

CASE 7500: READ & STEWERS, INC. FOR EX-
CEPTION TO MAXIMUM ALLOWABLE BASE PRICE
PROVISIONS OF NEW MEXICO NATURAL GAS
PRICING ACT, EDDY COUNTY, NEW MEXICO

Cont to
Mar 16

DOCKET MAILER

Date 2/19/82
3/5/82

CASE NO.

7500

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
16 March 1982

EXAMINER HEARING

IN THE MATTER OF:

Application of Read & Stevens, Inc.
for an exception to the maximum
allowable base price provisions of
the New Mexico Natural Gas Pricing
Act, Eddy County, New Mexico.

CASE
7500

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

James T. Jennings, Esq.
JENNINGS & CHRISTY
P. O. BOX 1180
Roswell, New Mexico 88201

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I N D E X

BRUCE A. STUBBS

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2 MR. STAMETS: We'll call next Case 7500.

3 MR. PEARCE: Application of Read &
4 Stevens, Inc. for an exception to the maximum allowable
5 base price provisions of the New Mexico Natural Gas Pricing
6 Act, Eddy County, New Mexico.

7 MR. JENNINGS: I am James T. Jennings
8 of Jennings and Christy, appearing on behalf of the applicant
9 Read and Stevens, and I'll have one witness, Mr. Bruce A.
10 Stubbs.

11
12 (Witness sworn.)

13
14 BRUCE A. STUBBS
15 being called as a witness and being duly sworn upon his oath,
16 testified as follows, to-wit:

17
18 DIRECT EXAMINATION

19 BY MR. JENNINGS:

20 Q Mr. Stubbs, would you please state your
21 full name, residence, and present occupation?

22 A I'm Bruce A. Stubbs. I live in Roswell,
23 New Mexico, and I'm presently employed by Read and Stevens,
24 Incorporated, as Drilling and Production Manager.

25 Q What is your professional training, in-

cluding your college education, degrees, --

A. Graduated from New Mexico State University in 1972 with a Bachelor of Science in mechanical engineering.

I worked for nine years with Halliburton Services, seven years as an engineer, two years as management, and I've worked for Read and Stevens as Production and Drilling Manager for the last year.

I'm a Registered Professional Engineer in the State of New Mexico and Texas.

Q. Are you familiar with the area in which this well is located?

A. Yes.

Q. And the production in the area?

A. Yes, sir.

MR. JENNINGS: Are the witness' qualifications acceptable?

MR. STAMETS: They are.

Q. Mr. Stubbs, are you familiar with the application filed here on behalf of Read and Stevens?

A. Yes, sir.

Q. Just state briefly the general purpose of the application.

A. The history of this well, Read and

1
2 Stevens took over the well from Sinclair after some --

3 Q Before we get to that, let's say what
4 we are seeking with the application.

5 A Okay. We're seeking enhanced recovery
6 gas price under the 107, FERC 107 rule.

7 Q Is this pursuant to Section 67-7-6.1 of
8 New Mexico Statutes 1978, Annotated, as amended by the Act
9 of 1981?

10 A Yes.

11 Q Which gives the Commission authority to
12 fix the price in an area such as this?

13 A Our New Mexico Gas Pricing Act fixes a
14 price of \$1.68 and we're requesting that they make an excep-
15 tion and let this go to the FERC price, which is around \$2.14
16 or \$2.15.

17 Q Then if you would, go on with the history
18 of this -- this well, Mr. Stubbs.

19 A Okay. The Hackberry Hills No. 4 was
20 drilled in 1966 by Sinclair. They determined that the well
21 was not economical and they didn't want to continue opera-
22 tions.

23 Read and Stevens at that time took the
24 well over and built a pipeline and put the well on production

25 The well produced at a commercial rate

1
2 for about two years and it dropped down to just barely the
3 economic limit and has been producing at the economic limit
4 for about twelve years now.

5 Last year it was decided to either plug
6 the well or come up with some idea to make the well econo-
7 mical, and we're attempting to get the 107 price to make the
8 well economical at this time.

9 Q How much is the well actually producing
10 during the past year?

11 A It produced 12-million cubic feet of
12 gas in the past twelve months.

13 Q About a million cubic feet a month?

14 A About a million cubic feet a month.

15 Q What was the cost of this well?

16 A The initial cost of the Hackberry Hills
17 No. 4, including the pipeline, is \$311,485.

18 Q What action did you determine to take,
19 Mr. Stubbs, in connection with getting the 107 -- the 107
20 gas price, Section 107?

21 A The 107 gas price we are attempting to
22 get is what they classify as enhanced recovery and by putting
23 a compressor on this well we hope to maintain a stabilized
24 rate of approximately 250 Mcf a day.

25 Q Let me ask you, Mr. Stubbs, did you make

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2 for about two years and it dropped down to just barely the
3 economic limit and has been producing at the economic limit
4 for about twelve years now.

5 Last year it was decided to either plug
6 the well or come up with some idea to make the well econo-
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17 No. 4, including the pipeline, is \$311,485.

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19 Mr. Stubbs, in connection with getting the 107 -- the 107
20 gas price, Section 107?

21 A The 107 gas price we are attempting to
22 get is what they classify as enhanced recovery and by putting
23 a compressor on this well we hope to maintain a stabilized
24 rate of approximately 250 Mcf a day.

25 Q Let me ask you, Mr. Stubbs, did you make

1

2 inquiry of the Gas Company of New Mexico to determine if
3 this -- they would be willing to purchase this gas?

4

A. Yes, they are the purchaser and they
5 will purchase the gas.

6

Q. I hand you what has been marked as Ex-
7 hibit Number One and ask you to identify that, please.

8

Tell us briefly what it is.

9

A. This is a letter we received from Mr.
10 Orbison (sic) with Gas Company of New Mexico, dated July 22,
11 1981, where he made his calculations and estimates of the
12 reserves, based on some of my numbers, and the revenues that
13 we'd receive with the higher gas price.

14

Q. Did they indicate their willingness to
15 purchase the product --

16

A. Yes, they --

17

Q. -- gas at the higher price?

18

A. Yes. They make a statement that it's
19 120-acre, center of the section, 109 price, and is well with-
20 in their allowed limits.

21

Q. After receiving that information did
22 you make application to try to determine if you could get
23 the 107 qualification?

24

A. Yes, we did.

25

Q. I hand you what has been marked as Ex-

hibit Number Two and I ask you to identify that.

A. Okay, this is our permit from PERC, and they did grant us the 107 price in October 26, 1981.

Q. That was granted after you had made application to the Commission for this -- the Oil Conservation Commission.

A. It was before we made application.

Q. It was granted there, I believe, --

A. Well, it was actually, the final granting was in January, right.

Q. All right. What, Mr. Stubbs, have you made any estimate of the -- volumetric estimate of the reserves?

A. Yes, sir, I have.

Q. Refer -- please refer to Exhibit Three and identify that and tell the Commission -- the Examiner what it is, please.

A. Okay. Initially the Hackberry Hills No. 4, from drill stem test had a bottom hole pressure of 5278 pounds, and using volumetric analysis, that would be 8900 Mcf per acre.

At the present time, using shut-in well-head pressure, I calculate the bottom hole pressure to be around 1400 psi. That means we've removed 7090 Mcf per acre.

The well's gross production is 565,000 Mcf. That gives us an effective reservoir area of about 80 acres and if we can draw it down from the 1400 psi to 300 psi which I'm calling the abandonment pressure, that will give us an additional 1809 Mcf per acre times the 80 acres, would be another 144-million cubic feet of gas we can recover.

Q Please refer to what has been marked as Exhibit Number Four and identify that and tell Mr. --

A Which one do you want?

Q Number Four, the expense.

A Okay, the -- as I stated before, the well, original cost of the well was \$311,000. Since it's been on production it's produced a little over a half a Bcf of gas and we have gained \$25,780 towards the payout of our initial -- initial expenditure.

Balance to recover is \$285,704.

The cost of installing the compressor will be \$66,000 and our monthly operating expense would be \$2389.

Q What has been the result of installing the compressor now?

A Okay. The compressor w/s installed mid-February and the well initially started at 750 Mcf a day. The last report I had it had dropped down to around 300 Mcf

1
2 a day and it looks like it was trying to start stabilizing.

3 Q Do you think that it will continue to
4 produce for some time?

5 A Using 250 Mcf a day as a stabilization
6 point, and about a 50 percent decline, we should have about
7 a three and a half year life.

8 Q I hand you what has been marked as Ex-
9 hibit Number Five, economics - revenue, and ask you to identify
10 that and tell us what it is, Mr. Stubbs.

11 A Okay, presently without an exception to
12 the New Mexico Gas Pricing Act, we receive \$1.68 per million
13 BTU and a production rate of 250 Mcf, we'll be able to re-
14 cover about 140-million cubic feet of gas. Our estimated
15 monthly net revenue will be \$10,795. Lease operating expense
16 is \$2389. Time to abandonment will be 3.2 years. Future
17 net revenue, \$155,431, discounted 18 percent to give us a
18 present value of \$127,453, which gives us a 1.93 to 1 payout
19 on our \$66,000 investment.

20 If we get the exception to the New Mexico
21 Gas Pricing Act and receive \$2.14 per million BTU, the same
22 production rate, we'll be able to recover an additional 4-
23 million cubic feet of gas and the monthly net revenue will be
24 \$14,263; same lease operating expenses, will extend the life
25 of the well to 3-1/2 years and our future net revenue will be

1
2 \$222,400, discounted at 18 percent, would be \$183,368, to
3 give us a 2.78 to 1 payout on our \$66,000 investment in the
4 compressor.

5 Q Mr. Stubbs, in your opinion will this
6 action lengthen the life of the well and increase the ultimate
7 recovery from the well?

8 A Yes, it will.

9 Q Do you believe, in your opinion will
10 this be in the interest of conservation, the -- and prevent
11 waste?

12 A Yes, it will.

13 Q Will it in any way impair the correla-
14 tive rights of any other parties?

15 A No, it will not.

16 Q Mr. Stubbs, were Exhibits Number One and
17 Two received by your company in the ordinary course of busi-
18 ness?

19 A Yes, it was.

20 Q And were Exhibits Number Three, Four,
21 and Five prepared by you or under your supervision?

22 A Yes, it was.

23 MR. JENNINGS: We will offer Exhibits
24 One through Five, Mr. Stamets, and I believe that's all we
25 have at this time.

1
2 A. The fuel in the compressor is about
3 216 Mcf per month.

4 Q So less than a day's production. And
5 does all this mean that in the end the well still won't pay-
6 out?

7 A. It will not payout the initial cost of
8 drilling the well, no. It will pay out the cost of putting
9 a compressor on it.

10 MR. STAMETS: Any other questions of the
11 witness? He may be excused.

12 Anything further in this case?

13 MR. JENNINGS: We have nothing further.

14 MR. STAMETS: The case will be taken
15 under advisement.

16
17 (Hearing concluded.)
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2500 heard by me on 3-16 1987.

Richard D. Stamm Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
3 March 1982

EXAMINER HEARING

IN THE MATTER OF:

Application of Read & Stevens
Inc. for an exception to the
maximum allowable base price
provisions of the New Mexico
Natural Gas Pricing Act, Eddy
County, New Mexico.

CASE
7500

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

MR. NUTTER: Call next Case Number 7500.

MR. PEARCE: Application of Read & Stevens
Inc. for an exception to the maximum allowable base price
provisions of the New Mexico Natural Gas Pricing Act, Eddy
County, New Mexico.

Mr. Examiner, we have received a re-
quest from the applicant in this matter that it be continued
to the hearing scheduled for March the 16th of 1982.

MR. NUTTER: Case Number 7500 will be
continued to the Examiner Hearing scheduled to be held at
this same place at 9:00 o'clock a. m. March 16th, 1982.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me: that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7500 heard by me on 3/3 1982.

[Signature] Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

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POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Mr. James Jennings
Jennings & Christy
Attorneys at Law
Post Office Box 1180
Roswell, New Mexico 88201

Read & Stevens, Inc.

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

JOE D. RAMEY
Director

Copy of order also sent to:

Other _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7500
Order No. R-6949

APPLICATION OF READ & STEVENS,
INC. FOR AN EXCEPTION TO THE
MAXIMUM ALLOWABLE BASE PRICE
PROVISIONS OF THE NEW MEXICO
NATURAL GAS PRICING ACT,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 16, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 21st day of April, 1982, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Read and Stevens, Inc., requested an order exempting the production from its Hackberry Hills Unit Well No. 4 located in Section 22, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico, from the maximum allowable base price provisions of the New Mexico Natural Gas Pricing Act and the establishment of the maximum allowable base price set by Section 107 of the Natural Gas Policy Act of 1978 and regulations promulgated thereunder for production enhancement gas as the appropriate ceiling price for natural gas produced by this well.

(3) That the New Mexico Natural Gas Pricing Act, Section 62-7-1 et. seq., NMSA 1978, establishes a maximum allowable base price for sales of natural gas which pricing provision is applicable to the Hackberry Hills Unit Well No. 4.

(4) That Section 62-7-6.1, NMSA 1978, provides:

"A. The oil conservation division may, by rule, regulation or order, prescribe a maximum allowable base price, applicable to any high-cost natural gas, which exceeds the otherwise applicable maximum allowable base price, to the extent that the higher price is necessary to provide reasonable incentives for the production of such high-cost natural gas.

B. As used in this section, 'high-cost natural gas' means natural gas, determined by the oil conservation division to be:

- (1) produced from geopressurized brine;
- (2) occluded natural gas produced from coal seams;
- (3) produced from Devonian shale; or
- (4) produced under such other conditions as the division determines to present extraordinary risks or costs.

C. In promulgating any rule, regulation or order under this section, the oil conservation division shall consider any similar action taken by the federal energy regulatory commission under Section 107 of the federal Natural Gas Policy Act of 1978, P.L. 95-621, which action, but for the provisions of Section 62-7-6 NMSA 1978, would allow a higher price for natural gas subject to the Natural Gas Pricing Act."

(5) That the Division has considered the action of the Federal Energy Regulatory Commission in establishing higher maximum allowable base prices for qualified production enhancement gas, set forth in 18 Code Federal Regulation §271.704, promulgated under Section 107 of the Natural Gas Policy Act of 1978.

(6) That the above cited regulations define qualifying "production enhancement work" as including the installation of compression equipment.

(7) That Applicant has caused compression equipment to be installed on its Hackberry Hills Unit Well No. 4.

(8) That the use of compression equipment will result in the recovery of a greater percentage of the original gas in place under said well.

-3-

Case No. 7500

Order No. R-6949

(9) That this installation of compression equipment causes an extraordinary increase in the costs of operating the subject well which costs if not compensated for will cause the premature abandonment of said well with a consequent decrease in ultimate recovery of natural gas therefrom.

(10) That the proposed exemptions from the New Mexico Natural Gas Pricing Act will result in the recovery of otherwise unrecoverable hydrocarbons, thereby preventing waste.

IT IS THEREFORE ORDERED:

(1) That the applicant, Read and Stevens, Inc., is hereby granted an exemption from the maximum allowable base price provisions of the New Mexico Natural Gas Pricing Act for all natural gas produced by the Hackberry Hills Unit Well No. 4 located in Section 22, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico, for so long as the applicant produces said well with the aid of compression equipment.

(2) That this exemption shall be valid only for sales made by applicant from this well which are subject to the maximum allowable base price provisions of Section 107 of the Natural Gas Policy Act of 1978.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY,
Director

S E

GAS COMPANY OF NEW MEXICO
Gas Supply Division

July 22, 1981

Arnold Ballard and Company
P. O. Box 26355
Ft. Worth, Texas 76116

Re: Read & Stevens Inc.
Hackberry Hills Unit #4 Well
Section 107 Filing

Dear Arnold:

Enclosed is a revised calculation as provided in Section 271.704 (C) (1) (v) indicating that the increased revenue obtained through production enhancement would be approximately 128% of the Section 109 price, and well within the allowed limits.

This is based on the production decline estimated by Bruce Stubbs and projecting the revenue based on the contract price escalated and the Section 109 price for July, without regard for escalation.

If you have any questions regarding this, please advise.

Yours very truly,

W. J. Orbison
W. J. Orbison
Gas Contracts Representative

WJO:ws

cc: Mr. Bruce Stubbs w/attachment
Read & Stevens Inc.
P. O. Box 1518
Roswell, New Mexico 88201

Mr. Mike Lambert w/attachment

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION EXHIBIT NO. <u>2-16-82</u> CASE NO. <u>7500</u> Submitted by <u>R-S</u> Hearing Date <u>3-16-82</u>
--

READ & STEVENS - HACKBERRY HILLS #4

Estimated Production with Enhancement

<u>Year</u>	<u>MMBTU's</u>
1	41,000
2	33,000
3	26,000
4	21,000
5	<u>17,000</u>
TOTAL	138,000

Estimated Production without Enhancement

<u>Year</u>	<u>MMBTU's</u>	<u>Revenue</u>
1	11,680	\$1,869
2	10,044	\$1,707
3	8,638	\$1,468
4	7,429	\$1,263
5	<u>6,389</u>	<u>\$1,150</u>
TOTAL	44,180	\$6,357

Production with Enhancement	138,000 MMBTU
Production without Enhancement	-44,180 MMBTU
Increased Production	<u>93,820 MMBTU</u>

Revenue, Section 107(109 July)	138,000 x \$2.050 =	\$282,900
Revenue, Section 105	44,180 x contract price =	<u>6,357</u> .144
Increase Revenue from Enhancement		\$276,543

Increased cost (per 271.704 (C)(1)(v) \$2.947 MMBTU

128% of 109 Price (\$2.050 MMBTU)

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. _____

CASE NO. _____

Submitted by _____

Hearing Date _____



United States Department of the Interior

GEOLOGICAL SURVEY
South Central Region
P.O. Box 26124
Albuquerque, New Mexico 87125

1-19-82
c: B. Stubble
d. Ballar

January 12, 1982

Read & Stevens, Inc.
P.O. Box 1518
Roswell, New Mexico 88201

Gentlemen:

A copy of GS-2, Final Determination by the Oil and Gas Supervisor under the Natural Gas Policy Act (NGPA), for the well(s) referenced therein, and any extra copies of the application if additional materials were filed, are enclosed. A copy of the FERC 121 has been forwarded to the Federal Energy Regulatory Commission.

If you have any questions concerning your application(s), please call this office at (505) 766-2841.

Sincerely yours,

Allen F. Buckingham
Supervisor, Determination Unit

Enclosure

BEFORE EXAMINER STAMETS	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	<u>2</u>
CASE NO.	<u>2500</u>
Submitted by	<u>R-S</u>
Hearing Date	<u>3-16-82</u>

FINAL DETERMINATION BY THE OIL AND GAS SUPERVISOR UNDER THE NATURAL GAS POLICY ACT OF 1978 (NGPA)

A final category determination is set forth below pursuant to the provisions of the NGPA for certain Federal lease gas as requested in application received on 10/26/81 and filed by Read & Stevens, Inc. P.O. Box 1518 Roswell, New Mexico 88201

Well Name and No.: Hackberry Hills Unit #4 Lease and Well No.: _____
 Sec., T. and R.: Sec. 22 22S 26E Block: _____
 API No.: 30-015-10805 API No: _____
 Reservoir: Hackberry Hills Canyon Reservoir: _____
 Lease No.: LC-064490 Nearby State: _____
 County and State: Eddy, New Mexico

Category determination requested: Section 107 (c) (5)

Final category determination: Approved as requested XX Negative determination _____

Remarks: _____

In accordance with the requirements of 18 CFR 274.104, the following information and reference materials will be submitted to the FERC with this final determination:*

1. List of participants including the applicant and all parties submitting comments on the application.
2. A statement on any matter opposed.
3. A copy of the application. Also, a copy of any other materials in the record used in the determination together with any information inconsistent (or possibly inconsistent) with the determination, which includes:
4. All materials required under 18 CFR 274, Subpart B, and all other record materials (and portions of record materials) used in the determination process are enclosed.
5. An explanatory statement summarizing the basis for the determination is enclosed.
6. For a New Onshore Production Well determination involving 18 CFR 271.305(b) or (c), a finding as to the necessity of the well is enclosed.

A final jurisdictional agency determination is hereby made that the Federal lease natural gas referred to above does/ qualify as natural gas produced from a production enhancement well in accordance with the applicable provisions of the NGPA.

Any person may object to this final determination by filing a protest with the FERC within 15 days after this determination is published by the FERC in the Federal Register in accordance with 18 CFR Part 275.

Name: Allen F. Buckingham Title: Supervisor, Determination Unit, South Central Region

Signature: *Allen F. Buckingham*

Date: 12 JAN 1982 Phone number: (505) 766-2841 Address: P.O. Box 26124

Albuquerque, New Mexico 87125

*In the case of a negative determination, only a copy of the negative determination and a copy of Form FERC 121 will be forwarded to FERC. If the applicant or any aggrieved party so requests within 15 days of making such a determination, all information referenced in 1 through 6 will be forwarded within 20 days following the determination to the FERC in accordance with 18 CFR 274.104(b).

Read & Stevens, Inc.

ESTIMATED RESERVES - VOLUMETRIC ANALYSIS

Hackberry Hills #4

Sec. 22-22S-26E

Eddy Co., N.M.

Original Gas In Place:

Bottom Hole Pressure	5278 psi
Abandonment Pressure	300 psi
Net Pay	22'
Avg. Porosity	5.5%
Water Saturation	30%
Recovery Factor	.85

8960 MCF/acre

Gas Removed:

5278 psi to 1400 psi

7090 MCF/acre

Effective Reservoir Area:

Gross Production - 565,400 MCF divided by 7090 MCF/acre =

79.75 acres

Remaining Reserves:

1400 psi to 300 psi

1809 MCF/acre

1809 MCF x 79.75 acres =

144,200 MCF

Remaining Recoverable
Reserves

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

EXHIBIT NO. 3

CASE NO. 7500

Submitted by R-S

Hearing Date 3-16-82

Read & Stevens, Inc.

ECONOMICS - EXPENSES

Hackberry Hills #4

Sec. 22-22S-26E

Eddy Co., N.M.

Original cost of Hackberry Hills #4 - 1966:

Equipment Cost	\$ 84,452.45
Drilling & Completion Cost	<u>227,033.01</u>
	\$311,485.46
Gain on Payout ..	
Through 12-31-81	<u>-25,780.66</u>
Balance To Recover	\$285,704.80

Cost of Compressor Installation:

Intangible Cost	\$ 8,000.00
Tangible Cost	<u>58,000.00</u>
Capital Investment	\$ 66,000.00

Monthly Lease Operating Expenses:

Pumper	\$ 250.00
Administration Overhead	131.00
Maintenance Agreement	720.00
Lease Maintenance	200.00
Fuel- 216 MCF/month	363.00
Equipment Depreciation 15%/yr	<u>725.00</u>
	\$2,389.00

BEFORE EXAMINER STARTS
OIL CONSERVATION DIVISION
EXHIBIT NO. 4

CASE NO. 7500

Submitted by R-S

Hearing Date 3-16-82

Read & Stevens, Inc.

ECONOMICS - REVENUE

Hackberry Hills #4
Sec. 22-22S-26E
Eddy Co., N.M.

Gas Price	\$1.68/MMBTU	\$2.14/MMBTU
Production Rate	250 MCF	250 MCF
Reserves	140,973 MCF	144,200 MCF
Monthly Net Revenue	\$10,795.00	\$14,263.00
Lease Operating Expense	\$2,389.00	\$2,389.00
Time To Abandonment	3.2 yrs	3.5 yrs
Future Net Revenue	\$155,431.00	\$222,400.00
Discounted Future Net Revenue @ 18%	\$127,453.00	\$183,368.00
Return On \$66,000 Investment	1.93 to 1	2.78 to 1

BEFORE EXAMINER STAMETS	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	<u>5</u>
CASE NO.	<u>7-500</u>
Submitted by	<u>R-S</u>
Hearing Date	<u>3-16-82</u>

Dockets Nos. 9-82 and 10-82 are tentatively set for March 31, and April 14, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - TUESDAY - MARCH 16, 1982

9 A.M. - OIL CONSERVATION DIVISION 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:

ALLOWABLE: (1) Consideration of the allowable production of gas for April, 1982, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for April, 1982, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 7502: Application of Sun Oil Company for an unorthodox gas well location and non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 760 feet from the South line and 960 feet from the East line of Section 6, Township 24 South, Range 37 East, Jalmat Gas Pool, and a 160-acre non-standard proration unit comprising the SE/4 of said Section 6.

CASE 7503: Application of Sun Oil Company for an unorthodox gas well location and non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 1980 feet from the North line and 1400 feet from the East line of Section 22, Township 22 South, Range 36 East, Jalmat Gas Pool, and a 120-acre non-standard proration unit comprising the W/2 NE/4 and SE/4 NE/4 of said Section 22.

CASE 7504: Application of Cities Service Company for the extension of vertical limits of the Langlie Mattix Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Jalmat Pool and the upward extension of the vertical limits of the Langlie Mattix Pool to a subsurface depth of 3416 feet underlying the NW/4 of Section 19, Township 24 South, Range 37 East.

CASE 7505: Application of BCO, Inc. for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Lybrook-Gallup and Basin-Dakota production in the wellbores of wells drilled and to be drilled in Section 2, 3, 4, 9 and 10, Township 23 North, Range 7 West.

CASE 7506: Application of Getty Oil Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of salt water into the Abo formation in the perforated interval from 8900 feet to 9300 feet in its State "P" Well No. 1, located in Unit P, Section 32, Township 16 South, Range 37 East, Lovington-Abo Pool.

CASE 7507: Application of Sonny's Oilfield Service, Inc. for an oil treating plant permit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at a site in the NW/4 NE/4 of Section 29, Township 18 South, Range 38 East.

CASE 7508: Application of P & O Oilfield Services, Inc. for an oil treating plant permit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at a site in the SW/4 NE/4 of Section 10, Township 25 South, Range 36 East.

CASE 7459: (Continued from February 17, 1982, Examiner Hearing)

Application of Red Mountain Associates for the Amendment of Order No. R-6538, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-6538, which authorized applicant to conduct waterflood operations in the Chaco Wash-Mesa Verde Oil Pool. Applicant seeks approval for the injection of water through various other wells than those originally approved, seeks deletion of the requirement for packers in injection wells, and seeks an increase in the previously authorized 68-pound limitation on injection pressure.

CASE 7457: (Continued from February 17, 1982, Examiner Hearing)
(This Case will be continued to April 28, 1982)

Application of E. T. Ross for nine non-standard gas proration units, Harding County, New Mexico. Applicant, in the above-styled cause, seeks approval for nine 40-acre non-standard gas proration units in the Bravo Dome Carbon Dioxide Area. In Township 19 North, Range 30 East: Section 12, the NW/4 NW/4 and NE/4 NW/4; Section 14, the NW/4 NE/4, SW/4 NE/4, and SE/4 NE/4. In Township 20 North, Range 30 East: Section 11, the NE/4 SW/4, SW/4 SE/4, SE/4 SW/4, and NW/4 SE/4.

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 Examiner Hearing
 TUESDAY - MARCH 16, 1982

- CASE 7509:** Application of Supron Energy Corporation for a non-standard proration unit or compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard proration unit for the Dakota and Mesaverde formations comprising the SW/4 of Section 2, Township 21 North, Range 8 West, or in the alternative, an order pooling all mineral interests from the surface down through the Dakota formation underlying the S/2 of said Section 2, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7510:** Application of Union Oil Company of California for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Penn formations underlying the N/2 of Section 10, Township 22 South, Range 32 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7511:** (This Case will be continued to March 31, 1982)
 Application of Buffton Oil & Gas Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp through Devonian formations underlying the W/2 of Section 35, Township 16 South, Range 35 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7496:** (Continued from March 3, 1982, Examiner Hearing)
 Application of Viking Petroleum, Inc. for an unorthodox location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of an Abo gas well to be drilled 62 feet from the South line and 1984 feet from the East line of Section 29, Township 5 South, Range 24 East, the SE/4 of said Section to be dedicated to the well.
- CASE 7512:** Application of Viking Petroleum, Inc. for an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well located in Unit H of Section 31, Township 13 South, Range 34 East, Nonombre-Penn Pool, said well being a recompleted Morrow test and located in the SE/4 of the quarter section whereas the pool rules require wells to be located in the NE/4 or SW/4 of the quarter section.
- CASE 7476:** (Continued from March 3, 1982, Examiner Hearing)
 Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through and including the Abo formation, underlying two 160-acre gas spacing units, being the NE/4 and SE/4, respectively, of Section 12, Township 5 South, Range 24 East, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.
- CASE 7513:** Application of Mesa Petroleum Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Abo formation underlying the SE/4 of Section 12, Township 5 South, Range 24 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7514:** Application of Santa Fe Exploration Co. for compulsory pooling, or in the alternative a non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Permo-Penn, Strawn, Atoka and Morrow formations underlying the W/2 of Section 2, Township 20 South, Range 25 East to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200 percent charge for risk involved in drilling said well. In the event said 200 percent risk factor is not approved, applicant seeks a non-standard unit excluding the lands of owners not participating in the well.

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EXAMINER HEARING - TUESDAY - MARCH 16, 1982

CASE 7515: Application of Four Corners Gas Producers Association for designation of a tight formation, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Dakota formation underlying all or portions of Townships 26 and 27 North, Ranges 12, and 13 West, Township 29 North, Ranges 13 through 15 West, and Township 30 North, Ranges 14 and 15 West, containing 164,120 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271. 701-705.

CASE 7445: (Continued from February 17, 1982, Examiner Hearing)
(This Case will be continued to April 28, 1982)

Application of Harvey E. Yates Company for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the San Andres formation for its Fulton Collier Well No. 1 in Unit G of Section 1, Township 18 South, Range 28 East.

CASE 7492: (Continued and Readvertised)

Application of Harvey E. Yates Company for a tight formation, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Atoka-Morrow formation underlying all or portions of Townships 7, 8, and 9 South, Ranges 28, 29, 30 and 31 East, containing 161,280 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271. 701-705.

CASE 7500: (Continued from March 3, 1982, Examiner Hearing)

Application of Read & Stevens, Inc. for an exception to the maximum allowable base price provisions of the New Mexico Natural Gas Pricing Act, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order of the Division prescribing the price allowed for production enhancement gas under Section 107 of the Natural Gas Policy Act as the maximum allowable base price if production enhancement work which qualifies under the NGPA is performed on its Hackberry Hills Unit Well No. 4 located in Section 22, Township 22 South, Range 26 East, Eddy County, New Mexico.

Dockets Nos. 8-82 and 9-82 are tentatively set for March 16 and March 31, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 3, 1982

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

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

CASE 7469: (Continued from February 3, 1982, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit H. M. Bailey & Associates, Commercial Union Insurance Company, and all other interested parties to appear and show cause why the following wells on the H. M. Bailey Lease, Township 21 South, Range 1 West, Dona Ana County, should not be plugged and abandoned in accordance with a Division-approved plugging program: In Section 10: Nos. 9 in Unit A, 9, 11, 12, and 13 in Unit B, 10 and 14 in Unit C; and No. 15 in Unit C of Section 9.

CASE 7494: Application of Bass Enterprises Production Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Humble City Unit Area, comprising 800 acres, more or less, of State lands in Township 17 South, Range 37 East.

CASE 7495: Application of Gulf Oil Corporation for simultaneous dedication and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of a previously approved 320-acre non-standard Eumont proration unit comprising the E/2 of Section 25, Township 19 South, Range 36 East, to its Graham State Wells Nos. 8 in Unit J and 9 at an unorthodox location 990 feet from the North line and 1980 feet from the East line of said Section 25.

CASE 7496: Application of Viking Petroleum, Inc. for an unorthodox location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of an Abo gas well to be drilled 62 feet from the South line and 1984 feet from the East line of Section 29, Township 5 South, Range 24 East, the SE/4 of said Section to be dedicated to the well.

CASE 7476: (Continued from February 3, 1982, Examiner Hearing)

Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through and including the Abo formation, underlying two 160-acre gas spacing units, being the NE/4 and SE/4, respectively, of Section 12, Township 5 South, Range 24 East, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.

CASE 7497: Application of Parabo, Inc. for an oil treatment plant permit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at its salt water disposal site in the SE/4 of Section 29, Township 21 South, Range 38 East.

CASE 7450: (Continued from January 6, 1982, Examiner Hearing)

Application of Marks & Garner Production Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of salt water into the Bough C formation in the perforated interval from 9596 feet to 9616 feet in its Betenbough Well No. 2, located in Unit N of Section 12, Township 9 South, Range 35 East.

CASE 7498: Application of Dwayne E. Hamilton for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp through Devonian formations underlying the S/2 of Section 5, Township 16 South, Range 35 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

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Examiner Hearing - WEDNESDAY - MARCH 3, 1982

CASE 7499: Application of Amoco Production Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp through Devonian formations underlying the S/2 of Section 3, Township 23 South, Range 34 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7073: (Continued from February 17, 1982, Examiner Hearing)

In the matter of Case 7073 being reopened pursuant to the provisions of Order No. R-6558, which order promulgated special rules for the South Elkins-Fusselman Pool in Chaves County, including provisions for 30-acre spacing units and a limiting gas-oil ratio of 3000 to one. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units with a limiting gas-oil ratio of 2000 to one.

CASE 7074: (Continued from February 17, 1982, Examiner Hearing)

In the matter of Case 7074 being reopened pursuant to the provisions of Orders Nos. R-6565 and R-6565-R, which created the South Elkins-Fusselman Gas Pool in Chaves County. All interested parties may appear and present evidence as to the exact nature of the reservoir, and more particularly, as to the proper rate of withdrawal from the reservoir if it is determined that said pool is producing from a retrograde gas condensate reservoir.

CASE 7500: Application of Read & Stevens, Inc. for an exception to the maximum allowable base price provisions of the New Mexico Natural Gas Pricing Act, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order of the Division prescribing the price allowed for production enhancement gas under Section 107 of the Natural Gas Policy Act as the maximum allowable base price if production enhancement work which qualifies under the NGPA is performed on its Hackberry Hills Unit Well No. 4 located in Section 22, Township 22 South, Range 26 East, Eddy County, New Mexico.

CASE 7485: (Continued from February 17, 1982, Examiner Hearing)

Application of Berge Exploration for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Abo formation underlying two 160-acre proration units, the first being the NW/4 and the second being the SW/4 of Section 27, Township 7 South, Range 26 East, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.

CASE 7501: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating and extending certain pools in Chaves, Eddy and Lea Counties, New Mexico.

(a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the North Caprock-Wolfcamp Pool. The discovery well is The Petroleum Corporation Landlady Well No. 1 located in Unit J of Section 8, Township 12 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 12 SOUTH, RANGE 32 EAST, NMPM
Section 8: SE/4

(b) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Morrow production and designated as the Feather-Morrow Pool. The discovery well is the Santa Fe Energy Company State UTP Well No. 1 located in Unit J of Section 21, Township 15 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 15 SOUTH, RANGE 32 EAST, NMPM
Section 21: SE/4

(c) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Abo Reef production and designated as the Garrett-Abo Reef Pool. The discovery well is the Marathon Oil Company Delmont L. Hatfield Well No. 1 located in Unit J of Section 23, Township 16 South, Range 38 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 38 EAST, NMPM
Section 23: SE/4

(d) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Strawn and Atoka production and designated as the Pronghorn Strawn-Atoka Gas Pool. The discovery well is the Yates Petroleum Corporation Pronghorn Unit Well No. 1 located in Unit G of Section 6, Township 23 South, Range 33 East, NMPM. Said Pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 33 EAST, NMPM
Section 6: N/2

(e) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Paddock production and designated as the Skaggs-Paddock Pool. The discovery well is the Conoco Inc. SEMU Burger Well No. 107 located in Unit J of Section 19, Township 20 South, Range 38 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 19: SE/4

(f) EXTEND the Angell Ranch Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM
Section 2: S/2
Section 11: N/2

(g) EXTEND the Atoka-Yeso Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 26: E/2 NW/4 and E/2 SW/4

(h) EXTEND the Austin-Mississippian Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 36 EAST, NMPM
Section 18: S/2

(i) EXTEND the Boyd-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM
Section 3: E/2

(j) EXTEND the Bunker Hill-Penrose Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 31 EAST, NMPM
Section 14: S/2 SW/4
Section 23: N/2 N/2
Section 24: S/2 NW/4 and NE/4 NW/4

(k) EXTEND the South Carlsbad-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM
Section 36: S/2

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

TOWNSHIP 8 SOUTH, RANGE 33 EAST, NMPM
Section 10: W/2
Section 15: W/2

(m) EXTEND the Dark Canyon-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM
Section 31: N/2

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Examiner Hearing - WEDNESDAY - MARCH 3, 1982

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

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 12: E/2

TOWNSHIP 21 SOUTH, RANGE 38 EAST, NMPM
Section 7: NW/4

- (o) EXTEND the North Eidson-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 6: Lots 3, 4, 5, 6, 11, 12, 13, 14, and SW/4

- (p) EXTEND the Happy Valley-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM
Section 20: S/2

- (q) EXTEND the Herradura Bend-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM
Section 29: NW/4 SW/4

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

TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM
Section 34: W/2

TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPM
Section 3: NW/4

- (s) EXTEND the Jalmat Yates-Seven Rivers Oil and Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM
Section 26: NE/4

- (t) EXTEND the South Kemnitz Atoka-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM
Section 30: W/2

- (u) EXTEND the North Loving-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM
Section 20: E/2
Section 21: All
Section 22: S/2
Section 27: All
Section 28: All
Section 29: All

- (v) EXTEND the Northeast Lovington-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM
Section 7: SW/4

- (w) EXTEND the North Lusk-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 32 EAST, NMPM
Section 35: All

- (x) EXTEND the Oil Center-Glorieta Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
Section 11: NW/4

- (y) EXTEND the San Simon-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM
Section 5: NW/4

- (z) EXTEND the Sand Ranch-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 29 EAST, NMPM
Section 26: All

- (aa) EXTEND the Tomahawk-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 32 EAST, NMPM
Section 6: SW/4
Section 7: NW/4

- (bb) EXTEND the Travis-Upper Pennsylvanian Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM
Section 12: S/2 SE/4

- (cc) EXTEND the Tulk-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 32 EAST, NMPM
Section 35: SW/4

- (dd) EXTEND the Turkey Track-Seven Rivers-Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 22: SE/4 SW/4

- (ee) EXTEND the North Young-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 8: S/2
Section 9: W/2

CHARLES B. READ
PRESIDENT

NORMAN L. STEVENS, JR.
VICE-PRESIDENT

Read & Stevens, Inc.

*Oil Producers
P. O. Box 1518
Roswell, New Mexico 88201*



January 8, 1982

Mr. Joe Ramey, Director
State of New Mexico
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Case 7500

Re: Hackberry Hills Unit Well No. 4
Eddy County, New Mexico

Dear Mr. Ramey:

Read & Stevens, Inc. has filed an application for natural gas category determination under the production enhancement rules of Section 107 of the Natural Gas Policy Act. The gas from the subject well is sold in intrastate commerce under a contract dated July 8, 1966 and is therefore subject to the State of New Mexico Gas Pricing Act.

Section 67-7-6.1 NMSA 1978 provides that "The oil conservation division may, by rules, regulation or order, prescribe a maximum allowable base price, applicable to any high-cost natural gas, which exceeds the otherwise applicable maximum allowable base price, to the extent that the higher price is necessary to provide reasonable incentives for the production of such high-cost natural gas."

Read & Stevens, Inc. hereby requests that the New Mexico Oil Conservation Division exercise its authority to increase the price otherwise applicable to the gas produced from the Hackberry Hills Unit Well No. 4 to equal the price allowed under the regulations of the Federal Energy Regulatory Commission.

A copy of our application which was filed with the United States Geological Survey on October 26, 1981 is enclosed.

Your consideration of this request is appreciated.

Very truly yours,
READ & STEVENS, INC.



Norman L. Stevens, Jr.

AB:sh

314 SECURITY NATIONAL BANK BUILDING

CHARLES B. READ
PRESIDENT

NORMAN L. STEVENS, JR.
VICE-PRESIDENT

Read & Stevens, Inc.

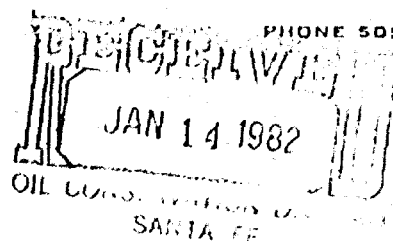
Oil Producers

P.O. Box 1518

Alameda, New Mexico 87001

October 22, 1981

PHONE 505 622-3770



Case 7500

United States Geological Survey
Area Oil & Gas Supervisor
P.O. Box 26124
Albuquerque, New Mexico 87125

Re: Hackberry Hills Unit Well No. 4
Elddy County, New Mexico

Gentlemen:

Enclosed is an application under the production enhancement rules of the Natural Gas Policy Act for the captioned well. We have included four copies of the application and two copies of all supporting data.

If further information is needed, please advise.

Very truly yours,

READ & STEVENS, INC.
Joe Wigley
Land Manager

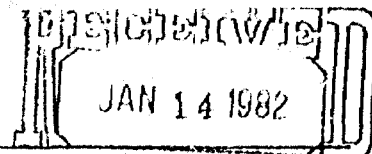
Legene Gay
Legene Gay
Associate Land Representative

LG/tm
Enclosures

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

cc: Mr. Arnold Ballard

UNITED STATES
DEPARTMENT OF THE INTERIOR
Geological Survey



SUPPLEMENTARY APPLICATION FOR NATURAL GAS CATEGORY DETERMINATION

(See reverse side for instructions)

SANTA FE

This form is required by the Oil and Gas Supervisor, Conservation Division, Geological Survey, the jurisdictional agency charged with determinations under the Natural Gas Policy Act of 1978, P.L. 95-621, for Federal, Indian, and OCS lands. The data requested is a requirement of the Federal Energy Regulatory Commission regulation 18 CFR 274, Determinations by Jurisdictional Agencies. All such data must be forwarded to the Federal Energy Regulatory Commission by the Supervisor.

11. APPLICANT

Read & Stevens, Inc.

ADDRESS

P. O. Box 1518
Roswell, New Mexico 88201

TELEPHONE

(505) 622-3770

1. API WELL NO.

30 015 10805

2. LEASE NO.

064490

3. LEASE NAME AND WELL NO.

Hackberry Hills Unit Well No. 4

4. SEC. T. & R.

22-T22S-R26E

5. AREA AND BLOCK (OCS)

6. FIELD

Hackberry Hills

7. RESERVOIR

Canyon

8. COUNTY AND STATE

Eddy County, New Mexico

9. OPERATOR

Read & Stevens, Inc.

10. TYPE OF WELL:

☐ OIL
WELL☒ GAS
WELL

12. REQUEST CATEGORY FOR DETERMINATION

☐

Section 102(c)(1)(A), New OCS Leases

☐

Section 102(c)(1)(B), New Onshore Wells

☐

Section 102(c)(1)(C), New Onshore Reservoirs

☐

Section 102(d), New Reservoirs on Old OCS Leases

☐

Section 103(c), New Onshore Production Well

☒

Section 107(c), High-Cost Natural Gas (Section 105 - Enhancement)

☐

Section 108(b), Stripper-Well Natural Gas

13. PERSON RESPONSIBLE FOR ANSWER QUESTIONS

Charles B. Read

ADDRESS

P. O. Box 1518
Roswell, New Mexico 88201

TELEPHONE NO.

(505) 622-3770

14. NEWSPAPER, CITY, STATE, AND DATE (OR EXPECTED DATE) OF NOTICE

Carlsbad Current-Argus, 620 South Main, Carlsbad, New Mexico 88220 - 11/01/81

15. GAS PURCHASER

Gas Company of New Mexico, A Division of Southern Union Company

ADDRESS

1800 First International Building, Dallas, Texas 75270

GAS PURCHASER

ADDRESS

16. COLESSEE AND/OR WORKING INTEREST OWNER

See attached list.

ADDRESS

COLESSEE AND/OR WORKING INTEREST OWNER

ADDRESS

17. ATTACH THE APPROPRIATE CHECKLIST AND SUPPORT DATA (See instructions)

I CERTIFY THAT THE FOREGOING AND THE CHECKLIST ATTACHED ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AS DETERMINED FROM AVAILABLE RECORDS.

18. NAME

Charles B. Read

TITLE

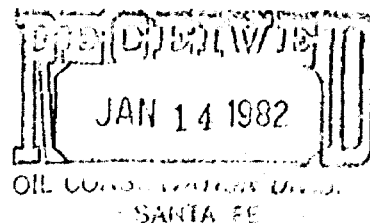
President

SIGNATURE

DATE

October 22, 1981

Well Name: Hackberry Hills Unit Well No. 4
API Number: 30 015 10805



Colessee and/or Working Interest Owners

Stanley R. Tyler
2471 Angell Road
St. Paul, Minnesota 55118

Paul Ray
P. O. Box 12548
Fort Worth, Texas 76116

David Fasken
608 First National Bank Building
Midland, Texas 79701

Getty Oil Company
Box 1231
Midland, Texas 79701

Charles B. Read
P. O. Box 1518
Roswell, New Mexico 88201

Norman L. Stevens
P. O. Box 1518
Roswell, New Mexico 88201

FERC-121

JAN 14 1982

1.0 API well number: (If not available, leave blank. 14 digits.)	30 015 10805			
2.0 Type of determination being sought (Use the codes found on the front of this form.)	107 Section of NGPA		SANTA FE Production Enhancement Category Code	
3.0 Depth of the deepest completion location: (Only needed if sections 103 or 107 in 2.0 above.)	_____ feet			
4.0 Name, address and code number of applicant: (35 letters per line maximum. If code number not available, leave blank.)	Read & Stevens, Inc. Name P. O. Box 1518 Street Roswell City		NM	88201 Zip Code
5.0 Location of this well: (Complete (a) or (b).) (a) For onshore wells (35 letters maximum for field name.)	Hackberry Hills Canyon East Field Name Eddy County		NM	State
(b) For OCS wells:	Area Name _____ Block Number _____ Date of Lease: Mo. Day Yr. _____ OCS Lease Number _____			
(c) Name and identification number of this well: (35 letters and digits maximum.)	Hackberry Hills Unit Well No. 4			
(d) If code 4 or 5 in 2.0 above, name of the reservoir: (35 letters maximum.)	_____			
6.0 (a) Name and code number of the purchaser: (35 letters and digits maximum. If code number not available, leave blank.)	Gas Co of N Mex, A Div of Southern Un Name		Buyer Code	
(b) Date of the contract:	0 7 0 8 6 6 Mo. Day Yr.			
(c) Estimated annual production:	41 MMcf.			
	(a) Base Price (\$/MMBTU)	(b) Tax	(c) All Other Prices [Indicate (+) or (-)]	(d) Total of (a) (b) and (c)
7.0 Contract price: (As of filing date. Complete to 3 decimal places.)	2 0 8 0	est. 2 0 7	---	2 2 8 7
8.0 Maximum lawful rate: (As of filing date. Complete to 3 decimal places.)	2 0 8 0	2 0 7	---	2 2 8 7
9.0 Person responsible for this application:	Charles B. Read President			
Agency Use Only	Name			
Date Received by Juris. Agency	Signature Charles B. Read			
Date Received by FERC	October 22, 1981 Date Application is Completed		(505) 622-3770 Phone Number	

FT7900806/2-2

U.S. DEPARTMENT OF ENERGY
Federal Energy Regulatory Commission
Washington, D.C. 20426APPLICATION FOR DETERMINATION OF THE MAXIMUM LAWFUL
PRICE UNDER THE NATURAL GAS POLICY ACT (NGPA)
(Sections 102, 103, 107 and 108)

PLEASE READ BEFORE COMPLETING THIS FORM:

General Instructions:

Complete this form if you are applying for price classification under sections 102, 103, 107 or 108 of the NGPA. A separate application is required for each well. If any reservoir qualifies for a category which differs from the category applicable to the producing well, separate applications must be made for the producing well and the reservoir. Complete each appropriate item on the reverse side of this page. The code numbers used in items 4.0 and 6.0 can be obtained from the Buyer/Seller Code Book. If there is more than one purchaser or contract, identify the additional information in the space below. Enter any additional remarks in the space below.

Submit the completed application to the appropriate Jurisdictional Agency as listed in title 18 of the CFR, part 270.103. If there are any questions, call (202) 275-4539.

Specific Instructions for Item 2.0, Type of Determination:

<u>Section of NGPA</u>	<u>Category Code</u>	<u>Description</u>
102	1	New OCS Lease
102	2	New onshore well (2.5 mile test)
102	3	New onshore well (1,000 feet deeper test)
102	4	New onshore reservoir
102	5	New reservoir on old OCS Lease
103	-	New onshore production well
107	-	High cost natural gas
108	-	Stripper well

Other Purchasers/Contracts:Contract Date
(Mo. Day Yr.)

Purchaser

Buyer Code

Remarks:

APPLICATION PURSUANT TO
SECTION 107(c)(5)
OF THE NATURAL GAS POLICY ACT OF 1978 (NGPA)
and
SECTION 274.205(f)
OF THE NGPA REGULATIONS

STATE OF NEW MEXICO

COUNTY OF CHAVES

BEFORE ME, the undersigned authority, duly commissioned and qualified within and for the State and County aforesaid, personally came and appeared Charles B. Read, who, being by me first duly sworn, deposed and said:

That he is the President of Read & Stevens, Inc., the applicant for the well as described heretofore in this application, and in that capacity, he is requesting the appropriate Oil and Gas Supervisor, Conservation Division, Geological Survey, to determine the eligibility of said well for wellhead pricing purposes pursuant to the rules and regulations of the Geological Survey and the Federal Energy Regulatory Commission and to the NGPA.

That the production enhancement work is necessary, and can be reasonably expected to enhance production.

The maximum lawful price that would be applicable but for qualification of the gas under Section 271.704, does not, or will not, provide adequate incentive for the performance of the production enhancement work;

But for the availability of a price at least as high as the renegotiated price specified in subparagraph (6), the production enhancement work would not have been or will not be performed;

The production enhancement work was not commenced before May 29, 1980;

To the best of applicant's knowledge and belief, the estimates required by Section 274.205(f)(4) are reasonable; and

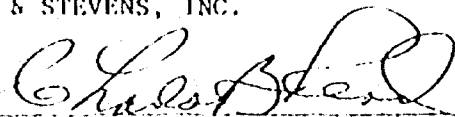
The applicant has no knowledge of any other information not described in the application which is inconsistent with these statements and estimates.

He further states that he has mailed, or caused to be mailed, postage prepaid, a copy of the completed Form FERC-121, Application for Determination of the Maximum Lawful Price Under the Natural Gas Policy Act, to the purchaser and to the colessee(s) and/or working interest owners, which are listed separately.


To the best of his knowledge and belief, all information contained in this application for category determination, pursuant to the NGPA, is true and

correct, including all documents, testimony, and evidence submitted with this application.

READ & STEVENS, INC.

By 
Charles B. Read, President

SUBSCRIBED in my presence and duly sworn to before me this 22nd
day of October, 1981.


Notary Public 5/10/84

For Section 107(c), High-Cost Natural Gas

Mark below to indicate the materials reviewed and relevant to the request. Attach accordingly.

In conformance with Office of Management and Budget Guidelines, data of a specific nature such as a Geological Survey form, a directional drilling survey, etc., which has already been submitted to the Supervisor for another purpose, shall not be submitted again as a requirement but may be submitted voluntarily. If such data is not submitted, the applicant shall so indicate below that the data is on file with the Supervisor. (In choosing not to submit the data, the applicant must understand that processing of the application may be delayed several days and perhaps weeks while the Supervisor locates and reproduces the data.)

1. Form FERC 121, Application for Determination of the Maximum Lawful Price Under the Natural Gas Policy Act. X

2. A statement(s) under oath as required by FERC for each application, including answers to certain questions as applicable. X

3. A statement that completed copies of Form FERC 121 have been forwarded to the purchaser(s) and to the colessees and/or the working interest owners. X

4. A statement of certification for each of the supporting documents, except for the conventional Geological Survey agreements and forms already certified. X

5. For a new well with the completion location below 15,000 feet:

All Form 9-330's, Well Completion or Recompletion Report and Log. _____

Well log heading with the relevant log section, or service company reports, or other such information corroborating the well completion depth. _____

Directional drilling survey. _____

Water depth at well location (OCS leases). _____

Other: _____

6. For a well producing geopressured brine:

Form 9-330, Well Completion or Recompletion Report and Log. _____

A bottom-hole pressure test report and other information to establish the initial pressure gradient. _____

A bottom-hole sample report reflecting the reservoir gas-liquid ratio and the surface gas-liquid ratio, and any other evidence which would establish the reservoir gas as being in solution. _____

A water analysis showing the parts per million of the various chlorides. _____

Other: _____

7. For a well producing from coal seams:

Form 9-1147, Logs of Prospect Bore Holes.

A gamma-ray log.

Further evidence such as a stratigraphic cross section of the seam and a lab report on the methane content.

Other:

8. For a well producing from Devonian Shale:

Form 9-330, Well Completion or Recompletion Report and Log.

A gamma-ray log.

A statement fully identifying a stratigraphic chart or test, or the enclosure of such a chart or test, which establishes the producing interval as Devonian Shale.

Other:

9. Qualified Production Enhancement Gas:

Form 9-330, Well Completion or Recompletion Report and Log.

Other: All items required by the Federal Energy Regulatory Commission regulations set out in Section 274.205(f)(1) thru (10)

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

SUBMIT IN DUPLICATE

(See other in-
structions on
reverse side)Form approved,
Budget Bureau No. 42-03555.

6. LEASE DESIGNATION AND SERIAL NO.

064490

7. IF INDIAN, ALIQUOT OR TRIBE NAME

7. UNIT AGREEMENT NAME
Hackberry Hills Unit8. FARM OR LEASE NAME
Hackberry Hills Unit

9. WELL NO.

4

10. FIELD AND POOL OR WILDCAT

Wildcat

11. SEC., T., R., M., OR BLOCK AND SURVEY
OR AREA

22-T22S-R26E

WELL COMPLETION OR RECOMPLETION REPORT

12. TYPE OF WELL: OIL WELL ☐ GAS WELL ☒ DRY ☐ OTHER ☐13. TYPE OF COMPLETION:
NEW WELL ☒ WORK OVER ☐ DEEP-EN ☐ PLUG BACK ☐ DIFF. LINER ☐ OTHER ☐

2. NAME OF OPERATOR

Sinclair Oil & Gas Company

3. ADDRESS OF OPERATOR

P.O. Box 1920, Hobbs, New Mexico

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)

At surface 2310' fr North line & 1980' fr West line

At top prod. interval reported below

At total depth

14. PERMIT NO.

DATE ISSUED

12. COUNTY OR

Eddy

13. STATE

New Mexico

10. DATE SPUNDED

5-12-66

10. DATE T.D. REACHED

7-6-66

17. DATE COMPL. (Ready to prod.)

7-19-66

18. ELEVATION (OF RAN, RT, OR, ETC.)

3404' GR

19. KEY. Casinghead

20. TOTAL DEPTH, MD & TWD

10500'

21. PLUG BACK T.D., MD & TWD

10100'

22. IF MULTIPLE COMPL.

HOW MANY?

23. INTERVAL

DRILLED BY

ROFARY TOOTH

10-10500'

CABLE TOOLS

24. PRODUCING INTERVAL(S), OF THIS COMPLETION: TOP, BOTTOM, NAME (MD AND TWD)

10049'-10100' (Canyon)

25. WAS DIRECTIONAL
SURVEY MADE

No

26. TYPE ELECTRIC AND OTHER LOGS RUN

Microlog and Dual Induction Laterolog

27. WAS WELL CORED

No

23. CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT, LBS./FT.	DEPTH SET (MD)	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
13-3/8"OD	48#	916'	17-1/2"	840 sacks	0
9-5/8"OD	36#	2600'	12-1/4"	800 sacks	0
5-1/2"OD	15.5&17#	10500'	7-7/8"	245 sacks	0

29. LINER RECORD

SIZE	TOP (MD)	BOTTOM (MD)	BARRA CEMENT	SCREEN (MD)	SIZE	DEPTH SET (MD)	PACKER SET (MD)
					2-3/8"OD	9982'	9982'

31. PERFORATION RECORD (Interval, size and number)

10061-64-69-71-74-76-87-91 with
16 3/8" holes
(above perforations open for
production)

32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

DEPTH INTERVAL (MD)	AMOUNT AND KIND OF MATERIAL USED
10120'	Squeezed w/100 sks cement.
10120'	Squeezed w/106 sks cement.
10061-10091	500 gals PDA & 2500 gals PDA using 36 ball sealers

33. PRODUCTION

DATE FIRST PRODUCTION 7-17-66 PRODUCTION METHOD (Flowing, gas lift, pumping, etc. and type of pump) Flowing WELL STATUS (Producing or shut-in) Shut-in

DATE OF TEST	HOURS TESTED	CHUNK SIZE	PROD'N. FOR TEST PERIOD	OIL - BBL.	GAS - MCF	WATER - BBL.	WATER - GALL.	WATER - GALL.	WATER - GALL.
7-19-66	4 hrs	10/64 to 18/64	18764						
FLOW, TUBING PRESS.	CASING PRESSURE	CALCULATED 24-HOUR RATE	OIL - BBL.	WATER - BBL.	OIL GRAVITY-API (CORR.)				
	Packer		621		57.4				

34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.)

Shut in - no transporter connection
at present.of 13,574
calculated.

TEST WITNESSED BY

W.L. Sisson

35. LIST OF ATTACHMENTS NOTE: 4 Point Test results reported on Form 9-331.

(Deviation survey attached)

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records.

SIGNED

TITLE

Superintendent

DATE

7-22-66

*(See Instructions and Spaces for Additional Data on Reverse Side)

Orig&2cc: USGS-Artesia; cc: Mrs M M Rhea, State Land Office-Santa Fe;
cc: Regional Office, Hobbs Office File, cc: Partners

INSTRUCTIONS

General: This form is designed for submitting a complete and correct well completion report and log on all types of lands and leases to either a Federal agency or a State agency, or both, pursuant to applicable Federal and/or State laws and regulations. Any necessary special instructions concerning the use of this form and the number of copies to be submitted, particularly with regard to local, area, or regional procedures and practices, either are shown below or will be issued by, or may be obtained from, the local Federal and/or State office. See instructions on Items 22 and 24, and 33, below regarding separate reports for separate completions.

If not filed prior to the time this summary record is submitted, copies of all currently available logs (drillers, geologists, sample and core analysis, all types electric, etc.), formation and pressure tests, and directional surveys, should be attached hereto, to the extent required by applicable Federal and/or State laws and regulations. All attachments should be listed on this form, see Item 35.

Item 4: If there are no applicable State requirements, locations on Federal or Indian land should be described in accordance with Federal requirements. Consult local State or Federal office for specific instructions.

Item 18: Indicate which elevation is used as reference (where not otherwise shown) for depth measurements given in other spaces on this form and in any attachments.

Items 22 and 24: If this well is completed for separate production from more than one interval zone (multiple completion), so state in item 22, and in item 24 show the producing interval, or intervals, top(s), bottom(s) and name(s) (if any) for only the interval reported in item 33. Submit a separate report (page) on this form, adequately identified, for each additional interval to be separately produced, showing the additional data pertinent to such interval.

Item 29: "Seals Cement": Attached supplemental records for this well should show the details of any multiple stage cementing and the location of the cementing tool.

Item 33: Submit a separate completion report on this form for each interval to be separately produced. (See instruction for Items 22 and 24 above.)

37. SUMMARY OF POROUS ZONES:

SHOW ALL IMPORTANT ZONES OF POROSITY AND CONTENTS THEREOF: CORED INTERVALS; AND ALL DRILL-STEM TESTS, INCLUDING DEPTH INTERVAL TESTED, CUSHION USED, TIME TOOL OPEN, FLOWING AND SHUT-IN PRESSURES, AND RECOVERIES

FORMATION	TOP	BOTTOM	DESCRIPTION, CONTENTS, ETC.
Delaware	4750	4811'	DST No. 1 5/8" x 1" choke. No. W.C. Open 2 hrs. w/good blow to very weak in 30". Rec. 1200' gas in DP & 30' DM, 5" ICFP 58#, 1 hr. ISIP 526#, 2 hr. ICFP 29#, FFP 43#, 2 hrs. FSIP 451#. EH Temp. 102°. Hyd. Press. 2151 & 2151.
Bone Springs	7748	7815'	DST No. 2 5/8" x 1" choke. No. W.C. Open 2 hrs. w/good blow, gas to surface in 10". Decrease to weak blow in 15". TSIM. rec. 10' drlg mud 5" ICFP 76#, 1 hr. ISIP 1009#, 2 hrs. ICFP 61#, FFP 75#, 2 hrs. FSIP 945#, Temp. 128°.
Cisco	9918	9950'	DST No. 3 5/8" x 1" choke. No. W.C. Open w/good blow gas to surface in 10". Turn thru separator & test gas rate of 105 MCFPD last 1-1/2 hrs. Exp. 80' O&G CH & 100' CCIS. 5" ICFP 54#, 1 hr. ISIP 5827#, 2 hr. ICFP 51#, FFP 85#, 2 hr. FSIP 5784#, Hyd. Press. 4836 & 4862. Temp. 145°.
DST's Continued on Attached Sheet			

38. GEOLOGIC MARKERS

NAME	TOP	
	MEAS. DEPTH	TACE VERT. DEPTH
Bone Springs	5043'	5043'
Wolfcamp	8556'	8556'
Cisco	9800'	9800'
Canyon	10049'	10049'
Strawn	10116'	10116'
Atoka	10450'	10450'

Well Name: Hackberry Hills Unit Well No. 4
API Number: 30 015 10805

Section 274.205(f)(2): Statement describing the production enhancement work.

Read & Stevens, Inc., as operator of the Hackberry Hills Unit Well No. 4, intends to install a 12.5 horsepower engine driven gas compressor to reduce the pressure against which the well must produce from approximately 600-875 psig to approximately 300 psig. This should allow the well to continuously produce rather than intermittently produce. At the present time the well will only produce after having been shut in for pressure buildup. The installation will be performed as soon as possible after approval of this application.

Section 274.205(f)(3): Statement of estimated costs.

	Monthly	Annually
(1) Rental of compressor	\$ 798 *	\$ 9,576
(2) Rental compressor maintenance agreement	410 *	4,950
(3) Rental compressor operations and overhead	450	5,400
(4) Rental compressor fuel	130	1,560
Total	\$1,788	\$21,456

Items (1) and (2) above are based on the attached quotations. The remaining items are estimated.

*Includes state sales tax.

Section 274.205(f)(4): Statement estimating gas production.

Sec. 274.205(f)(4)(i) - Estimated production for five year period if compression was installed as of the date of this application.

Year	Estimated Production (MMBTU's)
1	41,000
2	33,000
3	26,000
4	21,000
5	17,000
	138,000 Total MMBTU's

Sec. 274.205(f)(4)(ii) - Estimated production for five year period if compression was not installed as of the date of this application. ^{1/}

Year	Estimated Production (MMBTU's)
1	11,680
2	10,044
3	8,638
4	7,429
5	6,389
	44,180 Total MMBTU's

Estimated increased production: 93,820 MMBTU's

^{1/}These figures represent the estimated volume of gas this well is physically capable of producing; however, the well has reached its economic limit at the current price and volumes being produced.

Section 274.205(f)(5) - Calculation required by Section 271.704(c)(1)(v).

Sec. 271.704(c)(1)(v)(i)

A. Estimated production from 274.205(f)(4)(i)	138,000 MMBTU	
B. Section 109 Price (October 1981)	\$ 2.080	
		\$287,040

Sec. 271.704(c)(1)(v)(ii)

A. Estimated production from 274.205(f)(4)(ii)	44,180 MMBTU	
B. Contract Price \$.17	x .17	
		7,511
		\$279,529

Sec. 271.704(c)(1)(v) - Calculation

$\$279,529 \div 93,820 \text{ MMBTU's} = \2.979 per MMBTU

Section 274.205(f)(6)

Renegotiated price: Section 109
Contract amendment attached.

Section 274.205(f)(7)

Applicant's statement attached.

Section 274.205(f)(8)

Purchaser's statement attached.

Section 274.205(f)(9)

Not applicable. No fracturing operations to be conducted.

Section 274.205(f)(10)

Required copies attached to application.

In the Matter of Read &
Stevens, Inc. Application
For Incentive Pricing
For Qualified Production
Enhancement Gas under Section
107 (c)(5) of the Natural Gas
Policy Act of 1978

)
)
)
)
)
)
)

PURCHASER'S OATH

STATE OF TEXAS

COUNTY OF DALLAS

BEFORE ME, the undersigned authority, duly commissioned and qualified within and for the State and County aforesaid, personally came and appeared _____, who, being by me first duly sworn, deposed and said:

That he is _____ of GAS COMPANY OF NEW MEXICO, a Division of Southern Union Company, the purchaser from Read & Stevens, Inc. et al., of gas produced from the Hackberry Hills Unit Well No. 4, 22-T22S-R26E, the purchaser having reviewed Read & Steven's application to qualify the gas from said well as Qualified Production Enhancement Gas does hereby affirm that to the best of its knowledge and belief there is a reasonable basis for the statements and estimates made by the applicant, and further that purchaser has no knowledge of any information not described in the application which is inconsistent with the statements and estimates made by the applicant.

ATTEST:

GAS COMPANY OF NEW MEXICO, a
Division of Southern Union Company

Notary Public

By _____

Subscribed in my presence and duly sworn to before me, this _____ day of _____, 1981.

Notary Public in and for
County, _____

My Commission Expires:

March 1, 1982



AZTEC

GAS, INC.

191515631247 • P.O. BOX 1119 • MIDLAND, TEXAS 79701

May 1, 1981

Read and Stevens, Inc.
P.O. Box 1518
Roswell, New Mexico 88201
Attn: Mr. Bruce Stubbs

Gentlemen:

This will confirm our conversation of this week concerning the gas compressor unit for your Hathury Hills Number 4 lease near Carlsbad. We are pleased to present this quotation of compression equipment for your consideration.

CONDITIONS:

Suction pressure	300 psig
Discharge pressure	900 psig
Capacity required	100 MCFD
Suction temperature	70 °F
Elevation at site	3500 Feet
Gas analysis	H/A (Sweet)
Horsepower required	10
Stages	1

COMPRESSOR:

Ingersoll Rand Type 30, Model 22 (1½" x 1½" 5")

Single stage
600 RPM maximum speed
1100 psig maximum pressure
Air-cooled cylinder
Belt driven
Oil level control

POWER UNIT:

Waukesha VRG-155 Natural Gas Engine

Rated 20 HP at 1500 RPM (continuous)
Covered power unit
Oil level controller
Clutch PTO
Solid state ignition
Gas starting, lubricated
Oil pressure and coolant temperature gauges

SCRUBBER:

8 5/8 inch OD, 5'0" vertical unit

1200 psig MWP
Liquid level shut-down
Automatic dump valve with actuator
Manual drain

COOLER:

Finned tube, forced draft heat exchanger

Gas after-cooling
Hydrostatically tested, 1250 psig MWP
Relief valve ahead of cooler

PANEL AND SAFETY SHUT-DOWNS:

Pressure gauges on suction and discharge
Shut-down and tattletale for the following:

Suction pressure range
Discharge pressure range
High liquid level, scrubber
Compressor lubricant level
Compressor vibration
Engine lubricant level
Engine vibration
Engine coolant temperature

SKID:

9' x 6' Structural Steel

Deck plate on exposed areas
Guards for all rotating equipment
Primer and painted with industrial enamel
Bypass loop installed

PERFORMANCE:

Suction pressure (psig)	200	300	400	500
Discharge pressure (psig)	900	900	900	900
Suction Temperature (°F)	70	70	70	70
Capacity (MCFD)	91	154	213	274
Horsepower	8.2	9.9	10.1	9.7

Model 22 (1½" x 1½" x 5")
600 RPM
8% Clearance, each stage

The sale price of the unit as outlined above is \$20,600.00, FOB Midland, Texas. Terms are net 30 days.

A lease agreement is available where the unit can be leased for \$760.00 per month, with a primary lease term of twelve (12) months.

A Lease-Purchase agreement, with a primary term of 9 months, can be made on this unit. Monthly rental will be \$760.00 with sixty (60) percent of all paid rentals applying toward purchase of the unit during the primary term.

Aztec will maintain the unit for \$390.00 per month. Maintenance will include all parts and labor to maintain the good operating condition of the unit. All fuel, lubricants, antifreeze and daily operation will be furnished by you under these conditions.

We are pleased to submit this quotation for your consideration. The price will remain firm for at least 30 days. If there are any questions, please call.

Very truly yours,

Dave Boes

COMPRESSOR UNIT PERFORMANCE

CAPACITIES IN MCFD

12½ H.P.

25	136	174	225	276															
50	110	160	195	250	307	355													
75	64	83	105	127	148	169													
100	63	82	104	125	147	167	194												
200		67	81	90	95	100	110	116	125	130									
300			90	94	45	51	59	94	116	109	102								
400				35	42	49	57	92	110	105	159	210							
500					41	48	56	85	101	99	153	206	217						
600						47	55	80	95	109	149	191	245	310					
700							54	75	85	100	130	164	204	252					
800								73	82	90	118	146	172	214					
	0	5	10	15	20	25	30	35	40	45	50	55	60	65	70	75	80	85	90

60 H.P.

50	570	895	1850																
100	395	545	805	1560															
200	300	375	490	705	1390														
300		315	390	530	860	1350													
400			280	340	440	660	945	1350											
500				315	390	560	755	1000	1350										
600				290	360	495	640	805	1065	1350									
700				275	335	445	575	705	875	1065	1315								
800					320	415	520	640	770	825	1085	1315							
900					300	395	485	580	685	805	945	1110	1315						
1000					290	375	455	530	635	735	835	980	1135	1280					
1100					280	355	426	510	555	665	770	875	1000	1135					
1200					270	340	407	475	550	625	703	790	890	1020					
	0	10	25	50	100	150	200	250	300	350	400	450	500						

25 H.P.

25	272	348	450	552															
50	270	320	390	500	614	710													
75	128	166	210	254	296	338													
100	126	164	208	250	294	334	358												
200		124	162	187	190	200	220	320	230	620									
300			160	160	102	118	188	237	218	324									
400				70	84	94	114	184	220		318	420							
500					87	96	117	170	202	158	306	417	524						
600						94	110	160	195	218	258	382	490	620					
700							108	150	170	200	260	328	408	504					
800								146	164	180	236	292	344	428					
	0	5	10	15	20	25	30	35	40	45	50	55	60	65	70	75	80	85	90

150 H.P.

50	1335	2255	3750																
100	1065	1465	2175	4220															
200	800	1015	1375	1900	3855														
300	700	855	1065	1435	2325	3650													
400		765	930	1195	1775	2595	3650												
500			700	855	1055	1534	2045	2700	3650										
600				785	930	1335	1755	2215	2810	3550									
700					740	900	1225	1550	1900	2365	2870	3550							
800						711	860	1125	1420	1710	2045	2500	2935	3550					
900							815	1060	1310	1570	1850	2175	2550	3000	3550				
1000								785	1015	1225	1450	1710	1985	2250	2645	3070	3460		
1100									756	965	1150	1380	1560	1800	2075	2370	2700	3070	
1200										734	925	1100	1285	1485	1690	1900	2140	2410	2755
	0	10	25	50	100	150	200	250	300	350	400	450	500						

Above Capacities Are Approximate And Represent One And Two Stage Applications At Sea Level. Gas Conditions - N = 1.26, .65 Gravity, 60°F

- Compressor Packages For Sale, Lease, or Lease Purchase
 - Compressor Units for Short-Term Rental and Well-Testing are also Available
- Aztec Gas, Inc.
Call (915) 563-1247



CASE

Application of P. O. J. Stevens, Inc.
for an exception to the maximum
allowable base price provisions of
the New Mexico Natural Gas Pricing
Act for its Hackberry Hills Unit
Well No. 4 in Eddy County, New
Mexico. Applicant in the above
captioned case seeks an order of
the Division prescribing the
price allowable for production
enhancement gas under section
107 of the Natural Gas Pricing
Act as the maximum allowable
base price if production enhancement
work which qualifies under the
NCGPA is performed. The
Hackberry Hills Unit Well No. 4
is located in Section 22, Township
22 South, Range 26 East, Eddy County
New Mexico.

~~DIANE~~
Draft

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7500

Order No. R-6949

APPLICATION OF READ & STEVENS,
INC. FOR AN EXCEPTION TO THE
MAXIMUM ALLOWABLE BASE PRICE
PROVISIONS OF THE NEW MEXICO
NATURAL GAS PRICING ACT,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 16,
1982, at Santa Fe, New Mexico, before Examiner Richard L.
Stamets.

NOW, on this _____ day of April, 1982, the Division
Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Read and Stevens, Inc., requested an order exempting the production from its Hackberry Hills Unit Well No. 4 located in Section 22, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico, from the maximum allowable base price provisions of the New Mexico Natural Gas Pricing Act and the establishment of the maximum allowable base price set by Section 107 of the Natural Gas Policy Act of 1978 and regulations promulgated thereunder for production enhancement gas, *as the appropriate ceiling price for natural gas produced by this well.*

(3) That the New Mexico Natural Gas Pricing Act, Section 62-7-1 et. seq., NMSA 1978, establishes a maximum allowable base price for sales of natural gas which pricing provision is applicable to the Hackberry Hills Unit Well No. 4.

(4) That Section 62-7-6.1, NMSA 1978, provides:

"A. The oil conservation division may, by rule, regulation or order, prescribe a maximum allowable base price, applicable to any high-cost natural gas, which exceeds the otherwise applicable maximum allowable base price, to the extent that the higher price is necessary

to provide reasonable incentives for the production of such high-cost natural gas.

B. As used in this section, 'high-cost natural gas' means natural gas, determined by the oil conservation division to be:

- (1) produced from geopressurized brine;
- (2) occluded natural gas produced from coal seams;
- (3) produced from Devonian shale; or
- (4) produced under such other conditions as the division determines to present extraordinary risks or costs.

C. In promulgating any rule, regulation or order under this section, the oil conservation division shall consider any similar action taken by the federal energy regulatory commission under Section 107 of the federal Natural Gas Policy Act of 1978, P.L. 95-621, which action, but for the provisions of Section 62-7-6 NMSA 1978, would allow a higher price for natural gas subject to the Natural Gas Pricing Act."

(5) That the Division has considered the action of the Federal Energy Regulatory Commission in establishing higher maximum allowable base prices for qualified production enhancement gas, set forth in 18 Code Federal Regulation §271.704, promulgated under Section 107 of the Natural Gas Policy Act of 1978.

(8) That the use of compression equipment will result in the recovery of a greater percentage of the original gas in place under said well.

(6) That the above cited regulations define qualifying "production enhancement work" as including the installation of compression equipment.

(7) That Applicant has caused compression equipment to be installed on its Hackberry Hills Unit Well No. 4.

→ (8) →

(9) ~~+~~ That this installation of compression equipment causes an extraordinary increase in the costs of operating the subject well which costs if not compensated for will cause the premature abandonment of said well with a consequent decrease in ultimate recovery of natural gas. *There from*

(10) ~~+~~ That the proposed exemptions from the New Mexico Natural Gas Pricing Act will result in the recovery of otherwise unrecoverable hydrocarbons, thereby preventing waste.

IT IS THEREFORE ORDERED:

(1) That the applicant, Read and Stevens, Inc., is hereby granted an exemption from the maximum allowable base price provisions of the New Mexico Natural Gas Pricing Act for all natural gas produced by the Hackberry Hills Unit Well No. 4 located in Section 22, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico, for so long as the applicant produces said well with ^{the aid of compression} compressor equipment.

See under
(2) That this exemption shall be valid only for sales made by applicant from this ~~unit~~ well which are subject to the maximum allowable base price provisions of section 107 of the Natural Gas Pricing Act of 1936.

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

STATE OF NEW MEXICO

OIL CONSERVATION DIVISION

JOE D. RAMEY,

Director

S E A L