

DEVELOPMENT ECONOMICS  
SUN'S 50% INTEREST  
BELCHER LEASE  
LEA CO., N.M.

# 2

OIL CONSERVATION DIVISION

TIME: 09:09:04  
FILE: BELCH  
GET#: 2

RESERVES AND ECONOMIC ANALYSIS

Chandler

EXHIBIT NO. 9

CASE NO. 8859

CHANDLER & SAVAGE, PETROLEUM CONSULTANTS

AS OF JANUARY 1, 1988

-END- MO-YR	---GROSS PRODUCTION---				---NET PRODUCTION---				---PRICES---		---OPERATIONS, M\$---				12.00 PCT	
	OIL, MBBL	GAS, MMCF	HMCF		OIL, MBBL	GAS, MMCF	HMCF		OIL \$/B	GAS \$/M	NET OPER REVENUES	SEV+ADM+WF TAXES	NET OPER EXPENSES	CAPITAL COSTS, M\$	CASH FLOW BTAX, M\$	CUM. DISC BTAX, M\$
12-86	8.400	33.600			1.706	6.825			17.00	2.00	42.652	3.815	4.500	253.000	-218.663	-220.537
12-87	10.200	40.800			2.072	8.288			17.00	2.00	51.800	4.633	4.500	17.500	25.167	-200.146
12-88	8.040	32.160			1.633	6.533			17.00	2.00	40.827	3.652	4.500	0.000	32.675	-175.519
12-89	6.552	26.208			1.331	5.314			17.00	2.00	33.275	2.975	4.500	0.000	25.800	-158.157
12-90	5.412	21.648			1.099	4.397			17.00	2.00	27.477	2.458	4.500	0.000	20.519	-145.829
12-91	8.172	32.668			1.660	6.640			17.00	2.00	41.500	3.711	4.500	17.500	15.789	-137.901
12-92	7.140	35.700			1.450	7.252			17.00	2.00	39.154	3.502	4.500	0.000	31.152	-122.990
12-93	6.012	30.060			1.221	6.106			17.00	2.00	32.969	2.947	4.500	0.000	25.520	-112.066
12-94	5.304	26.520			1.077	5.387			17.00	2.00	29.083	2.600	4.500	0.000	21.983	-103.672
12-95	11.928	59.640			2.423	12.114			17.00	2.00	65.419	5.351	4.500	17.500	37.568	-91.207
12-96	7.236	36.180			1.470	7.347			17.00	2.00	39.688	3.550	4.500	0.000	31.638	-81.578
12-97	4.608	23.040			0.936	4.680			17.00	2.00	25.272	2.260	4.500	0.000	18.512	-76.547
12-98	3.828	23.465			0.778	4.766			17.00	2.00	22.758	2.035	4.500	0.000	16.223	-72.610
12-99	2.668	17.260			0.546	3.506			17.00	2.00	16.294	1.458	4.500	0.000	10.336	-70.371
12- 0	2.372	15.956			0.482	3.241			17.00	2.00	14.676	1.313	4.500	0.000	8.863	-68.656
12- 1	2.124	14.967			0.431	3.040			17.00	2.00	13.407	1.199	4.500	0.000	7.708	-67.325
12- 2	1.920	14.173			0.390	2.879			17.00	2.00	12.388	1.108	4.500	0.000	6.780	-66.279
12- 3	1.740	13.455			0.353	2.733			17.00	2.00	11.467	1.025	4.500	0.000	5.942	-65.461
12- 4	0.760	6.319			0.153	1.284			17.00	2.00	5.254	0.470	4.500	0.000	0.294	-65.471
12- 5	0.744	6.313			0.151	1.282			17.00	2.00	5.131	0.459	4.500	0.000	0.172	-65.407
5 TOT	105.200	510.152			21.367	103.626			17.00	2.00	570.491	51.023	90.000	305.500	123.968	-65.407
AFTER	0.708	6.294			0.144	1.278			17.00	2.00	5.004	0.447	4.500	0.000	0.057	-65.407
TOTAL	105.908	516.446			21.511	104.904			17.00	2.00	575.495	51.470	94.500	305.500	124.025	-65.407
CUM.	0.000	0.000														
ULT.	105.908	516.446														
-----PRESENT WORTH PROFILE-----																
BTAX RATE OF RETURN (PCT)											DISC PW OF NET DISC PW OF NET					
BTAX PAYOUT YEARS											RATE BTAX, M\$ RATE BTAX, M\$					
BTAX PAYOUT YEARS (DISC)																
BTAX NET INCOME/INVEST																
BTAX NET INCOME/INVEST (DISC)																
INITIAL W.I. FRACTION																
FINAL W.I. FRACTION																
PRODUCTION START DATE																
MONTHS IN FIRST LINE																
PROJECT LIFE (YEARS)																
DISCOUNT RATE (PCT)																
GROSS OIL WELLS																
GROSS GAS WELLS																
GROSS WELLS																
INITIAL NET OIL FRACTION																
FINAL NET OIL FRACTION																
INITIAL NET GAS FRACTION																
FINAL NET GAS FRACTION																

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION  
OF ROBERT E. CHANDLER CORPORATION  
FOR AN AMENDMENT TO DIVISION ORDER  
NO. R-8047, LEA COUNTY, NEW MEXICO.

CASE NO. 8859  
Order No. R-8047-B

ORDER OF THE DIVISION  
STAYING ORDER NO. R-8047 AND ORDER NO. R-8047-A

BY THE DIVISION:

This matter having come before the Division upon the request of Protestants Michael L. Klein, John H. Hendrix, John H. Hendrix Corporation, and Ronnie H. Westbrook (hereinafter "Protestants") for a Stay of Division Order No. R-8047 and Order No. R-8047-A and the Division Director having considered the request and being fully advised in the premises,

NOW, on this 13th day of June, 1986, the Division Director:

FINDS THAT:

(1) Division Order No. R-8047-A was entered on May 9, 1986 upon the application of Robert E. Chandler Corporation for an amendment to Order No. R-8047, Lea County, New Mexico.

(2) On June 2, 1986, Protestants filed with the Division a request for a de novo hearing in this case which is now set for hearing by the Commission on August 7, 1986.

(3) Protestants have complied with the provision of Division Memorandum 3-85 and have filed their request for a stay on June 2, 1986.

IT IS THEREFORE ORDERED THAT:

(1) Division Order No. R-8047 and Order No. R-8047-A are hereby stayed in their entirety.

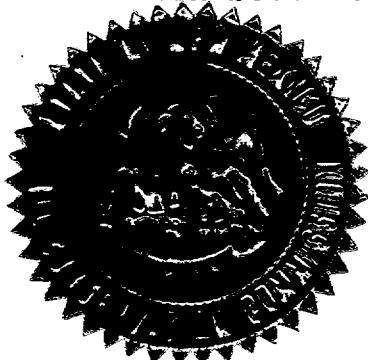
(2) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

-2-

Case No. 8859

Order No. R-8047-B

DONE at Santa Fe, New Mexico, on the day and year  
hereinabove designated.



S E A L

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "R. L. Stamets", is written over the typed name.

R. L. STAMETS  
Director

fd/

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 8859  
Order No. R-8047-A

APPLICATION OF ROBERT E. CHANDLER  
CORPORATION FOR AN AMENDMENT TO  
DIVISION ORDER NO. R-8047, LEA  
COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 19, 1986, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 9th day of May, 1986, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Robert E. Chandler Corporation, seeks amendment of Order No. R-8047 entered October 3, 1985 which pooled the NE/4 SW/4 of Section 7, Township 23 South, Range 38 East, NMPM, Lea County, New Mexico, to extend the effective date thereof including the commencement date of the well to be drilled, and to clarify the treatment of various interests subject to the forced pooling for purposes of allocation of costs and application of the penalty provisions.

(3) Michael L. Klein, John H. Hendrix, John H. Hendrix Corporation and Ronnie H. Westbrook appeared in opposition to the application.

(4) Testimony at the hearing on this matter indicates that at some time after granting of the leases covering the properties involved in this case, the leases were conveyed and certain production payments retained by the conveyor. In turn,

interests in the production payments have been reconveyed for valuable consideration.

(5) The interest that is the subject of the instant proceeding was created by a document dated April 1, 1966 and titled "Conveyance of PARAMOUNT PRODUCTION PAYMENT and RESERVATION of RESERVED PRODUCTION PAYMENT and CONVEYANCE of NET PROFITS OVERRIDING ROYALTY," between the Prudential Insurance Company of America and Joseph E. Seagram and Sons, Inc.

(6) The applicant alleges that the "Net Profits Overriding Royalty" referred to in the above document is properly denominated as a Net Profits Interest and that the drilling of the well authorized by Order No. R-8047 is not economical if the interest is construed as an overriding royalty, insofar as the applicant would be required to absorb all of the costs of drilling and operating the well.

(7) The parties that appeared in opposition to the application in this matter have succeeded to an interest in the subject property and assert that the interest is properly delineated as an overriding royalty, which requires that they be paid their share of production free of all costs. Moreover, they challenge the jurisdiction of the Division to hear this matter.

(8) Testimony and evidence indicate that the interest in question is ambiguous insofar as it is referred to as a "net profits overriding royalty", but that the terms and conditions of the Agreement of April 1, 1966, including provisions stating that the interest is "exclusively an interest in net profits", demonstrate that the interest is not an overriding royalty as it is commonly known in the industry.

(9) Testimony and evidence presented at the hearing indicate that because of the controversy involving the question of the nature of the interest conveyed by the agreement of April 1, 1966, and the uneconomical nature of the proposed well if the interest is an overriding royalty, an extension of time in which to begin drilling a well pursuant to Order No. R-8047 is needed.

IT IS THEREFORE ORDERED THAT:

(1) Ordering Paragraph No. (1) of Division Order No. R-8047 is hereby amended to read as follows:

"(1) All mineral interests, whatever they may be, from the surface to the base of the Granite Wash Formation

underlying the NE/4 SW/4 of Section 7, Township 22 South, Range 38 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard oil well location thereon.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 31st day of August, 1986, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Granite Wash formation;

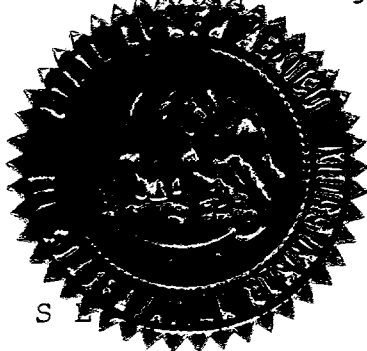
PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 31st day of August, 1986, Ordering Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good 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 Division Director and show cause why Ordering Paragraph No. (1) of this order should not be rescinded."

(2) The interest created by the Agreement of April 1, 1966, and referred to therein as a "Net Profits Overriding Royalty" is to be treated as a Net Profits interest under the terms of the compulsory pooling order entered by the Division on October 3, 1985, and should bear its appropriate share of the costs of drilling and operation.

(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*R. L. Stamets*  
R. L. STAMETS,  
Director

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 8686  
Order No. R-8047

APPLICATION OF ROBERT E. CHANDLER  
CORPORATION FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on September 25, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 3rd day of October, 1985, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, Robert E. Chandler Corporation, seeks an order pooling all mineral interests from the surface to the base of the Granite Wash formation underlying the NE/4 SW/4 of Section 7, Township 22 South, Range 38 East, NMPM, Lea County, New Mexico.
- (3) The applicant has the right to drill and proposes to drill a well at a standard location thereon.
- (4) There are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste, 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 oil in any pool completion resulting from

this order, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) The applicant should be designated the operator of the subject well and unit.

(7) 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) Any non-consenting working interest owner who 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) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) Following determination of reasonable well costs, any non-consenting working interest owner who 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) \$3000.00 per month while drilling and \$300.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); 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) 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) 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 December 31, 1985, the order pooling said unit should become null and void and of no effect whatsoever.



(14) Should all the parties to this force pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(15) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from the surface to the base of the Granite Wash formation underlying the NE/4 SW/4 of Section 7, Township 22 South, Range 38 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard oil well location thereon.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 31st day of December, 1985, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Granite Wash formation;

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 31st day of December, 1985, Ordering Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division 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 Division Director and show cause why Ordering Paragraph No. (1) of this order should not be rescinded.

(2) Robert E. Chandler Corporation is hereby designated the operator of the subject well and unit.

(3) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) 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 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) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who 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) 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) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$3000.00 per month while drilling and \$300.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); 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) 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) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

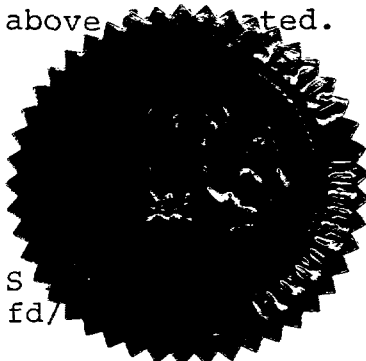
(12) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all the parties to this force pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force pooling provisions of this order.

(15) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove stated.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION  
*R. L. Stamets*  
R. L. STAMETS  
Director

S  
fd/