

*Substantive
12-11-94*

EDMUND T. ANDERSON, IV
OIL AND GAS PROPERTIES
P.O. BOX 8575
MIDLAND, TEXAS 79708-8575

TELE: (915) 686-8838

July 4, 1994

David R. Catanach
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, NM 87504

Re: NMOCD Cases 10955 and 10957,
Application of Consolidated Oil
& Gas, Inc., San Juan County,
New Mexico; Orders of the Division

Dear Mr. Catanach,

I respectfully request a rehearing in the above two cases under the provisions of Section 70-2-25 of the New Mexico Statutes on the following grounds:

1. The Commission does not have jurisdiction over me. Despite the "Release" provided you by Consolidated, it has never been sent to me in accordance with New Mexico Statutes, it was signed by the wrong parties, and my minerals have still not be released back to me.
2. The Commission does not have jurisdiction over the question of Consolidated's right to recover drilling costs incurred by Richmond from me, and if the Commission does have jurisdiction, as a matter of law Consolidated is not entitled to such recovery. This is a matter of law which should be reserved to the courts.
3. There should be no risk penalty assessed on the completion costs.

Post-It™ brand fax transmittal memo 7871		# of pages > 1
To <i>David Catanach</i>	From <i>Ed Anderson</i>	
Co.	Co.	
Dept.	Phone #	
Fax #	Fax # <i>915-683-4500</i>	

Sincerely,

Edmund T. Anderson, IV

Consolidated Oil & Gas, Inc.

OIL CONSERVATION DIVISION
RECEIVED

July 7, 1994

'94 JUL 17 AM 8 50

FAX #505-827-5741

Mr. David R. Catanach
State of New Mexico
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504

Re: OCD Order No.'s R-9033-A,
R-9178-A and R-9179-A
San Juan & Rio Arriba Counties, New Mexico

Dear Mr. Catanach:

Enclosed are copies of the Certified letters, including itemized schedules of estimated completion costs that were sent to Mr. Rubow and Mr. Anderson for the Federal 32-6-9 #1, Carnes 32-6-11 #1 and Miller 32-6-11 #1 wells. Please call me with any questions or comments that you may have.

Further, with regards to Mr. Rubow's letter of July 6, 1994, the office of T.H. McElvain has advised me that the release of Mr. Rubow's minerals is recorded as follows:

<u>COUNTY</u>	<u>SAN JUAN</u>	<u>RIO ARRIBA</u>
Recording Date	5-23-94	6-29-94
Book	1183	145
Page	245	638

I am certain that Mr. Kellahin can provide you with a copy next week.

Sincerely,



Philip G. Wood
Land Manager

PGW:lm
enclosures

Consolidated Oil & Gas, Inc.

July 7, 1994

CERTIFIED MAIL

James Rubow
1645 Court Place, Suite 324
Denver, CO 80202

Re: Miller 32-6-11 #1 Well
N/2 Section 11, T32N, R6W
Carnes 32-6-11 #1 Well
S/2 Section 11, T32N, R6W
San Juan County, New Mexico

Dear Mr. Rubow:

Pursuant to State of New Mexico Oil Conservation Division Orders R-9033-A and R-9178-A, you are hereby provided with Consolidated's itemized schedule of estimated completion costs for the Miller 32-6-11 #1 and Carnes 32-6-11 #1 wells.

Each AFE has an industry standard 10% contingency factored into its total, which move the amounts slightly above the estimates set forth in the orders, but should still fall well within the range of "reasonable well costs."

At this time, Consolidated requests your election to either 1) participate by paying your pro-rata share of reasonable well costs, or 2) become subject to the risk penalties outlined in the Orders. Should you elect to participate in either one or both wells, please provide Consolidated with a cashiers check for your pro-rata share as follows:

	<u>Miller 32-6-9 #1</u>	<u>Carnes 32-6-11 #1</u>
	\$203,990.00	\$205,338.40
	* 0.00257732	* 0.050000
Your share:	\$525.75	Your share: \$10,266.92

Your share in both wells: \$10,792.67

Your election to participate and subsequent payment of funds is due within thirty (30) days from receipt of this letter.

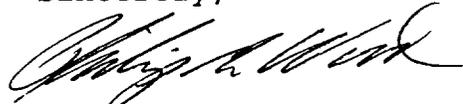
Consolidated Oil & Gas, Inc.

Mr. James Rubow
July 7, 1994
Page Two

Consolidated Oil & Gas, Inc. is approximately midway through the construction of its Colorado based gas gathering/water disposal system that will ultimately branch southward and tie into the Carnes and Miller wells. Water will be piped to a central facility in La Plata County and disposed of through our agreement with RMI Environmental Services. The gas line will be connected to El Paso's Ignacio Blanco System.

We anticipate initial gathering and disposal rates of \$0.80 - \$1.00 per barrel of water and \$0.18 - \$0.25 per MCF. Additional information regarding rates and time schedules is forthcoming. Our plan is to be fully operational by October 1, 1994.

Sincerely,



Philip G. Wood
Land Manager

PGW:ab
enclosure

cc: State of New Mexico
Oil Conservation Division
Attn: Mr. David R. Catanach
P.O. Box 2088
Santa Fe, NM 87504

CONSOLIDATED OIL & GAS, INC.
410 17TH STREET, SUITE 2300
DENVER, CO 80202

AUTHORIZATION FOR EXPENDITURE

AFE No. 0694004
 Lease Miller 32-6-11 #1 Field Basin Fruitland Coal
 County San Juan State New Mexico
 Date Work to Start 8-22-94 Time to Complete 5 Days Work to Be Done By 8-26-94

Nature of Proposed Work: The well will be fracture stimulated, equipped with facilities and hooked up for gas sales.

It is estimated that the following labor, material, etc., will be required:

Quantity	Description	Estimated Cost
	Frac Stimulation	\$70,000.00
	Workover Rig	\$6,000.00
	Testing	\$2,500.00
	Equipment (Tbg, Rods, Valves)	\$9,500.00
	Facilities (P.U., Sep., Tanks, Mtr.)	\$34,000.00
	Flowline Installation	\$16,000.00
	Site Reclamation, Road Work, Graveling	\$15,000.00
	Misc. (Roustabout, Rentals, etc.)	\$3,000.00
	Contingencies @10%	\$15,000.00
	Supervision	\$2,500.00

TOTAL \$173,500.00

Recommended by *ASH* Alan C. Harrison, District Operations Manager Date: July 1, 1994
 Name and Title

Approved by *J. A. Wacker* Date: 7/1/94

COMPANY NAME: James Rubow

Approved by _____ Date: _____
 Name and Title

Company W. I. .00257732 Net Cost: \$447.17

CONSOLIDATED OIL & GAS, INC.
410 17TH STREET, SUITE 2300
DENVER, CO 80202

AUTHORIZATION FOR EXPENDITURE

Lease Carnes 32-6-11 #1 AFE No. 0694006
 County San Juan Field Basin Fruitland Coal
 State New Mexico
 Date Work to Start 8-29-94 Time to Complete 5 Days Work to Be Done By 9-2-94

Nature of Proposed Work: The well will be fracture stimulated, equipped with facilities and hooked up for gas sales.

It is estimated that the following labor, material, etc., will be required:

Quantity	Description	Estimated Cost
	Frac Stimulation	\$70,000.00
	Workover Rig	\$6,000.00
	Testing	\$2,500.00
	Equipment (Tbg, Rods, Valves)	\$9,500.00
	Facilities (P.U., Sep., Tanks, Mtr.)	\$34,000.00
	Flowline Installation	\$16,000.00
	Site Reclamation, Road Work, Graveling	\$15,000.00
	Misc. (Roustabout, Rentals, etc.)	\$3,000.00
	Contingencies @10%	\$15,000.00
	Supervision	\$2,500.00

TOTAL \$173,500.00

Recommended by *A.C.H.* Alan C. Harrison, District Operations Manager Date: July 1, 1994
 Name and Title

Approved by *J.A. Washler* Date: 7/1/94

COMPANY NAME: James Rubow

Approved by _____ Date: _____
 Name and Title

Company W. I. .050000 Net Cost: \$8,675.00

Consolidated Oil & Gas, Inc.

July 7, 1994

CERTIFIED MAIL

Mr. Edmund T. Anderson, IV, Individually, and as
Trustee of the Mary Anderson Boll Family Trust
P.O. Box 8575
Midland, Texas 79708-1575

Re: Federal 32-6-9 #1 Well
E/2 Section 9, T32N, R6W
Carnes 32-6-11 #1 Well
S/2 Section 11, T32N, R6W
San Juan County, New Mexico

Dear Mr. Anderson:

Pursuant to State of New Mexico Oil Conservation Division Orders R-9033-A and R-9179-A, you are hereby provided with Consolidated's itemized schedule of estimated completion costs for the Federal 32-6-9 #1 and Carnes 32-6-11 #1 wells.

Each AFE has an industry standard 10% contingency factored into its total, which move the amounts slightly above the estimates set forth in the orders, but should still fall well within the range of "reasonable well costs."

At this time, Consolidated requests your election to either 1) participate by paying your pro-rata share of reasonable well costs, or 2) become subject to the risk penalties outlined in the Orders. Should you elect to participate in either one or both wells, please provide Consolidated with a cashiers check for your pro-rata share as follows:

<u>Federal 32-6-9 #1</u>	<u>Carnes 32-6-11 #1</u>
\$285,232.80	\$205,338.40
* 0.03579098%	* 0.03125%
Your share: \$10,208.76	Your share: \$6,416.82

Your share in both wells: \$16,625.58

Your election to participate and subsequent payment of funds is due within thirty (30) days from receipt of this letter.

Consolidated Oil & Gas, Inc.

Mr. Edmund T. Anderson, IV
July 7, 1994
Page Two

Consolidated Oil & Gas, Inc. is approximately midway through the construction of its Colorado based gas gathering/water disposal system that will ultimately branch southward and tie into the Carnes and Federal wells. Water will be piped to a central facility in La Plata County and disposed of through our agreement with RMI Environmental Services. The gas line will be connected to El Paso's Ignacio Blanco System.

We anticipate initial gathering and disposal rates of \$0.80 - \$1.00 per barrel of water and \$0.18 - \$0.25 per MCF. Additional information regarding rates and time schedules is forthcoming. Our plan is to be fully operational by October 1, 1994.

Sincerely,



Philip G. Wood
Land Manager

PGW:ab
enclosure

cc: State of New Mexico
Oil Conservation Division
Attn: Mr. David R. Catanach
P.O. Box 2088
Santa Fe, NM 87504

CONSOLIDATED OIL & GAS, INC.
410 17TH STREET, SUITE 2300
DENVER, CO 80202

AUTHORIZATION FOR EXPENDITURE

Lease Federal 32-6-9 #1 AFE No. 0694005
 County San Juan Field Basin Fruitland Coal
 State New Mexico
 Date Work to Start 8-22-94 Time to Complete 12 Days Work to Be Done By 9-1-94

Nature of Proposed Work: The well will be completed using the cavitation method, equipped with facilities, a flowline laid, and hooked up for sales.

It is estimated that the following labor, material, etc., will be required:

Quantity	Description	Estimated Cost
	Cavitation Completion Unit (Rig, Compressor, BOPs, etc.) (10 days @\$7,500/day)	\$75,000.00
	Equipment (Tbg, Rods, Valves)	\$8,500.00
	Facilities (P.U., Sep., Tanks, Mtr.)	\$34,000.00
	Flowline Installation	\$45,000.00
	Testing	\$2,500.00
	Site Reclamation, Road Work, Graveling	\$15,000.00
	Misc. (Roustabout, Rentals, etc.)	\$5,000.00
	Contingencies @10%	\$18,500.00
	Supervision	\$6,000.00

TOTAL \$209,500.00

Recommended by *ACH* Alan C. Harrison, District Operations Manager Date: July 1, 1994
 Name and Title

Approved by *J A Wacker* Date: 7/1/94

COMPANY NAME: Edmund T. Anderson, IV, Individually, and as Trustee of the Mary Anderson Boll Family Trust

Approved by _____ Date: _____
 Name and Title

Company W. I. 03579098 Net Cost: \$7,498.21

CONSOLIDATED OIL & GAS, INC.
410 17TH STREET, SUITE 2300
DENVER, CO 80202

AUTHORIZATION FOR EXPENDITURE

Lease Carnes 32-6-11 #1 AFE No. 0694006
 County San Juan Field Basin Fruitland Coal
 State New Mexico
 Date Work to Start 8-29-94 Time to Complete 5 Days Work to Be Done By 9-2-94

Nature of Proposed Work: The well will be fracture stimulated, equipped with facilities and hooked up for gas sales.

It is estimated that the following labor, material, etc., will be required:

Quantity	Description	Estimated Cost
	Frac Stimulation	\$70,000.00
	Workover Rig	\$6,000.00
	Testing	\$2,500.00
	Equipment (Tbg, Rods, Valves)	\$9,500.00
	Facilities (P.U., Sep., Tanks, Mtr.)	\$34,000.00
	Flowline Installation	\$16,000.00
	Site Reclamation, Road Work, Graveling	\$15,000.00
	Misc. (Roustabout, Rentals, etc.)	\$3,000.00
	Contingencies @10%	\$15,000.00
	Supervision	\$2,500.00

TOTAL \$173,500.00

Recommended by *ASH* Alan C. Harrison, District Operations Manager Date: July 1, 1994
 Name and Title

Approved by *J A Waechter* Date: 7/1/94

COMPANY NAME: Edmund T. Anderson, IV, Individually, and as Trustee of the Mary Anderson Boll Family Trust

Approved by _____ Date: _____
 Name and Title

Company W. I. .03125 Net Cost: \$5,421.88

OIL CONSERVATION DIVISION
RECEIVED
'94 AUG 2 AM 8 50

EDMUND T. ANDERSON, IV
OIL AND GAS PROPERTIES
P.O. BOX 8575
MIDLAND, TEXAS 79708-8575

TELE: (915) 686-8838

July 29, 1994

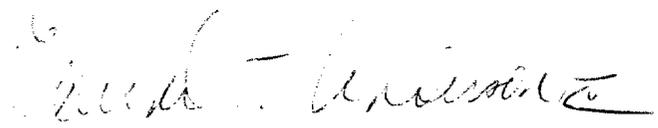
David R. Catanach
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, NM 87504

Re: NMOCD Cases 10955 and 10957,
Application of Consolidated Oil
& Gas, Inc., San Juan County,
New Mexico; Rehearing

Dear Mr. Catanach,

Consolidated Oil & Gas, Inc., and I have entered into an agreement settling our differences in the above two cases; I therefore withdraw my request for a rehearing in these cases.

Sincerely,


Edmund T. Anderson, IV

JAMES J. RUBOW
1645 Court Place #324
Denver, Colorado 80202
303-572-3351

OIL CONSERVATION DIVISION
RECEIVED

'94 AUG 1 AM 8 50

David Catanach
Hearing Examiner
Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87501



July 27, 1994

Re: NMOCD Cases #10956 & 10957
Miller 32-6-11 Well &
Carnes 32-6-11 Well
Consolidated Oil & Gas Inc.
San Juan and Rio Arriba Counties, NM

Dear Mr. Catanach:

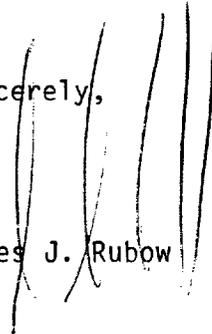
I hereby ~~withdraw~~ my application for a De Novo Hearing in Cases #10956
and #10957.

The parties have agreed to certain terms among themselves rendering the
De Novo hearing unnecessary.

Thank you for your patience in this matter.

Sincerely,

James J. Rubow



CC: Ed Anderson
Philip Wood



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

August 22, 1994

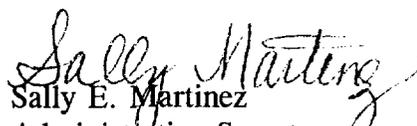
James J. Rubow
1645 Court Place #324
Denver, CO 80202

RE: CASE NO. 10957
ORDER NO. R-9179-B

Dear Sir:

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

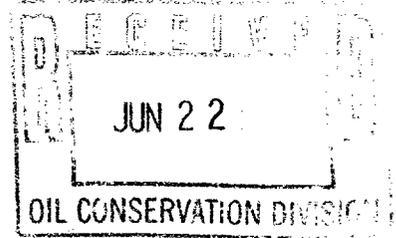
Sincerely,


Sally E. Martinez
Administrative Secretary

cc: BLM - Farmington
OCD - Aztec
Edmund Kendrick

Consolidated Oil & Gas, Inc.

June 5, 1995



New Mexico Oil Conservation Division
Attn: Mr. Michael Stogner
2040 S. Pacheco
Santa Fe, NM 87505

Case 10957

RE: Carnes 32-6-11 No. 1
(OCD Pooling Order R-9179-A)
San Juan County, New Mexico

Dear Working Interest Owner:

The following is an itemized schedule of the completion costs incurred for the above-referenced lease.

COMPLETION COSTS:

• FRAC STIMULATION (ACIDIZE, FRAC)	\$ 57,792
• WORKOVER RIG	11,532
• TESTING	7,856
• EQUIPMENT (TBG, RODS, WH, ETC.)	12,113
• PRODUCTION FACILITIES (SEP. TANKS, ETC.)	56,493
• FLOWLINE INSTALLATION (INCL. PIPE)	46,977
• SITE RECLAMATION, ROAD WORK, GRAVELING	23,356
• MISC. (RENTALS, ROUSTABOUT, ETC.)	16,135
• CONTINGENCIES @ 10%	1,898
• SUPERVISION	2,797
TOTAL	\$ 236,949

We apologize for the delay in forwarding this information to you, however, we just recently reconciled several disputed charges with various vendors and had deferred some of the site reclamation and graveling costs until this spring.

Also, attached herewith is an AFE cost comparison schedule. You will note that an explanation is given for those items in which a significant cost overrun was incurred.

New Mexico Oil Conservation Division
June 16, 1995
Page 2

If you have any questions or require any additional information pertaining to this matter or to the operations of the well in general, please do not hesitate to contact me at 303/893-1225.

Thank you for your attention in this matter.

Sincerely,

A handwritten signature in cursive script that reads "Alan C. Harrison".

Alan C. Harrison
District Operations Manager

ACH/dg

Enclosure

CARNES 32-6-11 NO. 1
 COG AFE NO. 0694006
 NMOCD POOLING ORDER R-9179-A

AFE COST ITEMIZATION & COMPARISON

<u>COST ITEM</u>	<u>ORIGINAL AFE COST (\$'s)</u>	<u>ACTUAL COST (\$'s)</u>	<u>DIFFERENCE (\$'s)</u>
FRAC STIMULATION	70,000	57,792	(12,208)
WORKOVER RIG	6,000	11,532	5,532
TESTING	2,500	7,856	5,356
EQUIPMENT (TBG, RODS, ETC.)	9,500	12,113	2,613
PRODUCTION FACILITIES	34,000	56,493	22,493
FLOWLINE INSTALLATION	16,000	46,977	30,977
SITE RECLAMATION, ROAD WORK, GRAVELING	15,000	23,356	8,356
MISC. (RENTALS, ROUST., ETC.)	3,000	16,135	13,135
CONTINGENCIES @ 10%	15,000	1,898	(13,102)
SUPERVISION	<u>2,500</u>	<u>2,797</u>	<u>297</u>
TOTAL	173,500	236,949	63,449

CARNES 32-6-11 NO. 1
COG AFE NO. 0694006
NMOCD POOLING ORDER R-9179-A

Note: Certain modifications to the completion procedure and flowline(s) installation were made which resulted in actual completion costs being greater than indicated on the original AFE. For example, it was decided not to expose the liner top to potentially high treating pressures, therefore, a 3½" tubing work string and packer were rented. The rental costs and associated rig time to run these tools were not included in the original AFE.

Extra costs were also incurred in the flowline (gas & water) installations due to the actual pipeline footage being much greater than originally estimated. Two factors contributed to this, 1) the pipeline was re-routed to accommodate the lot and road locations for a pre-existing sub-division north of the Carnes property and, 2) the Tiffany Gathering System did not extend into New Mexico, therefore, an additional +/- 3,000' of flowline was required to tie-in to the System from a common point with the Miller #10 and #11 wells (costs split equally).

These and other AFE items where a cost overrun was incurred are further discussed below:

- **WORKOVER RIG:** Additional rig charges associated with time spent cleaning out fill (frac sand and coal fines) and running rental tools.
- **TESTING:** Costs for flowback equipment, manpower, and the disposal of frac load water were underestimated.
- **PRODUCTION FACILITIES:** Availability of used equipment in the Farmington/Durango area was very limited, therefore, several equipment items (i.e., separator, tanks) were purchased "new" and/or a material transfer from Consolidated's other districts was made per COPAS guidelines.
- **FLOWLINE INSTALLATION:** Actual pipeline footage was greater than originally estimated due to right-of-way restrictions to accommodate adjacent sub-division and additional footage required to tie-in to Tiffany Gathering System in Colorado.
- **SITE RECLAMATION, ROAD WORK, GRAVELING:** Additional pit run gravel was required to provide for heavy equipment during wet conditions on location and for additional road which had to be built on adjacent sub-division.
- **MISC. (RENTALS, ROUSTABOUT, ETC.):** Costs associated with the rental work string and packers were not originally included in the AFE and miscellaneous roustabout work time was underestimated.