

Case Number

6013

Application

Transcripts.

Small Exhibits

ETC.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
17 August, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of HNG Oil Company for com-)
pulsory pooling, Eddy County, New Mex-) CASE
ico.) 6013

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

| | |
|--------------------------|----------------------------------|
| For the New Mexico Oil | Lynn Teschendorf, Esq. |
| Conservation Commission: | Legal Counsel for the Commission |
| | State Land Office Building |
| | Santa Fe, New Mexico |
| For the Applicant: | W. Thomas Kellahin, Esq. |
| | KELLAHIN & FOX |
| | 500 Don Gaspar |
| | Santa Fe, New Mexico |

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Phone (505) 982-9212

I N D E X

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The Witness, Raymond Parker

Direct Examination by Mr. Kellahin

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The Witness, Joseph Stewart Martin

Direct Examination by Mr. Kellahin

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E X H I B I T S

Exhibit 1, Plat

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Exhibit 2, Document

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Exhibit 3, AFE

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1 MR. STAMETS: We'll call next Case 6013,

2 MS. TESCHENDORF: Case 6013, Application of
3 HNG Oil Company for compulsory pooling, Eddy County, New
4 Mexico.

5 MR. KELLAHIN: Tom Kellahin of Kellahin and Fox,
6 appearing on behalf of the Applicant, and I have two wit-
7 nesses to be sworn,

8 MR. STAMETS: Stand and be sworn, please.

9 (Witnesses sworn.)

10
11 RAYMOND PARKER,
12 being called as a witness and being duly sworn upon his oath,
13 testified as follows, to-wit:

14
15 DIRECT EXAMINATION

16 BY MR. KELLAHIN:

17 Q Would you please state your name, by whom you're
18 employed, and in what capacity?

19 A My name is Raymond Parker. I'm a land consultant
20 for HNG Oil Company in Midland, Texas.

21 Q Mr. Parker, have you previously testified before
22 this Commission as a land consultant and had your qualifi-
23 cations accepted and made a matter of record?

24 A I have not.

25 Q Would you describe briefly for benefit of the

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1 Examiner what has been your previous experience as a petro-
 2 leum land expert?

3 A. I was formerly employed by the Superior Oil Com-
 4 pany for twenty-nine years, twenty-six of which were in land
 5 work; all phases of land work, titles, joint ventures,
 6 pooling, et cetera.

7 Q. Have you made a study of and are you familiar
 8 with the title situation surrounding the south half of
 9 Section 19 that is the subject of this application?

10 A. Nine, Section 9.

11 Q. Section 9.

12 A. Yes, I have in detail.

13 MR. KELLAHIN: If the Examiner please, are the
 14 witness' qualifications acceptable?

15 MR. STAMETS: Yes.

16 Q. (Mr. Kellahin continuing.) Mr. Parker, I direct
 17 your attention to what has been marked as Applicant Exhibit
 18 1, ask you to identify it and state briefly what HNG Oil
 19 Company is seeking.

20 A. The plat shows the south half of Section 9 of 24-
 21 28. It shows our proposed location for a test well to test
 22 the Morrow. It also shows four tracts of land, four, five,
 23 four of which is colored green, one red. Since making ap-
 24 plication, owners of the tracts colored in green have agreed
 25 to a trade with HNG, which is acceptable.

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1 The five-acre tract colored in red is owned by a
2 party named Naomi Brown, who has simply disappeared. We
3 cannot locate her. We've used every means we know in our
4 phase of the business to locate this person. She was last
5 known to live in --

6 Q Let me direct your attention --

7 A -- Kokomo --

8 Q Excuse me.

9 A Kokomo, Indiana.

10 Q Let me direct your attention to Exhibit Number
11 2 and ask you to identify it.

12 A Sheet Number 2 describes the tracts of land in
13 question, the owners thereof, the fact that since making
14 application four of these tracts have been brought into the
15 pool, what will be a pool unit.

16 Q All right, the entry under Number 1 is the mineral
17 ownership of Naomi Brown.

18 A A single person, yes.

19 Q And you have been unable to contact her.

20 A Yes.

21 Q All right, now the entry Number 2 shows a mineral
22 owner of A. P. Willard.

23 A Right.

24 Q Has he agreed to join you?

25 A A. P. Willard, his heirs were located by J. R.

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1 Rowan and Associates, and an oil and gas lease covering the
 2 interest was acquired. It is now committed to HNG on a
 3 farm-out trade.

4 Q All right, what is the status of the entry under
 5 Number 3?

6 A The status under Number 3, the tracts are owned
 7 by Rowan and Associates. We've now reached an agreement
 8 with them on a farm-out and/or lease trade, which will make
 9 it part of the pool unit.

10 Q So the only uncommitted acreage is that entry
 11 under Number 1 and as identified by the red outline of the
 12 five-acre tract on Exhibit Number 1.

13 A True.

14 Q All right, sir.

15 MR. KELLAHIN: That concludes my examination of
 16 Mr. Parker.

17 MR. STAMETS: Are there any questions of the wit-
 18 ness? He may be excused.

19
 20 JOSEPH STEWART MARTIN

21 being called as a witness and being duly sworn upon his oath,
 22 testified as follows, to-wit:

23
 24 DIRECT EXAMINATION

25 BY MR. KELLAHIN:

1 Q Would you please state your name, by whom you're
2 employed, and in what capacity?

3 A Joseph Stewart Martin, and I'm Vice President of
4 Exploration of HNG Oil Company in Midland, Texas.

5 Q Mr. Martin, have you previously testified before
6 this commission and had your qualifications accepted and
7 made a matter of record?

8 A No, sir.

9 Q Would you please describe for the Examiner when
10 and where you obtained your undergraduate education?

11 A California Institute of Technology in Pasadena,
12 California, in 1944.

13 Q And what, if any, degree did you obtain upon
14 graduation?

15 A Received a Master's degree in Geology at the same
16 institution in 1947.

17 Q Since 1947 would you summarize where you have been
18 employed and in what capacity?

19 A I worked for the Tidewater Associated Oil Company
20 in Bakersfield, California, for approximately a year and a
21 half and I transferred to Intex Oil Company in Pecos, Texas,
22 Abilene, Texas, and Midland, Texas, until 1961, at which
23 time I went to work for the Superior Oil Company as a Dis-
24 trict Geologist in Oklahoma City, and then transferred back
25 to Midland and was with Superior Oil Company until 1975, at

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1 which time I became Vice President of Exploration with HNG
2 Oil Company until the present time.

3 Q In what capacity was your employment with Tidewater
4 Oil Company?

5 A As a Junior Geologist.

6 Q And with Intex?

7 A As a Regional Area Geologist.

8 Q And with Superior?

9 A District Geologist and Senior Geologist.

10 Q Mr. Martin, have you made a study of and are you
11 familiar with the facts surrounding this particular appli-
12 cation?

13 A Yes, sir.

14 MR. KELLAHIN: If the Examiner please, are the
15 witness' qualifications acceptable?

16 MR. STAMETS: You are qualifying as an expert --

17 MR. KELLAHIN: Geologist.

18 MR. STAMETS: Geologist?

19 MR. KELLAHIN: Geologist, yes, sir.

20 MR. STAMETS: And what about your experience re-
21 lative to supervision of drilling wells?

22 A When I was at Intex Oil Company I was actually
23 assigned to work in the -- as a drilling engineer, and I
24 worked west Texas and also did work for the Intex contract
25 in Teapot Dome in Wyoming, under Navy contract, as a drilling

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1 engineer for approximately two years.

2 MR. STAMETS: So you're familiar with AFE's,
3 drilling cost, and drilling procedure?

4 A. Yes, sir, and as part of my capacity as an offi-
5 cer of the company I sign all the AFE's in our office in
6 Midland with HNG Oil Company.

7 MR. STAMETS: The witness is considered qualified.

8 Q. (Mr. Kellahin continuing.) Mr. Martin, would you
9 please refer to what I have marked as Exhibit Number 1,
10 which is a plat, and describe the particular location you
11 have chosen in which to drill the well?

12 A. The well in Section 8 is the HNG 1-8 Ogden, which
13 was completed as a Morrow discovery well in June of 1977.

14 Q. Excuse me, let me -- Section 8?

15 A. Yes, sir.

16 Q. All right, there's that Ogden well in the north-
17 east quarter.

18 A. Right.

19 Q. All right, describe for me that well.

20 A. It was completed in the Morrow Sand in June of
21 1977 -- let me get the perforations here -- perforated in
22 overall interval from 12,216 to 548, and the open flow
23 potential was 6.257 million feet of gas.

24 Q. All right, sir. There is a well circled in red
25 in the south half of Section 16.

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1 A. That was the Aminoil Willow Lake Unit Number 2
 2 that HNG had a small working interest; it was a dry hole.
 3 They tested the Morrow and it flowed 400,000 feet of gas and
 4 water on a drill stem test. The Atoka Sand was not present,
 5 which is producing in the well to the southeast in Section
 6 22, which is Aminoil Number 1 Willow Lake Unit.

7 Q That Aminoil Willow Lake Unit well in Section 22
 8 is not colored in red, is it?

9 A. No, sir.

10 Q And it is in the northwest quarter of that sec-
 11 tion?

12 A. That's right.

13 Q All right. What is the status of that well?

14 A. It's producing from the Atoka Sand at approxi-
 15 mately 11,700 feet above the Morrow.

16 Q Okay, how did it test in the Morrow?

17 A. The Morrow was production tested and the last
 18 gauge it flowed approximately 700,000 feet of gas but suf-
 19 fered serious bottom hole pressure drawdown. It was around
 20 3600 pounds on the last pressure test. In the drill stem
 21 test the pressure was approximately 5800 pounds.

22 Q All right, sir, let me direct your attention up to
 23 Section 5 and to the northeast quarter of that section there
 24 is a red circled well.

25 A. Yes, sir. That's the HNG Oil Company Valdez 5

1 Number 1 which today is reaching total depth and should be
2 logging tonight at an approximate depth of 13,000.

3 Q I see. Are there any other Morrow offset wells
4 other than those that you've testified to?

5 A No, sir, not on this plat.

6 Q All right. Now, directing your attention to the
7 south half of Section 9.

8 A Yes, sir.

9 Q To the subject well, please explain to the Examiner
10 your reasons for locating the well where you have.

11 A The reason for locating the well where it is was
12 to encounter the sands encountered in the Ogden 8-1 and
13 also to increase the chance of encountering sands that were
14 encountered in a well just off of this plat in Section 11,
15 the Aminoil CNB Number 1, which is a Morrow producer and
16 is currently producing at the rate of approximately 1.2
17 million feet of gas per day, which is the only commercial
18 Morrow well in the immediate area.

19 Q All right, Mr. Martin, does HNG Oil Company desire
20 to be designated the operator of this unit?

21 A Yes, sir.

22 Q Would you refer to what I have marked as Appli-
23 cant Exhibit Number 3 and identify it?

24 A That's the HNG Oil Company AFE for the Woods 9 Com
25 Number 1 for the well in question in the south half of Sec-

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1 tion 9.

2 Q You've indicated previously that it is in the
3 course of your business a continual occurrence for you to
4 examine and approve AFE's for HNG Oil Company.

5 A Yes, sir.

6 Q Would you indicate on this AFE what the total costs
7 are?

8 A For a completed well, \$1,031,725.

9 Q In your opinion, Mr. Martin, is that a reasonable
10 and fair AFE with regards to the well to be drilled to this
11 depth at this location?

12 A Yes, sir. We have drilled a well in Section 8 and
13 also reached TD in Section 5, so we have some history of
14 drilling costs in the immediate area.

15 Q Based upon your study of and knowledge of this
16 particular area, do you have any recommendation to the Ex-
17 aminer with regards to a risk factor to be assessed in this
18 particular application?

19 A I think a fair and reasonable risk factor is two
20 hundred percent.

21 Q Now, with regards to the drilling of the well,
22 do you have a recommendation based upon your experience and
23 knowledge with regards to the charges to be assessed while
24 drilling the well?

25 A I think Mr. Parker has those figures in hand.

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1 MR. PARKER: Yes, sir. I have mislaid those,
2 Just a moment, let me find what they were.

3 Q I understand and have been informed that HNG Oil
4 Company's charge of \$2,007 is that charge assessed while
5 drilling the well. In your best recollection is that in
6 fact true and correct?

7 A Yes, sir.

8 Q Is that, in your opinion, a fair and reasonable
9 charge while drilling the well?

10 A Yes, sir.

11 Q I am told and understand that HNG Oil Company
12 assesses a charge of \$305 for supervision and cost after
13 the well has been completed.

14 A Yes, sir.

15 Q Is that correct?

16 A That's correct.

17 Q And in your opinion, Mr. Martin, is that a fair
18 and reasonable charge?

19 A Yes, sir.

20 Q I don't recall if you've indicated the total depth
21 of this particular well. What is your estimated total depth?

22 A The estimated total depth is 13,000 feet. It's on
23 the AFE on the upper righthand side.

24 Q All right, sir. In your opinion, Mr. Martin, will
25 approval of this application be in the best interests of

1 conservation, the prevention of waste, and the protection
2 of correlative rights?

3 A. Yes, sir.

4 Q And were Exhibits 1, 2, and 3 compiled under your
5 supervision and direction?

6 A. Yes, sir.

7 MR. KELLAHIN: If the Examiner please, we move
8 the introduction of Exhibits 1, 2, and 3.

9 MR. STAMETS: The Exhibits will be admitted. Are
10 there any questions of the witness? He may be excused.

11 Anything further in this case?


12 MR. KELLAHIN: I don't believe so.

13 MR. STAMETS: This case will be taken under ad-
14 visement.

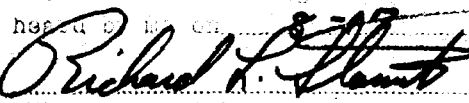
15 (Hearing concluded.)
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REPORTER'S CERTIFICATE

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


Sidney F. Morrish, C.S.R.

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I do hereby certify that the foregoing is
a correct and true copy of the proceedings in
the hearing of Case No. 6013
heard at Santa Fe, N.M., on 8-17, 1977.
, Examiner
New Mexico Oil Conservation Commission

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 6013
Order No. R-5519

APPLICATION OF HNG OIL COMPANY
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 17, 1977, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 30th day of August, 1977, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, HNG Oil Company, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 9, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well at a standard location in Unit J of said Section 9.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.
- (6) That the applicant should be designated the operator of the subject well and unit.

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

(10) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) That \$2007.00 per month while drilling and \$305.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before December 1, 1977, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the S/2 of Section 9, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location in Unit J of said Section 9.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of December, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of December, 1977, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Commission for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.

(2) That HNG Oil Company is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 30 days prior to commencing said well, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

Case No. 6013
Order No. R-5519

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$2007.00 per month while drilling and \$305.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

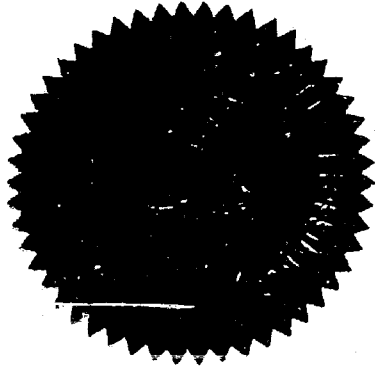
(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

-5-
Case No. 6013
Order No. R-5519

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



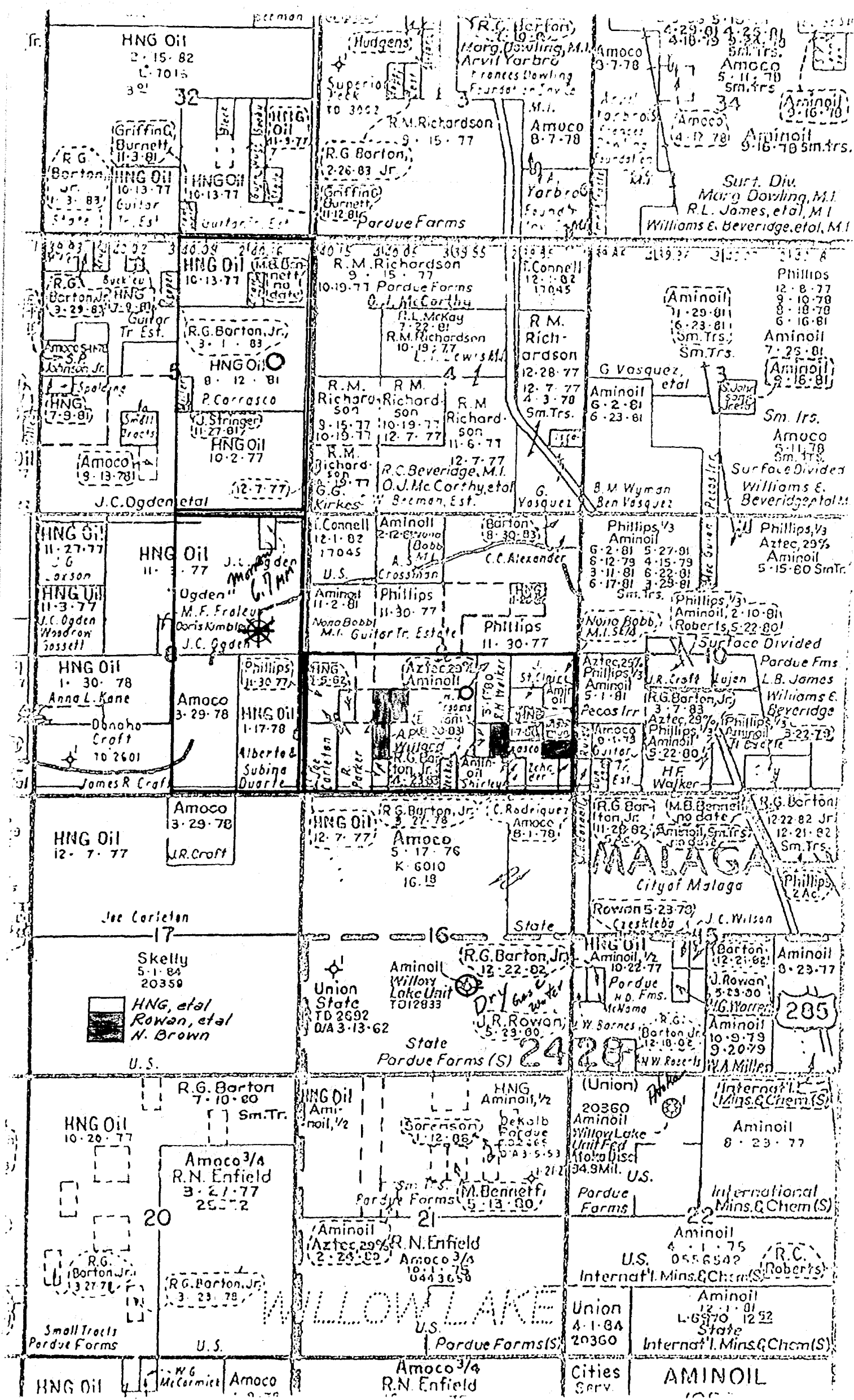
PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary

S E A L

jr/



EDDY COUNTY, NEW MEXICO

T-24-S, R-28-E
S/2 of Section 9

1. E/2 NE/4 SW/4 SE/4 (Tract 1277)

Mineral Owner --- Naomi Brown, a single person

Last known to be in Kokomo, Indiana in 1952.

Unable to locate.

* 2. W/2 NW/4 SE/4 SW/4 (Tract 1270)

Mineral Owner --- A. P. Willard

Last known to be in Wichita, Kansas in 1968.

Unable to locate.

** 3. S/2 NE/4 SE/4 SE/4
W/2 SW/4 NE/4 SW/4
E/2 SW/4 NE/4 SW/4
W/2 NW/4 SE/4 SW/4

Mineral and/or Leasehold Owners ---- J. R. Rowan, Don A. Matson and
and R. C. Roberts

Terms of proposed farmout and/or
lease not acceptable.

* The A. P. Willard tract has been leased to J. R. Rowan, et al, who
have agreed to assign same to HNG Oil Company.

** A mutually acceptable trade has been made between Rowan, et al and
HNG Oil Company on these parcels.

| | |
|-----------------------------|---------------|
| BEFORE EXAMINER STAMETS | |
| OIL CONSERVATION COMMISSION | |
| HNG | EXHIBIT NO. 2 |
| CASE NO. | 6013 |
| Submitted by | |
| Hearing Date | |

DRILLING OR WORKOVER AFE



- ☒ WILDCAT ☐ DEVELOPMENT ☐ WORKOVER
☒ DRILLING ☐ DRILLING ☐ SAME ZONE
☒ COMPLETION ☐ COMPLETION ☐ NEW ZONE
☐ RE-ENTRY ☐ RE-ENTRY ☐ P & A

AFE NO. _____

LSE. NO. _____

HNG W.I. _____

HNG EST. COST _____

AFE DATE _____

| | | | |
|---|-------------------------|--------------|----------------|
| LEASE & WELL NO. | Woods "9" COM #1 | DEPTH & FORM | 13,000' Morrow |
| LOCATION, 1980' FSL & 2000' FEL, Sec. 9, T-24-S, R-28-E | | | |
| COUNTY & STATE | Eddy County, New Mexico | FIELD | Wildcat |
| OPERATOR | HNG Oil Company | SPUD DATE | |

| INTANGIBLE WELL COST | | | | |
|----------------------|------------------------------------|----------|------------|---------|
| | DESCRIPTION | DRILLING | COMPLETION | TOTAL |
| 1 | Access, Location & Roads | 20,000 | | 20,000 |
| 2 | Rig Move | 35,000 | | 35,000 |
| 3 | Footage Cost | | | |
| 4 | Day Work Cost 60 days @ 3600 | 216,000 | | 216,000 |
| 5 | Bits & Reamers | 50,000 | | 50,000 |
| 6 | Fuel | 36,000 | | 36,000 |
| 7 | Water | 3,500 | | 3,500 |
| 8 | Mud & Chemicals | 50,000 | 3,000 | 53,000 |
| 9 | Cementing & Service | 22,500 | 7,500 | 30,000 |
| 10 | Coring | | | |
| 11 | Surveying & Testing | 25,000 | | 25,000 |
| 12 | Mud Logging | 10,000 | | 10,000 |
| 13 | Perforating | | 3,000 | 3,000 |
| 14 | Stimulation | | 30,000 | 30,000 |
| 15 | Transportation | 9,000 | 7,500 | 16,500 |
| 16 | Drilling Overhead & Supervision | 6,000 | 2,000 | 8,000 |
| 17 | Equipment Rental | 9,000 | 5,000 | 14,000 |
| 18 | Completion Rig days @ | | 25,200 | 25,200 |
| 19 | Other Drilling Expense | 10,000 | | 10,000 |
| 20 | Contingencies (10% of Intangibles) | 50,200 | 8,300 | 58,500 |
| 21 | | | | |
| 22 | | | | |
| 23 | TOTAL INTANGIBLES | 552,200 | 91,500 | 643,700 |

| TANGIBLE WELL COST | | | | |
|--------------------|--|---------|---------|-----------|
| 24 | 40' Of 20" Conductor Casing | 1,250 | | 1,250 |
| 25 | 450' Of 13-3/8" Surface Casing | 5,500 | | 5,500 |
| 26 | 2,500' Of 9-5/8" Intermediate Casing | 26,250 | | 26,250 |
| 27 | 10,500' Of 7" Intermediate Casing | 137,750 | | 137,750 |
| 28 | ' Of " Intermediate Casing | | | |
| 29 | 2,700' Of 4-1/2" Production Casing | | 27,500 | 27,500 |
| 30 | ' Of " Tie-Back Casing | | | |
| 31 | 10,800' Of 2-7/8" Tubing | | 85,000 | 85,000 |
| 32 | ' Of " Tubing | | | |
| 33 | ' Of " Tubing | | | |
| 34 | Liner Equipment | | 9,500 | 9,500 |
| 35 | Wellhead Equipment | 10,000 | 15,000 | 25,000 |
| 36 | Producing Facilities, Tank Battery, Flowline | | 30,000 | 30,000 |
| 37 | Packers & Other Subsurface Tools | | 5,000 | 5,000 |
| 38 | Contingencies (10% of Tangibles) | 18,075 | 17,200 | 35,275 |
| 39 | | | | |
| 40 | | | | |
| 41 | TOTAL TANGIBLES | 198,825 | 189,200 | 388,025 |
| 42 | TOTAL WELL COST | 751,025 | 280,700 | 1,031,725 |

HNG OIL COMPANY APPROVAL

| | | | | | | | | | |
|----|--------|----|--------|----|------|----|------|----|------|
| By | Date | By | Date | By | Date | By | Date | By | Date |
| | 8/1/77 | | 8/1/77 | | | | | | |
| | 8/1/77 | | 8/1/77 | | | | | | |

JOINT OPERATOR APPROVAL

Firm _____ By _____ Title _____ Date _____

AFE No. _____

DRAFT

 $dr/$

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 6013

Order No. R-5519

APPLICATION OF HNG OIL COMPANY FOR
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 17, 1977
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this _____ day of August, 1977, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS :

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

(2) That the applicant, HNG Oil Company,
seeks an order pooling all mineral interests in the Pennsylvanian
formation underlying the S/2
of Section 9, Township 24 South, Range 28 East,
NMPM, [redacted], Eddy County, New
Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at a standard location. in unit J of said Section 9

(4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) That the applicant should be designated the operator of the subject well and unit.

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 Percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

(10) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

\$200th per month while drilling and \$305th per month while producing

(11) That \$200th per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge, attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before December 1, 1977, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Pennsylvanian formation underlying the S2 of Section 9, Township 24 South, Range 28 East, NMPM, ~~~~~, Eddy County, New Mexico, are hereby pooled to form a standard 320- acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon. in unit T of said Section 9.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of December, 1977, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pennsylvanian formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of December, 1977, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Commission for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.

(2) That HNG Oil Company is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 30 days prior to commencing said well, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided

-5-
Case No.
Order No. R-

above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 ^{percent} of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$2007⁰⁰ ^{per month while drilling and \$305⁰⁰} ~~per month~~ ^{while producing are} hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-6-
Case No.
Order No. R-

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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

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

- CASE 6011: Application of Tenneco Oil Company for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blanco Mesaverde and Basin Dakota production in the wellbores of its Jicarilla "A" Well No. 1 in Unit L of Section 18, "B" Well No. 8 in Unit B of Section 15, "C" Wells Nos. 4, 5, 6, 7, and 8, located, respectively, in Units F and I of Section 24, F of Section 14, and M and E of Section 13, all in Township 26 North, Range 5 West, Rio Arriba County, New Mexico.
- CASE 6012: Application of Tenneco Oil Company for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Strawn formation through the perforated interval from 11,174 feet to 11,236 feet in its Jones Federal Well No. 1, located in Unit K of Section 23, Township 19 South, Range 31 East, Eddy County, New Mexico.
- CASE 6013: Application of HNG Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the S/2 of Section 9; Township 24 South, Range 28 East, Eddy County, New Mexico, 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6014: Application of Atlantic Richfield Company for an unorthodox gas well location, Eddy 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 South line and 330 feet from the West line of Section 6, Township 21 South, Range 27 East, Burton Flat-Morrow Gas Pool, Eddy County, New Mexico, the W/2 of said Section 6 to be dedicated to the well.
- CASE 6015: Application of Atlantic Richfield Company for an unorthodox gas well location, Eddy 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 South line and 660 feet from the East line of Section 32, Township 20 South, Range 27 East, Avalon-Morrow Gas Pool, Eddy County, New Mexico, the S/2 of said Section 32 to be dedicated to the well.

Dockets Nos. 27-77 and 28-77 are tentatively set for hearing on August 31 and September 14, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 17, 1977

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

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

ALLOWABLE: (1) Consideration of the allowable production of gas for September, 1977, from fifteen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.

(2) Consideration of the allowable production of gas for September, 1977, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 6001: (Continued from August 3, 1977, Examiner Hearing)

Application of Mesa Petroleum Co. for an exception to Order No. R-5459, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the provisions of Order No. R-5459 to exclude its Primo Well No. 1-A located in Unit D of Section 6, Township 31 North, Range 10 West, San Juan County, New Mexico, from the vertical limits of the Blanco-Mesaverde Pool as defined by said order.

CASE 6007: Application of Gulf Energy and Minerals Company for a non-standard proration unit, simultaneous dedication and unorthodox locations, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 600-acre non-standard proration unit comprising all of Section 4, except the NE/4 NW/4 thereof, Township 22 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to its J. F. Janda Wells Nos. 7 located in Unit K and Nos. 12 and 13, at unorthodox locations in Units O and P, respectively, of said Section 4.

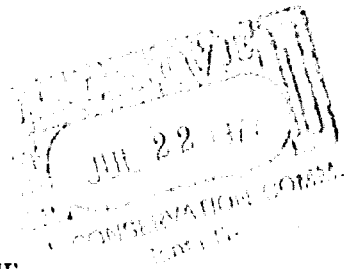
CASE 6008: Application of Texaco Inc. for a pressure maintenance project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project on its Central Vacuum Unit Area, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico, by the injection of water into the Grayburg-San Andres formation through 55 wells.

CASE 6009: Application of Morris R. Antwell for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the S/2 of Section 29, Township 18 South, Range 25 East, Eddy County, New Mexico, 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5992: (Readvertised)

Application of Burleson & Huff for compulsory pooling, a non-standard unit, and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the SE/4 NW/4 of Section 14, Township 24 South, Range 36 East, Jalmat Gas Pool, Lea County, New Mexico, to form a non-standard 40-acre gas proration unit to be dedicated to applicant's Cooper Well No. 1 at an unorthodox location 2310 feet from the North and West lines of said Section 14, or in the alternative to drill another well at a standard location. Also to be considered will be the cost of recompletion or of drilling and completing the unit well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in recompleting or drilling said well.

CASE 6010: Application of Manana Gas Inc. for compulsory pooling and an unorthodox location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the W/2 of Section 13, Township 30 North, Range 12 West, Basin-Dakota Pool, San Juan County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 840 feet from the South line and 1400 feet from the West line of said Section 13. 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.



Case 6013

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF HNG OIL COMPANY FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO

A P P L I C A T I O N

Comes now HNG Oil Company and applies to the Oil Conservation Commission of New Mexico for an order pooling all oil and gas mineral interests, whatever they may be, in the S/2 of Section 9, Township 24 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, insofar as the Pennsylvanian formation underlies said tract, and in support thereof would show the Commission.

1. Applicant proposes to drill a well to the Pennsylvanian formation at an orthodox location, dedicating the above-described 320 acre tract to the well.

2. Applicant has obtained leases, or participation in the drilling of the well from all interest owners in said 320 acre unit with the exception of the following persons, whose interest, names and addresses, to the best of applicant's information and belief, are as follows:

Naomi Brown, mineral interest underlying E/2NE/4SW/4 SE/4, five acres. Address, Kokomo, Indiana, otherwise unknown.

A. P. Willard, mineral interest underlying W/2NW/4SE/4 SW/4, five acres. Address, Wichita, Kansas, otherwise unknown.

Richard Rowan & Associates, Mid-America Building, Midland, Texas 79701, fifteen acres.

3. Applicant has made diligent effort to obtain the parti-

cipation of Rowan & Associates in the drilling of the proposed well, or, in the alternative, obtain a lease or farmout from them, but has been unable to do so. Applicant has made diligent effort to locate and contact Naomi Brown, and A. P. Willard, but has been unable to find any address for them other than that shown above.

WHEREFORE applicant prays the Commission to compulsory pool all of the mineral interests to the Pennsylvanian formation underlying the above tract, designating applicant as operator, and making provision in such order for applicant to recover out of production its costs of drilling, completing and equipping the proposed well, with costs of supervision while drilling, together with provisions for recovery of the costs of operation, including costs of supervision, upon completion of the well, and for a risk factor of 200% for the risk assumed in drilling the well, and for such other and further relief as proper.

Respectfully submitted,

HNG Oil Company

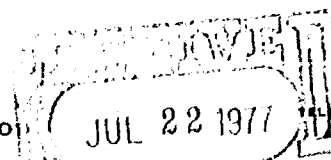
By

Kellahin & Fox
P. O. Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

JASON W. KELLAHIN
ROBERT E. FOX
W. THOMAS KELLAHIN

KELLAHIN and FOX
ATTORNEYS AT LAW
300 DON GASPAR AVENUE
P. O. BOX 1769
SANTA FE, NEW MEXICO 87501



TELEPHONE 982-4318
AREA CODE 505

July 20, 1977

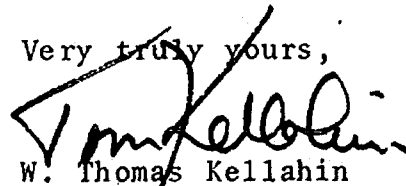
OIL CONSERVATION COMM.
Santa Fe

Mr. Joe Ramey
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Ramey:

Enclosed is the application of HNG Oil Company for compulsory pooling, Eddy County, New Mexico. It is requested that the hearing for this application be set for August 17, 1977.

Very truly yours,


W. Thomas Kellahin

CC: Mr. Raymond Parker

WTK:kfm

Enclosure

