

CASE 6433: CITIES SERVICE COMPANY FOR
COMPULSORY POOLING, EDDY COUNTY, NEW
MEXICO

CASE NO.

6433

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Bldg.
Santa Fe, New Mexico
31 January 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Cities Service Com-
pany for compulsory pooling, Eddy
County, New Mexico.

CASE
6433

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Lynn Teschendorf, Esq.
Legal Counsel for the Division
State Land Office Bldg.
Santa Fe, New Mexico 87503

For the Applicant:

W. Thomas Kellahin, Esq.
KELLAHIN & KELLAHIN
500 Don Gaspar
Santa Fe, New Mexico 87501

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ELMER STARTZ

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1 MR. STAMETS: Call at this time Case 6433.
2 MS. TESCHENDORF: Case 6433. Application of
3 Cities Service Company for compulsory pooling, Eddy County,
4 New Mexico.
5 MR. KELLAHIN: Tom Kellahin of Kellahin and
6 Kellahin, Santa Fe, New Mexico, appearing on behalf of the
7 Applicant, and I have one witness.
8 MR. STAMETS: Any other appearances?
9 I'd like to have the witness stand and be sworn, please.
10 (Witness sworn.)
11
12 ELMER STARTZ
13 being called as a witness and having been duly sworn upon
14 his oath, testified as follows, to-wit:
15
16 DIRECT EXAMINATION
17 BY MR. KELLAHIN:
18 Q Mr. Startz, would you please state your name
19 and occupation?
20 A My name is Elmer Startz. I'm the Regional
21 Petroleum Engineer for Cities Service Oil Company in Mid-
22 land, Texas.
23 Q Mr. Startz, have you previously testified
24 before the Oil Conservation Division and had your qualifi-
25 cations as an expert witness accepted and made a matter of

1 record?

2 A Yes, sir.

3 Q Have you made a study of and are you familiar
4 with the facts surrounding this particular application?

5 A Yes, sir.

6 MR. KELLAHIN: We tender Mr. Startz as an
7 expert witness.

8 MR. STAMETS: The witness is considered
9 qualified.

10 Q (Mr. Kellahin continuing.) Would you please
11 refer to what I've marked as Exhibit Number One and identify
12 that? And explain what Cities Service is seeking.

13 A Okay. This is a plat of the proposed well,
14 the Zia No. 1. It's located 1980 from the south and 1980
15 from the west of Section 8, Township 23 South and Range
16 28 East in Eddy County.

17 Q What will be the proration unit to be dedi-
18 cated to the well?

19 A The south half of Section 8, which is 320
20 acres, and it's outlined in the heavy broken line.

21 Q What is the difference between the yellow
22 lines and the white area within the proration unit?

23 A The yellow portion is the area that we have
24 currently signed up and the white is the area we do not
25 have signed up, and the approximately 45 acres there that's

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1 printed in there as Pecos Irrigation, that is now signed
2 up, so the only acreage not signed up is the small white
3 rectangular area there, which is the east half of the
4 northeast and the southwest of the southwest.

5 Q How many acres is that, Mr. Startz?

6 A It's five acres.

7 Q And who are the working interest owners of
8 that tract?

9 A There are 24 individual working interest
10 owners.

11 Q How many of those individuals have not agreed
12 at this point to the drilling of the well?

13 A Well, at this point we have -- we have six
14 that said they may join; one that said they wouldn't; and
15 the remaining fifteen we haven't heard from.

16 Q Do you have a tabulation of the names and
17 addresses of those individuals that have an interest in
18 Section 5?

19 A Yes, I sure do.

20 MS. TESCHENDORF: You said Section 5 and
21 5 acres.

22 A Section 8.

23 MR. KELLAHIN: I meant within the five acre
24 tract.

25 Q (Mr. Kellahin continuing.) Mr. Startz, I

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1 show you what I've marked as Exhibit Number Three, and ask
2 you if that's a tabulation of all of the owners for this
3 particular 5-acre tract?

4 A. Yes, sir.

5 Q. Are there any additional parties not named
6 on here?

7 A. The eight parties named on here is as tabu-
8 lated and then the other fourteen -- these eight parties
9 cover eight of the individual tracts and the other fourteen
10 are owned by Mr. Cahill; that's not on here.

11 Q. All right, let's start with Mr. Cahill, what,
12 if any, responses have you had from your inquiries of Mr.
13 Cahill as to whether he'll participate in the well?

14 A. We have not had any response from him at all.

15 Q. What inquiries have you made of Mr. Cahill?

16 A. We finally located his address and we sent
17 him a letter dated January the 23rd, and as of today we
18 haven't heard from him.

19 Q. Now, with regards to the other eight tracts
20 within the 5-acre parcel, have you had any communication
21 with those owners?

22 A. Yes, sir, by letter, and they're dated
23 January the 10th, 1979.

24 Q. I show you what I've marked as Cities Service
25 Exhibits Four, Five, Six, Seven, and Eight, and ask you if

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1 those are true and correct copies of the letters sent to
2 those particular people?

3 A Yes, sir, they are.

4 Q All right, Mr. Startz, what, if any, response
5 have you had from any of the individuals with regards to
6 those eight tracts?

7 A We had -- we received answers from six where
8 they stated they may join the drilling of this well and one
9 that said they wouldn't, which is Mrs. Edith Miller of
10 Austin -- Mrs. Miller Austin of Amarillo, Texas.

11 And then the other one we've had no answer
12 yet, which is, let's see, that's Mrs. Merle Miller Holloway
13 of Snyder, Oklahoma.

14 Q Do the notations indicated on Cities Service
15 Exhibit Number Three indicate the current state of nego-
16 tiations with each of the particular people involved?

17 A Yes, sir, they do.

18 Q And as of this date, do you have any written
19 commitments from any of those people?

20 A Just that t hey may, the six may join.

21 Q They have not reduced that to writing, have
22 they?

23 A No, sir.

24 Q Mr. Startz, I show you what I have marked
25 as Cities Service Exhibit Number Two and ask you to identify

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1 that.

2 A Okay. That is the drilling well cost esti-
3 mate, which shows that for a producing well the estimated
4 cost is \$1,410,881 and for a dry hole, \$1,177,931.

5 Q What is the anticipated total depth of the
6 well?

7 A 12,650 feet.

8 Q You're seeking to force pool all the mineral
9 interests in the Pennsylvanian formation, are you not?

10 A Yes, sir.

11 Q What is your primary objective?

12 A The Morrow zone.

13 Q How do the well costs for this particular
14 well compare to the well costs for similar Morrow completions
15 in Eddy County?

16 A This cost is based on the offset well to
17 the south in Section 17, which we drilled last year.

18 Q What is that well? What's the name of it?

19 A That's the Polk A No. 1.

20 Q Now, in reference to Exhibit Number Two,
21 what accounts for what appears to be a rather high cost for
22 drilling a Morrow well?

23 A Well, mainly because of the abnormal pressures
24 encountered in this particular area from the Wolfcamp through
25 the Strawn and Atoka zones, and because of this it requires

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1 extra supervision and rather heavy mud rates in the range of
2 12 to 14 pounds per gallon.

3 And this also requires extra casing in the
4 well.

5 Q Do you have a recommendation to the Examiner
6 with regards to supervision costs while drilling and after
7 completion for this particular well?

8 A Yes, sir, we propose \$3386 per well per
9 month for drilling and \$338 per well per month for well
10 operations.

11 MR. STAMETS: What was the second figure?

12 A \$338.

13 Q How do those costs compare to the Cities
14 Service Well in Section 17?

15 A This is what these costs are based on, on
16 the Polk A No. 1 operation and drilling.

17 Q With regards to the cost of supervision, do
18 you have a recommendation to make to the Examiner with re-
19 gards to any adjustments to be made in the combined fixed
20 rates?

21 A Yes, sir. We propose that this be changed
22 as to COPAS 1974. That's paragraph 1-A, it's adjustment
23 of combined fixed rate, which calls for adjustment every
24 April 1st.

25 Q Is that particular language in the COPAS

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1 provisions a common practice for inclusion in operating
2 agreements with regards to the drilling of wells?

3 A. Yes, sir.

4 Q. And would this place the nonparticipating
5 working interest owners on an equal basis with those people
6 that did consent?

7 A. Yes, sir.

8 Q. And do you have a recommendation to the
9 Examiner with regards to a risk factor to be imposed upon
10 the nonconsenting parties for the drilling of this well?

11 A. We recommend 100 percent risk factor.

12 Q. On what is that based?

13 A. It's just based on the nature of the Morrow
14 in this area where it's very spotty and it's risky from one
15 location to the next.

16 Q. Okay. Were Exhibits One through Eight com-
17 piled by you directly or compiled under your direction and
18 supervision?

19 A. Yes.

20 Q. In your opinion, Mr. Startz, will approval
21 of this application be in the best interests of conservation,
22 the prevention of waste, and protection of correlative
23 rights?

24 A. Yes, sir.

25 MR. KELLAHIN: We move the introduction of

Exhibits One through Eight.

MR. STAMETS: These exhibits will be admitted.

MR. KELLAHIN: That concludes our direct testimony.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Startz, did I understand you to say you are seeking a 100 percent risk factor?

A Yes, sir.

Q Not a 200 percent?

A No, sir.

Q Okay. Is there an operating agreement on this No. 1 Well?

A Not at this time.

Q Is there one in process --

A Yes, sir. Yes, sir.

Q And I take it Pecos Irrigation District voluntarily signed the operating agreement?

A Yes, sir. They joined the -- they signed up for the drilling of the well and I'm sure they will.

Q Okay. Is this \$3386 and \$338 amounts reflected in the operating agreement for the Polk Well in Section 17?

A Yes, sir. The Polk is a 100 percent well,

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1 Cities Service owned, but it was based on the cost of --

2 Q Do you have any operating agreements where
3 anyone has voluntarily agreed to these operating costs?

4 A Not this particular, no, sir. This is --
5 this is somewhat higher than a typical Morrow well, but
6 it's based on the difficulty in drilling the high costs --
7 when we penetrate abnormally high pressure zones like this,
8 we usually have two supervisors on the location and things
9 like this that do drive up the cost somewhat.

10 Q Okay, now how about the \$338 once this well
11 is completed, it's not any more difficult to operate than
12 any other well, is it?

13 A Well, we still have higher pressures. The
14 Polk was completed a dual well and we have 10,000 pound
15 Christmas trees on it; everything is much higher pressure.
16 Our producing equipment is rated at 10,000 psi, and any
17 maintenance and so forth --

18 Q It doesn't take two men to turn the valve
19 on, though.

20 A No, sir, but we do -- any maintenance would
21 cost more.

22 Q Do you have any operating agreements that
23 call for this \$338 a month to operate?

24 A Not to my knowledge.

25 Q Do you have -- what evidence do you have then

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1 that this is an appropriate rate?

2 A I don't have any concrete evidence with me
3 at all. These were, like I said, based on the -- our ex-
4 perience with the Polk, and this is what we tried to strive
5 for in this case.

6 Q What's the highest rate that Cities Service
7 is charging or collecting for supervision while producing?

8 A I don't believe I can answer that right now.
9 I don't have that information in front of me.

10 Q I believe we'll have to have that informa-
11 tion.

12 MR. KELLAHIN: We'll be happy to supply it
13 to you by letter, if that's acceptable.

14 MR. STAMETS: That would be fine. Copies
15 of existing operating agreements would be fine; whatever
16 evidence you may have as to actual operating costs or the
17 producing cost for the Polk Well would be appropriate, as
18 well.

19 Any other questions of -- oh, yes, I have
20 one other question.

21 Q (Mr. Stamets continuing.) In looking at
22 the letters that you have sent out, it appears as though
23 everyone except Mr. Cahill received a letter only asking
24 them to lease their acreage; did not discuss the possibility
25 of participating, is that correct?

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1 A I believe that's correct. Our land people
2 handled that part of it. I believe that's correct.

3 Q So these folks really haven't had an oppor-
4 tunity at this point to agree to participate in the drilling
5 of the well, is that correct?

6 A Yes, sir.

7 Q However, that is required by the Commission
8 order. In this case I would like to have copies of the
9 letters which are sent to these owners submitted to the
10 record.

11 MR. KELLAHIN: The letter after the order
12 is entered?

13 MR. STAMETS: Yes.

14 MR. KELLAHIN: Within thirty days of drilling?

15 MR. STAMETS: Yes. The one giving them the
16 opportunity to join.

17 Any other questions of the witness? He may
18 be excused.

19 Anything further in this case?

20 We'll take the case under advisement.

21 (Hearing concluded.)
22
23
24
25

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REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill, from my notes taken at the time of the hearing.

Sally W. Boyd CSR
Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6431 heard by me on 1-30 1979.
Richard L. Stum, Examiner
Oil Conservation Division

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STATE OF NEW MEXICO
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For the Oil Conservation
Division:

Lynn Teschendorf, Esq.
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State Land Office Bldg.
Santa Fe, New Mexico 87503

For the Applicant:

W. Thomas Kellehin, Esq.
KELLAHIN & KELLAHIN
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I N D E X

ELMER STARTZ

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E X H I B I T S

Applicant Exhibit One, Plat 11

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1 MR. STAMETS: Call at this time CASE 6433.

2 MS. TESCHENDORF: Case 6433. Application of
3 Cities Service Company for compulsory pooling, Eddy County,
4 New Mexico.

5 MR. KELLAHIN: Tom Kellahin of Kellahin and
6 Kellahin, Santa Fe, New Mexico, appearing on behalf of the
7 Applicant, and I have one witness.

8 MR. STAMETS: Any other appearances?
9 I'd like to have the witness stand and be sworn, please.

10 (Witness sworn.)

11
12 ELMER STARTZ
13 being called as a witness and having been duly sworn upon
14 his oath, testified as follows, to-wit:

15
16 DIRECT EXAMINATION

17 BY MR. KELLAHIN:

18 Q Mr. Startz, would you please state your name
19 and occupation?

20 A My name is Elmer Startz. I'm the Regional
21 Petroleum Engineer for Cities Service Oil Company in Mid-
22 land, Texas.

23 Q Mr. Startz, have you previously testified
24 before the Oil Conservation Division and had your qualifi-
25 cations as an expert witness accepted and made a matter of

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1 record?

2 A Yes, sir.

3 Q Have you made a study of and are you familiar
4 with the facts surrounding this particular application?

5 A Yes, sir.

6 MR. KELLAHIN: We tender Mr. Startz as an
7 expert witness.

8 MR. STAMETS: The witness is considered
9 qualified.

10 Q (Mr. Kellahin continuing.) Would you please
11 refer to what I've marked as Exhibit Number One and identify
12 that? And explain what Cities Service is seeking.

13 A Okay. This is a plat of the proposed well,
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16 28 East in Eddy County.

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22 lines and the white area within the proration unit?

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24 currently signed up and the white is the area we do not
25 have signed up, and the approximately 45 acres there that's

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1 printed in there as Pecos Irrigation, that is now signed
2 up, so the only acreage not signed up is the small white
3 rectangular area there, which is the east half of the
4 northeast and the southwest of the southwest.

5 Q How many acres is that, Mr. Startz?

6 A It's five acres.

7 Q And who are the working interest owners of
8 that tract?

9 A There are 24 individual working interest
10 owners.

11 Q How many of those individuals have not agreed
12 at this point to the drilling of the well?

13 A Well, at this point we have -- we have six
14 that said they may join; one that said they wouldn't; and
15 the remaining fifteen we haven't heard from.

16 Q Do you have a tabulation of the names and
17 addresses of those individuals that have an interest in
18 Section 5?

19 A Yes, I sure do.

20 MS. TESCHENDORF: You said Section 5 and
21 5 acres.

22 A Section 8.

23 MR. KELLAHIN: I meant within the five acre
24 tract.

25 Q (Mr. Kellahin continuing.) Mr. Startz, I

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1 show you what I've marked as Exhibit Number Three, and ask
2 you if that's a tabulation of all of the owners for this
3 particular 5-acre tract?

4 A Yes, sir.

5 Q Are there any additional parties not named
6 on here?

7 A The eight parties named on here is as tabu-
8 lated and then the other fourteen -- these eight parties
9 cover eight of the individual tracts and the other fourteen
10 are owned by Mr. Cahill; that's not on here.

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13 Cahill as to whether he'll participate in the well?

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17 him a letter dated January the 23rd, and as of today we
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1 those are true and correct copies of the letters sent to
2 those particular people?

3 A Yes, sir, they are.

4 Q All right, Mr. Startz, what, if any, response
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1 that.

2 A Okay. That is the drilling well cost esti-
3 mate, which shows that for a producing well the estimated
4 cost is \$1,410,881 and for a dry hole, \$1,177,931.

5 Q What is the anticipated total depth of the
6 well?

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9 interests in the Pennsylvanian formation, are you not?

10 A Yes, sir.

11 Q What is your primary objective?

12 A The Morrow zone.

13 Q How do the well costs for this particular
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17 the south in Section 17, which we drilled last year.

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23 A Well, mainly because of the abnormal pressures
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1 extra supervision and rather heavy mud rates in the range of
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25 Q Is that particular language in the COPAS

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1 provisions a common practice for inclusion in operating
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5 working interest owners on an equal basis with those people
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22 the prevention of waste, and protection of correlative
23 rights?

24 A Yes, sir.

25 MR. KELLAHIN: We move the introduction of

Exhibits One through Eight.

MR. STAMETS: These exhibits will be admitted.

MR. KELLAMIN: That concludes our direct testimony.

CROSS EXAMINATION

BY MR. STAMETS:

Q Mr. Startz, did I understand you to say you are seeking a 100 percent risk factor?

A Yes, sir.

Q Not a 200 percent?

A No, sir.

Q Okay. Is there an operating agreement on this No. 1 Well?

A Not at this time.

Q Is there one in process --

A Yes, sir. Yes, sir.

Q And I take it Pecos Irrigation District voluntarily signed the operating agreement?

A Yes, sir. They joined the -- they signed up for the drilling of the well and I'm sure they will.

Q Okay. Is this \$3386 and \$338 amounts reflected in the operating agreement for the Polk Well in Section 17?

A Yes, sir. The Polk is a 100 percent well,

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
2020 Plaza Blanca (995) 471-2482
Santa Fe, New Mexico 87501

1 Cities Service owned, but it was based on the cost of --

2 Q Do you have any operating agreements where
3 anyone has voluntarily agreed to these operating costs?

4 A Not this particular, no, sir. This is --
5 this is somewhat higher than a typical Morrow well, but
6 it's based on the difficulty in drilling the high costs --
7 when we penetrate abnormally high pressure zones like this,
8 we usually have two supervisors on the location and things
9 like this that do drive up the cost somewhat.

10 Q Okay, now how about the \$338 once this well
11 is completed, it's not any more difficult to operate than
12 any other well, is it?

13 A Well, we still have higher pressures. The
14 Polk was completed a dual well and we have 10,000 pound
15 Christmas trees on it; everything is much higher pressure.
16 Our producing equipment is rated at 10,000 psi, and any
17 maintenance and so forth --

18 Q It doesn't take two men to turn the valve
19 on, though.

20 A No, sir, but we do -- any maintenance would
21 cost more.

22 Q Do you have any operating agreements that
23 call for this \$338 a month to operate?

24 A Not to my knowledge.

25 Q Do you have -- what evidence do you have then

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
2020 Phin Bluffs (661) 471-2453
Santa Fe, New Mexico 87501

1 that this is an appropriate rate?

2 A I don't have any concrete evidence with me
3 at all. These were, like I said, based on the -- our ex-
4 perience with the Polk, and this is what we tried to strive
5 for in this case.

6 Q What's the highest rate that Cities Service
7 is charging or collecting for supervision while producing?

8 A I don't believe I can answer that right now.
9 I don't have that information in front of me.

10 Q I believe we'll have to have that informa-
11 tion.

12 MR. KELLAHIN: We'll be happy to supply it
13 to you by letter, if that's acceptable.

14 MR. STAMETS: That would be fine. Copies
15 of existing operating agreements would be fine; whatever
16 evidence you may have as to actual operating costs or the
17 producing cost for the Polk Well would be appropriate, as
18 well.

19 Any other questions of -- oh, yes, I have
20 one other question.

21 Q (Mr. Stamets continuing.) In looking at
22 the letters that you have sent out, it appears as though
23 everyone except Mr. Cahill received a letter only asking
24 them to lease their acreage; did not discuss the possibility
25 of participating, is that correct?

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Elba (SOS) 471-2462
Santa Fe, New Mexico 87501

A I believe that's correct. Our land people handled that part of it. I believe that's correct.

Q So these folks really haven't had an opportunity at this point to agree to participate in the drilling of the well, is that correct?

A Yes, sir.

Q However, that is required by the Commission order. In this case I would like to have copies of the letters which are sent to these owners submitted to the record.

MR. KELLAHIN: The letter after the order is entered?

MR. STAMETS: Yes.

MR. KELLAHIN: Within thirty days of drilling?

MR. STAMETS: Yes. The one giving them the opportunity to join.

Any other questions of the witness? He may be excused.

Anything further in this case?

We'll take the case under advisement.

(Hearing concluded.)

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (S-95) 471-4483
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of Hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill, from my notes taken at the time of the hearing.

Sally W. Boyd, C.S.R.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (66) 471-2462
Santa Fe, New Mexico 87501

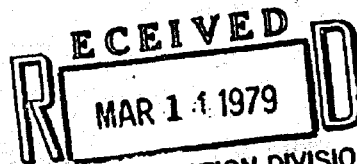
I do hereby certify that the foregoing is
a complete transcript of the proceedings in
the Examiner hearing of Case No. 6483,
heard by me on 1-31-1979.
Richard L. Smith Examiner
Oil Conservation Division

CITIES SERVICE COMPANY
ENERGY RESOURCES GROUP



Box 1919
Midland, Texas 79702
(915) 684-7131

March 12, 1979



State of New Mexico CONSERVATION DIVISION
Energy and Minerals Department
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. R. L. Stamets

Re: Order R-5921
Compulsory Pooling Mineral Interest
S/2 Section 8, T-23-S, R-28-E
Eddy County, New Mexico

Gentlemen:

The attached letter has been sent to the following parties holding mineral interest pooled under Order R-5921:

Daisy Miller Buchwald .1785714 Acres
(Has agreed to lease to Cities Service but lease has not been received as of this date.)

Edith Miller Austin .1428571 Acres
(Has refused to lease or participate from earlier attempts.)

Gordon Miller .0892857 Acres
(Address unknown. May be covered by C. R. Cahill lease but unknown until we receive more information relative to current ownership.)

All other parties holding mineral interest have agreed to participate:

<u>Working Interest</u>	<u>Acres</u>	<u>Percent</u>
Pecos Irrigation Company	40.000000	12.50000
C. R. Cahill	3.339286	1.04352
Cities Service	276.250000	86.32813
Uncommitted	.410714	.12835

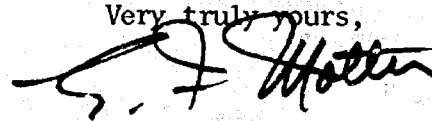
Order R-5921
Compulsory Pooling Mineral Interest
S/2 Section 8, T-23-R, R-28-E
Eddy County, New Mexico

Page 2

You will be supplied an itemized schedule of actual well costs in ninety (90) days following completion of the well.

If you have any further questions on this well, please advise.

Very truly yours,



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

EFM:mfg

Enc.

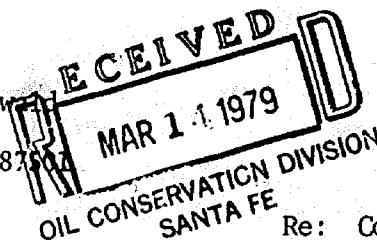
CITIES SERVICE COMPANY
ENERGY RESOURCES GROUP



Box 1919
Midland, Texas 79702
(915) 684-7131

March 12, 1979

Mrs. Daisy Miller Buchwald
Route 3, Box 50
Santa Fe, New Mexico 87501



Re: Compulsory Pooling
Eddy County, New Mexico

Dear Mrs. Buchwald:

The State of New Mexico Energy and Minerals Department, Oil and Gas Division, has issued Order R-5921 pooling all mineral interests in the Pennsylvanian formation underlying the S/2 Section 8, T-23-S, R-28-E, Eddy County, New Mexico, to form a 320 acre gas proration unit to be dedicated to a well to be drilled thereon. The order designates Cities Service Company as operator of the well and allows the recovery of well costs plus 100% risk from non-consenting working interest owners. A copy of the order is attached for your information.

Our records reflect that you have a mineral interest in the pooled acreage. As required by the order, Cities Service is supplying you with an itemized schedule of well costs which is also attached.

If you wish to participate in the drilling of this well, please advise this office within thirty (30) days. If you have any questions, you may call me collect at 915 684-7131.

Very truly yours,

A handwritten signature in dark ink, appearing to read "E. F. Motter".

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

EFM:mfg

Enclosures



CITIES SERVICE COMPANY
ENERGY RESOURCES GROUP

Box 1919
Midland, Texas 79702
(915) 684-7131

March 12, 1979

Mrs. Edith Miller Austin
4704 Buffalo Trail
Amarillo, Texas 79109

Re: Compulsory Pooling
Eddy County, New Mexico

Dear Mrs. Austin:

The State of New Mexico Energy and Minerals Department, Oil and Gas Division, has issued Order R-5921 pooling all mineral interests in the Pennsylvanian formation underlying the S/2 Section 8, T-23-S, R-28-E, Eddy County, New Mexico, to form a 320 acre gas proration unit to be dedicated to a well to be drilled thereon. The order designates Cities Service Company as operator of the well and allows the recovery of well costs plus 100% risk from non-consenting working interest owners. A copy of the order is attached for your information.

Our records reflect that you have a mineral interest in the pooled acreage. As required by the order, Cities Service is supplying you with an itemized schedule of well costs which is also attached.

If you wish to participate in the drilling of this well, please advise this office within thirty (30) days. If you have any questions, you may call me collect at 915 684-7131.

Very truly yours,

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

EFM:mfg

Enclosures

CITIES SERVICE OIL COMPANY DETAILED WELL ESTIMATE

LEASE - WELL NO. Villa "A" #1 DATE 1-8-79
 LOCATION 1980' FSL & 1980' FWL PROP. DEPTH 12,650'
 S 8 T 23S R 28E COUNTY Eddy STATE N.M. AFE NO. _____

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing								
Surface 20" 94# H40 ST&C	A		400		14912	14912		
13-3/8" K55 & H40 ST&C	A		3000		55656	55656		
9-5/8" 43.5# S95 LT&C	A		9400		188188	188188		
7" 26# & 29# S95 LT&C	A		2400		30575	30575		
5" 15# S95 LT&C	A		1650		12250	-		
Well head connections					30000	10000		
Tubing 2-7/8" 6.5# & 2-3/8" 4.7# N80 A			12300		46700	-		
Sucker rods Packer & Accessories					7000	-		
Bottom hole pump								
Engine or motor								
Pumping unit								
Electrical equip. incl. Labor & Trans.					7500	-		
Line pipe, fittings incl. Labor & Trans.								
TANK BATTERY								
Stock tanks	A	500	3		16500	-		
Separator, heater treater, dehydrator	A	1MM	1		20000	-		
Meter run and housing								
Labor & transportation					7500	-		
Total Tangibles					(436781)	(299331)		
INTANGIBLES								
Contract drilling labor MIRU & RD					30000	30000		
Rotary day work 84 days @ \$4400/day					369600	369600		
Service rig work 15 days @ \$1000/day					15000	-		
Subsurface casing equipment					16000	12500		
D. S. T., electric, radioactivity logs, etc.					65500	65500		
Acidizing, fracturing					25000	-		
Perforating					15000	-		
Misc. company and contract labor					30000	20000		
Road building, location					15000	15000		
Cement and cement, service					30000	25000		
Cement squeeze jobs					10000	10000		
Drilling mud, chemicals					75000	75000		
Diamond coring & analyses, bits, reamers					75000	75000		
Mud logging unit 60 days @ \$300/day					18000	18000		
Rental of miscellaneous equip.					50000	45000		
Contract hauling					10000	8000		
Water, fuel					35000	30000		
Miscellaneous incidentals					15000	10000		
Contingencies					75000	70000		
Total Intangibles					(974100)	(878600)		
Total estimated cost - 100% -					1410881	1177931		
Total estimate C. S. -								

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6433
Order No. R-5921

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

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on January 31, 1979, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 20th day of February, 1979, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Cities Service Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 8, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon.
- (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.

-2-

Case No. 6433
Order No. R-5921

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 100 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 \$3386.00 per month should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling and that \$338.00 per month should be fixed as a reasonable charge for supervision while producing; that this charge should be adjusted annually based upon the percentage increase or decrease in the average weekly earnings of crude petroleum and gas production workers; that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before May 15, 1979, the order pooling said unit should become null and void and of no effect whatsoever.

-3-

Case No. 6433
Order No. R-5921

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the S/2 of Section 8, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of May, 1979, 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 May, 1979, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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 Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Cities Service 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 Division 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 Division 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 Division

-4-

Case No. 6433
Order No. R-5921

and the Division 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 Division will determine reasonable well costs after public notice and hearing.

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

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

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

(B) As a charge for the risk involved in the drilling of the well, 100 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 \$3386.00 per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that \$338.00 per month is hereby fixed as a reasonable charge for supervision while producing, provided that this rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings 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

-5-

Case No. 6433

Order No. R-5921

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.

(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.

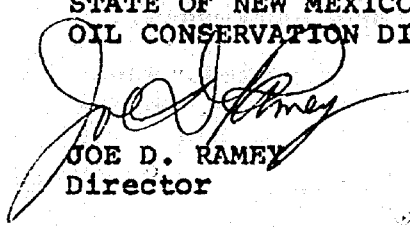
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately 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 Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director


S E

fd/

February 6, 1979

Please replace my previous letter with the attached one. There is an error in one of the figures that this letter corrects.

We are very sorry for this inconvenience and appreciate your cooperation.

E. F. Motter



CITIES SERVICE COMPANY
ENERGY RESOURCES GROUP

Box 1919
Midland, Texas 79702
(915) 684-7131

February 5, 1979

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

Attention: Mr. R. L. Stamets

Re: Case No. 6433
Cities Service Application for
Compulsory Pooling
S/2 Section 8, T-23-S, R-25-E
Eddy County, New Mexico

Gentlemen:

Mr. Elmer Startz, Cities Service witness in Case No. 6433, advised on re-
turn to Midland that you desired an explanation of Cities' overhead charges
requested to operate the proposed Villa No. 1.

Cities Service changed its operating structure on January 1, 1973 by
eliminating the former districts and consolidating these into region
operations. In order to determine an equitable overhead charge for the
restructured region, a detailed study was made on our former district and
production foreman operating costs companywide. The first eight months
of 1972 indicated our district and production foreman expenses were \$52
per well per month. At that time our overhead charge from region up-
through corporate was \$135 per well per month. These two charges added
together totaled \$187 which was rounded to \$190 beginning January 1, 1973.
The COPAS accounting procedure, which is included in most joint interest
operating agreements, provides for an increase in April each year based on
the Oil Producers Wage Earners Index.

Year	Wage Earners Index Increase - %	Overhead Cost \$/Well/Month
Jan. 1973		\$190.00
April 1973	7.5	204.00
1974	5.2	215.00
1975	16.7	251.00

10/15/9

<u>Year</u>	<u>Wage Earners Index Increase - %</u>	<u>Overhead Cost \$/Well/Month</u>
1976	10.3	\$277.00
1977	10.5	306.00
1978	10.3	338.00

This overhead rate for Cities Service includes all charges through the production foreman including engineers and geologists. Many companies (especially independents) do not include engineers or geologists in their overhead but add this as a direct charge to the lease. Some operators also do not include production foremen in their overhead charges but rather as a direct charge to the lease.

Review of a few recent billings received from other major companies to Cities Service on joint properties indicated overhead charges from Atlantic Richfield - \$324 per well per month and Exxon - \$330 per well per month.

Cities recommended in Case No. 6433 an overhead charge which had been approved by those parties joining in drilling the Villa No. 1 voluntarily. We feel an overhead charge to those parties being compulsory pooled at a different rate requires complex accounting. We respectfully request your favorable consideration of only the recommended overhead rate.

Hopefully this clears up this matter; however, if you have further questions, please advise.

Very truly yours,

E. F. Motter

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

EFM:mfg

cc: Mr. Jason Kellahin



FEB-8 1979

CITIES SERVICE COMPANY
ENERGY RESOURCES GROUP

CONSERVATION COMMISSION
Santa Fe

Box 1919
Midland, Texas 79702
(915) 684-7131

February 5, 1979

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

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Re: Case No. 6433
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Compulsory Pooling
S/2 Section 8, T-23-S, R-25-E
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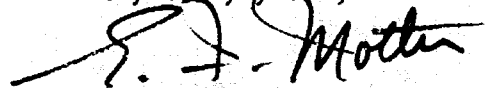
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Hopefully this clears up this matter; however, if you have further questions, please advise.

Very truly yours,



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

EFM:mfg

cc: Mr. Jason Kellahin



OFFICE OF

Oil and Gas Conservation Commission
STATE OF ARIZONA

1645 WEST JEFFERSON, SUITE 420

PHOENIX, ARIZONA 85007

PHONE: (602) 255-5161

FEB - 8 1979

February 6, 1979

Mr. W. Timothy Dowd
Executive Director
Interstate Oil Compact Commission
P.O. Box 53127
Oklahoma City, Oklahoma 73105

Dear Tim:

I would like to advise you that I am resigning from the Oil and Gas Conservation Commission effective February 16, 1979 in order to take a position with Geothermal Kinectics, Inc.

I have thoroughly enjoyed my time with the IOCC and I am pleased to report that my new employer has indicated he wishes me to continue attending the meetings, etc. At this time I have not had an opportunity to discuss with Governor Babbitt my appointment as official representative. It is my feeling that he may want to make a change in this line. Regardless of this, I will be seeing you at future meetings.

I would like to express my deepest appreciation for all the cooperation you have given me and, regardless of my outcome, wish you the utmost success in the important work you are doing.

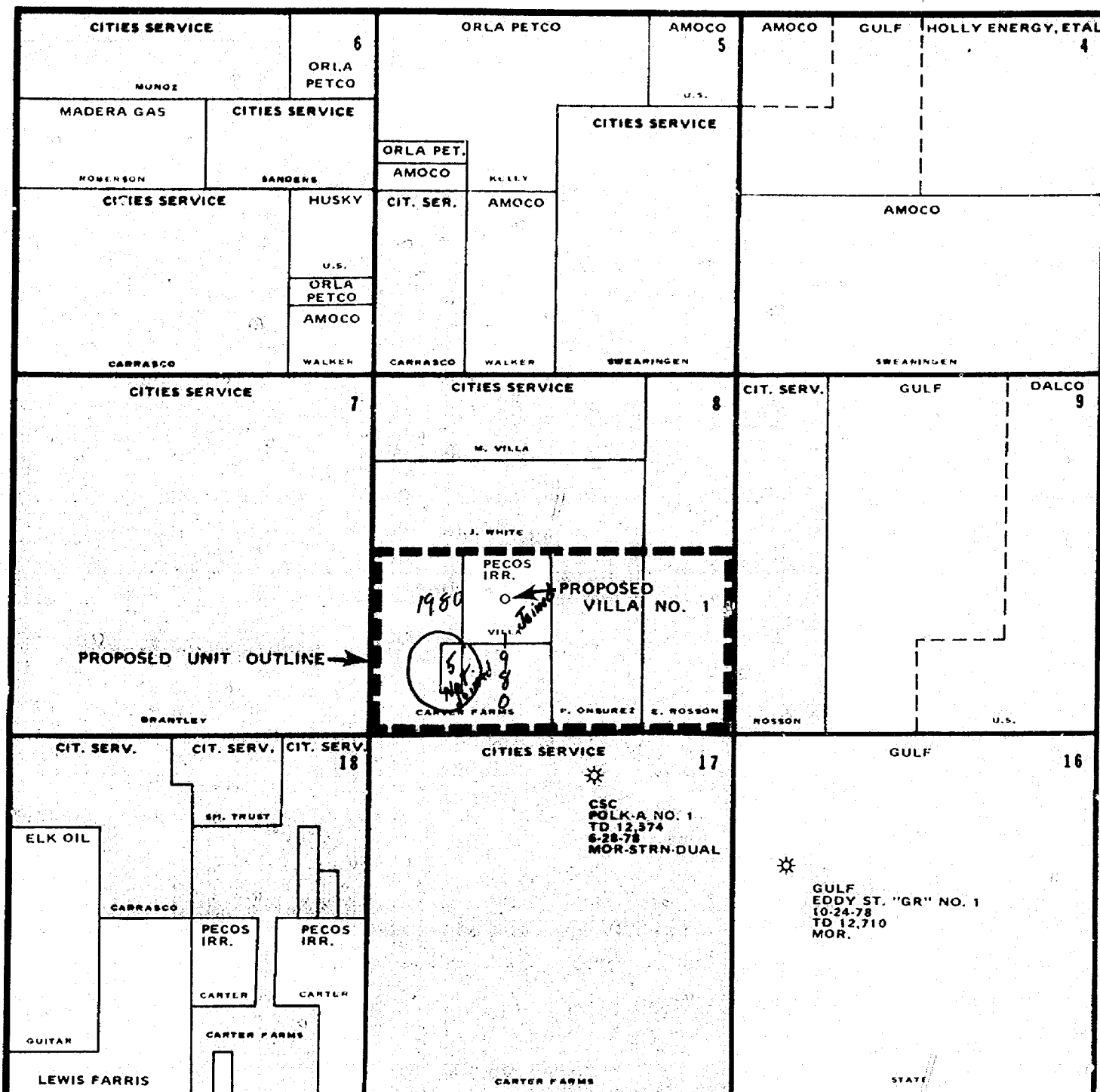
Sincerely,

John
John Bannister
Executive Secretary

JB/vb

*Deck - this is for your info
I hope to keep working with
you
John*

R - 28 - E



T
23
S

R - 28 - E

CITIES SERVICE COMPANY

VILLA - A NO. 1
1980' FSL & 1980' FWL
SEC. 8 , T-23-S, R-28-E
EDDY COUNTY, NEW MEXICO
SCALE: 1" = 2000'

CITIES SERVICE OIL COMPANY DETAILED WELL ESTIMATE

LEASE - WELL NO. Villa "A" #1DATE 1-8-79LOCATION 1980' FSL & 1980' FWLPROP. DEPTH 12,650'S 8 T 23S R 28E COUNTY EddySTATE N.M.AFE NO.

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing								
Surface 20" 94# H40 ST&C	A		400		14912	14912		
13-3/8" K55 & H40 ST&C	A		3000		55656	55656		
9-5/8" 43.5# S95 LT&C	A		9400		188188	188188		
7" 26# & 29# S95 LT&C	A		2400		30575	30575		
5" 15# S95 LT&C	A		1650		12250	-		
Well head connections					30000	10000		
Tubing 2-7/8" 6.5# & 2-3/8" 4.7# N80 A			12300		46700	-		
Sucker rods Packer & Accessories					7000	-		
Bottom hole pump								
Engine or motor								
Pumping unit								
Electrical equip. incl. Labor & Trans.					7500	-		
Line pipe, fittings incl. Labor & Trans.								
TANK BATTERY								
Stock tanks	A	500	3		16500	-		
Separator, heater treater, dehydrator	A	1MM	1		20000	-		
Meter run and housing								
Labor & transportation					7500	-		
Total Tangibles					(436781)	(299331)		
INTANGIBLES								
Contract drilling labor MIRU & RD					30000	30000		
Rotary day work 84 days @ \$4400/day					369600	369600		
Service rig work 15 days @ \$1000/day					15000	-		
Subsurface casing equipment					16000	12500		
D. S. T., electric, radioactivity logs, etc.					65500	65500		
Acidizing, fracing					25000	-		
Perforating					15000	-		
Misc. company and contract labor					30000	20000		
Road building, location					15000	15000		
Cement and cementing service					30000	25000		
Cement squeeze jobs					10000	10000		
Drilling mud, chemicals					75000	75000		
Diamond coring & analyses, bits, reamers					75000	75000		
Mud logging unit 60 days @ \$300/day					18000	18000		
Rental of miscellaneous equip.					50000	45000		
Contract hauling					10000	8000		
Water, fuel					35000	30000		
Miscellaneous incidentals					15000	10000		
Contingencies					75000	70000		
Total Intangibles					(974100)	(878600)		
Total estimated cost - 100% -					1410881	1177931		
Total estimate C. S. -								

CITIES SERVICE
INTEROFFICE LETTER

January 26, 1979

TO: Mr. Gene Motter

FROM: Randall L. Davis *RLD*

SUBJECT: Cities' Villa "A" #1
S/2 Sec. 8, T-23-S, R-28-E
Eddy County, New Mexico

Please be advised that as of this date Mr. R. C. Roberts has had replies to four (4) of the eight (8) letters that he sent to mineral owners out of the E/2 NE/4 SW/4 of Sec. 8, T-23-S, R-28-E, Eddy County, New Mexico. For your file I am attaching copies of the following persons' responses to Mr. R. C. Robert's letter dated January 10, 1979:

Mr. John W. Miller *might*
Star Route, Box 9
Logan, New Mexico 88426

Mrs. Margaret Miller Russell *might*
Star Route, Ute Lake
Logan, New Mexico 88426

Mr. Ralph Miller *might*
Route 1, Box 138
Snyder, Oklahoma 73566

Mrs. Edith Miller Austin *declined*
4704 Buffalo Trail
Amarillo, Texas 79109

As you will note of the above, only Mrs. Austin declined our offer to lease. Mr. Roberts has had no response from the following parties:

Mr. Harold Miller *will lease*
Route 1, Box 137
Snyder, Oklahoma 73566

Mrs. Pauline Miller Dickins *will lease*
217 Court Street
Batesville, Mississippi 38606

Mrs. Murle Miller Holloway *not heard*
Route 1, Box 145
Snyder, Oklahoma 73566

Mrs. Daisy Miller Buchwald *will lease*
Route 3, Box 50
Santa Fe, New Mexico 87501

For your information I am also attaching a copy of my letter to Mr. C. R. Cahill dated January 23, 1979, in which I asked Mr. Cahill to participate in the drilling of the captioned well as to his proportionate interest. To date I have not heard from Mr. Cahill.

RLD:wd
Attachments

BEFORE EXAMINER STATES	
OIL CONSERVATION DIVISION	
Cities	EXHIBIT NO. 3
CASE NO.	6433
Submitted by	
Hearing Date	

R. C. ROBERTS

100 OIL & GAS BUILDING
MIDLAND, TEXAS 79701

January 10, 1978

OFFICE OF THE ATTORNEY GENERAL CLERK OF THE DISTRICT COURT COUNTY OF EDDY, NEW MEXICO 4 Submitted by Hearing Date

Mr. John W. Miller
Star Route, Box 9
Logan, New Mexico 88426

Re: E/2 NE/4 SW/4 SW/4 Section 8,
Township 23 South, Range 28 East,
Eddy County, New Mexico-5 acres

Dear Mr. Miller:

I am attempting to acquire oil and gas leases on the captioned acreage and according to my calculations, you, as one of the heirs of Samuel W. Miller and his wife, Syrena Margaret Black Miller, own a 1/4 of 1/7, or .178571 net acre interest under this tract. I am paying on the basis of \$200.00 per acre and a 3/16 royalty for a three (3) year lease. Your total bonus would amount to only \$35.71 and since this is such a small interest I would take the lease on a paid-up lease form.

It will be appreciated if you will consider this offer and should you decide to lease this interest, please advise me of your wife's name, your Social Security Number and the name and location of your bank.

For your convenience in replying I am enclosing a stamped, self addressed envelope.

Thank you for considering this offer.

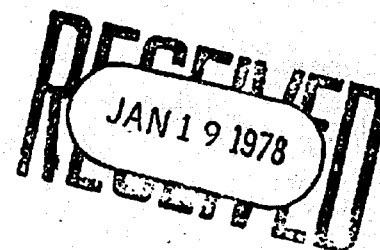
Yours truly,

R. Roberts
R. C. Roberts

Wife's Name - Irma O Miller

my SS # 525-05-6665

McFarland Bros Bank Logan, N.M. 88426



"Government big enough to supply everything you need is big enough to take everything you have" -- Thomas Jefferson

R. C. ROBERTS

100 OIL & GAS BUILDING

MIDLAND, TEXAS 79701

January 10, 1979

CLERK	5
Submittal	
Hearing Date	

Mr. Ralph Miller
Route 1, Box 138
Snyder, Oklahoma 73566

Re: E/2 NE/4 SW/4 SW/4 Section 8,
Township 23 South, Range 28 East,
Eddy County, New Mexico-5 acres

Dear Mr. Miller:

I am attempting to acquire oil and gas leases on the captioned acreage and according to my calculations, you, as one of the heirs of Samuel W. Miller and his wife, Syrena Margaret Black Miller, own a 1/3 of 1/7, or .238095 net acre interest under this tract. I am paying on the basis of \$200.00 per acre, 3/16 royalty for a three (3) year lease. Your total bonus would amount to only \$47.62 and since this is such a small interest I would take the lease on a paid-up lease form.

It will be appreciated if you will consider this offer and should you decide to lease this interest, please advise me of your wife's name, your Social Security Number and the name and location of your bank.

For your convenience in replying I am enclosing a stamped, self addressed envelope.

Thank you for your consideration.

Yours truly,

R. C. Roberts
R. C. Roberts

RECEIVED
JAN 18 1978
RECEIVED

Ralph B. Miller Soc. Sec. No. 441-16-3392
Virginia B. Miller " " " 445-58-6245
Bank of the West
Snyder Okla 73566
Please send us a contract if suits us,
we will lease to you on these terms,
Ralph B. Miller

"Government big enough to supply everything you need is big enough to take everything you have" - Thomas Jefferson

6

Hearing Date _____

B. C. Roberts .

Dear Sir .

Jan 18, 1979. |

In regard to your letter of
 Jan 10 I will agree to a Three (3) year
 lease of my interest of the property for
 \$35.41. My husband's name is Cuthbert Frank
 Russell. My S.S. No. 546-48-3409. My Bank.
 M. Feland Bros. Loan 7711, 88426. Truly yours
 Margaret Russell

7
Hearing Date _____

Amarillo Tex.

Jan. 12 1979

Mr. R. C. Roberts

Midland, Tex.

Dear Sir:-

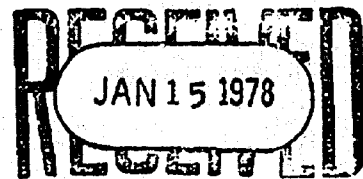
In answer to your letter of Jan. 10th, I am not interested in leasing my share of the mineral rights on the land described in your letter located in Eddy County New Mex.

Yours Truly

Mrs Edith M. Quisenberry

4704 Buffalo Trail

Amarillo, Tex. 79109



CITIES SERVICE COMPANY
ENERGY RESOURCES GROUP



Box 1919
Midland, Texas 79702
(915) 684-7131

January 23, 1979

8

Hearing Date _____

Mr. C. R. Cahill
P. O. Box 1400
Andrews, Texas 79714

Re: Proposed Villa A #1
1980 FSL and FWL of Sec. 8,
T-23-S, R-28-E
Eddy County, New Mexico

Dear Mr. Cahill:

Cities Service Company is currently making plans to drill a 12,650' Morrow well which is to be designated as the Villa A #1. Said well is to be located 1980 FSL and 1980 FWL of Sec. 8, T-23-S, R-28-E, Eddy County, New Mexico, which makes this well a north offset to the Cities Polk A-1. Spacing for the Villa A #1 will cover the S/2 of Sec. 8. At this time, Cities Service Company is estimating costs for the drilling of this well to be \$1,410,881.00 for a producing well and \$1,177,931.00 for a dry hole.

Our information reflects that you control 3.42857 net mineral acres out of the E/2 NE/4 SW/4 SW/4 of Sec. 8. At this time, Cities Service Company asks that you participate in the captioned well as to your proportionate share of the drilling unit (1.07%).

Please advise at your earliest convenience if you desire to participate in the drilling of the captioned well. If you desire to participate, Cities Service Company will take the necessary steps to prepare an operating agreement for this venture.

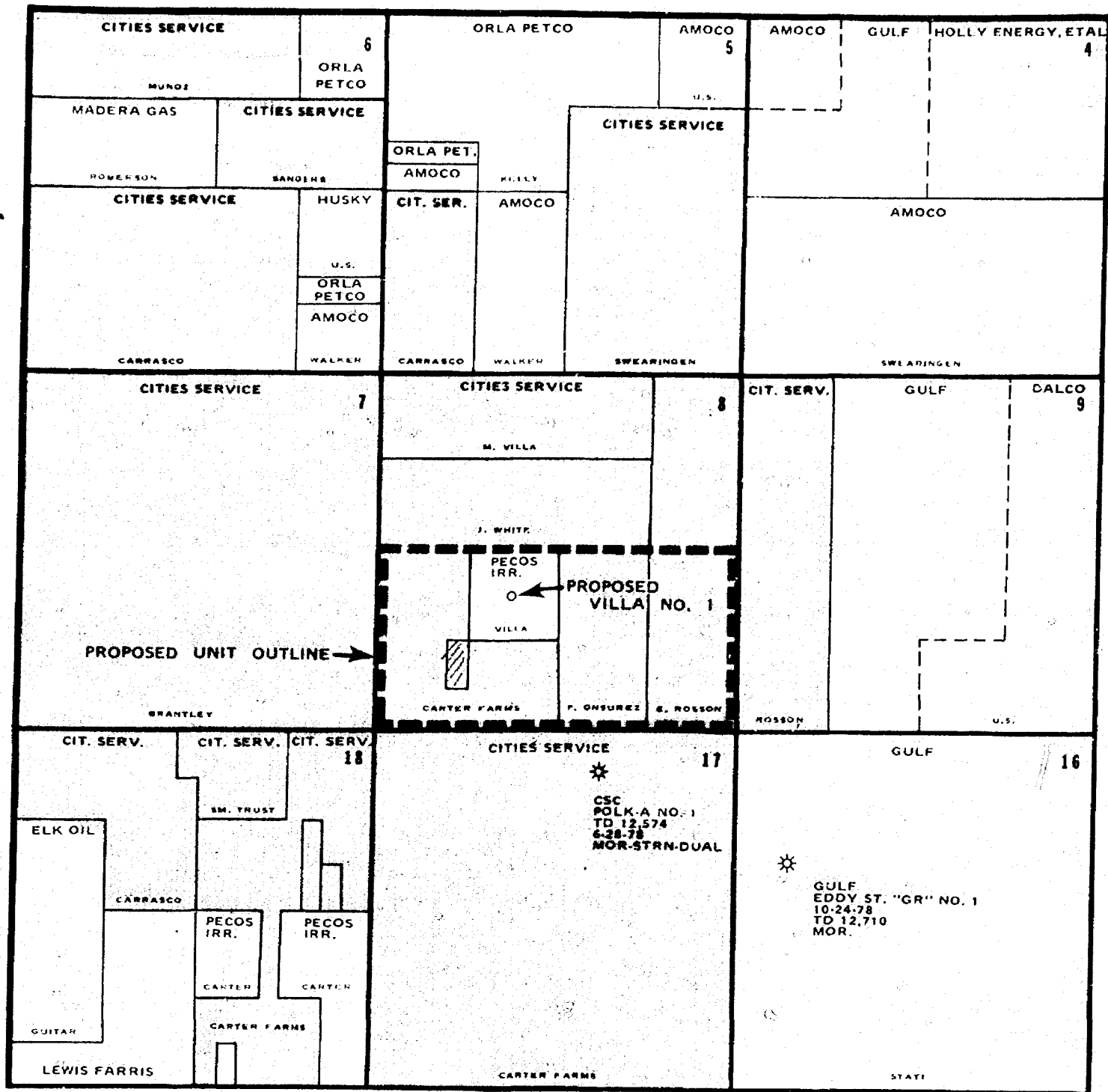
Very truly yours,

CITIES SERVICE COMPANY

Randall L. Davis
Landman

RLD:wd

R - 28 - E



T
23
S

R - 28 - E

CITIES SERVICE COMPANY

VILLA - A NO. 1
1980' FSL & 1980' FWL
SEC. 8, T-23-S, R-28-E
EDDY COUNTY, NEW MEXICO
SCALE: 1" = 2000'

Case 6433
Ex 1

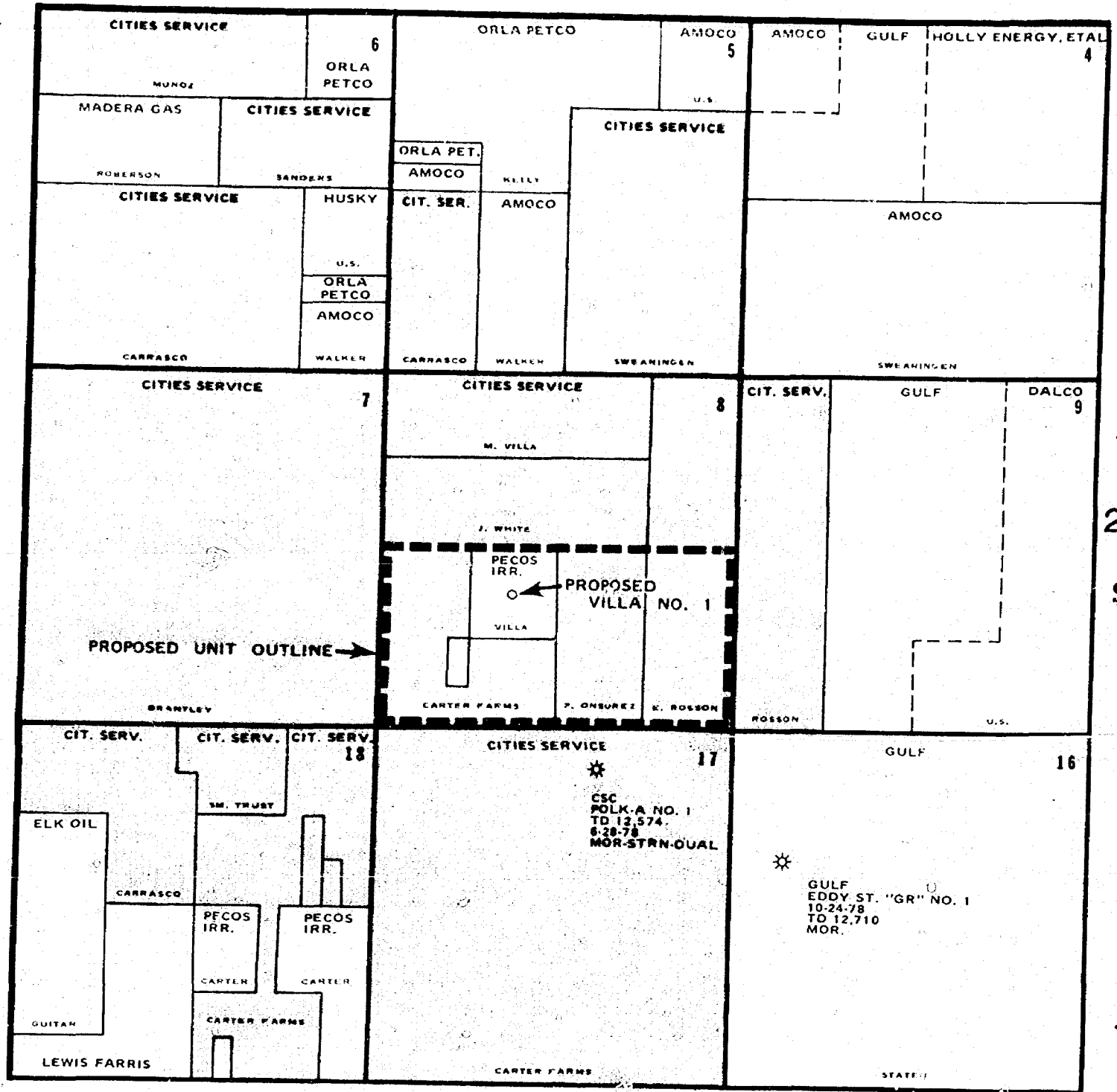
CITIES SERVICE OIL COMPANY

DETAILED WELL ESTIMATE

LEASE - WELL NO. Villa "A" #1 DATE 1-8-79
 LOCATION 1980' FSL & 1980' FWL PROP. DEPTH 12,650'
 S 8 T 23S R 28E COUNTY Eddy STATE N.M. AFE NO. 61
2

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing								
Surface 20" 94# H40 ST&C	A		400		14912	14912		
13-3/8" K55 & H40 ST&C	A		3000		55656	55656		
9-5/8" 43.5# S95 LT&C	A		9400		188188	188188		
7" 26# & 29# S95 LT&C	A		2400		30575	30575		
5" 15# S95 LT&C	A		1650		12250	-		
Well head connections					30000	10000		
Tubing 2-7/8" 6.5# & 2-3/8" 4.7# N80 A			12300		46700	-		
Sucker rods Packer & Accessories					7000	-		
Bottom hole pump								
Engine or motor								
Pumping unit								
Electrical equip. incl. Labor & Trans.					7500	-		
Line pipe, fittings incl. Labor & Trans.								
TANK BATTERY								
Stock tanks	A	500	3		16500	-		
Separator, heater treater, dehydrator	A	1MM	1		20000	-		
Meter run and housing					7500	-		
Labor & transportation								
Total Tangibles					(436781)	(299331)		
INTANGIBLES								
Contract drilling labor MIRU & RD					30000	30000		
Rotary day work 84 days @ \$4400/day					369600	369600		
Service rig work 15 days @ \$1000/day					15000	-		
Subsurface casing equipment					16000	12500		
D. S. T., electric, radioactivity logs, etc.					65500	65500		
Acidizing, fracing					25000	-		
Perforating					15000	-		
Misc. company and contract labor					30000	20000		
Road building, location					15000	15000		
Cement and cementing service					30000	25000		
Cement squeeze jobs					10000	10000		
Drilling mud, chemicals					75000	75000		
Diamond coring & analyses, bits, reamers					75000	75000		
Mud logging unit 60 days @ \$300/day					18000	18000		
Rental of miscellaneous equip.					50000	45000		
Contract hauling					10000	8000		
Water, fuel					35000	30000		
Miscellaneous incidenta's					15000	10000		
Contingencies					75000	70000		
Total Intangibles					(974100)	(878600)		
Total estimated cost - 100% -					1410881	1177931		
Total estimate C. S. -								

R - 28 - E



R - 28 - E

CITIES SERVICE COMPANY

VILLA - A NO. 1
1980' FSL & 1980' FWL
SEC. 8 , T-23-S, R-28-E
EDDY COUNTY, NEW MEXICO
SCALE: 1" = 2000'

CITIES SERVICE OIL COMPANY

DETAILED WELL ESTIMATE

LEASE - WELL NO. Villa "A" #1DATE 1-8-79LOCATION 1980' FSL & 1980' FWLPROP. DEPTH 12,650'S 8 T 23S R 28E COUNTY EddySTATE N.M.AFE NO.

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing								
Surface 20" 94# H40 ST&C	A		400		14912	14912		
13-3/8" K55 & H40 ST&C	A		3000		55656	55656		
9-5/8" 43.5# S95 LT&C	A		9400		188188	188188		
7" 26# & 29# S95 LT&C	A		2400		30575	30575		
5" 15# S95 LT&C	A		1650		12250	-		
Well head connections					30000	10000		
Tubing 2-7/8" 6.5# & 2-3/8" 4.7# N80 A			12300		46700	-		
Sucker rods Packer & Accessories					7000	-		
Bottom hole pump								
Engine or motor								
Pumping unit								
Electrical equip. incl. Labor & Trans.								
Line pipe, fittings incl. Labor & Trans.					7500	-		
TANK BATTERY								
Stock tanks	A	500	3		16500	-		
Separator, heater treater, dehydrator	A	1MM	1		20000	-		
Meter run and housing								
Labor & transportation					7500	-		
Total Tangibles					(436781)	(299331)		
INTANGIBLES								
Contract drilling labor MIRU & RD					30000	30000		
Rotary day work 84 days @ \$4400/day					369600	369600		
Service rig work 15 days @ \$1000/day					15000	-		
Subsurface casing equipment					16000	12500		
D. S. T., electric, radioactivity logs, etc.					65500	65500		
Acidizing, fracing					25000	-		
Perforating					15000	-		
Misc. company and contract labor					30000	20000		
Road building, location					15000	15000		
Cement and cementing service					30000	25000		
Cement squeeze jobs					10000	10000		
Drilling mud, chemicals					75000	75000		
Diamond coring & analyses, bits, reamers					75000	75000		
Mud logging unit 60 days @ \$300/day					18000	18000		
Rental of miscellaneous equip.					50000	45000		
Contract hauling					10000	8000		
Water, fuel					35000	30000		
Miscellaneous incidentals					15000	10000		
Contingencies					75000	70000		
Total Intangibles					(974100)	(878600)		
TOTAL ESTIMATED COST - 100% -								
Total estimate C. S. -					1410881	1177931		

Dockets Nos. 5-79 and 6-79 are tentatively set for hearing on February 14 and 28, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 31, 1979

9 A.M. - OIL CONSERVATION DIVISION 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:

- CASE 6422:** In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Helton Engineering & Geological Services, Inc., Travelers Indemnity Company, and all other interested parties to appear and show cause why the Brent Well No. 1 located in Unit M of Section 29 and the Brent Well No. 3 located in Unit G of Section 19, both in Township 13 North, Range 6 East, Sandoval County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6415:** (Continued from January 17, 1979, Examiner Hearing)
Application of Yates Petroleum Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp thru Devonian formations underlying the W/2 of Section 20, Township 14 South, Range 36 East, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6419:** (Continued from January 17, 1979, Examiner Hearing)
Application of Yates Petroleum Corporation for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Lanning JC Well No. 1 located in Unit B of Section 7, Township 18 South, Range 26 East, Eagle Creek Field, Eddy County, New Mexico, to produce gas from the Strawn formation through the casing-tubing annulus and from the Morrow formation through tubing.
- CASE 6423:** Application of Yates Petroleum Corporation for an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Jackson AT Well No. 9 located 660 feet from the South and West lines of Section 13, Township 17 South, Range 25 East, Eddy County, New Mexico, to test the Wolfcamp, Pennsylvanian, and Mississippian formations, the S/2 of said Section 13 to be dedicated to the well.
- CASE 6424:** Application of Yates Petroleum Corporation for an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Superior Fed. KJ Well No. 1 located 990 feet from the North and West lines of Section 7, Township 20 South, Range 29 East, Eddy County, New Mexico, to test the Wolfcamp and Pennsylvanian formations, the N/2 of said Section 7 to be dedicated to the well.
- CASE 6425:** Application of T. B. Knox Estate for exception to Order No. R-111-A, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the casing/cementing rules for the Oil-Potash Area as promulgated by Order No. R-111-A to permit its Lucia Brookes Well No. 2 located in Unit K of Section 14, Township 18 South, Range 30 East, Eddy County, New Mexico, to be completed in the following manner: set surface casing and circulate cement; eliminate salt protection string; and do not circulate cement on production casing.
- CASE 6426:** Application of C. W. Trainer for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be located 660 feet from the North and West lines of Section 24, Township 20 South, Range 32 East, South Salt Lake-Morrow Pool, Lea County, New Mexico, the N/2 of said Section 24 to be dedicated to the well.
- CASE 6427:** Application of Caribou Four Corners, Inc., for an unorthodox well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Caribou/Kirtland Well No. 1 to be located 1214 feet from the North line and 650 feet from the East line of Section 13, Township 29 North, Range 15 West, Cha Cha-Gallup Pool, San Juan County, New Mexico, the E/2 NE/4 to be dedicated to the well.
- CASE 6428:** Application of Mobil Oil Corporation for the amendment of Order No. R-5801, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5801 to delete the requirements for lined tubing in injection wells in the North Vacuum Abo East Pressure Maintenance Project, Lea County, New Mexico.

Dockets Nos. 5-79 and 6-79 are tentatively set for hearing on February 14 and 28, 1979. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JANUARY 31, 1979

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

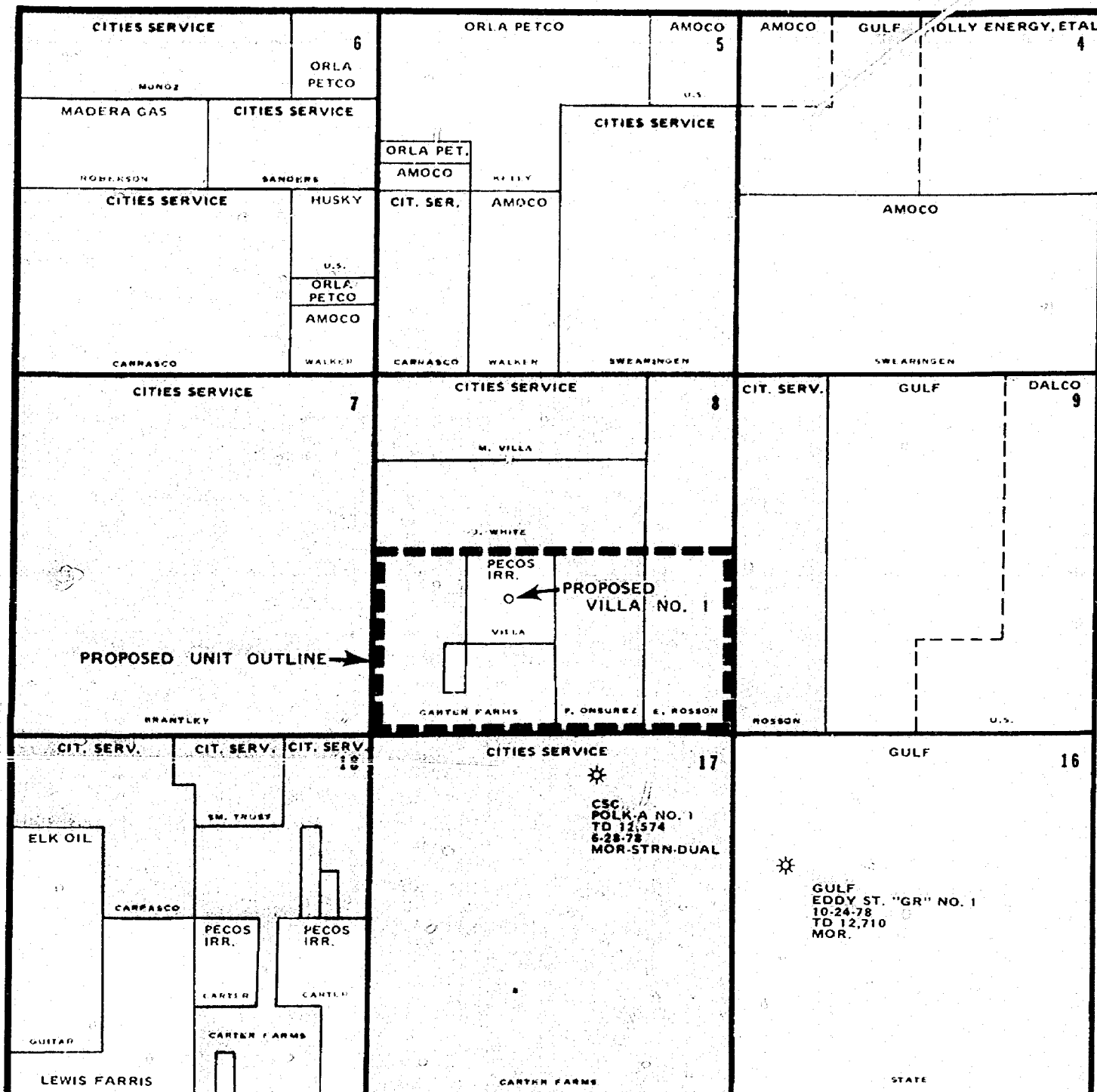
The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- CASE 6422:** In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Helton Engineering & Geological Services, Inc., Travelers Indemnity Company, and all other interested parties to appear and show cause why the Brent Well No. 1 located in Unit M of Section 29 and the Brent Well No. 3 located in Unit G of Section 19, both in Township 13 North, Range 6 East, Sandoval County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6415:** (Continued from January 17, 1979, Examiner Hearing)
Application of Yates Petroleum Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp thru Devonian formations underlying the W/2 of Section 20, Township 14 South, Range 36 East, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6419:** (Continued from January 17, 1979, Examiner Hearing)
Application of Yates Petroleum Corporation for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Lanning JC Well No. 1 located in Unit B of Section 7, Township 18 South, Range 26 East, Eagle Creek Field, Eddy County, New Mexico, to produce gas from the Strawn formation through the casing-tubing annulus and from the Morrow formation through tubing.
- CASE 6423:** Application of Yates Petroleum Corporation for an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Jackson AT Well No. 9 located 660 feet from the South and West lines of Section 13, Township 17 South, Range 25 East, Eddy County, New Mexico, to test the Wolfcamp, Pennsylvanian, and Mississippian formations, the S/2 of said Section 13 to be dedicated to the well.
- CASE 6424:** Application of Yates Petroleum Corporation for an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Superior Fed. KJ Well No. 1 located 990 feet from the North and West lines of Section 7, Township 20 South, Range 29 East, Eddy County, New Mexico, to test the Wolfcamp and Pennsylvanian formations, the N/2 of said Section 7 to be dedicated to the well.
- CASE 6425:** Application of T. B. Knox Estate for exception to Order No. R-111-A, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the casing/cementing rules for the Oil-Potash Area as promulgated by Order No. R-111-A to permit its Lucia Brookes Well No. 2 located in Unit K of Section 14, Township 18 South, Range 30 East, Eddy County, New Mexico, to be completed in the following manner: set surface casing and circulate cement; eliminate salt protection string; and do not circulate cement on production casing.
- CASE 6426:** Application of C. W. Trainer for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be located 660 feet from the North and West lines of Section 24, Township 20 South, Range 32 East, South Salt Lake-Morrow Pool, Lea County, New Mexico, the N/2 of said Section 24 to be dedicated to the well.
- CASE 6427:** Application of Caribou Four Corners, Inc., for an unorthodox well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Caribou/Kirtland Well No. 1 to be located 1214 feet from the North line and 650 feet from the East line of Section 13, Township 29 North, Range 15 West, Cha Cha-Gallup Pool, San Juan County, New Mexico, the E/2 NE/4 to be dedicated to the well.
- CASE 6428:** Application of Mobil Oil Corporation for the amendment of Order No. R-5801, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5801 to delete the requirements for lined tubing in injection wells in the North Vacuum Abo East Pressure Maintenance Project, Lea County, New Mexico.

- CASE 6429: Application of Zia Energy, Inc., for approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a finding that the drilling of its Elliott State Well No. 2 to be located in Unit B of Section 34, Township 20 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well, and further seeks approval of a waiver of existing well-spacing requirements.
- CASE 6430: Application of Phoenix Resources Company for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Buckhorn Canyon Unit Area comprising 23,009 acres, more or less, of Federal and state lands in Township 19 South, Ranges 19 and 20 East, Chaves County, New Mexico.
- CASE 6431: Application of HNG Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the N/2 of Section 35, Township 23 South, Range 28 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6432: Application of John Yuronka for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Langlie Mattix Pool underlying the NE/4 NW/4 and the SE/4 NW/4 of Section 29, Township 24 South, Range 37 East, Lea County, New Mexico, to form two 40-acre units, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.
- CASE 6433: Application of Cities Service Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formations underlying the S/2 of Section 8, Township 23 South, Range 28 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6434: Application of Amerada Hess Corporation for approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a finding that the drilling of its State "O" Well No. 5 to be located in Unit H of Section 30, Township 19 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well, and further seeks approval of a waiver of existing well-spacing requirements.
- CASE 6435: Application of Amerada Hess Corporation for approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a finding that the drilling of its W. A. Weir "B" Well No. 3 located in Unit B of Section 26, Township 19 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well, and further seeks approval of a waiver of existing well-spacing requirements.
- CASE 6436: Application of Amerada Hess Corporation for approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a finding that the drilling of its State "U" Gas Com Well No. 2 to be located in Unit C of Section 32, Township 19 South, Range 37 East, Eumont Gas Pool, Lea County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well, and further seeks approval of a waiver of existing well-spacing requirements.
- CASE 6437: Application of Curtis Little for approval of infill drilling and a non-standard proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks a finding that the drilling of a well to be located 1085 feet from the South line and 285 feet from the West line of Section 12, Township 28 North, Range 13 West, Basin-Dakota Pool, San Juan County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well. Applicant further seeks rescission of Order No. R-4556 and approval of a 344.36-acre non-standard gas proration unit comprising all of Section 11, and Lot 4 and the SW/4 SW/4 of Section 12 for said well.
- CASE 6438: Application of Caulkins Oil Company for dual completions and downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Breech Well No. 812 located in Unit N of Section 18, Township 26 North, Range 6 West, and its Breech Well No. 224-A located in Unit B of Section 13, Township 26 North, Range 7 West, Rio Arriba County, New Mexico, to produce gas from the Dakota formation through a separate string of tubing and to commingle Chacra and Mesaverde production in the wellbores of said wells.

- CASE 6439: Application of Caulkins Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Mesaverde and Dakota production in the wellbore of its Breech A Well No. 229 located in Unit D of Section 17, Township 26 North, Range 6 West, Rio Arriba County, New Mexico.
- CASE 6440: Application of Caulkins Oil Company for a dual completion and downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Breech F Well No. 8 located in Unit A of Section 34, Township 27 North, Range 6 West, Rio Arriba County, New Mexico, to produce gas from the Pictured Cliffs formation through a separate string of tubing and to commingle Mesaverde and Dakota production in the wellbore of said well.
- CASE 6441: Application of Caulkins Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Pictured Cliffs and Mesaverde production in the wellbore of its Breech F Well No. 12 located in Unit A of Section 35, Township 27 North, Range 6 West, Rio Arriba County, New Mexico.
- CASE 6442: Application of Caulkins Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Pictured Cliffs, Chacra and Mesaverde production in the wellbore of its Breech E Well No. 109 located in Unit M of Section 3, Township 26 North, Range 6 West, Rio Arriba County, New Mexico.
- CASE 6443: Application of Caulkins Oil Company for a dual completion and downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Breech B Well No. 220-R located in Unit B of Section 14, Township 26 North, Range 7 West, to produce gas from the Dakota formation through a separate string of tubing and to commingle Pictured Cliffs, Chacra and Mesaverde production in the wellbore of said well.
- CASE 6444: Application of Caulkins Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Pictured Cliffs, Mesaverde, Chacra and Greenhorn production in the wellbore of its Breech Well No. 224 located in Unit A of Section 13, Township 26 North, Range 7 West, Rio Arriba County, New Mexico.

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CITIES SERVICE COMPANY

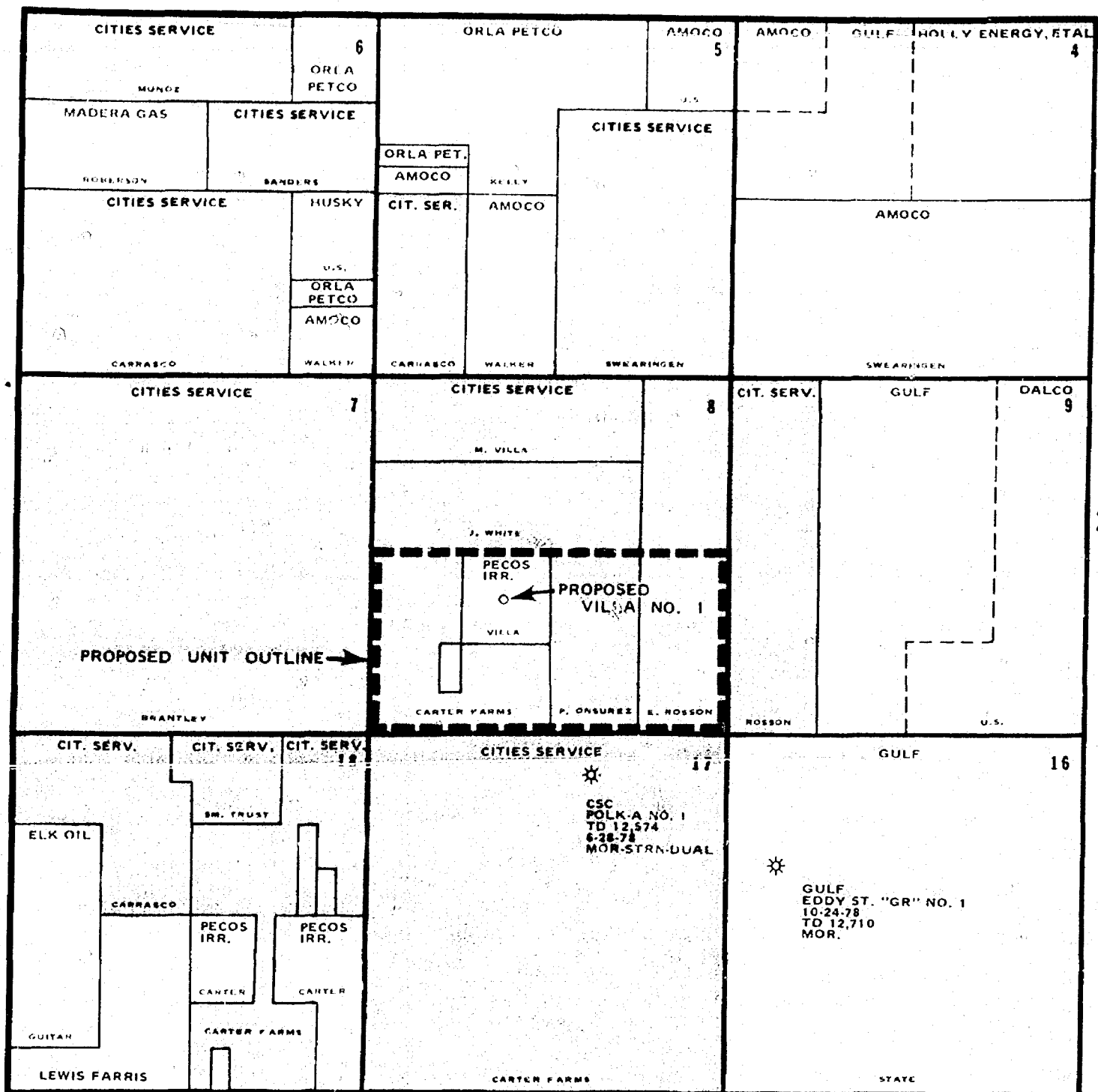
VILLA - A NO. 1
1980' FSL & 1980' FWL
SEC. 8 , T-23-S, R-28-E
EDDY COUNTY, NEW MEXICO
SCALE: 1" = 2000'

CITIES SERVICE OIL COMPANY DETAILED WELL ESTIMATE

LEASE WELL NO. Villa "A" #1 DATE 1-8-79
 LOCATION 1980' FSL & 1980' FWL PROP. DEPTH 12,650'
 S 8 T 23S R 28E COUNTY Eddy STATE N.M. AFE NO. _____

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing								
Surface 20" 94# H40 ST&C	A		400		14912	14912		
13-3/8" K55 & H40 ST&C	A		3000		55656	55656		
9-5/8" 43.5# S95 LT&C	A		9400		188188	188188		
7" 26# & 29# S95 LT&C	A		2400		30575	30575		
5" 15# S95 LT&C	A		1650		12250	-		
Well head connections					30000	10000		
Tubing 2-7/8" 6.5# & 2-3/8" 4.7# N80 A			12300		46700	-		
Sucker rods Packer & Accessories					7000	-		
Bottom hole pump								
Engine or motor								
Pumping unit								
Electrical equip. incl. Labor & Trans.								
Line pipe, fittings incl. Labor & Trans.					7500	-		
TANK BATTERY								
Stock tanks	A	500	3		16500	-		
Separator, heater treater, dehydrator	A	1MM	1		20000	-		
Meter run and housing								
Labor & transportation					7500	-		
Total Tangibles					(436781)	(299331)		
INTANGIBLES								
Contract drilling labor MIRU & RD					30000	30000		
Rotary day work 84 days @ \$4400/day					369600	369600		
Service rig work 15 days @ \$1000/day					15000	-		
Subsurface casing equipment					16000	12500		
D. S. T., electric, radioactivity logs, etc.					65500	65500		
Acidizing, fracing					25000	-		
Perforating					15000	-		
Misc. company and contract labor					30000	20000		
Road building, location					15000	15000		
Cement and cementing service					30000	25000		
Cement squeeze jobs					10000	10000		
Drilling mud, chemicals					75000	75000		
Diamond coring & analyses, bits, reamers					75000	75000		
Mud logging unit 60 days @ \$300/day					18000	18000		
Rental of miscellaneous equip.					50000	45000		
Contract hauling					10000	8000		
Water, fuel					35000	30000		
Miscellaneous incidentals					15000	10000		
Contingencies					75000	70000		
Total Intangibles					(974100)	(878600)		
TOTAL ESTIMATED COST - 100% -								
Total estimate C. S. -					1410881	1177931		

R - 28 - E



R - 28 - E

CITIES SERVICE COMPANY

VILLA - A NO. 1
1980' FSL & 1980' FWL
SEC. 8, T-23-S, R-28-E
EDDY COUNTY, NEW MEXICO
SCALE: 1" = 2000'

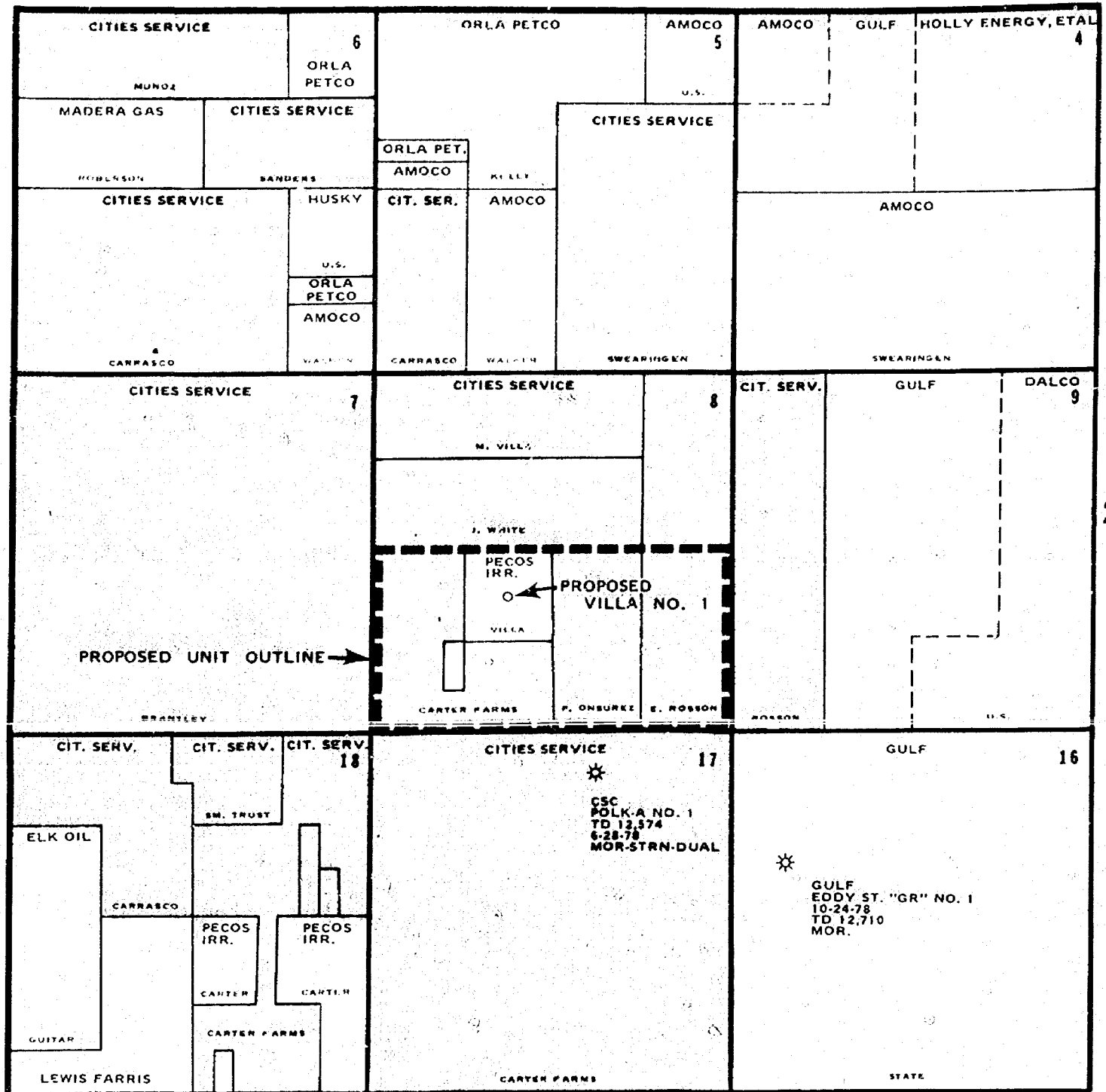
CITIES SERVICE OIL COMPANY

DETAILED WELL ESTIMATE

LEASE - WELL NO. Villa "A" #1 DATE 1-8-79
 LOCATION 1980' FSL & 1980' FWL PROP. DEPTH 12,650'
 S 8 T 23S R 28E COUNTY Eddy STATE N.M. AFE NO. _____

DESCRIPTION	GRADE	SIZE	QUAN.	W	ESTIMATE PRODUCER	ESTIMATE DRY HOLE	REVISED ESTIMATE	ACTUAL COST
TANGIBLES								
Casing								
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13-3/8" K55 & H40 ST&C	A		3000		55656	55656		
9-5/8" 43.5# S95 LT&C	A		9400		188188	188188		
7" 26# & 29# S95 LT&C	A		2400		30575	30575		
5" 15# S95 LT&C	A		1650		12250	-		
Well head connections					30000	10000		
Tubing 2-7/8" 6.5# & 2-3/8" 4.7# N80 A			12300		46700	-		
Sucker rods Packer & Accessories					7000	-		
Bottom hole pump								
Engine or motor								
Pumping unit								
Electrical equip. incl. Labor & Trans.								
Line pipe, fittings incl. Labor & Trans.					7500	-		
TANK BATTERY								
Stock tanks	A	500	3		16500	-		
Separator, heater treater, dehydrator	A	1MM	1		20000	-		
Meter run and housing								
Labor & transportation					7500	-		
Total Tangibles					(436781)	(299331)		
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Cement squeeze jobs					10000	10000		
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Mud logging unit 60 days @ \$300/day					18000	18000		
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Contract hauling					10000	8000		
Water, fuel					35000	30000		
Miscellaneous incidentals					15000	10000		
Contingencies					75000	70000		
Total Intangibles					(974100)	(878600)		
TOTAL ESTIMATED COST - 100% -								
Total estimate C. S. -					1410881	1177931		

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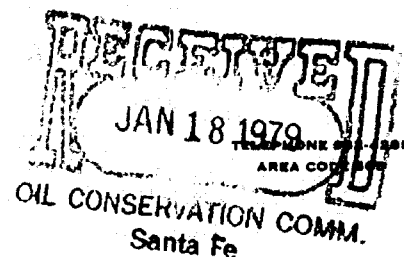
R - 28 - E

CITIES SERVICE COMPANY
VILLA - A NO. 1
1980' FSL & 1980' FWL
SEC. 8 , T-23-S, R-28-E
EDDY COUNTY, NEW MEXICO
SCALE: 1" = 2000'

JASON W. KELLAHIN
W. THOMAS KELLAHIN
KAREN AUBREY

KELLAHIN and KELLAHIN
ATTORNEYS AT LAW
800 DON GASPAR AVENUE
P. O. BOX 1789
SANTA FE, NEW MEXICO 87501

January 16, 1979



Case 6433

Mr. Joe D. Ramey, Director
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Cities Service Company Compulsory Pooling
Application

Dear Mr. Ramey:

At the time the above application was filed, all of the non-consenting owners names were not available. To the best of Cities Service's information, they are as follows:

The NE/4SW/4 is owned by Pecos Irrigation Company, P. O. Box 1718, Carlsbad, New Mexico 88110. This company has indicated it will participate in the drilling of the proposed well as a working interest owner.

There is an additional five acres located in the E/2 NE/4 SW/4 SW/4 of which a C. R. Cahill holds a lease on 3.42 acres from 14 owners. Mr. Cahill's address is unknown, and efforts are being made to locate him.

The remaining interest owners who have not consented to the drilling of the well, or agreed to farm out, lease or otherwise participate, are as follows:

Margaret Miller Russell
Star Route, Ute Lake
Logan, New Mexico 88426

Ralph Miller
Route 1, Box 136
Snyder, Oklahoma 73566

Harold Miller
Route 1, Box 137
Snyder, Oklahoma 73566

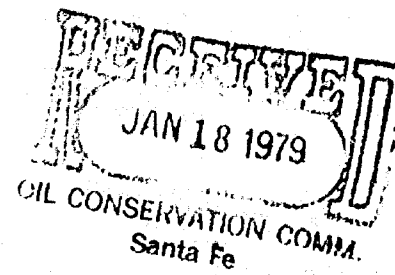
Mrs. Edith Miller Austin
4704 Buffalo Trail
Amarillo, Texas 79109

Mrs. Pauline Miller Dickins
217 Court Street
Batesville, Mississippi
38606

Mrs. Daisy Miller Buchwald
Route 3, Box 50
Santa Fe, New Mexico 87501

KELLAHIN and KELLAHIN

Page 2
Mr. Joe D. Ramey, Director
January 16, 1979



Mrs. Murle Miller Holloway
Route 1, Box 145
Snyder, Oklahoma 73566

John Miller
Star Route, Box 9
Logan, New Mexico 88426

Sincerely,

Jason W. Kellahin
Jason W. Kellahin

CC: Mr. E. F. Motter

JWK:kfm

JAN 19 1979

BEFORE THE
NEW MEXICO ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

Rec'd 1-9-79

Case 6433

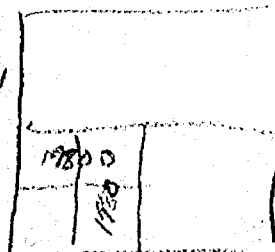
A P P L I C A T I O N

Comes now Cities Service Company and applies to the Oil Conservation Division, New Mexico Energy and Minerals Department, for an order pooling all mineral interests in the Pennsylvanian formations underlying the S/2 of Section 8, Township 23 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, and in support thereof would show the Division:

1. Applicant proposes to drill its Villa "A" Well No. 1 at a location 1980 feet from the South line, and 1980 feet from the West line of Section 8, Township 23 South, Range 28 East.

2. Applicant has the right to drill on the proposed unit and has either obtained leases or the right to drill on all of the South half of Section 8, with the exception of approximately five acres, which tract has been platted into townsite lots, the ownership of which is widely scattered, and applicant has made and is making diligent effort to obtain the right to drill as to these tracts. The names of the owners and their respective addresses, to the best of applicant's ability to obtain the same will be furnished to the Division at or prior to the hearing of this application.

*Need
from
prior to hearing*



3. Pooling of the subject proration unit is in the interests of conservation, and the rights of owners involved will be fully protected.

WHEREFORE applicant prays that this application be set for hearing before the Divisions duly appointed examiner, and that after notice and hearing the Division enter its order pooling the subject acreage as requested, said order to designate applicant as operator and to make provision for operator to recover out of production his reasonable costs of drilling, completing and equipping the well, for his costs of operation, including overhead charges, and for a risk factor for the risk of drilling and completing the well, as provided by law.

Respectfully submitted,
CITIES SERVICE COMPANY

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

ATTORNEYS FOR APPLICANT

JAN - 9 1979

BEFORE THE
NEW MEXICO ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

Case 6433

A P P L I C A T I O N

Comes now Cities Service Company and applies to the Oil Conservation Division, New Mexico Energy and Minerals Department, for an order pooling all mineral interests in the Pennsylvanian formations underlying the S/2 of Section 8, Township 23 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, and in support thereof would show the Division:

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Respectfully submitted,
CITIES SERVICE COMPANY

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

ATTORNEYS FOR APPLICANT

JAN -9 1979

BEFORE THE
NEW MEXICO ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

Case 6433

A P P L I C A T I O N

Comes now Cities Service Company and applies to the Oil Conservation Division, New Mexico Energy and Minerals Department, for an order pooling all mineral interests in the Pennsylvanian formations underlying the S/2 of Section 8, Township 23 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, and in support thereof would show the Division:

1. Applicant proposes to drill its Villa "A" Well No. 1 at a location 1980 feet from the South line, and 1980 feet from the West line of Section 8, Township 23 South, Range 28 East.

2. Applicant has the right to drill on the proposed unit and has either obtained leases or the right to drill on all of the South half of Section 8, with the exception of approximately five acres, which tract has been platted into townsite lots, the ownership of which is widely scattered, and applicant has made and is making diligent effort to obtain the right to drill as to these tracts. The names of the owners and their respective addresses, to the best of applicant's ability to obtain the same will be furnished to the Division at or prior to the hearing of this application.

3. Pooling of the subject proration unit is in the interests of conservation, and the rights of owners involved will be fully protected.

WHEREFORE applicant prays that this application be set for hearing before the Divisions duly appointed examiner, and that after notice and hearing the Division enter its order pooling the subject acreage as requested, said order to designate applicant as operator and to make provision for operator to recover out of production his reasonable costs of drilling, completing and equipping the well, for his costs of operation, including overhead charges, and for a risk factor for the risk of drilling and completing the well, as provided by law.

Respectfully submitted,
CITIES SERVICE COMPANY

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

ATTORNEYS FOR APPLICANT

DRAFT

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6433

Order No. R- 5921

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

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on January 31
19 79, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.
NOW, on this day of February, 19 , the Division
Director, 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 Division has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Cities Service Company,
seeks an order pooling all mineral interests in the Pennsylvanian
formation underlying the S/2
of Section 8, Township 23 South, Range 28 East
NMPM, , Eddy County, New
Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon.

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

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

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

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

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 100 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 ~~\$3386~~ ²² per month should be fixed as a reasonable charge for supervision (combined fixed rates) while drilling and that ~~\$3384~~ ²² per month should be fixed as a reasonable charge for supervision while producing; that this charge should be adjusted annually based upon the percentage increase or decrease in the average weekly earnings of crude petroleum and gas production workers; that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

~~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 May 15, 1979, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the S/2 of Section 8, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320- acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of May, 1979, 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 May, 1979, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

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 Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Cities Service 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 Division 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 Division 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 Division and the Division 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 Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided

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above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

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

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

(B) As a charge for the risk involved in the drilling of the well, 100 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 ~~\$3382~~ per month is hereby fixed as a reasonable charge for supervision (combined fixed rates) while drilling, and that ~~\$3382~~ per month is hereby fixed as a reasonable charge for supervision while producing, provided that this rate shall be adjusted on the first day of April of each year following the effective date of this order; that the adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, and the adjusted rate shall be the rates currently in use, plus or minus the computed adjustment; that the operator is hereby 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.

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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 immediately 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 Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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