

**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION**

**APPLICATION OF HEADINGTON ROYALTY, INC.  
FOR UNILATERAL CHANGE IN OPERATOR FOR  
THE SUNRAY STATE #2 WELL OR, IN THE  
ALTERNATIVE, FOR AN ORDER REQUIRING THE  
CURRENT OPERATOR TO PLUG AND ABANDON  
THE WELL**

**Case No. 23213**

**PRE-HEARING STATEMENT**

Headington Royalty, Inc. (“Headington”), provides this Pre-Hearing Statement as required by the rules of the New Mexico Oil Conservation Division (“Division”). Headington requests an order approving unilateral change in operator of the Sunray State #2 well (“Well”) from Northern Pacific Oil and Gas, Inc. (“Northern Pacific”) to Headington; in the alternative, an order requiring Northern Pacific to plug the Well and, if Northern Pacific does not comply, authorizing the Division to plug the Well. Presently, Headington and Northern Pacific have agreed orally to resolve this matter, and Headington will be filing a request for a status conference to be held on December 1, 2022, to discuss the status of such resolution and scheduling a contested hearing date if necessary.

**APPEARANCES**

**APPLICANT:**

Headington Royalty, Inc.

**APPLICANT’S ATTORNEY:**

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OPPOSING PARTY:

Northern Pacific Oil and Gas, Inc.

OPPOSING PARTY’S ATTORNEY:

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OTHER PARTIES:

New Mexico Oil Conservation Division

OTHER PARTIES’ ATTORNEYS

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**STATEMENT OF THE CASE**

Headington in the above-styled cause seeks an order from the Division for unilateral change in operator from Northern Pacific, OGRID No. 330352, to Headington, OGRID No. 330830, for the Sunray State #2 well, API# 30-005-21036 located in the SE/4 NW/4 of Section 16, T8S-R31E, Chaves County, New Mexico. In the alternative, Headington asks the Division to order that Northern Pacific plug and abandon the Well within 30 days of issuance of an order so providing and, if Northern Pacific fails to plug and abandon the Well, that the Division be authorized to (1) plug and abandon the Well, (2) direct forfeiture of the financial assurance to plug and abandon the Well, and (3) require Northern Pacific to pay the excess cost to plug and abandon the Well no later than 30 days after actual or attempted service of the Division’s written demand.

Headington was the lessee of record for New Mexico Oil and Gas Lease No. K0-0745-0003 (“Lease”), on which the Well is located. The New Mexico State Land Office (“NMSLO”)

informed Headington that the Lease had expired by its own terms on August 8, 2019, and instructed Headington to plug and abandon the Well. Headington has made efforts to have the previous operator of record and the current operator of record, Northern Pacific, plug and abandon the Well, without success. Northern Pacific is subject to a Stipulated Final Order issued in *In re Cross Border Resource Inc.*, OCD Case No. 22224 on April 18, 2022, which requires the operator to plug or return the Well to production by December 30, 2022. The Well is not producing and has not been plugged. It is highly unlikely that the Well can be returned to production by December 30, 2022, because the lease has not been reinstated, no new lease has been executed, and the pertinent acreage has not been renominated for lease sale.

Headington is committed to completing reclamation and remediation for the Well with or without the aid of its previous operator or current operator. Headington has acquired the necessary right of entry from the NMSLO and, upon approval as operator of record, will plug the Well and perform all necessary reclamation.

Consequently, Headington seeks an order for unilateral change in operator from Northern Pacific to Headington or, in the alternative, an order requiring that Northern Pacific plug and abandon the Well within 30 days of issuance of an order so providing and, if Northern Pacific fails to plug and abandon the Well, that the Division be authorized to (1) plug and abandon the Well, (2) direct forfeiture of the financial assurance to plug and abandon the Well, and (3) require Northern Pacific to pay the excess cost to plug and abandon the Well no later than 30 days after actual or attempted service of the Division's written demand.

**PROPOSED EVIDENCE**

APPLICANT:

WITNESSES	EST. TIME	EXHIBITS
Kellum Wilpitz	10 minutes	4-5

OPPOSING PARTY:

WITNESSES	EST. TIME	EXHIBITS
TBD		

OTHER PARTIES

WITNESSES	EST. TIME	EXHIBITS
TBD		

**PROCEDURAL MATTERS**

This case is on the December 1, 2022 docket. In light of the parties’ oral agreement that Northern Pacific will assign the well to Headington and sign the change of operator form, Headington will be filing a request for status conference on December 1, 2022 to set a contested hearing date if necessary. This case will be dismissed if Northern Pacific timely cooperates in signing the change of operator form.

Respectfully submitted,

**MONTGOMERY & ANDREWS, P.A.**

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*Attorneys for Headington*

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served on the following  
counsel of record by electronic mail on November 23, 2022:

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*/s/ Sharon T. Shaheen*  
\_\_\_\_\_  
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**State of New Mexico**  
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QUESTIONS

Action 161193

**QUESTIONS**

Operator: Headington Royalty, Inc. 1700 N. Redbud Blvd. McKinney, TX 75069	OGRID: 330830
	Action Number: 161193
	Action Type: [HEAR] Prehearing Statement (PREHEARING)

**QUESTIONS**

<b>Testimony</b>	
<i>Please assist us by provide the following information about your testimony.</i>	
Number of witnesses	<i>Not answered.</i>
Testimony time (in minutes)	<i>Not answered.</i>