



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
 OIL CONSERVATION DIVISION

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 Attorneys at Law
 P. O. Box 2228
 Santa Fe, New Mexico

Re: CASE NO. 8400
 ORDER NO. R-6873-A

Applicant:

Jack J. Grynberg

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Sincerely,

R. L. STAMETS
 Director

RLS/fd

Copy of order also sent to:

Hobbs OCD x
 Artesia OCD x
 Aztec OCD

Other A. J. Losee

*Mailed out 12/9/85

BEFORE THE OIL CONSERVATION COMMISSION
ENERGY AND MINERAL DEPARTMENT OF THE
STATE OF NEW MEXICO

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

CASE NO. 8400
Order No. R-6873-A

THE APPLICATION OF JACK J. GRYNBERG TO :
AMEND COMMISSION ORDER NO. R-6873 TO :
PROVIDE FOR THE DRILLING OF A SECOND :
WELL AT AN UNORTHODOX LOCATION ON THE :
320-ACRE PRORATION UNIT, CHAVES COUNTY, :
NEW MEXICO. :
: :
:

ORDER OF THE COMMISSION

BY THE COMMISSION

THIS CAUSE came on for hearing at 9:00 A.M. on September 18, 1985 and was continued and readvertised for further hearing on October 17, 1985, at Santa Fe, New Mexico before the Oil Conservation Commission of New Mexico (hereinafter referred to as the "Commission"),

NOW, on this ____ day of November, 1985, the Commission, having considered the testimony and the exhibits, and being fully advised in the premises,

FINDS:

(1) That on January 7, 1982 the Commission entered its Order No. R-6873 granting the application of Harvey E. Yates Company (hereinafter referred to as "HEYCO") to pool all mineral interests through the Ordovician formation underlying the W/2 of Section 18, Township 9 South, Range 27 East, N.M.P.M., Chaves County, New Mexico.

(2) Pursuant to Order R-6873, HEYCO drilled and dually completed its Seymour State No. 1 Well in the Abo and lower Permian formations in the SW/4 NW/4 of said Section 18.

(3) That applicant Jack J. Grynberg (hereinafter referred to as "Grynberg") did not participate in drilling the Seymour State No. 1 Well.

(4) That Grynberg seeks an amendment to Order R-6873 to permit the drilling of a second Prepermian and Abo well (the "Second Well") at an unorthodox location in the SW/4 SW/4 of said Section 18.

(5) That a reasonable production limiting factor to compensate for such location is 79% of deliverability.

(6) That Grynberg is the owner of the W/2 NW/4 of said Section 18 and has the right to drill the Second Well in the SW/4 SW/4 of said Section 18 and to complete the well in the Prepermian formation.

(7) That Grynberg does not have the right to complete the Second Well as a gas well in the Abo formation in the SW/4 of said Section 18.

(8) That to protect correlative rights and to afford to Grynberg the opportunity to recover or receive his just and fair share of gas in the Prepermian formation, the subject application should be approved only to permit the drilling of the Second Well to the Prepermian formation within said unit.

(9) That Grynberg filed a voluntary petition under Chapter XI of the Bankruptcy Code on February 20, 1981 and the second modified joint plan of reorganization has been approved and confirmed but the case has not been closed.

(10) That Grynberg should be designated as operator of the Second Well on said unit and HEYCO should continue as operator of the Seymour State Com. No. 1 Well.

(11) That any non-consenting working interest owner in the Prepermian formation should be afforded the opportunity to pay his share of estimated Second Well costs to Grynberg in lieu of paying his share of reasonable well costs out of production.

(12) That any non-consenting working interest owner in the Prepermian formation who does not pay his share of estimated Second Well costs should have withheld from production his share of the reasonable Second Well costs plus an additional 200% thereof as a reasonable charge for the risk involved in the drilling of the Second Well.

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

(14) That \$3,550 per month while drilling and \$355 per month while producing should be fixed as reasonable charges for

supervision (combined fixed rate); that Grynberg should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, Grynberg should be authorized to withhold from production the proportionate share of actual expenditures required for operating the Second Well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(15) That upon the failure of Grynberg to commence drilling of the Second Well on or before February 1, 1986, this amended order shall become null and void and of no effect whatsoever.

IT IS, THEREFORE, ORDERED:

(1) That Order R-6873 is hereby amended to permit the drilling of the Second Well to the Prepermian formation at an unorthodox location in the SW/4 SW/4 Section 18, and to simultaneously dedicate the W/2 of said Section 18 to the Second Well.

PROVIDED, HOWEVER, the Second Well shall not be completed by Grynberg as a gas well in the Abo formation;

PROVIDED, FURTHER, that Grynberg shall commence the drilling of the Second Well on or before the 1st day of February, 1986 and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Prepermian formation;

PROVIDED, FURTHER, that in the event Grynberg does not commence the drilling of said well on or before the 1st day of February, 1986, Order (1) of this order shall be null and void and of no effect whatsoever unless Grynberg obtains a time extension from the Oil Conservation Division for good cause shown;

PROVIDED, FURTHER, should said second well not be drilled to completion, or abandoned, within 120 days after commencement thereof, Grynberg shall appear before the Director and show why Order (1) of this order should not be rescinded.

(2) Grynberg is hereby designated the operator of the Second Well, and HEYCO shall remain as operator of the Seymour State Com. No. 1 Well.

(3) That within 20 days after the effective date of this order, Grynberg shall furnish the Commission and each known working interest owner in the Prepermian formation of the subject unit an itemized schedule of estimated Second Well costs.

(4) That within 15 days from the date the schedule of estimated Second Well costs is furnished to him, any non-consenting Prepermian working interest owner shall have the right to pay his share of estimated Second 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 charge.

(5) That \$3,550 per month while drilling and \$355 per month while producing are hereby fixed as reasonable charge for supervision (combined fixed rates); that Grynberg is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, Grynberg is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating the Second Well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(6) Order Nos. (5), (6), (7), (8), (10), (11) and (12) of Order No. 6873 are by reference made applicable to the Second Well in the Prepermian formation.

(7) Except as herein amended, Order R-6873 remains in force.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

_____, Member

_____, Member

_____, Chairman

S E A L