy County, New Mexico. This well is to be used as a gas injection well and, in exception to the provisions of Order No. R-4808, is located 1140 feet from the outer boundary of the Citgo Empire-Abo Unit Boundary, rather than the required 1650 feet from the outer boundary.

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. 5324
Order No. R-4855

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 September 18, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of October, 1974, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Cities Service Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.
- (6) That the applicant should be designated the operator of the subject well and unit.

-2-

CASE NO. 5324
Order No. R-4866

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month should be fixed as a reasonable charge for supervision while producing, provided that the producing supervision charge should be adjusted annually on the first day of April of each year. That the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

(14) That an administrative procedure should be established to permit a delay in the required date of commencement set forth in Finding No. (13) above for good cause shown.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 18,

-3-

CASE NO. 5324
Order No. R-4866

Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

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

PROVIDED FURTHER, that for good cause shown, the Secretary-Director of the Commission may grant an extension of time in which to commence said well of up to 90 days.

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

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

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

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

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

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

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

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month is hereby fixed as a reasonable charge for supervision while producing, provided that this latter rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-5-

CASE NO. 5324
Order No. R-4866

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

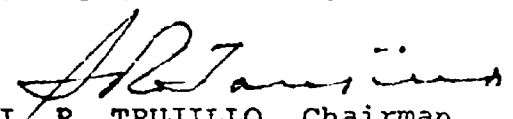
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member


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

S E A L

jr/

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. 5324
Order No. R-4866

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 September 18, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of October, 1974, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Cities Service Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.
- (6) That the applicant should be designated the operator of the subject well and unit.

-2-

CASE NO. 5324
Order No. R-4866

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month should be fixed as a reasonable charge for supervision while producing, provided that the producing supervision charge should be adjusted annually on the first day of April of each year. That the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

(14) That an administrative procedure should be established to permit a delay in the required date of commencement set forth in Finding No. (13) above for good cause shown.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 18,

-3-

CASE NO. 5324
Order No. R-4866

Township 22 South, Range 27 East, NMPM, South Carlshad Field, 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 an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

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

PROVIDED FURTHER, that for good cause shown, the Secretary-Director of the Commission may grant an extension of time in which to commence said well of up to 90 days.

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

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

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

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

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

CASE NO. 5324
Order No. R-4866

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

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

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

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month is hereby fixed as a reasonable charge for supervision while producing, provided that this latter rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-5-

CASE NO. 5324

Order No. R-4866

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

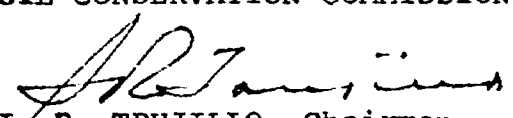
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

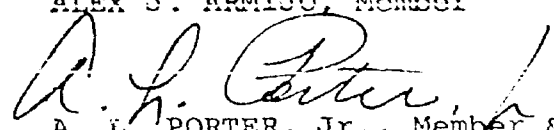
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member


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

S E A L

jr/

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. 5324
Order No. R-4866

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 September 18, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of October, 1974, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Cities Service Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.
- (6) That the applicant should be designated the operator of the subject well and unit.

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month should be fixed as a reasonable charge for supervision while producing, provided that the producing supervision charge should be adjusted annually on the first day of April of each year. That the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

(14) That an administrative procedure should be established to permit a delay in the required date of commencement set forth in Finding No. (13) above for good cause shown.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 18,

-3-

CASE NO. 5324
Order No. R-4866

Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

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

PROVIDED FURTHER, that for good cause shown, the Secretary-Director of the Commission may grant an extension of time in which to commence said well of up to 90 days.

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

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

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

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

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

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

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

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

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month is hereby fixed as a reasonable charge for supervision while producing, provided that this latter rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-5-

CASE NO. 5324
Order No. R-4866

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

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

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member


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

S E A L

jr/

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. 5324
Order No. R-4866

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 September 18, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of October, 1974, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Cities Service Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month should be fixed as a reasonable charge for supervision while producing, provided that the producing supervision charge should be adjusted annually on the first day of April of each year. That the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

(14) That an administrative procedure should be established to permit a delay in the required date of commencement set forth in Finding No. (13) above for good cause shown.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 18,

-3-

CASE NO. 5324

Order No. R-4866

Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

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

PROVIDED FURTHER, that for good cause shown, the Secretary-Director of the Commission may grant an extension of time in which to commence said well of up to 90 days.

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

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

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

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

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

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

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

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

(B) As a charge for the risk involved in the drilling of the well, 200 percent 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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-5-

CASE NO. 5324
Order No. R-4866

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

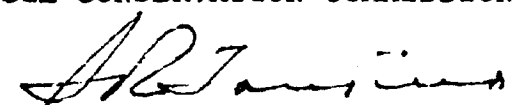
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member


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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
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CASE NO. 5324
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APPLICATION OF CITIES SERVICE OIL
COMPANY FOR COMPULSORY POOLING,
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ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 18, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of October, 1974, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Cities Service Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.
- (6) That the applicant should be designated the operator of the subject well and unit.

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month should be fixed as a reasonable charge for supervision while producing, provided that the producing supervision charge should be adjusted annually on the first day of April of each year. That the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

(14) That an administrative procedure should be established to permit a delay in the required date of commencement set forth in Finding No. (13) above for good cause shown.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 18,

-3-

CASE NO. 5324
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Township 22 South, Range 27 East, NMFM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

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

PROVIDED FURTHER, that for good cause shown, the Secretary-Director of the Commission may grant an extension of time in which to commence said well of up to 90 days.

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

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

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

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

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CASE NO. 5324
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(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

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(9) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month is hereby fixed as a reasonable charge for supervision while producing, provided that this latter rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-5-

CASE NO. 5324
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(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

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

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

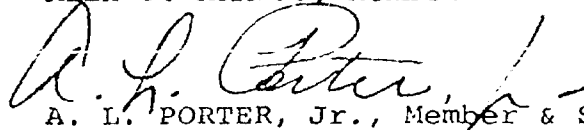
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member


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

S E A L

jr/

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. 5324
Order No. R-4866

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 September 18, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of October, 1974, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Cities Service Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month should be fixed as a reasonable charge for supervision while producing, provided that the producing supervision charge should be adjusted annually on the first day of April of each year. That the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

(14) That an administrative procedure should be established to permit a delay in the required date of commencement set forth in Finding No. (13) above for good cause shown.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 18,

-3-

CASE NO. 5324
Order No. R-4866

Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

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

PROVIDED FURTHER, that for good cause shown, the Secretary-Director of the Commission may grant an extension of time in which to commence said well of up to 90 days.

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

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

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

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

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

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

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

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

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month is hereby fixed as a reasonable charge for supervision while producing, provided that this latter rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-5-

CASE NO. 5324
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(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

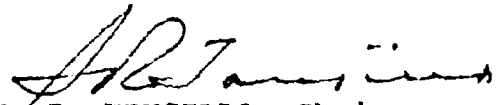
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(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

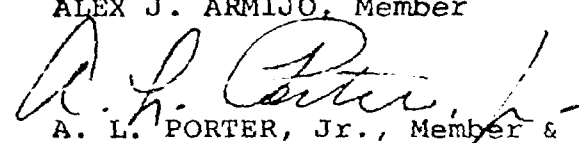
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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

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OIL CONSERVATION COMMISSION


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FINDS:

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

(2) That the applicant, Cities Service Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month should be fixed as a reasonable charge for supervision while producing, provided that the producing supervision charge should be adjusted annually on the first day of April of each year. That the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

(14) That an administrative procedure should be established to permit a delay in the required date of commencement set forth in Finding No. (13) above for good cause shown.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 18,

-3-

CASE NO. 5324
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Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

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

PROVIDED FURTHER, that for good cause shown, the Secretary-Director of the Commission may grant an extension of time in which to commence said well of up to 90 days.

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

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

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

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

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

-4-

CASE NO. 5324
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(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

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- (B) As a charge for the risk involved in the drilling of the well, 200 percent 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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-5-

CASE NO. 5324

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(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

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

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.


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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman

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ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 18, 1974, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 9th day of October, 1974, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Cities Service Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.
- (6) That the applicant should be designated the operator of the subject well and unit.

-2-

CASE NO. 5324
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(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month should be fixed as a reasonable charge for supervision while producing, provided that the producing supervision charge should be adjusted annually on the first day of April of each year. That the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

(14) That an administrative procedure should be established to permit a delay in the required date of commencement set forth in Finding No. (13) above for good cause shown.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 18,

-3-

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PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

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

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

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

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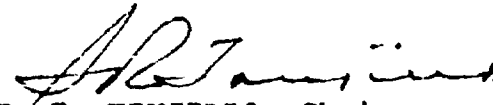
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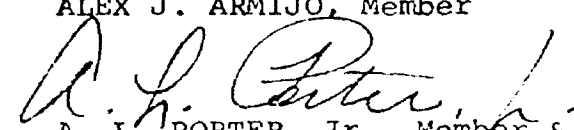
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FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Cities Service Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.
- (6) That the applicant should be designated the operator of the subject well and unit.

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month should be fixed as a reasonable charge for supervision while producing, provided that the producing supervision charge should be adjusted annually on the first day of April of each year. That the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1975, the order pooling said unit should become null and void and of no effect whatsoever.

(14) That an administrative procedure should be established to permit a delay in the required date of commencement set forth in Finding No. (13) above for good cause shown.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 18,

-3-

CASE NO. 5324
Order No. R-4866

Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox surface location 2045 feet from the South line and 479 feet from the East line of said Section 18.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1975, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

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

PROVIDED FURTHER, that for good cause shown, the Secretary-Director of the Commission may grant an extension of time in which to commence said well of up to 90 days.

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

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

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

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

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

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

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

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

(9) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$216.00 per month is hereby fixed as a reasonable charge for supervision while producing, provided that this latter rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-5-

CASE NO. 5324
Order No. R-4866

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

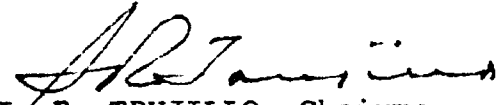
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason ~~shall be placed in~~ escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

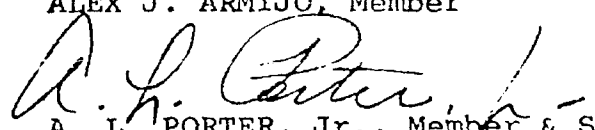
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member


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

S E A L

jr/

NO INSURANCE COVERAGE PROVIDED
 NOT FOR INTERNATIONAL MAIL
 (See other side)
 July 1969
 PD Form 3800

45¢	SPECIAL DELIVERY (2 pounds or less)
50¢	DELIVER TO ADDRESSEE ONLY
85¢	With delivery to addressee only
35¢	2. Shows to whom, date and where delivered
65¢	RECEIPT
15¢	1. Shows to whom and date delivered

OPTIONAL SERVICES FOR ADDITIONAL FEES
 P.O., STATE AND ZIP CODE
 STREET AND NO.
 TO
 POSTMARK OR DATE

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

No. 103487

SENDER: Be sure to follow instructions on other side

PLEASE	INDICATE SERVICE(S) INDICATED BY CHECKED	CH(S)
(Additional charges required for these services)		
<input type="checkbox"/> Show address where delivered	<input type="checkbox"/> Deliver ONLY to addressee	

RECEIPT

Received the numbered article described below

REGISTERED NO.	SIGNATURE OR NAME OF ADDRESSEE (Must always be filled in)
CERTIFIED NO. 103487	SIGNATURE OF ADDRESSEE'S AGENT, IF ANY
INSURED NO.	
DATE DELIVERED AUG 9 - 1974	SHOW WHERE DELIVERED (Only if requested, and include ZIP Code)

August 2, 1974

Carlsbad Municipal Schools
District #C
103 West Hagerman
Carlsbad, New Mexico 88220

Attention: Mr. Jerome D. Matkins, Attorney

Re: Proposed Cities #1 Tracy "B"
10,950' Morrow-Strawn Test
SE/4 NE/4 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

We propose to drill in the very near future a 10,950' Morrow-Strawn test at a surface location in the SE/4 NE/4 Section 18, T-22-S, R-27-E, Eddy County, New Mexico, and directionally drill to a bottom hole location 1980' FNL and 660' FEL. The estimated cost to drill and complete this well as a dual producer is \$610,653. A dry hole is estimated to cost \$416,309. The location is within the city limits and the above costs do not include the expense of conformance to the recently adopted ordinance by the City of Carlsbad.

As the school district is the owner of an estimated 5.3 acre mineral interest in the proration unit covering the E/2 Section 18, we request that you join Cities in the drilling of this proposed test. We estimate that your mineral interest covers 1.65% of the proposed proration unit.

Please advise us of your decision in this matter at your earliest convenience. A self-addressed, stamped envelope is enclosed for your use.

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

THbd
Enclosure

August 6, 1974

Carlsbad Municipal Schools
District #C
103 West Hagerman
Carlsbad, New Mexico 88220

Attention: Mr. Jerome D. Matkins, Attorney

Re: Proposed Cities #1 Tracy "B"
10,950' Morrow-Serawn Test
SE/4 NE/4 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Further to my letter of August 2, 1974, I wish to advise the top of the Morrow is expected at 10,950' and complete penetration should be accomplished at 11,600'. The exact surface and bottom hole locations are as follows:

Surface Location: 2180' FSL & 520' FEL Section 18

Bottom Hole Location: 1980' FNL & 660' FEL Section 18

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

THbd

JEROME D. MATKINS
W. T. MARTIN, JR.

MATKINS AND MARTIN
ATTORNEYS AT LAW

601 NORTH CANAL STREET
P. O. DRAWER N
CARLSBAD, NEW MEXICO 88220

AREA CODE 505
885-2445
885-2312

August 22, 1974

Mr. Thomas Heller, Landman
Cities Service Oil Company
P. O. Box 1919
Midland, Texas 79701

Re: Proposed Cities #1 Tracy "B"
10,950' Morrow-Strawn Test
SE/4 NE/4 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

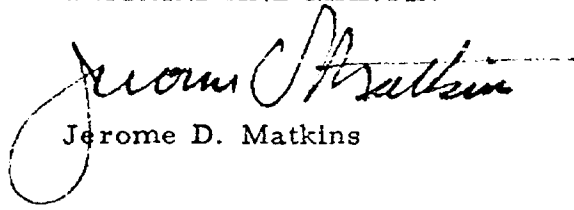
Dear Mr. Heller:

As I advised you by phone, the contents of your letters of August 2nd and 6th were presented to the Board of Education of the Carlsbad Municipal School District at its regular meeting on August 20, 1974.

I am instructed to inform you that the School District is not in the business of exploring for and developing production of oil and gas. The District declines your request to join in this drilling. The members of the Board of Education understand that should you obtain pooling through the Oil & Gas Conservation Commission, that you will be entitled to recovery of your costs and such additional amounts as fixed by the Commission before any payments would be made to the District from production. Thereafter, however, the District would be entitled to full payment for its approximately 5.3 acres that would be in the pooled land.

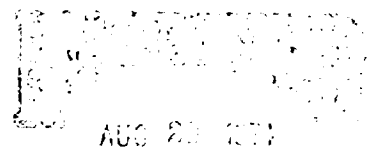
Yours very truly,

MATKINS AND MARTIN


Jerome D. Matkins

cw

cc: Mr. Tom Hansen
Mr. Francis Duren
Dr. Jere K. Reid
Mr. Raul Quintana
Dr. A. H. Franzblau
Mr. Karl Elers



AUG 23 1974

ENTERED IN
SOUTHWESTERN REG.



CITIES SERVICE OIL COMPANY

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

September 10, 1974

City of Carlsbad
Carlsbad, New Mexico 88220

Attention: City Administrator

Gentlemen:

Cities Service Oil Company herein applies for a permit to drill the Tracy-B No. 1 well, 479' FEL and 2045' FSL, Section 18, T-22-S, R-27-E, Eddy County, New Mexico. Included with this application is a certified check in the amount of Five Hundred Dollars (\$500.00) payable to the City of Carlsbad.

Subject well is located in the City of Carlsbad, New Mexico, and the following supporting information is submitted as requested in Ordinance 748, Section 3.B:

- (1) Date of Application - September 10, 1974.
- (2) Name of Applicant - Cities Service Oil Company.
- (3) Address of Applicant - P. O. Box 1919, Midland, Texas 79701.
- (4) Registered Agent - United States Corporation Company, 50 Sena Plaza, Santa Fe, New Mexico 87501.
- (5)
 - a. Name of Lease Owner - F. G. Tracy, Jr., 1601 N. Guadalupe, Carlsbad, New Mexico.
 - b. Description of Well Location - See attached plat marked Exhibit I prepared by John W. West, New Mexico PE&SL #676. Proration unit dedicated to well is E/2 of Section 18.
 - c. Location with Respect to Property Lines - See attached plat marked Exhibit I.
 - d. Ground Elevation - 3107.6' (see attached plat marked Exhibit II).

- (6) Type of Derrick - 142' jack knife.
- (7) Proposed Depth - 11,700' (true vertical depth). Hole will be deviated 1143.6' northwest to a bottom hole location 825' FEL, 2145' FNL, Section 18.
- (8) Explanation of Operating Pressures of Facilities - See attached schematic diagram marked Exhibit III.
- (9) Location of Compressor - Not applicable.
- (10) Name of Person or Persons to be Notified in Case of Emergency -
 - 1. J. L. Bussell
P. O. Box 1235
Lovington, New Mexico 88260
Office Telephone - 1-505-393-2174
Residence Telephone - 1-505-396-4719
 - 2. E. Y. Wilder
P. O. Box 1919
Midland, Texas 79701
Office Telephone 1-915-684-7131
Residence Telephone - 1-915-694-8626
- (11) Proposed Hole Size, Casing Program, Mud Program and Cementing Program - See schematic diagram marked Exhibit IV.
- (12) Safety Provisions of Pipeline with Pressure in Excess of 250# - See attached Exhibit III.

Also attached is a certified financial statement of Cities Service Company as of December 31, 1973.

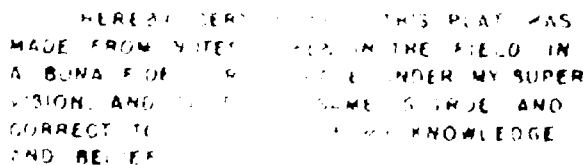
If any further information is required, please advise.

Very truly yours,



E. Y. Wilder
Region Operations Manager
Southwest Region
E & P Division

EYW/EFM/mfg
Enc. (4)



CITIES SERVICE OIL COMPANY

CONSULTING EN

BY chb
1 1

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

EXHIBIT II

Form O-102
Supersedes O-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section

CITIES SERVICE OIL COMPANY			Lease		Well No.
			TRACY "B"		1
1	18	22 SOUTH	Range	27 EAST	County
					EDDY
Section 2045					
feet from the		SOUTH	line and	479	feet from the
					EAST
3107.6		Including formation		Pool	
				Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty)
- If more than one lease or different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, forced-pooling, etc.?

Yes ☐ No ☐ If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.

	<p>CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p>
	<p>Name _____</p>
	<p>Position _____</p>
	<p>Date _____</p>
	<p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.</p>
	<p>Date surveyed _____</p>
	<p>AUGUST 17, 1974</p>
	<p>Registered Professional Surveyor</p> <p><i>John W. West</i></p> <p>676</p>

TRACY B NO. 1
EDDY COUNTY, NEW MEXICO
OPERATING PRESSURES
OF SURFACE PRODUCTION FACILITIES

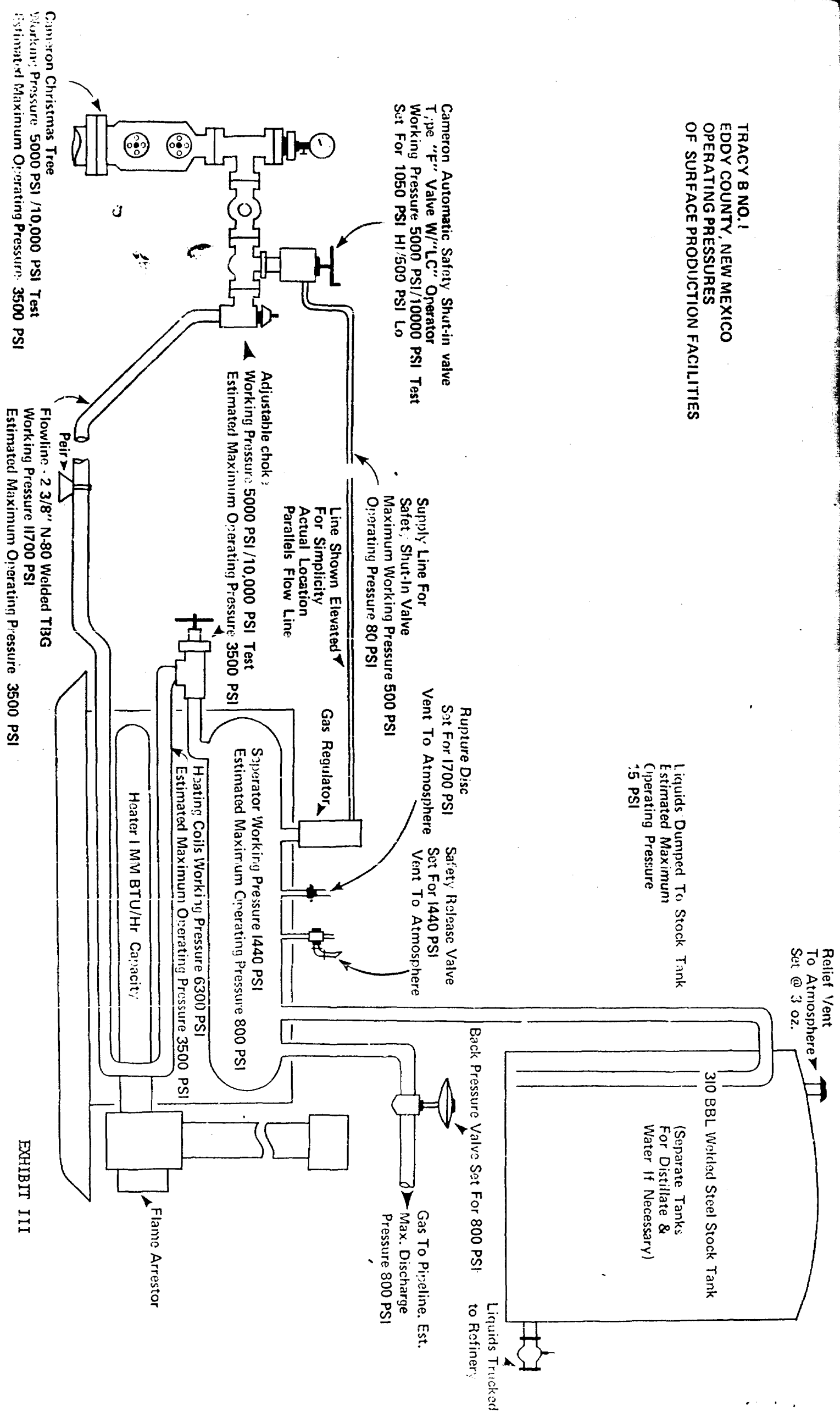
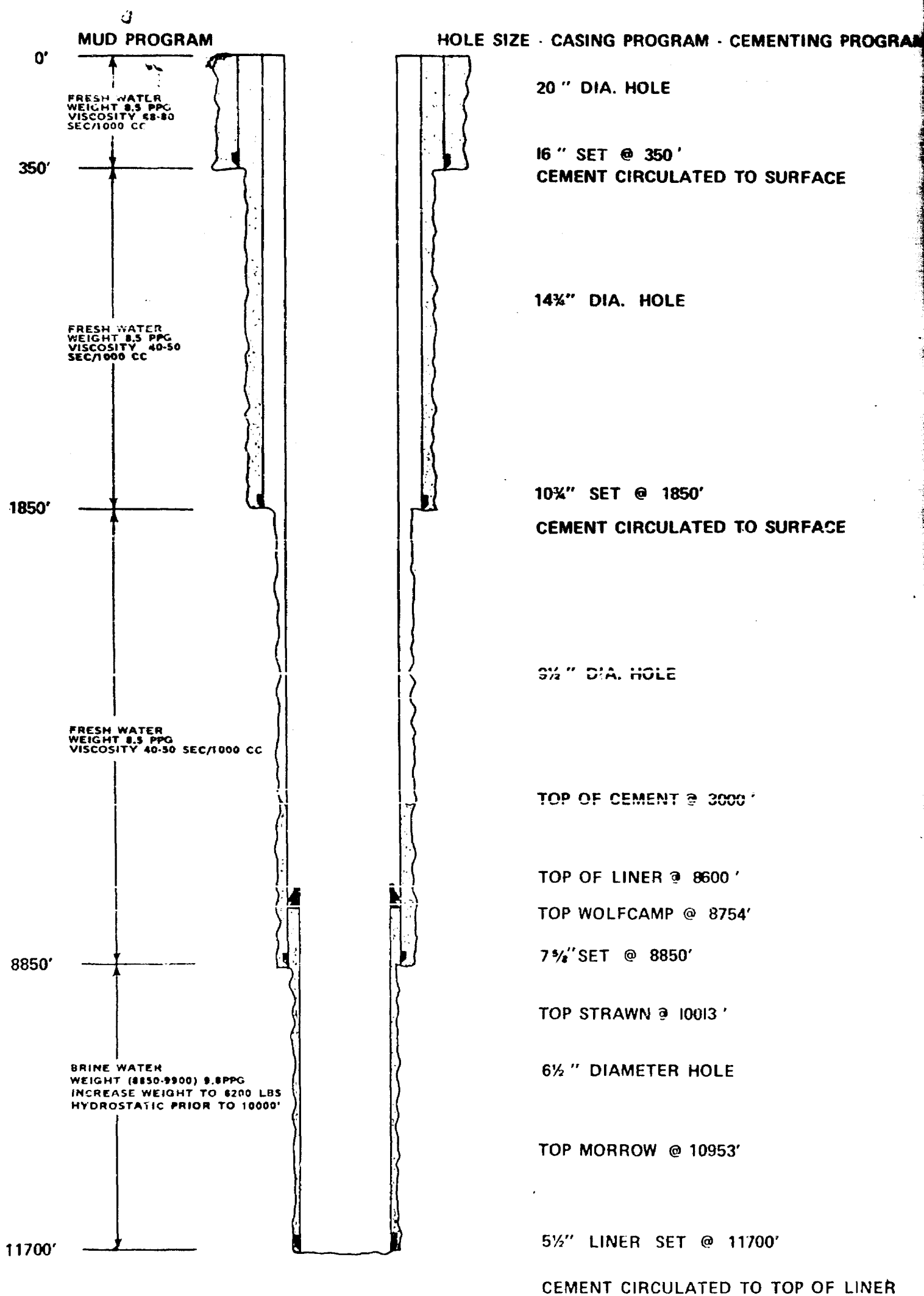


EXHIBIT III

CSOC TRACY B NO. 1
EDDY COUNTY, NEW MEXICO

CASING SCHEMATIC



BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

OIL CONSERVATION COMMISSION
Santa Fe

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 interest underlying the E/2 of Section 18, Township 22 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, of Pennsylvanian age or older, and in support thereof would show the Commission:

1. The proposed surface location of the well to be drilled as Cities Service Oil Company's Tracy "B" Well No. 1 is 2045 feet from the South line, and 479 feet from the East line of said Section 18, within the City limits of the City of Carlsbad, New Mexico.

2. Applicant proposes to bottom said well, insofar as the Morrow formation is concerned at a point approximately 2145 feet from the North line and 825 feet from the East line of Section 18, or at a point within a 165-foot radius of said point. In the event production is encountered in the Strawn formation, the bottom-hole

→ Jason will send
documents to be checked

DOCKET MAILED
Date 9-6-74
To Jason

location in the Strawn will be approximately 2600 feet from the North line, and 675 feet from the East line of Section 18, or within a 100-foot radius of said point.

3. Permission to make the surface location proposed, and to deviate the well bore in order to comply with the ordinances of the City of Carlsbad, New Mexico, is being sought in an application filed concurrently with this application.

4. All interest owners have agreed to either farm out or to participate or pool their interest in the drilling of the proposed well with the exception of those persons whose names and addresses to the best of applicant's information and belief are listed on Exhibit "A" attached to this application and made a part hereof for all purposes.

5. Applicant has made diligent effort to obtain voluntary agreement from the listed interest owners and has been unable to obtain such agreement.

6. In order to prevent waste, and to protect correlative rights it is necessary that the described lands be pooled for production from formations of Pennsylvanian age or older.

7. Because of the risks involved in directionally drilling in the Carlsbad area, and the additional burdens imposed upon the operator by the provisions of the City Ordinance of the City of Carlsbad, location of the well, and other factors, a risk factor of not less than 200% should be granted operator, to be recovered proportionally out of any non-consenting owner's share of production.

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 pooling all of the E/2 of Section 18, Township 22 South, Range 27 East, N.M.P.M., as to formations of Pennsylvanian age or older, designating applicant as operator, together with provision for applicant to recover its costs of drilling and completing said well out of production, the allocation of such costs, as well as actual operating costs and charges for supervision, and a charge of not less than 200% for the risk involved in drilling said well, and such other and further provision as may be proper.

Respectfully submitted,
CITIES SERVICE OIL COMPANY

By *John W. Kellahin*
KELLAHIN & FOX
P. O. Box 1769
Santa Fe, New Mexico 87501
ATTORNEYS FOR APPLICANT

EXHIBIT "A"

WORKING INTEREST OWNERS

	<u>Acres</u>
Michael Grace National Parks Highway Carlsbad, New Mexico 88220	28.0581
R. C. Bennett 102 Permian Building Midland, Texas 79701	50.7379
C. R. Cahill P. O. Box 162 Midland, Texas 79701	4.2362
R. G. Barton, Jr. & E. L. Latham, Jr. P. O. Box 978 Hobbs, New Mexico 88240	.6129

UNLEASED MINERAL OWNERS

	<u>Acres</u>
Carlsbad Municipal Schools, District #C 103 W. Hagerman Carlsbad, New Mexico 88220	5.3000

DOCKET MAILED

Date 9-6-74

UNLEASED TOWN LOTS

	<u>Acres</u>
X Maria Contreras 204 Peach Tree Carlsbad, New Mexico 88220	.243285
Juan Sarabia 210 Peach Tree Carlsbad, New Mexico 88220	.293273
X Mrs. E. M. Navarrette 1413 W. Bronson Carlsbad, New Mexico 88220	.287534
X Thomas Granger 2404 Avenue B Carlsbad, New Mexico 88220	.316804
Meliton Fierro Box 922 Carlsbad, New Mexico 88220	.611417
Armando Larez "J" Grocery, S. Canal St. Carlsbad, New Mexico 88220	.118801
Property Appraisal Dept.. State of New Mexico & Ester Vasquez 603 N. Maple Carlsbad, New Mexico 88220	.132001
X Fred Williams Box 269 Carlsbad, New Mexico 88220	.132001
Nettie Montgomery & E. Barker; City 605 Lakeside Drive Carlsbad, New Mexico 88220	.261134
Margie McBeth 319 Peach Tree Carlsbad, New Mexico 88220	.153122
Alberto Mendoza Box 846 Carlsbad, New Mexico 88220	.278925
Polly C. Frazier Rt. 7, Box 52 Conroe, Texas	.258264
Lela Bell Giddens 2602 Carver Carlsbad, New Mexico 88220	.129132

Charles Coleman 220 Plum St. Carlsbad, New Mexico 88220	.129132
X Manuel Juarez 214 Plum St. Carlsbad, New Mexico 88220	.129132
Joe C. Sarabia 210 Plum Street Carlsbad, New Mexico 88220	.129132
Canuto Salcido 206 Plum Street Carlsbad, New Mexico 88220	.129132
Carlsbad Nat'l Bank Trust Department Carlsbad New Mexico 88220	.116219
X Fred R. Williams Box 269 Carlsbad, New Mexico 88220	.275482
J. D. Rogers 509 Dallas Drive Carlsbad, New Mexico 88220	.091827
Pecos Enterprises 1305 Alpha Carlsbad, New Mexico 88220	.179981
Enriqueta Galindo 730 E. Clauson Road Turlock, California 75380	.179981
Trustees of Church of God in Christ 2817 Davis Carlsbad, New Mexico 88220	.215306
X Harmon N. Colley 2306 Carver Carlsbad, New Mexico 88220	.190082
X Property Appraisal Department, St. of NM State Land Office Carlsbad, New Mexico 88220	.178489
Leonel Martinez 604 W. Alvarado Carlsbad, New Mexico 88220	.190082

Frank Valenzuela 2312 Algerita Carlsbad, New Mexico 88220	.178489
Hugh Gustus (No Address)	.190082
Mrs. N. S. Hurd 305 Plum St. Carlsbad, New Mexico 88220	.163567
Lobelia King Corner of Carver & Plum Streets Carlsbad, New Mexico 88220	.255492
X Eugene O. Rodrigues 2205 Carver Carlsbad, New Mexico 88220	.204430
M. M. Martinez 14202 Fairgrove La Puente, California	.537190
Ruben Fernandez 320 E. Etter St. Carlsbad, New Mexico 88220	.206611
X Property Appraisal Dept., St. of NM State Land Office Carlsbad, New Mexico 88220	.206611
Trustees of Rice Memorial (CME) Church 2601 Carver Carlsbad, New Mexico 88220	.064049
James H. Orgain 2609 Carver Carlsbad, New Mexico 88220	.189393
Henry Burgett 1111 N. 8th Carlsbad, New Mexico 88220	.189393
Calvin Ross Box 769 Carlsbad, New Mexico 88220	.189393
Ezequiel D. Hernandez 520 Virginia NE Albuquerque, New Mexico	.189393
X Salvador Navarrette 2907 Carver Carlsbad, New Mexico 88220	.189393

X	Alvesa & Amador Alveraz 2908 Carver Carlsbad, New Mexico 88220	.189393
	Joseph F. Huffman (No Address)	.189393
	Marie Jennings 2520 San Jose Bld Carlsbad, New Mexico 88220	.284664
	Frank Giddens Corner of Carver & Etter Sts. Carlsbad, New Mexico 88220	.293847
	E. M. Smith & Bernita Payne 2412 Carver Carlsbad, New Mexico 88220	.183654
	Bicente Almanza Grants New Mexico	.177915
	John Pirtle 2616 Carver Carlsbad, New Mexico 88220	.183654
	Luriline Washington 6910 Weston, Apt. 3 Houston, Texas 77033	.177915
	Ralph Garcia 810 Sandia Carlsbad, New Mexico 88220	.193608
X	Cruz Molinar 6224 S. 3rd Phoenix, Arizona	.202522
X	Benito Fierro 1804 Carver Carlsbad, New Mexico 88220	.196395
	Ruby Brown (No Address)	.223372
	Sam Alexander Corner of Carver & Davis Carlsbad, New Mexico 88220	.426187
	Robert L. Cummings 2302 N. Florez Dr Tucson, Arizona 85705	.293847

Admin. of Veterans Affairs & Curtis Moore Davis Street Carlsbad, New Mexico 88220	.183654
Mildred Johnson (No Address)	.183654
Homer Rogers 2700 Stanton Drive Las Vegas, Nevada 89031	.183654
X Alvaro H. Molinar 306 Monclair Carlsbad, New Mexico 88220	.189393
X Admin. of Veterans Affairs Montclair Carlsbad, New Mexico 88220	.378786
Roxie Doyle Corner of San Jose Bld. & Montclair Sts. Carlsbad, New Mexico 88220	.454545
Fernando Renteria, Jr. Prices Dairy Carlsbad, New Mexico 88220	.189393
Evelyn Ford Box 236 Dexter, New Mexico 88230	.189393
Paul Baiza (No Address)	.454545
Brooks Brininstool, Jr. 3310 San Jose Bld. Carlsbad, New Mexico 88220	.757575
Allen De Pew 1106 Normandy Carlsbad, New Mexico 88220	.183654
Jullean Harkness Rt. , Box 71 Loving, New Mexico	.564049
Victorio Rodriguez Box 211, Grants New Mexico	.349954
Latin American Assemblies of God Corner of Kircher & Ridgeway Carlsbad, New Mexico 88220	.380000

✓ Reproco Incorporated
Dover
Delaware

.826446

✓ Jim B. Carson
Carlsbad
New Mexico 88220

1.288223

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. 53284

Order No. R-4866

*Application of Cities Service Oil Company
for Compulsory Pooling, Eddy
County, New Mexico*

[Signature]

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 18, 1971
at Santa Fe, New Mexico, before Examiner RLS

NOW, on this _____ day of _____, 19____, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, Cities Service Oil Company,
seeks an order pooling all mineral interests in the
Pennsylvanian formation underlying the E/2
of Section 18, Township 22 South, Range 27 East,
NMPM, South Carlsbad Field, Eddy County, New
Mexico.

surface

(3) That the applicant has the right to drill and proposes to drill a well *at an under the dock location 2045 feet from the South line and 479 feet from the East line of said Section 18.*

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional *200 percent* thereof as a reasonable charge for the risk involved in the drilling of the well.

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

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

(11) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and

-3-
Case No.
Order No. R

annually

That ~~\$216.00~~ per month should be fixed as a reasonable charge for supervision ~~(combined fixed rates)~~ ^{while producing (provided that the producing operator should be authorized to withhold from production the} ~~that the~~ ^{operator should be authorized to withhold from production the} ~~supervision charge~~ ^{proportionate share of such supervision charge attributable to} ~~That the~~ ^{each non-consenting working interest, and in addition thereto,} ~~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.}

proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1975, the order pooling said unit should become null and void and of no effect

(14) That an administrative procedure should be established to permit a delay in the required date of commencement for good cause shown.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the E/2 of Section 18, Township 22 South, Range 27 East, NMPM, South Carlsbad Field, Eddy County, New Mexico, are hereby pooled to form a standard 320- acre gas spacing

and proration unit to be dedicated to a well to be drilled ^{surface} at an unorthodox location 2045 feet from the South line and 479 feet from the East line of said Section 18.

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

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

Director of the Commission may grant an extension of time in which to commence said well of up to 90 days.

-4-

Case No.

Order No. R-

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

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

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

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

(5) That the operator shall furnish 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

OK
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in

~~above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.~~

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

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

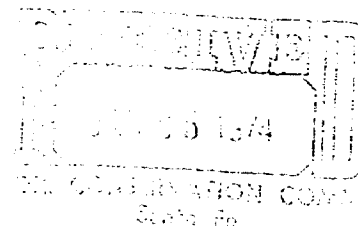
~~That _____ per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.~~

(9) That \$1536.00 per month is hereby fixed as a reasonable charge for supervision (combined find rates while drilling, and

That \$ 216.00 per month is hereby fixed as a reasonable charge for supervision ^{while producing} ~~(combined find rates)~~, provided that this ^{latter} rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

Finding 9

Case 2211



-6-

Case No.

Order No. R-

(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.

BARTON



CITIES SERVICE OIL COMPANY

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

August 21, 1974

Mr. R. G. Barton, Jr.
Mr. E. L. Latham, Jr.
P. O. Box 978
Hobbs, New Mexico 88240

Belco Petroleum Corporation
Wilco Building
Midland, Texas 79701

Mr. C. R. Cahill
P. O. Box 162
Midland, Texas 79701

Mr. Michael Grace
National Parks Highway
Carlsbad, New Mexico 88220

Mr. Dan L. Hannifin
P. O. Box 182
Roswell, New Mexico 88201

Re: Proposed Cities No. 1 Tracy "B"
Morrow-Strawn Test
E/2 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

As we have previously discussed, the above proposed Unit, with the exception of the SE/4 NE/4 and the NE/4 SE/4, is chiefly made up of town lots. In order that we may proceed with the tabulation of each party's interest, it would be most advantageous to us if you could furnish Cities with a list of exactly what acreage you have leased in the E/2.

Your early response to this request will be greatly appreciated.

Yours truly,

CITIES SERVICE OIL COMPANY

Tom Heller
Landman

Tih:eh

No. 103486

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENT TO		POSTMARK OR DATE 8-1-74
Mr. Michael P. Grace		
STREET AND NO. P. O. Box 1418		
P.O., STATE AND ZIP CODE Carlsbad, New Mexico 88220		
OPTIONAL SERVICES FOR ADDITIONAL FEES		
RETURN RECEIPT SERVICES	1. Shows to whom and date delivered	15¢
	With delivery to addressee only	65¢
	2. Shows to whom, date and where delivered	35¢
	With delivery to addressee only	85¢
DELIVER TO ADDRESSEE ONLY		50¢
SPECIAL DELIVERY (2 pounds or less)		45¢

POD Form 3800
July 1969

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

(See other side)
* GPO : 1969 O-358-312

SENDER: Be sure to follow instructions on other side

PLEASE FURNISH SERVICE(S) INDICATED BY CHECKED BLOCK(S)
(Additional charges required for these services)

<input type="checkbox"/> Show address where delivered	<input type="checkbox"/> Deliver ONLY to addressee
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RECEIPT

Received the numbered article described below

REGISTERED NO.	SIGNATURE OR NAME OF ADDRESSEE (Must always be filled in)
CERTIFIED NO. 103486	SIGNATURE OF ADDRESSEE'S AGENT, IF ANY
POSTAGE NO.	
DATE DELIVERED AUG 5 1974	SHOW WHERE DELIVERED (Only if requested, not include ZIP Code)

CITIES SERVICE OIL COMPANY



Box 1919
Midland, Texas 79701
Telephone: 915 684-7131
August 1, 1974

TO: ADDRESSEES
(See Attached List)

SUBJECT: Proposed Cities #1 Tracy "3"
10,950' Morrow-Strawn Test
SE/4 NE/4 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

GENTLEMEN:

We propose to drill in the very near future a 10,950' Morrow-Strawn test at a surface location in the SE/4 NE/4 Section 18, T-22-S, R-27-E, Eddy County, New Mexico, and directionally drill to a bottom hole location 1920' FNL and 660' FEL. The estimated cost to drill and complete this well as a dual producer is \$610,653. A dry hole is estimated to cost \$416,309. The location is within the city limits and the above costs do not include the expense of conformance to the recently adopted ordinance by the City of Carlsbad.

The estimated ownership in the proposed proration unit covering the E/2 Section 18 is as follows:

	<u>Net Acres</u>	<u>Percentage</u>
Cities	177.80	55.56%
Bennett	53.00	16.56%
Grace	28.34	8.85%
Belco	21.30	6.61%
Barton	2.00	.62%
Hannifin	.50	.16%
Unleased	36.56	11.44%

We request that you join Cities in the drilling of this test. Please advise us of your decision in this matter at your earliest convenience so that we may proceed with the preparations for the drilling of this well.

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

THd
Attachment

CITIES #1 TRACY "B"

Mr. R. C. Bennett
Permian Building
Midland, Texas 79701

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

Belco Petroleum Corporation
Wilco Building
Midland, Texas 79701

Mr. R. G. Barton, Jr.
P. O. Box 978
Robbs, New Mexico 88240

Mr. Robert H. Hannifin
Petroleum Building
Midland, Texas 79701



CITIES SERVICE OIL COMPANY

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

August 6, 1974

TO: ADDRESSEES
(See Attached List)

SUBJECT: Proposed Cities #1 Tracy "B"
10,950' Morrow-Strawn Test
SE/4 NE/4 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

GENTLEMEN:

Further to my letter of August 1, 1974, I wish to advise the top of the Morrow is expected at 10,950' and complete penetration should be accomplished at 11,600'. The exact surface and bottom hole locations are as follows:

Surface Location: 2180' FSL & 520' FEL Section 18

Bottom Hole Location: 1980' FNL & 660' FEL Section 18

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

THbd
Attachment

P. S. To Belco - Attached is Detailed Well Estimate.

CITIES #1 TRACY "B"

Mr. R. C. Bennett
Permian Building
Midland, Texas 79701

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

Belco Petroleum Corporation
Wilco Building
Midland, Texas 79701

Mr. R. G. Barton, Jr.
P. O. Box 978
Hobbs, New Mexico 88240

Mr. Robert H. Hannifin
Petroleum Building
Midland, Texas 79701

No. 816625

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENT TO		POSTMARK OR DATE
Mr. R. G. Barton, Jr.		8-1-74
STREET AND NO.		
P. O. Box 978		
P.O., STATE AND ZIP CODE		
Middletown Hobbs, NM 88240		
OPTIONAL SERVICES FOR ADDITIONAL FEES		
RETURN	1. Shows to whom and date delivered	10c
RECEIPT	With delivery to addressee only	60c
SERVICES	2. Shows to whom, date and where delivered	35c
	With delivery to addressee only	85c
DELIVER TO ADDRESSEE ONLY		50c
SPECIAL DELIVERY (2 pounds or less)		30c

POD Form 3800
Sep. 1968

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

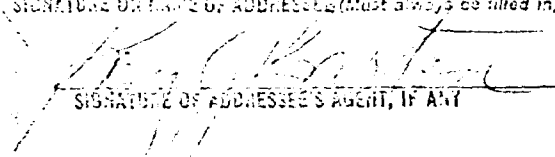
(See other side)

SENDER: Be sure to follow instructions on other side

PLEASE INDICATE SERVICE(S) INDICATED BY CHECKED CHECK(S) (Additional charges required for these services)	
<input type="checkbox"/> Show address where delivered	<input type="checkbox"/> Deliver ONLY to addressee

RECEIPT

Received the numbered article described below

REGISTERED NO.	SIGNATURE OR NAME OF ADDRESSEE (Must always be filled in)
CERTIFIED NO.	
816625	
INSURED NO.	SIGNATURE OF ADDRESSEE'S AGENT, IF ANY
DATE DELIVERED	SHOW WHERE DELIVERED (Only if requested, and include ZIP Code)
AUG - 2 1974	

CITIES SERVICE OIL COMPANY



Box 1919
Midland, Texas 79701
Telephone: 915 684-7131
August 1, 1974

TO: ADDRESSEES
(See Attached List)

SUBJECT: Proposed Cities #1 Tracy "3"
10,950' Morrow-Strawn Test
SE/4 NE/4 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

GENTLEMEN:

We propose to drill in the very near future a 10,950' Morrow-Strawn test at a surface location in the SE/4 NE/4 Section 18, T-22-S, R-27-E, Eddy County, New Mexico, and directionally drill to a bottom hole location 1980' FNL and 660' FEL. The estimated cost to drill and complete this well as a dual producer is \$610,653. A dry hole is estimated to cost \$416,309. The location is within the city limits and the above costs do not include the expense of conformance to the recently adopted ordinance by the City of Carlsbad.

The estimated ownership in the proposed proration unit covering the E/2 Section 18 is as follows:

	<u>Net Acres</u>	<u>Percentage</u>
Cities	177.80	55.56%
Bennett	53.00	16.56%
Grace	28.34	8.85%
Belco	21.80	6.81%
Barton	2.00	.62%
Hannifin	.50	.16%
Unleased	36.56	11.44%

We request that you join Cities in the drilling of this test. Please advise us of your decision in this matter at your earliest convenience so that we may proceed with the preparations for the drilling of this well.

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

THbd
Attachment

CITIES #1 TRACY "B"

Mr. R. C. Bennett
Permian Building
Midland, Texas 79701

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

Belco Petroleum Corporation
Wilco Building
Midland, Texas 79701

Mr. R. G. Barton, Jr.
P. O. Box 978
Hobbs, New Mexico 88240

Mr. Robert H. Hannifin
Petroleum Building
Midland, Texas 79701



CITIES SERVICE OIL COMPANY

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

August 6, 1974

TO: ADDRESSEES
(See Attached List)

SUBJECT: Proposed Cities #1 Tracy "B"
10,950' Morrow-Strawn Test
SE/4 NE/4 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

GENTLEMEN:

Further to my letter of August 1, 1974, I wish to advise the top of the Morrow is expected at 10,950' and complete penetration should be accomplished at 11,600'. The exact surface and bottom hole locations are as follows:

Surface Location: 2180' FSL & 520' FEL Section 18

Bottom Hole Location: 1980' FNL & 660' FEL Section 18

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

THbd
Attachment

P. S. To Belco - Attached is Detailed Well Estimate.

CITIES #1 TRACY "B"

Mr. R. C. Bennett
Permian Building
Midland, Texas 79701

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

Belco Petroleum Corporation
Wilco Building
Midland, Texas 79701

Mr. R. G. Barton, Jr.
P. O. Box 978
Hobbs, New Mexico 88240

Mr. Robert H. Hannifin
Petroleum Building
Midland, Texas 79701

No. 103494

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

STREET AND NO.		POSTMARK OR DATE
P.O., STATE AND ZIP CODE		
OPTIONAL SERVICES FOR ADDITIONAL FEES		
RETURN RECEIPT SERVICES	1. Shows to whom and date delivered	15¢
	With delivery to addressee only	65¢
	2. Shows to whom, date and where delivered	35¢
	With delivery to addressee only	85¢
DELIVER TO ADDRESSEE ONLY		50¢
SPECIAL DELIVERY (2 pounds or less)		45¢

POD Form 3800 July 1969

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

(See other side)
• GPO : 1969 O-358-312

SENDER: Be sure to follow instructions on other side

PLEASE	INDICATE SERVICE(S) INDICATED BY CHECKED	CK(S)
(Additional charges required for these services)		
<input type="checkbox"/> Show address where delivered		<input type="checkbox"/> Deliver ONLY to addressee

RECEIPT

Received the numbered article described below

REGISTERED NO. _____ SIGNATURE OR NAME OF ADDRESSEE (Must always be filled in)

CERTIFIED NO. _____
103494
INSURED NO. _____ SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

DATE DELIVERED _____ SHOW WHERE DELIVERED (Only if requested, and include ZIP Code)

8-27-24

August 28, 1974

Mr. Joe Don Cook
P. O. Box 159
Roswell, New Mexico 88201

Re: Proposed Cities #1 Tracy "B"
11,600' Morrow-Strawn Test
SE/4 NE/4 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

Dear Mr. Cook:

We propose to drill in the very near future an 11,600' Morrow-Strawn test at a surface location in the NE/4 SE/4 Section 18, T-22-S, R-27-E, Eddy County, New Mexico, and directionally drill to a bottom hole location 1930' FNL and 660' FEL. The estimated cost to drill and complete this well as a dual producer is \$610,653. A dry hole is estimated to cost \$416,309. The location is within the city limits and the above costs do not include the expense of conformance to the recently adopted ordinance by the City of Carlsbad.

As you are the owner of an estimated .1214 acre mineral interest in the proration unit covering the E/2 Section 18, we request that you join Cities in the drilling of this proposed test. We estimate that your mineral interest covers .0379% of the proposed proration unit.

Please advise us of your decision in this matter at your earliest convenience. A self-addressed, stamped envelope is enclosed for your use.

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

TJhd
Enclosure

P.O. Box 159

~~XXXXXXXXXXXX~~

Joe Don Cook

Oil Properties

Roswell, New Mexico 88201

PHONE 505 623-7096

August 30, 1974

Cities Service Oil Co.
Box 1919
Midland, Texas 79701

RE: Cities # 1 Tracy "B"

Dear Sir:

How much money will you receive per million cubic feet
of gas ?

If you have a proper AFE, please furnish us with same.
Thank you.

Sincerely,

Joe Don Cook
Joe Don Cook

JDC/ew

*called cook
Sending DWE for his
possible approval*

COOK



CITIES SERVICE OIL COMPANY

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

September 9, 1974

Dan E. Hannifan <--- THIS COPY FOR
P. O. Box 182
Roswell, New Mexico 88201

Joe Don Cook
P. O. Box 159
Roswell, New Mexico 88201

Subject: Tracy "B" No. 1
E/2 Section 13
22S, 27E
Eddy County, New Mexico

Gentlemen:

Attached for your information is one copy each of Cities Service Oil Company's Detailed Well Estimate regarding our proposed Tracy "B" #1. After examining same we trust you will join Cities in this proposed test.

We anticipate a Commission hearing around the middle of September.

Yours very truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

THde

Attachment

HANNIFIN

No. 103489

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

TO		POSTMARK OR DATE
Mr. Dan L. Hannifin		8-13-74
STREET AND NO.		
P. O. Box 182		
P.O., STATE AND ZIP CODE		
Midland, Texas 79701		
OPTIONAL SERVICES FOR ADDITIONAL FEES		
RETURN	1. Shows to whom and date delivered	15¢
RECEIPT	With delivery to addressee only	55¢
SERVICES	2. Shows to whom, date and where delivered ..	35¢
	With delivery to addressee only	85¢
DELIVER TO ADDRESSEE ONLY		50¢
SPECIAL DELIVERY (2 pounds or less)		45¢
POD Form 3800 July 1969		NO INSURANCE COVERAGE PROVIDED— NOT FOR INTERNATIONAL MAIL (See other side) * GPO : 1969 O-358-512

SENDER: Be sure to follow instructions on other side

PLEASE FURNISH SERVICE(S) INDICATED BY CHECKED BLOCK(S)
(Additional charges required for these services)

☐ Show address
where delivered

☐ Deliver ONLY
to addressee

RECEIPT

Received the numbered article described below

REGISTERED NO.

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

CERTIFIED NO.

103489

INSURED NO.

DATE DELIVERED

SHOW WHERE DELIVERED (Only if required, and include ZIP Code)

August 13, 1974

Mr. Dan L. Hannifin
P. O. Box 182
Roswell, New Mexico 88201

Re: Proposed Cities "1 Tracy "B"
11,600' Morrow-Strawn Test
SE/4 NE/4 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

Dear Dan:

We propose to drill in the very near future an 11,600' Morrow-Strawn test at a surface location in the NE/4 SE/4 Section 18, T-22-S, R-27-E, Eddy County, New Mexico, and directionally drill to a bottom hole location 1980' FNL and 660' TEL. The estimated cost to drill and complete this well as a dual producer is \$610,653. A dry hole is estimated to cost \$416,309. The location is within the city limits and the above costs do not include the expense of conformance to the recently adopted ordinance by the City of Carlsbad.

As you are the owner of an estimated .2640 acre mineral interest in the proration unit covering the E/2 Section 18, we request that you join Cities in the drilling of this proposed test. We estimate that your mineral interest covers .0825% of the proposed proration unit.

Please advise us of your decision in this matter at your earliest convenience. A self-addressed, stamped envelope is enclosed for your use.

Yours truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

THBd
Enclosure



CITIES SERVICE OIL COMPANY

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

August 21, 1974

Mr. R. G. Barton, Jr.
Mr. E. L. Latham, Jr.
P. O. Box 978
Hobbs, New Mexico 88240

Belco Petroleum Corporation
Wilco Building
Midland, Texas 79701

Mr. C. R. Cahill
P. O. Box 162
Midland, Texas 79701

Mr. Michael Grace
National Parks Highway
Carlsbad, New Mexico 88220

Mr. Dan L. Hannifin
P. O. Box 182
Roswell, New Mexico 88201

Re: Proposed Cities No. 1 Tracy "B"
Morrow-Strawn Test
E/2 Section 18, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

As we have previously discussed, the above proposed Unit, with the exception of the SE/4 NE/4 and the NE/4 SE/4, is chiefly made up of town lots. In order that we may proceed with the tabulation of each party's interest, it would be most advantageous to us if you could furnish Cities with a list of exactly what acreage you have leased in the E/2.

Your early response to this request will be greatly appreciated.

Yours truly,

CITIES SERVICE OIL COMPANY

Tom Heller
Landman

TH:eh



CITIES SERVICE OIL COMPANY

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

August 21, 1974

Mr. R. G. Barton, Jr.
Mr. E. L. Latham, Jr.
P. O. Box 978
Hobbs, New Mexico 88240

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CITIES SERVICE OIL COMPANY

Tom Heller

Tom Heller
Landman

TH:eh

RECEIVED

AUG 22 1974

Cities Service Oil
Southwestern Reg.

*Lot 16, Block 2 3rd East San Jose
Total Acreage: 2*

D. L. Hannifin



CITIES SERVICE OIL COMPANY

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

September 9, 1974

Dan L. Hannifan
P. O. Box 132
Roswell, New Mexico 88201

THIS COPY FOR

Joe Don Cook
P. O. Box 159
Roswell, New Mexico 88201

Subject: Tracy "B" No. 1
E/2 Section 13
22S, 27E
Eddy County, New Mexico

Gentlemen:

Attached for your information is one copy each of Cities Service Oil Company's Detailed Well Estimate regarding our proposed Tracy "B" #1. After examining same we trust you will join Cities in this proposed test.

We anticipate a Commission hearing around the middle of September.

Yours very truly,

CITIES SERVICE OIL COMPANY

Thomas Heller
Landman

THde

Attachment



CITIES SERVICE OIL COMPANY

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

August 21, 1974

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Morrow-Strawn Test
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Eddy County, New Mexico

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Yours truly,

CITIES SERVICE OIL COMPANY

Tom Heller
Landman

TH:eh

OFFICE PHONE 505 393-5515
RESIDENCE 505 392-5309

300 W. TAYLOR STREET
P. O. BOX 978
HOBBS, NEW MEXICO 88240

ROY G. BARTON, JR.
OIL PRODUCER

August 7, 1974

Cities Service Oil Co.
Box 1919
Midland, Texas 79701

Attention: Mr. Thomas Heller:

Re: Cities #1 Tracy "B"
SE/4NE/4 Sec. 18, T-22-S, R-27-E, Eddy County, N.M.

Dear Mr. Heller:

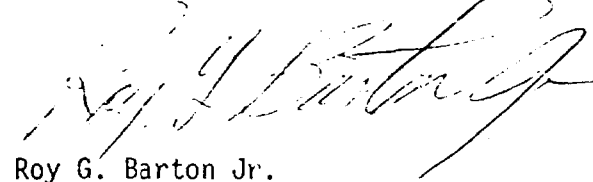
Thank you for your letter of August 1st.

Mr. E. L. Latham Jr. and myself have taken Cities proposal under consideration, and we do not feel that at the present time we can justify participating with you.

We will consider signing an operating agreement wherein Cities would recover 125% of the drilling and completion costs spent on our behalf.

We wish you the best of luck on this venture.

Very truly yours,



Roy G. Barton Jr.

Barton Jr.

has exactly 1.252525%

RECEIVED
AUG 12 1974

Cities Service Oil
Southwestern Reg.