

BEFORE DIVISION OF INTERESTS
OIL CONSERVATION DIVISION
HNG EXHIBIT NO. 6
CASE NO. 6431
Submitted by
Hearing Date



Case No. 6431
HNG Oil Company
Williams Com "35" #1
N/2 Sec. 35, 23S-28E
Eddy County, New Mexico

DRILLING OR WORKOVER AFE



AFE NO. _____

☒ WILDCAT

☐ DEVELOPMENT

☐ WORKOVER

USE NO. _____

☒ DRILLING

☐ DRILLING

☐ SAME ZONE

HNG W.I. _____

☒ COMPLETION

☐ COMPLETION

☐ NEW ZONE

HNG EST COST _____

☐ RE-ENTRY

☐ RE-ENTRY

☐ P & A

AFE DATE _____

LEASE & WELL NO. Williams Com 35-1		DEPTH & FORM 13,400 Morrow	
LOCATION, 660' FNL & 2310' FWL, Sec. 35, T-23-S, R-28-E			
COUNTY & STATE Eddy, New Mexico		FIELD Wildcat	
OPERATOR HNG Oil		SPUD DATE 12-10-78	

INTANGIBLE WELL COST				
	DESCRIPTION	DRILLING	COMPLETION	TOTAL
1	Access, Location & Roads	40,000		40,000
2	Rig Move	70,000		70,000
3	Footage Cost			
4	Day Work Cost 70 days @ 4,650	325,500		325,500
5	Bits & Reamers	42,500		42,500
6	Fuel	42,000	4,200	46,200
7	Water	5,000		5,000
8	Mud & Chemicals	65,000	5,000	70,000
9	Cementing & Service	42,500		42,500
10	Coring			
11	Surveying & Testing	40,000		40,000
12	Mud Logging	17,500		17,500
13	Perforating		5,000	5,000
14	Stimulation		30,000	30,000
15	Transportation	6,000	6,000	12,000
16	Drilling Overhead & Supervision	10,500	1,050	11,550
17	Equipment Rental	12,000	7,000	19,000
18	Completion Rig 7 days @		32,550	32,550
19	Other Drilling Expense			
20	Contingencies (10% of Intangibles)	71,850	9,080	80,930
21				
22				
23	TOTAL INTANGIBLES	790,350	99,880	890,230

TANGIBLE WELL COST				
24	40' Of 20" Conductor Casing	2,750		2,750
25	600' Of 13 3/8" Surface Casing	10,275		10,275
26	3100' Of 9 5/8" Intermediate Casing	37,925		37,925
27	Of Intermediate Casing			
28	11,200' Of 7" Intermediate Casing	141,960		141,960
29	2200' Of 4 1/2" Production Casing		22,000	22,000
30	Of Tie-Back Casing			
31	11,000' Of 2 7/8" Tubing		107,150	107,150
32	Of Tubing			
33	Of Tubing			
34	Liner Equipment		12,500	12,500
35	Wellhead Equipment	15,000	20,000	35,000
36	Producing Facilities, Tank Battery, Flowline		30,000	30,000
37	Packers & Other Subsurface Tools			
38	Contingencies (10% of Tangibles)	20,791	19,165	39,956
39				
40				
41	TOTAL TANGIBLES	228,701	210,815	439,516
42	TOTAL WELL COST	1,019,051	310,695	1,329,746

HNG OIL COMPANY APPROVAL

By	Date	By	Date	By	Date	By	Date	By	Date

JOINT OPERATOR APPROVAL

Firm _____ By _____ Title _____ Date _____

AFE No. _____

10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

- i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- (☒) Fixed Rate Basis, Paragraph 1A, or
(☐) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall (☐) shall not (☐) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

- (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 2398.00

Producing Well Rate \$ 318.00

- (2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
- [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.






EDDY COUNTY, NEW MEXICO

T-23-S, R-28-E

North 1/2

Section 35 :

[illegible]

-  - HNG Oil Co.
-  - Phillips Petr.
-  - J. E. Russell, et al
-  - Enderud & Larson
-  - Heirs of Burt Schurr

A

Chas. West

6.

CASE NO. 6431
HNG OIL COMPANY
Williams Com "35" #1
N/2 of Section 35, T-23-S, R-28-E
Eddy County, New Mexico

1.875 mineral acres in and under the N/2 SW/4 SW/4 NW/4 (Farm Tract 664)
containing 5 acres.

Ownership of 1.875 acres:

Heirs of Albert Larson	1.0417 acres
Olaf Enderud	<u>0.8333</u> acres
	1.8750 acres

Last Known Address: Caldwell, Kansas

5 acres being N/2 SW/4 NW/4 NW/4 (Farm Tract 660).

Ownership of 5 acres:

Heirs of Burt Schurr

Last Known Address: LeRoy, Kansas

Case 6431
Ex. 2

HNG OIL COMPANY

P O BOX 2267, MIDLAND, TEXAS 79702 (915) 683 4871

January 24, 1979

Mr. Robert B. Coleman
P. O. Box 501
Midland, Texas 79702

RE: HNG-Williams "35" Com. #1
Eddy County, New Mexico

Dear Mr. Coleman:

You have advised us verbally that you are acquiring an oil and gas lease from the heirs of Burt Schurr covering the N/2 SW/4 NW/4 NW/4 of Section 35, T-23-S, R-28-E, Eddy County, New Mexico.

This company failed in its efforts to locate the present owners of the above described 5 acre tract and elected to proceed with the drilling of its Williams "35" Com. #1 Well located 660' FNL and 2310' FWL of Section 35, T-23-S, R-28-E, Eddy County, New Mexico. This test well will be drilled to sufficiently test the Morrow formation at an estimated depth of 13,400'.

On January 9, 1979 application was made (copy attached) to the Oil Conservation Division of New Mexico for compulsory pooling of all oil and gas mineral interests in the Pennsylvanian formation in and under the N/2 of said Section 35. A hearing is set for January 31, 1979 in Santa Fe, New Mexico.

Assuming you do have a valid lease covering the interests of the owners of the above mentioned 5 acre tract, we invite you to commit same to a 320 acre unit covering the N/2 of said Section 35 and to participate in the drilling of the HNG-Williams "35" Com. #1 as a working interest (1.5625%) owner. In lieu thereof, we would be agreeable to assuming your position on a farmout basis with you retaining a 1/16th overriding royalty interest with the option to convert same to a 1/2 working interest at payout of the well, both proportionately reduced.

A copy of our AFE for the drilling of the Williams "35" Com. #1 is enclosed herewith.

Yours very truly,

HNG OIL COMPANY

Raymond Parker
Raymond Parker
Manager of Lands

RP/jw
encls.

64631
Ex 3

AFFIDAVIT



State of Kansas)
 County of Sedgwick) ss.

Tom Burden being first duly sworn, on his oath states,
 that he is a person of lawful age; that he is and has been for 18 years last past a resident
 of Sedgwick County, State of Kansas, and further

deposes and states:

That affiant has made a thorough investigation in an attempt to locate Mr. Albert Larson and/or his heirs at law, said party being the owner of a 5/24 mineral interest in and under the N1/4SW1/4NW1/4 of Section 35-23 South, 28 East, Eddy County, New Mexico. Investigation attempts led the Affiant to Mr. D. B. Stalling, attorney at Law of Caldwell, Kansas, who knew the party in question and who at one time was a resident of Kiowa, Kansas. Affiant was advised to contact Mr. Carl McNally of Kiowa, Kansas for information regarding the whereabouts of Mr. Larson. Mr. McNally had been a long time friend of Mr. Larson. Affiant discovered Mr. McNally to be deceased, however, his surviving widow was still living, but quite elderly. She recalled that Mr. Larson had some brothers and sisters, but she did not know their whereabouts. She stated that she thought that Mr. Larson had moved to Los Angeles around 1949 and that she had not heard of or from him since nor from his brothers or sisters. She stated that Mr. Larson had a wife and several children, but they moved when Mr. Larson did. Affiant then checked with various government agencies in Sacramento, California in an attempt to locate Mr. Larson to no avail. Affiant then re-contacted Mr. Stalling for additional information without success. Therefore, affiant considers the above as representative of a thorough investigation to locate Mr. Larson, or his heirs at law, and that same are not locatable.

Further, Affiant saith not:



(SEAL)

Signed: Tom Burden

Tom Burden

Subscribed and sworn to before me this 5th day of January, A. D. 19 79

Dorene K. Dunn
 Notary Public.

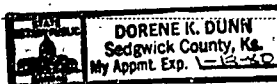
Dorene K. Dunn

My Commission Expires 19

STATE OF Kansas)
 COUNTY OF Sedgwick) ss. ACKNOWLEDGMENT FOR INDIVIDUAL (Kans. Okla. and Colo.)
 Before me, the undersigned, a Notary Public, within and for said County and State, on this 5th
 day of January, 19 79, personally appeared Tom Burden
 and _____

to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me
 that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.
 IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires _____



Dorene K. Dunn

Notary Public

Case 6431
 2-4

AFFIDAVIT



State of Kansas)
 Sedgwick)ss.
 County of _____)

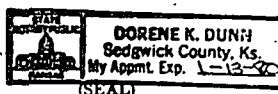
Tom Burden

being first duly sworn, on his oath states, that he is a person of lawful age; that he is and has been for 18 years last past a resident

of Sedgwick County, State of Kansas, and further

deposes and states: That affiant has made a thorough investigation in an attempt to locate Mr. Olaf Enderud and/or his wife, Cora Enderud, or any heirs at law of same, said parties being owners of a 4/24 mineral interest in and under the N $\frac{1}{2}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 35-23S-28E, Eddy County, New Mexico. Investigation attempts led the affiant to Mr. D. B. Stalling, attorney at law, in the City of Caldwell, State of Kansas. Mr. Stalling stated that Mr. and Mrs. Enderud were at one time residents of Caldwell, Kansas, but that they moved to San Diego, California in the early part of the 1940's to work in the naval shipyards in that city. However, Mr. Stalling was fairly certain that both parties are now deceased. Mr. Stalling stated that Mr. Enderud had one brother and no children. His brother's name was Ekrun Enderud and was also a resident of San Diego, California. Since the two brothers were approximately the same age, it was assumed by Mr. Stalling that Ekrun Enderud is also deceased. The affiant checked with the Department of Motor Vehicles in Sacramento, California in an attempt to locate any of the previously mentioned parties since they would probably own an automobile titled to them with an address on the State records. No such parties were listed. Affiant also checked with the Bureau of Vital Statistics in Sacramento to ascertain if any of the parties in question died a resident of the State of California since any death certificate would indicate the name and address of the next of kin. However, there were no such parties listed on the state records. Thereupon, the affiant re-contacted Mr. Stalling for additional information to no avail. Therefore, affiant feels that a thorough investigation has been made in an effort to locate Mr. and Mrs. Olaf Enderud and/or their heirs at law without results and that they are not locatable.

Further, Affiant saith not:



Signed: Tom Burden

Tom Burden

Subscribed and sworn to before me this 5th day of January, A. D. 19 79

Dorene K. Dunn

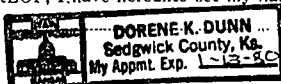
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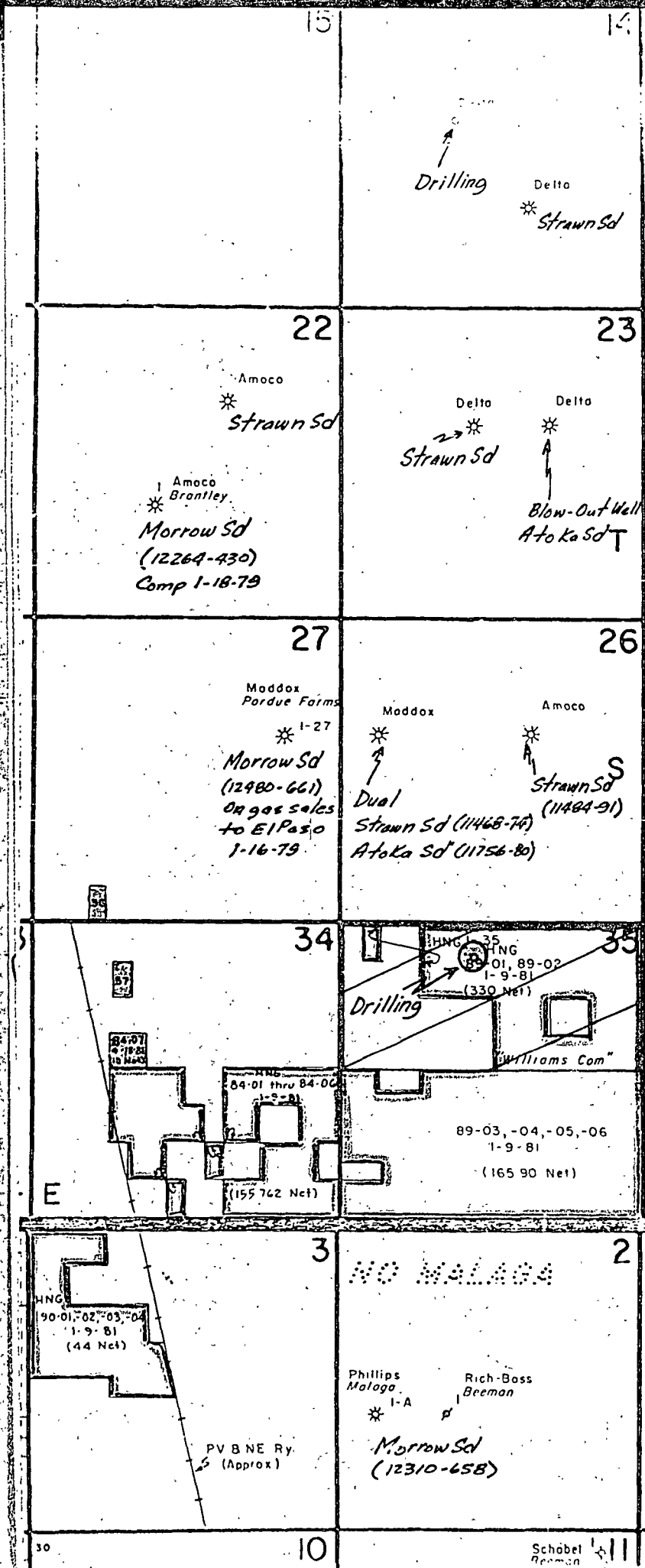
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Dorene K. Dunn

Notary Public

6431
 65



hng
Oil Company

Case No. 6431

HNG Oil Company

Williams Com "35" #1

N/2 Sec. 35, 23S-28E

Eddy County, New Mexico

6/12/1

Pl. 6

DRILLING OR WORKOVER AFE



AFE NO.

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

AFE NO.

HNG W1

HNG EST. COST

AFE DATE

LEASE & WELL NO. Williams Com 35-1	DEPTH & FORM 13,400 Morrow
LOCATION, 660' FNL & 2310' FWL, Sec. 35, T-23-S, R-28-E	
COUNTY & STATE Eddy, New Mexico	FIELD Wildcat
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29	2200' Of 4 1/2" Production Casing		22,000	22,000
30	Of Tie-Back Casing			
31	11,000' Of 2 7/8" Tubing		107,150	107,150
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33	Of Tubing			
34	Liner Equipment		12,500	12,500
35	Wellhead Equipment	15,000	20,000	35,000
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By	Date	By	Date	By	Date	By	Date	By	Date

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Firm _____ By _____ Title _____ Date _____

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Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

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() Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall () shall not () be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 2398.00

Producing Well Rate \$ 318.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
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(b) Producing Well Rates

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
 - [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
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- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.