

NEW MEXICO OIL CONSERVATION COMMISSION
P.O. BOX 2088
SANTA FE, NEW MEXICO 87501

ADMINISTRATIVE ORDER NGPA- 2

EXEMPTION FROM THE NATURAL GAS PRICING ACT
PURSUANT TO SECTION 6, CHAPTER 73,
LAWS OF 1977, AND COMMISSION ORDER NO. R-5436

OPERATOR Producing Royalties, Inc. WELL NAME AND No. Carroll-Cornell No. 5-R
LOCATION: UNIT A SEC. 13 TWP. 29 North RNG. 12 West COUNTY San Juan

THE SECRETARY-DIRECTOR OF THE COMMISSION FINDS:

(1) That Section 6 of the Natural Gas Pricing Act (being Laws of 1977, Chapter 73) provides that the Natural Gas Pricing Act shall not apply to the production and sale of natural gas in intrastate commerce from a well the drilling of or first intrastate sale of which commenced on or after January 1, 1975, provided however, that the Act shall apply to such a well if it is drilled within an established proration unit which was producing or capable of producing natural gas prior to January 1, 1975, from the same reservoir unless the Oil Conservation Commission exempts such well upon a finding that such new well was justified for reasons other than avoiding the application of the Natural Gas Pricing Act.

(2) That by Order No. R-5436, dated June 8, 1977, the Commission established an administrative procedure whereby the Secretary-Director of the Commission is empowered to act for the Commission and exempt gas wells from the provisions of Section 6 of the Natural Gas Pricing Act provided said wells were drilled on or after January 1, 1975, within established proration units which were producing or capable of producing natural gas from the same reservoir prior to January 1, 1975.

(3) That to qualify for such exemption, under said Order No. R-5436, a gas well must be classified either as a replacement well or as an infill well.

(4) That pursuant to Order No. R-5436, the Secretary-Director of the Commission may find that a replacement well is justified for reasons other than avoiding the pricing provisions of the Natural Gas Pricing Act upon a showing by the operator that:

- (a) The well was necessary to replace a well lost due to economically irreparable down-hole mechanical failure or formation damage; or that
- (b) the well was necessary to replace a well producing at non-commercial rates; or that
- (c) the drilling of the well commenced prior to January 18, 1977.

(5) That pursuant to Order No. R-5436, the Secretary-Director of the Commission may find that an infill well is justified for reasons other than avoiding the pricing provisions of the Natural Gas Pricing Act upon a showing by the operator that:

- (a) the well was drilled in a pool where the Commission, after notice and hearing, has issued an order finding that infill drilling in such pool will increase the recoverable reserves under the various proration units in such pool, will result in more efficient use of reservoir energy, and will tend to ensure greater ultimate recovery of gas from the pool; or that
- (b) the well is necessary to protect the proration unit from uncompensated drainage or to protect correlative rights; or that
- (c) the drilling of the well commenced prior to January 18, 1977.

(6) That the applicant herein Producing Royalties, Inc. has requested exemption from the provisions of the Natural Gas Pricing Act pursuant to Section 6, Chapter 73, Laws of 1977, and Commission Order No. R-5436 for the above-named well.

(7) That all the requirements of said Order No. R-5436 have been complied with, and that said well is justified for exemption from the provisions of the Natural Gas Pricing Act inasmuch as said well was not drilled for the purpose of avoiding the application of said act, but was in fact:

A Replacement Well

- necessary to replace a well lost due to economically irreparable down-hole mechanical failure or formation damage.
- necessary to replace a well producing at non-commercial rates.
- a well the drilling of which commenced prior to January 18, 1977.

An Infill Well

- drilled in a pool where the Commission, after notice and hearing, has issued an order finding that infill drilling in such pool will increase the recoverable reserves under the various proration units in the pool, will result in more efficient use of reservoir energy, and will tend to ensure greater ultimate recovery of gas from the pool, said pool being the

Pool and the order being Commission Order No. R-_____.

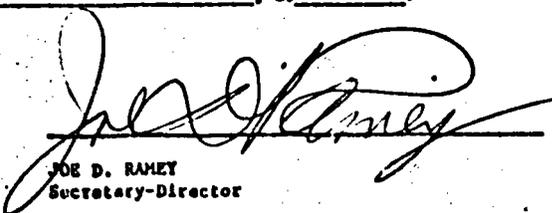
- necessary to protect the proration unit from uncompensated drainage or to protect correlative rights.
- a well the drilling of which commenced prior to January 18, 1977.

IT IS THEREFORE ORDERED:

(1) That the above-named well is hereby exempted from Section 6 of the Natural Gas Pricing Act (Laws of 1977, Chapter 73).

(2) That jurisdiction of this cause is hereby retained, and that this exemption is subject to rescission upon failure to comply with the provisions of Rule 6(d) or Rule 7(c) of Commission Order No. R-5436 or for other good cause shown.

DONE at Santa Fe, New Mexico on this 15th day of November, 19 77.


JOE D. RAMEY
Secretary-Director

NEW MEXICO OIL CONSERVATION COMMISSION
P.O. BOX 2088
SANTA FE, NEW MEXICO 87501

ADMINISTRATIVE ORDER NGPA-2

EXEMPTION FROM THE NATURAL GAS PRICING ACT
PURSUANT TO SECTION 6, CHAPTER 73,
LAWS OF 1977, AND COMMISSION ORDER NO. R-5436

OPERATOR Producing Royalties, Inc. WELL NAME AND No. Carroll-Cornell No. S-R
LOCATION: UNIT A SEC. 13 TWP. 29 North RNG. 12 West COUNTY San Juan

THE SECRETARY-DIRECTOR OF THE COMMISSION FINDS:

(1) That Section 6 of the Natural Gas Pricing Act (being Laws of 1977, Chapter 73) provides that the Natural Gas Pricing Act shall not apply to the production and sale of natural gas in intrastate commerce from a well the drilling of or first intrastate sale of which commenced on or after January 1, 1975, provided however, that the Act shall apply to such a well if it is drilled within an established proration unit which was producing or capable of producing natural gas prior to January 1, 1975, from the same reservoir unless the Oil Conservation Commission exempts such well upon a finding that such new well was justified for reasons other than avoiding the application of the Natural Gas Pricing Act.

(2) That by Order No. R-5436, dated June 8, 1977, the Commission established an administrative procedure whereby the Secretary-Director of the Commission is empowered to act for the Commission and exempt gas wells from the provisions of Section 6 of the Natural Gas Pricing Act provided said wells were drilled on or after January 1, 1975, within established proration units which were producing or capable of producing natural gas from the same reservoir prior to January 1, 1975.

(3) That to qualify for such exemption, under said Order No. R-5436, a gas well must be classified either as a replacement well or as an infill well.

(4) That pursuant to Order No. R-5436, the Secretary-Director of the Commission may find that a replacement well is justified for reasons other than avoiding the pricing provisions of the Natural Gas Pricing Act upon a showing by the operator that:

- (a) The well was necessary to replace a well lost due to economically irreparable down-hole mechanical failure or formation damage; or that
- (b) the well was necessary to replace a well producing at non-commercial rates; or that
- (c) the drilling of the well commenced prior to January 18, 1977.

(5) That pursuant to Order No. R-5436, the Secretary-Director of the Commission may find that an infill well is justified for reasons other than avoiding the pricing provisions of the Natural Gas Pricing Act upon a showing by the operator that:

- (a) the well was drilled in a pool where the Commission, after notice and hearing, has issued an order finding that infill drilling in such pool will increase the recoverable reserves under the various proration units in such pool, will result in more efficient use of reservoir energy, and will tend to ensure greater ultimate recovery of gas from the pool; or that
- (b) the well is necessary to protect the proration unit from uncompensated drainage or to protect correlative rights; or that
- (c) the drilling of the well commenced prior to January 18, 1977.

(6) That the applicant herein Producing Royalties, Inc. has requested exemption from the provisions of the Natural Gas Pricing Act pursuant to Section 6, Chapter 73, Laws of 1977, and Commission Order No. R-5436 for the above-named well.

(7) That all the requirements of said Order No. R-5436 have been complied with, and that said well is justified for exemption from the provisions of the Natural Gas Pricing Act inasmuch as said well was not drilled for the purpose of avoiding the application of said act, but was in fact:

A Replacement Well

- necessary to replace a well lost due to economically irreparable down-hole mechanical failure or formation damage.
- necessary to replace a well producing at non-commercial rates.
- a well the drilling of which commenced prior to January 18, 1977.

An Infill Well

- drilled in a pool where the Commission, after notice and hearing, has issued an order finding that infill drilling in such pool will increase the recoverable reserves under the various proration units in the pool, will result in more efficient use of reservoir energy, and will tend to ensure greater ultimate recovery of gas from the pool, said pool being the _____ Pool and the order being Commission Order No. R-_____.
- necessary to protect the proration unit from uncompensated drainage or to protect correlative rights.
- a well the drilling of which commenced prior to January 18, 1977.

IT IS THEREFORE ORDERED:

(1) That the above-named well is hereby exempted from Section 6 of the Natural Gas Pricing Act (Laws of 1977, Chapter 73).

(2) That jurisdiction of this cause is hereby retained, and that this exemption is subject to rescission upon failure to comply with the provisions of Rule 6(d) or Rule 7(c) of Commission Order No. R-5436 or for other good cause shown.

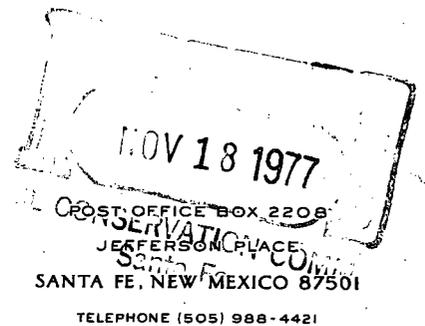
DONE at Santa Fe, New Mexico on this 15th day of November, 19 77.

JOE D. RAHEY
Secretary-Director

CAMPBELL, BINGAMAN AND BLACK, P. A.

LAWYERS

JACK M. CAMPBELL
JEFF BINGAMAN
BRUCE D. BLACK
MICHAEL B. CAMPBELL



November 16, 1977

XGPA-2

Mr. Daniel S. Nutter
Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Application for Well Justification and Exemption from
the Natural Gas Pricing Act -- Producing Royalties, Inc.

Dear Mr. Nutter:

Sometime ago I filed an Application For Well Justification and Exemption From The Natural Gas Act on behalf of Producing Royalties, Inc. for the Carroll-Cornell No. 5 Well in San Juan County, New Mexico.

The Company has a tentative contract for sale of this gas to Southern Union Gathering Company and is anxious to close the transaction. They are waiting only for approval of the application. We would appreciate a ruling at your earliest convenience.

Very truly yours,

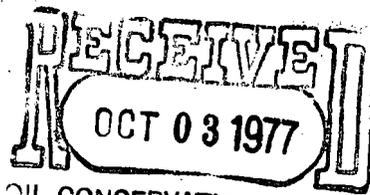
Michael Campbell

MC:dc

cc: Mr. Paul Payne
Mr. Charles W. Wilson

CAMPBELL, BINGAMAN AND BLACK, P. A.
LAWYERS

JACK M. CAMPBELL
JEFF BINGAMAN
BRUCE D. BLACK
MICHAEL B. CAMPBELL



OIL CONSERVATION COMM
Santa Fe

POST OFFICE BOX 2208
JEFFERSON PLACE
SANTA FE, NEW MEXICO 87501
TELEPHONE (505) 988-4421

September 29, 1977

Ms. Lynn Techendorf
Oil Conservation Commission
for the State of New Mexico
Legal Division
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Application for Well Justification Exemption
from the Natural Gas Pricing Act.

Dear Lynn:

Enclosed please find an Application for Well Justification
and Exemption from the Natural Gas Pricing Act.

I believe the Application ^{RS436 in Case No} complies with the requirements
of OCC Order No. 5900 for justification of a replacement
well. If you require additional information, please let
us know.

I understand that the Application can be acted upon adminis-
tratively. We would hope for an exemption as quickly as
possible.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Michael B. Campbell". The signature is fluid and cursive, written over the typed name below.

Michael B. Campbell

MBC:

Enclosure

cc. Mr. Paul Payne with enclosure.



BEFORE THE NEW MEXICO
OIL CONSERVATION COMMISSION

Application for Well Justification and
Exemption from the Natural Gas Pricing Act

Pursuant to Oil Conservation Commission Case No. 5900
(Order No. R-5436), Applicant states:

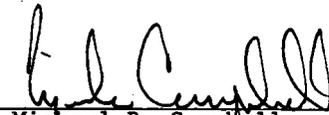
1. Applicant has been the Operator of the Carroll-Cornell No. 5 Well located in the northern half of the northeast quarter of Section 13, T29N. R12W.
2. The Carroll-Cornell No. 5 Well was non producible or non-commercial. The well was plugged and abandoned on June 8, 1976.
3. Applicant drilled a replacement well Carroll-Cornell No. 5R in the northern half of the northeast quarter of Section 13, T29W, R12W. The Carroll-Cornell No. 5R Well was necessary to replace the Carroll Cornell No. 5 Well which was producing at non-commercial rates.
4. Applicant seeks justification for the drilling of Carroll-Cornell No. 5R and for an exemption from the National Gas Pricing Act.
5. Attached to the Application are the following exhibits:
 - a. A plat of the area showing the proration unit in question, the location of all wells thereon, and the ownership and location of all wells on direct or diagonally offsetting proration units.
 - b. A complete tabulation of actual well costs for the Carroll-Cornell No. 5R Well.
 - c. A complete description of the nature and cause of the failure and damage to the Carroll-Cornell No. 5 Well.
 - d. A monthly production summary for the Carroll-Cornell No. 5 Well for the last 24 months.

- e. Proof that the Carroll-Cornell No. 5 Well has been plugged and abandoned.

Respectfully submitted,

CAMPBELL, BINGAMAN AND BLACK, P.A.

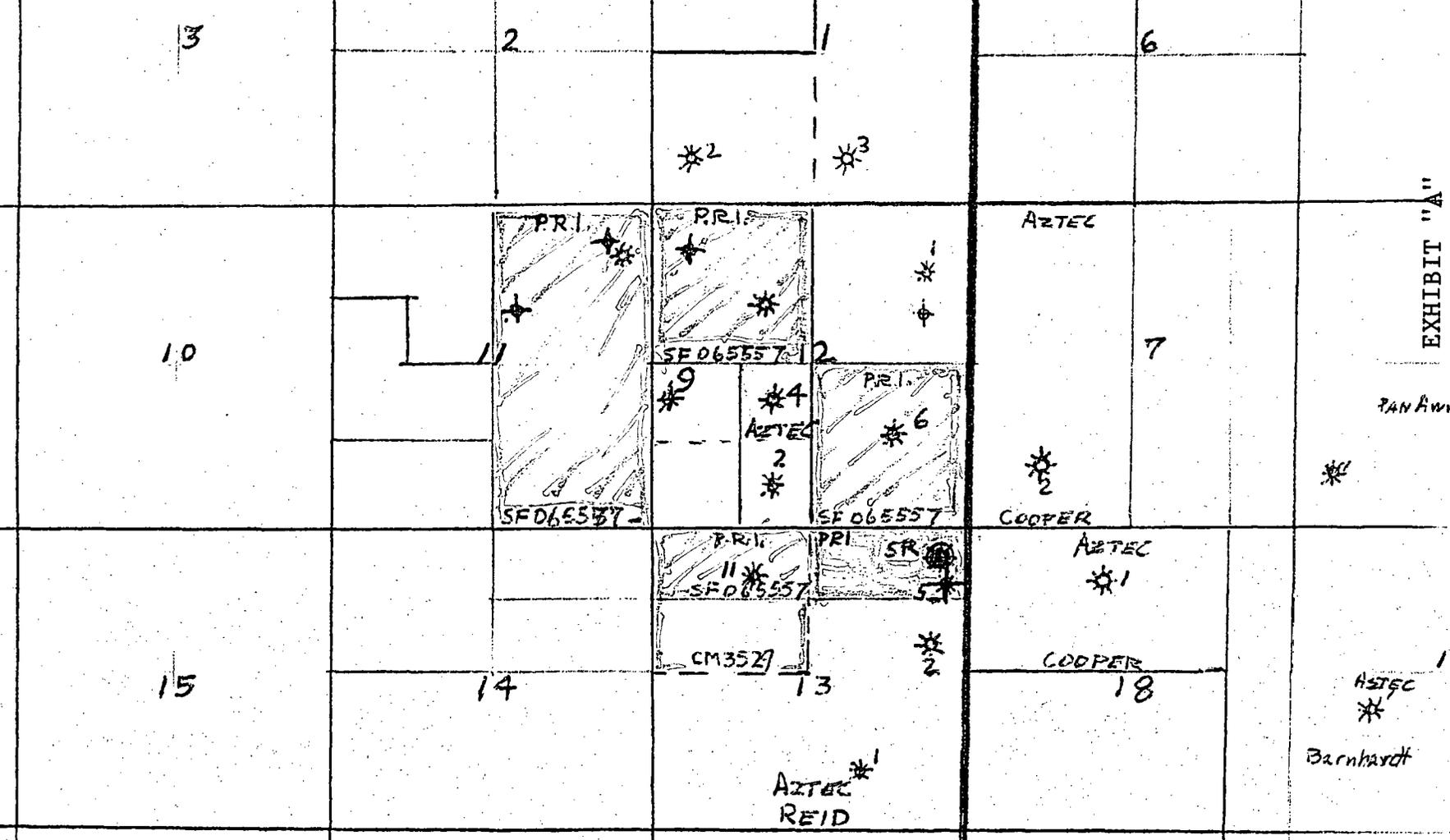
By



Michael B. Campbell
Attorneys for Applicant,
Producing Royalties, Inc.
Post Office Box 2208
Santa Fe, New Mexico 87501

SAN JUAN County, N. Mexico
 Pictured Cliffs Wells

T-29-N R-12-W N.M.P.M.



P.R.I. = Producing Royalties Inc.

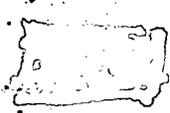
 = Proration Unit

EXHIBIT "A"

PAN AM.

AZTEC
 Barnhardt

PHONE 334-6191
P. O. BOX "B"



WAYNE SANDEL
PRESIDENT

AZTEC, NEW MEXICO 87401

* P. L. Payne, Jr.
Producing Royalties, Inc.
P. O. Box 1071
Lubbock, Texas

Locations	1,500.00
Mast Anchors	250.00
Casing Crew	500.00
Trucking	1,500.00
Bits	1,500.00
Rig	10,000.00
Mud and Water	3,000.00
7 5/8" Casing 100' at \$9.23	923.00
2000' of 1" at \$.66¢	1,320.00
2000' of 3 1/2" Casing at \$1.80	3,600.00
Cement	2,500.00
Well head	900.00
Perforations	2,500.00
Logging	1,500.00
Fracing	8,000.00
Consulting	800.00
Misc. Charges	1,613.40

\$41,906.40

* This BID received on April 8, 1976 is the cost of drilling a well for gas in the Pictured Cliffs formation at the approximate depth of 2,000 feet whether the contract is for drilling one or several wells located in the Northeast corner of T-29-N; Range-12-West, San Juan County, New Mexico within the next three to four months. Cost NOT included are: surveying, taxes, permits required by Archeological Surveys, B.L.M. and of filing reports.

EXHIBIT "B"

History of Carroll-Cornell No. 5

According to the records available for study, the original No. 5 Carroll-Cornell well had 8 1/4 inch casing set at a total depth to 940 feet about September 21, 1941. Rods and tubing were run on September 29, 1941 and the well was completed as an oil well. Production was down to about 3-barrels of oil and 2-barrels of water per day as of February, 1942.

Later the well was deepened and on October 16, 1953 cable tools were moved over the well for the purpose of cleaning out and shooting with SNG. The well was cleaned out to 1871 feet, and 7-inch casing was bottomed at 1780 feet.

On October 22, 1953 the well was shot with 165 quarts of SNG. After drilling calseal and gravel plug, and cleaning well out to bottom, 1-inch tubing was landed at 1865 feet, and completed as a gas well in the Pictured Cliffs formation.

During and since the year, 1961, Producing Royalties, Inc. has tried several different methods of relieving the well of its liquids build-up, and of making a more productive well of this number 5-gas well.

Finally after twelve to fourteen years and after consulting with several engineers, we (Producing Royalties, Inc) ceased attempting remedial work on this and other wells nearby because of mechanical and formation damage.

During the first one-half of the year of 1976, we received letters from the office of the United States Geological Survey of Farmington, New Mexico, advising us that we were being allowed 60-days from the dates of the letters to either produce or plug and abandon this well among three other gas wells owned by Producing Royalties, Inc. in this immediate area. We plugged each of said four wells on or before June 8, 1976.

Carroll-Cornell No. 5 Well in NE/4 of NE/4 of Section 13,

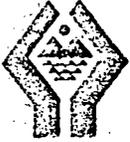
T-29-N; R-12-W, San Juan County, New Mexico

GAS PRODUCTION HISTORY
MONTHLY PRODUCTION

Year	DATE	MONTHLY PRODUCTION			
1973	November	0			
	December	0	433		
1974	January	0		1972	J 60
	February	0			F 147
	March	0			M 65
	April	0			A 51
	May	0			M 34
	June	0			J NR
	July	0			J 11
	August	0			A 48
	September	0			S 45
	October	0			O 37
	November	0			N 31
	December	0			D 45
1975	January	0			<u>574</u>
	February	0			
	March	0		1973	J 54
	April	0			F 57
	May	0			M NR
	June	0			A NR
	July	0			M 70
	August	0			J 95
	September	0			J 26
	October	0			A 57
	November	0			S 33
	December	0			O 41
1976	January	0			
	February	0			
	March	0			
	April	0			
	May	0			

This Carroll-Cornell No. 5 Gas well was plugged and abandoned on June 8, 1976.

Taken from the production records of Producing Royalties, Inc., and verified by the records from the New Mexico Oil & Gas Commission.



United States Department of the Interior

GEOLOGICAL SURVEY

P. O. Box 959
Farmington, New Mexico 87401

June 15, 1976

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Producing Royalties, Inc.
P. O. Box 1071
Lubbock, Texas 79408

Re: Federal lease
SF 065557

Gentlemen:

Reference is made to well No. 5 Carroll-Cornell in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ sec. 13, T. 29 N., R. 12 W., San Juan County, New Mexico, on the subject lease.

The well has not produced for a period of years which indicates the well is unable to produce. Accordingly, you are allowed 60 days from the date of this notice to either show to the satisfaction of this office, that the well is capable of producing in paying quantities, or plug and abandon the well in a manner specified by the District Engineer.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "P. T. McGrath".

P. T. McGrath
District Engineer

EXHIBIT "E"



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

SUBMIT IN TRIPPLICATE*
(Other instructions on re-
verse side)

Form approved.
Budget Bureau No. 42-R1424.

5. LEASE DESIGNATION AND SERIAL NO.

SF 065557

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals.)

1. OIL GAS
WELL WELL OTHER

7. UNIT AGREEMENT NAME

2. NAME OF OPERATOR
Producing Royalties, Inc

8. FARM OR LEASE NAME
CARROLL-CORNELL

3. ADDRESS OF OPERATOR
Box 1071 LUBBOCK, TEXAS 79408

9. WELL NO.
S

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*
See also space 17 below.)
At surface
800 FNL 440 FEL Sec 13,
T29N, R12W SAN JUAN Co. NM.

10. FIELD AND POOL, OR WILDCAT
FULCHER-Kutz PC

11. SEC., T., R., M., OR BLK. AND
SUBVEY OR ARBA
Sec 13-T29N R12W
NM PM

14. PERMIT NO.
15. ELEVATIONS (Show whether DF, RT, CR, etc.)
5673 DF

12. COUNTY OR PARISH 13. STATE
SAN JUAN NM.

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

SUBSEQUENT REPORT OF:

TEST WATER SHUT-OFF
FRACTURE TREAT
SHOOT OR ACIDIZE
REPAIR WELL
(Other)
PULL OR ALTER CASING
MULTIPLE COMPLETE
ABANDON*
CHANGE PLANS

WATER SHUT-OFF
FRACTURE TREATMENT
SHOOTING OR ACIDIZING
(Other)
REPAIRING WELL
ALTERING CASING
ABANDONMENT*

(NOTE: Report results of multiple completion on Well
Completion or Recompletion Report and Log form.)

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

This well has been disconnected from line.
Operator intends to Plug & Abandon this well
as follows:

1. Spot Cement Plug from TD 1877 to 1735
2. Pull 1" lbs & perf 4 holes @ base of Ojo Alamo
3. Squeeze Perfs w/ 50SX
4. Install P&A MARKER w/ 10SX

RECEIVED

JUN 9 1976

U. S. GEOLOGICAL SURVEY
FARMINGTON, N. M.

18. I hereby certify that the foregoing is true and correct

SIGNED Larry G. Bedford TITLE agent for Operator DATE JUNE 8, 1976

(This space for Federal or State office use)

APPROVED

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

JUN. 9 1976

E. I. McGRATH

DISTRICT ENGINEER

*See Instructions on Reverse Side

CAMPBELL, BINGAMAN AND BLACK, P. A.
LAWYERS

JACK M. CAMPBELL
JEFF BINGAMAN
BRUCE D. BLACK
MICHAEL B. CAMPBELL



November 3, 1977

Mr. Daniel S. Nutter
Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Application for Well Justification and Exemption from
the Natural Gas Pricing Act -- Producing Royalties, Inc.

Dear Mr. Nutter:

Pursuant to our recent conversation, I have attempted to obtain additional data for Producing Royalties, Inc.'s application for exemption from the Natural Gas Pricing Act. It was my understanding that you needed 1) further proof that the Carroll-Cornell No. 5 Well had been plugged and abandoned and 2) additional data on the actual well costs for the Carroll-Cornell No. 5R Well.

I have enclosed 1) USGS Proof of Abandonment Form 9-331 and 2) a complete tabulation of actual well costs for the Carroll-Cornell No. 5R Well. I believe this information should complete the application.

Very truly yours,

Michael Campbell

MC:dc

cc: Paul Payne

Enclosures

To Whom It May Concern:

From Mr. P. T. McGrath, Petroleum Engineer, U. S. G. S., Farmington, New Mexico we received letters or notices regarding part of the Gas Wells operated by us on Lease No. SF-065557 in San Juan County, New Mexico, as follows:

On or about June 20, 1975 notices were inadvertently mailed to Union of Texas Petro., Denver, and forwarded to us, advising us to produce or plug and abandon part of the wells on the above stated Federal Lease;

On or about January 8, 1976 a letter inclosing shut-in-well data sheets for wells, which letter also stated - "its present status may result in instructions to abandon shut-in wells and/or recommendation to the Bureau of Land Management to terminate the lease";

On or about March 18, 1976 a letter by Certified Mail Return Receipt Requested regarding part of wells, which letter stated in its last paragraph - "Accordingly you are allowed 60-days from receipt of this letter to show to our satisfaction that the above wells are capable of producing in paying quantities. Failing such a showing you are to commence plugging operations in a manner approved by this office."

We did not desire to plug and abandon these three wells at this time, even though we had only received a total of about \$1,000.00 gross revenue from the three Pictured Cliffs gas wells (Carroll-Cornell wells No. 1, 2, and 5) in the prior period of ten or more years.

Two of this Companys' officers visited Mr. McGrath in his Farmington office on March 25 or 26, 1976 to discuss the problem. Mr. McGrath at that time advised that he would allow the said 60-days to plug the wells, and maybe a few additional days to complete the job if we were making diligent effort to plug the wells. The wells we discussed that must be plugged were the Carroll-Cornell No. 1, No. 2, No. 5 Pictured Cliffs and one deep old abandoned well that had not produced since before we acquired the lease about 20-years before. To plug the wells we learned that the cost of about \$16,000.00 would require most of the money that this Company had - if we are lucky with no problems.

Thus we had no money with which to drill new Pictured Cliffs gas wells, but the above identified January 8, 1976 letter had stated - "and/or recommendation to the Bureau of Land Management to terminate the lease.", therefore we interviewed six different drilling contractors and several different consulting engineers in the Farmington - Aztec - Bloomfield area regarding prices and drilling date commentments about drilling wells to the Pictured Cliffs formation on various tracts of Federal Lease No. SF--065557.

Then we began making attempts to borrow enough money to drill wells on the 3-tracts of land upon which we had been ordered to plug the wells. From investigations it appeared that we would be able to borrow \$115,000.00 (by mortgaging other property) with which to drill the three wells to the Pictured Cliffs Formation.

There was not enough money to drill the conventional type gas wells enabling us to drill a 6-3/4 inch hole at \$7.50 per foot drilling cost and using the larger sized casing allowing ample room for future "work-overs". Instead we would have to (and did) "poor-boy" the wells employing slim-hole drilling with a 4-inch bit and using 2-7/8 inch upset tubing for casing, thus possibly decreasing the life of the wells by having poor conditions for future remedial well work.

(Continued on Page No. 2.)

To enable us to receive a better price on materials, drilling, and local consulting engineering costs of drilling and completing the wells, we let the contracts on all three wells to be drilled at the mutual convenience of the Drilling Contractor and the Consulting Engineer enabling their work schedules to best coincide, and permitting the Engineer to purchase most materials at the best prices.

The cost of each well will be necessarily assessed by taking 1/3 of the total of some items involving the three-well drilling deal originally made.

The first item considered in drilling these three wells was acquiring the \$115,000.00 loan.

<u>Items to determine actual cost of Carroll-Cornell #5-R</u>	Total Cost of all Three (3) Gas Wells	Cost allocated to Carroll-Cornell #5-R (or its 1/3rd)
\$115,000.00 loan acquired June 3, 1976 (The originating cost including June, 1976 Interest)	\$ 2,725.10	\$ 908.36
Beginning March 24, 1976 through Nov. 17, 1976 two Company officials were involved (in the field) away from the office in counseling, assisting, and supervising in drilling, completing, and contracting gas sales totaling 25 days @ \$50.00 per day for each officer - -	2,500.00	833.33
Beginning April 13, 1976 through July 21, 1977 one Company official was involved (in the field) away from office in counseling, assisting, and supervising in drilling, completing, and contracting sale of gas totaling 43 additional days @ \$50.00 per day - - - - -	2,150.00	716.67
Auto actual gas, oil and travel cost - - - - -	1,551.41	517.14
Actual Lodging expense while drilling, completing wells and working on gas contract - - - -	1,630.34	543.45
Location Surveys, B. L. M., and Archeologist charges - - - - -	237.50	79.16
Legal Services and Notary fees - - - - -	2,636.36	878.79
Telephone charges while working on drilling wells and gas contracts - - - - -	666.48	222.16
Insurance (Liability)- - - - -	-	613.00
Other Interest charges on loan to date (\$303.47 x 16 mos.=\$4,855.52 - \$1,625.30 Int. earned)	-	3,230.22
Potwin Supply for Pipe and Supplies (1983' of 2-7/8" OD tbg for casing, etc.)- - - - -	-	6,063.78
Potwin Supply (Rentals)- - - - -	-	274.31
S S S Warehousing (Rentals and Mud) - - - - -	-	558.13
M. E. D. Tankers (Hauling Water) - - - - -	-	217.36
Farmington Well Service (Rig and Labor - Running Tubing) - - - - -	-	205.92
Allen Construction Co. (Hauling and digging pits - location) - - - - -	-	257.40
A A A Fishing (Tool Rental - blow-out preventor, etc.) - - - - -	-	530.44

	Total Cost of all Three (3) Gas Wells	Cost allocated to Carroll- Cornell #5-R (or its 1/3rd)
Joe Morrow Drilling Contractor (Drilling 1,971' @ \$4.50 per foot) - - - - -	\$ -	\$ 9,933.14
Potwin Supply (Pipe, fittings and supplies - 1,821' of 1-1/4" tubing, etc.) - - - - -	-	3,364.75
Potwin Supply (Truck, Trailer and Tool Rental) - - - - -	-	188.11
Dugan Production Co. (Contract Engineering, Labor, Supervising Service Crews) - - - - -	-	1,948.93
Halliburton Services (Cementing Surface Casing) - - - - -	-	668.40
The Western Company (Fracing Pictured Cliffs formation) - - - - -	-	3,504.57
Nitrogen Oil Well Service (Adding the nitrogen foam to frac Process) - - - - -	-	2,330.61
Welex (Logging - Induction-Electric) - - - - -	-	1,222.00
B-J Hughes Inc. (Cemented 2-7/8 inch casing from bottom to top of well) - - - - -	-	573.71
Farmington Well Service (Rig and labor for logging formation and perforating formation) -	-	159.12
Bluejet, Inc. (Taking Gamma Ray Log and perforating with 32 Glass 2-1/8") - - - - -	-	1,011.50
Dugan Production Co. (Valves, Nipple, Plugs, etc. for wellhead) - - - - -	-	117.08
Allen Construction Co. (Fill drilling pits and cleaning up drilling location) - - - - -	-	<u>237.64</u>

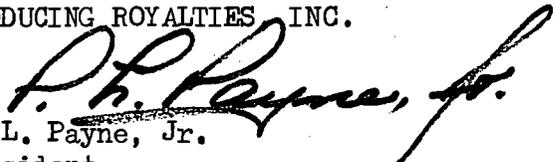
TOTAL Gas Well cost (not including administrative and office overhead) of Carroll-Cornell 5-R = \$41,909.18

This Pictured Cliffs Gas Well was completed on July 25, 1977, tested on August 3, 1977, and currently is awaiting to be connected to the pipeline of Southern Union Gathering System, if we can ever agree upon a gas purchase agreement.

The other two wells were completed in August of 1967, but we could not get them connected into the gas pipeline until February of 1977.

This REPORT consists of three pages and I certify that the information herein is true and correct. Dated: October 18, 1977.

PRODUCING ROYALTIES, INC.

By: 
P. L. Payne, Jr.
President

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

OPERATOR

SUBMIT IN TRIPPLICATE
Other instructions on reverse side

Form approved.
Budget Bureau No. 42-R1424.
DESIGNATION AND SERIAL NO.

NOV - 4 1977

SF 065557

SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug back to a different rock
Use "APPLICATION FOR PERMIT" for such proposals.)

WELL OBSERVATION COMM.
Santa Fe

1. OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER		4. UNIT AGREEMENT NAME	
2. NAME OF OPERATOR Producing Royalties Inc.		5. FARM OR LEASE NAME CARROLL - CORNELL	
3. ADDRESS OF OPERATOR Box 1071 Lubbock, Texas 79408		9. WELL NO. 5	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.* See also space 17 below.) At surface 800' N L, 440' E L Sec 13, T 29N, R 12W, SAN JUAN Co. N.M.		10. FIELD AND POOL, OR WILDCAT FUCHER - KUTE R	
14. PERMIT NO. .	15. ELEVATIONS (Show whether DF, RT, GR, etc.) 5673 DF	11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA Sec 13, T 29N, R 12W N.M.P.M.	
		12. COUNTY OR PARISH SAN JUAN	13. STATE N.M.

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
TEST WATER SHUT-OFF <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	WATER SHUT-OFF <input type="checkbox"/>	REPAIRING WELL <input type="checkbox"/>
FRACTURE TREAT <input type="checkbox"/>	MULTIPLE COMPLETE <input type="checkbox"/>	FRACTURE TREATMENT <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
SHOOT OR ACIDIZE <input type="checkbox"/>	ABANDON* <input type="checkbox"/>	SHOOTING OR ACIDIZING <input type="checkbox"/>	ABANDONMENT* <input checked="" type="checkbox"/>
REPAIR WELL <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	(Other) <input type="checkbox"/>	

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

This well has been plugged & abandoned as follows:

6-10-76 Move in equip., Circulate hole w/ mud, Spot 50sx plug 1877' to 1735', Poured 1" tbg.

6-11-76 Perf 4 hole @ 650', Ran tbg to 650'
Spot 50sx @ 650', Pull tbg. Squeezed 30sx thru Perfs. Set P&A marker w/10sx.
Clean up loc.

18. I hereby certify that the foregoing is true and correct

SIGNED Larry G. Bedford TITLE agent for Operator DATE 6-12-76

(This space for Federal or State office use)

APPROVED

RECEIVED

OCT 25 1977

OCT 14 1977

E. J. McGRATH
DISTRICT ENGINEER

P. J. McElroy

*See Instructions on Reverse Side

U. S. GEOLOGICAL SURVEY

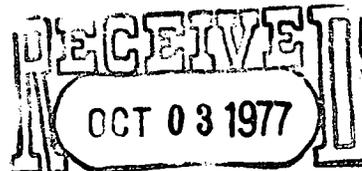
Op.

REMOVED

REMOVED

REMOVED

REMOVED



OIL CONSERVATION COMM
Santa Fe

BEFORE THE NEW MEXICO
OIL CONSERVATION COMMISSION

Application for Well Justification and
Exemption from the Natural Gas Pricing Act

Pursuant to Oil Conservation Commission Case No. 5900
(Order No. R-5436), Applicant states:

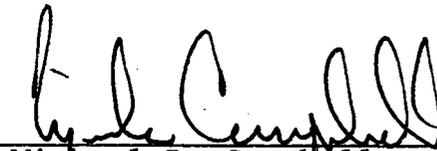
1. Applicant has been the Operator of the Carroll-Cornell No. 5 Well located in the northern half of the northeast quarter of Section 13, T29N. R12W.
2. The Carroll-Cornell No. 5 Well was non producible or non-commercial. The well was plugged and abandoned on June 8, 1976.
3. Applicant drilled a replacement well Carroll-Cornell No. 5R in the northern half of the northeast quarter of Section 13, T29W, R12W. The Carroll-Cornell No. 5R Well was necessary to replace the Carroll Cornell No. 5 Well which was producing at non-commercial rates.
4. Applicant seeks justification for the drilling of Carroll-Cornell No. 5R and for an exemption from the National Gas Pricing Act.
5. Attached to the Application are the following exhibits:
 - a. A plat of the area showing the proration unit in question, the location of all wells thereon, and the ownership and location of all wells on direct or diagonally offsetting proration units.
 - b. A complete tabulation of actual well costs for the Carroll-Cornell No. 5R Well.
 - c. A complete description of the nature and cause of the failure and damage to the Carroll-Cornell No. 5 Well.
 - d. A monthly production summary for the Carroll-Cornell No. 5 Well for the last 24 months.

- e. Proof that the Carroll-Cornell No. 5 Well has been plugged and abandoned.

Respectfully submitted,

CAMPBELL, BINGAMAN AND BLACK, P.A.

By



Michael B. Campbell
Attorneys for Applicant,
Producing Royalties, Inc.
Post Office Box 2208
Santa Fe, New Mexico 87501

