



RECEIVED OCD

Aubrey Dunn
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

2017 AUG -9 P 1:02 PM
COMMISSIONER'S OFFICE
Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

R-2447

Vernon E. Faulconer, Inc.
ATTN: Ms. Susan M. Griffin
PO Box 7995
Tyler, TX 75711

August 1, 2017

RE: 2017 Plan of Development
Antelope Sink Unit
Eddy County, NM

Dear Ms. Griffin:

The New Mexico State Land Office has this date approved the referenced Plan of Development. Our approval is subject to like approval by all relevant agencies. We may contact you at a later date regarding the following:

- The possibility of drainage by wells outside the unit area, and
- A need for further development of the unit.

In addition, we have noted that production for this unit is currently from a single well and that this production has been declining over the past five years. This decline concerns us. You should be aware that under the terms of Section 17 (Effective Date and Term) of the Antelope Sink Unit Agreement:

This agreement ...shall terminate...unless...(b) a valuable discovery of unitized substances has been made on unitized land...in which case this agreement shall remain in effect so long as unitized substances can be produced from the unitized land in paying quantities, and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid.

Your 2018 Plan of Development should include

- (1) an economic evaluation with sufficient detail to show that the Antelope Sink Unit #001 (30-015-10041) is producing in paying quantities,
- (2) plans for continued operation (maintenance, reworking, etc.) of the single active well,
- (3) an evaluation of the possibility for additional resource production within the unit, and
- (4) a map that illustrates both current and planned unit infrastructure: well locations, tank batteries, gathering systems, and any other facilities that may impact the surface of New Mexico State Trust lands.

If you have questions or if we may be of assistance, please contact Units Manager Marilyn Gruebel at 505.827.5791.

Respectfully,

AUBREY DUNN
COMMISSIONER OF PUBLIC LANDS

AD/mg

cc: **OCD – Daniel Sanchez**
BLM – Chris Walls
Units and OGMD Reader Files