

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

RECEIVED

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

APPLICATION OF ROBERT E. CHANDLER
CORPORATION FOR AN AMENDMENT TO
DIVISION ORDER R-8047, LEA
COUNTY, NEW MEXICO.

BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
<i>Chandler</i>	EXHIBIT NO. <u>1</u>
CASE NO.	<u>8859</u>
CASE:	

A P P L I C A T I O N

Comes now ROBERT E. CHANDLER, by and through its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division for an amendment of Division Order R-8047 extending the effective dates of the order, including the commencement date of the subject well and a provision declaring certain leasehold interests to be excessive burdens and authorizing the applicant to recover out of production its well costs and risk factor penalty before any such excessive leasehold interests are paid, and in support thereof would show:

1. On September 25, 1985, the Division heard Case 8686 and thereafter entered its Order R-8047 authorizing the pooling of the NE/4SW/4 of Section 7, T22S, R38E,

NMPM, Lea County, New Mexico, including the interests of Sun Exploration and Production Company.

2. The Sun Exploration and Production Company interest in said 40-acre tract consists of an undivided 50% leasehold interest which is subject to a royalty of 1/8th and an overriding royalty of 1/16th for a total royalty of 3/16th which applicant considers to be fair and reasonable.

3. In addition to the foregoing royalty interest, the Sun interest is subject to a 25% net profits interest and other possible oil payment or production payment which applicant considers to be excessive.

4. As a result of the excessive leasehold burdens upon the Sun's interest, applicant is unable to drill the subject well pursuant to the existing compulsory pooling order, R-8047.

5. That Applicant is informed and believes that the following parties may have or claim an interest in the leasehold burdens that applicant seeks to have declared excessive:

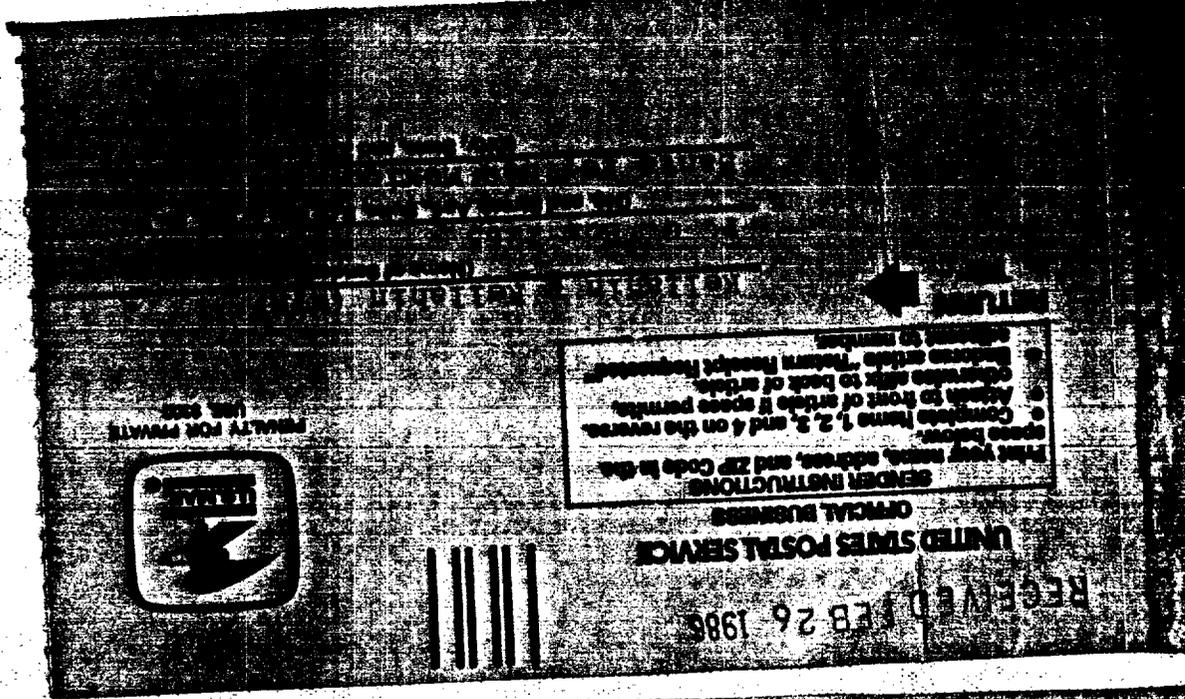
- (1) Sun Exploration & Production Company
P. O. Box 2880
Dallas, Texas 75221
- (2) John H. Hendrix, aka, John H. Hendrix Corporation
525 Midland Tower
Midland, Texas 79701
- (3) Michael L. Klein
5701 Woodway, Suite 300
Houston, Texas 77057

WHEREFORE, applicant seeks an Amendment to Division Order R-8047 declaring any leasehold burdens in excess of 3/16th royalty interest against that 50% interest now or formerly held by Sun Exploration and Production Company to be excessive and to authorize the applicant to recover out of production its well costs and risk factor penalty prior to the payment of any such excessive leasehold burdens and for an extension of the order, including the commencement date of the subject well.

Kellahin & Kellahin

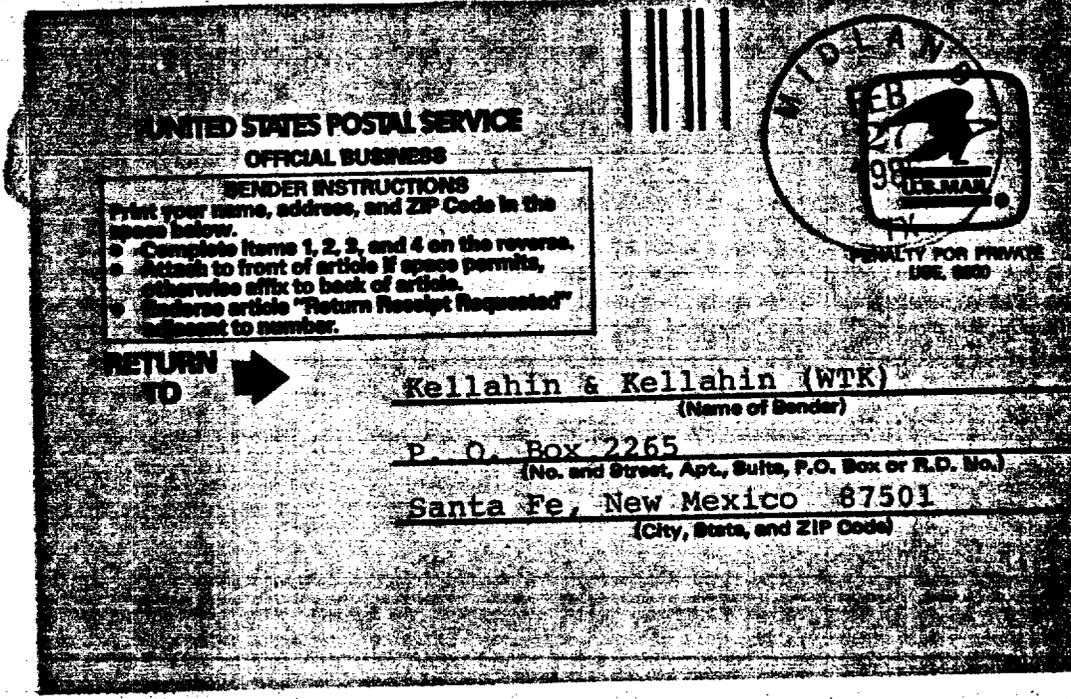
By 

W. Thomas Kellahin
P. O. Box 2265
Santa Fe, NM 87501



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• Complete items 1, 2, 3, and 4 on the reverse.
• Attach to front of article if space permits, otherwise affix to back of article.
• Endorse article "Return Receipt Requested" adjacent to number.

PENALTY FOR PRIVATE USE \$300



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Kellahin & Kellahin (WTK)
(Name of Sender)
P. O. Box 2265
(No. and Street, Apt., Suite, P.O. Box or R.D. No.)
Santa Fe, New Mexico 87501
(City, State, and ZIP Code)



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1. Show to whom, date and address of delivery.
 2. Restricted Delivery.

3. Article Addressed to:
 Sun Exploration & Production
 P. O. Box 2880
 Dallas, Texas 75221-2880
 Attn: Mr. Charles A. Gray

4. Type of Service: Article Number
 Registered Insured COD P131072094
 Certified Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee
 X

6. Signature - Agent
 X

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, July 1983 447-845

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 Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. Show to whom, date and address of delivery.
 2. Restricted Delivery.

3. Article Addressed to:
 John H. Hendrix
 525 Midland Tower
 Midland, Texas 79701

4. Type of Service: Article Number
 Registered Insured P131072093
 Certified COD
 Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee
 X

6. Signature - Agent
 X

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, July 1983 447-845

Chandler 3/19/86

SENDER: Complete items 1, 2, 3 and 4.
 Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. Show to whom, date and address of delivery.
 2. Restricted Delivery.

3. Article Addressed to:
 Michael L. Klein
 5701 Woodway, Suite 500
 Houston, Texas 77057

4. Type of Service: Article Number
 Registered Insured P131072092
 Certified COD
 Express Mail

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee
 X

6. Signature - Agent
 X

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, July 1983 447-845

Chandler 3/19/86