

A SEP 2 1972

New Mexico Press Clipping Bureau
Albuquerque, N. M.

Gas Wells Still Above Allowable

CARLSBAD N.M. (Special)—Three gas wells of the South Carlsbad-Morrow Pool continued to produce at their August allowable here Thursday despite orders from the New Mexico Oil and Gas Commission to the producers to cut the wells' production to one-third their potential.

The allowable decrease, established last month for the month of September by the state commission was prevented by a stay handed down Wednesday in the Fifth U.S. Dist. Court by Judge D. D. Archer.

The City of Carlsbad holds 7½ per cent interest in two of the three wells and reportedly, would lose an estimated \$6,000 during the month of September if the allowable decrease was enacted.

The well producers estimated that they would lose more than \$12,000 a day due to the reduction.

The Albuquerque Tribune

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New Mexico Press Clipping Bureau
Albuquerque, N. M.

Order on gas limits blocked

CARLSBAD (AP) — The New Mexico Oil Conservation Commission's ordered natural gas prorationing, which was to have become effective Friday, has been stayed for three wells in the South Carlsbad field.

District Court Judge D. D. Archer accepted a motion to stay the OCC order Thursday for the Graddonodo well, Humble-Grace well and the City of Carlsbad Well No. 1.

The motion filed by Michael P. and Corrinne Grace said the prorationing order would reduce each well about 7.107 million cubic feet a day, for a daily loss of \$4,200.

The City of Carlsbad receives some \$10,000 a month from its 7½ per cent royalty interests in two of the wells named in the motion and stands to lose about \$6,000 per month if the order becomes effective.

The motion contends the Humble-Grace well was not clearly defined in the OCC order.

New Mexico Press Clipping Bureau

Three wells are exempt

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Albuquerque Journal
ALBUQUERQUE, N. M.New Mexico Press Clipping Bureau
Albuquerque, N. M.

Gas Prorationing Order Is Stayed By District Judge

CARLSBAD (AP) — District Court Judge D. D. Archer has issued an order staying the state Oil Conservation Commission order prorationing gas in the South Carlsbad field.

The OCC had ordered the prorationing to begin Sept. 1.

Judge Archer issued a stay in answer to a motion filed by Michael P. and Corinne Grace.

The motion filed by the Graces named three wells concerned as Graddonodo, Humble-Grace and the City of Carlsbad.

The motion said the commission's order would reduce each well about 7.107 million cubic feet per day, a loss of \$4200 per day.

The city of Carlsbad also has royalty interests in two of the wells, averaging an income of about \$10,000 per month for the city.

If the commission order were to become effective, the city would lose about \$6000 of that per month. The city's interest is about 7½ per cent. The Graces noted that the Humble-Grace well wasn't clearly defined in the OCC order.

SEP 3 1972

New Mexico Press Clipping Bureau
Albuquerque, N. M.

Prorationing Stay Granted On 3 Wells

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The City of Carlsbad receives some \$10,000 a month from its 7½ per cent royalty interests in two of the wells named in the motion and stands to lose about \$6,000 per month if the order becomes effective.

The motion contends the Humble-Grace well was not clearly defined in the OCC order.

City Protests²² Gas Flow Cut

A petition to intervene was set in motion by the city today concerning the prorationing orders against the gas in the South Carlsbad-Morrow pool-orders which could cut potential municipal revenues from the two wells in question from \$10,000 per month to \$4,000.

"I don't think we can sit and do nothing," Mayor Walter Gerrells said today, following a polling of City Council members on the question of intervention.

Acting City Attorney Don McCormick reportedly delivered the petition to intervene to Lon Watkins, attorney for Michael and Corinne Grace, who in turn was scheduled to deliver it to District Judge D.D. Archer.

The Graces, operators of the Humble-Grace Well and the City of Carlsbad Well No. 1, are fighting prorationing orders from the New Mexico Oil Conservation Commission which were scheduled to go into effect Sept. 1 but were stayed by Archer. The city has an approximate interest of 7½ per cent in the two wells.

Gerrells said the petition simply "asks the judge to review the facts in the case before making any decisions." The mayor said prorationing, which puts limits on production from any one well over a set period, would "affect our city's income. As elected officials, we (the mayor and the City Council) think we should try to keep that source of revenue."

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Affidavit Received²² By Judge

Fifth Judicial Dist. Judge D.D. Archer said today he would hear an affidavit of disqualification filed Friday by the New Mexico Oil and Gas Conservation Commission.

The commission disqualified the judge from hearing motions to vacate his temporary order to stay the prorationing of gas fields in this area, charging that Archer would be unable to hear the case impartially.

The move was another in a line of actions being taken by gas well owner Michael P. Grace, the city of Carlsbad, the state agency and the district court.

The commission had ordered prorationing of gas in the South Carlsbad-Morrow pool to become effective Sept. 1, creating an alleged pecuniary loss of about \$5,000 per month from city income, a portion of the well's total loss of about \$4,200 per day per well.

Grace and his wife Corinne had filed a motion to temporarily stay the commission's prorationing order. The judge issued his order on Aug. 31, moments after the Graces filed the motion.

The commission later filed motions to vacate the judge's order, thereby forcing immediate compliance with the commission's original prorationing order.

But before a hearing was held, the commission filed an affidavit Friday disqualifying Judge Archer from hearing the motions in open court.

Attorney Lon P. Watkins, representing the Graces, today attempted to convince Judge Archer that the commission's disqualification was improper and that he should hear the motions in open court.

Archer said: "I don't think I am subject to be disqualified. Of course, I'm hearing the affidavit."

Hearing dates for the motions are expected to be set for another city in this district.

Gas Hearing²² For Carlsbad

Dist. Judge D.D. Archer said today the temporary stay hearing concerning the State Oil and Gas Conservation Commission gas proration order would be held in Carlsbad regardless of who the judge would be.

Lon P. Watkins, attorney for gas well operators Michael P. and Corinne Grace, yesterday filed an affidavit disqualifying Judge Kermit Nash of Hobbs from hearing the case. Archer had been disqualified by the commission last Friday.

The case arose out of the commission's order to proration two gas pools in this area, including the South Carlsbad-Morrow pool containing gas wells owned by the Graces. The order was to have gone into effect Sept. 1, but Judge Archer issued a temporary stay order pending a hearing.

Producer blames gas crisis on false scarcity

By LAURA ROBERTSON
Tribune Staff Writer

The natural gas energy crisis — at least in New Mexico — is based on false scarcity, says Michael Grace, an independent gas producer with several wells near Carlsbad.

"We are in a position to sell Southern Union Gas 100 million cubic feet of gas a day, if we were allowed to do so," Mr. Grace said.

From One Well

He said about 11 million cubic feet of this amount could be produced from one Grace well, which is named the "City of Carlsbad."

"The State Oil Conservation Commission has told us we only can sell 3.3 million cubic feet of gas a day from this well, though," Grace said.

Grace and his wife, Corinne, have filed a court suit against the state, and are presently operating under a stay order — which allows them to pro-

duce the full 11 million cubic feet daily.

'State Fighting Us'

"But the state is fighting us every day to get the order removed," Grace said.

He added that Carlsbad has joined in the suit against the State.

"We pay the city about \$10,000 a month in royalties

See PRODUCER, Page A-6

The Albuquerque Tribune

OCT 9 1972

New Mexico Press Clipping Bureau
Albuquerque, N. M.

Producer

Continued from Page One

now," Grace said. "It's easy to see how they wouldn't want to lose that."

Grace said there are "tremendous reserves of gas in Eddy County which have never been tapped."

"Wildcat" Producer

Mrs. Grace said their firm recently drilled a "wildcat" that came in at 107 million cubic feet per day.

The Graces feel, however, that such wildcat drilling will "be seriously inhibited" by New Mexico's proration practices.

"About 80 per cent of the newly discovered gas and oil pools are found by independents," Grace declared.

Outside Money

He said about 75 per cent of these independents get financing from outside New Mexico — thus bringing investment money into the state.

"And if you put a severe ceiling on wildcat production, you are shutting off these funds," Grace said. "This definitely hurts investment here."

Grace maintains that restricting production in the state is a futile attempt at "hoarding" the reserves.

Provide Storage

"Instead of hoarding production, the state should provide storage so that the gas could be held ready for use," Mrs. Grace said. "Then when we get a cold snap, it would be there where it could be gotten in a hurry."

This theory parallels that offered by Southern Union Gas Co. officials during the past two winters when commercial gas users in Albuquerque have been forced to burn fuel oil because of gas shortages.

No Storage Facilities

Southern Union officials say they have ample gas production from the Four Corners area, but have no facilities for storing reserves during the low-usage summer months.

Therefore, they must sell a substantial amount of their production to out-of-state users. Then, when Albuquerque needs it, it's unavailable.

The Graces also base their complaints against production curtailment on the contention that it unfairly administers.

"There are 165 oil and gas pools in southeastern New Mexico," Grace said. "And only 17 are pro-rated — production curtailed. They don't give us a reason for the proration."

Grace said the enforced cuts in production in the Carlsbad area have cut land-owners' revenue to about one-third recently.

"Quite a few drillers have gone out of business," Grace said. "This should be a warning signal to the Oil Conservation Commission."

A "Gimmick"

He called this a "gimmick to sit back and wait for the price of gas to go up."

"It's causing the homeowner's gas bill to go up — producing legislated inflation," Grace declared.

Grace acknowledged that there is a national energy crisis but argues that "hoarding" New Mexico gas won't help this.

'No Candles'

"This nation isn't going to go back to using stovewood and candles," Mrs. Grace said. "They'll find some other source of energy."

"And then New Mexico will be sitting here with our vast untapped pools of gas and oil and by then they'll be obsolete!"

She conceded that this is only a theory — but maintains that it is a sound one.

Energy Crisis Blamed On State Restrictions 22

ALBUQUERQUE (UPI) — A man who owns several gas wells near Carlsbad says state restrictions have contributed to the so-called energy crisis, at least in New Mexico.

There are "tremendous reserves of gas in Eddy County which have never been tapped," said independent gas producer Michael Grace.

Restricting production, or prohibiting by the state is a futile

attempt to hoard reserves, he were allowed to do so," he said.

"Instead of hoarding production, the state should provide storage so that the gas could be ready for use," he said. "Then when we get a cold snap it would be there where it could be gotten in a hurry."

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"We are in a position to sell Southern Union Gas 100 million cubic feet of gas a day if we

He said about 80 per cent of new oil and gas pools are found by independent producers and most of those are financed from outside the state.

"If you put a severe ceiling on wildcat production, you are shutting off these funds," Grace said. "This definitely hurts investment here."

Grace and his wife have filed suit against the state to protest a state Oil Conservation Commission ruling limiting production of one of their wells to 3.3 million cubic feet a day, he said. The well is capable of producing 11 million cubic feet per day Grace said.

City May Intervene In Proration Order

City Would Feel Pinch In Gas Cut

The city may intervene in its own behalf to keep stay orders in effect against the prorationing of gas in the South Carlsbad-Morrow pool.

Judge D.D. Archer of the Fifth Judicial District issued an order to stay proration directives for the pool on Aug. 31, but motions were filed here yesterday by New Mexico Oil Conservation Commission requesting that the stay order be lifted.

The prorationing which was scheduled to go into effect Sept. 1, will reportedly cut potential city revenues from the Humble-Grace Well and the City of Carlsbad Well No. 1 from \$10,000 a month to \$4,000.

Prorationing puts limits on production from any one well over a set period, leveling out production between wells.

Asked if the city may move against the prorationing in court, Mayor Walter Gerrells said today that "I think the City Council should look at it very closely," adding that the loss of revenue from the gas wells will eventually cost the taxpayers more.

The city has approximately 7½ per cent interest in the two wells.

The city was asked to consider intervening in the case by Lon Watkins, attorney for Michael P. and Corinne Grace, operators of the two wells. "They (the city) have substantial interests," Watkins said today.

He added that he didn't know how much longer the stay orders would remain in effect, but said efforts will be made to keep them as long as possible. Watkins said he is scheduled to appear Monday morning in District Court concerning the stay orders.

Grace said today that the cutback from the normal production of the two wells would be from about 19 million cubic feet per day to six million cubic feet per day.

The City Council is scheduled to meet Tuesday night and could possibly decide then whether or not to direct City Attorney Mike McCormick to intervene for the city.

CARLSBAD
CURRENT-ARGUS, Carlsbad, N.M., Friday, Sept. 8, 1972
CURRENT-ARGUS

Today's Thou
One cool judgment is
a thousand hasty co-
light and not heat.
row Wilson, 28th U.S.
dent.

PRICE 15

Weather

ly cloudy through Saturday with occasional showers and storms. Moderately and cooler, 63-89.

CARLSBAD CURRENT-ARGUS

Today's Thought

Let us not pray for light burdens but for strong backs — Roger Babson, American statistician.

5 NO. 261 14 PAGES

CURRENT-ARGUS, Carlsbad, N.M., Friday, Sept. 1, 1972

PRICE 15¢

Local Gas Prorating Stayed

22 Temporary Halt Issued

Judge D.D. Archer of the Fifth Judicial District yesterday issued an order to stay the New Mexico Oil and Gas Commission order prorating gas in the South Carlsbad-Morrow pool.

In answer to a motion filed by Michael P. and Corinne Grace, with the Oil Conservation Commission of New Mexico as respondent, the judge ordered that the prorating order will be temporarily stayed until further order from the court.

The commission's prorating order was to have taken effect today.

In the motion filed yesterday, the Graces named three wells concerned as Graddon, Humble-Grace and the City of Carlsbad Well No. 1.

The motion said the commission's order would reduce each well by about 7.107 million cubic feet per day, a loss of \$4,200 per day.

The city of Carlsbad also has royalty interests in two of the wells, averaging an income of about \$10,000 per month for the city. However, if the commission's order were to have become effective, the city would lose about \$6,000 of that amount per month. The city's interest is approximately 7½ per cent.

The Graces noted that the Humble-Grace well was not clearly defined in the commission's order to prorate the gas pool, but that well is included in the Graces' motion.

Affidavits from engineers and geologists were also included with the motion as exhibits.

The proration order would have cut back the pool production to 1.41 billion cubic feet of gas per month, or about 33 and one third million cubic feet per day per well, according to the motion.

TRANSWESTERN PIPELINE COMPANY

Inter-Department Correspondence

Office: Houston

Date: September 20, 1972

TO: Jim Tillery
FROM: Jack Oldham *JO*
SUBJECT: South Carlsbad (Morrow) Field Allowables

The attached tabulations are allowable projections of the South Carlsbad (Morrow) field based on the current New Mexico Commission formula. This formula is designed to keep the field allowables as close in line with production as possible. Essentially the analyst takes the current producer forecast and adjusts it to match the total field production of the second prior month.

The attached projections show the effects of the incapable wells receiving a full allowable that they can not produce, calculated with this formula.

Tabulation No. 1 is based on the premise that the capable wells will not overproduce their allowable and the incapable wells will produce at their maximum capacity. You will notice that under these conditions the field will never produce all of its allowables using the second prior months production as the allowable for the current month. You will notice that this is a sizeable reduction in the field allowable. If the total was carried for several more months, it would show that the allowable would continue to drop off until it reached some point close to the producing rate of the least wells in the field.

Tabulation No. 2 is based on the premise that all the wells will be produced at their maximum rates. This tabulation shows that the allowable will stay fairly constant until the best well in the field gets overproduced to the point that it will be shut-in. At that point the production will fall off and the allowable under the formula described above will fall off accordingly. As the allowables decline, the overproduced wells will take longer to make up the overproduction and get back on the line. As more wells get overproduced and shut-in, the allowable will continue downward.

Jim Tillery
September 20, 1972
Page 2

These tabulations represent possibly two extreme situations. However, any producing rates in between the two would have the same effect. The decline in field allowable is caused primarily by the incapable wells receiving a full allowable that they can not produce, causing the production to decline by one of the two processes listed above. Whatever standard formula the commission used, these conditions would still exist and cause a decline in the field allowable.

JBO:lb
Attachment

cc: Mr. John Adams

South Carlsbad (Morrow)
Allowable Projection Tabulation #1

P-1/2

Sta.				September
No.	Well	Allowable	Prod. Rate	Mer/Liner
		MOED	MOED	MOED
Transwestern				
1058	Antwell- No. N.M.	3352	-0-	<3252>
1071	Cities- Strackbein 1-A	3352	2048	<1304>
1046	Grace - City of Carlsbad 1	3352	3352	
1048	" - Grandonoco 1-A	1709	1709	
1047	" - Humble - Grace 1-A	2045	1476	<569>
1063	Penngail - Echols 1-A	3352	3352	
1057	" - Gulf - Fed. 1-A	3352	366	<2986>
1062	" - Gulf - Fed. 2-A	3319	929	<2390>
1054	" Mobil 12 Fed 1-B	3352	1634	<1718>
1075	Texas Oil Co. - Penn Am 5-A	3352	94	<3258>
		30537	14810	<15571>
Transwestern &				
Land				
1074	Cities- Merland A-1	3285	2072	<1213>
1073	Merland B-1	3285	3285	
1072	Spencer A-1	3285	3285	
		9855	8642	<1213>
Land				
	Antwell- Allen 1-d	3352	3352	
	" - Little clewe 1-A	3252	3252	
		6604	6604	
	Total	46996	30206	<16784>

October				November			
Allowable	Prod. Rate	Mer/Liner	MOED	Allowable	Prod. Rate	Mer/Liner	MOED
M1FD	M2FD	M3FD		M1FD	M2FD	M3FD	
3352	-0-	<3252>		2154	-0-	<2154>	
3352	2048	<1304>		2154	2048	<106>	
3352	3352	—		2154	2154	—	
1709	1709	—		1098	1098	—	
2045	1476	<569>		1314	1314	—	
3352	3352	—		2154	2154	—	
3352	366	<2986>		2154	366	<1788>	
3319	929	<2390>		2154	929	<1204>	
3352	1634	<1718>		2154	1634	<520>	
3352	94	<3258>		2154	94	<2060>	
30537	14960	<15571>		19623	11791	<7832>	
3385	2072	<1213>		2111	2072	<39>	
3285	3285	—		2111	2111	—	
3285	3285	—		2111	2111	—	
9855	9855	<1213>		6383	6294	<39>	
3352	3352	—		2154	2154	—	
3252	3252	—		2090	2090	—	
6604	6604	—		4244	4244	—	
46996	30206	<16784>		30500	22329	<7871>	

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9-19-72
JWC

South Carolina (Marion) Allowable Projection Tabulation #1

Sta	No	Well	December				January				February			
			Allowable	Prod Rate	Over/Under	MCED	Allowable	Prod Rate	Over/Under	MCED	Allowable	Prod Rate	Over/Under	MCED
Transwestern														
1058		Arthur - No. New Mex.	2154	-0-	<2154>		1593	-0-	<1593>		1593	-0-	<1593>	
1071		Cities - Strickland 1-9	2154	2048	<106>		1593	1593	—		1593	1593	—	
1046		Groce - City of Colorado 1	2154	2154	—		1593	1593	—		1593	1593	—	
1048		" - Grandonaco 1-4	1098	1098	—		811	811	—		811	811	—	
1047		" Humble - Groce 1-7	1314	1314	—		971	971	—		971	971	—	
1063		Pennzoil - Echols 1-1	2154	2154	—		1593	1593	—		1593	1593	—	
1057		" Gulf - Fed. 1-1	2154	366	<1788>		1593	366	<1227>		1593	366	<1227>	
1082		" Bull - Fed. 1-1	2133	929	<1204>		1569	929	<640>		1569	929	<640>	
1054		" Modil 12 Fed 1-5	2154	1634	<520>		1593	1593	—		1593	1593	—	
1075		Texas A&C - T&M NW Sta 1-1	2154	94	<2060>		1593	94	<1499>		1593	94	<1499>	
			19623	11791	<7837>		14502	9543	<4959>		14502	9543	<4959>	
Transwestern & Lano														
		Lano												
1074		Cities - Merland 2-1	2111	2012	<39>		1568	1568	—		1568	1568	—	
1073		" - Merland 8-1	2111	2111	—		1568	1568	—		1568	1568	—	
1072		" - Spencer 2-1	2111	2111	—		1568	1568	—		1568	1568	—	
			6333	6294	<39>		4704	4704	—		4704	4704	—	
Lano														
		Arthur - Allen 1-1	2154	2154	—		1593	1593	—		1593	1593	—	
		" Little Jewel 1-5	2090	2090	—		1545	1545	—		1545	1545	—	
			4244	4244	—		3138	3138	—		3138	3138	—	
		Totals	30200	22329	<7821>		22344	17385	<4959>		22344	17385	<4959>	

So Cristobal Field - Morrow

Tabulation #2

Estimate of decline in allowable, assuming that nomination remains at 4700 Mcf/d, all wells produce at capacity, allowable is adjusted to field production, & better wells reach shut-in point for over production

	Sept. & Oct.		Status @ 11-72	Nov. & Dec.	Status for Nov. & Dec.	Status @ 1-73	Production Allowed in January	May, 73		
	Daily	Daily		Daily				Daily		
1	Allowable	Production	over/under	Allowable	Production	over/under	in January	Allowable		
2	Lingo Inc.									
3										
4	Antweil - Allen #1-5									
5	3252	4000	1296	2983	2034	3330	4000	2275		
6	3252	4000	1496	2894	2212	3708	4000	2207		
7	Sub-total									
8	6604	8000	2792	5877	4246	7033	8000	4482		
9	Transwestern									
10										
11	Antweil - Mo. - New Mexico									
12	3352	-	6704	2983	5966	12672	-	2275		
13	3352	2407	1888	2983	1150	3033	2407	2275		
14	3352	2943	13182	2983	13920	21101	*	2275		
15	1709	2787	2156	1521	2532	4683	2787	1160		
16	2045	1476	1133	1820	682	1826	1476	1538		
17	3352	3479	254	2983	992	1246	3479	2275		
18	3352	366	5972	2983	5234	11206	366	2275		
19	3319	929	4780	2954	4050	3832	929	2252		
20	3352	1634	3436	2983	2778	6134	1634	2275		
21	3352	94	6516	2983	5778	12294	94	2275		
22	30537	23116	11842	27176	8120	22962	13173	20745		
23										
24	Transwestern & Lingo									
25										
26	Cities Suc. - Merland A #1									
27	3285	2072	2426	2924	1704	4130	2072	2280		
28	3285	3767	964	2724	1686	2650	3767	2280		
29	3285	4887	3204	2724	3926	7130	4887	2280		
30	9855	10726	1742	8772	3908	5672	10726	6279		
31										
32	Totals									
33	46996	41842	10308	41325	34	10274	31877	31877		
34										
35										
36										
37	Used Col. #2 for Col. #5									
38	Shut-in - over & times allowed - Approximately 1st of December									
39	Used Col. #8 for Col. #5									
40										

9/19/72