

CASE 6111: MANANA GAS INC., FOR
COMPULSORY POOLING, SAN JUAN COUNTY,
NEW MEXICO

Case Number

611

Application

Transcripts.

Small Exhibits

ETR

Manana Gas, Inc.

P. O. BOX 148

FARMINGTON, NEW MEXICO 87401

ED HARTMAN, PRES.

June 15, 1978

JUN 20 1978

Santa Fe

TEL: (505) 325-2066
(505) 327-6176

Energy and Minerals Department
Oil Conservation Division
State Land Office Bldg.
Santa Fe, New Mexico 87503

Re: Case No. 6111
Order No. R-5612
Force Pooling-Charlie # 1
SE $\frac{1}{4}$ Sec. 7-30N-11W

Gentlemen:

Enclosed are a copy of the June 15th letter to Mr. Brimhall and a copy the Summary of Expenditures for our Charlie # 1.

We will pay Mr. Brimhall his share of the royalty as the income is received and his full 20/160ths of the income after we have recovered our costs as set out in your Order No. R-5612.

Of course, if Mr. Brimhall elects to pay his share of the cost, he will receive the full 20/160ths of the income immediately.

We appreciate your cooperation and assistance in this matter.

With best personal regards.

Very truly yours

MANANA GAS, INC.

By Ed Hartman
Pres.

EMH/bh
Encl.

CC: Aztec Office

CHARLIE #1
Astec-Pictured Cliffs Well
SE/4 Sec. 7-3 ON-11W

Summary of Development Expenditures

CHECK NO.	PAYEE	PURPOSE	AMOUNT
<u>INTANGIBLE DRILLING COSTS:</u>			
206	Odeco., Inc.	Clean up location-repair ditches and culverts	\$ 1,091.08
207	Donham Tool Co.	Rental-1 1/2 slips	73.38
214	Chief Transport Co.	Suck mud from pit	50.96
216	Herman McAnally, et al	Test well misc.	59.57
225	Odeco. Inc.	Fill pits clean up location	528.55
230	Runnels Mud Co.	Drilling Mud	519.38
109	Cecil Evans	Manifold well, paint equip	140.74
103	Odeco, Inc.	Move fences	307.01
104	Kent Knowlin Const.	Base course material-repair site	271.59
	Manana Gas, Inc.	Drilling rate 6 days	250.00
119	Atomic Signs	Well sign	23.51
	Additional intangible costs		<u>\$ 3320.77</u>

TOTAL INTANGIBLE DRILLING COSTS TO DATE \$ 39,726.39

<u>TANGIBLE DRILLING COSTS:</u>			
210	Midcontinent Supply	Guage	\$ 6.74
211	Midcontinent Supply	Guage	6.74
222	Midcontinent Supply	Guage	7.25
218	W. M. Galloway	743.57' 1 1/4" tubing	929.46
253	Franklin Supply	Fittings, valves, etc	422.03
300	Brad Keyes	1/2 cost of Gentle #2 tubing used in Charlie #1	1022.40
110	Lee Wilson	1/16 cost of Gentle #2 tubing	127.80
111	Curtis Little	7/64 cost of Gentle #2 tubing	223.65
112	Anne B. Little	7/64 cost of Gentle #2 tubing	223.65
113	Ed Hartman	7/64 cost of Gentle #2 tubing	223.65
	Additional tangible drilling costs		<u>\$ 4346.47</u>

TOTAL TANGIBLE DRILLING COSTS TO DATE \$ 11,460.16

TOTAL LEASEHOLD COSTS TO DATE \$ 3,500.00

TOTAL COST OF COMPLETED WELL TO DATE \$ 54,686.55

Distribution of Costs

Working Interest	Percent	Total	Intangibles	Tangibles	Lease Costs
Curtis J. Little	20%	\$ 10,169.51	\$ 7,177.48	\$ 2,292.03	\$ 700.00
Anne B. Little	20%	10,169.51	7,177.48	2,292.03	700.00
Lee Wilson	10%	5,468.66	3,972.64	1,146.02	350.00
Ed Hartman	15%	8,663.66	6,419.64	1,719.02	525.00
Erik & Mary Ackroyd	5%	2,887.89	2,139.88	573.01	175.00
Doug & Linda Hartman	5%	2,887.89	2,139.88	573.01	175.00
Phyllis Hartman	5%	2,887.89	2,139.88	573.01	175.00
Ron & Barbara Herrera	5%	2,887.89	2,139.88	573.01	175.00
Debi Kruse	5%	2,887.89	2,139.88	573.01	175.00
Manana Gas, Inc.	10%	5,775.76	4,279.75	1,146.01	350.00
Totals	100%	<u>\$ 54,686.55</u>	<u>\$39,726.39</u>	<u>\$ 11,460.16</u>	<u>\$3,500.00</u>

Note: This cost distribution reflects the adjustment of drilling rate between Curtis Little/Anne Little and Ed Hartman, et al. in the amount of \$1,535.60.

CHARLIE # 1
Aztec-Pictured Cliffs Well
SE/4 Sec. 7-30N-11W

Summary of Development Expenditures

<u>Check No.</u>	<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
<u>INTANGIBLE DRILLING COSTS:</u>			
1081	Ernest Echohawk	Survey Location	\$ 88.60
1127	San Juan Abstract & Title	Abstract of Title	786.36
*	Arthur Jones	Surface Damage Deposit	500.00
102	San Juan County Clerk	Filing Leases	33.00
112	Kellahin & Fox	Legal-Force Pooling	238.46
153	Lea Equipment Co.	Fittings, etc.	163.38
155	Bloomfield Mfg. Company	Welding	56.30
156	BJ-Hughes, Inc.	Cementing Surface Pipe	1,091.03
158	Ray Atchinson Construction	Pull trucks out of mud	156.00
161	Odeco, Inc.	Location	1,972.15
168	Basin Power Tongs	Run Main String	764.40
171	BJ-Hughes, Inc.	Cementing Main String	1,710.21
172	Schlumberger, Inc.	Logging Well	2,581.59
173	Schlumberger, Inc.	Perforate Casing	1,885.89
174	Birdwell Division	Temperature Survey	832.57
175	The Western Company	Frac Well	7,359.46
176	Triple S. Trucking	Water Hauling-Frac	500.24
177	L. Lee Wilson Drilling Co.	Two Bits	406.58
181	Lea Equipment Co.	Centralizers, etc.	116.71
187	L. Lee Wilson Drilling Co.	Drilling Well	10,562.61
188	Bloomfield Oil Field Service	Completion Work	1,443.13
189	Odeco, Inc.	Frac Tanks, Hauling, Compl.	2,029.02
192	Franklin Supply	Nipple	21.85
193	Donham Tool Co.	Rental-Blowout Preventer, etc	681.08
	Manana Gas, Inc.	Drilling Administrative	425.00

Total Intangible Drilling Costs to Date \$ 36,405.62

TANGIBLE DRILLING COSTS:

131	Lea Equipment Co.	7" Casing Shoe	\$ 70.74
151	Nine Star Trading Co.	Wellhead, Valves, etc.	705.37
154	Delta Service Co.	164' - 7" Surface Casing	820.00
177	L. Lee Wilson Drilling Co.	2100' - 3½" Casing	5,517.58

Total Tangible Drilling Costs to Date \$ 7,113.69

LEASEHOLD COSTS:

156	Harfield C. Crane	Lease	\$ 1,000.00
102	Charles G. Shepard	Lease	500.00
199	Lee Huddleston	Lease	2,000.00

Total Lease Costs to Date \$ 3,500.00

Total Development Costs to Date \$ 47,019.31

* Surface damage will be refunded if approved by landowner.

	<u>Percent</u>	<u>Total</u>	<u>Intangibles</u>	<u>Tangibles</u>	<u>Lease Costs</u>
Curtis & Anne Little	40%	\$ 18807.72	\$ 14562.25	\$ 2845.47	\$ 1400.00
L. Lee Wilson	10%	4701.93	3640.56	711.37	350.00
Ed Hartman et al	40%	18807.73	14562.25	2845.48	1400.00
Manana Gas, Inc.	10%	4701.93	3640.56	711.37	350.00
Totals	<u>100%</u>	<u>\$ 47019.31</u>	<u>\$ 36405.62</u>	<u>\$ 7113.69</u>	<u>\$ 3500.00</u>

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
14 December, 1977

EXAMINER HEARING

IN THE MATTER OF:

Application of Manana Gas, Inc.,
for compulsory pooling, San Juan
County, New Mexico.

CASE
6111

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

Lynn Teschendorf, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico 87501

For the Applicant:

W. Thomas Kellahin, Esq.
KELLAHIN & FOX
500 Don Gaspar
Santa Fe, New Mexico 87501

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General Court Reporting Service

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Phone (505) 982-9212

I N D E X

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ED HARTMAN

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E X H I B I T S

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1 MR. STAMETS: Call next Case 6111.

2 MS. TESCHENDORF: Case 6111. Application of
3 Manana Gas, Inc., for compulsory pooling, San Juan County,
4 New Mexico.

5 MR. KELLAHIN: Tom Kellahin, appearing on
6 behalf of Manana Gas, Inc., and I have one witness to be
7 sworn.

8 (Witness sworn.)

9
10 ED HARTMAN

11
12 being called as a witness on behalf of Manana Gas, Inc.,
13 and having been duly sworn upon his oath, testified as
14 follows, to-wit:

15
16 DIRECT EXAMINATION

17 BY MR. KELLAHIN:

18 Q Would you please state your name and occupa-
19 tion?

20 A My name is Ed Hartman. I'm President of
21 Manana Gas.

22 Q Mr. Hartman, have you made a study of and are
23 you familiar with the facts surrounding this particular
24 application by Manana Gas, Inc.?

25 A I have a direct involvement, yes, sir, in

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1 obtaining the leases that we presently have.

2 This is a 160-acre unit comprised of 8 mineral
3 owners. I personally negotiated seven leases with the
4 seven of the owners. I was unable to obtain a lease from
5 the eighth owner, Mr. Brimhall.

6 And that covers a period of six months.

7 Q Mr. Hartman, have you previously testified
8 before this Commission?

9 A No, sir.

10 Q What experience have you had in oil and gas
11 production in San Juan County, New Mexico?

12 A We own interest in the wells, we have had
13 them for the last twenty years. This year we, Manana Gas
14 has been the operator and we drilled and completed the
15 three Dakota wells.

16 We are presently getting ready to drill this
17 well, which we call Charlie No. 1, and we have several
18 other wells we're ready to drill.

19 Q Manana Gas, Inc., is a closely held corporation,
20 is it not?

21 A Yes, it's completely owned by me and my
22 family.

23 Q Okay. What's your association with Curtis
24 J. Little?

25 A Curtis Little and I are partners on the various

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1 wells that we've drilled. The wells that Manana has
2 drilled, Curtis has been the geologist and an operating
3 partner with me.

4 Q All right. Mr. Little is a petroleum geologist,
5 is he not?

6 A Yes, sir.

7 Q And did he do the geological work on this
8 particular well?

9 A Yes, sir.

10 Q All right. For purposes of the forced pooling
11 application, Mr. Examiner, are Mr. Hartman's qualifications
12 acceptable?

13 MR. STAMETS: They are.

14 Q (Mr. Kellahin continuing.) Mr. Hartman,
15 would you refer to what I have marked as Exhibit Number
16 One, which is the land plat, identify it, and tell us
17 what you're seeking to accomplish?

18 A What we plan to do is drill a new Pictured
19 Cliffs well to a depth of 2000 feet at a location which
20 is a non-standard location in the southeast section --
21 southeast quarter of Section 7, 30 North, 11 West.

22 This location is non-standard in that it is
23 100 feet east of the standard location, and the reason we
24 have it at that location is that the landowner, Mr.
25 Charles Jones, has an irrigated pasture where he raises

1 Arabian horses, and this is the only location that he would
2 approve.

3 This location is 12 feet from his fence line.
4 If we went a standard location, we'd be in the middle of
5 that pasture, and he just absolutely refused to allow us
6 to drill in the middle of his pasture.

7 Q Based upon Mr. Jones' denial of the standard
8 location, have you made application before the Oil Con-
9 servation Commission for administrative approval of the
10 current subject location?

11 A Yes, we've applied for a non-standard location
12 and we've contacted the three offset operators and all
13 three have agreed to waive -- agreed to waive their rights
14 in this regard. I don't know what the status of it is now
15 but El Paso Natural Gas and Bradley Keyes and M. P. Carr
16 are the three offsetting operators.

17 Q As far as you know, Mr. Hartman, you've sub-
18 mitted all the exhibits and evidence to the Oil Conservation
19 Commission here in Santa Fe with regard to obtaining ad-
20 ministrative approval of a non-standard location?

21 A Yes. And in that regard, the application is
22 in error in that it refers to a standard location and it
23 needs to be corrected to read, paragraph one should say
24 non-standard location.

25 Q All right, sir. In seeking to force pool

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1 160-acre tract consisting of the southeast quarter of
2 Section 7, are you not?

3 A Yes, sir.

4 Q What interest owners have not consented to
5 join you in the drilling of this well?

6 A As indicated before, seven of the eight
7 covering 140-acres, have signed new leases and they're on
8 record.

9 One owner, Mr. Harold Marion Brimhall, has
10 consistently refused to execute a lease for the 20-acres
11 that he owns minerals in.

12 Q All right, and what, if any, correspondence
13 have you had between you and Mr. Brimhall with regards to
14 his acreage?

15 A I've been in touch with Mr. Brimhall off and
16 on since the first part of June, the last six months.
17 I've been out to his house probably half a dozen times.
18 I've been able to catch him at home three times during
19 that time.

20 The first two times I was able to go into
21 his living room and visit with him for about an hour during
22 which time he consistently indicated that he would not --
23 he would not lease that acreage.

24 The last time my associate, Curtis Little,
25 was with me and at that time we weren't able to get into

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1 the house.

2 Q All right. Have you sent Mr. Brimhall any
3 written notification of the fact that you're seeking a
4 forced pooling hearing today?

5 A Yes, in a letter dated December 9th, which
6 I sent to him certified mail, receipt requested.

7 Q That is marked as Exhibit Number Two, is it
8 not?

9 A Yes.

10 Q And attached to that exhibit is your AFE for
11 the subject well?

12 A Yes.

13 Q All right.

14 A And in that letter I've indicated that I've
15 asked him again to consider leasing this 20-acre tract
16 and offered in the letter to have him join in the cost
17 of the well for his 12-1/2 percent interest and as an al-
18 ternative I've indicated that we'd be willing to buy his
19 minerals.

20 Q Let's turn to the AFE attached to that letter,
21 Mr. Hartman. Does that exhibit reflect the current esti-
22 mate of the cost of a dry hole or a producer from the
23 subject well?

24 A Yes, it does.

25 Q And in your best opinion is that consistent

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1 with the -- within the industry for a drilling of a Pic-
2 tured Cliffs well in the subject area?

3 A Yes.

4 Q What are the total costs?

5 A The total costs for dry hole would be \$25,223.
6 Total cost for a completed well would be \$51,760, and Mr.
7 Brimhall's 12-1/2 percent interest would be \$3,152.88 as
8 his share of the cost of a dry hole and \$6,470 as his
9 share of a completed well.

10 Q Okay. Do you have any recommendations to the
11 Examiner with regards to charges for supervision during
12 the drilling of the well?

13 A Yes. The supervision during the -- this well
14 won't take very long to drill, so whatever charges we have
15 would be nominal, and of course, the charges involved,
16 we're charging ourselves for 7/8ths of it, so it really
17 has very little meaning to us, but I would recommend \$1250
18 a month prorated on the number of days involved.

19 Q All right, and after the well has been com-
20 pleted, what in your opinion is a fair and reasonable charge
21 for supervision?

22 A I would recommend \$175 a month for administra-
23 tion. We don't know what we're going to run into on this
24 particular well. Pictured Cliffs wells generally don't
25 take too much supervision; however, in this case we're

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1 replacing a well that had a considerable amount of problems
2 in original completion.

3 It was drilled, first of all, the well involved
4 was the Moya Jones No. 1, which was drilled 25 years ago.

5 Q What is the location of that well?

6 A The old well is 200 feet west and 300 feet
7 south of this well.

8 Q All right.

9 A No, that's reversed. It's 200 feet south and
10 300 feet west.

11 Q All right. Let me ask you, Mr. Hartman, if
12 you have a recommendation with regard to a risk factor to
13 be assessed?

14 A I would recommend a 200 percent risk factor
15 for this reason. This well replaces the Moya Jones Well.
16 The original well was drilled 25 years ago. It ran for
17 about 9 years before it was plugged, and almost immediately
18 after it was drilled apparently it ran into water flooding
19 problems, so we don't know what the condition of the forma-
20 tion is, the Pictured Cliffs formation. We know that it
21 was flooding considerably when it was open. So if it was
22 open and was being flooded for even 5 or 6 years, quite
23 a bit of damage could have been done to the formation.

24 We moved only about 250 feet away from the
25 well, and that's as far as we could go and still meet all

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1 the other requirements. So that's one factor.

2 But the other factor, which I think is pro-
3 bably more important, is that this well or this location
4 is surrounded by producing wells out of the Pictured Cliffs
5 formation, and these wells have all been producing for
6 20 or 25 years. We have no -- we can't begin to guess
7 how much depletion has been involved. It's very likely
8 there has been some depletion from the production of the
9 offsetting wells, so we really don't know what we're going
10 to run into when we -- when we drill the well. We might
11 be punching into a bag that's empty or we might be punching
12 into a bag that's full of water.

13 Q Mr. Hartman, does Manana Gas, Inc., desire
14 to be designated the operator of the well?

15 A Yes, sir.

16 Q All right. Were Exhibits One, Two, and Three
17 compiled by you directly or compiled under your direction
18 and supervision?

19 A They were compiled by me directly. Of course
20 the survey was done by a registered surveyor in Farmington,
21 E. V. Echohawk.

22 And while we're on that subject, I would like
23 to make a correction in the letter which I sent to Mr.
24 Brimhall on page two, the third paragraph. I need to cor-
25 rect that to indicate that he would not be compensated in

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1 any way except for 1/8th royalty, which I understand is
2 the standard procedure on forced pooling cases where the
3 mineral owner does receive the 1/8th royalty. I didn't
4 have it in here.

5 So that needs to be corrected to read except
6 1/8th royalty you would have no other compensation.

7 Q Well, until the well is paid out.

8 A Until the well is paid out, at which time he
9 would get the entire proceeds. He'd get, instead of 1/8th
10 of 20-acres, he'd get 100 percent of 20-acres.

11 Q 7/8ths is assigned to working interest and
12 that is the only portion that is subject to recovery of
13 the risk factor, the cost of supervision, and the drilling
14 the well?

15 A Yes.

16 Q All right. In your opinion, Mr. Hartman,
17 will approval of this application be in the best interest
18 of conservation, the prevention of waste, and the protection
19 of correlative rights?

20 A Very definitely. The other mineral owners
21 in the area are very much interested in this 160-acre
22 tract. They're very much interested in having a well
23 drilled. As a matter of fact, that's the main reason we're
24 drilling it, is because one of the mineral owners came to
25 our office in Aztec this summer and inquired as to whether

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1 or not we couldn't drill a new well on that location.

2 She was concerned about the drainage and she
3 just wanted -- she could see where her correlative rights
4 were being damaged.

5 MR. KELLAHIN: We move the introduction of
6 Exhibits One, Two, and Three.

7 MR. STAMETS: These exhibits will be admitted.

8
9 CROSS EXAMINATION

10 BY MR. STAMETS:

11 Q Mr. Hartman, where is Mr. Brimhall's acreage
12 in this quarter section?

13 A He has the south half of the southwest of
14 the southeast. He's at least a quarter of a mile away
15 from this location, the location of the well. He's in the
16 extreme southeast corner and we're in the northeast corner
17 where the well is going to be drilled.

18 MR. STAMETS: Any other questions of the
19 witness? He may be excused.

20 A May I volunteer one more bit of information?

21 MR. STAMETS: Yes, you may.

22 A There's a Dakota well on the east half of
23 Section 7 in the north -- in the northeast quarter. When
24 that well was put together Mr. Brimhall also refused to
25 sign the lease, and he was force pooled into that one, also.

1 And he has indicated to one of the mineral owners who is
2 the most consistent in calling me and asking me when we're
3 going to start the well, took it upon herself to call him,
4 and he indicated that he'd just as soon be force pooled,
5 so we don't have a reluctant dragon here.

6 MR. STAMETS: The witness may be excused.

7 If there is nothing further, the case will be
8 taken under advisement.

9 (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
Sidney F. Morrish, C.S.R.

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Phone (505) 912-9212

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 6111
heard by me on 13 77
Richard A. Blum
New Mexico Oil Conservation Commission Examiner

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. 6111

APPLICATION OF MANANA GAS INC., FOR COMPULSORY
POOLING, SAN JUAN COUNTY, NEW MEXICO.

Order No. R- 5612

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on December 14, 1977
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this _____ day of December, 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, Manana Gas Inc.,
seeks an order pooling all mineral interests Pictured Cliffs
formation underlying the SE/4
of Section 7, Township 30 North, Range 11 West,
where, Aztec-Pictured Cliffs Pool, San Juan County, New
Mexico.

-2-
Case No.
Order No. R-

at an unorthodox location 1850 feet
from the South line and 690 feet
from the East line of said Section
7 which location ~~is non standard~~
location must be ~~separately~~ approved.

(3) That the applicant has the right to drill and proposes
to drill a well ~~at the same location as the one approved.~~

(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.

\$1250.00 per month while drilling and
\$175.00 per month while producing

(11) That 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 April 1, 1978, 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 Pictured Cliffs formation underlying the SE/4 of Section 7, Township 30 North, Range 11 West, NMPM, Aztec-Pictured Cliffs Pool, San Juan, County, New Mexico, are hereby pooled to form a standard 160- acre gas spacing

and proration unit to be dedicated to a well to be drilled at a yet to be approved unorthodox location 1850 feet from the south line and at a standard location thereon. 690 feet from the east line of said Section 7.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of April, 1978, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pictured Cliffs formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of April, 1978, 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.

Case No.
Order No. R-

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 Manana Gas Inc., 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.

(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 per cent 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 \$ 1250.00 per month while drilling and \$ 175.00 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 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.

-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 San Juan 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.

CURTIS J. LITTLE
PETROLEUM GEOLOGIST
TELEPHONE (505) 327-6176
POST OFFICE BOX 2487
PETROLEUM PLAZA SUITE 150
FARMINGTON, NEW MEXICO 87401

NEW 12 1978
CONSERVATION COMMISSION

January 11, 1978

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

Case No. 6111

Dear Mr. Ramey:

Enclosed is a rough draft of our Statement of Eligibility for
FPC 770-A on the Charlie No. 1. We would appreciate a letter
from you that the gas well is necessary.

Thanks.

Very truly yours,


CURTIS J. LITTLE

CJL/ss
Encl.

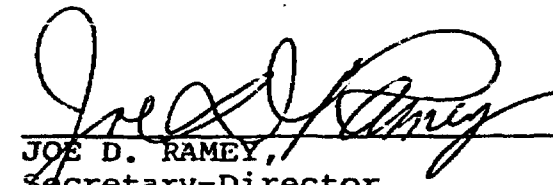
C E R T I F I C A T E

I, JOE D. RAMEY, Secretary-Director of the New Mexico Oil Conservation Commission, hereby certify that the Oil Conservation Commission is the state regulatory agency having jurisdiction over the drilling, spacing, completion and production of oil and gas wells, and over all matters relating to the conservation of oil and gas.

I further certify that I have examined the proposal of
Manana Gas, Inc. to drill the following

well for development of the NE/4 ~~Section 3~~ ^{Section 3} ~~Basin Dakota Gas~~
pool: a well to be located in the ~~SE/4~~ ^{NE/4} SE/4 of Section ~~3~~ ³,
Township 30 North, Range ~~11~~ ¹¹ West, NMPM, San Juan
County, New Mexico

and find that this is a necessary additional well or completion operation into the subject reservoir.


JOE D. RAMEY,
Secretary-Director
New Mexico Oil Conservation Commission

Dated: January 21, 1977 ¹⁹⁷⁸

Manana Gas, Inc.
GS - 72 - 912
March 24, 1972
IG #540 520

STATEMENT OF ELIGIBILITY FOR RATES PRESCRIBED
BY FEDERAL ENERGY REGULATORY COMMISSION OPINION
No. 770-A, Section 256a (a) (1) and (3)

Manana Gas, Inc., qualified as a small producer, as shown above, submits this, its statement of eligibility for a gas rate of \$1.42 per MCF (at 14.73 psia), exclusive of State or Federal production, severance, or similar taxes, as provided by FPC Opinion No. 770-A, Section 256a (a) (1) for gas produced from its

Charlie No. 1 (Pictured Cliffs) Well, located:

Township 30 North, Range 11 West, N.M.P.M.
Aztec Pictured Cliffs Pool
San Juan County, New Mexico
Section 7 - SE/4

As provided by FPC Order Clarifying Section 2.56a (p), issued December 22, 1976, no rate filing is submitted, applicant being a small producer.

Applicant asserts that it is eligible for the above rate for the reason that drilling of the subject well was necessary to recover natural gas remaining in the reservoir that would not otherwise be recovered, and the well was not drilled for the sole purpose of obtaining a higher price for the gas, there being no producing well on the unit when the well was drilled.

In compliance with Opinion No. 770-A, applicant submits the following:

1. Statement as to need for new well. Applicant is planning to spud its Charlie No. 1 well, located in the NE/4 SE/4 of Section 7, Township 30 North, Range 11 West, projecting it for completion in the Pictured Cliffs formation, Aztec Pictured Cliffs Gas Pool. The well will be spudded on or about February 1, 1978 and will be drilled to the Pictured Cliffs formation at approximately 2000 feet. Unless the proposed well is drilled, producible gas will remain in the reservoir and unproduced.

The proration unit well was drilled by John J. Moya. The unit consisted of a communitized tract covering the SE/4 of Section 7, Township 30 North, Range 11 West. The well was located 1650 feet from the South line and 990 feet from the East line of Section 7. The test was commenced on November 17,

1952 and completed January 3, 1954 for an initial potential of 359 MCF of gas per day based on a 3-hour test through 2-inch tubing after having been shot with sixty (60) quarts of nitro in open hole from 1992-2031, after setting 5½-inch casing at 1992 feet. Initial 14-day shut-in pressure was 635 psi. First delivery of gas was made to El Paso Natural Gas Company on January 12, 1955. The last production from the well was in July 1960.

El Paso Natural Gas Company disconnected the well from their pipeline on January 25, 1962; however, the well was plugged and abandoned on December 28, 1961. Cumulative production from the Pictured Cliffs sandstone reservoir was 31,998 MCF of gas.

With cessation of production the original proration unit consisting of the SE/4 of Section 7 was dissolved. Applicant was forced to acquire new leases in 1977 covering 140 acres. The remaining 20 acres is held by a fee owner and was compulsory pooled by the Oil Conservation Commission of the State of New Mexico of January 4, 1978 by Order No. R-5612.

2. Statement of the Producer relating to completion of the well.
The subject well in the SE/4 of Section 7 should be spudded about February 1, 1978. Barring unforeseen complications it should be completed in not more than thirty days. Production is expected from the Pictured Cliffs formation at approximately 2000 feet. The gas will probably be dedicated to the interstate system of El Paso Natural Gas Company.

3. Attached hereto are copies of all documents filed with or issued by the New Mexico Oil Conservation Commission, being the New Mexico State regulatory agency having authority over the drilling, completion and testing of the subject well.

Manana Gas, Inc.

P. O. BOX 148
FARMINGTON, NEW MEXICO 87401

ED HARTMAN, PRES.

Janaury 9, 1978

AN 11 1978
87401
CONSERVATION COMM.
Santa Fe

TEL (505) 325-3066
(505) 327-6176

*Stamets
Examiner
Case 6111*

Mr. Harold Marion Brimhall
3000 Cherry Hills Place
Farmington, New Mexico 87401

CERTIFIED MAIL
RECEIPT REQUESTED

Dear Mr. Brimhall:

Enclosed is another copy of our Authority for Expenditures on the Charlie # 1 well, which is being sent to you in accordance with paragraphs (3) and (4), page 3 of the New Mexico Conservation Commission Order No. R-5612, dated January 4, 1978.

A copy of the Commission Order is also enclosed for your convenience.

As indicated in my December 9th letter, we would rather have you join us in this well either by executing a lease or by agreeing to pay your share of the cost of this well.

We would be glad to go over this in person with you if you so desire. You can call us at either of the two numbers shown in the letterhead above.

With best personal regards.

Very truly yours

Manana Gas, Inc.

By Ed Hartman
President

EMH/bh
Encl

CC: New Mexico Oil Conservation Commission - Santa Fe - P.O.Box 2088
- Aztec - 1000 Rio Brazos Rd.
Anne B. Little - 512 Madeira Dr., NE, Albuquerque, NM 87108
Curtis J. Little - P.O. Box 2487, Farmington, NM 87401

RL

Authority for Expenditure

Well Name Charlie No. 1 Loc. SE/4 Sec. 7 T30N R11W Co. San Juan State N.Mex.

Estimated T.D. 2000' Field or Prospect Aztec PC Gas Field Formation Pictured Cliffs

	Estimated		Actual
	Dry Hole	Productive	
Intangible Costs			
Supervision	625	1250	
Location: Damages and R.O.W.	500	500	
Roads and Canals Legal	1000	1000	
Location and Platforms	1500	1500	
Drilling:			
Footage Drilling 2000 ft. @ 4.50 /ft. + tax	9405	9405	
Daywork:			
Drilling 1 days @ 100 WDP days @ WODP	2400	2400	
Completing 2 days @ WDP days @ 800 WODP	-	1600	
Mud Materials and Special Equipment	500	500	
Fuel	-	-	
Water	500	1000	
Hauling and Transportation	1000	2000	
Cement, Cementing, and Accessories	2000	5000	
Logging	2500	3500	
Coring and Core Analysis	-	-	
Testing	-	-	
Perforating	-	-	
Stimulation	-	6700	
Special Services	-	-	
Tool Rental	-	-	
Miscellaneous	-	-	
Total Intangible Costs	21,930	36,355	
Tangible Well Costs			
Wellhead	-	1000	
Casing: 7", 150 ft., 6.65	1000	1000	
2-7/8", 2000 ft., 2.85	-	5700	
Tubing: 1-1/4", 2000 ft., 1.50	-	3000	
Artificial Lift Equipment	-	-	
Miscellaneous Well Equipment	-	-	
Total Tangible Well Costs	1,000	10,700	
Seamless Lease Costs			

Authority for Expenditure

Well Name Charlie No. 1 Loc. SE/4 Sec. 7 T30N R11W Co. San Juan State N.Mex.

Estimated T.D. 2000' Field or Prospect Aztec PC Gas Field Formation Pictured Cliffs

	Estimated		Actual
	Dry Hole	Producer	
Intangible Costs			
Supervision	625	1250	
Location: Damages and R.O.W.	500	500	
Roads and Canals Legal	1000	1000	
Location and Platforms	1500	1500	
Drilling:			
Footage Drilling <u>2000</u> ft. @ <u>4.50</u> /ft. + tax	9405	9405	
Daywork:			
Drilling <u>1</u> days @ <u>100</u> WDP days @ <u>WODP</u>	2400	2400	
Completing <u>2</u> days @ <u>WDP</u> days @ <u>800</u> WODP	-	1600	
Mud Materials and Special Equipment	500	500	
Fuel	-	-	
Water	500	1000	
Hauling and Transportation	1000	2000	
Cement, Cementing, and Accessories	2000	5000	
Logging	2500	3500	
Coring and Core Analysis	-	-	
Testing	-	-	
Perforating	-	-	
Stimulation	-	6700	
Special Services	-	-	
Tool Rental	-	-	
Miscellaneous	-	-	
Total Intangible Costs	21,930	36,355	
Tangible Well Costs			
Wellhead	-	1000	
Casing: <u>7"</u> , <u>150</u> ft., <u>6.65</u>	1000	1000	
<u>2-7/8"</u> , <u>2000</u> ft., <u>2.85</u>	-	5700	
Tubing: <u>1-1/4"</u> , <u>2000</u> ft., <u>1.50</u>	-	3000	
Artificial Lift Equipment	-	-	
Miscellaneous Well Equipment	-	-	
Total Tangible Well Costs	1,000	10,700	
Tangible Lease Costs			
Tankage	-	-	
Separating and Treating:	-	-	
Flowlines	-	-	
Structures and Buildings	-	-	
Measuring Equipment	-	-	
Special Equipment	-	-	
Miscellaneous Valves and Fittings	-	-	
Transportation, Installation and Labor	-	-	
Total Tangible Lease Costs			

Total Well Costs

SUBTOTAL

22,930

47,055

Contingency 10%

2,293

4,705

TOTAL

25,223

51,760

Ownership Division:

Manana Gas, Inc., et al 87-1/2 %

22,070.12

45,290.00

Harold Marian Brimhall 12-1/2 %

3,152.88

6,470.00

Joint Interest Approval

COMPANY _____

By _____

Date _____ 19 _____

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. 6111
Order No. R-5612

APPLICATION OF MANANA GAS INC.,
FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on December 14, 1977, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 4th day of January, 1978, 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, Manana Gas Inc., seeks an order pooling all mineral interests in the Pictured Cliffs formation underlying the SE/4 of Section 7 Township 30 North, Range 11 West, NMPM, Aztec-Pictured Cliffs Pool, San Juan County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at an unorthodox location 1850 feet from the South line and 690 feet from the East line of said Section 7 which non-standard location must be separately approved.

(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.

Case No. 6111
Order No. R-5612

(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 \$1250.00 per month while drilling and \$175.00 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 April 1, 1978, 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 Pictured Cliffs formation underlying the SE/4 of Section 7, Township 30 North, Range 11 West, NMPM, Aztec-Pictured Cliffs Pool, San Juan County, New Mexico, are hereby pooled to form a

-3-

Case No. 6111
Order No. R-5612

standard 160-acre gas spacing and proration unit to be dedicated to a well to be drilled at a yet to be approved unorthodox location 1850 feet from the South line and 690 feet from the East line of said Section 7.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of April, 1978, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Pictured Cliffs formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of April, 1978, 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 Manana Gas Inc., 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.

(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 \$1250.00 per month while drilling and \$175.00 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 interest share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

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Case No. 6111
Order No. R-5612

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in San Juan 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 herein-above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman


EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary

S E A L

jr/

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-4-65

All distances must be from the outer boundaries of the Section.

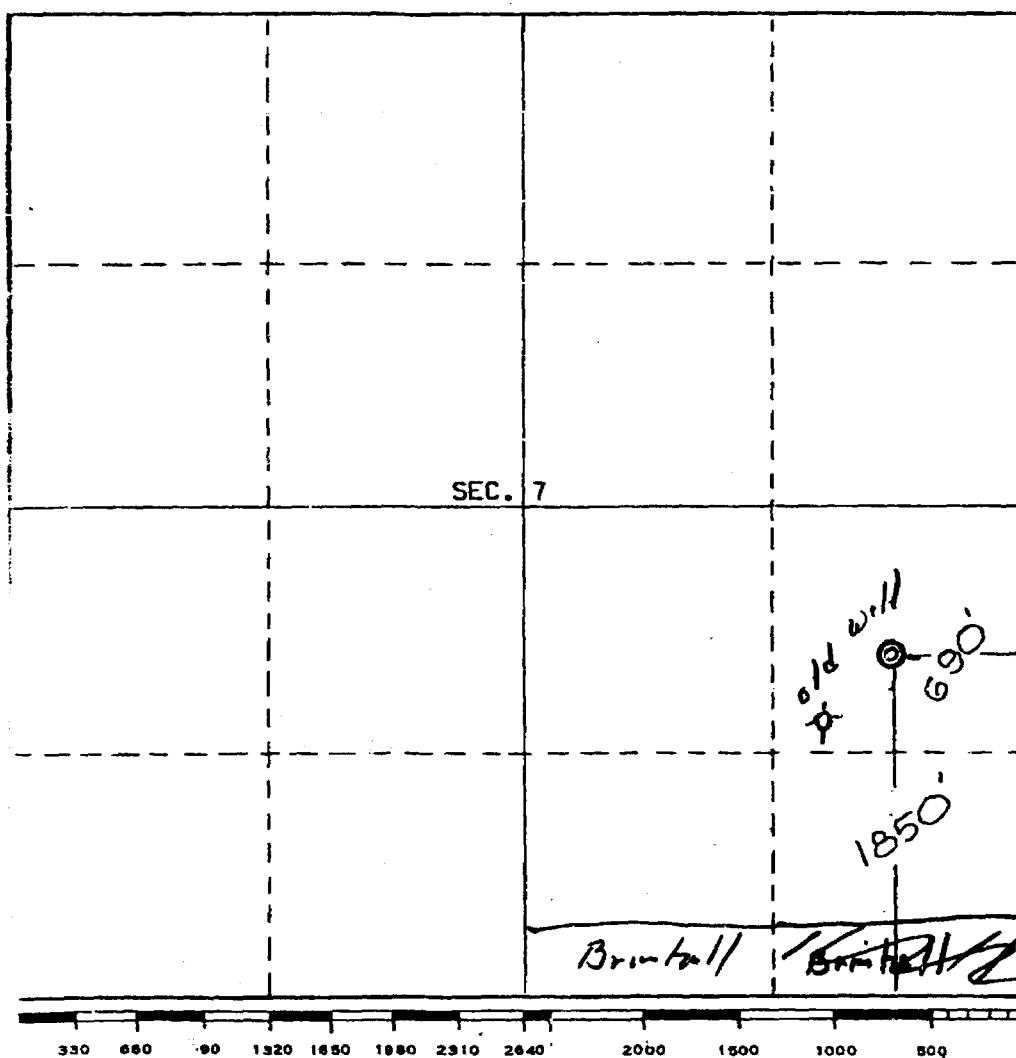
Operator Manana Gas, Inc.			Lease Charlie		Well No. 1
Unit Letter 1	Section 7	Township 30 North	Range 11 West	County San Juan	
Actual Footage Location of Well:					
1850 feet from the South line and		690 feet from the East line			
Ground Level Elev. 5610	Producing Formation Pictured Cliffs	Pool Artesian	Dedicated Acreage: 1.60 Acres		

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☒ Yes ☐ No If answer is "yes," type of consolidation Communitization

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

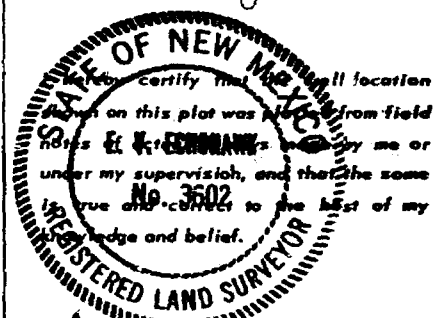
No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name
Ed Hartman
Position
President
Company
Manana Gas, Inc.
Date
Today



Date Surveyed
June 30, 1977
Registered Professional Engineer and/or Land Surveyor
E.V. Echowhawk
Certificate No. 3602
E.V. Echowhawk LS

REALTOR
CERTIFIED PUBLIC ACCOUNTANT
MANAMA GAS, INC.
PRESIDENT

ED HARTMAN
1961 SIGMA CHH ROAD, N.E.
ALBUQUERQUE, NEW MEXICO 87106
TELEPHONE 842-9313

OFFICE
955-66th SW
ALBUQUERQUE, N.M. 87102
TELEPHONE 848-6353

P.O. Box 145
Farmington, New Mexico 87401
December 9, 1977

Mr. Harold Marion Brimhall
3000 Cherry Hills Place
Farmington, New Mexico 87401

CERTIFIED MAIL
RECEIPT REQUESTED

Dear Mr. Brimhall:

This is to advise you that we have staked the location for our proposed Pictured Cliffs well at a point which is 1850' from the South line and 690' from the East line of Section 7-30N-11W. The location is on the east edge of the Charles Jones property.

We plan to start this well, which is to be called "Charlie No. 1", within the next 30 days and will drill it to a depth of 2000'.

We have acquired all new leases needed to complete this unit except for your 20 acres.

In order to proceed with this well, we have applied to the New Mexico Oil Conservation Commission for permission to "force-pool" your 20 acres. A hearing on this request has been set in Santa Fe on December 14, 1977, at which time you will have the opportunity to present your objections to this proposed well.

As indicated in previous meetings with you, the proposed lease would provide that no surface activity of any kind whatsoever would be allowed on your 20 acre tract. Only the minerals would be included in the drilling unit so that a complete one-quarter section would be unitized for the purpose of drilling this well. You would receive your pro-rata share of the one-eighth royalty from any production out of this well.

We earnestly request that you lease your acreage to us and join your neighbors in this endeavor.

As an alternative, would you join us in the drilling of this well by paying your proportionate share of the cost? As shown on the enclosed Authority for Expenditure, your share of the cost of a dry hole would be \$3,152.88. Your share of the estimated cost of a completed well would be \$6,470.00. If you choose to participate in the well, you would then receive 12.5% of the net income from the well.

If you decide to join in the well, please sign in the space provided at the bottom of the AFE and return it to us.

The purpose of the "force-pooling" procedure is to allow the majority in a unit to protect their mineral interests by having them developed even though a minority might not agree.

In this case, 87.5% of the minerals in the SE/4 of Section 7-30N-11W are under lease, with only your 20 acres not being leased. If the Oil Conservation Commission approves our request for "force-pooling", we will drill the well even though your 20 acres are not leased.

In order to compensate us for the risk involved, no cash bonus, no free gas, nor any other income from the well will accrue to you until we have recovered two or three times the cost of the well, depending upon what the Oil Commission will allow in their order. At today's price of gas, the new well would have to produce about three times as much as the old well before you would receive any income from it.

Most of the new leases in this unit were obtained with little or no cash bonus. The primary consideration was our willingness to take the risk of drilling a new well to replace an old well that had been plugged and abandoned 16 years ago.

In order to complete this unit, we would be willing to pay a reasonable cash bonus for your lease, would buy your minerals, or invite you to join in the cost of the well.

We would be glad to meet with you and discuss this further at your convenience.

With best personal regards.

Very truly yours

MANANA GAS, INC.

By Ed Hartman
President

Encl. AFE - Charlie # 1

EMH/bh

p.s. Our telephone number is 325-3066. Curtis Little can be reached at 327-6176 or 327-5794.

EDWARD M. HARTMAN
~~1000-SIGNAL-HILL-ROAD-NE~~
~~ALBUQUERQUE-NEW-MEXICO-88405~~
P. O. Box 145
Farmington, New Mexico 87401

CERTIFIED MAIL
RECEIPT REQUESTED

Mr. Harold Marion Brimhall
3000 Cherry Hills Place
Farmington, New Mexico 87401

and
Authority for Expenditure

Well Name Charlie No. 1 Loc. SE/4 Sec. 7 T30N R11W Co. San Juan State N.Mex.
Estimated T.D. 2000' Field or Prospect Aztec PC Gas Field Formation Pictured Cliffs

	Estimated		Actual
	Dry Hole	Producer	
Intangible Costs			
Supervision	625	1250	
Location: Damages and R.O.W.	500	500	
Roads and Canals Legal	1000	1000	
Location and Platforms	1500	1500	
Drilling:			
Footage Drilling 2000 ft. @ 4.50 /ft. + tax	9405	9405	
Daywork:			
Drilling 1 days @ 100 WDP days @ WDP	2400	2400	
Completing 2 days @ WDP days @ 800 WDP	-	1600	
Mud Materials and Special Equipment	500	500	
Fuel	-	-	
Water	500	1000	
Hauling and Transportation	1000	2000	
Cement, Cementing, and Accessories	2000	5000	
Logging	2500	3500	
Coring and Core Analysis	-	-	
Testing	-	-	
Perforating	-	-	
Stimulation		6700	
Special Services			
Tool Rental			
Miscellaneous			
Total Intangible Costs	21,930	36,355	
Tangible Well Costs			
Wellhead	-	1000	
Casing: 7", 150 ft., 6.65	1000	1000	
2-7/8", 2000 ft., 2.85	-	5700	
Tubing: 1-1/4", 2000 ft., 1.50	-	3000	
Artificial Lift Equipment			
Miscellaneous Well Equipment			
Total Tangible Well Costs	1,000	10,700	
Tangible Lease Costs			
Tankage			
Separating and Treating:			
Flowlines			
Structures and Buildings			
Measuring Equipment			
Special Equipment			
Miscellaneous Valves and Fittings			
Transportation, Installation and Labor			
Total Tangible Lease Costs			
Total Well Costs	SUBTOTAL	22,930	47,055
	Contingency 10%	2,293	4,705
Ownership Division:	TOTAL	25,223	51,760
Manana Gas, Inc.	87-1/2 %	22,070.12	45,290.00
Harold Marion Brimhall	12-1/2 %	3,152.88	6,470.00

	<p style="text-align: center;">Joint Interest Approval</p> <p>COMPANY _____</p> <p>By _____</p> <p>Date _____ 19__</p>
--	---

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-85

All distances must be from the outer boundaries of the Section.

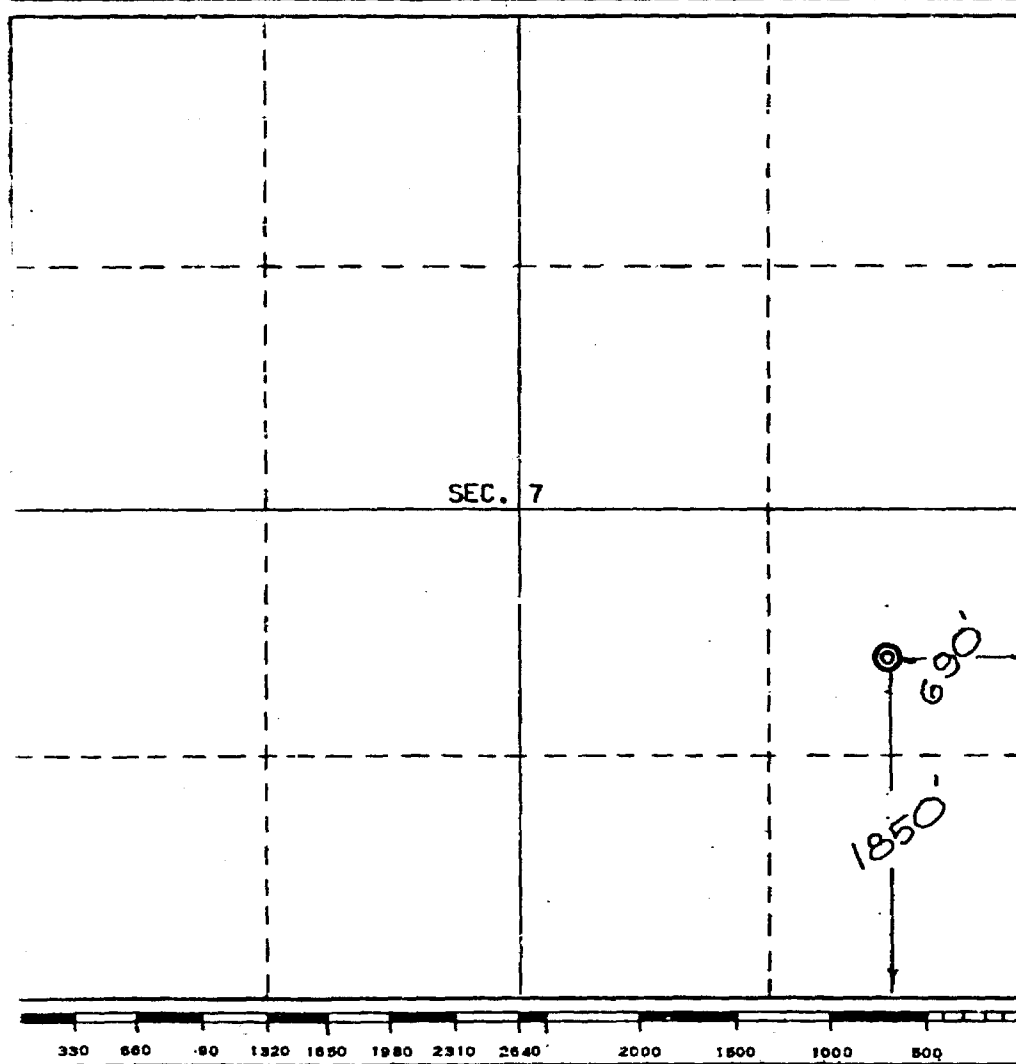
Operator Manana Gas, Inc.			Lease Charlie		Well No. 1
Unit Letter 1	Section 7	Township 30 North	Range 11 West	County San Juan	
Actual Footage Location of Well: 1850 feet from the South line and 690 feet from the East line					
Ground Level Elev. 5610	Producing Formation Pictured Cliffs	Pool Artesian / Gasfield	Dedicated Acreage: 160 Acres		

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☒ Yes ☐ No If answer is "yes," type of consolidation Communitization

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

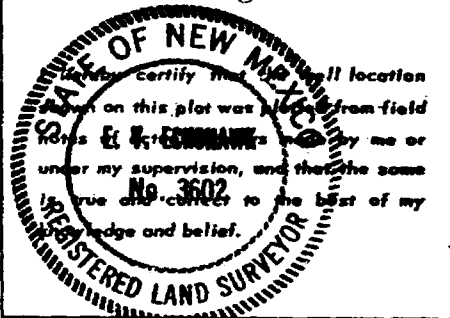
No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name E. J. Hartman
Position President
Company Manana Gas, Inc.
Date Today



Date Surveyed
June 30, 1977
Registered Professional Engineer and/or Land Surveyor
E. V. Echoshawk
Certificate No. 3602
E. V. Echoshawk LS

REALTOR
CERTIFIED PUBLIC ACCOUNTANT
MANANA GAS, INC.
PRESIDENT

ED HARTMAN
1801 SIGMA CH. ROAD, N.E.
ALBUQUERQUE, NEW MEXICO 87106
TELEPHONE 842-9313

OFFICE
888-804-8444
ALBUQUERQUE, N.M. 87102
TELEPHONE 842-5353

P.O. Box 145
Farmington, New Mexico 87401
December 9, 1977

Mr. Harold Marion Brimhall
3000 Cherry Hills Place
Farmington, New Mexico 87401

CERTIFIED MAIL
RECEIPT REQUESTED

Dear Mr. Brimhall:

This is to advise you that we have staked the location for our proposed Pictured Cliffs well at a point which is 1850' from the South line and 690' from the East line of Section 7-30N-11W. The location is on the east edge of the Charles Jones property.

We plan to start this well, which is to be called "Charlie No. 1", within the next 30 days and will drill it to a depth of 2000'.

We have acquired all new leases needed to complete this unit except for your 20 acres.

In order to proceed with this well, we have applied to the New Mexico Oil Conservation Commission for permission to "force-pool" your 20 acres. A hearing on this request has been set in Santa Fe on December 14, 1977, at which time you will have the opportunity to present your objections to this proposed well.

As indicated in previous meetings with you, the proposed lease would provide that no surface activity of any kind whatsoever would be allowed on your 20 acre tract. Only the minerals would be included in the drilling unit so that a complete one-quarter section would be unitized for the purpose of drilling this well. You would receive your pro-rata share of the one-eighth royalty from any production out of this well.

We earnestly request that you lease your acreage to us and join your neighbors in this endeavor.

As an alternative, would you join us in the drilling of this well by paying your proportionate share of the cost? As shown on the enclosed Authority for Expenditure, your share of the cost of a dry hole would be \$3,152.88. Your share of the estimated cost of a completed well would be \$6,470.00. If you choose to participate in the well, you would then receive 12.5% of the net income from the well.

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Very truly yours

MANANA GAS, INC.

By Ed Hartman
President

Encl. AFE - Charlie # 1

EMH/bh

p.s. Our telephone number is 325-3066. Curtis Little can be reached at 327-6176 or 327-5794.

EDWARD M. HARTMAN
~~1000 CHERRY HILLS PLACE~~
~~ALBUQUERQUE, NEW MEXICO 87401~~

P. O. Box 145
Farmington, New Mexico 87401

CERTIFIED MAIL
RECEIPT REQUESTED

Mr. Harold Marion Brimhall

3000 Cherry Hills Place

Farmington, New Mexico 87401

Well Name Charlie No. 1 Loc. SE/4 Sec. 7 T30N R11W Co. San Juan State N.Mex.
 Estimated T.D. 2000' Field or Prospect Aztec PC Gas Field Formation Pictured Cliffs

	Estimated		Actual
	Dry Hole	Producer	
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Roads and Canals Legal	1000	1000	
Location and Platforms	1500	1500	
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Footage Drilling 2000 ft. @ 4.50 /ft. + tax	9405	9405	
Daywork:			
Drilling 1 days @ 100 WDP days @ WODP	2400	2400	
Completing 2 days @ WDP days @ 800 WODP	-	1600	
Mud Materials and Special Equipment	500	500	
Fuel	-	-	
Water	500	1000	
Hauling and Transportation	1000	2000	
Cement, Cementing, and Accessories	2000	5000	
Logging	2500	3500	
Coring and Core Analysis	-	-	
Testing	-	-	
Perforating	-	-	
Stimulation		6700	
Special Services			
Tool Rental			
Miscellaneous			
Total Intangible Costs	21,930	6,355	
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Casing: 7", 150 ft., 6.65	1000	1000	
2-7/8", 2000 ft., 2.85	-	5700	
tubing: 1-1/4", 2000 ft., 1.50	-	3000	
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Miscellaneous Well Equipment	1,000	10,700	
Total Tangible Well Costs			
Tangible Lease Costs			
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Flowlines			
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Harold Marion Brimhall	12-1/2 %	3,152.88	6,470.00

Joint Interest Approval

COMPANY _____

By _____

Date _____ 19____

CASE 6111: Application of Manana Gas Inc., for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pictured Cliffs formation underlying the SE/4 of Section 7, Township 30 North, Range 11 West, Aztec-Pictured Cliffs Pool, San Juan 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 6107: In the matter of the application of the Oil Conservation Commission upon its own motion for an order for the creation, extension, and contraction of certain pools in Lea, Eddy, Chaves and Roosevelt Counties, New Mexico.

(a) CREATE a new pool in Roosevelt County, New Mexico, classified as an oil pool for San Andres production and designated as the East Allison-San Andres Pool. The discovery well is Wainoco, Inc., Ingram "28" Federal Well No. 1 located in Unit O of Section 28, Township 8 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 8 SOUTH, RANGE 37 EAST, NMPM
Section 28: SE/4
Section 33: NE/4

(b) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Yeso production and designated as the Atoka-Yeso Pool. The discovery well is the Yates Petroleum Corporation Mallard HM Well No. 2 located in Unit K of Section 28, Township 18 South, Range 26 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 28: S/2 and W/2 NW/4

(c) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Bone Springs production and designated as the Avalon-Bone Springs Gas Pool. The discovery well is the Coquina Oil Corporation Wagner Federal Well No. 2 located in Unit L of Section 29, Township 20 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 29: SW/4

(d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Northeast Avalon-Atoka Gas Pool. The discovery well is the Gulf Oil Corporation Eddy FT State Well No. 1 located in Unit K of Section 26, Township 20 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 27 EAST, NMPM
Section 25: W/2
Section 26: S/2

(e) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Cisco production and designated as the Box Canyon-Upper Pennsylvanian Gas Pool. The discovery well is the Yates Petroleum Corporation El Paso GS Federal Well No. 1 located in Unit J of Section 11, Township 21 South, Range 21 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 21 EAST, NMPM
Section 11: S/2
Section 14: E/2

(f) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the West Burton Flat-Atoka Gas Pool. The discovery well is the Yates Petroleum Corporation Stonewall DS Federal Well No. 2 located in Unit J of Section 29, Township 20 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 28 EAST, NMPM
Section 29: S/2

(g) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Cottonwood Creek-Wolfcamp Gas Pool. The discovery well is the Yates Petroleum Corporation Terry FU Well No. 1 located in Unit F of Section 21, Township 16 South, Range 25 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 25 EAST, NMPM
Section 21: N/2



DIRECTOR
JOE D. RAMEY

OIL CONSERVATION COMMISSION

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

LAND COMMISSIONER
PHIL R. LUCERO



STATE GEOLOGIST
EMERY C. ARNOLD

Memo No. 6-77

NOTICE! NOTICE! NOTICE!

TO ALL OPERATORS FROM JOE D. RAMEY, SECRETARY-DIRECTOR

THIS IS A FINAL REMINDER THAT ALL EXISTING ONE-WELL AND BLANKET PLUGGING BONDS MUST BE REPLACED BY NEW BONDS ON THE REVISED FORMS PRIOR TO JANUARY 1, 1978.

This requirement is in accordance with Commission Order No. R-5432 entered May 24, 1977.

The most recent reminder of this requirement was sent to all operators by OCC Memorandum No. 5-77 dated October 17, 1977, and explained that if replacement bonds are not on file and approved by the deadline date, operators will be required to shut in all producing, drilling, and injection wells.

Response to the requirement for replacement bonds has been less than adequate. At this writing, there still remain more than one thousand bonds which have not yet been replaced, and there is less than one month before the deadline.

This is the final reminder that will be sent to operators to replace existing bonds by January 1, 1978, or face the shutting in of wells.

JDR/DSN/jr

December 2, 1977

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

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

November 31, 1977

1977-1

TELEPHONE 963-4318
AREA CODE 505

Case 6111

Mr. Dan Nutter
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Manana Gas, Inc.

Dear Dan:

Please find enclosed the written application for a forced pooling case which I orally filed on November 23, 1977.

We would like this matter set for December 14th.

Very truly yours,


W. Thomas Kellahin

WTK:kfm

Enclosure

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF MANANA GAS, INC., FOR COMPULSORY
POOLING, SAN JUAN COUNTY, NEW
MEXICO

A P P L I C A T I O N

COMES NOW MANANA GAS, INC., and applies to the Oil Conservation Commission of New Mexico for an order pooling all mineral interest, whatever they may be, underlying the SE/4 of Section 7, T30N, R11W, NMPM, San Juan County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of the right to drill and develop the 160 acre tract composed of the SE/4 of Section 7, T30N, R11W and proposes to drill a Picture Cliff test at a standard location within said quarter section.

2. Applicant has sought to obtain the cooperation of all parties.

3. In order to obtain its just and equitable share of the production underlying the above acreage, Manana Gas, Inc. needs an order pooling the mineral interest involved.

4. Those who have not consented to join in the drilling of the well, with their addresses, to the best of the applicant's information and belief are as follows:

NAME	ADDRESS	INTEREST
Harold Marian Brimhall	3000 Cherry Hills Place Farmington, New Mexico 87401	20 acres

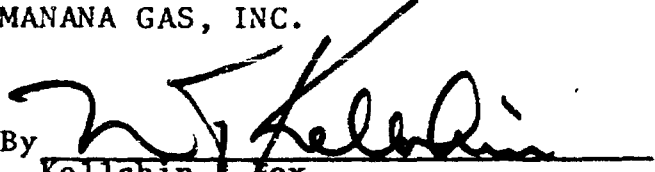
WHEREFORE applicant prays that this application be set

for hearing before the Commission, or the Commission's duly appointed examiner, and that after notice and hearing as required by law the Commission enter its order pooling all of the mineral interests underlying the SE/4 of Section 7, Township 30 North, Range 11 West, N.M.P.M. Applicant further prays that it be named operator of the well, and the order make provision for applicant to recover out of production its costs of recompleting, or drilling, the subject well, completing and equipping it, costs of operation, including costs of supervision, and a risk factor in the amount of 200% for the drilling or recompletion of the well, and for such other and further relief as may be proper.

Respectfully submitted,

MANANA GAS, INC.

By


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

Attorneys for Applicant

- 1 1977

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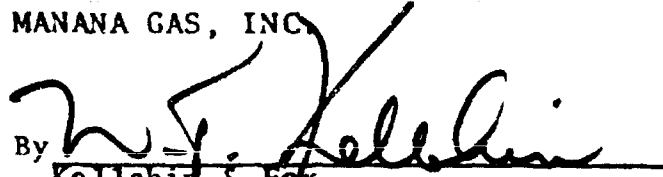
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MANANA GAS, INC.

By


Kellahin & Fox

P. O. Box 1769

Santa Fe, New Mexico 87501

Attorneys for Applicant

2-1 1977

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P. O. Box 1769

Santa Fe, New Mexico 87501

Attorneys for Applicant

Case 6111

Compulsory polling

Manana Das Inc.

~~SE~~ SE/4 of 5T

T 30N

R 11W

Petroleum Co.

San Juan Co.

Standard location

9-4315