

CASE 5621: EL PASO NATURAL GAS
CO. FOR DOWNHOLE COMMINGLING,
RIO ARriba COUNTY, NEW MEXICO

any

CASE NO.

56 21

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.

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General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 3, 1976

EXAMINER HEARING

IN THE MATTER OF:

Application of El Paso Natural Gas
Company, as agent for Northwest
Production Corporation, for downhole
commingling, Rio Arriba County, New
Mexico.

CASE
5621
(Cont.)

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission: William F. Carr, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

1 MR. STAMETS: We will call the next Case 5621.

2 MR. CARR: Case 5621, application of El Paso
3 Natural Gas Company, as agent for Northwest Production
4 Corporation, for downhole commingling, Rio Arriba County,
5 New Mexico.

6 Mr. Examiner, this case was continued and readvertised
7 to correct an error in the advertisement.

8 MR. STAMETS: As I recall, this case was originally
9 heard about a month ago. Is there any additional testimony
10 in Case 5621? There being none, the case will be taken under
11 advisement.

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REPORTER'S CERTIFICATE

1
2 I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
3 do hereby certify that the foregoing and attached Transcript
4 of Hearing before the New Mexico Oil Conservation Commission
5 was reported by me, and the same is a true and correct record
6 of the said proceedings to the best of my knowledge, skill and
7 ability.

8
9
10 *Sidney F. Morrish*
11 Sidney F. Morrish, C.S.R.

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12
13
14
15
16 I do hereby certify that the foregoing is
17 a complete record of the proceedings in
18 the Examiner hearing of Case No. 5621
19 heard by me on 3-3 1976
20 *Richard P. Ham*, Examiner
21 New Mexico Oil Conservation Commission
22
23
24
25

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
February 4, 1976

EXAMINER HEARING

IN THE MATTER OF:

Application of El Paso Natural Gas
Company for downhole commingling,
Rio Arriba County, New Mexico.

CASE
5621

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

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

For the Applicant:

Neil J. Beck, Esq.
Assistant Principal Counsel
El Paso Natural Gas Company
P. O. Box 1492
El Paso, Texas

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1 MR. STAMETS: We will call the next Case 5621.

2 MR. CARR: Case 5621, application of El Paso Natural
3 Gas Company for downhole commingling, Rio Arriba County, New
4 Mexico.

5 MR. STAMETS: Mr. Carr, I understand there is a
6 problem with the advertisement in this case, would you state
7 what the problem is for the record, please?

8 MR. CARR: The application should read: El Paso
9 Natural Gas, agent for Northwest Production Corporation, and
10 then continue the same.

11 Mr. Examiner, at this time I would recommend that
12 we hear the case and readvertise it and correct this error.

13 MR. STAMETS: We will hear testimony in this case
14 and then the case will be readvertised for one of the next two
15 Examiner Hearings, at which time it will be reopened for any
16 further testimony.

17 Call for appearances in this case.

18 MR. BECK: Mr. Examiner, I'm Neil Beck, Assistant
19 Principal Counsel for El Paso Natural Gas Company, appearing
20 for El Paso in this case through an in lieu appearance for
21 the firm of Montgomery, Federici, Andrews, Hannahs and Buell.
22 We have one witness to be sworn.

23 MR. STAMETS: You will stand and be sworn, please.

24 (THEREUPON, the witness was duly sworn.)
25

PAUL W. BURCHELL

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

DIRECT EXAMINATION

BY MR. BECK:

Q Would you please state your name and residence?

A My name is Paul W. Burchell and I live in El Paso,
Texas.

Q Mr. Burchell, by whom are you employed and in what
capacity?

A I'm employed by the El Paso Natural Gas Company as
Senior Proration Engineer.

Q As a Proration Engineer, Mr. Burchell, have you
previously testified before this Commission or one of its
Examiners?

A Yes, I have.

Q Mr. Burchell, are you familiar with the factual
matters relevant to this case?

A Yes.

MR. BECK: Mr. Examiner, are the witness's qualifica-
tions acceptable?

MR. STAMETS: They are.

Q (Mr. Beck continuing.) Mr. Burchell, who is the
operator of the Jicarilla 119 N Number Well which is located

1 in Unit H, Section 6, Township 26 North, Range 4 West,
2 Rio Arriba County, New Mexico?

3 A. By an agreement dated November 11th, 1975 and
4 effective August 1st, 1975, between Northwest Production
5 Corporation and El Paso Natural Gas Company, El Paso is to
6 have full and complete management of the operation of the well
7 in question, among others. A copy of this agreement has
8 been marked as El Paso Exhibit Number Two.

9 Q Mr. Burchell, what is El Paso seeking in Case 5621?

10 A. El Paso seeks permission to downhole commingle gas
11 in the Basin Dakota Pool with gas of the Blanco Mesaverde Pool
12 and produce this gas through one meter in the Jicarilla 119 N
13 Number 4 Well. Based upon the well's past production history,
14 El Paso proposes that the allocation of gas to each formation
15 be divided in such a manner that a certain percentage of the
16 gas would be considered Dakota and the remaining portion would
17 be considered Mesaverde.

18 Q Mr. Burchell, why is El Paso asking for this
19 permission to downhole commingle?

20 A. Downhole commingling is considered by El Paso Natural
21 Gas Company to be the most economic and conservative method
22 to undertake, mainly because of the low productivity of both
23 zones and because of the very expensive costs to repair a
24 suspected leak in the well.

25 Q I refer you now to what has been designated as

1 El Paso Exhibit Number One and ask you to explain it?

2 A. It is a diagrammatic sketch of the equipment in
3 the well. This exhibit shows several things but in particular
4 I would like to call the Examiner's attention to the fact that
5 there are two strings of tubing installed in the well. They
6 consist of a one-inch tubing inside of a two-and-three-eighths-
7 inch tubing string. The two-and-three-eighths-inch tubing is
8 landed at eight thousand, three hundred and three feet with a
9 Baker EGJ production packer set at seven thousand, three
10 hundred and six feet. The top casing perforation for producing
11 the Dakota is at eight thousand and ninety feet and Dakota
12 gas flows into the bottom of the two-and-three-eighths-inch
13 tubing string and enters the one-inch tubing string set at
14 six thousand, one hundred and ninety feet. The one-inch
15 tubing has a Mandril on it which packs off the two-and-three-
16 eighths-inch, one-inch tubing-tubing annulus.

17 The bottom perforations for producing the Mesaverde
18 is at six thousand, one hundred and eighty feet and the Mesa-
19 verde gas is produced through either the two-and-three-eighths-
20 inch tubing casing annulus or the two-and-three-eighths, one-
21 inch tubing-tubing annulus. A nipple assembly was run on
22 the two-and-three-eighths-inch tubing above the Mandril's
23 upper pack off and the assembly has an open side door choke
24 with a sliding sleeve.

25 Q. Mr. Burchell, has a leak been determined to exist

1 in this well?

2 A. The 1975 Annual Leakage Test indicated communica-
3 tions between the producing zones in this well.

4 Q. Where, in your opinion, is the indicated communication
5 occurring?

6 A. I do not know. Due to the mechanical configuration
7 of the tubing strings it is not possible to pinpoint a leak.

8 Q. Prior to 1975, the time that communication was first
9 noted, what was the normal producing rate from each zone in
10 this well?

11 A. For the previous three years, 1972, 1973 and 1974,
12 the yearly flow rate amounted to eighty-two percent Dakota gas
13 and eighteen percent Mesaverde gas. Also, the first six
14 months of production in 1975, preceding the Packer Leakage
15 Test, also calculate eighty-two percent Dakota. It should be
16 noted that the well is currently producing an average of one
17 barrel of oil per day from the Dakota and an insignificant
18 amount of liquid hydrocarbons from the Mesaverde.

19 Q. What is the ability of the Jicarilla 119 N Number 4
20 Well to produce gas at the present time?

21 A. I would first like to point out that the combined
22 daily rate average two hundred and fifty-four MCF for 1974.
23 Of this amount, two hundred and nine MCF per day or eighty-two
24 percent was attributed to the Dakota. The ability of the well
25 to produce at the present time amounts to two hundred and

1 forty-one MCF of gas per day, of which one hundred and ninety
2 seven MCF or eighty-two percent is Dakota and forty-four MCF
3 per day or eighteen percent is Mesaverde. There appears to
4 be little or no loss of production due to the communication
5 between these zones.

6 Q Are these flow rates considered to be quite small,
7 in your opinion?

8 A In my opinion these flow rates are considered
9 quite small. Both wells are prorated marginal and have been
10 prior to 1970.

11 Q What would you say would be the estimated total
12 cost of repairing the suspected leak.

13 A The estimated cost for working the well over, pulling
14 both tubing strings, running a new packer and replacing the
15 strings of tubing with a one-and-a-half-inch for the Dakota
16 and a one-and-a-one-fourth-inch for the Mesaverde would be
17 thirteen thousand, eight hundred and forty-five dollars.

18 Q Does El Paso consider it economically infeasible
19 to repair the well as a dual completion?

20 A Yes, in which case we might not repair the well
21 and would of necessity have to be plugged and the gas in one
22 or both zones would have to be abandoned.

23 Q Do you propose a formula by which the gas production
24 can be apportioned to the two producing zones?

25 A Yes, based on my prior testimony relating to the

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1 stable production history, it is recommended that eighty-two
2 percent of the well's production be attributed to the Basin-
3 Dakota Pool and the remaining eighteen percent to the Blanco
4 Mesaverde Pool. It is further recommended that any and all
5 future liquid hydrocarbons be attributed to the Dakota.

6 Q Mr. Burchell, what is the nature of ownership in
7 the producing well?

8 A Northwest Production Corporation is the sole working
9 interest owner and royalty ownership in the two zones are
10 identical. Therefore, correlative rights would not be
11 affected by commingling the gas.

12 Q In your opinion, Mr. Burchell, would granting this
13 application for downhole commingling of the gas prevent waste
14 and protect correlative rights?

15 A Yes, sir.

16 Q Do you have anything further in this case, Mr.
17 Burchell?

18 A No, I do not.

19 Q Was Exhibit Number One prepared by you or under
20 your supervision?

21 A Yes, it was.

22 MR. BECK: Mr. Examiner, we offer Exhibits One and
23 Two into evidence at this time.

24 MR. STAMETS: Without objection these two exhibits
25 will be admitted.

1 (THEREUPON, El Paso's Exhibits One and Two
2 were admitted into evidence.)

3 MR. BECK: This concludes our direct testimony.
4

5 CROSS EXAMINATION

6 BY MR. STAMETS:

7 Q Mr. Burchell, I presume the annual reports of the
8 New Mexico Oil Conservation Commission would confirm these
9 production percentages which you have stated?

10 A Yes, sir.

11 Q Whose name appears on the Form C-104 for this well?

12 A Do we have a copy of that?

13 MR. BECK: I don't think so. I believe it is
14 Northwest Production.

15 Q (Mr. Stamets continuing.) Northwest Production and
16 yet you are the operator?

17 A Yes, sir.

18 Q Can you tell me why El Paso's name does not appear
19 on the Form C-104?

20 A I'm afraid I can't field that question, Mr. Examiner.

21 MR. STAMETS: I wish someone with El Paso would
22 advise the Examiner on that particular question subsequent to
23 the hearing.

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

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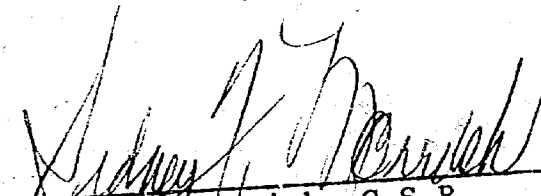
(THEREUPON, the witness was excused.)

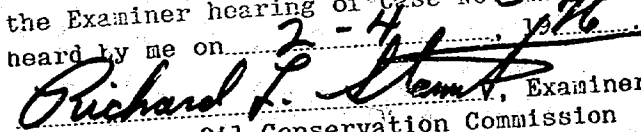
MR. STAMETS: Anything further in this case? We will take the case under advisement.

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REPORTER'S CERTIFICATE

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


Sidney F. Morrish, C.S.R.

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 5631
heard by me on 7-4-76

Richard L. Stem, Examiner
New Mexico Oil Conservation Commission

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5621
Order No. R-5174

APPLICATION OF EL PASO NATURAL GAS
COMPANY, AS AGENT FOR NORTHWEST PRODUCTION
CORPORATION, FOR DOWNHOLE COMMINGLING,
RIO ARriba COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 3, 1976,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 10th day of March, 1976, the Commission, a
quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being
fully advised in the premises,

FINDS:

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

(2) That the applicant, El Paso Natural Gas Company, as
agent for Northwest Production Corporation, is the operator
of the Jicarilla 119N Well No. 4, located in Unit H of Section
6, Township 26 North, Range 4 West, NMPM, Rio Arriba County,
New Mexico.

(3) That the applicant seeks authority to commingle Basin-
Dakota and Blanco-Mesaverde production within the wellbore of
the above-described well.

(4) That from the Basin-Dakota zone, the subject well
is capable of low rates of production only.

(5) That from the Blanco-Mesaverde zone, the subject well
is capable of low rates of production only.

(6) That the proposed commingling may result in the
recovery of additional hydrocarbons from each of the subject
pools, thereby preventing waste, and will not violate correla-
tive rights.

-2-

Case No. 5621
Order No. R-5174

(7) That the reservoir characteristics of each of the subject zones are such that underground waste would not be caused by the proposed commingling provided that the well is not shut-in for an extended period.

(8) That to afford the Commission the opportunity to assess the potential for waste and to expeditiously order appropriate remedial action, the operator should notify the Aztec district office of the Commission any time the subject well is shut-in for 7 consecutive days.

(9) That in order to allocate the commingled production to each of the commingled zones in the subject well, 82 and 100 percent of the commingled gas and oil production, respectively, should be allocated to the Basin-Dakota zone, and 18 percent of the commingled gas production to the Blanco-Mesaverde zone.

IT IS THEREFORE ORDERED:

(1) That the applicant, El Paso Natural Gas Company, as agent for Northwest Production Corporation, is hereby authorized to commingle Basin-Dakota and Blanco-Mesaverde production within the wellbore of the Jicarilla 119N Well No. 4, located in Unit H of Section 6, Township 26 North, Range 4 West, NMPM, Rio Arriba County, New Mexico.

(2) That 82 and 100 percent of the commingled gas and oil production, respectively, shall be allocated to the Basin-Dakota zone and 18 percent of the commingled gas production shall be allocated to the Blanco-Mesaverde zone.

(3) That the operator of the subject well shall immediately notify the Commission's Aztec district office any time the well has been shut-in for 7 consecutive days and shall concurrently present, to the Commission, a plan for remedial action.

(4) 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


PHIL R. LUCERO, Chairman

EMERY C. ARNOLD, Member

JOE D. RAMEY, Member & Secretary

dr/



DIRECTOR
JOE D. RAMEY

OIL CONSERVATION COMMISSION

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

LAND COMMISSIONER
PHIL R. LUCERO
March 11, 1976



STATE GEOLOGIST
EMERY C. ARNOLD

Mr. Neal Beck
Attorney
El Paso Natural Gas Co.
Box 1492
El Paso, Texas 79978

Re: CASE NO. 5621
ORDER NO. R-5174

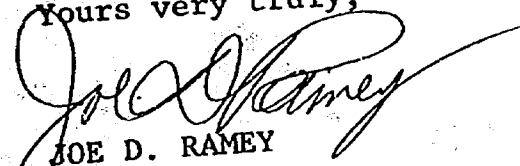
Applicant:

El Paso Natural Gas Company

Dear Sir:

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

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC x
Artesia OCC
Aztec OCC x

Other

Dockets Nos. 9-76 and 10-76 are tentatively set for hearing on March 17 and March 31, 1976. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 3, 1976

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

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

CASE 5621: (Continued and Readvertised)

Application of El Paso Natural Gas Company, as agent for Northwest Production Corporation, for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval to commingle Basin-Dakota and Blanco-Mesaverde gas production in the wellbore of the Northwest Production Corporation Jicarilla 119N Well No. 4, located in Unit II of Section 6, Township 26 North, Range 4 West, Rio Arriba County, New Mexico.

CASE 5631: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the amendment of the Special Rules for the Bisti-Lower Gallup Oil Pool, San Juan County, New Mexico, to permit the drilling of wells in said pool at any point within a 40-acre tract not closer than 330 feet to the outer boundary thereof.

CASE 5632: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the amendment of the Special Rules for the Devils Fork-Gallup Pool, Rio Arriba County, New Mexico, to delete therefrom the provisions for a volumetric withdrawal formula and substitute therefor a casinghead gas equivalent formula similar to that in effect for the Angels Peak-Gallup Pool, as promulgated by Order No. R-1410-C.

CASE 5633: Application of Shell Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blinberry, Tubb-Drinkard and Devonian production in the wellbore of its J. P. No. 1 Well located in Unit C of Section 2, Township 25 South, Range 37 East, Justis Field, Lea County, New Mexico.

CASE 5634: Application of Yates Petroleum Corporation for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Duncan Dome Unit Area comprising 7,641 acres, more or less, of State lands in Township 17 South, Ranges 17 and 18 East, Chaves County, New Mexico.

CASE 5635: Application of Sundance Oil Company for salt water disposal, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced water by injection into the San Andres formation through the perforated interval from approximately 3852 to 3858 feet in its Ingram Federal Well No. 2 located in Unit I of Section 5, Township 8 South, Range 31 East, Tom Tom-San Andres Pool, Chaves County, New Mexico.

CASE 5636: Application of Julian Ard for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled in the center of the SW/4 SE/4 of Section 32, Township 9 South, Range 37 East, West Sawyer-San Andres Pool, Lea County, New Mexico, in exception to the provisions of Rule 4, Order No. R-3850.

CASE 5637: Application of R. C. Bennett & J. C. Ryan for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the dual completion (conventional) of its Exxon-State Well No. 2, located in Unit F of Section 25, Township 19 South, Range 28 East, Eddy County, New Mexico, to produce gas from the Upper Pennsylvanian formation through the casing-tubing annulus and gas from the Morrow formation through tubing.

CASE 5638: Application of Belco Petroleum Corporation for Amendment of Order No. R-5111, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Commission Order No. R-5111, which order pooled all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 5, Township 22 South, Range 27 East, to be dedicated to a well drilled at an unorthodox location 660 feet from the South line and 1980 feet from the West line of said Section 5. Applicant proposes the amendment of said order to pool all such mineral interests in the formations of Mississippian and Siluro-Devonian age underlying the W/2 of said Section 5 and to approve the unorthodox location of the well for said formations.

CASE 5639: Application of Franklin, Aston & Fair for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Strawn production for its Aztec State No. 3 Well located 710 feet from the North line and 2110 feet from the East line of Section 36, Township 17 South, Range 32 East, Lea County, New Mexico, and for the promulgation of special rules therefor, including a provision for 160-acre spacing units.

Examiner Hearing - Wednesday - March 3, 1976
-2-

CASE 5640: Application of Phillips Petroleum Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of East Brunson-Ellenburger, East Brunson-McKee and Drinkard oil production in the wellbore of its Sims No. 6 Well located in Unit M of Section 24, Township 22 South, Range 37 East, Lea County, New Mexico.

CASE 5641: Application of John Yuronka for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced water by injection into the Queen formation through the open-hole interval from approximately 3800 to 3875 feet in his State JC "T" Well No. 1 located in Unit B of Section 16, Township 23 South, Range 24 East, Lea County, New Mexico.

CASE 5642: Application of Penroc Oil Corporation for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to commingle Canyon and Morrow production in the wellbore of its JCH-State Well No. 1, located in Unit O of Section 2, Township 29 South, Range 28 East, Eddy County, New Mexico.

CASE 5643: Southeastern New Mexico nomenclature case calling for an order for the creation and extension of certain pools in Eddy and Lea Counties, New Mexico.

(a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for San Andres production and designated as the West Arkansas Junction-San Andres Pool. The discovery well is the Coquina Oil Corporation State KKN Well No. 1, located in Unit J of Section 20, Township 19 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 36 EAST, NMPM
Section 20: SE/4

(b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Cabin Lake-Atoka Gas Pool. The discovery well is the Corinne Grace Livingston Ridge Unit Well No. 1Y, located in Unit L of Section 36, Township 21 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 30 EAST, NMPM
Section 36: W/2

(c) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Grayburg-San Andres production and designated as the Cemetery-Grayburg San Andres Pool. The discovery well is the Gulf Oil Corporation Jones Federal NCT-A Well No. 1, located in Unit L of Section 14, Township 20 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM
Section 14: SW/4

(d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the North Cemetery-Wolfcamp Gas Pool. The discovery well is the David Fasken Seven Rivers Federal Well No. 1, located in Unit C of Section 17, Township 20 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM
Section 17: N/2

(e) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the West Henshaw-Wolfcamp Pool. The discovery well is the Yates Petroleum Corporation Marco Polo EA State Well No. 1, located in Unit H of Section 32, Township 16 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 30 EAST, NMPM
Section 32: NE/4

(f) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Queen-Grayburg and San Andres production and designated as the South Loco Hills Queen-Grayburg-San Andres Pool. The discovery well is the Gene A. Snow Alscott Well No. 1, located in Unit I of Section 31, Township 18 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 31: SE/4 NE/4 & NE/4 SE/4
Section 32: S/2 NW/4, N/2 SW/4, W/2 NE/4 and SE/4 NE/4

(g) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the West Lusk-Morrow Gas Pool. The discovery well is the Adobe Oil Company Hannifin State Com Well No. 1, located in Unit P of Section 16, Township 19 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 31 EAST, NMPM
Section 16: S/2

(h) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Otis-Morrow Gas Pool. The discovery well is the Apexco Inc. Walterschied Com Well No. 1, located in Unit G of Section 35, Township 22 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM
Section 26: W/2
Section 35: All

(i) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Penasco Draw-Atoka Gas Pool. The discovery well is the Yates Petroleum Corporation Scout EH Federal Com Well No. 2, located in Unit I of Section 27, Township 18 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM
Section 27: E/2

(j) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Scanlon-Morrow Gas Pool. The discovery well is the Harvey F. Yates Fannie Lou Federal Well No. 1, located in Unit G of Section 31, Township 20 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 29 EAST, NMPM
Section 31: N/2

(k) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Queen production and designated as the Square Lake-Queen Gas Pool. The discovery well is the Corpening Enterprises Exxon State Well No. 1, located in Unit M of Section 16, Township 16 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 31 EAST, NMPM
Section 16: SW/4

(l) EXTEND the Atoka-San Andres Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 21: S/2 SE/4 & E/2 SW/4
Section 28: N/2 NE/4

(m) EXTEND the North Burton Flat-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 13: N/2
Section 14: All

(n) EXTEND the Cabin Lake-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 30 EAST, NMPM
Section 35: E/2
Section 36: W/2

(o) EXTEND the Cruz-Delaware Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 33 EAST, NMPM
Section 19: NE/4

(p) EXTEND the Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
Section 25: SE/4

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 30: SW/4

- (q) EXTEND the La Rica-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM
Section 3: All

- (r) EXTEND the Paddock Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 21: SW/4

- (s) EXTEND the Red Lake-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 24: E/2

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM
Section 19: W/2

- (t) EXTEND the Tonto (Seven Rivers) Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
Section 13: SW/4
Section 14: S/2

- (u) EXTEND the Townsend-Strawn Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 4: Lots 1, 2, 7, 8, 9, 10, 15, & 16, and SE/4

- (v) EXTEND the White City-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 26 EAST, NMPM
Section 16: All
Section 34: All

TOWNSHIP 25 SOUTH, RANGE 26 EAST, NMPM
Section 3: All

CASE 5098: (Reopened) (Continued from February 18, 1976 Examiner Hearing)

In the matter of Case 5098 being reopened pursuant to the provisions of Order No. R-4682, which order established special rules for the Red Tank-Morrow Gas Pool, Lea County, New Mexico, including a provision for 640-acre spacing. All interested parties may appear and show cause why said pool should not be developed on 320-acre spacing.

Dockets Nos. 6-76 and 7-76 are tentatively set for hearing on February 18 and March 3, 1976. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 4, 1976

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

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

CASE 5620: Application of Champlin Petroleum Company for a waterflood project, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in the Chaveroo-San Andres Pool by the injection of water into the San Andres formation through its Farrell Federal Well No. 4, located in Unit P of Section 30, Township 7 South, Range 33 East, Roosevelt County, New Mexico. Applicant further seeks an administrative procedure for approval of additional wells at standard and non-standard locations within the project area.

CASE 5397: (Reopened)

In the matter of Case 5397 being reopened pursuant to the provisions of Order No. R-4949, which order established the North Burton Flats-Wolfcamp Gas Pool, Eddy County, New Mexico, and promulgated special pool rules therefor, including a provision for 320-acre spacing and proration units. All interested parties may appear and show cause why said special pool rules should or should not remain in effect.

CASE 5621: Application of El Paso Natural Gas Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval to commingle Basin-Dakota and Blanco-Mesaverde gas production in the wellbore of its Jicarilla 119N Well No. 4, located in Unit H of Section 6, Township 26 North, Range 4 West, Rio Arriba County, New Mexico.

CASE 5622: Application of Texaco for determination of charges and costs, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the determination by the Commission of reasonable well costs, and the applicability of the charge for risk to certain items of expense, for the William G. Ross A. Q. Rogers Well No. 1, located in Unit P of Section 3, Township 18 South, Range 26 East, Eddy County, New Mexico, to which is dedicated the E/2 of said Section 3, said lands having been pooled by Commission Order No. R-4980.

CASE 5623: Application of Amoco Production Company for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced water by injection into the Lower Delaware formation through the perforated interval from 3376 to 3400 feet in its Old Indian Draw Well No. 4, located in Unit I of Section 18, Township 22 South, Range 28 East, Indian Draw-Delaware Pool, Eddy County, New Mexico.

CASE 5624: Application of Harris & Walton for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced water into the Yates-Seven Rivers formation through the open-hole interval from 3507 feet to 3761 feet in its H. Whitten Well No. 1, located in Unit C of Section 4, Township 24 South, Range 36 East, Jalmat Pool, Lea County, New Mexico.

CASE 5625: Application of Walter W. Krug dba Wallen Production Co. for an exception to Order R-111-A, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the Potash-Oil Area casing-cementing rules for his Wallen Fee Well No. 1, located 330 feet from the North line and 990 feet from the West line of Section 28, Township 20 South, Range 34 East, Lea County, New Mexico, to permit completing said well with a shallow-cavings string cemented in and with 7-inch production casing to the top of the pay and a 4 1/2-inch liner through the pay, all cemented to the surface.

CASE 5626: Southeastern New Mexico nomenclature case calling for an order for the creation, abolishments, and extension of certain pools in Eddy and Lea Counties, New Mexico.

(a) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the Carlsbad-Strawn Gas Pool. The discovery well is the Belco Petroleum Corporation Union Mead Com Well No. 1, located in Unit H of Section 8, Township 22 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM
Section 8: All
Section 17: N/2

(b) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the East Carlsbad-Morrow Gas Pool. The discovery well is the Champlin Petroleum Company Pecos Federal Well No. 1, located in Unit C of Section 1, Township 22 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 35: All
Section 36: W/2

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM

Section 1: N/2

Section 2: E/2

(c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the East Carlsbad-Strawn Gas Pool. The discovery well is the Champlin Petroleum Company Pecos Federal Well No. 1, located in Unit C of Section 1, Township 22 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM

Section 1: N/2

(d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Strawn production and designated as the La Huerta-Strawn Gas Pool. The discovery well is the Cities Service Oil Company Tracy A Com Well No. 1, located in Unit C of Section 33, Township 21 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM

Section 33: N/2

(e) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Pennsylvanian production and designated as the Nonombre-Pennsylvanian Pool. Said pool would consolidate the vertical limits and acreage of the abolished Nonombre Lower-Pennsylvanian, Nonombre Middle-Pennsylvanian and the Nonombre Upper-Pennsylvanian Pools. New pool to be governed by the rules of the abolished Nonombre Lower-Pennsylvanian Pool under Order R-2929. Said pool would comprise:

TOWNSHIP 13 SOUTH, RANGE 34 EAST, NMPM

Section 32: All

(f) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Robinia Draw-Morrow Gas Pool. The discovery well is the American Quasar Petroleum Company of New Mexico Robinia Draw Unit Well No. 1, located in Unit K of Section 7, Township 23 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 24 EAST, NMPM

Section 7: W/2

(g) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Pennsylvanian production and designated as the North Sannal-Pennsylvanian Pool. The discovery well is the Dalco Oil Company Bell 17 State Well No. 1, located in Unit G of Section 17, Township 16 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM

Section 17: NE/4

(h) ABOLISH the Nonombre Lower Pennsylvanian Pool in Lea County, New Mexico, described as:

TOWNSHIP 13 SOUTH, RANGE 34 EAST, NMPM

Section 32: SW/4

(i) ABOLISH the Nonombre Middle-Pennsylvanian Pool in Lea County, New Mexico, described as:

TOWNSHIP 13 SOUTH, RANGE 34 EAST, NMPM

Section 32: E/2 NW/4 and W/2 NE/4

(j) ABOLISH the Nonombre Upper-Pennsylvanian Pool in Lea County, New Mexico, described as:

TOWNSHIP 13 SOUTH, RANGE 34 EAST, NMPM

Section 32: E/2 and SW/4

(k) EXTEND the North Benson Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM

Section 32: S/2 NE/4 and NE/4 SW/4

(l) EXTEND the Burton Flat-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM

Section 12: S/2

Section 13: E/2

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM

Section 2: Lots 11, 12, 13, 14 & SW/4

Section 15, 16, 21, 22, & 28: All

Section 33: N/2

Examiner Hearing - Wednesday - February 4, 1976
-3-

(m) EXTEND the Burton Flat-Strawn Gas Pool in Eddy County, New Mexico, to include therein:
TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
Section 15: All

(n) EXTEND the South Carlsbad-Morrow Gas Pool in Eddy County, New Mexico, to include therein:
TOWNSHIP 22 SOUTH, RANGE 27 EAST, NMPM
Section 3: N/2
Section 4: All
Section 5: E/2
Sections 8, 9, 17 & 18: All
Section 20: W/2

(o) EXTEND the Eagle Creek-San Andres Pool in Eddy County, New Mexico, to include therein:
TOWNSHIP 17 SOUTH, RANGE 25 EAST, NMPM
Section 13: N/2 NW/4

(p) EXTEND the Emsont Gas Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 33: NW/4 and SW/4 NE/4

(q) EXTEND the Los Medanos-Morrow Gas Pool in Eddy County, New Mexico, to include therein:
TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM
Section 6: E/2

(r) EXTEND the Lovington-Paddock Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM
Section 3: NW/4
Section 4: NE/4

(s) EXTEND the North Vacuum-Abo Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM
Section 36: SE/4
TOWNSHIP 17 SOUTH, RANGE 34 EAST, NMPM
Section 9: SE/4

(t) EXTEND the Vaja-Pennsylvanian Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 9 SOUTH, RANGE 33 EAST, NMPM
Section 11: E/2

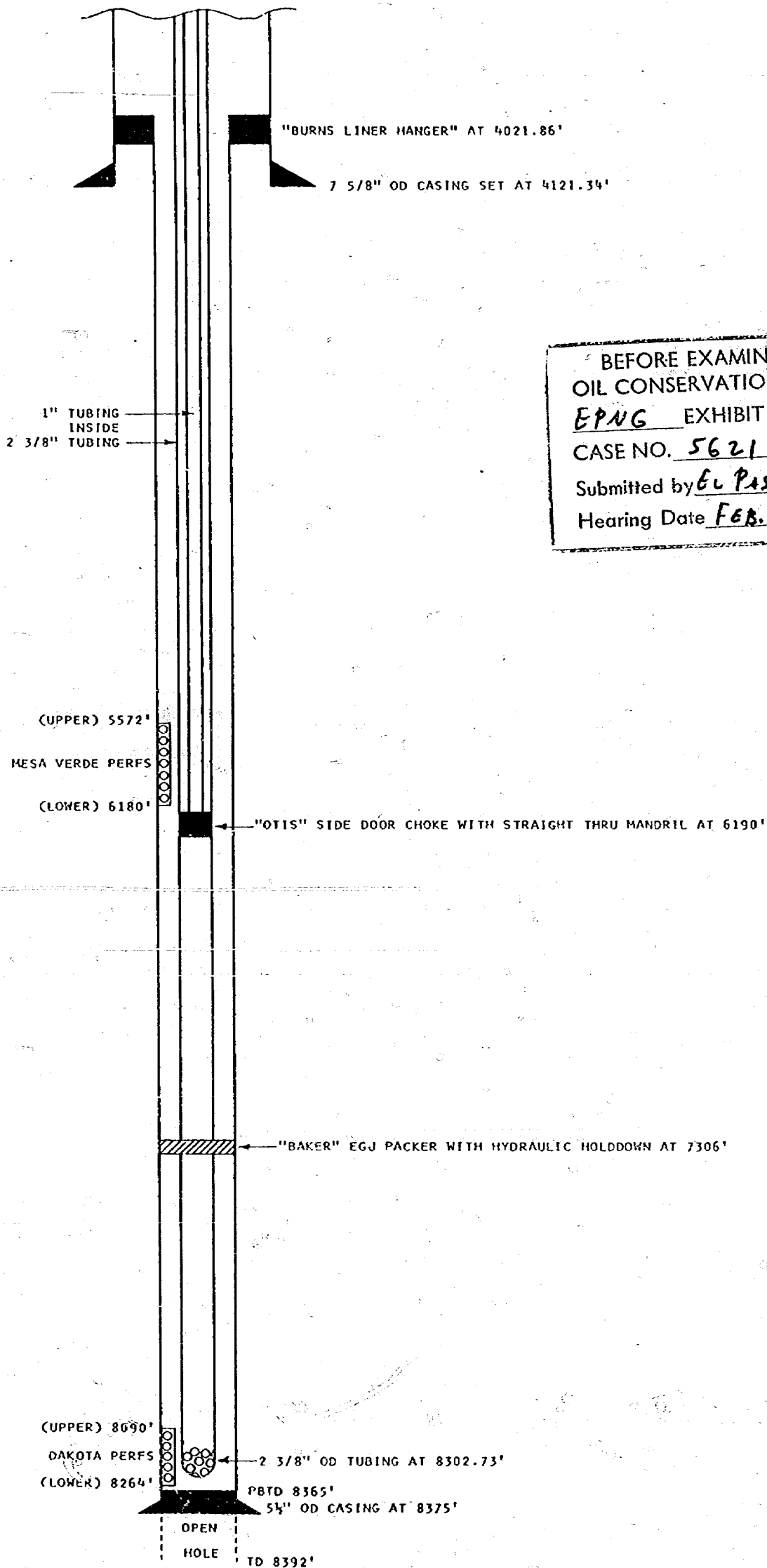
(u) EXTEND the Wantz-Granite Wash Pool in Lea County, New Mexico, to include therein:
TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 14: NE/4

(v) CONTRACT the Indian Basin-Morrow Gas Pool in Eddy County, New Mexico, by the deletion of the following described lands:
TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM
Sections 31 & 32: All
TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM
Sections 4 & 5: All

(w) EXTEND the Cemetery-Morrow Gas Pool in Eddy County, New Mexico, to include the following described lands:
TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM
Section 31: All
Section 32: W/2
TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM
Sections 4 & 5: All

EXHIBIT No. 1

SCHEMATIC DIAGRAM OF DUALY COMPLETED
Northwest Production Corporation Jicarilla 119N #4 Well (MD)
Section 6, T-26-N, R-4-W, Rio Arriba County, New Mexico



BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION
EPNG EXHIBIT NO. 1
CASE NO. 5621
Submitted by EL PASO NATURAL GAS Co
Hearing Date FEB. 4, 1976

A G R E E M E N T

BEFORE EXAMINER STAMETS
OIL CONSERVATION COMMISSION

EPNG EXHIBIT NO. 2

CASE NO. 5621

Submitted by EL PASO NATURAL GAS Co.

Hearing Date of FEB. 4, 1976

THIS AGREEMENT, made and entered into this the 1st day of August, 1975, by and between NORTHWEST PRODUCTION CORPORATION, a Delaware corporation, whose mailing address is P. O. Box 1796, El Paso, Texas, hereinafter called "Northwest", and EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose mailing address is P. O. Box 1492, El Paso, Texas, hereinafter called "El Paso";

W I T N E S S E T H:

Whereas Northwest owns or controls certain developed and undeveloped drilling units in La Plata County, Colorado and in Rio Arriba and San Juan Counties, New Mexico, which drilling units are described in Exhibit "A" attached hereto and made a part hereof and are hereinafter referred to as the "developed units" and the "undeveloped units" respectively; and

Whereas the parties desire to contract for the operation by El Paso of the Developed Units and for the development and operation by El Paso of the Undeveloped Units;

Now, therefore, in consideration of the premises and mutual covenants herein contained, the parties covenant and agree as follows:

1. Management of Drilling Units

El Paso shall have full and complete management of the operation of the Developed Units and of the drilling, development and operation of the Undeveloped Units. El Paso shall furnish all necessary material, supplies, labor and equipment and perform all work in a reasonably prudent manner. Northwest shall have the right from time to time to include hereunder additional drilling units owned or controlled by Northwest in the area in which the drilling units covered hereby are located. Northwest shall also have the right to withdraw any drilling unit from the provisions of this agreement. In the event Northwest elects to add to or delete from Exhibit "A" any drilling unit as contemplated in this paragraph, Northwest shall give notice in writing to El Paso of any such additions or deletions, and this agreement shall be considered as amended accordingly.

2. Costs and Expenses

El Paso shall initially advance and pay the costs and expenses involved in the operation of the Developed Units and in the drilling, development and operation of the Undeveloped Units and shall charge Northwest therefore as set out below.

All such costs expenses, credits and related matter, and the method of handling the accounting with respect thereto, shall be in accordance with the provisions of the Accounting Procedure, attached hereto as Exhibit "B", and made a part hereof for all purposes, provided, however the combined rate for services covered by Paragraph 2 of Section III of Exhibit "B" on a Developed Unit, owned jointly by Northwest and another, or others, and operated by Northwest, shall be equal to the overhead rate under the terms of the presently existing agreement covering operation of said unit. Should any such agreement or agreements be amended to provide for higher overhead rates, such higher rates shall be charged Northwest by El Paso.

3. Duration of Agreement

This Agreement shall be for the term of six (6) months from the effective date hereof and shall continue thereafter on a month to month basis until terminated by one of the parties giving to the other party notice of its intention to terminate not less than thirty (30) days prior to the termination date shown in such notice.

4. Notices

Every notice, request or statement provided for in this Agreement shall be in writing addressed to the party to whom given and mailed or delivered to its post office address as hereinabove set out.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be signed by their duly authorized officers on the day and year first above written.

ATTEST:

[Signature]
Assistant Secretary

NORTHWEST PRODUCTION CORPORATION

By

[Signature]
Vice President

ATTEST:

[Signature]
Assistant Secretary

EL PASO NATURAL GAS COMPANY

By

[Signature]
Assistant Vice President

EXHIBIT "A"

Attached to and made a part of Agreement dated day of November, 1975,
by and between Northwest Production Corporation and El Paso Natural Gas Company.

Description of Drilling Units

Lease	Well No.	Formation(s)	Sub./Sec./T/R	NWP Interest in Unit	Work Order No.
Ignacio 33-8	11-30	MV	W/2 30-33-8	1.000	46000
Bondad 33-9	20-5	MV	E/2 5-33-9	.376	46001
Bondad 33-9	21-36	MV	W/2 36-33-9	1.000	46002
Bondad 33-10	9-1	MV	E/2 1-33-10	.625	46003
Bondad 33-10	11-4	MV	S/2 4-33-10	1.000	46004
Bondad 33-10	12-12	MV	W/2 12-33-10	1.000	46005
Bondad 33-10	13-9	MV	W/2 9-33-10	1.000	46006
Bondad 33-10	15-8	MV	E/2 8-33-10	1.000	46007
Bondad 34-10	1-32	MV	N/2 32-34-10	1.000	46008
Blanco 30-12	1	FR-MV	E/2 4-30-12	1.000	46009
Blanco 30-12 A	3	FR	SW/4 10-30-12	1.000	46010
Blanco 30-12 B	4	FR	NW/4 10-30-12	1.000	46011
Blanco 30-12 Fee Com	6	FR	SE/4 10-30-12	.500	46012
Jicarilla 123 C	1	PC	NW/4 7-25-4	1.000	46013
Jicarilla 123 C	3	PC	SW/4 7-25-4	1.000	46014
Jicarilla 120 C	4	PC	SW/4 29-26-4	1.000	46015
Jicarilla 123 C	5	PC	SW/4 8-25-4	1.000	46016
Jicarilla 123 C	6	PC	SW/4 6-25-4	1.000	46017
Jicarilla 123 C	8	PC	NE/4 30-26-4	1.000	46018
Jicarilla 120 C	9	PC	SW/4 30-26-4	1.000	46019
Jicarilla 120 C	10	PC	NE/4 31-26-4	1.000	46020
Jicarilla 120 C	11	PC	NE/4 32-26-4	1.000	46021
Jicarilla 123 C	12	PC	SE/4 7-25-4	1.000	46022
Jicarilla 120 C	13	PC	SE/4 32-26-4	1.000	46023
Jicarilla 120 C	14	PC	SE/4 30-26-4	1.000	46024
Jicarilla 120 C	15	PC	SE/4 31-26-4	1.000	46025
Jicarilla 120 C	1	PC	SW/4 33-26-3	1.000	46026
Jicarilla 117 E	2	PC-MV	E/2 33-26-3	1.000	46027
Jicarilla 117 E	3	PC-MV	W/2 34-26-3	1.000	46028
Jicarilla 117 E	5	PC-MV	W/2 28-26-3	1.000	46029
Jicarilla 117 E	6	PC	SE/4 33-26-3	1.000	46030
Jicarilla 117 E	7	PC-MV	E/2 28-26-3	1.000	46031
Jicarilla 115 E	14	PC-MV	E/2 10-26-3	1.000	46032
Jicarilla 119 N	1	PC	SW/4 8-26-4	1.000	46033
Jicarilla 119 N	3	PC	SW/4 5-26-4	1.000	46034
Jicarilla 119 N	5	PC	SW/4 6-26-4	1.000	46035
Jicarilla 119 N	6	PC	NE/4 7-26-4	1.000	46036
Jicarilla 119 N	7	PC-MV	E/2 8-26-4	1.000	46037
Jicarilla 119 N	9	PC	NE/4 6-26-4	1.000	46038
Jicarilla 119 N	11	PC	NW/4 7-26-4	1.000	46039
Jicarilla 119 N	12	PC	NW/4 6-26-4	1.000	46040
Jicarilla 119 N	2	PC	SE/4 8-26-4	1.000	46041
Jicarilla 119 N	13	PC	NW/4 8-26-4	1.000	46042
Jicarilla 126 S	1	PC	SE/4 1-24-4	1.000	46043
Jicarilla 126 S	3	PC	NE/4 1-24-4	1.000	46044
Jicarilla 126 S	4	PC	NE/4 2-24-4	1.000	46045
Jicarilla 126 S	5	PC	NW/4 2-24-4	1.000	46046
Jicarilla 127 S	7	PC	NW/4 4-24-4	1.000	46047
Jicarilla 126 S	11	PC	NE/4 11-24-4	1.000	46048
Jicarilla 126 S	12	PC	NE/4 12-24-4	1.000	46049
Jicarilla 126 S	13	PC	SE/4 12-24-4	1.000	46050
Jicarilla 126 S	14	PC	NE/4 13-24-4	1.000	46051
Jicarilla 126 S	2	PC	NW/4 1-24-4	.500	46052

Lease	Well No.	Formation(s)	Sub./Sec./T/R	IMP Interest in Unit	Work Order No.
San Juan 27-8 A	1	PC	SE/4 14-27-8	1.000	46053
San Juan 27-8 A	2	PC	NE/4 14-27-8	1.000	46054
San Juan 27-8 B	3	PC	NE/4 13-27-8	1.000	46055
San Juan 27-8 B	4	PC	SE/4 13-27-8	1.000	46056
San Juan 27-8 C	5	PC	SW/4 11-27-8	1.000	46057
San Juan 27-8 C	6	PC	NW/4 11-27-8	1.000	46058
San Juan 29-9	1	PC	NW/4 35-29-9	1.000	46059
Jicarilla 152 W	1	PC-MV	W/2 7-26-5	1.000	46060
Jicarilla 152 W	2	PC-MV	E/2 5-26-5	1.000	46061
Jicarilla 119 N	4	MV-DK	E/2 6-26-4	1.000	46062 ✓
Jicarilla 119 N	8	MV-DK	W/2 8-26-4	1.000	46063
Jicarilla 119 N	10	MV	W/2 7-26-4	1.000	46064
Blanco 29-12 Com	1	DK	E/2 7-29-12	1.000	46065
Jicarilla 152 W	3	GP-DK	W/2 7-26-5	1.000	46066
Jicarilla 126 S	15	GP	NE/4 11-24-4	1.000	46067
Jicarilla 126 S	16	GP	SW/4 2-24-4	1.000	46068
Jicarilla 123	16	PC	SW/4 5-25-4	1.000	46071
Jicarilla 123	17	PC	SE/4 6-25-4	1.000	46072
Jicarilla 123	18	PC	NE/4 6-25-4	1.000	46073
Jicarilla 123	19	PC	SE/4 5-25-4	1.000	46074
Jicarilla 123	20	PC	NW/4 6-25-4	1.000	46075
Jicarilla 123	21	PC	NE/4 8-25-4	1.000	46076
Jicarilla 119	14	MV	W/2 7-26-4	1.000	46077
Jicarilla 117	8	MV	E/2 33-26-3	1.000	46078
Jicarilla 117	9	MV	W/2 33-26-3	1.000	46079
Jicarilla 119	15	MV	W/2 6-26-4	1.000	46080
Jicarilla 123		PC	NE/4 7-25-4	1.000	
Jicarilla 123		PC	NW/4 5-25-4	1.000	
Jicarilla 123		PC	NE/4 5-25-4	1.000	
Jicarilla 123		PC	NW/4 8-25-4	1.000	
Jicarilla 123		PC	SE/4 8-25-4	1.000	
Jicarilla 119		MV	W/2 8-26-4	1.000	
Jicarilla 119		MV	E/2 8-26-4	1.000	
Jicarilla 117		MV	W/2 33-26-3	1.000	
Jicarilla 120		PC	NW/4 30-26-4	1.000	
Jicarilla 120		PC	NW/4 31-26-4	1.000	
Jicarilla 120		PC	SW/4 31-26-4	1.000	
Jicarilla 117		PC	NW/4 33-26-3	1.000	
Jicarilla 152		PC	SE/4 5-26-5	1.000	
Jicarilla 152		PC	SW/4 5-26-5	1.000	
Jicarilla 152		PC	NW/4 5-26-5	1.000	
Jicarilla 152		MV	E/2 5-26-5	1.000	
Jicarilla 152		MV	W/2 5-26-5	1.000	
Jicarilla 152		MV	W/2 5-26-5	1.000	
Jicarilla 123		DK	E/2 6-25-4	1.000	

EXHIBIT " 8 "

Attached to and made a part of that certain Agreement dated the
// day of November, 1975, by and between Northwest Pro-
duction Corporation and El Paso Natural Gas Company.

ACCOUNTING PROCEDURE JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Account" shall mean the account showing the charges and credits accruing because of the Joint Operations and which are to be shared by the Parties.

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall be defined as set forth under the subparagraph selected below:

A. ☒ Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

B. ☐ Material which is ordinarily so classified and controlled by Operator in the conduct of its operations. List shall be furnished Non-Operators upon request.

2. Statements and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of costs and expenses for the preceding month. Such bills will be accompanied by statements reflecting the total charges and credits as set forth under the subparagraph selected below:

A. ☐ Statement in detail of all charges and credits to the Joint Account.

B. ☐ Statement of all charges and credits to the Joint Account, summarized by appropriate classifications indicative of the nature thereof.

C. ☒ Statement of all charges and credits to the Joint Account, summarized by appropriate classification indicative of the nature thereof, except that items of Controllable Material and unusual charges and credits shall be detailed.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of ten per cent (10%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of the Joint Property as provided for in Section VII.

5. Audits

A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of Non-Operators is expressly required under Paragraphs 5A, 5B, 6A and 8 of Section II, Section III, Section V, Section VI, and Paragraph 4 of Section VII, of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the Operator shall notify all Non-Operators and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. **Rentals and Royalties**
Lease rentals and royalties paid by Operator for the Joint Operations.
2. **Labor**
 - A. (1) Salaries and wages of Operator's employees directly employed on the Joint Property in the conduct of Joint Operations.
 - (2) Salaries of first-level supervisors in the field if such charges are excluded from overhead rates in Option A of Section III.
 - (3) Salaries and wages of technical employees temporarily assigned to and directly employed on the Joint Property if such charges are excluded from overhead rates in Option B of Section III.
 - (4) Salaries and wages of technical employees either temporarily or permanently assigned to and directly employed in the operation of the Joint Property if such charges are excluded from overhead rates in Option C of Section III.
 - B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to the employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1A of Section III; except that in the case of those employees only a pro rata portion of whose salaries and wages are chargeable to the Joint Account under Paragraph 1A of Section III, not more than the same pro rata portion of the benefits and allowances herein provided for shall be charged to the Joint Account. Cost under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1A of Section III. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
 - C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost of salaries and wages chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1A of Section III.
 - D. Reasonable personal expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and for which expenses the employees are reimbursed under Operator's usual practice.
3. **Employee Benefits**
Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1A of Section III shall be chargeable as indicated in the subparagraph selected below:
 - A. ☐ Operator's actual cost.
 - B. ☒ Operator's actual cost not to exceed ^{fifteen} ~~ten~~ per cent ~~(10%)~~ (20%).
4. **Material**
Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. So far as it is reasonably practical and consistent with efficient and economical operation, only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use; and the accumulation of surplus stocks shall be avoided.
5. **Transportation**
Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:
 - A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by Operator and Non-Operators.
 - B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by Operators and Non-Operators. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by Operator and Non-Operators.
 - C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking costs of \$100 or less.
6. **Services**
 - A. The cost of contract services and utilities procured from outside sources other than services covered by Paragraph 8 of this Section II and Paragraph 1B of Section III. The cost of professional consultant services shall not be charged to the Joint Account unless agreed to by Operator and Non-Operators.
 - B. Use and service of equipment and facilities furnished by Operator as provided in Paragraph 5 of Section IV.
7. **Damages and Losses to Joint Property**
All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except to the extent that the damage or loss could have been avoided through the exercise of reasonable diligence on the part of Operator. Operator shall furnish Non-Operators written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.
8. **Legal Expense**
All costs and expenses of handling, investigating, and settling litigation or claims arising by reason of the Joint Operations or necessary to protect or recover the Joint Property, including, but not limited to, attorney's fees, court costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation or claims; provided, (a) no charge shall be made for the services of Operator's legal staff or other regularly employed personnel (such services being considered to be Administrative Overhead under Section III), unless agreed to by Operator and Non-Operators, and (b) no charge shall be made for the fees and expenses of outside attorneys unless the employment of such attorneys is agreed to by Operator and Non-Operators.
9. **Taxes**
All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

10. Insurance

Net premiums paid for insurance required to be carried on the Joint Property for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge therefor on the following basis:

11. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator for the necessary and proper conduct of the Joint Operations.

III. INDIRECT CHARGES

Operator may charge the Joint Account for indirect costs either by use of an allocation of district expense items plus the rate for administrative overhead, and plus the warehousing charges, all as provided for in Paragraph 1 of this Section III or by combining all three of said items under the rates provided for in Paragraph 2 or 3 of this Section III, as indicated next below:

OPERATOR SHALL CHARGE INDIRECT COSTS TO THE JOINT ACCOUNT UNDER THE TERMS OF:

- ☐ Paragraph 1. (District Expense, Administrative Overhead and Warehousing)
☒ Paragraph 2. (Combined Rates - Well Basis)
☐ Paragraph 3. (Combined Rates - Percentage Basis)

The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by Operator and Non-Operators as a direct charge to the Joint Account.

THE OVERHEAD RATES PROVIDED FOR IN ANY OF THE PARAGRAPHS SELECTED ABOVE

- A. ☐ shall ☒ shall not include salaries and personal expenses of first-level supervisors in the field.
 B. ☐ shall ☒ shall not include salaries, wages and personal expenses of technical employees temporarily assigned to and directly employed on the Joint Property.
 C. ☒ shall ☐ shall not include salaries, wages and personal expenses of technical employees either temporarily or permanently assigned to and directly employed in the operation of the Joint Property.

1. District Expense, Administrative Overhead and Warehousing**A. District Expense**

Operator shall charge the Joint Account with a pro rata portion of the salaries, wages and expenses of Operator's production superintendent and other employees serving the Joint Property and other properties of the Operator in the same operating area, whose time is not allocated directly to the properties, and a pro rata portion of the cost of maintaining and operating a production office known as Operator's

..... office located at or near
 (or a comparable office if location changed); and necessary sub-offices (if any), maintained for the convenience of the above-described office, and all necessary camps, including housing facilities for employees if required, used in connection with the operations of the Joint Property and other properties in the same operating area. The expense of, less any revenue from, such facilities may, at the option of Operator, include depreciation of investment or a fair monthly rental in lieu of depreciation. Such charges shall be apportioned to all properties served on some equitable basis consistent with Operator's accounting practice.

B. Administrative Overhead

Operator shall charge administrative overhead to the Joint Account at the following rates, which charge shall be in lieu of the cost and expense of all offices of the Operator not covered by Paragraph 1A of this Section III, including salaries, wages and expenses of personnel assigned to such offices. Such charge shall be in addition to the salaries, wages and expenses of employees of Operator authorized to be charged direct as provided in Paragraphs 2 and 3 of Section II. Such charge shall be made on the basis indicated below, either (1) well basis or (2) percentage basis, at the rates shown thereunder.

(1) ☐ Well Basis**RATE PER WELL PER MONTH**

Well Depth	DRILLING WELL RATE (Use Total Depth)	PRODUCING WELL RATE (Use Current Producing Depth)		
	Each Well	First Five	Next Five	All Wells Over Ten
.....
.....
.....
.....

(2) ☐ Percentage Basis**PERCENTAGE BASIS****Development:**

..... Percent (%) of the cost of development of the Joint Property exclusive of costs provided under Paragraph 3 of Section II and all salvage credits.

Operating:

..... Percent (%) of the cost of operating the Joint Property exclusive of costs provided under Paragraphs 1 and 3 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

C. Operator's Warehouse Operating and Maintenance Expense

- [] Included in district expense
 [] No charge either direct or indirect
 [] Percentage basis (describe fully)

2. Combined Rates - Well Basis

Operator shall charge the Joint Account for the services covered by Paragraph 1 of this Section III on the basis indicated below:

		RATE PER WELL PER MONTH		
Well Depth /	DRILLING WELL RATE	PRODUCING WELL RATE		
	(Use Total Depth)	(Use Current Producing Depth)		
	Each Well	First Five	Next Five	All Wells Over Ten
All Depths	\$200.00	\$100.00 each well		

3. Combined Rates - Percentage Basis

Operator shall charge the Joint Account for the services covered by Paragraph 1 of this Section III on the basis indicated below:

PERCENTAGE BASIS

A. Development:

..... Percent (%) of the cost of development of the Joint Property exclusive of costs provided under Paragraph 8 of Section II and all salvage credits.

B. Operating:

..... Percent (%) of the cost of operating the Joint Property exclusive of costs provided under Paragraphs 1 and 8 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

4. Application of Administrative Overhead or Combined Rates - Well Basis

The following limitations, instructions and charges shall apply in the application of the rates as provided under either Paragraph 1B (1) or Paragraph 2 of this Section III.

A. Charges for drilling wells shall begin on the date each well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.

B. The status of wells shall be as follows:

(1) Producing gas wells, injection wells for recovery operations, water supply wells utilized for waterflood-ing operations and salt water disposal wells shall be considered the same as producing oil wells.

(2) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the well schedule at the time the shutdown is effected. Any well being plugged or produced during any portion of the month shall be considered as a producing well for the entire month.

(3) Wells being plugged back, drilled deeper, converted to a source or input well, or which are undergoing any type of workover that requires the use of a drilling rig or workover rig capable of drilling shall be considered the same as drilling wells.

(4) Temporarily shut-down wells, which are not produced or worked upon for a period of a full calendar month, shall not be included in the well schedule, provided however, wells shut in by governmental regulatory body shall be included in the well schedule only in the event the allowable production is transferred to some other well or wells on the Joint Property. In the event of a unit allowable, shut-in wells shall be counted in determining the charge hereunder for such month if said wells contribute allowable production that is actually produced during such month from one or more unit wells as a result of allowable transfer, inclusion in the unit allowable or other circumstances, but the total shut-in well count shall be limited to the minimum number of shut-in wells necessary to provide the contributed allowable actually produced during the month.

(5) Gas wells shall be included in the well schedule if directly connected to a permanent sales outlet even though temporarily shut in due to overproduction or failure of purchaser to take the allowed production.

(6) Wells completed in multiple horizons, shall be considered as a producing well for each separately producing horizon, providing each completion is considered a separate well by governmental or other state-wide regulatory authority.

C. The well rates for producing wells shall be applied to the individual leases; provided that, whenever leases covered by this agreement are operated as a unitized project, the well rates shall be applied to the total number of producing wells, irrespective of individual leases.

D. The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. 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, or the equivalent Canadian Index as published by the Dominion Bureau of Statistics, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

5. Application of Administrative Overhead or Combined Rates - Percentage Basis

For the purpose of determining charges on a Percentage Basis under Paragraph 1B (2) or Paragraph 3 of this Section III, Development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling; and expenditures incurred in abandoning when well is not completed as a producer; and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 6 of this Section III. All other costs shall be considered as Operating.

6. Major Construction Overhead

For the construction of compressor plants, water stations, secondary recovery systems, drilling and production platforms, salt water disposal facilities, and other such projects, as distinguished from the more usual drilling

and producing operations, Operator in addition to the Administrative Overhead or Combined Rates provided for in Paragraph 1, 2 or 3 of this Section III shall either negotiate a rate prior to beginning of construction or shall charge the Joint Account with an additional overhead charge as follows:

- A. Total cost less than \$25,000, no charge.
- B. Total cost more than \$25,000, but less than \$100,000,% of total cost.
- C. Total cost of \$100,000 or more,% of the first \$100,000 plus% of all over \$100,000 of total cost.

Total cost shall mean the total gross cost of any one project. For the purpose of this paragraph the component parts of a single project shall not be treated separately and the cost of drilling wells shall be excluded.

7. Amendment of Rates

The specific rates provided for in this Section III may be amended from time to time by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

* To be negotiated when and if necessary.

IV. BASIS OF CHARGES TO JOINT ACCOUNT

Subject to the further provisions of this Section IV, Operator will procure all Material and services for the Joint Property. At the Operator's option, Non-Operators may supply Material or services for the Joint Property.

1. Purchases

Material purchased and service procured shall be charged at the price paid by Operator after deduction of all discounts actually received.

2. Material furnished from Operator's Warehouse or Other Properties

A. New Material (Condition "A")

- (1) Tubular goods, except line pipe, shall be priced on a maximum carload and/or barge load weight basis regardless of quantity transferred and equalized to the lowest prevailing price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available effective at date of transfer.
- (2) Line pipe shall be priced at the current replacement cost effective at date of transfer from a reliable supply store nearest the Joint Property where such Material is normally available if the movement is less than 30,000 pounds. If the movement is 30,000 pounds or more, it shall be priced on the same basis as casing and tubing under Subparagraph (1) of this paragraph.
- (3) When the Operator has equalized actual hauling costs as provided for in Paragraph 5 of Section II, Operator is permitted to include ten cents (10¢) per hundred-weight on all tubular goods furnished from his stocks in lieu of loading and unloading costs sustained.
- (4) Other Material shall be priced at the current replacement cost of the same kind of Material, effective at date of movement and f.o.b. the supply store or railway receiving point nearest the Joint Property where Material of the same kind is normally available.
- (5) The Joint Account shall not be credited with cash discounts applicable to prices provided for in this Paragraph 2 of Section IV.

B. Used Material (Condition "B" and "C")

- (1) Material in sound and serviceable condition and suitable for reuse without reconditioning, shall be classified as Condition "B" and priced at seventy-five per cent (75%) of the current price of new Material.
- (2) Material which is not suitable for its original function until after reconditioning shall be furnished to the Joint Account under one of the two methods defined below:
 - (a) Classified as Condition "B" and priced at seventy-five per cent (75%) of the current price of new Material. The cost of reconditioning shall be absorbed by the Operator of the transferring property.
 - (b) Classified as Condition "C" and priced at fifty per cent (50%) of current price of new Material. The cost of reconditioning also shall be charged to the receiving property, provided Condition "C" value, plus cost of reconditioning, does not exceed Condition "B" value.
- (3) Obsolete Material or Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose.
- (4) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at prices specified in Paragraphs 1 and 2 of this Section IV because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in procuring such Material, in making it suitable for use, and in moving it to the Joint Property, provided, that notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within 10 days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

5. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of equipment and facilities at rates commensurate with cost of ownership and operation. Such rates shall include cost of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed six per cent (6%) per annum, provided such rates shall not exceed those currently prevailing in the immediate area within which the Joint Property is located. In lieu of rates based on costs of ownership and operation of equipment, other than automotive, Operator may elect to use commercial rates prevailing in the area of the Joint Property less 20%; for automotive equipment, rates as published by the Petroleum Motor Transport Association may be used. Rates for laboratory services shall not exceed those currently prevailing if performed by

outside service laboratories. Rates for trucks, tractors and well service units may include wages and expenses of operator.

- B. Whenever requested, Operator shall inform Non-Operators in advance of the rates it proposes to charge.
- C. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

V. DISPOSAL OF MATERIAL

The Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus Condition "A" or "B" Material. The disposition of surplus Controllable Material, not purchased by Operator, shall be agreed to by Operator and Non-Operators, provided Operator shall dispose of normal accumulations of junk and scrap Material either by transfer or sale from Joint Property.

1. Material Purchased by the Operator or Non-Operators.

Material purchased by either the Operator or Non-Operators shall be credited by the Operator to the Joint Account for the month in which the Material is removed by the purchaser.

2. Division in Kind

Division of Material in kind, if made between Operator and Non-Operators, shall be in proportion to the respective interests in such Material. The Parties will thereupon be charged individually with the value of the Material received or receivable. Proper credits shall be made by the Operator to the Joint Account.

3. Sales to Outsiders

Sales to outsiders of Material from the Joint Property shall be credited by Operator to the Joint Account at the net amount collected by Operator from vendee. Any claim by vendee related to such sale shall be charged back to the Joint Account if and when paid by Operator.

VI. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or Non-Operators or divided in kind, unless agreed to by Operator and Non-Operators shall be priced on the following basis:

1. New Price Defined

New price as used in this Section VI shall be the price specified for new Material in Section IV.

2. New Material

New Material (Condition "A"), being new Material procured for the Joint Property but never used, at one hundred per cent (100%) of current new price (plus sales tax if any).

3. Good Used Material

Good used Material (Condition "B"), being used Material in sound and serviceable condition, suitable for reuse without reconditioning:

- A. At seventy-five per cent (75%) of current new price if Material was charged to Joint Account as new, or
- B. At sixty-five per cent (65%) of current new price if Material was originally charged to the Joint Account as secondhand at seventy-five per cent (75%) of new price.

4. Other Used Material

Used Material (Condition "C"), at fifty per cent (50%) of current new price, being used Material which:

- A. Is not in sound and serviceable condition but suitable for reuse after reconditioning, or
- B. Is serviceable for original function but not suitable for reconditioning.

5. Bad-Order Material

Material (Condition "D"), no longer suitable for its original purpose without excessive repair cost but usable for some other purpose at a price comparable with that of items normally used for such other purpose.

6. Junk Material

Junk Material (Condition "E"), being obsolete and scrap Material, at prevailing prices.

7. Temporarily Used Material

When the use of Material is temporary and its service to the Joint Property does not justify the reduction in price as provided for in Paragraph 3B of this Section VI, such Material shall be priced on a basis that will leave a net charge to the Joint Account consistent with the value of the service rendered.

VII. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Reconciliation of inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable to Non-Operators only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by Operator and Non-Operators.

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF EL PASO NATURAL GAS COMPANY
TO COMMINGLE IN ITS NO. 4
JICARILLA 119N WELL LOCATED IN
SECTION 6, TOWNSHIP 26 NORTH,
RANGE 4 WEST, RIO ARriba COUNTY,
NEW MEXICO.

Cause No. 5621

ENTRY OF APPEARANCE

COMES NOW MONTGOMERY, FEDERICI, ANDREWS, HANNAHS & BUELL and
enters its appearance in the above-captioned matter on behalf of
EL PASO NATURAL GAS COMPANY.

MONTGOMERY, FEDERICI, ANDREWS, HANNAHS
& BUELL

By 

Attorneys for EL PASO NATURAL GAS
COMPANY

Post Office Box 2307
Santa Fe, New Mexico 87501
(505) 982-3873

Case 5621

El Paso NATURAL GAS
COMPANY

JAN - 8 1976

CONSERVATION COMM.
Santa Fe

P.O. BOX 1492
EL PASO, TEXAS 79901
PHONE: 915-543-2600

JAN - 8 1976

CONSERVATION COMM.
Santa Fe

January 6, 1976

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

Gentlemen:

El Paso Natural Gas Company, as agent and operator for Northwest Production Corporation, respectfully requests a hearing be set before the Commission or its designated examiner wherein El Paso will seek approval to downhole commingle gas from the Basin Dakota Pool with gas from the Blanco Mesaverde Pool in the Northwest Production Corporation's Jicarilla 119N #4 well. This well is located in the NE/4 Section 6, T-26-N, R-4-W, Rio Arriba County, New Mexico.

Very truly yours,

E. R. Manning
E. R. Manning

ERM:eh

H?

DOCKET MAILED
Date 1/26/76

CASE 5621:

Application of El Paso Natural Gas Company
as agent for Northwest Production Corporation
for downhole commingling, Rio Arriba
County, New Mexico.

Applicant, in the above-styled cause, seeks approval to
commingle Basin-Dakota and Blanco-Mesaverde gas production
in the wellbore of Northwest Production Corporation's Jicarilla
119N Well No. 4, located in Unit H of Section 6, Township 26
North, Range 4 West, Rio Arriba County, New Mexico.

PRESENT TESTIMONY - THEN READ

dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5621

Order No. R- 5174

NORTHWEST PRODUCTION
CORPORATION,

APPLICATION OF EL PASO NATURAL GAS COMPANY, AS AGENT FOR
FOR DOWNHOLE COMMINGLING, RIO ARriba
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 3,
19 76, at Santa Fe, New Mexico, before Examiner Richard L. Stamets

NOW, on this day of March, 1976, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

as agent for Northwest Production Corporation,
(2) That the applicant, El Paso Natural Gas Company, is the
~~owner and~~ operator of the Jicarilla 119N Well No. 4, located
in Unit H of Section 6, Township 26 North, Range
4 West, NMPM, Rio Arriba County, New Mexico.

(3) That the applicant seeks authority to commingle Basin-
Dakota and Blanco-Mesaverde production
within the wellbore of the above-described well.

(4) That from the Basin-Dakota zone, the
subject well is capable of low ~~marginal~~ ^{rates of} production only.

(5) That from the Blanco-Mesaverde zone, the
subject well is capable of low ~~marginal~~ ^{rates of} production only.

(6) That the proposed commingling may result in the recovery
of additional hydrocarbons from each of the subject pools, thereby
preventing waste, and will not violate correlative rights.

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(7) That the reservoir characteristics of each of the subject zones are such that underground waste would not be caused by the proposed commingling provided that the well is not shut-in for an extended period.

(8) That to afford the Commission the opportunity to assess the potential for waste and to expeditiously order appropriate remedial action, the operator should notify the Aztec district office of the Commission any time the subject well is shut-in for 7 consecutive days.

(9) That in order to allocate the commingled production to each of the commingled zones in the subject well, 82 and 100 percent of the commingled gas and oil ^{respectively,} production should be allocated to the Basin-Dakota zone, and 18 percent of the commingled gas production to the Blanco-Mesaverde zone.

IT IS THEREFORE ORDERED:

as agent for Northwest Production Corporation,
(1) That the applicant, El Paso Natural Gas Company

tion, is

hereby authorized to commingle Basin-Dakota and Blanco-Mesaverde production within the wellbore of the Jicarilla 119N Well No. 4, located in Unit H of Section 6, Township 26 North, Range 4 West, NMPM, Rio Arriba County, New Mexico.

(2) That 82 and 100 percent of the commingled gas and oil ^{respectively,} production shall be allocated to the Basin-Dakota zone and 18 percent of the commingled gas production shall be allocated to the Blanco-Mesaverde zone.

(3) That the operator of the subject well shall immediately notify the Commission's Aztec district office any time the well has been shut-in for 7 consecutive days and shall concurrently present, to the Commission, a plan for remedial action.

(4) 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.