

IN THE SUPREME COURT OF THE STATE OF NEW MEXICO

MICHAEL P. GRACE II and
CORINNE GRACE,

Petitioners-Appellants,

vs.

OIL CONSERVATION COMMISSION
OF NEW MEXICO,

NO. 9821

Respondent-Appellee,

and
CITIES SERVICE OIL COMPANY
and the CITY OF CARLSBAD,

Intervenors.

CERTIFICATE OF SERVICE

This will certify that on this date I served a true
copy of Reply Brief

by mailing such copy to:

✓ A. J. Losee, Esquire
Attorney at Law
P. O. Box 239
Artesia, New Mexico 88220

Jason W. Kellahin, Esquire
Attorney at Law
500 Don Gaspar, P. O. Box 1769
Santa Fe, N. M. 87501

William F. Carr, Esquire
Special Asst. Atty Gen.
P. O. Box 2088
Santa Fe, N. M. 87501

by first class mail with postage thereon fully prepaid.

Dated at Santa Fe, New Mexico, this 19th day of
March , 197 4

ROSE MARIE ALDERETE
Clerk of the Supreme Court
of the State of New Mexico

By: Lupe R. Valdez
Deputy Clerk

IN THE DISTRICT COURT OF EDDY COUNTY

STATE OF NEW MEXICO

MICHAEL P. GRACE II and
Corrine Grace, Petitioners,

vs.

No. 28181

OIL CONSERVATION COMM. OF N.M.

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

I, Clarence G. Blair, do hereby certify that
I am the Official Court Reporter for the Fifth Judicial
District, State of New Mexico, and that I did report
the foregoing proceedings in Stenographic Shorthand
and did later personally transcribe my notes into
this typewritten material, and that the foregoing
transcript is a true, complete and accurate transcription
of the proceedings had in this case, to the best of my
ability.

DONE this 16th day of March, 1973.


Official Court Reporter



OIL CONSERVATION COMMISSION

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

January 12, 1973

GOVERNOR
BRUCE KING
CHAIRMAN

LAND COMMISSIONER
ALEX J. ARMijo
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

Mr. A. J. Losee
P. O. Box 239
Artesia, New Mexico 88210

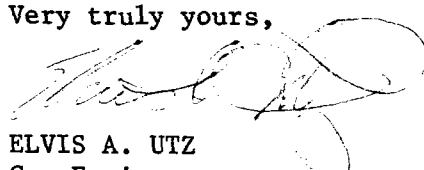
Dear Jerry:

I am enclosing a copy of an exhibit which shows the effect of gas prorationing in the South Carlsbad-Morrow Gas Pool when extrapolating an estimated November, 1972 market demand (production) for each month. The estimated November market demand was over estimated by some 181,000 m.c.f. In my opinion this will not affect the results of the projection materially.

You will note that I started the projection in September as if there had been no "stop order". I also classified wells 1-1-73, 7-1-73, 1-1-74, 7-1-74 and 1-1-75 at which time there remained only one non-marginal well. Of course, changes in market demand and pool development will change the results.

If you should have any questions or remarks regarding this data, please advise.

Very truly yours,


ELVIS A. UTZ
Gas Engineer

EAU/dr

South Carlsbad production vs allowable analysis for
September 1972, thru June 1973.

Allowable calculation September thru December, 1972.

Total Pool Production	5,981,012
-----------------------	-----------

Marginal Production	1,489,230
---------------------	-----------

Non-Marginal Production	4,491,782
-------------------------	-----------

Divided by non-marginal acreage

Factors of 5.94 equals

Allowable for Factor of 1.00 =	756,192
--------------------------------	---------

Factor of .25	189,048
---------------	---------

" " .51	385,657
---------	---------

" " .97	597,391
---------	---------

" " .98	741,068
---------	---------

Allowable calculation January thru June, 1973.

Total Production (est.base Jan.)	13,771,038
----------------------------------	------------

Marginal production	3,728,684
---------------------	-----------

Non-marginal production	10,042,354
-------------------------	------------

Divided by Non-marginal acreage

Factors of 5.48 equals

Allowable for Factor of 1.00	1,832,546
------------------------------	-----------

Factor of .97	1,777,569
---------------	-----------

" " .51	934,598
---------	---------

					Sept. thru Dec.	Jan. thru June	Value of Overproduction
1.00 Phillips	Drag A #1-C, 18-23-27						
	Production			163,210		1,097,352	
	Allowable			756,192		1,832,546	
N	Status			592,982+	N	1,453,854+	
1.00 Phillips	Drag B #1-K, 18-23-27						
	Production			306,860		2,950,488	
	Allowable			756,192		1,832,546	
N	Status			449,332+	N	663,610-	
							\$234,013
.97 Antweil	Little Jewel #1-F, 31-22-27						
	Production			635,081		1,210,998	
	Allowable			597,391		1,777,569	
N	Status			37,690-	N	528,881+	
1.00 Grace	City of Carlsbad #1-O, 25-22-26						
	Production			1,160,327		1,647,510	
	Allowable			756,192		1,832,546	
N	Status			404,135-	N	219,099-	
							\$76,684
.51 Grace	Gradanoco #1-H, 2-23-26						
ability 92.728	Production			340,784		404,098	
x 4 = 370.912	Allowable			385,657		934,598	
N	Status			44,873+	N	573,373+	
1.00 Grace	Gopogo #2-G, 24-22-26						
	Production			915,220		2,731,908	
	Allowable			756,192		1,832,546	
N	Status			159,028-	N	1,058,390-	
							\$370,436
.98 Cities Service	Merland B #1-G, 30-22-27						
	Production			412,591			
	Allowable			741,068			
N	Status			328,477+			
.98 Cities Service	Spencer A #1-O, 30-22-27						
	Production			557,709			
	Allowable			741,068			
N	Status			183,359+			

South Carlsbad production vs allowable analysis for
September 1972, thru June 1973.

Allowable calculation September thru December, 1972.

Total Pool Production	5,981,012
-----------------------	-----------

Marginal Production	1,489,230
---------------------	-----------

Non-Marginal Production	4,491,782
-------------------------	-----------

Divided by non-marginal acreage

Factors of 5.94 equals

Allowable for Factor of 1.00 =	756,192
--------------------------------	---------

Factor of .25	189,048
---------------	---------

" " .51	385,657
---------	---------

" " .97	597,391
---------	---------

" " .98	741,068
---------	---------

Allowable calculation January thru June, 1973.

Total Production (est.base Jan.)	13,771,038
----------------------------------	------------

14 12 Marginal production	3,728,684
--------------------------------------	-----------

6 8 Non-marginal production	10,042,354
--	------------

Divided by Non-marginal acreage

Factors of 5.48 equals

Allowable for Factor of 1.00	1,832,546
------------------------------	-----------

200,000 MCF

Factor of	.97	1,777,569
-----------	-----	-----------

" "	.51	934,598
-----	-----	---------

				Sept. thru Dec.	Jan. thru June	Value of Overproduction
1.00 Phillips	Drag A #1-C, 18-23-27					
	Production			163,210	1,097,352	
	Allowable			756,192	1,832,546	
N	Status			592,982+	1,453,854+	
1.00 Phillips	Drag B #1-K, 18-23-27					
	Production			306,860	2,950,488	
	Allowable			756,192	1,832,546	
N	Status			449,332+	653,610	
						\$234,013
.97 Antweil	Little Jewel #1-F, 31-22-27					
	Production			635,081	1,210,998	
	Allowable			597,391	1,777,569	
N	Status			37,690-	528,881+	
1.00 Grace	City of Carlsbad #1-O, 25-22-26					
	Production			1,160,327	1,647,510	
	Allowable			756,192	1,832,546	
N	Status			404,135-	219,099-	
						\$76,684
.51 Grace	Gradanoco #1-H, 2-23-26					
ability 92.728	Production			340,784	404,098	
x 4 = 370.912	Allowable			385,657	934,598	
N	Status			44,873+	573,373+	
1.00 Grace	Gopogo #2-G, 24-22-26					
	Production			915,220	2,731,908	
	Allowable			756,192	1,832,546	
N	Status			159,028-	1,058,390-	
						\$370,436
.98 Cities Service	Merland B #1-G, 30-22-27					
	Production			412,591		
	Allowable			741,068		
N	Status			328,477+		
.98 Cities Service	Spencer A #1-O, 30-22-27					
	Production			557,709		
	Allowable			741,068		
N	Status			183,359+		