

CASE NO.

7557

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
14 April 1982

EXAMINER HEARING

IN THE MATTER OF:

Application of MGF Oil Corporation for
compulsory pooling, Lea County, New
Mexico.

CASE
7557

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

William F. Carr, Esq.
CAMPBELL, BYRD, & BLACK P.A.
Jefferson Place
Santa Fe, New Mexico 87501

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

WENDALL M. GIBSON

Direct Examination by Mr. Carr	3
Cross Examination by Mr. Stamets	9

E X H I B I T S

Applicant Exhibit One, Plat	5
Applicant Exhibit Two, Leases	7
Applicant Exhibit Three, Letters	8

MR. STAMETS: We'll call next Case 7557.

MR. PEARCE: That is the application of MGF Oil Corporation for compulsory pooling, Lea County, New Mexico.

MR. CARR: May it please the Examiner, my name is William F. Carr, with the law firm Campbell, Byrd, and Black, P. A., of Santa Fe, appearing on behalf of the applicant. I have one witness who needs to be sworn.

(Witness sworn.)

WENDALL M. GIBSON

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. CARR:

Q Will you state your full name and place of residence?

A Wendall M. Gibson, Midland, Texas.

Q Mr. Gibson, by whom are you employed and in what capacity?

A MGF Oil Corporation, Division Landman.

Q Have you previously testified before this

1
2 Commission or one of its Examiners and had your credentials
3 as a landman accepted and made a matter of record?

4 A Yes.

5 Q Are you familiar with the application
6 filed in this case on behalf of MGF Oil Corporation?

7 A Yes.

8 Q Are you familiar with the subject well?

9 A Yes.

10 Q And the general area?

11 A Yes.

12 MR. CARR: Are the witness' qualifications
13 acceptable?

14 I might note at this time, Mr. Stamets,
15 that in this case we are only requesting pooling of certain
16 royalty interests and therefor we will not be offering testi-
17 mony as to risk. All of these matters are covered by joint
18 operating agreements and 100 percent of the working interest
19 is in.

20 MR. STAMETS: Under those conditions there
21 is no doubt but what the witness is considered qualified.

22 Q Mr. Gibson, will you please state what
23 MGF seeks with this case?

24 A MGF Oil Corporation seeks to pool all
25 interests from the surface down through the Seven Rivers form-

1
2 ation underlying the southwest quarter of Section 32, Township
3 19 South, Range 39 East, and to have a well dedicated, a gas
4 well in a standard location of 160 acres.

5 Q Mr. Gibson, will you briefly summarize
6 for Mr. Stamets the history of the subject well?

7 A We have drilled the well to the San Andres
8 and have plugged back and are waiting on a completion rig to
9 further test the Seven Rivers, or complete the Seven Rivers.

10 Q And did you previously appear before
11 this Commission to have the acreage pooled or at that time did
12 you have all the acreage in the 40-acre tract involved?

13 A We had all of it. At that time we had
14 all of the 40 acres involved.

15 Q Would you please refer to what has been
16 marked for identification as MGF Exhibit Number One, identify
17 this and explain to Mr. Stamets what it shows?

18 A This is a land plat depicting the 160 acres
19 for compulsory pooling in the southwest quarter of Section 32.
20 Also the hatched lines around the area adjacent to 32 also
21 have -- MGF also has leasehold interest in these. It shows
22 the proposed well that MGF plans to drill and also it shows
23 the offsetting ownership.

24 Q I believe this plat shows several pro-
25 posed locations. Could you indicate to Mr. Stamets which, if

1
2 any, of the wells have been drilled?

3 A The Joe Wright Well in the northwest
4 quarter northwest quarter of Section 5 has been drilled.

5 Q The other proposed locations have not
6 been drilled to date?

7 A No, we're up -- we're drilling on the
8 Sun Well in Section 32. They have not been drilled.

9 Q And is 160 acres a standard spacing unit
10 for Seven Rivers formation?

11 A Yes.

12 Q Will the proposed well be drilled at an
13 orthodox location?

14 A Yes.

15 Q Does this plat also indicate other wells
16 in the immediate area?

17 A It does.

18 Q Are there any wells shown on this plat
19 that have an established production history for the Seven
20 Rivers formation?

21 A No.

22 Q The wells to the south, do they penetrate
23 the -- is there any Seven Rivers production in that area?

24 A No.

25 Q What percent of the working interest does

1

2

MGF represent at this hearing today?

3

A 100 percent working interest.

4

Q I believe you've indicated that the royalty

5

interest has not -- all the royalty interest has not yet com-

6

mitted to the well, is that correct?

7

A True.

8

Q Will you please refer to what has been

9

marked Exhibit Number Two and identify these for Mr. Stamets?

10

A We have leases from Heritage Resources

11

and from Petroleum Corporation of Texas. These leases were

12

silent on the pooling provision.

13

Q Is there also a lease there from Sun?

14

A Yes, we have also a lease from Sun, which

15

is also silent on pooling.

16

Q What efforts have you made to get of these

17

companies to commit their royalty interest to the well?

18

A We have talked to them and they verbally

19

submitted that they'll work out something with us as soon as

20

we get the order; that they will go ahead. Heritage is --

21

well, Petco speaks for Heritage and I talked with those people

22

this week and they said they'd work out something with just

23

a -- voluntarily will do the pooling with us, and we've already

24

sent a letter to Sun and they have also agreed that they will

25

entertain the idea of voluntary pooling in this 160. But we

1
2 have not any -- haven't got anything in hand at this time.

3 Q You've been operating under a fairly
4 short time frame on this, have you not?

5 A Right.

6 Q You only planned to pool the Seven Rivers
7 after you were unable to complete in the --

8 A San Andres.

9 Q -- San Andres formation.

10 A Yes, sir.

11 Q Would you refer to what has been marked
12 for identification as Exhibit Number Three and identify this
13 for Mr. Stamets?

14 A These are letters sent -- certified let-
15 ters sent by our attorney to each of the parties, Petco,
16 Heritage, and Sun, stating the date and time of this hearing.

17 Q And you have talked to each of the parties
18 since this letter was sent and delivered to them.

19 A Right.

20 Q And was it correct that MGF does not seek
21 the imposition of a penalty or any other matter inasmuch as
22 you're only pooling royalty interests?

23 A Right.

24 Q And MGF under the operating agreement will
25 be operator of the well, is that correct?

1

2

A Yes, sir.

3

Q In your opinion, Mr. Gibson, will granting

4

this application be in the best interest of conservation,

5

the prevention of waste and the protection of correlative

6

rights?

7

A Yes, sir.

8

Q Were Exhibits One through Three prepared

9

by you or were the exhibits compiled under your direction and

10

supervision?

11

A Yes, sir.

12

MR. CARR: At this time, Mr. Stamets, we

13

would offer MGF Exhibits One through Three.

14

MR. STAMETS: These exhibits will be ad-

15

mitted.

16

MR. CARR: I have nothing further on

17

direct.

18

19

CROSS EXAMINATION

20

BY MR. STAMETS:

21

Q Mr. Gibson, is the Seven Rivers zone a

22

gas zone in this well?

23

A Yes, sir.

24

Q Now who owns the royalty interest that

25

you are seeking to pool?

1
2 A Well, the Sun Company owns -- we've got
3 a lease from Sun. They own royalty. And Heritage, and Petco
4 under that one 80, owns a royalty interest. Thos three people
5 own under that 80 acres.

6 Q Okay. There are no other royalty interests?

7 A No, sir.

8 Q All right, and you have contacted each
9 one of these --

10 A Yes.

11 Q -- beforehand.

12 Okay. Any other questions of this witness?
13 He may be excused.

14 MR. STAMETS: Anything further in this
15 case?

16 MR. CARR: Nothing further.

17 MR. STAMETS: The case will be taken under
18 advisement.

19
20 (Hearing concluded.)
21
22
23
24
25

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87301

Phone (505) 455-7409

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2557 heard by me on 4-14 19 82

Richard L. Starn, Examiner
Oil Conservation Division



POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Other

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. 7557
Order No. R-6964

APPLICATION OF MGF OIL CORPORATION
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 14, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 28th day of April, 1982, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, MGF Oil Corporation, seeks an order pooling all mineral interests from the surface down through the Seven Rivers formation underlying the SW/4 of Section 32, Township 19 South, Range 39 East, NMPM, Lea County, New Mexico.

(3) That the applicant has the right to drill and has drilled a well at a standard location thereon.

(4) That there are royalty interest owners in the proposed proration unit who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, 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 gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

-2-

Case No. 7557

Order No. R-6964

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

(7) That 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.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, from the surface down through the Seven Rivers formation underlying the SW/4 of Section 32, Township 19 South, Range 39 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 160-acre gas spacing and proration unit to be dedicated to a well drilled at a standard location thereon.

(2) That MGF Oil Corporation is hereby designated the operator of the subject well and unit.

(3) That 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; that 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.

(4) That 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 herein above designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY,
Director


S E

READING &
BATES
12-1-83

R 39 E

U.S.
R. & B.
12-1-83

LEA CO.
GAINES

L. Carter, et al

R. A.
Christmas

U.S.

T

19

S

36

GETTY
H.B.P.

80L WEST
12-1-81

LATHAM
8-16-80

State

DAMSON EXPL.
H.B.P.

D. L. Lowe, et al

M-11-280
MGFOC
12-12-82
320.0 AC.

J. Speight

L. H. Wentz, et al

M-11-108
MGFOC
4-9-82
100.0 AC.

W. Waldrop

T

20

S

L. D. Jones

AMOCO
H.B.P.

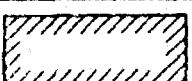
(LARIO)
1
7078'

(STANOLIND)
2
4900'

01-A
'975'

02-B
7100'

MAP LEGEND



LEASE
OUTLINE



PROPOSED OR
DRILLING LOCATION

- OIL WELL
- ✱ GAS WELL
- OIL & GAS WELL
- ✧ DRY HOLE
- ✱ ABANDONED OIL OR GAS WELL



MGF OIL CORPORATION
10000 Highway 1
P.O. Box 10000
Dallas, Texas 75220
Telephone 214-343-1000
Telex 750000 MGF

EAST NADINE
LEA COUNTY, NEW MEXICO
LAND PLAT

SCALE: 1" = 2,000'

4 - 82

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION

MGF EXHIBIT NO. 1
CASE NO. 7558 7557

This Agreement made and entered into by and between
HERITAGE RESOURCES, a General Partnership
P. O. Box 777
Davis, Oklahoma 73030
(hereinafter called Lessor), and MGE OIL CORPORATION
P. O. Box 5027, Midland, Texas 79701
(hereinafter called Lessee).

Witnesseth that Lessor, for and in consideration of TEN DOLLARS (\$10.00) cash in hand paid and other valuable consideration, receipt of which is hereby acknowledged, and of the covenants and agreements herein-after contained to be paid, kept and performed by Lessee, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto Lessee, for the sole and only purpose of exploring, drilling, mining and producing oil and gas and laying pipe lines and building tanks, power stations and structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Lea, State of New Mexico, described as follows, to-wit:

DEPTHS FROM THE SURFACE DOWN TO FIFTY FEET (50') BELOW THE DEEPEST DEPTH OF ANY WELL COMMENCED ON THE FOLLOWING DESCRIBED LAND DURING THE PRIMARY TERM HEREOF:

S/2 SW/4 Section 32, T-19-S, R-39-E,
containing 80 acres, more or less

Notwithstanding anything to the contrary contained herein, if Lessee secures production during the primary term of this lease, it is understood and agreed that this lease shall expire on April 9, 1982 except as to the following specified acreage around each well then producing or capable of producing in commercial quantities and/or each well then being drilled which is, within a reasonable time thereafter, completed as a commercial producer: (1) 20 acres around each oil well and/or (2) 40 acres around each gas well and/or (3) such larger proration units as are prescribed for such wells by the Oil Conservation Commission of New Mexico or other lawful authority having jurisdiction, such tracts to be in as near the form of a square as practical. At such time, Lessee will promptly deliver to Lessor a partial release covering the expired acreage and depths.

Lessee shall at all times protect the leased premises from drainage by wells on other properties and whenever oil or gas has been discovered in commercial quantities, Lessee shall reasonably develop the leased premises.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing; provided that Lessor reserves the option to pay salvage value of such casing and take over any well proposed to be plugged.

If Lessee shall commence drilling a well within the primary term of this lease or any extension thereof, Lessee shall have the right to drill such well to completion with reasonable diligence and dispatch and, if oil or gas or either of them be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed within the primary term.

If the estate of either party hereto is assigned, and the privilege of assigning in whole or part is expressly allowed - the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns; but no change of ownership shall be binding on either party until the other has been furnished with a true copy of the deed or assignment within 30 days of the date of the change of ownership.

Lessee shall, during the drilling of any wells on the leased premises, furnish Lessor daily drilling reports, copies of all logs run, copies of reports and forms filed with the State regulatory bodies in connection with such wells, well locations, dates of completion and abandonment. Lessee shall also furnish Lessor copies of any title opinions or title reports which Lessee may obtain on the leased premises.

In the event Lessor defaults in payment of any taxes, liens or other encumbrances on the above described lands then, in such event, Lessee shall have the right at any time to pay same and thus be subrogated to the rights of the owner or holder of such indebtedness.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders and any other laws, rules and regulations of the State of New Mexico, and Lessee shall not be terminated, in whole or in part, nor Lessee held liable in any way for any such failure, if compliance is prevented by or if such failure is the result of any such laws, rules and regulations.

BEFORE EXAMINER STAMPS:
OIL CONSERVATION DIVISION
MGE, EXHIBIT NO. 2
CASE NO. 7557
Submitted by GIBSON
Hearing Date 4/14/82

9th day of April, 1979
HERITAGE RESOURCES, a General Partnership
By: Burke Healey
Burke Healey, a General Partner

THE STATE OF OKLAHOMA
COUNTY OF MURRAY
appeared Burke Healey

person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this 9th day of April, A. D. 1979
(SEAL)

My Commission Expires February 13, 1980
Notary Public in and for Murray County, Okla.

Subject to the other provisions herein contained, this lease shall remain in force for a term of 3 years from this date, and as long thereafter as oil or gas, or either of them, is produced in commercial quantities from said lands by Lessee.

In consideration of the premises Lessee covenants and agrees:

To deliver in kind, free of cost, at the wells or to the credit of Lessor in the pipe lines or tanks to which the wells may be connected, the equal 1/5 part of all oil produced and saved from said leased premises.

And to pay Lessor 1/5 of the value of all raw gas at the mouth of the well, for gas sold at the well or sold or used off the premises, or for the extraction of gasoline or other products, payment for gas so used or sold to be made monthly. Lessor shall have gas free of cost from any gas well on said premises for all stoves and lights in the principal house on said land.

If the actual drilling of a well has not been commenced on said land on or before one year from this date, this lease shall terminate as to both parties, unless Lessee on or before that date shall pay or tender to Lessor, or to Lessor's credit in the First National Bank at Davis, Okla., or its successors, which shall continue as the depository regardless of changes in the ownership of said lands, the sum of Sixteen Dollars & NO/100----DOLLARS (\$16.00), which shall operate as a rental and cover the privilege of deferring the commencement of a well for a period of one year from said date. In like manner and upon like payments or tenders the commencement of a well may be further deferred for one year periods during the primary term hereof.

If Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided shall be paid Lessor only in the proportion which its interest bears to the whole undivided fee. This clause does not apply to rentals payable hereunder.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operations thereon, except water from the wells of Lessor. When requested by Lessor, Lessee shall bury its pipe lines below plow depth. No well shall be drilled nearer than 200 feet to any building now on said premises, without the written consent of Lessor. Lessee shall pay for damages caused by its operation on said land.

Lessee shall at all times protect the leased premises from drainage by wells on other properties and whenever oil or gas has been discovered in commercial quantities, Lessee shall reasonably develop the leased premises.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing; provided that Lessor reserves the option to pay salvage value of such casing and take over any well proposed to be plugged.

If Lessee shall commence drilling a well within the primary term of this lease or any extension thereof, Lessee shall have the right to drill such well to completion with reasonable diligence and dispatch and, if oil or gas or either of them be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed within the primary term.

If the estate of either party hereto is assigned, and the privilege of assigning in whole or part is expressly allowed - the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns; but no change of ownership shall be binding on either party until the other has been furnished with a true copy of the deed or assignment within 30 days of the date of the change of ownership.

Lessee shall, during the drilling of any wells on the leased premises, furnish Lessor daily drilling reports, copies of all logs run, copies of reports and forms filed with the State regulatory bodies in connection with such wells, well locations, dates of completion and abandonment. Lessee shall also furnish Lessor copies of any title opinions or title reports which Lessee may obtain on the leased premises.

In the event Lessor defaults in payment of any taxes, liens or other encumbrances on the above described lands then, in such event, Lessee shall have the right at any time to pay same and thus be subrogated to the rights of the owner or holder of such indebtedness.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith, if compliance is prevented by or if such failure is the result of any such Law, Order, Rule or Regulation.

Executed and effective this the 9th day of April, 19 79.

HERITAGE RESOURCES, a General Partnership

By: Burke Healey

Burke Healey, a General Partner

SINGLE ACKNOWLEDGMENT

THE STATE OF OKLAHOMA
COUNTY OF MURRAY
appeared Burke Healey

BEFORE ME, the undersigned authority, on this day personally

person Burke Healey whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 9th day of April, A. D. 19 79
(SEAL) Connie Dye

My Commission Expires February 13, 1980

Notary Public in and for Murray County Okla.

279-18

7

BS

9226

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

JUL 26 1979

at 1:35 o'clock P M
and recorded in Book 318
Page 254

Jane Rice Smith County Clerk
By [Signature] Deputy

BOOK 608 PAGE 246

OIL AND GAS LEASE

This Agreement made and entered into by and between PETROLEUM CORPORATION OF TEXAS
 (P. O. Box 911, Breckenridge, Texas 76024)
 (hereinafter called Lessor), and M35 OIL CORPORATION
 (P. O. Box 5027, Midland, Texas 79701)
 (hereinafter called Lessee).

Witnesseth that Lessor, for and in consideration of TEN DOLLARS (\$10.00) cash in hand paid and other valuable consideration, receipt of which is hereby acknowledged, and of the covenants and agreements herein after contained to be paid, kept and performed by Lessee, has granted, devised, leased and let and by these presents does grant, demise, lease and let unto Lessee, for the sole and only purpose of exploring, drilling, mining and producing oil and gas and laying pipe lines and building tanks, power stations and structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Lea, State of New Mexico, described as follows, to-wit:

DEPTHS FROM THE SURFACE DOWN TO FIFTY FEET (50') BELOW THE DEEPEST DEPTH OF ANY WELL COMMENCED ON THE FOLLOWING DESCRIBED LAND DURING THE PRIMARY TERM HEREOF:

S/2 SW/4 Section 32, T-19-S, R-39-E,
 containing 80 acres, more or less

Notwithstanding anything to the contrary contained herein, if Lessee secures production during the primary term of this lease, it is understood and agreed that this lease shall expire on April 9, 1982 except as to the following specified acreage around each well then producing or capable of producing in commercial quantities and/or each well then being drilled which is, within a reasonable time thereafter, completed as a commercial producer: (1) 20 acres around each oil well and/or (2) 40 acres around each gas well and/or (3) such larger proration units as are prescribed for such wells by the Oil Conservation Commission of New Mexico or other lawful authority having jurisdiction, such tracts to be in as near the form of a square as practical. At such time, Lessee will promptly deliver to Lessor a partial release covering the expired acreage and depths.

If Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided shall be paid Lessor only in the proportion which its interest bears to the whole undivided fee. This clause does not apply to rentals payable hereunder.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operations thereon, except water from the wells of Lessor. When requested by Lessor, Lessee shall bury its pipe lines below plow depth. No well shall be drilled nearer than 200 feet to any building now on said premises, without the written consent of Lessor. Lessee shall pay for damages caused by its operation on said land.

Lessee shall at all times protect the leased premises from drainage by wells on other properties and whenever oil or gas has been discovered in commercial quantities, Lessee shall reasonably develop the leased premises.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing; provided that Lessor reserves the option to pay salvage value of such casing and take over any well proposed to be plugged.

If Lessee shall commence drilling a well within the primary term of this lease or any extension thereof, Lessee shall have the right to drill such well to completion with reasonable diligence and dispatch and, if oil or gas or either of them be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed within the primary term.

If the estate of either party hereto is assigned, and the privilege of assigning in whole or part is expressly allowed - the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns; but no change of ownership shall be binding on either party until the other has been furnished with a true copy of the deed or assignment within 30 days of the date of the change of ownership.

Lessee shall, during the drilling of any wells on the leased premises, furnish Lessor daily drilling reports, copies of all logs run, copies of reports and forms filed with the State regulatory bodies in connection with such wells, well locations, dates of completion and abandonment. Lessee shall also furnish Lessor copies of any title opinions or title reports which Lessee may obtain on the leased premises.

In the event Lessor defaults in payment of any taxes, liens or other encumbrances on the above described lands then, in such event, Lessee shall have the right at any time to pay same and thus be subrogated to the rights of the owner or holder of such indebtedness.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith, if compliance is prevented by or if such failure is the result of any such Law, Order, Rule or Regulation.

Executed and effective this the 9th day of April, 19 79.

Attest:

Assistant Secretary

PETROLEUM CORPORATION OF TEXAS

By: J. L. McClymond
PresidentAPPROVED
AS TO FORM

AS TO CONTENT

THE STATE OF TEXAS |

COUNTY OF STEPHENS |

The foregoing instrument was acknowledged before me, this 9th day of April, 1979, by J. L. McClymond, President of PETROLEUM CORPORATION OF TEXAS, a corporation, on behalf of said corporation.

(SEAL)

My Commission Expires:

11-30-80

Notary Public

Glenna Lasater

M.C.F. MICROGRAPHICS



AVAILABLE COPY

M11 279A

PDS

8004 318 PAGE 237

Subject to the other provisions herein contained, this lease shall remain in force for a term of 3 years from this date, and as long thereafter as oil or gas, or either of them, is produced in commercial quantities from said lands by Lessee.

In consideration of the premises Lessee covenants and agrees:

To deliver in kind, free of cost, at the wells or to the credit of Lessor in the pipe lines or tanks to which the wells may be connected, the equal 1/5 part of all oil produced and saved from said leased premises.

And to pay Lessor 1/5 of the value of all raw gas at the mouth of the well, for gas sold at the well or sold or used off the premises, or for the extraction of gasoline or other products, payment for gas so used or sold to be made monthly. Lessor shall have gas free of cost from any gas well on said premises for all stoves and lights in the principal house on said land.

If the actual drilling of a well has not been commenced on said land on or before one year from this date, this lease shall terminate as to both parties, unless Lessee on or before that date shall pay or tender to Lessor, or to Lessor's credit in the First National Bank at Breckenridge, Texas, or its successors, which shall continue as the depository regardless of changes in the ownership of said lands, the sum of Twenty-one and 33/100-----DOLLARS (\$21.33), which shall operate as a rental and cover the privilege of deferring the commencement of a well for a period of one year from said date. In like manner and upon like payments or tenders the commencement of a well may be further deferred for one year periods during the primary term hereof.

If Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided shall be paid Lessor only in the proportion which its interest bears to the whole undivided fee. This clause does not apply to rentals payable hereunder.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operations thereon, except water from the wells of Lessor. When requested by Lessor, Lessee shall bury its pipe lines below plow depth. No well shall be drilled nearer than 200 feet to any building now on said premises, without the written consent of Lessor. Lessee shall pay for damages caused by its operation on said land.

Lessee shall at all times protect the leased premises from drainage by wells on other properties and whenever oil or gas has been discovered in commercial quantities, Lessee shall reasonably develop the leased premises.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing; provided that Lessor reserves the option to pay salvage value of such casing and take over any well proposed to be plugged.

If Lessee shall commence drilling a well within the primary term of this lease or any extension thereof, Lessee shall have the right to drill such well to completion with reasonable diligence and dispatch and, if oil or gas or either of them be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed within the primary term.

If the estate of either party hereto is assigned, and the privilege of assigning in whole or part is expressly allowed - the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns; but no change of ownership shall be binding on either party until the other has been furnished with a true copy of the deed or assignment within 30 days of the date of the change of ownership.

Lessee shall, during the drilling of any wells on the leased premises, furnish Lessor daily drilling reports, copies of all logs run, copies of reports and forms filed with the State regulatory bodies in connection with such wells, well locations, dates of completion and abandonment. Lessee shall also furnish Lessor copies of any title opinions or title reports which Lessee may obtain on the leased premises.

In the event Lessor defaults in payment of any taxes, liens or other encumbrances on the above described lands then, in such event, Lessee shall have the right at any time to pay same and thus be subrogated to the rights of the owner or holder of such indebtedness.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages for failure to comply therewith, if compliance is prevented by or if such failure is the result of any such Law, Order, Rule or Regulation.

Executed and effective this the 9th day of April, 19 79.

Attest:

Assistant Secretary

PETROLEUM CORPORATION OF TEXAS

By:

President

APPROVED
AS TO FORM

AS TO CONTENT

THE STATE OF TEXAS |

COUNTY OF STEPHENS |

The foregoing instrument was acknowledged before me, this 9th day of April, 1979, by J. L. McClymond, President of PETROLEUM CORPORATION OF TEXAS, a corporation, on behalf of said corporation.

(SEAL)

My Commission Expires:

11-30-80

Notary Public

Glenna Lasater

PDS

M.C.F. MICROGRAPHICS



BEST AVAILABLE COPY

H.C.F. MICROGRAPHICS



NOT AVAILABLE COPY

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

9222

JUL 26 1979
at 1:35 o'clock P M
and recorded in Book 318
Page 246
Jane Rice Smith County Clerk
By [Signature] Deputy



OIL AND GAS LEASE

THIS AGREEMENT dated this 10th day of March , 19 82 , by and between SUN EXPLORATION AND PRODUCTION COMPANY, whose address is P.O. BOX 340180, Dallas, Texas 75234 (hereinafter referred to as "LESSOR"), and MGF OIL CORPORATION whose address is P.O. BOX 360, Midland, Texas 79701 (hereinafter called "LESSEE"),

WITNESSETH:

1. That Lessor, for and in consideration of the sum of TEN AND NO/100 DOLLARS, (\$10.00) cash in hand paid, and other valuable consideration, receipt of which is hereby acknowledged, of the royalties herein provided, and of the agreements herein contained, and subject to the terms and provisions hereinafter set forth, hereby demises, grants, leases, and lets exclusively unto Lessee, solely for the purposes of (a) investigating, exploring, prospecting, and drilling for and producing and owning oil, gas, casinghead gas and casinghead gasoline, condensate and any other liquid and gaseous hydrocarbons, hereinafter referred to as oil and/or gas, and sulphur (only if said sulphur is produced incidental to or in conjunction with the production of or processing for sale of any liquid or gaseous hydrocarbons produced from the leased premises); and (b) of laying pipe lines, building tanks, power stations, telephone lines, roads, and structures (other than refineries and gasoline plants), for the purposes of producing, saving, and taking care of and owning said oil and/or gas, and treating and processing and transporting the same, and conducting the aforesaid operations, the following described land in Lea County, New Mexico to wit:

S/2 SW/4 of Section 32, T-19-S, R-39-E

For the limited purpose of determining the amount of any money payments hereunder, said premises shall be treated as comprising 80.00 acres, whether there be more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of 6 months from and after this date (called "primary term"), and so long thereafter as oil and/or gas is produced in paying quantities from the leased premises, or this lease is being maintained in any other manner provided for herein.

3. If less than Sixty (60) days before the end of the primary term, actual drilling or reworking operations are abandoned or production ceases, this lease will remain in force for Sixty (60) days from such abandonment of operations or cessation of production. If at the expiration of either the primary term or the Sixty (60) day period provided for in the preceding sentence, Lessee is engaged in actual drilling or reworking operations on the leased premises, this lease shall continue so long as said actual drilling or reworking operations are prosecuted continuously. Actual drilling or reworking operations shall be deemed to be prosecuted continuously for all purposes of this lease if not more than Sixty (60) days elapse between the cessations of actual drilling or reworking operations on one well and the commencement of actual drilling or reworking operations on another well.

4. Royalties to be paid by Lessee on production from said lands are:
(a) On oil, including condensate and other liquid hydrocarbons, one-fourth (1/4) of that produced and saved from the leased premises; provided, however, that until Lessor gives Lessee Sixty (60) days written notice that Lessor elects to take its royalties oil in kind (which right Lessor may exercise from time to time), Lessee shall purchase Lessor's royalty oil, paying therefor the market value of such oil. Royalty on sulphur which is produced in conjunction with oil or is extracted from oil, shall be one-fourth (1/4) of the market value thereof. Lessor shall bear a proportionate share of the costs of extracting the sulphur from oil. (b) On gas, including casinghead gas or other gaseous hydrocarbons produced from the leased premises, one-fourth (1/4) of that produced and saved from the leased premises, provided, however, that until Lessor gives Lessee Sixty (60) days written notice that Lessor elects to take its royalty gas in kind (which right Lessor may exercise from time to time), Lessee shall pay Lessor the market value of such royalty gas. Royalty on sulphur produced in conjunction with gas, or is extracted from gas, shall be one-fourth (1/4) of the market value thereof. Lessor shall bear a proportionate share of the costs of extracting the sulphur from the gas. (c) In the event Lessee or an affiliate, parent or subsidiary company uses gas produced under this lease in the manufacture or extraction of gasoline or other products in a plant in which the Lessee or an affiliate, parent or subsidiary company owns an interest, Lessor shall be entitled to receive one-fourth (1/4) of such products extracted; provided, however, that until Lessor gives Lessee Sixty (60) days prior written notice that Lessor elects to take its royalty of such products in kind (which right Lessor may exercise from time to time), Lessee shall purchase Lessor's royalty of such products, paying the market value of such products. Lessor shall be obligated to bear its proportionate share of the direct costs and expenses (exclusive of overhead) incurred in such extraction or manufacture of the royalty of such products.

In the event Lessor elects to take in kind its royalty share of any oil and/or gas, Lessor shall install the necessary facilities to take its proportionate share of such productions at its cost and expense. Lessee shall not enter into a contract for the sale of any gas produced under this lease without Lessor's written approval, and any and all contracts for the sale of gas entered into hereunder shall be made expressly subject to Lessor's right to take in kind. Lessee represents and warrants that it has not heretofore entered into any contract for the sale of any gas produced under this lease which would commit or otherwise affect any gas produced hereunder. Lessee shall furnish Lessor true copies of all proposed contracts for the sale or disposition of any gas produced under this lease.

If at any time there is located on the leased premises a well or wells proven capable, to Lessor's satisfaction, of producing gas in paying quantities and such well is shut-in because of lack of market or marketing facilities or governmental restrictions, then Lessee may maintain this lease in force and effect as to the well tract or proration unit for such well (as defined herein) by paying Lessor annually the sum of ^{one dollar} ~~(1.00)~~ per acre for the number of acres contained in such well tract or proration unit, the first such payment to be made within ninety (90) days after the date on which such well was shut-in, and subsequent payments to be made on or before the respective anniversary of the original shut-in date. Any payment due with respect to any such shut-in gas well may be paid or tendered to Lessor or to the credit of Lessor in Las Colinas National Bank of Irving, Texas, 75061. So long as annual payments are being made such well will be considered as producing gas in paying quantities, and such unit on which such well is located; provided, however, that Lessee shall not be entitled to maintain this lease as to a well tract or proration unit by such annual payments for any period in excess of two (2) consecutive years.

For all purposes of this lease, and in the absence of NEW MEXICO OIL CONSERVATION COMMISSION other governmental rules or orders to the contrary, a well tract or proration unit shall be deemed to be a tract of land surrounding a well producing oil and/or gas in paying quantities which shall consist of forty (40) acres if the well is producing oil or one hundred sixty (160) acres if the well is producing gas or gas condensate, to be selected by Lessee in as nearly a square form as is practicable. Lessee shall prepare field notes covering each well tract or proration unit, together with a survey plat, and furnish to Lessor within a reasonable time.

5. Lessee agrees to pay, before they become delinquent, all taxes, including but not limited to, the following: all federal taxes, state and local ad valorem, occupation, excise, privilege or regulatory taxes, now or hereafter lawfully levied or assessed against the premises herein leased and on the production therefrom, except taxes on Lessor's interest in production therefrom.

6. In the event that oil and/or gas is discovered in paying quantities on the leased premises, lessee agrees that it will commence the actual drilling of a development well on the leased premises on or before (60) days following the date on which the discovery well is completed, and thereafter not allow more than (60) days to elapse between the cessation of operations on one well and the commencement of the actual drilling of the next.

If Lessee fails to timely commence a required development well, this lease will terminate as to all of the leased premises except as to any portions contained in well tracts or proration units. If thereafter the production of oil and/or gas on any well tract or proration unit ceases from any cause, this lease shall terminate as to such well tract or proration unit unless Lessee within Sixty (60) days after cessation of productions commences reworking operations or the actual drilling of a new well thereon. In such event, this lease will continue in effect as to such well tract or proration unit so long as such drilling or reworking is prosecuted continuously until production in paying quantities is restored.

Lessee further covenants and agrees that Lessee will conduct all operations on the leased premises in a good and workmanlike manner, and in accordance with the standards of the best industry practices in like operations, and that Lessee will comply with all legal requirements relating to production of oil and/or gas, and to operations relating thereto, and particularly all laws relating to fire hazard, to fire prevention and to the plugging of abandoned holes and to pollution of surface and underground water supplies. If any well hereafter is completed on adjacent land (whether or not owned by Lessor) which is capable of producing oil and/or gas in paying quantities, Lessee shall be obligated to drill on the leased premises such well or wells as a prudent operator under the same or similar circumstances would drill to protect the leased premises from drainage.

Upon the commencement of the drilling of each well under this lease, Lessee shall be obligated to conduct the drilling with reasonable diligence and in accordance with accepted oil and gas industry practices in a bona fide effort to complete said well as a producer of oil and/or gas in paying quantities, or until such well is abandoned as non-productive at the conclusion of a serious and bona fide effort.

7. At the end of the primary term of this lease or upon cessation of continuous drilling or reworking operation after the end of the primary term as provided in Paragraph 3, this lease will terminate automatically as to all horizons situated one hundred (100) feet below total depth of the deepest then producing well drilled on the premises subject, at that time, to this lease. Upon such termination as to deeper horizons, Lessor, its successors, lessees or assigns, thereafter shall have the right to reasonable use of the leased premises, but without unreasonable interference with Lessee's rights, for the purposes of investigating, exploring, prospecting and drilling for, producing and owning oil and gas from the horizons no longer subject to this lease.

8. Lessee may at any time execute and deliver to Lessor and place of record a release or releases covering any portion or portions of the leased premises, and thereby surrender this lease as to such portion or portions, and be relieved of all obligations as to the acreage surrendered except those arising from prior acts or omissions of Lessee.

9. Lessee assumes all risk and liability of any kind and nature incident to, occasioned by, or resulting in any manner, directly or indirectly, from Lessee's operations hereunder; agrees to keep the lands duly and fully protected against liens of every character arising in connection with, or resulting from, said operations; and agrees to indemnify and hold harmless Lessor against any and all liens and claims of any kind for damages occasioned by, or on account of, said operations and against

any and all claims for property damage, personal injury or death sustained by any person or persons whomsoever, natural or corporate, in connection with, or resulting from Lessee's operations hereunder, and whether or not involving active or passive negligence on the part of Lessee or its agents, contractors or employees.

10. If Lessor owns less than the entire mineral estate or less than the entire undivided interest in the mineral rights relating to any portion of the leased premises, the royalties and other payments to be paid or tendered herein as provided for may be reduced proportionately to the interest of the Lessor therein.

11. Lessee shall have free use of oil and/or gas for drilling and reworking operations on the leased premises, (but not in connection with unit operations without Lessor's prior written consent) and the royalty on oil and/or gas shall be computed after deducting any so used; but Lessee shall pay royalty on oil and/or gas used for any other purpose, and on oil and/or gas used off the leased premises for any purpose whatsoever.

12. This lease shall inure to the benefit of and be binding upon the respective heirs, administrators, executors, successors and assigns of the parties hereto but no assignment of this lease shall be made by Lessee, in whole or in part, unless the written consent of Lessor shall have been first obtained. Any assignment made without Lessor's written consent shall be void.

13. This lease is granted without warranty of title of any kind whatsoever, express or implied, and without any recourse against the Lessor in the event of any failure of title. Lessee shall have the right to purchase, pay or redeem any mortgage, tax or other lien on the leased premises and be subrogated to the rights of the holder thereof. If Lessee obtains a title opinion on any portion of the leased premises, Lessor will be provided a copy of such title opinion. Lessee shall not undertake any title curative work with respect to the leased premises without the prior approval of Lessor, nor shall Lessee acquire any lease or other interest from any adverse claimant without Lessor's prior written consent, and violation of the provisions of this sentence shall constitute a denial of Lessor's title resulting in automatic termination of the lease.

14. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil and/or gas therefrom by reason of federal or state law or any order, rule or obligation to comply with such covenant shall be suspended and Lessee granted a moratorium from conducting drilling or reworking operations on the leased premises, said moratorium not to exceed one (1) year from the date of such law, rule or order.

15. Upon the expiration or termination of this lease as to all or any part of the leased premises (including termination as to deeper horizons pursuant to provisions of Paragraph 7 hereof), Lessee agrees to execute a recordable release discharging and releasing all right, title and interest of Lessee from any and all further claim thereto. Such release shall be executed and delivered to Lessor within sixty (60) days after the expiration or termination hereof as to all or any part of the leased premises, failing which, Lessor shall have the right to file suit to cancel this lease and Lessee covenants and agrees to pay all costs or suit incident to such cancellation and all damages and expenses sustained by Lessor, including attorneys' fees, as a result of said failure. The obligations of Lessee under this Paragraph shall be in addition to, and not in substitution for, any imposed by the statutes of the state in which the leased premises are located.

16. Lessee will furnish Lessor a copy of any survey of the leased premises made by or for Lessee. Lessee agrees that Lessor, acting by or through any agent or representative authorized by Lessor, at Lessor's risk, will have the right at all times to inspect any machinery, equipment, well or operation of Lessee upon the leased premises, and Lessee promptly will furnish Lessor complete copies of all logs and electrical surveys run in any wells located on the leased premises, showing formations encountered and the identification of such formation as determined by Lessee. Lessee agrees to furnish Lessor promptly with copies of daily drilling reports and daily mud log reports on all wells drilled on the leased premises, and to notify Lessor at least twenty-four (24) hours prior to conducting any testing, coring, logging, or completion operations on any such well. The results of all tests, including drill stem tests, formation tests, and core analyses, conducted on any well on the leased premises shall be sent to Lessor promptly upon receipt by Lessee. Lessor shall be provided all dipmeter and velocity surveys, including Lessee's interpretations thereof, as well as cuts and samples taken from the mud or from coring. For notification and further geological requirements, refer to Exhibit "A" attached hereto.

17. If Lessor brings suit to compel performance of, or to recover for breach of any covenant or condition herein contained, or for declaratory relief, and prevails therein, Lessee agrees to pay to Lessor reasonable attorney fees in addition to the amount of judgment and costs.

18. This lease is subject to all encumbrances of record and to any and all public and private easements, in, on, under, over, and across said lands.

19. Lessee agrees not to drill any well on the leased premises nearer than two hundred (200) feet of any house, barn, building, or other structure, now or hereafter placed on the leased premises unless Lessor's written consent is obtained before such drilling or reworking operations are commenced. When required by Lessor, Lessee shall bury pipelines to below ordinary plow depth. Lessee agrees to pay at its sole expense, all damages to crops (including but not limited to injuries suffered through prevention of cultivation, irrigation, and maintenance thereof by usual methods), trees, timber, (whether standing, cut or fallen), fences, cattleguards, pipelines, canals, buildings, and other improvements upon the leased premises caused by Lessee's drilling or reworking or other openings, and construct cattleguards and/or fences to safeguard livestock on the leased premises. Pits and excavations made during drilling or reworking operations shall be filled by Lessee and the surface restored, as nearly as is possible, to its original condition, and if Lessee shall fail to do so, the cost to Lessor of such filling and/or restoration shall be paid by Lessee. For the purpose of this paragraph, any reference to drilling or reworking operations shall also be construed to include operations necessary or incident to production.

20. The failure of Lessor to insist in one or more instances upon strict compliance by Lessee with any of the provisions of this lease, or to take advantage of any right hereunder, shall not be construed as a waiver of any such provision, nor the relinquishment of any such rights, but the same shall continue and remain in full force and effect.

IN WITNESS WHEREOF, this instrument is executed by the parties on the date of acknowledgment and will be effective on the date first above written.

LESSOR:

SUN EXPLORATION AND PRODUCTION CO.

By *William B. Longest*
Agent and Attorney-in-Fact

Taxpayer I. D. 23-174-3284

LESSEE:

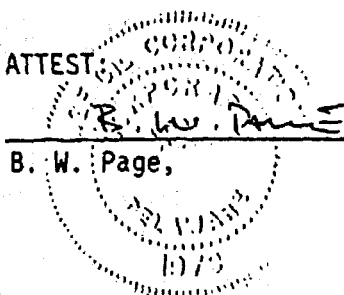
MGF OIL CORPORATION

Marshall Mason
Marshall Mason
Vice President

ATTEST

B. W. Page
B. W. Page,

Secretary



STATE OF TEXAS X

COUNTY OF DALLAS X

BEFORE ME, the undersigned authority, on this day personally appeared William B. Langston, Agent and Attorney-in-Fact for Sun Exploration and Production Company, a corporation, known to me to be the identical person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purpose and consideration therein expressed and in the capacity therein stated and as the act and deed of said corporation.

GIVEN under my hand and seal of office this 16th day of March, 1982

Bettie Layfield
Notary Public in and for
Dallas County, Texas

My commission expires:

2-7-1984

STATE OF TEXAS)

COUNTY OF MIDLAND)

This instrument was acknowledged before me on March 16th, 1982, by MARSHALL MASON, Vice President of MGF OIL CORPORATION, a Delaware corporation, on behalf of said corporation.

Sharon L. Wright
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

My commission expires:

5-22-84



SHARON L. WRIGHT
Notary Public, State of Texas
My Commission Expires _____

EXHIBIT "A"
G E O L O G I C A L R E Q U I R E M E N T L E T T E R

SUN EXPLORATION COMPANY

Reference Well:

County: Lea

State: New Mexico

Type of Well:

Date: March 10, 1982

In reference to the subject well, Sun Exploration Company requires the following information. Our telephone number in Dallas is 214-258-4000. Our office hours are from 7:30 AM until 4:00 PM.

1. Location Plat and Drilling Permit should be sent prior to spudding the well to:

Chas. Measley, Sun Exploration Company, P. O. Box 340180,
Dallas, TX 75234, and
Don Smith, Sun Exploration Company, One Petroleum Center,
Building 8, Suite 204, Midland, TX 79701.

2. Daily Drilling Reports (mail and telephone) to:

Sara Reed - Sun Exploration Company, P. O. Box 340180, Dallas,
Tx. 75234, Telephone: 214-258-4148, and
mail only to:
Don Smith - Sun Exploration Company, One Petroleum Center,
Building 8, Suite 204, Midland, TX 79701.

3. Sample Disposition: Operator Discretion

Sample Interval: Operator Discretion

4. The following items should be sent to P. O. Box 340180, Dallas,
TX 75234, Attention: Mike Vaughan

(1) MUD LOG	1 copy of daily report & 2 copies of final report
(2) CORE ANALYSIS	1 field print & 2 final prints
(3) CORE DESCRIPTIONS	1 copy
(4) DRILL STEM RESULTS	1 preliminary report & 2 final reports
(5) DIRECTIONAL SURVEY	1 final print
(6) VELOCITY SURVEY	1 final print
(7) DIPMETER SURVEY	1 final print
(8) REGULATORY BODY REPORTS	1 final print
(9) ELECTRIC LOGS (all kinds)	2 field prints & 2 final prints
(10) WELL HISTORY	1 copy (well history from spud date to completion)

5. The following people should be contacted in sufficient time to witness all cores, DST's and logs and should be called immediately upon any DST results.

Ned Emrick - 214-258-4519 (Office) or 214-283-3617 (Home)

Mike Vaughan, 214-258-4510 (office) or 214-296-6051 (home)

6. No decision on the final disposition of the well will be made until electric logs are in the Dallas Office. Normal procedure will be to send the logs by airplane (Braniff Pronto Service, if possible) to D/FW Airport and call either Mike Vaughan or E. A. Paschal 214-258-4134 as to the flight number of the carrier.

In the event of a producing well, a copy of the Monthly Production Report as well as a copy of the report filed with the State Regulatory Body should be sent to Alf Burr, Sun Exploration Company, P. O. Box. 340180, Dallas, TX. 75234.

cc: Geol. well file
Land file
Alf Burr

CAMPBELL, BYRD & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
HARL D. BYRD
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
WILLIAM G. WARDLE
KIM W. GORTHEY

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87501
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 281-6043

April 6, 1982

Petroleum Corporation of Texas
Post Office Box 911
Breckenridge, Texas 76024

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

WCF EXHIBIT NO. 3

CASE NO. 7557

Submitted by G. J. GAN

Hearing Date 4/14/82

Re: New Mexico Oil Conservation Division Case 7557

Gentlemen:

Enclosed is a copy of the docket for the April 14, 1982
Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the
above-referenced cases.

Very truly yours,

William F. Carr

William F. Carr

WFC:jh
w/enc.

CERTIFIED MAIL
RETURN RECEIPT REQUEST

● SENDER: Complete items 1, 2, 3, and 4. Add your address in the "RETURN TO" space on reverse.		ARTICLE NUMBER P22 1117941	
(CONSULT POSTMASTER FOR FEES)		TOTAL \$	
1. The following service is requested (check one). <input checked="" type="checkbox"/> Show to whom and date delivered \$ <input type="checkbox"/> Show to whom, date, and address of delivery .. \$		2. RESTRICTED DELIVERY (The restricted delivery fee is charged in addition to the return receipt fee.)	
3. ARTICLE ADDRESSED TO: Petroleum Corp. of Texas P.O. Box 911 Breckenridge, Texas 76024		4. TYPE OF SERVICE: <input type="checkbox"/> REGISTERED <input type="checkbox"/> INSURED <input checked="" type="checkbox"/> CERTIFIED <input type="checkbox"/> COD <input type="checkbox"/> EXPRESS MAIL	
I have received the article described above. SIGNATURE <input type="checkbox"/> Addressee <input checked="" type="checkbox"/> Authorized agent		5. ADDRESS OF DELIVERY 4-9-82	
6. ADDRESSEE'S ADDRESS (Only if requested)		7. UNABLE TO DELIVER BECAUSE:	

PS Form 3811, Dec. 1980

CAMPBELL, BYRD & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
HARL D. BYRD
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
WILLIAM G. WARD, JR.
KEMP W. GORTNEY

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87501
TELEPHONE: (505) 968-4421
TELECOPIER: (505) 963-6043

April 6, 1982

Petroleum Corporation of Texas
Post Office Box 911
Breckenridge, Texas 76024

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
MGE EXHIBIT NO. 3
CASE NO. 7557
Submitted by *William F. Carr*
Hearing Date *4/14/82*

Re: New Mexico Oil Conservation Division Case 7557

Gentlemen:

Enclosed is a copy of the docket for the April 14, 1982
Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the
above-referenced cases.

Very truly yours,

William F. Carr

William F. Carr

WFC:jh
w/enc.

CERTIFIED MAIL
RETURN RECEIPT REQURE

PS Form 3811, Dec. 1980

● SENDER: Complete items 1, 2, 3, and 4. Add your address in the "RETURN TO" space on reverse.	
(CONSULT POSTMASTER FOR FEES)	
1. The following service is requested (check one). <input checked="" type="checkbox"/> Show to whom and date delivered <input type="checkbox"/> Show to whom, date, and address of delivery..	
2. <input type="checkbox"/> RESTRICTED DELIVERY (The restricted delivery fee is charged in addition to the return receipt fee.)	
TOTAL \$	
3. ARTICLE ADDRESSED TO: Petroleum Corp. of Texas P.O. Box 911 Breckenridge, Texas 76024	
4. TYPE OF SERVICE: <input type="checkbox"/> REGISTERED <input type="checkbox"/> INSURED <input checked="" type="checkbox"/> CERTIFIED <input type="checkbox"/> COD <input type="checkbox"/> EXPRESS MAIL	ARTICLE NUMBER P22 1117941
(Always obtain signature of addressee or agent)	
I have received the article described above. SIGNATURE <input type="checkbox"/> Addressee <input checked="" type="checkbox"/> Authorized agent <i>James S. [Signature]</i>	
5. DATE OF DELIVERY <i>4-9-82</i>	
6. ADDRESSEE'S ADDRESS (Only if requested)	
7. UNABLE TO DELIVER REASON:	7a. EMPLOYEE'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

BRACKENRIDGE
APR 9
1982

CAMPBELL, BYRD & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
HARL D. BYRD
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
WILLIAM G. WARDLE
KEMP W. GORTHEY

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2202
SANTA FE, NEW MEXICO 87501
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

April 6, 1982

Heritage Resources,
a general partnership
Post Office Box 777
Davis, Oklahoma 73030

Re: New Mexico Oil Conservation Division Case 7557

Gentlemen:

Enclosed is a copy of the docket for the April 14, 1982
Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the
above-referenced cases.

Very truly yours,

William F. Carr

William F. Carr

WFC:jh
w/enc.

CERTIFIED MAIL
RETURN RECEIPT REQUEST

● SENDER: Complete items 1, 2, 3, and 4. Add your address in the "RETURN TO" space on reverse.		TOTAL \$	
(CONSULT POSTMASTER FOR FEES)			
1. The following service is requested (check one). <input checked="" type="checkbox"/> Show to whom and date delivered \$ <input type="checkbox"/> Show to whom, date, and address of delivery .. \$			
2. <input type="checkbox"/> RESTRICTED DELIVERY (The restricted delivery fee is charged in addition to the return receipt fee.)			
3. ARTICLE ADDRESSED TO: Heritage Resources P.O. Box 777 Davis, Oklahoma 73030		ARTICLE NUMBER P 22 1117940	
4. TYPE OF SERVICE: <input type="checkbox"/> REGISTERED <input type="checkbox"/> INSURED <input checked="" type="checkbox"/> CERTIFIED <input type="checkbox"/> COO <input type="checkbox"/> EXPRESS MAIL			
(Always obtain signature of addressee or agent)			
I have received the article described above.		SIGNATURE <input type="checkbox"/> Addressee <input type="checkbox"/> Authorized agent	
5. DATE RECEIVED APR 9 1982		6. ADDRESSEE'S ADDRESS (Only if required)	
7. UNABLE TO DELIVER REASON:		7b. EMPLOYEE'S INITIALS	

CAMPBELL, BYRD & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
HARL D. BYRD
ERUCE D. BLACK
MICHAEL F. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
WILLIAM S. WARDLE
KEMP W. GORTNEY

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87501
TELEPHONE: (505) 966-4421
TELECOPIER: (505) 963-6043

April 6, 1982

Heritage Resources,
a general partnership
Post Office Box 777
Davis, Oklahoma 73030

Re: New Mexico Oil Conservation Division Case 7557
Gentlemen:

Enclosed is a copy of the docket for the April 14, 1982
Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the
above-referenced cases.

Very truly yours,

William F. Carr

William F. Carr

WFC:jh
w/enc.

CERTIFIED MAIL
RETURN RECEIPT REQUEST

PS Form 3811, Dec. 1980

SENDER: Complete items 1, 2, 3, and 4. Add your address in the "RETURN TO" space on reverse.	
(CONSULT POSTMASTER FOR FEES)	
1. The following service is requested (check one).	
<input checked="" type="checkbox"/> Show to whom and date delivered	1
<input type="checkbox"/> Show to whom, date, and address of delivery	2
2. <input type="checkbox"/> RESTRICTED DELIVERY (The restricted delivery fee is charged in addition to the return receipt fee.)	
TOTAL \$	
3. ARTICLE ADDRESSED TO: Heritage Resources P.O. Box 777 Davis, Oklahoma 73030	
4. TYPE OF SERVICE: <input type="checkbox"/> REGISTERED <input type="checkbox"/> INSURED <input checked="" type="checkbox"/> CERTIFIED <input type="checkbox"/> COG <input type="checkbox"/> EXPRESS MAIL	ARTICLE NUMBER P 22 1117940
(Always obtain signature of addressee or agent)	
I have received the article described above. SIGNATURE <input type="checkbox"/> Addressee <input type="checkbox"/> Authorized agent	
5. DATE OF DELIVERY APR 9 1982	POSTMARK APR 9 1982
6. ADDRESSEE'S ADDRESS (Only if requested)	
7. UNABLE TO DELIVER BECAUSE:	7a. EMPLOYEE'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

JACK M. CAMPBELL
HARL D. BYRD
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
WILLIAM G. WAROLE
KEMP W. GORTHEY

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87501
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

Sun Exploration and
Production Company
One Petroleum Center
Suite 204, Building 8
North Avenue A and Wadley
Midland, Texas 79701

Gentlemen:

Enclosed is a copy of the docket for the April 14, 1982 Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the above-referenced cases.

Very truly yours,

William L. Gay

William F. Carr

WFC:jh
w/enc.

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

P22 1117939

RECEIPT FOR CERTIFIED MAIL

**NO INSURANCE COVERAGE PROVIDED —
NOT FOR INTERNATIONAL MAIL**

(See Reverse)

SENITO
Juni Exploration Co. 204
STREET AND NO.
Petroleum Center, Bldg
505 MAIN ST. CODE
Wichita, Kan. 67202
Phone 274-7987

CONSULT POSTMASTER FOR FEES	
OPTIONAL SERVICES	RETURN RECEIPT SERVICE
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY	SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY
RESTRICTED DELIVERY	SPECIAL DELIVERY
CERTIFIED FEE	
TOTAL POSTAGE AND FEES	
POSTMARK OR DATE	

CAMPBELL, BYRD & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
MARL D. BYRD
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
WILLIAM G. WARDLE
KEMP W. GORTLEY

April 6, 1982

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87501
TELEPHONE: (505) 968-4421
TELECOPIER: (505) 963-6043

Sun Exploration and
Production Company
One Petroleum Center
Suite 204, Building 8
North Avenue A and Wadley
Midland, Texas 79701

Re: New Mexico Oil Conservation Division Case 7557
Gentlemen:

Enclosed is a copy of the Gocket for the April 14, 1982
Oil Conservation Division Examiner Hearing.

You may have an interest that will be affected by the
above-referenced cases.

Very truly yours,

William F. Carr

William F. Carr

WFC:jh
w/enc.

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

P22 1117939

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL
(See Reverse)

SENT TO
Sun Exploration & Production Co.
STREET AND NO. *Suite 204*
Petroleum Center, Bldg. 8
P.O. STATE AND ZIP CODE
North Ave. A. & Wadley
Midland, TX 79701

OPTIONAL SERVICES	CERTIFIED FEE	
	SPECIAL DELIVERY	RESTRICTED DELIVERY
RETURN RECEIPT SERVICE	SHOW TO WHOM AND DATE DELIVERED	
	SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY	
	SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	
	SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	

TOTAL POSTAGE AND FEES \$

POSTMARK OR DATE

Dockets No. 11-82 and 12-82 are tentatively set for April 28 and May 12, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 14, 1982

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE:** (1) Consideration of the allowable production of gas for May, 1982, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for May, 1982, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 7536: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit A. H. Bernstein and all other interested parties to appear and show cause why the Allan Well No. 1 located in Unit F, Section 23, Township 29 North, Range 13 West, San Juan County, should not be re-entered and plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7537: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit F. E. Umbarger, Trustee and all other interested parties to appear and show cause why the Davis Pooled Unit Well No. 1, located in Unit I, Section 27, Township 29 North, Range 11 West, San Juan County, should not be re-entered and plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7538: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Francis L. Harvey and all other interested parties to appear and show cause why the Pinkstaff Estate Well No. 1, located in Unit A, Section 29, Township 29 North, Range 10 West, San Juan County, should not be re-entered and plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7539: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit B.M.N.S. Company, American Employers Insurance and all other interested parties to appear and show cause why the following wells: Waggoner No. 1, Brown No. 2, Wyper No. 2, located in Units K, M, and O, respectively, of Section 29, Township 30 North, Range 12 West, San Juan County, should not be plugged and abandoned in accordance with Division-approved plugging programs.

CASE 7540: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Pauly-Anderson-Pritchard and all other interested parties to appear and show cause why the Maloy Well No. 1, located in Unit P, Section 16, Township 29 North, Range 11 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7541: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit E. J. Miley and all other interested parties to appear and show cause why the Hare (Ransom) Well No. 1, located in Unit N, Section 14, Township 29 North, Range 11 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 7542: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Benson-Montin-Greer Drilling Corporation, Hartford Accident and Indemnity Company, and all other interested parties to appear and show cause why the following wells: Dustin No. 1, located in Unit K, Section 6, and the Gallegos Canyon Unit No. 2, located in Unit K, Section 35, both in Township 29 North, Range 12 West, and the Segal No. 1, located in Unit K, Section 10, and the Price No. 1, located in Unit N, Section 15, both in Township 31 North, Range 13 West, San Juan County, should not be plugged and abandoned in accordance with Division-approved plugging programs.

CASE 7543: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Calvin Petroleum Corporation, United States Fidelity and Guaranty Co., and all other interested parties to appear and show cause why the Kaempf SWD Well No. 1, located in Unit N, Section 19, Township 30 North, Range 11 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

- CASE 7544:** Application of Dinero Operating Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 660 feet from the North and East lines of Section 20, Township 22 South, Range 28 East, Morrow formation, the N/2 of said Section 20, to be dedicated to the well.
- CASE 7545:** Application of Baker Engineering for a non-standard gas proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 259.16-acre non-standard gas proration unit for the Morrow formation comprising all of partial Section 32, Township 26 South, Range 30 East.
- CASE 7546:** Application of Sonny's Oil Field Services, Inc. for an oil treating plant permit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at its salt water disposal site in the NW/4 NE/4 of Section 29, Township 18 South, Range 38 East.
- CASE 7547:** Application of Anadarko Production Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox location 2550 feet from the North line and 1350 feet from the West line of Section 15, Township 22 South, Range 37 East, Penrose Skelly Pool, the SE/4 NW/4 of said Section 15 to be dedicated to the well.
- CASE 7517:** (Continued from March 31, 1982, Examiner Hearing)
- Application of Anadarko Production Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox location 1450 feet from the South line and 1400 feet from the West line of Section 15, Township 22 South, Range 37 East, Penrose Skelly Pool, the NE/4 SW/4 of said Section 15 to be dedicated to the well.
- CASE 7548:** Application of Tahoe Oil & Cattle Co. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the San Andres formation in the perforated interval from 4932 feet to 4992 feet in its Schwalbe Well No. 1, located in Unit P of Section 21, Township 9 South, Range 37 East, West Sawyer-San Andres Pool.
- CASE 7549:** Application of H. L. Brown for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox Pennsylvanian gas well location 609 feet from the South line and 1665 feet from the East line of Section 32, Township 15 South, Range 32 East, the S/2 of said Section 32 to be dedicated to the well, an existing well which is to be deepened.
- CASE 7550:** Application of Harvey E. Yates Company for the Rescission of Order No. R-6918, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the rescission of Order No. R-6918, which compulsorily pooled the Atoka-Morrow formation underlying the N/2 of Section 19, Township 8 South, Range 30 East, Chaves County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Applicant now seeks the rededication of the E/2 of said Section 19 to the aforesaid well without compulsory pooling.
- CASE 7551:** Application of Harvey E. Yates Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp through Mississippian formations underlying the E/2 of Section 21, Township 11 South, Range 31 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 7552:** Application of Merrion Oil & Gas Company for compulsory pooling, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through and including the Gallup formation underlying the S/2 SE/4 of Section 20, Township 23 North, Range 6 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 7553:** Application of Fred Pool Drilling Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface down through the Abo formation, underlying the SW/4 of Section 17, Township 6 South, Range 25 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7520: (Continued and Readvertised)

Application of Lewis B. Burleson, Inc. for compulsory pooling and a non-standard oil proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Jalmat Pool underlying a 30-acre non-standard oil proration unit comprising the N/2 of the Easternmost 60 acres of the NW/4 of Section 15, Township 24 South, Range 36 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7554: Application of Morris R. Antweil for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the top of the Drinkard formation underlying the NW/4 SW/4 of Section 5, Township 20 South, Range 38 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7555: Application of Morris R. Antweil for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the top of the Drinkard formation underlying the SW/4 NW/4 of Section 5, Township 20 South, Range 38 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7556: Application of MGF Oil Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface down through the San Andres formation underlying the NE/4 NW/4 of Section 5, Township 20 South, Range 39 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7557: Application of MGF Oil Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface down through the Seven Rivers formation underlying the SW/4 of Section 32, Township 19 South, Range 39 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7558: Application of MGF Oil Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface down through the Seven Rivers formation underlying the SE/4 of Section 31, Township 19 South, Range 39 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7515: (Continued from March 31, 1982 Examiner Hearing)

Application of Four Corners Gas Producers Association for designation of a tight formation, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Dakota formation underlying all or portions of Townships 26 and 27 North, Range 12 and 13 West, Township 28 North, Range 13 West, Township 29 North, Ranges 13 through 15 West, and Township 30 North, Ranges 14 and 15 West, containing 164,120 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271. 701-705.

CASE 7559: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, abolishing, and extending certain pools in Lea and Roosevelt Counties, New Mexico.

(a) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Mississippian production and designated as the Caudill-Mississippian Gas Pool. The discovery well is the Moran Exploration, Inc. Gann Well No. 1 located in Unit D of Section 9, Township 15 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 15 SOUTH, RANGE 36 EAST, NMPM
Section 9: NW/4

(b) CREATE a new pool in Roosevelt County, New Mexico, classified as an oil pool for Pennsylvanian production and designated as the North Dora-Pennsylvanian Pool. The discovery well is the Enserch Exploration, Inc. Collier Well No. 1 located in Unit I of Section 29, Township 4 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 4 SOUTH, RANGE 33 EAST, NMPM
Section 29: E/2

(c) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Johnson Ranch-Morrow Gas Pool. The discovery well is the Mesa Petroleum Company Jackson Unit Well No. 1 located in Unit G of Section 22, Township 24 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 33 EAST, NMPM
Section 22: E/2

(d) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Delaware production and designated as the East Triste Draw-Delaware Pool. The discovery well is the Getty Oil Company Getty 28 State Well No. 1 located in Unit J of Section 28, Township 24 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 33 EAST, NMPM
Section 28: SE/4

(e) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Triste Draw-Morrow Gas Pool. The discovery well is the Amoco Production Company State IG Com Well No. 1 located in Unit B of Section 32, Township 23 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 32 EAST, NMPM
Section 32: N/2

(f) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Vaca Draw-Wolfcamp Gas Pool. The discovery well is the HNG Oil Company Bell Lake 11 Federal Well #1 located in Unit B of Section 11, Township 25 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 33 EAST, NMPM
Section 11: N/2

(g) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the West Vacuum-Bone Spring Pool. The discovery well is the Amoco Production Company State HS Com Well No. 1 located in Unit K of Section 9, Township 18 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Section 9: SW/4

(h) CREATE a new pool in Roosevelt County, New Mexico, classified as a gas pool for Granite Wash production and designated as the South Tannehill-Granite Wash Gas Pool. The discovery well is the Threshold Development Company Harris 14 Well No. 1 located in Unit B of Section 14, Township 6 South, Range 33 East, NMPM, currently classified as producing from the Pennsylvanian formation and in the Tannehill-Pennsylvanian Gas Pool. The well has been re-evaluated and the producing interval is more correctly defined as Granite Wash. Said pool would comprise:

TOWNSHIP 6 SOUTH, RANGE 33 EAST, NMPM
Section 14: N/2

- (i) ABOLISH the Tanneyhill-Pennsylvanian Gas Pool in Roosevelt County, New Mexico, as heretofore classified, defined, and described as:

TOWNSHIP 6 SOUTH, RANGE 33 EAST, NMPM
Section 14: All

- (j) EXTEND the Baum-Upper Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 33 EAST, NMPM
Section 7: SE/4

- (k) EXTEND the Bilbrey-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM
Section 4: N/2
Section 5: NE/4

- (l) EXTEND the Blinbry Oil and Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 33: NW/4

- (m) EXTEND the Bootleg Ridge-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 33 EAST, NMPM
Section 17: W/2

- (n) EXTEND the Buffalo-Pennsylvanian Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
Section 9: N/2

- (o) EXTEND the North Peterson-Pennsylvanian Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 4 SOUTH, RANGE 33 EAST, NMPM
Section 16: SE/4
Section 20: NE/4

- (p) EXTEND the South Peterson-Pennsylvanian Associated Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 6 SOUTH, RANGE 33 EAST, NMPM
Section 14: All

- (q) EXTEND the Sowell-Morrow Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 32 EAST, NMPM
Section 11: NW/4

- (r) EXTEND the Wantz-Abo Pool in Lea County, New Mexico, to include therein:

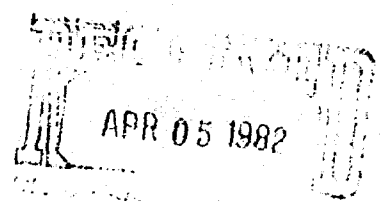
TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 9: NE/4

CAMPBELL, BYRD & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
HARL D. BYRD
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
WILLIAM G. WARDLE
KEMP W. CORTHEY

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87501
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

April 5, 1982



Mr. Joe D. Ramey
Division Director
Oil Conservation Division
New Mexico Department of Energy
& Minerals
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Application of MGF Oil Corporation for Compulsory
Pooling, Lea County, New Mexico

Dear Mr. Ramey:

Enclosed in triplicate is the application of MGF Oil Corporation
in the above-referenced matter.

The applicant requests that this matter be included on the
docket for the examiner hearing scheduled to be held on April
14, 1982.

Very truly yours,

William F. Carr

WFC:jh
w/enc.
cc: Mr. W.M. "Hoot" Gibson

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

APR 05 1982

IN THE MATTER OF THE APPLICATION
OF MGF OIL CORPORATION FOR
COMPULSORY POOLING LEA COUNTY,
NEW MEXICO

CASE 7557

APPLICATION

Comes now, MGF OIL CORPORATION, by and through its undersigned attorneys and, as provided by Section 70-2-17, New Mexico Statutes Annotated, 1978 Compilation, hereby makes application for an order pooling all of the mineral interests from the surface through the Seven Rivers formation in and under the SW/4 of Section 32, Township 19 South, Range 39 East, N.M.P.M., Lea County, New Mexico, and in support thereof would show the Division:

1. Applicant is the owner of 100% of the working interest in and under the SW/4 of said Section 32, and applicant has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced pooled unit to the MGF-Sun Well No. 1 to be drilled at an orthodox location in said Section 32.
3. Applicant has been unable to obtain either voluntary agreement for pooling from the following royalty interest owners in the SW/4 of said Section 32:

Sun Exploration and Production Company	12.5% RI
Heritage Resources	10.0% RI
Petroleum Corporation of Texas	10.0% RI

4. Said pooling of interest and well completion will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

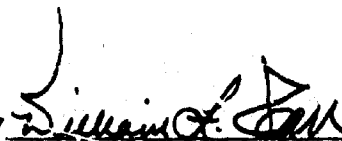
5. In order to permit the applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interest should be pooled, and applicant should be designated the operator of the well to be drilled.

WHEREFORE, applicant prays that this application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions designating the applicant as operator of the well, providing for applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling, and after completion, including overhead charges, and assessing a risk factor for the risk assumed by the applicant in drilling, completing and equipping the well, and making such other and further provisions as may be proper in the premises.

Respectfully submitted,

CAMPBELL, BYRD & BLACK, P.A.

By



William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87501
Attorneys for Applicant

Orders

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. 7557

Order No. R-6964
WJR 17

JGR
APPLICATION OF MGF OIL CORPORATION
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION
MS.

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 14, 1982,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this _____ day of April, 1982, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

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

(2) That the applicant, MGF Oil Corporation, seeks an order pooling all mineral interests from the surface down through the Seven Rivers formation underlying the SW/4 of Section 32, Township 19 South, Range 39 East, NMPM, Lea County, New Mexico.

(3) That the applicant has the right to drill and ~~proposes~~ *has drilled* to drill a well at a standard location thereon.

(4) That there are *royalty* interest owners in the proposed proration unit who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, 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 gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

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

(7) That 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) That 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 _____ percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That 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) That \$ _____ per month while drilling and \$ _____ per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that 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.

(7)(12) That 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.

(8) ~~437~~ That 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 July 1, 1982, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, from the surface down through the Seven Rivers formation underlying the SW/4 of Section 32, Township 19 South, Range 39 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 160 -acre gas spacing and proration unit to be dedicated to a well ~~to be~~ drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the _____ day of _____, 1982, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Seven Rivers formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the _____ day of _____, 1982, Order (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 Order (1) of this order should not be rescinded.

(2) That MGF Oil Corporation is hereby designated the operator of the subject well and unit.

(3) That 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) That 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 that 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) That 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; that 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, that 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) That 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) That 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, _____ 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) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$ _____ per month while drilling and \$ _____ per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that 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) That 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) That 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.

(3) ~~(12)~~ That 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; that 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.

(4) ~~(13)~~ That 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

JOE D. RAMEY,
Director

S E A L

Memo

From

FLORENE DAVIDSON
ADMINISTRATIVE SECRETARY

To Called in by Bill Carr
3/25/82

M&F Oil Corporation
Compulsory Pooling

SW14

Section 32, T19S, R39E
through
from surface, Seven Rivers

Lea County

Weld and ...
...
...

Wm. D. Brown
1890

DOCKET MAILED

Date 4/2/82

(Poolers
notified
by Cam)